

RESTRICTED

Report No. AW-7a

**FILE COPY**

This report was prepared for use within the Bank and its affiliated organizations. They do not accept responsibility for its accuracy or completeness. The report may not be published nor may it be quoted as representing their views.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

---

THE ECONOMY OF CONGO (BRAZZAVILLE)  
RECENT EVOLUTION AND PROSPECTS

April 21, 1969

CURRENCY EQUIVALENTS

\$ U.S. 1	=	CFAF 247
CFAF 1	=	U.S. cents 0.4
\$ U.S. 1 million	=	CFAF 247 million
CFAF 1 billion	=	\$ U.S. 4, 048, 582

## TABLE OF CONTENTS

Page No.

BASIC DATA	
SUMMARY AND CONCLUSIONS	
I. THE COUNTRY, ITS POPULATION, ECONOMIC STRUCTURE AND POLITICAL SITUATION	
A. Geography and Population	1
B. Political Developments	3
C. Economic Structure	5
II. RECENT TRENDS	
A. Economic Growth and Investment	7
B. Sectoral Developments	9
C. Foreign Trade and Balance of Payments	14
D. Public Finance	17
III. DEVELOPMENT PROSPECTS	
A. Output	23
B. Foreign Trade	24
C. Public Finance	25
D. Investment Finance and Creditworthiness	27
ANNEX - Development in Major Sectors	
STATISTICAL APPENDIX	

This report was prepared by a mission which visited Congo in October-November 1968, consisting of Messrs. A. Van Nimmen and T. Lankester.



## BASIC DATA

<u>Area</u>	342,000 square kilometers
<u>Population (1968):</u>	920,000 (of which about 12,000 Europeans)
	Current rate of growth: 1.6%
	Density: 2.7 per sq. km.
<u>Political Status:</u>	- Independent since August 1960
	- Member of the Central African Customs and Economic Union (UDEAC)
	- Member of the Central Bank of Equatorial African States and Cameroon (BCEAEC) and of the Franc Zone
	- Associate member of the E.E.C.

### Gross Domestic Product:

Estimated total GDP (1968):	CFAF 50 billion
Estimated per capita GDP (1968):	\$220
Approximate GDP growth rate 1963-68:	4% (at constant prices)
Sectoral breakdown (1964)	
Primary sector	29%
Secondary sector	14%
Tertiary sector	57%

<u>Percent of GDP</u>	<u>1964-68</u>
Gross investment	28%
National savings	5%
Government tax revenue	27%

### Money, Credit and Prices

	(CFAF billion)	Average Annual Increase
	<u>June 1968</u>	<u>1963-67</u>
Total money supply	10.3	3%
Domestic credit to private sector	13.8	8%
Rate of change in prices	-	4%



Public Sector Operations (CFAP Billion)

	<u>1965</u>	<u>1966</u>	<u>1967</u>
Government current receipts	9.6	12.2	13.3
Government current expenditures	10.5	12.1	13.2
Surplus/deficit	-0.9	+0.1	+0.1
Budgetary investment	1.6	0.8	1.1
Total public investment	4.4	5.1	6.0

External Public Debt (US \$million)

Total debt (including undisbursed)	
at December 31, 1968	118.2
Total debt service (1967)	5.2
Debt service ratio (1967)	11.2

Balance of Payments (US \$ million)

	<u>1967</u>	<u>Average Annual Increase 1963-67</u>
Exports	47.0	9.7%
Imports	82.6	13.2%
Trade deficit	-35.5	19.0%
Foreign aid disbursements	24.2	10.6%

Commodity Concentration of exports

	<u>1964</u>	<u>1967</u>
Timber	46%	43%

Gross Foreign Exchange reserves

	<u>Dec.1964</u>	<u>Nov.1968</u>
US \$ million	1.3	11.1

IMF Position

	<u>Dec.31, 1968</u>
Quota	US \$ 9.0 million
Drawings	None





<u>Bank/IDA Operations</u>	<u>Amount committed</u>	<u>Amount disbursed</u>
	<u>(in US \$ million at Dec. 31, 1968)</u>	
Bank Technical Assistance	0.185	0.173
Bank Loan	30.0	18.6



