



**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**

PROGRAM MEMORANDUM

FY 1970

CONGO (Kinshasa)

*Declassified by Authority
of AFR/CAWA, Dalton A. Griffiths,
Sept 23, 1978*

BEST AVAILABLE

*Approved by
OPA/PI 9/14/78*

**DEPARTMENT
OF
STATE**

JULY 1968



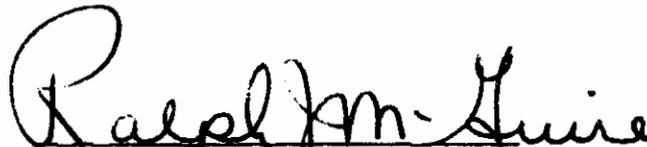
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MEMORANDUM FOR: The Honorable William S. Gaud
AID Administrator

I am sending you the FY 1970 Program Memorandum for the Congo/Kinshasa which recommends that steps be taken beginning now to transform economic assistance efforts in this country from an emergency, SA approach to a longer-term developmental one. Within terms of the African aid policy, we are recommending a shift from special to concentration category.

This presentation was prepared in full consultation with the entire Country Team. It has been approved in final form by the whole team and fully represents the views of this Embassy.

To make the shift we are recommending will take considerable effort by Washington offices of State and AID, as well as by the field staff. Feasibility studies must be gotten under way immediately. We must start getting Congolese officials to understand the implications of this shift and the added planning and implementation responsibilities involved. We therefore look to Washington for early concurrence in the approach recommended in this PM so these many actions can be gotten under way.


Ralph J. McGuire
Chargé d'Affaires

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Part I -- Overall Strategy

A. Selection of U. S. Objectives

Principal U. S. policy objectives in the Congo have remained constant over the eight years this country has been sovereign, despite recurrent threats to their attainment and repeated need to test their validity. This does not imply arbitrary inflexibility but attests to the solid progress which has been made toward achieving them. Briefly, U. S. objectives are the maintenance of the Congo's national independence and territorial integrity; the strengthening of international cooperation with friendly states and the resistance to external aggression; the improvement of internal security; and a reasonable increase in the rate of economic and social development.

Toward achieving these objectives, the U. S. has devoted more resources in the form of AID and military assistance than in any other sub-Saharan African country. Emphasis until now has necessarily been placed primarily on preventing the economy from sliding backward hopelessly while the various national governments, all of which have been friendly to the U. S., struggled to maintain the nation's territorial integrity in the face of foreign abetted subversion feeding on internal political confusion.

The basic U. S. objectives stated above are similar, if not identical, to those governing U. S. relations with many countries which have received far smaller amounts of U. S. assistance. The Congo merits particular attention because of its immense territory in the heart of Africa and its coveted and highly diversified mineral and agricultural wealth, both potential and actual. With its relatively large population, at least by African standards, of almost 17 million people, the Congo influences and is affected economically as well as politically by more neighbors than any other single African nation. Four of these, Congo (Brazzaville), Sudan, Burundi and Tanzania, have continued to assist or at least tolerate radical Congolese subversive groups working from their territories. Zambia, to the south, has been a friendly force for stability, but in turn its own very important copper-based economy has relied heavily on access to the sea through the Congo.

For largely the same reasons that it is important to U. S. interests that the Congo maintain its national unity, it is also important to see the Congolese develop their economy. With its diversified and well endowed natural resources spread along all its borders and well into the heart of the country, the Congo could easily become in the long run one of the most developed countries in independent Africa. As such it could and, in fact, already has shown a willingness to help poorer neighbors and, in general, become an effective and constructive force throughout the continent.

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Ancillary to the objective of the Congo's maintenance of its national independence and increased leadership in the African forum, is the need to internationalize overall foreign interest in the country. One reason is that the U. S. cannot alone provide anything like the total resources required to do the job. Aside from that, however, overdependence on the U. S. may jeopardize the Congo's credibility as a free nation which chooses, rather than is forced, to take positions friendly to the United States.

B. Evaluation of Progress Towards Meeting of Objectives

During the first four years of independence, United Nations military forces and UN economic and technical assistance programs with considerable financial support from the U. S. dealt with the problems of Congolese political and economic disintegration which resulted from the Communist-supported Gizenga Stanleyville regime and the rightist Katangan secession. While the Congolese Government, with UN assistance, was able to suppress the disorders arising from these threats, the UN had already decided to end its security mandate and pull out its military forces by June 30, 1964. It was not in a position, therefore, to help the Congolese meet the onslaught of the Communist-backed rebellion which broke out first in Kwilu Province in early 1964 and then engulfed the northeastern and northern third of the country during the second half of that year.

To help meet the void in military assistance caused by the withdrawal of UN security forces, the U. S. began a small bilateral military assistance program in FY 1963. In addition, important logistic support was provided in the form of C-130 aircraft and crews during the height of the rebellion. Without this ability to move Congolese National Army (ANC) troops and supplies to points where they were needed, it is impossible to suppose the Congolese Government could have dealt with this greatest of all crises since independence. Aside from a few isolated bandit raiders, the last of the rebel forces were defeated by the middle of 1965. An intangible, but no less important, effect was the psychological boost which these aircraft and material support gave to the GDRC. Again the United States demonstrated--as it had earlier under the UN umbrella--that it firmly believed in the necessity of holding the country together.

It was again necessary for the United States to come to the emergency aid of the Congo in 1967, when on July 5 the last 150 of the white mercenary forces, which the Tshombe Government had hired to help suppress the 1964 rebellion, mutinied in Bukavu and Kisangani. The Congolese Government appealed to the United States for the loan of C-130 air transports and crews

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and was given an affirmative response. This U. S. assistance reinforced understandings of the true desire of the U. S. to help the Congo maintain its national independence and territorial integrity. No longer could the U. S. be accused of merely opposing leftist movements, and even the radical elements among the Congolese intellectuals publicly acknowledged that the United States was disinterestedly the only country on which the Congo had been able and could continue to rely.

In summary it can be said that consistent U. S. support for the maintenance of a single national government representing all of the Congo in the face of rightist and leftist separatist movements has succeeded. With the establishment of the present Mobutu regime there has solidified a governmental structure which appears reasonably capable of providing continual national stability of a sort which should allow the normal institutions of governmental administration to develop and to serve the people. In achieving this stability, the U. S. finds itself working with a regime which is generally favorable to overall U. S. interests in Africa and is a friendly voice on international affairs. There is good reason to suppose that the growing acceptability and influence of the Congo in African affairs will lend increasing weight to the moderate views of the Mobutu regime. Further, the success which the regime attained with U. S. support in overcoming recurrent external threats to national integrity is now probably decisive in the sense that there no longer appear to be major prospects that remaining internal political discontent can again be fed by external support.

U. S. economic and technical programs through mid-1967 were designed primarily to provide the basic resources needed to hold the economy together during the extended period in which political stability was being sought. Thus dollar grants and loans were made available--initially through the UN and later on a bilateral basis--to permit continued imports of essential goods, including agricultural products, at a time when export earnings suffered because of continued political instability. Funds were provided to special UN programs to permit employment of key expatriate personnel required to maintain the economy and governmental administration. Modest assistance was provided to the police to help develop more effective security forces. Local currencies derived from import programs were used to maintain key transport routes, airfields, public services and the like, as well as gradually to build up an educational base at the university level to provide larger numbers of qualified Congolese technicians and administrators.

In general terms it can be said that the AID program succeeded in carrying out its objectives in this period. Manufacturing companies disheartened by

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chaos and foreign exchange shortages managed to hold on with the help of AID-financed spare parts and raw materials. Once stability was regained the ability of agriculture to undertake an almost spontaneous resurgence existed because of the AID-maintained road structure and the availability of AID-financed trucks to re-open commercial circuits. A greater exacerbation of political troubles due to hunger was avoided through availabilities of PL 480 foodstuffs. Key public services continued to function because of U. S. -financed UN technicians. While the economy obviously slowed down enormously and great problems of reconstruction must now be faced, there remain active the basic sinews of mining, agricultural, industrial and infrastructure activities, many of which would have simply disappeared without American assistance programs.

Despite AID help, the economy and particularly the government's financial structure was in very tattered condition by 1967. Chronic budget deficits fed continuous inflation. Foreign exchange shortages caused import restrictions which led to considerable corruption and fraud. Financial and monetary incentives supported commercial rather than productive entrepreneurs. Erosion of the currency caused foreign exchange black markets and the false exchange rate combined with prohibitions on profit remittances strangled interest in new investment.

Thus the political reforms started by Mobutu in 1965 had to be followed by economic reforms. The monetary reform of June, 1967, began a series of actions, still far from complete, intended to lay the base first for economic stability and subsequently for economic growth. Again the AID program, in concert this time with the International Monetary Fund, was instrumental in giving the GDRC the flexibility and moral as well as financial support needed to undertake a broad and far-reaching reform effort.

U. S. security programs were directly related to overall U. S. interest in maintaining the national integrity of the nation and have obviously succeeded in this goal. In addition to this general goal, however, there is need to bring about longer-term structural changes which will permit Congolese military forces to withstand normal internal and modest external threat on their own, while civilian police forces need to be brought to levels of reasonable efficiency. These longer-term objectives have not yet been met, although ANC capacity to deal with the mercenary revolt showed at least some improvement over its past miserable performance. To bring Congolese military and police forces to acceptable levels will still require considerable effort.

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In general terms it can thus be said that U. S. programs have admirably served U. S. interests in the Congo to date. National integrity has been maintained. Despite many faults and weaknesses, far more in the way of political stability has been achieved than seemed possible two years ago. While the economy is considerably weaker than in the pre-independence period, its basic strengths have been preserved. Monetary reform has served to strengthen the foreign exchange position of the country and eliminate an important source of corruption. While financial management still needs very great improvement, the budgetary feeding of inflation has been checked and there are prospects for devoting greater amounts to internal resources towards development. Internal and external security threats are at their lowest level since independence. Security forces still have vast weaknesses but are beginning to show some signs of improvement. The Mobutu regime, moderate in outlook and sharing many common interests with the U. S. , has achieved a status in African eyes which permits it increasingly to play a role helpful to overall U. S. interests.

Achievement of U. S. objectives to date, from which European particularly Belgian interests have also benefited, has left the U. S. in a somewhat exposed position as the most influential foreign nation in the Congo. Should the Mobutu regime in the future fail to move towards (1) more practical, effective internal administrative reforms--decentralization--and (2) pragmatic economic development, it might well appear in the eyes of foreign powers friendly to the U. S. , and the Congolese, that the U. S. has and continues to support a regime that is unable to take advantage of the stability it has achieved through and with considerable U. S. assistance. Therefore, the U. S. , to consolidate success in achievement of objectives to date, must move with care and flexibility in the next few years. Efforts must be made to goad and push the regime towards meaningful development, budgetary restraint, and a greater opening of opportunity--all of which require reasonable financial support. At the same time, greater internationalization of this support is desirable, both to provide the regime with an increased feeling and appearance of independent action and also to relieve the U. S. of direct responsibility for failure if the regime does not move as well or as broadly as popular opinion and political necessity demand.

C. Summary of Major Issues

In addition to recommending alternative levels of AID, this Program Memorandum addresses six major issues related to economic programs. The first two of these issues are discussed immediately hereafter, the remaining four are included within Part II.

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The six prime issues facing AID programming are:

- (a) Should the basis of AID planning shift from short-term balance of payments support of the type which has characterized programs since independence to inclusion of the Congo in the "concentration country" category and a reorientation of programming towards longer-term development goals?
- (b) If a development orientation is accepted, what steps need be taken to help internationalize the effort and to avoid being the sole external supporter of Congolese development efforts?
- (c) Within a longer-term development program, what are the major transport problems which need to be dealt with?
- (d) What programs need to be undertaken to get Congolese agriculture moving?
- (e) What needs to be done to meet the manpower problems of the Congo?
- (f) How should the U. S. continue to deal with the security problems of the Congo?

D. The Major Issue: Should the Congo be Designated as a Country of Concentration?

1. Introduction

In the FY 1969 Program Memorandum, three alternative aid postures were considered: (1) termination of bilateral aid programs by 1970 once support for the 1967 monetary reform could be considered as completed; (2) designation of the Congo as a country of concentration and application of development financing tools in accordance with that decision; and (3) continuation of current programs without immediate decision on the concentration issue.

The FY 1969 PM concluded that the third alternative should be adopted. Our position at that time was that, while there were many favorable arguments for a positive decision on the concentration issue, a key factor in whether development could and should be pursued was the monetary reform of 1967, and there was no final assurance in mid-1967 that the government could in fact live up to the stringencies imposed on it by the reform. In addition, the mercenary revolt had just occurred, and this cast further doubt as to whether necessary political and economic stability could be maintained.

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In mid-1968 it is the contention of this Program Memorandum that conditions are now such that a positive decision on the concentration issue should be taken; that AID programs should move from emergency to developmental orientation by FY 1970; and that FY 1969 should be used as a period of intensive preparation for this changeover.

2. The Pros and Cons of the Congo as a Country of Concentration

As suggested in preceding sections, the objectives underlying past U. S. diplomatic, economic and military efforts have paid off in the sense that the Congo has emerged in 1968 as a reasonably stable, unified country, with a government favorable to overall U. S. interests and generally able to maintain itself as a secure, political entity. However, while significant political progress has been registered, some roots of instability and insecurity remain. One major means by which present levels of stability can be enhanced and deepened is through economic development which enriches and involves the Congolese masses and demonstrates to them that there are values to be gained from maintenance of a stable, unified nation. Thus it is clearly to the advantage of U. S. political interests that successful efforts at development of Congolese resources be undertaken. Whether this requires the application of bilateral assistance instruments is the question that must then be addressed.

In general terms, the Congo clearly meets the criteria to be treated as a concentration country for development assistance within the framework of current AID African policy. Its population of 17 million and large geographic area make it one of the largest African nations. It has abundant resources which properly exploited can permit reasonable growth. While the economy has been stagnant since independence, the 1950-59 period demonstrated that the natural capacity for growth existed. Although copper presently represents a heavy percentage of exports and governmental income, the economy is capable of considerable diversification. A good basic infrastructure is in place but is in desperate need of modernization and maintenance.

As described in Part II of this PM, there is a need for extensive investment in the public sector. Given the political and security stability which seems reasonably assured for the coming years, investment in the public sector, combined with a continuation and further easing of current government policies with respect to private investment, should lead to increasing inputs of private funds, both through reinvested profits and from new injections of external capital. We have estimated that an investment in the public sector of at least \$65-75 million annually would not appear unwarranted. In the short run, it cannot be expected that the GDRC can finance more than about \$25 million

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of this, although as the economy grows the government should gradually be able to increase the level of resources which can be devoted to internal growth.

While all possible efforts should be explored to increase participation by other donors, we would guess that under the best of circumstances there will remain a gap of \$25-30 million a year which must be provided if economic activity is to be promoted at a level consistent with overall U. S. political and economic interests in the Congo.

One must then turn to the question of whether in fact the Congolese can be expected to be able to absorb this level of assistance from the U. S. and whether they can be expected to take the appropriate self-help measures to justify this level of U. S. assistance over coming years.

Elsewhere in this PM the glaring administrative and manpower weaknesses of the Congolese Government are described. The organization of government administration is inadequate. There are far too few trained and experienced administrators at middle and high levels, and even fewer Congolese technicians. Mechanisms for financial control and for efficient payment of government obligation are obsolete and inefficient. Thus, even with the best of will and the most carefully articulated policies, the Congolese Government will have serious difficulties in organizing and implementing a meaningful economic development program. Equally, while the Mobutu regime increasingly recognizes the political necessity of demonstrating economic improvements to the nation, this leadership is still unsophisticated about how development is produced. Despite these limitations, the regime has shown in its support of monetary reform a remarkable capacity to take hard decisions, to convince business, labor and other pressure groups of the need to suffer temporary hardships, and then to take the steps needed to carry out a program. As a result, the monetary reform has met most of its targets and has laid a meaningful basis for future growth.

