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December 9, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Zaire - Recent Economic Developments

This paper provides background information to the staff report on the 1983 Article IV consultation discussions with Zaïre and its request for a stand-by arrangement, which was circulated as EBS/83/257 on November 30, 1983.

This subject, together with Zaïre's request for a purchase under the compensatory financing facility (EBS/83/260, 12/1/83), will be brought to the agenda for discussion on Friday, December 16, 1983.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Calamitsis (ext. 76107) or Mr. Kapur (ext. (5)8732).

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INTERNATIONAL MONETARY FUND

ZAIRE

Recent Economic Developments

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Zaire - Basic Data

Area, population, and GDP per capita

Area	2,343,950 square kilometers
Population: Total (1982 estimate)	30.6 million
Growth rate	2.7 percent
GNP per capita (1982 estimate)	SDR 176

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u> Proj.
<u>GDP</u>				
Total (in millions of zaires)	17,207.3	23,602.9	32,058.0	54,400.0
Agriculture (percent of real GDP)	19.1	19.1	19.8	...
Manufacturing (percent of real GDP)	6.9	6.8	6.7	...
Mining (percent of real GDP)	22.5	23.6	22.5	...
Percent change in real GDP	2.4	2.4	-1.0	1.0
Gross investment as percent of GDP (at market prices)	19.9	19.8	17.6	21.7

Prices (percent change)

GDP deflator	51.2	34.0	37.2	68.0
Consumer prices	46.7	35.4	37.2	68.0

Budgetary operations

(In millions of zaires)

Revenue	3,738.6	4,858.8	6,259.1	11,063.0
GECAMINES	983.7	650.4	385.9	2,260.0
Other	2,754.9	4,208.4	5,873.2	8,803.0
Current expenditure	3,456.4	5,506.1	7,952.4	11,267.0
Capital expenditure	246.4	744.9	1,084.9	834.0
Budgetary surplus or deficit (-)	35.8	-1,392.2	-2,778.2	-1,038.0
External borrowing (net) as percent of budgetary deficit	-846.4	4.5	17.8	131.2
Domestic bank borrowing as percent of budgetary deficit	746.4	-104.5	-117.8	-231.2
Budgetary deficit as percent of GDP	0.2	-5.9	-8.7	-1.9

Zaire - Basic Data (continued)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u> Proj.	
<u>Money and credit</u>		<u>(Percent change)</u>			
Net domestic assets	45.1	54.4	77.3	51.9	
Government	13.0	62.4	86.5	34.0	
Private sector	15.4	32.3	46.9	65.9	
Money and quasi-money	61.5	37.9	72.6	50.5	
<u>Balance of payments</u>		<u>(In millions of SDRs)</u>			
Exports, f.o.b.	1,566	1,272	1,317	1,375	
Imports, f.o.b.	-1,131	-1,094	-1,022	-1,036	
Trade balance	435	178	295	339	
Net services and unrequited transfers	-551	-538	-635	-579	
Current account balance	-116	-360	-340	-240	
Capital account (net)	-80	-268	-257	-212	
Public capital	-17	-143	-142	-212	
Private capital and errors and omissions	-63	-125	-116	--	
SDR allocation	16	16	--	--	
Exceptional financing and reserve movements	180	612	597	452	
Debt rescheduling and other assistance	1,239	315	136	...	
Payments arrears (decrease -)	-1,035	110	345	...	
Net international reserves (increase -)	-24	187	116	...	
Current account deficit (-) as percent of GDP	-2.5	-7.9	-6.7	-5.4	
<u>Gross official foreign reserves</u> (end of period) <u>1/</u>		160.0	130.2	34.2	39.2 <u>2/</u>
<u>External public debt</u>					
Disbursed and outstanding (end of period)	3,320	3,723	3,705	...	
Actual debt service as percent of exports of goods and services <u>3/</u>	21.6	24.9	17.9	18.4	

1/ Excluding gold, most of which is pledged.

2/ End-September 1983.

3/ Including IMF charges and repurchases and reduction of commercial arrears through cash payments.

Zaire - Basic Data (concluded)

Relations with the Fund

Date of membership	September 28, 1963
Status	Article XIV
Present quota	SDR 228 million
Proposed quota	SDR 291 million
Exchange system	The zaire was pegged to the SDR until September 9, 1983, when the rate was Z 1 = SDR 0.15750. Effective September 12, 1983 a floating exchange rate regime was introduced, and the first weekly official rate was set at the equivalent of Z 1 = SDR 0.03542.
Fund holdings of Zaire's currency (October 31, 1983)	SDR 607.0 million (266.2 percent of quota), of which SDR 106.9 million (46.9 percent) related to purchases under the compensatory financing facility.
SDR holdings (October 31, 1983)	SDR 9,034, equivalent to 0.01 percent of the net cumulative allocation of SDR 86.3 million.
Distribution of profits from gold sales	US\$18.0 million
Gold distribution	96,709 troy ounces of fine gold
Trust Fund loans outstanding	SDR 106.7 million
Technical assistance	Four CBD experts, including a Principal Manager, are currently serving in the Bank of Zaire. A joint Fund-World Bank technical assistance mission in the fiscal field visited Zaire in August-September 1981, and its reports were presented to the authorities in April-May 1982.



I. Introduction

Zaire is one of the largest countries in Africa, in both area and population, and is richly endowed with natural resources, including substantial mineral reserves and a sizable agricultural and hydroelectric potential. Following a long period of inappropriate policies and measures, Zaire has faced serious economic and financial difficulties almost continuously since 1975, when its terms of trade deteriorated markedly. In particular, real gross domestic product (GDP) has generally stagnated, the rate of inflation has been very high, the balance of payments has been under great pressure, and the servicing of the external public debt has been a major problem.

In 1980 economic and financial performance showed some improvement, as the Zairian authorities implemented a stabilization program initiated in mid-1979 with Fund support. However, this progress was short-lived, as subsequent efforts under a program of adjustment for 1981-83 proved inadequate, especially in light of a sharp drop in world market prices for copper, the country's leading export. In 1981 and 1982 domestic demand grew at a relatively rapid pace, owing mainly to expansionary fiscal policies. Thus, as the economy lost momentum, the rate of inflation picked up again, pressures on the balance of payments intensified, and there was a large accumulation of arrears on external debt service obligations.

Faced with this situation, in late 1982 and early 1983 the authorities took a number of corrective measures, notably in the area of the budget. More recently, they adopted a comprehensive adjustment program for 1983-84 designed to make substantial progress toward the attainment of a viable balance of payments position over the medium term, while laying the basis for a revival of the economy and the containment of inflationary pressures. In this context, effective September 12, 1983, they initiated a far-reaching exchange rate reform, 1/ dismantled a number of exchange and trade restrictions, liberalized the interest rate structure, and put in place a complementary set of fiscal, monetary, and wage policies.

1/ As an integral part of the reform, effective September 12, 1983 the official exchange rate of the zaire was changed from Z 1 = SDR 0.15750 to Z 1 = SDR 0.03542, representing a devaluation of 77.5 percent against the SDR. Concurrently, the authorities adopted a floating exchange rate regime, abandoning the fixed parity of the zaire vis-à-vis the SDR, and they introduced a temporary dual exchange rate arrangement. In the week beginning November 28, 1983 the official rate of the zaire in terms of the U.S. dollar was Z 29.3903 = US\$1, while the free rate was Z 30.8398 = US\$1.

II. Production and Expenditure

1. Production

After increasing by 2.4 percent in both 1980 and 1981, Zaire's real GDP is provisionally estimated to have declined by 1 percent in 1982 (Table 1). The mining sector, which accounted for an average of 23 percent of total output, played a determining role in these movements; thus, in 1981 the increase in value added of the mining sector represented some two thirds of the rise in overall GDP, while in 1982 the drop in value added of that sector exceeded the total decline. In services other than commerce, which accounted for 27 percent of real GDP, value added stagnated in 1982, following a slight decline in 1981. As shown in Table 1, where subsistence agriculture and subsistence construction are treated as separate sectors, in 1981 value added increased in seven of the ten sectors of the economy and declined in three; by contrast, it is estimated that in 1982 value added fell in four sectors of the economy, increased in four other sectors, and was unchanged in the remaining two sectors. The evolution of nominal GDP, by sector, in the period 1976-81 is presented in Appendix Table I.

In 1982 real GDP was about 1 percent lower than its 1976 level, while the population was 17 percent greater. The factors constraining economic growth in Zaire remained, as for most years since 1976, limited foreign exchange for imports, administrative bottlenecks, transportation difficulties, and insufficient confidence among potential local and foreign investors. These factors in turn resulted in severe shortages of spare parts, fuel, and essential raw materials for production and for the rehabilitation of rundown equipment, and an extremely low level of capacity utilization, as well as a low level of fixed capital formation relative to GDP.

In 1983 real GDP is projected to register an increase of the order of 1 percent. In view of the moderate upturn in export prices since the beginning of the year, an improvement of the foreign exchange situation for imports seems likely; furthermore, the substantial policy measures taken by the authorities should contribute to a revival of confidence in the economy. As a result, most sectors are expected to show positive growth rates in 1983.

a. Agriculture and agro-industry

Agricultural development has been retarded by the deterioration of the transportation network, the dislocations caused by the Zairianization measures of 1973-74 (though these measures were largely rescinded later on), inadequate credit for small-scale producers and foreign exchange for essential imports, and insufficient storage and other marketing facilities, as well as the uncertainties created by the Government's pricing policies. Recently, however, measures have been initiated to promote

Table 1. Zaire: Gross Domestic Product by Industrial
Origin at 1970 Prices, 1976-82

(In millions of zaires)

	1976	1977	1978	1979	1980	1981	1982 <u>1/</u>
Agriculture (commercialized)	90.4	81.7	79.2	81.7	84.1	86.3	88.0
Mining <u>2/</u>	226.7	239.8	218.0	206.3	220.4	236.2	223.1
Manufacturing	84.8	83.0	72.5	68.2	67.5	68.0	66.2
Construction	32.5	27.1	27.7	25.0	25.0	25.1	25.0
Electricity and water	11.0	11.2	11.4	11.0	11.6	11.3	11.3
Transportation and telecommunications	71.1	67.0	65.7	59.2	63.0	67.0	65.3
Commerce	113.7	114.0	95.8	95.9	103.8	103.6	105.0
Other services <u>3/</u>	242.5	259.0	255.2	280.7	269.5	267.5	268.0
Import duties	18.4	15.9	16.3	15.1	18.6	19.0	19.0
Commercialized GDP	891.1	898.7	841.8	843.2	863.5	884.0	870.9
Agriculture (subsistence)	91.5	94.2	97.0	99.9	102.6	105.4	108.6
Construction (subsistence)	16.2	13.5	13.8	12.0	12.4	12.5	12.5
Total GDP	998.8	1,006.4	952.6	955.1	978.5	1,001.9	992.0

Source: Data provided by the Zairian authorities.

1/ Provisional.

2/ Including processing of minerals.

3/ Including banking and government services.

agricultural recovery. These measures were set forth in a government document, entitled "New Agricultural Strategy," which was presented to a meeting of the Consultative Group for Zaire in June 1981; an updated version of this document, entitled "Agricultural Action Plan," was discussed at a special meeting of the Consultative Group on agriculture held in June 1982. This plan has been designed to stimulate a revival of agricultural production by removing bottlenecks, implementing appropriate institutional reforms, and providing incentives to small farmers. In addition, the action plan contains a sectoral investment program for 1982-84, and attempts to address the issues of project planning and development, institutional monitoring, and long-term agricultural policies. The updated public investment program for 1983-85, which will be submitted to the Consultative Group in December this year, places increased emphasis on agriculture, and concentrates on the completion of ongoing projects for which external financing is secured.

As part of the action plan, efforts are being made to strengthen the Ministry of Agriculture, Rural Development, and the Environment, with technical assistance from the World Bank. The authorities are also attempting to improve interministerial coordination on agricultural issues. By January 1983 virtually all food and export crop prices had been decontrolled. Furthermore, following a review of interest rates, in September 1983 the interest rates on noncoffee agricultural credit were unified at 15 percent, a level well below that of other lending rates (which were freed), in order to maintain the policy of encouraging this sector.

In the commercialized agricultural sector, value added expanded by 2 percent in 1982, after increasing by some 3 percent in 1981. In the case of subsistence agriculture, value added rose by about 3 percent in both 1981 and 1982, maintaining the trend of the previous two years.

The production of palm fruit and its agro-industrial counterparts, palm oil, palm kernel oil, and palm husks, which had either stagnated or declined during 1979 and 1980, increased in 1981 and then fell again in 1982. In the case of palm oil, output rose by 5 percent in 1981 but fell by 6 percent in 1982 to 92,300 tons (Appendix Table II). The palm oil industry requires substantial new investments, and since 1977 the authorities have been implementing with external assistance a program designed to plant 100,000 hectares of industrial palm.

After increasing by 18 percent in 1980, coffee production dropped by 10 percent in 1981; it then recovered somewhat in 1982, registering an increase of 6 percent to an estimated 77,400 tons (Appendix Table II). The current crop has been seriously affected by drought conditions in the major producing regions of Haut Zaire and Equateur. As a consequence, total output in 1983 could be as low as 45,000 tons (a drop of 42 percent). Zaire's coffee production, mostly of robusta, is understated because of smuggling to neighboring countries. Smuggling has been sub-

stantial in some years, as coffee traders have sought to purchase in exchange consumption goods that are not available in sufficient quantities domestically or to obtain convertible currencies. To improve the marketing of coffee and discourage smuggling, in 1979 the Zairian authorities abolished the Office National du Café (ONC) and replaced it with the Office Zairois du Café (OZACAF), with strengthened authority, more rigorous standards for buying agents, and reinforced rules and regulations governing the coffee trade.

Zaire's coffee export quota, fixed by the International Coffee Organization (ICO), was 66,900 tons in 1981/82 (October-September); with the softening of world market prices, the quota for 1982/83 was reduced to 66,100 tons, even though the previous year's quota was fully used and domestic coffee stocks have been increasing. As of October 1982, coffee stocks amounted to some 54,000 tons, but these are expected to be run down substantially due to the anticipated shortfall in 1983 production. In the meantime, OZACAF distributes export stamps for coffee sold under the ICO quota on a priority basis to those producers who have large accumulated stocks from past seasons. OZACAF has been attempting to sell surplus coffee to non-ICO countries, mainly in the Middle East, though at a substantial discount. A major problem caused by the exceptionally high level of coffee stocks since 1979 has been the tying up of significant amounts of bank credit to finance these stocks.

After several years of persistent declines, the production of cotton (fiber) rose by 20 percent in 1979 and 62 percent in 1980; there was a further increase of 9 percent in 1981, followed by practically no change in 1982. However, the 1982 output of 10,500 tons was still about 8 percent below the level attained in 1976. The decline in cotton production that occurred in the period 1975-78 was, to an extent, due to difficulties in bringing cotton to the factory centers because of poorly maintained roads and insufficient vehicles; it was also due to the deteriorated state of the cotton gins, ineffective extension services, and inadequate price incentives for farmers. To alleviate the situation, in 1978 the authorities eliminated the Office National des Fibres Textiles (ONAFITEX); its functions were given to regional cotton companies under the supervision of the Caisse de Stabilisation Cotonnière. The textile industry, composed of ten foreign-owned enterprises, has operated well below capacity in recent years. This has been due largely to a shortage of raw cotton until 1979 and, since then, to a deterioration of machinery and equipment, as well as to high levels of textile imports. Some improvement was evident, however, during late 1982 and early 1983, as imports slowed, the availability of raw cotton was high because of accumulated stocks, and the textile industry started exploring export markets for certain types of cloth.

The production of logs, which had declined by 7 percent in 1980, rose by 1.5 percent in 1981 and by an additional 14 percent in 1982, reaching a record 375,000 cubic meters. In the case of sawn timber,

output declined by 10 percent in 1981 but rose by 20 percent in 1982. Substantial improvements have occurred in timber production since the coming into operation in 1977 of a new firm with modern, up-to-date facilities. The older timber companies are also making efforts to rehabilitate their plants and equipment.

Despite some recent growth, the production of foodstuffs is still much lower than the country's sizable potential. Although data on foodstuff production are incomplete, the available information indicates that output of maize, manioc, and rice (the most important staples), which had either stagnated or declined in the second half of the 1970s, has since increased steadily (Appendix Table II). The production of commercialized maize, which in 1979 was at the same level as in 1976, rose by 3 percent in 1980 and by an estimated 8 percent in both 1981 and 1982. Similarly, manioc output, which in 1979 was 1 percent lower than its 1976 level, increased by 3 percent per annum over the period 1980-82. Output of rice also showed similar movements during 1980-82. Foodstuff production has had problems at the farm level and in marketing. At the farm level, there have been severe shortages of fertilizers and pesticides, while a great need persists for effective extension services; the marketing problems have ensued not only from the poor state of the transportation system but also because marketing structures are underdeveloped. As a consequence of the inadequate production levels of the basic food crops, Zaire has become increasingly dependent upon imported maize and wheat flour, which in turn has put pressure on available foreign exchange resources.

b. Mining

The index of mineral production rose by 13 percent in 1980 and 6 percent in 1981 but fell in 1982 to its 1980 level (Appendix Table III). Copper production increased by 10 percent in 1981 and then dropped slightly to 502,700 tons in 1982. Output of cobalt declined by 13 percent in 1981 and 33 percent in 1982 to 8,400 tons, while zinc production, which had stagnated in 1981, rose by 21 percent to 147,200 tons in 1982. In 1983 the production of copper is expected to decline further by about 3 percent, whereas that of cobalt is likely to increase by 19 percent.

The production of the above three minerals is carried out mostly by the Générale des Carrières et des Mines du Zaire (GECAMINES), by far the most important state-owned company. GECAMINES accounts for over 90 percent of the total copper production and the entire cobalt and zinc output (Appendix Table IV); another company, the Société de Développement Industriel et Minier du Zaire (SODIMIZA), which was jointly owned by the Government (30 percent) and Japanese interests (70 percent) until June 1983, accounts for the rest of the copper output. ^{1/} In recent years GECAMINES has been facing a number of problems that have constrained its production; these have included organizational

^{1/} The Japanese companies sold all their shares to the Government of Zaire in June 1983.

problems, technical difficulties, and delays in the implementation of its rehabilitation and investment program. Until January 1983 both GECAMINES and the state-owned mineral marketing company, the Société Zairoise de Commercialisation des Produits Miniers (SOZACOM), were under the direct supervision of the Presidency; since the beginning of this year GECAMINES and SOZACOM have been given considerable autonomy, and their operations now come under the authority of the Ministry of Finance and the Budget and of the Ministry of National Economy, Industry, and Foreign Trade, respectively. The mining sector in general, and GECAMINES in particular, have been adversely affected by the depressed world market prices for the major minerals, inappropriate fiscal policies, serious transportation and other bottlenecks, and an inability to finance needed investments. Furthermore, until recently, GECAMINES was involved in a number of costly activities unrelated to mining, including agro-industries, hostelry, and hospital management.

To help ease GECAMINES' financial situation, in September 1981 the Government suspended levying all export taxes until a thorough review of the tax regime applicable to the company could be made. The new tax regime, which was prepared by a joint IMF/World Bank technical assistance mission, came into effect on September 12, 1983, together with the exchange rate reform. Moreover, the Government has agreed to provide GECAMINES with the foreign exchange necessary for its operations and to repay the company for uncompensated past sales. The Government has also decided to divest GECAMINES progressively of its nonmining activities. Finally, in order to bring about greater efficiency and transparency in the marketing of GECAMINES' products, in August 1982 a new marketing and financial agreement was concluded between GECAMINES and SOZACOM, giving the former significantly more control over the sales of its output. In an ongoing effort to assist GECAMINES, in March 1983 the World Bank extended a credit of US\$7 million to provide technical assistance to the company in support of organizational improvements and preparation of its rehabilitation and expansion program.

Industrial diamond output, which increased by 17 percent in 1980, fell by 34 percent in 1981 and further by 10 percent to 6.1 million carats in 1982. A basic factor behind the decline in diamond output in recent years has been the deterioration in the quality of the ore being mined and the depletion of the richest reserves. In addition, the major producer, the Société Minière de Bakwanga (MIBA), has been facing serious problems, due mainly to obsolete equipment, inadequate maintenance, and work stoppages because of fuel and electricity shortages. By contrast, the production and sales of artisanal diamonds have increased sharply, particularly in the first half of 1983, owing to the liberalization of the artisanal diamond trade, the establishment of marketing agencies, and the relatively favorable exchange rate offered for the sale of such diamonds.

Crude oil production, which is carried out by a consortium led by Zaire Gulf Oil and Zaire Pétrole (ZAIREP), has expanded since 1975, despite technical problems that have sometimes disrupted operations. Production of crude oil increased by 15 percent in 1979 but fell by 11 percent to 6.8 million barrels in 1980 due to technical difficulties; it then rose by 14 percent in 1981 and by a further 9 percent in 1982 to reach 8.4 million barrels. Based on actual output in the first four months of 1983, when an accident (in March) affected output at one well, production for the year as a whole is expected to be around 8.1 million barrels. During 1984-85 output is projected to stay at around 8.1 million barrels per year; while there are some prospects for further discoveries and a drilling program is under way, major new finds seem unlikely.

c. Manufacturing

During the early 1970s manufacturing output grew at an annual average rate of 7 percent. However, value added began to decline thereafter, and by 1982 the index of manufacturing production was 11 percent below its 1970 level. The index increased temporarily by 2 percent in 1981 and then fell by 2 percent in 1982; the consumption goods component rose by 1 percent in 1981 and declined by 3 percent in 1982, while that of equipment goods increased by 6 percent in 1981 but fell by 2 percent in 1982 (Appendix Table V). In 1982 textiles and related industries, as well as chemicals, suffered a further decline in value added, while certain other sectors, such as food processing, plastics, mechanical goods, transportation equipment, and nonferrous metals, stagnated. The decline in value added since 1975 is a reflection of extremely low capacity utilization rates (30-40 percent) in certain cases and deteriorated equipment in others; these factors have been due mainly to shortages of spare parts, fuel, and raw materials, as the required foreign exchange has been lacking. As a result of the domestic price liberalization measures introduced since June 1981, as well as of the recent exchange rate reform and the liberalization of the exchange and trade system, there has been an improvement in the production and investment climate.

d. Other sectors

In recent years the other productive sectors of the economy have also shown the symptoms of a long-standing foreign exchange shortage, with the attendant lack of raw materials, fuel, and spare parts. Thus, in real terms, the value added in construction and in electricity and water stagnated from 1979 through 1982. After a 10 percent decline in 1979, transportation and telecommunications registered increases of 6 percent in each of the following two years; in 1982, however, there was a decline of over 2 percent.

As to the service sectors, the value added in commerce rose by more than 8 percent in 1980 but stagnated thereafter. The value added in other services, including banking and government services, fell by 4 percent in 1980 and 1 percent in 1981 and then leveled off in 1982.

2. Expenditure

Gross domestic expenditure at current prices increased by 51 percent in 1980, 53 percent in 1981, and an estimated 31 percent in 1982 (Table 2), but these increases reflected mainly price movements; real domestic expenditure rose by 32 percent in 1980 and apparently declined by 11 percent in 1981 (Appendix Table VI).

As a proportion of nominal GDP, consumption rose from 76 percent in 1980 to 88 percent in 1981 and then fell slightly to 87 percent in 1982; government consumption relative to GDP increased steadily, from 16 percent in 1980 to 18 percent in 1981 and 19 percent in 1982. In real terms, the level of total consumption in 1980 and 1981 was 16 percent and 11 percent, respectively, below that of 1976; private real consumption in 1981 was 29 percent below its 1976 level, indicating a major deterioration of living standards.

Gross fixed investment as a proportion of nominal GDP, which had risen to about 20 percent in 1980 and 1981, fell to 17 percent in 1982, continuing the trend recorded in earlier years. In view of the country's economic and financial difficulties since the mid-1970s, foreign capital inflows have declined markedly, while the lack of foreign exchange for imported components has constituted an obstacle to local investors.

As a result of these trends, the external deficit on goods and non-factor services relative to nominal GDP rose from 1 percent in 1980 to almost 13 percent in 1981, and it was of the order of 9 percent in 1982.

III. Prices, Wages, and Employment

1. Prices

The consumer price level in Zaire, as in other countries with similar structures, is influenced significantly by the rate of growth of domestic credit or of net domestic assets of the banking system relative to real output growth, by the movements in prices of imported goods, and by developments in the official and parallel market exchange rates. In Zaire the quarterly average level of net domestic assets rose by 62 percent in 1981, 70 percent in 1982, and 33 percent in the first half of 1983, while real GDP increased by 2.4 percent in 1981, declined by 1 percent in 1982, and is projected to grow by 1 percent in 1983. Import prices (expressed in U.S. dollars) rose by 2.2 percent in 1981, were virtually unchanged during 1982, and are expected to rise by about 3 per-

Table 2. Zaire: Gross Domestic Product and Expenditure
at Current Prices, 1976-82

(In millions of zaires)

	1976	1977	1978	1979	1980	1981 <u>1/</u>	1982 <u>2/</u>
GDP	2,860.2	3,956.2	5,480.5	11,105.0	17,207.3	23,602.9	32,058.0
Gross domestic expenditure	3,386.1	5,137.3	5,712.6	11,487.7	17,382.5	26,647.3	35,005.0
Consumption	2,644.5	3,650.8	4,705.6	9,308.8	13,104.8	20,680.0	27,949.0
Private	(2,089.2)	(2,878.6)	(3,812.2)	(7,451.8)	(10,349.0)	(16,489.9)	(21,741.0)
Government	(555.3)	(772.2)	(893.4)	(1,857.0)	(2,755.8)	(4,190.1)	(6,208.0)
Gross fixed investment	655.8	1,371.6	950.2	1,525.8	3,435.3	4,674.9	5,453.0
Enterprises	(452.1)	(1,150.9)	(735.7)	(1,085.8)	(2,649.4)	(3,432.2)	(3,603.0)
Government	(203.7)	(220.7)	(214.5)	(440.0)	(785.9)	(1,242.7)	(1,850.0)
Change in stocks	85.8	114.9	56.8	653.1	842.4	1,292.4	1,603.0
Balance on goods and nonfactor services	-525.9	-1,181.1	-232.1	-382.7	-175.2	-3,044.4	-2,947.0
Exports	(926.6)	(1,116.8)	(1,216.3)	(2,742.1)	(6,102.4)	(4,237.9)	(6,681.0)
Imports	(-1,452.5)	(-2,297.9)	(-1,448.4)	(-3,124.8)	(-6,277.6)	(-7,282.3)	(-9,628.0)

Sources: Data provided by the Zairian authorities; and staff estimates.

1/ Provisional.

2/ Estimates.

cent in 1983. At the same time, the average official exchange rate of the zaire vis-à-vis the U.S. dollar declined by 36 percent in 1981, 24 percent in 1982, and 2 percent in the first half of 1983; the parallel market exchange rates of the zaire fell more sharply over the period. As a result of all of these factors, the consumer price index (CPI) for Kinshasa, which is used as the principal indicator of the rate of inflation, rose on average by 35 percent in 1981, 37 percent in 1982, and 42 percent in the first half of 1983 (Table 3).

The proportion of imported goods and services in the CPI is about 14 percent, a large part of which has until recently been obtained at the parallel market exchange rates. About 68 percent of the goods and services in the CPI have no direct import content, and the remaining 18 percent are "mixed" commodities with some direct import component. As the composition of the CPI reflects the consumption pattern of an average household in Kinshasa, it is likely that the inflation rate for the country as a whole is lower than that derived from the CPI.

In 1981 and 1982 the prices of foodstuffs, with a weight of 61 percent in the CPI, increased by 39 percent and 36 percent, respectively. Housing costs, which account for 17 percent of the index, rose by 21 percent in 1981 and 48 percent in 1982. As a consequence of the large devaluation of the zaire in September 1983, the inflation rate, as measured by the average level of the CPI, is expected to rise to around 68 percent in 1983; the impact of the devaluation is likely to be mitigated by the fact that most prices in the economy had already been linked to the parallel market exchange rates.

Minimum producer prices were increased substantially during 1979 and 1980 (Table 4). Through May 1981, price controls were in effect at all levels, from producer to retailer. Effective June 1, 1981, however, the domestic pricing system was liberalized considerably, as price controls on a wide range of goods and services were lifted. Price controls were retained only on those goods and services which the authorities considered to be of strategic importance, namely, palm oil, wheat flour, sugar, petroleum products, pharmaceuticals, construction materials other than wood, water, electricity, and domestic public transport. For manufactured goods, a system of ex post controls was to be applied only where needed to discourage undue markups. In June 1982 producer prices of all food products were liberalized, and controls were lifted on pharmaceuticals. Subsequently, there was a liberalization of prices of palm oil in December 1982, natural rubber in January 1983, and sugar also in January 1983. An ordonnance-loi was passed in September 1983 giving full legal force to the lifting of price controls, on a number of products, which had been effected by decree. At present, therefore, price controls apply only to petroleum products, public utilities, domestic public transport, and a few other items. Even in these cases, controls are administered flexibly and involve no overall subsidies.

Table 3. Zaire: Consumer Price Index for Kinshasa, 1978-83 1/
(1975 = 100; period averages)

	General index (100 per- cent)	Food (60.6 per- cent)	Housing (17.1 per- cent)	Clothing (9.5 per- cent)	Miscellaneous (12.8 per- cent)
1978					
March	379.0	542.9	253.3	305.6	256.6
June	413.2	490.1	270.9	364.7	270.8
September	489.9	574.6	321.0	423.3	339.4
December	656.4	821.9	376.8	476.7	313.7
Annual average	453.4	550.2	289.2	371.7	296.9
1979					
March	823.9	970.1	604.3	642.6	562.2
June	970.9	1,177.3	642.8	698.4	634.4
September	1,025.8	1,125.7	912.4	664.9	903.4
December	1,126.5	1,220.7	920.9	1,073.3	995.1
Annual average	912.7	1,082.9	731.8	769.5	707.4
1980					
March	1,206.0	1,176.2	1,502.7	974.4	1,122.2
June	1,371.2	1,368.6	1,575.3	1,099.1	1,312.8
September	1,417.6	1,330.7	1,713.2	1,477.7	1,389.3
December	1,425.8	1,358.0	1,569.7	1,650.3	1,387.5
Annual average	1,339.0	1,313.3	1,544.7	1,271.5	1,268.2
1981					
March	1,551.0	1,508.5	1,700.0	1,725.3	1,423.7
June	1,725.6	1,763.4	1,764.9	1,766.8	1,463.8
September	1,952.0	1,908.9	2,072.3	2,100.4	1,885.5
December	2,181.5	2,258.4	2,095.0	2,069.4	2,016.4
Annual average	1,813.1	1,828.2	1,861.5	1,843.8	1,646.9
1982					
March	2,231.6	2,277.0	2,238.6	2,134.0	2,079.8
June	2,374.6	2,370.2	2,684.9	2,175.1	2,128.8
September	2,657.9	2,623.6	3,137.9	2,498.6	2,297.2
December	3,075.2	3,117.2	3,419.5	2,649.3	2,729.5
Annual average	2,487.9	2,494.9	2,760.9	2,298.1	2,230.1
1983					
March	3,311.1	3,352.2	3,487.5	2,980.1	3,130.0
June	3,737.7	...	...	...	...

Source: Data provided by the Zairian authorities.

1/ Estimates of the National Institute of Statistics (INS), based on 169 articles.

Table 4. Zaire: Minimum Producer Prices, 1978-82 ^{1/}

(In makuta per kilogram; end of period) ^{2/}

	1978	1979	1980	1981	1982 ^{3/}
Coffee					
Robusta	14	80	150	150	200-350
Arabica	32	100	200	200	650
Cotton					
First quality	45	90	90	115-180	210
Second quality	35	60	60	90-135	140
Maize	22	35	50	60-70	95-140
Manioc	22	35	50	60-70	60-100
Palm fruit	5	5	10	10	15-30
Rice, paddy (Uvira zone)	...	200	200	280	280-300
Rice, paddy (Other zones)	16	50	70	85	85-100

Source: Data provided by the Zairian authorities.

^{1/} Minimum producer prices were fixed through May 1981. After June 1, 1981, they were progressively eliminated.

^{2/} 100 makuta = one zaire.

^{3/} These are the reported actual prices on the markets.