## THE ECONOMY OF CONGO (BRAZZAVILLE)

### RECENT EVOLUTION AND PROSPECTS

#### SUMMARY AND CONCLUSIONS

1. Congo is an equatorial African country with a relatively short coastline and with a vast hinterland separated from the coast by the Mayombe, a narrow but tortuous mountain range. Sixty percent of the country is covered with tropical forests which have been and for a long time will continue to be an important source of income and export earnings. Good agricultural land is scarce; yet sixty percent of the population probably still engage in agriculture as their main economic activity. Coffee and cocoa are the principal export crops. Together, however, they represent less than three percent of total exports. Because Brazzaville used to be the administrative center of the former Federation of French Equatorial Africa, and because the Congo and Ubangui river network has long constituted the main axis of penetration into CAR and Chad, the tertiary sector is abnormally large. It now accounts for nearly 60 percent of GDP. Manufacturing is relatively well developed and continues to expand, partly under the influence of the available markets in the even less favorably endowed, landlocked countries of the former Federation.
2. Like the other countries of the Federation, Congo became independent in 1960. This, combined with the departure of French troops and of a great number of private planters in 1964, has had far-reaching effects on the economy. Government current expenditures have more than tripled between 1959 and 1968 and Government participation in economic activities, both production and distribution, is widespread. Since independence, the country has witnessed two major political coups: one in 1963 when President Youlou was overthrown, and one in 1968 when President Maselemba-Debat was replaced by the present regime. Although the Government has in latest years pursued a systematic policy of State participation in productive enterprise, the private sector continues to be active, particularly in the field of mining, forestry and transport. The Government has respected its obligations towards the private sector and no complaints of harassment are being voiced.
3. Through the post-independence years Congo has maintained special ties with the other members of the former Federation of French Equatorial Africa. The customs union which these countries set up in 1959 was subsequently broadened to an economic union, including Cameroon. This union (UDEAC) was threatened in 1968 when CAR and Chad announced their intention to withdraw and join in an economic union with Congo (Kinshasa) instead. Since then, however, CAR has re-entered UDEAC, although the status of Chad remains uncertain. The five countries of UDEAC also share a common Central Bank and, at least partly, a number of common services. Ties with France remain predominant. Most of the 12,000 Europeans in Congo are French, and more than half of the country's foreign aid comes from France.
4. Economic growth in the last few years has been satisfactory, but not spectacular. It has been estimated that between 1963 and 1968, GDP in current prices increased at an average annual rate of approximately 8 percent.

Since in the same period prices rose by an average of 4 percent a year, GDP in real terms probably increased by some 4 percent per annum. Agriculture continues to stagnate, except for sugar output which increased from 28,000 tons in 1964 to 90,000 tons in 1967. As a result of this increase Congo became the largest sugar producer in the OCAM area. Because of the depletion of the coastal forest areas, forestry exploitation is penetrating more deeply inland. In recent years production has stabilized at a level of some 650 thousand cubic meters a year. The part of log output locally transformed in sawn wood and veneer has increased from 11 percent in 1963 to 25 percent in 1967.

5. Investment activity in the last few years has been intense. Total investment in the period 1964-68 has amounted to over CFAF 60 billion or more than 25 percent of total GDP in the same period. Nearly one third of this investment was accounted for by a potassium chloride mining project. But even if this project is excluded, yearly investment still amounted to CFAF 8 billion. More than half of this remaining investment was in the public sector. Financial resources for the public sector investment came largely from foreign aid and foreign suppliers' credits. The most important projects under execution are a textile plant and a cement factory.

6. Prospects for economic growth in the immediate future are good. Several of the projects currently under construction will be completed in 1969 and 1970. Hence, it can be expected that the rate of growth of GDP will slightly pick up in these two years. Beyond 1970, however, the expansion of GDP will probably slow down, because sufficient projects may not be available for execution. Some investments can be expected in transport infrastructure, livestock, small metal-working industries and possibly petroleum, but these will probably not exceed CFAF 6-7 billion a year.

7. The most important tasks facing the Government are: (1) improvement of the fiscal situation; (2) efficient management of the already existing public sector institutions and of the new projects which will come to maturity in the next two years; (3) identification and preparation of suitable projects which could be financed in the early 'seventies; and (4) a solution to the problems caused by excessive urbanization.

