

IMPACT OF ZAIRE'S ECONOMIC LIBERALIZATION PROGRAM
ON THE AGRICULTURAL SECTOR: A PRELIMINARY ASSESSMENT

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GLOSSARY

A.I.D.	U.S. Agency for International Development
ANEZA	Association Nationale des Entreprises Zaïroises Chamber of Commerce
BCA	Banque de Crédit Agricole Agricultural Credit Bank
CEPLANUT	Centre National de Planification de Nutrition Humaine au Zaïre National Center for Human Nutrition Planning
CIMMYT	International Center for Research on Maize and Wheat
CIP	Commodity Import Program
COOCEC	Coopérative Centrale d'Épargne et Crédit Central Credit and Savings Cooperative
EPZ	Entreprise Pétrolière du Zaïre Zairian Petroleum Enterprise
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross Domestic Product
GOZ	Government of Zaïre
IDA	International Development Agency
IITA	International Institute for Tropical Agriculture
IMF	International Monetary Fund
INS	Institut National de Statistiques National Institute of Statistics
OFIDA	Office de Douanes et Accises National Bureau of Customs
OGEFREM	Office Zaïrois de Gestion du Frêt Maritime National Bureau of Ocean-going Freight
ONATRA	Office National des Transports du Zaïre National Bureau of Transport
OZAC	Office Zaïrois de Contrôle National Bureau of Inspection
OZACAF	Office Zaïrois du Café National Coffee Board
PNL	Programme National Légumes National Pulse Program
PNM	Programme National de Maïs National Corn Program
PNR	Programme National Riz National Rice Program
PRONAM	Programme National de Manioc National Cassava Program
PVO	Private Voluntary Organization
SNCZ	Société Nationale des Chemins de Fer Zaïrois National Rail Transport Company
SOFIDE	Société Financière de Développement Development Bank
UNFPO	United Nations Fund for Population Activities
USAID	U.S. Agency for International Development/Zaire

EXECUTIVE SUMMARY

This report is a preliminary assessment of the impacts of Zaire's economic reform program on agricultural production, transport and marketing, as well as on import substitution and export promotion in the agricultural sector. The report also assesses, to the extent possible, the distribution of benefits and losses attributable to the reform program, including the division by gender of labor and income. Sections are devoted to preliminary analysis of various constraints to effective implementation of the economic liberalization policies in the agricultural sector. Annexes detail sources, methodology and recommendations for further research. A special annex examines issues pertaining to women in development.

Zaire is richly endowed with mineral resources, especially copper, and has considerable potential in agriculture. Yet the country's economic performance has been weak. After copper prices fell in 1974, economic policies were not adjusted to cope with rising trade deficits. Inappropriate policies led to persistent external imbalances. Today, Zairians continue to bear the burden of old debts that were undertaken in the 1970s partly to finance consumption and high-prestige investments that often yielded low economic returns.

Since 1983 the Government of Zaire (GOZ) has undertaken to rein in budget deficits and inflation, while committing itself to one of the most sweeping economic reform programs in Africa. A system of formal agricultural producer price controls has been abandoned and all but two agricultural marketing parastatals eliminated. Official barriers and taxes inhibiting trade between regions have been eliminated or reduced. The government is committed to market-determined exchange rates and de-controlled interest rates. It has attempted to reduce the burden of loss-making parastatals on the budget, and is committed to reduce or eliminate subsidies on fuel.

Despite marked improvement in terms of economic stabilization between 1982 and 1986, revitalization of the economy was anaemic. The shortage of foreign exchange associated with a continuing crisis in meeting debt-servicing obligations, and persisting high demand for consumer imports, including food imports, led to contraction of imports allocated to capital investment and maintenance of infrastructure. Agricultural output growth remained disappointing, particularly in the industrial and export crops sector. Falling copper and cobalt prices in 1986 precipitated rapid expansion of the trade deficit. Overall income growth per capita remained negative.

Political pressures led to a temporary suspension in 1986 of Zaire's economic stabilization program. Fiscal deficits financed by credit creation caused inflation to accelerate; the economy began rapidly to unravel. Faced with untenable circumstances, the GOZ in 1987 reinstated its commitment to economic stabilization and liberalization. Debt payments were rescheduled in May of that year and fresh donor financing was made available. Signs of this brief flirtation with inappropriate economic policies, including high

inflation and pressure for exchange rate depreciation, still were in evidence in July of 1987 when this assessment was undertaken.

Although these recent macroeconomic developments are important, the success or failure of policy reform in the the traditional agricultural sector appeared much more closely linked to effective implementation of price and marketing liberalization policies at regional and local levels. Liberalization policies have produced increases in foodcrop production and traditional farm incomes in those areas where:

- o local government officials have not intervened between farmers and traders to establish a de facto maximum price;
- o liberalization of inter-regional trade was implemented effectively, and efforts were undertaken to encourage competition in marketing, transport and processing;
- o traditional farmers have access to main roads or agricultural feeder roads that are in reasonable repair, or are located in close proximity to urban areas.

In Kongolo, Northern Shaba, for example, traditional farmers indicated that they had been increasing their production of maize in response to higher prices. When the team visited, several villages were holding out for higher prices from local traders. Government officials had been instructed by the Governor to steer clear of the bargaining process. Farmers tended to be in favor of the new system of bargaining for a sale price. Of tremendous importance was increased access to traders from the neighboring, and richer, Kasai regions, which had been inhibited from making corn purchases under the old system of restricting trade between regions.

Small farmers in Shaba also were widely reported to be shifting into maize production, and out of cotton, due to greater profitability in production of the former crop. The fact is that cotton companies tend to fix prices with no competition in virtually all regions, and the profit margins on prices that they have been willing to offer have not been competitive with maize. In the Kongolo area, although a large part of the increase in farm production could be attributed to A.I.D. rural roads projects, the shift from cotton to maize was caused by liberalization of maize prices and greater competition in marketing and transport.

Similarly, in and around Kisangani rice production and trade was reported to have increased significantly since 1983, when producer prices were liberalized and a rice monopsony ended. The informal sector was benefitting in terms of employment and income in transport and handling. Several mills had been constructed. Rice is marketed for sale almost exclusively by smallholders in that area, making them the main beneficiaries of liberalization. Diversification into coffee production was providing to small farmers a cash income for re-investment in rice production.

Interviews with small farmers in the Lubumbashi area indicated the advantages of proximity to urban centers. There, one village reported requiring increasing amounts of hired farm labor to assist in the cultivation of maize and beans. Prices for beans, which were sold directly along the highway into Lubumbashi, had doubled in each of the preceding two years. Likewise it had been necessary to offer 100 percent increases in pay to farm laborers, some of whom commuted from the urban area.

Despite these encouraging signs in several areas, the performance of the traditional agricultural sector at an aggregate level appears to have been disappointing. Available figures, although they are at best estimates, indicate that growth in aggregate production of staple foodcrops has increased since economic liberalization measures were introduced beginning in 1982. However, per capita output growth in foodcrops remained very close to zero over the period 1982-1986. Part of the constraint to increasing foodcrop production has been uneven application of the GOZ's economic liberalization policies at local and regional levels, while the appalling state of the country's rural roads network limits the access of farmers in remote areas to the benefits of economic reform. Quite simply, the policy reforms have failed to raise traditional farm output and incomes in those areas where farmers have not seen increases in the profitability of their crops.

In Bandundu region, for example, the Governor had circulated a document for the 1987 crop season that specifically fixed prices and mandated sanctions that would be applied to those farmers and traders that did not adhere to them. Farmers and traders confirmed in interviews that prices were not negotiated between them in any kind of bargaining sessions. The team also noted a prevalence of checkpoints along certain Bandundu roads, where minor officials were reported to demand bribes from traders. In Shaba, by way of contrast, the Governor had mandated reductions in the number of official checkpoints along the region's roads.

Figures tend to be more reliable on production of industrial and export crops, which appears to have stagnated at a time when import substitution and export promotion are crucial to the country's survival. Despite continuing depreciation of the currency, in line with the GOZ's flexible exchange rate policy, and price liberalization, which allowed nominal price increases for agricultural exports of from 460-1000 percent between 1981 and 1984 (while consumer prices generally rose by 375 percent over the same period), production of industrial crops and agricultural exports has stagnated.

The disappointing response of industrial and export crop production to policy reform may be laid even more directly to ineffective implementation. Most export crops, with the exception of coffee, are produced by the country's plantations, with good access to roads and markets. But a complex system of regulations and taxes continues to stifle growth of the sector. Regulatory criteria are vague. Export taxes persist. One marketed crop may be subjected to numerous regional taxes, often capriciously administered. Accounting of regional tax revenues and expenditures is in a notorious disarray. Although outright nationalization --- which decimated plantation agriculture in the

mid-1970s --- is much less likely today, regulatory and tax gauntlets can be equally predatory when abused by unscrupulous officials. In such an environment, the industrial and export crops sector has been unable to attract new investment.

Imports of foodstuffs to Kinshasa only recently have been affected by depreciation of the zaire. The major importer of fresh foodstuffs into the city saw increases in both the volume and the dollar value of its imports through 1986, despite several devaluations. The reason appears to be that it continues to be riskier, given Zaire's maze of regulations and taxes, and the dilapidated condition of its roads, to purchase, transport and market produce from Zaire's interior than it is to import it through the port at Matadi.

A problem that continued to plague the regions visited was periodic unavailability of fuel, although the GOZ has re-stated its commitment to end fuel subsidies in order to preclude having to ration it in a climate of scarce foreign exchange. The unfortunate impact of the fuel shortages is undoubtedly to limit the number of traders able to obtain petrol in a timely fashion, offsetting efforts to encourage greater competition in marketing and transport. This was the most egregious example encountered of failure to implement conditions agreed with donors.

Access to traders also is limited by insufficient allocations of resources for rural roads maintenance by the Department of Agriculture. Reportedly, no resources whatsoever were allocated for that purpose in 1986. Continuing deterioration of the rural roads network, particularly feeder roads, drastically reduces the potential impact of agricultural price reform policies. The deteriorating condition of roads inevitably entails increased vehicle depreciation costs and demand for foreign exchange to replace trucks and purchase spare parts. The situation should improve with increased IDA resources targeted to rural roads.

Shortages of timely credit for traders also have caused serious inefficiencies in agricultural marketing. During the 1984-85 crop season a shortage of credit reportedly restricted evacuation of agricultural goods from producing areas, resulting in depressed prices and disincentives to increase plantings for the following season. This year, banking restrictions that nominally targeted subsidized credit to agriculture, but in fact restricted the sector's access to loans, finally were abandoned. It is anticipated that this policy change will increase the availability of credit to the agricultural sector.

It is important to recognize that the impacts of past inappropriate policies have accumulated in the form of a debt overhang that Zairians are finding increasingly difficult to sustain. Indeed, the debt load itself has become a constraint to economic growth, although abandonment of its external obligations would further impoverish Zaire now, and for the foreseeable future. It is also true that unless the economic policy liberalization initiatives of today are implemented effectively, in order to eliminate constraints to economic growth, future generations of Zairians will labor under even more unfavorable constraints.

INTRODUCTION

Zaire, a nation with one-quarter the land area of the United States, is richly endowed with natural resources including copper, cobalt, zinc, diamonds, uranium and petroleum. In addition to its ores and minerals, Zaire has large forest reserves, hydroelectric capacity, wide variations in climate and a largely unrealized potential for increased agricultural production. Despite its natural wealth, Zaire is the fourth poorest country in the world. It faces formidable obstacles to economic development resulting from 1) a deteriorated physical infrastructure, particularly in transport and communications; 2) a weak institutional environment, with overlapping national, regional and local administrative responsibilities often carried out capriciously and without accountability; 3) a nightmarish regulatory and fiscal environment that hinders local and regional agricultural production, marketing and trade, as well as agricultural exports; 4) an overall shortage of investment capital, both external and domestic, overlaid by a serious external debt burden; 5) a critical lack of professional, technical and managerial capability; and 6) a population growth rate that approaches 3 percent per year.

During the 1960s, largely as a result of good copper prices, Zaire's economy expanded rapidly. After copper prices fell in 1974, economic policies were not adjusted to cope with deteriorating terms of trade. Rising budget deficits were financed by increases in domestic credit (and the money supply), fueling inflation and leading to an overvalued exchange rate. Today, Zairians continue to bear the burden of the slide in copper prices and of old debts that were undertaken in the 1970s largely to finance consumption and high-prestige investment projects that often yielded low economic returns. After several failed attempts at reform the Government of Zaire (GOZ) in 1983 embarked on a shadow IMF stabilization program. This was followed by three consecutive IMF standby arrangements and successive debt reschedulings. The government committed itself to one of the most sweeping economic policy reform programs in sub-Saharan Africa.

This is a preliminary assessment of the impact on the agricultural sector of the Zairian economic policy reform program, known in Zaire as the economic liberalization program. The program aims to revitalize the agricultural sector --- by providing market incentives and clearing away regulations, barriers, taxes and other forms of government intervention that provide disincentives to investors while skewing income distribution against farmers.

The centerpiece of the program in the agricultural sector has been liberalization of producer prices and crop marketing. In addition, restrictions on inter-regional trade have been removed and monopsony buying power has been reduced. Other elements of the economic stabilization and structural adjustment program, including devaluation of the exchange rate, control of fiscal deficits and money creation, de-control of interest rates, rationalization of tariffs, reduction in the role of parastatals and a commitment to end fuel subsidies, also have had an impact on agricultural production and food consumption.

The priorities of the GOZ in agriculture, outlined in its recent 5-year Development Plan, are a) to achieve food crop self-sufficiency by 1990; b) to encourage the production of industrial crops; c) to encourage agricultural exports, and d) to channel development efforts through an approach called 'development poles,' as yet to be fully defined. In addition, the government in a recent statement on its structural adjustment program in the agricultural sector, outlined measures that it hopes to implement in the near future, including reform of fiscal and customs tariffs, simplification of export procedures, measures to rehabilitate plantation agriculture and improve storage capacity up-country, de-regulation and reform of the agricultural credit system, more active participation of the private sector in the distribution of agricultural inputs, improved efficiency in the Department of Agriculture, improved rural access roads, and implementation of an agricultural research plan.