Regarding petroleum prices, the Government's policy has been to adjust them periodically to reflect developments in world oil prices and in the exchange rate, as well as to encourage domestic conservation. The structure of retail petroleum prices incorporates a compensation system under which certain products that are used by high-income groups (e.g., premium gasoline) are taxed in such a way that other products consumed by low-income groups (e.g., kerosene) or heavily utilized in the national transportation network (e.g., diesel fuel) can be subsidized; however, the taxes and subsidies are completely offsetting, and there is no subsidy to petroleum products from the government

budget. In December 1982 retail prices of all petroleum products were raised substantially, with the price per liter of premium gasoline increasing from Z 5.50 to Z 12.50, diesel fuel from Z 2.80 to Z 3.10, and kerosene from Z 2.50 to Z 3.00 (Table 5). In the case of premium gasoline the amount of tax was equivalent to 56 percent of the final price, while in the case of diesel fuel and kerosene the implicit subsidy was 41 percent and 46 percent, respectively, of the final price.

Table 5. Zaire: Retail Prices of Petroleum Products, 1978-83

(In zaires per liter; end of period)

	1978	1979		1980		1981	1982	1983	
		Jan.	Sept.	Mar.	Oct.	July	Dec.	Sept.	Nov.
Gasoline (premium)	0.51	1.37	2.50	4.00	4.00	5.50	12.50	35.00	35.00
Kerosene	0.14	0.20	0.70	1.20	1.40	2.50	3.00	15.00	10.00
Diesel fuel	0.17	0.24	0.71	1.00	1.15	2.80	3.10	15.50	10.00

Source: Data provided by the Zairian authorities.

In order to ensure a full pass-through of the effect of the exchange rate adjustment, effective September 14, 1983 the authorities increased the retail price per liter of premium gasoline from Z 12.50 to Z 35.00, diesel fuel from Z 3.10 to Z 15.50 per liter, and kerosene from Z 3.00 to Z 15.00. Subsequently, on November 8, 1983 they readjusted the petroleum price structure, this time lowering the prices of certain products; the essential objective of this change was to attenuate the impact of petroleum prices on the general price level. While the price of premium gasoline was maintained, the retail price of kerosene was lowered to Z 10.00 per liter and that of diesel fuel to Z 10.00 per liter. The price compensation system was left unchanged, and the reductions in prices were made possible mainly by cutbacks in that component of the final price that provides resources for the reserve fund of the national petroleum company; this component had been increased significantly as part of the initial adjustment in September. As in the past, therefore, there is no subsidy to petroleum products from the government budget. To reflect the changes in petroleum prices and any other increases in costs, the tariffs of public utilities, as well as of domestic public transport, will be increased by the end of 1983.

2. Wages and employment

Following a number of adjustments, the minimum wage index rose by 6 percent in 1980, 21 percent in 1981, and an estimated 20 percent in 1982. These increases were much smaller than the rate of inflation in those years, and World Bank staff estimates indicate that by the beginning of 1982 the real minimum legal wage was less than 15 percent of its 1975 level. Salaries in the public sector increased by 16 percent in 1980, 21 percent in 1981, and an estimated 20 percent in 1982. Real wages in the public sector, as of the beginning of 1982, were only 25 percent of their 1975 level due to steady declines as a result of the high inflation rates of recent years. However, according to World Bank studies, data on the level of real wages in Zaire tend to overstate the decline in real purchasing power and the standard of living; nonsalary benefits in the form of housing, transportation, medical care, and cooperative food supplies have increased considerably during the past few years, constituting more than half of the total compensation awarded to workers, especially in the private sector.

Employment data in Zaire are readily available only for the Central Government. These indicate that employment in the Government, excluding the military and the Office of the Presidency, reached about 400,000 in 1982. Private sector enterprises affiliated to the national system of social security employ some 600,000 workers, with almost one half in the regions of Kinshasa and Shaba.

IV. Economic Development Planning

1. The public investment program for 1981-83

The public investment program for 1981-83, which was approved by presidential decree on April 2, 1981, aimed essentially at reviving the economy and increasing exports by rehabilitating and strengthening the directly productive sectors as well as the supporting infrastructure facilities. In several respects, it carried forward the actions initiated by the authorities during 1979-80. Unlike the 1979-81 public investment program, however, the 1981-83 program was relatively more comprehensive, encompassing all ongoing and new development projects planned for execution by the Government and public enterprises. While launching the new program, the authorities reaffirmed their commitment to encourage private investment, especially in agriculture and manufacturing, and they took various measures to this end, including the liberalization of the domestic pricing system and the reorientation of the then-existing foreign exchange allocation system in favor of priority imports.

As originally approved, the 1981-83 program provided for total public investment of about Z 6.9 billion at 1980 prices; in terms of mid-1983 prices, this amounted to nearly Z 14.0 billion, of which

4 percent was allocated to agriculture, 34 percent to mining, 30 percent to transportation, and 16 percent to energy and water supply, with the balance devoted to social infrastructure and other services. Of the total investment, 36 percent was expected to be financed by the government budget and internally generated resources of public enterprises, and 64 percent by foreign aid.

In its assessment of this program, the World Bank staff indicated that, overall, the program responded to Zaire's development priorities. The program was also considered to be more realistic than its predecessor in terms of its cost estimates, implementation schedule, and some of the financing components. The priorities of the program were endorsed by the fifth meeting of the Consultative Group for Zaire, which was held in Paris in June 1981 under the aegis of the World Bank. Furthermore, in line with the World Bank's evaluation, the Consultative Group concluded that the program could contribute measurably to the country's economic recovery, and hence was worthy of strong internal and external support.

Available financial data on the implementation of the program, which are still provisional, indicate that total investment outlays were some 40 percent higher than had initially been programmed. The major reasons for the increase in total investment were an enlargement of the overall program through the inclusion of additional projects and an upward revision of costs for certain other projects. However, despite the higher financial investment, actual project implementation was considerably below expectations, particularly in the transportation sector. By contrast, in the agricultural and energy sectors project implementation exceeded the levels that had been foreseen. A recent evaluation of the program by the authorities has concluded that satisfactory completion of individual projects and the program as a whole have been inhibited by the following basic factors: weaknesses in available data gave rise to problems in the area of project conception and cost estimates; the underimplementation of certain sectoral programs, notably transportation, had an adverse impact on the development of related sectors, such as agriculture; the overall size of the program required financial resources that turned out to be incompatible with the ability of the economy to generate them; and inappropriate macroeconomic policies during 1981-82 seriously handicapped the program.

In view of the delays in the implementation of the program and, more important, the substantial financial investment that would now be needed to complete it, the authorities re-evaluated ongoing sectoral programs with a view to formulating a new public investment program for 1983-85 that would be consistent with the availability of resources and the country's ability to execute the projects.

2. The public investment program for 1983-85

The 1983-85 public investment program, a draft of which has been prepared with World Bank assistance and will be presented to a meeting of the Consultative Group for Zaire in December 1983, reinforces and develops the policies and measures implemented over the last two years, placing particular emphasis on the completion of ongoing projects for which the necessary financing has already been secured. In its present form, which could be amended in the light of the outcome of the Consultative Group meeting, the program provides for total investment outlays of Z 12.2 billion, at mid-1983 prices, for the three-year period 1983-85 (Table 6). Of this total, 8 percent is allocated to agriculture, 22 percent to mining, 42 percent to transportation, 18 percent to energy and water supply, and the remaining 10 percent to other sectors, including education and health. About 55 percent of the total investment is to be financed by the government budget and internally generated resources of public enterprises, and 45 percent by foreign assistance; almost 70 percent of the required foreign assistance has already been secured, leaving about Z 1.7 billion to be found in the period ahead.

Table 6. Zaire: Public Investment Programs by Sector, 1981-83 and 1983-85

(In millions of zaires; at mid-1983 prices)

	1981-83		1983-85 1/	
	Amount	Percent	Amount	Percent
Agriculture	540.0	3.9	1,027.0	8.4
Mining	4,717.0	33.7	2,691.0	22.0
Transportation	4,202.0	30.0	5,071.0	41.6
Energy and water supply	2,212.0	15.8	2,190.0	18.0
Education	483.0	3.5	206.0	1.7
Health	182.0	1.3	262.0	2.1
Other	1,655.0	11.8	756.0	6.2
Total	13,991.0	100.0	12,203.0	100.0

Source: Data provided by the Zairian authorities.

1/ Provisional.

The total size of the 1983-85 public investment program is about 13 percent smaller, in constant prices, than the 1981-83 program. The required external financing is also lower, in both absolute and relative terms. External financing declines from the equivalent of Z 8.9 billion in the 1981-83 program to Z 5.5 billion in the 1983-85 program, or from 64 percent to 45 percent of the total cost, respectively (Table 7). Moreover, because of the way in which the projects have been selected, the proportion of foreign financing already secured for the new program, at some 70 percent of the required total, is significantly higher than the 42 percent that had been secured at the outset of the previous program. In terms of the sectoral allocation of resources, the new program gives greater emphasis to agriculture and transportation than was the case in the previous program but envisages a reduction in outlays for mining and most other sectors.

Table 7. Zaire: Sources of Financing of the Public Investment Programs, 1981-83 and 1983-85

(In millions of zaires; at mid-1983 prices)

	1981-83		1983-85 1/	
	Domestic	Foreign	Domestic	Foreign
Agriculture	240.0	300.0	392.0	635.0
Mining	1,146.0	3,571.0	2,012.0	679.0
Transportation	1,408.0	2,794.0	2,281.0	2,790.0
Energy and water supply	708.0	1,504.0	900.0	1,290.0
Education	345.0	138.0	177.0	29.0
Health	125.0	57.0	177.0	85.0
Other	1,075.0	580.0	722.0	34.0
Total	5,047.0	8,944.0	6,661.0	5,542.0
Percent of total	36.1	63.9	54.6	45.4

Source: Data provided by the Zairian authorities.

1/ Provisional.

a. Agriculture

The development of the Zairian economy is critically dependent upon the revitalization of the agricultural sector. Accordingly, under the new program the relative share of outlays for agriculture is being more than doubled. These outlays, totaling Z 1.0 billion, are intended to finance 68 projects, most of which were initiated during the previous program. External financing amounts to Z 0.6 billion, virtually all of which has already been secured. In addition, a considerable part of the outlays for the transportation sector is intended for projects that will facilitate rural development, particularly the supply of inputs and the marketing of agricultural products. The key element in the authorities' strategy for agricultural development continues to be the creation of an environment conducive to greater private sector initiatives through the provision of adequate inputs and credit, amelioration of institutional arrangements, and the removal of transportation bottlenecks; the liberalization of domestic prices and the exchange rate reform, recently initiated, should contribute significantly toward the success of this strategy.

Most of the projects in the agricultural sector are aimed at expanding production of foodstuffs as well as of raw materials for domestic industry. In the area of food production, emphasis is being placed on projects to increase the output of maize, rice, and manioc, with outlays for the maize projects accounting for about 14 percent of the total investment in agriculture. With respect to agricultural raw materials, the principal projects are designed to boost the output of cotton, sugar, and palm oil; the cotton projects account for another 14 percent of the total agricultural investment outlays, while the sugar and palm oil programs represent 18 percent and 6 percent, respectively. Other projects in the agricultural sector are focused on livestock production and the development of fisheries and forestry.

b. Mining

Under the previous program, the objective for the mining sector had been the rehabilitation of the productive capacity of the major mining companies (i.e., GECAMINES, MIBA, KILOMOTO, and ZAIRETAIN). However, owing mainly to the low world market prices for their products and a shortfall in external assistance, the companies did not have the necessary resources to complete their investment programs. The 1983-85 public investment program provides for Z 2.7 billion of investments in this sector, of which Z 0.7 billion would be financed from external sources. The bulk of the investment, Z 2.5 billion, will be for GECAMINES, with a major part of the remainder intended for MIBA to expand its production of diamonds.

The 1983-85 investment program of GECAMINES has three basic objectives: the maintenance and rehabilitation of productive capacity, with production of copper expected to rise from 443,500 tons in 1983 to a

potential 472,400 tons each year in 1984 and 1985; an expansion of copper refining capacity within Zaire so as to reduce foreign exchange costs and increase domestic value added; and an overall reduction in production costs and an improvement in the technical and financial management of the company. During 1984 GECAMINES' investment program will concentrate on the development of the Kamfundwa mine and on the rehabilitation of the plants at Lubumbashi and Shituru; in addition, work will continue on the metal refinery at Luilu, which is expected to lead to higher levels of processed copper ore within the country and therefore to a progressive reduction in foreign exchange costs of refining presently undertaken abroad. During 1985 investments will be undertaken for the replacement and modernization of heavy machinery used in the principal mines, with particular emphasis on increasing use of electricity supplied by the Inga-Shaba line. In general, during the program period GECAMINES will seek to rehabilitate its equipment and the supporting infrastructure, as well as to replenish its stocks of spare parts and essential inputs.

The investment program for GECAMINES will require substantial domestic and foreign financing. Out of the total projected outlays of Z 2.5 billion, about Z 600 million are in foreign exchange; all domestic currency costs are to be financed by GECAMINES from its own resources. The recent devaluation and accompanying measures are expected to improve the company's cash flow situation in local currency substantially and, combined with higher export prices for copper, should generate the necessary funds for investment. On the foreign financing side, a substantial part of the needed funds has already been secured. The European Communities have already granted, and partly disbursed, an initial credit of ECU 40 million, and a second credit of about the same amount is being negotiated. In addition, the Governments of Belgium and Italy have accorded loans of BF 175 million and US\$4 million, respectively, for the purchase of industrial machinery and spare parts. The French Caisse Centrale de Coopération Economique has also begun to disburse a credit of F 100 million, and the World Bank has extended a credit of US\$7 million for financing technical assistance.

In other parts of the mining sector, the 1983-85 public investment program also concentrates on the rehabilitation of productive capacity through the replacement of obsolete machinery and the improvement of infrastructure. In this way, industrial diamond output of MIBA is expected to be increased from the present 6 million carats per annum to 7.5 million carats by the end of 1985. Output of gold by KILOMOTO and of cassiterite by ZAIRETAIN are also expected to rise significantly as a result of investments programmed by these two companies.

c. Transportation

The poor condition of transportation facilities, largely due to inadequate maintenance and obsolete machinery, has been a cause of serious bottlenecks that have adversely affected the mining industry

and rural development. In view of this, the investment strategy adopted by the authorities gives immediate priority to the rehabilitation of existing facilities rather than to their expansion. The 1983-85 public investment program devotes Z 5.1 billion to the transportation sector, which is intended mainly for the rehabilitation and maintenance of the railway and road networks, although ports, urban transport, and airports are also included in the overall outlays.

As far as road transportation is concerned, the program aims essentially at the maintenance of the country's principal roads; furthermore, the improvement of certain key axes between provincial and regional centers is being undertaken with World Bank financing. As in the case of the previous program, the 1983-85 program for the development of the railways (by both SNCZ and ONATRA) concentrates on improving the Voie Nationale through reinforcement of the tracks, repair and renewal of rolling stock, and modernization of other equipment; a major objective is the improvement of the stretch between Lubumbashi and Ilebo so as to facilitate mineral exports from the Shaba region. The SNCZ program amounts to Z 1.8 billion, of which Z 1.1 billion is expected to be financed from foreign sources. In addition, a priority rehabilitation program is being prepared for SNCZ, with the assistance of the World Bank, for 1984-85; this priority program will involve total outlays of Z 603 million, with Z 174 million in domestic currency.

d. Energy

The development of domestic sources of energy, particularly hydroelectricity, is based on the strategy of reducing dependence upon imported petroleum products. Investment outlays in the electricity subsector account for more than half of the total expenditure programmed for the energy sector as a whole. With the completion in 1982 of the Inga-Shaba hydroelectric complex, the new program emphasizes the restructuring of the distribution network with a view to increasing the use of electricity generated by the Inga dam. Moreover, the program provides for the rehabilitation or construction of power stations at Katende, Mobaye, Tshala, and four sites in the Shaba region. Finally, the program envisages the completion of high-tension lines between Kinshasa and Brazzaville to allow exports of surplus electricity to the People's Republic of the Congo.

V. Public Finance

1. Structure of the public sector

The public sector in Zaire comprises the Central Government, regional authorities, incorporated cities, decentralized agencies, and nonfinancial public enterprises. The regional authorities have little financial autonomy; they are not allowed to raise their own taxes, and

are totally dependent on transfers from the Central Government. By contrast, the incorporated cities establish their own budgets, provided they are not in deficit; when the cities incur deficits, they have to be approved and covered by the Government. The decentralized agencies, which include the Road Fund, hospitals, medical supply stores, research organizations, and the customs administration, are financially dependent on transfers from the Government, whose budget sets the overall limits to the transfers they receive. However, their detailed budgets are not under the control of the Parliament. There are about 50 nonfinancial public enterprises which are involved in a large variety of economic activities; these public enterprises dominate almost entirely the mining, transportation, and energy sectors. Although comprehensive data on their financial situation are not available, existing information suggests that, broadly, their performance has been weak. In addition to subsidy payments and lending to these enterprises, the Government has had to assume the responsibility for financing part of their investment programs and repaying their government-guaranteed debt.

The central government budget has three components: the general budget, the annexed budget, and the so-called budget pour ordre. The general budget covers all receipts and expenditures of the administration, including interest and amortization in respect of the Government's foreign and domestic debt, as well as capital outlays paid directly by the Treasury. The annexed budget consists of transfers to decentralized agencies of an administrative, social, and scientific nature. The budget pour ordre records operations of the Government financed by earmarked receipts and small amounts of counterpart funds passing through the Treasury.

The central government budget covers only transactions involving receipts to, or disbursements from, Treasury accounts with the Bank of Zaire, and thus excludes technical assistance, investment projects, and other operations financed or paid directly from external sources. In order to provide a reasonably comprehensive evaluation of overall government operations in this report, these extrabudgetary operations had to be estimated from various sources, including public transfers and public capital disbursements identified in the balance of payments. However, for 1983, the analysis is based only on budgetary operations, as reliable estimates of extrabudgetary operations are not available. All government operations are presented on a cash basis, excluding all payments arrears. The fiscal year is the calendar year.

2. Overall fiscal developments in 1978-82

The financial position of the Government, after improving during 1978-80, worsened substantially in 1981 and 1982. The overall government deficit, which had declined from the equivalent of 11 percent of GDP in 1978 to 1 percent in 1980, rose progressively from Z 170 million

in 1980 to Z 3.7 billion in 1982; as a percentage of GDP, it increased to 6 percent in 1981 and further to about 12 percent in 1982 (Table 8 and Appendix Table VII). This deterioration in the fiscal performance resulted partly from a decline in the revenue to GDP ratio but more importantly from a sharp rise in the expenditure to GDP ratio.

Table 8. Zaire: Overall Government Operations, 1978-82

(In percent of GDP)

	1978	1979	1980	1981	1982
Revenue and grants	16.5	20.6	25.0	24.9	22.9
Budgetary revenue	(13.3)	(17.4)	(21.7)	(20.6)	(19.5)
Expenditure	27.5	25.1	25.9	31.1	34.5
Budgetary expenditure	(23.0)	(20.7)	(21.5)	(26.5)	(28.2)
Overall deficit (-)	-11.1	-4.5	-1.0	-6.2	-11.6
Budgetary surplus or deficit (-)	(-9.6)	(-3.3)	(0.2)	(-5.9)	(-8.7)
Domestic bank financing (net)	9.7	4.4	1.6	6.2	10.2
Foreign financing (net)	1.3	0.3	-0.6	--	1.4
Budget	(-0.1)	(-0.9)	(-1.8)	(-0.3)	(-1.5)

Sources: Table 2; and Appendix Tables VII and VIII.

During 1978-80 total revenue and grants increased at a much faster annual average rate than that of total expenditure due to strong actions on revenue and to favorable foreign and domestic economic conditions. However, the situation was reversed in 1981 and 1982, as total expenditure rose at an annual average rate which was lower than in the previous period but still considerably higher than that of total revenue and grants. This was due principally to fewer discretionary revenue actions, unfavorable foreign and domestic economic conditions, which resulted in slower growth in tax bases, and lax expenditure control during those two years.

The growth of total revenue and grants, after averaging 118 percent during 1978-80, decelerated sharply to 37 percent in 1981 and 25 percent in 1982. One of the major factors that adversely affected

revenue performance was the drop in the export prices of copper and cobalt, which depressed export receipts of GECAMINES. As a consequence, GECAMINES' tax payments fell from Z 984 million in 1980 to Z 650 million in 1981 and even further to Z 386 million in 1982 (Appendix Table VIII). Another major factor was the lack of foreign exchange which led to a decline in imports and exacerbated the shortage of much needed raw materials and spare parts. Furthermore, the economic recession of 1982 had a negative effect on tax bases. The main actions for raising revenue in 1981-82 focused on the improvement of tax administration and collection. Revenue yields also benefited from some discretionary tax measures and the exchange rate adjustment of June 1981. The measures taken included, for 1981, an increase in the rates of domestic turnover tax, excise taxes, and payroll tax on expatriates, as well as an extension of the presumptive taxation on income to some liberal professions; and for 1982, an increase in minor taxes and an adjustment in customs duties on a number of intermediate goods. Despite these actions, and given the rather sluggish increase in extrabudgetary grants, the ratio of total revenue and grants to GDP declined from 25 percent in 1980 to 23 percent in 1982.

In contrast to the revenue performance, total expenditure increased its share of GDP from 26 percent in 1980 to some 35 percent in 1982. This resulted from a rate of growth in expenditure, which, although on average smaller than that of the 1978-80 period, was considerably higher than that of GDP. Total expenditure rose by 63 percent in 1981 and 51 percent in 1982, compared with a nominal GDP growth rate of about 36 percent for each of those two years. Except for wages and salaries, where some restraint was exercised, with general increases being kept to 20 percent in 1982, there was a substantial rise under most expenditure categories, particularly the Presidency and the Political Institutions (other than on salaries), transfers and subsidies, materials and supplies, travel, and capital expenditure (largely on account of massive investment in the energy sector). This high rate of expenditure increase was partly attributable to the recurrent problem of slippages in expenditure controls leading to spending substantially in excess of allocated amounts. The practice of issuing payment orders directly to the Bank of Zaire without the prior approval of the Treasury tended to exacerbate the problem. In addition, the Government was only partly successful in limiting the number of its employees, as it proved difficult to control the hiring of primary and secondary school teachers.

As in the 1978-80 period, the overall government deficit in 1981-82 was almost exclusively financed by the domestic banking system, with virtually the entire accommodation being provided by the Bank of Zaire. Net bank borrowing by the Government, after being reduced between 1978 and 1980, increased sharply in 1981 and 1982. Such borrowing rose more than fivefold to Z 1.5 billion in 1981, and more than doubled to Z 3.3 billion in 1982; as a ratio of broad money at the beginning of the period, it increased from 13 percent in 1980 to 43 percent in 1981 and

to 70 percent in 1982. As the accounts are on a cash basis, the bank financing does not reflect the accumulation of payments arrears by the Government. Had arrears not occurred, bank financing would have been substantially higher. External payments arrears on medium- and long-term debts alone were estimated at Z 0.6 billion for 1981 and Z 3.2 billion for 1982. Net foreign financing was minimal, as foreign borrowing practically offset the outlays on actual external debt amortization, except in 1982 when it exceeded amortization by Z 445 million, equivalent to 12 percent of the 1982 overall deficit. Most of the foreign borrowing was related to the financing of capital outlays.

3. The 1983 budget and first semester provisional outturn

Faced with a critical fiscal situation, in February 1983 the Government adopted an austerity budget for 1983. As shown in Appendix Table VIII, this called for a reduction in the deficit to Z 2.2 billion, from Z 2.8 billion in 1982. The reduction was budgeted to come about through a 9 percent increase in revenue and a freeze of expenditure at the 1982 level to be achieved mainly by improving financial controls. Given the projected amortization of external debt of Z 0.2 billion, net bank borrowing by the Government was expected to decline from Z 3.3 billion in 1982 to Z 2.4 billion in 1983, or from 70 percent to 30 percent of beginning broad money stock, respectively.

On the revenue side, a number of measures were taken which were basically in line with the recommendations of a joint Fund/World Bank technical assistance mission. ^{1/} A tax of 10 percent was imposed on the proceeds from the re-evaluation of corporate fixed net assets; this measure was expected to yield Z 13 million. In addition, the tax on rental income was restructured to simplify its administration, including the enactment of withholding at source of rent payments by legal entity renters; this measure was estimated to yield Z 10 million. The tax on motor vehicles was doubled, yielding an estimated Z 10 million. Given these measures and the projected evolution of economic activity, budgetary revenue was estimated to increase by about Z 545 million to Z 6.8 billion. This overall increase was expected to result from a rise in GECAMINES' contribution of Z 334 million, in payroll tax of Z 122 million due to greater efforts to collect tax withholding on wages and salaries from enterprises, and in taxes on goods and services of Z 92 million on account of a further tightening of enforcement of the turnover tax and the continued increase in the consumption of tobacco and the production of crude oil. Against these increases, taxes on income and profits were estimated to decline by Z 45 million, and taxes on exports by Z 31 million.

^{1/} The reports of the joint Fund/World Bank technical assistance mission, which were presented to the authorities in April-May 1982, made recommendations regarding general tax reform, a new tax regime for GECAMINES, and control over budgetary expenditure.

Expenditure was budgeted to stay at Z 9.0 billion, virtually the same level as in 1982, with current budgetary outlays to rise by Z 350 million, or 4 percent, which would be balanced by a one-third cut in capital budgetary expenditure (i.e., locally financed capital outlays). The thrust of policies to improve financial controls, particularly with a view to avoiding expenditure overruns, was reflected essentially in decisions not to hire any new civil servants above the December 1982 level and not to consider any salary increases in 1983, except those resulting from promotions. Within this restrictive policy framework, wages and salaries were budgeted to increase by Z 195 million, interest payments on external debt by Z 352 million, and subsidies to public enterprises by Z 134 million. These increases were, however, expected to be partially offset by a cut of Z 341 million in outlays of the Presidency and the Political Institutions, which had registered substantial overruns in the past, and of Z 237 million in transfers to decentralized agencies. Owing to the projected shortage of foreign exchange, capital expenditure was budgeted to fall by Z 358 million.

The provisional outturn for the first half of 1983 showed a significant improvement in comparison both with the budget and the actual results for the corresponding period of 1982. Budgetary operations moved into surplus, and net bank credit to the Government increased by less than Z 0.2 billion, compared with Z 1.6 billion in the first half of 1982, while amortization payments actually made on external debt exceeded the amount budgeted for the year as a whole. This improved fiscal outturn resulted less from a buoyant revenue performance than from a fall in expenditure to well below the budgetary estimates.

Budgetary revenue was Z 132 million, or about 4 percent, higher than expected, reflecting mainly the positive impact of continued tax enforcement efforts. In fact, revenue from taxes on income and profits increased by Z 370 million, or some 40 percent, over the projected level for the first half of 1983, mostly on account of high collection of arrears on profit tax and of tax withholding on wages and salaries from enterprises. Revenue from taxes on goods and services was Z 137 million, or 17 percent, more than budgeted, due mainly to larger-than-expected receipts from turnover tax, excise tobacco tax, and taxes on crude oil production. In contrast with taxes on income and profits and on goods and services, tax revenue from GECAMINES and imports was below expectations. GECAMINES contributed only Z 141 million, causing a shortfall of Z 219 million, on account of its continued financial difficulties due to the then overvalued official exchange rate and the fact that the moderate revival in world market prices of copper had not yet been fully felt. Import taxes fell short of the budgeted estimate by Z 64 million, as the lack of foreign exchange and the increasing parallel market rate reduced further the share of high, revenue-yielding SAD imports (i.e., imports financed without recourse to the foreign exchange resources of the banking system) in total imports.

As noted earlier, the compression of expenditure, compared with the increase in budgetary revenue, contributed much more to the improvement of the fiscal outturn in the first half of 1983. The rate of budgetary expenditure decelerated perceptibly, notably during January-March 1983, reflecting economies due to the tightening of expenditure controls (which included a drive launched early in the year to investigate past abuses in the management of public funds), the late approval of the budget, and the subsequent cabinet reshuffle. As a consequence, in the first half of the year, budgetary expenditure fell short by about Z 1 billion, or 23 percent, of the budgeted estimate. Within this overall shortfall, the most noticeable drop occurred in capital expenditure which fell Z 289 million below the budgeted amount. This was occasioned mainly by the lack of foreign exchange and by the increase of expenditure controls which, in the process, led to a rejection of a number of erroneous commitments. Outlays on materials and supplies and centralized expenditures, e.g., gasoline and diesel fuel, were Z 192 million less than budgeted, resulting mostly from genuine economies, while the shortfall in expenditure for travel and diplomatic representation, estimated at Z 58 million less than the budgeted amount, reflected essentially the shortage of foreign exchange. Other outlays, including subsidies and transfers and regional expenditure, fell short of the projected amount by about Z 500 million, on account of the late enactment of the budget and, most importantly, of the implementation of strong administrative measures to control expenditure commitments. Owing largely to the improved controls, wages and salaries, notably of primary and secondary school teachers, and of the Presidency and the Political Institutions, were limited to the budgeted allocations. Finally, the shortfall in expenditure was also the result of some accumulation of arrears on nondebt service payments, due entirely to the lack of foreign exchange; such arrears increased by Z 136 million in the first half of the year to an estimated Z 613 million at the end of June 1983.

Although the results for the second half of 1983 are not yet available, the budgetary outcome is expected to be affected significantly by the policies and measures undertaken by the authorities in the context of their adjustment program for 1983-84. As indicated earlier, effective September 12, 1983, the authorities initiated a far-reaching exchange rate reform, involving a large devaluation of the zaire. At the same time, they introduced a number of revenue measures, the most important being a new fiscal regime for GECAMINES.

The new fiscal regime for GECAMINES, based on the recommendations of the joint Fund/World Bank technical assistance mission mentioned above, is designed to ensure a reasonably predictable flow of revenue to the Treasury, while guaranteeing GECAMINES the necessary investment resources to implement its rehabilitation program. Under this regime, a basic export tax of 7 percent is applied to the company's metal exports (except germanium) and is creditable against the profits tax.

Furthermore, a surtax of 80 percent is levied on copper sales when the copper price, as quoted on the London Metal Exchange, exceeds a threshold equivalent to SDR 2,500 per ton; the surtax is deductible from the company's profits. GECAMINES remains subject to all other domestic and import taxes.

In order to attenuate the impact of the devaluation on the cost of living, the authorities have lowered customs duties on certain essential items as follows: food and nonfood products (e.g., corn, fish, groundnuts, palm oil, salt, sugar, and pharmaceuticals) from 10 percent to 3 percent; intermediate industrial goods and inputs, from 20 percent to 3 percent; certain utility vehicles, from 72-167 percent to 50 percent; and petroleum products, from 18 percent to 12 percent. To offset part of the resulting loss in revenue, customs duties on certain luxury items have been increased as follows: private vehicles, from 130 percent to 200 percent; electric appliances, from 67 percent to 200 percent; decoration articles, from 50 percent to 100 percent; luxury foodstuffs, from 50 percent to 100 percent; and other nonpriority items, from 90 percent to 130 percent.

On the expenditure side, the authorities have decided to continue to strengthen budgetary controls primarily through a progressive centralization of all government operations at the Ministry of Finance and the Budget. To make these controls more effective, they have imposed strict quarterly limits on key expenditure categories, as well as on total budgetary expenditure.

In view of the prevailing high rate of inflation and the large devaluation, the authorities have reviewed wages and salaries in the government sector, which had been kept unchanged since August 1982. This review, which was conducted in close consultation with the trade unions, also provided an opportunity to re-examine the structure of wages and salaries. On this basis, the authorities decided to raise the wage bill by no more than 40 percent over the two-year period 1983-84, with 20 percent effective October 1, 1983 and the remainder effective April 1, 1984. Given the hiring freeze already in effect, and the Government's intention to reduce the number of its employees, the average nominal increase in wages and salaries will be higher than indicated above. Nonetheless, average real wages in the government sector are projected to continue to decline over the two-year period.

As a result of the above revenue and expenditure measures, the overall fiscal performance in 1983 is expected to show an improvement relative to the initial budget estimates. However, as amortization of the external debt is projected to be much higher than originally budgeted because of the devaluation, net domestic bank financing would be close to Z 2.4 billion, the level initially envisaged.

4. Analysis of revenue trends

A full analysis of revenue trends in Zaire is constrained by shortcomings in the classification of individual revenue categories. Within tax revenue, problems are frequent with respect to the distinction between collection of the payroll tax and the tax on wages and salaries, but more significant is the problem of misclassification, most noticeable in 1980, when receipts classified under export taxes were extremely high while income tax receipts were inexplicably low. Also, receipts recorded in the budget pour ordre, comprising mostly nontax revenue, are not classified reliably.

