Economic Crisis and Adjustment in Zaire

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Peter Glick

CORNELL FOOD AND NUTRITION POLICY PROGRAM

MONOGRAPH 16 • JANUARY 1993

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Executive Summary

Zaire, an independent nation since June 30, 1960, is the largest country in sub-Saharan Africa and one of the largest in Africa as a whole. Although sparsely populated, Zaire is endowed with immense mineral wealth and is strategically located in central Africa. The mining industry dominates the Zairian economy, and is in turn dominated by the copper and cobalt producing parastatal, GECAMINES. Diamonds and petroleum are also mined, but Zaire lacks the vast reserves of oil found in neighboring Angola and Congo.

A promising area for future development in Zaire is agriculture, the potential of which remains largely unexploited. The variety of its crops, including those from moderate climates, could be broadened through the adoption of new cultures. Although the manufacturing sector is small compared to the other sectors, it too has a large potential for growth, particularly in the area of agro-industrial and mineral processing. Much of the growth in manufacturing could come from the emerging local informal and parallel sectors, which together make up what can be called the "second economy" of Zaire.

Evidence suggests that a substantial and growing portion of economic activity in Zaire is taking place in the second economy. This activity, much of which is to varying degrees illicit or illegal, is not captured by the official statistics. It extends from production, in the rural and urban non-organized sectors, to commerce (including smuggling), and illicit transfers in the form of tributes, bribes, and theft. Because of the pervasiveness of unrecorded productive activities, the actual levels of GDP and per capita income in Zaire are probably much higher than those recorded in official figures.

Moreover, the official statistics may be misleading with regard to the assessment of both long term changes in important macroeconomic indicators and the impact of adjustment measures. In regard to the latter, the pervasiveness of parallel activities meant that a considerable amount of economic activity occurred outside the scope of the distortionary government price and exchange-rate policies which the reforms were enacted to remove. Thus, at the time of program implementation, the effect of potential liberalization measures may have been to shift economic activity from the unrecorded back to the recorded economy instead of, or in addition to, increasing the overall level of activity.

Zaire's economic difficulties began during the period from the late 1960s through the early 1970s. In this period, the government adopted an ambitious investment program financed by massive external borrowing, mostly from commercial sources and on relatively hard terms. In the early 1970s, most major commercial enterprises in agriculture and industry were nationalized. Nationalization served only to lower productivity and inhibit private investment for years afterwards. At the same time, the government pursued lax monetary and budgetary policies, which led to an uncontrolled inflation and an excessive overvaluation of the currency, the zaire. The government then imposed stringent rationing and capital controls to deal with the scarcity of foreign exchange, further distorting the economy.

Beginning in the 1970s, external and internal balances were unfavorably affected by worldwide factors, such as the 1971 dollar crisis, the oil crises of 1973 and 1979, and ensuing world recessions. Most importantly, the international price of copper, reflecting the recessionary conditions of the time, fell by 40 percent in 1975. This decline precipitated a sustained deterioration in Zaire's terms of trade. To resolve the resulting balance of payments and budgetary difficulties, the government resorted increasingly to borrowing from the International Monetary Fund (IMF). From 1977 to 1982, Zaire was almost continually under some form of economic and financial adjustment under the guidance of the IMF. During this time, Zaire's use of IMF's resources, through standby and extended arrangements, and other special facilities, amounted to over US$ 650 million. The economy during this period performed rather poorly. The largest adjustment effort, however, came in 1983, starting with the stabilization package adopted in September of that year.

The cornerstone of the 1983 program was a major adjustment of the exchange rate and a reform of the exchange rate system. Other policies included: substantial liberalization and simplification of the exchange and trade systems, including customs duties; an adjustment and liberalization of domestic prices, including interest rates, agricultural producer prices, and the prices of petroleum products; tighter control of spending through restraints on wage increases and reductions in public sector employment; a large-scale reform of public enterprises aimed at lowering their funding requirements, thus alleviating their burden on the budget; and a revision of the investment code with a view to attracting private foreign investment. In support of this program, the IMF provided a total of approximately US$ 1,200 million over a five-year period, of which Zaire used about US$ 880 million.

Initially, the adjustment appeared to be working. The economy's performance in 1984, the first year of program implementation, was satisfactory. Fiscal and monetary developments remained within the program's objectives. As a result, the annual inflation rate was brought down from more than 100 percent in 1983 to less than 20 percent in 1984. This, together with the nominal devaluation introduced in September 1983, led to a significant depreciation of the real effective exchange rate. Total export earnings increased substantially and the balance of payments improved. For the first time in many years, Zaire was able to meet its external debt service commitments regularly. Real GDP grew by some 3 percent for the year, a rate which, although no greater than the growth of the population, nonetheless represented a turnaround from the contraction of real GDP in 1982.

Despite these initial successes, by 1986 the Zairian economy was once again under considerable pressure, reflecting fluctuations in international markets and a weakening of government fiscal and monetary restraint. More generally, economic growth continued to be hindered by a number of remaining distortions and entrenched structural weaknesses caused by years of inappropriate economic policies. To remedy these problems, the World Bank agreed to provide long-term support to Zaire's rehabilitation efforts. Beginning in 1986, therefore, structural adjustment policies were introduced to supplement the stabilization measures. These policies were intended to lay the basis for a sustainable external financial position and long-term growth. The policies included improving macroeconomic management, reforming agricultural and transport sector policies, and enhancing incentives for the private sector. The major production increase was to come from the nontraditional tradable sector, which was viewed as a means of eventually achieving external balance. A major structural adjustment credit contributed by the World Bank was designed to support the manufacturing sector through the provision of additional foreign exchange to finance imports of raw materials and spare parts. Further changes in the tariff regime were also enacted to restore incentives to the production of tradables, particularly nontraditional tradables. In July 1986, export taxes were abolished on all manufacturing exports.

The performance of the economy following the implementation of the structural adjustment measures was disappointing. On the basis of the recently revised national accounts data, real GDP in 1987 grew by 3.0 percent, lower than targeted and less than the growth rate of the population. Real GDP declined both in 1988 (by 0.1 percent) and 1989 (by 2.4 percent). The government budget deficit, which was 5 percent of (unrevised) GDP in 1986, grew to 10 percent in 1987 and 21 percent in 1988. Inflation surged to around 100 percent in 1987 and 1988, and after abating somewhat in 1989, reached unprecedented quadruple-digit levels in 1990. Reflecting as well as adding to this inflation, the parallel market exchange rate soared from US$ 1 = Zaires 500 in April 1990 to US$ 1 = Zaires 2,500 in December 1990.

To some extent, the weak performance of the economy under the structural adjustment program was due, at least initially, to stagnation of production in the mining sector. But the major source of difficulty with regard to program implementation has been, as it was in the 1960s and the 1970s, the conduct of fiscal and monetary policies. Expenditure targets were exceeded by wide margins, particularly in the political and sovereign categories, while investment expenditures as well as expenditures required to keep up the basic infrastructure were below the targets. Meanwhile, budgetary revenues did not meet the standards required by the adjustment program. With further weakening in program performance in 1988 and in 1989, the financial support provided by the IMF and the World Bank was interrupted in the spring of 1990.

Throughout the past decade Zaire has suffered continually from the effects of the excessive accumulation of debt that occurred in the 1970s. Due largely to the effects of repeated recapitalization of principal and interest (debt rescheduling), the level of external public debt rose through most of the 1980s. Even after rescheduling, the debt service burden remained heavy, accounting, for example, for some 23 percent of export receipts and 16 percent of government revenue in 1987. Following the 1990 suspension of its agreements with the IMF and the World Bank, Zaire suspended debt service payments to most of its creditors.

Eight years after the initial adoption of major policy reforms, it is clear that internal and external balance has not been achieved. Moreover, the prospects for improvement are dim, due in large part to an extremely volatile political situation. The question, it seems, is not so much whether the adjustment policies have been successful, but whether they have ever been implemented in a meaningful way. In spite of the initial effort of 1983-1984, the answer is they have not. Instead, the country has continued to follow a pattern of large budget deficits, money creation, and high inflation. At the same time, Zaire's relationship with the IMF has renewed the on-again, off-again character of the preceding period. Nor have the policies described above resulted in significant structural change in the economy. Perhaps most importantly, production in the agricultural sector for the most part has continued to stagnate despite a comprehensive liberalization of pricing and marketing. Because of continued interference by local authorities in pricing and marketing, the implementation of these reforms has been uneven. Of equal if not greater significance in explaining the meager supply response of agriculture to the reforms is the chronic neglect and deterioration of the rural transport infrastructure.

With an official per capita income of approximately US$ 150 — low even by sub-Saharan African standards — poverty in Zaire is a pervasive problem. Some stabilization and structural adjustment policies may have actually worsened the conditions of vulnerable groups. In urban areas, for example, restrictions on nominal wage increases caused government employees' real wages to decline substantially. Reductions in government outlays for health, education, and transportation services have most affected workers in the informal sector, whose access to these services is not subsidized by their employers. It would be highly inaccurate, however, to blame adjustment policies (those that were actually implemented to a significant degree) for the current situation of the poor in Zaire. The decline in incomes to current levels in Zaire must be seen primarily as the result of years of misplaced government policies and priorities.

In rural areas, real incomes, although lower, have been relatively shielded from the effects of the country's economic deterioration because farm households are capable of producing their own food. Declines in consumption, however, may have been experienced by off-farm workers who are net buyers of food. Although small farmers stood to gain from price and marketing liberalization, in practice relatively few are likely to have enjoyed higher incomes as a result of the reforms, reflecting implementation problems and infrastructural constraints. Finally, the legal and institutional barriers facing women may have inhibited their responses to the opportunities presented by reforms, particularly price and marketing reforms in agriculture.

1. Introduction

In 1983, following years of inappropriate policies and almost a decade of economic decline, Zaire undertook a major effort at economic stabilization and structural reform under the guidance of the International Monetary Fund (IMF). This was not the first such program Zaire adopted, but it was by far the most comprehensive. The exchange rate was devalued by some 78 percent; money supply growth and monetary financing of government expenditures were reduced; and ceilings were placed on government expenditures to reduce budgetary deficits. The government also reformed the exchange and trade systems and the tariff structure, and liberalized prices and marketing in agriculture. The IMF praised Zaire for boldly to eliminating a host of imbalances and distortions that had long plagued the Zairian economy. Four years later, in 1987, these reforms were extended in a major structural adjustment package adopted in collaboration with the IMF and the World Bank.

Initially, the stabilization measures seemed to work. In 1984, the first year of the program, the inflation rate was reduced from more than 100 percent in 1983 to less than 20 percent. This ensured that the nominal devaluation translated into a substantial real devaluation, and contributed to an improvement in the balance of payments situation. Performance on the fiscal and monetary fronts was within program guidelines. Real GDP grew by about 3 percent in 1984, a turnaround from the contraction of 1982 and stagnation of 1983.

These successes proved to be short-lived. By 1986, inflation, the budget deficit, and the balance-of-payments deficit were once again strongly on the upswing. At the start of the 1990s, inflation was raging in the area of 100 percent or higher. Thus, after almost a decade of stabilization and adjustment policies, the economy today can hardly be said to have been put on a path of adjustment and growth.

The first objective of this study is to explain why adjustment and policy reform undertaken by Zaire in the 1980s has taken such an uneven and ultimately unsuccessful course. In addition, because of the extent of poverty in Zaire—whose per capita GNP is officially estimated to be about US$ 150, among the lowest in the world—the impacts on the welfare of the poor of measures taken are of particular concern. The second objective of the study, therefore, is to assess the effects of policies undertaken before and during structural adjustment on the welfare of low-income groups in Zaire.

OUTLINE OF THE MONOGRAPH

The remainder of this study is organized as follows. Chapter 2 provides basic background information on Zaire's geography, demography, and economic and political structure. The important sectors of the economy are discussed in detail. A discussion follows of the unrecorded or parallel economy in Zaire and its implications for the interpretation of the statistics used in the analysis to follow. The last section of the chapter briefly describes the political and institutional structure and its implications for economic policy and reform.

Chapter 3 traces the evolution of economic policy and of the economy itself from independence in 1960 through the adoption of major policy reforms in 1983. The chapter shows how the interaction of economic polices, such as fiscal and monetary policies and external borrowing by the public sector, with external events, led to serious internal and external imbalances and necessitated major adjustment measures.

In Chapter 4, the period of stabilization and structural adjustment (1983 to present) is examined. The chapter is divided into two parts, the first analyzing stabilization measures and structural reforms undertaken from 1983 to 1986, and the second covering reforms undertaken as part of the 1987 structural adjustment program as well as subsequent measures. Attempts are made to assess both the effectiveness of implementation of various policies and their impacts on the performance of the economy.

Chapter 5 extends the analysis of the previous chapters by examining in detail the history and the performance under reform and adjustment of several sectors which play crucial roles in the Zairian economy. These are agriculture, transportation, and mining. A section is also devoted to the evolution of Zaire's major external debt problem.

In Chapter 6, a preliminary profile of the urban and rural poor in Zaire is presented. Several indicators of welfare will be examined, including incomes, food consumption, nutrition and health, and access to social services. The economic status of women and the connection between gender and poverty are discussed. As indicated, a major aim of this paper is to assess the effect of the adjustment policies on the poor in Zaire. Unfortunately, direct quantitative information is as yet unavailable. Nevertheless, our knowledge of how households interact as consumers and producers with the macroeconomy can be used to shed light on the connections between various macroeconomic policies and the incomes and welfare of the poor. The chapter concludes, therefore, with a preliminary assessment of the effects of adjustment on the most vulnerable population groups in Zaire.

2. Economic Structure and General Background

LAND, POPULATION, AND NATURAL RESOURCES

Zaire, formerly the Congo, gained independence on June 30, 1960, after 80 years of Belgian rule. The country occupies a large area of about 2.4 million square kilometers, or .9 million square miles. It is administratively divided into 10 regions or provinces: Bandundu (regional capital: Bandundu), Bas-Zaire (regional capital: Boma), Equateur (regional capital: Mbandaka), Haut-Zaire (regional capital: Kisangani), Kasai Occidental (regional capital: Kananga), Kasai Oriental (regional capital: Mbuji-Mayi), Maniema (regional capital: Kindu), Nord-Kivu (regional capital: Goma), Shaba (regional capital: Lubumbashi), Sud-Kivu (regional capital: Bukavu), and the capital city of Kinshasa, which forms an autonomous administrative entity.

Zaire is also strategically located in the center of Africa. It is surrounded by nine countries: the Central African Republic (CAR) and Sudan to the north; Uganda to the northeast; Rwanda, Burundi, and Tanzania to the east; Zambia and Angola to the south and southwest; and the Congo to the northwest.

Zaire comprises three distinct population groups: the *Negroid* group which includes the Bantu, the Sudanese, and the Nilotes; the *Hamites* group, which is related to the Arabs; and the *Pygmies* group, which is related to the mongoloids. The Bantu form the majority of the population of Zaire. They live almost everywhere, but they are found in particularly large numbers in the center and in the southern band (Bas-Zaire, Bandundu, Kasai Occidental and Oriental, and Shaba regions). The Sudanese and Nilotes are concentrated in the northeast, near the Sudanese and Ugandan borders. The Hamites live in the Maniema and around the city of Kisangani. Pygmies live mainly around the Ituri River.

From these three groups spring at least 250 sub groups, each speaking a distinct language. Four of these serve as vernacular languages in various parts of the country. They are Kikongo (spoken in Bas-Zaire and Southern Bandundu), Lingala (spoken in Kinshasa, Equateur, Haut-Zaire, and the Army), Swawhili (spoken in Haut-Zaire, Maniema, the two Kivus and Shaba), and Tshiluba (spoken in the two Kasais and Shaba). The latest census, in 1984, estimated the population at 35 million, which translates into a low population density of about 15 people per square kilometer. This average, however, does not adequately represent the geographical distribution of the population. The population densities are higher in the uplands than in the equatorial forest regions, and they are highest in the eastern highlands of Kivu and Haut-Zaire.

Low population density, combined with the presence of an immense mineral wealth, helps explain to some extent past and present economic developments in Zaire. First, in contrast to the majority of countries in sub-Saharan Africa, mining rather than agriculture has been Zaire's engine of growth. Second, industrial activities, whether in the mining or the manufacturing sectors, traditionally have been organized into large firms with a relatively high degree of capital intensity. This picture is somewhat different today, as activities of small and medium sized firms have developed into a dynamic informal sector since the mid-1970s. Third, activity in the modern sector has traditionally relied on, and continues to rely on, foreign capital and managerial skills.

Zaire's development pattern has also been determined by its climate and geology. The equator divides the country into two almost equal parts. Along the equator, as one would expect, high temperatures prevail throughout the year, and it rains almost daily. The further one moves from the equator, the cooler and the more diversified the climate gets. Below the equator, a warm and humid season alternates with a dry and cooler season twice per year. A warm/cool cycle in the Northern Hemisphere coincides with a cool/warm cycle in the Southern Hemisphere. Accordingly, the topographical landscape of Zaire is immensely diversified. The center and the northwest are dominated by a low and marshy land, the *Cuvette Centrale*, which is covered with a thick forest, while the uplands or *plateaux* and the mountains extending over the rest of the country are covered with savanna, a tropical, grassy vegetation scattered with trees. The country is also drained by a gigantic river, the Zaire River. The river is 4,700 kilometers or 2,900 miles long, by its main confluent, the Kasai, and by their numerous tributaries from the Northern and the Southern Hemispheres.

ECONOMIC STRUCTURE

The structure of the Zairian economy has not changed dramatically over the last 30 years. Mining has been the most important sector, and has consistently accounted for slightly over one-fifth of the GDP in the last two decades. The copper and cobalt production of the parastatal Générale des Carrières et des

Mines du Zaire (GECAMINES) dominates the mining sector, followed by industrial, diamond-producing Miba. Gold has a large potential but the state-owned enterprise, *Office des mines d'Or de Kilo Moto* (OKIMO), which has been in charge of gold extraction since independence in 1960, has been marred by financial difficulties during most of its existence. Petroleum drilling continues, and new reserves are being discovered; however, unlike in neighboring Angola and the Congo, prospects in this area seem very limited. Although the manufacturing sector is small compared to the other sectors, it has potential for growth, particularly in the area of agro-industrial and mineral processing. The most promising source for future development in Zaire appears to be agriculture. As described further below, the potential in this area remains largely unexploited. Aside from the currently exported crops such as coffee, cocoa, tea, and rubber, Zaire could diversify its agriculture by expanding the variety of its crops by adopting new cultures, including those from moderate climates.

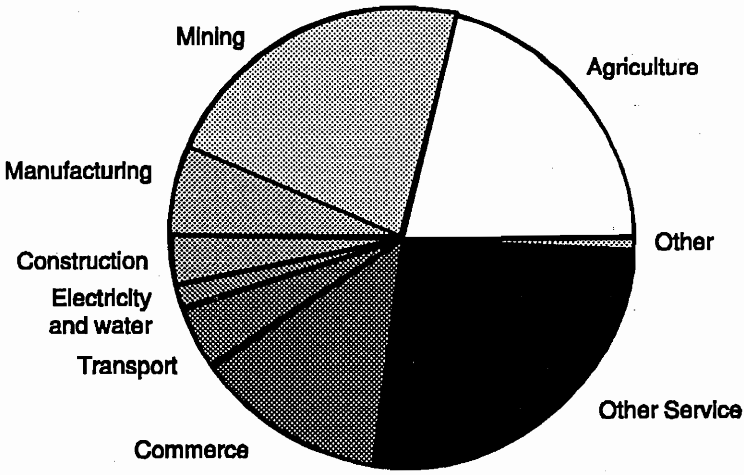
Figure 1 shows the contribution of the various production sectors to the gross domestic product in 1988. The shares of these sectors were as follows: agriculture and fishing had 21.1 percent; mining had 22.3 percent; manufacturing had 6.5 percent; energy and water had 1.6 percent; transportation had 5.0 percent; construction had 4.1 percent; and other services had 26.4 percent. Each of these sectors is briefly described below.

Agriculture and Fishing

Productive agriculture takes place mostly in the highlands of Bas-Zaire, Southern Bandundu, Kasai and Shaba (the Southern Band), and in the mountains of Kivu and Haut-Zaire. The latter two regions, in particular, with their fertile volcanic soils and cooler weather, lend themselves to a good assortment of crops, including Mediterranean varieties. The scope for agriculture is limited in the Cuvette Centrale, as soils are constantly washed out by rains. Although crops such as plantains and cassava are cultivated there, timber and fishing are the main agricultural activities in the Equateur and northern Bandundu regions.

Agriculture in Zaire has a dualistic pattern of smallholder and plantation or modern agricultural systems. Three to four million small farms produce mostly food crops using traditional methods. The three major food crops are cassava, maize, and rice. Small farms also produce peanuts, plantains, sorghum, beans, and sweet potatoes. Cassava is the most important of the food crops. It accounts for some two-thirds of the total cultivated area devoted to cassava, maize, and rice, and is the most important source of food crop nutrients (Tshibaka and Lumpungu 1989). Most smallholders are subsistence or semisubsistence farmers. However, two cash crops, coffee and cotton, are produced on an estimated 1 million and 250,000 small farms, respectively. The plantation sector is

Figure 1 — Gross Domestic Product, Sectoral Shares, 1988



Source: *Bank of Zaire (1989).*

organized around large-scale production of industrial and export crops such as coffee, cocoa, rubber, oil palm, and tea. Production relies on modern techniques and paid labor. The plantation sector accounts for about 70 percent of Zaire's agricultural exports. A number of crops produced by smallholders or plantations, such as cotton, palm oils and palm products, peanuts, and rice, are both consumed domestically and exported.

Zaire is essentially a land-surplus economy, and labor input rather than land determines output on traditional farms. Only in some areas has population density limited the availability of land for cultivation. The traditional system of land ownership in Zaire, the communal system, vests the ownership of land in the local community unit, and not in individual rights, and guarantees access to land to almost anyone who wants to engage in agricultural activity. This system is based on the land reform of 1966 (the Bakajika law) which replaced the land tenure system instituted during the colonial administration to regulate land utilization by large plantations and mining companies. Under the new law, all land technically belongs to the state. However, long-term or large-scale land tenure is authorized subject to the payment of a rent, the rate of which is evaluated as a function of land quality and the nature of the agricultural activity. Land use privileges are more generous for Zairian nationals than for foreign owners.

During the colonial period and in the early years following independence, Zaire was not only a major exporter of timber, cotton, palm oil and palm products, coffee, and rubber, it was also self-sufficient in food crops. Since independence, largely as a result of inappropriate policies, production of most crops has either stagnated or expanded very slowly. While Zaire still exports coffee and rubber, it exports only insignificant amounts, if any, of timber, cotton, palm oils, and palm products. In recent years, the country has even had to import some of these commodities, specifically palm oils and palm products as well as food grains, to meet its domestic consumption needs.

The poor performance of the agricultural sector can be traced to the Zairianization and nationalization policies of the 1970s (discussed below), to a general lack of a national agricultural development strategy, and to poor macroeconomic management. As explained below, the consequences of these policy shortcomings have been the severe deterioration of the agricultural transport network, poor or nonexistent agricultural services, and a general lack of incentives for investment in the agricultural sector. Thus, despite the enormous potential described above, Zaire has not been able to develop the agricultural sector to its potential.

Mining

As stressed above, the mining sector has historically been by far the country's most important source of foreign exchange and of government budgetary support. In the early postindependence years, mineral exports provided 85 percent of foreign exchange and about 65 percent of government revenue. Although these figures have declined in recent years—they were about 65 and 55 percent, respectively, in 1988/1989—mineral products remain the largest single source of foreign exchange and revenue for the government of Zaire. In the last two years, copper has accounted for about 40 percent of total export earnings. Zaire produces about 6 percent of the world's copper and is the 6th largest producer of copper after the United States, the former Soviet Union, Zambia, Chile, and Canada. The copper ores, the metal content of which averages between 4 and 5 percent, are located near the surface, and therefore can be successfully and cost-effectively extracted by open pit operations. Other principal mineral exports include cobalt, diamonds, crude oil, zinc, cadmium, silver, cassiterite, and gold. Of these, cobalt, zinc, and silver, along with rare metals such as palladium and platinum, are extracted as by-products of copper. Zaire is the world's largest producer, and the United States the world's largest importer and final user, of cobalt.

Production in the mining sector is dominated by GECAMINES, a completely government-owned enterprise founded in 1967 to replace the old colonial company, *Union Miniere du Haut-Katanga* (UMHK). GECAMINES produces 90 percent of the country's copper and all of its cobalt, zinc, and coal output. With a work force of 40,000, it is the largest employer in the economy, except the government itself, and it provides a major portion of government tax revenue (almost 25 percent during the period 1984 to 1989). Other public enterprises in the mining sector include SODIMIZA, which mines the remainder of copper output, and MIBA, an 80 percent government-owned company, which accounts for about 25 to 30 percent of total diamond production. Another parastatal, SONATRAD, is responsible for procuring spare parts for major public enterprises.

Manufacturing

As in most developing countries, the share of the Zairian manufacturing industry is modest relative to other sectors. However, it covers a diversified field of activities including consumer goods, investment goods, and infrastructure. The consumer goods include *inter alia* food processing (foodstuff, beverages, tobacco), fats, oils and chemicals, textiles, and leather. Investment goods consist mainly of transport equipment, light metals, and wood processing. The output from the manufacturing sector is almost entirely absorbed by the domestic market. However, because of the high import content of the intermediate inputs used in these industries, they are critically dependent on foreign exchange earnings from exports.

Energy and Water

Zaire's energy resources are impressive and include petroleum, coal, hydroelectricity, and timber. Reserves of petroleum and coal are estimated at 135 million barrels and over 700 million tons, respectively. The country's potential for hydroelectricity development is substantial, as Zaire is blessed by abundant water resources, particularly the Zaire river. A parastatal, *Société Nationale d'Electricité* (SNEL), produces and distributes electric power throughout the country. In the early 1970s, the Government embarked on an ambitious plan to exploit the hydroelectric potential of the Zaire river at Inga in Bas-Zaire. The Inga project was part of a broader strategy to turn Zaire into an industrial power, and its huge capacity was to be justified by the development of several heavily electricity-dependent industrial complexes as well as exports of electrical power to neighboring countries. The former included a planned steel plant at Maluku (north of Kinshasa), a nitrogenous fertilizer plant and an aluminum smelting plant, among other projects. After the first two phases of the Inga Project installed capacity is about 2,500 mw, still only a fraction of Inga's potential. In 1983, the construction of a 1,100 mile high tension line from Inga to Kolwezi in Shaba was completed. This transmission line, which was constructed by the American company Morrison-Knudsen, provides power for GECAMINES operations.

As it turned out, a number of the industrial operations that were expected to utilize the hydroelectrical potential of Inga did not materialize. The smelting plant was planned to convert bauxite into aluminum using imported bauxite from Guinea through a large-scale Guinea-Zaire joint venture, and would have been one of the largest electric power-using industries in the region. It has been put off indefinitely due, in large part, to delays in the construction of a deep water port at Banana, which was necessary to ensure routine shipping of the output out of the country. Another major project, the steel plant at Maluku, was abandoned after a costly investment and a short period of activity.

The Government's efforts to put Inga's potential to use have been frustrated because Zaire's external debt problems, which in large part resulted from borrowing for construction of the Inga complex, have meant that additional external financing for new projects has not been forthcoming. In addition, exports to neighboring counties as a source of demand remain marginal. Although the government has established an industrial free zone known as the *Zone Franche d'Inga* (Zofi) to attract foreign investment through a low-cost electric power supply and generous tax concessions, there remains considerable excess capacity at Inga.

Overall, the Inga Dam and Power line investments have not been viewed by independent observers as good investments. The final cost of the construction of the transmission line, in particular, has been more than three times the initial project estimations, and its maintenance is also very expensive. Moreover, as noted, the financing needs of these major investments have contributed a large share to the mounting external debt problems experienced by Zaire for the last two decades.

SNEL also manages a number of other, smaller hydroelectric plants including the Ruzizi dam in South Kivu, the Mobaye dam in North Equateur, and plants in the two Kasai and in Shaba.

Despite the diversity of its energy sources, Zaire has historically relied on imported energy, particularly oil. This has been the case in spite of the country's own reserves of petroleum. In part, oil imports were encouraged by the low international cost of oil prior to the 1973 oil crisis and by the meagerness of the domestic oil reserves in Zaire as compared to those of its two neighbors — the Congo to the northwest and Angola to the south and southwest. Two international consortia manage the exploitation of Zaire's oil reserves. The first, headed by Chevron (formerly Gulf Oil) began off-shore drilling in 1959 and production in 1970, and the second, Zairep, owned by Petrofina and Shell, began on-shore drilling in 1958 and production in 1972. A Petrofina-Amoco consortium has been drilling in the great Lakes in Eastern Zaire for several years with no conclusive results despite high levels of concentration of methane gas in Lake Kivu.

In 1978, the oil distribution sector was nationalized and a newly established state-owned company, Petro Zaire, was given a monopoly over local purchase, import, and export of petroleum products. Another company, Zaire-Sep, a joint venture involving the Zairian government and oil companies, was given a distribution monopoly. As a result of this reorganization, inefficiencies crept into the oil distribution sector. During this period, when the copper industry was in a relative slump and the government had come to depend heavily on taxation of the oil sector, the budget recorded net revenue losses. The oil monopoly was later abolished in 1984/1985 under pressure from international lending agencies as a precondition to credit and loans.

The fact that Zaire continued to import oil even after local extraction had gone into effect would seem at first sight paradoxical. Indeed, the country extracts enough crude oil to potentially cover its domestic needs. The reason for the ongoing cumbersome organization is simple. The only local refinery, Sozir, built by the government in 1970 with a view to reducing Zaire's dependency on imported oil, turned out to be unsuitable for refining the local crude oil. The heavy crude produced in Zaire is considered more appropriate for producing fuel oil suitable for heating and not gasoline. Consequently, Zaire must export its entire output of crude oil, while Sozir has to import all the crude oil required for its operations. With the completion of the first two phases of the Inga hydroelectric dam, the benefits of substituting cheap hydroelectricity, wherever possible, for petroleum and other forms of energy are obvious. As noted, however, the Government's efforts to develop new industrial sources of demand for electricity have not been very successful.

With many rivers and lakes, which are continuously renewed by rainfall, Zaire has abundant water sources. A government owned company, Regideso, is in charge of water treatment and water supply for the entire country. However, as discussed below in Chapter 6, access to potable water is inadequate in both urban and rural areas.

Transportation

The transportation network consists of about 150,000 kilometers of roads, 2,800 kilometers of which are paved and 8,000 kilometers of which are located in urban areas; 5,250 kilometers of railways; 15,000 kilometers of waterways as well as a complex of airways. The government sets general policies regarding transportation, especially long haul transportation, and oversees their implementation through about a dozen agencies. Some of these assume both a supervisory and an operational role. Short-haul transportation is generally handled by a multitude of public, semipublic, and private companies under broad government supervision. Moreover, under the new privatization guidelines, private companies have recently emerged in the air and river transportation business as well, thus contributing to the gradual elimination of the public sector's monopoly in these areas. The transportation infrastructure and activity has deteriorated in recent years. As explained below, this deterioration has had unfavorable consequences for economic activity, particularly in agriculture.

Construction

Construction has been essentially a private sector activity in Zaire. Large-scale modern construction, initiated by the government or large multinationals, is usually contracted out to well-established European companies. Recently, the share of Zairian owned businesses in the modern construction sector has been increasing. Individual dwellings and traditional housing are generally built by the owners themselves or under their supervision by small contractors from the informal sector. In Zaire, construction constitutes one of the most labor-intensive and perennial activities.

Commerce

Commercial activities are very lucrative in Zaire; as a result, they have grown quickly and steadily in the past decade. The fastest growing activities include wholesale and retail trade of imported and locally manufactured goods as well as the marketing of local food crops. During the colonial administration, import trade was the exclusive domain of private companies owned by foreign nationals, mostly of Greek, Portuguese, or Southeast Asian descent. However, the latter have increasingly sought association with Zairian citizens in the recent years, while the *petit commerce*, which prevails in small urban stores and in traditional markets, is mostly in the hands of Zairian small owners and peddlers. The growing community of foreign nationals of Lebanese origin has increased its presence in the commercial activity in Zaire. In Zaire, trade appears to be a more labor-intensive activity than it is in more developed countries where automation has taken hold.

Monetary and Financial Institutions

The banking system consists of a central bank, the *Banque du Zaire*, several commercial banks, and a half-dozen nonmonetary financial institutions. The Banque du Zaire is completely government-owned. It is the government's banker and cashier. In this capacity and under its legal statutes, the Banque du Zaire extends credit to the government on demand. It also serves as a banker to several public enterprises and extends credit to commercial banks. As the country's central monetary authority, the Banque du Zaire issues the currency, the Zaire, and regulates domestic credit. It is the ultimate and most influential agency in advising the government on developing and implementing monetary and credit policies. In this capacity, the Banque du Zaire plays a major role in negotiations between Zaire and the International Monetary Fund. Relations between Zaire and the World Bank, on the other hand, have been handled primarily by the Ministry of Finance and the Ministry of Planning.

The commercial banks, all but three of which are private, maintain close associations with the foreign banks from which they originated or of which they are branches. The other financial institutions include, *inter alia*, a development bank, *Société de Financement du Développement* (Sofide), a savings institution, *Caisse Générale d'Epargne du Zaire* (Cadeza), a mutual fund, *Institut National de Securité Sociale* (INSS), and a nationwide insurance company, *Société Nationale d'Assurances* (Sonas).

The Second Economy

A good deal of evidence, much of it qualitative, suggests that a substantial portion of economic activity in Zaire is not captured by the official statistics. Activities in the unrecorded economy, also known as the "underground," "parallel," or "second" economy, are, to varying degrees, illicit or illegal. They comprise production activities, particularly but not exclusively in the rural and urban informal sectors, commercial activities (including smuggling), as well as illicit transfers in the form of tribute, bribes, and theft. As this description suggests, much of the unrecorded economy involves activities that, rather then being illegal per se, are not reported to avoid taxation or because they are conducted in foreign currency.

Almost by definition, the unrecorded economy is extremely difficult to measure. The evidence regarding its size and growth is for the most part indirect or derives from anthropological studies (most notably, MacGaffey 1987) or general observation. The common picture of severe economic decline, deterioration of public services, and inefficiency of government, conflicts with frequent casual evidence of continued economic vitality. Apparently, individuals have reacted to the deterioration of the official economy by turning to the informal sector or underground economy for their livelihood. Evidence of the need for this is provided by the sharp fall in formal sector real wages, particularly of public sector employees, whose real wages are so low that income from other sources has become necessary for subsistence (see Chapter 6). The search for additional income is thus a routine aspect of government employment and encompasses the use of one's position as a base for private business activities as well as for bribery, embezzlement, theft, and illegal taxation. The prevalence of such activity may partly explain the large discrepancy between household expenditures and reported income (including informal sector income) in the 1986 Kinshasa survey.

