INTERNATIONAL MONETARY FUND

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The International Monetary Fund has approved the use of its resources totaling the equivalent of SDR 342.5 million by the Government of Zaire. Of the total, SDR 114.5 million may be drawn immediately under the compensatory financing facility and the remaining SDR 228 million is available over the next 15 months under a stand-by arrangement to support the Government's program of economic and financial adjustment. Currently, Zaire's outstanding financial obligations to the Fund resulting from past operations and transactions, excluding Trust Fund loans, total the equivalent of SDR 377.7 million.

Zaire has been facing serious economic and financial difficulties for a number of years. The economy has generally stagnated, the rate of inflation has been very high, the balance of payments has been under severe pressure, and major problems have been encountered in servicing the external debt. In part, these difficulties have been caused by the sharp deterioration in the terms of trade, brought about largely by the drop in the world price of copper, Zaire's major export. These problems have been compounded by expansionary fiscal and monetary policies.

The basic objectives of the Government's adjustment program, which the present stand-by arrangement supports, are to reduce substantially the external current account deficit in 1983-84, contain the rate of inflation, and revive the economy. To achieve these aims, an exchange rate reform has been initiated, involving a devaluation of the currency and the adoption of a floating exchange rate regime based on an interbank foreign exchange market. In addition, the exchange and trade system, as well as the interest rate structure, have been liberalized. Steps are also being taken to eliminate the budget deficit through improved expenditure controls and additional revenue measures.

The drawing under the compensatory financing facility is in respect of an export shortfall experienced in the year ended March 1983. The greatest part of the shortfall was attributable to principal mineral exports--copper, cobalt, and precious metals--with smaller shortfalls recorded for agricultural and manufactured products. Overall, the shortfall was mainly caused by lower prices for major export products.

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