During the period 1978-82 total government revenue and grants as a ratio to GDP rose markedly, from 16.5 percent in 1978 to 25 percent in 1980 and 1981, declining moderately to 23 percent in 1982. The improvement through 1980 resulted exclusively from steady increases in budgetary tax and nontax revenue, which reached 22 percent of GDP in that year (up from 13 percent in 1978). In 1981 a decline in budgetary revenue equivalent to 1 percent of GDP was entirely offset by a rise in extrabudgetary grants. In 1982, however, both budgetary revenue and extrabudgetary grants fell by roughly one percentage point of GDP each.

Around 84 percent of total government receipts consists of budgetary revenue. Extrabudgetary grants of external origin, which are not recorded at the Treasury, declined as a percentage of total government revenue and grants from 19 percent in 1978 to 13 percent in 1980, rose to 17 percent in 1981, and then decreased again to 15 percent in 1982 as economic conditions in donor countries deteriorated. The developments in budgetary revenue in 1979 and 1980 reflected the growth in exports in local currency terms brought about by price and volume changes, the devaluations of the zaire, and the tax changes and other measures taken to reinforce tax administration. In 1981, as copper and cobalt prices weakened, tax payments by GECAMINES fell, and collections from import duties and taxes on domestic production were adversely affected by the tight import situation caused by the shortage of foreign exchange. Developments in 1982 were characterized by a further reduction in GECAMINES' contribution and the persistence of scarcity of imported raw materials and spare parts. Nevertheless, the full-year impact of a number of measures taken in 1981 made it possible to partly offset the underlying trends of the tax bases. The most important of these measures were: the exchange rate adjustment in June; the increase in the rates of the domestic turnover tax from 15 percent to 18 percent and of the payroll tax on expatriates from 10 percent to 15 percent in April; the introduction of presumptive taxation on income of some professions in April; the new arrangement to collect the turnover tax on exports through the banking system in May; and the upward adjustment of excises on cigarettes and beer in June.

Budgetary revenue in Zaire is dominated by taxes on income and profits, which on average accounted for 27 percent of total budgetary revenue in the period 1978-82 (Table 9 and Appendix Table VIII). Taxes on goods and services and import duties also contributed significantly to the budget, with the share of each category averaging 18 percent. The structure of revenue, however, has changed substantially during the period, owing mainly to the downward trend of GECAMINES' relative contribution since 1980. Revenue from taxes on income and profits decreased as a proportion of total budgetary revenue until 1980, when it represented around 16 percent, and then rose sharply to over 30 percent in 1981 and 1982. The share of taxes on goods and services (including the tax on crude oil production) in total budgetary revenue fell to 13 percent in 1979, and increased markedly to 24 percent in 1982; import duties and taxes showed a comparable movement, rising from 15 percent in 1979 to about 22 percent in 1982.

During the period under review, revenue from taxes on income and profits, excluding payments made by oil corporations, rose as a percentage of nonmining commercialized GDP from 6 percent in 1978 to 9 percent in 1982. This resulted partly from the effort of the authorities to monitor more closely local enterprises, in particular with respect to taxes on wages and salaries withheld at the source, and to collect tax arrears. Receipts from taxes on wages and salaries rose at an annual rate of 68 percent, reflecting upward adjustments of individual remunerations over the period as well as the progressive nature of the individual income tax, the schedule of which has not been revised since 1980. Salary increases were particularly important in the case of expatriates who are paid in foreign currency and who account for more than 50 percent of receipts under this category. Taxes on wages and salaries registered an increase of 75 percent in 1982, owing largely to a further strengthening of the administration, the full impact of the 1981 devaluation, and increases in salaries paid in local currency. The tax on corporate profits, however, has been less buoyant, due to the slowdown in economic activity; as a result, revenue from this tax rose by only 18 percent in 1982, entailing a shortfall of Z 150 million compared with the budget estimate. The textile sector was particularly affected as the financial position of the local enterprises deteriorated. The low share of taxes on income from unincorporated enterprises, income of self-employed professionals, and others in total receipts from income taxes, as well as their modest increase throughout the period, indicate that substantial profits in the commercial sector and revenues from other sources generated by inflation were not fully captured by the tax system.

Receipts from taxes on domestic goods and services, excluding the tax on crude oil production, rose at a high average annual rate of 70 percent during the period 1978-82, largely reflecting rate adjustments in the turnover tax. Those receipts as a percentage of nonmining commercialized GDP performed increasingly well, rising from 3 percent

Table 9. Zaire: Indicators of Performance of Budgetary Revenue, 1978-83

	1978	1979	1980	1981	1982	1983 Budget
(Annual percentage change)						
Income and profits taxes	29.2	102.1	21.0	152.1	30.3	-2.4
Of which: oil corporations	-27.3	267.9	177.4	86.3	-10.4	-7.6
Payroll tax	259.0	133.5	88.3	-46.5	25.5	261.0
Taxes on goods and services	21.7	93.7	142.1	52.7	61.0	6.0
Of which: tax on crude oil production	-28.2	62.0	411.7	324.6	79.5	-16.6
Import duties and taxes	24.1	136.4	124.2	51.4	36.5	4.4
Export duties and taxes	-25.0	-4.3	711.7	-65.7	29.5	-16.6
GECAMINES	-22.6	584.8	34.9	-33.9	-40.7	86.7
Other revenue	-3.4	37.9	412.1	53.8	36.5	-0.2
Total	9.3	164.0	93.7	30.0	28.8	8.7
(As percent of total)						
Income and profits taxes	32.6	25.0	15.6	30.2	30.6	27.5
Of which: oil corporations	(2.2)	(3.0)	(4.3)	(6.2)	(4.3)	(3.7)
Taxes on goods and services	18.0	13.2	16.5	19.4	24.3	23.7
Of which: tax on crude oil production	(1.1)	(0.7)	(1.8)	(5.7)	(7.8)	(6.1)
Import duties and taxes	16.8	15.1	17.4	20.3	21.5	20.7
Export duties and taxes	7.6	2.7	11.5	3.0	3.0	2.3
GECAMINES	14.6	37.8	26.3	13.4	6.2	10.6
Other revenue <u>1/</u>	10.4	6.2	12.7	13.7	14.4	15.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
(Revenue as percent of tax base)						
Income taxes I/GDP I	5.9	6.0	4.2	7.9	9.2	...
Taxes on goods and services I/GDP I	3.3	3.4	5.5	4.5	5.7	...
Import duties/Imports, f.o.b.	14.4	13.3	15.8	17.4	20.8	...
Export duties/Exports I	7.9	3.9	16.8	4.1	4.9	...
GECAMINES/Exports II	17.3	38.8	29.8	20.0	8.3	...
Other revenue/GDP I	2.0	1.7	4.7	4.5	5.0	...
Tax receipts/GDP (C)	16.0	21.6	24.4	23.5	23.5	...
Total/GDP (C)	16.5	21.8	27.0	26.2	27.1	...

Sources: Appendix Tables I, VIII, IX, and X; and staff estimates.

1/ Includes payroll tax.

Notes: GDP (C) = Commercialized GDP.
 GDP I = Commercialized GDP minus value-added in the mining sector.
 Income tax I = Income tax receipts, excluding corporation income tax paid by oil corporations.
 Taxes on goods and services I = Taxes on goods and services, excluding tax on crude petroleum production.
 Exports I = Exports, f.o.b., excluding exports by GECAMINES.
 Exports II = Exports by GECAMINES.

in 1978 to 6 percent in 1982, after a temporary decline in 1981. Revenue from the domestic turnover tax rose at an average annual rate of 82 percent (compared with the 53 percent average increase in the CPI), as a growing number of important taxpayers were being closely monitored by the tax administration; in 1982 such revenue rose by over 50 percent, reflecting the exchange rate adjustment in 1981 as well as the enhanced administrative efforts. Revenue from selective excise taxes, with an average growth of around 47 percent, increased by 56 percent in 1982, owing partly to efforts to collect taxes due by tobacco manufacturers. Excise receipts have been dominated progressively by excises on tobacco products, which in mid-1982 had the specific rate on luxury cigarettes increased by 20 percent and on popular cigarettes reduced by 10 percent, while the rates applicable to beer were kept unchanged. The financial problems of tobacco manufacturers led the authorities at end-1982 to extend the collection delay of excises to two months.

As to import duties and taxes, revenue from this source grew more than tenfold from 1978 to 1982, and the ratio of such tax revenue to imports increased steadily since 1980, as a result of the devaluations and the improvement in the customs administration. The measures implemented by the Customs and Excise Office (OFIDA) included the application of the existing tax system to SAD imports which were previously smuggled into the country. In 1982 revenue from import duties and taxes increased by 37 percent, while imports f.o.b. grew by 15 percent; as a result, their ratio rose substantially, from 17 percent in 1981 to almost 21 percent in 1982. This increase took place despite a decline in the share of SAD imports, which are taxed at a higher rate, in total taxable imports. A number of tariff changes on selected intermediate goods that were introduced during the year basically to relieve local industries had no significant impact on revenue.

Receipts from export duties and taxes declined in each year from 1978 to 1981, except for 1980 when they registered a very sharp increase. The surprisingly high rate of increase recorded in 1980 is partly attributable to the marked growth in exports, but it is very likely that part of the receipts under this category should have been classified elsewhere. Revenue from export duties and taxes rose by 30 percent from 1981 to 1982, while exports increased by 17 percent. The growth in these tax receipts in 1982 reflected some improvement in export prices for mineral and agricultural products in the last quarter of the year, as well as a further strengthening of the customs administration and surveillance, including the reorganization of the services of the containers' terminal in Kinshasa.

GECAMINES' contribution to the budget in relation to its export earnings fell sharply from 39 percent in 1979 to 20 percent in 1981 and further to 8 percent in 1982. The financial position of the company deteriorated following the drop in copper and cobalt prices, but, at the same time, GECAMINES had to generate funds to carry out its re-

habilitation program. As a result, it was unable to pay taxes according to the existing legislation, even after a decision to exempt it from export taxes from September 1981 through early September 1983. Also, GECAMINES did not meet all its obligations with respect to import duties and domestic taxes such as those on wages and salaries. This was partly because compensation was applied against tax liabilities to reflect the use of some of its products by the Government for barter transactions and payments made by GECAMINES on behalf of the Government.

Revenue from the oil corporations, comprising the tax on crude oil production, the statistical tax on exports, and the profits tax, increased sharply during the period under review (at an average annual rate of 139 percent). However, the rate of growth slowed markedly in 1982, to 35 percent, reflecting the fall in oil prices and changes in the tax regime applicable to these corporations which became effective in that year. Taxes on oil corporations before 1982 were assessed as a proportion of total sales and were affected exclusively by changes in oil prices; under the revised convention, a new system considered more equitable was introduced, whereby the tax base excludes some corporate costs, particularly transportation charges which have grown considerably in recent years.

Other budgetary revenue, including payroll and property taxes, nontax revenue, and counterpart funds, increased in line with GDP in 1981-82, after rising sharply in 1980.

5. Analysis of expenditure trends

Total government outlays grew rapidly during the period 1978-82. In relation to GDP, they declined by about 2.5 percentage points in 1979 but then rose steadily by one percentage point in 1980, 5 percentage points in 1981, and more than 3 percentage points in 1982 (Table 8). This trend was due mainly to substantial spending in excess of budgetary allocations, made possible, inter alia, by the practice of issuing payment orders directly to the Bank of Zaire without endorsement of the Treasury. While the upturn in 1980 could be accommodated because of a more rapid increase in revenue, the fiscal performance suffered consecutive deteriorations once revenue growth began to taper off in 1981. Capital outlays represented a growing share of total expenditure in the last few years; their share rose from 12 percent in 1980 to over 17 percent in 1982, largely reflecting the implementation of sizable energy projects.

For the part of government expenditure which can be classified with some detail, i.e., expenditure that is recorded in the budget itself, and represents about 83 per cent of the total, there have been considerable changes during the period 1978-82 (Table 10 and Appendix Table XI). These changes have been characterized primarily by a declining share of outlays for wages and salaries; the proportion of

Table 10. Zaire: Structure and Growth of
Budgetary Expenditure, 1978-83

	1978	1979	1980	1981	1982	<u>1983</u> Budget
	<u>(Annual percentage change)</u>					
Wages and salaries	44.5	80.8	51.2	45.3	19.0	7.0
Interest	14.0	76.5	92.0	89.9	-12.6	55.7
Transfers and subsidies	33.7	103.2	24.5	184.6	46.4	-7.0
Capital expenditure and net lending	11.5	13.4	91.0	202.3	45.6	-33.0
Other expenditure	65.3	105.7	70.8	42.8	104.6	-4.5
Total	<u>41.0</u>	<u>82.7</u>	<u>61.0</u>	<u>68.8</u>	<u>44.6</u>	<u>--</u>
	<u>(As percent of total)</u>					
Wages and salaries	46.7	46.2	43.4	37.4	30.8	32.9
Interest	9.7	9.4	11.1	12.6	7.6	11.8
Transfers and subsidies	7.4	8.3	6.4	10.8	10.9	10.2
Capital expenditure and net lending	9.0	5.6	6.7	11.9	12.0	8.1
Other expenditure	27.2	30.5	32.4	27.4	38.7	37.0
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: Appendix Table XI.

all other categories of current expenditure to total expenditure fluctuated on an upward trend over the period, with the relative share of capital expenditure and net lending growing consistently from 6 percent in 1979 to 12 percent in 1982.

After more than doubling from 41 percent in 1978 to 83 per cent in 1979, the annual increase in total budgetary expenditure showed a downward trend (albeit with some fluctuations) to 45 percent in 1982. Starting in 1980, the rate of increase in wages and salaries decelerated markedly, and their share in total outlays dropped from 43 percent in 1980 to 31 percent in 1982. The rates of growth of other outlays have shown uneven movements, although, on the average, the most pronounced increases during 1980-82 were attributed to subsidies and transfers and capital expenditure. Among various expenditure sub-items, current expenditure of the Presidency and the Political Institutions (dotations) rose almost fourfold during 1980-82 (Appendix Table XI).

Wage and salary outlays (including scholarships) moderated after 1979, growing by 51 percent, 45 percent, and 19 percent in 1980, 1981, and 1982, respectively. In 1980 the growth in the wage bill resulted from a general salary increase and a reclassification of salaries of decentralized agencies and the Presidency and the Political Institutions, as well as from substantial retroactive payments and increases in the number of primary and secondary school teachers. The increase in the wage bill which occurred in 1981 stemmed primarily from further expansion in the number of teachers in primary and secondary education and general salary increases. Salaries of all government employees below the rank of director were raised by 15 percent in February 1981 and by an additional 15 percent in August to compensate them in part for the rise in the cost of living. In 1982 the relatively modest growth in wages and salaries reflected smaller general salary adjustments of 10 percent in March and 10 percent in August, as well as promotions and seniority advances of personnel. Meanwhile, the number of government employees other than in education and certain other areas declined as a result of control procedures initiated in 1980-81 to verify actual employees against those listed on the payroll. According to the latest available information, the number of government employees, excluding primary and secondary school teachers, military personnel (estimated at 70,000 at end-1982), retired persons, and those in the Presidency, Political Institutions and decentralized agencies, fell from some 157,000 at end-1980 to 141,000 at end-1982.

In early 1981 the Government introduced monthly cash ceilings on salary payments to primary and secondary school teachers with the objective of containing the rapid increase in the number of employees in that sector. However, as it proved impossible for the regional authorities in charge of payments to establish whether certain employees had been hired in accordance with the existing regulations, the Government was faced in September 1981 with a de facto recruitment of an estimated

20,000 new teachers, and felt obliged to make retroactive payments and to expand the payroll. As a result, the wage bill for primary and secondary education rose by 50 percent to over Z 1.0 billion in 1981. In 1982 the Government continued its effort to control employment in primary and secondary education which was estimated at 200,000, down from 240,000 at end-1980. At the same time, the system of fixed payments was strictly enforced, with limits being applied for each religious congregation after being adjusted to actual outlays at end-1981. The Central Pay Directorate thus started to bring under control primary and secondary school teachers' salaries, and actual expenditures were equal to the budgeted amounts. In view of these measures, salaries for the Ministry of Primary and Secondary Education, including those paid to administrative staff, rose by only 10 percent in 1982. In pursuance of the effort to contain outlays in this area, the Government, in the period ahead, intends to re-establish central control over hiring and to keep a personnel file for each teacher on the payroll.

Interest payments on the public debt rose rapidly from 1978 to 1981, largely on account of a sevenfold increase in payments on external debt, but they declined somewhat in 1982. Although interest payments on external debt remained the major component throughout the period, charges due on advances from the Bank of Zaire rose substantially as a result of the increased recourse to bank financing.

Outlays for subsidies and transfers quadrupled during the 1980-82 period. The share of this category of expenditure in total budgetary outlays increased from 6 percent in 1980 to 11 percent in 1982. As in previous years, the bulk of the transfers in 1982 went to the decentralized agencies, i.e., research organizations, the customs administration, the national printing office, and institutions of higher education. Subsidies to public enterprises showed a marked growth in 1982, largely on account of payments to the company in charge of transporting public employees and students; these payments included the settlement of arrears, as well as advances with respect to the early part of 1983. Another beneficiary of subsidies was the Caisse Nationale d'Epargne et de Credits Immobiliers, as the Government intervened to repay the debts of that savings institution vis-à-vis its depositors. A decline in transfers to hospitals was more than offset by a sharp growth in other transfers, comprising essentially those made to nonprofit organizations and agricultural projects.

Other current expenditure (including the Government's purchases of goods and services, as well as outlays from the accounts of the budget pour ordre administered by the various ministries and institutions), after doubling in 1979, increased by 43 percent in 1981 and then doubled again in 1982. The high rate of increase in 1982 resulted from a number of factors, particularly the repayment of arrears carried over from previous years (about Z 346 million), the upward movement in prices of items largely consumed by the Government, and the cost of a

conference and elections which were held that year. Except for nondebt external payments which declined compared with previous years, there was an acceleration in current outlays. A more disaggregated analysis shows that outlays of the Presidency and the Political Institutions almost doubled, largely exceeding the budgetary allocations; this resulted partly from the fact that payment orders were often made directly to the Bank of Zaire without passing through the Treasury for approval. Travel expenses increased by roughly the same magnitude, owing basically to the high frequency of missions outside the country in that year. The overall increase in the remaining categories of current expenditure was largely attributable to the full-year impact of the sizable adjustment in prices of petroleum products which became effective in July 1981, and to the rise in tariffs of public utilities such as water, telephone, and electricity. The outlays for the legislative elections, the Party Congress, and the Franco-African Summit meeting exceeded by more than Z 200 million the budgeted amount in 1982.

Budgetary capital expenditure and net lending increased markedly between 1979 and 1982, with outlays in the energy sector being the single most important area of investment during this period. In 1982 energy sector outlays accounted for nearly 35 percent of total capital expenditure, reflecting essentially the completion of the power transmission line between Inga and the Shaba region and the construction of the Mobaye dam. Capital expenditure in public works and transportation and communications (including construction of the Gbadolite airport) represented some 22 percent of the total, while health and education together represented 18 percent.

VI. Money and Banking

1. Structure of financial institutions

Financial institutions in Zaire comprise the Bank of Zaire (the Central Bank), nine commercial banks, the Postal Checking System, and eight other financial intermediaries. As of June 30, 1983, the four largest commercial banks held more than four fifths of the subscribed capital and about the same proportion of the deposits of the commercial banking system as a whole. Among the nonbank financial institutions, by far the most important is the development bank (SOFIDE).

2. Instruments of monetary and credit policy

In conducting monetary and credit policy, the Bank of Zaire generally relies on global and selective credit ceilings, prior approval of all credit not subject to ceilings, reserve requirements, and the rediscount tool. By far the most important instrument is the global and selective ceilings on most short-term credit that are set for the whole banking system in the first instance, and then for each of the

nine commercial banks. These ceilings are set on a quarterly basis, and the allocations per bank depend on their deposit and capital resources. For each bank, the global ceiling is subdivided into two parts: one which is freely usable (plafond libre); and another that is regulated (plafond règlementé). For the latter, which normally covers over 90 percent of credit subject to the ceilings, the total for each bank is divided into credit for agricultural production, other domestic production, distribution, and transport. The Bank of Zaire induces compliance with its ceilings through penalty rates that, in the case of the plafond règlementé, vary positively with the percentage of excess credit over the ceiling as well as with the length of time during which any excess has continued. The penalty rates differ among categories of credit; they tend to be lowest for agricultural production. In addition, access to the rediscount facilities of the Bank of Zaire can be suspended for violations. An excess in the case of the plafond règlementé may be compensated for by underutilization of the plafond libre. In the case of the plafond libre, excesses are always penalized.

Within the aggregate credit program established by the Bank of Zaire, normally almost two thirds is subject to the credit ceilings (plafond libre plus plafond règlementé). The remainder is reserved for credit outside the ceilings (hors plafonds). Credit hors plafonds is for (a) financing of foodstuffs (mainly purchases from producers); (b) cotton production; (c) GECAMINES; and (d) medium- and long-term "productive" investment. Such credit is granted only after prior approval, on a case-by-case basis, by the Bank of Zaire; generally, even though the individual amounts may be sizable, the number of loans involved is not large.

The rediscount tool is used to reinforce the selective credit controls, primarily by defining the assets that can be rediscounted as well as by setting, usually on a half-yearly basis, rediscount ceilings (plafonds au refinancement) for the nine commercial banks as a group and for each bank. The four largest commercial banks normally are entitled to some 90 percent of the permitted amount under the plafonds au refinancement. The Bank of Zaire also imposes a minimum reserve requirement, which, since January 1, 1979, has been fixed at 25 percent of demand deposits for each commercial bank. Up to one third of the amount required can be in the form of Treasury bonds (bons du Trésor), while at least two thirds must be in the form of bankers' deposits at the Bank of Zaire. The Bank normally penalizes violations in this area through interest rate charges or by blocking a bank's access to rediscount facilities.

Although commercial banks have been free to set their commissions, the Bank of Zaire has in the past regulated interest rates on both deposits and loans and advances. In recent years, however, the Bank has shown an increasing flexibility in this area by allowing commercial banks to set some rates freely and by adjusting others more often than

before, in the light of changing circumstances. Thus, some lending rates had been freely negotiable since April 1981; these applied to rediscountable credit not related to the financing of production and equipment in industrial, agricultural, and agro-industrial activities, as well as to nonrediscountable medium- and long-term credit. Effective September 12, 1983, the Bank liberalized most interest rates on loans, while continuing to regulate the basic deposit rates. As shown in Appendix Table XII, the rates that commercial banks are allowed to charge for all of their loan categories, with the exception of noncoffee agriculture, were permitted to be set freely. At the same time, the regulated loan rates for noncoffee agriculture, which were previously set at 11 percent (short-term) and 13 percent (medium-term), were unified at 15 percent. The still favorable rate for noncoffee agriculture is consistent with the authorities' objective to foster the development of this key sector of the economy, while limiting increases in food prices in the immediate future. The rates paid by commercial banks on time deposits of 3-24 months were maintained at 8-30 percent per annum; the rates on deposits of over 24 months were left freely negotiable.

As of September 12, 1983, the Bank of Zaire increased its basic rediscount rate from 15 percent to 20 percent. The interest rate paid on the Bank's advances to the Government was also raised from 3 percent to 7 percent, and the Treasury bill rate was increased from 4.75 percent to 10 percent.

3. Monetary and credit developments

Monetary and credit developments have been influenced largely by the Government's borrowing requirements and, as a result of the widening fiscal deficit in 1981 and 1982, credit policy became increasingly expansionary; in the first half of 1983, however, a sizable reduction in net government borrowing from the banking system led to a slowdown in overall credit expansion. Net bank credit to the Government, which had increased by 62 percent in 1981, went up by 86 percent during 1982, as the budgetary deficit doubled. In the first half of 1983 net bank credit to the Government expanded by only 2.5 percent, as the budgetary situation improved; the increase in such credit for 1983 as a whole is expected to be considerably less than in either 1981 or 1982.

Credit to the private sector rose by 32 percent in 1981, 47 percent in 1982, and 25 percent in the first half of 1983. Despite the stagnation of economic activity in 1982, private sector credit continued to increase substantially owing mainly to very high levels of financing of accumulated coffee stocks; in addition, the steady depreciation of the parallel market rates for the zaire, from mid-1982 through mid-1983, apparently involved higher levels of credit for the commerce sector to finance imports of consumer and other goods. During 1981 and 1982 the ratio of private sector credit to GDP remained stable at around 5 percent, and it is expected to stay at that level in 1983.

In view of these developments and the evolution of the balance of payments, the stock of money and quasi-money (broad money) rose by 38 percent in 1981, 73 percent in 1982, and an annual rate of 30 percent in the first half of 1983 (Table 11). Currency in circulation increased by 36 percent in 1981 and 57 percent in 1982 (Appendix Table XIII); demand deposits expanded by 40 percent in 1981 and 86 percent in 1982, while time and savings deposits, after rising by 40 percent in 1981, increased by 83 percent in 1982. The ratio of currency in circulation to broad money dropped from 45 percent at end-1981 to 41 percent at end-1982, whereas the ratio of net domestic assets of the banking system to broad money went up from 112 percent at end-1981 to 115 percent at end-1982, before declining to 110 percent at end-June 1983.

During 1982 the commercial banks' liquidity position continued to improve, as demand and time deposits grew at a much faster rate than private sector credit (Appendix Table XIV). The ratio of credit to deposits declined from 63 percent at end-1981 to 46 percent at end-1982. At the same time, the liquidity situation of the banks permitted them to reduce their liabilities vis-à-vis the Bank of Zaire, from Z 22 million at end-1981 to Z 6 million at end-1982, while their deposits with the Central Bank increased by 148 percent to Z 2.1 billion. Data for the first half of 1983 indicate that the liquidity position of the commercial banks has changed markedly, as deposits with the Central Bank have been run down to Z 1.7 billion at end-June 1983 and the rate of increase in demand and time deposits has slowed significantly; borrowing by the commercial banks from the Bank of Zaire also increased to Z 23 million at the end of June 1983. It is expected that the liquidity position of banks will come under greater pressure in the last four months of 1983 as a consequence of the exchange rate adjustment, though credit ceilings set by the Bank of Zaire were underutilized in the first half of the year and have been adjusted upward for the third and fourth quarters to take into account the higher domestic currency counterpart required for trade financing.

Credit to the private sector has continued to be dominated by agriculture, commerce, and manufacturing (Table 12). On the basis of end-year data, the share of private sector credit going to these sectors averaged 35 percent, 21 percent, and 19 percent, respectively, in 1981-82; but whereas the share of agriculture declined from 39 percent at the beginning of 1981 to 34 percent at end-1982, and the share of commerce from 25 percent to 20 percent, that of manufacturing increased from 16 percent to 19 percent. In the first half of 1983, as economic activity began to pick up slightly, the share of commerce rose to 23 percent, and that of construction activity, which had been below 2 percent in 1981-82, increased to 6 percent; the shares of agriculture and manufacturing remained broadly unchanged.

In agriculture, an important element has been the amount of credit allocated to the coffee sector. Such credit averaged over 70 percent of total credit to the agricultural sector during 1982, and reached

Table 11. Zaire: Monetary Survey, 1978-83 ^{1/}

(In millions of zaires; end of period)

	1978	1979	1980	1981	1982				1983	
	Dec.	Dec.	Dec.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
Net foreign assets (broad)	<u>-954.4</u>	<u>-1,046.4</u>	<u>-713.5</u>	<u>-2,092.0</u>	<u>-2,415.8</u>	<u>-3,970.3</u>	<u>-3,955.8</u>	<u>-4,235.6</u>	<u>-4,170.9</u>	<u>-4,513.2</u>
Net foreign assets (narrow)	64.4	259.8	464.6	-416.1	-792.6	-1,390.5	-1,352.4	-1,314.3	-1,301.6	-1,282.5
Foreign assets	(532.0)	(872.0)	(1,578.7)	(2,230.7)	(2,816.7)	(1,758.2)	(1,718.0)	(1,755.4)	(1,852.0)	(1,991.4)
Foreign liabilities	(467.6)	(612.2)	(1,114.1)	(2,646.8)	(3,609.3)	(3,776.5)	(3,760.8)	(3,830.6)	(3,866.0)	(4,032.8)
Foreign currency deposits	-45.2	-60.3	-146.5	-180.0	-188.3	-561.5	-560.6	-846.1	-854.5	-1,189.3
Provision for external arrears other than on public debt service	-973.6	-1,245.9	-1,031.6	-1,495.9	-1,434.9	-1,390.5	-1,352.4	-1,314.3	-1,301.6	-1,282.5
Net domestic assets	<u>-2,204.6</u>	<u>2,330.3</u>	<u>3,380.5</u>	<u>5,219.0</u>	<u>6,387.6</u>	<u>7,385.0</u>	<u>8,372.8</u>	<u>9,254.0</u>	<u>9,865.3</u>	<u>10,197.2</u>
Net claims on Government	1,578.3	2,062.2	2,329.4	3,783.6	4,471.1	5,407.6	6,342.1	7,057.3	7,038.2	7,234.0
Credit to enterprises and households	641.0	878.7	1,014.3	1,342.4	1,576.2	1,684.2	1,774.9	1,971.9	2,167.0	2,463.8
Other net domestic assets	-14.7	-610.6	36.8	93.0	340.3	293.2	255.8	224.8	660.1	499.4
Money and quasi-money	<u>1,854.5</u>	<u>2,084.9</u>	<u>3,367.3</u>	<u>4,644.9</u>	<u>5,558.1</u>	<u>6,104.8</u>	<u>6,908.7</u>	<u>8,015.9</u>	<u>8,478.0</u>	<u>9,221.6</u>
Revaluation gains and losses and other adjustments	-682.7	<u>-947.7</u>	<u>-970.0</u>	<u>-2,065.9</u>	<u>-2,134.3</u>	<u>-3,238.1</u>	<u>-3,039.7</u>	<u>-3,545.5</u>	<u>-3,331.6</u>	<u>-4,085.6</u>
SDR allocation counterpart	<u>78.4</u>	<u>146.7</u>	<u>269.7</u>	<u>548.0</u>	548.0	548.0	548.0	548.0	548.0	548.0

Source: Data provided by the Zairian authorities.

^{1/} The data from June 1982 onward are not strictly comparable with those of the earlier period because of adjustments to foreign assets and liabilities.

Table 12. Zaire: Distribution of Commercial Bank Credit to Enterprises and Households by Principal Economic Sectors, 1978-83

(In millions of zaires; end of period)

	1978			1979			1980			1981			1982			1983		
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	June	Sept.	Dec.	Sept.	June	Mar.	Dec.	Sept.	June	Mar.	June
Agriculture <u>1/</u>	194.6	275.7	393.9	455.1	483.8	499.9	475.6	571.2	591.5	673.9	632.9	571.2	591.5	673.9	632.9	591.5	724.8	816.4
Mining	26.7	30.9	35.8	36.9	34.7	42.3	54.8	52.8	71.8	81.3	59.8	52.8	71.8	81.3	59.8	71.8	51.9	77.5
Manufacturing	104.9	163.8	165.2	186.4	201.2	238.3	251.3	277.9	340.4	381.4	295.7	277.9	340.4	381.4	295.7	340.4	394.7	423.2
Construction	9.6	18.2	22.7	31.3	29.7	24.9	24.5	50.8	44.9	27.2	24.9	50.8	44.9	27.2	24.9	44.9	96.9	148.0
Electricity and water	3.4	7.3	1.7	3.9	5.9	8.5	7.8	16.9	29.7	27.0	33.6	16.9	29.7	27.0	33.6	29.7	17.3	25.5
Transportation and telecommunications	36.6	50.5	26.0	28.7	33.2	32.9	30.7	35.3	30.3	89.8	33.3	35.3	30.3	89.8	33.3	30.3	62.0	70.1
Commerce	202.7	261.0	253.9	317.2	320.5	295.8	308.6	384.1	426.1	388.1	414.3	384.1	426.1	388.1	414.3	426.1	464.9	574.1
Services	24.8	25.5	30.2	27.7	23.0	28.7	47.2	45.3	78.1	33.6	46.8	45.3	78.1	33.6	46.8	78.1	33.7	31.9
Other <u>2/</u>	37.7	45.8	84.9	91.1	95.6	119.6	141.9	141.9	162.1	268.0	142.9	141.9	162.1	268.0	142.9	162.1	320.8	297.1
Total	641.0	878.7	1,014.3	1,178.3	1,227.6	1,290.9	1,342.4	1,576.2	1,774.9	1,971.9	1,684.2	1,576.2	1,774.9	1,971.9	1,684.2	1,774.9	2,167.0	2,463.8

Source: Data provided by the Zairian authorities.

