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THE "BANQUE DE CREDIT AGRICOLE" OF ZAIRE : CRITICAL APPRAISAL AND POLICY RECOMMENDATIONS

Report submitted to the USAID Mission, Kinshasa, Zaire under Project Number 660-0510 (contract number 660-0510-C-008430-00)

by

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Kinshasa, November 1988

EXECUTIVE SUMMARY

This assessment of the "Banque de Crédit Agricole" (BCA) shows that the BCA has made efforts to adjust to the environment of market concentration and financial regulations that characterize Zaire's banking system. The bank's performance however, has been below average as compared to the rest of the commercial banking system.

The major weaknesses identified in this appraisal refer to funds mobilization, risk exposure and loan recovery performance. Real deposit balances decreased steadily between 1984 and 1987, while the bank made unsuccessful efforts to gather foreign resources to help alleviate its liquidity constraints.

Asset management at the BCA has resulted in increasing risk exposure, in spite of the bank's credit-rationing criteria. The weakening loan recovery performance documented in this report indicates that, notwithstanding the bank's efforts to select good credit risks, the BCA is left with the marginal commercial borrower, highly leveraged customers whose repayment prospects are uncertain.

The financial performance of the bank can be assessed as weak and worsening. If the current trends continue, recovery and financial viability may prove to be unattainable goals for the institution.

Specific recommendations for USAID's and GOZ's short-run policy towards the BCA are:

- To make all further disbursements of long-term funds and capital contributions conditional upon demonstrated improvement in the bank's performance. Conditionality criteria include the improvement of loan recovery performance, the recovery and growth of deposit mobilization, and the viability of the recently created branch offices. Targets and timetables to meet these conditions are suggested in the final chapter of the report.

- To support the BCA's efforts to improve its record keeping capacity, and the overall skill level of the bank's personnel.

A long-run strategy to develop and strengthen local and regional financial intermediaries with the aim of expanding and improving rural financial markets is recommended. The implementation steps for this policy are set forth in the final chapter of the report.

Acknowledgments

This study would not have been possible without the enthusiastic support and cooperation of Douglas Daniell. The suggestions and comments received from Joseph Goodwin, Donald Brown, Joseph Ryan and Glenn Rogers are gratefully acknowledged. The cooperation of BCA's officers and staff was remarkable, specially that provided by the Department of Studies and Organization.

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The "Banque de Crédit Agricole" of Zaire : Critical Appraisal and Policy Recommendations

Carlos E. Cuevas
November, 1988

I. INTRODUCTION

This study of the "Banque de Crédit Agricole" (BCA) was commissioned by USAID Kinshasa to identify the BCA's potential roles and to help define USAID's and the GOZ's policy toward the bank. With this purpose, the study documents and analyzes the operations, management and performance of the BCA between 1983 and 1988.

The study relies upon data provided by the BCA, extensive interviews with BCA officials, and interviews with other relevant persons in the financial community. The bank provided almost unrestricted access to financial statements, loan files and accounting records. In addition, a number of existing reports on Zaire's financial system, agricultural credit and the BCA were reviewed as background information for this report.

Organization of the Report

The following chapter provides a brief historical background of the BCA's structure and evolution, as well as the main features of the regulatory environment in which the bank performs its operations. Then the BCA's liability management is documented and analyzed in Chapter III, along with the bank's performance in funds mobilization. Asset management, loan portfolio, credit clientele and loan recovery performance are reviewed and evaluated in Chapter V. The final chapter of the report presents a summary assessment of the BCA's performance, followed by policy implications and recommendations.

II. BACKGROUND

The BCA was founded as a public bank in October 1982 with the general objective of contributing to Zaire's economic development. This goal would be achieved by supporting the creation, extension and modernization of established enterprises in the agriculture, fisheries and livestock sectors as well as in the sectors servicing agriculture. The bank's statutes allow a wide variety of financial interventions in the provision of credit, guarantees, investments, technical and financial services, as well as in the mobilization of resources for its operations[1]. The bank initiated operations in the last month of 1983 with a capital of Z 5 million, plus a commitment of Z 125 million in capital contributions from public funds[2].

The BCA is a small commercial bank, until recently with only one branch in Kinshasa. The bank operates in a highly concentrated banking system, where the three major banks (i.e., one-third of the total number of commercial banks) account for almost 90 percent of the market[3]. As of December 1987 the BCA accounted for about 1.1 percent of total commercial banks domestic liabilities, and a similar share of total deposits in the commercial banking system. This share in total deposits had decreased from 1.5 percent in 1984 and 1985 to the level reported for 1987. The bank's incidence in total domestic credit issued by commercial banks was 1.4 percent in 1987, down from 1.5 percent in 1985 and 2 percent in 1986. Its participation in total agricultural credit decreased to 3.8 percent in 1987 (same level of 1985), from 4.8 percent in 1986, while its share in total commercial bank loans outstanding to non-agriculture sectors increased from 0.2 percent to 0.8 percent between 1984 and 1987.

Personnel resources in the bank increased almost three-fold from 1984 to 1988, as can be seen in Appendix Table 1. Most of this increase is observed in 1987 and 1988, and it is associated with the opening of branches in Kikwit and Lubumbashi. Personnel costs, in real terms, remained practically the same during the years 1985 through 1987, thus resulting in a substantial drop in average real salaries in 1987 (see Appendix Table 1). As will be discussed in more detail later, the inflationary process characterizing Zaire for most of the life of the BCA has also eroded the capital base of the institution. This has prompted the bank to seek policy changes which would allow equity financing from sources other than the government.

Most important among the characteristics of the economic environment in which the BCA operates is the heavy burden of financial regulations established by the Bank of Zaire. On the resources side, a fifty-percent reserve requirement on all deposits less than 6 months-term makes it difficult to offer appropriate incentives to depositors without compromising financial viability. Depositors in turn do not commit funds in long-term instruments due to the high and increasing inflation rates. This is compounded by the government's crowding-out of private funds through the issuing of high-return treasury bonds.

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[1] BCA (1988).

[2] World Bank.

[3] Garson and Sonsola.

Banks, therefore, face serious constraints to deposit mobilization and have turned to the rediscount window of the Bank of Zaire, and to borrowing from abroad as substitute sources of funds.

Credit controls and credit-allocation efforts by the Bank of Zaire on the other hand, significantly limit the flexibility with which banks can manage their loan portfolio. Overall credit ceilings are determined for each bank as a function of their recent deposit mobilization performance, and floor levels for credit to agriculture and medium-term loans are set as a proportion of the overall ceiling[4]. Monitoring of these credit-allocation rules is performed weekly, which imposes substantial costs in resources devoted to constantly monitoring the loan portfolio and preparing weekly reports. Penalties are enforced by the Bank of Zaire for exceeding the ceilings and not meeting the agricultural quota. However, monitoring of the medium-term lending floor share seems to be less strict given the foreign-exchange implications of most medium-term projects and the current foreign-exchange squeeze faced by commercial banks[5].

In summary, the regulations imposed by the Bank of Zaire point towards a substantial tightening of domestic (private sector) credit issued by the banking system, and at the same time create conditions for gradual disintermediation. The policies tying lending ceilings to deposit mobilization performance on the one hand and constraining deposit mobilization through reserve requirements on the other hand, as well as the crowding-out effect of government borrowing, pose serious challenges to bank portfolio management. Throughout the following chapters, it will be made clear that the BCA has made a sustained effort to adjust to the rules and regulations of the system. It will be shown that the bank's response has been no different from that of the average commercial bank, even though the BCA's performance can be rated below average.

