

**FOR  
AGENDA**

EBS/86/181

CONFIDENTIAL

August 8, 1986

To: Members of the Executive Board  
From: The Secretary  
Subject: Zaïre - Staff Report on the Special Consultation

Attached for consideration by the Executive Directors is the staff report on the special consultation with Zaïre.

This subject will be brought to the agenda for discussion on a date to be announced.

Mr. Goreux (ext. 6961) or Mr. Kuhn (ext. 8737) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

INTERNATIONAL MONETARY FUND

ZAIRE

Staff Report on the Special Consultation

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

(In consultation with the Fiscal Affairs,  
Legal, and Treasurer's Departments)

Approved by A.D. Ouattara and W.A. Beveridge

August 8, 1986

I. Introduction

On April 28, 1986, the Fund approved in principle the current 22-month stand-by arrangement for Zaire in an amount equivalent to SDR 214.2 million, or 73.6 percent of quota and corresponding to 40 percent of quota on an annual basis (EBS/86/76, and Supplements 1-3). The stand-by arrangement became effective on May 28, 1986, when the Fund found that satisfactory arrangements had been made with respect to the financing of the estimated balance of payments deficit in 1986 (EBS/86/76, Supplement 4). Zaire made the first purchase equivalent to SDR 23.8 million on May 30, 1986. On June 6, the Managing Director informed the Board that the Zairian Government had announced a substantial wage increase for civil servants without prior information to or consultation with the Fund and that this modification of the fiscal program called for a special consultation with the authorities, pursuant to paragraph 12 of the stand-by arrangement (EBS/86/76, Supplement 2). Accordingly, a staff mission <sup>1/</sup> visited Kinshasa during the period June 23-July 2, 1986 to conduct the special consultation discussions with a view to (i) assessing the circumstances that led to the wage increase and its impact on the budgetary situation, (ii) reviewing with the authorities compensatory fiscal measures, and (iii) assessing whether the objectives of the program for 1986 were still attainable.

II. The Government Wage Bill and Compensating Fiscal Measures

The wage increase announced on May 30 was implemented in June. It had the effect of raising the government wage bill to Z 1,160 million in

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<sup>1/</sup> The staff representatives on the mission were Mr. L.M. Goreux (head-AFR), Mr. M.G. Kuhn (AFR), Mr. B. de Schaetzen (ETR), Mr. A. Ize (FAD), and Ms. Y.M. Guyon (secretary-AFR). The mission was assisted by Mr. R.F. Blin, Fund resident representative in Zaire. Mr. A. Alfidja, Executive Director for Zaire, participated in the discussions.

June, which represents a 35 percent increase from May. The monthly wage bill in May was, however, already 32 percent higher than in December 1985 due to a number of factors. Wage payments in 1985 had been made in part from budgetary provisions for goods and services; some wage arrears had been accumulated; payments to some civil servants and students abroad had been raised in early 1986 to offset the rapid depreciation of the currency that had occurred in 1985; the number of civil servants on the payroll had increased, both because some of those who had previously been eliminated from it were reinstated and because of new recruitments, notably in the armed forces; finally, wages were increased for selected groups of civil servants starting in February 1986.

For the year as a whole, the wage bill will reach Z 11.9 billion if the monthly wage bill remains at its June level, representing an increase of Z 3.4 billion over the programmed wage bill of Z 8.5 billion (Table 1). Remuneration inclusive of nonwage benefits will thus average some US\$460 per civil servant in 1986. <sup>1/</sup> This remains substantially below average remunerations in the public enterprise sector and, especially, the private sector. Compared with other African countries, the average remuneration of the civil service remains very low in Zaire, but the size of the public labor force in relation to total population is high.

The timing of the wage increase was essentially related to domestic considerations. Wages had been increased in the private sector and in the public enterprise sector earlier in the year. Taking into account security reports and the need to avoid social unrest, the Executive Council considered that the higher salaries should start to be paid before June 24, the day on which the President was to deliver a major address to the nation. The authorities were, nonetheless, aware of the need to take compensatory fiscal measures.