1/ Includes animal husbandry, fishing, and forestry.

2/ Includes households.

76 percent as of end-June 1983; it represented 24 percent of total private sector credit at end-1982, and about the same proportion as of end-June 1983. Several factors have militated against the reduction of the share of the coffee sector in total credit to the private sector. These have included the large overhang of coffee stocks that cannot be exported due to ICO quotas and the fact that commercial banks find it especially profitable to deal with coffee exporters who were, until September 1983, permitted to retain 10-20 percent of their foreign exchange earnings. As for noncoffee agriculture, efforts have been made in the recent past to improve the availability of credit to this sector over and above lending from SOFIDE; the latter puts about one third of its total lending into the agricultural sector. Proposals for the creation of an agricultural bank were prepared, with FAO technical assistance, and on October 21, 1982 a Banque de Crédit Agricole was established with an initial capital of Z 5 million.

VII. Balance of Payments and External Debt

1. Introduction and overall trends

In analyzing Zaire's balance of payments two methodological considerations should be borne in mind. The first consideration relates to the inadequacy of the statistical information available for a number of service items, unrequited transfers, and private nonmonetary capital. The second consideration relates to the methodology used by the Bank of Zaire in compiling balance of payments data. The compilation involves the use of the foreign exchange record of the Bank of Zaire, which covers only those transactions that have counterpart financial flows on a settlement basis; and recourse to supplementary adjustments of exports, imports, other services, unrequited transfers, and certain capital items. Although these adjustments are made in a systematic manner to improve the coverage of Zaire's external transactions, considerable delays are usually incurred in collecting the required data from various sources.

The balance of payments data presented in this report are based on the foreign exchange record of the Bank of Zaire; data on merchandise exports on an actual transactions basis; data on merchandise imports collected by the Customs and Excise Office (OFIDA); the Bank of Zaire's adjusted data for most of the service items, unrequited transfers, and private nonmonetary capital; data for interest payments (contractual basis), disbursements, and principal repayments (contractual basis) on external public debt provided by the External Public Debt Management Office (OGEDep); and IMF data on purchases, repurchases, and charges. Despite the methodological and statistical limitations inherent in the approach used, it is believed that the resulting estimates represent a reasonably reliable approximation of the underlying balance of payments situation.

As shown in Table 13 and Appendix Table XV, the overall balance of payments deficit amounted to SDR 598 million in 1982, compared with SDR 612 million in 1981 and SDR 180 million in 1980. This sharp deterioration of the external payments situation in 1981-82 was due mainly to a decline in merchandise export earnings and in disbursements on non-monetary public capital. Although the resulting foreign exchange scarcity led to a reduction in merchandise imports and some service payments, the overall deficits were still unsustainably large. In the circumstances, actual debt service payments continued to decline, and there was a rapid accumulation of external arrears, with the increase in 1982 representing more than half of the overall balance of payments deficit.

The trade balance improved considerably in 1982, with the surplus increasing by about two thirds to SDR 295 million as a result of a recovery in export volumes and a further reduction in imports; ^{1/} however, the surplus achieved in 1982 remained well below the levels reached in 1979 and 1980. Despite some increase in non-oil imports, the trade balance is expected to continue to improve in 1983, owing to higher export prices for most of Zaire's major export commodities. The services deficit, which has traditionally been high, has been rising in recent years, substantially exceeding the trade surplus. It continued to widen in 1982, primarily as a result of a sharp reduction in receipts on investment income account. The services deficit is projected to decline somewhat in 1983, owing mainly to lower debt service falling due and to some recovery in receipts. Net unrequited transfers, which had increased in 1981, due to exceptionally large inflows of private transfers, declined markedly in 1982, largely because of a drop in inflows of both private and public transfers. However, as a result of the improvement in the trade balance, the external current account deficit was reduced somewhat in 1982 to SDR 340 million (6.7 percent of GDP), compared with SDR 360 million (7.9 percent of GDP) in 1981. The current account deficit is projected to be reduced further in 1983 to SDR 240 million, on account of a continuing recovery in export earnings, a lower services deficit, and higher unrequited transfer receipts.

In the last several years Zaire has had a heavy external debt service burden. This situation has been exacerbated by smaller replenishments of the loan pipeline and lower disbursements on medium- and long-term public and publicly guaranteed external loans. Such disbursements fell from SDR 292 million in 1980 to SDR 213 million in 1981 and to SDR 192 million in 1982; they are expected to decrease even more so in 1983 to SDR 134 million.

^{1/} The trade surplus fell from SDR 435 million in 1980 to SDR 178 million in 1981, owing to a large drop in export earnings due to reductions in both volumes and prices of the major export commodities.

Table 13. Zaire: Balance of Payments, 1979-83

(In millions of SDRs)

	1979	1980	1981	1982 <u>1/</u>	1983 <u>2/</u>
Trade balance	<u>481</u>	<u>435</u>	<u>178</u>	<u>295</u>	<u>339</u>
Exports, f.o.b.	1,420	1,566	1,272	1,317	1,375
Imports, f.o.b.	-939	-1,131	-1,094	-1,022	-1,036
Oil	(-116)	(-161)	(-211)	(-169)	(-160)
Non-oil	(-823)	(-970)	(-883)	(-853)	(-876)
Services	-582	-695	-745	-791	-754
Receipts	<u>71</u>	<u>113</u>	<u>112</u>	<u>76</u>	<u>90</u>
Expenditure	-653	-808	-857	-867	-844
Freight and insurance	(-159)	(-198)	(-240)	(-225)	(-234)
Other transport	(-37)	(-52)	(-68)	(-31)	(-32)
Travel	(-26)	(-26)	(-29)	(-16)	(-16)
IMF charges	(-12)	(-11)	(-10)	(-24)	(-44)
Interest on public debt <u>3/</u>	(-151)	(-218)	(-269)	(-285)	(-228)
Other investment income	(-51)	(-76)	(-59)	(-45)	(-45)
Government, n.i.e.	(-73)	(-70)	(-76)	(-55)	(-55)
Other services	(-144)	(-157)	(-106)	(-186)	(-190)
Unrequited transfers	<u>126</u>	<u>144</u>	<u>207</u>	<u>156</u>	<u>175</u>
Private	-49	-61	-3	-14	-10
Public	175	205	210	170	185
Current account balance	<u>25</u>	<u>-116</u>	<u>-360</u>	<u>-340</u>	<u>-240</u>
Public capital	-89	-17	-143	-142	-212
Disbursements	<u>154</u>	<u>292</u>	<u>213</u>	<u>192</u>	<u>134</u>
Amortization <u>3/</u>	-243	-309	-356	-334	-346
Private capital and errors and omissions	<u>-134</u>	<u>-63</u>	<u>-125</u>	<u>-116</u>	<u>--</u>
SDR allocation	<u>16</u>	<u>16</u>	<u>16</u>	<u>--</u>	<u>--</u>
Overall deficit (-)	<u>-182</u>	<u>-180</u>	<u>-612</u>	<u>-598</u>	<u>-452</u>
Financing items	<u>182</u>	<u>180</u>	<u>612</u>	<u>598</u>	<u>452</u>
Arrears (reduction -)	<u>168</u>	<u>-1,035</u>	<u>110</u>	<u>345</u>	<u>...</u>
Of which: cash payments <u>4/</u>	(-20)	(-50)	(-35)	(-22)	(10)
Debt rescheduling and other assistance	51	1,239	315	136	...
Net Fund credit	-12	13	91	85	104
Purchases	(20)	(78)	(195)	(107)	(114)
Repurchases	(-32)	(-65)	(-104)	(-22)	(-10)
Other reserve movements (increase -)	-25	-37	96	32	-10
Gap	--	--	--	--	368

Sources: Data provided by the Zairian authorities; and staff estimates and projections.

1/ Provisional.

2/ Projections.

3/ Contractual amounts falling due in each year.

4/ On commercial and invisible arrears only.

2. Exports

In 1982 merchandise exports recovered somewhat, increasing by about 4 percent in SDR terms after a fall of 19 percent in 1981 (Appendix Table XVI). The recovery was due to a 13 percent rise in volume, which more than offset a continuing decline in unit values (Table 14), ^{1/} especially in those of GECAMINES' exports (Appendix Table XVII). Merchandise exports are expected to increase by more than 4 percent in 1983, owing primarily to an increase in copper prices and in export volumes of gold and diamonds.

Table 14. Zaire: Overall Export Unit Value Index, Value Index, and Volume Index, 1979-83

(1980 = 100)

	1979	1980	1981	1982	1983 ^{1/}
Overall export unit value index ^{2/} (Annual percentage change)	87.0 (...)	100.0 (13.0)	94.9 (-5.1)	86.7 (-8.6)	88.2 (1.7)
Export value index (Annual percentage change)	90.7 (12.9)	100.1 (10.3)	81.2 (-18.8)	84.1 (3.6)	87.8 (4.4)
Export volume index (Annual percentage change)	104.2 (...)	100.0 (-4.2)	85.6 (-14.4)	97.0 (13.3)	99.6 (2.7)
<u>Memorandum item:</u>					
Export value (in millions of SDRs)	1,420.0	1,566.0	1,271.9	1,317.1	1,374.6

Source: Staff estimates and projections based on data provided by the Zairian authorities.

^{1/} Projections.

^{2/} Based on 1980-82 average weights.

^{1/} The price indices are based on SDR unit values. In the discussion of individual products, price developments refer to unit values in U.S. dollars.

Copper accounts for about one half of Zaire's total merchandise exports. The bulk of the copper is produced by GECAMINES (94 percent in 1982) and is shipped to Belgium for processing and sale by a Belgian mining company; the remainder is produced by SODIMIZA. Copper export volume rose from 440,560 tons in 1981 to 542,610 tons in 1982, with the increase being entirely accounted for by GECAMINES' exports. Practically all the copper produced by GECAMINES in 1982 (about 465,000 tons) and most of the available stocks of GECAMINES' copper (73,000 tons) at end-1981 were exported. 1/ As a result, in spite of a further decline of more than 15 percent in the average realized unit price, copper export receipts of GECAMINES and SODIMIZA together grew by almost 12 percent in SDR terms in 1982 to SDR 716 million, compared with a fall of 19 percent in 1981. In 1982 copper exports accounted for about three fourths of GECAMINES' total exports, including frais de mise sur marché. 2/ In 1983, notwithstanding a projected 10 percent increase in the average realized unit price, it is estimated that copper export receipts will increase by only 2.5 percent. The effects of higher copper prices are expected to be partly offset by a 10 percent drop in export volume, as the level of available stocks is likely to remain low through most of the year and production by both GECAMINES and SODIMIZA is projected to decline. Copper output of GECAMINES is unlikely to exceed 460,000 tons, compared with an average production capacity of 465,000-470,000 tons, due to some technical difficulties at Lubumbashi, while the production capacity of SODIMIZA 3/ has been adversely affected by increasingly less productive mines and transportation problems. 4/ As indicated earlier, SODIMIZA recently became a fully owned state enterprise.

Zaire is the largest producer and exporter of cobalt in the world, and cobalt now accounts for about 8 percent of the country's total exports. In spite of the continued lack of buoyancy in the economies of industrial countries, Zaire succeeded in exporting about 7,260 tons of cobalt in 1982, as against only 3,390 tons in 1981; excluding exports under a 12-month contract with the U.S. General Services Administration (GSA) of 2,359 tons 5/ covering the 1981-82 period, Zaire exported

1/ Large stocks of copper were accumulated because of transportation and shipment difficulties, depressed international demand, and unusually long delays in renegotiating sales contracts. Almost all copper is exported on the basis of contracts, which are generally made one year ahead; however, SOZACOM (the state-owned mineral marketing company) may market any copper over and above contracted sales.

2/ That is, marketing and financing costs, which include all expenses associated with prefinancing, transit, shipping, insurance, refinancing, reconditioning, reshipment, and commissions.

3/ Most of SODIMIZA's copper exports had traditionally been shipped directly to Japan by CODEMIZA, a Japanese-controlled financing agency.

4/ Including the closing of the Benguela railway effective June 10, 1983.

5/ Cobalt under the GSA contract agreed on June 5, 1981 was exported at an average price of US\$15 per pound, compared with average realized prices of US\$18.56 per pound and US\$9.96 per pound in 1981 and 1982, respectively.

5,280 tons in 1982, compared with 3,015 tons in 1981. This performance is largely attributable to a major shift in export price policy initiated in 1982 by SOZACOM, which helped regain some of the market share lost in 1980 and 1981.

Since November 1982, export prices for cobalt have been set at levels close to those prevailing on the free market, and no producer price has been set. As a result of the increasingly lower offer prices throughout 1982, especially since the introduction of the new price policy, and given the special sale to the GSA, receipts from cobalt exports rose by 22 percent in 1982 to SDR 165 million. However, owing to annual accumulations to already high stocks, due to production rates far in excess of exports, relatively large stocks (exceeding 34,000 tons) were accumulated by the end of 1982.

Receipts from cobalt exports are expected to decline by some 36 percent in 1983, mainly because of a projected further drop in the average realized price to US\$6.00 per pound from US\$9.96 per pound in 1982. In view of exports already made in the first half of 1983 (6,800 tons), a total export volume of 8,500 tons is likely to be realized in 1983 as a whole. The high level of export volume achieved in the first half of 1983 is partly accounted for by a recovery in foreign demand due to a number of factors: stocks in many consuming countries were being depleted; certain countries were willing to stockpile cobalt, especially in view of the prevailing low offer prices; substitutes for lower quality cobalt were becoming unprofitable; and Zambia was temporarily unable to export cobalt because of technical difficulties.

The export volume of zinc decreased sharply in 1982 but still substantially exceeded the average level reached in 1979-80. In view of the relatively low return per pound for this metal, low priority has traditionally been given to zinc exports whenever transportation bottlenecks arise, particularly in the railroad system. Thus, as less copper was exported in 1981, much larger shipments of zinc were made possible in that year. ^{1/} However, in 1982, as priority was again given to copper and as realized export prices weakened, fewer opportunities were made available to zinc exports, resulting in a decline in receipts from this commodity to SDR 39 million, from SDR 61 million in 1981. In 1983, given the same transportation constraints, and as stocks had fallen from about 27,000 tons at the end of 1981 to just over 13,000 tons at the end of March 1983, it is generally believed that the export volume will remain at a level consistent with the annual production of 55,000 tons. By the end of April 1983, contracts had already been signed for sales of some 61,040 tons of zinc, as against only 7,000

^{1/} Also, special efforts (e.g., the evacuation of some ore by truck to Dar es Salaam) were made in 1981 to reduce the exceptionally large stocks of zinc that had been accumulated by the end of 1980 (mostly as a result of severe transportation problems in previous years and a sharp increase in production in 1980).

tons by the end of March. ^{1/} Despite the softening of world market prices of zinc, average realized prices are expected to remain virtually unchanged in 1983, owing partly to the superior quality of the Zairian zinc.

Gold and silver exports represented about 3 percent of Zaire's total exports in 1982. Export volumes of gold and silver increased significantly in 1982 but average realized prices weakened considerably, entailing somewhat lower export receipts. Export volumes of gold increased in line with developments in copper mining by GECAMINES and improved extraction capacities by KILOMOTO and SOMINKI, while those of silver rose because of increased copper mining and a higher silver content in the extracted ore. The export volume of silver is expected to decrease in 1983 owing to the gradual exhaustion of the copper mines with ores containing high silver content; no replacements have yet been found, and the volume of silver recovered from existing copper ores is projected to decline further over the next two years. The export volume of gold from GECAMINES is expected to amount to only 86 kgs in 1983, but gold exports by KILOMOTO, SOMINKI, and small-scale producers are projected to increase sharply in 1983 to 4,700 kgs, compared with less than 1,900 kgs in 1982. In particular, as a result of the liberalization of the artisanal gold and diamond trade in January 1983 and the implementation of the exchange rate reform in September 1983, it is anticipated that exports of artisanal gold will reach 3,200 kgs in 1983; 2,383 kgs were exported in the first half of 1983 for a value of US\$31 million. In addition, by contrast to developments in 1982, when export unit values fell, due mostly to sluggish world demand, average export unit values are expected to firm up in 1983. Earnings from exports of gold by KILOMOTO, SOMINKI, and small-scale producers are thus projected to rise to SDR 62 million for the whole of 1983, compared with about SDR 20 million in 1981 and in 1982.

Zaire is the world's leading exporter of industrial-grade diamonds. In 1982 export receipts from diamonds (mainly industrial grade) increased slightly to SDR 69 million, accounting for about 5 percent of total exports; there was a small increase in volume, which was virtually offset by lower average prices. Owing to exchange rate developments in the parallel markets, small-scale prospectors found little incentive to use the system of direct payment in foreign exchange that was introduced on February 1, 1980 as a means to stem illicit exports. The termination of the sales arrangement with the De Beers Group on April 2, 1981 was probably another factor that contributed to the 1982 outcome. In addition, SOZACOM, which was given the exclusive right to sell Zaire's diamonds, concentrated its efforts on selling mostly high-quality artisanal diamonds. Following the introduction of the relance minière exchange rate (described in Section VIII) and the establishment of a number of authorized marketing agencies (comptoirs agréés), artisanal

^{1/} The increase was due largely to one large contract with the General Motors Trading Co. of the United States for 60,000 tons, to be shipped over three years, with about 20,000 tons in 1983.

diamond exports through official channels expanded rapidly in the first half of 1983. In addition, in March 1983 the marketing of industrial diamonds through the de Beers Group (the Bridmont company) was re-established. 1/ For 1983 as a whole, the total volume of diamond exports is expected to amount to 8.1 million carats, compared with 6.7 million carats in 1982. The high-quality artisanal diamonds marketed by SOZACOM are estimated to reach 250,000 carats, selling at an average price of about US\$75 per carat; non-SOZACOM artisanal exports are projected to reach 3 million carats, selling at an average price of US\$14.90 per carat; and the volume exported by MIBA (which concentrates on industrial diamonds) is estimated to approach 5 million carats, with most of these diamonds being exported in uncut form at an average price of US\$8.50 per carat.

Coffee exports, mostly of the robusta variety, accounted for more than 7 percent of total exports in 1982. Export volumes increased fractionally in 1982 but continued to exceed the level of Zaire's quota under the International Coffee Agreement (ICA). 2/ Exports to nonquota markets were adversely affected by intense competition on these markets, transportation difficulties, and the existence of illicit exports and border trade. In spite of the establishment of export retention schemes for exporters in 1980, which were geared to reducing the incentive for diverting coffee to illegal channels, this traffic apparently remained sizable. The relatively low quality 3/ of the Zairian coffee and the

1/ Zaire's decision in April 1981 to break away from the De Beers' Central Selling Organization (CSO), which had handled Zaire's diamond sales for about 15 years, was aimed at getting better prices for its diamonds by making its own marketing arrangements. For nearly two years the country's diamond sales were handled by independent British and Belgian companies. However, on March 7, 1983, SOZACOM announced that, with immediate effect, a two-year contract had been signed with the CSO, giving the latter exclusive rights to handle the sale of raw diamonds from Zaire's state-owned mines. Specifically, an exclusive contract was signed between MIBA-SOZACOM and Bridmont, whereby the latter company guarantees a minimum buying price for Zairian diamonds of US\$8.55 per carat through March 1985 and would offer a higher price should market prices increase. One reason for this return to the CSO is believed to be the fact that the CSO claims to offer better price stability than independents--and stability is important in planning mine production. Another reason is believed to be the CSO's success in securing the marketing rights for the bulk of diamond production from the new Argyle diamond field in western Australia. Argyle's diamonds are of a type similar to those of Zaire, and full production is expected to be reached in three years and to amount to a huge annual rate of 25 million carats.

2/ Zaire's export quota under the ICA was 66,900 tons for October 1981-September 1982 and 66,100 tons for October 1982-September 1983.

3/ Export volumes of the robusta variety, i.e., the lower quality coffee, increased by 2 percent to 59,938 tons in 1982, while those of the arabica variety, i.e., the higher quality coffee, declined by 6 percent to 8,066 tons.

practice of setting administered prices for the purpose of export declarations, which have usually been lower than realized prices, may explain in part the relatively low average realized prices recorded by OZACAF. Given all these developments, the official export receipts recorded in 1982, at SDR 95 million, remained virtually unchanged from the 1981 level. In contrast, some increase is expected for 1983, owing to somewhat higher prices due in part to lower production in several competitor countries, as well as to higher export volumes to nonquota markets. Even though the production of coffee is likely to decrease in 1983 due to the drought, available stocks are currently high, and it is generally believed that the export volume will again significantly exceed the quota set under the ICA.

Rubber exports continued to decline in volume terms in 1982, because of a drop in production. In addition, average realized export prices fell by some 24 percent. With a recovery in production, as well as in world demand, earnings from rubber exports are expected to increase somewhat in 1983.

Crude oil exports accounted for 19 percent of total exports in 1982. Virtually all of the country's production of low sulfur crude oil was exported (8.1 million barrels), mainly through spot market sales. Notwithstanding declining export prices, receipts from crude oil increased by 7 percent in 1982 to SDR 248 million. ^{1/} Such receipts are estimated to decline in 1983 to about SDR 206 million, as a result of price developments reflecting a continued weakness in foreign demand and of a virtual stagnation in domestic output due to increasingly less productive wells.

Other exports, which accounted for more than 6 percent of the total value of the country's exports in 1982, consist of a variety of agricultural products (e.g., cocoa, palm oil, tea, timber), a number of relatively minor minerals (e.g., tin, tungsten), minor precious stones, and several manufactured products. Earnings from such exports increased by 6 percent in 1982 to SDR 84 million. Developments in these exports were in line with those in agricultural, industrial, and mineral output, whose performance in 1982 was on the whole relatively poor. The production and export of manufactured products was adversely affected by the lack of spare parts, certain raw materials, and semiprocessed products. There was an overall decline in agricultural exports due to a number of reasons, including smaller output resulting from adverse weather conditions, transportation difficulties, and marketing problems. Exports of palm oil decreased by 32 percent in 1982 to 4,169 tons because of higher domestic consumption and aging plantations. There was also an 8 percent decline in exports of cocoa to 4,137 tons. There was, however, a 45 per-

^{1/} However, the earnings remained virtually unchanged in U.S. dollar terms, as the gain in export volumes was virtually offset by the loss incurred on account of declining prices expressed in U.S. dollars.

cent increase in export volume of tea, owing largely to improved shipment channels and to new selling practices (e.g., bulk sales), and a 5 percent rise in export volume of timber. The decline in exports of most minor minerals and precious stones reflected price declines resulting from weak market conditions, though in several cases (e.g., tin, cassiterite, colombo-tantalite, manazite, and wolframite) exports were also affected by lower production. Other exports are projected to increase moderately in 1983, in line with the expected recovery in real economic growth and better price incentives due in part to the implementation of the exchange rate reform.

3. Imports

In 1982 there was a further decline in merchandise imports (on both a c.i.f. and f.o.b. basis) of about 6.5 percent in SDR terms; however, according to customs data (Table 15), imports (excluding those for re-export) increased by 15 percent in zaire terms. The decline was accounted primarily by lower import volumes and prices of petroleum products. Import volumes of petroleum products decreased to 844,000 cubic meters in 1982, from 861,000 cubic meters in 1981. Imports covered an estimated 75 percent of effective demand for petroleum products in Zaire; thus, as serious transportation problems persisted, shortages of petroleum supplies continued to prevail in most areas outside the Kinshasa and Shaba regions, giving rise to some black market activities in these areas. Non-oil imports declined by 3 percent in SDR terms, mostly as a result of limited export receipts and lower disbursements of public capital. Import prices of non-oil products remained virtually unchanged in SDR terms, implying a significant decline in volumes (Appendix Table XVIII).

According to preliminary customs data, in the first half of 1983 imports recorded by the six largest customs offices grew substantially. However, for 1983 as a whole only a small nominal increase (slightly less than 2 percent) is projected in view of the foreign exchange scarcity, the restrictive budgetary and credit policies, the large devaluation of the zaire, and an exceptionally low level of disbursements on foreign loans. Given the anticipated price developments, merchandise imports are expected to remain virtually unchanged in volume terms.

In 1982 the share of essential imports, i.e., imports either not subject to customs duties or subject to simplified customs duties, increased to 20 percent of total imports (excluding those for re-export). The share of imports at preferential customs duties by productive units for industrial use also increased somewhat to 2.4 percent of the total. These developments continued well into the first half of 1983, as most of the increase in imports recorded at the six largest customs offices was due to substantially higher imports of essential commodities. The share of imports financed without recourse to the foreign exchange re-

Table 15. Zaire: Merchandise Imports, c.i.f., 1981-82

	1981	1982
<u>(In thousands of zaires)</u>		
Total imports, c.i.f.	7,099,614	8,469,548
Final imports (importations definitives)	5,487,052	6,126,265
Conditional imports (importa- tions conditionnelles) <u>1/</u>	152,058	189,826
Imports for re-export (importa- tions en transit)	205,837	552,650
Imports not subject to customs duties (importations exonérés de droits de douanes)	1,254,667	1,522,584
Imports subject to simplified customs duties (importations soumises au regime de droits de douanes simplifies) <u>2/</u>	--	78,223
<u>(In thousands of SDRs)</u>		
Total imports, c.i.f.	1,373,499	1,334,207
Minus: Imports for re-export	39,821	87,059
Total imports, c.i.f., for balance of payments purposes	1,333,678	1,247,148
<u>Memorandum items:</u>	<u>(In thousands of zaires)</u>	
SAD imports (importations sous regime SAD)	851,954	748,759
(In percent of total imports, c.i.f.)	(12)	(9)

Source: OFIDA.

1/ Imports at preferential customs duties by productive units for industrial use; these units are required to secure a special authorization from the customs administration in order to benefit from preferential customs duties.

2/ Imports for personal use.

sources of the banking system (SAD imports) declined to 9 percent in 1982 in zaire terms, from 12 percent in 1981, reflecting in part increasingly limited foreign exchange outside the banking system but also lower foreign aid. ^{1/} According to import declarations and validated import licenses at the Bank of Zaire, SAD imports continued to decline in the first seven months of 1983.

Statistics on the composition of imports (c.i.f.) are not readily available on a customs basis. However, using the foreign exchange record of the Bank of Zaire, it is possible to estimate a breakdown of merchandise imports, as shown in Appendix Table XIX. Although caution is required in interpreting the data shown in this table, as about a third of imports remain unclassified, several trends may be observed in respect of the composition of imports. During the period 1979-82 the share of consumer goods apparently declined, from 17 percent in 1979 to 11 percent in 1982, owing mainly to lower imports of clothing and "other" nondurable consumption goods. This trend reflected developments in SAD imports ^{2/} and resulted to some extent from the change in the system of allocation of foreign exchange retained by commercial banks in favor of essential imports. However, the share of foodstuffs, which fell over the 1979-81 period, increased again in 1982, exceeding 6 percent of total merchandise imports. The share of raw materials and intermediate goods rose moderately in 1982 to almost 22 percent but changed little over the 1979-82 period, in spite of a significant increase in the share of chemicals and construction materials. The share of capital goods increased from 12 percent in 1979 to 15 percent in 1982; though detailed data are not available, it is believed that the sizable increase in the share of "other" capital goods is explained by a significant rise in imports of motor vehicles. The share of energy increased from 20 percent in 1979 to about 29 percent in 1981 but apparently fell to some 17 percent in 1982, owing to the reduction in imports of petroleum products.

4. Terms and direction of trade

Zaire's terms of trade continued to deteriorate in 1982, falling by more than 8 percent following a 7.5 percent decrease in 1981 (Table 16). The deterioration occurred because of another decline (8.6 percent) in average export unit prices due to lower prices for copper and cobalt. At the same time, average import unit prices fell slightly, owing mainly to lower oil import prices. The terms of trade are likely to deteriorate

^{1/} The increase in SAD imports recorded in 1981 was due mainly to imports of capital goods for the major hydroelectric project and of materials supplied for the construction of the Matadi bridge, which were financed partly by external grants.

^{2/} In 1982 more than half of the SAD imports, as shown by the validated licenses at the Bank of Zaire, was represented by imports of consumption goods such as clothing, shoes, and foodstuffs and about one third by imports of capital goods and private motor vehicles.

somewhat in 1983, as the increase in import prices is expected to exceed the rise in export prices. Average export prices of GECAMINES' products are projected to rise by 5 percent but most other export prices are expected to remain sluggish.

Table 16. Zaire: Terms of Trade, 1979-83

(In SDR terms; 1980 = 100)

	1979	1980	1981	1982 <u>1/</u>	1983 <u>2/</u>
Export unit price index	87.0	100.0	94.9	86.7	88.2
(Annual percentage change)	(...)	(13.0)	(-5.1)	(-8.6)	(1.7)
Import unit price index	89.8	100.0	102.6	102.4	104.6
(Annual percentage change)	(12.4)	(10.2)	(2.6)	(-0.2)	(2.1)
Terms of trade	96.9	100.0	92.5	84.7	84.3
(Annual percentage change)	(...)	(3.1)	(-7.5)	(-8.4)	(-0.5)

Source: Staff estimates and projections.

1/ Provisional.

2/ Projections.

In view of the absence of customs data and the limited coverage of the exchange record, the table on Zaire's direction of trade (Appendix Table XX) is based on the data of trading partners. On the export side, the industrial countries (IFS definition) absorbed by far the largest share throughout the 1979-82 period. In 1982, however, there was a small decline in the share of these countries in Zaire's total exports to 93 percent, from 96 percent in 1981. Within the group of industrial countries, exports to the United States increased substantially in 1982, with the share rising to almost 37 percent of total exports; those to Belgium (traditionally the largest market for Zairian exports) declined markedly, with the share falling to less than 32 percent in 1982, compared with about 48 percent in 1980 and 1981. The share of exports to developing countries increased in 1982, mainly because of

larger exports to certain Asian countries (e.g., India). On the import side, the industrial countries also continued to absorb the largest share during the 1979-82 period, though in 1982 there was a small drop in the share of these countries in total imports to less than 74 percent. This drop was due mainly to lower supplies from the United States, Canada, Japan, and Sweden. Belgium, France, and the United States remained the three major suppliers to Zaire in 1982; supplies from Belgium and France increased significantly in 1982, raising their respective shares to 20 percent and 12 percent. Because of the chronic foreign exchange scarcity and as a result of its efforts to find cheaper sources of supply, Zaire imported somewhat more from developing countries in 1982 than it did in previous years. Among this latter group of countries, Brazil is likely to have continued to be the largest supplier. African countries accounted for 9 percent of total imports in 1982, with Zimbabwe being the most important single supplier in that group of countries.

5. Services and transfers

The deficit on services account reached SDR 791 million in 1982, compared with SDR 745 million in 1981, with interest payments due on the public debt accounting for more than one third of the total deficit. Excluding these interest payments due and IMF charges which are reviewed in the following subsection, the services deficit widened from SDR 466 million in 1981 to SDR 482 million in 1982. The further deterioration in the deficit occurred, in spite of a small decline in payments on account of services, owing to a sizable drop on the receipts side (Appendix Table XV).

In 1982 payments on services (excluding interest due and IMF charges) declined by 3.5 percent, as higher outlays by the private sector were more than offset by lower expenditure on freight and insurance as well as on other transport, travel, and government, n.i.e. Payments on freight and insurance declined in line with the reduction in merchandise imports. Expenditure on other transport fell sharply as Zairian enterprises made greater use of national companies and facilities in order to minimize transportation, storage, and harbor costs abroad. Expenditure on travel and government, n.i.e. were reduced mainly as a result of the foreign exchange scarcity. Payments on other services increased markedly because of higher management, consulting, and financial fees charged to various enterprises. Payments on services (as defined above) are projected to increase by 2.5 percent in 1983, owing principally to larger payments on freight and insurance (in line with the expected growth in merchandise imports) and on other services (notably higher financial and consulting fees). No increases are projected in payments for travel and government, n.i.e., because of the implementation of restrictive budgetary and credit policies.

Receipts from services declined by 32 percent in 1982, mainly because of lower investment income and receipts from other services by the private sector. The decline in investment income reflected lower interest earned by the Bank of Zaire as well as only partial repatriation of investment income by banks and other private entities. The drop in receipts from other services was due apparently to the difficult overall economic conditions abroad and to reduced foreign exchange receipts attributable partly to the lack of attractive investment opportunities in Zaire. In addition, in view of the limited foreign exchange availability, a number of Zairian entities had been allowed to use part of their foreign exchange receipts to make directly certain invisible payments. There was, however, an exceptionally large increase in receipts from other transport, principally as a result of higher tariffs on sea transportation and increased use of domestic harbor facilities. Receipts are projected to increase by 18 percent in 1983. Private entities are expected to repatriate a larger share of their foreign exchange receipts on invisible transactions as a result of the liberalization of the exchange and trade system, while another good performance is expected in other transport.