III. LIABILITY MANAGEMENT

This chapter analyzes first the structure and behavior of the BCA's liabilities and capital over the period 1983-1988. Then the performance of the institution in deposit and resource mobilization is evaluated for the same time period.

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[4] Floor levels for agriculture refer to food crops other than coffee, tea and other export-oriented crops.

[5] The banking system controls only about one-third of the foreign exchange circulation, while GECAMINES and the Bank of Zaire directly administer the other two-thirds.

A. Liabilities and Capital

The composition of the BCA's liability portfolio from 1983 through September 1988 is summarized in Table 1, panel A. The rates of change of the different components are shown in panel B of the same table. Rates of change are not calculated with respect to 1983 since the bank operated for only one month that year. On the other hand, transactions between the main office and the two new branches are not consolidated in the balance sheet liabilities as of September 1988. This distorts the amounts entered under "other short-term liabilities"; however, 1988 is included in the table since it shows the continuation of trends observed between 1984 and 1987, even accounting for the distortion referred to above.

The first major trend observed in Table 1 is the rapid and steady growth of short-term liabilities as a proportion of total liabilities, from 64 percent in 1984 to 80 percent in 1987 and to 85 percent in 1988. This reflects both the bank's resource mobilization efforts as well as the result of growing inflation. The shortening of the term structure of liabilities and assets is a typical effect of inflationary processes. However, the commercial-banks balance sheet shows an even more extreme and rapid adjustment to this same phenomenon - short-term domestic liabilities went from 79 percent of total domestic liabilities in 1984 to 95 percent in 1987.

The growth in the incidence of short-term liabilities referred to above obeys primarily to increasing borrowing from the Bank of Zaire and from other banks, while the share of deposits and current accounts decreased steadily between 1984 and 1988, from 63 percent to about 40 percent[6]. This undoubtedly responds to the unfavorable conditions for deposit mobilization affecting the banking system delineated above. However, commercial banks, on average, managed to keep the share of domestic deposits in total domestic liabilities around 68 percent between 1984 and 1987, reaching a peak of 71 percent in 1986 before the inflation burst of 1987, when this share dropped to 64 percent. The safety the public usually associates with well established banks as well as a branch network in rural areas have certainly allowed the major banks to perform better than average in the capturing of deposits, under unfavorable conditions for resource mobilization.

As short-term liabilities grew in relative importance in the BCA's liability portfolio, the capital accounts decreased their participation from 35 percent of the total in 1984 to 15 percent

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[6] See also Appendix Tables 2 and 3.

in 1988. The sharpest decline of capital and reserves, in real terms, was observed in 1987 (see panel B in Table 1 and Appendix Table 3). This is partially explained by the important losses experienced by the BCA in 1987, which almost totally counterbalanced the Z 50 million new capital contributions received that year from public funds (see Appendix Table 2). The opening of the Bandundu branch allegedly caused the operational losses of 1987, since these expenses were not matched by the expected increase in lending and consequent accrual of revenues in that market.

Again, the general trend shown by the BCA's capital and reserves is not different from that observed for all commercial banks as a group, except that for these the share of capital accounts decreased from 21 percent in 1984 to less than 6 percent in 1987, i.e., the "average" commercial bank shows a lower proportion of capital and reserves in total liabilities, decreasing at a faster pace than that observed for the BCA.

B. Resource Mobilization

The loss in relative importance of deposits in the liability portfolio discussed above is explained by a substantial decrease in the real average balance per account. Table 2 shows that the number of accounts has grown substantially and constantly between 1984 and 1988, whereas the average account size in constant zaires decreased dramatically during this time period. Even the nominal average balance shrunk steadily between 1984 and 1987, to grow (although proportionately less than inflation) in 1988, due in part to the bank's success in attracting large deposits from public enterprises (see Table 2).

Public enterprises and non-bank (mostly public) financial institutions accounted for a majority of total deposits captured by the BCA in 1986 and 1987 (Table 2). This proportion appears slightly reversed in 1988 with deposits held by individuals and private enterprises representing 52 percent of total deposit balances. In contrast, interviews with officers of other commercial banks indicated that the incidence of public or semi-public enterprises in their deposit portfolio is considerably smaller than that reported above for the BCA.

It is also evident in Table 2 that demand deposits dominated the deposit portfolio until 1987. The bank has been successful in attracting time deposits in 1988, although most of these are still subject to the 50-percent reserve requirement for deposits of less than 6 months.

In summary, in spite of the increasing number of deposit accounts the net effect observed in Table 2 is a steady reduction in the real value of end-of-year balances between 1984 and 1987.

In contrast, the overall performance of commercial banks indicates a reduction in real domestic deposit balances only in 1985 (12 percent), compensated by a 20-percent increase in 1986 and rather modest real growth in 1987 (1.4 percent). In other words, the BCA has not been able to adjust to the macroeconomic and regulatory difficulties of the country as effectively as the average commercial bank.

Other sources of funds the Bank has been able to commit and/or negotiate correspond to lines of credit with counterpart (local currency) funds from USAID (Z 50 million)[7] and the Belgian cooperation (about Z 280 million[8]). Two other foreign lines of credit, in hard currency, have been negotiated: a DM 2.5 million loan from KFW (about US$ 1.4 million, 30 years term, 10 years of grace period at 2 percent per year interest in DM), and a UCFAD 5.7 (approximately US$ 7.5 million) from the African Development Fund (20 years, 5-year grace period, 0.75 percent annual interest in UCFAD). Both contracts await ratification by the government[9]. Disbursement of the SDR 1.35 million (US$ 1.8 million) line from the World Bank has reportedly started in the Shaba region. The BCA thus gets started in the acquisition of foreign liabilities, a component that has been growing significantly in importance in the liability portfolio of commercial banks over the last few years (from 4 percent of total liabilities in 1984 to 10 percent in 1987) This has been facilitated by the well established links between most local banks and foreign financial conglomerates.

IV. ASSET MANAGEMENT

The first part of this chapter documents the behavior of the BCA's asset portfolio between 1983 and 1987, analyzing the evolution of the major components of this portfolio during this period. A review of the bank's lending activity by economic sector is undertaken in the second section of the chapter, including a characterization of the BCA's predominant clientele. A careful assessment of loan recovery performance and the quality of the loan portfolio is performed in the final section.

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[7] Only Z 20 million disbursed in 1986 (Appendix Table 2).

[8] Zaire equivalent of BF 50 million.

[9] The state assumes the exchange risk in these loans, hence the understandable caution in signing a contract with interest denominated in hard currency.

A. Asset Portfolio

The composition of the BCA's asset portfolio and the growth rates in real terms of the major components are summarized in Table 3. The balance sheet as reported by the bank, Appendix Table 4, has been modified in developing Appendix Table 5 (asset portfolio in constant zaires of 1987) and Table 3, in order to distinguish between the loan portfolio in good standing (normal portfolio) and the overdue balances less provisions. Since this distinction appears in the explanatory notes to the audited balances at the end of the year, the figures for 1988 could not be included in this modified version of the asset portfolio.

The relationship between liquid assets and risk assets (i.e., loans and overdrafts) reported in Table 3 needs to be highlighted here. Liquid assets (cash, banks and correspondents) decreased strikingly in importance between 1984 and 1987, from 76 percent to 33 percent of total assets, while domestic credit (short and long term) grew from 16 percent to 55 percent of total assets, having reached almost 60 percent in 1986. During the same period, the consolidated balance sheet of commercial banks shows a less dramatic increase of domestic credit as a proportion of total assets, from 42 percent to about 49 percent between 1984 and 1987.