Smuggling and fraudulent exporting and importing (through, for example, underinvoicing and overinvoicing) of mining and agricultural products as means of evading taxes and acquiring foreign exchange for illegal importation are also widespread. The alternative of barter of domestic for imported goods is also very common both in border and urban areas. Ratios of exchange of various goods are apparently well-established in these parallel markets.[1] The cost to the government in uncollected taxes and foreign exchange is hard to estimate but is

1 MacGaffey (1987) provides specific examples of barter equivalences.

considered to be very high. Since all of these transactions are unreported, official figures underestimate the actual volume of trade and domestic production.

Actual resource mobilization for the provision of goods and services by local governments throughout Zaire also appears to be much higher than recorded levels. An internal analysis conducted by the World Bank suggests that the official figures are off by more than a factor of five. The difference is apparently made up through unrecorded levies such as tolls or school fees and "semivoluntary" contributions by businesses and prominent local citizens.

These considerations suggest the need for skepticism when dealing with official data. The actual levels of GDP and per capita income in Zaire are probably much higher, perhaps several times higher, than the official figures. In recognition of this, the World Bank, beginning with the fourth edition (1988) of the World Tables, rescaled all values of their Zaire macroeconomic database by a factor of approximately 1.95. For this paper, it was felt that such an across-the-board adjustment, rather than yielding new information, would be somewhat arbitrary and potentially misleading. Instead, in what follows, the original national accounts, compiled for the most part by the Bank of Zaire, are reported with the caution that they understate the true values by some unknown factor.

In addition to underestimating levels of output and incomes, the official statistics may be misleading when assessing changes over time. The deterioration of the official economy since the mid-1970s may have coincided with, and been compensated by, a vigorous expansion of the parallel economy. If so, economic activity has not suffered to the extent indicated in the national accounts. With opportunities for smuggling apparently widespread, the same caution applies to estimated trends in agricultural production in the 1970s and 1980s discussed in Chapter 5.

Finally, the interactions of the parallel and official economies complicate the assessment of the impact of adjustment measures. With pervasive smuggling and parallel market activity, a considerable portion of the economy was already operating unburdened by the government price and exchange-rate distortions which reforms were designed to remove. Thus the effect of past and potential future liberalizations may be to shift economic activity from the unrecorded to the recorded economy instead of, or as well as, to increase the overall level of activity.

Following its evaluation of these issues, which led to the rescaling of the national accounts described above, the World Bank initiated a technical assistance project through the French consulting firm PRAIGEFI to revise the methodology of data collection and processing into a more sophisticated set of national accounts. A committee of experts, including representatives from INS, the Ministry of Plan, and the Bank of Zaire is currently involved with the project. In 1988, the committee conducted a survey of the informal productive sector, the results of which have been analyzed and are being incorporated into the national accounts. Preliminary results tend to confirm the suspicion that the actual GDP has been much larger than the recorded GDP. The revised GDP estimates for 1987 and 1988, for example, at 861 and 866 billion Zaires, are much higher than the corresponding figures of 327 and 623 billions of Zaires published by the Bank of Zaire. In addition, the share of value added by the commercial and manufacturing sectors increases, while that of mining, for which official records were relatively much more accurate, declines after the adjustments are made (Republic of Zaire, 1990).

INSTITUTIONAL AND POLITICAL ENVIRONMENT

As described in the preceding section, the Zairian economy is basically dualistic, consisting of the formal economy on the one hand and what has come to be known as the second economy on the other. The latter encompasses a significant amount of parallel and informal activities and consists of two categories of operators. One category consists of small individual entrepreneurs who run manufacturing and processing factories and commerce outside the mainstream channels of activity. The other comprises larger established enterprises the main activities of which can be classified as formal and organized but some portion of whose output falls into the second economy, that is, is smuggled or sold off the record to avoid various restrictions and taxes. To illustrate the latter, normal output of the mining enterprises is regularly recorded before it is exported. From time to time, however, entire plane or train loads of GECAMINES' output of cobalt and copper have been reported missing. In reality, the output was simply smuggled to such countries as France and South Africa.

The activities of the second economy are largely associated with what has come to be known as rent-seeking behavior. Rent-seeking refers to activities motivated essentially by a desire to capture rents or scarcity premia - financial or nonfinancial — which accrue to individuals or corporations that hold a monopoly power such as a special license to exercise a given activity, a quota over a given market, etc. Such rents are different from, and additional to, profit, in the sense that they are not returns to entrepreneurship. Corruption is a special case of rent-seeking, in which individuals misuse a public trust to capture private gains (rents). Activities such as embezzlement, theft, and exchanges of tribute and bribes, insofar as they provide premia accruing on the basis of control over resources, also fall under the definition of rent-seeking.

Rent-seeking is not unique to Zaire, of course; it is common in many countries in sub-Saharan African (Bates 1981). The case of Zaire stands out, however, in the pervasiveness and impunity with which illegal rent-seeking activities are conducted. As Janet MacGaffey notes, "what sets Zaire apart in Africa...is the limitless pursuit of wealth by the powerful clique that runs the country."(MacGaffey 1991). As this statement suggests, the key to understanding the extent of rent-seeking behavior in Zaire is the political and institutional structure as it developed after independence.

Coming to power in 1965 after five years of postindependence political and economic turmoil, President Mobutu vowed to introduce a democratic government and market-oriented economy. Instead the new government turned out to be rather autocratic, controlled by a single political party, the "Popular Movement of the Revolution (MPR)," and supported by a partisan, almost private, militia. The official doctrine of the MPR has evolved from "Nationalism and Authenticity" in the early 1970s to the obscure "Mobutisme" (Mobutuism) in the 1980s, a collection of teachings of the President-Founder. The nature of the regime has been consistent, however, over its 26 years. Described variously as a kleptocracy (Korner 1991) or patrimonialist (Willame 1972) regime, Mobutu's regime seems to have viewed government primarily as a direct source of wealth and a means of rewarding loyalty supporters with wealth and status through the dispensing of high public offices.

At the center of the ruling elite is President Mobutu, who in over two decades of rule has become one of the world's wealthiest men. One obvious (but not the only) means by which he acquired this wealth were the Zairianization measures of the early 1970s, discussed more fully below. These measures resulted in the transfer of ownership and control of corporate holdings of foreigners to Zairian nationals. Fourteen major agricultural enterprises distributed to the president and his wife by these measures, grouped into a single conglomerate called Cultures et Elevages du Zaire, constituted the third largest employer in the country at the time. Mobutu also became the largest shareholder in one of the country's major commercial banks and acquired indirect interests in the operations of many foreign firms (Young and Turner 1985).

Below the president, the governing elite has been characterized as having several distinct layers (Gould 1979). The highest is the presidential clique, consisting of trusted kinsmen closely linked to the president by ties of blood or land and occupying the highest positions in government. Below them is the presidential brotherhood, consisting of a few hundred persons from every area of the country. The members of this group, like those in the previous group, may acquire wealth through their positions in the administration, which allow them to engage in graft and corruption with virtual impunity. Lastly come thousands of middle-level officials and administrators, who, while not able to engage in corruption with complete impunity, nevertheless enjoy considerable access to wealth. Given this institutionalized system of patrimony in which closeness and loyalty to the president are rewarded with access to power and rents, it is not surprising that the government, while notoriously inefficient in carrying out the usual functions of state, "nevertheless functions most effectively to further the interests of the clique that controls it" (MacGaffey 1991).

Moreover, because of Zaire's great natural wealth and its strategic importance, this elite has had access to enormous resources, both domestic and external. Externally, Zaire's strategic weight in West-East competition helped it to muster favorable attention and substantial foreign financial assistance from bilateral and multilateral sources for two decades, beginning in the mid-1960's. As will be described in subsequent chapters, the government of Zaire took advantage of its then faultless credit rating and of exceptionally favorable world market conditions, including high prices for copper and other principal primary commodities exported by Zaire as well as the oversupply of Euro dollars in the late 1960s and the early 1970s, to borrow heavily to finance a number of gigantic investment projects. Although these projects proved to be of dubious economic value, they allowed well-placed individuals to collect commissions and obtain lucrative contracts with the government.

Internally, as described earlier, Zaire is endowed with abundant natural wealth, particularly minerals, and this has enabled a large mobilization of resources from domestic sources. According to the World Bank (1991), Zaire's use of domestic resources from taxes and other assets averaged about 12.3 percent of GDP through the 1980s. The government also received substantial indirect contributions such as the use of proceeds from GECAMINES' exports to guarantee short—term government borrowing abroad, underpricing of foreign exchange and goods used by the government, and the accumulation of domestic arrears. When taken together, the actual absorption of resources has been high in the African context. However, the lack of accountability in the political system has permitted a great portion of this substantial pool of domestic resources to be diverted to unproductive investments and the personal enrichment of those in high government positions and their allies. A noteworthy indicator of the diversion of resources toward unproductive uses such as rewarding political supporters is the budgetary category "sovereign expenditures" appearing in government reports, denoting expenditures for political activities of the president's party.

A third reason for the pervasiveness of rent-seeking activity in Zaire is the sharp deterioration of the formal sector of the economy during the last two decades. In particular, in the public sector, where real wages have fallen to extremely low levels, most civil servants have had to seek income from other sources for subsistence. As noted in the previous section, this search for supplementary income, legally acquired or otherwise, has become a routine for government employees. Civil servants use their official position as a base for private business activities as well as for bribery, embezzlement, theft, and illegal taxation, or else they spend much of their time away from their jobs on personal business, resulting in low productivity in the public sector. These persons are by no means all members of the ruling elite, demonstrating that rent-seeking activity in Zaire pervades many levels of society.

The nature of the political system and the propensity for engaging in unproductive and illegal activities have resulted in policies that have made a few direct beneficiaries wealthy while harming economic efficiency and growth. This can be illustrated, for example, by exchange rate policies. At least until the reforms of 1983, control over access to foreign exchange was a major means by which high officials could either enrich themselves directly or purchase political loyalty. Exchange controls thus constituted a major source of rents, with the result that the allocation of foreign exchange had little to do with ensuring economic efficiency. The ruling clique in Zaire has in fact been described as having a "neo-Mercantilist" fixation with foreign exchange (Leslie 1987), an attitude which also explains the government's frequent treatment of GECAMINES, the country's major source of export revenue, as little more than a easy source of foreign exchange.

A second example is provided by Zaire's large and inefficient structure of state industries. As noted by Bates (1981), an important basis of Mobutu's power has been his ability to make appointments to state-regulated industries. Efforts to reform the parastatal sector have come up against the need to use these industries as a way to reward supporters or simply as a source of self-enrichment.

Third, the attitude of those in power toward agricultural development is also explicable in this context. As will be described in detail in subsequent chapters, agricultural investment since independence was virtually ignored in favor of massive development of the industrial, energy, and mining sectors, in spite of the country's huge potential for agricultural development. This was quite consistent with the development thinking of the 1960s, when Zaire became independent, which viewed industry as the engine of growth. Undoubtedly also at work, however, was the fact that the structure of mining and industry made investments in these areas more attractive to elites in control of state agencies or desiring quick access to foreign exchange or construction contracts and commissions.

Since rent-seeking operates through government control or ownership (through parastatals) of the economy, it is to be expected in a country where rent-seeking is pervasive at the highest levels that reforms to reduce the role of government in the economy will not be implemented easily or effectively. Zaire's institutional and political structure therefore constitutes a major factor behind the uneven implementation of crucial changes in economic policy discussed in subsequent chapters.

3. Economic Developments and Policies to 1983

EARLY DEVELOPMENTS: 1960 TO 1967

As was typical of the colonial situation, the economic structure and institutions of the Belgian Congo, as Zaire was known prior to independence in 1960, were geared toward serving the metropolitan center, Belgium. The country's output consisted essentially of export crops and minerals needed and prized by the industrialized countries. The manufacturing industry, although growing, was limited to a few commodities for which local demand was substantial. Foreign exchange proceeds from exports, therefore, were used to import consumer goods as well as equipment needed to increase the country's productive capacity in the mines and in the infant manufacturing industry. Because of the magnitude of the investments required and the limited supply of domestic savings, the colony ran a current account deficit which was financed through a regular flow of capital originating in or guaranteed by Belgium.

Zaire's basic infrastructure during the colonial period included extensive road and river networks and education and health institutions. The infrastructure was among the most developed in Africa and was relatively well-maintained. Moreover, the production and marketing support systems were efficient. Although, unlike in the former French and British colonies, higher education was not available to Zairians, primary education was provided on a wide scale. With the physical and social infrastructure fairly well developed, production for export as well as for the domestic market was maintained at high levels and a strong economic growth rate was sustained over a long period of time, while inflation remained low. As a result, real per capita income was among the highest on the African continent.

Following independence in 1960, the country entered a protracted period of turmoil marked by political strife and secession attempts in several parts of the country. The crises stemmed essentially from the fragility of the institutions hastily set up by the departing colonial power and from the new leadership's lack of vision, technical skills, and experience in public management. The uncertainty generated by these political events discouraged private initiatives and led to a massive migration of the population from the rural areas to the cities and a flight of skilled expatriates from the country. As a result, both the infrastructure and the productive capacity of the country disintegrated, and output and exports fell sharply. Hence, the country lost a substantial amount of foreign exchange, and the government was deprived of needed resources with which to resolve the political conflicts, to pay the salaries of the growing civil service, and to begin the long process of consolidating infrastructure and capital in order to steer the country toward economic growth.

Despite the weakening of its resource base, government spending increased during this period, leading to the accumulation of large budgetary deficits. Limited domestic savings and the absence of a well-developed financial market meant that these deficits had to be financed increasingly through advances from the central bank, i.e., through money creation. During the first half of the 1960s public sector deficits grew progressively larger as the government was unable either to control spending or raise additional revenue. By the end of 1966, as a result of these developments, the economy had reached a critical stage. Money supply had expanded up to five times its level at independence, inflation had accelerated, and the balance of payments situation had become alarming. By mid-1967, the central bank's holdings of gold and foreign exchange, which were used to cover a normal flow of import payments (i.e., excluding imports related to foreign assistance or direct investments), amounted to no more than the equivalent of five weeks of imports (Bank of Zaire 1969/70).

In June 1967, Zaire requested and obtained a stand-by arrangement from the International Monetary Fund in the amount of US$ 27 million to finance a stabilization program designed to control the economy and promote growth. The program consisted of monetary reform, including the introduction of a new monetary unit and a substantial depreciation of the currency, and demand-cutting measures, including limits on fiscal deficits and on monetary expansion, as well as a freeze on wage and salary increases for both civil servants and employees of the private sector.

Performance under the 1967 program was excellent, but it was primarily the result of external factors rather than a domestic effort. The economy benefitted from the extremely favorable conditions that prevailed in the world's markets for Zaire's main exports in the period 1967 to 1969, particularly for copper, which resulted in large increases in export earnings and in government revenue. As a result, the budgetary and balance of payments targets were achieved mainly through unexpected revenue increases rather than through the programmed expenditure cuts or through an active revenue policy. Other objectives of the program were also attained. Inflation was brought down to about 6 percent per year in 1969 and remained well under 10 percent through 1971. Real GDP grew rather vigorously, averaging 7 percent annually from 1967 to 1974. Moreover, growth took place in almost every sector of the economy. An important exception was agriculture, where the lack of public and private investment, absence of research and extension services, and deteriorating infrastructure contributed to stagnation or declines in production of most crops.

The favorable external environment in this case was a mixed blessing. Although the economy performed well, the government did not have to muster much fiscal and monetary discipline to meet the program targets. Thus, an opportunity was lost through which the country could have built a tradition of good financial management. This hindered the ability to take appropriate action when external factors became less favorable, as will be seen below.

EMERGENCE OF BASIC ECONOMIC AND FINANCIAL IMBALANCES, 1968 TO 1975

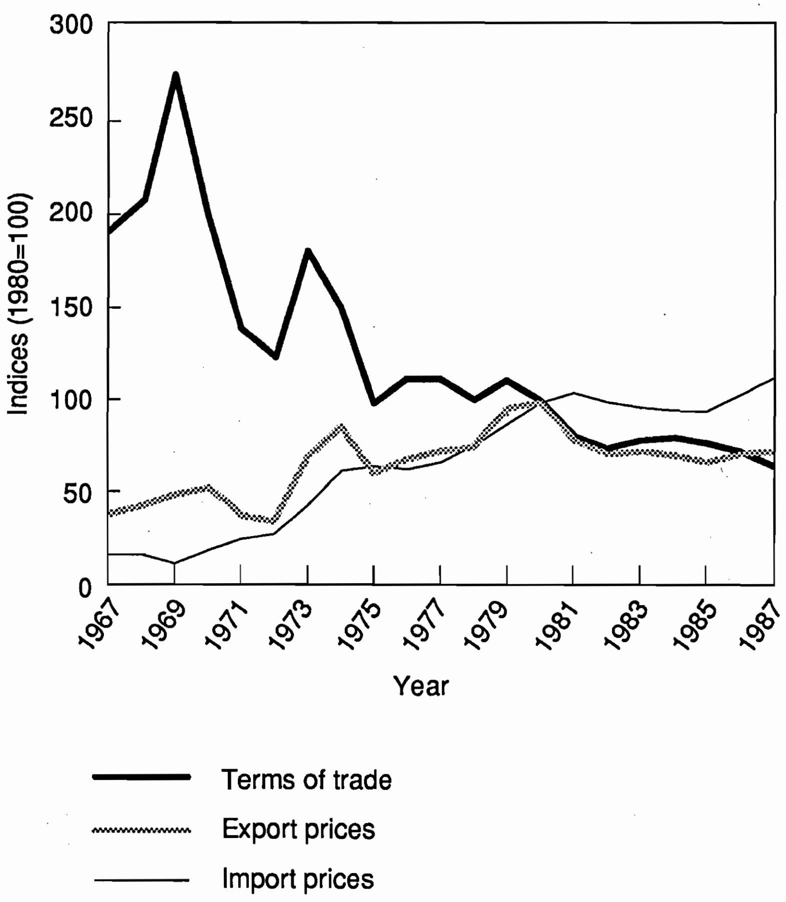
The exceptionally good performance under the 1967 program, which ensured the relatively easy access of Zaire to the world's financial markets, particularly the European markets, encouraged the Zairian government to embark on a vast program of public investments financed by foreign borrowing. This program emphasized large projects in infrastructure and in energy, most of which had low returns. The most significant of these, described in Chapter 2, concerned the construction of the Inga hydroelectric dam and electric power transmission line from Inga to Kolwezi in the Shaba region.

Although some investments in infrastructure, such as road maintenance and building construction, were made with the use of USAID counterpart funds, borrowing was for the most part from commercial sources, on relatively hard terms. The heaviest borrowing occurred in 1973 and 1974. External public debt (outstanding and disbursed), which was only US$ 311 million in 1970, increased rapidly to US$ 904 million in 1973 and $1,343 million in 1974. As a result, the country's debt service obligations quickly rose to unsustainable levels.[2]

The era of growth came to an end in 1975, when, in the midst of the worldwide recession, the price of copper in world markets abruptly fell by almost 40 percent. This precipitated a sustained deterioration in Zaire's terms of trade (Figure 2), with devastating effects on the economy. By the end of 1975 the country was

2 Zaire's external debt is discussed in detail in Chapter 5.

Figure 2 — Evolution of Terms of Trade



Source: *World Bank (various years).*

experiencing a balance of payments crisis and a recession. Real GDP, which had increased by some 7 percent in 1974, fell by 5 percent in 1975.

This economic crisis was precipitated by an external factor beyond Zaire's control: the fall in copper prices. However, the economy also suffered from a number of underlying structural and policy weaknesses that became readily apparent in this period and, moreover, are for the most part still present today. The vulnerability of the economy to fluctuations in copper prices was itself a reflection of a major structural shortcoming of the economy: its lack of diversification in the structure of exports. On the policy side, inappropriate policies and weaknesses in economic and financial management on the part of the government contributed to the persistent internal and external imbalances in the 1970s. These include: the massive public investment program accompanied by the accumulation of substantial external debt during the growth period; excessive public sector deficits, financed by money creation; nationalization and Zairianization measures imposed on industry and commercial agriculture; and financial weaknesses in the parastatal sector. These are discussed briefly below.

As noted, most of the government's external borrowing was allocated to ambitious projects which had low or uncertain returns. A number of them (e.g., in the mining sector) also accentuated the dependence of the economy on fluctuations in world markets. In addition, the timing of the debt buildup could not have been worse, because it led to rapidly rising debt service requirements just as the price of copper, Zaire's primary source of foreign exchange, plunged in world markets. This, together with the volume and relatively unfavorable terms of the debt, made it impossible for the government to meet its obligations to creditors.

On the domestic side, deficient or absent financial markets, a scarcity of domestic savings, and policy shortcomings in economic management resulted in a pattern of excessive money supply growth. Most importantly, the public sector's demand for resources was satisfied through bank financing. This resulted in inflationary pressures, which increased consumption demand and unproductive or speculative investment at the expense of productive investment. The absence of productive investment, in turn, contributed to the fall of formal sector production. High inflation also created an environment in which the Zairian currency, the Zaire, became excessively overvalued. Together with a rigid fiscal regime, this induced the development of an active parallel market in those sectors in which output could be smuggled out of the country. This was generally the case for easily concealed products (such as diamonds) or products produced near the border (coffee and gold).

Internal and external imbalances were further aggravated by the Zairianization and nationalization measures of 1973/74, through which the government attempted to radically transform the ownership structure of the economy and reduce its dependence on foreign resources. These actions came at the peak of the Campaign of Nationalism and Authenticity, promoted by the government of President Mobutu and the sole political party, the *Mouvement Populaire de la Revolution* (MPR). The stated objectives of the measures were the diversification of ownership of the country's economic base and a reduction in the economy's reliance on foreign capital and skills. In practice, this meant the total or partial transfer of the ownerships of corporate holdings from foreigners to the government or to Zairian nationals, primarily the president and his close allies. Unfortunately, the managers to whom foreign businesses were handed over generally lacked the knowledge, ability, or inclination to run them efficiently. With key enterprises poorly managed, production and distribution were severely disrupted. Significant transfers of capital abroad took place upon the imposition of the measures, inducing the Bank of Zaire to reinforce exchange controls and to expand credit to meet the import needs of nationalized enterprises, which exacerbated inflation. Moreover, like the excessive external borrowing of this period, the nationalization measures were as ill-timed as they were ill-advised: the outflow of capital occurred just as the economy was reeling from the impact of the drop in the terms of trade, thus worsening an already serious balance of payments problem. Although the policies were reversed or substantially weakened after a few years, they nevertheless had long-term negative effects on investor confidence, particularly within the country's foreign business community.

Finally, contributing significantly to budgetary deficits, as well as to the overall inefficiency of the economy, was the drain on resources represented by the parastatal sector. With inappropriate pricing and foreign exchange policies, poor management, inadequate control procedures, overstaffing, and shortages of foreign exchange, raw materials, and spare parts, public enterprises generated poor financial and economic returns. This in turn exacerbated government deficits because of the implicit subsidization of the parastatal sector (with the exception of GECAMINES) by the government. Although the government typically did not directly subsidize the current operations of parastatals, it provided the sector with capital and assumed most of the public enterprises' debt service obligations. The most serious example of this involved construction for SNEL of the Inga Dam and the Inga-Shaba transmission line described above. On the revenue side, the government received very little in return from the parastatals. With the exception of GECAMINES, very few public enterprises paid taxes, and dividends on the government's equity investments in public enterprises were insignificant. In many respects the problems with parastatals persist today, despite recent efforts at introducing reforms.[3]

INITIAL ATTEMPTS AT STABILIZATION AND REFORM, 1976 TO 1982

Faced with a balance of payments crisis following the fall of copper revenues in 1975, the Government of Zaire sought financial support from the IMF. In response, the IMF in March 1976 approved Zaire's request for assistance under the credit tranches as well as under various special facilities for a total of US$ 150 million. This was the first of four Standby or Extended Financing Arrangements (EFF) negotiated with the IMF between 1976 and 1982 (in 1976, 1977, 1979, and 1981) resulting in drawings of SDR 339 million. In addition, Zaire used the Fund's Compensatory Financing Facility on three occasions, in 1976, 1977, and 1982, for a total of SDR 192 million. The policy packages included in the stabilization programs of this period, although emphasizing one particular policy or another according to the severity of a given crisis, generally combined demand management and supply incentive measures with actions designed to rehabilitate infrastructure in the agricultural, transportation and energy sectors.

Because of the similarity of policies adopted from one program to another and the near continuity of the IMF-Zaire negotiations, it is difficult to separate the effects of one program from those of another. As the data in Table 1 indicate, however, little progress was made during this period in bringing about domestic and external stability or in restoring economic growth. Real GDP declined during this period by about 1 percent per year, largely as a consequence of the stagnation in Zaire's terms of trade, which meant that foreign exchange requirements of the productive sectors could not be met. Unfortunately, government policies were not effectively adjusted to cope with the decline in the terms of trade and lower export (primarily copper) revenues, and the internal and external imbalances persisted. Budget deficits increased, financed by credit expansion which led to high inflation and an overvalued exchange rate. Money supply growth averaged 40 percent annually from 1975 to 1983, about double the rate from 1970 to 1975, while inflation averaged almost 60 percent, compared with 45 percent from 1970 to 1975. Adding to the country's difficulties in this period

3 Most notably, service on the debt incurred for the Inga-Shaba complex, which represents about one half of the external debt of the country (IMF 1987), continues to be paid out of the treasury rather than SNEL's inadequate revenues.

Table 1 — Basic Data

Area :	2,345 400 square kilometers
Population	
Total (1988 estimate):	33.2 million
Growth rate:	3.0 percent
Gross national product (1988)[a]:	US$4,980 billion
GNP per capita (1988):	US$150.0

	1970-75	1975-80	1980-83	1983-88
Annual population growth rate	2.8	3.3	3.3	2.9
Per capita GNP (US$)	231.7	355.0	365.0	190.0
	Annual Rate of Growth[b]			
GDP (1970 prices)	2.2	-2.0	0.9	2.3
Agriculture	1.7	1.1	2.4	3.2
Mining	2.8	-1.9	3.7	1.5
Manufacturing	3.8	-6.4	-3.0	-3.0
Construction	5.7	-6.8	4.4	3.6
Services	2.5	-1.1	-0.2	2.7
Consumer price index[c]	45.4	63.7	47.6	62.0
Money supply[d]	20.5	36.7	47.0	73.4
Real exports of goods and N.F.S.[e]	4.5	2.9	7.0	3.9[f]
Real imports of goods and N.F.S.[e]	8.5	3.3	-0.1	-2.5[f]
	Percent of GDP(unless otherwise indicated)[b]			
Consumption	80.8	86.8	90.0	87.6
Gross domestic investment	15.8	14.5	13.8	12.2
Resource balance (gap -)	3.4	-1.3	-3.8	0.1
Gross domestic savings	19.2	13.2	10.0	12.4
Budgetary deficit (-)	-5.6	-5.9	-6.1	-7.6
Long-term public debt outstanding	15.7	35.0	47.9	107.7
Debt service ratio[g]	9.0	12.6	17.8	20.1

Sources: *Population and GNP per capita from WorldBank,* World Tables. *All other data, see relevant tables in text and appendix.*

[a] *CFNPP estimate.*
[b] *Inclusive averages.*
[c] *Kinshasa CPI, annual averages.*
[d] *Broad money.*
[e] *Constant 1980 Zaire prices.*
[f] *Through 1987 only.*
[g] *Debt service (after rescheduling) as percent of exports of goods and*

of negative growth was the high burden of debt service inherited from the previous period of heavy borrowing. By 1980, the government found itself allocating some 40 percent of the current public sector budget to debt service.

The failure of the programs to restore budgetary and external balances and reduce inflationary pressures to a large extent reflected a lack of commitment to effective implementation on the part of the Zairian authorities. In several instances, programs became inoperative because either prescribed policies were insufficiently (or not at all) implemented, or the timing of a required policy action diverged from the agreed timetable. The 1977 Standby and the 1981 EFF were canceled due to lack of compliance with most of the funds undrawn (SDR 737 million out of a total SDR 912 million in the case of the latter). A positive policy change was the lifting of the Zairianization and nationalization measures beginning in the late 1970s. Unfortunately, due to unresolved issues of compensation and a lack of confidence in the government, private and foreign investors were not quick to return, and attracting new investment proved difficult. It was only with the 1983 program, described next, that the government appeared willing to seriously try to achieve stabilization and to implement economic and financial reforms that would remove distortions and provide suitable incentives to production.

4. Reform And Structural Adjustment: Policies And Performance Since 1983

As described in Chapter 3, Zaire began to undergo some form of economic and financial adjustment on a continual basis beginning in the mid-1970s. However, the turnaround in Zaire's adjustment effort came with the stabilization package adopted in September 1983. For about a year before adopting this program, the government of Zaire took a number of actions, particularly with regard to reducing the public sector's deficit, as a precondition for the Fund's support. This so-called "shadow program" was designed to demonstrate the good faith of the government and its willingness to undertake rigorous reform measures to redress imbalances and distortions in the economy. The 1983 stabilization program itself set out to both increase the efficiency of the economy and to restore macroeconomic stability, by reforming the exchange rate and the exchange and trade systems, liberalizing all domestic prices (including interest rates), and tightening fiscal and monetary policy. Subsequent programs were designed to further these basic objectives.

Developments since 1983 can usefully be divided into two periods: 1983 to 1986, during which efforts focused on (but were not restricted to) trade and exchange rate liberalization under the 1983 IMF-supported stabilization program; and 1987 to the present, After Zaire adopted structural adjustment measures supported by the World Bank and the IMF. The main components of the respective policy packages from 1983, and subsequent economic performance, are described below.

STABILIZATION AND STRUCTURAL ADJUSTMENT POLICIES, 1983 TO 1986

The cornerstone of the 1983 program package was a major adjustment of the exchange rate and the reform of the exchange rate system. Other policies, summarized in Table 2, included: a substantial liberalization and a simplification of the exchange and trade system, including a comprehensive revision of customs duties; an adjustment and a liberalization of domestic prices, including

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Table 2 — Summary of Stabilization and Structural Adjustment Policies, 1982-85

Overall objectives:	To restore external and internal balances through exchange rate devaluation and trade and exchange system and tariff reform, fiscal and monetary restraint, public enterprise reform, and decontrol of prices.
Area of Policy	**Measures Taken**
Exchange rates	— Devaluation of the exchange rate by 78 percent (September 1983) — Creation of dual exchange rate market (1983) — Unification of rates within official markets — Adoption of market-based determination of official exchange rate
Exchange and trade system	— Abolishment of provision requiring commercial banks system to surrender 30 percent of their foreign exchange receipts to the central bank — Liberalization of the system of allocation of foreign exchange to commercial banks — Elimination for most cases of the system of retension of export proceeds — Removal of prohibition of transfers of dividends abroad by companies with foreign participation — Liberalization of import licensing procedures through elimination of requirement of prior central bank approval — Abolishment of the SAD system of financing imports without recourse to the country's foreign exchange reserves
Tariff structure	— Reduction in the number of import duties from four to two — Reduction of tariff rates on raw materials and essential products from 10-20 to 3 percent; increases in tarriffs on luxuries of up to 200 percent
Money supply	— Liberalization of interest rates on commercial bank loans and credit (1981) — Further liberalization of interest rates on all loans except to non-coffee agriculture — Creation of a market for short-term treasury bills
Public finance	— Ceilings on government expenditures — Limits on wage increases for public employees — Tax regime reform and reorganization of Gecamines (1983-84) — External audits of public enterprises, rate increases, and workforce reductions under guidance of foreign management firms (1984-85)
Agriculture	— Liberalization of all producer prices (1982-83) — Elimination of marketing controls (1982-3)

interest rates, agricultural producer prices, and the prices of petroleum products; a tight control of government spending, through restraint on wage increases and through reductions in public sector employment; a large-scale reform of the public enterprises aimed at lowering their funding requirements, thus alleviating their burden on the government's budget; and a revision of the investment code with a view to attracting private foreign investment. The following describes more fully the main measures undertaken.

Exchange Rate Adjustment

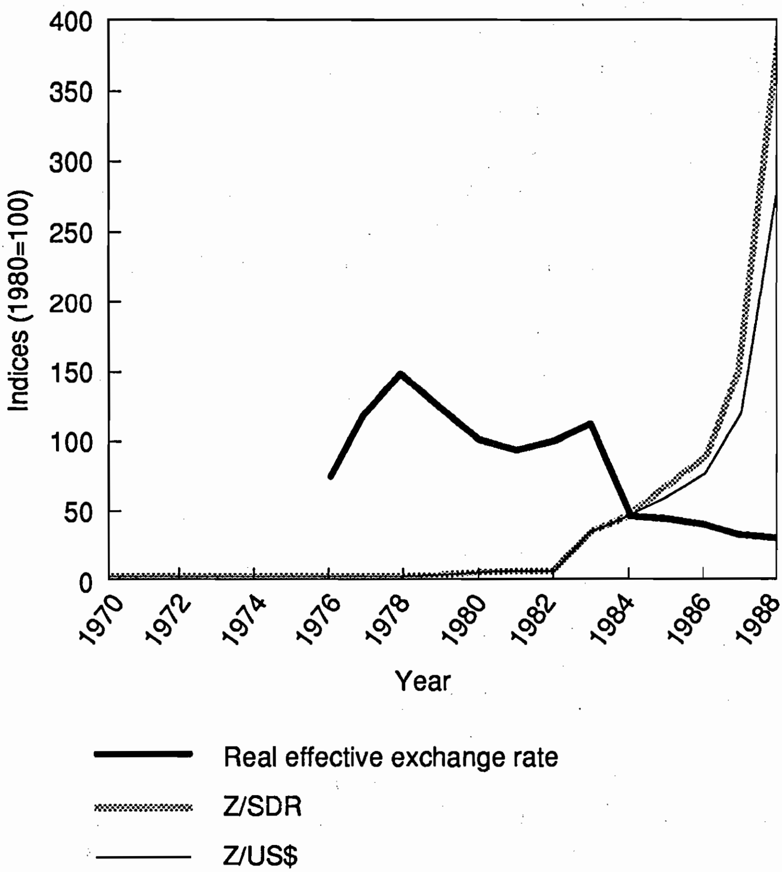
For most of the 1970s and the early 1980s, the zaire was grossly overvalued. During the ten-year period ending in 1983, the real effective exchange rate fluctuated widely but remained largely above its 1973 level. The strongest appreciations occurred in 1978 and in 1983. During the period 1981-1983, when the exchange system was characterized by a multiple-rate exchange rate regime (discussed in the following section), the spread between the official rate — which was maintained at 5.9 Zaires to one US dollar — and the average unofficial rate grew rapidly. By August 1983, the average unofficial rate was five times the official rate. In order to bring the Zairian currency to a more realistic level and reduce the incentives to engage in parallel market and informal activities, the monetary authorities devalued the Zaire by 77.5 percent, on September 12, 1983. With a nominal devaluation of this size, the real devaluation (in 1984) also turned out to be substantial, as can be seen in Figure 3. The following year the depreciation of the Zaire continued, recording an annual rate of 60 percent. The government also introduced significant flexibility in the determination of the exchange rate to ensure that it would fully reflect market forces.

Reform of the Exchange Rate Regime

Before the 1983 reforms, the Zairian economy unofficially operated under a multiple exchange rate system, with one legal and official rate and a number of semiofficial, government-tolerated rates, and a multitude of unauthorized or illegal rates. The latter took place outside the official banking system. Such transactions could be initiated by producers from informal or illegal activities but also from legal and organized production sector activities.

