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Country Development Strategy Statement

FY 1985



Zaire

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BEST AVAILABLE

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Zaire is struggling with an economic crisis that began in 1975 with the downturn in world commodity prices, but the roots of the crisis stretch back to the questionable investments and failed economic experiments of earlier years. The country is rich in minerals and in agricultural and mineral resources, but it has never succeeded in living up to its potential. Today Zaire faces major problems including massive foreign debts, a falling standard of living, and a stagnant economy for which, in the face of continued weak demand for the country's exports, there are no easy solutions.

Since 1975 Zaire has tried a succession of policies to encourage reform and resume economic growth, but success has been limited to date. Nevertheless this experience has made clear that Zaire's problems must be approached in a multi-lateral framework to buttress the country's own efforts. In recent months the government has initiated new reforms including controls on the government budget process, liberalization of prices, a redefinition of the relationship between GECAMINES, the huge Shaba-based minerals producer, and its sales agent, SOZACOM, and a new drive against mismanagement in government. Although these initiatives represent only a first step toward laying the foundation for renewed economic growth, they meet many of the recommendations which the IMF has suggested as prerequisites for the additional stabilization support which must precede new debt relief. A dialogue with the Fund is now underway.

Following on these preliminary measures, President Mobutu, announced that 1983 would be the year of rigorous management and economic recovery through production. As the country's top priorities, he set:

-- anti-corruption and control of government expenditures, with improvement in the management of government programs and departments;

-- reinforcement of the minerals sector and reform of the agricultural sector, with an emphasis on private enterprise;

-- decentralization and liberalization of government controls which have hampered regional development and held back the private sector.

COUNTRY DEVELOPMENT STRATEGY STATEMENT

FOR ZAIRE

FEBRUARY 1983

ZAIRE: COUNTRY DEVELOPMENT STRATEGY STATEMENT, FYs 1985-1989

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Preface

The following analysis presents a somber picture of Zaire's development history as we begin 1983. Indeed, both well-known economic problems (debt, exchange rate policy, budget deficits) are highlighted as well as the institutional and manpower weaknesses that are at the core of long-term development, and which have been relatively neglected. Unlike some African countries, Zaire had progressed in two export sectors - mining and plantation agriculture, and in the infrastructure that supported them. But those advances were built almost entirely on institutions and infrastructure which were maintained, controlled and staffed for the benefit of the colonial power. After independence these institutions and infrastructure collapsed, except for mining, as the expatriates withdrew.

Thus, despite its considerable natural resources, Zaire is one of the world's poorer countries. Agricultural potential is significantly restricted by primitive technology, inappropriate policies, a weak technical and managerial manpower base, transport difficulties and poor soils. Industrial potential is compromised by lack of investor confidence, inappropriate policies, paucity of domestic intrasectoral linkages and an obsolescent technological base. The potential of the natural resource endowment cannot be realized without very large amounts of capital, which cannot be generated by the small domestic economy. Therefore, large quantities of foreign investment are essential to Zaire's development. Such resources can be attracted only given an appropriate economic policy environment and political stability.

The country's upcoming elite is first-generation modern and therein lies a large measure of the country's problems as well as the opportunity for sustained growth in the future. For what is overlooked is that there now is a growing Zairian manpower base, inexperienced, largely untested, but just beginning to be able to take on key development roles.

Without denying the importance of the serious economic problems facing Zaire today, we have tended to overlook the basic foundation that is being laid: in the institutions just now being staffed (the lower and middle levels by Zairians and

by expatriates in many senior jobs), in recent policies that have encouraged the growth of the private sector, and in the political stability critical to sustained growth.

The U.S. Mission has hope that in the decade of the 1980s newly trained Zairians can take hold of their country's development, and that AID can assist them. First, we observe that a number of AID-supported activities are succeeding in a very difficult environment, yielding valuable experience and shaping the development strategy. Second, Zaire has demonstrated an ability, in certain areas, to improve the development policy framework.

In essence, the USAID program now and into the mid-1980s is designed to take into account the macroeconomic obstacles, focussing as it does on long-term institution building and manpower development with associated technology transfer, while attacking sectoral policy constraints. If IMF-proposed reforms are accepted and implemented, then it will be possible also to tackle the macroeconomic obstacles to more solid and more rapid development, with the U.S. participating through ESF and larger Title I programs. But in any event it cannot be stated too emphatically that development in a country like Zaire is a long time proposition - beyond this century.

I. DEVELOPMENT EXPERIENCE

A. National Perspective

Zaire, a country of 30 million people, is located in the middle of the African continent and is bordered by nine countries. It is roughly the size of Western Europe excluding the Iberian Peninsula: the two principal cities (Kinshasa and Lubumbashi) are nearly the same distance apart as Rome and London. It consists of a vast, hot, humid rain forest drained by the Zaire River and ringed with rolling savannah or mountainous regions. The very short seacoast contains good harbor sites. Kinshasa, the capital and largest city, has some three million inhabitants. About 90 percent of the country is sparsely inhabited, with population centers separated by vast distances.

Zaire's plentiful mineral resources are concentrated in the far southern copper belt (where cobalt, manganese, zinc, tin and silver are also mined); in the south-central diamond belt; and near the coast (bauxite). In still another area numerous mines produce gold. Oil is found off the coast. Zaire possesses some 70 percent of world reserves of industrial diamonds and one-third of land-source cobalt reserves, as well as vast timber land and hydroelectric potential.

Development of these mineral resources including transport from remote interior sites has dominated Zaire's economic history and the pattern of infrastructure investment. Armed struggles over the political fate of mineral-rich Shaba (Katanga) province have strongly influenced domestic politics. Foreign economic relations have been affected by the necessity of developing resources, maintaining exports, and securing routes to export markets. Politically, Zaire has remained firmly committed to the Western world and has taken a helpful leadership role in Africa.

The Congo was largely unprepared for independence in 1960. In the following seven years, the new nation was beset with civil wars and uprisings and secessionist movements. Ethnic divisions and regional loyalties were not submerged until well after the military took control in 1965. The almost total lack of professional and skilled manpower in the first decade of independence is still an important constraint.

Private capital began fleeing Zaire just prior to independence. However, most mining, industrial and commercial enterprises and educational facilities remained in the hands of expatriates (many native-born) or religious institutions. In the early 1970s, in an effort to create a sense of nationhood, schools and most business enterprises (including the mines) were nationalized and some were given to Zairians. Subsequently, most smaller enterprises were "offered" back to the original private owners. In the numerous cases where the offers were not accepted, they were given to other interests. The process of "reprivatization" continues. In the meantime much of the physical and human capital in the commercial and industrial sectors dissipated.

Until very recently there has been a strong national policy to inhibit

development of regional political powers. This policy has been to overcome the causes of the civil wars of the 1960s and weaken regional and ethnic groupings. A policy of slow decentralization is now underway which in the short term is unlikely to affect significantly the propensity for Kinshasa-based decision making, but is increasing the responsibility of the nine regions to plan and fund economic development.

Under the Zairian constitution, the President of the Popular Movement of the Revolution (MPR) is automatically the President of Zaire. The MPR is the sole legal party and political institution of the Republic and all Zairians are automatically members. President, Founder of the Revolution, Field Marshal Mobutu Sese Seko who is also the Minister of Defense, is assisted by the Prime Minister who oversees 19 executive departments. The ministers of these departments form the Executive Council which can be loosely compared to the President's cabinet in the United States.

Quality personnel tend to find employment in the Presidency, as counselors in Ministries, and in parastatals where regular salaries commonly are augmented by premium pay and fringe benefits. Most GOZ personnel are poorly motivated because of low pay and poor training. Political pressure (including tribal quotas) to hire regardless of budget or requirements is a general problem. Constant shuffling of upper-level personnel in Ministries works against the development of expertise. However, the recent initiation of civil service reform measures may in time lead to rectification of some of these problems. In particular, recent creation of career Secretaries General of Ministries gives some degree of stability and continuity at a high level in government departments.

At the policy and planning level, little capacity exists to conceptualize and articulate long-term goals and objectives. This state of affairs is a result of the underdevelopment of Zaire's institutional, statistical and manpower base. Budgeting and planning are of limited utility. The Planning Commission has little authority in the planning process and has had weak leadership. Since the early 1970s the theme of all investment programs has been to diversify the economy, principally by declaring

agriculture the first priority among development efforts. However, weaknesses in planning and budgeting have meant that the technical capacity of the GOZ to understand and deal with its economic problems in broad perspective is minimal. Consequently, economic problems tend to be dealt with in reactive terms. The capacity of the GOZ to follow through, to stay the course, on economic policies has been limited.

There are close relations between the GOZ and the modern private sector. In key industries extant before 1969, majority GOZ ownership is required. In a few industries, monopoly or quasi-monopoly conditions are sustained by GOZ policies such as the granting of exclusive rights to import and/or manufacture certain commodities, but the GOZ has announced its intention to eliminate such situations. With the exception of enterprises established under the 1969 Investment Code, all businesses must have at least 40 percent Zairian participation, opening the way for "silent partners" who may be senior GOZ officials. Monopoly or quasi-monopoly marketing conditions often are encountered in both rural and urban areas. In rural areas the local economic authority sometimes exercises important political authority, and vice versa.