The deficit on services account is projected to be reduced in 1983 to SDR 754 million, mainly because of lower interest payments due on the public debt; such payments are estimated to decline to SDR 228 million, from SDR 285 million in 1982. Excluding interest payments due and IMF charges, the services deficit is projected to remain unchanged at the 1982 level.

Net unrequited transfers declined sharply in 1982 to SDR 156 million, from SDR 207 million in 1981, owing to lower receipts on account of both private and public transfers. At the same time, however, there was a sizable reduction in private transfers abroad. The decrease in public transfers is partly explained by the completion of a number of development projects that had been financed by foreign grants. The decline in inward private transfers was possibly due to exchange rate developments and also partly reflected overall economic conditions abroad. The drop in outward private transfers is explained by a tightening of official controls on salary remittances and was also due to delays in payments through the budget to certain foreign workers. Net unrequited transfers are projected to increase by 12 percent in 1983, on account of larger private remittances from abroad and higher public transfers.

6. Nonmonetary capital

Disbursements on public capital, i.e., medium- and long-term external public and publicly guaranteed debt, continued to decrease in 1982 to SDR 192 million, compared with SDR 213 million in 1981, SDR 292 million in 1980, and an average of SDR 446 million a year during the period 1975-78. This exceptionally low level reflected the completion

of a number of large development projects (e.g., the Inga-Shaba hydro-electric project) and a slowdown of new loan commitments. The total disbursement of SDR 192 million in 1982 included a disbursement of about SDR 43 million on an 18-month loan from Belgolaise which was contracted by the Bank of Zaire on behalf of the Treasury. Most of the remainder was made up of disbursements on loans provided by the African Development Bank, the World Bank (IDA), the French Caisse Centrale de Cooperation Economique, and the Kreditanstalt fur Wiederaufbau.

The outlook for disbursements in 1983 is unfavorable, with the declining trend experienced in recent years being expected to continue. In addition to lower new commitments from most sources, increasingly long delays in disbursements have arisen because of the accumulation of arrears on debt owed to certain institutions and to the repayment requirements of a number of official creditors with respect to recent and new loan requests. Thus, total disbursements are projected to amount to only SDR 134 million in 1983.

In 1982 interest and amortization due on the external public and publicly guaranteed external debt amounted to SDR 619 million, ^{1/} equivalent to 44 percent of exports of goods and services. However, actual payments made in 1982 were only SDR 182 million, representing 13 percent of exports of goods and services, compared with 14 percent in 1981 (Table 17); including charges and repurchases on Fund credit (SDR 46 million) and cash payments on commercial and invisible arrears (SDR 22 million), the ratio was 18 percent in 1982, as against 25 percent in 1981. As a result, there was an exceptionally large accumulation of arrears on external public debt service. Such arrears, including accrued interest, increased by almost SDR 500 million in 1982 to SDR 641 million at the end of the year (Appendix Table XXI); excluding the accrued interest, the outstanding amount was SDR 608 million, of which SDR 505 million was due to official creditors within the Paris Club, SDR 54 million to commercial banks within the London Club, and about SDR 5 million to multilateral financial institutions. However, as indicated above, there was a reduction in 1982 of commercial and invisible arrears by SDR 22 million through cash payments by the Bank of Zaire; in addition, some of the commercial and invisible arrears were either canceled or settled through informal arrangements, thus bringing the outstanding amount to SDR 207 million at the end of 1982.

The accumulation of arrears occurred despite the debt rescheduling obtained under the July 1981 Paris Club agreement. This agreement provided for a consolidation of 90 percent of the unpaid principal and interest falling due during the January 1, 1981-December 31, 1982 period, as well as a deferment of some SDR 81 million of debt service on official loans that had already been rescheduled under the December 1979 Paris Club agreement and fell due in 1981.

^{1/} Excluding charges and repurchases on Fund credit but including actual payments on arrears related to external public debt servicing.

Table 17. Zaire: Actual Debt Service Payments on Public and Publicly
Guaranteed Medium- and Long-Term External Debt, and Debt Service
Ratios, 1979-83 ^{1/}

(In millions of SDRs)

	1979	1980	1981	1982 ^{2/}	1983 ^{2/} Jan.- Sept.
Debt to creditors within the Paris Club ^{3/}	<u>49.8</u>	<u>60.9</u>	<u>72.2</u>	<u>24.5</u>	<u>31.3</u>
Principal	(30.7)	(39.5)	(36.8)	(13.5)	(20.7)
Interest	(19.1)	(21.4)	(35.4)	(11.0)	(10.6)
Debt to creditors not within the Paris Club	<u>80.5</u>	<u>175.8</u>	<u>123.1</u>	<u>157.4</u>	<u>131.8</u>
Principal	(26.2)	(63.5)	(35.3)	(73.7)	(61.5)
Interest	(54.3)	112.3)	(87.8)	(83.7)	(70.3)
London Club	33.4	78.5	64.3	18.1	32.9
Principal	(0.4)	(21.8)	(12.0)	(--)	(4.7)
Interest	(33.0)	(56.7)	(52.3)	(18.1)	(28.2)
Special payments mechanisms	19.3	33.8	42.4	92.4	60.7
Principal	(...)	(...)	(13.1)	(32.2)	(32.9)
Interest	(...)	(...)	(29.3)	(60.2)	(27.8)
Other	27.8	63.5	16.4	46.9 ^{4/}	38.2
Principal	(...)	(...)	(10.2)	(41.5)	(23.9)
Interest	(...)	(...)	(6.2)	(5.4)	(14.3)
Total debt service payments	<u>130.3</u>	<u>236.7</u>	<u>195.3</u>	<u>181.9</u>	<u>163.1</u>
Principal	(56.9)	(103.0)	(72.1)	(87.2)	(82.2)
Interest	(73.4)	(133.7)	(123.2)	(94.7)	(80.9)
Debt service ratios ^{5/}	<u>8.7</u>	<u>14.1</u>	<u>14.1</u>	<u>13.1</u>	<u>...</u>

Source: Data provided by the Zairian authorities (OGEDEP and Bank of Zaire).

^{1/} Including payments on account of arrears on external public debt service but excluding IMF charges and repurchases and cash payments on commercial and invisible arrears.

^{2/} Provisional.

^{3/} Excluding debt subject to special payments mechanisms; payments under these mechanisms amounted to SDR 55.8 million in 1982 and to SDR 32.7 million in the first nine months of 1983.

^{4/} Including interest payments of SDR 4.5 million and amortization of SDR 28.5 million in respect of the SDR 43 million (US\$48 million) medium-term loan contracted by the Bank of Zaire on account of the Treasury.

^{5/} Total debt service payments as a percentage of exports of goods and services.

Public debt service payments due in 1983, excluding Fund charges and repurchases, are estimated at SDR 574 million; including SDR 54 million in Fund charges and repurchases, they total SDR 628 million, representing about 43 percent of exports of goods and services. Actual debt service payments in respect of medium- and long-term external public debt amounted to SDR 163 million during the first nine months of 1983, including SDR 60 million on account of arrears and SDR 61 million under special payments mechanisms. ^{1/}

With regard to private capital movements, the practice of registering only those transactions with counterpart financial flows through the banking system has led, in a number of instances, to substantial underestimates of both inflows and outflows. For instance, private direct investment in the form of equipment cannot be captured through this procedure until the service payments commence; and while such payments are recorded when made, the corresponding inflow becomes known only several years after the fact. Nevertheless, an attempt has been made on the basis of available data to provide some indications of direct investment and short-term private capital flows through 1981 (Appendix Table XV). According to the available data, in 1981 there was a sharp increase in net direct investment, reflecting the implementation of certain sizable projects in that year but also including some investments made in the past. Short-term private capital flows balanced out, but other private capital flows and errors and omissions were largely negative. Although the corresponding data are not yet available for 1982, indications are that the deficit on private capital account, including errors and omissions, declined somewhat relative to 1981.

7. International reserves

As of the end of 1982, the Bank of Zaire's gross international reserves, including gold, totaled SDR 176.7 million; excluding gold, most of which is pledged, they amounted to SDR 34.2 million, representing about one week's of 1982 imports, c.i.f. (Appendix Table XXII). The Bank's gross reserve position improved somewhat during the first nine months of 1983, owing mainly to higher receipts from copper and cobalt exports. Thus, at the end of September 1983 official international reserves, excluding gold, amounted to SDR 39.2 million, equivalent to more than one week and a half of projected 1983 imports, c.i.f..

8. External debt

Zaire's outstanding external public and publicly guaranteed debt, including Fund credit, increased from SDR 3.8 billion at the end of 1981 to SDR 4.1 billion at the end of 1982. Outstanding debt to the Fund rose to SDR 383.5 million at the end of 1982, from SDR 297 million at the end of 1981, owing to the March 1982 purchase of SDR 106.9 mil-

^{1/} Under these mechanisms, debt service payments are deducted at source from export receipts.

lion under the compensatory financing facility. As shown in Appendix Table XXIII, in terms of U.S. dollars, the total debt amounted to US\$4.5 million at the end of 1982, and it remained practically unchanged by the end of June 1983.

More than half of the outstanding debt, excluding Fund credit, at the end of 1982 was in the form of bilateral loans, about one fourth was due to commercial banks and other private financial institutions, and 13 percent to multilateral financial institutions. Given the structure of new commitments, it is likely that the share of bilateral and multilateral loans continued to increase through June 1983, while that of suppliers' credits and private financial institutions declined.

Official creditors within the Paris Club form the largest creditor group, accounting for slightly less than two thirds of the total disbursed debt, excluding Fund credit (Appendix Table XXIV). The second largest group is represented by the multilateral financial institutions, which account for about 11 percent of the total debt. The third largest group is formed by the commercial banks of the London Club, representing almost 9 percent of the total debt. The remainder includes official creditors that are not within the Paris Club, banks that are not members of the London Club, and debt subject to special payments mechanisms, including the IBRD Trust Fund.

The outstanding amount of consolidated debt as of the end of 1982 was equivalent to SDR 1.2 billion, or slightly less than 30 percent of the total (Appendix Table XXIV); this includes SDR 875 million under the 1975/76, 1977, and 1979 Paris Club rescheduling agreements. The outstanding amount of debt due to official creditors within the Paris Club, ^{1/} excluding already consolidated debt and special payments mechanisms, totaled some SDR 1.3 billion. As a result of the existing foreign exchange scarcity and concomitant pressures by various creditors, Zaire had to enter into loan agreements involving special payments mechanisms, under which debt service payments are deducted at source from export receipts; the outstanding debt subject to such arrangements amounted to SDR 358 million at the end of 1982, representing almost 10 percent of the total.

Outstanding undisbursed debt amounted to SDR 586 million at the end of 1982. For various reasons, in early 1983 some undisbursed loans were canceled and early repayments on certain credits were called for. At the end of June 1983 the outstanding undisbursed debt was SDR 610 million. Of the outstanding amount, some two thirds is subject to slow disbursement patterns. More than three fourths of the loan pipeline is represented by commitments made during 1980-82, and 40 percent by commitments signed in 1982 alone.

^{1/} Government-to-government loans and insured financial and suppliers' credits, excluding special payments mechanisms.

The situation in respect of external debt commitments improved somewhat in 1982, as Zaire secured SDR 242 million in new loans compared with SDR 165 million in 1981 (Appendix Table XXV). However, the new loan commitments remained well below those recorded in 1978-80, which ranged between SDR 321 million and SDR 395 million. In 1982 multi-lateral and bilateral creditors accounted for 92 percent of the total, with multilateral financial institutions alone representing almost four fifths of the total. There was a general improvement in the terms of the new commitments in 1982: the average interest rate fell to 2.3 percent, from 6.5 percent in 1981; the average maturity increased to 39.2 years, compared with 24.6 years in 1981; the average grace element rose to 8.4 years, from 6.7 years in 1981; and the average grant element increased to about 67 percent, as against slightly more than 28 percent in 1981. During the first half of 1983 new loan commitments amounted to only SDR 65 million; as in 1982, most of them were loans provided by multilateral and bilateral creditors. Since 1980 more than three fourths of the new commitments have come from four official creditors (Belgium, France, the Federal Republic of Germany, and the United States) and three multilateral institutions (the World Bank, the African Development Bank, and the European Investment Bank/European Development Fund).

VIII. Developments in the Exchange and Trade System

This section provides a brief description of the exchange rate arrangements that prevailed up to September 12, 1983, as well as a description of the new exchange rate system that became effective on September 12, 1983. It also provides background information on certain aspects of the restrictive system, including the measures taken since September 12, 1983 to liberalize and simplify the exchange and trade system. Developments in Zaire's exchange and trade system in 1982 are covered in the description of the system as of December 31, 1982 which is published in the IMF's 1983 Annual Report on Exchange Arrangements and Exchange Restrictions. Changes in the exchange and trade system during January-November 1983 are presented as the last item in this section.

1. Exchange rate arrangements

a. Arrangements prior to the September 12, 1983 reform

The zaire remained pegged to the SDR at the rate of Z 1 = SDR 0.1575 since the June 19, 1981 devaluation, with official rates vis-à-vis the U.S. dollar and 19 other currencies ^{1/} being fixed daily by the Bank of Zaire on the basis of the SDR. In practice, such official rates were adjusted at irregular intervals.

^{1/} Austrian schillings, Belgian francs, Burundi francs, Canadian dollars, CFA francs, Danish kroner, deutsche mark, French francs, Italian lire, Japanese yen, Kenya shillings, Netherlands guilders, Norwegian kroner, Portuguese escudos, pounds sterling, Rwanda francs, Spanish pesetas, Swedish kronor, and Swiss francs.

At the time of the June 1981 devaluation, the prevailing parallel market rate used for imports without recourse to the foreign exchange resources of the banking system (i.e., SAD imports) was Z 11.7 per U.S. dollar, compared with an official rate of Z 5.5 per U.S. dollar. This SAD rate was derived on the basis of a so-called coefficient d'adaptation, which was calculated by the Customs and Excise Office (OFIDA) in light of the latest actual rates for SAD imports. 1/ Following the June 1981 devaluation and the supply to the economy of US\$50 million in foreign exchange at the official rate for the import of essential goods, the SAD rate appreciated somewhat in July 1981, rising to Z 9 per U.S. dollar. Between August 1981 and March 1982 the rate fluctuated between Z 9.50 and Z 12 per U.S. dollar, in response to specific measures, including the reintroduction of a relance minière rate in September 1981 to be used in transactions between SOZACOM and producers of artisanal gold and diamonds. As a result of certain political decisions, and speculation on a forthcoming devaluation of the official rate, the SAD rate depreciated significantly during the April-October 1982 period. The depreciation of the SAD rate then accelerated between November 1982 and July 1983, falling to Z 33 per U.S. dollar, owing to various reasons, notably the intensified speculation on a forthcoming devaluation, sluggish world prices for diamonds, 2/ the formal introduction of the relance minière market in January 1983 (which initially induced lower purchases by SOZACOM), political considerations, and the increasingly limited supply of foreign exchange to the SAD market. Two closing SAD rates (taux de cloture) were fixed weekly (each Friday) by OFIDA, one against the U.S. dollar and another against the Belgian franc; closing SAD rates for other currencies were set each month on the basis of the end of month's closing SAD rate in terms of the U.S. dollar and the official rates for these other currencies as quoted by the Bank of Zaire. There were a relatively large number of participants in the SAD market, with some of the transactions between a few traders amounting to US\$100,000 each and a daily turnover thought to be around US\$3 million.

In addition to the SAD parallel market rate, a so-called relance minière rate had also been used since its reintroduction in September 1981. Until February 1983 the relance minière rate was fixed once a month by OFIDA on the basis of actual rates 3/ used in the transactions carried out on the market for artisanal gold and diamonds. The fixing of the relance minière rate was made very much along the lines used in

1/ The coefficient d'adaptation was used in calculating the cost price of goods imported under the SAD import system, though customs duties and taxes were levied on such imports valued at the official rate; the coefficient d'adaptation was thus a measure of the spread between the SAD parallel market rate and the official rate.

2/ As a result, foreign buyers reduced their purchases of diamonds from Zaire.

3/ That is, on the basis of the various rates actually agreed upon between producer-exporters of artisanal gold and diamonds and the authorized marketing agencies (comptoirs), including SOZACOM.

fixing the weekly closing SAD rates and also involved the determination of a coefficient d'adaptation relance minière. Between February 1983 and early September 1983 the relance minière rate continued to be fixed weekly by OFIDA according to a specific formula but was often kept unchanged, depending on developments in the SAD market and the behavior of participants in the relance minière market. The fixing of the relance minière rate (in terms of the U.S. dollar only) was done according to the following formula: closing SAD rate for the zaire against the U.S. dollar minus one (minimum) or two (maximum) points over the official exchange rate for the zaire against the U.S. dollar (as quoted by the Bank of Zaire) minus one. On this basis, even though the relance minière rate had generally been somewhat lower than the SAD rate, it was well accepted by participants in the relance minière market, who were provided with an official foreign exchange document for each of the transactions involved. The above formula gave the coefficient d'adaptation relance minière for the U.S. dollar, which was used together with cross rates between the U.S. dollar and other currencies to derive similar coefficients for 12 other currencies. ^{1/} End-of-month coefficients d'adaptation relance minière were sent once a month to the Zairian Bankers' Association (AZB) and to the Bank of Zaire. On occasion, developments in the relance minière market rate had influenced those in the SAD parallel market. Thus, during January 10-March 15, 1983 the fixing of a lower coefficient d'adaptation relance minière induced a rapid depreciation of the SAD rate, as producer-exporters of artisanal gold and diamonds decided either to limit their transactions at that rate or to enter into specific arrangements involving more depreciated parallel rates. The relance minière rate depreciated from Z 10.75 per U.S. dollar in January 1982 to Z 25.72 per U.S. dollar in December 1982 and further to Z 29.92 per U.S. dollar on September 9, 1983.

A number of other parallel market rates were used in Zaire, including the coffee devise rate and other similar rates; such rates resulted from the practice of selling foreign exchange retained by producer-exporters in resident foreign exchange accounts (i.e., comptes residents en monnaie étrangère, or RME accounts) to other parties. Two elements were involved in the determination of these rates, which were negotiated between holders of RME accounts and other parties; the first element related to the official rate paid by the commercial bank that had opened the resident foreign exchange account, and the second element represented a premium paid informally by the other party to the holder of the RME account. On average, such rates, also called "conventional" market rates, were 20 percent lower than the prevailing SAD rate.

The June 1981 devaluation (as well as previous devaluations) had provided some respite from the zaire's tendency to appreciate in real effective terms. However, given domestic rates of inflation substantially

^{1/} Belgian francs, Burundi francs, CFA francs, deutsche mark, French francs, Italian lire, Japanese yen, Netherlands guilders, pounds sterling, Rwanda francs, South African rand, and Swiss francs.

in excess of those prevailing in trading partners, the zaire appreciated markedly in real effective terms over the period January 1973-June 1983. On the basis of monthly figures for the import-weighted index, the zaire appreciated in real effective terms by almost 100 percent during the July 1981-June 1983 period (Appendix Table XXVI).

b. Arrangements effective September 12, 1983

As an integral part of the exchange rate reform, effective September 12, 1983 the official exchange rate of the zaire was changed from Z 1 = SDR 0.15750 to Z 1 = SDR 0.03542, representing a devaluation of 77.5 percent against the SDR, or 445 percent in terms of zaires, while the fixed parity of the zaire vis-à-vis the SDR, introduced on March 12, 1976, was abandoned.

Also effective September 12, 1983, a temporary dual exchange rate arrangement was introduced. ^{1/} The arrangement consists of two clearly defined markets, namely, an official market restricted to the operations of the Bank of Zaire and a free market covering the operations of the rest of the banking system. On the receipts side, transactions on the official market are limited to receipts from GECAMINES, royalties and taxes from oil companies, Fund purchases, specified operations of the Bank of Zaire for its own purposes, and specified government revenue in foreign exchange. On the expenditure side, official transactions are limited to outlays for oil imports, external public debt service, Fund charges and repurchases, operational costs of the Bank of Zaire, and specified priority imports and payments for invisibles by the Government. All other transactions in foreign exchange pass through the free market and can be carried out only by authorized banks and other authorized intermediaries. Such transactions can be carried among the banks themselves, between the banks and other authorized intermediaries, and between the banks or other authorized intermediaries and resident or nonresident physical and legal persons. They are limited to transactions in foreign currencies accepted by the Bank of Zaire.

The current arrangement involves the use of two exchange rates: the official exchange rate, which applies to all official transactions; and the free exchange rate, which applies to all other transactions. Maximum spreads between the official and free exchange rates have been maintained. A spread of 10 percent was kept between the two rates until October 14, 1983; since then the spread has been brought to within 5 percent. Whenever any new fixing of the free rate involves a wider spread, the official rate is automatically adjusted by the Bank of Zaire. Official rates are fixed and published daily by the Bank of Zaire. For the week of September 12, 1983, the free market exchange rate was set by the Bank of Zaire at the same level as that of the prevailing relance minière rate, i.e., Z 29.9253 per U.S. dollar. Subsequently, and through October 14, 1983, the free rate was determined weekly by the commercial banks, in consultation with the Bank of Zaire,

^{1/} Circular No. 199 of the Bank of Zaire of September 10, 1983.

on the basis of the rates banks were intending to apply to transactions on the free market. Effective October 14, 1983, an interbank foreign exchange market was launched, on which the free rate is being determined. There is a weekly fixing (each Friday), which is being conducted on the basis of the following rules: the fixing rate must be set at a level which allows the largest buying bid to be transacted; bids without limits have to be effected in the first instance; and those bids with specified limits could be split and effected to the extent possible. Irrespective of the weekly fixing rate, commercial banks are free to negotiate any rate in their daily transactions among themselves, as well as with their clients. The free and official rates for the six weeks preceding the reform and the first eleven weeks following the reform are given in Table 18.

Table 18. Zaire: Evolution of the Free and Official Exchange Rates of the Zaire, July 29-November 28, 1983

Effective date	Free rate <u>1/</u>	Official rate
(In zaires per U.S. dollar)		
July 29	29.6262	5.9972
August 5	29.8485	6.0422
August 12	30.1207	6.0973
August 19	29.6825	6.0086
August 26	29.7442	6.0211
September 2	29.9394	6.0606
September 9	29.9253	6.0578
September 12	29.9253	26.9328
September 19	30.3455	27.3110
September 26	30.4621	27.4159
October 3	30.4960	27.4464
October 10	30.3960	27.3572
October 17	30.4849	28.9606
October 24	30.4000	28.9605
October 31	30.5701	29.1332
November 7	30.6608	29.2197
November 14	30.6577	29.3333
November 21	30.7800	29.3333
November 28	30.8398	29.3903

Source: Data provided by the Zairian authorities.

1/ Relance minière rate through September 9, 1983.

2. Exchange and trade system

A number of practices and procedures have adversely affected the mobilization and allocation of foreign exchange in the economy; on occasion, they also facilitated the development of parallel markets. They include notably export retention quotas; the 30 percent foreign exchange surrender requirement by the commercial banks to the Bank of Zaire; resident foreign currency accounts; the foreign exchange allocation system applicable to commercial banks; and import licensing regulations, including the system of imports financed without recourse to the foreign exchange resources of the banking system. In addition, Zaire has maintained a number of restrictions on payments and transfers for current international transactions.

a. Export retention quotas

As a general rule, effective in February 1980 producer-exporters were permitted to retain up to 15 percent of their export proceeds in foreign exchange accounts with the authorized banks. In principle, the deposited foreign exchange was expected to be used for payments of imports for productive purposes, though imports for personal use could also be settled by debiting such accounts. However, against the background of widening spreads between the official and parallel market exchange rates of the zaire and of a chronic foreign exchange scarcity, a practice soon developed whereby the right to use available foreign exchange was sold to other parties wanting to import at freely negotiated but substantially depreciated rates. The multiplication of this practice gave rise to a new parallel market, i.e., the devise de retrocession market, which was tolerated by the foreign exchange authority. The producer-exporters of coffee, who were granted a special export retention system in October 1980, were the most active single group in this market. Under this special system, coffee planters who used to both process and export were allowed to retain 20 percent of their export receipts; coffee processors who were engaged only in export activities, 15 percent; and exporters who were engaged only in export activities, 10 percent. Under other arrangements, certain enterprises were allowed to credit their resident foreign exchange accounts with export receipts in excess of the standard 15 percent (or 20 percent in the case of coffee planters) for specified payments, including external debt service payments.

Apart from the above retention quotas, a number of foreign exchange retention quotas were established under international credit agreements and bilateral conventions between the Government of Zaire and foreign partners. Such quotas, under which varying proportions of receipts could be retained in accounts outside Zaire, include those of GECAMINES (45 percent), SODIMIZA (75 percent), and MIBA (20 percent). Full retention of export receipts in accounts abroad are also permitted in a number of cases, notably the oil corporations.

In addition, a number of other export retention schemes were established under various arrangements with the Bank of Zaire. Some enterprises were allowed to deduct specified invisible payments directly from their export receipts, while others were allowed to credit their accounts abroad directly with invisible receipts (including income earned in Zaire or proceeds from foreign grants and credits). In most of the latter cases, however, the types of invisible receipts were clearly defined.

Effective September 12, 1983, all export retention quotas, except for those covered by international credit agreements, notably GECAMINES', and bilateral conventions between the Government and foreign partners, have been eliminated. 1/ Authorization by the Bank of Zaire to maintain such export retention quotas not subject to the new regulations had to be confirmed in writing by mid-December 1983. Under existing agreements, GECAMINES continues to be authorized to retain 45 percent of its export proceeds, or BF 1.2 billion per month, whichever is greater, to meet its own payments abroad.

b. Thirty percent foreign exchange surrender requirement

As provided in Circular No. 156 of July 31, 1978, commercial banks were required to surrender 30 percent of export earnings surrendered to them by producer-exporters to the Bank of Zaire. Effective September 12, 1983, this requirement has been abolished. 2/

c. Resident foreign currency accounts

Circular No. 169 of February 23, 1980 permitted producer-exporters to open RME accounts with authorized banks. Prior approval (visa) of the Bank of Zaire was required to open such accounts, which were sight deposits and interest free. They could be credited with at the most 15 percent of export receipts and with transfers from other such accounts within Zaire or, with the authorization of the Bank of Zaire, outside of Zaire. These accounts could be debited with: (1) payments for imports of raw materials, intermediate goods, equipment, spare parts, transport vehicles, consumer goods, etc.; (2) transfers under global authorizations granted to the account holders; (3) other authorized payments; (4) transfers to other RME accounts; and (5) sales against zaires to Zairian banks. The account holders could also use balances in these accounts for their own external payments. Moreover, as indicated earlier, the right to use the foreign exchange deposited in such accounts could be ceded to other parties, though this practice was not officially recognized. The Bank of Zaire also reserved the right to purchase foreign exchange from these accounts with local currency if the balances were deemed too high or were inactive for a long period.

1/ Circular No. 199 of September 10, 1983 (Article 5).

2/ Circular No. 199 of September 10, 1983 (Article 9).

RME accounts were also opened under certain international financing agreements, in connection with suppliers' credits or other forms of foreign financing, the implementation of investment projects under the Investment Code, the ZOFI regime and the Loi minière, and for specified purposes by travel agencies and foreign shipping agents.

Finally, effective August 4, 1982, authorized nonbank intermediaries, which were entitled to carry out foreign exchange transactions on account of hotel expenses or expenses on car rental incurred by nonresident tourists, were allowed, with the prior authorization of the Bank of Zaire, to open RME accounts. Such RME accounts could be credited up to 70 percent with the proceeds derived from the above transactions, the balance being surrendered to the Bank of Zaire.

Effective January 6, 1983, producers of artisanal gold and diamonds were allowed to open special RME accounts, the so-called relance minière RME accounts, where they could retain up to 50 percent of the foreign exchange proceeds of their sales to the authorized comptoirs. 1/ Such accounts could be debited for sales of foreign exchange to the banking system, import payments (including freight and insurance and other related costs), payments on commercial arrears, and, with the approval of the Bank of Zaire, other authorized international current payments. Also effective January 6, 1983, the authorized comptoirs were allowed to retain up to 50 percent of their foreign exchange earnings in special DAR-RME 2/ or OAR-RME 3/ accounts as well as exporter DAR-RME or exporter OAR-RME accounts, the balance being sold to the banks. 4/ The latter accounts could be credited with (1) proceeds from foreign borrowing, including refinancing with the prior approval of the Bank of Zaire, and (2) transfers from nonresident foreign exchange accounts and convertible accounts in zaires. DAR-RME or OAR-RME accounts as well as exporter DAR-RME or OAR-RME accounts could be debited for (1) purchases of foreign currency against zaires by the banking system, (2) transfers to relance minière RME accounts, (3) import payments on account of imports made for productive purposes, (4) transfers to other DAR-RME or OAR-RME accounts, (5) payments to nonresidents on account of foreign borrowing, (6) payments of ad valorem taxes to OFIDA, and (7) with the prior approval of the Bank of Zaire, transfers to other exporter DAR-RME or OAR-RME accounts of the same authorized comptoirs.

Effective September 12, 1983, all RME accounts have been abolished. 5/ Authorized banks were requested to purchase for their own use the net credit balances of these accounts by September 20, 1983. However, the

1/ Circular No. 194.

2/ For earnings from diamond exports.

3/ For earnings from gold exports.

4/ Effective January 6, 1983, the authorized comptoirs were also allowed to open special relance minière accounts in zaires.

5/ Circular No. 199 of September 10, 1983 (Article 13).

Bank of Zaire has given GECAMINES and some other companies a transition period to comply with this aspect of the new exchange regulations. Holders of DAR-RME accounts (including those of exporter DAR-RME or OAR-RME accounts) could, until mid-October 1983, either use available net credit balances to cover foreign currency commitments and/or make provisions for letters of credit or sell the net credit balances to authorized banks at the free exchange rates.

d. Foreign exchange allocation system

Imports involving recourse to the foreign exchange resources of the banking system are subject to a foreign exchange allocation system (coefficients de préaffectation). Until September 11, 1983 this system limited each commercial bank's financing of imports of specified consumer goods and pharmaceuticals to 30 percent of the retained earnings from merchandise exports and invisibles; imports of raw materials, intermediate goods, chemical products, spare parts, and utility vehicles to 45 percent; and payments on account of invisibles to 25 percent.

Effective September 12, 1983, under the new regulations, 1/ the commercial banks are allowed to allocate freely 75 percent of their retained earnings for payments for imports of goods and associated expenses (including preshipment control expenses and financing costs on foreign financing obtained). However, they are still required to observe the limit of 25 percent on payments for invisibles (other than those treated as expenses associated with imports).

e. Import licensing procedures

Until September 11, 1983, for the import of most commodities other than priority items, 2/ import licenses had, in principle, to be submitted to the Bank of Zaire for prior approval. Applications for import licenses for such items were submitted through authorized banks, which, after certification, would forward them to the Bank of Zaire for prior approval (visa). The Bank of Zaire's approval was generally granted within two days upon verification that the fiscal requirements and authorizations from the concerned ministries were obtained. 3/ The importation of certain textiles and clothing was controlled for protective reasons, while import licenses for other items produced domestically,

1/ Circular No. 199 of September 10, 1983 (Article 10).

2/ Mainly foodstuffs, pharmaceuticals, raw materials, and industrial spare parts.

3/ Generally, the Ministry of National Economy, Industry, and Foreign Trade. Authorizations from this Ministry were required, in particular, for imports of steel products, textiles, tires, cereals (including rice), cement, and sugar; those of the Ministry of Public Health for the import of pharmaceuticals; and those of the Ministry of National Defense for the import of specific equipment and capital goods.

but not in sufficient quantities, were only issued on the basis of an authorization from the Ministry of National Economy, Industry, and Foreign Trade. As provided in Circular No. 156 of July 31, 1978, essential imports not subject to import licenses approved by the Bank of Zaire were subject only to import declarations at the commercial banks. ^{1/} Also, imports of essential commodities made under the foreign exchange allocation system were generally subject to simple import declarations at the commercial banks. In practice, however, commercial banks would not validate authorizations to import goods (including priority items) already given by the relevant ministry or submit import licenses to the Bank of Zaire for prior approval whenever the required foreign exchange was not available either under the foreign exchange allocation system or through other sources, including RME accounts, committed disbursements on foreign grants or credits, transfers from accounts held abroad, and recourse to the SAD market. The amount, the invoice price, and the quality of all imports had to be verified and found acceptable by the foreign correspondents of the Office Zairois de Controle (OZAC).