Effective July 14, the Executive Council took the following four compensatory measures: (i) specific taxes on alcoholic beverages and tobacco were increased by an average of 30 percent, which is expected to raise revenue by Z 300 million in 1986; (ii) tariff exemptions, other than diplomatic privileges and those granted under the investment code were eliminated, which is expected to raise revenue by Z 200 million in 1986; (iii) the budgets of five parafiscal agencies <sup>2/</sup> which are presently collecting their own revenues have been incorporated in the Treasury budget. This measure, which will allow a reduction in the administrative expenditures of these agencies, is expected to yield a net gain of Z 200 million in 1986; and (iv) an import tariff reform was implemented, with minimum rates of 10 percent except for a few products

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<sup>1/</sup> The size of government employment including armed forces is estimated at 442,000. Since the average per capita income is estimated at US\$160 per year, the income of the average civil servant with four dependents would be about half the national average.

<sup>2/</sup> Centre National d'Expertise, Office de Promotion du Tourisme, OGEDEP, OGEFREM, and OZAC.

Table 1. Zaire: Budgetary Operations, 1/ 1985-86

(In millions of zaires)

	1985	1986					
		January-May			January-December		
		Program	Actual	Difference	Program	Revised	Difference
Revenue	40,845	18,664	17,438	-1,226	50,300	50,255	-45
Income and profit taxes	13,794	6,103	6,032	-71	16,000	15,446	-554
Of which: oil producers	(2,343)	(815)	(745)	(-70)	(2,075)	(1,176)	(-899)
Taxes on goods and services	9,415	4,593	3,785	-808	14,015	11,369	-2,646
Of which:							
Tax on crude oil production	(4,301)	(1,209)	(1,105)	(-104)	(3,445)	(1,844)	(-1,601)
Special tax on petroleum products	(--)	(--)	(--)	(--)	(--)	(910)	(910)
Petroleum Stabilization Fund	(--)	(866)	(--)	(-866)	(3,400)	(1,475)	(-1,925)
Taxes on international trade	13,955	7,605	7,174	-431	19,285	19,520	235
Import duties	(8,697)	(4,381)	(4,252)	(-129)	(11,110)	(12,929)	(1,819)
Export duties	(5,258)	(3,224)	(2,922)	(-302)	(8,175)	(6,591)	(-1,584)
Of which:							
Special coffee tax	/--/	/400/	/100/	/-300/	/1,200/	/500/	/-700/
Other revenue	3,681	363	447	84	1,000	3,920	2,920
Expenditure	40,945	18,897	19,853	956	48,440	49,360	920
Wages and salaries	6,615	3,312	4,030	718	8,500	11,900	3,400
Goods and services	8,839	3,400	4,375	975	9,000	9,000	--
Transfers and subsidies	693	598	610	12	1,550	1,250	-300
Interest	19,734	9,241	8,275	-966	23,040	20,400	-2,640
Domestic <sup>2/</sup>	(4,846)	(2,417)	(2,550)	(133)	(5,800)	(5,800)	(--)
Foreign <sup>3/</sup>	(14,888)	(6,824)	(5,725)	(-1,099)	(17,240)	(14,600)	(-2,640)
Investment	956	600	431	-169	2,100	2,100	--
Arrears	3,462	1,746	1,814	68	4,250	4,350	100
Other expenditure	646	--	318	318	--	360	360
Net change in Treasury sub-accounts (revenue +)	2,840	--	634	634	--	665	665
Overall surplus/deficit (-)	2,740	-233	-1,781	-1,548	1,860	1,560	-300
Financing	-2,740	233	1,781	1,548	-1,860	-1,560	300
Net domestic financing	2,165	2,323	3,731	1,408	861	861	--
Banking system	(1,451)	(1,800)	(3,639)	(2,039)	(-39)	(-39)	(--)
Treasury bills	(714)	(523)	(92)	(-631)	(900)	(900)	(--)
Net foreign financing	-4,905	-2,090	-1,950	140	-2,721	-2,421	300
IBRD loans	(--)	(--)	(--)	(--)	2,539	2,539	(--)
Amortization <sup>3/</sup>	(-4,905)	(-2,090)	(-1,950)	(140)	(-5,260)	(-4,960)	(300)

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

1/ Budgetary operations exclude extrabudgetary outlays financed by grants and loans which do not pass through the Treasury. A table on Central Government Fiscal Operations is provided in the Appendix, Table III.