In the official markets, two exchange rates thus coexisted. One, the official rate, related to all official transactions between Zaire and the rest of the world, except for the mining transactions described below; the other, a "semiofficial" rate, related to purchases of gold and diamonds by specialized marketing agencies. Both rates were determined and regularly published by the Central Bank.

Figure 3 — Evolution of Exchange Rates (end-of-period rates)



Source: *IMF (various years), International Financial Statistics.*

As part of the liberalization process undertaken since 1981, and in order to discourage the smuggling of precious metals to the neighboring countries of Congo, Central African Republic, Rwanda, Burundi, and Uganda, as well as to Western Europe, the trade of artisanal gold and diamonds was freed in early 1983. At the same time, the government allowed the establishment of marketing agencies and vested them with the authority to purchase gold and diamonds from informal producers for export and to repatriate the export proceeds through the banking system at a depreciated exchange rate. In reality, the government was only formalizing this rate, the *relance minière* rate, which had been used unofficially since 1981.

The *relance minière* rate was fixed weekly by the Customs and Excise Office, OFIDA, on the basis of another rate related to the so-called SAD (*sans achat de devices*) imports. These imports were financed without recourse to the foreign exchange resources provided by the banking system. In order to estimate the cost of these imports for the purpose of calculating the amount of custom duties, OFIDA used a reference rate reflecting the cost of acquisition of the foreign currency in the parallel markets.

As part of the reform package of September 1983, the government decided to unify the rates in the official market, and to gradually eliminate the spread between the official rate and those in the parallel markets, thereby eradicating the rents provided by these markets. As a first step toward the unification of the rates in official markets, the authorities introduced a dual exchange arrangement, consisting of an official market restricted to the transactions of the Central Bank and a free market involving all other banking transactions. The exchange rate that applied to this second market was determined in weekly sessions among the Central Bank, the commercial banks, and all other participating financial institutions. During the week, commercial banks engaged in bank-to-bank and bank-to-client operations on foreign exchange at freely negotiated rates, including, under specified conditions, forwarding foreign exchange transactions. Such rates reflected mainly the rates that previously applied to the parallel markets transactions. At one Friday session, the balance of the operations of the commercial banks, as well as transactions of the government and other participants were subject to an auction, under which buyers competed for the available supply of foreign exchange, including the foreign exchange supplied by the Central Bank.

The bidding process was designed to lead to an equilibrium exchange rate based on an equality between overall supply and demand for foreign exchange. In practice, the rate that allowed the largest buying bid to be transacted was retained as the equilibrium rate. The latter applied to the free market and remained fixed, in terms of SDRs, for the entire week, until it was replaced with a new rate following that week's session. The official exchange rate, i.e., that which applied to the operations of the central bank, was then determined in reference to the free market rate. The strategy consisted of maintaining a margin between the official and the free market rates, initially at 10 percent, and gradually at 5 and then at 2.5 percent before eliminating it altogether.

From the start, it was envisioned to complete the unification of the two rates within a transitional period of less than two years and, subsequently, to treat the unified rate in much the same way as the free market was treated during the transitional period, i.e., as a reflection of market forces.

Reform of the Exchange and Trade System

In addition to the reform of the exchange rate regime, the authorities adopted a set of policies designed to rationalize the entire trade system. These policies included abolishing a provision that required the commercial banks to surrender 30 percent of their foreign exchange receipts to the Central Bank within three months after the exportation of merchandise goods or services; gradually liberalizing the foreign exchange allocation system applicable to the commercial banks; eliminating the system of retention of exports proceeds, except those specified under international credit arrangements and for GECAMINES; and removing, in July 1984, the prohibition against transfers of dividends by companies with foreign participation.

Import licensing procedures were also liberalized. For most imports, a license was no longer subject to prior approval of the Central Bank. Instead, a simple import declaration submitted to an authorized commercial bank would be sufficient. In addition, the old system of *licenses sans achats de devises* (SAD), i.e., licenses concerning imports financed without recourse to the country's official foreign exchange reserves, was abolished. In addition to these measures, the tariff structure was considerably simplified. Under the regime in operation until September 1983, import tariffs consisted of four cumulative taxes and duties: a customs duty of 0 to 22 percent; an import tax of 0 to 40 percent; a supplementary import duty of 5 to 20 percent; and a "statistical tax" of 5 percent. The overall tax yield remained low, due to the effects of the exchange rate overvaluation, and the multi-stage taxation system was widely judged cumbersome and inefficient. In 1983, the number of taxes was reduced from four to two and the rates on raw materials and essential food and nonfood products were lowered from 10 or 20 percent to 3 percent, while those on luxuries were increased to up to 200 percent. A further revision of the tariff structure in April 1984 substantially lowered tariffs on most items with a view toward reducing incentives for evasion and encouraging manufacturing activity.

The new tariff regime, however, had the effect of increasing disparities in incentives. With raw material and intermediate inputs requiring hardly any duties, and consumer and luxury goods imports paying very high rates, effective rates of protection on the latter averaged 300 percent (USAID/Kinshasa 1986). These industries — e.g., home appliances, motorcycles, and bicycles — contribute little to the domestic economy because of their high reliance on imported rather than locally-produced inputs. On the other hand, the market for agricultural products, such as sugar and rice, faced greater competition now that these goods could be imported freely from other countries, where production was in many cases government-subsidized.

Monetary and Credit Policies

On the monetary and credit fronts, the lack of adequate monetary and financial institutions had, constrained the options of the government in regard to the financing of the budget. As a result, the government tended to rely almost exclusively on domestic banking credit. This tendency, combined with the scarcity of domestic savings and Zaire's low international credit rating, was a source of inflationary pressure which adversely affected production. One of the new program's aims was to improve the functioning of the credit and money markets by creating institutions such as an effective interbank market and a market for treasury bills, and by liberalizing interest rates.

During the 1960s and the 1970s, Zaire had followed a passive policy regarding interest rates. Since the early 1980s, however, the Bank of Zaire, which has the primary responsibility for monetary and credit policies, has been actively and increasingly using interest rates to control monetary expansion and credit allocation in the economy. Initially, domestic credit was regulated through an overall ceiling for the economy as a whole and subceilings for individual sectors. More recently, credit allocation has relied partly on ceilings but also increasingly on a combination of mandatory reserve requirements and a more active interest rate policy. The Bank of Zaire indeed uses the reserve requirement to sponge off excess liquidity from the banking system (USAID/Kinshasa 1988). Another development, resulting from the introduction of treasury bills, has been the payment of interest on reserves held by the Bank of Zaire. Whereas formerly no interest was paid, interest is now paid on the portion of reserve requirement of the commercial banks held in the form of treasury bills. Only recently, however, have the treasury bill rates been in line with overall interest rate policy.

The Central Bank traditionally set both the deposit and lending rates applied by the commercial banks, although the latter were authorized to freely set their own commissions. In the 1960s and the 1970s the allocation of credit to the economy was based on neither interest rates nor the short-term profitability of the bank, but on the bank-customer relationship. Over the years, interest rates determined in this fashion gradually fell out of step with inflation, and real rates became considerably negative, thus contributing to an insufficient mobilization and a misallocation of available resources.

In 1981, commercial banks were allowed to set lending rates freely, except for interest rates on loans to agricultural activity other than coffee. This measure induced a rise in nominal interest rates to an average of 35 percent as compared to the regulated agricultural sector rate of 15 percent. The 1983 reform measures liberalized most of the remaining interest rates.[4] At the same time, the authorities created a market for short-term treasury bills, designed to provide incentives for holding Zaires instead of foreign exchange. The first short-term treasury bills were sold in April 1984 at rates of 40 to 45 percent. As this was ahead of the annual inflation rate at the time, real interest rates became positive for the first time. In the first two years of program implementation, the sale targets for treasury bills were successfully met.

The wisdom of implementing an active interest rate policy is debatable, however, unless measures are also pursued to keep inflation low enough to achieve positive real interest rates without necessitating nominal rates that are unreasonably high. Fiscal and monetary policies indeed served to restrain inflation in the period immediately following the 1983 reforms. More recently, however, as described below, the environment in Zaire has been far more inflationary. In 1987 and 1988, the inflation rate was about 100 percent, and although it declined somewhat in 1989, appeared to be very high in 1990. Under these conditions, the nominal interest rates required to bring about positive real rates would be so high as to lead to a skewed allocation of savings toward high-yielding commercial and speculative activities and away from productive investment in agriculture or manufacturing.

Public Finance and Public Enterprise Reform

As explained above, the demands on resources from the public sector have been one of the major sources of macroeconomic imbalance in Zaire. Budgetary deficits have arisen from an attempt by the government to maintain a high rate of spending to finance various social and economic programs, debt service, civil service salaries, subsidies to the parastatal enterprises, etc., in the face of a constrained and even declining revenue base. Although expenditure cuts and revenue increases had been effected during the execution of previous programs

4 The rates applying to agricultural credit were liberalized only in 1987.

in order to reduce the deficit in the public sector, the results of such actions had been limited. Under the 1983 stabilization program, the authorities were committed to proceed with expenditure cuts through reductions in government and public sector employment and a reform of public enterprises, including the closing of unprofitable units and the privatization of others. At the same time, the new program envisaged a broadening of the tax base, not only through new impositions or tax increases but also through better tax collections and a rationalization of the regime of exemptions. Other aspects of the new program included a program of public investment in a few key sectors, particularly socioeconomic sectors such as education and health and nutrition, and the rehabilitation of infrastructure in the agricultural, transport, electricity, mining, water, telecommunication, education, and health sectors.

With regard to the parastatal reform component of these measures, the most significant changes involved the operations of GECAMINES. In recognition of the dependence of GECAMINES' fortunes on world copper prices, the company's tax regime was changed in 1983 to be able to respond to fluctuations in revenues. In 1984, in a reorganization designed to reduce the operating costs of the copper mining industrial complex and ensure greater transparency, the government dissolved SOZACOM, the agency responsible for marketing, and replaced both GECAMINES and SOZACOM with a single structure consisting of a holding company, GECAMINES Holding, and three subsidiaries: GECAMINES Exploitation, in charge of mining activities, formerly under the old GECAMINES' responsibility; GECAMINES Commercial, in charge of marketing activities which were formerly carried out by SOZACOM; and GECAMINES Development, in charge of all other (e.g., agricultural) activities formerly assumed by the old GECAMINES.

Price and Marketing Reform in Agriculture[5]

The three-year agricultural recovery plan, implemented in June 1982, represented an important recognition by the government that policy-induced distortions and infrastructural and institutional weaknesses had led to agricultural stagnation and needed to be reversed. Policies harmful to the sector included: the overvalued exchange rate and heavy taxation of exports; price controls; taxes and marketing controls imposed by local governments; the use of food imports to keep urban food prices low; and nationalization of modern sector plantations. In particular, local authorities set floor prices for agricultural products which,

5 Chapter 5 examines agricultural sector policies and performance in more depth.

although ostensibly designed to protect small farmers' incomes, in effect functioned as maximum prices, which were often well below what prices would have been if determined by supply and demand. This pattern reflected a lack of competition among traders to purchase farmers' output, which would have bid up producer prices. Agricultural trading activity, in turn, was inhibited by the myriad controls and taxes imposed by regional authorities.

The massive correction of the exchange rate distortion in connection with the 1983 stabilization plan was expected to provide a major boost to producers of agricultural exports and import-competing products. On the other hand, as pointed out above, the tariff reform of 1983 increased the exposure of producers of import-competing crops to competition from subsidized imports. Meanwhile, in a sweeping reform of previous policy, the government eliminated price and marketing controls on most agricultural products in June 1982, and removed controls on all remaining crops the next year.

PERFORMANCE UNDER THE STABILIZATION PROGRAM

Initially, the adjustment program was implemented with a considerable degree of success. In 1984, the first year of implementation, the annual inflation rate was brought down from more than 100 percent in 1983 to less than 20 percent (Table 3). The decline in inflation, together with the nominal devaluation introduced in September 1983, brought about a substantial depreciation of the real effective exchange rate for 1984 as a whole. In spite of lower than anticipated export prices for coffee (14 percent below their 1983 levels), total export earnings increased substantially due to higher than anticipated exports of diamonds, crude oil, cobalt, and coffee. As a result, the balance of payments improved markedly and Zaire met its external debt service commitments regularly throughout the year.

These results were possible only because fiscal and monetary developments remained within the program's objectives. Although the overall budgetary deficit had expanded slightly in 1984 by about a third of a billion Zaires over 1983, it was financed mainly through the public sale of treasury bills rather than through domestic bank financing. Hence, the expanded deficit did not put pressure on prices.

On the whole, the economy's performance in the first year of program implementation was satisfactory. In addition to the reduction in inflation, real GDP grew by some 3 percent for the year. While this modest increase was at best no greater than the growth of the population, it represented a turnaround from the contraction of real GDP experienced in 1982 (Table 3). Growth was

Table 3 — Selected Economic and Financial Indicators, 1980-88

	1980	1981	1982	1983	1984	1985	1986	1987	1988
	Percentage Change from Previous Year								
National accounts and prices									
GDP at constant (1970) prices	2.4	2.9	-3.0	1.3	2.7	2.5	2.7	2.6	2.2
GDP at current prices	54.7	38.4	30.8	90.1	68.6	47.7	38.1	60.7	90.5
Consumer price index[a]									
December		53.0	41.0	101.0	14.5	39.0	38.3	106.5	93.7
Annual average	41.6	35.4	36.2	77.1	52.2	23.8	46.7	90.4	82.0
Central government finance									
Budgetary revenue	89.4	30.0	28.8	75.7	136.4	59.1	9.5	91.9	84.5
Budgetary expenditure[b]	63.1	56.8	44.9	40.2	123.1	46.0	28.2	112.5	146.3
Money and credit									
Net credit to government	13.0	62.4	108.5	30.0	30.7	10.8	67.9	33.5	255.8
Credit to enterprises and households	15.4	32.3	43.9	49.2	55.9	55.5	63.7	119.4	73.2
Money supply[c]	61.5	37.9	73.5	73.8	34.2	27.3	58.8	96.7	127.3
External sector									
Exports, f.o.b.	22.7	-18.4	1.9	8.8	18.6	-2.5	-13.9	-14.2	21.7
Imports, c.i.f.	36.2	3.3	-2.5	-3.4	1.1	1.9	-6.4	-1.4	13.3
Terms of trade (1980=100)	-8.1	-16.5	-5.5	5.7	1.3	-2.4	-2.3	-8.2	19.6
Exchange rate (Zaires /SDR) end of period	42.9	66.6	0.0	396.7	25.7	54.6	41.9	114.5	97.6
	Percent of GDP(unless otherwise indicated)								
Expenditure allocation									
Consumption	0.86	92.3	91.3	91.8	82.6	81.9	87.8	90.8	91.5
Gross investment	0.15	15.0	14.4	10.9	13.9	13.5	11.2	11.9	11.0
Resource balance (gap -)	-0.01	-7.3	-5.7	-2.7	3.5	4.6	1.0	-2.7	-2.5
Central government									
Budgetary revenue	21.8	20.4	20.1	18.6	26.1	28.1	22.2	26.6	25.7
Budgetary expenditure[b]	24.4	27.7	30.6	22.6	29.9	29.5	27.4	36.3	46.9
Budgetary deficit (-)[d]	-2.7	-7.2	-10.5	-4.0	-3.8	-1.5	-5.2	-9.7	-21.2
External debt									
Long term public debt outstanding (US$)	41.5	46.3	45.8	58.0	101.6	120.4	111.1	137.2	118.0
Debt service ratio[e]	22.5	21.9	13.2	13.7	20.8	25.7	22.0	22.7	15.9

***Sources:** Expenditure allocation from World Bank,* World Tables *(for 1980); IMF,* Zaire: Recent Economic Developments, *various years (for 1981-88). All other data, see relevant tables in text and appendix.*

a *Kinshasa CPI.*

b *After debt rescheduling, excluding foreign-financed expenditure, and including debt amortization.*

c *Sum of currency in circulation and demand and time deposits, including deposits of subordinate public authorities with commercial banks.*

d *Including debt amortization.*

e *Debt service as a percentage of exports of goods and services. Includes* led by the mining sector, which expanded by almost seven percent in 1984. Possibly reflecting the changed institutional environment, commerce, services, and manufacturing also picked up.

In agriculture, on the other hand, the response of output to the price and reform measures was mixed at best. As discussed in detail in Chapter 5, aggregate food crop production did increase slightly after 1982, although not as fast as population growth. Overall industrial and export crop output did not pick up at all. These results reflected, first, uneven enforcement at the local level of the new policies, so that the actual impact on producer prices and controls was limited in some regions. The burden of local regulation and taxation remained a major constraint on the plantation sector in particular, which by virtue of the larger scale of operations was more easily monitored and controlled. Second, the capacity of the agricultural sector to respond to price incentives was constrained by weaknesses in the transport system, in particular by difficulties in transporting outputs over Zaire's badly deteriorated network of roads.

In spite of these favorable developments, at the end of 1984, both Zaire and the IMF estimated that the country's overall financial situation remained vulnerable. In particular, the financial position of many state enterprises was deemed so weak that they were expected to continue to be a drain to the budget. In addition, some industries in the manufacturing sector and producers of some export or import-competing crops were hurt by increased competition from imports, many of which were subsidized in their countries of origin. For example, domestic producers of cement faced competition from Zambian producers who, with the benefit of subsidies from their government, were exporting cement to Shaba at 60 percent of the cost of production. In the case of sugar, the price of imports on the free market was lower than the domestic production cost.

In order to restore a viable and long-term balance of payments position and attract the foreign investment needed to assure resumption of growth, Zaire and the IMF concluded that a sustained adjustment effort would be required for several more years. To this end, a new 12-month adjustment program was agreed upon in April 1985. In order to encourage domestic production in general and to stimulate output in the manufacturing sector in particular, the program provided for an increase in the ceiling for credit to the private sector while reducing bank financing of the government's budget by Z .4 billion.

The government's efforts to restructure and reform parastatals continued, with mixed results. One success story clearly was GECAMINES. The reorganization and changes in the company's tax regime described above, together with the 1983 devaluation, resulted in a dramatic turnaround in GECAMINES' financial position in 1984/1985, with a net loss of Zaires 1.5 billion in 1983 transformed into profits of Zaires 1.5 billion in 1984 and 2.2 billion in 1985.

The government also commissioned external audits of other principal state enterprises, namely the *Compagnie Maritime Zairise* (CMZ), *Office National des Transports* (ONATRA), Air Zaire, *Office des Mines d 'Or de Kilomoto* (OKIMO), *Société Nationale des Chemins de Fer au Zaire* (SNCZ), *Office National des Postes et Télécommunications* (ONPTZ) and *Office des Routes* (ODR). In light of the results of these audits, carried out in 1984 and early 1985, the new policy was intended to restructure the management of the public enterprises involved, reduce their work forces, adjust tariffs, and eliminate noneconomic activities. The management of some public enterprises started to improve. CMZ arranged a management service contract with a Belgian shipping company which resulted in a considerable increase in its efficiency; Air Zaire liquidated some of its assets in 1985 in order to replenish its cash flow and also signed a service contract with a French airline company to increase its efficiency.

In contrast, the financial management of SNEL, the electricity company, remained weak. In the past, as indicated, SNEL had drained the budget, as the government had to service the external debt incurred on SNEL's behalf. A rationalization of SNEL's tariff structure, designed to make electricity prices more reflective of production costs, was initiated in October 1985, with prices increasing 30 percent on average. A procedure for regular tariff increases went into effect in 1986, with increases of 50 to 100 percent in that year, and doubling in 1987. The objective was to enable SNEL to finance its maintenance and to service that part of its external debt corresponding to actual capacity utilization. Excess capacity of the overly ambitious Inga project, however, meant that the company remained a drain on the government's resources, a problem that has continued to the present.

Several other major enterprises continued to represent a burden for the government's budget. To address this problem, a new public company, *Societé Nationale of Trading* (SONATRAD) was established. One aim was to improve the purchasing procedures for the inputs and materials of the major public enterprises, particularly GECAMINES, Miba, and ONATRA. Another aim was to increase the efficiency of public enterprises' procurement practices and the transparency of their operations. This, however, did not appreciably improve the financial operations of the government agency.

In 1986, program implementation encountered a number of unexpected difficulties. First, in the external sector, the value of exports fell by SDR 253 million in 1986, straining the balance of payments and the government's budget. Copper exports alone fell by SDR 110 million, even with the volume of production unchanged, reflecting a fall in the price of copper from US$ .64 per pound to US$ .63 coupled with a 13.5 percent depreciation of the dollar against the SDR. Cobalt exports fell by almost as much, reflecting a fall by more than half in the price of cobalt, from US$ 11.50 per pound in 1985 to US$ 4.80 in 1986. Second, the government granted large increases in civil servants' wages and salaries without sufficiently restraining other recurrent expenditures on goods and services. As a result of these developments, the government budget deficit registered a sharp increase that was financed through domestic bank financing. The increased bank financing of the government budget deficit induced a sharp expansion of money supply and increased inflation. This in turn slowed the depreciation of the Zaire in the interbank market, widened the spread between the official and the parallel markets, and contributed to the depletion of the country's foreign exchange reserves. In response, the government suspended external debt payments to all creditors other than the IMF and a small number of other institutions and countries.

STRUCTURAL ADJUSTMENT POLICIES SINCE 1987

Despite the relative success of the initial policy actions as described above, by 1986 the Zairian economy was once again under considerable pressure, stemming in part from fluctuations in the international economic markets and also from the remaining distortions and entrenched structural weaknesses brought about by years of inappropriate economic policies. The gradual liberalization of the economy had, as intended, contributed to the elimination of major price-related distortions. Yet inflation was still high; the debt service ratio, both in terms of the government budget and of the balance of payments, remained unsustainable; and private investment had not responded to the reforms. Zaire's per capita GDP (at least according to official figures) was still among the lowest in sub-Saharan Africa.

In order to address these deep-seated problems and thus stimulate production and growth, the government in 1986 began implementing several structural adjustment measures with the support of an Industrial Sector Adjustment Credit (ISAC) of US$ 80 million, consisting of an IDA credit of US$ 20 million and a Special Facility for Africa (SFA) of US$ 60 million. In 1987, the government adopted a Structural Adjustment Program (SAP) financed partly by a World Bank's Structural Adjustment Credit (SAC) of US$ 165 million and by an IMF Structural Adjustment Facility (SAF) of US$ 75 million. The structural adjustment credit consisted of an IDA credit of US$ 55 million, an SFA credit of US$

94.3 million, and a Special Japanese Joint Financing of US$ 15.7 million, which was evenly divided into grant and loan components.

The aim of the new policies (summarized in Table 4) was to lay the basis for long-term growth and a sustainable external financial position, by improving macroeconomic management, reforming agricultural and transport sector policies, and enhancing incentives for the private sector. The major production increase was to come from the private sector, particularly nontraditional tradables; this was viewed as a means of eventually achieving external balance. The ISAC credit described above was designed to help in this regard, particularly for manufacturing, through the provision of additional foreign exchange to finance imports of raw materials and spare parts. The ISAC also specified the complete liberalization of industrial prices, and changes in the tax regime for industrial enterprises. Further changes in the tariff regime were also enacted with the aim of restoring incentives to tradables production, particularly nontraditional tradables. In July 1986, export taxes were abolished on all manufacturing exports. The only remaining export taxes were on GECAMINES' mining products, wood, coffee, diamonds, gold, and crude oil, with rates for these items ranging from 3 and 4 percent (for arabica and robusta coffee, respectively) to 40 percent (for copper). The government also took steps to make export procedures less cumbersome, including eliminating the requirement of approval from the Bank of Zaire, and, for most exports, the need for approval from the Department of National Economy.

On the import side, as noted earlier, the 1983 reforms had resulted in an unbalanced incentive structure that afforded high effective protection to some sectors while penalizing others. In particular, producers of agricultural products such as rice and sugar, as well as producers of certain manufactured goods, were exposed to greater competition from imports. To reduce these disparities, as well as to enhance government tariff revenues, the tariff schedule was rationalized in 1986, narrowing the range of rates to a minimum of 10 percent and a maximum of 60 percent. Exceptions were permitted at both ends of the range: 5 percent tariffs were required on some basic consumer goods (sardines, smoked and salted fish, etc.) and agricultural inputs (tractors, fertilizer, animal feed, etc.), while luxury cars, tobacco, textile products, and alcohol tariffs remained above 60 percent. These exemptions have been eliminated progressively since September 1987, and the government has continued to narrow the range of tariff rates, although at a slower pace than initially planned. As a result of the January 1989 adjustment, the range stood at 15 to 50 percent.

With regard to the public sector, the major thrust of the measures adopted was to rationalize public sector expenditures and rehabilitate infrastructure to support

Table 4 — Summary of Structural Adjustment Policies, 1987-Present

Overall objectives: To lay the basis for long-term growth without external imbalances by increasing incentives for private sector production, particularly nontraditional tradables, and through rationalization of public sector expenditure to provide infrastructural support for private investment.

Area of Policy	Measures Taken
Tariff structure and trade system	— Removal of all export taxes except for Gecamine's mining products, coffee, diamonds, gold, and crude oil (1986) — Elimination of the requirement of central bank approval for exportation — Narrowing of range of tariff rates from minimum of 10 percent to maximum of 60 percent (1986), with continued gradual narrowing through 1989
Public finance	— Adoption of 1987-90 Public Investment Program (PIP) emphasizing rehabilitation of Gecamines and transport sector parastatals — Removal of 25,000 fictitious employees from civil service payroll — Major rate increases for public enterprises, including SNEL (electricity), REGIDISO (water), SCNZ (rail transport), and ONATRA (river transport) to make rates reflective of costs — Creation of Supreme Council of Portfolio to oversee liquidation of eight public enterprises (four closed by end 1989) — Planned privatization of eight public enterprises and elimination of majority public share in five others (1989)
Manufacturing	— Complete liberalization of industrial prices (1986) — Reform of tax regime of industrial firms (1986) — Allocation of foreign exchange for imports of intermediate inputs under World Bank Industrial Sector Support Grant
Agriculture	— Increased allocation of public investment to agriculture and rural development in 1987-90 PIP — Creation of emergency rural roads rehabilitation program financed partly from fuel tax revenues — Removal of interest ceilings on commercial bank credit to agricultural sector

private sector investment. The 1986-89 Public Investment Program (PIP), revised in 1987 in consultation with the World Bank, emphasized infrastructure rehabilitation, improvement of basic services to agriculture and industry, and measures to improve the productivity of major parastatals, particularly GECAMINES, SCNZ (rail transport), ONATRA (river transport), ODR (road transport), SNEL (electricity), and REGIDESO (water supply). Rehabilitation programs for GECAMINES and the transport sector together accounted for fully 55 percent of the revised (1987 to 1990) PIP, although implementation of the programs by SNEL and ONATRA have so far been hindered by the poor financial condition of these companies. The civil service was also reformed, and some 25,000 fictitious workers were removed from the payroll since 1987.

The PIP also directed about 10 percent of total investment funds to agriculture and rural development, a substantial improvement over previous programs. Included was an emergency rural roads rehabilitation program, financed in part through revenues received by the Office des Routes from increased fuel taxes, to alleviate constraints to the provision of agricultural inputs and evacuation of products. Producers of import-competing agricultural commodities were also expected to benefit from the reforms in the tariff structure, as noted above. Finally, financial reforms, such as the removal of commercial banks' interest ceilings on agricultural credit, were implemented to improve the mechanism of funding agricultural investment and marketing activity.[6]

Efforts to reform the price structures of state enterprises continued under the structural adjustment program. As mentioned, SNEL raised tariffs 50 to 100 percent in 1986 and doubled them in 1987. REGIDESO rates increased by a comparable magnitude in 1986 and 1987, as did rates of SCNZ and ONATRA in 1987.

In April 1989, the Supreme Council of Portfolio began operations and has made significant progress in liquidating and privatizing public enterprises. By November 1989, four public enterprises (SOMIDO, SOMIKA, CODIAK, and SOTEXO) had been liquidated and administrative procedures for the liquidation of four additional parastatals were at an advanced stage. The complete privatization of eight public enterprises and the elimination of a majority public share in five others were planned.

6 Reforms impacting the agricultural sector are described in more detail in Chapter 5.

PERFORMANCE UNDER STRUCTURAL ADJUSTMENT

Overall economic performance following the implementation of the structural adjustment measures was initially disappointing; ultimately, reflecting both the conduct of policy and the increasing political turmoil gripping Zaire, it was disastrous. In 1987, the first year of implementation, real GDP grew by 2.6 percent, slower than targeted, and less than the growth rate of the population (Table 3). The primary impediment to growth was a stagnation in mining production, which was caused by, among other factors, GECAMINES' implementation of its 1986-1990 rehabilitation program, which de-emphasized output expansion while striving to reduce production costs; the company's electrical supply, weather, and transport problems; and the delay in implementation of an investment program designed to increase the production capacity of OKIMO (*Office des Mines d'Or de Kilo-Moto*) (IMF 1988). Agriculture also continued to perform poorly, in large part because of long-standing institutional and infrastructural constraints, which the reforms undertaken since 1982 had been unable to eliminate. On the other hand, the manufacturing sector grew in 1987, helped by domestic credit policies and disbursements of foreign exchange under ISAC.

The major source of difficulty with regard to program implementation was the conduct of fiscal policy. Expenditure targets were exceeded in most categories, while revenue declined slightly. The latter was due to the poor implementation of collections and a low elasticity of revenue with respect to inflation and nominal GDP. Revenue from direct and indirect taxes (excluding mining and petroleum export taxes and royalties) increased 64 percent in 1987, far behind the 100 percent or so inflation of that year. Moreover, the anticipated increase in revenues resulting from the changes in the tariff failed to materialize, owing to inefficiency in collections and the granting of extensive exemptions through the investment code and to the public sector. While imports in local currency terms rose by over 80 percent in 1987, the customs agency, OFIDA, recorded an increase in revenues from import duties of only 60 percent (IMF 1988).

As a result of these developments, the central government deficit approached 10 percent of GDP in 1987, nearly doubling from the previous year (Table 3). Monetary financing of the deficit added greatly to inflation, which exceeded 100 percent. Reflecting these conditions, private investment, which the structural policies had been designed to encourage, stagnated.

Program performance weakened further in early 1988, particularly with respect to the budget and financial management. As a result, only the first tranche of the SAL (US$ 82.5 million) and the first installment of the SAF (US$

58.2 million) were released. Unable to control public expenditures, the government resorted again to money creation to finance the budgetary deficit. This contributed to an acceleration of inflation, which reached an annual rate of 94 percent in 1988. Moreover, according to recently revised national accounts data (Republic of Zaire 1990), output fell by 1 percent in 1988, in contrast to the modest 2 percent growth given by official figures (Table 3).

Given the conduct of fiscal and monetary policy, the Standby Arrangement with the IMF lapsed and Zaire became ineligible for further purchases. The World Bank responded in a similar manner, withholding the release of the SAL's second tranche as well as the processing of an Energy Sector Adjustment Credit. Other donors adopted a wait-and-see attitude. As a result, balance of payments assistance declined sharply in 1988, which was to some extent offset by higher copper export revenue, stemming from improvements in the copper prices in the world's markets. Zaire responded to the reduction in balance of payments support by suspending its debt service and accumulating a substantial amount of payment arrears. During most of 1988, the Standby Arrangement remained off-track.

In May 1989, Zaire and the IMF initiated discussions leading to a new agreement for a 12-month Standby Arrangement in June 1989. After a 10-month period of program implementation, new difficulties emerged. In early 1990, after a successful first review, the program registered serious slippages with respect to public spending and the public investment program. The minimum investment expenditures targets with respect to transport, health and education infrastructures set forth in the initial Policy Framework Paper, the backbone of the structural program supported by the World Bank, were not adhered to. Meanwhile, expenditures were allocated to unplanned objectives, particularly to public consumption and wages, and monetary targets were too high. A further sticking point from the World Bank's perspective was the excessively high level of production costs of GECAMINES, the main source of revenue for the government.

As a result of these developments, both the IMF and the World Bank suspended disbursement of their principal operations with Zaire. The economic situation worsened considerably in 1990. Inflation, after abating somewhat in 1989 due to a reduction of money supply growth, reached quadruple-digit levels in late 1990 as money supply growth escalated to unprecedented levels. Reflecting as well as adding to this inflation, the parallel market exchange rate soared from US$ 1 = Zaires 500 in April 1990 to US$ 1 = Zaires 2,500, in December 1990. It paused somewhat in January/February 1991 before erupting again to new, unprecedented records — more than 5,000 Zaires per dollar — in March/April 1991.

Eight years after the initial adoption of major policy reforms and four years after the adoption of the Structural Adjustment Program, it is clear that internal and external balance has not been brought about, and the prospects for improvement are dim. It seems that the question is not whether or not the adjustment policies were successful but whether they were implemented in any meaningful way. Except for the 1983/1984 period, the answer is that they were not. Instead, the pattern of large budget deficits, money creation, and high inflation for the most part resumed and the on-again, off-again Zaire-IMF relationship, characteristic of the preceding period, was renewed. In spite of the current lull in the Zaire-IMF/World Bank dialogue, it is likely, if the past is any guide, that a new understanding will eventually be reached. The renewal of the Zaire-IMF/World Bank relationship is the surest, if not the only, way for Zaire to negotiate further rescheduling of its unmanageable external debt obligations.[7]

The economic picture is further clouded by the prospect of imminent changes on the political scene. On April 24, 1990, President Mobutu proclaimed the liberalization of political institutions and recognized the need for freedom of expression and association. The President was responding to calls from the population, through a consultation that he organized, in favor of dismantling the single party, reforming the Constitution, and adopting more democratic political institutions.

A year after this proclamation, however, the political liberalization process came to a halt. Clearly, some progress was achieved in areas such as the freedom of the press and the freedom of association. While the government still tightly controls radio and television, the written press, which is increasingly diversified and controlled by private interests, is fairly outspoken. At the same time, more than 150 political parties have been given a legal status. While many of them, mostly newcomers, are still timidly taking their first steps, more established parties often openly and boldly challenge the government on major questions facing the country. The government, on the other hand, has resisted attempts by the opposition to organize strikes, marches, and rallies, sometimes through confrontations which have led to injuries and loss of life. In general, this has created an environment that has been extremely unfavorable to productive

7 Debt rescheduling is almost invariably preceded by an agreement with the IMF, which functions as an assurance to the country's creditors that the government will take steps to enable it to repay the debt (see Chapter 5).

activity and investment. Production has declined dramatically, including in the crucial export sectors of copper, cobalt, and diamonds. As long as such an environment persists, an adjustment program, and therefore the financial assistance that can support such a program, is not possible.

5. Selected Sectoral Developments

AGRICULTURE

Although agriculture in Zaire has a smaller share of GDP than in other countries in sub-Saharan Africa, (about 20 percent in 1988, although this official figure is thought to be a significant understatement), the agricultural sector is nevertheless of great importance to the discussion of poverty, growth, and policy reform in Zaire. Some two-thirds of the country's population secure their livelihood directly or indirectly through agriculture, and most of the poor live in rural areas. Weak growth in the agricultural sector has necessitated the allocation of scarce foreign exchange to food imports. For these reasons, a detailed look at the effects of reform on agricultural output and incomes, and the continuing barriers to expansion of the sector, is warranted. This section describes the deterioration of the agricultural sector in the years since independence, liberalization measures and their impacts on the food and export crop sectors since 1982, and the continuing constraints to Zaire's agricultural development.