The one area in which the monetary reform has worked least well has been in budgetary control. The lack of trained specialists produced a 1968 budget which was unrealistic in many respects. Administration and control of expenditures was lax. Unsophisticated use of the "Presidential Account", although often necessary to move funds to the provinces, aggravated the situation. As a result, the financial situation again became a major problem by early 1968. Yet once again, having recognized that a real problem exists, the regime is prepared to take corrective action. The best of the Ministry of Finance's younger, well trained officials are being given greater responsibility

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to bring about better control of budgeting and expenditure practices. The President has agreed to undertake important reductions in personnel and expenses. The government has assiduously sought to get the Belgian Government to provide it with high-level advisors who can help to bring about the fundamental financial reforms and reorganization needed.

It is too soon to know whether the measures which have been adopted will succeed. Based on experience with the overall reform program, and knowing now that supreme leadership is truly seized with the problem, we are optimistic that results will be forthcoming. This is an example, however, of the problems and the prospects for Congolese self-help measures. Once a problem is recognized in its full magnitude, appropriate policy positions are taken. Implementation of given policy functions generally well, but governmental weaknesses eventually cause problems in one area or another and this leads to the need for new and major policy decisions. Our conclusion at this point one year after the monetary reform, however, is that the Government can and will take important and far-reaching decisions once the need is clearly established. Within the limits of its capabilities it will seek to make these policies work.

Thus, while there are major inherent weaknesses in governmental administration which make mounting of a development program difficult, and while there is a naïveté and lack of sophistication about what is involved in the development process, the political desire of the regime to obtain success is adequately high that it will take hard and often politically unpopular decisions to obtain success.

The Embassy therefore concludes that, in terms of all major criteria of the African aid policy, it is fully appropriate to move towards a development emphasis in assistance programs for the Congo.

3. The Time Frame Involved

If this change in emphasis is undertaken, it is difficult to predict what time frame should be aimed at. We do not foresee the Congo reaching a level of self-sustaining growth without concessional aid for a long period of time. There is too much infrastructure to rebuild and too much new investment beyond rebuilding that needs to be done to view a Taiwan outcome within a decade.

On the other hand, there are reasonable prospects that once Congolese development gets under way there will be other donors willing to play a substantial

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role. It is clearly of major interest to provoke such involvement at the earliest possible date. It would be our hope that this can occur in a timely enough fashion that others will be carrying a definite majority of the load within five years, after which time AID participation could be reduced to occasional, smaller bilateral DL's and regional projects.

It is the next three to five years, however, which are most important and where the highest levels of AID development financing can be anticipated. It is during this period that AID financing is likely to be the major base for stimulating Congolese performance, as well as serving as a catalyst increasingly to draw other donors into the process. Once embarked on a developmental orientation, we must thus anticipate high levels of financing for FY 1970 to FY 1972, lower but still important levels in FY 1973 and FY 1974, with hopes that significant reductions could be made thereafter.

4. Implications of a Move to Concentration in the Short Run

On the assumption that FY 1970 programs will center on a development orientation and that a reasonably long period of assistance thereafter can be anticipated, certain short-term actions are needed.

In order to prepare for FY 1970 DL sector and/or project lending, intensive feasibility studies must be undertaken starting as early in FY 1969 as possible. In a subsequent annex to this PM, to be submitted in July or August, we expect to be able to project more precisely specific areas in which such studies should be undertaken than the rather general outlines included in this PM.

Availability of local currency over the past several years has permitted considerable program flexibility, but this is likely to diminish as we move towards more precise and detailed Development Loan activities. But we will be moving towards projects which take more time to prepare, which require more detailed negotiation, etc., just at the time when we will be demanding increasingly difficult self-help measures of the GDRC. This process will be more difficult if some reasonable amount of flexibility is not retained. This can be done, and a smoother transition to a development orientation can be produced if another smaller SA program loan in support of monetary reform is provided in FY 1969 and if reasonable levels of PL 480 assistance can be maintained in FY 1969 and FY 1970. With the FY 1968 SA loan just now ready for consideration, we cannot give firm details on balance of payments arguments for an FY 1969 SA loan, but presume this can be faced in coming months.

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Finally, despite BALPA, a move towards development assistance may well require some adjustments in USAID staffing. While feasibility studies can be carried out by TDY's and contractors, and DL's supervised in part through contractual arrangements, our present staffing, tight as it has purposely been kept, may prove inadequate for proper management of this more varied program. We believe some direct administrative staff within the USAID may be required to supplement CAMO and to deal with the many management and administrative problems of consultants and contractors. It seems likely to us that a small, permanent engineering staff may be needed. Some further expansion in agricultural staffing may be required.

E. The Second Issue: How do we Press for further Institutionalization, and How is Broadened Aid better Coordinated?

1. What are the Prospects for greater non-U. S. Financial and Technical Assistance in the Congo?

The greatest impulsion that can be given to broadening international financial participation in the Congo would be the entry of the World Bank onto the scene. It is our assumption that the Bank is moving towards an effort in the country, based on its survey of February, 1968.

Despite this apparent interest, there are three factors which suggest to us that the impact of the Bank will be limited over the next 2-3 years. First, the Bank evidently wants to see progress on settlement of the GDRC-UMHK differences (an effort in which the Bank is willing to help). While there seems to be interest by all parties in such a settlement, this is a difficult problem and, unless very carefully handled, could become a disruptive or at least delaying factor. Secondly, the areas in which the bank has displayed interest--particularly the river transport system--are ones where Bank representatives have suggested the need for management reform which may prove so far-reaching as to be politically difficult for the GDRC. In any event, the Bank may require sufficient further study of management problems that financial involvement may be some way off. Finally, current Congressional problems on IDA replenishment may mean Bank resources will be inadequate to do much of a job for some time to come.

We thus assume that the Bank will gradually play an increasingly important role, but that this will have limited practical effect on financial resources available or on overall economic planning for many months.

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While IMF will continue to have an influential voice in monetary affairs, this will become of lesser importance as and if Congolese stability endures and policy moves toward developmental programs.

UN programs will continue to diminish in total numbers of technicians as the Funds-in-Trust program phases out (see Manpower Sector discussion on this point) but will hopefully be somewhat more incisive in programming, particularly as there is greater reliance on Special Fund programs. The present leadership of UN/Congo programs will make reasonable efforts to improve coordination of technical assistance efforts and to work closely with U. S. financial programs. The inherent weaknesses of UNDP organization will, however, prevent the UN organization from doing this as effectively as desirable.

EEC/FED can be expected to remain a major financial contributor. Although not now anticipated, it is possible that the EEC will cut back contributions to the Congo if the GDRC refuses, as expected, to grant reverse preferences during forthcoming negotiations on extension of the Yaounde Convention. Outside of the EEC-financed Torr  Report of 1963 which laid out some general investment plans, the EEC has not sought to have much influence on overall economic planning. It is anticipated the EEC will continue to cooperate and coordinate well with other groups and might well be willing to take guidance from an effective IBRD presence at some future point.

Current Belgian-Congolese relations suggest that Belgian technical assistance may again rise somewhat over levels now planned for 1968, but it still seems unlikely they will reach or exceed 1966-67 levels. We do expect an improvement in programming and quality of Belgian assistance. The possibility of some Belgian financial assistance appears far greater than a year ago. While the GOB may not take a lead in financial assistance, it might well move in behind IBRD. In particular, if an IFC-backed Development Bank is organized, and since it will be largely resident Belgian nationals who will benefit from such a Bank, the GOB should be looked to for a financial contribution.

France is likely to continue technical assistance, but we do not foresee other than suppliers' credits for developmental programs unless there are major changes in French internal politics. Even technical assistance could be reduced as a result of present French difficulties at home. Improvement of the Congolese political and economic situation, if accompanied by growth supported by IBRD and the U. S. , may well stimulate some new financial help from Germany, the U. K. , Italy (which is already involved in Inga), Canada, Japan and perhaps others. While we believe there are increasing

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prospects for moderate help from those sources, none of them is likely to meet the investment needs subsequently described in this PM.

2. Should IBRD Take Over the Influence the U. S. Plays in Economic Planning?

Over recent years we have sought to work closely with IMF in bringing about financial stability and monetary reform. We have let IMF take the lead in planning the reform program with the GDRC and sought to get our own viewpoints expressed within the framework of IMF presentations. We have keyed our own FY 1967 and FY 1968 SA loans directly to conditions of the IMF standby.

While the IMF will continue to play an important role in the Congo, particularly because of the confidence which key Congolese officials have in IMF advice, the importance of the IMF will decrease as development planning becomes increasingly the concern of the GDRC. If IBRD can gradually develop the same kind of relationship with the GDRC as IMF has had in the past, the Bank could well play in the future the same role with respect to development as has IMF to monetary reform. This would appear to us an ideal solution and would permit the U. S. to move towards a less directly engaged position.

It is our general impression that Bank officials are reasonably sympathetic to the problems facing the Congo and may be prepared to be somewhat more flexible in their approach than is often the case. On the other hand, there may be some tendency by the Bank to push for greater participation by expatriate management in key Congolese enterprises than can be politically acceptable to the GDRC. An element which could have a major effect on future Bank-GDRC relations is whether and how the Bank may mediate GDRC-UMHK differences. If the Bank can successfully undertake this effort in a way that reassures the GDRC, this could lead to the same kind of overall trust now accorded to the IMF. It is certainly our hope that this is the direction events will take. However, real Congolese confidence will come only when the Bank engages itself in the form of actual loans. As suggested above, that prospect seems to us to be still many months off.

Thus we think there are possibilities that IBRD can eventually establish itself as an important advisor in developmental planning. If this occurs, we believe AID programs should definitely stay in step with Bank planning, just as we have in the past with IMF leadership. But in the best of circumstances this will not happen for 18-24 months. In the meantime, because of the

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prestige which it has obtained through its constant past support of Congolese aspirations, the U. S. must continue to play an active role in influencing developmental policy in an effort to see that resources are used as well as possible in this transitional period.

3. How is Aid to the Congo Coordinated?

If the IBRD can obtain the kind of trust now accorded to the IMF, it would be a desirable candidate to improve coordination of assistance to the Congo through a Consultative Group mechanism. While this is an objective to be considered seriously in the future, we do not believe the time is ripe for any initiatives in this direction. The Bank is likely to be resented by the GDRC rather than respected if it seeks such a role before being reasonably involved in lending activities itself. Donors other than the U. S. are unlikely to welcome or support the kind of overt pressure represented by a Consultative Group until they are themselves ready to be more active.

In any event, Congolese development planning is still in a sufficiently primitive state that a Consultative Group at this stage could do little more than exchange information, an activity which can be and is now handled in reasonably good fashion on a bilateral basis between donor groups. In the short run it appears preferable for us to seek to get the Congolese gradually to recognize the need for more effective overall planning, over time with support from UNDP and/or the Bank, in order to build a programmatic base upon which Consultative group relations can be built.

One first step in this direction appears to be a plan by the government to establish an improved coordinating office for technical assistance programs and for which UN advisory services are being sought. Such a plan is now being proposed by the Minister of Foreign Affairs to the President based on recommendations made by the USAID and UN ResRep. We would hope to nurture this first effort along to the point of making it clear that financial as well as technical assistance must be planned and coordinated.

Even increasing Bank and UNDP efforts in coordination and planning are unlikely to lead to development of a useful economic programming office in the next few years. Nor is this necessarily a desirable objective in the short run. Statistics are too thin, trained personnel too few, and overall government integrative capacity too slight to move rapidly towards having one office given great authority over development policy. Rather, through concentration on efforts to get government to concern itself with rebuilding infrastructure and giving private interests a reasonably free hand in productive enterprises,

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concern should be devoted to improvement of understanding, planning and implementation of key sectors where domestic and external public resources should be devoted.

F. Examination of Alternative Aid Levels

Three aid levels are herein considered. Two of these were given by AID/W. The third results from the analysis of this Program Memorandum. These alternatives are:

<u>Alternative</u>	<u>TC</u>	<u>DL</u>	<u>Total</u>
A	1.0	5.0	6.0
B	1.2	10.0	11.2
C	2.0	15.0	17.0

Any one of these aid levels will satisfy in part our prime objective of continuing to demonstrate sympathetic interest in the political and economic development of the country. There is considerable difference in the extent to which this prime objective, much less the dependent economic assistance objectives, can be met by the different alternatives.

With respect to TC funds, because there is so little difference between them we are treating Alternatives A and B as equal in comparing them with Alternative C. Both A and B are sufficiently higher levels of aid than is available in FY 1968, that either of these alternatives would permit the financing of one of the two types of new programs which we believe need to be undertaken. But only Alternative C levels would be sufficient for both kinds of programs. The two new approaches involve financing of feasibility studies and the undertaking of a small number of new traditional TC-type projects.

FY 1968 funding levels have permitted us to finance some TDY technicians to help us with counterpart programming and implementation plus the FAA study. This level of funding is inadequate, however, to permit financing of the kind of feasibility and pre-investment studies needed if we are to move towards a real development orientation. The need for such studies is even more general in the Congo than in other Missions because we have not had a regular, on-going TC program in which substantial technical data has been accumulated and evaluated by U. S. technicians. Thus, to move towards DL financing requires an increase in TC funding for feasibility studies which is represented by the difference between FY 1968 TC levels and Alternatives A or B. But the need for feasibility studies is likely to absorb this whole difference, leaving nothing for other new TC activities.

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We do not propose herein undertaking a large-scale regular TC effort. The availability of technicians from other donor sources and the problem of finding French-speaking American technicians clearly circumscribes efforts which AID should finance. There are described elsewhere in this PM, however, certain activities which we consider especially important and appropriate for AID financing. Of particular importance are TC proposals related to supervised agricultural credit and assistance to Congolese entrepreneurs. These are two areas of key importance not only for direct economic reasons but even more so because of the need to assure that middle-class Congolese have greater opportunity to play a role in the development process.

Believing that both feasibility studies and these few regular TC projects are extremely important, we recommend TC financing at the Alternative C level. In the event funding limitations force us to hold at Alternative A or B levels, we would necessarily give priority to financing of feasibility studies which are needed for longer-term developmental projects and would have to sacrifice our desire to move towards additional regular TC projects.

With respect to Development Loans, Alternative A would meet only most minimum political objectives and would be inadequate to meet the assistance objectives described in this PM. At the political level, this alternative would mean an economic program (excluding PL 480) only one-third of that of FY 1968 at a time we say we are moving towards a development orientation. While there will be political benefits from this change in orientation, a drop in levels of this magnitude would be viewed as a serious reduction in U. S. concern for Congolese affairs. This alternative could be explained only if other donors are far more forthcoming by this date than we expect.

Alternative A would permit involvement in only one or two projects. Such limited involvement would greatly reduce our present ability to deal with the GDRC on its whole range of financial and developmental programs. While we hope some other group can gain the prestige to take on this overall advisory role, we don't expect it to happen by FY 1970. In order to assure that all resources available to the GDRC are properly used, it is highly desirable at least for a few years that our aid influence be adequately high and diversified to permit us to play this guiding role.

Finally, Alternative A SA levels simply fall too far short of investment requirements projected in this Program Memorandum. Limiting ourselves to this low a level makes it unlikely the Congo can have the kind of stimulus needed to get the economy really moving.

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While Alternative C also falls somewhat short of investment requirements described in this PM, it is recognized that this is probably the maximum size program that we can mount in this period of time. At the political level, Alternative C compares favorably with the FY 1968 program. While actual utilization will necessarily be slower for DL's than for SA program loans, this is compensated for by the development orientation involved. The program is sufficiently large as to provide AID with continuing important influence over all aspects of finance and development. It comes close to our desired investment levels. It is important enough to be used as an inducement to other donors to join us.

Alternative B represents a compromise between these extremes. It is our position that Alternative B should be viewed as absolutely the minimum acceptable DL level. Every effort should be undertaken to prepare loan programs beyond that amount and to finance a level as close to Alternative C as possible.

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Part II -- Aggregate and Sectoral Plans

A. Aggregate Analysis

1. The General Political/Economic Situation in mid-1968

Full details on the Embassy's assessment of the political and economic situation of the Congo at the middle of 1968 are included in Embassy Airgram A-562 of May 16, 1968. Only a brief summary of that information is therefore provided in this PM.