2/ Domestic interest includes transfers to the Bank of Zaire with respect to the domestic counterpart of IMF charges of SDR 58 million in 1986 and SDR 59 million in 1986.

3/ Interest and amortization are on an after-rescheduling basis. Debt relief amounted to Z 21.2 billion in 1985 and is estimated at Z 30.2 billion in 1986. The breakdown between interest above the line and amortization below the line is subject to errors.

such as agricultural inputs and rice which are taxed at a rate of 5 percent. In addition, import tariffs are now included in the calculation of the turnover tax. These measures on imports are consistent with requirements of the World Bank Structural Adjustment Credit and are projected to yield an additional Z 1.6 billion in 1986.

Effective August 6, specific taxes on petroleum products were raised by Z 5.6 per liter for gasoline, Z 5.2 per liter for diesel, Z 7.5 per liter for kerosene, and Z 3.5 per liter for fuel. Simultaneously, the system of tax collection was modified to ensure prompt payment to the Treasury. With the effect of this last measure projected at Z 900 million, the additional yield of the five measures amounts to Z 3.2 billion, falling short of the increase in the wage bill by Z 200 million, which will be offset by savings on expenditure.

The need for emergency tax measures should not detract attention from the need of improving the underlying trend of government revenue, given that half of the revenue finances interest payments on the public debt (after rescheduling) and the repayment of arrears. Possible ways of increasing revenue in a more permanent manner were investigated in January during the course of a joint Fund-Bank mission. The various recommendations presented in that mission's report are being acted upon; notably, enlarging the basis for the taxation of enterprises, capturing part of the parafiscal taxes in the government budget, restructuring the tax system applied to vehicles and real estate, and, more generally, improving tax administration and tax collection. The report also underlined the need for a restructuring of the public enterprise sector with the view to enabling these enterprises to make at least part of their external debt service payments which are at present effected by the Treasury; this problem is being addressed in the context of the World Bank Structural Adjustment Credit which is under preparation. The present fiscal crisis has provided a new impetus for the implementation of these structural measures, but their impact on the budget will be felt mainly in 1987 and later years.

### III. Overall Economic and Financial Developments

The increase in government wages came at a time when the prices of Zaire's major exports were falling with an adverse effect on government revenues.

#### 1. External sector

The staff had informed the Board in May that Zaire's export earnings would be substantially lower than had been projected in the original program. <sup>1/</sup> Since then, export prices have weakened further. The price of crude oil exports fell from US\$27 a barrel in December 1985

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<sup>1/</sup> See original projections in EBS/86/76, April 2, 1986, and revised projections in Supplement 4, May 22, 1986.

Since December 1985, the real effective rate appreciated somewhat due to a slowing down in the rate of depreciation of the currency. During this period, the spread between the exchange rate on the parallel market and the official rate remained within 10 percent. This resulted, however, from sizable foreign exchange sales by the Bank of Zaire which cannot be continued in view of the low level of its foreign exchange reserves. The rate of currency depreciation will therefore have to be greater in the second half of the year than it was in the first.

## 2. Fiscal situation

Since over one half of government revenue originate from taxes on international trade and taxes paid by oil-producing companies and GECAMINES, the poor performance of exports and imports adversely affected government revenue. Although the ceiling on net credit to Government was observed at end-April (Appendix Tables I and II), the target for end-May was exceeded by Z 1.8 billion and the subceiling at end-June is believed to have been exceeded by a substantial margin.

During the first five months of the year, for which firm data are available, revenues fell Z 1,350 million short of the program targets, resulting from shortfalls of Z 180 million on oil royalties, Z 870 million on revenues from the stabilization fund for petroleum products, and Z 300 million on the proceeds of the surtax on coffee exports. When the 1986 program was established, the authorities were concerned with the adverse impact of a fall in crude oil prices on government revenue. Consequently, a system was devised to recoup the Treasury's loss of oil royalties by not passing on to consumers the benefit of lower prices for imported petroleum products, but capturing it through a new tax on the sales of imported petroleum products; part of the proceeds of the new tax was to transit through the stabilization fund. The projections were based on a price of US\$15 per barrel but actual export prices were significantly lower, which accounts for the Z 180 million shortfall in oil royalties. In spite of the sharper-than-anticipated decline in imported prices, however, government revenues from the stabilization fund were considerably lower than foreseen, due to the combined effect of three factors. First, the impact of lower import prices was felt with a lag because relatively large stocks had been accumulated at the end of 1985 at comparatively high prices, and this factor had not been taken into account in the projections. Second, with greater competition among petroleum-distributing companies and greater product availability, the companies were unable to maintain their previous policy of cash payments only; consequently, they retained part of the proceeds of the stabilization fund as working capital to offset the reduction in their cash flow. Third, petroleum product prices had been lowered by about 10 percent in late April, which accounts for a loss of some Z 125 million by end-May. Finally, as regards the surtax on coffee exports which was established end-February, strong resistance was encountered from exporters who pointed out that they were unable to pay the surtax before having received the proceeds of their exports. The exporters succeeded in convincing the authorities

