

DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

FOR
AGENDA

EBS/84/147
Correction 1

CONFIDENTIAL

July 19, 1984

To: Members of the Executive Board
From: The Acting Secretary
Subject: Zaire - Staff Report for the Review Under the Stand-By Arrangement

The following correction has been made in EBS/84/147 (7/10/84):

Page 29, para. 12 of letter of intent, line 4: for "SDR 169 million"
read "SDR 183 million"
line 5: for "March 1984"
read "December 1983"

A corrected page is attached.

Att: (1)

need to be raised by Z 100 million over the original indicative target through December 1984. Credit to households and enterprises (public and private) has been very tight; as a consequence, the financing of food crops and certain cash crops, such as cotton, has been severely cut back. In order to avoid a slowdown of activity in key sectors of the economy, such as agriculture, it is proposed to raise the indicative target for credit to this sector by Z 200 million over the original program.

11. As regards the government budget, the additional Z 700 million to be paid to the Bank of Zaire and the Z 200 million increase in the investment budget suggested by the World Bank will be partly offset by a Z 300 million increase in tax revenue. The subceiling on net credit to Government should therefore be set at Z 600 million above the indicative ceiling indicated in my letter of March 20, 1984 and the ceiling on net domestic assets at Z 900 million above the indicative ceiling given in the same letter. In this manner, the increase in the interest rate on net credit to Government to 15 percent per year, from July 1, 1984, would cover the cost of Fund charges in the second half of 1984 and the rate to be applied from January 1, 1985, will be reviewed before the end of 1984. The expansion of money supply will be contained at under 34 percent as compared with the original target of 36 percent for 1984. Since the deficit of the balance of payments is likely to be reduced by US\$11 million from the projections made in February, the primary objectives of the program will be fully preserved, notwithstanding the increases in domestic credit.

12. During the program period steps will be taken to relax the existing restrictions on international payments and transfers. In this context, external arrears on commercial and invisible payments registered with the Bank of Zaire, which amounted to SDR 183 million at the end of December 1983, will be further reduced through cash payments in foreign exchange by SDR 20 million by the end of June 1984, by SDR 30 million by the end of September 1984, and by SDR 40 million by the end of December 1984.

13. In order to assure the success of the program, the Executive Council will exercise the greatest vigilance to ensure that the policies and measures in this letter will be implemented. Furthermore, while the Executive Council will not take any major economic or financial decisions which could have a bearing on the implementation of the program without consultation with the Fund staff, additional measures will be taken by the Council should this become necessary in order to attain the basic objectives of the program.

14. The intermediate performance criteria under the program for the second half of 1984 are specified in Table 1 and relate to (a) ceilings on net domestic assets of the banking system, on net credit of the banking system to the Government, and on new external borrowing by the

Government or against government guarantee excluding concessional loans; and (b) the net cumulative reduction of commercial and invisible arrears through cash payments in foreign exchange. In addition, performance criteria include (c) the provisions regarding the exchange and trade system set forth in paragraph 12 above; and (d) a performance review with the Fund which relates to the fourth purchase under the program.

Sincerely yours,

/s/

The President and Founder of the
Popular Movement of the Revolution,
President of the Republic

Mobutu Sese Seko Kuku Ngbendu Wa Za Banga
Marshal