Agricultural Policies and Performance Prior to Reform

Inappropriate agricultural policies and sectoral decline characterized the two decades (1960 to 1980) following independence in Zaire. This pattern is typical of many developing countries, but Zaire stands out because of the tremendous unrealized potential for agricultural development owing to the country's favorable soil and climactic conditions and abundance of land.

Growth in the sector had been strong before independence but suffered greatly immediately afterwards due to internal conflict, which disrupted marketing and distribution channels. However, as can be seen from Table 5,[8] agriculture

8 The caveats about the reliability of aggregate statistics given in Chapter 2 apply particularly strongly to the agricultural sector, in which so much of the production occurs on a myriad of

Table 5 — Contribution of Agriculture to Growth in GDP

	1965-73	1974-80	1981-88
		Percent	
Real rate of growth of GDP	3.9	-2.0	1.6
Real rate of growth of agriculture	-1.7	1.1	3.4
Percent of GDP growth directly caused by agricultural growth[a]	—	—	42.0

Sources: *For 1965-73, World Bank (1988a); for 1973-88, calculated from data in Bank of Zaire (various years).*

[a] *Equals rate of growth of agriculture x share of agriculture in GDP divided by rate of growth of GDP.*

continued to perform badly from 1965 to 1973, declining in real terms by an average 1.7 percent annually, even as GNP overall grew impressively. During the 1973 to 1980 period of macroeconomic crisis, agricultural output was stagnant, growing a mere 1 percent per year, well behind the estimated population growth rate of 3 percent. The poor performance of agriculture through 1980 was characteristic both of the food crop and export/industrial crop subsectors, as Tables 6 and 7 makes clear. It was only in the 1980s, in the context of the government's reform efforts, that agricultural growth resumed, albeit weakly, and then only for food crops.

The situation was not helped by several factors outside government control. These included the political strife following independence and the country's size and the remoteness of much of the rural population, which make organizing input distribution, agricultural services, marketing, and processing systems inherently difficult. Also, as noted above, a number of policies in force in the period up to reform were clearly harmful to the sector. These included:

1) an overvalued exchange rate;
2) high export duties and burdensome administrative requirements for exporters;
3) price controls on agricultural products at levels below competitive market and world prices;
4) subsidized (though imports) consumer food prices in urban areas;

farms. The assessment by two observers that aggregate figures for agriculture in Zaire are "at best estimates, at worst notoriously unreliable" (Thomas and Reintsma 1989) is typical. Food crop production data are particularly troublesome (World Bank 1988a, Annex 14). Caution, therefore, is warranted, and conclusions drawn in the following discussion must be regarded as tentative.

Table 6 — Production of Major Food Crops

	1960	1965	1970	1979	1980	1981	1982	1983	1984	1985	1986
	Thousands of Tons										
Maize	330	232	428	536	562	639	666	673	704	721	729
Rice	124	49	179	223	234	245	251	271	286	297	308
Manioc	6,045	7,785	10,346	12,566	13,087	13,172	14,184	14,601	15,038	16,286	16,892
Sweet Potato	374	192	425	324	333	343	353	363	373	382	—
Beans	68	76	115	160	162	104	111	156	164	166	—
Peanuts[a]	175	137	267	334	339	347	349	366	375	424	443
Plantain	125	447	1,215	1,378	1,408	1,438	1,467	1,496	1,526	1,795	1,834
Wheat	—	—	3.4	3.6	3.7	3.8	12.1	16.1	9.8	6.0	—

Source: *World Bank (1988a).*

[a] *Unshelled.*

Table 7 — Production of Industrial and Export Crops

	1970	1971	1979	1980	1981	1982	1983	1984	1985	1986	1987[a]
						Thousands of Tons					
Coffee[b]	68.8	75.0	87.0	89.0	93.0	93.0	84.0	89.0	90.0	95.0	—
Sugar	43.0	44.0	48.0	48.0	47.0	52.0	52.0	61.0	58.0	61.0	—
Cocoa	4.5	6.0	3.5	4.2	4.6	4.5	4.2	4.4	4.5	6.3	6.0
Tea	7.3	7.3	4.8	4.4	4.8	4.5	4.7	5.0	4.8	4.7	4.2
Tobacco	—	—	1.6	1.9	2.9	2.8	1.5	1.9	2.4	3.2	4.0
Cotton (seed)	49.0	58.0	19.0	29.0	21.0	24.0	27.0	21.0	22.0	19.0	19.0
Rubber	35.0	41.0	22.0	21.0	18.0	17.0	16.0	14.0	13.0	13.0	—
Oil palm[b]	170.0	178.0	98.0	93.0	106.0	94.0	85.0	93.0	89.0	88.0	85.0
Quinine[c]	—	—	6.0	5.9	6.0	5.9	5.2	4.7	4.8	7.0	—
Timber logs[d]	297.4	288.3	350.0	325.0	350.0	375.0	401.0	410.0	415.0	418.2	420.8
Timber sawn[d]	150.0	149.0	88.0	68.1	61.3	73.5	112.0	115.3	117.6	120.0	127.2

Sources: *World Bank (1988a); Bank of Zaire (various years) (timber); U.S. Department of Agriculture (1988), Zaire Agricultural Situation Report.*

[a] *Department of Agriculture estimate.*
[b] *Excluding village production.*
[c] *Tons of bark.*
[d] *Thousands of cubic meters.*

5) local government control and taxation of production and marketing;
6) nationalization and/or Zairianization of foreign interests beginning in 1973.

These policies reflected the authorities' emphasis on developing the industrial sector under state control and their general disregard of agricultural development. An overvalued exchange rate kept the costs of imported inputs cheap for industry and the government but penalized export agriculture, as did the heavy reliance on taxation of exports as a major source of government revenue. The lack of official concern for agriculture was manifested in the minuscule portion of public funds allocated to the sector. With few exceptions, less than 3 percent of the total government budget was allocated to current and investment expenditures in agriculture between 1970 and the mid-1980s, and occasionally much less (in the period 1984 to 1986, 0.8 percent or less) (ZTE/Cogepar 1987). These amounts are all the more inadequate when it is considered that some 70 percent of the labor force is employed in agriculture. Given the authorities' preferences, agricultural services such as research and extension were extremely underfunded and rendered virtually useless. The network of rural roads was allowed to deteriorate, making the evacuation of products to urban and foreign markets and the distribution of agricultural inputs increasingly costly.

Table 7 provides evidence of the deterioration of output in the industrial and export crop subsector during the 1970s. Only coffee production was clearly higher at the end of the decade than at the beginning; for crops such as palm products, rubber, and cotton fiber, the period saw drastic declines in production. Industrial and export crops were particularly affected by the myriad local taxes and price and marketing controls because the commercialized nature of production made the sub-sector more susceptible to monitoring and control by authorities (World Bank 1988a). Producers were penalized by official export crop prices set well below world levels: for example, the mandated price of cocoa was about 34 percent of the world price just before liberalization (World Bank 1988a). Government policies, including the overvaluation of the Zaire, both discouraged production and encouraged widespread evasion and smuggling.

The imposition of Zairianization measures in 1973 and 1974 contributed greatly to the decline of output in the modern plantation sector. The total number of holdings dropped from about 1,200 in the 1970s to 900 in the 1980s following the departure of trained (largely Belgian) management personnel and the abandonment of many plantations (World Bank 1988a). Although the measures were rescinded in 1975, the legacy of Zairianization continues to hamper attempts to revitalize industrial and export crop production. Since reform, the authorities have tried to encourage the return of foreign staff and to encourage private reinvestment, so far without success. Official prices, licensing restrictions, and taxes on marketing and transport served to depress producer prices and incentives for food crop production as well during the prereform period. Attempts to evade government controls, through smuggling and sales on the parallel market, were widespread. The policy of setting official prices, which was supposed to help farmers by insuring minimum prices, in practice often benefitted traders, who were observed to treat them as maximum prices to be paid to farmers. In periods of short supply, this practice tended to raise traders' margins rather than farmgate prices.

The estimates of food crop production in Table 6 indicate a slightly better, but still very modest, performance in the period between independence and the 1982/1983 reforms than was seen for export and industrial crops. The growth in food production, however, was less than that of the population and lagged far behind the growth in demand from Kinshasa and other urban areas.

To meet this demand, the authorities imported massive amounts of food. Tables 8 and 9 show, respectively, import levels and the import dependency ratios for several major foods. In 1980, for example, imports of maize totaled 147,000 tons, about 44 percent of total domestic consumption (excluding consumption of nonmarketed output); imports of wheat, which was not produced domestically, totaled 103,000 tons; and meat and fish imports each accounted for about a third of domestic consumption. Together with the low mandated prices, the government's policy of providing cheap imports to keep retail prices low in urban markets depressed food-crop prices and discouraged domestic production (World Bank 1988a).

Agricultural Policy Reforms Since 1982

In June 1982 the government began implementing a three-year Agricultural Recovery Plan designed to correct the distortions and government neglect of the sector of previous years. A second, five-year plan adopted in 1986 reaffirmed the importance of agricultural development. Top priority in the government's new focus on agriculture has been given to the achievement of food self-sufficiency, primarily through increased production of maize and cassava to meet growing urban demand from Kinshasa and Lubumbashi. The second priority is the expansion of output of primary commodities used by local industries (e.g., cotton for textiles, oil palm for soap). A third objective is the expansion of export crops (coffee, tea, and rubber).

A number of preconditions essential to agricultural recovery were identified in the 1982-1984 Agricultural Recovery Plan. Prices, marketing, and exchange rates reforms were seen as necessary to restore incentives to agricultural production. The Plan identified as other preconditions the strengthening of agricultural

Table 8 — Imports of Major Food Items

	1960	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
	Thousands of Tons													
Maize	0.02	64.0	115.0	140.0	132.0	160.0	141.0	147.0	119.0	69.0	51.0	38.0	35.0	58.0
Rice	2.5	—	35.0	20.0	14.0	30.0	16.0	10.0	12.0	4.0	9.0	33.0	36.0	60.0
Wheat	—	—	90.0	125.0	120.0	104.0	120.0	103.0	157.0	146.0	152.0	137.0	157.0	127.0
Sugar	13.0	15.0	9.0	24.5	9.0	0.5	3.5	17.0	8.0	9.0	25.0	23.0	23.0	—
Meat	4.3	—	13.0	17.0	3.0	17.7	10.4	8.7	6.1	12.0	12.0	23.0	31.0	43.0
Fish	—	—	11.0	6.0	2.4	n.a.	6.4	3.8	6.5	6.5	57.0	52.0	105.0	107.0

Source: *World Bank (1988a).*

Table 9 — Dependence on Food Imports,[a] 1980-1985

	1980	1981	1982	1983	1984	1985
Maize	44	14	16	6	9	11
Rice	3	9	2	16	15	17
Meat	15	10	7	19	33	21
Fish	—	—	—	31	31	53
Sugar	26	32	30	37	29	32

Source: *ZTE/SOFINCO 1987*

[a] *Equals the ratio of imports over total domestic (marketed) consumption.*

training, research, and extension services; increasing the availability of credit for crop marketing; restoring incentives to agricultural investment by the private sector; and institutional reorganization to improve planning and programming capacities. Price controls on most agricultural products were removed on May 29, 1982, and the right of local authorities to intervene in marketing was abolished. A more general measure in 1983 covered all remaining crops, and the exchange rate was devalued in 1983 as part of the IMF supported adjustment program. In the context of the 1986 to 1990 development plan as well as the 1987 structural adjustment program, a number of other steps were taken in 1987 to benefit the agricultural sector. First, changes were made in the tariff structure to eliminate disincentives to the production of agricultural tradables. As noted above, the 1983 tariff reforms had lowered the level of protection for commodities such as sugar, rice, and palm oil, exposing domestic producers of these commodities to competition from imports that were subsidized in their countries of origin. The new tariff structure, implemented in 1987, raised the minimum tariff rate to 10 percent. On the export side, duties were reduced on agricultural exports, except coffee and wood, and export procedures simplified.

Measures were also taken or planned to address institutional and infrastructural constraints in the areas of marketing credit, public investment projects, transport, and agricultural research services. To improve the mechanism for funding agriculture, the Bank of Zaire removed commercial banks' interest ceilings on agricultural credit. Prior to this, short-term credit from commercial banks was subject to a ceiling of 28 percent, compared with 40 percent for other sectors. The effect of the ceiling was to discourage agricultural lending except to export crop producers and traders, whose subsequent foreign exchange dealings would make up for the low rate. To reduce the impact of the uniform but higher rate on borrowers, the 18 percent turnover tax on interest payments on agricultural credit was eliminated. Meanwhile, a floor on agricultural lending by the commercial banks was established to ensure an adequate supply of credit.

As part of the structural adjustment program, public investment in agriculture received a boost with the three-year (1987 to 1989) rolling public investment program (PIP), which allocated 10 percent of the funds (9.7 billion Zaires) to agriculture, a substantial improvement over previous programs. In recognition of the barriers to marketing imposed by the poor state of the country's approximately 100,000 kilometers of rural roads, an emergency program to improve rural roads was created with a budget of 400 million Zaires, with an additional 300 million Zaires anticipated from a rural roads tax. The restructuring of the national agricultural research institute, *Institut National pour l'Etude et la Recherche Agronomique* (INERA), was begun in an effort to reverse that institution's long decline.

Impact of the Reforms

Unfortunately, reliable price and production data for the last few years is not available, so a comprehensive assessment of measures undertaken during the 1987 structural adjustment program cannot be made.[9] As regards the earlier price, marketing, and exchange rate reforms begun in 1982, however, there is more information, including several recent sector and regional studies conducted by USAID and the World Bank. Drawing on these and other sources permits a tentative evaluation of these policies, with respect to both the effectiveness of implementation and the response of producers.

Food Crops. Table 10 presents data on real producer prices of maize, rice, cassava, and peanuts from 1975 to 1984 collected by the *Institut National des Statistiques* (INS). Farmgate prices of these crops decreased steeply in real terms through 1981, in part because changes in the official prices paid to farmers lagged behind the rate of inflation, and also because of substantial food imports during the period.

The data in Table 10 suggest that the effect of the removal of price and marketing controls in May 1982 was strongly positive: real producer prices increased substantially over 1981 levels for all four crops and almost tripled for rice and cassava. Real prices for all crops but cassava fell off somewhat in 1983/1984, but continued to be well above pre-reform levels (except for maize in 1986). Qualitative evidence of price improvements can be found in a

9 Financing difficulties have prevented the effective implementation of one program, the road rehabilitation program. See the following section on transport for a discussion.

Table 10 — Real Producer Prices of Foodcrops (1975 prices)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
						Zaires/kg						
Maize	7.0	6.3	3.9	4.9	3.8	3.7	3.5	10.5	9.5	6.1	5.0	3.0
Rice	8.0	6.3	3.9	3.5	5.5	5.2	4.4	10.1	9.8	7.6	11.0	7.0
Cassava	2.0	5.3	3.2	4.9	3.8	3.7	3.5	10.5	7.2	10.7	8.0	6.0
Peanuts	8.0	7.9	4.9	5.6	5.5	5.2	3.9	7.3	7.1	n.a.	n.a.	n.a.

Source: *World Bank (1980), from INS and Ministry of Agriculture.*

1988/1989 survey of the Bandundu and Shaba regions, in which farmers expressed favorable views on the effect of liberalization on foodcrop prices (Tshibangu et al. 1989, cited in Robert R. Nathan Associates 1989). The survey found that prices farmers received were at least twice as high as minimum prices set by the authorities in the two regions. The official minimum price obviously no longer functions as a maximum price, indicating farmers in the areas of Bandundu and Shaba surveyed are aware of their ability to negotiate for higher than official prices and that there is competition among merchants to purchase farmers' output.[10]

There is some uncertainty as to how widely increases in producer prices such as those shown in Table 10 were felt. A team of USAID observers monitoring the impact of the reforms reported that the effective realization of the government's price and marketing liberalization policy was geographically uneven, with little improvement in some regions. The attitudes of regional or local authorities played a major role in determining whether the reform policies were successfully implemented. Officials had to be willing, first, to refrain from intervening between farmers and traders to set *de facto* maximum prices and, second, to encourage competition in marketing and transport (Sines et al. 1987). The latter was crucial since competition would make it difficult for traders to continue to pay official minimum prices to farmers. If these conditions were not met, prices received by farmers were not likely to change greatly from the official prices. In Bandundu, for example, the governor in 1987 issued a document fixing prices, and little was apparently done to remove administrative checkpoints on the roads which functioned as means for minor officials to secure bribes from traders. Another problem in certain areas, at least initially, was that farmers were simply unaware of the reforms, enabling traders to continue to pay official prices (World Bank 1986).

Uneven implementation of agricultural reforms at the regional and local levels is undoubtedly part of the explanation for the rather weak supply response seen at the aggregate level (Table 6). Output of food crops increased at an average annual rate of 3 percent from 1982 through 1986, a slight improvement over the rate of the previous four years, but still no faster than population growth. It is encouraging, however, that where price incentives were real, small farmers indicated that they were responding by raising output. Where price controls

10 Fourteen percent of farmers and 4 out of the 26 merchants interviewed agreed that the price received by the farmer was imposed by the buyer. Monopsonistic buying practices are therefore not the general case in the regions surveyed (Robert R. Nathan Associates 1989, Chapter 2).

Table 11 — Structure of Prices of Manioc, Maize, and Peanuts, October 1987-September 1988

	Manioc (Cossettes)		Corn (Grains)		Peanuts (Unshelled)	
	(Z/kg)	(%)	(Z/kg)	(%)	(Z/kg)	(%)
Retail price—Kinshasa	51.0	100.0	43.9	100.0	104.0	100.0
Wholesale price	35.1	68.3	37.1	84.5	81.5	78.3
Producer price—Bandundu	13.0	25.4	14.1	32.1	38.3	36.8
Distribution cost[a]	15.9	31.7	6.8	15.5	22.5	21.7
Collection and transport costs[b]	22.1	42.9	23.0	52.4	43.2	41.5

Source: *Republic of Zaire 1989a.*

a *Retail margin.*

b *Wholesale margin. Includes transport-related shipping, storage, and credit costs.*

were lifted on one crop but not on another (e.g., maize and cotton in Shaba), farmers adjusted the pattern of production accordingly (Sines et al. 1987).[11]

Chronic transport problems were another major factor in the poor aggregate supply response. Evacuation of products was constrained by the greatly deteriorated condition of the rural road network, the high cost of scarce fuel, the poor condition of vehicles, and the difficulty in getting spare parts. These problems add up to very high transport costs, inhibiting marketing activity and, to the extent these costs are passed backwards to producers, depressing farmgate prices.

The impact of transport costs can be seen from Table 11, which compares producer prices of manioc, maize, and peanuts received by farmers in the Bandundu region to retail prices of these products in the Kinshasa markets. Over 40 percent of the retail value goes to the wholesale margin, some 90 percent of which is accounted for by transport costs (Jabara 1990). Producers themselves receive no more than one-quarter to one-third of the retail value of these products. With transport barriers so significant, it is not surprising that the AID assessment team visiting Bandundu and Shaba found that access to main or agricultural

11 Most of the growth that has occured has come through the expansion of cultivated area rather than the increased use of cash inputs such as fertilizer or better seeds. Such a pattern of extensive rather than intensive growth is expected given the general availability of land in Zaire, as well as the inadequacy of agricultural research and extension services which would promote the development and use of new inputs.

feeder roads in reasonable repair and proximity to urban areas were important determinants of traditional farmers' supply response to liberalization (Sines et al. 1987).

As noted above, the authorities have given priority in the agricultural recovery plan to food self-sufficiency. So far, output growth has been far too weak to realize that goal, and substantial dependence on imports, much of it in the form of aid[12], continues to be necessary to meet urban demand for food. Notably, import duties on foodstuffs are minimal. It is difficult to get an accurate picture of total food imports because of large numbers of unrecorded imports (e.g., maize from Zambia). Official figures, which underestimate total imports, show continued high imports of maize, rice, wheat, as well as meat and fish (Table 8), although maize imports are at lower levels than in the 1970s, owing primarily to increased domestic output (World Bank 1988a).[13] As the table shows, the massive 1983 devaluation had little effect on the volume of food imports. Based on data from the Bank of Zaire, which covers only imports through the banking system, the share of imports of food products in 1987 amounted to 29 percent of the value of total imports (23 percent excluding tobacco and alcohol) (IMF 1988). This is high compared with other African countries, and clearly demonstrates that the constraints to further production are not to be found in weak domestic demand.

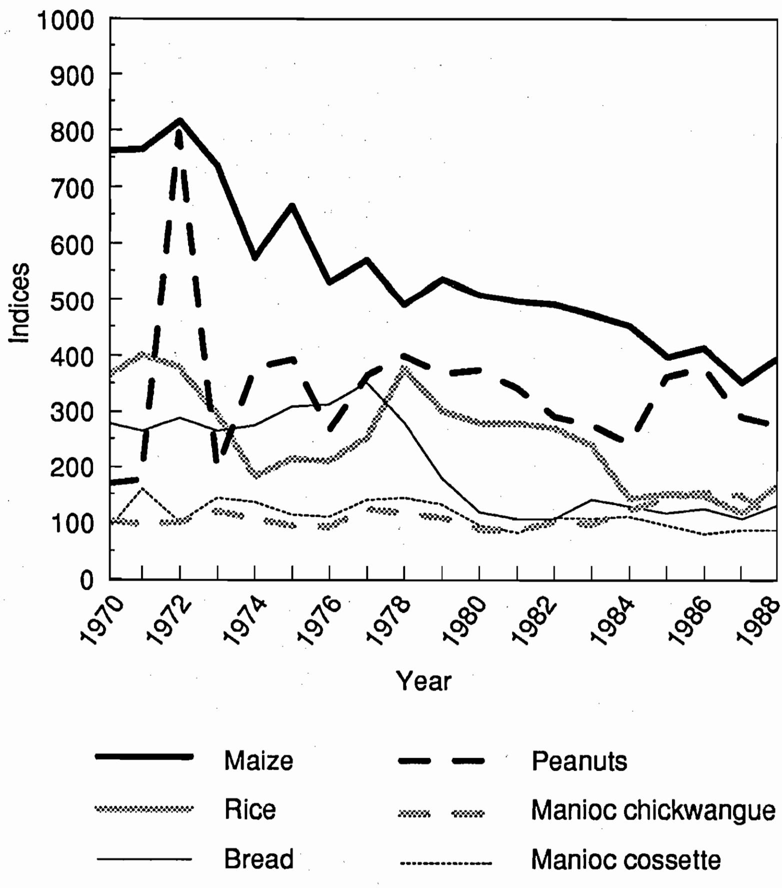
From the point of view of poverty alleviation, a beneficial aspect of price liberalization is the potential for increases in farm households' real incomes. Whether farmers benefit, however, depends on the degree to which they market their output, which in turn depends on whether the infrastructural and administrative conditions described above are met. In regions where transport and other constraints inhibit production for the market, farmers' incomes were little affected by liberalization.

Food Prices in Urban Markets. A negative potential welfare impact of food price increases is the reduction in the real incomes of the urban poor that would accompany increases in prices of staples in urban retail markets. Thus, it is necessary also to consider trends in urban food prices. In Figure 4, prices of a number of food items in Kinshasa retail markets are shown relative to the general retail price index for the years 1970 to 1988. Prior to liberalization, food prices

12 Most food aid is from the U.S. and Canada. For example, in 1985, 97,000 tons of wheat, or about 60 percent of total wheat imports, were imported under the U.S. food aid program (World Bank 1988a).

13 The actual extent of the decline in maize imports depends on trends in unrecorded imports, for which information is lacking.

Figure 4 — Relative Retail Prices of Staple Foods, Kinshasa, 1970-1988



Source: *Republic of Zaire (1989b)*

Note: *Prices are shown relative to the general retail price index published by the Economic and Social Research Institute, University of Kinshasa.*

followed an uneven course for varying reasons. Through the mid-1970s, cereal imports kept cereal prices low and, through substitution in consumption, the prices of other foods as well. In the period 1975 to 1978, relative prices rose sharply for most staple foods as a result of disruptions caused by Zairianization and nationalization policies. During the period 1979 to 1982, prices can be seen to decline. This has been attributed to reductions in the purchasing power of city residents (World Bank 1988a), as well as increased imports of cereals (e.g., bread, rice).

Against this background, price liberalization does not appear to have had a major sustained impact on food prices in urban Kinshasa markets. As seen in the figure, prices for some nontraded (local) products (e.g., manioc and groundnuts) rose faster than the general price index following 1982, but these increases followed previous declines in relative prices and they were not fully sustained. Indeed, for nontraded foods taken as a whole, prices were as low at the end of the 1980s as at the beginning of the decade. Prices of tradables (importables) generally fell through the mid-1980s in response to increased imports, as was noted above for the case of cereals. Since 1986 relative prices have risen for some foods (e.g., meat and fish) for which the level of imports has fallen. Nevertheless, relative prices of imported foods as a group were still lower at the end than at the beginning of the 1980s (Republic of Zaire 1989b).

The lack of any upward trend in retail food prices relative to other prices in urban markets, despite rapid urban growth and stagnant agricultural supply, reflects the importance of imports in meeting urban demand for food. It should be stressed, however, that although relative prices may not have changed, the overall consumer price index rose rapidly both before and after the price reforms. The effects of this on real incomes of urban residents will be discussed in detail in Chapter 6.

Industrial and Export Crops. [14] Price liberalization combined with the 1983 exchange rate devaluation resulted in significant gains in real producer prices of export and industrial crops for which data are available (Table 12).[15] However, Table 7 indicates that, in spite of improvements in prices after 1982, industrial and export crop production has continued to stagnate or decline. Reflecting this, the trend in export volumes has been flat or negative for palm oil, rubber, tea,

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14 This and the following section draw heavily on World Bank (1988a).

15 As with food crops, the effects were probably not uniform. Thus Bandundu and Shaba farmers in the 1989/90 survey discussed above were virtually unanimous in the view that, while food crop prices did rise as a result of price liberalization, coffee and cotton prices did not.

Table 12 — Real Producer Prices of Industrial and Export Crops (deflated to 1981 prices)

	1981	1982	1983	1984	1985	1986
			Zaires/kg			
Arabica coffee	5.0	4.8	4.6	6.3	15.8	9.7
Robusta coffee	1.5	1.5	1.7	4.1	3.5	3.6
Cocoa	3.0	3.7	4.8	5.2	—	—
Seed cotton						
1st quality	1.2	1.3	1.5	2.5	2.2	1.7
2nd quality	0.9	1.0	0.8	1.2	—	—
Tea	0.15	0.2	0.3	0.3	—	—
Palm nuts	0.1	0.1	0.1	0.3	—	—

Source: *Republic of Zaire 1987.*

cocoa, and coffee, as seen in Table 13. The share of agricultural exports in total export receipts has remained at about the same level — slightly over 10 percent — since 1982, with the exception of 1986, when a jump in international coffee prices and the relaxation of export quotas caused the share to more than double.

As with food crops, the deterioration of transport infrastructures has been a major barrier to industrial and export supply response. For perishable export crops such as tea the constraint is particularly serious (World Bank 1988a). Moreover, transport costs, which already accounted for a large portion of the export value of some crops, increased significantly between 1981 and 1986, pushing down the share received by producers. According to World Bank estimates, the producers' share in the export value of cocoa fell from 34 percent to 24 percent during the period. For coffee, the change was from 51 percent (in 1982) to 27 percent. While a downward trend in the share of export value going to coffee producers has been observed elsewhere in Africa over the same period, the decline was much less pronounced (from 61 percent to 49 percent) (World Bank 1988a).

Another factor inhibiting output increases of export and industrial crops has been the continuing burden of regulation and taxation on the plantation subsector. As noted above, it is easier for the authorities to monitor plantations than the much more numerous small farms. At the local level, problems of interference by regional administrations persist, and exporters are also burdened by export taxes and control procedures. In measures accompanying the 1987 structural adjustment program, administrative requirements have been some-

Table 13 — Major Agricultural Exports

	1960	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987*
	Thousands of Tons																		
Coffee[a]	59.0	68.5	72.2	74.0	70.4	80.7	49.0	85.1	80.7	71.2	63.8	62.5	60.0	66.0	67.5	64.8	78.8	131.0	89.5
Palm oil	167.0	123.5	118.0	87.0	69.7	62.4	53.0	39.7	21.5	9.6	—	10.0	6.1	4.2	2.5	6.2	13.9	1.9	—
Rubber	35.5	31.4	39.9	37.7	32.2	28.2	24.2	21.1	27.6	26.1	17.9	14.5	18.5	14.9	13.0	14.6	11.0	14.2	—
Tea	5.0	3.1	4.1	6.4	6.8	5.3	4.7	5.4	4.2	3.8	2.7	1.5	2.1	3.0	2.0	3.3	3.0	2.3	—
Cocoa	5.2	6.0	6.0	6.0	4.9	4.7	5.3	4.3	3.9	4.3	3.5	4.2	4.5	4.1	4.5	4.3	4.4	6.3	—

Sources: *World Bank (1988a); U.S. Department of Agriculture, Agricultural Situation Annual - Zaire (1988).*

* *Department of Agriculture estimate.*

a *May be higher than production due to stocks.*

what simplified and export taxes eliminated on all agricultural products except coffee and wood, but exporters remain substantially burdened by regulations.

With the implementation of price reform and devaluation, most observers of the situation in Zaire conclude that the above structural and policy-related constraints on the supply side constitute the main barrier to expansion of industrial and export crops. Demand is not considered to be a limiting factor. Both for industrial and export crops, exchange rate reform has given Zaire the potential to be competitive at current world prices. A 1987 study by ZTE/SOF-INCO (cited in World Bank 1988a) showed that the cost of domestic resources used to produce rubber, tea, chinchona, coffee, and cocoa for export and oil palm and cotton for domestic use was less than the world price, indicating that the country had a comparative advantage in the production of these crops; only sugar production appears to be uncompetitive[16]. This is the case even though productivity remains low both in the smallholder and plantation sectors.[17] Zaire appears, therefore, to have significant potential for expansion of production of these crops at current yield levels, if barriers on the supply side could be reduced.

Since information on production of export and industrial crops is more plentiful and reliable than for food crops, reflecting the large scale and commercial orientation of most production, it is possible to describe specific problems of various crops in the subsector.

Coffee is by far Zaire's most important agricultural export, accounting for 80 percent of agricultural export receipts and 9 percent of total exports in 1988. Coffee production is a source of cash income for over one million rural households, which account for about 70 percent of production (the rest is produced on plantations). To the extent that smallholder producers are among the poor, changes in prices and production are of interest from the perspective of poverty alleviation. A modest increase in production was recorded in 1984 following devaluation and the freeing of prices (Table 7). However, changes in the output and revenues of coffee producers since the reforms owe as much to fluctuations in international prices as to the price and exchange rate policies. In 1986, following a surge in world prices and the lifting of International Coffee Organi-

16 Domestic Resource Cost (DRC) measures the cost in domestic resources of earning a unit or saving a unit of foreign exchange. In the present context, the former applies to export crops such as coffee and rubber and the latter to import-competing crops such as cotton and oil palm used as inputs in domestic industry. If the cost of domestic resources to produce a product is less than its value in terms of foreign exchange added or saved, the country had a comparative advantage in the production of the product (ZTE/SOFINCO 1987).

17 Wages are low enough to offset low productivity of labor.

zation (ICO) export quotas following a bad harvest in Brazil, production increased again by 6 percent. Exports jumped by two-thirds in 1986, to 131,000 tons, as producers took advantage of the quota suspension to draw down stocks that had accumulated in previous years. As world prices fell in 1987/88, however, coffee output and exports plummeted; another factor was the high cost of borrowing from commercial banks to finance coffee purchases and stock accumulation, a consequence of the 1987 structural adjustment program. The suspension of ICO quotas in 1989 was expected to partially offset the effects of lower prices (IMF 1989).

Productivity in coffee production is low in Zaire. Coffee yields on peasant farms are low due to the minimal use of inputs such as fertilizer and pesticides and the absence of extension services and research. Farmers generally produce their own cuttings from local stock, as there has been no selective breeding and distribution of new coffee tree cuttings in recent years. Yields on plantations are higher than on small farms — up to 800 kilograms per hectare for robusta, and 500 kilograms per hectare for arabica, compared with 350 to 500 and 150 to 230, for respectively small farmers — but still below potential, as plantations suffer from aging trees, low investment, and labor shortages.[18] As is the case for all crops, poor transportation infrastructure constitutes a significant barrier to marketing and export. An additional concern for coffee is quality. *Office Zairois du Café* (OZACAF) which oversees pricing, production, and export sales, grades over 90 percent of exports as medium or below in quality.

As Table 7 indicates, price liberalization and devaluation were not able to reverse the chronic decline in oil palm production, which was lower in 1987 than at the start of the decade. While a drought in the northern part of the country in 1983/1984 played a role in preventing a positive supply response, long-term factors have continued to constrain supply. These factors include a lack of investment; reduction in harvested area through abandonment of estates; aging trees (almost half are 15 years or older); difficulties in recruiting rural labor for planting and harvesting; and the ubiquitous transport problem, which delays movement of output from the interior and causes excessive stock buildup on plantations. Yields are low and declining, with current rates of replanting said to be insufficient to offset these declines. Although Zaire was formerly a major

18 Ministry of agriculture estimates, quoted in U.S. Department of Agriculture (1988, p. 5). The World Bank sector study estimates potential yields to be 1,500 kilograms per hectare for robusta and 1,000 kilograms per hectare for arabica for plantations and 700 kilograms per hectare (robusta) and 500 kilograms per hectare (arabica) for small farmers (World Bank, 1988a, Annex A).

exporter of palm oil, today only a small fraction of output is exported as the declining supply is barely able to meet domestic industrial (e.g., soap production) and consumption (cooking oil) needs. In 1988, a shortage was experienced by industrial users. As demand from urban consumers and industry grows, the country will turn into a net importer of palm oil if the long-term decline in output is not reversed. Rubber production has also stagnated due to the aging of trees and the abandonment of plantations, as well as low world prices. For cotton, which is cultivated by about 250,000 small farmers on an average area of less than 1 hectare, price reform similarly brought no improvement in production. This is partly because farmers favored food crops, the prices of which rose relative to cotton (World Bank 1988a). Domestic production of seed cotton currently accounts for only about one-half of the needs of the country's textile industry.

It bears stressing that even with liberalization of prices, easing of transport constraints, and improvements in productivity, output and revenues from export crops would still be subject to fluctuations induced by variability in world prices. In fact, to the extent that price controls dampened the impacts of variability in world prices, fluctuations in revenues and output can be expected to be more pronounced under liberalization.