The majority of large and medium sized private business enterprises in Zaire are owned by the GOZ and a very few persons, or are branches of foreign corporations. Little beyond minimal replacement and renewal investment is reported in most industries. Furthermore, Zaire produced few intermediate products at independence and private investment has not developed an intermediate technology-based subsystem producing, for example, simple appliances, equipment, or small engines. While the lack of long term private industrial investment during an extended depression and in an uncertain policy environment is not surprising, high turnover commercial businesses have remained profitable if they have access to foreign exchange. Evidence suggests that much of the savings of commercial entrepreneurs has not been invested in Zaire, but exported and held abroad in violation of official restrictions on movements of capital and sometimes through smuggling.

The technological base has become obsolescent due to the widespread lack of

replacement/renewal investment since 1959-60 (or the early 1970s in some industries). Some agro-industrial establishments operate with utterly obsolete facilities. In many enterprises, net disinvestment appears to have occurred for several years. Even in mining, depressed markets, an overvalued currency and marketing difficulties have kept the rate of investment below optimum. Rundown infrastructure, plant and equipment lead to high operating costs.

Since 1975 Zaire has experienced a declining economy in which scarcities have been endemic. Poorly developed public institutions have been called upon to ration numerous scarce commodities and foreign exchange. Weak judicial and governmental institutions, attempting centralized economic direction, have facilitated and perpetuated corruption as an informal, yet omnipresent subsystem of resource allocation. The existence of weak local governing institutions has meant that local officials become perpetuators of corruption and are susceptible to exploitation by their superiors. Widespread corruption increases overhead expenses and discourages organization and accounting transparency, and distorts prices and the allocation of resources.

Currently, efforts are being made by the Government of Zaire to bring to justice those accused of embezzlement of public funds. These are the most extensive and far-reaching of such movements to date. The Government is investigating possible fraud and embezzlement in a number of sectors, and it appears that some high level personnel could be brought to trial.

B. Trends in the Modern Economy

Zaire's post-independence growth performance has been very uneven. Little development occurred prior to the late 1960s. In 1969-70 the economy grew quite rapidly, slowing down in 1971-1974 to an average real growth rate of about five percent. In early 1975, Zaire entered into a lengthy period of economic depression (defined as a sustained decline in constant price GDP) following a sharp reversal in the terms of trade, largely due to a fall in world prices of copper and other commodities as well as increased energy costs. There has been no growth at all in the economy in nearly ten years (since 1973-74).

Real wages have declined to about one-fifth of the 1970 level. Since the mid-1970s, per capita GDP has declined some 15 percent in real terms, to an estimated 1981 average of \$230 (IBRD), one of the lowest in the world. Inflation rose from being negligible in the early 1970s to over 100 percent at the close of the decade and then dropped to an annual rate of 40-50 percent in the early 1980s. The currency has depreciated drastically.

The estimated rate of population growth has increased from approximately two percent (1951) to approximately three percent (1981). At the present rate of growth, Zaire's population will double in less than 25 years. The increasing rate of population growth is thought to be due to both a declining mortality rate and an increasing fertility rate. A secondary effect of rapid population growth is the downward shift of the median age of the population. At present, 45 percent of the population is under the age of 15.

The IBRD (in The Economy of Zaire, vol. IV: A Long Run Project Model; report no. 821-ZR) several years ago pointed out the complex interrelations between Zaire's domestic and external economies, the crucial role of adequate savings and consequent necessity of controlling public expenditures and inflation. A continuing requirement has been to improve the government budget process to control the rate and direction of expenditure. It has been accepted by the GOZ that measures to increase the tax base and the efficiency and equity of government revenue generation are also continuing requirements. Halting progress has been made over the years, particularly on the revenue side where revisions in Customs collection procedures and in personal and corporate taxation have yielded significant results. The 1983 budget law calls for a budget deficit which the IMF has indicated it finds reasonable if realized.

Some 85 percent of public revenues are derived from direct and indirect taxation of external trade and commerce. The five national banks derive some 70 percent of business from financing of trade in exports and imports. Interest rates play a minor role in allocation of financial resources since credit is allocated by sector and

within interest spreads mandated by the GOZ. There is no government bond market. The government is considering liberalization of interest rates and the design of guidelines and procedures to channel more credit to productive sectors of the economy.

In the early 1970s Zaire possessed a good external credit rating based upon the belief that mineral prices would rebound and that domestic resources would sharply cut the mounting oil bill. Most financing for infrastructure was contracted (1973-76) on rather hard terms. In 1975 Zaire accumulated its first payment arrears. Concessional assistance commitments have increased from less than \$200 million in 1976 to some \$550 million in 1980. Major donors are Belgium, the EEC, IDA, France, Canada, U.S., Japan, UNDP and West Germany. U.S. bilateral adjustment assistance programs in Zaire were eliminated (Economic Support Funds) or phased down (P.L. 480 Title I) in 1978. By 1979 a large Export-Import Bank lending program was completed. Development assistance and P.L. 480 Title I programs have continued at modest levels. The IBRD extends project credits (through IDA) to Zaire. The Bank does not consider Zaire a suitable candidate for structural adjustment lending.

The Government of Zaire and the IMF have, on four different occasions, negotiated programs which attempted in various contexts to deal with the following objectives: (1) achievement of an increased annual average real growth rate; (2) reduction in inflation; (3) containment of the balance of payments deficit; (4) improvement of the government budget process including a reduction in the deficit; (5) institution of a more market-oriented exchange rate system; (6) liberalization of price and interest rate determination; (7) stimulation of increased investment, both domestic and foreign; and (8) achievement of necessary institutional reforms.

It should be emphasized that because of Zaire's heavy debt service burden, net positive aid flows have been maintained only through debt renegotiations. Zaire's official development assistance on a per capita basis remains among the lowest in Africa.

Although by the early 1980s economic contraction was nearly halted and inflation reduced, a semblance of stability has been maintained only through policies of an overvalued exchange rate, deficit financing and neglect of external debt servicing. The economic crisis has continued in part because of the continuing slump in the world economy, effects of which are accentuated by the country's dependence on mining and the heavy reliance of manufacturing industries on imports. However, the legacies of neglect: of development of skilled technical and managerial cadre, of managerial and governmental institutions, of agriculture, of infrastructure (other than for the major copper mines), of the private sector, also go far in explaining the depth and persistence of Zaire's depression.

C. The Rural Poor

As discussed under the section, "Agriculture and Nutrition" below, a complex set of circumstances and policies has caused the average rural household to experience a long-term decline in living standards to a subsistence level. Subsistence agricultural activity has increased in importance relative to commercial agriculture since the mid-1970s. The long-term decline of commercial agriculture has deprived much of the rural population of purchasing power for other than the barest necessities (e.g., salt and cloth). Chronic child malnutrition has become widespread.

Thus the poor majority has become the approximately 75 percent of Zairians who live in village communities or small towns with populations less than 5,000. Every tribe or clan has the communal use of traditionally designated areas where food is grown, hunted or gathered. Village leaders include the chief, the teacher, the pastor, the party official and the merchant. Only the chief has the right to permit land to pass from clan control. Agricultural land is hand cleared and burnt by the men, who also do the hunting and building. In some areas men cultivate selected cash crops. Usually, cultivation and harvesting are done by the women.

Broadly, economic ambition is constrained by fatalism and the demands of clan members to a share in whatever fruits of success an individual may gain. Seasonal

rural unemployment among males is high, partly due to the declining importance of hunting. Alcoholism has become a widespread problem. Women agriculturalists suffer from isolation, the decline of cash cropping, labor shortages and adverse terms of trade. Zaire has not yet developed urban service and light manufacturing industries for the domestic market which could absorb the urban unemployed, both men and women.

It is estimated that the child mortality rate, up to age five, is approximately 350 per 1,000 live births. Major causes of childhood death in rural areas are malaria, measles, diarrhea, whooping cough, anemia and tetanus. Important causes of adult deaths are malaria, tuberculosis, pneumonia, and accidents. Most people harbor intestinal parasites. Polio is still fairly common as are eye problems and goiter in certain regions. About one-half of the children under age five are chronically malnourished (stunted, or a few centimeters shorter than standard for their age) and about 15 to 20 percent of these are acutely malnourished (thin and wasted) according to WHO standards.

C. Sectoral Constraints

1. Agriculture and Nutrition

Approximately 25 percent of GDP originates in agriculture. About 75 percent (IBRD) of the economically active population is engaged in the agriculture sector. However, the physical resources of Zaire are not particularly favorable to agriculture. Soils are highly weathered and quickly lose fertility when cropped. Erosion has become a problem in some heavily populated areas. Insect and disease problems are widespread and severe.

Zaire was roughly self-sufficient in basic foodstuffs at the close of the colonial period, although that circumstance was in part a consequence of Belgian policies which severely restricted rural-to-urban migration. Despite improvements in some isolated pockets, agriculture production has been stagnant over the last 22 years (Table One). Given population increases, per capita food availabilities have declined. Some of the shortfall in domestic demand has been met by imports (Table Two). However,

food imports declined in relative importance as the economic crisis deepened, to six-seven percent of non-aided import payments. By and large, effective demand for foods has declined since independence, and undernutrition and malnutrition have become widespread.