of the validity of this point and the modalities of payment were changed accordingly. As a result, by end-May, the Treasury had received only a tiny fraction of the proceeds originally anticipated.

On the expenditure side, overruns occurred on wages and salaries for the reasons mentioned above; expenditures on goods and services were also 29 percent above target. These overruns were, however, partly compensated for by a surplus in the Treasury subaccounts and by lower external debt service payments; the latter resulted from the lower-than-expected exchange rate depreciation and reduced payments to Paris and London Club creditors following the May rescheduling agreements. As a result, expenditures net of saving on Treasury subaccounts exceeded the target for the first five months of the year by Z 0.3 billion, leading to a deficit of Z 1.5 billion higher than targeted. With an increase in outstanding treasury bills lower than foreseen, net domestic bank financing exceeded the target for end-May by Z 1.8 billion.

For 1986 as a whole, revenues are expected to be close to the original program target. On the one hand, revenue shortfalls are estimated at Z 2.5 billion for oil royalties, Z 1.6 billion for export taxes, and Z 1.9 billion for receipts from the stabilization fund for petroleum products. On the other hand, the four new tax measures described earlier are expected to yield an additional Z 3 billion, while dividends from GECAMINES and counterparts of unrequited transfers have brought Z 2.9 billion to the Treasury by mid-July. Expenditures other than those from the subaccounts are expected to exceed original projections by Z 900 million, the excess in wages and salaries being partly offset by a reduction in interest payments on the external debt. Taking into account savings of some Z 700 million in the Treasury subaccounts, which had already been reached by end-May, the budgetary surplus would be Z 300 million lower than originally programmed. Since this difference is offset by a reduction in amortization payments on the external debt, the need for net domestic financing would remain unchanged. 1/

### 3. Implications of the external financing gap

As indicated earlier, the balance of payments financing gap remains at SDR 58 million. In the paper issued on May 22, 2/ the staff had noted that this gap could be filled by the first disbursement under the SAF. But given the delay in conducting the first review under the stand-by arrangement, the presentation of the first year program to the Board may have to be postponed to the beginning of 1987. Moreover, it had been assumed that Zaire would make four purchases of SDR 23.8 million each under the stand-by arrangement in 1986. The first purchase

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1/ As explained in EBS/86/76, this need would be reduced by the zaire counterpart of foreign exchange disbursements under the World Bank Structural Adjustment Credit for industry, but the subceiling on net credit to Government would be reduced pro tanto.

2/ EBS/86/76, Supplement 4.

was made on May 30, after the arrangement became effective. Although all performance criteria were observed at end-April, the second purchase based on the end-April test date was not made. It now appears that the subceiling on net credit to Government has been substantially exceeded on June 30, which would prevent Zaire from making a purchase before November 30, after it can be established that Zaire has returned to compliance by the next test date of September 30 and after completion of the first review. The Executive Board could then consider the issue of rephasing of purchases.

A faster depreciation of the currency could lead to a further compression of imports, but the scope for such further compression is limited since present projections already imply an SDR 72 million decline in the SDR value of imports from 1985. With the reduction in resources available from the Fund, the original target for reserve accumulation would not appear attainable and the program ceiling on net cumulative increases in the short-term external debt of the Bank of Zaire may have to be raised. In particular, from mid-September to November 30, Fund resources available to Zaire would be SDR 105.8 million lower than originally anticipated. 1/

### III. Staff Appraisal

Two days after the present arrangement had become effective, the Zairian government decided to increase wages for civil servants without adequate preparation and without any consultation with the Fund. This decision was made at a time when the prices of Zaire's main exports were weakening and government revenues were substantially short of targets. The staff recognizes that civil servants' wages are very low in Zaire whether they are compared with the average remuneration in the country or with wages of civil servants in other African countries, but considers that the objective should be to improve remunerations through a reduction in government employment.