1. The Donors: External financing accounts for about 90 percent of the direct external funding of Zaire's agricultural development program. This proportion increases to more than 99 percent if one includes funding coming from the counterpart funds of bilateral donors. External financing is mobilized on a project-by-project basis with major donors being the World Bank Group, USAID, Belgium, France, Canada, UNDP/FAO, Italy, Germany and the EC.

The Bank's agricultural strategy in Zaire, reflected in its projects and sector work, has consisted of a) multi-component regional development projects that provide extension, credit, roads and social services in individual regions; b) commodity development projects that rely on private sector companies in joint ventures with the government; c) technical assistance in planning provided to the Department of Agriculture; and d) long-term agricultural credit provided through a development finance company, SOFIDE.

USAID's agricultural strategy focuses on achieving increased output from small farms. The medium-term aspect of the program combines rehabilitation of transportation, marketing and agribusiness infrastructure with the introduction of appropriate agricultural inputs. Over the longer-term, USAID's objectives include improvements in the agricultural research and extension systems, GOZ agricultural policy, and related improvements in rural health, family planning, and nutrition.

The main thrust of Canadian assistance is channeled through the Ministry of Environment and Nature Conservation in activities related to forestry. French technical aid to the Department of Agriculture is growing, through crop production programs. UNDP has financed studies and pre-investment work on agricultural extension, credit and institutional structure for agricultural support services in rural areas. FAO is involved with fertilizer extension programs. The European Development Fund (EDF) over recent years has supported area-specific rural development and agricultural production activities, and has made a special effort to insure funding of rural roads.

IMPACTS OF POLICY REFORMS

A. Agricultural Production

1. Characterization of Zairian Agriculture: It is estimated that the output of Zaire's 3-4 million traditional farm families comprises about 60 percent of agricultural production. Agriculture's contribution to GDP remains low, at about 20 percent, although perhaps 70 percent of the workforce is engaged in agricultural production. As a result, rural per capita annual income in Zaire in 1983 is estimated to have been barely \$100. The typical traditional farmer practices primitive slash-and-burn agriculture on a farm plot of 1.5 hectares. Hand tools are used, but rarely improved seed varieties, chemical fertilizers, or even animal traction. Access to usable roads is a major constraint facing a large proportion of traditional farmers. Much of the production of this sector is devoted to staple foodcrop production for consumption directly within the family unit or village. Still, some 5-10 percent of traditional farmers are engaged in technically more advanced production of crops such as cotton, palm oil, coffee and tea, for sale to the industrial sector or for export. Men traditionally are more involved in industrial crop production while women are more involved in food crop production.

Modern agricultural production is composed of two types of holding: large, corporation-owned plantations, and smaller, individually-owned commercial farms. The plantations tend to employ imported and capital-intensive inputs such as chemical fertilizers, tractors, improved seed varieties and modern transport, processing and storage facilities. The production technologies of smaller commercial farmers vary but generally are poorer. Most industrial crops and exported crops are produced by the modern sector, with the exception of arabica coffee. The number of holdings in the modern sector fell from some 1200 in 1979 to 800 in 1981. Plantation agriculture, in particular, has continued in decline for the past several years.

2. Agricultural Output and Cropping Patterns: Available figures at the national level indicate that growth in production of the main staple foodcrops (including maize, rice, sorghum, manioc, sweet potato, beans, peanuts and plantain) has increased slightly since economic liberalization measures were introduced beginning in 1982 (Table 1). However, per capita output growth in foodcrops appears to have remained very close to zero over the period 1982-1986. Nevertheless it must be stressed that these production statistics are at best estimates, and at worst extremely unreliable at the aggregate level.

Figures tend to be more reliable on production of industrial and export crops, which appears to have stagnated at a time when import substitution and export promotion are crucial to the country's survival. Despite continuing depreciation of the zaire, in line with the GOZ's flexible exchange rate policy, and price liberalization, which allowed nominal price increases for agricultural exports of from 460-1000 percent between 1981 and 1984 (while

consumer prices generally rose by 375 percent over the same period), production of industrial and agricultural crops has stagnated (Table 2).

TABLE 1
Zaire
Production of Major Commodities
(Thousand tons)

	<u>1971</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Maize	440	582	594	637	666	673	704	726
Rice	184	227	234	245	251	271	286	297
Sorghum	n.a.	31	32	33	34	35	36	37
Manioc	10329	12566	13087	13172	14184	14601	15038	15493
Sweet potato	n.a.	324	333	343	353	363	373	382
Beans	n.a.	99	104	108	111	114	117	120
Peanuts	279	318	337	348	349	367	376	386
Plantain	n.a.	1496	1563	1608	1654	1703	1749	1795

Source: Annuaire des Statistiques Agricoles, June 1986. Dept. de l'Agriculture.

TABLE 2
Zaire
Production of Industrial and Export Crops
(Thousand tons)

	<u>1971</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Sugar Cane	650	776	800	823	846	870	895	914
Coffee	75	87	89	93	93	84	89	90
Cocoa	6	6	6	5	4	4	4	4
Tea	7	6	6	5	5	5	5	5
Tobacco	n.a.	7	7	8	8	8	8	8
Cotton (Seed)	34	19	19	21	23	27	21	21
Rubber	41	17	18	17	16	15	15	15
Palm Oil	202	120	124	106	94	85	93	89

Source: Annuaire des Statistiques Agricoles, June 1986.

Production of industrial and export crops (including sugar cane, coffee, cocoa, tea, tobacco, cotton, rubber, palm oil and soybean) appears to have stagnated, although sugar cane production is reported to have increased. Palm oil and rubber production have declined significantly in the 1980s. Cotton production has continued to languish. In 1984, domestic production of cotton could fill only 50 percent of the needs of Zaire's textile industry. Zaire again began receiving cotton from the U.S. in the form of PL480 assistance in 1985, for the first time since 1980.

Despite this disappointing performance at the national level, the team found microeconomic evidence of significant responses by traditional farmers to liberalization measures where those measures were implemented effectively. Numerous interviews with farmers, government officials, traders, university professors and donor field representatives in Bandundu and Shaba Provinces indicated that farmers in the traditional sector were responding to liberalization measures by increasing production in those areas where:

- a) local government officials did not intervene between farmers and traders to establish a de facto maximum price;
- b) liberalization of inter-regional trade was implemented effectively, and efforts were undertaken to encourage competition in marketing, transport and processing;
- c) traditional farmers had access to main roads or agricultural feeder roads that were in reasonable repair, or were located in close proximity to urban areas.

3. Responsiveness to Price Incentives: The field interviews revealed the not-too surprising result that liberalization of agricultural prices did not lead to increased agricultural production in those areas in which there was little or no competition among traders in the purchase of agricultural produce. Deterioration of road conditions or lack of access to roads altogether clearly limited the scope for increases in production by farmers in some areas. In some areas senior government officials combined with traders to fix the prices that would be offered to farmers for their grain. In others the attractiveness of markets to new traders was limited by numerous road checkpoints at which minor officials were reported to demand bribes.

In Bandundu, for example, the Governor had circulated a document for the 1987 crop season that specifically fixed prices and mandated sanctions that would be applied to those traders and farmers that did not adhere to them. Farmers and traders confirmed in interviews that prices were not negotiated between them in any kind of bargaining sessions. The team also noted the prevalence of checkpoints along certain Bandundu roads.

Where success stories were found, an environment had been created that was conducive to trade. Kongolo, Northern Shaba, for example, is in a remote region characterized by traditional agriculture where A.I.D. has built up the

roads system. Farmers indicated that they had been increasing their production of maize in response to higher prices. When the team visited, several villages were holding out for higher prices from local traders. They seemed likely to get them: one large local trader indicated that he was running a month behind in fulfilling his delivery contracts. Government officials had been instructed by the governor of Shaba to steer clear of intervening in the bargaining process. Without exception the traders complained that the government would not assist them in setting prices to be offered to farmers; yet their fleets of trucks had grown by as much as tenfold over the previous few years. Farmers tended to be in favor of the new system of bargaining for a sale price.

Small farmers in Shaba also were widely reported to be shifting into maize production, and out of cotton, due to greater profitability in production of the former crop. One expert on maize production in Shaba was quite frank in his assessment that greater competition in maize marketing, combined with price liberalization and increased inter-regional trade, had enhanced maize profitability relative to cotton. The fact is that cotton companies tend to fix prices with no competition in virtually all regions, and the profit margins on prices that they have been willing to offer have not been competitive with maize. In the Kongolo area, although a large part of the increase in karna production could be attributed to improvements in roads, the shift from cotton to maize was caused by liberalization of maize prices and greater competition due to relaxation of marketing restrictions.

Reports from regions that the team was unable to visit also indicated increased agricultural production in some areas in response to economic liberalization policies. A Fulbright Scholar was investigating the rice trade in and around Kisangani, which was reported to have increased significantly since 1983, when producer prices were liberalized and a trading monopsony broken up. The informal sector was benefitting in terms of employment and income in transport and handling. Several mills had been constructed.

In Kisangani, rice is marketed for sale almost exclusively by smallholders, making them the main beneficiaries of liberalization in the area. The staple food crops in the area are manioc and maize. One collectivite dominated by a private local cooperative had diversified early into coffee production, providing a cash income for re-investment in rice production. Its rice production was booming. Just across the river was a collectivite that had been a showcase of rice production under the Belgian colonists. It had been run externally since independence by a government parastatal, during which time its rice production had progressively fallen. There had been no crop diversification; that collectivite was nearly bankrupt.

4. Input Usage: Interviews with small farmers in and around the Lubumbashi area indicated the advantages of proximity to urban centers. There, one village reported requiring increasing amounts of hired farm labor to assist in the cultivation of maize and beans. Prices for beans, which were sold directly along the highway into Lubumbashi, had doubled in each of the preceding two years. Likewise it had been necessary to offer 100 percent increases in pay to farm laborers, who commuted from the urban areas.

Despite increased profitability of maize for the small farmer, animal traction was almost never seen. Carts were not necessarily in short supply; yet even in the urban areas, almost exclusively they were drawn by humans. Alternatively, bicycles were employed to carry one or two bags of maize to market at a time. Or the produce was carried by hand, sometimes over considerable distances. Unfortunately, the apparent lack of a tradition of animal husbandry in Zaire means that no good substitute is available to small farm villages to replace mechanized power, which is becoming increasingly costly as devaluations raise the costs of imports.

Nevertheless, it seems clear that the burden of rising import costs has fallen proportionately much more heavily on the modern agricultural sector. Prices for imported tractors and lorries, in particular, were cited as being prohibitive. Similarly, there is no domestic production of chemical fertilizers in Zaire, and their costs have been rising steadily with increases in the cost of foreign exchange. Still, an FAO study in 1985 concluded that for most crops the quantity of output necessary to purchase a bag of fertilizer had remained fairly stable over the period 1981-1985; in the case of maize, output prices had actually risen faster than fertilizer prices over that period. And, although recent figures indicate that fertilizer prices rose by a significantly greater amount over the year ending in June 1987 than did maize prices, FAO officials continue to report significant increases in demand for fertilizer in the Shaba region.

A problem which continued to plague the regions visited was periodic unavailability of fuel. Although donors had obtained agreement from Zairian officials to end subsidies on fuel in order to preclude having to ration it in a climate of scarce foreign exchange, no progress had been made on this front by the time of the team's field excursion. Indeed, arrangements for the excursion to Kongolo could not be confirmed more than one or two days in advance because it was unknown whether sufficient petrol would be available in Lubumbashi, the region's capital. The unfortunate impact of these fuel shortages undoubtedly is to limit the number of traders who can obtain usable petrol in a timely fashion. This was the most egregious example encountered of failure to implement conditions agreed with donors.

5. Gender Division of Labor: Women play an important role in agriculture, particularly in food crop production (see Annex E). Since labor is the most important variable input to agricultural production in Zaire, the gender division of labor is an important issue. Males traditionally have predominated in work requiring heavy labor: clearing, burning and land preparation. Women have predominated in weeding and tending crops, a more time-consuming activity. Estimates indicate that women's input to foodcrop production may exceed men's by a factor of two-to-three.

Men tend to be involved more heavily in the production of industrial crops: perhaps 95 percent of paid employees in the plantation sector, for example, are male. In cases where foodcrops have become important sources of cash sales, men have become more involved in their production. Interviews in Northern Shaba indicated that as corn production has become more profitable,

men have become more involved in production and marketing of the crop. The same process appears to be taking place with respect to manioc production in Bandundu. This suggests that the gender division of labor may be influenced more by economic factors than by tradition.

B. Institutional and Policy Constraints at the Micro Level

The impact of the economic reform policies on smallholder agriculture has been limited by the existence of a large number of institutional and infrastructural constraints to its efficient development. These factors have intervened, to differing degrees in different regions of the country, to limit the extent to which policies, particularly the price liberalization policy, result in increased profitability for farmers. This section of the report examines some of the key constraints, particularly in the areas of transport, marketing and credit.

1. Agricultural Transport Systems: In traditional agricultural areas, produce usually is transported on foot or by bicycle from farm to village, where it is purchased by local traders and transported by truck to market centers. Road transport, and rail or river where available, is used to bring goods to major urban centers. Clearly, efficiency of road transport is crucial to successful marketing of agricultural produce. In Zaire, however, the road transport system is extremely inefficient. Some areas are virtually inaccessible by road, and even in those areas which are relatively well served, poor road maintenance contributes to high marketing costs with a consequent reduction in farmgate prices and/or increase in consumer prices. At least three reasons may be cited for this: lack of a road maintenance policy with sufficient resource allocations, fuel supply problems and the unavailability of trucks because of credit limitations and rising import costs.

a. Road Maintenance: Since 1980, the Department of Agriculture has had responsibility for maintaining rural roads, but resources allocated have been insufficient. Reportedly, no resources were allocated in 1986. This situation should improve, however, as a result of the proposed IDA structural adjustment credit under which rural roads are to receive substantial financial allocations.