8. The public finance situation of Congo is precarious. In spite of high tax revenues, representing slightly over 25 percent of GDP, no appreciable public savings have been generated by the Central Government. The number of civil servants is very high (around 20,000) and expenditures for wages and salaries absorb more than 50 percent of the ordinary budget. In 1965, partly due to the withdrawal of French troops and the considerable expansion of local defense expenditures, the Government incurred a current deficit of CFAF 0.9 billion, or nearly 10 percent of total current expenditures. Measures were taken to redress this situation and in 1966 and 1967 small current surpluses were registered. Preliminary estimates for 1968 indicate that the surplus may have turned again into a small deficit. Budgetary investment expenditures, partly financed through external borrowing in 1966, through domestic borrowing and the use of deposits with the Tresor in 1966 and 1967, have amounted to an average of slightly over CFAF 1 billion a year.

9. Efficient management of the public sector enterprises is all the more necessary since the Government budget situation will not improve in the immediate future. The level of ordinary expenditures budgeted for 1969 makes it extremely unlikely that any public savings will be generated in that year. Furthermore, the rate of increase of public deposits with the Tresor will tend to be smaller than in recent years and will limit the availability of additional sources of financing. Under these circumstances supplementary subsidies to public enterprises would impose additional burdens on the budget and limit even further the possibilities of budgetary investment.

10. Preparation of new projects for financing in the next few years is of utmost urgency. The most obvious investment opportunities have been utilized and the formulation of new projects will require a more profound and imaginative analysis of development possibilities. In this respect the Government should avoid investing too large amounts in transport infrastructure. In the next decade or so reliance should be put on the existing river transport system, and emphasis should rather be placed on the maintenance of secondary feeder roads. What is required are projects which will improve productivity in the traditional agricultural sector and a few relatively small industrial projects. Progress in the latter field will often require the cooperation of private investors.

11. The most intractable problem facing the country is excessive urbanization. If existing trends continue, more than half of the population will live in urban areas by 1980. Unless the rural exodus is stopped by adapting educational curricula to the present needs of the country and by providing acceptable employment opportunities in the more fertile rural areas, unemployment in the cities will lead to social tensions. Simultaneously, a limited family planning program could also be introduced in the urban areas, in order to limit normal population growth in these overpopulated centers.

12. Export earnings including net foreign exchange proceeds from potash sales are expected to rise at an average annual rate of six percent from 1967 to 1972. A continued increase at this rate should make possible some increase in the debt service ratio while still permitting some growth in the per capita availability of foreign exchange to the economy. However, the claims on foreign exchange for imports are likely to remain high, and there seems little prospect of significantly reducing the current large trade deficit unless a decline in the volume of foreign aid available makes such a cut unavoidable. The country does have the capacity to meet short-term liquidity crises. It has access to the pooled reserves of all members of the common central bank and, in the event these reserves are depleted, the central bank can make use of its overdraft facilities with the French Treasury. In the longer run, of course, the country must rely on its own foreign exchange earnings supplemented by foreign aid and private capital inflow.

13. Although future foreign exchange resources are a limiting factor, the principal constraint on Congo's creditworthiness is its limited capacity to generate public savings. Tax effort, measured by the ratio of tax revenue to GDP, seems to have reached its absolute maximum; yet, the high level

of current expenditures will preclude the emergence of any significant amount of public savings in the next five years. Hence, any significant addition to the public debt service supported by the budget may prove difficult to bear unless the Government can successfully curb the growth in ordinary expenditures.

## THE ECONOMY OF CONGO (BRAZZAVILLE)

### RECENT EVOLUTION AND PROSPECTS

#### I. THE COUNTRY, ITS POPULATION, ECONOMIC STRUCTURE

##### AND POLITICAL SITUATION

##### A. Geography and Population

1. Congo (Brazzaville) <sup>1/</sup> is one of the six African countries straddling the equator, Congo occupies an area of 342,000 square kilometers (132,000 square miles), almost two-thirds the size of France. The country stretches more than 1,000 km into the African continent, but has a short coastline along the Atlantic Ocean (200 km) and only one major port: Pointe-Noire. Once past the coastal plain, access to the hinterland is rendered difficult by the Mayombe, a mountainous range running parallel to the coast. A railroad built by the French in the 30's still remains the only effective axis of penetration.
2. Sixty percent of the country is covered by forests and the remainder is savannah land. On the whole soils are very permeable, acid and poor in mineral content. The most fertile lands are the slightly ferrallitic soils in the Niari Valley and the marshlands of the Cuvette congolaise (see Map 1). Extensive use of the latter would, however, involve costly investments in drainage and reclamation.
3. Together with its neighbors the Central African Republic, Chad and Gabon, Congo belongs to one of the least densely populated areas in Africa. With a population estimated in 1968 at around 920,000, the country has a population density of slightly less than 3 inhabitants per square kilometer <sup>2/</sup>. Population growth is estimated at 1.6 percent per year, which is also relatively moderate. Very little is known about the crude birth and death rates and, hence, it is extremely difficult to forecast the future natural increase of the population. It is generally accepted, however, that the population growth rate will not change considerably in the next few years.
4. These considerations might seem to indicate that the country has no population problem. However, nearly three-fourths of the total population is concentrated in an area west of Brazzaville occupying less than one third of the country's total surface (see Map 2). A detailed picture of the population distribution shows that the population clusters around the urban centers, in the fertile Niari Valley and at certain points along the navigable portions of the Congo river tributaries. Excessive urbanization is,