A year ago in our Program Memorandum we stated that the political consolidation undertaken by Mobutu since inauguration of his regime in November, 1965, had been moving from strength to strength, but was then threatened by the mercenary rebellion of July 5, 1967. Since that time, this mercenary threat has been overcome. In the process, there were initially signs of disintegration in the body politic; but as the situation came under control, and the mercenaries obtained neither internal support from dissident Congolese nor important external support, the government's position actually strengthened. By its success in having the ANC win a victory over European forces at the same time firm control over the whole nation was being exerted, the Mobutu regime ends up at its strongest in mid-1968.

The regime's position in African affairs was also enhanced largely because of the success in holding the OAU Conference in Kinshasa in the face of these internal difficulties. Further recognition of Congolese leadership in certain aspects of African affairs came with the creation of the Union of Central African States.

Relations with the U. S. became even closer than before due in part to U. S. support via a \$17 million loan to the monetary reform and even more notably because of provision of C-130's to help the regime in facing the mercenary rebellion. At this time the U. S. Ambassador has the most regular access to Congolese leadership of all diplomats in the country, and there is recognition at all levels of society--even among radical elements which may oppose U. S. policy outside of the Congo--that the U. S. has been a disinterested and reliable supporter of Congolese independence.

The major economic issue of the year was the monetary reform of June, 1967, which has produced a considerably more stable economy. The reform has not yet overcome problems of proper budgetary and handling of public finances, but there is real concern by leadership that this be done. It is also

true that the reform has created real hardship for urban workers, and the government must move increasingly to provide some feeling of growth to mitigate this hardship.

The logic of the reform also induced the regime to review its policy toward foreign enterprise and use of expatriate personnel, and a softening of attitudes has been apparent. Believing that some increased economic activity was more important than greater economic nationalism, foreign experts have been increasingly used to get key operations running better. This has helped improve business confidence and should mean more efficient economic functions, but it does risk provoking bitterness among young, educated Congolese seeking positions of power and influence themselves.

In the briefest terms, despite a multitude of problems which continue to face the Congo, the political and economic position of the country is better in mid-1968 than it has been at any time since independence.

It is now generally accepted that, to maintain the desirable state achieved to date, there is need for economic development. There are many questions as to just what this means and how much it will cost. Some tentative first calculations follow.

2. A Rough Estimate of the Need for Development Financing

Calculation of the public financing required for the economic development of the Congo over the next 3-5 years involves many complexities, and no precise conclusions can be arrived at. Nevertheless it is difficult to see how requirements over this period could be less than \$300 million, which would mean \$60 million a year even if the higher number of years is adopted. Requirements may actually be \$75 million a year or more. Investment under the 10-year plan implemented in the Congo from 1950 to 1959 averaged \$86 million a year, and certain development expenditures were made outside the plan as well. Against this requirement of \$60-75 million per year the Congo may be able to provide around \$25 million a year from its own resources if the rate of the investment budget for 1968 can actually be maintained. The remaining \$35-50 million would have to come from other donors, including the U. S.

In attempting to calculate what levels of investment are needed, the question arises of what rate of development is to be aimed at and what form it is to take. One approach to this question would be through capital-output ratios. A

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specific rate of growth in GNP could be designated, and in accordance with the capital-output ratio or ratios selected, the amount of investment required to achieve it could be estimated. This approach has been attempted by some writers dealing with Congolese development but is rejected in this paper. This rejection is due first to the insubstantial nature of all capital-output ratios, and the particular difficulty of applying them to the Congo. Also, the Congolese economy is now passing through a transitional period, poised between the disruption and stagnation of the post-independence years and, hopefully, a new stage of stability and growth. Any historical relation of capital to output which may have existed has little meaning in this transitional period. The approach adopted is instead an attempt to calculate what would be required to put the infrastructure of the economy in good working order. The condition of this infrastructure at the time of independence is taken as a rough standard, although its applicability to the present situation is, of course, limited. Infrastructure is regarded as consisting primarily of transportation facilities but also of water and power, agricultural promotion, telecommunications, manpower and education, public health, housing and urban development, and development banking.

Even this approach is not free of difficulties, however. Not only does the Congo not have any comprehensive development plan from which estimates of requirements might be taken, but also there has been little development of programs for individual sectors in recent years. With the exception of certain specific new projects, thinking is focused primarily on restoring to good operating condition existing equipment and facilities. Accordingly, it has been necessary to depend heavily on the Torr  Report, the study by the mission of the European Economic Community that appeared in 1963, and on the Belgian colonial 10-year plan. Among other sources used in the following rough calculations were studies of re-equipment needs prepared by the Belgian Federation of Industries in 1964, a Japanese transportation survey appearing in 1968, and some equipment lists submitted to a visiting World Bank team in 1968. In all the estimates shown here there are large arbitrary elements; none of them is defensible in detail. In the aggregate, however, they may not be far from the mark.

The program outlined here, aimed as it is largely at restoring the situation existing at independence, does not prejudice the direction that development might take once this level is regained. There is considerable debate, for example, as to whether future expansion should continue to be based on primary products and consumer goods or whether there should be a significant move towards heavy industry. The prospective availability of power from

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Inga opens possibilities for the latter, but would probably require a large volume of private investment. However, the direction of longer-term development as distinct from rebuilding of basic infrastructure is beyond the present scope of this paper.

According to Central Bank figures, during the 10-year plan gross private investment averaged \$164 million a year. We have only the sketchiest information on how much private investment from domestic Congolese sources can be expected in coming years, but profit levels in some industries may be sufficiently high that reasonable reinvestment of private capital can be anticipated. Gecom, for example, has available \$62 million from 1967 profits, of which at least \$28 million are being devoted to new developments. However, while moderate domestic private investment can be anticipated, and can be further promoted by establishment of a Development Bank, it is clear that, in order fully to utilize the infrastructure resources described below and to bring about real growth in overall production, outside private investment will also be necessary. The prospect of attaining such investment is first dependent, of course, on the maintenance of political stability, physical security and a stable economic situation. Hopefully, as described elsewhere in this PM, these conditions will prevail. Already the situation of the last two years has had some effect: Japanese mining interests are clearly moving towards important investments if their current exploration proves interesting; petroleum companies are seeking again to re-open exploration rights; Union Carbide is seeking exploration rights; and the Pan Am Hotel is expected to move forward shortly. But the best political/economic situation will not be enough to induce adequate levels of external private investment if basic infrastructure is not gotten back into effective operating condition.

The following list of requirements, sector by sector, includes some discussion of the sources available and of the considerations involved.

Transportation -- \$175 million

As can be seen from this estimate, the bulk of development financing is here allocated to transportation. The importance of transportation to the Congo derives from several considerations. One is the export orientation of the economy, which requires the evacuation of export production, much of which occurs in the interior. The size of the country means that considerable shipping is required to exchange products between regions. The river system with which the Congo is endowed greatly facilitates transportation, but its discontinuities mean that there are extensive requirements for transshipping

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as well as shipping facilities. The subsectors into which transportation requirements are broken down are by mode--river, road, rail, and air--rather than by organizational entity. Thus there is some overlapping of the latter, as of Otraco and Voies Navigables in river transport.

Rivers and Ports -- \$65 million

During the 10-year plan, spending under this heading was about \$16 million a year. The Torr  Report puts total needs at about \$20 million but, of course, relates only to the 1963 situation. Because levels of investment for replacement of outmoded equipment have been lower since 1963 than the Torr  Report estimates, the needs for re-equipping Otraco simply to maintain current tonnage now appear higher than was estimated by the Report. We are not assuming at this time that any financing will be devoted to a new railway link between Port Francqui and Kinshasa, but that instead the capacity of the river link will be brought up to a million tons a year. In addition to re-equipping needs simply to maintain present tonnage, the recent Japanese study estimated that \$15 million would be needed for additional facilities to reach a million-ton level. An equipment list prepared by Otraco for the recent IBRD visit includes about \$15 million for river transport. A similar list prepared by the Voies Navigables includes about \$10 million for equipment not yet financed.

Roads -- \$60 million

According to UN technicians, there are about 135,000 kilometers of roads in the Congo, of which perhaps 100,000 are of economic interest but of which perhaps only 25% would be all-weather roads. A 1967 estimate of the Ministry of Public Works of requirements for roads was \$85 million. The Torr  Report estimate was about \$45 million. On the other hand, a recent National Bank study put the amount needed to renovate the entire road system at \$2 billion. Expenditures on roads under the 10-year plan averaged \$12.5 million a year. The figure of \$60 million appears to us a minimum to permit proper exploitation of road circuits tied into the rail-river system. Some of this amount would ordinarily be considered maintenance in the sense of getting laterite roads back into basic all-weather shape, repairing bridges and ferries, etc. A good part, however, also consists of basic improvement in roads to a new, higher level of capacity. On the other hand, no totally new road routes are anticipated in these figures.

Railroads -- \$30 million

In the Torr  Report, the amount recommended for railroads was only \$22 million. However, equipment lists prepared recently for the IBRD team showed

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requirements for which no provision had so far been made to be \$11 million for the BCK alone. Requirements for the CFL and for the Vicicongo may be at least as large. The Otraco list prepared for the World Bank showed about \$3 million for railroad equipment. Again it is assumed that a rail link between Kinshasa and the east will not be built. If it were, investment requirements might rise by as much as \$300 million. More detail on railroad requirements may become available when the Middle Africa Transport Study is published.

Air -- \$20 million

A recent National Bank study showed \$133 million required for airfield reconditioning and extension and for navigational aids. This amount may be technically desirable but is obviously out of line with realistic expectations. However, air traffic serves vital needs in the country and requirements for aircraft procurement, airfield improvement and navigational aids will obviously demand at least this \$20 million.

Power and Water -- \$25 million

The Torr  Report includes only \$25 million under this heading. However, expenditures under the 10-year plan were \$10 million a year. In view of the need to overcome arrears of maintenance since independence and to extend facilities to catch up with increased urbanization, requirements are no doubt considerable. This \$25 million figure is estimated as necessary simply to meet basic urban and rural domestic and small industry needs. While perhaps not required in the time frame indicated herein, a major investment in new power generation facilities for Gecom in is not far off. At present, Gecom in's increasing power requirements are being obtained from Zambia, but it is believed that the next phase of development for both Gecom in and Zambian use must take place on the Congo side of the border.

Not included in the above requirement for power and water is the Inga hydroelectric project, on which work is now beginning. The first phase of this will have a capacity of 150 MW, and power production is scheduled to begin in 1972. The cost of the first phase is estimated at about \$60 million, of which financing has already been arranged for about \$40 million. The financing of the remainder, which is for transmission lines, is being sought, with reasonable prospects of success, from the EEC. A second phase of the Inga project, for which no definite plans or financial arrangements have

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yet been made, is estimated to cost \$10 million and would bring generating capacity up to 300 MW, or double that of the first phase.

Agriculture -- \$20 million

The only real basis for this estimate is the average of \$6 million a year spent for the development of agriculture under the 10-year plan. The "re-lance agricole" implies considerable expenditures for agriculture. At the same time, agriculture benefits substantially from improvements in other sectors, especially transport.

Communications -- \$10 million

The studies of requirements for equipment prepared by the Belgian Federation of Industries in 1964 showed telecommunications requirements as \$8 million. These had reference only to equipment which could be supplied by Belgium. The figure given would be expected only to give modest improvement to a presently dilapidated telecommunications system. Any major extensions of the system, particularly inclusion of the Congo in satellite communication systems, would probably require additional amounts.

Manpower and Education -- \$20 million

The Torr  Report allocated \$18 million under this heading. For the manning of the Congo's renewed economic infrastructure and for the staffing of government agencies associated with economic planning and policy, considerable training will be required. While very considerable investments have already been made in higher educational institutions, there remain very important additions to be made at two of the three universities, at several special institutions and in some regions for secondary education.

Public Health -- \$10 million

Although not directly related to economic infrastructure, this category probably cannot be left out completely. Under the 10-year plan, expenditures averaged \$5 million a year.

Urban Development and Housing -- \$10 million

Under the 10-year plan this was one of the largest single categories of expenditure, averaging \$24 million a year. Again, some provision for it will probably have to be made, even though it does not relate directly to economic infrastructure. It will be politically essential, for example, that greater investment

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be devoted to street paving, street lighting, marketplace improvement, etc., in several urban areas where sprawling cités have grown since independence.

Development Bank-- \$30 million

The estimate is that of Professor LaCroix of IRES. He believes that there are a number of projects that could be readily implemented by private industry if investment funds are available and which would show large returns. As examples he cites the acquisition of an additional cement kiln by Cico and the setting up of an iron and steel scrap melting facility by Chanic.

A program of investment such as implied in the foregoing discussion would probably not have been worthwhile in the past on account of the political and economic disturbances that have heretofore characterized the post-independence Congo. Even now the tranquility and economic stability which prevail are still too recent to be entirely reliable. It would be well, in addition, to have a clearer idea than at present of the direction the Congo's development is ultimately to take. For example, the uses of the electric power that will be forthcoming from Inga, among which steel production has been suggested, could have a considerable bearing on transportation.

Nevertheless, the occasion for decisions on such a program may not be far off. There is a feeling of expectancy in the Congo, a confidence that the time when the economic promise of the country, based on the richness of its resources and the development carried out by the Belgians, can be realized is at last at hand. If conditions continue to be propitious for a reasonable period, there may be an opportunity to achieve economic progress on a scale which would have an impact in other African countries as well as the Congo. At the same time, the U. S. is likely to be looked to for a major role in at least organizing the necessary finances. In anticipation of this, the present discussion of requirements for development financing has been prepared.

3. The Planning Process and Areas Needing Priority Treatment

There is no overall planning process, planning organization or development plan in the Congo at this time. Although organizations have existed in the past with planning functions (e. g., the High Commission for Plan) and the National Official Research still has some mandate for planning, the political and security problems of the past have given little opportunity for meaningful economic planning.

With reasonable stability, the prospects for generation of domestic investment resources and increases in the possibility of external assistance, there is

increasing need to improve understanding of the development process and to coordinate the use of available resources. Since the problem for the next few years is largely one of reconstructing existing infrastructure and promoting private initiatives, the need for a formal planning organization is, however, less than if the time had come for basic decisions on the way the economy must grow over the longer term. In view of limited manpower resources, government planning operations are probably better carried out within sectoral and project bounds than on a macro-economic basis.

There is general agreement among most donors, accepted in general terms by the GDRC, that priority attention in the short run must be given to transport, agriculture and manpower development. Within these general terms, however, there is less agreement. There are, for example, several advocates of moving at an early stage towards construction of the rail link between the BCK and Kinshasa whereas we, presumably the IBRD and others consider this a program to be put off until some time in the future. There is clear need better to decide on the direction education policy should go within anticipated manpower and budgetary resource limitations. In agriculture, our preference to move towards specific food crop developments is not shared by all observers.

Using as much as practical the resources of UNDP, IBRD and ourselves, it is important that there be developed increasing agreement on the lines to be pursued in these fields. Congolese technicians, planners and policymakers must be brought adequately into the process, so that there is the beginning of an understanding of the planning process. Perhaps in another 18-24 months greater consideration should be given to improving the overall planning process, particularly with IBRD support if the Bank should become active by that time.

B. Sectoral Analyses

1. Where Agriculture Stands in Mid-1968

a. Introduction

A description of the natural characteristics of the Congo, as well as the basic agricultural production patterns and the system of land tenure, was included in the FY 1969 Program Memorandum, and additional description is found in the report of Consultants Ferguson and Jones of March, 1968. Thus such general background is not included in this review of the agricultural sector.

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There have been two major factors affecting agriculture over the past year. First has been the further spread and duration of physical security in the key agricultural areas of north and northeast Congo. This improvement in physical security has allowed the return to abandoned plantations of some Europeans concerned with production of export crops and many Congolese who had over recent years abandoned production of cash crops; has allowed a gradual rebuilding of commercial circuits by companies which purchase crops from Congolese farmers and provide them with incentive goods; and has allowed larger intermediary groups, such as the Societé Contonnière du Congo, to increase their scope of action. Returned security has also allowed a slow repair and rehabilitation of roads and bridges and river traffic facilities; increased operation of the Vicicongo Railroad; and permitted regular flights by Congo Frigo for movement of agricultural produce.