Continuing deterioration of the rural road network, particularly feeder roads, and consequent inaccessibility to markets of areas affected, has reduced drastically the potential impact of agricultural price reform policies. In addition to lowering farmgate prices to allow for higher transport costs, the limited number of traders willing to go to the most isolated regions increases the potential for monopsonistic practices. In some instances traders, and even missions which engage in trading, are no longer going to distant villages. When the risk of losing a truck is no longer outweighed by expected profits from the transaction, traders simply cease to

purchase the marketed surplus. This trend is already evident and clearly constrains farmers' supply responsiveness.

Responsibility for maintaining primary and secondary roads lies with the Office des Routes, either directly or through agreements with either plantations or large traders. In the past, the enterprise concerned performed this service in return for some degree of control over purchases in the area. For instance, until last July, rice buyers in Kasai East had a monopsony. When they lost it they stopped maintaining the roads. With increased competition under liberalisation, government will have to take increasing responsibility for roads maintenance. Some of these problems may be resolved with the introduction of a fuel tax to finance a roads rehabilitation program.

b. Vehicle Fleet: The deteriorating condition of roads inevitably entails increased vehicle depreciation costs and an increased demand for foreign exchange and credit to replace trucks and purchase spare parts. Continuing restrictions on foreign exchange and credit availability, combined with the increased costs of imported vehicles and spare parts due to devaluation, serve to compound the difficulties faced by traders in maintaining an adequate vehicle fleet.

c. Rail and River Transport. A parastatal enterprise, ONATRA, undertakes most river transport in Zaire, ONATRA also operates the port of Matadi and the railway line connecting Matadi to Kinshasa. Several large private traders also operate barges for river transport. The Matadi port facility is notoriously inefficient, according to a World Bank economist, who cited average handling costs per ton of \$13 (compared with \$2 per ton at the port of Durban, South Africa). Matadi was reported to be the most expensive port facility in terms of handling costs on the west coast of Africa. Certain areas of the country are served by the railway, SNCZ, which rents out wagons to traders. The capacity and efficiency of both of these systems has deteriorated due to poor management, unavailability of resources, and difficulty in obtaining spare parts and new equipment. The rehabilitation of these systems would provide a major stimulus to agricultural marketing.

2. Fuel Supply: Inadequate and unreliable fuel supplies are widely quoted as a major constraint to the timely collection of agricultural produce at the village level. Shortage of fuel also serves to limit the competitiveness of demand for agricultural produce and blunts the impact of price reform policies. Shortages can be traced to both the importing and distribution systems.

Fuel is imported almost exclusively by a parastatal, Entreprise Pétrolière du Zaire (EPZ). A Buying Committee, which includes representatives of the distribution companies, is chaired by the Minister of the Department of Energy. EPZ organizes competitive bidding for the year's supply of fuel, about 500,000 tons. In recent years the contract has always been given to the Brazilian firm, Petrobras. Private companies, including Shell, Fina, Texaco and Mobil, finance fuel shipments under this contract. Smaller quantities are imported directly overland by these companies.

Private companies are responsible for the distribution of the fuel, but prices are still controlled by the GOZ, and set at below-cost prices. Prior to 1985 one price for fuel was fixed nationwide, with the obvious consequence that there was a disincentive to ship to rural or distant areas. In June 1985 a cost-based system was introduced, with differential rates for different regions to reflect distribution and transport costs. Prices were to be adjusted every three months. The most recent adjustment had been made in March of 1987, and the previous adjustment in August 1986. Failure to maintain cost recovery prices has resulted in implicit subsidies, by both GOZ and the private companies (since most of these have 40 percent GOZ participation). Clearly the depletion of private companies' resources can endure for a very limited time, after which supply dries up. During the month of July 1987, not a single boat load of fuel had gone into the interior. Inevitably, many traders must rely on the black market for their fuel purchases, undoubtedly a severe constraint to competition among them.

3. Rural Credit and Savings: Government monetary policies which affect rural credit and savings often have had negative impacts on this subsector. An illustrative example is the demonetization of 1979, whereby all five and ten zaire notes had to be changed at a bank within three days or lose their value. Many people were unable to get to a bank and of those that did, many were unable to change before the deadline. This effectively wiped out a large percentage of rural savings belonging to farmers and small traders.

The shortage of timely credit for traders also has caused serious inefficiencies in purchasing agricultural produce. During the 1984-1985 season, a shortage of credit reportedly restricted the evacuation of agricultural goods from producing areas, and resulted in depressed prices and disincentives to increase plantings for the following season. In 1987, banking restriction that nominally targetted subsidized credit to agriculture, but in fact restricted the sector's access to loans, finally were abandoned. It is anticipated that this policy change will increase the availability of credit to the agricultural sector.

Three principal sources of bank credit for agriculture are: 1) commercial banks, 2) SOFIDE the Société Financière de Développement, (which is supported by IDA and allocates 50 percent of its loans to agriculture) and 3) BCA, Banque de Credit Agricole, created in 1982. Although bank lending to agriculture has been stagnant, the volume of agricultural credit from both BCA and SOFIDE increased substantially in recent years. Capital assets of BCA increased from 15 million Zaires in 1982 to 130 million Zaires in 1986. SOFIDE's agricultural loans increased from 8 million Zaires in 1978 to 230 million Zaires in 1985 [ABT, (1987)]. However, the relative percentage of credit going to the agricultural sector has been declining. Most credit going to the sector is for marketing and agro-industry rather than for agricultural production.

Demand for agricultural credit is always reported to outstrip supply. The basic reasons are simple. Until mid-1987, short-term agricultural loans by commercial banks were subject to an interest rate ceiling of 28 percent, and

were regulated by the Bank of Zaire. While the intention was to support agriculture, the effect was to restrict credit available since the banks could charge up to 40 percent on non-agricultural loans, and on medium and long term loans. This policy has now been abolished and replaced by a requirement that commercial banks grant 10 percent of their loans to agriculture. It is too early to assess the impact of this policy change, but it is anticipated that it will increase agricultural credit availability.

Demand for credit from SOFIDE and BCA consistently has outstripped supply because their interest rates are subsidized. Rates offered by those institutions on long-term agricultural loans in 1986 were 15 percent and 26 percent, respectively; commercial banks were offering 40 percent. Inflation was running at 46 percent annually at the end of 1986. Donors have pushed for the scaling back of the activities of BCA to improve the efficiency of credit allocation.

Large traders interviewed in the Kongolo area confirmed that BCA credit was more difficult to obtain than previously, and were uniformly unhappy with this development. When asked, however, some indicated that they had as a consequence increased their borrowing from commercial banks. Others had never had good access to BCA loans. BCA loans were acknowledged to have always been difficult to obtain. The main constraint to borrowing from commercial banks, for these large traders at least, was the high interest rates being charged, rather than the availability of credit.

Nominal interest rates in July of 1987 ranged from 43 to 47 percent, while the inflation rate was in excess of 50 percent per annum, implying negative real interest rates. Although this represents a major improvement over the situation before price liberalization when interest rates were fixed at low rates, still, it is likely to result in restricted access to credit for poorer farmers or marketing agents without credit histories. These borrowers must resort to the informal credit system.

One of the most popular systems of informal credit involves forming a small group of persons who contribute a fixed sum each month, the total being allocated in turn as needed to each member of the group. This is a particularly important source of credit for women, and for very small scale undertakings. A study in Bandundu region (Eale and Newton, 1985) found that only 4 percent of borrowing by female small farmers is undertaken through formal sector institutions, as compared with 22 percent of borrowing by male farmers. On a larger scale, informal credit among traders is widely used and has the advantages of being faster and more private than credit from the formal sector.

4. Marketing Structure and Regulations: While improvements in rural transport and credit are essential prerequisites for the efficient functioning of agricultural product markets, an examination of the overall marketing situation in Zaire highlighted the absolute necessity of simultaneously developing a regulatory and institutional environment conducive to increased

competition among the purchasers of agricultural produce. Currently there appear to be major problems in the regulatory environment of price and marketing liberalization in some regions of the country.

a. Price Regulations: Before the liberalization of May 29, 1982, indicative farmgate prices were fixed by the Ministry of National Economy. Although the ability of the GOZ to control these prices was limited, traders generally interpreted the prices as maximum prices, thus effectively keeping them down. Government announcements of indicative prices lent credence to these traders' claims.

Despite the price liberalization policy, the performance of the traditional agricultural sector at an aggregate level appears to have been disappointing (see Table 1 in section A, above). Part of the constraint to increasing food crop production has been uneven application of the GOZ's economic liberalization policies at local and regional levels.

On a field trip to Bandundu, for example, the team heard numerous reports of price fixing even in 1987, five years after the policy was introduced. To cite but a few examples:*

- 1) Price of food crops fixed by a "Chef de Collectivité" (sources - village elders in 2 villages);
- 2) Intervention of zonal and regional authorities to raise coffee prices after local traders had agreed on the price they would offer (source - a trader in Bandundu);
- 3) The fixing of rice prices in a zone near Kisangani by the Commissaire de Zone, Agronome de Zone, and Chef de Collectivité. (Source - a researcher working in Kisangani);
- 4) A document for the 1986-87 crop year from the governor of Bandundu specifically fixing food crop prices and mandating sanctions against farmers and traders that failed to adhere to them. (Source - a World Bank economist).

* It is important to have some background in the nomenclature of local and regional officialdom in Zaire. A Chef de Collectivite is similar to a village mayor. These are elected locally, at least in the areas visited by the assessment team. The Commissaire de Zone is like a county commissioner; these are appointed by the regional governors. Agronomes are local extension agents of the Ministry of Agriculture, responsible to Kinshasa. The various overlapping lines of administrative authority pertaining to agriculture are often acknowledged to be a nightmare for effective policy making. (And their low pay scales lend incentives to corruption: see section D, below.)

This failure on the part of some local and regional officials to implement the liberalisation policies facilitates the suppression of competition in the areas concerned.

It should be emphasized at this point that there was a significant difference in the degree of policy implementation between the areas which the team visited in Bandundu and those which they visited in Shaba. In the latter region, very serious efforts were being undertaken to implement price liberalisation, which was fully supported by the Governor of the region. This region had the additional advantages of a relatively well developed road network and marketing and extension system for maize, the principal crop. These systems were developed partially under the USAID financed North Shaba project, which among other activities, improved over 700 kms of rural roads.

The combination of better infrastructure and local institutional support appeared to be major factors accounting for the more effective implementation of the liberalisation policies in Shaba.

b. Marketing Regulations: Regional differences in the degree of implementation of price policies were paralleled by differences in the extent to which marketing controls were dismantled. A notable example which was experienced at first hand, was the reduction of road blocks, or "control points" in Shaba, which contrasted markedly with the numerous road blocks reported in Bandundu some of which the team experienced at first hand. Such controls not only add to marketing costs, they may also discourage small traders whose profit margins may be insufficient, thereby reducing competition.

The lifting of restrictions on inter-regional trade appears to have had a positive impact, particularly in Shaba region, where a significant percentage of the maize harvest goes to the neighbouring diamond mining areas of Kasai. Although a good deal of trade between the Kasais and Shaba occurred previously in contravention of the controls, nevertheless the elimination of controls has increased the volume of the trade, while reducing prices charged to the ultimate consumer.

The situation vis-a-vis other regulations regarding trade is less clear. In the area of taxation, few changes are evident, and one study of tax systems in six regions found wide variations in the number, rate and incidence of taxes across regions and even within the same region. (Danegies, January 1987) Up to nine taxes may be levied by different levels of local governments on one trader for a single good.

5. Institutional Constraints on Production: Institutional constraints discussed above relating to transport, credit and marketing have intervened to prevent the impact of policies being felt by farmers in some areas. Other constraints exist which impede the farmer from increasing production even when price incentives exist. Among the most notable are the weakness of the agricultural research, extension and input supply systems.

Zaire's agricultural research system, which was at one time thought to be one of the best in Africa, was described in 1985 as being "critically deficient in trained scientific staff and supporting personnel, and with badly deteriorated research facilities, grossly inadequate logistical support and severely deficient funding. (Report of the United States Presidential Agricultural Task Force to Zaire. February 1985.)

6. Processing and Storage: The losses experienced by farmers due to inadequate storage in the time between the harvest and sale of the crop are reportedly substantial. This limits the ability of farmers to hold back some of their crops until prices rise after the main harvest period, and consequently reduces their ability to respond to prices, as well as causing wider price fluctuations. The traditional storage method consists of building a mud hut with shelves inside, and "smoking" the produce. Villagers made known their need for better storage facilities and clearly this is an important element in enabling them to have more bargaining power in the market.

Local processing is another area in which there is scope for reform. In Bandundu, for example, local oil presses are being widely used in some areas, and are more efficient than the large scale industrial oil-pressing enterprises. In Kisangani, several new rice mills reportedly have been constructed in response to the rice boom in that area.

7. Women in Marketing and Trade: Women in Zaire play an important role in food marketing and trade (see Annex E). Estimates place the proportions of women engaged in local agricultural sales activities in some provinces at 70 percent or more. Interviews with male and female traders, farmers and women's trading organizations in Bandundu and Shaba regions indicated that price decontrol has led to increased activity by women in marketing and trade.

Formal barriers to business activity, such as high-cost licensing fees and access to credit at formal banking institutions, limit the success of trading organizations owned and operated by women. No empirical data on traders' access to credit were found, but discussions with women traders indicated that their use of marketing credit is limited. When they can obtain formal marketing credit women traders often do so in conjunction with their husbands. In general women traders may be expected to rely much more heavily than men on informal credit markets, as is the case with women farmers.

Finally, policy reforms that eliminate or remove unnecessary barriers to trade should have a large beneficial impact on women traders. There is strong evidence to suggest that women traders benefited from removal of barriers to inter-regional trading, for example.

C. Income and Equity

1. Rural/Urban Terms of Trade: The objective of structural adjustment and economic liberalization policies is to provide an incentive structure that will facilitate sustainable economic growth. Past policy interventions may have skewed income distributions by allocating resources in a non-economic fashion. The best example in Zaire is the adverse terms-of-trade for agriculture, due to policies which implicitly taxed agricultural producers and benefitted urban consumers. This "urban bias" underlay a trend of urbanization in Zaire in which the share of the labor force in agriculture fell from 82 percent in 1965, to 77 percent in 1973, to 72 percent in 1980. As agriculture tends to be the poorest sector in Zaire, in which the majority of the population is employed, agricultural price and marketing liberalization holds the potential for improving equity in income distribution, as well as for improving economic efficiency.