The reduction in liquid assets in real terms is clearly shown by the growth rates in panel B of Table 3, and by the figures in constant zaires reported in Appendix Table 5. This is not a healthy trend, particularly considering that about one-fifth of these assets are non-remunerated obligatory reserves at the Bank of Zaire. Overall, the bank has increased its risk exposure by relying increasingly more in lending as a source of interest revenues.

B. Loan Portfolio

Lending activities and credit-rationing criteria at the BCA are described in Tables 4 and 5 and Appendix Table 6, by sector of destination. These figures do not include documentary credit issued by the bank, entirely for import letters of credit. Documentary credit, on which full provisions are made, shows considerable growth since 1986 (see Table 1 and Appendix Table 3). Foreign exchange for these operations comes primarily from the hard-currency counterpart of World Bank and African Development Bank lines of credit, and overdrafts at correspondent banks. Minor sources of foreign exchange are direct purchases from the Bank of Zaire and export operations funded by the BCA.

The figures reported in Tables 4 and 5 and Appendix Table 6 are based in the loan classification reported by the bank, i.e., are likely to be influenced by the prevailing ceilings and floors on lending established for the BCA by the Bank of Zaire. Furthermore, this classification ignores the fungibility of finance, i.e, corresponds to the intended use of funds declared by the borrower (e.g., marketing of food crops), disregarding the fact that the same client may happen to be a trader in general merchandise or a coffee grower. This issue will be explored further later in this chapter.

The relationship between loan demands and loans approved and disbursed by sector of destination is presented in Table 4. Clearly, at the outset the BCA attracted a large number of prospective borrowers probably mislead by the bank's name into believing that the institution would made large amounts of credit available for agricultural production. The reality of the bank's credit rationing policy is strikingly evident in the period averages for the ratio granted/demanded shown in panel C of Table 4. Seventy percent of the loan demands intended for commerce were approved, representing 52 percent of the amounts applied for by this sector. In contrast, less than 40 percent of the marketing loans ("crédit de campagne") were granted, which accounted for less than 18 percent of the amounts demanded for this purpose. Production and transportation of agricultural products was the sector most rigorously rationed with respect to the demands presented.

The credit rationing criteria suggested by the findings reported in Table 4 is reinforced by the shares and growth rates of lending by sector of destination presented in Table 5. The shares of the trade sector in the total number of loans and in the total amount of credit granted are the highest of all sectors and have been growing steadily since 1984. Agricultural marketing, and production and transportation of agricultural products show a clearly decreasing trend in their participation in the BCA's portfolio.

Regardless of the intended use of credit, the borrowing clientele of the bank seems to be dominated by commercial enterprises (individual or otherwise). A review of a sample of loan files at the BCA indicates that a typical borrower can be characterized as an individual with general trade as main occupation, sometimes with agriculture or livestock as concurrent activities[10]. All clients in the sample reviewed had bank accounts at at least another commercial bank, and most of them had several banking references in their file. Mortgage was the

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[10] The number of loan files in the sample represents about 30 percent of the total number of loans granted in 1987.

loan collateral in all cases, with only one exception[11]. All medium-term loans reviewed corresponded to trucks or other vehicles, and were classified as "production and transportation of agricultural products" which, given the general occupation of the borrower was a likely part-time use of the vehicle.

Another feature of the BCA's lending criteria is described by the relationship between the number of borrowers and the total number of deposit accounts[12]. As of September 30, 1988, only about 7 percent of the almost 2000 account holders at the bank had an outstanding loan balance. Of these borrowers, 47 percent had zero deposit balances, 50 percent showed loan balances larger than deposit balances (i.e., 97 percent of all borrowers are "net" borrowers), and 3 percent appeared holding deposit funds in excess of their outstanding loan balances (i.e., can be considered as "net" depositors). Overall, deposit balances held by current borrowers of the BCA represent about 12 percent of their corresponding outstanding loan balances. These figures indicate a rather tight lending criteria vis à vis the deposit clientele, but at the same time suggest a weak and uneven reciprocity between the bank and its borrowers.

In summary, the lending criteria exercised at the bank attempts to reduce both the risk in the portfolio and the average term structure, assuming that traders are perceived as more secure clients, and given that loans to commerce as well as agricultural marketing are granted on very short-term conditions. Gathering information about prospective borrowers however, is costly and imperfect, due to the centralized structure of the bank and the failure of the "Centrale de risques" of the Bank of Zaire to provide current bank references[13]. These shortcomings constrain the effectiveness of loan evaluation, introduce costs and delays in the processing of loan applications and compromise the quality of the loan portfolio.

Lending criteria at the bank has been characterized in previous reports as limited to "commercially sound enterprises and individuals with adequate guarantees" (World Bank, p. 6), and directed to "a few of the most credit-worthy, large borrowers", thus competing "with commercial banks for the cream of the most credit-worthy borrowers" (Gadway, p.3). The impression obtained from reviewing loan files as well as the repayment performance

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11 A loan to an NGO, guaranteed by an institutional cosigner.

12 All borrowers are required to hold a deposit account at the bank.

13 Records at the "Centrale de risques" appear to be outdated by at least six months.

reported later in this chapter lead one to disagree with the preceding quoted statements. It would appear that indeed the BCA, although willing to select good credit risks, is left with the "marginal" commercial borrower, highly leveraged customers whose repayment prospects are uncertain.

C. Recovery Performance and Asset Quality

Loan balances are classified as doubtful at the BCA immediately after they become overdue. Provisions however, are not made until after the balance is twelve months overdue. The amount provided increases as a proportion of the overdue balance with the age of the delinquent balance. Provisions reach 100 percent of the overdue amount for balances more than 36 months overdue.

The incidence of doubtful loans as a proportion of total loans outstanding is presented in Table 6 by term structure and sector of destination, along with the amounts recorded as provisions in the explanatory notes to the financial statements. Overall, doubtful loans reached about 11 percent of total loan balances in 1987. A consolidated report of overdue loans as of August 26, 1988 made available by the bank shows almost 24 percent of these balances as doubtful. In other words, recovery performance has rapidly deteriorated according to these figures. However, these ratios are somewhat misleading in the sense that a large amount of medium-term loans with installments not yet due will inflate the total portfolio creating a downward bias in the doubtful-to-total ratio. This explains the low 5.6 percent measured as doubtful in 1986 and the seemingly downward trend in loan recovery performance. Indeed, the quality of the clientele might very well have remained the same, but the correct assessment of this quality is not reflected in the records until the term structure of the portfolio stabilizes.

The bottom portion of Table 6 shows an important "warning" of loan delinquency usually neglected in portfolio evaluations. Even if a capital installment is not yet due (in medium-term loans), i.e., will not be counted as a doubtful balance, the scheduled interest payment may become overdue, in which case the interest due but not perceived is accounted as "receivable" in the financial statements. On the other hand, interest overdue ("de retard") is the amount of interest calculated using a penalty rate over unpaid balances (short-term and medium term). Therefore, the behavior of the ratio of interest receivable and overdue over total loans outstanding can be interpreted as a predictor of the trend in loan delinquency and the aging of the delinquent portfolio. The bottom row in Table 6 issues a clear warning in this respect, showing a steadily increasing ratio which indicates growing delinquency and gradual aging of these delinquent balances in the BCA's loan portfolio.