To increase the availability of imported goods in the domestic market, in May 1980 OFIDA was authorized to clear imports financed without recourse to the foreign exchange resources of the banking system (SAD imports), even in the absence of an import declaration, provided that the applicable customs duties were paid. In order to influence the composition of SAD imports and to obtain timely statistical information, in January 1981 the Bank of Zaire specified 199 eligible categories and required the submission of an import declaration that would be subject, prior to shipment, to the control of OZAC. Imports valued at SDR 500 f.o.b. or less and destined for personal use were exempted from both import declaration and preshipment control requirements; imports valued at SDR 501-SDR 2,500 were exempted from preshipment controls only. An exchange control tax of 0.3 percent was imposed and prior approval of the Bank of Zaire was required for imports to be transported by air.

The regulations pertaining to SAD imports were made more liberal on June 17, 1981. While previously specific products eligible to be imported under each customs category were listed, the new regulations provided that all products under each category could be imported except for specified prohibited items (including coffee, tea, pyrethrum, portland cement, explosives, matches, telephone equipment, walkie-talkies, military equipment and ammunition, sound equipment, gambling equipment, and materials contrary to public morals). Moreover, the following imports were exempted from the import declaration requirement: (1) grants to recognized philanthropic organizations; (2) commercial samples without value; (3) diplomatic imports; (4) imports to be used in the operations of foreign transport companies represented in Zaire; (5) goods for

^{1/} Such imports included mainly essential consumption goods.

personal use or resale valued at SDR 2,500 or less; (6) goods used for moving; and (7) baggage and personal objects of travelers. Applications for import licenses were generally subject to a simple import declaration (Model I) at the banks. Each shipment subject to import declaration had to conform to the shipping regulations of OZAC; if not, a fine in foreign exchange of 40 percent of the f.o.b. value could be imposed. Imports transported by an air carrier other than Air Zaire needed prior approval by the Bank of Zaire. While previously import declarations required shipment within six months, a three-month extension was made possible.

Effective January 26, 1983, importers were no longer required to submit to their banks the verification certificates delivered by OZAC (or any of its agents abroad) with respect to preshipment controls for imports paid upon delivery in Zaire with a value (f.o.b.) of less than SDR 2,500 if financed by recourse to either the SAD or the relance minière markets and SDR 1,000 in all other cases. 1/ However, if the imports originated from a country where OZAC was not represented, importers were still required to submit to their banks the above verification certificates to be issued upon delivery in Zaire whenever the value (f.o.b.) of the imports exceeded SDR 2,500 for SAD imports or those financed through the relance minière market and SDR 1,000 in all other cases. The Bank of Zaire could, upon request through authorized banks, allow importers not to submit verification certificates delivered by OZAC with respect to preshipment controls. As of March 1, 1983, banks had to make payments abroad on account of the control costs incurred abroad by OZAC or its foreign correspondents. Amounts paid and supporting evidence related to the payments had to be submitted to the Bank of Zaire for review. The costs were ultimately included in the import payments by the importers according to a schedule based on the allocation coefficients set under the foreign exchange allocation system.

Effective September 12, 1983, import licensing regulations have been rationalized through the elimination of the system of imports financed without recourse to the foreign exchange resources of the banking system and the introduction of a provisional negative list of nonessential imports subject to prior approval (visa) by the Bank of Zaire, with all other imports being subject only to a simple import declaration at the authorized banks. 2/ The provisional negative list of nonessential imports was subsequently reduced to include only a very limited number of items (i.e., crude petroleum oils, petroleum or mineral oils, petroleum gas, inorganic or organic components of radioactive elements, rare earth metals, and isotopes and powders and explosives; pyrotechnical products; matches; pyrophoric alloys; and combustible materials) which remain subject to prior approval by the Bank of Zaire.

1/ Circular No. 196.

2/ Circular No. 199 (Articles 11 and 12) and Circular No. 200 of September 10, 1983 on new rules and regulations governing imports of goods.

Under the new import licensing procedures, applications for import licenses for nonessential imports are submitted through authorized banks which forward them to the Bank of Zaire for prior approval; the import license applications are then returned to the authorized banks for validation. 1/ Previous administrative and regulatory provisions with respect to prior approval by the Bank of Zaire remain in effect. 2/ Applications for import licenses for imports other than those on the negative list and prohibited imports are subject to simple Model I import declarations at the authorized banks. The list of prohibited imports has recently been reduced to include only items that are prohibited (or require a special authorization from the Executive Council) on grounds of public policy (e.g., arms, explosives and ammunition, narcotics, materials contrary to public morals, certain alcoholic beverages, and equipment for aerial and maritime navigation). However, the importation of second-hand utility vehicles for agriculture and forestry requires a prior authorization from the Ministry of National Economy, Industry, and Foreign Trade.

Effective September 12, 1983, payments for imports can be made either upon shipment or upon arrival. 3/ Payments for essential imports no longer have to be made within 90 days and those for nonessential imports within 180 days. 4/ As in the past, payments upon shipment are authorized provided that the importer obtains a 6 percent rebate on the f.o.b. value. Means of payment have to be indicated on all Model I import forms. Interest payments on foreign financing for imports are authorized only if the importer has obtained a supplier's credit or other form of foreign financing with a maturity of at least 90 days and provided that no advance deposit in foreign currency with the foreign correspondent of the authorized bank involved has been made. A detailed record of all financing charges is to be submitted by the foreign correspondent to the domestic authorized bank and is used as a basic document to justify any payments of the import financing charges involved. Financing charges are treated as expenses associated with the import transaction involved and, in accordance with the provisions of Article 10 of Circular No. 199 regarding the foreign exchange allocation system applicable to commercial banks, are not treated as invisible payments. Authorized banks are allowed to pay transportation costs and shipping insurance in foreign currency only for imports whose payments are made on a f.o.b. basis. Previous procedures regarding preshipment controls, domestic marketing, shipping delays, extension, modification, and cancellation continue to apply.

1/ Circular No. 200 (Article 1-A1).

2/ Circular No. 200 (Article 2).

3/ Including payments to be made after 30 days from the date of shipment.

4/ However, payments still have to be made within 90 and 180 days, respectively, for imports for which a license had been validated before September 12, 1983.

f. Invisible payments

In principle, all payments for invisibles continue to be subject to authorization by the Bank of Zaire. In connection with the liberalization of the foreign exchange allocation system, payments for invisibles (other than those associated with imports of goods) continue to be limited to 25 percent of each commercial bank's retained foreign exchange earnings. Under the new licensing procedures, prior approval of the Bank of Zaire is required (1) for imports transported by an air carrier other than Air Zaire with charges payable in foreign currency to foreign airline companies or transported by air with charges payable in foreign currency to resident airline companies if the transportation costs exceed the f.o.b. value by 20 percent; (2) for imports in the form of foreign grants to residents other than the state and subordinate authorities, whenever the value exceeds SDR 500; (3) for imports with a value in excess of SDR 500 in the form of foreign contributions to capital; (4) for imports financed with suppliers' credits or other forms of foreign financing with a maturity exceeding one year other than those contracted or guaranteed by the Government and which carry interest charges; (5) for imports that require a down payment in foreign currency prior to shipment; and (6) all imports financed with means of payment other than foreign exchange purchases from authorized commercial banks in Zaire, proceeds from foreign accounts held abroad with the authorization of the Bank of Zaire, foreign grants, foreign contributions to capital, and customary short-term foreign trade financing.

Under the new regulations, prior approval of the Bank of Zaire is not required (1) for imports made in the form of foreign grants to the state and subordinate authorities or financed through suppliers' credits or other forms of foreign financing with a maturity of more than one year contracted or guaranteed by the Government; (2) for imports to be used in the operations of foreign transport companies represented in Zaire; (3) for diplomatic imports (intended to meet the operating needs of foreign diplomatic embassies and missions and of international and multinational official organizations); (4) for imports in the form of foreign grants with a value of up to SDR 500 (there is no limit on imports in the form of foreign grants to recognized religious, philanthropic, scientific, or cultural organizations); (5) for commercial samples without value; (6) for imports in the form of foreign contributions to capital with a value of up to SDR 500; (7) for goods for personal use imported into Zaire in connection with moving; (8) for baggage and personal objects of travelers; (9) for imports of journals, periodicals, and newspapers for personal use as well as for domestic sale, as permitted by the Executive Council; (10) for imports made in the form of foreign contributions to capital under the Investment Code or the ZOFI regime; (11) for imports of up to SDR 200 whose freight is payable in foreign currency and which are transported by Air Zaire; (12) for emergency imports of spare parts, pharmaceuticals, and precision instruments with a value of up to SDR 500; and (13) for imports of data processing equipment, providing a prior authorization is granted by S.P.I.Z.

Transfers of transferable expatriate remuneration continue to be regulated by the Bank of Zaire. Advance annual authorizations (autorisations globales) have to be secured. To this effect, expatriate workers were advised on April 19, 1983 that they had to submit their applications for transferring part of their remuneration abroad before August 31, 1983; the amount of the remuneration transferable remained limited to the 1981 levels, while that of newly hired expatriates continued to be fixed by the Bank of Zaire. On April 24, 1983 the Bank of Zaire advised the AZB that requests to change the currency denomination stipulated in the annual authorizations had to be submitted to the Bank of Zaire for prior approval.

Following a decision of the Executive Council, effective January 17, 1983, the Bank of Zaire advised the AZB that foreign exchange purchases for travel expenses could no longer be made out of Zaire's official reserves. This restriction applies to any type of travel, including for medical reasons, and to all physical and legal persons.

Effective August 4, 1982, nonresident tourists have to settle hotel expenses (room) as well as those on car rental incurred in Zaire in cash payments in foreign exchange (notes or travelers' checks) or other means of settlement such as the use of credit cards; by debiting convertible accounts in zaires, nonresident foreign currency accounts, or foreign currency accounts held abroad; through the use of letters of credit opened in foreign currency by foreign financial entities; and, with the prior approval of the Bank of Zaire, nonresident accounts in zaires. ^{1/}

g. Invisible receipts

Effective August 4, 1982, hotel intermediaries, travel agencies, and transportation companies that provide services to nonresidents and had not opened RME accounts have to surrender their foreign exchange receipts to the banking system. Effective February 1, 1983, 30 percent of the foreign exchange receipts of physical and legal persons subject to Zairian laws and regulations that were obtained from services remunerated in foreign exchange had to be surrendered to the Bank of Zaire.

h. Trade and payments agreements

In July 1979 the Bank of Zaire published specific regulations implementing the agreement on trade and customs cooperation of September 1978 between the members of the Economic Community of the Great Lakes (Burundi, Rwanda, and Zaire). Exports and imports under the agreement

^{1/} The related Circular No. 192 also specifies that, in compliance with Circular No. 141 of October 19, 1972, all physical persons who are not Zairian citizens are considered to be nonresidents, unless they have been granted a special resident visa.

were liberalized further in March 1982, 1/ with certain exports and imports 2/ made subject to a simple export or import declaration (visa d'exportation ou d'importation) at authorized banks. Since March 1982, settlements have been made through accounts in convertible zaires at authorized banks, which are opened on behalf of correspondent banks in Burundi and Rwanda. End-of-month balances in these accounts are not freely transferable in foreign exchange and have to be cleared through the Bank of Zaire on behalf of the Bank of the Republic of Burundi and the National Bank of Rwanda. End-of-month balances are sent to the Bank of Zaire on the twenty-fifth day of each month; balances outstanding are settled on a monthly basis.

Zaire signed commercial and payments agreements with Angola in October 1978 and December 1979, respectively, which entered into effect in February 1980. However, these agreements are not yet fully operative. Transactions relating to specified exports and imports and to authorized invisible payments were expected to be carried out through special U.S. dollar accounts established in commercial banks in the two countries. End-of-month balances in these accounts were expected to be cleared with the respective central banks. The participating central banks were expected to settle with each other any balances outstanding in excess of US\$0.5 million at the end of each quarter.

3. List of changes during January-November 1983

a. Exchange rate arrangements

January 6. The relance minière market was formally introduced and the trade of artisanal gold and diamonds was freed, with a number of marketing agencies being authorized to purchase these commodities from producers and to dispose of their repatriated proceeds through the commercial banks at a substantially depreciated rate. This rate, called the relance minière rate, which had been used informally since September 1981, was thus formalized, being fixed weekly by the Customs and Excise Office on the basis of the rate already determined for the calculation of the cost price of imports financed without recourse to the foreign exchange resources of the banking system, known as SAD imports.

September 12. The official exchange rate of the zaire was changed from Z 1 = SDR 0.15750 to Z 1 = SDR 0.03542, representing a devaluation of 77.5 percent against the SDR, or 445 percent in terms of zaires, while the fixed parity of the zaire vis-à-vis the SDR introduced on March 12, 1976 was abandoned. In addition, a temporary dual exchange rate arrangement was introduced. The arrangement consists of two clearly defined markets, namely, an official market restricted to the

1/ Circular No. 185 of March 1, 1982.

2/ List provided in Annex I of Circular No. 185.

operations of the Bank of Zaire and a free market covering the operations of the rest of the banking system. On the receipts side, transactions on the official market are limited to receipts from GECAMINES, royalties and taxes from oil companies, Fund purchases, specified operations of the Bank of Zaire for its own purposes, and specified government revenue in foreign exchange. On the expenditure side, official transactions are limited to outlays for oil imports, external public debt service, Fund charges and repurchases, operational costs of the Bank of Zaire, and specified priority imports and payments for invisibles by the Government. All other transactions in foreign exchange pass through the free market and can be carried out only by authorized banks and other authorized intermediaries. Such transactions can be carried out among the banks themselves, between the banks and the other authorized intermediaries, and between the banks or the other authorized intermediaries and resident or nonresident physical and legal persons. They are limited to transactions in foreign currencies accepted by the Bank of Zaire. The arrangement involves the use of two exchange rates, the official exchange rate that applies to all official transactions and the free exchange rate that applies to all the other transactions. For the week of September 12, 1983, the free market exchange rate was set by the Bank of Zaire at the same level as that of the prevailing relance minière rate, i.e., Z 29.9253 per US\$1. Subsequently, and through October 14, 1983, the free rate was determined weekly by the commercial banks, in consultation with the Bank of Zaire. A maximum spread of 10 percent between the official and the free exchange rates was set and, whenever any new fixing of the free rate involved a wider spread, the official rate was automatically adjusted by the Bank of Zaire.

September 20. Preliminary regulations were issued to initiate forward transactions in foreign exchange. According to these regulations, only resident exporters of goods and services, beneficiaries of foreign exchange financing received from abroad, and former holders of RME accounts were allowed to buy forward foreign exchange (up to 60 days) on the interbank market to meet scheduled expenditures, and to sell forward foreign exchange (up to 60 days) on the interbank market. Authorized banks were authorized to enter into any forward transactions to the extent that such transactions cover their foreign exchange commitments or requirements. These preliminary regulations, which have not yet entered into effect, are expected to be revised in the near future.

October 14. An interbank foreign exchange market was launched, on which the free rate is being determined. The spread between the official and the free rates was reduced from 10 percent to 5 percent.

b. Nonresident accounts

September 21. Existing nonresident accounts were renamed and modified. In addition to nonresident foreign currency accounts, authorized banks were allowed to open three other types of nonresident

foreign currency accounts, namely, nonresident convertible accounts (comptes étrangers convertibles), nonresident ordinary accounts (comptes étrangers ordinaires), and nonresident special accounts (comptes étrangers indisponibles). All nonresident accounts are noninterest bearing and sight accounts and no overdraft is permitted.

Nonresident foreign currency accounts, as well as nonresident convertible and special accounts, can be opened without the prior authorization of the Bank of Zaire at any authorized commercial bank. With a few exceptions, the opening of nonresident ordinary accounts requires the prior authorization of the Bank of Zaire; the latter authorization is not required when accounts are opened for embassies and other diplomatic missions (including those representing international and official multinational organizations), official civil and military missions, representative offices in Zaire of foreign transportation companies, and nonresidents who are entitled to receive payments in zaires in connection with services delivered in Zaire under agreements directly contracted with or approved by the Executive Council or the Bank of Zaire.

Nonresident foreign currency accounts may be credited for payments in foreign currency by residents to the extent that such payments are authorized by the Bank of Zaire; transfers of foreign currencies from nonresident convertible accounts; foreign exchange proceeds resulting from arbitrage transactions in foreign currencies; transfers in foreign currencies from nonresidents from abroad and from foreign exchange accounts held abroad as well as payments in foreign currencies made by nonresidents; and transfers in foreign currencies from other nonresident foreign currency accounts. They may be debited freely for payments in foreign currency to residents to the extent that such payments are authorized by the Bank of Zaire; sales of foreign currency to any authorized commercial bank against zaires with the proceeds being transferred to nonresident convertible accounts; foreign exchange proceeds resulting from arbitrage transactions in foreign currencies; transfers in foreign currencies abroad; transfers to other nonresident foreign currency accounts; withdrawals of bank notes or travelers' checks by the holder of the account; and banking commissions and fees.

Nonresident convertible accounts may be credited for spot purchases of domestic currency against foreign currencies on the interbank market; transfers from other nonresident convertible accounts as well as nonresident foreign currency accounts; and payments by authorized commercial banks on account of services rendered in Zaire, whose settlement either in domestic currency or in foreign currencies is authorized by the Bank of Zaire. Nonresident convertible accounts may be debited for payments to residents with the prior authorization of the Bank of Zaire on account of services rendered in Zaire, excluding exports of goods and services; purchases (on the interbank market) of foreign currencies and of any forms of payments for travel expenses abroad; transfers to other nonresident convertible accounts, and purchases of bank notes or any other form of payment in zaires at any authorized commercial bank; and banking commissions and fees.

Nonresident ordinary accounts may be credited freely with the sales of foreign exchange against zaires, which was received as downpayments or transferred from abroad; transfers in zaires from nonresident convertible accounts; and any payments in zaires received from residents on account of services rendered in Zaire, rental of properties and working equipment and facilities, transportation fares, consular and chancery fees, and other services as specified by the Bank of Zaire when the account was opened. Nonresident ordinary accounts may be debited freely with payments in zaires to residents on account of local purchases of goods and services, dues, taxes, and banking commissions and fees; transfers to other nonresident ordinary accounts of the same holder; and withdrawals of bank notes or any other means of payment in zaires. Assets held in nonresident ordinary accounts are not transferable abroad, nor can they be transferred to nonresident convertible accounts.

Nonresident special accounts can be opened for nonresidents that are entitled to receive specified payments on account of (1) the sale or renting of real estate properties and other fixed capital located in Zaire and owned by nonresidents; and (2) the sale of businesses and goodwills, as well as shares in agricultural, commercial, industrial, and services companies located in Zaire and owned by nonresidents. All assets denominated in zaires owned by a non-Zairian resident leaving definitively Zaire have to be deposited in or transferred to a nonresident special account opened on behalf of or under the name of the then non-Zairian resident concerned. Similarly, the proceeds obtained from the sale of real estate properties or the renting of fixed capital, which are owned by a non-Zairian resident who becomes a nonresident, have to be deposited in or transferred to a nonresident special account. Nonresident special accounts can be debited only for travel expenses incurred by the holders of such accounts up to a maximum of SDR 150 per day and for a maximum period of two months; transportation fares (excluding airline tickets) incurred by the holders when traveling within Zaire; transfers to religious organizations or any nonprofit cultural, philanthropic or social organizations up to a maximum amount of SDR 10,000 per annum; banking commissions and fees; state and local taxes due in Zaire; medical fees; insurance and maintenance fees of the fixed capital, including real estate properties, concerned; and any other payment either in foreign currencies or in zaires specifically authorized (either generally or individually) by the Bank of Zaire.

c. Imports and import payments

January 26. Effective immediately, importers were no longer required to submit to their banks the verification certificates delivered by OZAC (or any of its agents abroad) with respect to preshipment controls for imports paid upon delivery in Zaire with a value (f.o.b.) of less than SDR 2,500 if financed by recourse to either the SAD or the relance minière markets and SDR 1,000 in all other cases. However,

if the imports originated from a country where OZAC was not represented, importers were still required to submit to their banks the above verification certificates to be issued upon delivery in Zaire whenever the value (f.o.b.) of the imports exceeded SDR 2,500 for SAD imports or those financed through the relance minière market and SDR 1,000 in all other cases. The Bank of Zaire could, upon request through authorized banks, allow importers not to submit verification certificates delivered by OZAC with respect to preshipment controls.

March 1. Banks were asked to make payments abroad on account of the control costs incurred abroad by OZAC or its foreign correspondents. Amounts paid and supporting evidence related to the payments had to be submitted to the Bank of Zaire for review. The costs were ultimately included in the import payments by the importers according to a schedule based on the allocation coefficients set under the foreign exchange allocation system.

September 12. Import licensing regulations were rationalized through the introduction of a provisional negative list of nonessential imports subject to prior approval (visa) by the Bank of Zaire, with all other imports being subject only to a simple import declaration at the authorized banks. Under the new import licensing procedures, applications for import licenses for nonessential imports listed in Annex I of Circular No. 200 of September 10, 1983 were submitted through authorized banks, which forwarded them to the Bank of Zaire for prior approval (visa); the import license applications were then returned to the authorized banks for validation. Previous administrative and regulatory provisions with respect to prior approval by the Bank of Zaire remained in effect. Applications for import licenses for imports other than those listed in Annexes I and II (prohibited imports) of Circular No. 200 were subject to simple Model I import declarations at the authorized banks. The importation of a number of goods remained prohibited on grounds of public policy (e.g., arms, explosives and ammunition, narcotics, materials contrary to public morals, and certain alcoholic beverages) or for reasons of economic policy (e.g., certain cotton items, textiles and clothing, second-hand clothes, and used cars).

Payments for imports could be made either upon shipment or upon arrival. Payments for essential imports no longer had to be made within 90 days and those for nonessential imports within 180 days. As in the past, payments upon shipment were authorized provided that the importer obtained a 6 percent rebate on the f.o.b. value. Means of payment had to be indicated on all Model I import forms. Interest payments on foreign financing for imports were authorized only if the importer had obtained a suppliers' credit or other form of foreign financing with a maturity of at least 90 days and provided that no advance deposit in foreign currency with the foreign correspondent of the authorized bank involved had been made. A detailed record of all financing charges had to be submitted by the foreign correspondent to

the domestic authorized bank and would be used as a basic document to justify any payments of the import financing charges involved. Financing charges were treated as expenses associated with the import transaction involved and, in accordance with the provisions of Article 10 of Circular 199 regarding the foreign exchange allocation system applicable to commercial banks, were not treated as invisible payments. Authorized banks were allowed to pay transportation costs and shipping insurance in foreign currency only for imports whose payments were made on a f.o.b. basis. Previous procedures regarding preshipment controls, domestic marketing, shipping delays, extension, modification, and cancellation continued to apply.

In addition, the Executive Council lowered customs duties on certain essential items as follows: food and nonfood products (e.g., corn, fish, groundnuts, palm oil, salt, sugar, and pharmaceuticals), from 10 percent to 3 percent; intermediate industrial goods and inputs, from 20 percent to 3 percent; certain utility vehicles, from 72-167 percent to 50 percent; and petroleum products, from 18 percent to 12 percent. At the same time, the Executive Council increased customs duties on certain luxury goods as follows: private vehicles, from 130 percent to 200 percent; electric appliances, from 67 percent to 200 percent; decoration articles, from 50 percent to 100 percent; luxury foodstuffs, from 50 percent to 100 percent; and other nonpriority items, from 90 percent to 130 percent. Procedures relating to the calculation of customs duties were streamlined and simplified and the import statistical tax was abolished.

November 25. Import licensing regulations were rationalized further with the issuance of a formal negative list of nonessential imports subject to prior approval (visa) by the Bank of Zaire and of a new list of prohibited imports. The formal negative list of nonessential imports now consists of a very limited number of items, i.e., crude petroleum oil, petroleum or mineral oils, petroleum gas, inorganic or organic components of radioactive elements, rare earth metals, isotopes, powders, and explosives; pyrotechnical products; matches; pyrophoric alloys; and combustible materials. The new list of prohibited imports now consists of only a limited number of items that are prohibited (or require a special authorization from the Executive Council) on grounds of public policy (e.g., materials contrary to public morals, certain alcoholic beverages, and equipment for aerial and maritime navigation). However, the importation of used utility vehicles for agriculture and forestry continues to require a prior authorization from the Ministry of National Economy, Industry, and Foreign Trade.

d. Payments for invisibles

January 17. Following a decision of the Executive Council, effective immediately, the Bank of Zaire advised the Zairian Bankers' Association (AZB) that foreign exchange purchases for travel expenses could

no longer be made out of Zaire's official reserves. This restriction applies to any type of travel, including for medical reasons, and to all physical and legal persons.

April 19. Expatriate workers were advised that they had to submit their applications for transferring part of their remuneration abroad before August 31, 1983; the amount of the remuneration transferable remained limited to the 1981 levels, while that of newly hired expatriates continued to be fixed by the Bank of Zaire.

April 24. The Bank of Zaire advised the AZB that requests to change the currency denomination stipulated in the annual authorizations had to be submitted to the Bank of Zaire for prior approval.

September 12. Effective immediately, the commercial banks were allowed to allocate freely 75 percent of their retained earnings for payments for imports of goods and associated expenses (including preshipment control expenses and financing costs on foreign financing abroad). However, they were still required to continue to observe the limit of 25 percent on payments for invisibles (other than those treated as expenses associated with imports). Also effective immediately, prior approval of the Bank of Zaire was required: (1) for imports transported by an air carrier other than Air Zaire or transported by air with charges payable in foreign currency to resident airline companies if the transportation costs exceed the f.o.b. value by 20 percent; (2) for imports in the form of foreign grants to residents other than the state and subordinate authorities, whenever the value exceeds SDR 500; (3) for imports with a value in excess of SDR 500 in the form of foreign contributions to capital; (4) for imports financed with suppliers' credits or other forms of foreign financing with a maturity exceeding one year other than those contracted or guaranteed by the Government and which carry interest charges; and (5) for imports that require a down payment in foreign currency prior to shipment. However, under the new regulations, prior approval by the Bank of Zaire was not required (1) for imports made in the form of foreign grants to the state and subordinate authorities or financed through suppliers' credits or other forms of foreign financing with a maturity of more than one year contracted or guaranteed by the Government; (2) for imports to be used in the operations of foreign transport companies represented in Zaire; (3) for diplomatic imports (intended to meet the operating needs of foreign diplomatic embassies and missions and of international and multinational official organizations); (4) for imports in the form of foreign grants to recognized philanthropic organizations with a value of up to SDR 500; (5) for commercial samples without value; (6) for imports in the form of foreign contributions to capital with a value of up to SDR 500; (7) for goods for personal use imported into Zaire in connection with moving; (8) for baggage and personal objects of travelers; and (9) for imports of journals and periodicals.

September 15. Residents in Zaire were allowed to make purchases of foreign exchange (Model V) at the authorized commercial banks to cover the following invisible expenditures: travel expenses, medical expenses, and students' tuition and living costs as well as training expenses incurred abroad. However, banks can validate such requests without a prior authorization of the Bank of Zaire only if the 25 percent limit on payments for invisibles is observed. Foreign exchange not effectively spent for the assigned purposes has to be surrendered to the authorized commercial banks that initially sold it.

October 12. The Bank of Zaire issued new regulations on the import and export of Zairian notes and coins as well as of other Zairian means of payment. As a general rule, both the import and export of such means of payment by both resident and nonresident travelers are prohibited. However, the import of such means of payment by travelers from Burundi and Rwanda remains authorized. Both resident and nonresident travelers entering Zaire are required to declare the amount of foreign means of payment.

November 25. New regulations on payments for invisibles were issued, effective immediately. Prior approval of the Bank of Zaire is required for imports transported by an air carrier other than Air Zaire with charges payable in foreign currency to foreign airline companies or transported by air with charges payable in foreign currency to resident airline companies if the transportation costs exceed the f.o.b. value by 20 percent; (2) for imports in the form of foreign grants to residents other than the state and subordinate authorities, whenever the value exceeds SDR 500; (3) for imports with a value in excess of SDR 500 in the form of foreign contributions to capital; (4) for imports financed with suppliers' credits or other forms of foreign financing with a maturity exceeding one year other than those contracted or guaranteed by the Government and which carry interest charges; (5) for imports that require a downpayment in foreign currency prior to shipment; and (6) all imports financed with means of payment other than foreign exchange purchases from authorized commercial banks in Zaire, proceeds from foreign exchange accounts held abroad with the authorization of the Bank of Zaire, foreign grants, foreign contributions to capital, and customary short-term foreign trade financing. However, under the new regulations, prior approval by the Bank of Zaire is not required (1) for imports made in the form of foreign grants to the state and subordinate authorities or financed through suppliers' credits or other forms of foreign financing with a maturity of more than one year contracted or guaranteed by the Government; (2) for imports to be used in the operations of foreign transport companies represented in Zaire; (3) for diplomatic imports (intended to meet the operating needs of foreign diplomatic embassies and missions and of international and multinational official organizations); (4) for imports in the form of foreign grants with a value of up to SDR 500 (there is no limit on imports in the form of foreign grants to recognized religious, philanthropic, scientific or cultural organizations); (5) for commercial

samples without value; (6) for imports in the form of foreign contributions to capital with a value of up to SDR 500; (7) for goods for personal use imported into Zaire in connection with moving; (8) for baggage and personal objects of travelers; (9) for imports of journals, periodicals, and newspapers for personal use, as well as domestic sale, as permitted by the Executive Council; (10) for imports made in the form of foreign contributions to capital under the Investment Code or the ZOFI regime; (11) for imports of up to SDR 200 whose freight is payable in foreign currency and which are transported by Air Zaire; (12) for emergency imports of spare parts, pharmaceuticals, and precision instruments with a value of up to SDR 500; and (13) for imports of data processing equipment, providing a prior authorization is granted by S.P.I.Z.

e. Exports and export proceeds

January 6. The trade of artisanal gold and diamonds was freed, with a number of marketing agencies being authorized to purchase these commodities from producers and to dispose of their repatriated proceeds through the commercial banks at a substantially depreciated rate, called the relance minière rate.

January 6. Effective immediately, producers of artisanal gold and diamonds were allowed to open special RME accounts, the so-called relance minière RME accounts, where they could retain up to 50 percent of the foreign exchange proceeds of their sales to the authorized comptoirs. Such accounts could be debited for sales of foreign exchange to the banking system, import payments (including freight and insurance and other related costs), payments on commercial arrears, and, with the approval of the Bank of Zaire, other authorized international current payments. Also effective January 6, 1983, the authorized comptoirs were allowed to retain up to 50 percent of their foreign exchange earnings in special DAR-RME or OAR-RME accounts as well as exporter DAR-RME or exporter OAR-RME accounts, the balance being sold to the banks. The latter accounts could be credited with (1) proceeds from foreign borrowing, including refinancing with the prior approval of the Bank of Zaire, and (2) transfers from nonresident foreign exchange accounts and convertible accounts in zaires. DAR-RME or OAR-RME accounts as well as exporter DAR-RME or OAR-RME accounts could be debited for (1) purchases of foreign exchange against zaires by the banking system, (2) transfers to relance minière RME accounts, (3) import payments on account of imports made for productive purposes, (4) transfers to other DAR-RME or OAR-RME accounts, (5) payments to nonresidents on account of foreign borrowing, (6) payments of ad valorem taxes to OFIDA, and (7) with the prior approval of the Bank of Zaire, transfers to other exporter DAR-RME or OAR-RME accounts of the same authorized comptoirs.

March 7. Marketing arrangements for the sale of Zaire's industrial diamonds through the De Beers Group were re-established.

September 12. Effective immediately, all RME accounts were abolished. Authorized banks were requested to purchase for their own use the net credit balances of these accounts by September 20, 1983. However, the Bank of Zaire gave GECAMINES and some other companies a transition period to comply with this aspect of the new exchange regulations. Holders of DAR-RME or OAR-RME accounts could, until mid-October 1983, use their net credit balances to cover foreign currency commitments and/or make provisions for letters of credit or sell the net credit balances to authorized banks at the free exchange rates. In addition, the 30 percent foreign exchange surrender requirement by commercial banks to the Bank of Zaire was abolished, while most export retention quotas, except for those covered by international credit agreements, notably GECAMINES', and bilateral conventions between the Government and foreign partners, were eliminated. Authorization by the Bank of Zaire to maintain such export retention quotas not subject to the new regulations had to be confirmed in writing by mid-December 1983.

Also, in connection with the modifications of the customs duties and tariffs, the tax conjoncturelle on coffee exports was abolished, effective retroactively, i.e. August 11, 1982.