The second major factor has been the monetary reform of June, 1967, which was intended to raise the value of agricultural exports and to put production of domestic consumption goods in a better competitive position with imports. While there has been considerable argument about the amount of incentive provided by the reform (particularly about the increased levels of agricultural export duties which were also part of the reform package), there appears to have been some real increase in monetary incentives.

Judging from increases in production, it would appear that these two factors have had a significant effect on agriculture. Palm oil, for example, the major agricultural export, is showing important production increases, as seen in the following table (and all indications suggest that 1968 will show comparable growth over 1967):

<u>Product</u>	<u>Tons of Oil Produced</u>					
	<u>1959</u>	<u>1962</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Raw Palm Oil	214,000	190,000	168,000	128,000	129,000	152,000
Palm Kernel Oil	61,000	54,000	46,000	33,000	34,000	43,000

Rice production, which has had its center in the area of past insecurity, is also showing substantial growth. Production, which had reached 60,000 tons in 1959 and then dropped to 18,000 tons in 1966, had recovered to an estimated 40,000 tons in 1967.

Corn production is also apparently increasing, although statistics are sketchy since a large part of present corn production is either auto-consumed or marketed locally, and no dependable production figures are available. Price

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controls and import subsidies--intended to hold down consumer prices-- were also a disincentive to increased production and permitted high levels of imports to satisfy a demand which wasn't being met by disrupted local production. The recent ending of import subsidies puts local production in a better competitive position. The following table is a rough estimate of commercial consumption, production and import of corn:

<u>Item</u>	<u>In Metric Tons</u>					
	<u>1959</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968 (Est.)</u>
Commercial						
Consumption	89,000	100,000	107,000	140,000	145,000	155,000
Production						
Commercialized	97,900	60,000	62,000	66,000	75,000	85,000
Imports		74,000	46,000	74,000	70,000	70,000
Exports	9,000					

Cotton production is also up, in part because private companies were in a better position to work with Congolese cooperatives, in part because Congolese farmers again saw value in shifting from subsistence to commercial crops. In some areas production is expected to be three times last year's output. While production is still below pre-independence levels, it is virtually sufficient to close the import gap. There is some question about pricing policy of private purchasing companies, since they pay 7¢ a kilogram for seed cotton in the Congo against 11¢ in Burundi, although this is justified by the companies as the cost involved in rebuilding their destroyed infrastructure.

There appears also to have been an increase in general vegetable production, although again statistics are limited. However, in mid-June Congo Frigo reports a backlog of 750 tons of vegetables waiting to be transported by air from the Kivu. The Kinshasa market appears to be better and more regularly supplied from the Bas Congo and Kwilu provinces than was the case a year ago.

In general, it can be said that the return of physical security and the effects of the monetary reform have led to substantial spontaneous revival in Congolese agricultural production. This revitalization has taken place more through the reopening of land recently abandoned than through the extension of new agricultural practices. In export crops it is essentially the modernized European-dominated plantation which is simply reintroducing the techniques known before. Among Congolese producers there has been a turn from subsistence back to production of commercial crops known before, but this production is still

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carried out along traditional lines. In the past, modernized agriculture could look to the State--principally the INEAC research organization--for new innovations. Now it is the plantations which are doing their own research. In the past there were the beginnings of efforts to transform traditional agriculture through combined use of agricultural advisory agents and some amount of coercion, but trained agents no longer are available and new techniques have to be found to get traditional agriculture moving along new paths.

D. Principals Underlying AID Involvement in Congolese Agriculture

In the long run it is important to see further growth in production of those Congolese agricultural exports which prove to be economically viable, and over time this may well require external financial help for production equipment, new research, processing equipment and the like. In the short run, however, it is believed that improvements in transport, security and the incentives of the monetary reform can be relied on to give a medium-term stimulus to the modernized sector of agriculture. Our main concern with this sector will therefore be limited to urging that means be found whereby expatriate plantation operations can extend their techniques to surrounding Congolese farmers and give small Congolese producers a more important role in the production of these crops.

Concentration of AID interest, however, will be in improving the production of food crops, primarily the realm of traditional Congolese farmers. Our main interest lies in increasing production of rice and corn, and, because of inter-cropping patterns, peanuts, cotton and manioc. Also important is an increase in general vegetable, fruit and protein production around major urban centers, particularly the Kinshasa and Lubumbashi markets.

Related directly to this major concern for increasing food crop production is the need to improve agricultural education and training. Precisely because it is traditional farmers whose methods need to be changed, and because there is an absolute dearth of persons trained in bringing about such change, there can be only initial and limited gains in increasing production until a greater number of trained Congolese agricultural technicians can be directly engaged in the process.

In addition to concentrating attention in the areas of food production and agricultural education, there is another principle which affects AID's approach to agricultural improvement. This is the fact that, lacking its own institutional

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patterns and having a history of developing traditional agriculture in part through coercive approaches which are no longer appropriate, there is need now for wide variety and flexibility in seeking new means to increase production and stimulating the Congolese farmer. There are many foreign donors working in the field, all of whom have diverse ideas on how agriculture should be transformed. Almost to a man, Belgian advisors are convinced Congolese farmers can't be induced to grow irrigated rice, yet Chinese efforts suggest this may not be the case. The Chinese approach is one of intensive assistance to a small group of recipients, whereas EEC's is one of broad-scale programs seeking to affect patterns of several thousand farmers simultaneously.

At this point, this diversity and variety of approach is good, since totally new breakthroughs are needed and there is value in competition. There is, however, need for coordination, analysis and a drawing up of appropriate conclusions. Because AID has had financial capability to support the technical assistance efforts of others, and because there was no Congolese institution capable of performing this role, increasingly the USAID has played it. We see this situation of USAID serving as catalyst, prodder, coordinator and analyser as continuing for some time, although constant efforts need to be made to get Congolese institutions gradually to take on more of this function. This causes some problem in programming, because our main effort is directed at getting others to take on a job and then, if need be, to give them appropriate financial support. This has been a workable approach with the flexibility of local currency. We hope that moves towards DG/DL financing won't turn our role into as cumbersome a one as that of certain other donors.

c. Programs for Food Production

As indicated above, a variety of technical assistance programs are already concerned with food production problems. The Chinese are working on rice. EEC/FED has two projects about to get under way, one in Kasai primarily for corn, the other in the Katanga for a mixed production centered on tobacco as the cash crop and "motor" to drive the project. Belgian and French technicians work on a variety of programs. A Belgian community development team in Ubangi is primarily concerned with agriculture. Two additional Belgian agricultural teams are expected to begin work this year. All of these groups are trying, by various means, to bring about change in orientation and approach by traditional Congolese farmers.

In the short run, a major necessary ingredient for all these efforts is an increase in the availability of and production of certified seed. AID has

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through counterpart projects sought to get INEAC to begin concentrating on production of seed at selected stations. Because of several administrative problems within the GDRC and INEAC, this effort has so far been less successful than hoped for. There is therefore need for a full reassessment of the role INEAC can play in seed production and of the other functions it should also be performing. We intend undertaking such an assessment with the government in coming months, including reaching understandings on the overall functions of INEAC as an organization, as well as the specific responsibilities of individual INEAC stations. From this we will seek agreement that specific stations will concentrate on seed production in support of projects of the government and of other technical assistance donors. Presuming such agreement can be reached, including agreement on appropriate GDRC budgetary and administrative support of stations for seed multiplication purposes, we would plan on providing INEAC with Development Loan financing for basic equipment needed to get selected stations into effective operating condition. Assuming that eventually 4-6 stations will be selected for concentration purposes, we would anticipate loan financing of approximately \$1 million for tractors, plows, seed cleaning, harvesting, storage and related equipment. We plan on seeking necessary agreement on the role of INEAC by the end of 1968. We would then need the TDY services of an agricultural engineer to assist in preparing specific equipment requirements, to be considered for an FY 1970 Development Loan.

In order to make more fruitful the seed multiplication efforts of INEAC, there is need to try out new seed varieties. In the summer of 1968 we also intend reviewing the possibility of extending certain operations of the East African Cereals project to the Congo in an effort to begin introduction of higher yielding varieties. This effort will be carried out at the INEAC stations at Gandajika and Kipapo in direct cooperation with two of the EEC's projects.

Another major input lacking in improving Congolese traditional agriculture is use of fertilizer. From limited experiments available to date, it seems reasonable to expect fertilizer to have an important impact on food production, particularly in areas of seasonally variable rainfall. As part of the Development Loan noted above, we would plan on the provision of limited quantities of fertilizer in FY 1970 for experimental purposes at the seed multiplication stations, as well as at related development projects such as the EEC corn project in the Kasai and rice production projects in Equateur Province. On the basis of these efforts to be undertaken in FY 1970, we will wish to seek means to expand more general use of fertilizers in subsequent years, including initially subsidized prices to individual farmers if this is necessary.

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An important inhibition to the development of Congolese farmers is the lack of agricultural credit. The Congolese Government desires eventually to establish a nation-wide agricultural credit system, and a budgetary allocation for this purpose was included in the 1968 Investment Budget (although no real plans for the institution have yet been made). The government is still far from having the administrative and technical capacity to run such a system. In FY 1967, AID counterpart funds were used in a pilot effort to stimulate production of export crops and that effort is now being evaluated. Based on the evaluation, we plan in FY 1969 to move towards a new pilot effort for supervised agricultural credit aimed at production by Congolese of key food crops. For this purpose, we propose to undertake in FY 1969 a joint DG/counterpart project under which an AID agricultural credit advisor, assisted by junior agricultural assistants which we hope to obtain from an organization such as IVS, will work with Congolese officials in a pilot credit effort to be financed with counterpart funds (this project to be described in more detail in a subsequent E-1). From this effort and with the work of the agricultural credit advisor we would expect to move with the GDRC towards formation of a national agricultural credit institution, for which we would anticipate providing support in the form of a Development Loan, initially estimated at \$1 million in FY 1970.

While the renewal of security conditions has improved the commercial circuits affecting Congolese farmers, there is still inadequate competition in the purchase and transport of agricultural products, and thus too large a spread between prices to farmers and prices paid by consumers. It is equally true that commercial circuits are largely dominated by non-Congolese, particularly Greeks and Portuguese. The government has sought to affect this situation by organization of the Economat du Peuple, a parastatal organization for purchasing of agricultural products and their sale in urban centers. This organization, however, is consumer oriented and therefore tends to keep prices to farmers down to unreasonably low levels. It has overly heavy administrative costs and provides too many opportunities for corruption. It would appear that the real need is to get increasing numbers of Congolese involved in the commercial handling of agricultural products. Thus, as part of both our initial pilot agricultural credit program, and as part of a more general, longer-term agricultural credit institution, we plan on making provision for credits to Congolese truckers and commercial operators concerned with the purchase and movement of agricultural crops, as well as the direct producers of these crops.

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With respect to vegetable production in the Kinshasa area, a number of projects are currently under way, but the long-discussed Kinshasa Green-belt is far from a reality. There is clear need for an increase in food production in the area, as the population continues to grow and because it can be expected that there will be a gradual broadening of dietary demands as national wealth increases. The one clear fact about agricultural production in the area is that there is need for development of supplemental irrigation water. On the basis of an initial study undertaken in FY 1968 by a USGS technician, there are good indications that on beach lands paralleling the Congo River there are excellent opportunities for developing large capacity wells suitable for irrigation use. In accordance with the recommendations of the USGS report, in a separate E-1 we are proposing to start in FY 1969 a 24-month experimental program of drilling to determine actual availabilities and possibilities for irrigation water development in the area, to be financed from DG funds in the amount of \$450,000. If this program should indicate the availability of adequate water supplies, we will propose Development Loan financing of an intensive drilling and development program, to be financed in FY 1971. According to the USGS technician's report, an estimated \$800,000 will be required for this purpose. Simultaneously it will be necessary to obtain cooperation from other donors to assure intensive technical assistance efforts with Congolese farmers, cooperatives and commercial organizations to assure application of appropriate agricultural techniques for the full exploitation of such irrigation water supplies as can be made available.

d. Programs for Agricultural Education

For the same reasons as given in last year's PM, USAID continues to attach the highest priority to training of university-level agricultural technicians for both the public and private sectors in the Congo. The universities agree on the importance of agriculture and have made important moves in this direction. Enrollment of agricultural students at Louvanium is 155 this year, up from 125 last year. The Official University at Lubumbashi graduated its first two agricultural technicians. The Free University of Kisangani moved towards establishment of an agricultural faculty. USAID counterpart provided for the Louvanium agricultural farm is being productively spent and a similar program has been started at Lubumbashi.

Both Lubumbashi and Louvanium are seeking funds for construction of facilities to house their agricultural faculties. USAID has taken the position that first priority should go to Louvanium because of its larger present enrollment and proven competence. It is anticipated that a formal request to finance facilities at Louvanium with counterpart funds will soon be received and agreed to.

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Our preference for second priority consideration is the University of Kisangani because of its location in the agricultural heartland and because in many respects it is taking on something of an American air. Yet it seems unlikely that Kisangani will be organizationally capable of absorbing this new faculty for some further time. Some limited help to Lubumbashi may therefore prove appropriate.

There is some question whether three agricultural faculties are necessary. At the present time it is our contention that this is not necessarily excessive, but there is great need for the universities to cooperate and to find ways to specialize in certain aspects of agriculture rather than having all three with overall programs which duplicate each other. In general terms, it seems appropriate for Louvanium to concentrate on vegetable production and agro-industries; for Kisangani to be the center for cereal crops and industrial export crops; for Lubumbashi to push livestock and veterinary medicine.

UNDP is considering the undertaking of an overall review of agricultural education needs in the third quarter of 1968, and it is hoped that from this will come greater guidance and direction on the numbers of students who should be in agricultural training and the role that each of the three universities should play.

As an outcome of that study, USAID may later wish to make recommendations with respect to DG and/or DL support for an agricultural faculty at the University of Kisangani. It is our present assumption that such efforts as are appropriate at Lubumbashi and Louvanium can be undertaken in the near future with counterpart financing. If the UNDP study and follow-up reviews indicate the appropriateness of a development effort at Kisangani, it will still take considerable time to determine just what faculty is needed and how it should be developed. We would expect that, by the time decisions may be taken, counterpart resources will be too limited to meet needs at Kisangani and that new construction and equipment would have to be met from DL financing. Similarly, while it is presently too early to make specific recommendations--and while we recognize very well the problems of finding technical personnel with French language qualifications--we do hope to keep the door open for the possibility of an eventual DG contract for agricultural faculty personnel at Kisangani. However, specific recommendations on treatment of this University must await some further study.

While there is currently progress in getting training of university-level agriculturalists under way, there is as yet no long-term provision for training of

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a key functionary, the A-1 agricultural technician who fills the gap between high-level expert and agricultural monitor. The only present source for such training is a three-year program in the Louvanium Agriculture Faculty, but this has always been considered a stop-gap arrangement by Louvanium, and the course of studies has been aimed more at preparing for a full five-year course than for actual needs at the A-1 level. Louvanium itself had intended converting totally to a five-year program in the coming academic year, but on the basis of direct USAID intervention is now reconsidering the possibility of maintaining the three-year program at least until a more permanent arrangement can be worked out.

There also seems to be general agreement that the logical location for organization of an A-1 training institution is the Yangambi INEAC station, where such of the basic infrastructure for such an institute is in existence and could be made available without interfering with present operating capacity of the research station. It is very much our hope that we can work with UNDP towards eventual development of such an institution with UN Special Fund support. Unfortunately, FAO has recently prepared recommendations regarding a proposed UNSF project for Yangambi which would exclude provision for such an institute for at least three more years. It is clear that the UNDP/Kinshasa office finds the FAO proposal too narrow and will seek to broaden the program, perhaps into a joint FAO/UNESCO effort. We are convinced that there is now sufficient understanding of the need for such an institute that over the coming two years it will be developed in one form or another. To the extent that counterpart financing can be useful in support of UNSF or other donor actions to get such an institution under way, we would be prepared to concur in the use of reasonable amounts of counterpart.