The results presented here support the notion that the borrowing clientele at the BCA is far from being "the cream of the most credit-worthy borrowers" (Gadway, p.3). Delinquent balances at the large commercial banks are well below five percent, as compared to more than twenty percent in the BCA. The bank has certainly been wise in not trying to reach small farmers in remote areas, which would add costs to risks. However, at the same time, the trader clientele the BCA shares with the rest of the banking system appears to be at the top of the risk scale within this class of borrowers.

V. FINANCIAL PERFORMANCE

The financial performance of the BCA is evaluated through a series of indicators presented in Tables 7 and 8. First, revenues, costs and selected margins are reported in constant zaires of 1987 in Table 7. Then a number of common financial and operating ratios are summarized in Table 8[14]. The comments that follow focus on the most relevant indicators and refer to results presented in both tables.

The financial performance of the bank can be summarily assessed as weak. Furthermore, this performance has deteriorated continuously since 1984, the first full year of operations, by almost any performance indicator. Net profits decreased dramatically in real terms until becoming negative in 1987 (Table 7). Losses, over the total life of the bank, amount to more than Z 50 million measured in zaires of 1987. As a consequence, net return on capital and reserves was slightly positive between 1984 and 1986 to become grossly negative in 1987, in spite of the capital scarcity that has allegedly affected the bank's operations (Table 8)[15].

Gross returns on financial assets have barely covered high operating costs, so that the net return calculated after deducting financial expenses leaves no room for any reasonable provision for loan losses (bottom row of Table 8). Evidently, the expenditures associated with the opening of the two new branches in Kikwit and Lubumbashi may have influenced the negative results observed in 1987. However, the performance observed before 1987 was clearly unsatisfactory. Were this

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[14] The bank's financial statements for 1983 -1987 are reported in Appendix Table 7.

[15] Capital scarcity would inflate any ratio with capital and reserves in the denominator.

performance to continue, recovery and financial viability may prove to be unattainable goals for the institution.

VI. SUMMARY ASSESSMENT AND RECOMMENDATIONS

The BCA is a small commercial bank operating in a concentrated and highly regulated institutional financial system. This report has shown that the BCA has made a sustained effort to adjust to the rules and regulations of the system, even though its performance has been below average as compared to the rest of the commercial banking system.

The adjustment and restructuring of the liability portfolio of the BCA in the presence of growing inflation, high reserve requirement and the government's crowding out of private funds, is characterized by a steady growth in short-term liabilities as a proportion of total liabilities. The major factor in this behavior has been increasing borrowing from the Bank of Zaire and other banks, while deposit mobilization at the bank has deteriorated in relative and real terms. In spite of the increasing number of deposit accounts at the BCA, the net effect of the unfavorable conditions for deposit mobilization has been a steady reduction in the real value of end-of-year balances between 1984 and 1987.

The bank has been unsuccessful in gathering foreign resources at an appropriate rate to help alleviate the liquidity constraints. In contrast, the overall performance of commercial banks indicates a stable level of domestic deposits in real terms, and a rapidly growing incidence of foreign liabilities. In other words, the BCA has not been able to adjust to the adverse economic environment as effectively as the average commercial bank.

Asset management at the BCA has resulted in increasing risk exposure, in spite of the bank's credit-rationing criteria. Lending policies have resulted in an increasing share of loans intended for commerce, at the expense of agricultural marketing and production and transportation of agricultural products. Regardless of the intended use of credit the borrowing clientele of the bank seems to be dominated by commercial enterprises (individual or otherwise), holding accounts at at least one other commercial bank, and able to offer mortgage as collateral.

The weakening loan recovery performance documented in this report indicates that, notwithstanding the bank's efforts to select good credit risks, the BCA is left with the marginal commercial borrower, highly leveraged customers whose repayment prospects are uncertain. The trader clientele the BCA shares with the rest of the banking system appears to be at the top of the risk scale within this class of borrowers.

The financial performance of the bank can be assessed as weak and worsening. If the current trends continue, recovery and financial viability may prove to be unattainable goals for the institution.

The following implications and policy recommendations derive from the analysis presented in this report:

- Zaire's macroeconomic and financial environment at the present time is not conducive to any sustainable form of "development" banking. Medium to long term lending would result in a rapidly eroding asset portfolio for any bank.

- The BCA can be best characterized as a small commercial bank under serious financial stress. The bank's operations do not correspond to the "typical" development bank syndrome. Indeed, the only feature of the BCA akin to a typical development bank is its public ownership.

- The creation of the BCA branch offices following the targeting of external lines of credit has been an inadequate policy, contributing to the current situation of the bank.

- Any further creation of branch offices should be justified by careful market analysis, emphasizing the prospects for local resource mobilization and the marginal financial viability of the new branch. The existing macroeconomic conditions and financial regulations make these two criteria difficult to meet.

- Capitalization of the BCA through non-government (once and for all) equity contributions would only alleviate the short-term difficulties of the bank, without addressing the long-term constraints. Unless the bank is able to improve its asset quality and particularly the quality of its borrowing clientele, all capital contributions will rapidly disappear as transfers to delinquent borrowers.

- The existing initiative of linking the BCA with the network of savings and loans cooperatives (COOPECs and COOCECs) seems infeasible if market forces are allowed to determine its outcome. Sound advice to the cooperatives would recognize the risk of holding assets at the BCA as compared to safe, high-return treasury bonds, or better known local credit risks.

Specific recommendations for USAID and GOZ's short-run and long-run policy towards the BCA and the financing of agriculture and rural enterprises are outlined below.

Short-run policy toward the BCA

1. Make all further disbursements of long-term funds and capital contributions conditional upon demonstrated improvement in the bank's performance.

   Conditionality criteria should include at least the following:

   a. Improvement of loan recovery performance.

      Improved loan recovery should be demonstrated by a reduction in the ratio of overdue loans over total balances to 12 percent or lower by the end of 1989, and to 6 percent or lower by the end of 1990. Subsequent targets should be established in 1990 after assessing the fulfillment of these initial recovery levels. In addition, the ratio of interest receivable and interest overdue over total loan outstanding should show a decreasing trend consistent with this overall improvement in loan recovery. Verification of these indicators should be provided in the audited financial statements as of December 31 of each year.

      Policies to be followed by the bank to improve loan recovery performance may involve special repayment collection efforts as well as improvements in loan evaluation procedures.

   b. Deposit mobilization recovery and growth.

      The bank should recover the level of deposits in real terms attained in 1984 (see Table 2) by June 1989. In addition, the BCA should demonstrate a growth rate of domestic deposits in real terms at least equal to the growth rate of domestic deposits in real terms of the commercial banking system.

      Deposit mobilization at the Kikwit and Lubumbashi branches should be able to attain, as a minimum, the equivalent of 30 percent of the funds lent through these branches by the end of 1989. This proportion should subsequently increase to levels to be determined after evaluating the fulfillment of this initial target.

      Special deposit mobilization campaigns as well as permanent interest and non-interest incentives are among the strategies the bank may follow to recover and improve its deposit mobilization performance. A solid loan portfolio with low delinquency would also contribute to convey the image of safety and soundness depositors demand from a financial institution.

c. Profitability of the Kikwit and Lubumbashi branches.

These two branches should demonstrate not only the ability to sustain their own operations with their effective revenues (i.e., adjusted for loan delinquency), but also contribute to better the overall financial performance of the bank.

2. Support the BCA's efforts to improve its record keeping capacity, and the overall skill level of the bank's personnel. Equipment grants and technical assistance in office automation, as well as the support of training initiatives should allow the institution to achieve these goals.