Table One

PRODUCTION OF PRINCIPAL FOOD AND COMMERCIAL CROPS

	1979	('000 metric tons)		
	(1960 = 100)	1979	1980	1981
Coffee (Robusta) ^{1/}	117	60.0	73.9	75.0
(of which exports)	110	55.0	67.7	59.4
Palm Oil ^{2/}	45	98.5	93.2	108.0
(of which exports)	0	0	10.0	6.1
Rubber ^{2/}	n.a.	19.1	21.3	20.5 ^{3/}
(of which exports)	32	17.9	19.5	18.5
Cotton (fibers)	13	6.0	9.7	7.4
(of which exports)	0	-	-	-
Timber --logs (000 cubic meters)	161 ^{4/}	350.0	325.0	n.a.
(of which exports)	2,232	48.2	66.0	n.a.
Cassava Tuber	105	11,970.0	12,800.0	12,400.0
Corn	112	536.0	562.0	600.0
Rice (unmilled)	111	236.0	240.0	250.0 ^{5/}
Plantains	102	1,378.0	1,408.0	1,438.0
Peanuts	110	334.0	339.0	347.0
Cassava leaves	109	340.0 ^{5/}	345.0 ^{5/}	350.0 ^{5/}
Bananas	100	310.0	312.0	314.0
Wheat	100	4.0	4.0	4.0
Legumes (Dry Beans + Peas)	117	156.0	160.0	165.0 ^{5/}

Source: GOZ

^{1/} Not adjusted to allow for likely illegal exports.

^{2/} Does not include smallholder output.

^{3/} 1982 est.

^{4/} Timber index: 1975 = 100.

^{5/} Extrapolated.

NOTE: Figures for food crops especially should be regarded with caution.

The agricultural sector is dualistic, consisting of the traditional sub-sector and a small, relatively advanced commercial subsector. The traditional subsector is composed of three million households, each cultivating an average of 1.5 hectares.

Cassava, corn, rice, cotton, peanuts, other legumes, vegetables and tropical fruits are the crops typically grown. Typical yields per hectare are 1.5 MT for corn, 1.3 MT for paddy rice, and 6-7 MT for cassava tubers. Traditional farming methods are primitive, employing only simple tools, hand labor and simple milling/threshing practices. Animal traction is not widely used. Slash and burn agriculture is still the most common system for tropical soils. The simple agricultural techniques reflect a bygone era when cropping was secondary in importance to hunting.

Some traditional farmers also grow industrial crops that are marketed through the commercial sector, which is export oriented and subdivided into the plantation subsector and monetized smallholders producing export crops. The plantation subsector consists of about 800 production units with an average size per unit of 2,300 hectares and 390 employees. Larger agro-businesses are associated with plantations. The largest units are either parastatals or are foreign owned companies with Zairian participation. Palm oil, rubber, coffee, medicinal plants and cocoa are the principal commodities produced by the modern sector for export, while sugar, tobacco, tea, poultry, and cattle are produced for the domestic market.

Food crop marketing is carried out exclusively by the private sector although commonly under less than optimally competitive conditions. The major constraint to such marketing is the difficulty of reaching farmers according to schedule. Bulk transport of agricultural commodities takes place by trucks, barge and rail. There are endemic shortages of capacity in all three modes. Road, river and rail networks have not been organized to service small farmers. Rural access roads and tracks are maintained sporadically if at all by villagers, local businesses and/or religious missions (with limited technical and financial assistance from local authorities in some cases). Bridges and roads often become and remain impassable due to lack of maintenance and as a consequence of poor design. In 1982, in accordance with agreements reached with the World Bank, the GOZ initiated a system of financing trunk road maintenance from gasoline tax receipts.

Food and export crop marketings in the past were adversely affected by price controls. However, during 1981 and 1982 export duties on agricultural products (except coffee) were abolished and price controls on both export and foodcrops were abolished (exceptions being cotton, tea and sugar). Agricultural exports have been strongly discouraged through the exchange system, a variable whose course is impossible to predict for the planning period.

Table Two

IMPORTS OF FOOD GRAINS
('000 metric tons)

	<u>1970</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Wheat + Wheat Flour	116	135	118	129	162	170	175
Course Grains *	88	200	128	180	187	202	150
Rice	25	91	38	30	20	22	23

* Principally corn

Source: USDA and Bank of Zaire

The high cost of scarce agricultural inputs impedes production increases. A parastatal organization, charged with seed multiplication across the nation, hardly functions. Missionaries, private merchants, and various bilateral projects provide very limited supplies of high-cost seed of unknown quality. The GOZ estimates that corn and rice seed production has not surpassed 3,000 MT in recent years. Chemical fertilizer imports fell from a high of 22,000 MT (1978) to about 13,000 MT in 1981. Fertilizer is used by the modern sector in palm oil and sugar production and for selected food crops. In recent years, small amounts of fungicides, herbicides, and insecticides have been imported by the modern sector. Imported farm equipment is scarce and expensive. Domestic production of such equipment is in the early stages of development.

The Department of Agriculture and Rural Development (DOA) is responsible for agricultural policy and applied research plus veterinary and extension services.

The Department employs a staff of approximately 11,000. The DOA suffers from a surfeit of incompetent and poorly paid personnel, grossly inadequate capital budgets, inadequate inventories of equipment (such as vehicles) as a consequence of extremely limited access to foreign exchange, and a virtually nonexistent data base. In the long term, the Department is developing some capacity to analyze and utilize the little data that is available.

Agronomic research has been insufficient to Zaire's needs. Very little applied research of any consequence has been done since colonial times, except in a few crop-specific programs managed with external assistance. The Belgian colonial administration did not leave trained Zairians behind to run what had been one of the best agricultural research systems in Africa. The system fell apart. In addition, line research facilities have deteriorated dramatically and logistical support is dismal. A similar state of affairs has come to characterize agricultural education facilities which are organized into the Institute of Agricultural Science, four "Instituts Superieurs" and 124 small technical schools. All of these institutions are hampered by shortages of equipment and qualified teachers. Researchers, teachers, and administrators feel banished from society in isolated research stations and agriculture schools. Extension workers receive neither good training nor the means to get out to villages. Often, they become petty extortionists. In this difficult situation, training provided by missionaries and agricultural projects is helping to maintain a small professional cadre.

Current GOZ agricultural sector policy is described in the Agricultural Recovery Plan. The basic elements of the plan were developed during joint donor-GOZ bimonthly meetings at the initiative of the IBRD, strongly supported by USAID. The Plan was presented officially to and endorsed at the special Consultative Group for Zaire meeting for agriculture in June 1982. The objectives of the Plan, in order of priority, are as follows:

1. Increase food production to attain nutritional self-sufficiency;

2. Increase the production of agricultural inputs to local industry; and
3. Increase the production of export crops which generate foreign exchange.

The Plan ascribes a preponderant role in the pursuit of agricultural recovery to the private sector.

The GOZ strategy to overcome the constraints to agricultural recovery has four basic elements laid out in the Plan. First, the Plan calls for a reorganization of the Department of Agriculture, the application of more rigorous financial controls, and enhanced operational capabilities. Second, the Plan recognizes that recovery depends essentially on reestablishing private sector confidence. Third, the Plan calls for greater coordination to be developed between the DOA, the transport parastatals and local authorities in order to identify and overcome bottlenecks to agricultural marketing. Fourth, the Plan recognizes that the few significant research results of the past decade have been developed by donor-funded projects. The challenge the Plan identifies for the latter half of this decade is to reorganize applied research institutions and to adapt, multiply and distribute improved seed varieties. The private sector, missionary organizations, cooperatives and specific projects will play a lead role in transferring new strains to farmers.

The emphasis placed by the GOZ on agricultural development has appeared to increase recently. The Department of Agriculture's budgetary allocations have been increased. The DOA has put into effect a reorganization and a limited reduction in force. A national agricultural bank was authorized in 1982.

The Agricultural Recovery Plan could lead into a continuing process of agricultural planning. It is quite likely that the priority of applied agricultural research will be increased as the DOA completes internal reorganizations and redefines working relationships. Improved competence and continuity in agricultural planning will be based upon the continuing strengthening of DOA technical competence and a strong, continuing donor interest.

Other donors in agriculture likely to continue their participation are as follows: The World Bank, some aspects of agricultural research, crop-specific production programs and area development; the FED, agricultural production projects; the FAO, quality and quantity control of seed production, research, education, and planning policy analysis; Belgium, advisory services and some support to agricultural education; France, agricultural production, education and research; Italy, agricultural production projects; and West Germany, some local training.

The widespread problem of undernutrition or absolute caloric deficiency highlighted in the Agricultural Recovery Plan can be ameliorated in most of Zaire through increased production of corn and/or cassava (manioc). The latter is the principal source of cheap calories for the great majority of Zairians. However, urban consumption is constrained by the high perishability of the harvested plant, transport shortages, lack of appropriate storage or bagging facilities and unfamiliarity with using cassava flour in baked products. Cassava yields can be doubled, even in the poor soils of Zaire, through breeding and selection programs, modified agronomic practices, and pest control. Recent work in Zaire shows that administration of supplementary iodine in injectable iodized oil and via iodized salt is a cost effective means of combatting chronic cyanide toxicity, a malady which may be associated with consumption of cassava but only under a rather unusual set of conditions.