Performance criteria for end-April have been observed, but preliminary data indicate that the subceiling on net credit to Government has been exceeded substantially at end-June. The staff considers, however, that, in view of measures recently taken, Zaire can return to compliance by the next test date of September 30, provided strong fiscal discipline is applied. The staff also considers that the main objectives of the program can be achieved, although the rate of depreciation of the currency and of domestic inflation may exceed the original targets. Moreover, in view of a possible modification in the phasing of Fund purchases and the likely postponement of the possible

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1/ Two purchases of SDR 23.8 million each linked to the end-April and end-June performance criteria and an SDR 58.2 million disbursement under the SAF.

first disbursement under the SAF, the target for reserve accumulation may not be met and a waiver of the ceiling on short-term borrowing by the Bank of Zaire may be required.

In view of the understandings described above, no further consultation with the authorities is required and the consideration by the Executive Board of this report will conclude the special consultation with Zaire.

Table I. Zaire: Monetary Survey, 1984-86

(In millions of zaires; end of period)

	1984	1985	1986		Sept Program	
	Dec. Actual	Dec. Actual	April Program 1/	Actual		June
Net foreign assets (broad)	-24,324	-38,539	-43,313	-37,833	-44,683	-45,915
Net foreign assets (narrow)	-21,532	-36,168	-40,714	-35,460	-41,987	-43,106
Foreign assets	10,728	13,212	16,685	17,542	16,825	17,316
Bank of Zaire 2/	5,008	8,642	12,169	11,200	12,256	12,738
Deposit money banks	3,019	4,323	4,516	6,342	4,569	4,578
Foreign liabilities	-32,260	-49,380	-57,399	-53,002	-58,812	-60,422
Bank of Zaire	-31,749	-48,378	-56,301	-52,330	-57,672	-59,235
Deposit money banks	-511	-1,002	-1,098	-672	-1,140	-1,187
Foreign currency deposits and provisions for import financing	-2,792	-2,371	-2,599	-2,373	-2,696	-2,809
Net domestic assets	19,343	24,534	27,450	25,065	28,237	29,217
Net credit to Government	13,396	14,847	16,447	15,558	16,847	15,982
Credit to enterprises and households	4,493	6,985	8,134	7,916	8,438	10,158
Of which: IBRD credit	(--)	(--)	(--)	(--)	(--)	(1,065)
Other net domestic assets	1,454	2,702	2,869	1,591	2,952	3,077
Money and quasi-money	18,792	23,925	25,821	27,005	26,856	28,453
Currency in circulation	8,802	12,294	13,268	13,530	13,800	14,621
Deposits	9,990	11,631	12,553	13,475	13,056	13,832
Revaluation accounts and adjustments	-27,201	-43,207	-47,469	-45,284	-49,304	-51,403
SDR allocation counterpart	3,428	5,277	5,785	5,511	6,002	6,252
Memorandum items:						
Period averages 3/						
Net domestic assets			26,566	25,211	27,843	28,727
Net credit to Government 4/			16,221	15,975	16,647	16,972

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

1/ End-of-period program targets.

2/ Excludes provisions by OGEDEP (the external public debt office) for payments to Paris Club creditors 1 account with the Federal Reserve Bank of New York. Including these provisions, the foreign assets of the Ba amounted to Z 7,709 million at end-December 1984, Z 8,889 million at end-December 1985, and Z 12,852 million 1986.

3/ Performance criteria.

4/ Including counterparts of IBRD credit.