Long-run policies on rural finance and the BCA

1. The current status of communications, rural infrastructure and transportation in Zaire, along with the macroeconomic and financial constraints discussed in this report, make it inviable for established banks to directly provide financial services to rural households and enterprises. Even the financing of agricultural marketing and rural trade is performed at high transactions costs for financial institutions and bank clients.

2. A viable medium/long-term strategy to improve financial intermediation in rural areas could be based on a "wholesale-retail" scheme, where banks play the role of wholesalers and local/regional financial intermediaries perform the retail function[16]. In this framework, the provision of deposit and credit services to the ultimate user is undertaken by local formal or informal intermediaries, with low transaction costs for all participants in the market.

3. The BCA would be a suitable candidate to play a wholesaler role, provided that the improvements suggested above are accomplished. Thus a medium/long-term policy for the BCA would be to establish and develop these wholesale-retail arrangements where the status of local and regional financial organizations makes it feasible. However, the BCA should not be given the "exclusive" rights to establish linkages with the regional and local financial institutions

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[16] This general approach underlies the recommendations by Pizarro et al.

and organizations (as suggested in Pizarro et al.). Instead, local and regional financial intermediaries should be allowed to develop links with any domestic or international financial institution.

4. At present, it is not clear whether existing local/regional financial intermediaries are in a position to expand and improve their provision of financial services to rural households and enterprises, and establish working relationships with the banking system. Furthermore, it is likely that these local/regional financial intermediaries are not yet developed in certain areas of the country beyond the traditional forms of monetary circulation (tontines, money-keepers, moneylenders, etc.).

5. Donor support should then concentrate on the design of mechanisms and the formulation of policies to foster the development and strengthening of local and regional financial intermediaries. A first step in this direction is to carefully document the existence, functioning and relative importance of formal and informal financial intermediaries in rural areas. In addition, the access to (formal and informal) financial services by rural households and enterprises should be rigorously assessed, as well as the terms, conditions and costs associated with the provision and the use of these services.

6. The foregoing assessment should not be limited to the analysis of existing quasi-formal organizations (e.g., COOPECs and COOCECs). Instead, it should also explore the traditional forms of intermediation and monetary circulation such as tontines and other self-help groups, money-keepers and moneylenders, as well as the informal mechanisms of finance such as trader and supplier credit, in-kind transfers and other forms of financial arrangements.

7. A second and related area of inquiry is the identification and analysis of the "horizontal" linkages among the existing means of financial intermediation at every level (local, regional, multi-regional, national), and the "vertical" linkages between the different levels. In particular, the relationships between local financial intermediaries and the ultimate users (rural households and enterprises) on the one hand, and the more established, quasi-formal and institutional intermediaries on the other hand should be carefully documented. Only by knowing the current nature and quality of these relationships it will be possible to design new and improved mechanisms of financial networking and market expansion.

8. The linkages between rural formal and informal financial intermediaries and urban-based financial institutions and

organizations are particularly important. These relationships are essential to address the issues of portfolio diversification, liquidity management and the synchronization of financial deficits and surpluses within and across regions.

9. The action steps recommended in paragraphs 5 through 8 above must be complemented by the investigation of several related issues. Among others, the legal and regulatory framework relevant to the creation and expansion of financial organizations and institutions needs to be evaluated in order to identify legal and regulatory constraints, and formulate appropriate modifications and policies. The skill levels and managerial capabilities of existing local and regional financial intermediaries need to be assessed, so that training and technical assistance requirements can be identified. Support programs could then be designed accordingly. Existing financial instruments must be carefully evaluated to determine the innovations called for by the expansion and modernization of the financial system, and identify the needs for specialized training and technical assistance in this area.

10. The long-run strategy and implementation steps recommended here should provide a strong and comprehensive basis for donor action towards developing and strengthening local, regional, and national financial intermediaries. The interaction between strong local and regional intermediaries and the established commercial banking system, as well as the emergence of new countrywide financial institutions will be essential for a general expansion and modernization of the Zaire financial system.

Table 1

BCA - Liabilities and Capital. Composition at Year End and Annual Rates of Change (in real terms), 1983 - 1988

	Year					
	1983	1984	1985	1986	1987	1988[a]
A. Percentage Composition						
SHORT TERM	3.4	64.4	63.4	64.1	80.4	84.7
Banks	-	-	-	-	2.2	6.7
Bank of Zaire	-	-	-	6.0	5.5	4.9
Deposits and current accounts	-	62.7	62.3	52.7	53.7	38.0
Provisions on document.credit	-	-	-	3.5	17.0	23.1
Adjustment accounts	0.5	0.9	0.7	0.7	1.1	0.6
Accounts payable	-	-	-	0.2	0.4	5.2
Other short-term liabilities	2.9	0.8	0.5	1.0	0.4	6.3
PROVISIONS	-	0.2	0.7	1.2	0.9	0.4
CAPITAL, RESERVES and MEDIUM/LONG TERM FUNDS	96.6	35.4	35.9	34.7	18.8	15.0
Total own funds	104.1	35.7	37.6	31.0	22.4	10.2
CAPITAL & RESERVES, NET	96.6	35.4	35.9	29.9	16.3	14.2
Long-term borrowing				4.0	2.5	0.7
TOTAL LIABILITIES	100.0	100.0	100.0	100.0	100.0	100.0
B. Rates of Change, Percent per Year (in real terms)						
SHORT TERM	-	-	-11.9	9.8	16.5	74.5
Banks	-	-		-100.0		465.2
Bank of Zaire	-	-			-14.8	47.0
Deposits and current accounts	-	-	-11.2	-8.0	-5.4	17.3
Provisions on document.credit	-	-			349.4	124.9
Adjustment accounts	-	-	-34.8	13.0	52.3	-17.3
Accounts payable	-	-	-100.0		146.2	1847.2
Other short-term liabilities	-	-	-45.5	139.5	-60.6	2344.8
PROVISIONS	-	-	185.0	80.7	-34.8	-29.8
CAPITAL, RESERVES and MEDIUM/LONG TERM FUNDS	-	-	-9.2	5.2	-49.9	32.4
Total own funds	-	-	-5.6	-10.4	-32.9	-24.3
CAPITAL & RESERVES, NET	-	-	-9.2	-9.2	-49.6	45.2
Long-term borrowing	-	-			-51.6	-51.4
TOTAL LIABILITIES	-	-	-10.5	8.7	-7.2	65.8

Source: Appendix Table 3.

a Unconsolidated balance as of September 30, 1988.

Table 2

BCA - Deposit Mobilization. Number of Accounts, End-of-year Balances, and Shares by Type of Depositor and by Term of Deposits, 1983 - 1988

	Year					
	1983	1984	1985	1986	1987	1988[a]
Number of Accounts	39	210	482	771	1551	1946
growth rate, % per year	-	-	129.5%	60.0%	101.2%	25.5%
End-of-year Balances						
Current Z(000)	8273.1	140716.9	173788.1	221401.5	431642.0	1040957.0
Constant Z(000) 1987	37601.1	558566.0	496147.6	457187.6	431642.0	506276.0
growth rate, % per year	-	-	-11.2%	-7.9%	-5.6%	17.3%
Average Account Size						
Constant Z(000) 1987	964.1	2659.8	1029.4	593.0	278.3	260.2
growth rate, % per year	-	-	-61.3%	-42.4%	-53.1%	-6.5%
Shares by Type of Depositor, percent[b]						
Individuals	-	-	-	4.1	4.8	10.8
Private enterprises	-	-	-	34.8	27.2	41.5
Public enterprises[c]	-	-	-	2.1	1.4	29.0
Non-bank financial inst.[d]	-	-	-	59.1	66.6	18.7
Shares by Term of Deposits, percent						
Demand deposits[e]	-	-	-	98.0	95.4	75.9
Time deposits	-	-	-	2.0	4.6	24.1
of which, less than 6 months	-	-	-	0.0	4.6	14.4
6 and 12 months	-	-	-	2.0	0.0	9.7

Source: Based on BCA records, and IMF (CPI end of year).

a As of September 30, 1988.

b Computed over total balances. Distribution unavailable for 1983-1985. Number of deposit accounts was not available by type of depositor to compute average account balances for each type.

c Most important (1988): GECAMINES Développement, REGIDESO, Fonds Conv. Développement (FCD), Off. Nat. Dév. Elévage (ONDE), Off. Douanes (OFIDA), Bur. Nat. Sémences (BUNASEM), Off. Pétite et Moyenne Entreprise (OPEZ).

d Most important (1988): SOFIDE, Caisse d'Epargne (CADEZA), Soc. Nat. Assurances (SONAS), Ins. Nat. Securité Sociale (INSS), USAID.

e Current accounts and sight deposits.