Forestry and Livestock Sectors. Almost half of Zaire's immense land area is covered by forests. These vast timber resources, however, have so far been largely unexploited. While the 139 million hectares of exploitable forest land is thought to be capable of producing 700 million cubic meters per year, current output is only about .55 million cubic meters annually (Table 7), approximately the same level it has been for the last five years (World Bank 1988a). Development of the forestry sector is hindered by poor infrastructure and transport (particularly river transport), inadequate supplies of equipment, fuel, and spare parts, and lack of trained labor. Most of what is produced is consumed domestically; wood exports account for only about 1 percent of total exports. If infrastructural and other barriers are overcome, exploitation of timber reserves will have to be balanced with forest and wildlife conservation, and the use of forests to meet energy needs of rural communities.

Zaire's grass and tree savannahs hold considerable potential for livestock development. The country currently has about 1.3 million head of cattle (two-thirds of which are in the traditional sector) compared with a potential 30 to 40 million head. There are also about 3.6 million small ruminants (World Bank 1988a). The livestock sector was hurt by the 1983 trade liberalization measures, which resulted in greater competition from imported meats subsidized in their countries of origin. Meat imports doubled between 1983 and 1984, to 23,000 tons (Table 8). In 1986, imports were 43,000 tons and provided about one-third of the country's meat consumption. With the revision of the tariff structure in 1987, which restored minimum tariffs on imports, livestock producers gained some protection against foreign dumping of meat products. More generally, the development of the subsector has been constrained by unavailability of foreign exchange for veterinary inputs and lack of extension services.

Even with imports, annual meat consumption per capita of about 4.2 kilograms is low by African standards and falls far short of the 25 kilograms per person per year recommended by FAO. The benefits of imports are felt largely in cities such as Kinshasa, where the average annual consumption per capita of meat is 14.3 kilograms, three times the national average.

Constraints to Agricultural Expansion

The foregoing indicates that the authorities have largely eliminated the price and exchange rate distortions that negatively affected agriculture in the pre-reform period. Liberalization, however, has not brought the desired output response. Zaire's experience since 1982 demonstrates the limits of price reform in the presence of pervasive institutional and structural constraints. Perhaps the most commonly cited constraint is the poor state of the transport system, discussed above, but several institutional shortcomings can be identified. These are described briefly in what follows.[19]

Agricultural Services. The World Bank has estimated that average yields per hectare (in 1987) for such important food crops as maize, manioc, and rice are 50 to 75 percent below potential (World Bank 1988a). Although very modest growth in food-crops has been achieved in recent years through expansion of area cultivated, growing scarcity of labor in some rural areas means that there is a limit to extensive growth; improvements in yields through greater use of improved seeds, fertilizer, and other inputs will be necessary.[20] However, the poor state of agricultural services — research, extension, and the provision of inputs and credit — impedes productivity growth.

There has been very little agricultural research in Zaire since independence. The *Institut National pour l'Etude Agronomique au Congo* (ILEAC), which employed over 300 professionals before 1960, deteriorated into a state of

19 Much of the following is based on the discussion in World Bank (1988a).

20 A distinct but nonetheless important aspect of rural labor shortages as they affect smallholder production is the potential for a disproportionate additional burden of work to be placed on women. Having women work more hours to expand family farm output may ease the labor constraint but has negative implications for the welfare of rural women (Robert R Nathan Associates, 1989).

ineffectiveness through severe underfunding and a shortage of trained researchers to replace expatriate staff who left after independence. The budget of ILEAC, renamed the *Institut National pour l'Etude et la Recherche Agronomique* (INERA) was whittled down to a fraction of its pre-independence size and has continued to be reduced even after reform began in 1983. Recently following a 1985 study by an interministerial working group with the assistance of ISNAR, the government has begun a process of reorganization of its agricultural research activities. By 1988 (the time of an assessment by the World Bank) the government had implemented several cost reduction measures, such as relocating INERA's headquarters from Yangimbi to Kinshasa and eliminating redundant research stations.

Zaire's extension system is ineffective and fraught with waste and duplication. Extension services are provided by the government field service, extension components of specific development projects, NGOs, and private agro-industrial firms. Each region has a regular government extension service under the supervision of the regional agricultural inspector, below whom are subregional and zonal inspectors. Extension agents are supervised directly by the zonal inspectors. The FAO estimates that there are 10,721 regional agricultural employees (World Bank 1988a).

The effectiveness of the of regional government field services is greatly hampered by a lack of resources: budgets are so small that vehicles and basic supplies cannot be obtained. Also, extension agents are undertrained and extremely poorly paid (about 2,000 Zaires, or US$ 16 a month in 1987), causing absenteeism and poor motivation, which further reduce effectiveness (World Bank 1988a). Government extension efforts are also confronted with farmers' mistrust, a legacy of the pre-independence practice of using government extension agents to enforce cropping patterns. Unfortunately, even after price liberalization, the use by local authorities of extension agents to enforce minimum cropped areas for major food crops has persisted.[21]

Better results have been achieved by extension services offered as components of specific development projects and by nongovernmental organizations (NGOs) and private companies, which in fact are often set up to compensate for inadequate government extension. The presence of both regular government and other extension services in the same region, however, implies a degree of

21 This is based on the 1988/89 survey of Bandundu and Shaba farmers (Nathan, 1989).

duplication and waste. In other areas, there are almost no services from any source.

Extension cannot effectively raise farm productivity unless farmers have access to inputs such as fertilizers, improved varieties of seeds, tools, and veterinary products. The use of inputs actually appears to have fallen since independence and continues to be constrained by a number of factors (World Bank 1988a). Since most inputs must be imported, restricted access to foreign exchange as well as poor transportation to remote areas impede the widespread distribution of inputs. Transport is particularly a problem for bulky inputs such as fertilizer and cattle feed. An additional constraint is lack of credit, as capital must be tied up for significant periods to move inputs to rural areas.

The responses of farmers in the recent Bandundu/Shaba survey reflect these constraints on input supply. The use of fertilizer and inputs other than land to expand food crop output was minimal, and respondents reported great difficulty in obtaining fertilizers and improved seeds in local markets (Nathan 1989).

In 1984, with World Bank assistance, the government established a national seeds service, the *Bureau National des Semences* (BUNASEM), to coordinate the distribution and supply of seeds and ensure their quality. With the exception of seeds, however, there is no nationally organized system for input distribution and supply, reflecting the authorities' desire to leave these functions to the private sector and the belief that trade and credit reform would induce private firms to undertake them. Distributing and selling inputs would seem to be ideal for private sector involvement, particularly given the problems experienced by publicly funded agencies such as the *Programme National Engrais* (PNE) in distributing inputs (World Bank 1986). However, while a few large, vertically integrated NGOs have been able to distribute inputs at a profit, transport and other constraints have so far prevented substantial private sector involvement.

Credit for agriculture is available from three main sources: *Société Financière de Développement* (SOFIDE), the Agricultural Credit Bank (BCA), and commercial banks. SOFIDE, an IDA-supported development finance corporation, provides medium and long-term credit to the modern sector at an interest rate of 15 percent, with foreign exchange risk assumed by the borrower. BCA was established in 1982 to expand the availability of agricultural credit and provide loans at an interest rate of 26 percent to smaller borrowers than SOFIDE services (Zaires 1.7 million on average but as low as Zaires 200,000, compared to 5 million on average for SOFIDE). However, BCA is not a source of smallholder credit: two-thirds of its lending goes to traders and the rest to large farmers (Lipton 1988).

At its incorporation in 1982, BCA's total potential capital was almost US$ 22 million. High inflation and subsidized interest rates, however, meant that BCA was earning negative real interest on its loan portfolio, which resulted in decapitalization. By the end of 1986 its equity was little more than US$ 1 million. This shortage of resources prevents BCA from playing its envisioned major role in providing agricultural credit: in 1986, for example, it accounted for only 4 percent of total credit to the agricultural sector.

To increase the capital of BCA, the government is preparing an ordinance that would establish BCA as a mixed capital company and open the subscription of its capital to others, including foreigners. In addition, in an effort to mobilize rural savings for agricultural lending, links are planned between BCA and rural savings and loan cooperatives (COOPECS), which have grown rapidly in size and number in recent years.

For both SOFIDE and BCA, demand from the modern sector for credit for marketing and investment greatly exceeds available resources, suggesting that shortages of credit are constraining output expansion and marketing activity. Note, however, that the subsidized interest rates from these institutions account in part for the high demand. In 1986, for example, rates on long-term agricultural loans from SOFIDE and BCA were 15 and 26 percent, respectively, well below the 40 percent charged by commercial banks (Thomas and Reintsma 1989).

The commercial banks are the main source of credit to the agricultural sector. Most credit from the banks is used for seasonal crop marketing. Before July 1987, short-term agricultural lending by commercial banks was subject to a 28 percent interest ceiling, compared to 40 percent for other sectors. As noted earlier, the commercial banks responded to the ceiling by favoring export crop producers and traders whose later foreign exchange dealings would compensate for the subsidized rate. The reforms undertaken under the structural adjustment program in 1987 attempted to rationalize lending by the banks. Interest ceilings on agricultural lending by the commercial banks were removed. To offset the effect on borrowers of the resulting higher (but uniform) rate, the 18 percent turnover tax on agricultural credit was eliminated. The government also set a minimum proportion of commercial bank lending that must be directed to agriculture.

With these changes, the main constraint to borrowing from the commercial banks was the high rate of interest rather than the shortage of credit at subsidized rates. Data are not presently available to assess whether access to credit was made easier for small farmers or traders as a result of the liberalization. A further question, discussed in Chapter 6, concerns the differential access of women and men to agricultural credit, particularly for trading and marketing.

Budgetary Resources and Administrative Capabilities. The discussion above makes clear that underlying many if not most of the problems of agricultural services in Zaire is the paucity of resources made available for their provision. Government pronouncements on the importance of agriculture to national development (*priorité des priorités*) have not been matched by improved budgetary allocations to the sector. As noted, the share of current and investment expenditures going to agriculture was typically 3 percent or less through 1986, the last year for which reliable data are available. Most disappointingly, agriculture received a tiny 0.7 to 0.8 percent budgetary share during the period 1984 to 1986, even as the country began efforts at adjustment and reform. Clearly, if the authorities' stated objective of rapid agricultural development is to be achieved, a far greater portion of public resources must be directed to the sector. The 1987-1989 Public Investment Program (PIP), took the welcome step of allocating a higher portion of resources (10 percent) to agriculture than previous programs. Unfortunately, information on the subsequent implementation of these resources is not available.

The problem of inadequate resources is compounded by poor organization and management of government agricultural administration. Fragmentation of administrative responsibilities causes difficulties in coordination. The Ministry of Agriculture is only one of four agencies overseeing agriculture and related activities (e.g., forestry), and very frequent changes in top administrative staff of the Ministry of Agriculture are detrimental to the continuity of policy. Poor staff morale, linked to very low levels of pay, also seriously compromise effectiveness. The years since the early 1970s have seen a drastic decline in the real compensation of civil servants, who have borne most of the burden of austerity-induced budget reductions. Public sector real wages in 1988 were only 13 percent of 1971 levels, with a widening gap between public and private sector wages since the start of the 1980s (Bank of Zaire various years). Moreover, government salaries are not paid regularly. In 1990/1991, salaries were increased substantially although high inflation more than offset these increases. As a result, scarce qualified personnel are tempted to leave for the private sector.[22] Agricultural administration also suffers from overcentralization, an

22 Another consequence of the scarcity of skilled staff and inadequate civil service pay is the use of bonus schemes by donor projects to attract skilled personnel. These bonuses can constitute up to several times base salaries. Rather than solve the low pay problem through *de facto* competition among projects, however, this unorganized process can cause ongoing projects that cannot raise salaries in mid-term to lose staff to new projects offering high bonuses, and prevent worthy projects with fewer resources from attracting needed staff (World Bank 1986).

especially serious problem given the great size and diversity of the country. However, regional and local administrations, to which agricultural field services are responsible, are themselves very short of resources and suffer from an almost complete lack of accountability (Thomas and Reintsma 1989).

Donor Strategies. The shortcomings of government agricultural administration has conditioned the pattern of donor activities in unfavorable ways. Over the last two decades donors have generally followed a dispersed approach, favoring scattered community development and commodity-specific projects such as food-crop and road improvements, livestock development, and water supply developments. These are typically self-contained projects with their own management structures, and thus are protected from the uncertain budgetary process and ineffective government administration. However, although individual projects have sometimes been successful, the "isolationist" approach suffers from problems of lack of replicability and avoids rather than faces the necessity of overall reform of national institutions for agricultural development.

TRANSPORT

Economic activity in Zaire depends crucially on a well-functioning transport sector to permit reliable access to inputs and the evacuation of outputs.This is the case not only because the country is so large, but also because it is nearly landlocked. However, the transport network in Zaire has declined steadily since independence and now constitutes a major barrier to the expansion of activity in agriculture (as described above), as well as in mining, manufacturing, and commerce.

The network of roads, railways, and waterways, a will as their parastatal management, were described in Chapter 2. This section will discuss developments in the sector since independence. The discussion will be confined to road, river, and rail transport, since these modes, rather than air and international shipping, are those upon which activity in other sectors most depends.

During the colonial period, the road and railway infrastructure, although designed to serve the interests of the Belgian business community, was well developed and maintained. The main road and rail routes connected the agricultural regions of Kivu and the mining region of Shaba with Kinshasa and the port of Matadi. In the less developed northern half of the country, the transport system was relatively sparsely developed. The transport network today still largely reflects these colonial patterns.

Since independence, the performance of the transport sector has declined as a result of a lack of maintenance, shortages of fuel, equipment, and spare parts, disruption caused by the civil war in Angola, and the poor financial performance of the transportation parastatals. The fall in export earnings and balance of payments difficulties beginning in 1975 have added to problems caused by inadequate maintenance by forcing reductions in necessary imports. For example, imports of trucks fell from an annual average of 5,500 during the period 1972 to 1975 to only 1,000 in 1978 (World Bank 1979). Transport bottlenecks also resulted from a shortage of petroleum, the consumption of which fell 6 and 8 percent in 1976 and 1977, respectively. Lack of access to imported parts and equipment and inadequate fuel supplies has continued to constrain transport activity and has correspondingly discouraged production, particularly in agriculture.

The *Voie Nationale*

The closing of the Benguela Railway in 1975 as a consequence of the Angolan conflict closed off GECAMINES' access to the port of Lobito.[23] Since then, mineral exports have been exported primarily through Matadi, a much more cumbersome and expensive route, and through South Africa, which is faster but even more costly. The route to Matadi, known as the *Voie Nationale*, is a combined rail and water route maintained by SNCZ and ONATRA. The services of both of these state enterprises have declined along with their financial performance in the last few years, further adding to Gecamine's costs and constraining its ability to increase output and exports.

The Road Network

Construction and maintenance of the road network is the responsibility of two agencies, the *Office des Routes* (ODR), in charge of primary and secondary roads, and the *Service Nationale des Routes Desserts Agricoles* (SNRDA), for feeder roads. Years of inadequate attention to maintenance have led to the wearing out of the country's network of roads, with deleterious effects on production, particularly in agriculture. Only a small fraction of Zaire's 150,000 kilometers of roads are asphalted, and many are completely impassible in the rainy season. The result, as described in the previous section, is that transport is extremely costly. Together with shortages of fuel, parts, and equipment, the effect has been to discourage agricultural production for the market, to add large transport margins to food and industrial crop prices, and to increase the country's dependence on imports to feed the urban population. At the same time, as noted in the previous section, transport barriers have weakened the impact of price reform on agricultural supply and rural incomes. Finally, the smuggling of

23 See the following section for developments concerning GECAMINES.

products across nearby borders (e.g, food grown in Kivu) has emerged as an attractive alternative to attempting to ship agricultural products to distant urban markets.

ODR was established in 1972 with World Bank and USAID support to manage all roads, including the feeder network. By 1985, it was clear, however, that ODR resources were not even adequate to cover the national and regional networks, and responsibility for feeder road maintenance fell to less capable regional administrations. The only feeder road management undertaken prior to the start of SNRDA operations in 1987 was by commercial plantations or religious organizations (USAID/Kinshasa 1990).

ODR has been the recipient of a major portion of some US$ 600 million in highway-related grants and soft-term credits from the World Bank and other institutions. A recent USAID/Kinshasa (1990) study, noting that the level of service provided by the road network today is lower than during the colonial period, concludes that the success of this aid has been limited to staving off complete disintegration and economic breakdown. While institutional weaknesses of ODR, in particular overcentralization of management, have been important, the major difficulty has been the agency's inability to secure adequate and regular local currency funding.

In 1985, the government initiated a road rehabilitation program to be financed by a tax on gasoline and diesel oil to be collected by petroleum distribution companies and turned over to ODR. In 1985/1986, the first two years of the plan, revenues were inadequate due to inefficient collection of the fuel tax. In order to secure more revenue, and in accordance with the structural adjustment program, the authorities increased retail petroleum prices and the tax on gasoline and diesel oil in 1987. However, the companies responsible for collecting the tax experienced cash flow problems due to delays in adjusting retail petroleum prices to match increases in their costs as well as delays in payments for government purchases. As a result, they withheld several months' worth of proceeds from the tax from the Office des Routes. ODR's financial position suffered further damage in 1988 when the World Bank suspended disbursements under the Sixth Highway Credit, which had a multiplied effect through reductions in related local currency expenditure obligations by the government. For these reasons, ODR's operations, instead of expanding, stagnated in the period 1987 to 1989 (USAID/Kinshasa 1990).

A decision in 1989 to double and index retail petroleum prices, and a revised tax structure, resulted in an improvement in the financial situation of the road authority. The new tax structure, based on an *ad valorem* transportation surtax of 55 percent on gasoline, 45 percent on diesel and fuel oil, and 15 percent on kerosene, was designed to maintain the real value of revenues in the face of inflation. Forty-three percent of these revenues were earmarked for ODR, but this amount was subsequently reduced several times and as of March 1990 stood at 38 percent. Implementation of the new tax structure led to a limited renewal of disbursements under the World Bank's Sixth Highway Credit in January 1990. At the same time, beginning in 1989, ODR initiated other reform policies, including restructuring the agency, curtailing staff, and contracting with private sector operators for road work.

As noted, ODR's priority since its inception has been highways. SNRDA was created in 1986 (and began operating in mid-1987) to provide a more decentralized institutional structure for planning and maintaining Zaire's feeder road network. Lacking technical offices, SNRDA relies on technical services provided by ODR. Road all developed and maintained by private contractors. The agency's activities are financed through a 6 percent allocation of fuel tax revenues. Government changes in the organization of SNRDA, including greater decentralization, announced in June 1989, have been incorporated as credit conditions in a planned US$ 21 million World Bank Pilot Feeder Road Project.

Operations of ONATRA and SNCZ

Conditions in the transport sector reflect in part the poor management, inappropriate pricing policies, and other problems associated with the operation of the transport parastatals. As mentioned, the financial condition of the river and rail transport agencies, ONATRA and SNCZ, which was already poor, has deteriorated since the mid-1980s. A number of factors have contributed to this deterioration including delays in raising tariffs when inflation was high; falling or stagnating traffic volume; high operating costs; and lack of maintenance and shortages of equipment and spare parts (IMF 1988). To make rates more accurately reflect costs, rail transport rates were raised by about 100 percent, and river transport rates by about 50 percent, in 1987. In addition, as explained in Chapter 4, a major focus of the World Bank supported 1987-1990 Public Investment Program was the rehabilitation of transport infrastructure, and medium-term investment plans were elaborated for both ONATRA and SNCZ. However, the continued poor financial condition of both parastatals has hindered the execution of these programs. In the meantime, as the services of ONATRA and SNCZ have deteriorated, and reflecting the authorities' recent emphasis on encouraging private sector activity, an increasing amount of transport activity has been undertaken by private businesses.

GECAMINES

The importance of the mining sector, and therefore of GECAMINES, as a source of foreign exchange, tax revenue, and employment was stressed in Chapter 2. GECAMINES has an even larger economic role than this, however, because the company is a major source of demand for the energy and transport sectors and indirectly provides, through these sectors and other links with the rest of the economy, employment far beyond its own 40,000 workers. Consequently, the fortunes of the Zairian economy are closely bound with those of GECAMINES, and to a significant extent the economic crisis beginning in the 1970s reflected developments in the mining sector. This section will present a fuller picture of developments in GECAMINES during the crisis years of 1975 to 1982 and the period since reforms were initiated in 1983. It bears reminding that, except for diamonds and petroleum, the predominance of GECAMINES is such that it is almost synonymous with the mining sector in Zaire.

The Crisis Period: 1975 to 1982

The high growth rates of the Zairian economy in 1967-1974 were spurred largely by buoyant copper prices. In 1974, GECAMINES produced a record 471,000 tons of copper, 17,500 tons of cobalt, and 68,700 tons of zinc. Beginning in 1975, however, GECAMINES entered a period of decline and decapitalization. This decline had both external and internal cause.

On the external side, the plummeting of international copper demand and prices in 1975 was a major blow to the mining sector. Although, except for cobalt, mining production did not decline sharply in 1975 — copper output was only 1.7 percent lower than in 1974 — the value of sales fell almost 40 percent because of the depressed prices. War in Angola also had a detrimental impact through the Shaba wars of 1977 and 1978 and the closing of the Benguela Railway to the Atlantic port of Lobito. With the closing of the railway in 1975, mining products had to be shipped by the longer and more cumbersome route to the port of Matadi, adding an estimated US$ 68 million annually in transport and financing costs. By 1978, production of copper had declined to 391,000 tons, barely above 1970 output (Table 14).

However, GECAMINE'S difficulties during this period were also due to internal factors relating to government policies and company management (World Bank 1982). These included, first, institutional shortcomings related to the taxation regime, lack of transparency in the use of company receipts, and political interference in management. The tax regime paid little heed to the need for GECAMINES' financial viability. Based heavily on export duties, it penalized the company in times of low export prices, and prevented necessary reinvestment. GECAMINES was typically unable to meet a major portion of its

Table 14 — Selected Data on GECAMINES' Operations

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
	Millions of Zaires										
Total turnover	977.2		4,113.3	6,635.9	6,243.4	10,645.6	34,057.9	47,379.7	55,726.6	111,820.2	249,519.9
Of which:											
copper sales	385.8		2,742.7	3,612.2	4,591.7	7,790.5	22,021.4	31,754.6	41,720.2	88,957.7	195,915.0
cobalt sales	487.6		1,206.0	2,231.4	864.1	1,311.6	8,384.5	11,201.9	9,387.3	15,263.1	39,498.1
Profits after taxes	145.1		691.5	1,542.3	-1,833.8	-1,429.1	1,508.2	2,182.0	-2,563.0	3,041.3	29,810.0
Investment	—		492.8	368.4	117.1	935.0	4,465.6	7,125.0	6,782.9	11,130.7	15,083.5
Long-term debt (end of period)	—		946.7	1,362.4	1,628.5	6,611.1	8,981.0	11,971.0	10,338.5	16,714.6	23,622.4
	Thousands of Metric Tons										
Production											
Copper	391.1	369.8	425.7	468.2	466.4	465.8	465.5	471.5	476.0	472.3	439.5
Cobalt	13.8	14.0	14.5	11.1	5.6	5.4	9.1	10.6	13.5	10.5	10.0
Zinc	43.5	43.7	43.8	57.6	64.4	62.5	68.4	67.9	65.0	55.0	61.0

Sources: *Republic of Zaire, Conjuncture Economique (1987); IMF (various years), Zaire Recent Economic Developments.*

obligations to the government during the period 1975 to 1982. The worst year was 1982, when the share of GECAMINES' tax payments (including taxes on wages and salaries and on profits) in total government revenue was only 6 percent. This contrasts to a high of 50 percent reached in 1974, the year before copper prices plunged.

A second source of weakness was the poor internal management of GECAMINES and SOZACOM (the marketing parastatal) as well as the deterioration of relations between the two enterprises. The division of responsibilities between GECAMINES and SOZACOM was such that GECAMINES had little control over its sales and receipts and was not involved in devising marketing strategies or arranging sales of its products. Leakage of foreign exchange, particularly at the marketing end, was a serious problem: in particular, there were substantial sales, later designated as "uncompensated sales" for which GECAMINES was not reimbursed. Finally, the government had imposed, without adequate economic justification, a number of nonmining activities on GECAMINES, including management of a maize flour mill and other agricultural activities in Shaba province.

GECAMINES Since 1983

The importance of GECAMINES to the Zairian economy, and the seriousness of the problems just described, made rehabilitation of the company a significant component of the reform package adopted in the early 1980s. A new fiscal regime for GECAMINES, based on recommendations of a World Bank/IMF report, was instituted in September 1983 with the aim of balancing the company's requirement of financial viability with the Treasury's need for a predictable flow of revenue. Under the new rules, an export tax of 7 percent is applied to exports and is creditable against the profits tax, and a surtax is deducted from profits when the London copper price exceeds a threshold level. In this way, the tax burden has been made more responsive to price-related fluctuations in Gecamine's fortunes. At the same time, the government authorized the revaluation of the company's assets on the basis of current full replacement cost, with the result that net fixed assets of GECAMINES rose to US$ 1.1 billion in 1983, compared to less than US$ 300 million in 1981 (World Bank 1985).

Efforts to improve the institutional relationship between GECAMINES and SOZACOM had begun in 1982, with a new marketing agreement designed to enhance the role of GECAMINES in sales and marketing. The relationship with the Belgian firm Société Générale Group (SGM), which was responsible for refining and prefinancing sales of GECAMINES' products, was also renegotiated, resulting in a reduction of copper refining at SGM facilities and a reduction in marketing costs. The efforts to reform the GECAMINES-SOZACOM relationship, however, were soon revealed to be inadequate, and the government took stronger measures. In 1984, SOZACOM was dissolved, and both GECAMINES and SOZACOM were replaced with a single structure consisting of a holding company, GECAMINES Holding, and three subsidiaries: GECAMINES Exploitation, in charge of the mining activities, formerly under the old GECAMINES' responsibility; GECAMINES Commercial, in charge of the marketing activities which were formerly carried out by SOZACOM; and GECAMINES Development, in charge of all other activities formerly assumed by the old GECAMINES. The measures were designed to ensure greater transparency as well as efficiency in operations of the mining complex. With the creation of GECAMINES Development, nonmining activities were removed from the responsibility of the mining organization. More recently, in 1987 GECAMINES took over from a Japanese company the management of Sodimiza, which had formerly produced 5 percent of Zaire's copper output. As a result of this change, GECAMINES is now responsible for all copper production in the country.

Among the macroeconomic polices adopted as part of the stabilization measures in 1983, the exchange rate devaluation had a strong positive effect on Gecamine's cash position in local currency. The combined effect of devaluation, the tax changes, and asset revaluation enabled GECAMINES to register profits in 1984 and 1985 after incurring losses in 1983, and made it easier for the company to meet its tax obligations. Largely on account of the devaluation in that year, GECAMINES' contributions to total government revenue rose threefold to 19 percent in 1983, and was the same or higher in 1984 and 1985. GECAMINES also benefitted in 1984 from an increase in world demand for cobalt, although copper prices continued to stagnate.

With its financial position strengthened, GECAMINES launched a US$ 870 million (1985 dollars) five-year investment program in 1984. Multilateral agencies such as the World Bank and the African Development Bank, encouraged by the reforms, provided substantial backing for the plan. Nearly 60 percent of planned expenditures were allocated to replacement of aging machinery and equipment in an effort to reverse the decapitalization of the previous period. The plan was subsequently extended to cover the period 1986 to 1990.

Since the initial improvement generated by the reforms, GECAMINES' position, unavoidably, has been tied to the prices of its exports. With falling copper and cobalt prices in 1986, the company once again incurred losses (of Zaires 2.6 billion), although it was able to partially offset the impact of lower prices by increasing sales volumes, particularly of cobalt. The fall in the dollar in 1986 contributed to the losses, since export receipts were in dollars but imported inputs were for the most part in stronger currencies. GECAMINES was returned to the black in 1987 as copper prices rose from 62 to 81 cents per pound. Production of copper stagnated, however, reflecting the emphasis of the investment program on reinvestment and increasing efficiency rather than raising capacity. Copper prices rose substantially in 1988 and 1989, reflecting the higher international demand, before sliding back to their 1987 level in 1990. During the two years when copper prices were booming, however, GECAMINES' output did not respond to the increased world demand. In fact, copper production, which had consistently hovered around 470,000 tons during the period 1983 to 1987, fell to 440,000 and 425,000 tons, respectively, in 1988 and 1989. Production dropped sharply to 340,000 tons in 1990 and was projected to drop even further in 1991 (about 280,000).[24] In addition to all the problems described above, the latest decline in output is related to the cessation of activities due to the collapse of the Kamoto mine and the acceleration of labor unrest.

Clearly, GECAMINES' has performed very poorly at best since 1989. Production costs continue to rise — average production costs have escalated from 35 billion Belgian francs to about 45 billion or approximately US$ 1.12 billion to US$ 1.5 billion. Investments that were planned to rehabilitate production equipment have not been carried out, and the state continues to take an excessive share of Gecamine's export earnings.

EXTERNAL DEBT

Debt Situation Prior to 1983

Zaire's external debt problems can be traced back to the early 1970s, near the end of the country's period of rapid economic growth. Taking advantage of a favorable credit rating, the government began borrowing heavily in 1973/1974, mostly from commercial sources. External public debt (outstanding and disbursed), which was merely US$ 311 million in 1970, increased to US$ 904 million in 1973 and US$ 1,343 million in 1974 and continued to mount through the end of the decade (Table 15). The rise in the level of commitments soon led to a situation in which Zaire was unable to meet its debt service obligations. Contributing to the debt crisis were the following factors: (1) the dramatic deterioration in the terms of trade and Zaire's economic decline; (2) the structure of the debt; and (3) the generally unproductive allocation of borrowed funds.

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24 *La Libre Belgique*, May 6, 1991, p. 2.

The downswing of the Zairian economy beginning in 1975 has been described earlier. The sudden fall in the volume and price of copper exports — manifested in a 38 percent fall in the terms of trade in 1975 — occurred at a time when external debt service obligations were mounting rapidly, and made it doubly difficult for Zaire to meet its commitments. Debt service obligations had risen not just because of the sharply increased level of total commitments, but also because most of this borrowing was from commercial sources (for example, about 70 percent of new commitments in 1973/1974) on relatively harsh terms. The average terms of new external public and publicly guaranteed debt from 1970 to 1989 are shown in Table 16. Over the period 1970 to 1976, the average interest rate on Zaire's external public debt was 6.9 percent, with a maturity of 15 years and a grace period of 4.4 years. These terms were considerably harder than those facing other low income less developed countries (LDCs) during the same period: for this group, the average interest rate was 2.6 percent, maturity was 31 years, and the grace period was 7.8 years. The grant element for the group was almost 60 percent, about three times that for Zaire (World Bank 1979).

The relatively hard terms, combined with high levels of new borrowing, resulted in a dramatic surge in debt service obligations. Scheduled debt service in 1977 was US$ 375 million — greater than total external debt of six years earlier — and was equal to 30 percent of export earnings, compared to 8.4 percent in 1973. In the deteriorating economic climate after mid-1975, these amounts proved beyond the government's ability to pay. Zaire actually paid only 43 percent of its obligations in the period 1975 to 1977. By the end of 1977, cumulative debt service payments in arrears totaled US$ 378 million, 85 percent of which was due to private lenders.

Faced with growing difficulties in meeting its external commitments, beginning in 1976 the government entered into a series of arrangements to consolidate and reschedule its debt with the Paris Club of OECD country creditors and the London Club of private bank creditors. These agreements followed the adoption of stabilization programs supported by IMF Standby Arrangements, which traditionally function as assurance that the debtor country is taking adequate steps to enable it to repay its debt. Three Standbys (and one Extended Fund Facility) were negotiated through 1982.

Reflecting the collapse of new lending from private sources after 1978, external debt leveled off in the period 1979 to 1982. However, the economic situation remained poor and Zaire continued to experience difficulty meeting its debt service obligations. Export receipts in 1981/1982 averaged US$ 1,757 billion as compared to US$ 2,160 billion in 1979/1980, and by the end of 1982,

Table 15 — External Public and Publicly Guaranteed Long-Term Debt Outstanding and Disbursed

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
					US$ Millions					
Official creditors	221	111	147	174	311	518	962	1,225	1,589	1,994
Multilateral	6	9	30	49	59	78	116	193	261	281
IDA	1	3	8	16	26	38	55	87	113	139
IBRD	5	3	2	1	0	12	32	56	75	70
Bilateral	216	102	117	125	251	440	846	1,033	1,329	1,713
Private creditors	90	253	426	729	1,032	1,201	1,403	1,750	2,062	2,142
Suppliers	84	160	223	293	382	407	402	510	579	585
Financial markets	6	93	203	436	650	794	1,001	1,240	1,483	1,557
Total debt outstanding	311	364	573	904	1,343	1,718	2,365	2,975	3,652	4,136
Principal and interest payment										
As percent of exports										
Long-term debt	4.4	5.3	8.7	9.1	11.9	14.4	7.4	8.9	7.4	9.3
Total debt[a]	4.4	5.3	8.7	9.1	11.9	14.4	9.6	9.4	8.0	11.5
As percent of government current expenditure										
Total debt[a]	—	6.1	9.5	12.5	18.1	13.7	10.4	10.2	12.6	17.7
Debt as percent of GNP	9.1	9.4	13.4	16.6	20.6	25.0	35.6	34.5	33.9	39.2

Table 15 — continued

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
	US$ Millions									
Official creditors	2,595	2,756	2,722	3,299	3,307	4,018	4,973	6,313	6,313	5,689
Multilateral	333	336	388	450	476	608	790	1,182	1,349	1,511
IDA	176	214	255	302	372	471	738	837	965	965
IBRD	87	80	73	65	44	46	46	50	37	29
Bilateral	2,262	3,420	2,333	2,850	2,831	3,410	4,183	5,131	4,964	4,178
Private creditors	1,567	1,357	1,260	962	825	755	757	732	700	283
Suppliers	342	268	263	189	152	124	147	153	140	79
Financial markets	1,225	1,088	997	773	673	631	609	579	560	204
Total debt outstanding	4,161	4,113	3,982	4,261	4,132	4,773	5,729	7,045	7,013	5,973
Principal and interest payment										
As percent of exports										
Long-term debt	16.5	11.4	7.6	9.8	14.6	15.8	11.3	9.0	6.9	—
Total debt[a]	22.5	21.9	13.2	13.7	20.8	25.7	22.0	22.7	15.9	—
As percent of government current expenditure										
Total debt[a]	40.4	37.9	15.5	59.8						
Debt as percent of GNP	41.5	46.3	45.8	58.0	101.6	120.4	111.14	137.2	118.0	—

Source: *World Bank, World Debt Tables.*

a *Includes payments to IMF and on short-term debt.*

Table 16 — Average Terms of New Commitments, External Public and Publicly Guaranteed Long-Term Debt

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
All creditors																				
Interest (percent)	6.5	6.2	6.3	7.0	8.0	6.5	5.8	3.7	4.7	6.5	5.0	6.2	2.6	2.0	3.9	2.8	5.5	1.5	4.1	—
Maturity (years)	12.5	16.2	12.8	13.5	12.8	17.3	17.7	22.1	20.3	20.0	22.8	20.9	35.7	38.5	35.9	37.9	25.5	42.6	28.0	—
Grace period (years)	3.6	4.4	3.7	4.0	4.7	4.7	5.1	4.7	4.5	6.3	6.4	5.6	7.1	9.3	7.9	8.5	5.9	9.7	7.9	—
Grant element (percent)	18.3	23.9	19.3	18.5	11.4	22.0	26.8	40.9	35.5	25.9	40.0	26.6	61.0	69.0	51.2	61.5	30.5	73.5	47.3	—
Official creditors																				
Interest (percent)	2.6	4.0	3.4	0.7	6.6	5.9	4.5	2.7	3.5	4.4	2.8	5.7	1.9	1.8	3.9	2.4	4.9	1.5	3.6	—
Maturity (years)	32.6	28.5	30.7	27.7	16.4	22.8	23.8	29.6	24.8	30.5	28.7	27.2	39.7	39.5	35.9	40.1	27.5	42.6	29.7	—
Grace period (years)	8.5	6.8	7.7	9.6	6.8	5.6	6.6	6.3	5.1	9.1	8.6	7.4	8.4	9.5	7.9	8.8	6.2	9.7	8.3	—
Grant element (percent)	59.8	46.1	51.7	73.3	21.6	29.8	40.1	53.1	45.8	45.9	57.2	35.5	69.1	71.1	51.2	65.7	35.1	73.5	51.3	—
Private creditors																				
Interest (percent)	6.9	7.6	7.2	8.4	8.8	7.3	7.5	4.8	7.4	8.7	10.1	7.3	7.6	7.0	—	8.5	10.4	—	8.8	—
Maturity (years)	10.1	8.1	7.3	10.3	10.5	10.1	10.0	13.0	9.2	8.7	9.3	8.4	9.6	14.6	—	8.9	11.6	—	10.0	—
Grace period (years)	3.0	2.7	2.5	2.8	3.3	3.6	3.3	2.7	3.1	3.2	1.6	1.9	-1.6	5.0	—	4.0	3.8	—	3.5	—
Grant element (percent)	13.3	9.2	9.4	6.3	4.9	11.8	10.2	26.1	10.1	4.4	0.8	9.0	8.0	17.1	—	6.6	-1.8	—	4.5	—

Source: *World Bank, World Debt Tables.*

external arrears had climbed to US$ 938 million. Zaire was now considered to be one of the worst credit risks among nations.