The percentage of the population directly affected by specialized nutritional activities is very small. A few pilot activities and a number of local PVO programs mark the limits of formal nutrition programs. Nonetheless long term GOZ goals are comprehensive and clear. Formal GOZ policies and plans for nutrition are included in public health planning documents and are being implemented. All national nutrition policy and programs are coordinated by CEPLANUT, the National Center for Human Nutrition Planning, which was established in 1978 with AID and Tulane University assistance. CEPLANUT coordinates work on a food consumption policy oriented to the nutritional needs of the rural poor.

Donor activities in nutrition will include numerous PVO programs and WHO and Belgian medical aid to some activities which conduct nutrition interventions. The Peace Corps is likely to provide volunteers in nutrition education and related fields. UNICEF's aid will grow to finance new projects to increase the quality and availability of soya and other nutritious weaning foods.

2. Public Services/Private Voluntary Organizations

Government expenditures as a percent of GDP have increased from 21 percent in the mid-1970s to 30 percent in the early 1980s. At the same time, the proportion of current expenditures budgeted for public services has increased slightly. Private sector, religious and European interests have continued to play an important policy role in public services, particularly in education. Zaire has claimed a high rate of functional literacy since well before independence. However, most enrollments were and continue to be in the first two primary grades. A high proportion of pupils are over-age for their grade. Secondary and technical education was expanded in the last years of Belgian rule but sustained expansion has not been attempted. University education has been set back by political disturbances. The education payroll is seriously corrupted, as many "teachers" are in fact merely fictitious names so that salaries (when paid) are drawn by someone else. Recently, an inventory of civil service and teaching positions has identified some positions and schools as redundant, and they are being eliminated.

The national training center (CENACOF -- Centre National de Coordination de la Formation) was established with USAID assistance in 1980. This institution is designed to reach people already on the job in the middle and lower levels of the GOZ, providing them with technical and managerial training in agriculture and associated fields. CENACOF makes it possible for AID to work in non-formal programs without having to rely upon the disorganized, heavily European-influenced education bureaucracy.

The Ministry of Health initially attempted, without much success, to maintain and expand the public health system that was set up during the colonial period.

Since 1980 the Ministry has redesigned a health care policy emphasizing prevention and treatment for the most serious prevalent public health problems. The broad policy goal is "health for all by the year 2000." In implementing this policy the GOZ focuses on the most prevalent, serious public health problems and on making the basic eight elements of primary health care available to the entire population via a low cost delivery mechanism. These are basic curative care, vaccinations against the most prevalent childhood diseases, potable water, basic maternal child health services, family planning, health and nutrition education, basic environmental sanitation and referral to the next echelon of care.

The GOZ revised and updated its National Health Strategy in January 1982, elaborating its goals for the next ten years and major program objectives for the next five years. The plan for 1982-86 calls for the establishment of 140 functioning rural health zones by 1986, with phased expansion in subsequent years. It is to this strategy that AID directs its assistance. The following major constraints characterize the health sector: funding allocations have not caught up with the new priority of rural public health; some political pressure to engage unneeded and inappropriately trained personnel remains (but not nearly as serious a problem as in primary education); and local zones are not permitted decision-making authority over resources generated at their level.

It is anticipated that the major health donors will continue on their present courses. WHO will continue to provide advisors, technical assistance and limited financial support. The Belgian Medical Cooperation system will continue to provide vaccines, medical equipment, vehicles, and financing for seminars.

In population programming Zaire falls between the "Initial Program Development" and "Broad Program Assistance" phases as detailed in 82 State 351682. Following a favorable policy speech by President Mobutu some ten years ago, the National Committee for Desired Births (CNND) was established as the official body to formulate population policy, implement programs, and coordinate family planning

activities nationwide. The GOZ now includes family planning as one of the essential elements of primary health care. Furthermore, the National Health Strategy 1982-86 states the objective of making voluntary family planning services available to the population by 1991. However, there is a low GOZ budgetary priority for family planning. Also there are several restrictive policies impeding access to family planning services, including requiring the husband's permission and refusing service to minors and unmarried women. Finally, the GOZ service delivery system is not yet functioning in many areas, and there is no coordinated in-country training for family planning service providers.

AID-supported activities are not expected to produce a significant reduction in the rate of population growth within the planning period. They should help to increase contraceptive use from 3-5 percent to 10-12 percent of fertile couples in urban areas, and smaller increases in rural areas.

A number of private institutions, usually Protestant clinics, provide most of Zaire's limited rural and urban contraceptive services. Personnel have been trained individually and work in programs financed largely by AID supported intermediaries viz. FPIA, JHPIEGO, Pathfinder and AVS. There are virtually no other donors in the area of family planning except UNFPA, which is engaged in census activities, and IPPF, which finances CNND staff and activities. The UNFPA probably will move into family planning service delivery after the census work is completed.

Private voluntary organizations (PVOs) in Zaire fill an important developmental role in a number of rural areas. Cumulatively, their impact is both widespread and innovative. PVOs have become essential to AID's planning and project development processes for these reasons and because of their relative incorruptibility. There are well organized networks of established PVOs in Zaire, many of which -- Kimbanguist, Protestant, Catholic or secular -- already have European or U.S. affiliations which provide foreign exchange, commodities, and/or technical assistance. Taken together, these groups possess a unique and valuable combination of in-country

experience, resources and personnel. They also possess an in-place institutional and physical infrastructure that contributes to Zaire's development. Their survival during difficult periods of Zaire's evolution has earned them credit as stable organizations. Therefore, many indigenous PVOs provide an institutional base upon which future development planning and activities can build. For example, numerous health care facilities are staffed entirely by Zairians within the PVO structure, underpinned by a major effort by PVOs to train Zairians.

3. Mining, Transport and Power

Mining dominates the economic life of Zaire. One-third of commercialized GDP originates in mining, electricity and transportation. Gecamines, a state-owned company, produces 93 percent of Zaire's copper, all of the cobalt and one-third of the zinc and alone contributes some 25 percent of tax revenues. Mineral exports make up two-thirds of total exports. Throughout the economic crisis the copper mines have operated near full capacity. Plant and equipment is dilapidated in many facilities, in spite of between 75 and 90 percent of investment in the public sector (government plus parastatals) taking place in the mining sector and supporting infrastructure. In 1982 Gecamines' management was extensively reorganized as were mineral marketing arrangements with the objective of increasing the self-financing capabilities of the mining sector.

4. Manufacturing and Construction

Manufacturing and construction account for some ten percent of GDP. Value added in both sectors has declined since the mid-1970s as a proportion of monetized GDP. Activities are concentrated around Kinshasa and in the south of Shaba province. Manufacturing is closely linked to commerce, especially to the import trade. About 100,000 people are employed permanently in manufacturing. Only 34 manufacturing establishments employ more than 500 workers. One-third of large and medium-sized industries are agriculture-based, including some 32 beverage producers which account for one-fourth of industrial value added (followed by textile activities with one-fifth).

Intermediate and capital goods activity accounts for only one-fifth of industrial value added. Manufacturing capacity utilization on average recently has run 30-40 percent. From a very low base, tax receipts on non-mining corporate net income and profits have increased very sharply in recent years.

As in commercial banking, Belgian interests dominate Zaire's commercial construction scene and the production of cement. Production of construction materials, cement and marble tiles in particular, has not significantly declined over the decade as export volumes have been maintained, assuring the industry access to foreign exchange.

II. THE POTENTIAL FOR REFORMS AND GROWTH

A. Current Policy Dialogue

In Section I, "Development Experience," descriptive analyses of key characteristics of Zaire's political economy and macroeconomic situation, and of the rural poor, were followed by consideration of the principal sectoral constraints to development. The narrative has established the context of the policy dialogue carried out by the U.S. Mission and the GOZ.

In this section the planning period of 1985-1989 will be approached in two different analyses. First, a brief examination of macroeconomic constraints will be undertaken in order to illustrate the context of the policy dialogue. Second, a policy analysis which draws upon material on domestic and external macroeconomic and sectoral constraints will highlight the policies likely to be operative during the planning period. This is followed by an examination of the evolving Zairian developmental capability and the U.S. Mission response.

The U.S. Government in Zaire is concerned with a broad spectrum of political, strategic, commercial and developmental concerns. The range of topics and contacts build over time a strong base upon which the U.S. Mission assessment of Zaire's developmental prospects is established. Economic policy dialogue includes macroeconomic issues, in concert with the IMF and IBRD, and extends to sectoral and subsectoral

issues which may be usefully pursued despite continuing macroeconomic problems. USAID has developed an important role within U.S. Mission efforts to influence sectoral policies. It has realistically focussed its efforts in sectors where the U.S. has channeled economic assistance and includes in the policy dialogue policies relating to institutional development and technology transfer as well as broader economic issues. AID has concentrated the policy dialogue principally upon certain aspects of agriculture (policy formulation and planning, foodcrop prices and production incentives, private sector marketing and research) and basic rural health, as well as population policy, nutrition policy and interventions, and non-formal education. Although the amount of development assistance has not been great, the political influence of the USG and the objective technical approach of the USAID have helped the U.S. Mission set terms and achieve results in cooperation with other donors greater than the dollar value of our programs might warrant. The IMF and the IBRD have set the tone and taken the lead in efforts, which the U.S. Mission supports, to overcome major macroeconomic constraints, particularly to control government expenditures and to achieve exchange rate realignment.