Thus, with the exception of requirements at Kisangani, we foresee that counterpart funds available or in the process of generation should be adequate to meet the requirements for physical structures needed over the next four years to support our interest in overall agricultural education. Therefore, with the possible exception of Kisangani, we do not foresee the need for any DL financing of physical structures. On the other hand, as these various institutions develop, there will be an increasing need for mechanical equipment--tractors, vehicles, livestock equipment, etc. The several agricultural secondary schools in the country which are presently turning out lower-level A-2 and A-3 technicians, as well as students entering the higher-level institutions, received equipment assistance in the past from AID and the UN under our CPI programs, but this equipment is largely worn out after several years of use. In connection with the study of agricultural equipment needs of INEAC stations referred to above, therefore, we intend during FY 1969 to make a study of the equipment

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needs of agricultural training institutions at the secondary, A-1 and university level to determine the appropriateness of a possible Development Loan in FY 1970 or FY 1971. It would be our estimate that needs in this area would run about \$500,000-\$1 million and could be worked out in a joint equipment loan with that meant to meet INEAC needs.

For the past several years, AID has not financed any agricultural participant training in the United States. With an increasing number of Congolese having received either secondary-level agricultural training or university-level training, and having now had the opportunity to try out their theoretical training through practical employment in the public or private sector, the time has again come to begin a selective program of participant training in specialized areas for trained Congolese who have demonstrated through 2-5 years' practical experience a real capacity to benefit from further training. We are thus planning to seek up to three participant candidates in FY 1969 and six in FY 1970.

e. Conclusion

While the AID program must be intensely interested in agricultural developments, our role will continue to be primarily a synthesizing and coordinating one. The bulk of technical assistance in the agricultural field will continue to come from other than U. S. resources. The efficiency of using large-scale financial resources in direct promotion of agricultural development will be limited in the coming few years. There are some specific areas--at INEAC stations and in educational institutions--where DL financing of equipment and fertilizer appears to have promise. Continued use of counterpart funds over the next two or three years judiciously to support promising efforts by other technical assistance donors will be an important function of the program. By FY 1970, we would hope that the variety of technical assistance efforts being carried out by various donors will begin to point towards ways in which major production breakthroughs can be obtained--perhaps major broadening of irrigated rice production if Chinese experience proves useful; possible far more intensive efforts in corn production if higher yielding varieties prove capable of adaptation. If the prospects for such breakthroughs are demonstrated over the coming years, it may well prove desirable to mount much heavier AID technical and/or financial resources in support of them.

2. The Manpower Problem

a. Introduction

Congolese development in the pre-independence period demonstrated that, with appropriate inputs of capital and trained manpower, the natural resource

base of the country would permit substantial national and per capita growth. This growth has been largely arrested since independence, both because of a lack of new capital inflow and because of massive problems of shortages of trained technical and administrative personnel.

With the political stability that has been achieved since 1965, and the improved economic situation brought about by the Monetary Reform of 1967, the prospects for a renewed inflow of investment capital are greatly improved. This capital inflow cannot be efficiently used, however, without improvements in the long- and short-term manpower situation. The difficulties of providing capable Congolese for high administrative and technical positions will not be resolved quickly. The country must decide how to produce needed specialists most efficiently over the long term and how in the shorter term to meet the requirements to support a development effort.

This problem breaks down into three parts:

-- The need to rationalize the formal educational system and to take account of the budgetary and teacher limitations which must affect the direction of educational policy;

-- The need to strengthen and expand post-secondary educational institutions and other special training institutes which over time will provide the basic cadres needed;

-- The need in the interim period effectively to utilize expatriate personnel, both to make the economy run and to give educated Congolese an opportunity to see how work should really be carried out; as well as the need to expand in-service training in order to upgrade the capabilities of partially trained and experienced Congolese already functioning in key areas of the economy.

b. The Educational System in General

Last year's PM gave a brief description of the educational system. As indicated therein, broad primary education opportunities existed prior to independence and have expanded further since then. Secondary educational facilities were very limited prior to independence but have since grown rapidly, and there are 155,000 students in secondary schools in 1967-68. For the first time, the number of graduating secondary students will far exceed the number of spaces available in post-secondary educational institutions--it is estimated there will be 7,500 secondary graduates in 1968 but space for only

some 2,500 new students in all the universities and specialized institutes in the fall of 1968. Post-secondary education has also rapidly expanded since independence, and there are now some 5,250 students attending the 19 universities and other specialized institutes in the country compared with approximately 760 Congolese and foreign students in 1960.

Growth in secondary and post-secondary education has been necessary. However, there are no good projections of high-level manpower needs, and there is no current clear policy on what the educational system should be aiming at in quantitative and qualitative terms. Despite lack of policy direction, a comparison of the number of Congolese secondary and university graduates as of 1968 with the number of trained Europeans who made the economy run before 1960 suggests that the growth which has taken place in secondary and post-secondary education has been related to real manpower needs.

Now the time has come to rationalize the system and to clarify priorities for future education policy. Policy to date has been based on a response to felt needs and to heavy public pressure. The government has not really faced up to the budgetary implications of this expansion, nor has it properly reckoned with questions of how to obtain adequate numbers of properly qualified teachers. As the nation faces economic problems, it increasingly needs to learn how to make choices between priorities. This includes the need to decide what role the educational system should play and what priority investments in this system have as compared to other investment outlets.

There are three basic implications for U. S. policy in the current status of the Congolese educational system. The first is to get the government to review its total educational policy and the budgetary/manpower implications of policy alternatives. This will require study by an outside group, with the full support of the government. While the U. S. need not directly participate in such a study, we should try to convince the government of the need for this study and to seek to find an appropriate outside group--perhaps UNESCO or some bilateral donor group--which could do the job.

Secondly, the existing educational system depends heavily on foreign teachers and must do so for a long time, even if expansion of the system should be slowed down. This fact leaves possible the introduction of large numbers of technicians inimicable to U. S. interests--Egyptians, bloc personnel, etc. In fact, 81 Egyptian schoolteachers have already been employed this year. Friendly donors must recognize the dangers inherent in introducing large numbers of unfriendly teachers if traditional sources of teaching staff are not adequately forthcoming. The U. S. should seek to have friendly bilateral sources

provide adequate numbers of teachers, either through their own financing or through assistance to recruitment by the Congolese Government. The Congolese Government intends financing certain teachers from its own budgetary sources. Its recruitment problems would be eased if arrangements could be worked out with Belgian and French technical assistance whereby Congolese funds were put in a funds-in-trust or escrow fund and recruitment of teachers carried out by the French and Belgian Governments within the framework of their bilateral programs. It would be equally helpful if the Belgian Government could reinstitute its system of permitting young teachers to serve in the Congo in lieu of military service, a policy which was abandoned after the events of 1967. We understand this is now being considered, as is the possibility of expanded Belgian financing of teachers.

Finally, efforts are needed to assure an adequate expansion of secondary school teacher training through the National Pedagogical Institute and other appropriate institutions. Construction of existing facilities at IPN has been financed with AID counterpart, and operation of this school has been supported by the Special Fund. A review will be undertaken in FY 1969 to determine if counterpart financing of additional facilities at IPN is warranted. The scope and duration of the Special Fund project will be reviewed to see if it is adequate to meet the needs of this institution.

c. Post-Secondary Education Problems

At the level of post-secondary education there are basically four problems. The first is to insure that the educational emphases of the universities and special institutes are in fact pointed towards the real needs of the nation. For example, in the period 1958-67, there were 518 graduates from Louvanium and Lubumbashi, but only 7% of them received degrees in engineering, mathematics and the sciences.

Secondly, there is a problem of insuring adequate staff to permit reasonable expansion of all the universities and specialized institutes. This includes the need both for interim expatriate staff and the need as rapidly as possible to give Congolese university graduates necessary advance training to permit them to take part in the university teaching. Seventy-seven percent of present university staffs are expatriates.

Thirdly, there is the problem of space. While all post-secondary institutes have expanded rapidly over the past eight years, they are still far from being capable of absorbing the number of secondary school graduates demanding additional training. Despite the problems inherent in continued rapid expansion,

selective development of the educational facilities in the universities and specialized institutions seems appropriate.

Finally, there is the problem of appropriate utilization of graduates of post-secondary institutes. This is particularly a problem of the specialized institutes, where a very checkered pattern exists. In general, for example, IPN has succeeded in getting its graduates into secondary teaching. On the other hand, only 30% of graduates of the Civil Aviation Institute work in the field for which they were trained.

The above situation has several implications for U. S. policy. First, the direction and emphases of the whole post-secondary educational system must be reviewed. At the present time, little factual basis for useful decision exists. We expect the overall educational survey suggested above to help in this direction. In the meantime, we must--through discussions with the institutions and universities themselves, through contacts with the government and through our relations with other donors--seek to direct the use of resources in practical areas which promise reasonably early effect on the nation's economy and administration. There is need, for example, to expand and improve agricultural education. ENDA must find better ways to meet the needs of governmental administration. The practicality of training at the National Institute of Public Works might be improved and graduates of this school must move into positions where they can benefit from working with expatriate personnel.

In general, on the staff side, there is little the U. S. can do in terms of input of staff except possible contractual support of the agricultural faculty at the University of Kisangani discussed in the Agriculture paper. However, we would hope that there could be some increase in exchange programs to bring additional individual U. S. professors into the three main universities. On the Congolese side, AID should continue and expand financing of degree training for persons selected by the universities as potential teaching staff.

Wherever cooperation with other donors can insure availability of teaching staff in areas of economic or administrative importance, AID can assist educational construction. In general, we expect to finance basic construction needs over the next few years with counterpart funds rather than with DL's, since short-term requirements are scattered between several relatively small projects at different schools. A possible exception discussed under Agriculture is the Kisangani Agricultural Faculty. Counterpart for educational construction will be provided only within the context of better focusing of attention on areas of high importance.

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One form of support which the USAID program has given to the three universities in the past will have to be reshaped over the next two years. Since 1966, USAID has used counterpart funds to support a scholarship program at the three universities for approximately 350 students, of whom some 212 are from other African countries. As counterpart resources diminish, this program will be gradually phased out. Insofar as the program has supported Congolese students, it has been a form of budgetary support to the universities, and its decline will throw a heavier burden on university and government budget resources. As to foreign students, it is unlikely that the government will absorb the full budgetary burden which has been carried by USAID scholarships. Unless there is a sharp increase in African Higher Education Program scholarships for foreign students in Congolese universities, the number of such students will decrease. At the same time, there is also need to improve and expand AHEP programs as far as Congolese students are concerned. This involves an increase in the number of Congolese attending their full four-year college careers in other African countries. Of even greater interest and usefulness, however, would be an exchange program within AHEP under which students at Congolese universities could spend one or two years at other African universities which have complementary courses to those available at Congolese universities.

Finally, there is need to assure that post-secondary school graduates, particularly graduates of specialized institutes, are properly utilized. While there are budgetary problems which must be observed, governmental efforts to increase salaries of higher civil servants should be supported. Low public sector salaries have been a particular disincentive to graduates of special institutions. The government should review its Civic Service programs to get university and institute graduates placed more quickly in jobs related to their training. In this respect, if a U. S. consultant familiar with successful programs of this sort could be located, it would be desirable to consider a 2- to 3-month survey of how the present system functions and how improvements might be made. Finally, there is need to match up graduates with agencies which can effectively use them--e. g. , a good UN Funds-in-Trust team now functions in the Ministry of Public Works who could guide new graduates of the National Institute of Building and Public Works if a large enough number of graduates could be gotten into the Ministry's technical programs.

d. Shorter-Term Manpower Problems
(i) Expatriates in the Public Domain

Improvements in the educational system can help meet longer-term manpower needs. But important short-term gaps continue to exist. While one cannot

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expect in the short run to bring the capacity of middle- and upper-level Congolese administrative and technical personnel to desirable levels, judicious use of expatriate personnel and an expansion of in-service training programs can help close the worst gaps. An important problem is the need to determine what are the key areas where potentially available resources should be devoted and which are the areas which, if effect, must be largely ignored because of limited resources.

In the public domain, the main sources of expatriate personnel are bilateral and multilateral technical assistance programs--UN, EEC, French and Belgian primarily, but also with smaller programs from other sources. The input of technical assistance has never been coordinated, nor has there been adequate direction to assure that technical assistance is devoted to high priority areas. Belgian TA was originally only a different means of financing employees carried on from colonial days, although efforts are now being made to concentrate more on priority areas. The UN Funds-in-Trust program filled gaps on the basis of candidates available, and only now that the program is being reduced has hard thought been given to priorities. Despite the size and complexity of the several donors' programs, there has been no effective Congolese instrument for coordinating them, avoiding overlap and assuring that they addressed priority needs.

Demands for expatriates will rise as the economic tempo of the country increases. This requires more than ever a sharpening of the focus of the limited resources available. There is need to determine whether certain elements of the UN Funds-in-Trust program should be continued after 1969. There is probably need for the GDRC to develop arrangements to continue WHO medical assistance after 1969. There is need for better coordination of external assistance.

As far as the U. S. is concerned, the following actions seem appropriate. An immediate study should be undertaken with the GDRC and the UN to determine if the Funds-in-Trust program should be extended into 1970 and 1971 in specifically delimited fields and the U. S. should be prepared to provide a reduced but continuing level of support in these years if the UN is willing to continue and there is support from other donors. The USAID should also work towards getting the GDRC and WHO to work out a GDRC-financed program of medical assistance for such needs as exist after 1969 termination of the basic Funds-in-Trust program. USAID should give strong support to UN and GDRC efforts to establish a technical assistance coordination unit. Once established, participant training should be considered for staff members.

A major effort needs to be undertaken to get mounted additional Special Fund programs in fields where the UN has to date had to play a major role and where important development needs will suffer if the diminishing Funds-in-Trust staff is not replaced by effective institutional arrangements. Specifically, we need to review whether and how a Special Fund or other technical assistance program might function to replace and improve current Funds-in-Trust efforts in the Ministry of Public Works and particularly in the field of road improvement and maintenance.

We should seek to get the Belgian Government to improve the quality of personnel and find means gradually to replace ex-colons with better qualified personnel with a more acceptable outlook on contemporary Congolese developments.

Very positive consideration should be given to undertaking a Peace Corps program which could help fill some of the manpower gaps with the kind of individuals who would be more conducive to providing Congolese counterparts with new outlooks and approaches. The U. S. should consider a broader TC/DG program as described elsewhere in this Program Memorandum.

(ii) Expatriates in the Parastatals

Outside of the direct realm of public administration, there has also been a marked move towards use of management contracts in parastatal organizations. To date this has affected Gecom in and Regideso, but similar possibilities exist for SONAS and Air Congo. The IBRD apparently believes an approach of this kind is needed for Otraco. There are two main dangers inherent in this move. The first is the tendency to look too much towards familiar Belgian connections. While this is understandable, outdated Belgian paternalism could again become too rampant if there is not greater internationalized participation in these management activities. In this same vein, it is essential that any new arrangements include clear arrangements for training of Congolese to avoid discontent among university graduates seeking power themselves.

The U. S. should give solicitous support to this general move, but should advise the GDRC to assure there is clear provision for effective training of Congolese. When the situation permits, introduction of non-Belgian elements should be suggested. Just because of the strains which existed in the past and which are likely to reoccur in the future, for example, we would prefer to see any technical assistance arrangements which might be developed for Air Congo undertaken by the Canadians instead of Sabena.

(iii) In-Service Training

In addition to promoting the appropriate use of expatriates to meet the Congo's interim needs, there is also need to increase and improve in-service training. The needs in the areas of agriculture, transport and police are described elsewhere in this PM. For general governmental administration, it is important that ENDA's non-degree program of short courses for presently employed administrators be properly focussed and developed. While we look to the Ford Foundation for help in this direction, the availability of counterpart funds should be used to reinforce such prodding and pushing as may be needed for Ford to make its points.

It would be desirable to have the Special Fund-supported National Institute for Professional Preparation (an in-service trade training school) undertake a major evaluation of its program to date in order to see if revisions and/or expansion of its approach should be considered. USAID will work with ILO towards bringing this about.

Training in the labor field by the AALC should be reviewed in depth during 1969 to determine future direction of these efforts.