Table II. Zaire: Quantitative Performance Criteria Under the Program for 1986

	1985	1986			
	Dec. <u>1/</u>	April <u>2/</u>	June <u>2/</u>	Sept. <u>2/</u>	Dec. <u>3/</u>
	(In millions of zaires; period averages) <u>4/</u>				
Net domestic assets of the banking system					
Program	24,534 <u>5/</u>	26,566	27,843	28,727	29,630
Actual		25,211			
Net domestic credit to the Government (including the counterparts to drawings from the IBRD credit) <u>6/</u>					
Program	14,847 <u>5/</u>	16,221	16,647	16,972	17,197
Actual		15,975			
	(In millions of SDRs)				
Net cumulative reduction of commercial arrears and arrears on invisibles through cash payment in foreign exchange (end of period)					
Program	64.8 <u>5/</u>	8	12	18	24
Actual		8			
Net cumulative reduction of external nondebt arrears of the Treasury (end of period)					
Program	50.2 <u>5/</u>	5	10	15	20
Actual		5			
New external borrowing contracted or guaranteed by the Government through end of period <u>7/</u>					
1 to 12 years' maturity					
Program		150	150	150	150
Actual		10			
1 to 5 years' maturity					
Program		40	40	40	40
Actual		7			
Net cumulative increase in Bank of Zaire short-term external debt through end of period					
Program	146.5 <u>5/</u>	50	50	50	50
Actual		27			

1/ Actuals.

2/ Performance criteria.

3/ Indicative.

4/ Arithmetical average of end-of-month figures for the period, including the last month of the preceding period.

5/ Stock at end of period.

6/ These amounts are based on the assumption that the stock of treasury bills and long-term treasury bonds outstanding which amounted to Z 1,406 million at end-December 1985 will not exceed Z 1,706 million during the period through end-April, Z 1,906 million through end-June, Z 2,156 million through end-September, and Z 2,306 million through end-December 1986. Whenever the amount of treasury bills and long-term bonds outstanding at the end of a month during the indicated periods exceeds the amounts indicated for that period, the excess will be added to net credit to Government at the end of this month for the purpose of calculating the arithmetical average.

7/ Applies to borrowing on nonconcessional terms and excludes rescheduling/refinancing operations.

Table III. Zaire: Central Government Fiscal Operations, 1/ 1983-86

	1983	1984	1985	1986	
				Program	Revised
(In millions of zaires)					
Revenue	10,559	24,947	40,845	50,300	50,225
Income and profit taxes	3,787	8,122	13,794	16,000	15,446
Taxes on goods and services	3,108	7,365	9,415	14,015	11,369
Import duties	2,158	5,268	8,697	11,110	12,929
Export duties	1,123	3,430	5,258	8,175	6,591
Other revenue	383	762	3,681	1,000	3,920
Total expenditure	16,662	40,093	54,302	70,217	72,584
Personnel	3,264	5,063	6,615	8,500	11,900
Goods and services	3,754	5,071	8,839	9,000	9,000
Interest on public debt	3,853	14,311	23,170	28,039	27,614
Domestic <sup>2/</sup>	(243)	(1,121)	(4,846)	(5,800)	(5,800)
External <sup>3/ 4/</sup>	(3,610)	(13,190)	(18,324)	(22,239)	(21,814)
Transfers and subsidies	941	875	693	1,550	1,250
Investment budget	647	1,019	956	2,100	2,100
Other expenditure	7	521	646	--	360
Treasury subaccounts (surplus -)	90	2,234	-2,840	--	-665
Extrabudgetary expenditure <sup>5/</sup>	4,106	10,999	16,223	21,028	21,025
Overall deficit (-) (commitment basis before debt relief)	-6,103	-15,146	-13,457	-19,917	-22,329
Net change in arrears (reduction -)	-1,210	-2,351	-3,462	-4,250	-4,350
CECAMINES	-434	-1,222	-732	-1,400	-1,400
Other domestic	-354	-199	-1,237	-1,600	-1,700
External	-422	-930	-1,493	-1,250	-1,250
Overall deficit (-) (cash basis before debt relief)	-7,313	-17,497	-16,919	-24,167	-26,679
Domestic bank financing (net)	2,364	3,197	1,451	-39	-39
Domestic nonbank financing (net)	--	617	714	900	900
Foreign grants	2,231	6,295	8,704	11,575	12,402
Foreign borrowing (net)	-2,287	-10,132	-15,115	-16,436	-16,763
Disbursement	(1,874)	(4,703)	(7,519)	(11,992)	(11,162)
Of which: World Bank loans	(--)	(--)	(--)	(2,539)	(2,539)
Amortization (-) <sup>4/</sup>	(-4,161)	(-14,835)	(-22,634)	(-28,428)	(-27,925)
Debt relief	5,005	17,519	21,165	...	30,179
Financing gap	...	...	...	28,167	...
<b>Memorandum items:</b>					
Overall deficit (after debt relief)					
(Commitment basis)	-4,004	-9,866	-10,021	...	-13,716
(Cash basis)	-5,214	-12,217	-13,483	...	-18,066
Debt relief	5,005	17,519	21,165	...	30,179
Interest	(2,099)	(5,280)	(3,436)	(...)	(7,214)
Amortization	(2,905)	(12,239)	(17,729)	(...)	(22,965)
(In percent of GDP)					
Revenue	10.6	14.9	18.4	16.7	16.2
Total expenditure	16.8	24.0	24.4	23.3	23.5
Of which: extrabudgetary expenditure	(4.1)	(6.6)	(7.3)	(7.0)	(6.8)
Overall deficit (before debt relief)					
(Commitment basis)	-6.1	-9.1	-6.0	-6.6	-7.2
(Cash basis)	-7.4	-10.5	-7.6	-8.0	-8.6
Overall deficit (after debt relief)					
(Commitment basis)	-4.0	-5.9	-4.5	...	-4.9
(Cash basis)	-5.2	-7.3	-6.1	...	-6.3
Foreign grants	2.2	3.8	3.9	3.8	4.0