Table 3

BCA - Asset Portfolio. Composition at Year End and Annual Rates of Change (in real terms), 1983 - 1987

	Year				
	1983	1984	1985	1986	1987
A. Percentage Composition					
LIQUID ASSETS	87.4	76.1	50.0	31.7	32.9
SHORT TERM	3.2	14.1	27.2	31.8	42.4
Overdrafts	-	0.3	6.5	8.2	10.6
Short-term agricultural loans	-	8.8	13.6	11.0	14.9
Doubtful loans less provisions	-	-	-	1.4	2.1
Adjustment accounts	2.9	4.8	6.6	8.4	10.1
Treasury bonds	-	-	-	2.4	1.3
Other short-term assets	0.3	0.3	0.5	0.4	3.3
FIXED	9.4	9.8	22.9	36.4	24.8
Physical assets	7.4	3.7	2.8	4.9	5.0
Medium-term agricultural loans	-	2.1	16.5	27.5	14.7
Doubtful loans less provisions	-	-	-	-	0.8
Other med/long-term assets	2.0	4.0	3.6	4.0	4.2
TOTAL ASSETS	100.0	100.0	100.0	100.0	100.0
B. Rates of Change, Percent per Year (in real terms)					
LIQUID ASSETS	-	-	-41.2	-31.0	-3.9
SHORT TERM	-	-	72.2	27.3	23.6
Overdrafts	-	-	2226.0	37.5	19.8
Short-term agricultural loans	-	-	37.9	-12.3	25.8
Doubtful loans less provisions	-	-	-	-	46.5
Adjustment accounts	-	-	23.3	38.8	12.0
Treasury bonds	-	-	-	-	-51.6
Other short-term assets	-	-	64.5	-2.5	639.2
FIXED	-	-	108.5	73.2	-36.9
Physical assets	-	-	-32.8	91.2	-4.6
Medium-term agricultural loans[a]	-	-	602.6	81.2	-50.4
Other med/long-term assets	-	-	-19.9	22.3	-3.2
TOTAL ASSETS	-	-	-10.5	8.7	-7.2

Source: Appendix Table 5.

a Provisions on medium-term loans were first made in 1987.

Table 4

BCA - Loans Demanded and Approved by Sector of Destination, 1984 - 1987. Amounts in Z(000) of 1987

Sector of destination	1984 N	1984 Amount	1985 N	1985 Amount	1986 N	1986 Amount	1987 N	1987 Amount	Total period N	Total period Amount
A. Loan demands										
Production and transp. agricultural products	350	5242656	221	2997878	96	1171467	68	850984	735	10262985
Agricultural marketing	105	1043283	89	948259	40	413724	70	290689	304	2695955
Commerce	5	40580	10	65938	86	596392	67	377280	168	1080189
Total	460	6326519	319	4012074	221	2181582	205	1518952	1207	14039129
B. Loans granted and disbursed										
Production and transp. agricultural products	8	59364	19	177520	15	108859	7	25742	49	371484
Agricultural marketing	30	149652	32	136568	14	63347	38	119715	114	469282
Commerce	2	21224	5	37154	55	295489	57	202228	119	556095
Total	40	230240	57	351243	83	467694	103	347685	283	1396862
C. Ratio Granted/Demanded, %									period averages	
Production and transp. agricultural products	2.3	1.1	8.6	5.9	15.6	9.3	10.3	3.0	6.7	3.6
Agricultural marketing	28.6	14.3	36.0	14.4	35.0	15.3	54.3	41.2	37.5	17.4
Commerce	40.0	52.3	50.0	56.3	64.0	49.5	65.1	53.6	70.8	51.5
Total	8.7	3.6	18.0	8.8	37.7	21.4	50.2	22.9	23.4	9.9

Source: Appendix Table 6 and IMF (GDP deflator).

Table 5

PCA - Loans Granted 1984 - 1987. Shares and Growth rates by Sector of Destination

	Year									
	1984		1985		1986		1987		Total period	
Sector of destination	N	Amount	N	Amount	N	Amount	N	Amount	N	Amount
A. Shares, percent										
Production and transp. agricultural products	20.0	25.8	33.1	50.5	18.0	23.3	6.8	7.4	17.3	26.6
Agricultural marketing	75.0	65.0	55.7	38.9	16.8	13.5	36.8	34.4	40.3	33.6
Commerce	5.0	9.2	8.7	10.6	66.1	63.2	55.2	58.2	42.1	39.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
B. Growth rates, percent per year (in real terms)									period averages	
Production and transp. agricultural products	-	-	137.5	199.0	-21.1	-38.7	-53.3	-76.4	21.0	28.0
Agricultural marketing	-	-	6.7	-8.7	-56.3	-53.6	171.4	89.0	40.6	8.9
Commerce	-	-	150.0	75.1	1000.0	695.3	3.6	-31.6	384.5	246.3
Total	-	-	43.6	52.6	44.9	33.2	24.0	-25.7	37.5	20.0

Source: Table 4.

Table 6

BCA - Total Loans Outstanding, Doubtful Loans and Provisions, by Term Structure and Sector of Destination, 1984 - 1987
(amounts in Z'000 of each year)

	Year			
	1984	1985	1986	1987
Total Portfolio,	25100.5	102194.0	207445.2	360814.1
Doubtful loans	-	-	11561.7	37789.8
Provisions	-	-	5857.6	13829.8
Doubtful, % of total	-	-	5.6	10.5
Provisions, % of doubtful	-	-	50.7	36.6
Short term				
Total	20388.6	56164.2	92148.4	233523.8
Doubtful loans	-	-	11561.7	28498.6
Provisions	-	-	5857.6	11244.0
Doubtful, % of total	-	-	12.5	12.2
Provisions, % of doubtful	-	-	50.7	39.5
Agriculture, total	19827.5	38017.7	53122.3	129056.8
Doubtful loans	-	-	7029.7	9352.8
Provision	-	-	2755.1	6208.2
Doubtful, % of total	-	-	13.2	7.2
Provisions, % of doubtful	-	-	39.2	66.4
Overdrafts, total	561.1	18146.5	39026.1	104467.0
Doubtful loans	-	-	4532.0	19145.8
Provision	-	-	3102.5	5035.8
Doubtful, % of total	-	-	11.6	18.3
Provisions, % of doubtful	-	-	68.5	26.3
Medium term				
Total (agriculture)	4712.0	46029.8	115296.8	127290.3
Doubtful loans	-	-	-	9291.2
Provisions	-	-	-	2585.8
Doubtful, % of total	-	-	-	7.3
Provisions, % of doubtful	-	-	-	27.8
Interest receivable and overdue, total	538.0	10240.4	22650.8	53605.4
Interest receivable and overdue % of total loans outstanding	2.1	10.0	10.9	14.9

Source: Based on BCA financial statements.