The third factor exacerbating the debt problem was the tendency to use the funds unproductively, that is, in ways which did not result in expanded output and income from which repayment could be made. Only about 16 percent of the loan commitments between 1970 to 1977 were borrowed directly for productive sectors, and of this amount, most funds went to investments of dubious economic justification: almost 44 percent to expand mining production (thereby increasing the vulnerability of the economy to fluctuations in the international demand for copper) and a similar fraction to import-competing industries such as mining and steel production. A mere 13 percent of productive sector investment was directed to agriculture, the sector which directly or indirectly was the source of the incomes of the majority of the population. Fully 60 percent of the borrowing was for infrastructural investment for which the gestation periods were long and the ultimate returns uncertain. The time required to realize returns on these investments was particularly problematic because more than two thirds of this borrowing came from private sources for which grace periods were short. In sum, the relatively unproductive (from an economic point of view) allocation of financing, as well as its size and composition, guaranteed that Zaire would have trouble repaying its external debt.

Developments Since 1983

In support of the massive 1983 devaluation and other reforms, a new SDR#228 million Standby arrangement was negotiated with the IMF. This was followed by a Paris Club agreement to reschedule 1983 and 1984 maturities estimated at US$ 1,000 million over 11 years with a 5 year grace period. Since then, the pattern of IMF agreements followed by debt relief has continued on an almost annual basis: further Paris Club rescheduling were arranged in 1985, 1986, 1987, and 1989. Several informal rescheduling arrangements with the London Club of private creditors have also been negotiated.

Zaire's continued weak external position has necessitated these frequent rescheduling. Given the external situation, debt service commitments without relief would have been very difficult to sustain. The IMF estimates that scheduled payments on external debt (including Fund repurchases and charges) rose from 38 to 59 percent of exports of goods and services between 1983 and 1987. Scheduled interest payments rose 13 fold in this period, amounting in 1987 to 54 percent of central government revenue, and taking the largest share of current expenditure. Even after rescheduling, the debt service burden remained heavy. Actual debt service paid in 1987, including payments to the IMF and on short-term debts (Table 15), represented 23 percent of export receipts while interest amounted to 16 percent of government revenues.

The increase in scheduled debt service in the figures cited above points to a significant drawback of debt relief: reduction in current payments is achieved at the cost of adding to the future burden. The Paris Club rescheduling of 1983, for example, added approximately US$ 1.2 billion to debt service due in the following six years; this figure reflects both the size of the rescheduling and the high interest rates prevailing at the time (World Bank 1985). The increase in the level of debt through the recapitalization of principal and interest has also been dramatic. According to World Bank figures, long-term outstanding debt increased from US$ 4.2 billion to US$ 7.0 billion between 1983 to 1988, an increase of 67 percent (Table 15). The debt to GDP ratio has been over 100 percent every year since 1984, following a huge jump in the ratio in the wake of devaluation.

The government has borrowed relatively little since the beginning of the reform period. Commercial banks and other private sources have extended virtually no credit in the last six years. Although this is in accordance with conditions attached to agreements with the IMF putting ceilings on government borrowing from private sources on nonconcessional terms and prohibiting new short-term external borrowing, bilateral lenders also have not provided much new capital, in spite of Zaire's reform efforts. Instead, the greater part of the modest borrowing that has occurred has been in the form of structural adjustment loans and development assistance from multilateral institutions. Borrowing from these sources was low through 1986, but got a boost in 1987 as Zaire resumed its adjustment efforts. Gross disbursements from multilateral creditors jumped from SDR 146 million in 1986 to SDR 241 million in 1987, reflecting a doubling, to SDR 171 million, in World Bank disbursements on IDA terms, of which SDR 114 million represents structural adjustment lending in support of the government's renewed adjustment program. Of the latter, SDR 67 million was disbursed under an Industrial Structural Adjustment Credit (ISAC) and SDR 46 million was disbursed under the first tranche of a Structural Adjustment Loan (SAL). Disbursements from multilateral sources in 1988 and 1989 were slightly below 1987 levels but still higher than in earlier years.

Reflecting these trends, the composition of Zaire's external debt has changed. Long-term public external debt owed to private creditors fell from US$ 1,567 million in 1980 to US$ 700 million in 1988, or from 38 percent to 10 percent of total debt outstanding. The low interest rate, long maturity, and high grant element of new debt over the past decade as compared to the 1970s (Table 16) reflects the preponderance of official lending on concessional terms and indicates that recent borrowing will not add severely to the debt service burden in the near future.

The heavy burden of servicing the external debt, even with rescheduling, has been a source of increasing concern on the part of the Zairian authorities. The government fully met its revised commitments in 1984 and 1985, but in late 1986 and again in 1988 the Government temporarily suspended debt service payments to some of its private and official creditors. Despite these problems, the pattern of IMF Standbys and rescheduling has continued, as described earlier.

In view of the difficulties Zaire has experienced in meeting debt service obligations and the high level of external debt, it is reasonable to be skeptical of the prospects for ending the almost yearly cycle of negotiations to reschedule the debt. The World Bank projects total debt service on existing long-term public external debt (assuming no relief) of US$ 982 billion in 1990 declining to US$ 824 billion in 1994. Export receipts in 1988 totaled about US$ 2,392 billion. Figured roughly, then, the prospect is for scheduled debt service on long-term debt to claim over one-third of annual export receipts unless there is a major upsurge in export earnings. This is substantially higher the fraction than the government has managed to pay in recent years for total, let alone long-term, debt (e.g., 16 percent in 1988). Thus, future debt rescheduling, perhaps augmented by increased commitments of concessional external resources, appear all but inevitable.

There is also the question of how the debt situation affects the poor. Servicing of external debt can directly impact the poor through a squeeze on other forms of government spending such as wages and salaries, subsidies, and purchases of goods and services. IMF data for the first period of adjustment (1983 to 1986) indeed reveal a dramatic rise in the share of interest paid on foreign debt. The share, which averaged slightly less than 10 percent from 1981 to 1983, was on average about 30 percent in 1983 to 1986. This not only reflects sharply rising interest payments but also government efforts to hold down total spending. These two factors made it inevitable that other expenditures would be squeezed, particularly given the relative flexibility of this spending as compared with the government's (rescheduled) interest commitments. The biggest cut was in personnel, as nominal wage increases were curtailed during this period, leading to a plummeting of real wages of government workers (see Chapter 6). Almost all noninterest categories of spending fell as a percentage of total expenditure, however, notably transfers and subsidies, investment, and (looking by functional category) services such as health and education[25]. Since 1986, the share of interest has fallen as interest payments have leveled off and as the government has largely abandoned its commitment to fiscal restraint. The data for the years

1984 to 1986, however, do give the impression that under conditions of relative fiscal austerity numerous forms of spending that may have benefitted the poor had to give way to permit servicing.

25 See Chapter 6 for a discussion of these services. Reductions in subsidies to other government agencies may indirectly hurt the poor if they lead to curtailment of, or increases in fees for, services used by the poor.

6. Characteristics of The Poor

Zaire's estimated per capita income of US$ 150 (1988)[26] is low not only by comparison with the developing world but relative to other sub-Saharan countries as well (Table 17). Although accounting for unrecorded activity would raise the absolute level of income by some unknown factor, it is unlikely that Zaire's position near the bottom of the income ranking would be much altered (Tabatabai 1990). It cannot be doubted that poverty is an extremely serious problem in Zaire. It is crucial, therefore, to understand how economic policies affect the poor.

The point of departure for such an understanding is to identify the poor and to delineate their relationship to the economy. The urban poor interact with the economy as consumers (of food primarily, but also of services such as health and education) and as suppliers of labor. In rural areas, most of the poor are both consumers and producers (of food and export crops). Unfortunately, the data on poverty in Zaire are generally weak, particularly for rural areas. However, poverty profiles of Kinshasa and the Bandundu region are being undertaken as part of Cornell's Africa Economic Policy Project. These studies will be used to identify and describe the vulnerable groups in the economy and, when integrated in a larger modelling process, will permit an understanding of the links between macro economic policy and poverty. For now, an attempt will be made in this section to describe the characteristics of the poor based on studies done to date, and to assess in broad terms how the poor have been affected by adjustment. Several different indicators of poverty will be discussed: incomes, food consumption, nutrition and health, and access to social services. A separate discussion focuses on the role of women in the economy and its interrelation with

26 The revised national account figure suggests that the actual per capita GDP hovered around US$ 250 in 1989.

Table 17 — Socioeconomic and Human Welfare Indicators

Indicator	Year	Zaire	Sub-Saharan Africa	All Developing Countries
GNP/capita (US$)	1988	150	440	650
Food availability (kcals/capita/day)	1987	2151	2024[a]	2339
Life expectancy at birth (years)	1987	53	51	62
Adult Literacy Rate (15+)	1985	62	48	60
Male	1985	79	59	71
Female	1985	45	38	50
Percent of population with access to potable water	1985-87	33	37	55
Urban	1985-87	52	74	79
Rural	1985-87	21	24	41
Under-5 mortality rate (per 1,000)	1988	138	183	121
Infant mortality rate (per 1,000)	1988	83	110	79
Doctors/capita	1988	1/15,000	1/36,000[b]	—
Paramedics/capita	1988	1/7,000	1/4,500	—
Incidence of poverty (percent)				
Rural	1977-87	80[c]	61	35

Sources: *UNDP, Human Development Report, cited in Tabatabai (1990), except Food availability: World Bank, Social Indicators of Development 1987, cited in World Bank 1998a; and doctors and paramedics per capita: World Bank 1988b.*

a *1985 average.*

b *Burundi, Rwanda, and Uganda only.*

c *1975 estimate.*

problems of poverty. Throughout, a distinction is made between the urban poor and the rural poor. Given the overall scarcity of data on these indicators, the descriptions are necessarily sketchy and the conclusions drawn from them somewhat general and speculative.

EMPLOYMENT AND INCOMES

Urban Areas

The urban population of Zaire comprises 39 percent of the total population, the second highest ratio among low-income African countries. Kinshasa is one of the largest cities in sub-Saharan Africa, with a population of 3.3 million, 10 times its preindependence size. With such a pronounced urban demographic explosion, urban poverty is considered to be a particularly serious problem in Zaire.

Household survey data from Kinshasa, the most recent of which are from 1986, provide the best indication of the sources of employment and incomes of

Table 18 — Average Sources of Household Income, Kinshasa, 1986

Source	Percent of Total Income
Self-employment	36
Wages	29
Undeclared earnings	23
Gifts in kind	12
Total	100

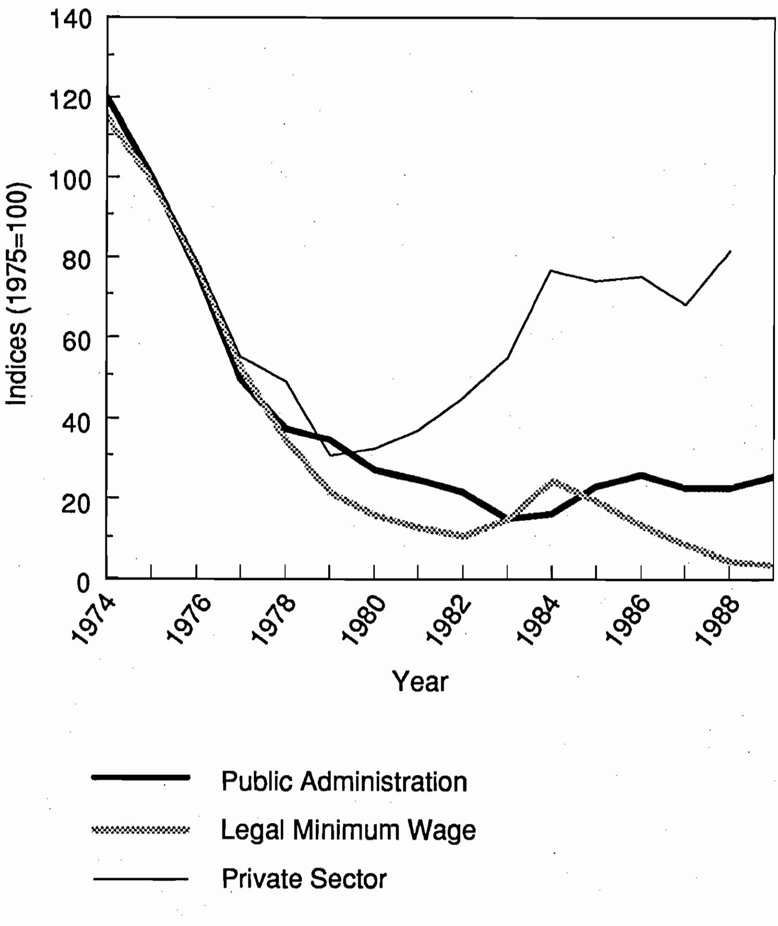
Source: Houyoux (1986).

urban households in Zaire. The breakdown of income sources for 1986 is shown in Table 18. First and most strikingly, earnings from self-employment are on average the most important source of household income, accounting for over a third of the total. Wages make up on average only about 30 percent of household incomes. Another 23 percent of income is undeclared and presumably includes revenues from illicit or illegal activities in the parallel economy. The importance of the informal sector as a source of urban household incomes is clear from these household level data and is reflected as well in surveys conducted by the International Labor Office in Kinshasa and Lubumbashi. The informal sector in Kinshasa in 1984 was found to employ about 140,000 people, more than the number in the formal sector.[27] Data for the parallel economy are lacking, but as noted in Chapter 2, general observation suggests a significant scale here as well.

The breakdown of income sources in the 1986 household survey is not surprising in light of recent developments in the Zairian economy. The informal sector has expanded as urban population growth has surged ahead of the growth of jobs in the formal sector. Moreover, even households in which the head holds a job in the modern sector have in recent years turned to the informal sector to supplement their livelihoods. The reason for this can be seen clearly from time series on formal sector wages and inflation. As shown in Figure 5, there were dramatic declines in real wages for both government and private sector workers from the levels of the early 1970s as nominal wage increases lagged far behind price increases for food and other commodities. Public employees, however,

27 The appropriate criteria by which to distinguish between formal and informal sectors has long been debated in development research. The formal is usually defined to include the public sector and large private firms using modern or imported technology and a structured workforce, while the informal sector includes all self-employment as well as wage employment in small enterprises in which older techniques are used, the number of workers is small, and the workforce is less rigidly organized (see Mazumdar 1989). This is essentially the definition used by the ILO studies in which informal sector enterprises are defined as those using informal methods of operation and having under 10 employees.

Figure 5 — Real Wages in the Public and Private Sectors, 1974-1989



Source: *Bank of Zaire (various years).*

Note: *All wages are deflated by the consumer price index.*

who constitute almost a third of the work force, have fared much worse than their private sector counterparts. Real public sector wages in 1988 were about a quarter of their 1975 levels, while private sector wages were 80 percent of 1975 levels in 1988 and almost four times the average public sector wage.

These levels of remuneration — particularly in the public sector, but also in the private sector in some cases — are so low as to be well below levels needed to meet a family's basic needs. It appears that workers in the formal wage sector have reacted by turning to second and even third jobs in the urban informal sector, and to activity in the parallel or underground economy, to supplement family incomes. This pattern has undoubtedly contributed to the expansion of the informal and parallel economies in recent years.[28]

With regard to the effects of adjustment on urban incomes, government employees seem to have been hit especially hard by adjustment. Reflecting in part the terms of agreements made with the IMF, nominal wages paid by the government were raised only twice between 1982 and 1986. These increases were far below that necessary to keep up with the increase in consumer prices, which rose 387 percent during this period. Consequently, real public sector wages dipped sharply, and in 1983 and 1984 were barely 15 percent of their 1975 levels. More recently, as shown in Figure 5, there has been a modest rebound of both government and private sector real wages.

Gini coefficients have been constructed from household expenditures as reported in the 1986 survey and an earlier survey done in 1969. The coefficients — 0.482 for 1969 and 0.490 for 1986 — suggest that income distribution among households in Kinshasa is moderately unequal and has become more unequal, though only slightly.[29] The tendency of well-off households in Zaire to incorporate less affluent members of the extended family needs to be considered in the evaluation of the welfare effects of adjustment, since this process may act to shield vulnerable individuals from the effects of unemployment or falling real wages. The trend toward extended families may also serve to lessen inequality among individuals in Kinshasa.

Rural Areas

Most of Zaire's 3 to 4 million small farm households, comprising some 10 million of Zaire's active population of 16 million, produce food crops for their own consumption. In addition to marketed food surpluses, coffee and cotton

28 At the same time, it implies that the downward trend in real wages, particularly in the public sector, gives an incomplete—that is, exaggerated—picture of the decline in incomes and welfare.
29 Reported in Nathan (1989), based on an analysis by the World Bank.

production are sources of cash income for about one million and 250,000 farm households, respectively. An unknown number of rural inhabitants work for wages on modern estates.[30]

The scarce data that are available on rural incomes do not permit time-series comparisons with urban incomes. However, the gap between urban and rural incomes is significant. A 1989 estimate of rural per capita income, from a survey of Bandundu farm households, is US$ 63 (including cash and cash-equivalent income), less than half the national average and among the lowest in sub-Saharan Africa (Robert R. Nathan Associates 1989). The incidence of poverty in rural areas is undoubtedly very high, but there are no recent estimates (a 1975 estimate, reported in Table 17, was 80 percent). Note, however, that with much or all of their incomes and consumption derived from their own production, subsistence and semisubsistence farm households were insulated to a greater extent than the urban poor from the effects of the country's economic deterioration.

Rural poverty cannot in general be ascribed to lack of access to land, which in most regions is in plentiful supply.[31] A few areas with high population densities, notably in Bas-Zaire and Kivu, do exhibit problems of land scarcity and insecurity of land tenure (World Bank 1998a). The major constraints on the incomes of small farmers, however, are low productivity — reflecting weaknesses in agricultural research and extension, input use, and credit provision — and poor access to markets for selling surpluses.[32]

Within rural areas, there is some evidence of significant inter- and intra-regional inequality. This has been demonstrated, for example, for individual subregions within Bandundu (Robert R. Nathan Associates 1989). Differences in land availability reflecting differences in population densities explain some instances of inequality within regions,[33] but the most important factors are probably differences in soil quality, input use, and access to markets.

The effect of the reform measures applied to agriculture since 1982 on incomes of producers was discussed in Chapter 5. The conclusion drawn was that most traditional farmers did not benefit greatly, either because the reforms were not enforced by local authorities, or because of transport-related constraints

30 See the description of the agricultural sector in Chapter 2 for more details.

31 For example, in the 1988/89 Bandundu and Shaba rural surveys, 85 percent of the farm households interviewed indicated they had sufficient land to expand area cultivated of major crops (Nathan 1989).

32 See Chapter 5.

33 As in the comparison of incomes of densely populated Kongolo and less populated Nyunzu, two areas involved in the North Shaba project (Sines et al. 1987).

to marketing of surpluses. Obviously, farmers must produce a surplus and be able to market it if they are to gain from liberalization. Pure subsistence producers may have been insulated from the country's overall economic downturn, as noted above, but by the same token they would not have benefitted from subsequent reforms.

CONSUMPTION EXPENDITURES[34]

Comparison of the 1969 and 1986 Kinshasa household surveys undertaken by Houyoux (1973, 1986) cannot identify the effects of specific policies (whether related to adjustment or not) on urban household food and other expenditures but do permit some observations of how consumption, most importantly of food, has responded to broader changes in Zaire's economic situation.[35] The comparison indicates, in accordance with the foregoing description of Zaire's economic problems as well as general observation, a fall in the welfare of the urban population.

Table 19 presents some household averages from the two samples. As indicated, despite an extraordinary increase in the consumer price index between 1969 and 1986, household expenditures have on average kept up with inflation. In per capita terms, on the other hand, and reflecting the increase in average household size, real expenditures were some 20 percent lower in 1986 than in 1969. Food consumption per capita also fell, from 16.7 kilograms to 15.0 kilograms, or about 10 percent. The value of this comparison is limited, however, since simply comparing on the basis of weight does not reveal whether there have been changes in nutrient intake due to changes in the composition of the diet; indicators of nutrient intake are discussed below. The basic structure of household expenditures appears, like the level of real household expenditures, not to have changed significantly between 1969 and 1986. Curiously, the average share of food in the budget has not risen, as might be expected if household per capita expenditure has fallen,[36] but instead registered a slight decrease, from 67 to 61 percent (Table 19). It has been suggested that the

34 This section deals with urban areas (Actually Kinshasa) only. Very little is known about expenditures and food consumption of rural households, other than that food requirements are generally met through own production rather than purchases.

35 It should be emphasized differences in sampling technique and sample size makes the comparison of results from the 1969 and 1986 surveys somewhat hazardous. The first survey used a stratified random sample of 1,471 households, whereas the 1986 survey used a much more simple quota sampling technique and covered only 205 households.

36 The well-known "Engel's Law" asserts that declines in household welfare are associated with increases in the share of household expenditures allocated to food.

Table 19 — Kinshasa: Evolution of Consumption Expenditures[a], 1969, 1986

	1969	1986
Average expenditure/household (Current Z)	31.42	8,563
Average expenditure/household (1969=100)	100	27,253
Consumer price index	100	27,701[b]
Real average expenditure/household (1969=100)	100	98
Real average expenditure/capita (1969=100)	100	80
Per capita consumption of food (kg) (ex. alcoholic and nonalcoholic drinks)	16.671	15.048
Distribution of consumption expenditure (percent share)		
Food	67.4	62.1
Housing	14.9	15.8
Clothing	7.3	4.7
Miscellaneous	10.4	17.4
Total	100	100
Number of sample households	1,417	205
Average household size (number of members)	5.9	7.3

***Sources:** Houyoux (1987), Tabatabai (1990).*

[a] *Refers to January-June.*

[b] *Refers to May.*

increased inequality in household expenditure noted above, which implies a greater share of income in the hands of better-off households, may account for the fall in the food share even as per capita income appears to have fallen (Tabatabai 1990).[37]

In sum, the results suggest that real incomes per capita fell, at least in Kinshasa, between 1969 and 1986. Together with a slight increase in the inequality in the distribution of household expenditures, this implies that the incidence of poverty increased (Tabatabai 1990). Casual observation in Kinshasa and other urban areas not only confirms that the standard of living has fallen in recent years, but gives the impression that the survey comparisons may underestimate the extent to which this has occurred. For example, in Kinshasa

37 The Houyoux studies also break down the sample into six levels based on household expenditures and calculate average expenditures and shares for each level. For all levels but one, the food share fell slightly between 1969 and 1986. Such comparisons over time are difficult to interpret, however, since levels are specified on the basis of overall household rather than per capita expenditures.

it is common to hear of families reduced to eating one meal a day or even less, which suggests a more dramatic fall in food consumption than the ten percent indicated above. This could mean that the 1969 to 1986 survey comparisons are inaccurate, or that the economic situation has deteriorated even further in the years since the last survey.[38]

NUTRITION AND HEALTH

In spite of Zaire's extremely low per capita income, various health indicators for the population are comparable or even superior to those for other sub-Saharan countries. Nutritional status can be assessed by measuring nutrient intake or through anthropometric indicators.[39] Aggregate statistics indicate that daily per capita calorie intake has been relatively stable, changing from 2,188 in 1965, 2,302 in 1973, and 2,151 in 1987. The 1987 figure is slightly above the sub-Saharan average for 1985 of 2,024 (Table 17). In Kinshasa, Houyoux estimates that on average only about two-thirds of daily requirements of calories, proteins, and phosphates are being met in Kinshasa, less than was the case in 1969 and 1975 (Houyoux 1986). This accords with a study based on a 1981 survey of Kinshasa indicating that the majority of the population had insufficient income to purchase low-cost nutritionally adequate diets (Makunu et al. 1984). These results, however, particularly those of Houyoux, may overstate the nutrient shortfall in Kinshasa.[40] On the other hand, there may be considerable variation in nutritional intake within Kinshasa so that some vulnerable groups may be especially at risk of malnutrition.

Anthropometric indicators of malnutrition, such as weight-for-age have been collected in both rural and urban areas, and suggest that rural malnutrition in particular is a serious problem. A recent World Bank study (World Bank 1988b) notes that some 25 percent of young children are thought to be malnourished in the country overall, but suggests on the basis of results of various individual surveys that the rate may be higher. Within rural areas, there seems to be

38 It should be noted that the focus on changes in real household expenditures does not in any case yield a complete picture of changes in welfare. As described above, many households have attempted to maintain their purchasing power by turning to the informal and parallel economies to supplement their incomes. If this implies a reduction in leisure time (particularly by wives in this case), welfare could fall even if income or purchasing power was maintained.

39 Strictly speaking, it is more appropriate to consider nutrient intake as an input into the production of nutritional or health status, and anthropometric measures, as well as morbidity and mortality histories, as indicators of nutritional or health status.

40 Tabatabai (1990), noting that the two-thirds figure given by Houyoux is too low to be credible, suggests that it results from an incorrect comparison of per capita availability figures with per adult equivalent requirements.

considerable variation between and within regions. In Bandundu, the percentage of children born with low birthweights reported at clinics in 1982 ranges from a low of 12 percent to a high of 41 percent (Thomas and Reintsma 1989). In Kivu, declining soil fertility and high population densities have created pockets of malnutrition (World Bank 1988a). However, access to health services appears to be an important determinant of the extent of malnutrition among young children in rural areas: in areas covered by the Health Zone system (described below), the prevalence of malnutrition is usually not greater than 20 to 25 percent, as compared to up to 60 percent outside the Health Zones (Tabatabai 1990). Although malnutrition is generally more serious in rural areas, it can reach very high levels in poorer urban areas. In Kimbaseke, an extension area of Kinshasa, for example, the rate approaches 70 percent (Tabatabai 1990).

Mortality rates for infants and young (under five) children provide further evidence of the extent of malnutrition. The national averages of 138 deaths per thousand under-fives and 83 per thousand infants compare favorably with other sub-Saharan countries but are above the averages for developing countries as a whole (Table 17). Perhaps more significant than the averages is the striking degree of regional variation in child mortality, replicating the pattern seen in the anthropometric indicators. For families of GECAMINES employees the estimated rate is a low 33 per thousand, compared to 80 per thousand in Kinshasa and 160 per thousand in poor rural zones (World Bank 1988b).

Life expectancy at birth in Zaire is 53 years. This figure is slightly above the average for sub-Saharan Africa, but again, is below the average for the developing world as a whole.

Any discussion of the health situation in Zaire must recognize that Zaire, like many other countries in sub-Saharan Africa, is severely burdened by the effects of the AIDS epidemic. In 1987, 4 to 8 percent of the population of Kinshasa was thought to be infected with the HIV virus, with females aged 15 to 29 especially at risk, and the pattern is similar in other cities and towns. In addition to having potentially severe effects on overall life expectancy and infant and adult mortality, the direct and indirect economic costs to the country may turn out to be staggering: for example, the estimated cost of treating an AIDS patient during the approximately one year period between manifestation of the disease and death is US$ 229 (constant 1986 dollars) (World Bank 1988b).

ACCESS TO SOCIAL SERVICES

Health Care

Basic indicators for health care availability in Zaire are equivalent or superior to those for other sub-Saharan African countries. Zaire has one medical establishment (hospital or clinic) per 10,000 people, one hospital per 89,000 people, and one bed per 557 people. These figures are near the averages for Central Africa. On the other hand, the doctor and paramedic per capita ratios of 1 per 15,000 and 1 per 1,700, respectively, are superior to the corresponding averages for sub-Saharan Africa (World Bank 1988b).

With regard to the organization of health care services, Zaire began in the early 1980s to implement a decentralized system of health zones, each of which covers about 100,000 residents. Before this system was created, less than 10 percent of the population had access to primary services. By 1987, this had risen to 47 percent (Shepard et al. 1990), although the quality of much of this care is poor. The health zones are mostly publicly administered, but the government provides few funds; instead, fully 80 percent of operating costs are covered by user fees (Bitran 1987, cited in Shepard et al. 1990). This high cost recovery ratio pertains even in rural areas. The health zone system is credited with providing far greater numbers of people with primary health care, and as noted above, with having reduced levels of malnutrition in rural areas covered by the system. Questions have been raised, however, about both the efficiency and equity of the system's reliance on fees per episode of illness as compared with insurance arrangements. Particularly with regard to in-patient care, fees potentially can take up a large portion of the incomes of the poor, who as a result may not seek needed treatment (Shepard et al. 1990).

Employers in the formal and parastatal sectors are obligated by law to provide medical care to their workers. This care, although it is likely to be of relatively high quality, covers only a small fraction of the population. In this regard, the growth in relative importance of the informal sector, where such legislation does not apply, has negative implications for the health status of the poor. This applies particularly strongly to female-headed households, which draw their income largely or totally from the informal sector.

The preceding suggests that public sector expenditure reductions associated with structural adjustment has disproportionately reduced hurt the access of informal sector workers and their families to basic health care. This is because individuals in the informal sector, lacking access to employer-provided services, must rely more heavily on public health expenditures. Furthermore, spending on social services such as health have fallen, even relative to total expenditures. The share of the Department of Health in total current budgeted expenditures, while small to begin with, has gotten even smaller since adjustment (e.g., 1 percent in 1988 compared to about 4 percent in 1982). As noted in the discussion of Zaire's external debt, this reflects at least in part the squeeze on various spending categories caused by the need to meet debt service obligations.

Education

As shown in Table 17, adult literacy in Zaire is 62 percent overall, and 79 percent and 45 percent, respectively, for men and women. These figures are higher than elsewhere in sub-Saharan Africa and comparable to developing countries as a whole. However, sharp reductions since adjustment began in public spending on education, paralleling declines in outlays for health, do not bode well for future progress. Expenditure on education as a share of total current expenditures has fallen from 23 percent in 1982 to under 8 percent in 1988. In addition to reduced outlays, the deterioration in household incomes has probably also reduced, the access of children in many poor families to education. Poor families may not be able to afford to educate children who otherwise might provide income by working in the informal sector. The result is a reduction in human capital investment with significant long-term private and social welfare costs. Some enterprises provide education in private schools for children of employees, but, as with private health care, this is affects only a small fraction of the population.

Other Services

Lack of access to safe water is a serious health problem in both urban and rural areas, but particularly in the latter, where only 21 percent of the population enjoys access to potable water. This figure, although low, is not appreciably below the average for sub-Saharan Africa. In urban areas, on the other hand, slightly over half of the urban population has access to potable water, which is considerably less than the average of 74 percent for sub-Saharan Africa (Table 17). More generally, access to basic urban services in urban Zaire is considered poor. For example, only about 30 percent of Kinshasa households have electricity connections (World Bank 1988c). Also noteworthy is the high share of transportation expenditures in Kinshasa household budgets reported by Houyoux (1986): this item accounted for 54 percent of the total miscellaneous expenditure category in 1986, indicating that real incomes will be strongly affected by increases in costs of transportation caused, for example, by fuel price increases or reductions in public subsidies.

ECONOMIC ROLE OF WOMEN

Concern over the role of women in the economy, and the discrimination and inequality of opportunity they face, is closely associated with the issue of poverty and the distribution of welfare. This is especially true in light of changes in women's economic roles that have resulted from changes in the economic situation in Zaire. In urban areas, as noted above, the fall in incomes from formal sector employment has helped give rise to the growth of informal sector activities. Unlike in the formal sector, where few women work (even in government), women are prominent in informal sector activities, primarily as small entrepreneurs in trading and marketing. Thus informal sector expansion has resulted in a greater share of household income provided by females. The rising cost of living in the cities apparently has overcome husbands' traditional reluctance to permit their wives to engage in income-earning activities outside the home.

Unfortunately, various institutional or legal barriers stand in the way of increasing the scale and productivity of women's business activities, even in the informal sector setting. These include low levels of education, legal strictures on the ability of married women to open bank accounts or acquire property without her husband's permission, and (reflecting this) poor access to formal credit. As the informal sector grows in importance, these barriers act to restrict productivity and income growth for the economy as a whole. At the household level, they hamper poor households' ability to use the informal sector to maintain their purchasing power; this, of course, applies all the more to female-headed households, whose income is likely to be derived exclusively from informal sector activities.

In rural areas, women contribute significantly to agricultural production. A 1986 study estimated that 94 percent of Zairian women were engaged in agricultural activity as opposed to 56 percent of men (Thibault-Normand 1986). These figures reflect to some extent male migration from rural areas, which has resulted in uneven sex ratios and, presumably, large numbers of female-headed households.[41] An implication of these trends is that the role of women in agricultural activities has gained in importance and in some cases become predominant. Women's input is most evident in food crop production, to which women contribute the major share of the labor. Men, on the other hand, are more involved in cash crop production and are also engaged in wage labor on plantations, where female labor is rare. It should be noted that women's labor in agricultural activities is in addition to their disproportionate contribution to food preparation and child care. Women are also strongly represented in

41 A small farmer study of the Bandundu region found a ratio of 88 males for every 100 females (Eele and Newton 1985).

agricultural marketing and trading activities. For example, in Haut-Zaire, Thibault-Normand (1986) found that an estimated 77 percent of agricultural sales activities are done by women, and 70 percent of women are involved in selling crops. A similar pattern was found in a study in Bandundu (Eele and Newton 1985).