Figures on agricultural production in Zaire are exceedingly difficult to obtain, and are notoriously unreliable. Available data, however, indicate that Zairian authorities believe that the terms-of-trade for agriculture are improving. Data provided to donors by Zairian authorities show that average annual sectoral growth rates from 1983-1986 for commercialized and traditional agriculture were 2.8 percent and 3.4 percent, respectively. This compares with an average growth rate of only 2.2 percent for GDP over the same period.

2. Farm Incomes: Based on field visits to regional agricultural production areas, the team was less sanguine about the impacts of policy liberalization on farm incomes in areas in which policies were not implemented effectively. (See sections A and B, above.) Still, where policy liberalization appeared to have been implemented effectively, farmers seemed to be better off, both in terms of increased production and in terms of higher prices for their output, than they had been before. Although this effect was partially offset by higher prices for manufactured goods, particularly those with a higher import content, these items appeared to represent a relatively smaller proportion of the traditional farmer's family income (including in-kind income) than of the incomes of urban dwellers. And the relatively undeveloped nature of Zairian traditional agriculture, in terms of imported fertilizer, seed or machine usage, also has blunted the impact on farm incomes of devaluation and inflation.

Microeconomic evidence concerning the benefits of liberalization policies for rural incomes tends to support the team's conclusion that results are spotty between regions, or even within a given region. Nutritional levels often are reliable measures of rural area incomes. Table 3 shows the proportions of babies born with low birth weights at clinics in several parts of Bandundu region, over time. The source is an A.I.D. - assisted program. Although in general the proportions appear to have fallen since 1982, in Kenge I clinic they have risen markedly. In Bandundu General Hospital and Popo clinic, low birth weights were on the rise again in 1986, after falling between 1982 and 1985.

TABLE 3

Bandundu Region: Proportions of Children Born with
Low Birth Weights (less than 2500 gm)

	1982	1985	1986
Bandundu S. Hosp.	20.1	17.6	18.2
Popo	31.0	22.5	24.1
Kenge I	11.9	17.9	14.9
Kazinzi	40.0	30.6	NA
Kintambo	12.1	NA	NA
Karona-Lunda	32.0	28.5	NA

Source: CEPLANUT; A.I.D.

3. Rural/Urban Linkages: Farmers in areas in which liberalization policies were implemented effectively have had the benefit of increases in their primary claims to income from the productive activities of society, due to increased profit margins for their production. In those areas, persons who do not engage in farming also have seen an increase in their incomes due to the quickened pace in agricultural production and incomes. And, to the extent that strong rural/urban linkage remain in Zairian society, due to family or ethnic ties to home villages, the negative impacts of urban austerity may be offset by rising rural incomes.

In fact, ties to the rural areas were often mentioned as one of the many "adaptive mechanisms" that urban dwellers depend upon for alternative sources of income. But, although rural/urban linkages remain strong in Zaire, little credence was given to the suggestion that a reverse migration back to the villages was occurring. Data on rural/urban migration are unreliable and inconclusive as to whether urban migration has slowed or stopped with the onset of economic liberalization. Other factors influencing the decision to migrate to the city include improved access to services, especially education. This incentive will not have been removed by improvement in the rural/urban terms-of-trade.

Interviewees did respond positively to the concept of a reversed migration in the following sense, however: urban dwellers setting up farming in areas around the urban centers. Many persons were reported to be buying land for commercial farming purposes near Kinshasa and Lubumbashi. These new farms have better access to roads, more traders, and greater local demand, all of which increase the prices that farmers can charge. They also are near enough to urban centers to allow access to educational and other services.

4. Access to Services: Planned current GOZ expenditures on such basic services as education and public health have fallen significantly in real terms since 1982, by one-half and by one-third, respectively. Survey data as to what the impacts of this trend have been upon access to such services is apparently almost non-existent. Planned World Bank household surveys to determine the social impacts of structural adjustment are expected to yield much information in this field.

The team was able to obtain data from A.I.D.-assisted projects and programs that may be illuminating in one respect: the concept of targetting services to those elements of society most at risk from fiscal austerity policies. Under a project to upgrade health centers in 50 rural health zones, a report to A.I.D. indicated that between 1982 and 1986, access to health centers that offered pre-school clinics, curative medicine, vaccinations, pre-natal clinics and health education had risen from 10 percent to 55 percent of the population in those zones. The implication is that health care access may improve even with falling national expenditures on health, if programs are targetted to those most in need.

5. Urban Household Expenditures: Urban households have been affected adversely by the increases in agricultural prices associated with economic liberalization. Between 1982 and 1986, consumer prices in Kinshasa were reported to have risen by 389 percent. A credible urban consumer market basket survey allocates 37 percent of the average family's income to purchasing food and beverages, 8 percent to manufactured items, including clothing, and fully 34 percent to transportation. Rent, school fees, firewood and charcoal share the remainder. (This may not be a representative market basket for Kinshasa consumers generally; further household surveys should be done to obtain representative and stratified market baskets in both urban and rural areas. The team encountered a notable lack of information in this regard.)

In the first six months of 1987 the cost of this market basket rose by a staggering 61 percent. Prices of food and beverages rose by 49 percent, of manufactured items by 84 percent, and of transportation 50 percent over that period. (Indices not seasonally adjusted.) Although no comparable figures on urban incomes are available for comparison, with the overall GDP growing more slowly than the birth rate, we can only conclude that for significant segments of the urban population, incomes are likely to have fallen relative to the rising cost of living.

Further research into the social impacts of structural adjustment in urban areas, including household surveys as planned by the World Bank, would be welcome. Especially important will be implications of the research for design of programs for targetted alleviation of poverty under structural adjustment.

6. Gender Division of Income: Any shift of the terms of trade in favor of agriculture should have a beneficial impact on women's incomes in

Zaire, since women predominate in terms of labor participation in that sector (see Annex E). But male control over production proceeds, or income, appears disproportionate to their contribution to production in the case of food crops. Information available on proportions of children born with low birth weights in Bandundu region (Table 3), a reasonable proxy for women's income levels, since it is a direct measure of their nutritional levels, is inconclusive as to the benefits to women's income from policy liberalization since 1982. Rural household surveys, scheduled to be carried out by the World Bank in several provinces in Zaire, will be welcome additions to the base of knowledge on this subject.

D. Macroeconomic and Financial Issues

1. Economic Performance: Zaire is richly endowed with mineral resources: copper, cobalt, industrial diamonds, gold, zinc, silver, uranium and even crude oil all are produced. Zaire also has considerable potential in agriculture, forestry and hydroelectric power. Yet Zaire's economic performance has been weak. After copper prices fell in 1974, economic policies were not adjusted to cope with deteriorating terms of trade. Rising budget deficits were financed by increases in domestic credit (and the money supply), fueling inflation and leading to an overvalued exchange rate. Today, Zairians continue to bear the burden of the slide in copper prices and of old debts that were undertaken in the 1970s to finance consumption and ambitious investment projects that often yielded low economic returns.

After several failed attempts at reform the Government of Zaire (GOZ) in 1983 embarked on a shadow IMF stabilization program. This was followed by three consecutive IMF standby arrangements and successive debt reschedulings. The GOZ undertook one of the most sweeping economic liberalization programs in Africa, alongside fiscal and monetary programs designed to rein in budget deficits and inflation. Between 1982 and 1985, the GOZ: a) announced the removal of price controls from most agricultural crops and manufactured goods; b) eliminated all but two agricultural marketing parastatals; c) established a competitive foreign exchange market through which most foreign exchange is allocated; d) undertook substantial liberalization of the exchange regime and trading system, including rationalization of tariffs; e) decontrolled interest rates; f) committed itself to tight expenditure controls, including limitations on wage increases and reductions in public sector employment; g) reduced money supply growth from 65 percent per year to 26 percent; h) undertook to reduce the burden of parastatals on the budget, including liquidation or sale of some assets; and i) committed itself to adjust the price of petroleum products more accurately to reflect world market prices.

These economic stabilization and liberalization measures improved the overall incentive framework in Zaire, and by 1985 had begun to show positive, although uneven, results. Considerable initial progress was made in terms of economic stabilization: the current account deficit fell from 8.3 percent

of GDP in 1983 to 5.8 percent in 1985, while the cash-basis overall fiscal deficit (before debt relief) fell from 11.7 percent to 7.4 percent of GDP over that period. Fiscal imbalances and inflationary pressures also were reduced: net credit to the GOZ declined from 10.3 percent to 6.7 percent of GDP between 1983 and 1985, while inflation fell from levels of more than 100 percent at end-1983 to 24 percent in 1985.

The record was far less satisfying in terms of structural adjustment. Despite the comprehensive set of announced liberalization policies, revitalization of the Zairian economy was anaemic. The shortage of foreign exchange associated with a continuing crisis in meeting foreign debt-servicing obligations, combined with continued high demand for imported consumer goods, even imported fresh foodstuffs, led to contraction of imports for investment and productive purposes. The result was progressive deterioration of the nation's capital and infrastructural bases. Output growth in the agricultural sector remained disappointing, particularly in the production of industrial and export crops. Falling copper and cobalt prices in 1986 precipitated rapid growth of the current account deficit. The domestic manufacturing sector continued to operate at well below capacity. Overall economic growth remained negative in per capita terms.

Political pressures to abort agreements with donors began to mount in 1986. Budgetary expenditures were approved far in excess of agreed fiscal targets. Civil service salaries were increased by 60 percent. Investment projects outside the core investment program were undertaken. In October, a Central Committee meeting openly debated abandoning key elements of the economic program. The GOZ established informal controls on the exchange rate, leading to overvaluation of over 20 percent relative to parallel rates. Controlled fuel prices were not adjusted as expected, leading to fuel shortages. The Government set a limit on servicing of external debt, leading to payments arrears.

The combination of falling copper and cobalt prices and inappropriate economic policies in 1986 threw Zaire's stabilization program into a tailspin. Bank financing of the Government's deficit, which was programmed to be 1.3 billion zaires in 1986, in fact reached 10.1 billion zaires. The money supply rose by 58 percent in 1986. Inflation of consumer prices rose from 24 percent in 1985 to 46 percent in 1986. The fiscal deficit in ratio to GDP rose from 7.4 percent to 13.4 percent. The current account deficit widened from \$279 million to \$470 million. Consumer prices in Kinshasa rose by 36 percent in the first four months of 1987. Faced with this untenable set of circumstances, the GOZ entered into lengthy discussions with the IMF, the World Bank and the bilateral donors in which it reaffirmed its commitment to its economic liberalization program. Zaire's debt-servicing obligations were rescheduled and fresh donor funding was made available. Signs of this brief flirtation with inappropriate economic policies, including high inflation and pressure for exchange rate depreciation, still were in evidence in July of 1987 when this assessment was undertaken.

2. Impacts of the Liberalization Program: Although these recent macroeconomic developments are important, the success or failure of policy reform in the traditional agricultural sector was much more closely linked to effective implementation of price and marketing liberalization policies at regional and local levels. As previous sections have made clear, success in the traditional agricultural sector has been limited to those locales in which liberalization policies have been implemented effectively, and which have fair access to market roads.

It also is important to recognize that significant constraints remain at both the macroeconomic and the microeconomic levels which inhibit the translation of the stated economic liberalization program into incentives to increase production of industrial and export crops. In addition to constraints imposed by the physical environment, an intricate regulatory, administrative and fiscal environment has developed in Zaire that discourages investors while encouraging economic distortions, corruption and outright graft. It is this environment that blunts the economic revitalization program in the agricultural sector.

a. Agricultural Exports and Imports: The objective of currency depreciation is to make imports more expensive to consume and exports more attractive to produce. If circumstances favoring imports and stifling exports have prevailed for some time, complementary measures to encourage investment in industries with export and import-substitution potential are likely to be necessary. Finally, the disincentives to produce exports and import substitutes, such as prohibitive capital costs, taxes and regulations, must be removed or reduced.

Despite continuing depreciation of the zaire, in line with the GOZ's flexible exchange rate policy, and price liberalization, which allowed nominal price increases for agricultural exports of from 460-1000 percent between 1981 and 1984 (while consumer prices generally increased by 375 percent over the same period), production of industrial and agricultural crops has stagnated. It seems clear that factors other than price and overvaluation of the exchange rate have inhibited agricultural exports. The World Bank identifies insufficient domestic supply capability, rather than any lack of world demand.

The fact is that nearly all cocoa, tea, sugar cane, rubber and most coffee is produced on private plantations, some of which are quite large. These companies also buy much of the exportable produce of smaller farmers. Thus the large plantations have proved easier to regulate and to tax than the millions of farmers and traders in the food crops sector. And this has proven to be a major liability.

Indeed, a complex set of regulations and taxes pertains to exporters. Criteria are vague and open to abuse by government regulators. Quality control is required for coffee and tea from two distinct regulatory parastatals; at least partly in consequence, much of the growth in coffee exports has been in "unofficial," or smuggled, channels, despite a competitive exchange rate.

The proportion of earnings which may be repatriated to foreign investors is monitored and regulated by the Bank of Zaire. There are five separate export taxes. And, although a recent study indicated that administrative interventions and regulations had been reduced by nearly half for most agricultural exports, their number still averaged over two dozen. (See report by COGEPAR, June 1987.)

Imports of foodstuffs, on the other hand, only recently have been affected by depreciation of the zaire. Ordamon, a primary importer of fresh meat, poultry, fish and other foodstuffs into Zaire, saw increases in both the volume and the dollar value of its imports through 1980, despite several devaluations. Import tariffs on foodstuffs are minimal. Only recently did the company's customers begin switching consumption patterns from meat to less-expensive chicken imports. Yet the total tonnage of fresh imports remains fairly constant.