B. Macroeconomic Constraints

With strong encouragement from the USG, Zaire has entered into negotiations with the IMF to define the precise shape of a new stabilization program to include Fund support. It is expected that negotiation of such a program, and some evidence of satisfactory performance, will be followed by rescheduling of external debt.

It is clear at this point that any program negotiated between Zaire and the Fund will continue earlier, similar efforts to forge and implement policies to manage demand and income, to stimulate the supply of domestic goods and services and to support initiatives in the external sector. In particular, it is expected that Zaire will complement demand management measures with a realignment of the exchange rate. The IMF has recommended that Zaire consider following an exchange rate regime designed to make regular adjustments in the official rate in response to market forces, a proposal the

government is studying. In addition, the Fund has recommended that the GOZ revise the system of foreign exchange allocation with an objective to increase the proportion of foreign exchange made available for investment goods and intermediate imports.

To bring about economic recovery and resumed growth, the IMF and the World Bank have pointed out that demand management and external sector policies must be supported with policies to boost the supply of goods and services. Among such policies, initiatives to complete price liberalization and reallocate the burden of taxation in the economy are considered to be especially important. As noted, price liberalization is well advanced. Presently, corporate and personal income taxes can be collected in practice only from the large, easily-identified companies and their employees. As a result tax rates have been set high to generate a certain target amount of receipts. The World Bank and IMF also have recommended that Zaire consider implementing a public investment program designed to build up major existing productive sectors of the economy and supporting infrastructure.

The external public debt position is a special problem for Zaire. According to the Bank of Zaire, at the end of 1981 the country's medium and long-term public debt outstanding stood at \$4.1 billion to which must be added interest arrearages in 1982 totalling several hundred million dollars. This may be compared to GDP for 1982 of about \$5.5 billion. Zaire's continuing debt service burden will significantly constrain the country's growth potential for years to come. The medium and long term debt service burden for 1983 including past arrearages is estimated at \$1.6 billion, more than the country's projected export earnings for this year. As a result, Zaire's current account and external payments balance in 1983 are expected to be hugely negative constraining critical imports. Even if Zaire were somehow able to liquidate all current arrearages, the medium and long-term debt service burden would approach \$700 million per year through 1986 in the absence of new rescheduling. Although a major objective of Zaire will be to seek new debt rescheduling and increased investment and aid flows once a new IMF program is in place, no foreseeable combination of external and internal

changes will produce an "economic miracle" in the short or medium-term. Zaire's export earnings would have to grow sharply in the planning period simply to finance debt payments and to maintain a minimum level of priority imports. Since such a sharp growth in export earnings is not foreseen, given world market trends, continuing difficulties in stimulating new investment in productive sectors and lags normally associated with such investments, private capital and concessional assistance flows likely will provide the crucial resource difference between slow and robust increases in imports and associated growth.

Zairian responsiveness to IMF recommendations may well convince the Fund to approve a new program that will lead in turn to a rescheduling and increased donor support for Zaire. For the longer term, Zaire will have to show unusual tenacity to stay in compliance with the Fund. As Zaire attempts to achieve economic stabilization, the GOZ will continue to count heavily on the ongoing dialogue between the major donors and the GOZ -- a dialogue in which the U.S. Mission is a full and active participant.

C. Policy Framework for the Planning Period

"Long-term development depends, to a large degree, on the nature of the policies followed by developing countries themselves. We will thus be supporting long-run adjustments which are necessary to demonstrate that the free market is the most efficient and effective vehicle offering hope of meeting the basic human needs of the poor majority" (82 State 112711).

1. Summary

Economic policies exert crucial influence upon the attitudes of potential creditors. Since Zaire's needs for credit and debt relief are very large, policies become key economic variables. In particular, policies affecting private sector investment are extremely important in influencing attitudes towards Zaire's large requirement for capital.

However, implementation of policy initiatives (once taken) is constrained by complex institutional and political circumstances which may nullify even basic policy intent. Furthermore, policy initiatives may be neutralized by a lack of implementing resources caused by shortfalls in external credits, unforeseen commodity price drops or unexpected tax resistance.

USAID/Zaire should be prepared to respond to a changed policy environment. AID's policy role could shift rather quickly through administration of Economic Support Funds (ESF) and/or P.L. 480 programs of a significantly larger magnitude. There is, therefore, a continuing requirement for careful identification and preparation of institutions and programs through which substantial U.S. assistance could be programmed on fairly short notice. On the other hand, AID must be prepared to abandon initiatives that are deemed ineffective.

The uncertain policy framework provides a bias against new starts not founded upon careful investigation and firsthand experience. Weak implementing institutions, an inadequate stock of trained persons and a weak educational system, corruption, disparate and poorly understood traditional and localized attitudes and other, similar characteristics which are widely encountered further increase the uncertainties and complexities of the policy framework. These factors bias AID programs towards private sector intermediaries including PVOs and, in the short run, the Peace Corps.

The policy framework within which AID must operate in Zaire suggests an emphasis upon technology transfer, research and manpower development programs. Such activities are readily focussed, rather easily controlled and long-term in impact. However, they require well developed institutions and a favorable working environment. Since these are only developing, AID must sustain long-term commitments to the effective absorption and utilization of technology and trained personnel.

International financial institutions, in particular the IMF and the IBRD with their large resources, play an extremely important role in development and implementation of macroeconomic policy in Zaire. The U.S. policy of support to the

multilaterals is not in itself a comprehensive assistance policy or strategy, being limited in scope and duration. This policy does have two important implications for AID assistance programming. First, commitment of ESF is influenced by Zaire's performance under IMF guidance. Second, IMF programs are negotiated in part under the assumption that incremental bilateral resources will supplement IMF commitments, an assumption that AID would be called upon to fulfill in order to maintain U.S. credibility and policy consistency.

2. Key Sectoral Policy Constraints

a. Agriculture

The policy environment in this critical sector is improving as the GOZ comes to grips with the consequences of years of neglect of agriculture. Concurrently, the professional competence of GOZ personnel is improving in agricultural planning and policy analysis. The U.S. and other major donors have in place long-term project and technical assistance activities which should show a cumulative impact upon DOA technical capabilities. Critically, the GOZ must follow through on efforts in training and reorganization with budgets adequate to support improved plans and management.

Agriculture's adverse domestic terms of trade cannot be changed without sustained effort. The high cost of consumer goods in rural areas and low prices paid to farmers for their crops are directly related to the lack of competition among and high risk premiums charged by merchants. These circumstances are the product of inefficient and unreliable road, river, rail and air transport systems, ineffective to nonexistent local government, corruption, the continuing uncertain private investment climate, pervasive shortages of capital and credit, obsolete agricultural processing facilities, and weak national research, input and extension activities. Thus, even if the macroeconomic situation were to improve under IMF guidance, a number of sectoral constraints would continue to set the tone of the agricultural policy dialogue.

b. Food Production and Nutrition

The policy framework linking food production and nutrition is slowly evolving away from the traditional approach which dealt separately with agriculture and public health. Policy constraints noted under agricultural development are broadly applicable. However, emerging opportunities offered by evolving GOZ policies could outweigh the entrenched constraints.

c. Health and Population

"In many countries, indigenous institutions can present a viable alternative to working through inefficient governmental bureaucracies" (82 State 305746). In a key policy change, the GOZ in the early 1980s moved towards an openly cooperative posture with private health institutions. This change, along with acceptance of the principle of service-for-fees, has made feasible the broad and growing AID/GOZ collaboration in basic rural health. Additionally, the GOZ health organization is one of the strongest GOZ hierarchies, showing itself capable of developing and sustaining policies and strategies (in collaboration with WHO and AID). Furthermore, health care has not become a political issue in Zaire.

The general policy bias against development of strong local institutions adversely affects the health sector. Problems of local financial management are particularly troublesome as the GOZ moves towards implementation of a broad program of end user fees in health.

Although Zaire has no formal population policy, government leaders, religious leaders and other influential persons raise no serious objections to family planning as an element of Maternal and Child Health. Radio, television and popular literature openly discuss the merits of contraception (especially child spacing). Zairians continue to desire large families, yet rising education and urban costs are making contraception, as a means to space and limit births, acceptable to most people.

d. Education

The policy framework is not conducive to general initiatives in

formal education. However, in non-formal education and certain technical institutions, it is possible to implement manpower development activities in support of sectoral programs.

e. Infrastructure

Policies followed by the GOZ of emphasizing capital-intensive investment in extractive industries and the supporting infrastructure and deemphasizing agricultural infrastructure have contributed to the vulnerability of the economy to external market forces and to the relative decline of the countryside. However, in line with the increased priority placed on agriculture, the GOZ has reemphasized the importance of roads and their financing.

f. Modern Private Sector

Vigorous private sector development continues to be inhibited by lack of investor confidence, poor economic conditions, corruption, uneven implementation of policies and weak legal traditions. In recent years Zaire has taken a number of policy decisions which have substantially improved the environment for private enterprise. However, results of these measures are not apparent in many new investments, etc., because the country continues to experience serious macroeconomic difficulties. During the 1960s and 1970s the policy environment changed rather often and sharply. In this decade an improving but otherwise stable policy environment is essential for reviving private sector confidence.