3. What are the Problems of Security in the Congo and What Actions are Needed to Meet Them
 - a. Background to Today's Problems

The security problems of the Congo are based on a number of long-term historical factors as well as on events and forces which have developed since independence. The Congo attained independence with no cohesive, indigenous political history or experience. Tribal, social and cultural differences made the concept of national identity hard to apply and left the nation ripe for exploitation by outside forces. These forces used the confusion of the situation to set in train a series of events which lasted from independence through the end of 1967, deeply marring efforts to bring about national unity.

The fact that outside forces could exploit the situation resulted both from the historical patterns of the country and from the inability of civilian and military security forces to deal with their problems, largely for the same reasons of tribalism, lack of cohesiveness and lack of experienced leadership which afflicted the whole nation.

The resulting armed conflicts, secessions and rebellions caused important damage to the physical productive capacity of the country and a degradation

in urban and rural living standards. This led to a certain yearning for the past, and a tendency by some Congolese to question their ability to improve their own political and economic well-being.

In mid-1968, many of the factors which mar national security continue to exist. Little sense of national unity has yet been instilled. Lack of trained personnel still leaves governmental services outside of a few urban areas at undesirably low levels. Security forces remain poorly trained, badly led, corrupt and often indifferent to the effect their actions have on the well-being of fellow Congolese.

Yet changes have taken place. The 1967 mercenary rebellion probably was the last effort of European interests to foment internal disorder. Mobutu's improved image in African eyes lessens the likelihood that other radical African states will provide outside support to rebellious factors. The lack of any important external threat, the general malaise of the population, and the successful efforts of the regime to throw its mantle over potentially dissident political leaderships has largely dampened the prospect of overt military difficulties. Some recognition of the need to face economic problems is occurring, although this is still too little translated into progress. A turn-back to acceptance of using expatriate personnel to keep key services functioning has led to a considerable muting of the xenophobic and racial manifestations of a year ago.

These forces and changes have been analyzed in greater depth in the Embassy's annual political/economic assessment, A-562, of May 16, 1968, which concludes that the security situation of the Congo is probably at its best at any time since independence, but that conditions are still far too unstable to suggest that security considerations in the Congo do not continue to constitute a predominant element of U. S. interest in the country.

b. Current Security Problems

The major factors currently tending to threaten internal security, and which are discussed in greater depth in Embassy's A-562, are:

- (a) Continued major weaknesses in overall governmental administration and provision of public services, due to lack of adequate administrative and technical personnel and to outmoded budgeting procedures;
- (b) Economic pressure on the small wage earner, resulting from price increases caused by the June, 1967, monetary reform, which can be resolved only by gradual economic improvement;

(c) Corruption and dishonest management in government and private business. These factors have the dual effect of securing the loyalty of those having access to power and its spoils, while tending to alienate government leadership further from the masses. The government recognizes that the latter effect has become increasingly evident and has taken certain actions to reduce corruption--court cases regarding Gecomina and the "New Man" scandals, institution of harsher penalties, etc. The monetary reform and import liberalization eliminated the problem of import quota irregularities. It will be helpful if the government can raise salaries of higher civil servants. But the abrasive problems of corruption are unlikely to be eliminated without far greater changes in attitudes of governmental leadership than has been seen so far.

(d) The existence of political institutions, the MPR and JMPR, which have not yet found means to formulate concepts of nationalism and national destiny but which do give voice on occasion to political positions which are embarrassing to or at odds with governmental policy. While the MPR and JMPR give some new dimension to internal politics, they in no way lessen personal jockeying for position, and the lack of institutional stability in the allocation of political power and the designation of supreme leadership.

(e) The continued problem of the Congo's geographic location vis-a-vis Angola and Rhodesia, its partial economic dependence on those two states, and the problems this causes in association with Congolese efforts to support Africanization of these European bastions;

(f) Continued glaring weaknesses in military and civilian security forces, which are inadequate to meet possible external threats, brutal and unsophisticated in their repression of internal security threats, and which lack the capacity, leadership and training to maintain normal law and order, even in the major urban centers.

c. Implications for U. S. Assistance Policy

(i) Security Forces

(a) The ANC -- The problems of the ANC are basically three. At the political level, the government wants to see formed a rapid reaction force which assures ability to withstand external aggression of moderate magnitude. At the economic level, it is important that the cost of military security be reduced (or at least that military expenditures represent a smaller percentage of increasing budgetary expenditures) through reductions in total force levels, to allow increasing resources for developmental purposes and regular government administration. At the practical level, the quality of army leadership must be improved, the training of the ordinary soldier must

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be bettered, and there must gradually be instilled in the military services a greater sense of national duty, civic pride and a lesser tendency towards brutality and use of naked force against fellow Congolese.

From a practical point of view, the first two needs above appear complementary--establishment of an effective rapid reaction force could justify a reduction in total size of the armed forces. The requirements for such a force are organizational and training needs which can presumably be met from Israeli and Belgian assistance, and the provision of mobility. This last point is most difficult, because the government's present strategic concepts tend towards use of expensive equipment (jet fighters and C-130 transports) which Congolese technicians are many years away from being able to operate. One of the practical problems which makes difficult an assessment of the position the U. S. should take on financing of mobile forces is a lack of precision on what the costs of a smaller, more mobile army might be. The costs of equipment and equipment operation are in fact likely to increase. Are these increases capable of being offset by reductions in personnel and related costs? Until further analysis of these relations is undertaken, the forcefulness with which we should support a rapid reaction force cannot be determined.

As indicated in A-562, the development of a rapid reaction force, which is theoretically capable of justifying a streamlining and reduction in overall force levels, will not necessarily lead to such a result. The dependence of Mobutu on tranquility within the armed forces will restrain the government from precipitous action which could lead to internal power struggles.

U. S. influence on the direction force levels will take comes not only from our MAP program but also from the overall U. S. diplomatic position in the Congo. Thus, while the content of the MAP program certainly affects our longer-term interests in army capabilities, it has less influence on the overall direction of Congolese military policy than diplomatic efforts which stem from the position of strength that MAP, AID, etc., give to the diplomatic establishment.

Aside from the specific training and logistical objectives of the MAP program, it is important constantly to reiterate the need for government to control and restrain military expenditures, to aim for gradual reduction in force levels, and to improve the military's image by holding down its intervention in civilian control operations and by some work in the field of civic action. This will undoubtedly lead to counterpressure to assist in meeting the mobility requirements of the rapid reaction force. More importantly, one cannot expect rapid

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or radical results, because of lack of comprehension in civilian and military leadership and because of the desire to avoid internal political repercussions from too rapid change. Despite the fact that changes are not likely to be marked or rapid, there remain reasonable prospects that they will take place. The gradually improved training of younger officers, the slow shunting aside of incompetent senior officers, and an increasing recognition by political leadership of the need to begin demonstrating real results in the economic sphere, all suggest that continued advisory efforts on our part won't fall totally on stony soil.

In addition to concern about overall strategic concepts and force level directions, there is need to improve the ANC's image in order to strengthen confidence between populace and government. While the President has expressed considerable reservation about civic action programs, the necessity for economic development may soften this stand and permit modest programs of this sort in the coming year or two. A small effort is now under way between British assistance for construction of Bailey bridges and ANC engineers. Consideration is presently being given to a similar effort for use of pontoon bridges being imported under the AID program. AID and COMISH will seek further to promote additional efforts and will particularly seek to make use of AID counterpart resources with special MAP-supplied equipment in support of such efforts.

(b) The Police -- The problems of the police are not unlike those of the ANC--poor leadership, inadequate training facilities, lack of adequate discipline and pride of organization. These difficulties are amplified by the lack of glamour and prestige which continues to adhere to the ANC. This leads to inadequate budget support, limited attention at the political level to the problems of the police, and insufficient authority being accorded to senior police officials.

These problems are also greater for the police than for the ANC because a national police organization has existed only for about two years, whereas the ANC and its colonial predecessor, the Force Publique, always were organized on a national basis and always sought to represent some form of national interest. Government efforts to relocate police officials and agents outside their home provinces add a dimension of difficulty long since overcome by the ANC.

As a result, police operations are at a generally low level. Crime is an increasing problem but only limited patrol procedures exist in major urban centers. The Kinshasa traffic police are one of the better units but are without

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adequate mobility and have only rudimentary communications. Riot control capacity is limited.

Improvement of the police will thus be a very long-term proposition. Certain physical improvements can be made quickly, as seen in the good quality of the national police communications network introduced under the AID program. But basic improvement will come largely only as a new generation of trained police officials gradually take on added responsibility and are given the political and budgetary support needed.

While the Congolese national police are not expected to reach even effective minimum standards within the coming decade, certain improvements can be made, and younger, potentially abler officers can be helped over time to mold a more effective force. It is particularly important to produce police practices which are more respected by the populace and which demonstrate that police protection exists for the benefit rather than the repression of the individual citizen. In mid-1968, there is increasing recognition by political leadership that police improvements are necessary. While police developments have lower priority than ANC improvements, recent actions and statements by the President, the Foreign Minister, and the Vice Minister of Interior suggest that greater support for and interest in external efforts to improve police operations can be expected.

Political support for the police may be sporadic. There will continue to be budgetary problems, and there will be some resistance to the use of foreign advisors. Nevertheless, the USAID has concluded that there is enough high-level governmental interest and an important enough need that we should continue to work with the police. An E-1 submitted in May, 1968, thus proposed a continuation of advisory services and the provision of some equipment, with emphasis on improving training of police officers, improving overall police administration, continuing development of the communications network, and providing help in certain limited material requirements of the police.

(ii) Application of Title IX and its Relationship to Security Concerns

Superficially, the internal policy of the Mobutu Government, by suppressing local organs of government and replacing them with arms of central government over which the population has no direct control, appears contradictory to the intentions of Title IX of the Foreign Assistance Act. In fact, the Embassy believes that the present direction of Mobutu policy is an essential precondition for any eventual democratization of the nation. The Congo had a try

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at representative local government, and chaos resulted. This result came from the lack of national solidarity and consciousness, from a lack of any meaningful political experience by politicians and the electorate, and from the nonexistence of a qualified administrative corps.

By centralizing power, by eliminating local representative bodies, and by mixing the tribal composition of local government officials, the Mobutu regime is seeking to build a national attitude, to utilize limited manpower and financial resources for improving governmental administration as efficiently as possible, and to eliminate the divisiveness of a multitude of tribally based, inexperienced political parties. Only by following this trend is there much prospect for establishing an eventual basis for meaningful extension of the electoral franchise. The Embassy thus concludes that support of Mobutu's general policy of consolidation is in fact consistent with Title IX.

While this policy is needed to lay the basis for future democratic action, such action will not necessarily follow. In responding to Title IX, therefore, our concern should be to promote conditions which make the possibility of eventual moves towards democratization more readily achievable within a central power structure than would be the case without our actions. Our concern thus focuses around three areas: (a) Upgrading administrative capacity of government so that it can in fact act in a manner more responsive to the needs of its citizens; (b) Helping to strengthen concepts of national identity and pride in national unity; and (c) Helping to broaden popular participation in governmental and non-governmental activities of a non-political character so that more people have a chance to deal with their own social and economic problems and to recognize their administrative, budgetary and related implications.

In many respects, the overall AID program, particularly those activities financed with counterpart funds, have had as an aim the idea of nation building, and future programs aimed at general economic development will thus have some effect. There are, however, specific programs which we intend to pursue which are particularly aimed at meeting the problems defined above.

While economic criteria will remain in the forefront in decisions with respect to use of counterpart and other financial resources, we want at least modest geographic spread to programs supported by ourselves or by financial resources of other donors and the GDRC itself. While major investments may tend to be grouped in relatively limited geographic areas, all provinces and major areas of political influence must have some feeling of participation in the development process.

In the field of education, as discussed in more detail in the manpower section of this PM, we will aim more directly at in-service training programs and other programs to upgrade capacity of present government officials. We will

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watch carefully Congolese Government moves towards greater use of expatriate personnel. While this is a generally desirable trend to get the creaky administrative and technical structure of government and parastatal organizations moving again, it could cause disenchantment among the younger generation who are themselves seeking greater responsibility. We must avoid being too much in the forefront of this movement and should counsel arrangements which give real assurance that Congolese will be adequately trained. It is highly desirable to internationalize the effort and minimize reliance on Belgian interests.

The MPR and the JMPR exist. While direct support of these organizations is not appropriate, it would be useful to get them to devote themselves more directly to matters of social and economic benefit. This is an objective which can more readily be obtained through the JMPR than through the MPR itself. It is planned to try to get the JMPR to turn increasingly towards carrying out small projects of public value, which can be supported from the Ambassador's Self-Help Fund.

We will also continue actively to use the Self-Help Fund for strengthening local Congolese undertakings which pursue community participation aims. An effort will be made to rely less on missionary and similar groups and to move more towards projects involving greater direct Congolese initiative. If a Peace Corps program is started, they will be asked to play an important part in self-help programs. Particular attention will also be given to youth groups. Efforts by universities to provide useful summer program outlets for students will be promoted.

It is believed the Peace Corps can play an important and useful role in stimulating community activities. It is expected that possible PC activities in the Congo will be discussed in coming months, and AID will be fully prepared to give appropriate financial support from counterpart funds to any possible PC programs having as an element public participation in improvement programs.

Within the agricultural program, particular attention will be given to assistance to cooperative undertakings. Planned pilot agricultural credit programs, while being based on certain crop production goals, will seek to emphasize development of agricultural cooperatives. A pilot effort with one such cooperative, undertaken with counterpart financing in May, 1968, will be studied with care to determine the problems and advantages of cooperative undertakings in the Congo.

We will explore further possible limited civic action programs to be undertaken in conjunction between the ANC, COMISH and AID, with emphasis on

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small, controllable projects such as limited road improvements, small bridge developments and the like.

Improvements in labor union operations can have an important effect on urban worker attitudes, and continued support will be given to AALC efforts to upgrade the capacity of union leadership. This leadership has so far been well consulted by the government and has given broad and helpful support to the 1967 monetary reform. Recognition and reward for union members' sacrifices during this period must be provided through adequate prestige being attached to union activities, through judicious development of AALC impact projects, and through related means.

d. Conclusions

The security problems of the Congo are closely interwoven ones of short-term improvements in security force capabilities, mixed intrinsically with the need for basic cultural and social changes. The solution of the Congo's problems will not come easily. There is need to develop capacity of security forces to meet internal and external aggression and to dampen the problems of crime, local conflict and the overtly hostile signs of cultural change. Efforts in this direction can be made through MAP and Public Safety programs. Basic improvements in these forces will take time and will go forward only as the overall society changes and adapts itself better to the modern world.

Improvement of military and police forces is not the whole answer to the security problems of the nation. There are the deeper and more difficult problems of basic economic growth, nation building and societal change. Obviously, the U. S. can play only a small role in this broader need. Change depends on Congolese desire to bring it about. But we can assist this movement by appropriate support, particularly in the area of economic development. In dealing with the problems of development, however, we must not be too doctrinaire. While economic criteria must be carefully observed, there must also be recognition that it is social, cultural and security changes which must result, and not simply changes in economic indicators. This recognition must pervade all programming of developmental resources and the manner in which such programs are carried out.

4. The Role of Private Enterprise and its Implication for AID

Private enterprise has always played a substantial role in the development of the Congo. As noted earlier in this PM, private investment in the last decade

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of the colonial period was estimated at about \$165 million a year, or almost double the level of public investment. Even today, although the public sector has taken over some substantial enterprises which were previously privately operated--notably the former UMHK copper facilities and the insurance industry--and has increased its portfolio interest in certain other industries, private enterprise plays a substantial role. Outside of copper, private enterprise is the mainstay of the mining industry. Agriculture is almost entirely in private hands. Industrial establishments are largely in the private sector. The most important railway operations and virtually all road transport are private operations. While the national airline, Air Congo, has priority right to longer distance scheduled runs, a private company, Cogear, is authorized to haul smaller passenger loads on regular runs and charters, and another company, Congo Frigo, operates very important air cargo runs. Although the recently established Economat du Peuple is having some impact on agricultural marketing, the movement of agricultural goods and the supplying of incentive goods to farmers is also predominantly a private business affair.