The reason appears to be that it is cheaper, given Zaire's maze of regulations and taxes, and its dilapidated transportation infrastructure, to purchase, transport and market produce from Zaire's interior than it is to import it through the port at Matadi. This is a surprise, considering that Matadi also is widely reported to be the most expensive African port with access to the Atlantic. A World Bank economist estimates that official handling costs at Matadi average \$13 per ton. In Durban, South Africa, comparable costs are \$2 per ton. The problem, at least partly, is the inefficiency of ONATRA, the government parastatal with a monopoly over the port, as well as over rail transport to Kinshasa. Of course, the high costs at Matadi also stifle exports --- which also must pass through the port.

b. Investment and Savings: The objectives of price liberalization, including interest rate liberalization, are twofold. First, to allow prices to reflect market incentives to producers, thereby encouraging production of the most profitable commodities. Second, to mobilize domestic savings and efficiently to allocate investment capital, by allowing interest rates to rise to market levels. If interest rates are held below levels that will yield economic rates of return to lenders, some form of non-market rationing will occur. Interest rate liberalization allows investment to flow to the most productive enterprises. Allowing interest rates on deposits to rise encourages increases in domestic savings, adding to the resource base available for investment.

Although the GOZ has allowed lending rates to rise to market levels, several other factors have limited efficient allocation of resources in Zaire. In addition to the cost of capital, represented by interest rates, investors also must take into account the overall riskiness of the investment climate. This may be the greatest constraint to investment in Zaire. Despite its potential for profitable production, for example, the industrial and export crops sector remains unable to attract new investment. The large plantations of colonial times were decimated in the nationalizations of the mid-1970s. Although the government's policy now is to encourage private investment in the sector, foreign investment is practically nil. Large estates that used to

produce quite lucratively for export in the Bas-Zaïre region lie idle today.

There is much less threat today of nationalization, or "zaïreanization," although the rhetoric of 1986 was not encouraging to investors in that respect. But a number of credible observers describe a complex administrative, regulatory and tax gauntlet that can be equally predatory when abused by government officials. Agriculture is hit particularly hard, with local and regional officials being subject to dual lines of administrative responsibility to both national and regional authorities, and most taxes, licenses and regulations enforced at the regional or local levels. There are wide variations in the number, rate and incidence of taxes across regions and even within a particular region. A single economic agent marketing one agricultural product may be subjected to nine different regional taxes.

The multiplicity of taxes and regulations offers opportunities for corruption and graft. The incentives for both have increased dramatically, as government salaries have fallen in real terms to 20 percent of their levels in 1976. It is often alleged that petty bribes comprise the main source of income for many officials. One farmer reported having to pay bribes ranging from \$160 to \$1,000 to various village, sub-regional and regional officials in order to obtain leasehold to 20 hectares of land. It should be noted that these amounts are not insignificant in a country where the per capita annual income is about \$170.

A more serious problem is that little is known about the workings of regional financial systems, even by those who work within them. Revenue and expenditure accounting are apparently almost unknown procedures, opening enormous potential for graft and unscrupulous manipulation by corrupt officials. One major accounting firm reported that it had had to stop accepting tax cases because the proceedings were so complex and time consuming that they simply had to advise clients that they were not worth contending. A recent study of proliferating local and regional taxes and para-taxes in Zaïre cites "...dozens, even hundreds of taxes raised by all sorts of public entities on a large number of sectors, activities and products." (See Banegies, January 1987.) Under such circumstances the disincentives to investors must be enormous.

Investment disincentives stemming from the macroeconomic environment also must be considered. Statistics at the national level indicate that public investment has exceeded public savings in three out of four of the years in which the economic liberalization program has been in effect (see Table 4). The reverse has been the case with respect to private savings and investment, indicating a continuing crowding-out of private investors by government. In 1986, savings and investment in both sectors fell in proportion to GDP. Net credit to the government rose in proportion to GDP from 6.7 percent in 1985 to 7.5 percent in 1986, as the government borrowed heavily to finance increased spending. Private savings in proportion to GDP have fallen steadily since 1984.

TABLE 4

Macroeconomic Variables
As A Percentage of GDP

	1983	1984	1985	1986
Public Savings	4.4%	4.2%	7.9%	5.5%
Public Investment	5.5%	6.5%	7.5%	6.4%
Private Savings	4.8%	12.5%	9.5%	7.1%
Private Investment	5.4%	7.4%	6.0%	5.8%
Net Credit to Government	10.3%	8.0%	6.7%	7.5%

Source: World Bank.

Yet there would seem to be considerable scope for mobilization of private savings in Zaire. With respect to savings in the rural areas, for example, a recent study completed for A.I.D. concluded that rural deposits with private savings unions have been increasing dramatically. COOCEC, a savings union in Bandundu, had seen the number of its depositors increase from 19,000 in 1985 to 30,000 in 1986. Its nominal deposits rose from 26 million zaires in 1985 to 40 million in 1986. The anomaly is that the unions were offering nominal deposit rates of only 4-5 percent per annum. With inflation rates of 50 percent or higher, it is doubtful that such institutions are pulling in more than a fraction of potential rural savings, even taking into account the high costs of transactions with small rural depositors. Improving the credit infrastructure could allow increases in nominal deposit rates to within several points of lending rates, which are in the 40-50 percent range, mobilizing significantly more in rural savings. There is a concern, however, that the savings unions, already successful as private institutions, should remain so, and that their progress should not be hampered by excessive regulation and other sorts of governmental intervention.

c. Prospects for Growth: It is important to recognize that the impacts of past inappropriate policies have accumulated in the form of an external debt overhang that Zairians are finding increasingly difficult to sustain. Indeed, the debt load itself has become a constraint to economic growth, although abandonment of its external obligations would further impoverish Zaire now, and for the foreseeable future. It is also true that unless the economic policy liberalization initiatives of today are implemented effectively, in order to eliminate constraints to economic growth, future generations of Zairians will labor under even more unfavorable constraints.

Zaire's external debt, including IMF loans and short-term credits, stood at 114 percent of GDP at the end of 1985. Zaire's terms of trade, which deteriorated due to falling copper and cobalt prices, are not expected to

recover to 1985 levels before the mid-1990s. The base of non-traditional exports (diamonds, gold, crude oil and manufactures) is so small in relation to copper and cobalt that growth of exports from this source cannot hope to offset the impact of copper and cobalt price decreases on the trade account. Agricultural exports remain in the doldrums.

Over the past several years Zaire has been able to sustain debt-service payments amounting to approximately one quarter of exports; since its scheduled payments obligations have been consistently in excess of this proportion, Zaire has been forced repeatedly to reschedule. Since a substantial proportion of its bilateral obligations are on nonconcessional terms, and since payments have been taken mainly in the form of interest, Zaire's nonconcessional debt load has continued to grow with each rescheduling. Increasingly, donors have provided fresh funding in the form of concessional loans or grants. Under a scenario broadly corresponding to zero per capita GDP growth through 1990, Zaire's financing requirement will decline only modestly from \$1.7 billion in 1987 to \$1.6 billion in 1990. Nonetheless, this is a considerable increase over the 1986 level of \$1.2 billion. Thus it is clear that substantial increases in donor financing will be required over the next few years in support of Zaire's continued commitment to its economic stabilization and liberalization program.

Conclusions

This report is a preliminary assessment of the impacts of Zaire's economic reform program on agricultural production, transport and marketing, as well as on import substitution and export promotion in the agricultural sector. The report also assesses, to the extent possible, the distribution of benefits and losses attributable to the reform program, including the division by gender of labor and income. Sections are devoted to preliminary analysis of various constraints to effective implementation of the economic liberalization policies in the agricultural sector. The conclusions of this assessment may be summarized as follows:

Today, Zairians continue to bear the burden of old debts that were undertaken in the 1970s partly to finance consumption and high-prestige investments that often yielded low economic returns.

Political pressures led to a temporary suspension in 1986 of Zaire's economic stabilization program. Fiscal deficits financed by credit creation caused inflation to accelerate; the economy began rapidly to unravel. Faced with untenable circumstances, the GOZ in 1987 reinstated its commitment to economic stabilization and liberalization.

Signs of this brief flirtation with inappropriate economic policies, including high inflation and pressure for exchange rate depreciation, still were in evidence in July of 1987 when this assessment was undertaken.

Although these recent macroeconomic developments are important, the success or failure of policy reform in the the traditional agricultural sector appeared much more closely linked to effective implementation of price and marketing liberalization policies at regional and local levels. Liberalization policies have produced increases in foodcrop production and traditional farm incomes in those areas where:

- o local government officials have not intervened between farmers and traders to establish a de facto maximum price;
- o liberalization of inter-regional trade was implemented effectively, and efforts were undertaken to encourage competition in marketing, transport and processing;
- o traditional farmers have access to main roads or agricultural feeder roads that are in reasonable repair, or are located in close proximity to urban areas.

In Kongolo, Northern Shaba, for example, traditional farmers indicated that they had been increasing their production of maize in response to higher prices. Small farmers in Shaba also were widely reported to be shifting into maize production, and out of cotton, due to greater profitability in production of the former crop. Traders from the

neighboring Zasai regions were helping to bid up the prices received by small farmers in Shaba.

Similarly, in and around Kisangani rice production and trade was reported to have increased significantly since 1983, when producer prices were liberalized and a rice monopsony ended.

Despite these encouraging signs in several areas, the performance of the traditional agricultural sector at an aggregate level appears to have been disappointing.

Part of the constraint to increasing foodcrop production has been uneven application of the GOZ's economic liberalization policies at local and regional levels, while the appalling state of the country's rural roads network limits the access of farmers in remoter areas to the benefits of economic reforms. Quite simply, the policy reforms have failed to raise traditional farm output and incomes in those areas where farmers have not seen increases in the profitability of their crops.

In Bandundu region, for example, the Governor had circulated a document for the 1987 crop season that specifically fixed prices and mandated sanctions that would be applied to those farmers and traders that did not adhere to them. Farmers and traders confirmed in interviews that prices were not negotiated between them in any kind of bargaining sessions.

Production of industrial and export crops also appears to have stagnated at a time when import substitution and export promotion are crucial to the country's survival. Imports of foodstuffs to Kinshasa, on the other hand, only recently have been affected by depreciation of the zaire.

The disappointing response of industrial and export crop production to policy reform may be laid largely to a stifling regulatory, fiscal and administrative environment that discourages investors while encouraging economic distortions. There are five separate export taxes; although administrative interventions and regulations have been reduced by nearly half for most agricultural exports, their number still averaged over two dozen in 1987. A single economic agent marketing one agricultural product may be subjected to nine different regional taxes. The multiplicity of taxes and regulations offers opportunities for corruption and graft.

A problem that continued to plague the regions visited was periodic unavailability of fuel, although the GOZ has re-stated its commitment to end fuel subsidies in order to preclude having to ration it in a climate of scarce foreign exchange. Fuel scarcities undoubtedly contributed to lack of competition among traders.

Access to traders has been limited by insufficient allocations of resources for rural roads maintenance by the Department of Agriculture. Shortages of timely credit for traders also have caused serious inefficiencies in agricultural marketing.

The external debt load has itself become a constraint to economic development in Zaire, although abandonment of its external obligations would further impoverish Zaire now, and for the foreseeable future. Unless the economic policy liberalization initiatives of today are implemented effectively, in order to eliminate constraints to economic growth, future generations of Zairians will labor under even more unfavorable constraints.

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Citoyen Kayumbe Tshilobo, Pharmaciste, Kongolo

Guerrini G., Private Trader, Kongolo

Fotiou Philippe, Private Trader, Kongolo

Beelen Lucas, Private Trader, Kongolo

Citoyen Kibwe Nizat, Private Trader, Kongolo

Citoyen Kibwe Sakina, Private Trader, Kongolo

Citoyenne Njelema wa Kibondo, Première Conseillère, AFECOZA Zone de Kongolo, Kongolo

Citoyenne Kitenge Aziza, Secrétaire AFECOZA Zone de Kongolo

Village Visit Conducted in Mabaya-Baya, Kongolo area

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SOURCES OF EXISTING AND ON-GOING DATA SURVEYS

The assessment team was severely constrained in preparing this report by the paucity of relevant and timely data and the questionable reliability of data series that do exist. In Zaire it is well known that some of the most basic macroeconomic and sectoral data sets, such as agricultural production and prices, are at best estimates. This problem is compounded by the lack of the sort of microeconomic survey data required for vigorous and thorough research. In particular what is required for the assessment of the impacts of policy reform is collection of survey data over time. Where relevant data and results from previous surveys and studies were available, they are cited within the report. This annex contains a partial list of organizations concerned with collection of data series pertinent to this report, and a brief description of the data that they collect.

1. Ministry of AgricultureA. Strategy and Planning Division

This division produces annual data on agricultural production for all major food and non-food crops by region. The Division of Strategy and Planning carries out studies on the production and marketing of specific commodities, compiles economic surveys for each region of Zaire and produces other specific reports including an analysis of the principal constraints on agriculture, in 1986, and an overview of the Agricultural situation in Zaire which was revised in 1987. Personnel of this office have received postgraduate training in the U.S. and approximately 15 masters theses have been produced.

Southern Band Survey

Data were collected in two rounds from 240 households in five regions covering the southern band of Zaire. A statistical profile was produced containing variables on: number of fields, area under cultivation, agricultural and non-agricultural activities, and demographics. Number of laborers and activity data are disaggregated by age and sex.

B. Agricultural Statistics Division of the Studies and Planning Service

Under an agreement signed in 1985 between the FAO and GOZ, financing was provided for a Permanent System of Agricultural Statistics Collection Project (ZAI/84/008). The principal purpose of this project is to establish and maintain a sampling frame for the whole country, in order to facilitate carrying out surveys rapidly and at lower cost. The project will also ensure

that trained and organized field personnel equipped with surveying materials and with transport are available in the areas to be surveyed.

Two types of surveys are carried out: farm surveys and consumption surveys. For the former over 1,000 farms are surveyed in each region. These will provide the basis for regional and national estimates of the area and yield of different crops and the degree of intercropping. Consumption surveys provide data on the volume and characteristics of the consumption of agricultural produce in rural households as well as data on the marketing of the produce by producers.

C. Department of Markets, Prices, and Agricultural Credit

This organization monitors marketing, prices and credit allocations for the agricultural sector. It also produces reports on transport systems, legislation relating to trade, and imports and exports. It appears to be one of the more reliable sources.