October 12. The Bank of Zaire issued new regulations on the export and import of Zairian notes and coins as well as of other Zairian means of payment. Effective immediately, the export of such means of payment was prohibited.

Table I. Zaire: Gross Domestic Product by Industrial Origin at Current Prices, 1976-81

(In millions of zaires)

	1976	1977	1978	1979	1980	1981
Agriculture (commercialized)	370.8	473.1	679.4	1,313.3	1,822.9	2,843.7
Mining <u>1/</u>	376.3	460.0	638.9	1,779.6	3,742.5	3,745.6
Manufacturing	239.2	280.2	336.0	419.2	518.5	648.0
Construction	90.9	99.2	123.8	218.7	460.5	774.8
Electricity and water	11.0	11.2	11.4	11.6	11.6	11.3
Transportation and telecommunications	91.6	84.4	92.7	104.4	325.6	554.1
Commerce	452.9	731.3	967.2	2,044.3	3,161.9	4,625.9
Other services <u>2/</u>	731.4	1,072.0	1,479.8	2,702.1	3,206.9	4,392.3
Import duties	86.4	91.1	110.3	258.7	603.2	915.0
Commercialized GDP	2,450.5	3,302.5	4,439.5	8,866.6	13,853.6	18,510.7
Agriculture (subsistence)	364.4	604.3	979.3	2,129.3	3,125.3	4,706.3
Construction (subsistence)	45.3	49.4	61.7	108.9	228.5	385.9
Total GDP	2,860.2	3,956.2	5,480.5	11,105.0	17,207.3	23,602.9

Source: Data provided by the Zairian authorities.

1/ Including processing of minerals.

2/ Including banking and government services.

Table II. Zaire: Agricultural and Agro-Industrial Production, 1976-82

(In thousands of metric tons)

	1976	1977	1978	1979	1980	1981	1982 <u>1/</u>
Palm oil	128.6	104.9	98.6	98.5	93.2	97.8	92.3
Palm kernel oil	23.1	22.2	20.2	18.4	22.6	22.9	22.1
Palm husks	32.3	29.7	26.2	25.5	27.7	33.9	28.2
Coffee							
Robusta	88.7	56.5	76.8	60.0	73.9	64.0	68.9
Arabica <u>2/</u>	20.8	8.2	10.2	7.8	6.4	8.6	8.5
Cotton (fiber)	11.4	10.0	5.0	6.0	9.7	10.6	10.5
Cotton oil	0.9	0.2	0.3	0.1	--	0.1	0.1
Rubber	23.8	30.0	28.4	19.1	21.3	20.2	21.6
Maize <u>3/</u>	128.0	130.0	125.0	128.0	131.8	142.7	153.7
Manioc <u>3/</u>	819.0	809.0	785.0	808.5	832.8	857.8	881.9
Rice <u>3/</u>	137.0	127.0	127.0	130.8	134.7	140.4	144.8
Cocoa	4.4	3.9	4.3	3.5	4.2	4.5	5.4
Tea	6.4	5.2	4.8	3.7	2.5	3.1	6.2
Sugarcane	468.3	553.9	475.3	491.8	482.9	482.8	497.4
Tobacco	1.0	0.9	1.4	1.6	1.9	2.6	2.6
Timber (logs) <u>4/</u>	265.2	321.7	331.7	350.0	325.0	330.0	375.0
Timber (sawn) <u>4/</u>	71.1	95.8	101.5	88.0	68.1	61.3	73.5
Cinchona bark	2.9	2.0	5.2	0.9	1.7	2.3	2.0

Source: Data provided by the Zairian authorities.

- 1/ Provisional.
2/ Exports only.
3/ Commercialized production only.
4/ In thousands of cubic meters.

Table III. Zaire: Mineral Production, 1976-82

(In thousands of metric tons)

	1976	1977	1978	1979	1980	1981	1982 <u>1/</u>
Copper	444.1	479.7	423.9	399.4	459.4	504.8	502.7
Cobalt	10.7	10.2	13.1	14.0	14.5	12.6	8.4
Zinc (concentrate)	125.0	131.5	158.1	138.7	122.8	121.3	147.2
Silver <u>2/</u>	60.7	85.0	89.1	91.9	78.8	83.3	56.0
Cadmium	0.3	0.2	0.2	0.2	0.1	0.2	0.3
Gold <u>2/</u>	2.8	2.5	2.4	2.3	1.3	2.0	1.8
Diamonds <u>3/</u>	11,821.0	11,215.0	11,245.0	8,734.0	10,235.0	6,764.0	6,103.0
from Lubilashi	(11,516.0)	(10,795.0)	(10,599.0)	(8,063.0)	(8,001.0)	(5,754.0)	(5,700.0)
from Kasai	(305.0)	(420.0)	(646.0)	(671.0)	(2,234.0)	(1,010.0)	(403.0)
Manganese	182.2	41.0 <u>4/</u>	--	24.8	6.6	17.6	...
Cassiterite	5.3	5.1	4.4	3.5	3.2	3.3	3.2
Coal	109.1	127.9	106.6	109.2	137.3	129.4	115.6
Crude oil <u>5/</u>	9,075.1	8,254.5	6,604.1	7,613.8	6,766.9	7,688.9	8,384.6
Index of total pro- duction (1970 = 100)	106.7	112.9	102.4	96.8	109.1	115.4	109.1

Source: Data provided by the Zairian authorities.

- 1/ Provisional.
2/ In thousands of kilograms.
3/ Industrial production only; in thousands of carats.
4/ January-February only.
5/ In thousands of barrels.

Table IV. Zaire: Selected Data on GECAMINES' Operations, 1976-82

(In millions of zaires)

	1976	1977	1978	1979	1980	1981	1982
Total turnover	624.2	602.3	977.1	2,583.6	4,113.3	6,635.9	6,243.4
Of which: copper sales	(421.0)	(378.7)	(385.6)	(958.7)	(2,742.7)	(3,612.2)	(4,591.7)
cobalt sales	(114.5)	(128.0)	(487.5)	(1,312.6)	(1,206.0)	(2,231.4)	(864.1)
Profit after taxes	97.1	3.4	145.0	211.7	691.5	1,542.3	-1,833.9
Investment	83.8	113.0	95.4	229.3	492.8	368.4	117.1
Long term-debt (end of period)	95.6	159.3	301.7	521.7	946.7	1,362.4	1,628.5
<u>Memorandum items:</u>							
Production (in thousands of metric tons)							
Copper	407.7	450.9	391.3	369.8	425.7	468.2	466.4
Cobalt	10.7	10.2	13.1	14.0	14.5	12.6	8.4
Zinc	60.6	51.0	43.5	43.7	43.8	57.6	64.4

Source: Data provided by the Zairian authorities.

Table V. Zaire: Index of Manufacturing Production, 1976-82

(1970 = 100)

	1970	1976	1977	1978	1979	1980	1981	1982
	Value added (in millions of zaires)							
Consumption goods	<u>42.06</u>	<u>120.5</u>	<u>121.5</u>	<u>105.6</u>	<u>93.3</u>	<u>92.5</u>	<u>93.8</u>	<u>90.9</u>
Foodstuffs	7.60	116.4	128.6	128.1	155.0	124.0	125.1	125.0
Beverages	12.40	131.8	123.5	113.4	78.2	73.8	82.5	83.2
Tobacco	2.60	79.4	73.6	78.5	58.3	55.0	58.2	59.2
Clothing	6.88	108.2	94.0	102.7	75.9	114.0	82.7	74.0
Printed fabrics	0.65	163.4	144.7	110.4	110.5	126.0	106.2	102.1
Shoes and leather	2.44	72.4	81.2	38.7	30.6	26.0	38.5	40.1
Chemical products	3.40	139.7	126.3	113.6	107.4	96.0	93.6	83.1
Plastics	0.66	142.9	170.7	152.5	95.6	89.4	110.5	110.3
Metal manufacturing	2.26	112.1	97.5	127.9	113.5	152.8	169.8	170.1
Printing and other	3.17	155.9	219.1	69.3	87.9	74.5	83.9	90.1
Equipment goods	<u>23.59</u>	<u>101.0</u>	<u>98.0</u>	<u>84.5</u>	<u>84.4</u>	<u>82.1</u>	<u>86.9</u>	<u>85.2</u>
Textile spindles and looms	6.83	118.1	109.3	69.6	87.8	93.5	91.7	89.2
Basic chemicals	2.92	104.1	94.7	72.8	81.5	88.6	85.0	82.3
Mechanical goods	3.78	81.0	92.0	90.1	96.4	61.3	63.9	64.0
Transportation materials	1.39	206.8	185.8	218.2	185.4	150.1	193.8	194.0
Nonferrous metals	5.33	93.5	90.0	97.2	69.0	77.3	82.2	82.6
Wood processing	3.34	53.7	60.6	43.5	49.1	56.7	61.5	63.0
Total	<u>65.65</u>	<u>113.5</u>	<u>112.6</u>	<u>98.0</u>	<u>90.1</u>	<u>88.7</u>	<u>90.5</u>	<u>88.8</u>

Source: Data provided by the Zairian authorities.

Table VI. Zaire: Gross Domestic Product and
Expenditure at 1970 Prices, 1976-81

(In millions of zaires)

	1976	1977	1978	1979	1980	1981 <u>1/</u>
GDP	998.8	1,006.4	952.6	955.1	978.5	1,001.9
Gross domestic expenditure	997.2	1,185.9	833.7	1,000.0	1,318.0	1,179.6
Consumption	725.2	664.2	584.8	609.7	608.5	645.5
Private	(526.5)	(449.9)	(385.3)	(320.6)	(344.5)	(373.2)
Government	(198.7)	(214.3)	(199.5)	(289.1)	(263.9)	(272.3)
Gross fixed investment	244.4	470.0	234.9	273.3	569.8	418.4
Enterprises	(171.1)	(398.1)	(178.3)	(170.5)	(423.0)	(287.6)
Government	(73.3)	(71.9)	(56.6)	(102.8)	(146.8)	(130.8)
Change in stocks	27.6	51.7	14.0	117.0	139.7	115.7
Balance on goods and nonfactor services	1.6	-179.5	118.9	-44.9	-339.5	-177.7
Exports	(437.9)	(436.6)	(442.5)	(349.4)	(432.7)	(239.7)
Imports	(-436.3)	(-616.1)	(-323.6)	(-394.3)	(-772.2)	(-417.4)

Source: Data provided by the Zairian authorities.

1/ Provisional.

Table VII. Zaire: Overall Government Operations, 1978-82 ^{1/}

(In millions of zaires)

	1978	1979	1980	1981	1982
Revenue and grants	<u>902.0</u>	<u>2,286.1</u>	<u>4,294.4</u>	<u>5,876.1</u>	<u>7,339.2</u>
Budgetary revenue	731.0	1,930.0	3,738.6	4,858.8	6,259.1
Extrabudgetary grants	171.0	356.1	555.8	1,017.3	1,080.1
Expenditure	<u>1,508.0</u>	<u>2,790.4</u>	<u>4,464.3</u>	<u>7,330.3</u>	<u>11,058.5</u>
Current expenditure	1,240.7	2,448.3	3,933.9	6,198.1	9,109.1
Budgetary	(1,145.2)	(2,171.0)	(3,456.4)	(5,506.1)	(7,952.4)
Extrabudgetary	(95.5)	(277.3)	(477.5)	(692.0)	(1,156.7)
Capital expenditure	267.3	342.1	530.4	1,132.2	1,949.4
Budgetary	(113.8)	(129.0)	(246.4)	(744.9)	(1,084.9)
Extrabudgetary	(153.5)	(213.1)	(284.0)	(387.3)	(864.5)
Overall deficit (-)	<u>-606.0</u>	<u>-504.3</u>	<u>-169.9</u>	<u>-1,454.2</u>	<u>-3,719.3</u>
Financing	<u>606.0</u>	<u>504.3</u>	<u>169.9</u>	<u>1,454.2</u>	<u>3,719.3</u>
Domestic (net)	<u>535.0</u>	<u>470.0</u>	<u>267.2</u>	<u>1,454.2</u>	<u>3,273.9</u>
Banking system	529.0	483.9	267.2	1,454.2	3,273.9
Other	6.0	-13.9	--	--	--
Foreign (net)	<u>71.0</u>	<u>34.3</u>	<u>-97.3</u>	<u>--</u>	<u>445.4</u>
Borrowing	116.0	225.3	394.7	326.0	941.1
Amortization	-45.0	-191.0	-492.0	-326.0	-495.7
<u>Memorandum item:</u>					
Increase in arrears on foreign debt	112.0	378.0	--	549.0 ^{2/}	3,193.0 ^{2/}

Sources: Data provided by the Zairian authorities; and staff estimates.

^{1/} Data are presented on a cash basis, excluding all payments arrears. Extrabudgetary operations, which are foreign-financed, have been estimated using balance of payments data and past relationships.

^{2/} Medium- and long-term debt only.

Table VIII. Zaire: Budgetary Operations, 1978-83 ^{1/}

(In millions of zaires)

	1978	1979	1980	1981	1982	1983	
						Budget	Jan.-June Prov.
Revenue	731.0	1,930.0	3,738.6	4,858.8	6,259.1	6,801.6	3,532.4
Income and profits taxes	238.3	481.7	582.7	1,469.0	1,914.1	1,869.0	1,303.9
Payroll tax	15.8	36.9	69.5	37.2	46.7	168.6	32.6
Property taxes	3.8	4.9	3.3	7.5	12.7	26.9	7.2
Taxes on goods and services	131.7	255.4	618.4	944.6	1,521.2	1,613.1	943.9
Import duties and taxes	123.0	290.8	651.9	987.3	1,347.4	1,406.3	639.2
Export duties and taxes	55.2	52.8	428.6	147.0	190.4	158.8	77.6
Other revenue ^{2/}	56.7	78.2	400.5	615.8	840.7	838.9	386.8
GECAMINES	106.5	729.3	983.7	650.4	385.9	720.0	141.2
Expenditure	1,259.0	2,300.0	3,702.8	6,251.0	9,037.3	9,028.6	3,471.0
Wages and salaries	588.4	1,063.7	1,608.0	2,336.5	2,779.9	2,974.7	1,485.6
Interest on foreign debt	78.2	156.3	336.4	556.0	495.3	847.0	311.0
Interest on domestic debt	43.8	59.0	77.0	228.9	190.7	221.2	109.6
Capital expenditure	113.8	129.0	246.4	744.9 ^{3/}	1,084.9	726.9	73.6
Other	434.8	892.0	1,435.0	2,384.7	4,486.5	4,258.8	1,491.2
Budgetary surplus or deficit (-)	-528.0	-370.0	35.8	-1,392.2	-2,778.2	-2,227.0	61.4
Financing	528.0	370.0	-35.8	1,392.2	2,778.2	2,227.0	-61.4
Domestic (net)	535.0	470.0	267.2	1,454.2	3,273.9	2,400.0	177.0
Banking system	529.0	483.9	267.2	1,454.2	3,273.9	2,400.0	177.0
Other	6.0	-13.9	--	--	--	--	--
Foreign (net)	-7.0	-100.0	-303.0	-62.0	-495.7	-173.0	-238.4
Borrowing	38.0	91.0	189.1	264.0	--	--	--
Amortization	-45.0	-191.0	-492.1	-326.0	-495.7	-173.0	-238.4

Sources: Data provided by the Zairian authorities; and staff estimates.

^{1/} Cash basis; excluding government outlays financed directly through foreign loans and grants.^{2/} Comprises other tax revenue, nontax revenue, counterpart funds, and revenue to be classified.^{3/} Includes Z 184 million of government equity participation in PETROZAIRE.

Table IX. Zaire: Budgetary Revenue, 1978-83 ^{1/}
(In millions of zaires)

	1978	1979	1980	1981	1982	1983 Jan.-June Prov.
Taxes on income and profits	301.8	676.2	1,051.1	1,677.7	2,073.0	1,405.2
Corporations	117.9	223.2	525.8	937.6	1,009.3	703.8
Unincorporated enterprises and self-employed professionals	6.1	15.7	14.4	25.1	16.1	7.8
Wages and salaries	168.0	422.2	487.2	677.6	993.3	625.3
Dividends and interest	3.6	6.5	5.7	21.6	23.3	40.2
Rental income	6.1	8.2	17.3	15.1	28.7	27.3
Other	0.1	0.3	0.7	0.7	2.3	0.8
Payroll tax	25.6	54.0	99.3	82.7	77.9	44.6
Taxes on property	5.3	6.4	4.8	8.7	14.8	7.2
Real estate	4.2	5.0	3.2	4.5	4.4	6.9
Motor vehicles	1.1	1.4	1.6	4.2	10.4	0.3
Taxes on domestic goods and services	135.9	267.6	638.7	961.0	1,547.9	957.5
Turnover tax	71.5	137.1	437.7	511.2	782.3	454.7
Selective excises	56.4	113.8	131.9	167.4	260.6	206.3
Alcoholic beverages	(13.3)	(8.8)	(16.5)	(23.4)	(33.1)	(24.8)
Petroleum products	(10.2)	(20.6)	(18.3)	(23.4)	(19.2)	(8.3)
Tobacco	(30.9)	(82.4)	(95.7)	(119.1)	(206.8)	(158.9)
Other	(2.0)	(2.0)	(1.4)	(1.5)	(1.5)	(14.3)
Tax on crude oil production	7.9	12.8	65.5	278.1	499.1	292.9
Other taxes on domestic goods and services	0.1	3.9	3.6	4.3	5.9	3.6
Taxes on international trade and transactions	206.2	848.5	1,546.3	1,515.5	1,712.3	733.7
Import duties and taxes	146.1	334.8	731.9	1,254.5	1,489.4	639.2
Import duties	(68.9)	(170.9)	(389.2)	(700.0)	(806.9)	(364.3)
Temporary import surcharge	(19.4)	(44.1)	(88.5)	(113.0)	(170.1)	(89.5)
Turnover tax	(35.8)	(76.1)	(163.4)	(294.0)	(328.9)	(115.1)
Statistical tax	(22.0)	(43.7)	(90.8)	(147.5)	(183.5)	(70.3)
Export duties and taxes	59.6	512.8	812.3	258.4	215.4	91.9
Export duties	(34.0)	(344.3)	(331.0)	(76.1)	(74.5)	(40.4)
Turnover tax	(18.5)	(144.0)	(440.1)	(113.6)	(71.1)	(32.7)
Statistical tax	(7.1)	(24.5)	(41.2)	(68.7)	(69.8)	(18.8)
Other duties	0.5	0.9	2.1	2.6	7.5	2.6
Other taxes ^{2/}	35.3	59.2	37.6	111.4 ^{3/}	11.2	15.6
Total tax revenue	710.1	1,911.9	3,377.8	4,357.0	5,437.1	3,163.8
Nontax revenue ^{4/}	20.9	18.1	360.8	501.8	822.0	368.6
Total budgetary revenue	731.0	1,930.0	3,738.6	4,858.8	6,259.1	3,532.4

Sources: Data provided by the Zairian authorities; and staff estimates.

^{1/} Including GECAMINES' contributions which are classified into the appropriate revenue categories.

^{2/} Mostly unclassified tax receipts.

^{3/} Including an imputation of Z 107 million of receipts due from suppliers which were canceled against payments due by the Government.

^{4/} Including counterpart funds.

Table X. Zaire: Tax Revenue Excluding Taxes Paid or Remitted by GECAMINES, 1978-83

(In millions of zaires, except where indicated)

	1978	1979	1980	1981	1982	1983	
						Budget	Jan.-June Prov.
Taxes on income and profits	238.3	481.7	582.7	1,469.0	1,914.1	1,869.0	1,303.9
Corporations	117.9	176.4	260.7	930.3	1,009.3	924.2	703.8
Of which: oil corporations	(15.9)	(58.5)	(162.3)	(302.3)	(270.7)	(250.0)	(132.7)
Wages and salaries	104.6	274.8	284.3	476.6	835.2	826.8	524.0
Other	15.8	30.5	37.7	62.1	69.6	118.0	76.1
Payroll tax	15.8	36.9	69.5	37.2	46.7	168.6	32.6
Taxes on property	3.8	4.9	3.3	7.5	12.7	26.9	7.2
Taxes on domestic goods and services	131.7	255.4	618.4	944.6	1,521.2	1,613.1	943.9
Of which: tax on crude oil production	(7.9)	(12.8)	(65.5)	(278.1)	(499.1)	(416.0)	(292.9)
Taxes on international trade and transactions	178.7	344.5	1,082.6	1,136.9	1,545.3	1,567.9	719.4
Of which: import duties and taxes	(123.0)	(290.8)	(651.9)	(987.3)	(1,347.4)	(1,406.3)	(639.2)
export duties and taxes	(55.2)	(52.8)	(428.6)	(147.0)	(190.4)	(158.8)	(77.6)
Other taxes ^{1/}	35.3	59.2	37.6	111.4 ^{2/}	11.2	—	15.6
Total tax revenue excluding taxes paid or remitted by GECAMINES	603.6	1,182.6	2,394.1	3,706.6	5,051.2	5,245.5	3,022.6
<u>Memorandum items:</u>							
Taxes paid by oil corporations ^{3/}	23.9	71.3	227.8	580.4	782.0	678.4	430.0
Total taxes paid or remitted by GECAMINES	106.5	729.3	983.7	650.4	385.9	720.0	141.2
Total tax revenue excluding GECAMINES as a percentage of GDP	11.0	10.6	13.9	15.7	15.8	...	...

Sources: Data provided by the Zairian authorities; and GECAMINES' data.

^{1/} Mostly unclassified tax receipts.^{2/} Including an imputation of Z 107 million of receipts due from suppliers which were canceled against payments due by the Government.^{3/} Only taxes paid under the special tax regime, and excluding other domestic and import taxes.

Table XI. Zaire: Budgetary Expenditure, 1978-83

(In millions of zaires)

	1978	1979	1980	1981	1982	1983	
						Budget	Jan.-June Prov.
Current expenditure	1,145.2	2,171.0	3,456.5	5,506.1	7,952.4	8,301.7	3,397.4
Wages and salaries	588.4	1,063.7	1,608.0	2,336.5	2,779.9	2,974.7	1,485.6
Public administration and defense	553.8	1,001.0	1,536.0	2,215.0	2,632.1	2,849.4	1,410.3
Of which: education ^{2/}	(251.9)	(513.8)	(687.0)	(1,035.1)	(1,150.5)	(1,212.9)	(598.2)
Pensions	14.1	28.2	38.0	59.4	100.8	90.0	47.7
Scholarships	20.5	34.5	34.0	62.1	47.0	35.3	27.6
Interest	122.0	215.3	413.4	784.9	686.0	1,068.2	420.6
Domestic debt	43.8	59.0	77.0	228.9	190.7	221.2	109.6
Foreign debt	78.2	156.3	336.4	556.0	495.3	847.0	311.0
Transfers and subsidies ^{3/}	93.7	190.4	237.0	674.4	987.5	917.8	326.2
Decentralized agencies	58.4	130.9	174.0	460.0	571.9	334.0	183.3
Hospitals	12.1	25.2	46.0	94.5	14.0	46.0	9.1
Public enterprises	17.1	24.2	17.0	61.6	173.8	305.9	84.7
Other	6.1	10.1	--	58.3	227.8	231.9	49.1
Other expenditure	341.1	701.6	1,198.0	1,710.3	3,499.0	3,341.0	1,165.0
Diplomatic representation	24.2	118.9	136.0	78.3	71.9	226.3	94.6
Regional expenditure	39.3	66.3	58.0	108.7	173.7	153.3	71.4
Presidency and Political Institutions ^{3/}	91.9	151.5	213.0	446.3	850.8	509.9	311.8
Travel	8.2	16.9	43.0	41.1	98.3	109.6	31.1
All other	177.5	348.0	748.0	1,035.9	2,304.3	2,341.9	656.1
Capital expenditure and net lending	113.8	129.0	246.4	744.9 ^{4/}	1,084.9	726.9	73.6
Total expenditure	1,259.0	2,300.0	3,702.8	6,251.0	9,037.3	9,028.6	3,471.0

Sources: Data provided by the Zairian authorities; and staff estimates.

^{1/} Includes an estimated Z 280 million for the Presidency and Political Institutions and the decentralized agencies.^{2/} Primary and secondary education only.^{3/} Excludes salaries for the period 1980-83.^{4/} Includes Z 184 million of government equity participation in PETROZAIRE.

Table XII. Zaire: Interest Rate Structure, 1980-83

(In percent per annum)

	As of March 10, 1980	As of April 1, 1981	As of September 12, 1983
I. Commercial bank deposit rates			
1. Savings deposits	3.25	5.00	5.00
2. Time deposits			
3-6 months	5.00	8.00	8.00
6-12 months	15.00	20.00	20.00
12-24 months	25.00	30.00	30.00
over 24 months	freely negotiable	freely negotiable	freely negotiable
II. Commercial bank loan rates			
1. Rediscountable credit			
a. Short-term			
(1) Loans for production and equipment	7.50	11.00	freely negotiable <u>1/</u>
(2) Other	12.00	freely negotiable	freely negotiable
b. Medium- and long-term			
(1) Loans for equipment in agricultural and agro-industrial activities	9.00	12.50	freely negotiable <u>1/</u>
(2) Other	15.00	freely negotiable	freely negotiable
2. Nonrediscountable credit			
a. Short-term	18.00	22.00	freely negotiable
b. Medium- and long-term	20.00	freely negotiable	freely negotiable
III. Central bank rates			
1. Basic rediscount rate	12.00	15.00	20.00
2. Advances to banks <u>2/</u>	12.00	15.00	20.00
3. Advances with collateral			
a. With government securities	6.00	10.00	...
b. With commercial paper			
(1) Short-term	7.00	12.00	...
(2) Medium-term	8.00	13.00	...
4. Advances to the Government	3.00	3.00	7.00
IV. Treasury bill rate			
	4.75	4.75	10.00

Source: Data provided by the Zairian authorities.

1/ Except for loans to the noncoffee agricultural sector which now carry an interest rate of 15 percent.

2/ Advances made in connection with interbank clearing at the Bank of Zaire.

Table XIII. Zaire: Summary Accounts of the Bank of Zaire, 1978-83 ^{1/}

(In millions of zaires; end of period)

	1978	1979	1980	1981	1982				1983	
	Dec.	Dec.	Dec.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
Foreign assets	283.1	604.8	1,066.4	1,429.4	1,973.7	965.7	1,020.7	1,119.5	1,195.2	1,231.3
Claims on Government	1,733.8	2,272.2	2,494.6	4,382.2	5,307.0	6,530.5	7,567.5	8,131.5	7,860.3	8,121.9
Claims on enterprises and households	33.5	52.2	36.5	67.7	65.5	65.9	65.8	172.0	200.4	196.8
Claims on commercial banks	10.9	17.9	128.4	21.8	10.0	8.4	2.0	5.8	27.0	22.9
Diamond subsidy	97.8	187.5	208.7	207.2	206.7	206.1	205.6	205.2	204.8	203.4
Reserve money	1,149.9	978.5	2,237.2	3,102.3	3,676.8	4,074.7	4,838.8	5,681.9	5,907.3	6,432.2
Currency in circulation	(799.8)	(566.2)	(1,538.1)	(2,090.3)	(2,386.8)	(2,621.5)	(2,980.1)	(3,282.8)	(3,852.2)	(4,501.9)
Currency in banks	(23.2)	(47.7)	(130.5)	(164.2)	(163.3)	(179.2)	(217.0)	(294.0)	(311.9)	(234.0)
Banks' deposits	(326.9)	(364.6)	(568.6)	(847.8)	(1,126.7)	(1,274.0)	(1,641.7)	(2,105.1)	(1,743.2)	(1,696.3)
Demand deposits	30.9	61.5	96.4	141.5	201.2	207.4	195.6	113.8	194.7	123.3
Time deposits	41.9	96.0	58.9	137.9	63.3	7.5	83.2	291.3	86.7	107.7
Foreign liabilities	406.8	515.4	981.7	2,430.5	3,332.7	3,482.6	3,499.2	3,541.7	3,639.4	3,748.6
Provision for settlement of arrears	973.6	1,245.9	1,031.6	1,495.9	1,434.9	1,390.5	1,352.4	1,314.3	1,301.6	1,282.5
Provision for import payments	5.6	86.4	72.2	122.2	154.9	136.2	195.4	185.6	215.9	230.1
Counterpart funds	26.0	37.3	2.9	8.5	13.3	12.8	12.2	12.6	12.7	13.7
Revaluation gains and losses and other adjustments	-747.6	-957.9	-990.5	-2,122.7	-2,365.8	-3,241.1	-3,041.2	-3,547.0	-3,333.0	-4,087.1
Demonetized currency	--	718.2	518.2	--	--	--	--	--	--	--
Government deposits	269.4	324.6	307.3	734.3	971.2	1,271.5	1,364.5	1,223.5	978.2	1,037.7
Foreign currency deposits	--	--	--	--	206.2	372.3	349.1	628.6	582.1	919.7
Other items (net)	2.6	28.7	-381.3	57.9	-125.8	62.2	12.4	187.7	-97.9	-32.1

Source: Data provided by the Zairian authorities.

^{1/} The data from June 1982 onward are not strictly comparable with those of the earlier period because of adjustments to foreign assets and liabilities.

Table XIV. Zaire: Summary Accounts of the Commercial Banks, 1978-83

(In millions of zaires; end of period)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>				<u>1983</u>	
	Dec.	Dec.	Dec.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
Reserves	350.1	412.3	699.1	1,012.0	1,290.0	1,453.2	1,858.7	2,399.1	2,055.1	1,930.3
Currency holdings	(23.2)	(47.7)	(130.5)	(164.2)	(163.3)	(179.2)	(217.0)	(294.0)	(311.9)	(232.0)
Deposits with Bank of Zaire	(326.9)	(364.6)	(568.6)	(847.8)	(1,126.7)	(1,274.0)	(1,641.7)	(2,105.1)	(1,743.2)	(1,696.3)
Foreign assets	248.8	267.2	512.3	801.3	843.0	792.5	697.3	635.9	656.8	760.1
Claims on Government	117.1	125.0	162.1	174.2	173.8	173.5	173.4	173.7	174.2	174.3
Claims on enterprises and households	607.5	826.5	977.8	1,274.8	1,510.7	1,618.3	1,709.1	1,798.3	1,966.6	2,267.0
Demand deposits	797.2	1,127.5	1,406.3	1,955.2	2,537.0	2,835.4	3,200.1	3,776.9	3,825.7	3,996.2
Time deposits	184.8	233.7	267.6	320.0	369.7	433.0	449.7	546.8	518.6	492.5
Foreign currency deposits	45.2	60.4	146.5	180.0	188.3	189.2	211.5	217.5	272.4	269.6
Provision for import payments	63.8	55.0	97.0	370.0	271.4	105.7	99.0	87.0	71.9	38.0
Credit from Bank of Zaire	10.9	17.9	128.4	21.8	10.0	8.4	2.0	5.8	27.0	22.9
Foreign liabilities	60.7	96.8	132.4	216.4	276.5	294.0	261.6	288.9	227.5	284.2
Revaluation gains and losses	64.9	10.2	20.5	55.4	23.8	1.5	--	--	--	--
Government deposits	3.2	10.3	20.0	38.5	38.4	24.9	34.3	24.2	18.2	24.6
Other items (net)	92.8	19.2	132.6	105.0	102.4	145.4	180.3	59.9	-108.6	3.7

Source: Data provided by the Zairian authorities.