The Mobutu regime has had mixed reactions as to how it should deal with private enterprise. To the extent that particular companies attempted to use their economic power to affect Congolese politics, the government has sought to limit private enterprise's role. This was clearly the main motivating factor in nationalization of UMHK and the break in technical assistance relations between Sabena and Air Congo. There has also been a persistent intellectual bias among certain younger officials and students towards nationalization, but this bias affected national policy to date only in one significant case--nationalization of insurance companies. There is also a very clear feeling within government, commerce and universities that the Congolese themselves must have a greater share in economic activities and that these affairs are far too heavily dominated by foreign interests. For some, especially some young intellectuals, the only solution is nationalization of foreign interests. For others, especially those already in commerce as well as some governmental officials, the need is to provide special arrangements which promote Congolese private entrepreneurs. The former import quota licensing system was the greatest force in this direction, since Congolese with the right connections could obtain licenses for imports which were then financed by foreigners unable to get adequate import licenses. By this means, a goodly number of Congolese obtained modest capital--and some a good bit of capital--but many of these Congolese now seek other forms of favoritism since their inside track has been destroyed by liberalization of imports.

Despite these pressures against private enterprise--particularly foreign private enterprise--there is a pragmatic recognition that economic improvement continues to rely on private, including foreign private, investment. Thus many elements of the monetary reform were specifically aimed at improving the climate for private investment. While there are political problems in settling disputes with UMHK, there is an evident desire to do so in order to attract other foreign investment into the mining sector.

At the present time, the most impressive evidence of Congolese desire to strengthen private enterprise is its desire to get a Development Bank organized. Even after IBRD and IFC representatives made it clear that the kind of Development Bank they envisaged was likely to benefit primarily non-Congolese-owned industries, and that few Congolese entrepreneurs were likely to be able to participate, this interest has not flagged. As a result, we strongly anticipate the establishment, within the next 12-18 months, of such a Bank with IFC financial support and perhaps some technical assistance. We would expect that establishment of such a Bank could also attract Belgian public and private capital, and we believe this should be encouraged in every way possible. We would hope that similar capital might be forthcoming from German, Italian or French interests. While definitely supporting the establishment of such an institution and believing it would have substantial economic benefits for the country, we would also hope that support from IFC and other donors would be sufficient that consideration would not have to be given to DL or other U. S. participation (except, of course, some use of counterpart).

For, while we believe a Development Bank of the kind envisioned by IFC is necessary and desirable, we also see important political problems attached to it. There are very few Congolese entrepreneurs who have the experience, background and capital which would allow them to benefit from such a Bank. If the Bank is established and largely helps only foreigners without some arrangement being made for assistance to Congolese entrepreneurs, there may well be a ~~more~~ distinct disenchantment with the regime.

For this reason, despite our desire to see the Bank project come to fruition, we believe our own actions should be directed more towards finding means of technically and financially aiding Congolese businessmen. This will be a far more difficult effort, but it is one that in our opinion must be undertaken.

Specifically, it is proposed that in the latter half of FY 1969, after plans for the Development Bank are somewhat further along, a TDY industrial advisor

spend a minimum of three months in Kinshasa reviewing the prospects for and means by which some form of simplified, business advisory service might be established to provide Congolese industrial, artisan and commercial entrepreneurs guidance in improving use of their capital. If such a service could be devised which is applicable to Congolese needs, we would wish to proceed with FY 1970 DG financing of contractual services for such an organization. Inter-related would be the need to provide some form of credit program for Congolese entrepreneurs not qualified--because of the volume of their business activity, credit rating, etc.--for loans from the Development Bank. This credit program might be carried out on a pilot basis with a combination of DG and counterpart financing in FY 1970, with consideration being given to a modest Development Loan in FY 1971.

We recognize that our thoughts on this subject are still at a very preliminary stage and that this will be an exceptionally difficult problem to deal with. It is our intention in this PM only to draw recognition to the need to seek an effective way to deal with an important matter. We must ask AID/W, however, to give us very serious help in figuring out the best way in which the problem can be attacked.

5. What are the Needs in the Transport Sector?

a. Introduction

In a country one-third the size of the continental United States, located in the center of the African continent, the transport sector is a key element of the economy. This importance is highlighted by the eccentric location of the industrial centers around Kinshasa and Lubumbashi and the long distances that commodities must travel. The nature and extent of the transport network was described in detail in the FY 1969 PM. This information remains valid. The present analysis seeks to identify the development priorities in the transport sector and give dimension to the resources required for their accomplishment.

b. Roads, Bridges and Ferries

The Road and Bridge Service in the Ministry of Public Works, responsible for the repair, maintenance and development of the national road network, is confronted with major problems found in varying degrees throughout the public transport sector. These include an acute shortage of trained Congolese administrative and technical personnel, urgent need for better maintenance of existing infrastructure, an impressive backlog of rehabilitation

requirements, and the need for new investment in the network. Though budgetary allocations in 1968 reached \$3 million, more than three times the 1967 figure, suballocations are often made without due attention to priorities and administrative difficulties cause delays in implementation even when there are sufficient funds.

An estimate made in 1968 for minimal road maintenance indicates an annual requirement of \$10 million, to cover road conventions of 27,000 km of the most important dirt roads and the interurban network of asphalt roads totaling 1,800 km. In 1968, approximately \$6 million is being made available from counterpart funds for road projects, and this with regular budgetary funds nearly equals these estimated annual requirements. However, as counterpart availabilities are reduced, there will be increasing pressure on the ordinary budget.

To date, most road work is being planned and supervised by UN and Belgian technical assistants. No engineering graduates of the two Congolese universities or the Public Works School have been hired by the Public Works Ministry. While Belgian technical assistance may continue at present levels, the important UN Funds-in-Trust program is presently scheduled to terminate by 1970.

A solution to this critical situation which appears to have the greatest possibility of success is the creation of a National Roads Office under UN Special Fund or IBRD auspices. Such an office would permit much needed administrative reorganization, a means of hiring and training Congolese cadres who are now coming out of the local schools, a means of establishing priorities for maintenance, rehabilitation and investment in the road network and an office through which external financing could be channeled and available budgetary resources could be more effectively employed. Additional budgetary resources also could be provided from increased vehicle licensing fees and an increase in petroleum products taxes.

If such an office is created and receives needed technical assistance, there will remain a requirement for substantial capital financing which will certainly exceed possibilities of financing from GDR resources. External financing will have to be found. The work involved includes continued rehabilitation of roads, bridges and ferries, and the construction of some new roads in regions where increased economic activity and agriculture development warrant the investment. Some dirt roads in the Kasai, Katanga and Bas Congo now have

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sufficient traffic to warrant hard surfacing in the next several years in order to minimize upkeep costs. There also are a number of key links in the trunk road system that remain to be completed, as well as numerous river crossings where heavy traffic now warrants the replacement of ferries by bridges. As additional funds become available, further investment must also be made in improving feeder roads linking the principal waterways and railroads with their hinterlands.

We understand IBRD is giving serious consideration to a possible loan or combined loan/UNSF project to provide key technical personnel and highway maintenance equipment, which would allow the GDRC to do the kind of limited road improvements which have been financed by counterpart outside the convention system for the past several years. It is highly desirable that this initiative be pursued and we should lend all possible support to it. It is conceivable that, if IBRD were to move into this area, it would be providing sufficient financing--along with that being made available by EEC/FED--that no AID dollar financing would be needed for some period of time. However, we believe this is unlikely and that as a minimum AID should be prepared to consider financing some equipment for ferry and bridge repair and development. Very tentatively, \$3.0 million is the amount under consideration for FY 1970.

There is one specific water crossing that concerns us at the present time--the ferry crossing at Matadi. This crossing is the only present link between the rich Mayumbe area and the rest of the Bas Congo, Matadi Port and Kinshasa. Present ferry facilities are completely inadequate, and there are constant pile-ups of large numbers of trucks. Because the Matadi airport is on the opposite side of the river from the port, Congo Frigo finds it less expensive to bring products by rail from Matadi to Kinshasa and from there by air to the eastern Congo than to transport across the river to the airport and directly on by air. We propose in FY 1969 to have a study undertaken of the transport needs of the area, leading to recommendations on the economic desirability of either constructing a bridge crossing in the area or of providing much higher capacity ferry service. This also could lead to possible DL needs.

c. Ports and Navigable Waterways

The Congo river system and the five eastern border lakes include some 10,000 miles of discontinuous navigable waterways. The system is divided into three major regions. The vital maritime section reaches from the mouth of the Congo River to the first rapids upstream from the country's principal port, Matadi. The middle division is the most extensive, covering

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all the navigable stretches of the Congo and its tributaries upstream from Kinshasa and the 200 miles of rapids that separate it from Matadi. Other principal ports in this division are Port Francqui, Kisangani, Kindu and Ponthierville. The eastern border lakes, Moero, Tanganyika, Kivu, Edward and Albert, make up the eastern division. Albertville, Bukavu and Goma are the main ports on the lakes. Responsibility for various portions of this extensive system is divided among the Navigable Waterways Service in the Ministry of Transport, OTRACO, the parastatal transport company, the private BCK railroad and the nationalized CFL railroad. In general, port operation and maintenance are the responsibilities of the companies and channel marking and dredging that of the Navigable Waterways Service.

The effectiveness of the Navigable Waterways Service in maintaining channel depths and appropriate channel markers, and in maintaining minimum depths alongside wharfs, is compromised by inadequate budgetary allocations. Throughout the Service, there is urgent need for repair, replacement and additional equipment. Effectiveness is further hampered by the lack of qualified Congolese senior-level management and technical personnel, though at the junior and middle levels the staff is all Congolese. This need for senior-level personnel is in part filled by a ten-man UN team financed by the Funds-in-Trust program.

The direct implication of these problems was highlighted by a visiting expert who suggested that the freight-handling capacity of Port Francqui, which is the lowest of any point on the Lubumbashi-Matadi Voie National, could be substantially increased if minimum channel and alongside wharf depths could be maintained. This could be accomplished by hiring a fully experienced dredge captain and carrying out needed repairs and maintenance on available dredges and auxiliary equipment already assigned to the upper Kasai. There may be some oversimplification in the expert's presentation, but there is no question that it is very close to the truth of the matter.

The problems of finance are illustrated by the 1968 experience. The Service presented an ordinary budget request of \$5 million simply for basic operating costs, and a capital budget of \$7 million, largely for rehabilitation purposes. None of the capital budget was approved and only half the ordinary budget request was granted.

Some of the Service's capital requirements are being met from external aid sources. One of the most critical needs is for large capacity dredges for

use on the ship channel between Matadi and the sea. An EEC grant permits the purchase of two such dredges for delivery during CY 1970. In the interim, in order to maintain a minimum 30-foot channel, counterpart funds were provided to finance a \$2 million contract with a U. S. dredging firm. We are now studying a proposed counterpart project for rehabilitation of fleet units, particularly for small dredges and channel marking boats, and for urgent port repairs. Priority will be given to units scheduled for work on the Congo-Kasai section in order to assure optimum navigational conditions on this critical section of the Voie National. There remains a broader need for purchase of marine engines, spare parts, etc., and it is planned to aim at a DL equipment loan of approximately \$2 million in FY 1970. It is proposed to undertake a two-month TDY engineering review of the Service's programs during FY 1969 to firm up a loan program.

If the departure of the present ten UN Funds-in-Trust technicians takes place without other arrangements, there will be a marked decline in effectiveness of the Service. We therefore propose to seek support of the UN Special Fund or IBRD for a special project that could be established before the UN technicians depart in 1970. A condition for establishing such a project should be the transfer to the Voie Navigable of responsibility for all ferry maintenance, repair and operation. The Mechanical Service of the Public Works Ministry, currently responsible for repair and operation, has a singularly poor record in this important area.

A recent development in the political field has possible implications for regional participation in developing and improving the Congo-Ubangi waterway. The association of Chad, Central African Republic and the Congo this spring in a Union of Central African States might result in increased freight movements on the Congo-Ubangi Rivers. TOAID A-317 of April 18, 1968, discussed various aspects of this development. It remains to be seen whether traffic that formerly moved via Brazzaville will now move via Kinshasa.

More significant will be whether Chad traffic that formerly moved through Cameroon will be diverted to this waterway. If this traffic does develop, new investment will be required in OTRACO's fleet as well as in channel maintenance and marking.

d. OTRACO

This parastatal agency of the Congolese Government combines river, rail and road transport facilities. Its most important elements are the port of

Matadi, the railroad from Matadi to Kinshasa, the port of Kinshasa and transport service on the Congo-Kasai waterway from Kinshasa to Port Francqui.

A comprehensive study of its operational aspects, performance and major problems is contained in the Embassy's A-228 of November 23, 1967. Two other studies are in preparation by the IBRD and the Middle African Transport Survey financed by AID. Their recommendations should provide valuable current information on anticipated traffic development, management problems and financing requirements. Two other studies, on the improvement of the Congo-Kasai portion of the Voie National and on the costs and economic justifications for a railroad linking Port Francqui with Kinshasa, are also available, one prepared by a Japanese mission and summarized in TOAID A-358 of May 14, 1968, the other by the BCK railroad. Both studies, however, are clearly biased towards the railway link and give inadequate comparison with further river development possibilities.

Though the GDRC is preoccupied with the possibility of constructing the rail link between Port Francqui and Kinshasa to permit continuous rail connections between Katanga and Matadi, this is a \$250-300 million project with, at this time, more political than economic justification and an execution span of 6-9 years. In the interim, the existing facilities at Port Francqui, and the OTRACO fleet for onward river transport of freight to Kinshasa, are just barely able to handle all goods requiring transport. Late in 1967 a considerable backlog built up of goods waiting for barge space. For the next five years at least, the OTRACO plant must be prepared to handle at least an annual 2-3% increase over present tonnage, not taking into account further diversion of copper movement to OTRACO from the Angolan Benguela Railway. But OTRACO is already at the upper limit of fleet and port handling capacity on this section of the Voie National. As noted in last year's PM, the railroads to Port Francqui and from Kinshasa have carrying capacity in excess of current requirements.

Assistance to OTRACO appears to be the first priority activity under consideration by IBRD (with road improvement immediately behind). It appears IBRD is giving serious consideration to some form of loan package covering equipment needs and management improvements. This should again be encouraged to the maximum. It may well be some time, however, before this activity gets clearly under way. At such time as Bank recommendations are available, serious consultation should be undertaken to determine the timing and scope of probable Bank assistance. This consultation should include consideration of DL financing of certain activities to be required on an interim

basis until IBRD programs are fully active; or of possible joint action between IBRD and AID, with DL's being used for specific requirements identified by IBRD but for which it may not be in a position to provide adequately.

In considering OTRACO's problems, while there must be recognition of management problems that exist, there should be no underestimation of financial needs on this account. As the main link to many remote areas, OTRACO must and does serve a social/administrative role as well as an economic one. In recognition of this, the colonial government regularly subsidized OTRACO operations, and this permitted the company properly to maintain its fleet. No such subsidies have been forthcoming since independence, and it is precisely this which has kept OTRACO from keeping its river fleet in proper shape. There is thus need to make up for a substantial financing gap, as well as all the need for future expansion.

e. Railroads

As previously noted in the section dealing with OTRACO, the Congolese Government is preoccupied with the possibility of establishing a railroad between Port Francqui and Kinshasa in order to provide a continuous rail link between Katanga and Matadi. Depending on the choice of routes, the new link might range between 860 and 1,360 km in length. If financing were forthcoming and actual construction began on such a link, both the BCK and OTRACO would have to consider important rolling stock purchases. While this is a possibility for the long term (6-9 years), a more significant development for the short term would occur if the Congo were to close the frontier with Angola. Substantial equipment purchases would then have to be made by both lines and the CFL in order to evacuate all the Katanga's mineral production to the north. The Middle African Transport Survey should provide additional information on these possibilities and their implications for present rail and water routes. For the time being, however, we are opposed to the new rail link desired by the government and believe priority attention must be given to strengthening existing rail and river facilities.