3. Technology Transfer and Research

The technology base of Zaire ranges from obsolescent to primitive, with a few exceptions in manufacturing, mining and associated power and transport systems. In nearly every technical and academic field, research infrastructure, staff and support are quite poorly developed. In particular, Zaire's agricultural technology is primitive and the sector's research capabilities slight. Given the nature of the situation at the time of independence this is not unexpected.

At independence the economy of Zaire was the product of 80 years of deliberate dualistic development. Industries were linked not to each other but to parent concerns overseas. Indigenous technologies did not develop in the near complete absence of backward and forward linkages in the industrial economy. As the economy overcomes this pattern and increases domestic value added in exports, technological development will represent both an obstacle and a great opportunity.

D. Transition Through Reform

In cooperation with major multilaterals and other donors, Zaire has begun implementing economic reforms in a variety of areas. Many of the changes have been noted in context in Section I. The economic reform movement continues in dialogue led by the IMF, and has been buttressed by political and civil service reforms. There is an evident commitment to work with multilateral and bilateral donors to facilitate economic recovery.

The following sections will show how AID, working as an element of the broader U.S. Mission effort, proposes to address some of the remaining constraints and to aid the GOZ efforts. We believe that we have demonstrated that successful projects and programs can be carried out efficiently and effectively in context of an ongoing development policy dialogue. For example, the AID-assisted national vaccination program, providing protection against the most ravaging childhood diseases, was evaluated by CDC Atlanta as the most successful in sub-Saharan Africa. In tandem with the Peace Corps, the AID-assisted national fish pond program has led to the introduction of yield increasing fish varieties and pisciculture techniques to many thousands of rural households. North Shaba region's AID-assisted development program has seen marketed corn production quintuple.

Success stories are not conclusive guides to future performance, but do suggest that carefully planned programs can produce results. The AID strategy and project mix proposed for the planning period are derived from the present program. Since 1980-81 the AID program has emphasized agriculture and public health and that

emphasis will continue. Area development activities have been implemented as "rural development" and as "marketing" projects, and considerable experience has been gained in what not to do, and in what approaches are effective. The area development strategy proposed below is thus an outgrowth of experience.

Our portfolio will be increasingly interrelated as some ongoing activities are phased out. Funding will be provided only for those activities whose successful implementation can impact on or take account of the range of macro problems and which meet one or more of the following criteria: (1) have a significant, continuing impact on the target population; (2) strengthen a long term institution; (3) enhance the role of the private sector; and (4) expand local or grass roots decision making.

Zaire's natural resource base provides credibility to the view that a long term commitment to development can pay off. The people who have been trained since independence are now attaining some authority. Zairian institutions are showing some maturity and capability: Such institutions have shown that Zairian norms are compatible with introduction of new technologies, managerial techniques, etc., even when the agent of change is an expatriate. As policies, manpower and institutions mature and prove capable in practice, the country will be able to efficiently capitalize on its natural resources in order to attain a substantial level of development.

III. PROPOSED DEVELOPMENT STRATEGY

A. U.S. Development Assistance Programs

The U.S. Government employs a variety of development assistance programs in funding its objectives in Zaire. The three major non-military programs (Development Assistance [DA], ESF and P.L. 480) are all used. ESF, while not recently committed to Zaire, is used in the political process of aid.

Debt relief is not a form of development assistance. It is not programmed by AID in any way. However, actions taken on debt relief have a large impact upon resources available for Zaire's development. The two non-aid variables of debt relief and linkage to the IMF are important influences upon AID programming for Zaire.

P.L. 480 Title I supports project assistance through the policy dialogue. Local currencies generated through the sale of P.L. 480 commodities are used to support GOZ/AID projects, defray Mission expenses, and are loaned to local private institutions engaged in productive endeavors. Centrally funded programs are significant in Zaire, amounting to roughly a ten percent increment to the development assistance program. Private voluntary organizations are built into a number of AID programs. Cooperation with the Peace Corps is extensive.

The U.S. Government makes significant transfers to many multilateral organizations. The UNDP, WHO, IDA, IBRD, IMF, UNHCR, AfDB, and FAO all have significant exposure in Zaire. Some receive counterpart funds in support of selected activities.

The principal international fora concerning Zaire are the Consultative Group for Zaire, which is chaired by the IBRD; and the Paris Club of official creditor governments. In addition, certain syndicated banks met in London in 1980 to reschedule much of Zaire's debt to these bank syndicates. The U.S. Government and the U.S. private sector play prominent roles as applicable. There is no domestic counterpart to the Consultative Group for Zaire, but a multi-donor group concerned with agriculture meets often in Kinshasa under the chairmanship of the UNDP ResRep. AID is an active participant. Other multi-donor development groups form around particular issues, often with AID participation.

B. Goals and Objectives

The general program goal of AID through the period of the CDSS will be to assist Zaire to develop institutions, manpower capability and physical infrastructure that are essential to major development programs in food production, health, nutrition and family planning. In pursuit of this goal, AID will assist Zaire: (1) To demonstrate through increased production of domestic staple food crops that a measurable decrease in malnutrition in the general population is attainable. (2) To demonstrate the strong positive linkage between volumes of food crop marketings and improvements in the domestic terms of trade of small agricultural producers. (3) To achieve the

goal of "health for all by the year 2000." (4) To expand the key role of the private sector in achieving development objectives. The means to achieve this set of goals will be technology transfer, institutional development, promotion of private sector initiatives, and manpower development. The program will be founded on a continuous dialogue on policy issues with the GOZ, other donors, PVOs and the private sector.

This approach suggests a two-track strategy: (1) The reorganization/upgrading or creation of national institutions capable of operating at the sector level by affecting sector-wide policies, planning and programming, and (2) The targeted implementation of economic/social development activities, primarily rural, at the household level. National institutions will be expected to interact with target groups through program implementation and through GOZ planning.

The strategy is capable of responding to major shifts in the policy environment. It explicitly recognizes that short-term interventions may or may not succeed in achieving immediate objectives but are ultimately pointless unless sustainable. Therefore, activities will be programmed with a long-term perspective, namely, development of institutional, physical and/or manpower bases upon which sustained expansion can be built.

Brief discussions of sectoral goals, objectives and strategies follow. Sectoral problems are derived from analysis and discussion of policy constraints in Sections I and II.

Agriculture

The major global objectives of U.S. food and agricultural assistance are: "increased agricultural production, with an emphasis on increasing and sustaining the productivity, incomes and market participation of small farmers, with special attention to food production; greater economic efficiency in the marketing and distribution of agricultural and food production, exports and imports; and improved food consumption in rural and urban areas." (AID Policy Paper on "Food and Agricultural Development," May 1982.) The CDSS strategy closely parallels Agency policy.

The fundamental sectoral goal in agriculture is to produce and market increasing quantities of basic food crops for domestic consumption. While greater imports can ease the problems in urban areas, only increases in local production and marketing can overcome distributional problems and reduce rural malnutrition.

Paralleling the national strategy, the agriculture strategy commences with strengthening of two key central functions: applied research, and policy and planning analysis. Technical and managerial skills development, essential to a strong, sustainable applied research and planning capability, will be broadly supported.

Programming of AID support to improve research and planning and to strengthen the technical manpower base will be guided by the objective of improving the marginal productivity of agricultural labor. In Zaire, where agricultural practices are primitive, labor productivity can be sharply improved through adoption of applied research findings on improved varieties and cultural practices. Given the paucity of skilled GOZ manpower, particularly in the extension service, AID strategy will be to utilize local private sector intermediaries (church, agro-industry, plantation and large manufacturing) and government sponsored projects to promote and sustain farmer adoption of applied research findings.

Agricultural labor productivity also may be increased significantly through application of other appropriate technologies in rural areas by farmers. There are numerous productive agricultural labor intensive technologies possible in field preparation; for example, seeding, weed control, milling and storage. Applied appropriate technologies in non-agricultural pursuits (e.g., fabrication of agricultural implements) also can have substantial growth effects. Experience in Zaire shows that farmers will adopt new procedures with alacrity in order to increase production for home consumption and/or marketing.

Following the two-track strategy, national agricultural institution and manpower development programs will be complemented by targeted project activities, which will be guided by the sectoral goal and programming objectives noted above.

Agricultural programs to be implemented in the planning period as elements of area development activities include: improved seed multiplication/processing/distribution; chemical inputs (fertilizers, pesticides, herbicides); on-farm and off-farm storage; farming systems research and demonstration/dissemination of findings; and limited production credit to small farmers. To help meet the gap between available resources and needs, AID will, with the GOZ, coordinate with other donors and work in cooperation with the private sector.

Area Development/Infrastructure

Area development projects principally serve the goal of improving the quality of life of area populations through project activities and through intensified and better informed pursuit of national objectives. They also serve the strategic purpose of providing a framework within which to demonstrate, evaluate and refine concepts and procedures likely to be sustainable in furtherance of national goals.