Table XV. Zaire: Balance of Payments, 1979-83

(In millions of SDRs)

	1979			1980			1981			1982 1/			1983 2/		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Current account			25			-116			-360			-340			-240
Merchandise, f.o.b.	1,420	939	481	1,566	1,131	435	1,272	1,094	178	1,317	1,022	295	1,375	1,036	339
Services	71	653	-582	113	808	-695	112	857	-745	76	867	-791	90	844	-754
Freight and insurance	1	159	-158	1	198	-197	--	240	-240	1	225	-224	2	234	-232
Other transport	1	37	-36	2	52	-50	3	68	-65	14	31	-17	18	32	-14
Travel	4	26	-22	3	26	-23	2	29	-27	1	16	-15	2	16	-14
IMF charges	--	12	-12	--	11	-11	--	10	-10	--	24	-24	--	44	-44
Interest on public debt 3/	--	151	-151	--	218	-218	--	269	-269	--	285	-285	--	228	-228
Other investment income	8	51	-43	25	76	-51	48	59	-11	24	45	-21	24	45	-21
Government, n.i.e.	5	73	-68	14	70	-56	7	76	-69	2	55	-53	2	55	-53
Other services	52	144	-92	68	157	-89	52	106	-54	34	186	-152	42	190	-148
Unrequited transfers	228	102	126	273	129	144	363	156	207	280	124	156	303	128	175
Private	49	98	-49	63	124	-61	152	155	-3	108	122	-14	115	125	-10
Public	179	4	175	210	5	205	211	1	210	172	2	170	188	3	185
Public capital 4/	154	243	-89	292	309	-17	213	356	-143	149	334	-142	134	346	-212
Disbursements	154	--	154	292	--	292	213	--	213	192	--	192	134	--	134
Amortization 3/	--	243	-243	--	309	-309	--	356	-356	--	334	-334	--	346	-346
Private capital and errors and omissions	...	...	-134	...	...	-63	...	...	-125	...	...	-116	--	--	--
Direct investment	40	--	40	58	15	43	217	--	217	...	...	...	...	...	...
Short-term private capital	--	--	--	2	102	-100	15	15	--	11	11	--	10	...	...
Other private capital and errors and omissions	...	...	-174	...	...	-6	...	...	-342	...	...	...	...	...	...
SDR allocation	16	--	16	16	--	16	16	--	16	--	--	--	--	--	--
Overall deficit (-)			-182			-180			-612			-598			-452
Financing items			182			180			612			598			452
Arrears (reduction -)	188	20	168	--	1,035	-1,035	110	--	110	345	--	345	...	10	...
Debt rescheduling and other assistance	51	--	51	1,239	--	1,239	315	--	315	136	--	136	...	...	...
Fund credit	20	32	-12	78	65	13	195	104	91	107	22	85	114	10	104
Other reserve movements (increase -)	11 5/	36	-25			-37			96			32	...	...	-10
Gap			--			--			--			--			368

Sources: Data provided by the Zairian authorities; and staff estimates and projections.

- 1/ Provisional.
2/ Projections.
3/ Contractual amounts falling due in each year.
4/ Medium- and long-term external public debt.
5/ Gold sale.

Table XVI. Zaire: Exports, f.o.b., by Major Commodity, 1979-83

(Value in millions of U.S. dollars and of SDRs;
volume and unit price as indicated) 1/

	1979	1980	1981	1982	1983 2/
<u>GECAMINES exports</u>					
<u>Copper</u>					
Value (US\$)	679.0	957.6	694.8	740.6	740.3
Value (SDRs)	525.5	736.2	588.6	670.8	690.0
Volume (tons)	353,997	436,672	404,575	508,211	460,000
Unit price (US\$/lb.)	0.870	0.995	0.779	0.661	0.730
<u>Cobalt</u>					
Value (US\$)	570.8	377.3	158.3	182.8	112.4
Value (SDRs)	441.8	289.7	134.6	164.7	104.8
Volume (tons)	10,528	6,853	3,394	7,264	8,500
Unit price (US\$/lb.)	24.59	25.00	18.56	9.96	6.00
<u>Zinc</u>					
Value (US\$)	23.3	21.4	71.2	43.1	43.7
Value (SDRs)	18.0	16.4	61.2	39.3	40.7
Volume (tons)	31,464	29,588	87,778	54,979	55,000
Unit price (US\$/lb.)	0.336	0.328	0.363	0.356	0.360
<u>Silver</u>					
Value (US\$)	23.5	58.0	19.9	18.0	22.0
Value (SDRs)	18.2	44.6	16.9	16.2	20.5
Volume (kgs) 3/	68,000	83,545	57,470	71,774	50,000
Unit price (US\$/t. oz.)	11.09	19.68	9.82	7.11	12.50
<u>Cadmium</u>					
Value (US\$)	0.9	1.4	0.5	0.7	0.4
Value (SDRs)	0.7	1.1	0.5	0.7	0.4
Volume (tons)	158	278	129	260	260
Unit price (US\$/lb.)	2.54	2.28	1.76	1.22	0.66
<u>Gold</u>					
Value (US\$)	1.1	2.0	1.4	1.2	1.1
Value (SDRs)	0.9	1.6	1.2	1.2	1.0
Volume (kgs) 4/	112.6	99.0	84.0	94.0	86.0
Unit price (US\$/t. oz.)	306.7	572.72	472.49	361.91	350.00
<u>F.M.M. 5/</u>					
US\$	-211.0	-239.3	-203.4	-173.8	-113.1
SDRs	-163.3	-183.9	-172.5	-157.4	-105.4
<u>Subtotal</u>					
US\$	1,087.6	1,178.4	742.7	812.7	806.8 6/
SDRs	841.8	905.7	630.5	735.5	752.0 6/
<u>Non-GECAMINES exports</u>					
<u>Copper (SODIMIZA)</u>					
Value (US\$)	56.7	74.9	61.8	50.1	48.9
Value (SDRs)	43.9	57.5	52.4	45.4	43.8
Volume (tons)	29,573	34,133	35,989	34,400	29,200
Unit price (US\$/lb.)	0.870	0.995	0.779	0.661	0.730

Table XVI. Zaire: Exports, f.o.b., by Major Commodity, 1979-83 (concluded)

(Value in millions of U.S. dollars and of SDRs;
volume and unit price as indicated) ^{1/}

	1979	1980	1981	1982	1983 ^{2/}
<u>Gold (KILOMOTO, SOMINKI)</u>					
Value (US\$)	11.8	31.7	23.2	21.9	66.3
Value (SDRs)	9.1	24.4	19.7	19.8	61.8
Volume (kgs)	1,288.3	1,464.0	1,401.0	1,866.0	4,700.0
Unit price (\$/t. oz.)	294.49	612.59	468.62	332.70	400.00
<u>Diamonds (MIBA, artisanal)</u>					
Value (US\$)	98.7	113.6	77.2	76.2	104.7
Value (SDRs)	76.4	87.3	65.5	69.0	97.6
Volume ('000 carats)	8,174	9,997	6,586	6,725	8,100
Unit price (US\$/carat)	12.08	11.36	11.72	11.33	12.92
<u>Coffee</u>					
Value (US\$)	144.5	163.1	111.8	105.0	114.2
Value (SDRs)	111.8	125.3	94.8	95.1	106.4
Volume (tons)	62,799	74,123	67,645	68,004	70,000
Unit price (US\$/lb.)	1.044	0.998	0.750	0.700	0.740
<u>Rubber</u>					
Value (US\$)	16.6	19.8	18.8	11.5	14.1
Value (SDRs)	12.9	15.2	15.9	10.4	13.1
Volume (tons)	16,888	19,522	18,509	14,930	16,000
Unit price (US\$/lb.)	0.45	0.46	0.46	0.35	0.40
<u>Crude oil</u>					
Value (US\$)	152.7	228.2	273.5	274.3	220.9
Value (SDRs)	118.2	175.4	231.9	248.5	205.9
Volume ('000 barrels)	7,535	6,625	7,668	8,108	8,100
Unit price (US\$/barrel)	20.27	34.45	35.67	33.83	27.27
<u>Other exports</u>					
Value (US\$)	127.4	133.5	93.6	93.0	100.9
Value (SDRs)	98.6	102.6	79.4	84.2	94.0
<u>Adjustments</u>					
Value (US\$)	138.6	95.0	97.2	10.2	--
Value (SDRs)	107.3	72.6	81.8	9.2	--
<u>Total</u>					
Value (US\$)	1,834.6	2,038.2	1,499.8	1,454.1	1,474.9
Value (SDRs)	1,420.0	1,566.0	1,271.9	1,317.1	1,374.6
<u>Rate of change</u>					
In SDRs (percent)	12.9	10.3	-18.8	3.6	4.4

Sources: Data provided by the Zairian authorities; and staff estimates and projections.

^{1/} Exchange rates used: SDR 1 = US\$1.292 for 1979; SDR 1 = US\$1.30153 for 1980; SDR 1 = US\$1.17916 for 1981; SDR 1 = US\$1.10401 for 1982; and SDR 1 = US\$1.073 for 1983. Measure conversion rates used: metric ton = 2,204.7 pounds; troy ounce = 35.374 grams; and carat = 200 milligrams.

^{2/} Projections.

^{3/} 96.8 per cent pure.

^{4/} 99.0 per cent pure.

^{5/} Marketing and financing costs (*Frais de mise sur marché*).

^{6/} Including a small amount of germanium exports (US\$0.8 million, or SDR 0.7 million).

Table XVII. Zaire: Export Unit Value Indices, 1979-83

(In SDR terms; 1980 = 100)

	Weights <u>1/</u>	1979	1980	1981	1982	1983 <u>2/</u>
All exports (Annual percentage change)	1.000	87.0 (...)	100.0 (13.0)	94.9 (-5.1)	86.7 (-8.6)	88.2 (1.7)
GECAMINES' exports (Annual percentage change)	0.544	90.4 (...)	100.0 (9.6)	89.1 (-10.9)	74.4 (-16.5)	77.8 (4.6)
Non-GECAMINES' exports (Annual percentage change)	0.456	82.9 (...)	100.0 (17.1)	101.7 (1.7)	101.4 (-0.3)	100.5 (-0.9)

Source: Staff estimates and projections based on data provided by the Zairian authorities.

1/ Based on 1980-82 averages.

2/ Projections.

Table XVIII. Zaire: Import Unit Value Index, Value Index, and Volume Index, 1979-83

(In SDR terms; 1980 = 100)

	1979	1980	1981	1982	1983
				<u>All imports</u>	
Import unit value index <u>1/</u>	89.8	100.0	102.6	102.4	104.6
(Annual percentage change)	(12.4)	(10.2)	(2.6)	(-0.2)	(2.1)
Import value index	83.0	100.0	96.7	90.4	92.0
(Annual percentage change)	(4.8)	(7.7)	(-3.3)	(-6.5)	(1.8)
Import volume index	92.4	100.0	94.3	88.3	88.0
(Annual percentage change)	(-6.8)	(-7.6)	(-5.7)	(-6.4)	(-0.3)
				<u>Non-oil imports</u>	
Import unit value index <u>1/</u>	91.0	100.0	101.8	101.8	104.5
(Annual percentage change)	(12.3)	(9.0)	(1.8)	(--)	(2.7)
Import value index	84.8	100.0	91.0	87.9	90.0
(Annual percentage change)	(-1.9)	(15.2)	(-9.0)	(-3.4)	(2.4)
Import volume index	93.2	100.0	89.4	86.4	86.1
(Annual percentage change)	(-12.7)	(-6.8)	(-10.6)	(-3.4)	(-0.4)

Source: Staff estimates and projections.

1/ Export unit value indices of principal suppliers to Zaire weighted by their respective shares in Zaire's imports are used as a proxy for Zaire's import unit value index. The latter index was further adjusted with respect to the 1982-83 period in relation to (1) GDP growth in Zaire and the implications for the real growth of non-oil imports and (2) average import prices estimated and projected in the latest WEO for developing countries. Export unit values of principal suppliers to Zaire are those of the April 12-22, 1983 WEO exercise. The shares of Zaire's principal suppliers were calculated on the basis of the DOT data.

Table XIX. Zaire: Composition of Imports, c.i.f., 1979-82 ^{1/}

	1979	1980	1981 ^{2/}	1982 ^{3/}	1979	1980	1981 ^{2/}	1982 ^{3/}
	(In millions of SDRs)				(In percent)			
Consumer goods	<u>183.4</u>	<u>200.8</u>	<u>168.3</u>	<u>137.2</u>	<u>16.7</u>	<u>15.1</u>	<u>12.6</u>	<u>11.0</u>
Foodstuffs, beverages, and tobacco	74.7	71.8	64.1	77.3	6.8	5.4	4.8	6.2
Clothing	16.5	21.3	28.0	11.2	1.5	1.6	2.1	0.9
Other nondurables	63.7	85.1	42.8	22.4	5.8	6.4	3.2	1.8
Consumer durables	28.5	22.6	33.4	26.3	2.6	1.7	2.5	2.1
Energy	<u>221.8</u>	<u>327.2</u>	<u>383.3</u>	<u>207.1</u> ^{4/}	<u>20.2</u>	<u>24.6</u>	<u>28.7</u>	<u>16.6</u>
Raw materials	43.9	134.3	60.1	43.6	4.0	10.1	4.5	3.5
Processed materials	177.9	192.9	323.2	163.5	16.2	14.5	24.2	13.1
Raw materials and intermediate goods	<u>229.5</u>	<u>259.4</u>	<u>268.5</u>	<u>273.1</u>	<u>20.9</u>	<u>19.5</u>	<u>20.1</u>	<u>21.9</u>
Food products	68.1	61.2	44.1	38.7	6.2	4.6	3.3	3.1
Agricultural products	6.6	18.6	20.0	18.7	0.6	1.4	1.5	1.5
Textile, leather, and rubber goods	28.6	25.3	33.4	38.7	2.6	1.9	2.5	3.1
Chemicals	42.8	58.5	94.8	87.3	3.9	4.4	7.1	7.0
Construction materials	8.8	14.6	14.7	20.0	0.8	1.1	1.1	1.6
Minerals and metal products	38.4	38.6	33.4	36.2	3.5	2.9	2.5	2.9
Other	36.2	42.6	28.1	33.5	3.3	3.2	2.1	2.7
Capital goods	<u>131.8</u>	<u>167.6</u>	<u>192.3</u>	<u>189.6</u>	<u>12.0</u>	<u>12.6</u>	<u>14.4</u>	<u>15.2</u>
Agricultural machinery	2.2	12.0	8.0	10.0	0.2	0.9	0.6	0.8
Commercial vehicles	43.9	59.8	61.4	42.4	4.0	4.5	4.6	3.4
Other transport equipment	12.1	10.6	13.4	16.2	1.1	0.8	1.0	1.3
Industrial machinery	17.6	21.3	25.4	13.7	1.6	1.6	1.9	1.1
Other capital goods	56.0	63.9	84.1	107.3	5.1	4.8	6.3	8.6
Other	<u>331.7</u>	<u>374.1</u>	<u>321.3</u>	<u>440.1</u>	<u>30.2</u>	<u>28.2</u>	<u>24.2</u>	<u>35.3</u>
Total imports	<u>1,098.2</u>	<u>1,329.1</u>	<u>1,333.7</u>	<u>1,247.1</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Sources: Data provided by the Zairian authorities; and staff estimates and projections.

^{1/} The data shown in this table should be interpreted with caution. The composition of nonenergy imports is derived through the application of the distribution coefficients implicit in the exchange records.

^{2/} Provisional.

^{3/} Estimates.

^{4/} Petroleum products only.

Table XX. Zaire: Direction of Trade, 1/ 1979-82

(In percent of total)

	Exports				Imports			
	1979	1980	1981	1982 <u>2/</u>	1979	1980	1981	1982 <u>2/</u>
Industrial countries	<u>93.8</u>	<u>94.6</u>	<u>96.3</u>	<u>92.8</u>	<u>76.6</u>	<u>78.8</u>	<u>77.7</u>	<u>73.9</u>
Of which:								
Belgium	44.9	48.2	47.9	31.9	18.7	20.9	17.8	20.1
Canada	0.1	0.3	--	0.7	0.4	1.8	3.5	1.9
France	7.8	6.8	5.9	5.9	13.9	10.0	9.6	12.1
Germany, Fed. Rep. of	5.0	4.5	5.6	5.3	13.2	12.5	9.5	9.3
Italy	5.6	6.0	5.1	4.5	4.1	5.8	4.8	4.2
Japan	5.4	5.3	3.5	3.2	2.6	3.7	7.2	5.3
Netherlands	0.9	0.9	2.0	1.3	2.6	2.2	2.3	3.2
Spain	0.3	0.6	1.0	0.5	1.3	1.0	0.8	1.0
Sweden	0.9	0.3	0.1	--	1.1	0.9	3.5	0.9
Switzerland	0.6	0.5	0.2	0.4	1.4	1.2	1.4	1.6
United Kingdom	6.7	4.8	3.1	1.5	11.3	5.2	3.3	3.8
United States	15.4	15.9	21.5	36.7	10.9	12.5	12.8	9.5
Developing countries	<u>6.2</u>	<u>5.4</u>	<u>3.7</u>	<u>7.2</u>	<u>23.4</u>	<u>21.2</u>	<u>22.3</u>	<u>26.1</u>
Of which:								
Oil exporting countries	0.1	0.1	0.2	0.1	2.1	1.1	1.1	1.9
Africa	0.6	0.3	0.4	0.4	9.3	7.7	9.1	9.0
Asia	1.7	0.5	0.2	3.4	1.1	2.1	3.0	4.8
Europe	1.5	1.7	1.2	1.5	1.6	1.0	0.9	0.9
Western Hemisphere	1.8	2.3	1.2	1.2	8.9	8.9	7.5	8.5
(Brazil)	(1.7)	(2.2)	(1.2)	(...)	(8.7)	(8.5)	(7.1)	(...)
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: IMF, Direction of Trade.1/ Based on IFS classification.2/ Provisional.

Table XXI. Zaire: External Payments Arrears, 1978-83

(In millions of SDRs; end of period)

	1978	1979	1980 <u>1/</u>	1981 <u>2/</u>	1982	<u>1983</u> June
Commercial <u>3/</u>	440.1	435.3	389.5	363.8	189.7	185.5
Invisibles <u>3/</u>	46.7	32.0	28.0	19.2	17.2	17.0
External public debt	462.9	650.7	32.0	147.0	640.8	852.2
Interest	(341.3)	(475.4)	(32.0)	(...)	(254.8) <u>4/</u>	(313.5) <u>4/</u>
Principal	(121.6)	(175.3)	(--)	(...)	(386.0)	(538.7)
Total	949.7	1,118.0	449.5	530.0	847.7	1,054.7

Sources: Bank of Zaire; and OGEDEP.

1/ Excludes arrears on external public debt covered by the December 1979 Paris Club rescheduling agreement.

2/ After the July 1981 Paris Club rescheduling.

3/ Other than interest on external public debt. Estimates based on arrears registered with the commercial banks, which were centralized in the Bank of Zaire by virtue of Circular No. 156 of July 31, 1978; as a review has not yet been completed, these estimates should be treated as preliminary.

4/ Including SDR 33 million in accrued interest on outstanding arrears.

Table XXII. Zaire: Gross Official International Reserves,
and Relation to Imports, 1979-83

	1979	1980	1981	1982	<u>1983</u> Sept.
Gross reserves (end of period)					
Excluding gold					
In millions of U.S. dollars	206.69	204.11	151.55	37.67	41.39
In millions of SDRs	156.90	160.03	130.20	34.15	39.16
Including gold ^{1/}					
In millions of U.S. dollars	298.13	357.18	287.67	194.61	201.16
In millions of SDRs	226.31	280.05	247.15	176.42	190.34
Total imports, c.i.f.					
In millions of SDRs	1,098.00	1,329.00	1,334.00	1,247.00	1,270.00 ^{2/}
Gross reserves in weeks of of imports, c.i.f., excluding gold	7	6	5	1	2 ^{3/}

Source: Data provided by the Zairian authorities.

^{1/} National valuation.

^{2/} Projected for 1983 as a whole.

^{3/} Based on gross reserves, excluding gold, at end-September 1983 and projected imports for 1983 as a whole.

Table XXIII. Zaire: Medium- and Long-Term External Public and Publicly Guaranteed Debt Disbursed and Outstanding, 1979-83

(In millions of U.S. dollars; end of period)

	1979	1980	1981	1982 <u>1/</u>	1983 June <u>1/</u>
Medium- and long-term public debt	4,033.3	4,162.3	4,079.9	4,083.0 <u>2/</u>	4,135.6 <u>2/</u>
Suppliers' credits	618.8	339.3	304.5	294.2	...
Financial institutions	1,549.2	1,216.7	1,185.8	1,009.4	...
Of which: multiple lenders <u>3/</u>	(--)	(374.3)	(360.2)	(359.5)	(359.0)
Multilateral loans	383.5	468.6	474.3	528.0	...
Of which: Trust Fund	(106.8)	(140.3)	(128.5)	(121.3)	(116.0)
Bilateral loans	1,474.3	2,131.0	2,109.8	2,246.9	...
Bonds	7.5	6.7	5.5	4.5	4.2
Fund credit <u>4/</u>	250.9	233.1	345.7	422.6	405.0
CFF	(111.6)	(72.4)	(8.2)	(117.9)	(114.2)
Oil facility	(74.6)	(47.5)	(20.7)	(4.5)	(--)
Credit tranches	(60.3)	(113.2)	(113.1)	(107.2)	(103.8)
EFF	(--)	(--)	(203.7)	(193.0)	(187.0)
Total debt	4,284.2	4,395.4	4,425.6	4,505.1	4,540.6
<u>Memorandum items:</u>					
Total debt (millions of SDRs)	3,252.2	3,446.3	3,802.2	4,084.0	4,346.7
Fund credit (millions of SDRs)	190.5	182.8	297.0	383.1	379.1

Sources: Data provided by the Zairian authorities (OGEDEP and Bank of Zaire); and World Bank (DRS) and IMF data.

1/ The medium- and long-term public debt figures are preliminary.

2/ Excluding debt directly contracted by the Bank of Zaire (US\$16 million at end-1982 and US\$15 million at end-June 1983).

3/ Debt due to commercial banks of the London Club.

4/ Total may exceed components when member's payments in its currency for Fund charges or for gold distributed by the Fund increase Fund holdings of that currency over the member's quota; such excess currency holdings are subject to repurchase.

Table XXIV. Zaire: External Public and Publicly Guaranteed Medium- and Long-Term Debt Outstanding, as of January 1, 1983, and Projected Contractual Debt Service Payments, 1983-91 ^{1/}

(In millions of U.S. dollars)

	Outstanding as of Jan. 1, 1983 ^{2/}	1983	1984	1985	1986	1987	1988	1989	1990	1991
Total external debt	4,099.0	582.4	571.4	573.1	482.4	423.0	378.5	335.3	187.1	128.5
Principal		(365.3)	(368.2)	(397.8)	(355.9)	(322.8)	(304.6)	(284.0)	(155.2)	(104.2)
Interest		(217.1)	(203.2)	(175.3)	(126.5)	(100.2)	(73.8)	(51.3)	(31.9)	(24.3)
Debt monitored by OGEDEP	4,083.0	564.2	571.4	573.1	482.4	423.0	378.5	335.3	187.1	128.5
Principal		(349.3)	(368.3)	(397.8)	(355.9)	(322.8)	(304.6)	(284.0)	(155.2)	(104.2)
Interest		(214.9)	(203.2)	(175.3)	(126.5)	(100.2)	(73.9)	(51.3)	(31.9)	(24.3)
Consolidated debt under previous Paris Club agreements ^{3/}	1,193.8	210.5	247.6	211.1	169.1	134.5	125.9	123.6	38.7	35.0
Principal		(134.4)	(169.3)	(145.7)	(125.5)	(101.2)	(101.2)	(106.2)	(34.0)	(34.0)
Interest		(76.1)	(78.3)	(65.4)	(43.6)	(33.3)	(24.7)	(17.4)	(4.7)	(1.0)
Medium- and long-term	855.3	131.0	183.7	169.7	115.0	84.2	79.4	81.0	--	--
Principal		(77.1)	(132.8)	(128.7)	(91.5)	(67.2)	(67.2)	(72.2)	(--)	(--)
Interest		(53.9)	(50.9)	(41.0)	(23.5)	(17.0)	(12.2)	(8.8)	(--)	(--)
Short-term	109.5	36.0	33.2	--	--	--	--	--	--	--
Principal		(30.8)	(30.8)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Interest		(5.2)	(2.4)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Effects of 1981 Paris Club rescheduling	229.0	43.5	30.7	41.4	54.1	50.3	46.5	42.6	38.7	35.0
Principal		(26.5)	(5.7)	(17.0)	(34.0)	(34.0)	(34.0)	(34.0)	(34.0)	(34.0)
Interest		(17.0)	(25.0)	(24.4)	(20.1)	(16.3)	(12.5)	(8.6)	(4.7)	(1.0)
Current debt due to official creditors within the Paris Club ^{4/}	1,259.2	185.0	166.5	139.0	104.8	89.6	77.7	60.5	54.3	45.0
Principal		(133.8)	(122.0)	(102.9)	(79.0)	(68.2)	(60.1)	(46.0)	(42.2)	(34.5)
Interest		(51.2)	(44.5)	(36.1)	(25.8)	(21.4)	(17.6)	(14.5)	(12.1)	(10.5)
Current debt not due to official creditors within the Paris Club	1,630.0	168.7	157.3	223.0	208.5	198.9	174.9	151.2	94.1	48.5
Principal		(81.1)	(76.9)	(149.2)	(151.4)	(153.2)	(143.3)	(131.8)	(79.0)	(35.7)
Interest		(87.6)	(80.4)	(73.8)	(57.1)	(45.5)	(31.6)	(19.4)	(15.1)	(12.8)
London Club (syndicated credits)	359.5	48.5	47.4	96.7	88.0	79.2	69.5	61.7	30.6	--
Principal		(8.5)	(8.5)	(60.8)	(60.8)	(60.8)	(60.8)	(60.8)	(30.4)	(--)
Interest		(40.0)	(38.9)	(35.9)	(27.2)	(18.4)	(8.7)	(0.9)	(0.2)	(--)
Other financial institutions ^{5/}	108.4	22.6	12.2	12.4	16.0	13.9	11.9	10.6	8.8	--
Principal		(15.6)	(6.3)	(7.1)	(11.5)	(10.5)	(9.5)	(9.1)	(8.2)	--
Interest		(7.0)	(5.9)	(5.3)	(4.5)	(3.4)	(2.4)	(1.5)	(0.6)	--
Special payments mechanisms	395.2	75.6	73.8	73.5	52.2	53.9	43.8	35.6	20.6	17.0
Principal		(42.4)	(44.5)	(48.1)	(34.9)	(38.4)	(32.5)	(26.7)	(13.9)	(11.4)
Interest		(33.2)	(29.3)	(25.4)	(17.3)	(15.5)	(11.3)	(8.9)	(6.7)	(5.6)
Uninsured commercial debt ^{6/}	134.1	7.5	4.9	4.3	4.3	4.2	4.1	3.6	3.5	3.7
Principal		(5.8)	(3.6)	(3.1)	(3.1)	(3.1)	(3.1)	(2.8)	(2.8)	(2.8)
Interest		(1.7)	(1.3)	(1.2)	(1.2)	(1.1)	(1.0)	(0.8)	(0.7)	(0.9)
Other government debt ^{7/}	192.8	0.1	0.1	3.7	7.5	9.3	10.8	10.8	10.7	10.6
Principal		(0.1)	(0.1)	(3.7)	(7.5)	(8.8)	(9.9)	(9.9)	(9.9)	(9.9)
Interest		(--)	(--)	(--)	(--)	(0.5)	(0.9)	(0.9)	(0.8)	(0.7)
Multilateral organizations ^{8/}	440.0	14.4	18.9	32.4	40.5	38.4	33.8	28.9	19.9	17.2
Principal		(8.7)	(13.9)	(26.4)	(33.6)	(31.8)	(27.5)	(22.5)	(13.8)	(11.6)
Interest		(5.7)	(5.0)	(6.0)	(6.9)	(6.6)	(6.3)	(6.4)	(6.1)	(5.6)
Of which: IMF Trust Fund	(121.3)	3.7	9.9	19.0	22.3	21.6	18.9	12.7	3.4	0.4
Principal		(3.2)	(9.4)	(18.6)	(22.0)	(21.4)	(18.8)	(12.6)	(3.4)	(0.4)
Interest		(0.5)	(0.5)	(0.4)	(0.3)	(0.2)	(0.1)	(0.1)	--	(--)
Debt not monitored by OGEDEP	16.0	18.2	--	--	--	--	--	--	--	--
Principal		(16.0)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Interest		(2.2)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Memorandum item:										
Total external debt in millions of SDRs	3,715.9	539.3	529.1	530.7	446.8	391.7	350.4	310.6	173.3	119.0

Sources: OGEDEP and Bank of Zaire.

^{1/} For all years, excluding effects of future debt reschedulings and service payments on projected disbursements from new borrowings after 1982; in addition, for 1983, excluding payments actually made on arrears as of end-1982 and, for 1984, payments to be made on certain arrears as of end-1983.

^{2/} Preliminary estimates; valued at end-December 1982 exchange rates.

^{3/} 1975/76; 1977; and 1979.

^{4/} Excluding debt under special payments mechanisms.

^{5/} Debt owed to banks that are not members of the London Club; excluding debt under special payments mechanisms with commercial banks.

^{6/} Debt under commercial agreements (conventions commerciales) not insured by official agencies in creditor countries.

^{7/} Debt due to official creditors not within the Paris Club; excluding debt under special payments mechanisms.

^{8/} Excluding IBRD Trust Fund, which is classified under special payments mechanisms.

Table XXV. Zaire: Structure and Terms of External Public and Publicly Guaranteed Debt Commitments, 1978-82 1/

	Amount (In millions of SDRs)	Interest (In percent)	Maturity (In years)	Grace period	Grant element (In percent)
Suppliers' credits					
1978	17.8	9.5	5.8	0.5	-1.3
1979	70.7	7.5	8.3	2.3	8.9
1980	11.7	6.0	10.0	2.5	16.8
1981	9.3	8.2	12.5	2.2	9.1
1982	15.5	8.9	9.4	2.4	3.0
Financial institutions					
1978	81.2	7.0	9.5	3.1	12.1
1979	49.6	10.3	9.0	4.6	-1.9
1980	94.7	10.3	9.3	1.5	-0.7
1981	10.4	8.3	10.0	4.3	7.3
1982	4.3	8.5	7.9	1.0	4.2
Multilateral loans					
1978	85.9	1.5	23.9	7.1	57.7
1979	102.9	1.5	30.5	7.8	62.0
1980	80.3	1.6	30.7	7.7	60.8
1981	59.4	3.6	35.5	7.7	51.5
1982	192.0	1.7	43.0	9.2	72.9
Bilateral loans					
1978	209.9	3.8	22.8	4.5	42.5
1979	97.5	6.0	19.4	8.4	29.1
1980	189.5	3.1	25.0	7.9	53.1
1981	86.0	8.0	20.1	6.8	17.2
1982	30.0	1.5	34.7	7.3	68.2
Total					
1978	394.8	4.2	19.5	4.6	37.5
1979	320.7	5.6	18.9	6.3	30.4
1980	376.2	4.7	21.8	6.1	40.1
1981	165.1	6.5	24.6	6.7	28.4
1982 <u>2/</u>	241.8	2.3	39.2	8.4	66.7

Sources: OGEDEP and World Bank (DRS).

1/ Excluding IMF facilities other than the Trust Fund.2/ Excluding the SDR 43 million (US\$48 million) medium-term loan contracted by the Bank of Zaire on account of the Treasury.

Table XXVI. Zaire: Nominal and Real Effective Exchange
Rate Indices ^{1/}, 1979-83

(1973 = 100)

	Nominal	Real
1979		
January ^{2/}	28.10	209.53
February	28.08	228.07
March	28.14	230.90
April	28.31	237.95
May	28.40	253.55
June	28.27	269.18
July	28.06	251.59
August ^{2/}	26.10	145.19
September	20.93	203.96
October	20.98	219.22
November	20.80	208.87
December	20.76	217.43
1980		
January	20.75	231.40
February ^{2/}	18.90	205.84
March	14.86	161.23
April	14.73	158.50
May	14.68	179.37
June	14.64	176.59
July	14.61	176.51
August	14.70	178.40
September	14.74	180.04
October	14.88	178.17
November	15.08	186.40
December	15.21	182.75
1981		
January	15.39	192.53
February	15.77	196.39
March	15.70	199.75
April	15.83	216.59
May	16.15	220.49
June ^{2/}	13.99	194.27
July	9.86	141.68
August	9.94	152.59
September	9.72	148.66
October	9.64	157.29
November	9.63	158.95
December	9.76	163.70
1982		
January	9.81	162.54
February	9.95	167.91
March	10.16	171.37
April	10.22	168.47
May	10.10	173.16
June	10.35	181.09
July	10.40	186.00
August	10.43	198.52
September	10.49	202.18
October	10.56	205.91
November	10.62	218.25
December	10.49	231.57
1983		
January	10.46	242.67
February	10.51	247.88
March	10.53	246.55
April	10.65	256.58
May	10.74	273.09
June	10.87	282.70

Source: Staff estimates.

^{1/} Import weighted indices. Import weights are averages for the period 1979-81, for which relatively firm data are available. Price indices refer to consumer prices for Zaire and the following 11 major trading partners: the United States, Japan, Belgium, France, the Federal Republic of Germany, Italy, Netherlands, Spain, Sweden, Switzerland, and the United Kingdom. Upward (downward) movements signify appreciations (depreciations).

^{2/} Months during which devaluations were effected.

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