The limited evidence on decision-making within agricultural households suggests, unfortunately, that women's control of resources and incomes is not commensurate with their labor contributions in agricultural activities. For example, in the Bandundu small farmer study, 60 percent of the women respondents indicated that their spouses determined how money earned from their agricultural activities was spent; only 34 percent said they were responsible (Eele and Newton 1985). This pattern seems to apply somewhat less to women traders, that is, women involved in the movement of agricultural commodities from one area to another. Women traders are relatively independent in the management of their businesses, although their control over the distribution of profits depends on the extent of their contribution of capital to the business (Sines et al. 1987).

In regards to the impact of agricultural price and marketing liberalization on the welfare of women, a few preliminary conclusions can be drawn.[42] Since most Zairian women are involved in agriculture, any policy change that improves agricultural and rural incomes can be expected a priori to benefit the economic situation of women disproportionately. However, the equitable distribution of income gains will depend on several factors. It appears that as price reform has increased profitability of food crop production, men have become more involved in producing and marketing these crops. This may reduce somewhat the labor burden on women, since these crops traditionally have been cultivated primarily by them. At the same time, however, men may exert even greater control over decision-making regarding production, marketing, and allocation of the proceeds, resulting in a less equitable intrahousehold distribution.

Liberalization and the elimination of marketing controls have improved the position of women traders, as the removal of barriers to interregional trade has enabled them to take advantage of price differentials between regions. As a result, the number of women traders may have increased since 1982, as Sines et al. report for Lubumbashi. However, as with women's urban informal sector enterprises, women's activities in agricultural trading as well as marketing are constrained by their limited access to credit. Formal credit, while accounting

42 The following is based on the discussion in Sines et al. (1987).

for only a small share of loans to small farmers, is dominated by lending to men. This reflects, among other factors, the legal limits discussed above on married women's access to the formal banking system. Women therefore rely much more on informal sources such as savings and credit cooperatives. Limited evidence suggests, however, that most women lack access to credit for marketing and trading even from these sources. Recent measures designed to increase credit availability in agriculture will therefore not greatly benefit women unless current legal or institutional constraints are addressed. The continued existence of these constraints serves to dampen the capacity of the agricultural sector to respond to policy reforms.

SUMMARY

The foregoing discussion has presented a brief profile of the poor in Zaire and some evidence as to which groups may have been affected most by government policies in recent years. In urban areas, restrictions on nominal wage increases meant that real incomes of government employees were directly and negatively affected by efforts to restrain public spending. Reductions in government outlays for health, education, and transportation undoubtedly also had harmful effects, particularly for workers in the informal sector, whose access to these services is not subsidized by employers. However, it would surely be inaccurate to blame adjustment *per se* for real wage declines and social service expenditure reductions. First, the perspective taken should encompass the legacy of prior government priorities and policies. For example, reductions in social spending concurrent with recent adjustment programs reflect the need for the government to meet burdensome debt service obligations, which result from past misguided policies, as much as they reflect program requirements of fiscal deficit reduction. More generally, as earlier chapters have made clear, the decline in incomes to current levels in Zaire is above all the result of years of inappropriate government policies and priorities. Second, as described in detail earlier, a sustained implementation of stabilization and structural adjustment measures has not taken place, so the net effect on the urban poor and other groups from adjustment properly implemented can hardly be judged from Zaire's experience so far.

Turning to rural areas, real incomes, although lower than in urban areas, have probably been less affected by the country's deteriorating economic situation because farm households are capable of producing their own food. Poor farming households in principle stood to benefit from price and marketing reforms in the agricultural sector. In practice, however, it is likely that only a limited number of small farmers experienced higher incomes as a result of the reforms. These liberalization policies do not appear to have greatly affected food prices in urban markets.

Finally, adjustment and reform may differentially affect women and men. A higher percentage of women than men are engaged in agriculture (production, marketing, and trading), so that reforms designed to benefit agriculture should improve the welfare of women disproportionately. This depends, however, on concomitant changes in intrahousehold labor allocation, decision making, and resource allocation in response to new incentives. In urban areas, by entering into income-earning activities in the informal sector, women have helped to minimize the hardship caused both by Zaire's economic decline and, possibly, by fiscal austerity and other adjustment-related policies. In both rural and urban areas, legal and institutional barriers that inhibit women's income earning capacities may act to reduce the flexibility of poor households' responses to changing economic conditions.

7. Conclusion

Independent since 1960, Zaire is one of the largest and most resource-rich countries in Africa. Its prosperity has relied largely on the activity of the mining sector and exports of minerals. This rich natural endowment has by and large precluded economic diversification which would have created the conditions for a sustained development. The potential for diversification is substantial in Zaire, particularly in the agricultural sector.

The late 1960s and early 1970s were prosperous years for Zaire, largely on account of favorable world market conditions for copper, its major export. Like many other African countries in this period, Zaire invested heavily in grandiose social and political projects with low economic returns. In this race for development, the government set out very ambitious goals. President Mobutu repeatedly stated that Zaire would rank among the top two countries in achieving its major development goals during the United Nations' "Development Decade" of the 70's.[43] Toward this end, Zaire adopted a challenging investment program coupled with a very aggressive external borrowing policy, and nationalized most commercial agriculture and industry in the early 1970s. At the same time, the government pursued lax monetary and budgetary policies, which brought on an high inflation and excessive overvaluation of the currency and ultimately led to balance of payments difficulties. Meanwhile, the agricultural sector declined steadily, due to government neglect and inappropriate policies, including, among others, an overvalued exchange rate; high export duties; and price controls on agricultural products and other administrative impediments. Moreover, the country's transport infrastructure was allowed to decay to the point of inhibiting not only agricultural development but also the development of industry and

43 For about five years, the public radio and television introduced its news programs dozens of times each day with this message.

services as well. As a result of these developments, scarcities spread through the entire economy, particularly in the foreign exchange market. Two separate markets developed for most commodities: the official, formal market and an unofficial, informal market.

Responding to these developments, the government adopted quick remedies such as import rationing and capital controls on the external front and price controls on the domestic front, instead of seeking lasting solutions to the fundamental disequilibria. When, under pressure from declining terms of trade in the mid 1970s, it became apparent that the imbalances could no longer be eliminated without major adjustment, the government requested and received financial assistance from the International Monetary Fund for its adjustment programs. The most comprehensive of such programs occurred in 1983. The latter was built around a major adjustment of the exchange rate and the reform of the exchange rate system. It also included substantial liberalization and simplification of the trade system; adjustment and liberalization of domestic prices, including interest rates and agricultural producer prices; tight control of government spending; large-scale reform of the public enterprises; and a revision of incentives to attract private foreign investment.

Initially, the adjustment appeared to be working. Most of the program's targets were attained. Inflation was brought back under control. The real exchange rate depreciated and exports and real GDP growth resumed while Zaire met its external debt service commitments. However, the apparent successes of the 1983 to 1985 period proved to be short-lived. By 1986, the budget deficit and the balance of payments deficit were once again growing, inflation was accelerating and the exchange rate was overvalued.

The adjustment effort was rejoined, this time with substantial World Bank assistance to overcome a number of long-standing structural weaknesses of the economy, with a serious of measures adopted in 1986 and 1987. The economic performance following these measures was disappointing, in part due to the stagnation of GECAMINES' production. But the major difficulty, as with earlier stabilization and adjustment efforts, was the conduct of fiscal and monetary policies. Expenditure targets were widely exceeded while budgetary revenue did not meet the standards set by the adjustment program, the government again resorted to monetary financing, and inflation soared. The repeated inability of the government to come at all close to meeting the required fiscal and monetary discipline appeared finally to lead the IMF and World Bank to question the value of further negotiations with Zaire. These institutions abruptly interrupted their financial support at the end of 1989. Since then, in an atmosphere of growing political turmoil — marked particularly by the military mutiny of September 1991 — Zaire's formal economy has disintegrated altogether.

As elaborated above, for a country with Zaire's economic potential, its per capita income — US$170 (recently revised to US$240) and declining — is a travesty. To some extent, stabilization and structural adjustment measures may have, in the short term, contributed to the worsening of the conditions of vulnerable groups in the population. For example, restrictions on nominal wage increases in urban areas meant a significant decline in government employees' real wages. Reduced government outlays for health, education, and transportation services also affected most workers in the informal sector, whose employers do not subsidize services. In rural areas, based on limited data available, real incomes, although lower, were probably less affected by adjustment and economic decline because farm households could produce their own food. Price liberalization in agriculture has the potential to improve the incomes of the poor in rural areas, but has probably had only a limited impact because of a number of factors, notably the poor state of rural infrastructure, which inhibits production for the market.

We have argued that the discussion of the impact of adjustment measures on the poor in Zaire must be seen in the larger context of the previous (and ongoing) squandering of the country's resources through a combination of ill-advised polices and outright corruption. These factors were greatly responsible for the country's economic decline and led to imbalances that made, or will make, some sort of adjustment inevitable. In all likelihood, had the country not received large amounts of financial assistance accompanying IMF and World Bank programs, the economy would have collapsed sooner with all the consequences of a spontaneous and disorderly adjustment. In any event, in the case of Zaire's the more pertinent question is whether stabilization and structural adjustment policies were in fact ever carried out in a meaningful way. As we have shown, to a large extent, the adjustment measures were not implemented or they were only incompletely implemented. The government repeatedly committed itself to targets that it did not make serious efforts to meet.

A number of observers have suggested that Zaire's strategic importance in the Cold War enabled Mobutus' regime to do no more than pay lip service to reform because it could be confident that its creditors in the West would always agree to additional debt relief (Turner 1988; Callaghy 1984). Internally, the autocratic nature of Mobutu's regime prevented criticism of its policies within the country, allowing the government's continued mismanagement of the economy and its corruption to go unchecked. The Cold War is now over, however, and Zaire, like many African countries, has been undergoing significant political and institutional changes. Unfortunately, in Zaire's case, political change and uncertainty has been accompanied by virtual economic collapse. The hope for economic recovery lies in the prospects for political reform in the dialogue currently underway within a "National Sovereign Conference". On April 24, 1990, President Mobutu proclaimed the liberalization of political institutions and recognition of the need for freedom of expression and association, thus responding to numerous calls by the population to dismantle the single party political system, reform the constitution, and adopt more democratic political institutions. Once such new institutions are in place and the government becomes more accountable and responsible, improvement of the public decision making process and improved economic management are possible. Only then can macroeconomic stability be restored and the conditions created for sustained development.

Appendix — Appendix Tables

Appendix Table 1— Gross Domestic Product, by Sector, Current Prices

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
					Millions of Zaires					
Agriculture	158.8	162.1	169.5	241.9	309.2	373.6	735.2	1,077.4	1,658.7	3,442.8
Mining	211.5	152.0	162.7	339.7	410.7	293.2	376.3	460.0	638.9	1,786.7
Manufacturing	77.5	93.5	98.7	116.0	150.5	191.6	239.2	280.2	336.0	419.2
Construction	45.0	59.1	50.3	59.8	85.6	111.7	136.2	148.6	185.5	335.8
Electricity & Water	8.7	9.5	9.6	10.4	9.4	10.2	11.0	11.2	11.4	11.0
Transport & Comm.	75.9	82.4	91.9	122.5	93.6	82.3	91.6	84.4	92.7	104.4
Commerce	106.4	125.0	150.3	175.8	222.0	275.3	452.9	731.3	967.2	2,044.3
Other Services	217.9	269.8	296.4	338.8	430.7	495.7	731.4	1,072.0	1,479.8	2,702.1
Import Duties	50.7	59.8	67.6	81.6	87.4	85.5	86.4	91.1	110.3	258.7
Total GDP	**952.4**	**1,013.2**	**1,097.0**	**1,486.5**	**1,799.1**	**1,919.1**	**2,860.2**	**3,956.2**	**5,480.5**	**11,105.0**

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
					Millions of Zaires					
Agriculture	4,948.2	7,555.0	11,174.4	20,423.9	31,584.7	40,396.6	57,404.4	102,444.5	162,672.4	295,823.8
Mining	3,742.5	3,745.6	3,593.2	11,094.1	24,853.4	45,173.1	66,404.5	78,792.8	131,413.9	218,289.2
Manufacturing	518.5	648.0	711.1	882.3	1,953.2	2,385.7	3,425.7	4,409.7	9,977.0	15,629.0
Construction	688.9	1,160.7	1,884.3	3,471.4	5,012.4	7,360.9	9,546.0	18,061.5	36,249.3	54,097.9
Electricity & Water	11.6	11.3	12.0	12.0	46.7	77.9	110.6	179.4	475.2	990.0
Transport & Comm.	325.6	554.1	598.5	718.4	999.7	1,246.0	1,504.8	2,528.9	3,378.0	6,274.0
Commerce	3,137.5	4,803.9	6,644.6	12,089.1	18,523.9	25,683.1	33,309.5	58,076.2	108,300.1	167,592.5
Other Services	3,206.9	4,392.3	5,663.9	9,320.0	14,924.3	20,977.7	27,204.4	52,787.9	138,739.1	304,270.9
Import Duties	603.2	915.0	828.4	1,123.2	1,825.1	3,962.3	4,506.2	9,665.4	31,616.5	83,844.0
Total GDP	**17,182.9**	**23,780.9**	**31,110.4**	**59,134.4**	**99,723.4**	**147,263.3**	**203,416.1**	**326,941.3**	**622,821.5**	**1,146,811.3**

Source: *Bank of Zaire (various years).*

Appendix Table 2— Gross Domestic Product, by Sector (Constant Prices = 1970)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
	Millions of Zaires									
Agriculture	158.8	164.4	166.8	170.3	175.3	172.7	181.9	175.9	176.2	181.6
Mining	211.5	219.1	230.1	246.4	250.1	242.2	226.7	239.8	218.0	206.3
Manufacturing	77.5	85.3	85.8	93.4	101.1	92.1	84.8	83.0	72.5	68.3
Construction	45.0	51.5	46.0	51.9	58.5	58.1	48.7	40.6	41.5	37.0
Electricity & Water	8.7	9.5	9.6	10.4	9.4	10.2	11.0	11.2	11.4	11.0
Transport & Comm.	75.9	79.9	71.6	82.1	91.5	82.3	71.1	67.0	65.7	59.2
Commerce	106.4	115.7	122.5	128.7	128.7	120.9	113.7	114.0	95.8	95.9
Other Services	217.9	233.4	235.1	259.3	259.9	243.7	242.5	259.0	255.2	280.7
Import Duties	50.7	57.9	59.6	59.5	35.6	32.8	18.4	15.9	16.3	15.1
Total GDP	**952.4**	**1,008.7**	**1,027.1**	**1,102.0**	**1,110.1**	**1,055.0**	**998.8**	**1,006.4**	**952.6**	**955.1**

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
	Millions of Zaires									
Agriculture	186.7	191.7	195.6	199.5	205.4	213.2	226.6	227.4	236.7	255.3
Mining	220.4	236.2	228.8	237.5	253.8	260.9	268.0	262.6	249.7	235.4
Manufacturing	67.5	68.0	60.6	60.3	62.6	65.4	68.3	72.4	72.4	70.2
Construction	37.4	37.6	38.7	43.8	34.2	35.6	37.4	44.1	45.6	43.9
Electricity & Water	11.6	11.3	12.0	12.0	12.7	13.2	14.0	15.3	17.4	19.1
Transport & Comm.	63.0	67.0	58.1	62.8	63.6	66.0	56.4	54.5	56.0	54.8
Commerce	103.0	107.6	103.2	108.6	118.2	129.3	129.0	127.0	137.1	136.0
Other Services	269.5	267.5	264.6	255.2	259.7	249.6	263.1	287.5	296.3	299.5
Import Duties	18.6	19.1	13.9	8.6	4.8	7.2	5.7	5.5	9.6	13.3
Total GDP	**978.0**	**1,006.0**	**975.5**	**988.3**	**1,015.0**	**1,040.4**	**1,068.5**	**1,096.3**	**1,120.8**	**1,127.5**

Source: *Bank of Zaire (various years).*

Appendix Table 3 — Gross Domestic Product, by Sector (Constant Prices = 1970)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
	Percentage Share									
Agriculture	16.7	16.3	16.2	15.5	15.8	16.4	18.2	17.5	18.5	19.0
Mining	22.2	21.7	22.4	22.4	22.5	23.0	22.7	23.8	22.9	21.6
Manufacturing	8.1	8.5	8.4	8.5	9.1	8.7	8.5	8.2	7.6	7.2
Construction	4.7	5.1	4.5	4.7	5.3	5.5	4.9	4.0	4.4	3.9
Electricity & Water	0.9	0.9	0.9	0.9	0.8	1.0	1.1	1.1	1.2	1.2
Transport & Comm.	8.0	7.9	7.0	7.5	8.2	7.8	7.1	6.7	6.9	6.2
Commerce	11.2	11.5	11.9	11.7	11.6	11.5	11.4	11.3	10.1	10.0
Other Services	22.9	23.1	22.9	23.5	23.4	23.1	24.3	25.7	26.8	29.4
Import Duties	5.3	5.7	5.8	5.4	3.2	3.1	1.8	1.6	1.7	1.6
Total GDP	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
	Percentage Share									
Agriculture	19.1	19.1	20.1	20.2	20.2	20.5	21.2	20.7	21.1	22.6
Mining	22.5	23.5	23.5	24.0	25.0	25.1	25.1	24.0	22.3	20.9
Manufacturing	6.9	6.8	6.2	6.1	6.2	6.3	6.4	6.6	6.5	6.2
Construction	3.8	3.7	4.0	4.4	3.4	3.4	3.5	4.0	4.1	3.9
Electricity & Water	1.2	1.1	1.2	1.2	1.3	1.3	1.3	1.4	1.6	1.7
Transport & Comm.	6.4	6.7	6.0	6.4	6.3	6.3	5.3	5.0	5.0	4.9
Commerce	10.5	10.7	10.6	11.0	11.6	12.4	12.1	11.6	12.2	12.1
Other Services	27.6	26.6	27.1	25.8	25.6	24.0	24.6	26.2	26.4	26.6
Import Duties	1.9	1.9	1.4	0.9	0.5	0.7	0.5	0.5	0.9	1.2
Total GDP	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: *Bank of Zaire (various years).*

Appendix Table 4 — Gross Domestic Product, Growth Rates by Sector (Constant Prices = 1970)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
					Percentage					
Agriculture	—	3.5	1.5	2.1	2.9	-1.5	5.3	-3.3	0.2	3.1
Mining	—	3.6	5.0	7.1	1.5	-3.2	-6.4	5.8	-9.1	-5.4
Manufacturing	—	10.1	0.6	8.9	8.2	-8.9	-7.9	-2.1	-12.7	-5.8
Construction	—	14.4	-10.7	12.8	12.7	-0.7	-16.2	-16.6	2.2	-10.8
Electricity & Water	—	9.2	1.1	8.3	-9.6	8.5	7.8	1.8	1.8	-3.5
Transport & Comm.	—	5.3	-10.4	14.7	11.4	-10.1	-13.6	-5.8	-1.9	-9.9
Commerce	—	8.7	5.9	5.1	0.0	-6.1	-6.0	0.3	-16.0	0.1
Other Services	—	7.1	0.7	10.3	0.2	-6.2	-0.5	6.8	-1.5	10.0
Import Duties	—	14.2	2.9	-0.2	-40.2	-7.9	-43.9	-13.6	2.5	-7.4
Total GDP	—	**5.9**	**1.8**	**7.3**	**0.7**	**-5.0**	**-5.3**	**0.8**	**-5.3**	**0.3**

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
					Percentage					
Agriculture	2.8	2.7	2.0	2.0	3.0	3.8	6.3	0.4	4.1	7.9
Mining	6.8	7.2	-3.1	3.8	6.9	2.8	2.7	-2.0	-4.9	-5.7
Manufacturing	-1.2	0.7	-10.9	-0.5	3.8	4.5	4.4	6.0	0.0	-3.0
Construction	1.1	0.5	2.9	13.2	-21.9	4.1	5.1	17.9	3.4	-3.7
Electricity & Water	5.5	-2.6	6.2	0.0	5.8	3.9	6.1	9.3	13.7	9.8
Transport & Comm.	6.4	6.3	-13.3	8.1	1.3	3.8	-14.5	-3.4	2.8	-2.1
Commerce	7.4	4.5	-4.1	5.2	8.8	9.4	-0.2	-1.6	8.0	-0.8
Other Services	-4.0	-0.7	-1.1	-3.6	1.8	-3.9	5.4	9.3	3.1	1.1
Import Duties	23.2	2.7	-27.2	-38.1	-44.2	50.0	-20.8	-3.5	74.5	38.5
Total GDP	**2.4**	**2.9**	**-3.0**	**1.3**	**2.7**	**2.5**	**2.7**	**2.6**	**2.2**	**0.6**

Source: *Bank of Zaire (various years).*

Appendix Table 5 — Allocation of Domestic and National Expenditure (Constant Prices = 1970)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
	Millions of Zaires									
Consumption	692.4	692.7	672.0	705.5	804.7	765.2	725.2	664.2	584.8	563.8
Private	431.5	457.1	446.9	466.4	548.2	539.0	526.5	449.9	385.3	320.6
Subsistence	94.8	97.8	96.7	101.1	105.8	108.3	104.8	107.7	110.8	111.9
Commercial	336.7	359.3	350.2	365.3	442.4	430.7	421.7	342.2	274.5	208.7
Public	260.9	235.6	225.1	239.1	256.5	226.2	198.7	214.3	199.5	243.2
Wages & Salary	119.3	126.6	127.6	134.2	132.3	135.9	143.1	165.8	175.2	208.4
Other	141.6	109.0	97.5	104.9	124.2	90.3	55.6	48.5	24.3	34.8
Investment	244.5	326.3	330.6	348.2	379.7	349.2	272.0	521.7	248.9	390.3
Private	128.1	179.4	226.1	164.4	203.4	255.6	171.1	398.1	178.3	170.5
Public	74.4	97.7	101.5	130.4	186.3	65.3	73.3	71.9	56.6	102.8
Stocks Change	42.0	49.2	3.0	53.4	-10.0	28.3	27.6	51.7	14.0	117.0
Domestic Expenditure	936.9	1,019.0	1,002.6	1,053.7	1,184.4	1,114.4	997.2	1,185.9	833.7	954.1
Current Acct. Balance	-13.1	38.5	8.1	33.2	-97.1	-74.4	-7.3	-182.0	120.6	2.9
Net Exports	-2.8	-19.8	5.5	23.5	-97.8	-83.3	-13.1	-190.0	101.5	-14.6
Exports	415.0	453.5	494.8	516.7	498.3	467.2	437.9	436.6	442.5	349.4
Imports	-400.6	-455.8	-470.3	-468.4	-572.6	-526.8	-436.3	-616.1	-323.6	-348.4
Interest & Dividend	-17.2	-17.5	-19.0	-24.8	-23.5	-23.7	-14.7	-17.5	-17.4	-15.6
Net Transfers	-10.3	58.3	2.6	9.7	0.7	8.9	5.8	15.0	19.1	17.5
National Expenditure	923.8	1,057.5	1,010.7	1,086.9	1,087.3	1,040.0	989.9	1,003.9	954.3	957.0

Appendix Table 5 — (continued)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
					Millions of Zaires					
Consumption	607.3	618.3	488.8	531.7	398.5	513.9	589.1	769.0	719.5	682.0
Private	343.4	346.0	268.6	334.7	219.4	353.8	378.1	547.1	366.7	462.4
Subsistence	115.0	117.9	121.5	126.5	126.7	131.6	135.5	141.7	146.0	157.4
Commercial	228.4	228.1	147.1	208.2	92.7	222.2	242.6	406.0	220.7	305.0
Public	263.9	272.3	220.2	197.0	179.1	160.1	211.0	221.3	352.8	219.6
Wages & Salary	227.0	234.7	172.9	153.1	122.8	116.2	132.1	133.6	145.8	69.3
Other	36.9	37.6	47.3	43.9	56.3	43.9	78.9	87.7	207.0	150.3
Investment	709.5	534.1	419.6	483.1	516.8	676.8	718.4	827.9	704.6	1,229.5
Private	404.5	202.0	230.7	179.2	207.9	245.9	310.9	512.9	110.9	524.6
Public	165.3	216.4	120.3	219.4	158.7	253.3	216.6	143.8	479.6	468.3
Stocks Change	139.7	115.7	68.6	84.5	150.2	177.6	190.9	171.2	114.1	236.6
Domestic Expenditure	1,316.8	1,152.4	908.4	1,014.8	915.3	1,190.7	1,307.5	1,596.9	1,424.1	1,911.5
Current Acct. Balance	-338.0	-142.6	54.9	-29.0	86.1	-163.7	-270.7	-510.2	-308.3	-787.4
Net Exports	-355.1	-164.8	40.2	-46.5	78.3	-174.4	-277.1	-521.3	-318.6	-800.3
Exports	432.7	472.3	524.3	545.9	592.3	629.7	690.8	614.9	575.6	555.8
Imports	-771.8	-618.0	-457.2	-572.4	-492.6	-780.0	-928.8	-1,115.5	-878.9	-1,339.8
Interest & Dividend	-16.0	-19.1	-26.9	-20.0	-21.4	-24.1	-39.1	-20.7	-15.3	-16.3
Net Transfers	17.1	22.2	14.7	17.5	7.8	10.7	6.4	11.1	10.3	12.9
National Expenditure	978.8	1,009.8	963.3	985.8	1,001.4	1,027.0	1,036.8	1,086.7	1,115.8	1,124.1

Source: *Bank of Zaire (various years).*

Appendix Table 6 — Allocation of Domestic Expenditure, Percentage Shares (Constant Prices = 1970)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
					Percentage					
Consumption	73.9	68.0	67.0	67.0	67.9	68.7	72.7	56.0	70.1	59.1
Private	46.1	44.9	44.6	44.3	46.3	48.4	52.8	37.9	46.2	33.6
Subsistence	10.1	9.6	9.6	9.6	8.9	9.7	10.5	9.1	13.3	11.7
Commercial	35.9	35.3	34.9	34.7	37.4	38.6	42.3	28.9	32.9	21.9
Public	27.8	23.1	22.5	22.7	21.7	20.3	19.9	18.1	23.9	25.5
Wages & Salary	12.7	12.4	12.7	12.7	11.2	12.2	14.4	14.0	21.0	21.8
Other	15.1	10.7	9.7	10.0	10.5	8.1	5.6	4.1	2.9	3.6
Investment	26.1	32.0	33.0	33.0	32.1	31.3	27.3	44.0	29.9	40.9
Private	13.7	17.6	22.6	15.6	17.2	22.9	17.2	33.6	21.4	17.9
Public	7.9	9.6	10.1	12.4	15.7	5.9	7.4	6.1	6.8	10.8
Stocks Change	4.5	4.8	0.3	5.1	-0.8	2.5	2.8	4.4	1.7	12.3
Domestic Expenditure	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
	1980	**1981**	**1982**	**1983**	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**
					Percentage					
Consumption	46.1	53.7	53.8	52.4	43.5	43.2	45.1	48.2	50.5	35.7
Private	26.1	30.0	29.6	33.0	24.0	29.7	28.9	34.3	25.7	24.2
Subsistence	8.7	10.2	13.4	12.5	13.8	11.1	10.4	8.9	10.3	8.2
Commercial	17.3	19.8	16.2	20.5	10.1	18.7	18.6	25.4	15.5	16.0
Public	20.0	23.6	24.2	19.4	19.6	13.4	16.1	13.9	24.8	11.5
Wages & Salary	17.2	20.4	19.0	15.1	13.4	9.8	10.1	8.4	10.2	3.6
Other	2.8	3.3	5.2	4.3	6.2	3.7	6.0	5.5	14.5	7.9
Investment	53.9	46.3	46.2	47.6	56.5	56.8	54.9	51.8	49.5	64.3
Private	30.7	17.5	25.4	17.7	22.7	20.7	23.8	32.1	7.8	27.4
Public	12.6	18.8	13.2	21.6	17.3	21.3	16.6	9.0	33.7	24.5
Stocks Change	10.6	10.0	7.6	8.3	16.4	14.9	14.6	10.7	8.0	12.4
Domestic Expenditure	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: *Bank of Zaire (various years).*

Appendix Table 7 — Gross Fixed Capital Formation, Current Prices

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
					Millions of Zaires					
By Origin										
Imported Equipment	125.6	204.8	279.7	272.9	398.1	339.8	408.7	1,043.4	467.2	723.9
Locally Produced Equipment	12.4	11.0	13.7	16.5	30.1	47.8	51.5	115.1	217.9	333.7
Construction and Public Bdgs.[a]	64.5	82.2	76.6	85.8	122.8	159.9	195.6	213.1	265.1	468.3
By Destination										
Public Direct Investment	74.4	106.0	115.5	168.7	280.4	116.9	203.7	220.7	214.5	440.1
Of which:										
Domestic Financing	53.2	55.1	58.8	87.3	139.0	45.5	84.6	49.2	61.9	94.6
Foreign Financing	21.2	50.9	56.7	81.4	141.4	71.4	119.1	171.5	152.6	345.5
Enterprise and Private Invest.	128.1	192.0	254.5	206.5	270.6	430.6	452.1	1,150.9	735.7	1,085.8
Gross Fixed Capital Formation	**202.5**	**298.0**	**370.0**	**375.2**	**551.0**	**547.5**	**655.8**	**1,371.6**	**950.2**	**1,525.9**

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
					Millions of Zaires					
By Origin										
Imported Equipment	2,059.9	2,306.6	2,802.0	3,532.9	11,968.7	19,221.9	29,949.3	37,743.2	60,110.7	203,658.0
Locally Produced Equipment	385.8	705.8	764.0	971.3	1,502.4	2,248.0	2,977.3	2,808.6	6,022.0	11,736.6
Construction and Public Bldgs.[a]	989.6	1,662.5	2,702.0	4,977.3	7,328.1	10,515.7	13,834.1	25,888.1	51,909.6	72,212.7
By Destination										
Public Direct Investment	861.7	1,806.3	1,998.1	2,926.5	6,681.8	11,660.0	14,627.2	12,108.8	61,002.3	117,190.0
Of Which:										
Domestic Financing	213.6	442.4	954.6	615.6	636.1	534.0	641.7	4,015.4	6,327.9	18,654.9
Foreign Financing	648.1	1,363.9	1,043.5	2,310.9	6,045.7	11,126.0	13,985.5	8,093.4	54,674.4	98,535.1
Enterprise and Private Invest.	2,573.6	2,868.6	4,269.9	6,555.0	14,117.4	20,325.6	32,133.5	54,331.1	57,040.4	170,417.3
Gross Fixed Capital Formation	**3,453.3**	**4,674.9**	**6,268.0**	**9,481.5**	**20,799.2**	**31,985.6**	**46,760.7**	**66,439.9**	**118,042.3**	**287,607.3**

Source: *Bank of Zaire (various years).*

[a] *Not including traditional construction.*

Appendix Table 8 — Gross Fixed Capital Formation (Constant Prices = 1970)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
					Percentage					
By Origin										
Imported Equipment	125.6	193.4	248.6	206.0	287.6	217.0	157.9	395.7	157.8	205.2
Locally Produced Equipment	12.4	10.6	13.0	14.4	18.2	20.7	16.6	16.2	17.8	16.5
Construction & Public Bldgs.[a]	64.5	73.1	66.0	74.4	83.9	83.2	69.9	58.2	59.3	51.6
By Destination										
Public Direct Investment	74.4	97.7	101.5	130.4	186.2	65.3	73.3	71.9	56.6	102.8
Of Which:										
Domestic Financing	53.2	49.7	51.1	69.0	84.1	19.7	27.3	6.9	5.1	4.9
Foreign Financing	21.2	48.1	50.4	61.4	102.2	45.6	46.0	65.0	51.5	97.9
Enterprise & Private Invest.	128.1	179.4	226.0	164.4	203.5	255.5	171.1	398.1	178.3	170.6
Gross Fixed Capital Formation	**202.5**	**277.2**	**327.7**	**294.7**	**389.7**	**320.9**	**244.4**	**470.0**	**234.9**	**273.3**

	1980	1981	1982	1983	1984	1985	1986	9187	1988	1989
					Percentage					
By Origin										
Imported Equipment	503.9	350.4	283.8	322.4	301.9	430.2	456.0	579.9	511.7	913.4
Locally Produced Equipment	12.2	14.2	11.7	13.4	14.7	18.0	17.3	13.6	13.5	16.6
Construction & Public Bldgs.[a]	53.7	53.9	55.5	62.8	50.0	51.0	54.2	63.2	65.3	62.9
By Destination										
Public Direct Investment	165.3	216.4	120.3	219.4	158.7	253.3	216.6	143.8	479.6	468.3
Of Which:										
Domestic Financing	6.8	9.2	14.6	8.5	6.2	4.3	3.7	19.4	14.2	26.4
Foreign Financing	158.5	207.2	105.7	210.9	152.5	249.0	212.9	124.4	465.4	441.9
Enterprise & Private Invest.	404.5	202.0	230.7	179.2	207.9	245.9	310.9	512.9	110.9	524.6
Gross Fixed Capital Formation	**569.8**	**418.4**	**351.0**	**398.6**	**366.6**	**499.2**	**527.5**	**656.7**	**590.5**	**992.9**

Source: *Bank of Zaire (various years).*

[a] *Not including traditional construction.*

Appendix Table 9 — Gross Fixed Capital Formation, Percentage Shares (Constant Prices = 1970)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
	Percentage									
By Origin										
Imported Equipment	62.0	69.8	75.9	69.9	73.8	67.6	64.6	84.2	67.2	75.1
Locally Produced Equipment	6.1	3.8	4.0	4.9	4.7	6.5	6.8	3.4	7.6	6.0
Construction & Public Bldgs. [a]	31.9	26.4	20.1	25.2	21.5	25.9	28.6	12.4	25.2	18.9
By Destination										
Public Direct Investment	36.7	35.2	31.0	44.2	47.8	20.3	30.0	15.3	24.1	37.6
Of Which:										
Domestic Financing	26.3	17.9	15.6	23.4	21.6	6.1	11.2	1.5	2.2	1.8
Foreign Financing	10.5	17.3	15.4	20.8	26.2	14.2	18.8	13.8	21.9	35.8
Enterprise & Private Invest.	63.3	64.7	69.0	55.8	52.2	79.6	70.0	84.7	75.9	62.4
Gross Fixed Capital Formation	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
	Percentage									
By Origin										
Imported Equipment	88.4	83.8	80.9	80.9	82.3	86.2	86.4	88.3	86.7	92.0
Locally Produced Equipment	2.1	3.4	3.3	3.4	4.0	3.6	3.3	2.1	2.3	1.7
Construction & Public Bldgs.[a]	9.4	12.9	15.8	15.8	13.6	10.2	10.3	9.6	11.1	6.3
By Destination										
Public Direct Investment	29.0	51.7	34.3	55.0	43.3	50.7	41.1	21.9	81.2	47.2
Of Which:										
Domestic Financing	1.2	2.2	4.2	2.1	1.7	0.9	0.7	3.0	2.4	2.7
Foreign Financing	27.8	49.5	30.1	52.9	41.6	49.9	40.4	18.9	78.8	44.5
Enterprise & Private Invest.	71.0	48.3	65.7	45.0	56.7	49.3	58.9	78.1	18.8	52.8
Gross Fixed Capital Formation	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: *Bank of Zaire (various years).*