Because Zaire is a very large and sparsely populated country of isolated communities in which rural and intercity infrastructure either does not exist or has not been maintained, substantial amounts of time and resources will have to be committed to the start-up of any area development project. Both transport and renewable energy projects probably will be necessary components of area development schemes.

Because of long distances and low traffic volumes, road and/or river access is likely to be costly. The basic objective in transport development will be to augment effective demand of small farmers for bulk transport capacity. Therefore, AID will work to increase small farmer access to bulk transport, to lower costs per ton mile, to increase haulage capacity and frequency of service, and to provide more service outlets. Small wharfs, small depots with associated holding storage, shipping and other trade practices, as well as road maintenance and vehicle (including barge) procurement may be included as transport project elements.

Limitations to AID financial and personnel resources preclude an attraction to "targets of opportunity." Therefore, AID assisted activities or programs in

renewable energy and surface access and any agricultural programs separate from research programs in improved seeds, inputs, storage and credit are to be proposed only within the context of planning for (e.g., as pilot activities) or implementation of area development projects. Usually such programs will be funded in conjunction with the private sector, and with other donors whenever feasible.

Area development projects will not be allowed to become "catch-alls." Rather they will be designed and implemented according to likely impact upon incomes of regional populations, usefulness in national policy dialogues and sustainability in the medium-term.

Formal Nutrition Subsector

Malnutrition in Zaire is a widespread, complex, varied and multifaceted reality. Hence, specific knowledge is essential on the causes of malnutrition; the distribution of malnourished populations; the economic effects of debilitating diseases; and the social anthropology of malnutrition. This information will be sought in cooperation with CEPLANUT. The nutrition scenarios developed by AID/W and presented in the Agency's "Nutrition Sector Strategy Paper" (82 State 351575) then will be adopted in Zaire. Subsequently nutrition elements may be designed into agricultural, area development and health projects. In part they would draw from experience being gained in a new, area specific AID/GOZ nutrition improvement project in which regional and sub-regional food and nutrition councils, which include PVOs and private sector interests, will help to plan and carry out nutritional interventions.

Following the two-track strategy, area-specific interventions in nutrition will be conducted within the context of a national approach adapted to Zaire's requirements. A strong, continuing emphasis on the training of professional staff, with in-service short courses and long-term specialized degree training abroad, will support institutional development. USAID strategy includes a predisposition to support successful elements of the nutrition program outside core project areas, if requested by the GOZ.

During the CDSS period, as in the past, some areas of Zaire probably will suffer short-term, severe food shortages. As it has done before, AID will be prepared to respond to such crises, in cooperation with other donors.

Public Health

Public health activities are constrained by many operational and some policy problems. As noted, the GOZ is moving towards a policy of service-for-fees and an openly cooperative posture with private health institutions. These two changes in policy have made feasible the AID/GOZ collaboration in basic rural health. In this favorable policy environment we have demonstrated that it is possible to mount successful programs.

AID supported health programs are designed to promote household and community understanding of health and nutrition problems in order for individuals to act to improve their own health status. The long term goal of the AID public health program in Zaire is to promote program sustainability. In pursuit of this goal, AID will continue a strategy of supporting selected aspects of the GOZ health strategy with programs dealing with two specific constraints which inhibit the spread and sustainability of public health service systems in Zaire.

First, AID will continue to support improvement of planning and management techniques at all levels through both short and long term training. This will be done mainly by building up the University of Kinshasa's Department of Public Health so that it will be able to offer a wide variety of training, including in-service for public health practitioners, and programs through the Master's degree level.

The second targeted constraint is financial sustainability. Sustainability is being and will be approached at the service delivery level by institutionalizing fee-for-service systems and by working on a broad front through church systems and PVOs already established and working in Zaire. By its own example of channeling assistance through non-governmental groups, AID will encourage the GOZ increasingly to use non-GOZ entities for the actual delivery of certain health services, so as to allow individual

health service delivery entities to generate and manage their own resources and to reduce the constraint posed by the limited absorptive capacity of the formal, central GOZ public health system. The long-term objective is for the majority of local costs of rural public health programs to be covered by end user fees. The GOZ will provide overall policy guidance, coordination of personnel, and material assistance. AID will continue to support specific operations research to assist the GOZ in determining the most effective and efficient delivery mechanisms of the basic eight health services.

AID will also continue to assist an important activity of proven worth and for which the policy environment is favorable, namely, vaccination programs against communicable childhood diseases.

Population

AID's goal in the 1980s is to help Zairians prevent unwanted births. In the CDSS period our strategy is to broaden family planning services access in close cooperation with activities in public health. In order to expand service, AID will rely principally on those non-governmental organizations that are either already providing some service or are capable of initiating and sustaining services with a minimum of assistance. Such organizations include unions, cooperatives, churches, private companies as well as individual entrepreneurs. Whenever conditions are attractive, AID will attempt to incorporate provision of family planning services into the various functions of the GOZ Department of Public Health system. This includes persuading professional schools and other institutions to include family planning training in their curriculum. The National Committee on Desirable Births will be strengthened in its ability to gather statistics, plan and coordinate.

At the policy level, AID will encourage the GOZ to review two policies. The first policy is that proscribing family planning services to certain groups. The second is that which accords a very low budgetary priority to family planning services. Throughout, we will attempt to educate senior GOZ officials about the likely negative consequences of rapid population growth.

Human Resources Development

"Over the long run, third world countries must develop the human resources necessary to permit them to assume full control of and responsibility for their own development" (82 State 305746).

During FY 85-89 the general strategy for human resources development will be to support sectoral strategies in agriculture, nutrition, public health and family planning. Our long-term goal is to assist in building a Zairian capacity to facilitate general access to technology and to enhance sustainability of AID supported projects. Funding from the Education Appropriation is not proposed with the exception of support to non-governmental technical schools, and continuing support to the GOZ coordinating body for technical training, CENACOF. If the disheveled situation in this sector is redressed, this position may require amendment.

Substantial training is to be included in sectoral programming, guided by five principles. First, a general attempt will be made to create a measurable difference in developmental capability of given sectors within ten years. Second, programming will emphasize women not simply as beneficiaries but as managers. Third, emphasis will be continued on in-country training rather than off-shore participant training as cost effective, language and culture relevant. Fourth, management and organizational skills are crucial tools for nearly all institutional and human resources development programs and therefore will be included in virtually all technical training programs. Finally, the human resources development strategy is to be complemented by upgrading a few key educational institutions.

Private Enterprise and Private Voluntary Organizations

"Private enterprise ... is a philosophy of action and problem solving: a mechanism for delivery of development assistance ..." (82 State 349029).

The USAID strategy vis-a-vis private enterprise is to seek out common interests and objectives in order to strengthen implementation and sustainability of our developmental activities. In particular, the strategy is to demonstrate to the

GOZ the enhanced likelihood of sustainability implicit in reliance upon private, local enterprise. For example, this has meant continuing pressure to improve the terms of trade for agriculture so as to induce Zaire's small farmers to increase their output.

In policy dialogues with the GOZ, the U.S. Mission will stress the critical nature of private sector investment. USAID will seek to demonstrate the efficiency of such investment in area development and other project activities. The dialogue will be strongly influenced by resource availabilities. For example, the U.S. Mission could readily argue for private management of chemical fertilizer imports if AID were to finance such commodities.

Private voluntary organizations (PVOs) provide a structure around which development planning and activities can coalesce. USAID works with established indigenous PVOs by channeling development assistance through their ongoing programs and facilities. Support is provided when PVOs offer a superior means of program implementation, and when they serve such goals as long term institution-building and technology transfer. There is also a place in Zaire for new U.S. PVOs under certain conditions. First, USAID may decide to fund a pilot demonstration or learning project. Second, USAID may wish to support a new PVO proposal to assist local non-U.S. PVOs to improve program design or implementation. Third, USAID may be interested in new U.S. PVOs with a clear advantage in implementing specific projects.

P.L. 480 and Economic Support Funds (ESF)

Both the P.L. 480 Title I program and ESF provide supplementary resources to the private sector, the GOZ and to AID. Given the magnitude of Zaire's requirements for concessional assistance the macroeconomic growth impact of even the maximum levels of resources programmable under current guidance would not be appreciable. However, as Zaire attempts to adhere to strict budget limits imposed by the IMF, the counterpart funds generated under Title I assume great importance as a source of scarce operating and investment funds, and thus provide the U.S. policy leverage at the sectoral level. Furthermore, the combined sectoral impact of Title I and ESF resources could be great if

both commodities and local currency were programmed in tandem to meet sectoral objectives. Finally, the AID program's impact at the sectoral level can be enhanced through policy dialogue structured during negotiation of the programs. For example, the P.L. 480 Title I, self-help provisions are used in this manner and for ESF, special conditions and covenants could be so employed.

It is precisely such a sectoral strategy that will be followed. P.L. 480 Title I will be programmed to support agriculture marketing and production, health, population and nutrition strategies. ESF would be programmed to support the private sector in programs of market access, health and food production. Limited support to certain public sector parastatals would be necessary as well. However, ESF would be used in the policy dialogue to promote private sector handling of agricultural inputs. Furthermore, ESF can continue to be used as a potential incremental resource for commitment in response to positive economic policy initiatives by the GOZ.