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

1/ Central government operations consist of budgetary transactions and extrabudgetary outlays financed by foreign grants and loans. The extrabudgetary outlays have been estimated from public sector grants and loans in the balance of payments.

2/ Includes government transfers to the Central Bank in respect of IMF charges of SDR 58 million in 1985 and SDR 59 million in 1986.

3/ External debt includes payment made for the SNEI maintenance contract in 1985.

4/ Interest and amortization of external debt are on a before-rescheduling basis.

5/ Expenditure financed from foreign loans and grants.

Table IV. Zaire: Selected Economic and Financial Indicators, 1981-86

	1981	1982	1983	1984	1985		1986	
					Program	Prel.	Program	Revised
(Annual percentage changes; unless otherwise specified)								
Nominal income and prices								
GDP at constant prices	2.8	-2.2	1.2	2.8	4.0	2.5	4.0	3.0
GDP deflator	35.2	34.4	83.0	81.4	25.0	30.0	30.0	35.0
Consumer prices 1/								
Average annual rate	34.9	36.2	77.1	52.3	16.7	23.8	30.0	40.0
December-December	53.0	41.0	101.0	14.3	20.0	39.2	20.0	30.0
External sector (on the basis of SDRs)								
Exports, f.o.b.	-18.4	1.9	8.8	17.1	10.9	1.7	-2.0	-12.0
Copper exports, f.o.b.	-19.3	11.7	7.4	-14.3	-0.6	5.7	-3.1	-6.8
Imports, c.i.f.	2.6	-6.3	-4.4	3.6	10.6	6.2	-1.1	-5.3
Export volume	-14.6	10.9	8.8	0.7	9.2	-0.2	7.0	7.7
Import volume	-9.6	-12.2	-7.6	-0.4	9.0	4.2	9.9	1.7
Terms of trade	-15.7	-13.9	-3.4	11.8	-0.9	--	1.8	-12.4
Exchange rates (December-December)								
Nominal effective	-34.5	10.1	-75.9	-13.9	...	-29.8	...	...
Real effective	-13.4	37.5	-58.1	-14.0	...	-16.4	...	...
Zaire per SDR	66.7	--	396.5	25.8	21.1	54.6	22.4	30.7
Government budget								
Budgetary revenue	30.0	28.8	75.7	136.4	53.2	63.7	23.1	23.0
Budgetary expenditure 2/	68.8	51.0	33.9	124.3	38.6	45.6	27.1	27.8
Money and credit (end of period)								
Net domestic assets	40.3	84.8	34.1	36.7	31.2	26.8	22.5	22.5
Net credit to Government	62.4	108.5	30.0	30.7	16.5	10.8	-0.3	-0.3
Credit to enterprises and households	32.4	43.8	49.2	55.9	62.1	55.5	72.3	72.3
Broad money	38.0	72.5	74.8	34.2	24.3	27.3	26.0	26.0
Velocity of broad money	8.6	6.5	7.1	8.9	10.0	9.3	10.0	10.3
Interest rates (end of period)								
Bank of Zaire basic rediscount rate	15.0	15.0	20.0	20.0	...	26.0	...	...
Commercial banks, 6-12 months deposit rate	20.0	20.0	20.0	26.0	...	34.0	...	...
Treasury bills (average)	...	...	...	36.0	...	34.7	...	...
(In percent of GDP) 3/								
Government budget surplus or deficit (-) 2/ 4/	-2.8	-5.3	-1.1	-0.7	0.8	1.2	0.6	0.5
Domestic bank financing	3.6	6.3	2.4	1.9	0.9	0.7	--	--