2. Ministry of Plan

A. National Statistics Institute

National statistics are under the general responsibility of the National Statistics Institute but as mentioned above, this body is critically underfunded. The regional offices have only about 10 employees, whose main role is to collect price statistics and carry out surveys in urban areas and on agro-industries and commercial enterprises. The central office in Kinshasa published data on consumer and producer prices.

This institute is scheduled to begin a major research project with World Bank financing on the social impacts of structural adjustment in the regions of Bas Zaïre, Bandundu and Equateur.

3. Ministry of Health

The number of low weight births (weight below 2.5 kg) is a good measure of pregnant women's health and a proxy for measuring women's income levels. CEPLAGUT (Centre National de Planification de Nutrition Humaine au Zaïre) collects data on this variable, height and weight of children, in addition to rainfall measurements. This data is collected in two urban and eight rural health centers in the Bandundu Region. Limited data on the health variables is available prior to 1985. In the past data were also collected on the selling prices of agricultural commodities in local markets.

4. University of Kinshasa

A. Institute for Social and Economic Research

The Research Institute undertakes a wide range of studies on various topics including prices, marketing and credit. In the past it published

monthly bulletins, occasional papers, and price indexes for consumer goods in Kinshasa. For the past year, it has only compiled the price data, due to lack of funding.

Faculty of Economics - Dept. of Demography

This department is undertaking (with funding from the U.N.F.P.A.) a major study of rural-urban migration from Bas Zaire to Kinshasa. Surveys were carried out in 1983, 1984, 1985 and the data is currently being collated and processed. The final report should be available in late 1987.

5. USAID

Small Farmer Study, Bandundu Region

This study was commissioned by USAID/Zaire and completed in 1985 by the Oxford Food Studies Group. Ten households in each of 40 villages in the MaiNdombe and Kwilu sub-regions were surveyed. Data were collected on a wide variety of variables including agricultural activities, decision making, credit use and source, membership in associations, locations of markets, type of commodities sold and prices. Gender disaggregated data are available on participation in agricultural activities, decision making processes and credit, among others.

6. Other

Study of Integration of Women in Development: Research at Regional Level, North Kivu.

This study is currently being undertaken by a researcher with the Center for Zairian-Canadian Cooperation. The sample includes 350-500 women who are being interviewed both individually and in groups. Data on 200 variables are being collected, including information on division of household income and women's trading activities.

Women's Access To Credit.

A study of women's access to credit was undertaken by the Societe de Developpement International des Jardins (Quebec, Canada) and funded by the Center for Zairian-Canadian Cooperation. No specific information on the variables contained in this study is available.

Rice Production Project--University of Kisangani

A research study on rice production and marketing is currently being done in the Kisangani area by a Fulbright scholar. The study will provide data on the operations of formal and informal rice traders, both men and women, and the impact of increased production levels on farmers' and traders' activities.

7. World Bank/UNDP

Planned Assessment of Social Dimensions of Structural Adjustment

Comprehensive assessments of the social impacts of structural adjustment in thirteen sub-Saharan African countries are planned by the World Bank, with financing in part from the UNDP and bilateral donors. A major effort is scheduled to be undertaken in Zaire over the next four years, to include establishment of permanent household surveys, completion of socio-economic studies and identification of potential poverty alleviation projects. Survey results should be available for review in 1989. Bilateral donors will be asked to participate in questionnaire design, given full access to survey results and asked to participate in their evaluation.

In Zaire, the French are taking the lead in revitalizing the National Statistical Institute, which will be responsible for national accounts, and ongoing demographic and household survey data collection. Household surveys are slated to be undertaken in Kinshasa and each of the regional capitals. Data collection from rural areas in three regions, Bas-Zaire, Bandundu and Equateur, will be undertaken by a revitalized unit in the Ministry of Agriculture (assisted by a joint FAO/UNDP project), which is expected to implement ongoing household surveys. A steering committee has been set up within the World Bank to coordinate the sub-Saharan African assessments, under the chairmanship of Ishmael Seragelgin.

RECOMMENDATIONS FOR PHASE II

The purpose of Phase II is to develop an ongoing system to evaluate the impacts of policy changes, identify constraints in their implementation and synthesize the results for policy analysis and implementation.

The specific tasks to be accomplished include:

1. Maintaining a current list of existing data sources and establishing data generating activities.

To the greatest extent possible, data from existing sources will be used. However, most data currently available are of limited usefulness due to problems of reliability and coverage. A major effort will be required to ensure that specific data sets required for policy analysis are produced in a timely fashion. These will include monitoring criteria such as changes in relative prices, agricultural input use, subsidies, wages, etc. This data gathering exercise should include interviews with farmers, traders, local and central government officials, private sector representatives, etc.

2. Development of a Monitoring System on Policy Management and Implementation

The objective here is to examine the effectiveness of implementation and assess the principal constraints. These would include transport and marketing institutions, access to credit, etc.

3. Examining the Institutional Informational Flow Processes

The process by which various governmental agencies collect, compile, analyze and share data with each other and with policy analysts, decision-makers, and those officials charged with management and implementation, will be examined. The objectives will be to assess the extent to which such persons have regular access to feedback concerning policy impacts and/or implementation effectiveness.

In order to economize on resources, efforts must be made to incorporate those activities into existing institutions. At least two institutions are currently or soon to be involved in major data gathering efforts:

- i) The Service d'Etudes et Planification in the Ministry of Agriculture, which is establishing a permanent system of Agricultural Statistics Collection through the Division of Agricultural Statistics, with funding from FAO, and
- ii) The INS which is to commence a 4 year assessment of the social dimensions of structural adjustment in the regions of Bas-Zaïre, Bandundu, and Equateur.

Since AID will be lending financial support to the INS project through counterpart funding, and to the Service d'Etudes through Project 660-0119, it may be possible to work through these existing institutions for the data generation, compilation and analysis. Coordination could be assured with the aid of the technical assistant to the Agricultural Division of the Ministry of Planning, who is also to be funded under Project 660-0119. Possibilities for working with non-government institutions such as the three university campuses of Kinshasa, Lubumbashi and Kisangani should also be considered.

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AGRICULTURAL PRODUCTION, MARKETING AND INCOME DISTRIBUTION BY GENDER

A. Introduction

This Annex provides a description of women's roles in the Zairian agricultural sector and an analysis of how agricultural policies affect women. The emphasis of the analysis is on the division of the benefits of policy reform. A tabular discussion of agricultural policies and their effects on women's agricultural production and incomes is also included.

For any work involving Zaire the problem of obtaining reliable hard data is difficult to overcome. In the case of gender-disaggregated data the task is even more difficult. The following discussion and conclusions should be interpreted in this light.

B. Gender Division of Labor -- Women Provide a Significant Source of Labor For Food Crop Production

The major policy reform affecting agricultural production was the economic liberalization program begun in mid-1982. This reform could be expected to have an impact on both agricultural production and incomes. To evaluate whether women benefit equitably in any production or income increases requires an understanding of their contribution to agricultural production and determining their share in the distribution of the gains.

Women play a major role in agriculture in general and food crop production in particular. Thibault Normand (1986) in a study on the integration of women in development estimated that 94 percent of all Zairian women in 1982 were engaged in agriculture compared with 56 percent of Zairian men. The are differences in the types of tasks undertaken by men and women. Men's contribution tends to be most important for heavy labor activities. The Thibault-Normand Study (1986) found that in 1984 men in the Haut-Zaire region provided the major labor input for cutting and clearing trees and brush for shifting cultivation, and for burning fields. Women were more important in preparing fields for planting, weeding and harvesting crops. A study commissioned by USAID of small farmers in the Bandundu region found a similar pattern. [Eele and Newton (1985)]. Interviews in the Kongolo zone of Shaba revealed that women provided the major labor input in land preparation and weeding. However, there is certainly overlap in the kinds of activities performed by men and women.

Male labor input for clearing, burning and land preparation takes place at the beginning of the growing season. Women's labor in weeding and tending crops is necessary throughout the growing season. Within an individual

household production unit, women appear to provide the largest share of the sustained labor input necessary for food production. Analysis of the Southern Band Survey data undertaken by the Ministry Agriculture [Shapiro (1987)] in the southern portion of Zaire, indicates that women's contribution to cultivated area is about 2-3 times that of men.

Another important aspect in gender division of labor is the type of crop produced. In Zaire women's labor is more important in the production of food crops. Men tend to be more heavily involved than women in the production of export crops such as coffee and cotton, and in employment in the plantation sector. In cases where food crops become important as cash sources, men become more involved in production and marketing. Such is the case with corn in the Kengele region of Shaba. With regard to the plantation sector, limited data suggest that only a very small number of women, perhaps only 5 percent of total paid employees, are active in this sector [Thibault-Normand (1986)].

C. Intra-household Production and Income Distribution by Gender -- Women's Needs are of Low Priority Relative to Their Labor Input

To decide if women share equitably in agricultural production and income increases it is necessary to evaluate both their contribution to production and marketing and their access to the fruits of their labor. A determination of this type requires an understanding of intra-household decision making. The difficulties with generalizing in this regard about a country as vast as Zaire are obvious.

The Bandundu small farmer study [Ede and Newton (1985)] provides empirical data about decision making relative to the use of income earned from agricultural activities. Of women questioned, 60 percent said that their spouses made budgetary decisions compared with only 34 percent who said that they were responsible. For men a much larger 58 percent reported they themselves were the decision makers. Interviews with women farmers and traders supported these findings. Women repeatedly stated that division of income from trading activities was undertaken by the man in the household even when that income was earned by women. With regard to agricultural production a similar pattern is evident. Women's needs appear to be generally of lowest priority, following those of the husband and children.

This study was not able to investigate whether men outside the household influence the allocation decisions of female-headed households. The Bandundu study [Ede and Newton (1985)] indicates that these types of households are important, accounting for 22 percent of the total. Their decision making processes should be investigated in future studies.

Any shift in the terms of trade favoring the rural areas over the industrial sector is likely to have a positive impact on women, since the majority of all Zairian women are involved in the agricultural sector. In the case of food crops, male control over production proceeds or income increases appears to be disproportionate to their contribution to production. To the

extent that existing social systems reduce women's access to the fruits of their labor, they are less likely to benefit equitably from positive impacts of policy reform. More information on this question is required in the policy formulation process. Should price liberalization and exchange rate policies result in an increase in the profitability of plantation agriculture and worker income, women are not likely to benefit due to the small degree of female employment in that sector.

Interviews in Northern Shaba indicated that as corn production becomes more profitable men become more involved in production and marketing. A USAID staff member in Kinshasa indicated that the same process may be taking place with manioc in Bandundu. This suggests that gender division of labor is influenced by economic incentives. It was not possible to determine the equity implications of this change. Women may be better off as men assist in food crop production. On the other hand women may be losing some degree of control of production and marketing. This is an important area for further research.

D. Agricultural Marketing By Gender -- Women Play an Important Role.

Women in Zaire play a substantial role in food marketing. In Haut-Zaire Thibault-Normand (1986) estimated that 77 percent of agricultural sales activity was carried out by women in 1984. The same author noted that 70 percent of women were selling agricultural commodities. According to the Bandundu study [Eele and Newton (1985)] women predominate in the selling of crops. Observation in the Shaba region reveals that women are involved substantially in food crop marketing. Women's involvement in marketing includes sales by women producers as well as trading practiced by women.

E. Sales By Women Farmers -- Marketing of Food is Increasing

Interviews with both men and women traders, farmers and representatives of AFECOZA (Association of Women Traders in Zaire) in the Bandundu Region, Lubumbashi and Kongolo indicated that price decontrol has led women farmers to market more agricultural commodities. This is constrained by the fact that not all villages have access to good farm-to-market roads, limiting the interest that traders have in purchasing produce in those areas.

Assuming that production increases have taken place, it is logical to assume that women might be marketing and consuming more. In Bandundu rural health workers, including USAID contract staff at CEPLANUT/Kikwit (Centre National de Planification de Nutrition Humaine au Zaïre), felt women were increasing their production and marketed surplus, while decreasing the amount of food they consumed. This could lead to a decline in health status and represent a negative impact of policy reform.

The percentage of low birth weight babies (under 2.5 kg) is a good indicator of the nutritional status of women during pregnancy and a proxy for

evaluating the nutritional status of women in general. Birth weight data from five maternity centers were available from the CEPLANOT project. Data reveal that on average the percentage of low birth weight babies declined marginally from 27 percent in 1982 to 23 percent in 1985. Although it is difficult to separate out the impact of policy reform from that of the project and other factors, there are some tentative indications that women's nutritional status has not declined substantially during the period of policy reform. Additional research is needed on changes in women's consumption patterns as a result of policy reform.

F. Women Traders -- They Benefit from Policy Reform

In Zaïre women are important in moving agricultural commodities from the farm to large consumption centers. Women active in these efforts often operate in conjunction with their husbands or sons. These arrangements appear to be much more equitable for the women involved than do the commercial activities of women farmers. Women traders exhibit considerable influence as to how the business is managed and may often employ several persons, including men, to purchase and transport commodities. Even in these cases married women are likely to be subject to their husbands' wishes concerning the distribution of profits. It appears, however, that the greater the woman's contribution to the capital used in trading, the greater her degree of control over profits. For this reason, women will often repay capital lent by their husbands to start their businesses.

There is evidence to suggest that price liberalization and the removal of the prohibition on inter-regional trading have benefited women traders. Representatives of a women trader's organization in Lubumbashi stated that since 1982, more women were involved in the trading of agricultural commodities. The same observation was confirmed by interviews in the Bandundu region and with a researcher studying rice production and marketing in Kisangani (Haut-Zaïre).

Another impact of policy reform is that women are free to take advantage of price differentials between regions. For example one large woman trader interviewed in Idiofa (Bandundu Region) purchases in that area but resells in Tchicapa (Kasai Oriental). Women traders from the Kasai regions purchase in the Kongo area, something which was forbidden prior to policy reform. Farmers in one village suggested that these women are offering a more attractive price for corn, which is not surprising given the higher resale price for corn in the Kasai Regions.

An interesting hypothesis was suggested by the researcher in Kisangani. She suggested that women rice traders are more likely to operate at an informal level without obtaining official authorization. This may indicate difficulties in obtaining trading licenses or high costs for these licenses. Policy reforms which serve to eliminate restrictions on traders should have a large beneficial effect on women.