The general programming goal for ESF will be to promote private industries processing domestic produce and/or manufacturing intermediate goods with high value added and high employment potential. Several such industries either are led by or include American private enterprises.

Specifically, ESF resources would be used in the policy dialogue and to support the strategy by demonstrating the strong developmental potential of the private sector. We would negotiate restricted access of GOZ parastatals to ESF and direct ESF financed commodity flows to a few key private sector activities. To this end, positive commodity lists and high value letter of credit requirements would be negotiated.

ESF financed commodities would be programmed to support AID sector strategies through procurement of such items as pharmaceutical plant and equipment and bulk ingredients, structures for roads and bridging, transport equipment and spares and agricultural inputs.

The commodity strategy for P.L. 480 wheat and wheat flour will be to program the commodity to demonstrate the nutritional and commercial worth of blending

wheat with domestically produced flours (e.g., cassava, soy, corn) and to complement the general program goal as directed towards malnutrition. The strategy assumes that wheat will be a permanent feature of the urban diet in Zaire, and that a GOZ policy concerning wheat will be to use it to sustain or to increase demand for domestically produced millable foods, with good nutritional effects. The uses of counterpart funds were detailed above.

P.L. 480 Title I tobacco, cotton and other commodities are financed from time to time in response to transitory private sector requirements. Strategy governing such commodities is to support domestic producers' market position by avoiding long term supply commitments, selling only in times of domestic shortages or in times of substandard local crops.

Neither P.L. 480 Title II nor Title III programs are proposed for the planning period. We believe that local foods must form the core of any mother and child feeding program. The purpose of Title III is policy leverage. As long as the IMF leads the broad policy dialogue it is likely that any Title III program would be difficult to mount. Furthermore, Title III programming is very staff intensive. At this point in time, it does not appear likely that Title III would add to our sectoral policy dialogues.

No Housing Investment Guarantee program is proposed because there is no local institution which could support it. Serious weaknesses in administration of Zaire's contract law further militate against such a program.

C. Program Linkages, Evaluation and Management

USAID's goals for the planning period were arrived at after taking careful account of the macroeconomic and political uncertainties. These uncertainties constrain decisions on program resources and highlight the importance of managerial control of activities. Activities will be implemented only in a few sectors or sub-sectors: agriculture (especially food production), health, population, nutrition and, in each sector of emphasis, training.

The basic linkage in the strategy is between the two-tracks, viz, between the central institutional and the targeted, impact projects. The linkage between institutional activities and targeted projects, being one of feedback and evaluation, should prove valuable in policy dialogue with the GOZ. The policy dialogue will be strengthened through an understanding by both parties that recommendations made and concepts employed are either based on Zaire-specific experience or can be evaluated on a pilot basis.

A second broad linkage built into the strategy is that, within the second track, "area development" is used as a framework to link activities. The elements of the strategy are to be mutually reinforcing, or cumulative in impact.

Development of a very few types of infrastructure is included in the strategy as a means towards improving the incomes and general quality of life of certain area populations. Infrastructure development will be undertaken only in the context of other ongoing AID assisted activity and may be in anticipation of such activity.

The objective of achieving measurable differences in Zaire's human capital through training provides a broad programmatic link between sectoral strategies. Each proposed sectoral activity will be appraised in part according to how effectively it would contribute to augmenting the human capital needed to sustain development.

Nutritional objectives link agriculture, P.L. 480, public health, population and formal nutritional programs. Conceptually, activities should have a demonstrable, cumulative impact upon a target population's nutritional status. In practice, clear cut cause and effect relationships are difficult to establish and simple data on marketing or distribution is not adequate to determine that status. For example, programs to reduce storage losses and increase milling efficiencies would contribute directly to the basic nutritional objective. Survey research will be necessary to establish target population nutrition status for a benchmark, and for periodic evaluations.

Technical analysis, reporting and evaluation by the USAID are organized to serve both the U.S. Mission and Washington. The basic objectives are to broaden the

context of sectoral policy dialogues; to establish, and to evaluate progress towards, sectoral and project goals and objectives; and to fulfill project and program requirements. USAID technical personnel carry out these responsibilities, often with contract and TDY assistance.

Evaluation of area development programs will be largely shaped by strategic objectives. In these programs in particular, the strategic objective of sustainability poses unique challenges. It will be of the utmost importance that reasons for failure be thoroughly understood so that repetition of failure may be avoided.

Problems of management pose a cumulative constraint to the range and geographic spread of project activities. Staff time used on implementation, evaluation and financial control will continue to be substantial. Contractor performance will continue to be marred by difficulties in recruiting French-speaking personnel, and in retaining them in rural Zaire.

D. Summary

The proposed strategy is based on the one hand, upon Zaire's economic and political situation, its institutional and manpower weaknesses, and on the other, upon the strengths and limitations of AID. From a programmatic standpoint, long term institution and manpower development upon which technology transfer can take place are the core of the development assistance program. ESF and P.L. 480 serve a dual function - to support policy dialogue and economic reform and to provide local currency and foreign exchange in support of the development program with its sectoral level policy dialogue.

We believe we have demonstrated that even a modest AID effort can have both a policy and development impact if carefully structured and managed. But shortages of skilled and professionally trained manpower at all levels and of financial resources, and the fragility of developmental Zairian institutions will not be redressed in the near term. AID has the ability to make an even larger impact on such problems assuming such support is steady and long term.

Another major facet of the proposed strategy is selectivity or concentration. (The buzz words without which no CDSS is complete.) Limited AID professional and financial resources will be focussed on a few related, complementary objectives: food production and marketing, nutrition, rural health, and family planning. The strategy has been designed taking into account the USAID's management requirements and with an objective to increase the productivity of limited resources.

IV. ASSISTANCE RESOURCES

A. Program Levels

Tables Three and Four present two assistance planning levels, following the guidance of 82 State 305746. Table Three is based upon 82 State 118947 which provided Development Assistance (DA) budget figures through FY 1987 and upon 82 State 128268 which provided ESF levels for the same period. In Table Three the DA level has been increased by increments of five million dollars in FY-88 and FY-89 to close the planning

Table Three
Proposed Assistance Planning Levels
(\$ Millions)

<u>Categories</u>	<u>Fiscal Year</u>				
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
<u>Agriculture</u>	14	17	19	20	22
Policy Planning and Institutional Development	3	4	4	5	5
Applied Research	5	6	6	6	6
Production/Marketing	6	7	9	9	11
<u>Health/Population</u>	5	7	10	13	16
Public Health	3	5	7	9	11
Nutrition	1	1	1	1	2
MCH & Family Planning	1	1	2	3	3
<u>Education</u>	1	1	1	2	2
Manpower Development	1	1	1	2	2
TOTAL DA	20	25	30	35	40
<u>P.L. 480</u>					
<u>Title I</u>	20	22	25	27	30
<u>ESF</u>					
Program Assistance	-0-	-0-	-0-	-0-	-0-

period at a level of 40 million dollars in FY-89. We have also included P.L. 480 Title I in this Table, although recent Washington guidance on levels has not been received. A Title I level of 20 million dollars in FY-85 is increased gradually to 30 million dollars in FY-89 in Table Three.

In agriculture, we will concentrate our assistance on strengthening food production and marketing, on the GOZ's policy planning and institutional capabilities, and on further development of applied research. Funding for health, population and nutrition will be increased steadily from FY-85 to FY-89. A nominal increase of funding under the supportive education account is anticipated.

Table Four is an illustrative exercise which demonstrates levels which would result from a strict application of the guidance cited above. If the GOZ sustained a good performance in debt servicing and along the policy reform path, and the economic situation improved rapidly in extended compliance with IMF programs, an increasing assistance level would be called for. Programming of higher assistance levels would be dependent upon which priority sectors were most advanced and their absorptive capacity.

Table Four
High Option Assistance Planning Levels
(\$ Millions)

<u>Categories</u>	<u>Fiscal Year</u>				
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Development Assistance	30	38	45	52	60
ESF	15	15	15	22	22
P.L. 480 Title I	30	33	38	41	45

B. Staffing

USAID/Zaire's U.S. direct hire workforce will be of a size and will comprise a breadth of expertise typical of Missions having comparable project oriented programs. USDH project staff will be concentrated in the fields of agriculture and public health.

The USDH approved FY-83/84 USDH FTE ceiling of 26 will be sufficient to carry out those program planning, design, and evaluation responsibilities and project management/oversight responsibilities in Zaire and the Congo that only direct hire employees may perform at the proposed assistance planning level. However, this will represent an appropriate workforce level only if the program is not increased in complexity and only if the USDH staff can continue to be supplemented when needed by personal services contractors (PSCs). As well as short and long term PSCs, the USAID will continue to rely on TDY direct hire and contract assistance to assist in periodic design and evaluation efforts and on PASAs, contractors and grantees for project implementation.

Two or three additional USDH personnel would be needed for implementation of a "High Option" level and/or for an even greater emphasis upon implementation and evaluation. For example, a commodity specialist to manage the ESF portfolio could be necessary, and an additional one or two project managers.

The approved FNDH level of 14 will fall far short of the approximately 40 foreign and third country national positions required for all activities in addition to USDH. We expect that this level may need to be increased slowly as and when qualified local personnel can be recruited. However, in large part the shortfall will continue to be met via contract employment.