Foreign financing (net)	-0.8	-1.0	-1.3	-1.6	-2.0	-2.2	-0.9	-0.8
Government overall fiscal deficit (-) excluding grants								
Commitment basis								
Before rescheduling	...	...	-6.1	-9.1	-6.3	-6.0	-6.6	-7.2
After rescheduling	...	...	-4.0	-5.9	...	-4.5	...	-4.9
Cash basis								
Before rescheduling	...	...	-7.4	-10.5	-8.0	-7.6	-8.0	-8.6
After rescheduling	...	...	-5.2	-7.3	...	-6.1	...	-6.3
Including grants, commitment basis, before rescheduling	...	...	-3.9	-5.3	-2.8	-2.1	-2.8	-3.2
External current account deficit								
Including grants	-12.2	-13.7	-8.1	-7.5	-7.0	-6.9	-6.4	-8.0
Excluding grants	-17.2	-17.4	-12.2	-11.3	-10.5	-10.8	-10.2	-12.5
External medium- and long-term debt								
Excluding Fund credit	83.6	95.7	96.4	100.2	...	96.2	99.2	98.4
Including Fund credit	90.7	105.5	108.5	113.3	...	111.4	115.0	113.8
Debt service ratio 5/								
Scheduled	47.6	43.6	38.2	44.8	43.0	45.9	44.9	48.8
Actual (including arrears)	20.2	12.1	12.8	25.0	...	28.2	...	27.0

Table IV. Zaire: Selected Economic and Financial Indicators, 1981-86 (concluded)

	1981	1982	1983	1984	1985		1986	
					Program	Prel.	Program	Revised
(In millions of SDRs; unless otherwise indicated)								
External current account deficit (including grants)	-512	-535	-328	-341	-339	-299	-279	-357
Overall balance of payments deficit								
Before rescheduling	-612	-598	-526	-529	-408	-423	-366	-456
After rescheduling	-297	-462	-142	-63	4	-12	...	-18
Gross official reserves <sup>6/</sup>	4.9	1.4	4.1	5.7	6.0	6.6	...	...
Free official reserves <sup>6/ 7/</sup>	4.9	1.4	4.1	2.7	...	3.2	4.4	4.4
External payments arrears (end of period) <sup>8/</sup>	530	848	372	181	123	101	51	51
Of which: commercial and invisible	(383)	(207)	(197)	(126)	(86)	(65)	(41)	(40)
Zaire per SDR								
End of period	6.35	6.35	31.65	39.65	48.00	61.28	75.00	80.10
Period average	5.17	6.35	13.77	37.03	48.00	51.50	68.90	68.90

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

<sup>1/</sup> Cost of living index in Kinshasa.

<sup>2/</sup> Excluding foreign-financed expenditure, and after rescheduling.

<sup>3/</sup> To adjust for the overvaluation of the exchange rate before September 1983, the following shadow exchange rates have been used for the conversion of GDP into SDR terms (in zaires per SDR, yearly averages): 9.1 for 1981, 13.3 for 1982, and 24.7 for 1983.

<sup>4/</sup> On a cash basis.

<sup>5/</sup> In percent of exports of goods and services.

<sup>6/</sup> In weeks of imports, c.i.f., excluding gold, most of which is pledged.

<sup>7/</sup> Excluding the reserves in the special Paris Club debt account with the Federal Reserve Bank of New York.

<sup>8/</sup> Excluding external nondebt arrears of the Treasury.