Table 7

BCA - Revenues, Costs and Profit Margins, 1983 - 1987 (constant Z'000 of 1987)

	1983	1984	Year 1985	1986	1987
Income from financial operations	10469.1	113664.0	175242.3	201481.4	189345.2
Charges on borrowings	-11.2	-599.4	-4197.3	-11030.9	-33869.9
Gross Margin on Financial Intermediation	10457.9	113064.6	171044.9	190450.6	155475.2
Provisions for loan losses	0.0	0.0	-3190.5	-10871.3	-11030.2
Net Margin on Financial Intermediation	10457.9	113064.6	167854.4	179579.2	144445.0
Operating Costs	-30350.7	-99442.4	-156918.7	-163965.6	-184090.1
Operating Margin	-19892.8	13622.2	10935.6	15613.6	-39645.2
Other provisions	-2240.2	-3893.9	-9005.3	-13565.1	-7349.1
Other items (net)	7724.7	-995.2	-776.0	-739.2	-263.6
Net Profit	-14406.3	8733.2	1154.4	1309.3	-47257.9

Source: Appendix Table 7 and IMF (GDP deflator).

Table 6

BCA - Selected Financial and Operating Ratios, 1983 - 1987

	Year 1983	1984	1985	1986	1987
A. Financial Ratios, Percent					
Gross Return on Capital and Reserves [a]	3.5	36.1	57.4	77.2	144.9
Gross Return on Financial Assets [b]	3.6	13.4	21.3	24.6	25.6
Financial Assets/ Total Assets	92.6	95.6	96.6	93.9	92.0
Capital Adequacy [c]	96.6	35.4	35.9	29.9	16.3
Profit Margin [d]	-137.6	7.7	0.7	0.6	-25.0
Net Return on Capital and Reserves [e]	-4.8	2.8	0.4	0.5	-36.2
B. Operating Ratios, Percent					
Operating Costs/ Total Assets	9.7	11.2	18.4	18.8	22.9
Operating Costs/ Financial Assets	10.5	11.7	19.1	20.0	24.9
Charges on Borrowings/ Financial Assets		0.1	0.5	1.3	4.6
Net Return on Financial Assets [f]	-6.9	1.6	1.7	3.2	-3.9

Sources: Table 7, Appendix Tables 2 and , and BCA financial statements.

a Income from financial operations/Capital and reserves.
b Income from financial operations/Financial assets.
c Capital and reserves/Total Assets.
d Net profit/Income from financial operations.
e Net profit/Capital and reserves.
f (Gross return-Operating costs-Charges on borrowings)/Financial assets.

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APPENDIX TABLES

Appendix Table 1

BCA - Distribution of Personnel by Rank, 1983 - 1988

Rank	1983	1984	1985	1986	1987	1988
	Year					
PDG, Directors and Sub-Directors	6	6	5	7	7	8
Executive Officers	3	3	7	8	13	12
Middle Management[a]	20	29	37	37	56	74
Staff[b]	19	50	53	46	90	121
Total	48	88	102	98	166	215
Personnel costs, Z(000) of 1987						
Annual total	18749.2	50106.4	88128.2	81692.4	82266.0	n.a.
Average/employee	390.6	569.4	864.0	833.6	495.6	-

Source: BCA.

a "Chefs de service" and "chefs de bureau".

b Personnel categories 2 to 8.

Appendix Table 2

BCA - Liabilities and Capital, 1983 - 1988 (Z'000 of each year)

	Year					
	1983	1984	1985	1986	1987	1988a
SHORT TERM	1458.9	144451.9	176916.5	268567.1	645848.8	2317905.0
Banks	0.1		23.5		17530.7	182101.0
Bank of Zaire				25000.0	44000.0	133000.0
Deposits and current accounts		140716.9	173788.1	221058.8	431642.4	1040958.0
Provisions on document.credit				14732.7	136786.4	632240.0
Personnel	194.4	13.4	1.6		1.7	305.0
State	192.0	302.0	599.1	2627.7	1737.9	3081.0
Misc.suppliers and creditors	65.8	1366.7	273.1	1453.4	369.4	4087.0
Adjustment accounts	195.4	2020.4	1831.1	2860.4	8995.4	15294.0
Accounts payable		32.5		696.8	3543.1	141851.0
Other short-term debt	811.1			137.2	1321.9	164988.0
PROVISIONS		516.0	2045.0	5108.7	6878.9	9930.0
CAPITAL, RESERVES and MEDIUM/LONG TERM FUNDS	41781.8	79287.5	100046.8	145557.9	150646.6	410121.0
Social equity	5000.0	5000.0	5000.0	5000.0	5000.0	5000.0
Capital contributions	125000.0	125000.0	125000.0	125000.0	175000.0	275000.0
less: undisbursed capital	-85000.0	-50000.0	-25000.0			
Total own funds	45000.0	80000.0	105000.0	130000.0	180000.0	280000.0
Undistributed profits (losses)	-15.6	-2016.4	157.3	478.9	1014.2	-46244.0
Legal reserve			18.5	56.3	119.3	119.0
Statutary reserve			9.3	28.2	59.7	60.0
Current profits (losses)	-2000.8	2201.4	378.4	629.8	-47257.9	161835.0
Prorrated charges	-1201.8	-897.5	-5516.6	-5635.3	-3268.7	-5649.0
CAPITAL & RESERVES, NET	41781.8	79287.5	100046.8	125557.9	130646.6	390121.0
Long-term borrowing				20000.0	20000.0	20000.0
TOTAL LIABILITIES	43240.6	224255.4	279008.4	419233.7	803374.4	2737956.0

Source: BCA.

a Unconsolidated balance as of September 30, 1988.

Appendix Table 3

ECA - Liabilities and Capital, 1983 - 1988 (constant Z'000 of 1987)

	Year					
	1983	1984	1985	1986	1987	1988a
SHORT TERM	6630.5	573391.9	505078.8	554583.1	645848.8	1127327.3
Banks	0.3		67.0		17530.7	88566.0
Bank of Zaire				51624.3	44000.0	64685.4
Deposits and current accounts		558566.0	496147.6	456480.0	431642.4	506276.5
Provisions on document.credit				30422.6	136706.4	307493.9
Adjustment accounts	888.3	8019.8	5227.5	5306.7	8995.4	7438.3
Accounts payable		129.0		1438.9	3543.1	68990.1
Other short-term liabilities	5741.9	6677.1	3636.7	8710.7	3430.8	83877.5
PROVISIONS		2048.3	5838.4	10549.3	6878.9	4829.5
CAPITAL, RESERVES and MEDIUM/LONG TERM FUNDS	189898.2	314726.5	285623.6	300572.7	150646.6	199464.9
Total own funds	204525.0	317554.6	299764.4	268446.2	180000.0	136179.8
Reserves			79.2	174.5	179.0	87.1
Current profits (losses)	-9093.6	8738.2	1080.4	1300.4	-47257.9	78709.5
Other items (net)	-5533.2	-11566.4	-15300.5	-10647.8	-2274.5	-25238.5
CAPITAL & RESERVES, NET	189898.2	314726.5	285623.6	259273.3	130646.6	189737.8
Long-term borrowing				41299.4	20000.0	9727.1
TOTAL LIABILITIES	196528.7	890166.7	796540.8	865705.2	803374.4	1331622.3

Source: Appendix Table 2 and IMF (CPI end of year).

a Unconsolidated balance as of September 30, 1988.