G. Credit for Women -- Women's Access to Credit is Limited

Within the formal banking sector, account fees are generally high and most banks are in the urban areas. Rural inhabitants therefore have less access to formal banking institutions than do urban residents.

Women's access to formal marketing credit is generally limited. To obtain bank credit in Zaire, it is usually necessary to have a savings account with the bank in question. One must also be able to provide collateral usually in the form of property such as buildings or vehicles. Laws in Zaire limit married women's access to the banking system by requiring her husband's permission before opening a bank account. Single or widowed women do not need permission to open an account. In addition, it may be difficult for a women to obtain title to property of a house independently of her husband. In such a situation, the potential exists for men to exert a large degree of control over women's access to available financial resources. Indeed the Bandundu small farmer study [Eele and Newton (1985)] suggests that women have limited access to credit from the formal sector.

The Bandundu study [Eele and Newton (1985)] found that formal sources of credit (banks, credit cooperatives or village associations) accounted for only 15 percent of the total amount of loans. Disaggregation revealed that women had less access to formal sources than did men. For men formal sources provided 22 percent of the total amount of loans compared with only 4 percent for women. Women obtained 60 percent of their loans from informal revolving credit societies, rather than from the formal sector. In addition to the differences in the sources of credit noted in the Bandundu study, the average loan size was smaller for women than for men.

No empirical data on traders' access to credit were found but discussions with women traders indicated that their use of marketing credit is limited. When they can obtain marketing credit women often do so in conjunction with their husbands. One hypothesis explaining the lack of formal credit for women may be that bankers regard women as higher risk borrowers than men. Women's access to adequate collateral may also be a significant explanatory variable. These could be a fruitful areas for further research.

Savings and credit cooperatives are present in the rural areas and have a significant role to play as savings entities. Data obtained through interviews in the Bandundu region suggest that participation in these institutions is growing. In this region 22 member cooperatives of the COOCEC (Coopérative Centrale d'Épargne et de Crédit) have increased their membership from 19,000 members in 1985 to 30,000 in 1986. During the same period, savings deposits increased by 14 million Zaires, from 26 million Zaires. Although no information is available on savings by gender, the General Director of COOCEC and the managers of two member cooperatives estimated that between 30 to 50 percent of all COOCEC members are women. Married women are required to obtain the permission of their husband before joining the cooperative, but neither this requirement nor the 20 Zaire (less than 20 U.S. cents) capital and initiation fee appear to constitute significant barriers to entry.

With regard to participation in the management of the cooperatives, however, women do not appear to wield influence commensurate with their representation as members. In 1986 only 5 of 292 managers within the COOCEC system were women. As far as participation in employment is concerned, the number of women working at COOCEC doubled between 1983 and 1986, but the proportion of women employees decreased from 44 to 27 percent over the same period.

Data on women's credit use in the cooperative system is lacking. Some impressionistic statements can be made based on data from a savings and credit cooperative visited in Vanga (Bandundu region). In that cooperative, 31 percent of total borrowing was by women. However, this represented only two loans, one of which accounted for 93 percent of the total lent to women. In discussions with women traders and farmers, this trend appears to be characteristic of women's access to credit. Some influential women are able to benefit from it, although not to the same extent as men.

Whatever the reasons, women appear to be disadvantaged in their credit access. Parts of the policy reform package are designed to increase the availability of credit. Unless attitudes and policies change relative to women, they are not likely to benefit to the same extent as men from such an increase.

H. Conclusions

1. In Zaire, women provide a major source of labor in food crop production. The accrual of the gains made under policy reform by women depends to a large extent on intrahousehold decision making. To the extent that this process is disequitable to women in individual households, women will not share equitably in any production or income increases.
2. Women account for only a small proportion of those involved in plantation agriculture. Policy reforms which favor this sector will not have as large a positive impact on women as those favoring the traditional sector.
3. Women are important in all aspects of the food marketing chain. Women farmers appear to be selling more as a result of price liberalization. The impact on their nutritional status is unclear at this time.
4. Price liberalization has had a positive impact on the number of women traders. Abolition of prohibitions on inter-regional trade has had a positive impact on women as they are free to benefit from price differentials between regions.
5. Policies which require a husband's permission before women can obtain bank accounts and sometimes credit have a negative impact on married women's access to banking services. These policies have had a negative impact on the operations of women traders.

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I. Recommendations for Further Research

1. Since the allocation of the benefits of policy reform require an understanding of intra-household decision making, further research to understand these mechanisms needs to be undertaken.
2. In Bandundu female-headed households represent a significant proportion of total households. Further research needs to be done to determine the extent and manner in which men influence the agricultural production and consumption decisions of these households.
3. Interviews indicate that the gender division of labor in agriculture is influenced by economic incentives. As production of food crops becomes more profitable, men appear to become more involved. The equity implications of this process should be investigated.
4. Women's contribution to agricultural marketing is substantial. Interviews suggest that women's input may be more important in the informal marketing sector. The reasons for this phenomenon and the equity implications of this observation need further research.
6. Research is required to determine whether regulatory policies oblige women traders to obtain credit through men and to what extent limited access to required collateral reduces their ability to obtain credit.

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Policy Inventory

The following policy inventory examines the major policies which affect agricultural production and marketing in Zaire. The general effects as well as those on women are presented. Analysis of impacts is based on the assumption that all goods are tradeable and that their prices are equivalent to border prices or are set by international markets. Some of the policies presented have been modified by the economic liberalization program, others have not.

POLICY CATEGORY: MACROECONOMIC, TRADE

POLICY INTERVENTION/IMPACT SECTOR:

Eliminate or reduce export licensing and regulation/agriculture.

PURPOSE:

Raise revenue and control export activities.

POLICY-MAKING/IMPLEMENTING INSTITUTIONS:

Ministry of External Trade

Ministry of Finance

Ministry of National Economy

Ministry of Agriculture

Bank of Zaïre

OZAC

ONATRA

OGEFREM

Ministry of Land Affairs, Environment and Nature Conservation
(timber)

OZACAF (coffee)

IMPACT ASSESSMENT:

Agricultural Production	+ 2
Trade Balance	+ 2
Domestic Consumption	0
Agricultural Incomes	+ 2
Government Budget	+ 1
Women's Agricultural Production	0 or + 1
Women's Agricultural Income	0 or + 1

EXPLANATION OF POLICY INTERVENTION AND IMPACT:

A multiplicity of procedures, taxes, fees, inspections and controls exist to regulate export activities. These involve approximately 15 government agencies and an average of about 24 clearance procedures. At each level of the clearance process various official and unofficial charges are levied. These procedures raise costs and limit access to the export market, thereby reducing the number of traders involved in export activities and the positive influence on agricultural production of price liberalization.

Women are not greatly involved in the production of export crops, resulting in a negligible direct impact on women's agricultural production and income.

PRINCIPAL ALTERNATIVES SUGGESTED FOR ANALYSIS:

Streamline procedures for obtaining export licenses and inspections.

Decrease overlap in activities among various agencies.

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POLICY CATEGORY: MACROECONOMIC, TRADE

POLICY INTERVENTION/IMPACT SECTOR:

Reduction of export taxes/agriculture.

PURPOSE:

Encourage exports and production of export crops.

POLICY-MAKING/IMPLEMENTING INSTITUTIONS:

OFIDA
Ministry of Finance

IMPACT ASSESSMENT:

Agricultural Production	+ 2
Trade Balance	+ 2
Domestic Consumption	- 1
Agricultural Incomes	+ 2
Government Budget	?
Women's Agricultural Production	0 or + 1
Women's Agricultural Income	0 or + 1

EXPLANATION OF POLICY INTERVENTION AND IMPACT:

In 1986 all export taxes as well as CCA turnover tax (Contribution sur Chiffre d'Affaires) were eliminated on agricultural products except for coffee and raw timber.

For coffee export taxes amounting to five percent of the FOB value are charged. For raw timber exit taxes of six percent are levied. CCA taxes of 6.75 percent on the net amount of repatriated foreign currency are also charged for both coffee and timber. In addition a special tax on coffee (Taxe Spéciale Conjoncturelle) is applied when the world price (in Zaires) rises above certain levels. This 2-8 percent tax is calculated in the same way as CCA.

Women are not greatly involved in the production of export crops, resulting in a negligible direct impact on women's agricultural production and income from export taxes.

PRINCIPAL ALTERNATIVES SUGGESTED FOR ANALYSIS:

Reduce the number of taxes paid at the national level for export of agricultural commodities.

Modify the special coffee tax so that its application is tied to the world price of coffee denominated in hard currency.

POLICY CATEGORY: MACROECONOMIC, TRADE**POLICY INTERVENTION:**

Standardize tariffs on imports of food commodities/agriculture.

PURPOSE:

Protect from foreign competition and encourage domestic production, while at the same time preventing misallocation of resources to inefficient purposes.

IMPLEMENTING INSTITUTIONS:

OFIDA

IMPACT ASSESSMENT:

	<u>Lower Tariffs</u>	<u>Raise Tariffs</u>
Agricultural Production	- 2	+ 2
Trade Balance	?	?
Domestic Consumption	+ 2	- 2
Agricultural Incomes	- 2	+ 2
Government Budget	?	?
Women's Agricultural Production	- 1	+ 1
Women's Agricultural Income	- 1	+ 1

EXPLANATION OF POLICY INTERVENTION AND IMPACT:

Tariffs on food and agricultural products are set at a minimum rate of ten percent and a maximum rate of 60 percent for luxury items. Same tariffs have been reduced to the ten percent level while others have been kept high. Surcharges exist on products which are subject to unfair competition, for example meat.

Beneficial impact of tariffs on domestic production is reduced by poor transportation infrastructure and high marketing costs which inhibit movement of domestic food products to urban areas.

Women are directly involved in the production and marketing of those products which compete with imported food.

PRINCIPAL ALTERNATIVES:

Determine the extent to which local production is negatively affected by low levels of tariff protection. Provide analysis of effects on women.

Determine what products require additional protection.

Re-evaluate tariff protection at intervals to determine if protection is still required.

POLICY CATEGORY: MACROECONOMIC, MONETARY**POLICY INTERVENTION/IMPACT SECTOR:**

Devalue an overvalued currency.

PURPOSE:

Encourage import substitution and exports.

IMPLEMENTING INSTITUTIONS:

Bank of Zaïre

Commercial banks through currency auction system

IMPACT ASSESSMENT:

Agricultural Production	+ 2
Trade Balance	+ 2
Domestic Consumption	- 2
Agricultural Incomes	+ 2
Government Budget	+ 2
Women's Agricultural Production	+ 2
Women's Agricultural Income	+ 2

EXPLANATION OF POLICY INTERVENTION AND IMPACT:

The official exchange rate is to be determined by weekly auctions among the commercial banks. This is designed to keep the official rate within ten percent of the parallel market rate.

Interviews with traders indicate that the ten percent margin is being exceeded at the present time, resulting in a continued favoring of imports. Some importers have preferential access to foreign currency resulting in misallocation of resources. In the past an overvalued exchange rate has resulted in favoring of consumption goods over productive imports. Spare parts and imported agricultural inputs will become more costly as a result of exchange rate devaluation, but availability should improve.

PRINCIPAL ALTERNATIVES SUGGESTED FOR ANALYSIS:

Decrease the difference between official and parallel market exchange rates through more effective management of the interbank auction system.

Eliminate preferential allocation of foreign exchange.

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POLICY CATEGORY: MACROECONOMIC, FISCAL**POLICY INTERVENTION IMPACT SECTOR:**

Increase government investment in infrastructure/agriculture.

Increased expenditures on farm to market roads, agricultural research and other investments designed to increase the productivity of the agricultural sector.

POLICY-MAKING IMPLEMENTING INSTITUTIONS:

Ministry of Finance

Other Ministries submit requests for budgetary allocations

IMPACT ASSESSMENT:

Agricultural Production	+ 2
Trade Balance	+ 2
Domestic Consumption	0
Agricultural Incomes	+ 2
Government Budget	- 1
Women's Agricultural Production	+ 2
Women's Agricultural Income	+ 2

EXPLANATION OF POLICY INTERVENTION AND IMPACT:

Government investments in the agricultural sector have been less than one percent in each of the past three years.

Transportation infrastructure has deteriorated with negative impact on agricultural marketing and production.

Women farmers and traders are directly impacted by lack of access to rural areas. Prices for agricultural products fall because of lack of competition. Costs of operations rise for traders.

PRINCIPAL ALTERNATIVES SUGGESTED FOR ANALYSIS:

Reorient priorities to increase the amount of real resources invested in agriculture.

Determine what investments will have maximum impact.

Augment expenditures on agricultural research, farm to market roads and other transportation infrastructure.

POLICY CATEGORY: MACROECONOMIC, FISCAL

POLICY INTERVENTION/IMPACT SECTOR:

Lower taxation/agriculture.

PURPOSE

Raise revenue while encouraging production.

POLICY-MAKING/IMPLEMENTING INSTITUTION:

Ministry of Territorial Administration

Ministry of Finance

Local government

Ministry of Agriculture

OZAC

OZACAF

CGEFREM

IMPACT ASSESSMENT:

Agricultural Production	+ 2
Trade Balance	+ 2
Domestic Consumption	0
Agricultural Incomes	+ 2
Government Budget	- 1
Women's Agricultural Production	+ 2
Women's Agricultural Income	+ 2

EXPLANATION OF POLICY INTERVENTION AND IMPACT:

Since 1982 local administrative units have had authority to raise revenue. Some of their actions take the form of regulatory policies on agricultural activities while others fall into the area of taxation.

Some agricultural trading activities may be subjected to as many as nine different local taxes. These taxes include domestic CCA turnover tax as well as many other taxes at the regional level (or lower levels) on agricultural products.

Overlapping taxation power leads to a substantial tax burden.

PRINCIPAL ALTERNATIVES SUGGESTED FOR ANALYSIS:

Investigate the levels of regional and local taxation.

Establish a system for the division of tax bases between local and national authorities in order to eliminate double taxation.

Establish uniform taxes among and within regions.