[a] *Not including traditional construction.*

Appendix Table 10 — Mineral Production

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
	Thousands of Metric Tons[a]									
Copper	387.1	407.1	435.7	488.6	499.7	495.9	444.1	479.7	423.9	399.4
Zinc Concentrates	185.2	195.0	178.7	156.4	160.1	141.6	125.0	131.5	158.1	138.7
Zinc Metal	104.3	108.8	99.5	87.6	89.7	79.3	67.8	72.3	85.5	76.7
Electrolytic Zinc	63.7	62.7	66.7	66.0	68.7	65.6	60.6	51.0	43.5	43.7
Cobalt	14.0	14.5	13.1	15.1	17.5	13.6	10.7	10.2	13.1	14.0
Cadmium	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Silver (ths. kgs.)	46.1	45.7	64.6	62.1	51.3	71.3	60.7	85.0	89.1	91.9
Manganese Ore[b]	347.0	329.1	369.5	334.0	308.8	308.5	182.2	41.0	—	24.8
Cassiterite	9.0	8.9	8.2	7.5	6.5	6.4	5.3	5.1	4.4	3.5
Ores Containing Tin	6.5	6.5	6.0	5.4	4.7	4.6	3.8	3.7	3.2	2.5
Foundry Tin	1.4	1.5	1.2	1.0	0.7	0.6	0.5	0.7	0.5	0.5
Gold (ths. kgs.)	5.6	5.4	4.4	4.2	4.1	3.2	2.8	2.5	2.4	2.3
Diamonds, Lubiliash (ths. carats)	12.4	12.0	12.2	12.0	13.0	12.4	11.5	10.8	10.6	8.1
Diamonds, Kasai (ths. carats)	1.7	0.7	1.2	0.9	0.6	0.4	0.3	0.4	0.6	0.7
Coal	101.7	118.6	127.8	115.2	95.5	89.0	109.1	128.0	106.6	109.2
Crude Oil (ths. barrels)	—	—	—	—	—	25.5	9,075.1	8,254.5	6,604.1	7,613.8

Appendix Table 10 — (continued)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
	Thousands of Metric Tons[a]									
Copper	459.4	504.8	502.7	502.3	500.4	502.1	506.1	494.1	468.4	440.8
Zinc Concentrates	122.8	121.4	147.2	133.2	131.7	86.6	81.3	159.2	—	—
Zinc Metal	67.5	66.8	81.0	73.3	72.4	59.0	44.7	87.5		
Electrolytic Zinc	43.8	57.6	64.4	62.8	66.1	64.0	63.9	54.9	61.1	54.0
Cobalt	14.5	11.2	5.6	5.4	9.1	10.8	14.4	14.9	10.0	9.3
Cadmium	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.2
Silver (ths. kgs.)	78.8	83.3	54.5	29.4	46.6	47.2	40.0	43.3	—	25.7
Manganese Ore [b]	6.6	17.6	—	—	0.0	14.8	35.2	—	—	—
Cassiterite	3.2	3.3	3.1	2.9	4.1	4.0	3.6	3.0	2.7	2.3
Ores Containing Tin	2.3	2.4	2.3	2.1	3.0	2.2	2.5	2.2	1.9	1.6
Foundry Tin	0.2	0.4	0.4	0.2	0.2	0.1	0.1	0.2	0.1	—
Gold (ths. kgs.)	1.3	2.0	1.6	5.6	3.5	2.2	1.9	3.8	3.8	2.1
Diamonds, Lubiliash (ths. carats)	8.0	5.8	5.7	5.8	6.9	6.9	8.7	8.0	8.0	8.9
Diamonds, Kasai (ths. carats)	2.2	1.0	0.4	6.2	11.6	13.0	14.5	11.6	10.2	8.6
Coal	137.3	129.4	123.7	109.4	104.3	72.2	96.1	108.6	91.8	100.0
Crude Oil (ths. barrels)	6,766.9	7,668.9	8,384.6	9,297.0	11,704.5	12,225.4	11,864.4	9,449.6	10,721.2	9,779.6

Source: *Bank of Zaire (various years).*

[a] *Unless otherwise indicated.*

[b] *Decline in production from 1975 to 1979 is due to the closing of the Benguela Railway.*

Appendix Table 11 — Index of Manufacturing Production (1970 = 100)

	1970	1971	1972	1973	1974	1975	1976	1977	1978
Consumption Goods	100.0	111.8	117.8	127.1	140.0	122.4	120.5	121.5	105.6
Foodstuffs	100.0	106.2	124.0	123.8	132.7	125.2	116.4	128.6	128.1
Beverages	100.0	113.3	122.9	140.0	161.6	140.4	131.8	123.5	113.4
Tobacco	100.0	96.5	110.2	117.1	194.6	109.5	79.4	73.6	78.9
Clothing	100.0	124.1	98.2	107.0	102.7	123.9	108.2	94.0	102.7
Printed Fabrics	100.0	118.8	126.0	153.8	149.5	137.7	163.4	144.7	110.4
Shoes and Leather	100.0	106.0	98.1	109.0	85.9	57.5	72.4	81.2	38.7
Chemical Products	100.0	106.8	118.3	133.7	154.2	102.7	139.7	126.3	113.6
Plastics	100.0	103.2	126.8	160.3	160.6	158.5	142.9	170.7	152.5
Metal Manufacturing	100.0	135.6	159.3	153.4	140.7	61.1	112.1	97.6	127.9
Printing and Other	100.0	98.5	113.9	111.5	129.5	157.1	155.9	219.1	69.3
Equipment Goods	100.0	94.4	97.5	110.1	117.7	118.1	101.0	98.0	84.5
Textile Spindles and Looms	100.0	89.2	88.7	95.9	110.3	103.2	118.1	109.3	69.6
Basic Chemicals	100.0	103.5	109.4	152.9	126.2	135.7	104.1	94.7	72.8
Mechanical Goods	100.0	89.9	99.0	96.8	102.9	97.7	81.0	92.0	90.1
Transportation Materials	100.0	78.5	113.1	145.0	207.9	164.1	106.8	185.8	218.2
Nonferrous Metals	100.0	112.5	107.6	118.5	127.5	131.0	93.5	90.0	97.2
Wood Processing	100.0	79.8	81.2	89.1	89.3	75.0	53.7	60.6	43.5
Total	**100.0**	**105.5**	**110.5**	**121.0**	**132.0**	**120.8**	**113.5**	**112.6**	**98.0**

Appendix Table 11 — (continued)

	1979	1980	1981	1982	1983	1984	1985	1986	1987
Consumption Goods	93.3	92.5	93.8	84.5	83.8	86.8	98.3	102.4	106.9
Foodstuffs	155.0	124.0	125.1	99.9	90.2	79.6	91.6	97.0	103.7
Beverages	78.2	73.8	82.5	87.7	91.7	110.1	116.4	124.2	139.2
Tobacco	58.3	55.0	58.2	90.1	95.6	101.1	113.9	123.0	139.7
Clothing	75.9	114.0	82.7	58.8	60.7	52.4	51.0	61.3	60.3
Printed Fabrics	110.5	126.0	106.2	94.5	103.0	113.5	109.2	119.0	101.3
Shoes and Leather	30.5	26.0	38.5	37.9	54.3	19.3	20.3	24.9	25.0
Chemical Products	107.4	96.0	93.6	102.6	95.9	117.1	151.5	144.9	149.2
Plastics	95.6	89.4	110.5	116.4	133.2	150.2	160.0	167.7	177.3
Metal Manufacturing	113.5	152.8	169.8	102.4	87.4	76.4	98.3	130.8	102.3
Printing and Other	87.9	74.5	89.9	83.9	74.4	87.7	81.8	78.6	70.3
Equipment Goods	84.4	82.1	85.9	81.7	83.3	81.6	79.0	80.8	81.6
Textile Spindles and Looms	87.8	93.5	91.7	81.8	72.3	64.4	42.5	55.0	50.9
Basic Chemicals	81.5	88.6	85.0	95.4	126.1	118.0	118.9	97.4	141.4
Mechanical Goods	96.4	61.3	63.9	71.2	59.4	73.0	95.2	97.6	94.0
Transportation Materials	185.4	150.1	193.8	127.8	175.0	181.1	216.5	199.0	131.5
Nonferrous Metals	69.0	77.3	82.2	83.3	82.5	75.9	69.5	70.0	79.0
Wood Processing	49.1	56.7	61.5	60.2	58.2	62.1	58.6	67.7	61.7
Total	**90.1**	**88.7**	**90.5**	**83.5**	**83.6**	**84.9**	**91.4**	**94.6**	**97.8**

Source: *Bank of Zaire (various years); IMF,* Zaire: Recent Economic Developments *(1988).*

Appendix Table 12 — Consumer Price Index for Kinshasa[a] (1975 = 100)

Year	General Index (100 Percent)	Food (60.6 Percent)	Housing (17.1 Percent)	Clothing (9.5 Percent)	Miscellaneous (12.8 Percent)
1974	74.7	79.4	82.4	67.4	83.3
1975	100.0	100.0	100.0	100.0	100.0
1976	180.7	198.1	157.2	142.7	157.2
1977	305.4	350.5	216.8	229.7	273.0
1978	453.4	550.2	289.2	371.7	296.9
1979	945.9	1,082.9	731.8	769.6	707.4
1980	1,339.0	1,313.2	1,544.5	1,271.5	1,268.3
1981	1,813.1	1,828.1	1,861.5	1,843.9	1,646.9
1982	2,470.2	2,488.1	2,760.9	2,298.1	2,230.1
1983	4,375.3	4,254.3	4,592.3	4,342.4	4,634.0
1984	6,660.0	6,261.3	7,392.1	6,542.0	7,670.0
1985	8,246.9	7,748.8	9,755.1	8,246.9	8,590.1
1986	12,100.3	11,206.6	15,373.3	12,600.6	11,587.8
1987	23,035.5	20,819.4	25,453.4	33,692.1	22,428.1

Sources: *Bank of Zaire (various years), and IMF,* Zaire: Recent Economic Developments *(1988).*

[a] *Estimates of the National Institute of Statistics (INS) based upon a basket of 169 items.*

Appendix Table 13 — Retail Prices of Petroleum Products

	Premium Gasoline		Kerosene		Diesel Oil	
	Zaires Per Liter					
May 1974	0.21		0.10		0.12	
May 1976	0.36		0.14		0.17	
Aug. 1977	0.55		0.14		0.17	
Dec. 1978	0.58		0.14		0.17	
Jan. 1979	1.47		0.20		0.24	
Sept. 1979	2.50		0.70		0.71	
March 1980	4.00		1.20		1.00	
Oct. 1980	4.00		1.40		1.15	
July 1981	5.50		2.50		2.80	
Dec. 1982	12.50		3.50		3.00	
Sept. 1983	35.00		15.00		15.50	
Nov. 1983	35.00		10.00		10.00	
March 1984	33.00		15.00		12.50	
Aug. 1984	30.00		16.00		15.00	
Jan. 1985	30.00		18.00		18.50	
	West	East	West	East	West	East
April 1985[a]	25.00	—	19.30	33.60	21.90	39.20
Aug. 1985	30.00	32.00	23.00	31.00	26.00	31.00
Dec. 1985	33.00	—	25.00	33.00	28.00	33.00
April 1986	30.00	—	23.00	30.00	26.00	30.00
Aug. 1986	33.00	33.00	23.00	30.00	26.00	30.00
Dec. 1986	33.00	33.00	—	—	26.00	30.00
March 31, 1987	46.00	45.00	—	—	38.50	45.00
Sept. 1, 1987	51.00	—	38.00	47.00	44.00	50.00
Oct. 5, 1987	54.00	52.00	42.00	50.00	46.00	52.00
Nov. 1, 1987	57.00	53.00	45.00	52.00	49.50	55.50
Dec. 7, 1987	59.00	55.00	47.00	54.00	51.90	57.00
Jan. 14, 1988	59.00	55.00	47.00	54.00	52.00	58.00

Sources: *World Bank (1985).*

[a] *As of April 1985, price structure reflects differences in transportation costs to various provinces: three reference prices are set for the western, eastern, and southern regions of the country.*

Appendix Table 14 — Evolution of Exchange Rates

Year	Zaires/US$[a]	Zaires/SDR[a]	Real Effective Exchange Rate (1980 = 100)
1970	0.5	0.5	—
1971	0.5	0.543	—
1972	0.5	0.543	—
1973	0.5	0.603	—
1974	0.5	0.612	—
1975	0.5	0.585	—
1976	0.861	1.0	62.7
1977	0.831	1.0	107.0
1978	1.007	1.313	141.7
1979	2.025	2.667	123.5
1980	2.985	3.81	100.0
1981	5.465	6.349	92.6
1982	5.746	6.349	97.7
1983	30.12	31.534	114.3
1984	40.45	39.649	45.6
1985	55.793	61.284	41.3
1986	71.1	86.969	41.2
1987	131.5	186.554	35.6
1988	274.0	368.722	36.8
1989	454.6	597.4	36.4
1990	2,000.0	2,845.3	30.1

Source: *IMF, International Financial Statistics*

[a] *End-of-period market exchange rates.*

Appendix Table 15 — World Average Annual Prices for Major Exports

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
					US$/lb.[a]					
Copper	64.04	49.02	48.58	80.58	93.23	56.10	63.64	59.41	61.92	89.49
Cobalt ($/kg)[b]	4.88	4.96	5.24	6.43	7.20	7.49	9.73	12.32	24.10	54.03
Diamonds (gems) ($/carats)	—	—	—	—	—	—	—	6.20	7.78	10.39
Gold ($/oz.)	35.94	40.81	58.16	97.33	159.25	161.03	124.82	147.72	193.24	306.67
Zinc	13.42	14.06	17.14	38.16	56.13	33.83	32.32	26.74	26.92	33.61
Coffee										
Arabica	52.01	44.99	50.33	62.31	65.84	65.41	142.75	234.67	162.82	173.53
Robusta	41.44	42.26	45.18	49.89	58.68	61.05	127.62	223.75	147.48	165.47
Crude Oil ($/barrel)	—	—	—	—	—	—	—	12.80	12.90	18.60
					Price Index (1980 = 100)					
Copper	64.6	49.5	49.0	81.3	94.1	56.6	64.2	59.9	62.5	90.3
Cobalt ($/kg)[b]	8.8	9.0	9.5	11.6	13.0	13.5	17.6	22.3	43.6	97.6
Diamonds	—	—	—	—	—	—	—	54.4	68.2	91.1
Gold ($/oz.)	5.9	6.7	9.6	16.0	26.2	26.5	20.5	24.3	31.8	50.5
Zinc	38.9	40.7	49.7	110.5	162.6	98.0	93.6	77.5	78.0	97.4
Coffee										
Arabica	3.7	29.2	32.6	40.4	42.7	42.4	92.6	152.2	105.6	112.5
Robusta	28.2	28.7	30.7	33.9	39.9	41.5	86.7	152.1	100.2	112.4
Crude Oil	—	—	—	—	—	—	—	37.1	37.4	53.9

Appendix Table 15 — (continued)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
					US$/lb.[a]						
Copper	99.12	79.05	67.21	72.23	62.46	64.29	62.13	80.79	117.93	129.15	120.72
Cobalt ($/kg)[b]	55.34	44.82	28.53	27.59	27.70	27.84	14.08	15.88	16.73	18.68	—
Diamonds (gems) ($/carats)	11.40	11.70	11.30	11.90	11.70	10.50	—	—	—	—	—
Gold ($/oz.)	607.67	459.75	375.80	422.47	360.36	317.18	367.68	446.52	437.15	381.28	383.51
Zinc	34.52	38.37	33.78	34.68	41.82	35.53	34.20	36.20	56.26	75.12	68.85
Coffee											
Arabica	154.20	128.09	139.72	131.69	144.17	145.56	192.74	112.29	135.10	106.96	89.15
Robusta	147.15	102.91	111.04	124.12	138.18	121.24	148.32	102.34	95.11	75.69	54.99
Crude Oil ($/barrel)	34.50	35.70	33.80	28.00	27.40	25.70	—	—	—	—	—
					Price Index (1980 = 100)						
Copper	100.00	79.8	67.8	72.9	63.0	64.9	62.7	81.5	119.0	130.3	121.8
Cobalt ($/kg)[b]	100.00	81.0	51.6	49.9	50.1	50.3	25.5	28.7	30.2	33.8	
Diamonds	100.00	102.6	99.1	104.4	102.6	92.1	—	—	—	—	—
Gold ($/oz.)	100.0	75.7	61.8	69.5	59.3	52.2	60.5	73.5	71.9	62.7	63.1
Zinc	100.00	111.2	97.9	100.5	121.1	102.9	99.1	104.9	163.0	217.6	199.4
Coffee											
Arabica	100.00	83.1	90.6	85.4	93.5	94.4	125.0	72.8	87.6	69.4	57.8
Robusta	100.00	69.9	75.5	84.3	93.9	82.4	100.8	69.5	64.6	51.4	37.4
Crude Oil	100.0	103.5	98.0	81.2	79.4	74.5	—	—	—	—	—

Sources: *IMF, International Financial Statistics; Bank of Zaire (various years) (cobalt only).*

[a] *Unless otherwise indicated.*

[b] *Converted from pounds using period average exchange rate.*

Appendix Table 16 — Budgetary Operations

	1980	1981	1982	1983	1984	1985	1986	1987	1988
					Millions of Zaires				
Budgetary Revenue	3,738	4,859	6,259	10,998	25,994	41,350	45,260	86,835	160,210
Income and Profit Taxes	1,155	1,769	2,166	3,787	8,122	13,794	15,676	33,398	59,332
Taxes on Goods and Services	638	961	1,548	3,108	7,365	9,415	8,444	15,172	18,268
Import Duties	732	1,255	1,489	2,158	5,268	8,697	11,141	20,422	40,365
Export Duties	814	261	223	1,123	3,430	5,258	6,305	9,595	32,987
Other Revenue	398	613	833	822	1,809	4,186	3,694	8,248	9,258
Expenditure	3,702	6,251	9,037	12,106	27,212	38,610	50,814	107,896	274,341
Personnel	1,608	2,337	2,780	3,264	5,063	6,615	11,628	20,215	41,781
Goods and Services	947	1,392	2,636	3,754	5,071	8,839	10,936	22,142	117,899
Interest Payments	413	784	686	1,754	9,031	19,734	19,723	22,507	34,983
Of Which Foreign	336	556	495	1,511	7,910	14,888	12,519	13,676	14,375
Transfers and Subsidies	237	674	987	941	875	693	1,387	2,071	7,102
Investments	246	745	1,085	647	1,019	956	1,039	4,178	8,396
Arrears Repayment	—	224	345	1,210	2,351	3,462	5,534	19,055	19,483
Of Which Foreign	—	—	—	422	930	1,492	1,171	6,776	7,735
Net Financial & Other	251	96	518	536	3,802	-1,689	567	17,728	44,697
Overall Deficit (-) (Excl. debt amortization)	36	-1,392	-2,778	-1,108	-1,218	2,740	-5,554	-21,061	-114,131

Appendix Table 16 — (Continued)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
	Millions of Zaires								
Overall Deficit (-)	-456	-1,718	-3,273	-2,364	-3,814	-2,165	-10,532	-31,726	-131,784
(Inc. debt amortization)									
	-36	1,392	2,778	1,108	1,218	-2,740	5,554	21,061	114,131
Financing									
Net Domestic	267	1,454	3,273	2,364	3,814	2,165	10,532.8	10,763	85,772
Banking System	267	1,454	3,273	2,364	3,197	1,451	10,087.8	9,466	84,072
Treasury Bills	—	—	—	—	617	714	445	1,297	1,700
Net Foreign	-303	-62	-495	-1,256	-2,596	-4,905	-4,978	6,698	-1,934
Borrowing	189	264	—	—	—	—	—	17,363	15,719
Amortization	-492	-326	-495	-1,256	-2,596	-4,905	-4,978	-10,665	-17,653
Other	—	—	—	—	—	—	—	3,600	30,292
Memoranda Items									
GDP	17,182.9	23,780.9	31,110.4	59,134.4	99,723.4	147,263.3	203,416.1	326,946.3	622,821.5
Deficit as % of GDP (Excl. Debt Amort.)	-0.21	5.85	8.93	1.87	1.22	-1.86	2.73	6.44	18.3
Deficit as % of GDP(Incl. Debt Amort.)	2.65	7.22	10.52	4.00	3.82	1.47	5.18	9.7	21.2

Sources: *World Bank (1985), and IMF,* Zaire:Recent Economic Developments *(various years).*

Appendix Table 17 — Monetary Survey

	1976	1977	1978	1979	1980	1981	1982	1983
	Millions of Zaires[a]							
Net Foreign Assets (broad)[b]	-307	-372	-954	-1,046	-714	-2,092	-4,590	-18,941
Net Foreign Assets (narrow)	-89	-28	64	260	465	-1,912	-3,427	-16,014
Foreign Assets	149	245	532	872	1,579	2,231	1,596	9,317
Foreign Liabilities	239	273	468	612	1,114	4,143	5,023	25,331
Foreign Currency Deposits	-218	-344	-1,019	-1,306	-1,178	-180	-1,163	-2,927
Provisions for External Arrears[c]	-199	-316	-974	-1,246	-1,032	-1,496	-1,314	-5,753
Net Domestic Assets	1,040	1,499	2,205	2,330	3,381	5,219	10,554	14,149
Net Claims on Government	832	1,055	1,578	2,062	2,329	3,784	7,888	10,252
Credit to Enterprise and Households	386	537	641	879	1,014	1,342	1,931	2,882
Other Net Domestic Assets	-177	-93	-15	-611	37	93	735	1,015
Money Supply[d]	738	1,154	1,855	2,085	3,367	4,645	8,057	14,002
Revaluation Gains and Losses	-45	-67	-683	-948	-970	-2,066	-2,641	-21,231
SDR Allocation Counterpart	39	39	78	147	270	548	548	2,437

Appendix Table 17 — (continued)

	1984	1985	1986	1987	1988	1989	1990 (June)
				Millions of Zaires[a]			
Net Foreign Assets (broad)[b]	-24,325	-38,539	-54,469	-96,718	-199,317	-221,531	-296,942
Net Foreign Assets (narrow)	-21,533	-36,168	-48,641	-86,567	-176,987	-164,954	-228,189
Foreign Assets	10,728	13,213	27,097	57,203	99,653	237,959	232,377
Foreign Liabilities	-32,261	-49,381	-75,739	-143,770	-276,640	-402,913	-460,566
Foreign Currency Deposits	-2,792	-2,371	-5,827	-10,151	-22,330	-56,577	-68,753
Provisions for External Arrears[c]	-4,989	-3,963	-3,440	-5,859	-9,449	-11,278	-13,909
	19,343	24,534	39,130	62,311	164,896	152,198	201,180
Net Domestic Assets							
Net Claims on Government	13,397	14,847	24,935	33,297	118,473	86,794	91,861
Credit to Enterprises and Households	4,492	6,985	11,437	25,096	43,457	73,510	90,582
Other Net Domestic Assets	1,455	2,702	2,758	3,918	2,966	-8,106	18,737
Money Supply[d]	18,792	23,925	37,996	74,741	169,851	273,605	338,202
Revaluation Gains and Losses	-27,202	-43,207	-60,822	-125,111	-235,974	-394,788	-499,736
SDR Allocation Counterpart	3,428	5,277	7,488	15,963	31,702	51,850	65,722

Sources: *Bank of Zaire (various years), Annual Reports, and World Bank (1985).*

a *End-of-period.*

b *Includes foreign currency deposits and provisions for imports.*

c *Excluding service payments on external public debt.*

d *Sum of currency in circulation and demand and time deposits, including deposits of subordinate public authorities with commercial banks.*

Appendix Table 18 — Commodity Composition of Exports[a]

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Copper	1,033.4	757.0	790.5	822.0	670.5	826.8	843.4	843.4	1,218.4
GECAMINES	957.9	694.5	740.8	750.4	624.7	655.1	797.0	797.0	1,135.0
SODIMIZA	75.5	61.3	49.7	71.6	45.8	39.7	29.8	46.4	83.3
Volume ('000 tons)	470.8	440.6	542.6	525.6	482.2	503.0	499.2	509.3	466.3
GECAMINES	436.7	404.6	508.2	479.8	449.3	474.3	481.3	481.3	438.3
SODIMIZA	34.1	36.0	34.4	45.8	32.9	28.7	18.0	28.0	28.0
Unit Values (US/lb)	129.5	91.9	73.0	71.0	63.1	63.7	62.7	75.1	117.5
Cobalt	377.4	139.1	159.0	120.8	236.2	235.7	149.7	133.7	217.0
Volume ('000 tons)	6.9	3.4	7.3	9.5	12.6	9.3	14.1	10.2	15.3
Unit Values (US/lb)	32.5	21.9	11.0	5.8	8.5	11.5	4.8	5.9	6.4
Zinc	20.8	70.7	43.1	50.2	53.3	49.1	48.3	37.5	64.3
Volume ('000 tons)	29.6	87.0	55.0	66.6	63.0	70.7	71.9	51.6	62.2
Unit Values (US/lb)	43.0	42.4	39.7	34.0	38.4	31.5	30.5	32.9	46.9
Silver	53.4	17.7	16.6	11.8	6.7	6.5	7.7	6.5	6.9
Volume ('000 kg)	83.5	57.5	71.8	33.1	25.4	27.0	44.9	31.0	34.0
Unit Values (US$/t.oz)	25.6	11.6	7.8	11.3	8.5	7.7	5.5	6.7	6.5
Gold[b]	31.2	22.4	21.0	72.7	60.2	31.2	26.6	46.7	40.4
Volume ('000 tons)	1.6	1.5	2.0	5.3	6.0	2.9	2.8	3.8	3.5
Unit Values (US$/c)	797.3	552.6	367.3	426.7	322.6	345.9	305.4	392.5	373.3
Diamonds	113.2	76.6	76.2	139.0	217.0	199.1	228.5	197.4	277.6
Volume ('000 carats)	10.0	6.6	6.7	11.7	18.1	19.6	23.3	19.6	18.3
Unit Values (US$/c)	14.8	13.8	12.5	11.9	12.0	10.2	9.8	10.0	15.2

Appendix Table 18 — (Continued)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Crude Oil	227.8	273.6	273.8	236.2	330.3	300.8	146.5	192.2	143.6
Volume ('000 bbl)	6.6	7.7	8.1	8.5	12.1	12.0	11.7	11.5	10.6
ZAIREP	—	—	—	—	1.8	3.4	4.0	4.0	3.8
Gulf	—	—	—	—	10.3	8.6	7.7	7.6	6.8
Unit Values (US$/bbl)	44.9	42.1	37.3	28.0	27.3	25.1	12.5	16.7	13.5
Coffee	162.7	112.0	104.9	116.5	211.6	153.6	437.3	168.7	97.8
Volume ('000 tons)	74.1	67.6	68.0	69.5	78.9	65.5	145.8	104.8	57.5
Unit Values (US$/lb)	1.3	0.9	0.8	0.76	1.22	1.06	1.36	0.73	0.77
Rubber	19.5	18.9	11.0	15.0	10.6	7.5	7.8	10.3	11.8
Volume ('000 tons)	19.5	18.5	14.9	15.9	14.6	11.0	13.9	10.6	10.0
Unit Values (US$/lb)	0.6	0.5	0.4	0.42	0.33	0.31	0.25	0.44	0.54
Other	134.1	94.3	92.7	101.6	121.6	156.9[c]	98.1	108.6	127.4
Total Exports, f.o.b.	2,268.6	1,677.9	1,600.8	1,685.8	1,918.0	1,852.2	1,845.3	1,728.4	2,205.2
GECAMINES[d]	—	—	—	933.2	920.9	949.7	860.8	974.7	1,423.3
Other	—	—	—	752.6	997.6	984.5	770.3	781.9	781.9

Sources: *IMF,* Zaire: Recent Economic Developments, *various issues.*

a *Values in millions of U.S. dollars; volume and unit as indicated).*

b *Includes partly unrefined gold.*

c *Includes airplane sale of US$24.9 million.*

d *Exports of copper, cobalt, zinc, and silver.*

Appendix Table 19 — Balance of Payments

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
					Millions of SDRs					
Current Account	113	-226	-518	-536	-327	-317	-215	-341	-501	-516
Trade Balance	563	576	218	275	442	724	656	478	270	419
Exports, f.o.b.	1,420	1,743	1,423	1,450	1,577	1,871	1,825	1,572	1,349	1,642
Imports, f.o.b.	-857	-1,167	-1,205	-1,175	-1,135	-1,147	-1,169	-1,094	-1,079	-1,223
Services	-441	-944	-937	-947	-933	-1,222	-1,013	-923	-880	-1,030
Receipts	62	104	128	76	109	138	151	161	203	138
Expenditures Interest	-503	-1,048	-1,065	-1,023	-1,042	-1,260	-1,164	-1,084	-1,083	-1,168
Unrequited Transfers	-9	142	201	136	165	81	142	104	109	95
Private	—	-61	-3	-8	3	-89	-54	-53	-54	-50
Official	-9	203	204	144	162	170	196	157	163	145
Capital Account	-92	2	-119	-103	-198	-216	-161	-99	51	-67
Official Capital	0	-17	-143	-161	-181	-275	-272	-158	-38	-2
Disbursements	—	292	213	172	136	132	155	230	340	307
Amortization	—	-309	-356	-333	-317	-407	-427	-388	-378	-309
Private Capital and Net Errors and Omissions	-92	19	24	58	-17	59	111	59	89	-65
Overall Balance	20	-224	-637	-639	-526	-534	-376	-440	-450	-581
Financing Items	-20	224	637	639	526	534	376	440	456	581
Arrears	—	-1,017	114	361	-456	-74	-51	-24	-30	483
Debt Rescheduling & Other Financing[a]	34	1,270	321	137	909	466	411	468	567	124
Net Fund Credit	-10	-8	114	86	104	104	65	-13	3	-78
Other Reserves[b]	-44	-21	89	55	-32	37	-49	9	-84	52

Source: *IMF, Balance of Payments Statistics.*

[a] *Other financing consists of Trust Fund Accounts and Subsidy Account Grants for 1979-82.*

[b] *Net of counterpart items.*

Appendix Table 20 — Terms of Trade in SDRs (1980 = 100)

Year	Export Prices	Import Prices	Terms of Trade	Percent Change in Terms of Trade
1967	40.7	21.5	189.3	—
1968	44.4	20.9	212.4	12.2
1969	48.4	17.7	273.4	28.7
1970	50.1	23.3	215.0	-21.4
1971	37.8	27.1	139.5	-35.1
1972	36.8	30.4	121.1	-13.2
1973	68.9	39.1	176.2	45.6
1974	85.9	57.4	149.7	-15.1
1975	57.8	59.9	96.5	-35.5
1976	65.7	60.0	109.5	13.5
1977	71.4	65.6	108.8	-0.6
1978	73.3	74.3	98.7	-9.4
1979	95.1	87.4	108.8	10.3
1980	100.0	100.0	100.0	-8.1
1981	84.6	101.3	83.5	-16.5
1982	76.8	97.3	78.9	-5.5
1983	79.7	95.5	83.5	5.7
1984	78.6	93.0	84.5	1.3
1985	75.8	91.9	82.5	-2.4
1986	81.3	100.9	80.6	-2.3
1987	82.0	110.8	74.0	-8.2
1988	108.3	118.1	91.7	23.9

Source: *World Bank, World Tables.*

Appendix Table 21— Relative Retail Prices of Staple Foods, Kinshasa, 1970 to 1988

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Manioc Chikwangue	103.7	97.7	98.6	125.3	111.7	93.7	92.6	121.4	119.7	112.4
Manioc Cossette	89.2	161.4	101.0	150.2	145.1	117.0	114.4	139.1	144.4	131.1
Bananas	51.0	51.7	56.4	61.3	73.8	81.5	87.4	82.7	102.7	120.9
Peanuts	174.2	178.4	793.1	194.0	376.5	395.2	260.2	367.4	395.7	367.6
Rice	357.8	402.8	369.5	285.6	181.0	223.3	214.9	252.3	374.5	303.9
Bread	277.1	259.9	282.6	260.7	267.3	305.2	311.2	354.9	264.8	171.9
Maize	1,523.8	1,527.2	1,637.1	1,471.7	1,143.5	1,324.5	1,068.2	1,126.2	981.9	1,073.0

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Manioc Chikwangue	91.9	85.9	106.0	100.8	120.0	144.6	155.5	151.2	108.5
Manioc Cossette	98.0	84.6	114.3	110.6	112.7	94.8	78.8	86.7	85.2
Bananas	100.2	73.4	75.1	84.1	102.1	96.4	86.5	94.4	89.8
Peanuts	370.1	335.2	289.1	271.1	237.2	359.8	376.2	288.0	264.5
Rice	266.0	266.2	256.7	266.7	148.0	151.8	145.3	118.1	160.1
Bread	125.4	106.3	109.2	135.2	127.8	122.2	131.9	110.6	130.0
Maize	1,014.1	988.3	970.6	946.4	889.4	785.2	824.2	695.4	779.9

Source: *Republic of Zaire 1989b.*

Note: *Prices are relative to the general retail price index published by the Economic and Social Research Institute (IRES), University of Kinshasa.*

Appendix Table 22 — Salary Indices of Private and Public Sectors (1975 = 100)

	1974	1975	1976	1977	1978	1979	1980	1981
Consumer Price Index[a]	74.1	100.0	170.9	278.9	428.8	965.0	1,420.4	1,977.5
Private Sector								
Nominal	—	100.0	131.4	159.5	206.9	277.3	453.6	721.6
Real	—	100.0	76.9	57.2	48.2	28.7	31.9	36.5
Public Administration								
Nominal	88.7	100.0	127.9	133.4	155.7	320.3	371.5	468.9
Real	119.7	100.0	74.8	47.8	36.3	33.2	26.2	23.7
Minimum Legal Salary								
Nominal	85.8	100.0	131.4	137.1	157.1	209.9	222.8	229.6
Real	115.8	100.0	76.9	49.2	36.6	21.8	15.7	11.6

	1982	1983	1984	1985	1986	1987	1988	1989
Consumer Price Index[a]	2,727.4	4,688.5	7,437.4	9,209.3	13,511.1	25,724.4	42,689.5	67,662.9
Private Sector								
Nominal	1,172.1	2,510.2	5,613.3	6,637.8	9,863.8	16,482.4	34,764.7	
Real	43.0	53.5	75.5	72.1	73.0	64.1	81.4	
Public Administration								
Nominal	593.1	684.5	1,189.1	2,142.6	3,430.6	5,759.8	9,549.7	16,826.7
Real	21.8	14.6	16.0	23.3	25.4	22.4	22.4	24.9
Minimum Legal Salary								
Nominal	261.4	665.1	1,801.8	1,801.8	1,801.8	1,801.8	1,801.8	1,801.8
Real	9.6	14.2	24.2	19.6	13.3	7.0	4.2	2.7

Source: *Bank of Zaire, Annual Reports.*

[a] *Weighted average of price indices for market- and store-purchased items.*

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