Appendix Table 4

BCA - Asset Portfolio, 1983 - 1988 (Z'000 of each year)

	Year					
	1983	1984	1985	1986	1987	1988[a]
LIQUID ASSETS	37788.1	170581.3	139395.4	133057.7	264005.8	1503196.0
Cash, banks and correspondents	37788.1	170581.3	139395.4	133057.7	264005.8	1503196.0
SHORT TERM	1372.4	31666.9	75816.7	133451.2	340472.3	869921.0
Overdrafts	-	561.1	10146.5	35923.6	99431.1	141398.0
Short-term agricultural loans	-	19827.5	38017.7	50367.2	122848.7	322063.0
Loans to personnel	-	260.3	3.0	238.2	793.2	1742.0
Adjustment accounts	1254.8	10714.2	18362.3	35242.2	81478.1	75165.0
Treasury bonds	-	-	-	10180.0	10180.0	10180.0
Other short-term assets	117.6	303.9	1287.2	1500.1	25741.3	319373.0
FIXED	4080.2	22007.2	63796.2	152724.8	198896.2	364839.0
Physical assets	3211.9	8313.2	7764.9	20521.1	40413.5	76901.0
Other fixed assets						
Commitments on phys.assets	-	1448.7	681.6	3903.9	22864.1	43815.0
Shares	-	-	1001.7	1001.7	1001.7	1002.0
Guarantees issued medium term	-	-	-	158.9	359.1	339.0
Medium-term agricultural loans	-	4712.0	46029.8	115296.8	124704.5	226667.0
Medium-term loans to personnel	-	-	635.9	6326.7	5026.6	11588.0
Other long-term assets	868.2	7533.4	7682.3	5515.7	4526.8	4527.0
TOTAL ASSETS	43240.6	224255.4	279008.4	419233.7	803374.4	2737956.0

Source: BCA.

a Unconsolidated balance as of September 30, 1988.

Appendix Table 5

BCA - Asset Portfolio, 1983 - 1987 (constant Z'000 of 1987)

	Year				
	1983	1984	1985	1986	1987
LIQUID ASSETS	171746.9	677110.8	397959.9	274760.2	264005.6
SHORT TERM	6237.5	125699.7	216449.0	275572.8	340472.3
Overdrafts	-	2227.3	51006.5	71229.4	85321.1
Short-term agricultural loans	-	78703.8	108536.7	95179.9	119704.0
Doubtful loans less provisions	-	-	-	11778.6	17254.6
Adjustment accounts	5703.0	42529.2	52422.6	72774.1	81478.1
Treasury bonds	-	-	-	21021.4	10180.0
Other short-term assets	534.5	2239.5	3683.3	3589.4	26534.4
FIXED	18544.3	87356.2	182131.9	315372.1	198896.2
Physical assets	14598.2	32998.7	22168.0	42375.4	40413.5
Medium-term agricultural loans	-	18703.8	131410.5	238084.5	117999.1
Doubtful loans less provisions	-	-	-	-	6705.4
Other med/long-term assets	3946.1	35653.6	28553.4	34912.2	33778.3
TOTAL ASSETS	196528.7	890166.7	796540.8	865705.2	803374.4

Source: Appendix Table 4 and IMF (CPI end of year).

Appendix Table 6

BCA - Loans Demanded and Approved by Sector of Destination, 1984 - 1987. Amounts in Z(000) of each year

Sector of destination	1984 N	1984 Amount	1985 N	1985 Amount	1986 N	1986 Amount	1987 N	1987 Amount	Total period N	Total period Amount
A. Loan demands										
Production and transp. agricultural products	350	1321525	221	982773	96	563475	68	850984	735	3718757
Annual crops	252	1006949	143	630169	60	360000	36	444695	491	2441813
Perennial crops	24	51874	4	16825	3	22500	6	40755	37	131954
Livestock (fattening)	1	458	1	7454	1	976	1	18500	4	27388
Livestock (production)	59	236576	34	200744	8	30041	13	190165	114	657526
Fishing and pisciculture	6	8926	7	21026	1	37478	0	0	14	67430
Transportation agr. products (trucks and other vehicles)	8	16742	32	106555	23	112480	12	156869	75	392646
Agricultural marketing	105	262982	89	310861	40	199001	70	290689	304	1063533
Commerce	5	10229	10	21616	86	286864	67	377280	168	695989
Agro-industry	6	8418	6	30554	3	11949	1	2000	16	52921
Other[a]	4	35115	2	3350	1	600	2	13388	9	52453
Total	470	1638269	328	1349154	226	1061889	208	1534341	1232	5583653
B. Loans granted and disbursed										
Production and transp. agricultural products	8	14964	19	58195	15	52361	7	25742	49	151262
Agricultural marketing	30	37723	32	44770	14	30470	38	119715	114	232678
Commerce	2	5350	5	12180	55	142130	57	202228	119	361888
Total	40	58037	56	115145	84	224961	102	347685	282	745828

Source: BCA.

a Activities outside of the bank's social objectives.

Appendix Table 7

BCA - Income Statement, 1983 -1987 (Z'000 of each year)

	1983	1984	Year 1985	1986	1987
Interest revenues	1441.6	28647.3	52556.2	76403.7	140785.7
Interest charges	-1.5	-151.1	-1376.0	-5305.8	-33869.9
GROSS INTEREST MARGIN	1440.1	28496.2	51180.2	71097.8	106915.8
Materials and supplies	399.2	3053.5	5719.3	8407.9	15201.8
Transportation	15.4	769.5	635.4	2488.5	5333.6
Other services	807.5	6851.7	10935.6	16512.0	41140.1
(Total mat.and int.services)	1222.2	10674.7	17290.4	27408.3	61675.5
VALUE ADDED	217.9	17821.6	33889.8	43689.5	45240.2
Other revenues and profits	12.2	4.2	4892.3	20508.8	48559.4
(value added + other revenues)	230.0	17825.7	38782.1	64198.3	93799.7
Misc.charges and losses	384.5	1724.2	5224.2	11992.6	40025.8
Personnel expenses	2603.6	12630.4	28890.4	39234.0	82266.0
Contributions and taxes	4.3	37.4	36.5	172.4	122.8
Provisions loan portfolio	0.0	0.0	1045.9	5229.1	11030.2
(Total operating expenses)	2992.4	14392.0	35197.1	56688.1	133444.8
GROSS OPERATING MARGIN	-2762.4	3433.8	3585.0	7510.1	-39645.2
Allocation to amortization and provisions for charges and losses	-311.1	-981.5	-2952.1	-6524.8	-7349.1
(Gross op.margin-alloc.amort.&prov.)	-3073.5	2452.2	632.8	985.3	-46994.3
Net earnings on transfers	-9.6	0.0	54.1	548.0	1917.4
NET OPERATING MARGIN (a)	-3083.1	2452.2	686.9	1533.3	-45076.9
Revenues ex-operations	1155.1	1114.5	0.0	917.4	829.1
Charges ex-operations	-72.8	-1365.4	-308.5	-1820.9	-3010.0
NET EARNINGS EX-OPERATION (b)	1082.3	-250.9	-308.5	-903.6	-2180.9
NET PROFIT (a+b)	-2000.8	2201.4	378.4	629.8	-47257.9

Source: BCA.