Simplify the tax code and unify tax laws.

Eliminate parafiscal charges and reduce level of taxation.

POLICY CATEGORY: MACROECONOMIC, FISCAL

POLICY INTERVENTION/IMPACT SECTOR:

Raise interest rate on savings and borrowing.

PURPOSE:

Encourage savings mobilization, prevent misallocation of resources.

POLICY-MAKING/IMPLEMENTING INSTITUTIONS:

Bank of Zaire
 Department of Commerce
 Department of Agriculture
 BCA
 SOFIDE
 Commercial Banks

IMPACT ASSESSMENT:

Agricultural Production	+ 2 (in long run)
Trade Balance	+ 2 (in long run)
Domestic Consumption	0
Agricultural Incomes	+ 2 (in long run)
Government Budget	?
Women's Agricultural Production	+ 2 (in long run)
Women's Agricultural Income	+ 2 (in long run)

EXPLANATION OF POLICY INTERVENTION AND IMPACT:

Current policies and banking practices do not result in positive real interest rates for savers, thereby decreasing the amount of savings mobilized.

Until mid-1987, agricultural borrowing received a preferential exchange rate. This resulted in a shortage of agricultural credit, diversion of agricultural credit to other sectors and lack of availability for agricultural production and marketing.

Women receive very little of the overall credit available for agriculture marketing or production but are participating in large numbers in rural savings and credit cooperatives. Women's participation in the formal banking system appears to be limited.

PRINCIPAL ALTERNATIVES SUGGESTED FOR ANALYSIS:

Offer savers a positive real interest rate.

Strengthen existing credit cooperatives and increase their lending activity.

Increase women's access to credit and savings cooperatives.

POLICY CATEGORY: MACROECONOMIC, REGULATORY

POLICY INTERVENTION/IMPACT SECTOR:

Reduce regulations regarding access to banking services/banking sector.

PURPOSE:

Increase access to banking services.

POLICY-MAKING/IMPLEMENTING INSTITUTIONS:

Bank of Zaire
 Department of Commerce
 Department of Agriculture
 BCA
 SOFIDE
 Commercial Banks

IMPACT ASSESSMENT:

Agricultural Production	+ 2
Trade Balance	+ 2
Domestic Consumption	0
Agricultural Incomes	+ 2
Government Budget	?
Women's Agricultural Production	+ 2
Women's Agricultural Income	+ 2

EXPLANATION OF POLICY INTERVENTION AND IMPACT:

Women's access to banking services is limited by requirement that married women obtain husband's permission to open an account.

Women's access to required collateral such as buildings and vehicles may be limited by similar regulations.

PRINCIPAL ALTERNATIVES SUGGESTED FOR ANALYSIS:

Eliminate necessity for married women to obtain permission in order to obtain banking services.

Encourage development of cooperative savings and credit institutions in which women have a substantial degree of control.

POLICY CATEGORY: MACROECONOMIC, REGULATORY**POLICY INTERVENTION/IMPACT SECTOR:**

Reduce regulations on marketing/agriculture.

PURPOSE:

Raise revenue while still encouraging agricultural marketing.

POLICY-MAKING/IMPLEMENTING INSTITUTIONS:

Local Administrative Units of Central Government
 Department of Agriculture
 Department of National Economy
 OZAC
 OZACAF
 Police and military

IMPACT ASSESSMENT:

Agricultural Production	+ 2
Trade Balance	+ 2
Domestic Consumption	0
Agricultural Incomes	+ 2
Government Budget	?
Women's Agricultural Production	+ 2
Women's Agricultural Income	+ 2

EXPLANATION OF POLICY INTERVENTION AND IMPACT:

Local administrative units are hierarchically superior to local representatives of technical ministries. As a result they determine the regulatory environment for agricultural marketing and have authority to levy taxes, attribute licenses and establish exclusive marketing zones.

Road blocks and check points are used to raise revenues. This raises operating costs, decreases the free flow of goods and creates opportunity for monopsonistic activity.

Smaller operators are hit relatively harder by increased production costs. Smaller women traders may not have access to trading permits and licenses, decreasing their access to agricultural markets.

PRINCIPAL ALTERNATIVES SUGGESTED FOR ANALYSIS:

Rationalize local tax generation.

Eliminate check points, police and military controls.

Investigate degree to which export quality control agencies are interfering in marketing of non-export crops.

Investigate impact of road blocks on women's trading activities.

POLICY CATEGORY: SECTORAL, AGRICULTURAL PRODUCTION**POLICY INTERVENTION/IMPACT SECTOR:**

Decontrol prices of agricultural commodities.

PURPOSE:

Increase incentives for production of food and export commodities.

POLICY-MAKING/IMPLEMENTING INSTITUTIONS:

Ministry of Territorial Administration
Ministry of National Economy

IMPACT ASSESSMENT:

Agricultural Production	+ 2
Trade Balance	+ 2
Domestic Consumption	- 2
Agricultural Incomes	+ 2
Government Budget	+ 1
Women's Agricultural Production	+ 2
Women's Agricultural Income	+ 2

EXPLANATION OF POLICY INTERVENTION AND IMPACT:

In mid-1982 agricultural prices were decontrolled. Implementation of this price decontrol policy was to be the responsibility of regional governors. In practice decontrol has been spotty with cases of price fixing, often at the sub-regional level. Policy of granting tax levying authority to sub-regional administrative units has exacerbated this tendency. Price fixing by traders, with or without government support, and poor road infrastructure means that farmers are often forced to sell at low prices.

Women have a large stake in price liberalization as they are heavily involved in production and marketing of agricultural commodities.

PRINCIPAL ALTERNATIVES SUGGESTED FOR ANALYSIS:

Establish system for monitoring implementation of price decontrol policy.

Provide price information to traders and farmers, perhaps through use of radio. Monitor implementation and effects of such a system.

Investigate effects of price decontrol on rural and urban consumption, especially consumption patterns of women.

POLICY CATEGORY: SECTORAL, AGRICULTURAL PRODUCTION

POLICY INTERVENTION/IMPACT SECTOR:

Elimination of prohibitions on domestic inter-regional trade/agriculture.

PURPOSE:

Free movement of agricultural commodities between regions to encourage supply in deficit areas and production in other areas.

POLICY-MAKING/IMPLEMENTING INSTITUTIONS:

Ministry of Territorial Administration

IMPACT ASSESSEMENT:

	Aggregate	For Net Importer of Commodity	For Net Exporter of Commodity
	_____	_____	_____
Agricultural Production	?	- 2	+ 2
Trade Balance	?	Not applicable	Not applicable
Domestic Consumption	?	+ 2	- 2
Agricultural Incomes	?	- 2	+ 2
Government Budget	?	?	?
Women's Agricultural Production	?	- 2	+ 2
Women's Agricultural Income	?	- 2	+ 2

EXPLANATION OF POLICY INTERVENTION AND IMPACT:

Because of differences in regional economies, price differentials exist between regions. Elimination of prohibitions on inter-regional trade encourages traders to supply areas of deficit and stimulates agricultural production. Interviews with farmers and traders in Bandundu and Shaba regions indicate that this is in fact happening.

Women traders and farmers are benefiting from this policy in areas of net surplus.

PRINCIPAL ALTERNATIVES SUGGESTED FOR ANALYSIS:

Measure the degree to which resale prices for traders in deficit areas reflect transport costs.

Provide gender disaggregated data and analysis to describe the ways in which women are participating in inter-regional trading and the benefits they accrue from it.

POLICY CATEGORY: SECTORAL, AGRICULTURAL PRODUCTION

POLICY INTERVENTION/IMPACT SECTOR:

Improve the legal system of property rights for agricultural land.

PURPOSE:

Allocation of land resources.

POLICY-MAKING/IMPLEMENTING INSTITUTIONS:

Ministry of Land Affairs, Environment and Nature Conservation
Department of Territorial Administration
Local administration

IMPACT ASSESSMENT:

Agricultural Production	+ 2
Trade Balance	+ 2
Domestic Consumption	+ 1
Agricultural Incomes	+ 2
Government Budget	+ 1
Women's Agricultural Production	+ 2
Women's Agricultural Income	+ 2

EXPLANATION OF POLICY INTERVENTION AND IMPACT:

Land is owned by the state and long-term leases are accorded for land use. High official and unofficial charges exist for obtaining use rights (generally long-term lease) for industrial-level agricultural production.

These charges reduce incentives for investment in agricultural production. Land cannot be used for collateral.

Women's agricultural production activities generally take place on a small scale under traditional use rights. Women sometimes invest in large scale production operations.

PRINCIPAL ALTERNATIVES SUGGESTED FOR ANALYSIS:

Simplification of procedures for obtaining land-use rights.

Reduction in unofficial charges for use of land.

Investigate allocative efficiencies of traditional land use systems.

Research women's access to land.

POLICY CATEGORY: SECTORIAL, ENERGY SECTOR**POLICY INTERVENTION/IMPACT SECTOR:**

Pass on full cost of fuel to consumers/agriculture.

PURPOSE:

Maintain transport differential in fuel prices to assure adequate supplies in all regions.

POLICY-MAKING/IMPLEMENTING INSTITUTIONS:

Ministry of Mining and Economy
 Ministry of National Economy
 Petre Zaïre
 Private Fuel Companies

IMPACT ASSESSMENT:

	<u>Small Farmer</u> <u>Sector</u>	<u>Plantation</u> <u>Sector</u>
Agricultural Production	+ 1	- 1
Trade Balance	+ 1	?
Domestic Consumption	0	0
Agricultural Incomes	+ 1	- 1
Government Budget	?	?
Women's Agricultural Production	+ 1	0
Women's Agricultural Income	+ 1	0

EXPLANATION OF POLICY INTERVENTION AND IMPACT:

Because of high transport costs, fuel prices must vary depending on regions in order to assure incentives to fuel marketing companies for supply.

Mechanism exists for re-evaluation of fuel costs at three month intervals. In the past, however, re-evaluation have not been implemented in a timely fashion leading to supply disruptions. Incentive exists for fuel companies to inflate costs in order to cover losses when prices are not promptly re-evaluated.

PRINCIPAL ALTERNATIVES SUGGESTED FOR ANALYSIS:

Adhere to policy of quarterly fuel price readjustments.

Investigate impact of fuel price increases on modern agricultural production sector.

ANNEX F

TIME TABLE OF SIGNIFICANT POLICY CHANGES

Date

- Nov 1977 President Mobutu outlined new program of economic revitalization stressing
- . Dezairianization
 - . Return of industries to previous foreign owners
 - . Economic liberalization
 - . No concrete measures
- August, 1979 August Devaluation
Removal of maximum farm-gate prices and replacement with minimum prices - which in practice were treated as maximum prices.
- Dec 1979 All currency in denominations of five and ten Zaires, the largest denominations available, was demonitized. Most rural households and enterprises, including many active in agricultural marketing, had no opportunity to exchange these notes, and thus lost most of their financial savings and working capital.
- June 1981 Ministry of Economy instituted general price liberalization measures
- May 1982 Price controls removed from manioc, maize, rice, soya peanuts, beans, fruits and vegetables.
- Dec 1982 Price controls removed from palm oil.
- 1982 A new Agricultural Credit Bank was established.
- April 1983 Price controls removed from sugar.
- Sept. 1983 All Bank Loan Rates were decontrolled.
- Sept. 1983 Devaluation raised the relative price of some agricultural commodities that compete with imports, tending to encourage local production.

- Sept. 1983 GOZ eliminated exchange rate control for private transactions.
- 1983-84 A major cutback in teaching personnel was made reducing their numbers from 285,900 to 202,900. Total public sector employment was 395,300 in 1982 330,300 in 1983 and 245,200 in 1984.
- 1984 OZACAF's exclusive control over export marketing of coffee was eliminated.
- June 1984 Private distribution companies permitted to participate in importation of petroleum products. As before the bulk of imports are arranged under a single contract negotiated by the GOZ.
- 1985 In April, a reform of petroleum prices eliminated the subsidization of diesel supplies through gasoline revenues, and a range of 20 distribution margins was established for different localities replacing a fixed nationwide rate which had limited supplies outside Kinshasa.
- Oct. 29, 1986 The GOZ reasserted its authority to impose certain controls in 1987, depending on economic conditions. Those measures could include exchange rate, price and interest rate controls.
- 1986 Ex ante price controls replaced by ex post price controls (i.e. permitted manufacturers to ease prices on costs and reopened better to rapidly rising inflation.

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EVALUATION METHODOLOGY

Evaluation Methodology: The four-person team consisted of economists with combined experience in economic analyses of farm production and agricultural markets; microeconomics and analysis of institutions and organizations involved in providing agricultural services; and macroeconomics. All four had previous work experience in Africa. An original team began work on Thursday June 18, 1987. A new leader joined the team on June 25, 1987. A.I.D./W provided a macroeconomist as one of the four team members. The scope of work (i.e. a table of contents) was submitted and reviewed in Washington prior to the new team leader's arrival. The original three members of the team spent a week prior to the June 26th departure from Washington, D.C. preparing the scope of work, interviewing relevant personnel in A.I.D./W, World Bank and other development institutions and consulting firms. In addition, the team began to identify significant sources of data for use in analyzing, monitoring and evaluating the impact of policy reform programs. The A.I.D. direct hire macroeconomist joined the team in Kinshasa on June 8th, a week after the other team members' arrival in country. Two field trips were made 1) to the Bandundu region including Vanga, Idiofa, and Kikwit (July 3 to 6) and 2) to the Shaba region including Lubumbashi and Kongolo (July 11 to 15).

In Kinshasa and on the two field trips, the team conducted interviews to obtain information about changes in economic growth and income distribution associated with the policy reform program. Farmers, small and large traders, local and national Zairian government officials, university professors and other representatives of the public and private sectors were interviewed. The Africa Bureau briefed the team in Washington as did the USAID staff and mission director in Kinshasa and Lubumbashi. The team examined recent surveys and studies on agricultural output and income distribution plus macroeconomic data. After briefing the Mission director and staff, the team submitted a draft report for Mission comments, then revised this draft before its departure. The contractor then debriefed the A.I.D./W staff and submitted in Washington D.C. a final product after receiving A.I.D./W comments.