For the next three years, neither the BCK nor OTRACO have indicated any plans for major extensions or expansion. They both are continuing a program of renovation and modernization which includes track replacement and rolling stock procurement.

The Vicicongo Railroad in the northeast is again in full operation. The economy of the region is slowly returning to normal levels again, after the most

recent setback of last year's mercenary revolt. Their program for extending the line from Aketi to Bumba was discussed with the IBRD Mission. Unofficially the Mission was reported to be cool to the plan, because the tonnages to be carried did not yet reach the figure considered to be minimal for investment in a railroad.

The fourth railroad, CFL, has experienced considerable difficulties due to damages sustained during the post-independence civil disorders and a substantial decline in traffic because of the slow recovery of economic activity in the southeastern Congo. The difficulties are so acute that the GDRC may ask the BCK to manage and operate the railroad. If this were to take place, one of the conditions would almost certainly be that the GDRC would agree to provide or arrange for the credit necessary to rehabilitate the line and its rolling stock.

Financial requirements over the short term for OTRACO railways, the BCK and Vicicongo appear likely to be met from operating revenues and medium-term credits. This is an area where appropriate Ex-Im credits would be most helpful for U. S. export interests.

f. Civil Aviation

It is becoming increasingly evident that the extensive airport system that existed at the time of independence exceeds both the present needs of the GDRC and its financial capabilities. The problem therefore becomes one of selecting the principal airfields in terms of present passenger and freight requirements. Having done that, runway lengths and characteristics of these principal fields need to be drawn up as a function of their present and anticipated use. A timetable with priorities then needs to be drawn up for bringing the fields up to agreed standards. Concomitantly, navigational aid and radio communication requirements must be identified and personnel must be trained to operate and maintain the facilities.

An ICAO mission, in part financed under a UN Special Fund project and in part financed from Funds-in-Trust, has made a substantial contribution in this area by providing interim operating personnel, establishing a school to train Congolese to staff the civil aviation establishment. ICAO technicians have also drawn up a list of navigational aids and communication equipment but without an order of priority.

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Unfortunately, only about 30% of the Civil Aviation School's graduates now work in civil aviation, despite the fact that scholarships granted required recipients to work in the government for at least ten years. The government must take steps to enforce these contracts to assure the early replacement of ICAO operational personnel, who will all be phased out by 1970. Budgetary allocation must also be increased to finance these positions and to assure operation and maintenance of the civil air structure. In turn, the size of that infrastructure must reflect the amount of budgetary resources that the GDRC is willing to make available for civil aviation.

An FAA/CAB team is currently carrying out a study designed to establish priorities for airfield repair and construction and the purchase of electronic equipment. They will also examine Air Congo's present and planned route structure and make recommendations as to the aircraft most suitable for operating on the routes.

Counterpart funds have been available for minor airfield repairs and construction. If major construction is called for, external financing from bilateral or multilateral aid donors will have to be sought. For the purchase of electronic equipment which may total \$4-5 million, USAID is prepared to recommend an equipment loan or possibly Export-Import financing.

Pending the outcome of the FAA/CAB team survey, the possibility of developing a jet airport at Kisangani must be given most serious consideration. If given appropriate support by FAA/CAB team findings, we wish to consider an airport design review TC project in FY 1969, followed by a possible DL in FY 1970 or 1971 for this airport.

There is serious need to rationalize Air Congo's fleet. It has to date depended on DC-3's, 4's and 6's. This whole fleet is apparently due for major overhaul in the coming year. Partly in recognition of the overhaul problem and partly believing generally more economic operations can be developed, Air Congo has recently contracted to buy 10 Fokker F-27's, with two scheduled for delivery this summer. The intention is to phase out all DC-3's and DC-6's, retaining only four DC-4's for freight purposes. The major problem with this decision appears to be the lessened flexibility between freight and passenger use that exists with this fleet configuration. Air Congo's internal routing has always run at a deficit. As with OTRACO, Air Congo faces not only management problems but financial ones because of the lack of subsidies since independence which were available before.

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While internal routes operate at deficits, the Kinshasa-European run has always been profitable. Independent Air Congo has had no aircraft of its own to be able fully to exploit this profitability. It has gained some benefits by leasing, first from Sabena and presently from Capital Airways. Air Congo is convinced, however, of the desirability of acquiring its own long-range jet aircraft. After further review by the FAA/CAB team, the most serious consideration should be given to Ex-Im or other U. S. financing to meet this need.

For security reasons, the Congolese Government has also long wanted to obtain C-130 aircraft. The U. S. position to date has been that this is reasonable only so long as such aircraft could be purchased primarily for Air Congo purposes, but available to meet security threats. The Embassy and AID are now working with the FAA/CAB in determining what potential freight market may exist and whether it could justify use of these aircraft. No specific recommendations can be made at the time this PM is being prepared.

6. PL 480 Sales Programs

a. The Commodities Programmed

A PL 480 program for FY 1970 is proposed in the following commodity amounts:

	<u>FY 1968</u>	<u>FY 1969</u>	<u>FY 1970</u>
Rice	-- (1)	7,500 MT	7,500 MT
Wheat Flour	34,000 MT (2)	50,000 MT	55,000 MT
Cotton	13,000 Bales (3)	11,500 Bales	4,500 Bales
Tobacco	1,765 MT (3)	1,500 MT	1,300 MT
Est. Total Value, including freight	\$8,465,000	\$11,700,000	\$10,800,000

- (1) 7,500 MT of rice was PA'd in FY 1968, but from FY 1967 agreement.
- (2) FY 1968 agreement provided for 48,000 tons, but only 34,000 PA'd, with balance to be covered by new FY 1969 agreement.
- (3) Actual amounts of expected utilization, rather than full amount authorized by agreement.

b. Basic PL 480 Strategy and Relation to AID Assistance

PL 480 programs have been an integral part of overall U. S. assistance programs designed to support the Congolese balance of payments position, initially

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during a period of political strife and subsequently during the period of monetary reform. As with general economic aid balance of payments support, the time is approaching when Congolese resources should be capable of financing its own necessary imports of agricultural products and when PL 480, with SA program loan assistance, can be terminated.

However, whereas it is proposed to terminate SA program loan assistance after FY 1969 as we turn towards a development orientation and the use of DL and DG resources, we do not believe the cut-off point of a PL 480 program should be so abrupt. The continued existence of a PL 480 program should be contemplated, in our view, at least through FY 1971, in order to provide the GDRC with greater flexibility in use of its own foreign exchange resources for developmental purposes, as well as to continue to provide the AID program with local currency resources. The latter requirement becomes particularly important as SA-generated counterpart resources disappear at the same time that DL projects demand local currency underpinning.

By the nature of local production patterns, the demand for imports in certain categories supported by PL 480 in the past will diminish. Local cotton production is expected by FY 1970 to come close to meeting industrial demands. Rice production is expected to expand rapidly. While tobacco production will take somewhat longer to fill the gap, there will be a clearly diminishing demand for imports. In all these categories except perhaps rice there is serious doubt that PL 480 imports will be needed after FY 1971 in any event.

It is for this reason that although overall balance of payments considerations might in some respects justify having the GDRC finance an increasing share of its flour imports--a product which in any event cannot be produced locally--we do not propose that this be the case at least through FY 1970. Rather, at this stage, it is proposed that PL 480 continue to be available for all commercial flour imports above levels required for normal marketing purposes. In view of slightly revised consumption and carryover estimates, the figures given above are somewhat lower than those given in TOAID 629 and TOAID A-306, but are based on this assumption of filling the gap between consumption and normal marketings. Our reason for maintaining this high a proportion of flour imports is that, with other commodities necessarily diminishing in volume, total value of PL 480 sales will automatically take place through FY 1970. Reductions in flour financing should begin only after all other reductions are automatically completed to provide the government with some balance of payments relief and economic assistance programs with some local currency support. (N. B. --Continental Grain is currently negotiating for

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construction of a flour mill which could conceivably be in operation by late FY 1970, thus requiring a program partially in flour and partially in wheat. We have not taken account of this in the above because of present delays in getting the Continental program moving.)

c. Alternative Levels of Programming and Assistance Trade-Off Possibilities

Lower levels of PL 480 assistance could seriously disrupt our overall economic programs projected elsewhere in this PM, largely because of the impact of reductions on local currency generation. While it is obvious that increasingly the government must organize its budgeting programs so that there will be local currency available to support foreign exchange provided by outside donors, this is a problem which is not going to be adequately solved in the next couple of years. As indicated elsewhere in this PM, the transition of AID programs from SA to DL's will be a crucial one because of the greater rigidities inherent in project and sector loans as compared to past program lending programs. We cannot afford to inhibit momentum even further by leaving ourselves without reasonable local currency resources essential for moving key projects ahead. We therefore believe lower PL 480 levels would have an important dampening effect on the efficient functioning of overall economic assistance programs. The only useful AID assistance trade-off which could compensate for lowered PL 480 would be some form of AID program loan for general commercial imports, but this seems to be less likely to be forthcoming than reasonable PL 480 levels.

On the other hand, increased PL 480 levels seem impractical because of lack of demand. We have been unable to identify any other commodities which might be added to our present list under liberalized import patterns. Even a modest tallow program which we had considered seems now to be ruled out by local soap manufacturers. The one area where an increase in PL 480 levels might be practical until local production moves further is the provision of rice, but this runs up against practical problems of availabilities. However, it should be clear that the rice figures given above are based on assumed limited availabilities and not on maximum import requirements.

If there were some means to increase PL 480 programming--through higher rice levels for example--there could be a modest although not necessarily one-to-one trade-off in the pressure to move DL projects. More importantly increased PL 480 programs would provide some greater flexibility to assure

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prompter implementation of DL's and would permit us to undertake some of the smaller-scale projects which are not normally practical under DL financing.

d. Terms of a PL 480 Agreement

It would be proposed that terms of FY 1969 and FY 1970 PL 480 agreements be the same as in FY 1968, except that "Currency Use" provisions be added, as is now intended for the initial FY 1969 agreement currently being negotiated.

It is proposed that the Self-Help requirements of FY 1969 agreements be the same as in FY 1968 (as is the case with the interim agreement now being negotiated). Whether some variations in self-help terms should be required in FY 1970 must be the subject of further study.

Current agreements emphasize (but do not require) use of local currency for self-help purposes. Since we will wish to use an increasing share of these proceeds to finance local costs of AID DL projects--which may or may not have close relation to agricultural self-help needs--this emphasis may have to be discarded. On the other hand, continued USG concurrence in use of local currency proceeds is obviously essential.

7. Additionality and the U. S. Balance of Payments

This subject will be covered in a separate submission to be made in coming weeks.

8. Specific DL Projects and the Requirements for Feasibility Studies

An AID/W CDF team is currently in the Congo preparing further specific recommendations on how the general proposals included herein should be dealt with in terms of project preparation in FY 1969 and FY 1970. Their report, to be available in the latter half of July, 1968, will be treated as an annex to this Program Memorandum.

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Part III -- Budget Summary

		<u>FY 1968</u> (\$ 000)		
	<u>TC/DG</u>	<u>SA</u>	<u>PL 480 Title I</u>	<u>PL 480 Title II</u>
1. General Economic Support	-	15,000	8,465	-
8. Public Safety	160	325	-	-
10. Technical Support	340	-	-	-
11. All Other	<u>188</u>	<u>-</u>	<u>-</u>	<u>3,290</u>
Total	688	15,325	8,465	3,290

	<u>FY 1969</u> (\$ 000)				
	<u>TC/DG</u>	<u>SA</u>	<u>PL 480 Title I</u>	<u>PL 480 Title II</u>	<u>Ex-Im</u>
1. General Economic Support	-	\$,000	11,700	-	-
2. Agriculture	310	-	-	-	-
3. Industry	25	-	-	-	-
7. Infrastructure	225	-	-	-	1,000
8. Public Safety	295	150	-	-	-
10. Technical Support	300	-	-	-	-
11. All Other	<u>225</u>	<u>-</u>	<u>-</u>	<u>2,200</u>	<u>-</u>
Total	1,380	\$,150	11,700	2,200	1,000

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FY 70 Alternative A

(\$ 000)

	<u>DG</u>	<u>DL Proj. /Sector</u>	<u>SA</u>	<u>PL 480 Title I</u>	<u>PL 480 Title II</u>	<u>ExIm</u>
1. General Econ Support	-	-	-	10,800	-	-
2. Agriculture	125	1,000	-	-	-	-
7. Infrastructure	150	4,000	-	-	-	2,000
8. Public Safety	250	-	100	-	-	-
10. Technical Support	275	-	-	-	-	-
11. All other	200	-	-	-	1,800	-
Total	1,000	5,000	100	10,800	1,800	2,000

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FY 70 Alternative B
(\$ 000)

	<u>DG</u>	<u>DL Proj. /Sector</u>	<u>SA</u>	<u>PL 480 Title I</u>	<u>PL 480 Title II</u>	<u>ExIm</u>
1. General Econ Support	-	-	-	10,800	-	-
2. Agriculture	200	2,000	-	-	-	1,000
7. Infrastructure	250	8,000	-	-	-	3,000
8. Public Safety	250	-	100	-	-	-
10. Technical Support	275	-	-	-	-	-
11. All other	225	-	-	-	1,800	-
Total	1,200	10,000	100	10,800	1,800	4,000

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FY 70 Alternative C
(\$ 000)

	<u>DG</u>	<u>DL Proj. /Sector</u>	<u>SA</u>	<u>PL 480 Title I</u>	<u>PL 480 Title II</u>	<u>ExIm</u>
1. General Econ Support	-	-	-	10,800	-	-
2. Agriculture	700	3,000	-	-	-	1,000
3. Industry	200	1,000	-	-	-	-
7. Infrastructure	250	11,000	-	-	-	3,000
8. Public Safety	275	-	100	-	-	-
10. Technical Support	300	-	-	-	-	-
11. All other	275	-	-	-	2,000	-
Total	2,000	15,000	100	10,800	2,000	4,000

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ITEM	ACTUAL			ESTIMATED			PROJECTED		
	1966	1967	1968	1966	1967	1968	1966	1967	1968
A. BALANCE ON GOODS AND SERVICES									
1. EXPORTS, f.o.b.	+29.7	+76.4	+20						
2. IMPORTS, f.o.b. (1)	+447.3	+459.0	+460						
3. NONMONETARY GOLD	-301.4	-232.9	-275						
4. TRADE BALANCE	+145.9	+212.6	+185						
5. FREIGHT AND INSURANCE	-45.6	-35.8	-42						
6. OTHER TRANSPORTATION	-12.0	-4.5	-11						
7. TRAVEL	-3.3	-10.8	-10						
8. INVESTMENT INCOME	-2.8	+2.7	-11						
9. GOVERNMENT, n.i.e.	-30.2	-36.1	-45						
10. OTHER SERVICES	-22.3	-51.6	-46						
11. TOTAL SERVICES, NET	-116.2	-141.5	-165						
B. TRANSFER PAYMENTS, NET									
1. PRIVATE	-30.9	-55.1	-90						
2. P.L. 480 - Title III	-44.9	-44.8	-85						
3. CENTRAL GOVERNMENT	+14.1	-10.3	-5						
4. U.S. TOTAL	+20.5	-	-						
5. A.I.D.	+2.8	-	-						
6. P.L. 480 - Title I	+17.5	-	-						
7. P.L. 480 - Title II	+0.2	-	-						
8. OTHER, TOTAL	-6.4	-	-						
C. CAPITAL AND MONETARY GOLD, NET									
1. DIRECT INVESTMENT	+31.1	+46.2	+53						
2. OTHER LONG-TERM	-	-	-						
3. PRIVATE	-	-	-						
4. MONETARY GOLD	-	-	-						
5. OTHER SHORT-TERM	-	-	-						
6. LOCAL GOVERNMENT, NET	-	-	-						

Remarks: Actuals for 1966 and 1967 are from data supplied by the National Bank. Estimates for 1968 are by the Mission based on National Bank projections. These are discussed in Kinshasa's TOLID A-177. No estimates for 1969 have been prepared by the Bank so far.

1/ Figures on U.S. loans have been supplied by the National Bank and have not been reconciled with Mission records.
 2/ The National Bank does not have data on loan repayments at the present time.

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