---

<sup>1/</sup> Henceforth the country will be simply referred to as "Congo".

<sup>2/</sup> Figures on total population are very rough estimates based on a census taken in 1960-61. Estimates on the population in 1968 vary between 870,000 and 930,000; the actual figure is more likely to be at the higher end of this range.

and will continue to be the main social and economic problem. Exact figures for the urban population are not known but it is estimated that in 1968 one third of the country's total population lived in four urban centers: Brazzaville (200,000), Pointe-Noire (90,000), Dolisie (15,000) and Jacob (15,000). The high concentration of population in Brazzaville is partly due to the fact that the city used to be the administrative center for the former Federation of French Equatorial Africa. But the attractions of urban life have fostered the rural exodus, and have led to an annual growth rate of the Brazzaville population in the neighborhood of 6 percent. Areas like the plateaux Bateke and the coastal plains have been virtually abandoned in favor of Brazzaville and Pointe Noire. This has caused a problem of underemployment in the cities where many immigrants have to resort to petty retail trade, often in goods smuggled from Congo (Kinshasa). Standards of living and nutrition for these categories of people are often worse than for the inhabitants of rural areas. A continuation of this trend of rural migration, combined with the fact that the urban population tends to be younger than the population of the country as a whole (and already 45 percent of Congo's population falls in the 0-14 years age group), would mean that by 1980 approximately half of Congo's population would be urbanized. Thus, in certain areas of the country there is overpopulation, while elsewhere - especially in the north - population density is so low that basic infrastructure expenditures rarely yield a high rate of economic return. The search for financially rewarding economic activities which could retain people in these underpopulated areas will be one of the major tasks of Congolese economic policy in the years ahead. This could be coupled with a program of population control in the urban areas. At present only a limited family planning program exists; it is turned more to the solution of individual social cases rather than to the curbing of population growth.

5. The population of Congo presents great ethnic variety, with four ethnic groups (Kongo, Téké, M'Bochi and Sangha) constituting the large bulk. Tribal opposition and rivalry have not led to overt clashes in recent years, but do play a role on the political scene. It is, however, the policy of the present regime to lessen the importance of the tribal factor.

6. There are in the country about 12,000 foreigners, most of whom are French. The vast majority live in the four urban centers and play a leading role in forestry and industry. French foreign aid also provides some 550 technical assistants who work in the country as teachers, medical doctors or as experts in the administration. A number of French semi-public institutions, such as the Bureau pour le Developpement de la Production Agricole (BDPA), the Institut de Recherches pour les Huiles et Oleagineux (IRHO) and the Centre Technique Forestier Tropical (CTFT), are also active in the country and provide valuable services in their respective fields. For, although the country has - together with Gabon - one of the highest rates of school enrollment in Africa, there still exists a lack of qualified people at all levels. Of the 100 medical doctors present in the country, only 14 are Congolese nationals.



## B. Political Developments

7. During 1968 two important political events occurred. The first was the ouster of President Masmamba-Debat and his replacement by Commandant Raoul; the second was the abolition of the constitution and the delegation of major powers to a newly created collegial body, the Conseil National de la Revolution (CNR). However, evaluated in their long run perspective, neither is likely to affect significantly the country's foreign relations or its domestic economic policies.

8. Since the overthrow of President Youlou in 1963 the country has steered a course of non-alignment in foreign affairs and of compromise between socialization and private enterprise in the domestic field. Foreign aid is forthcoming from widely different sources, including France, Germany, the Soviet Union, mainland China and North Korea. Although a considerable number of state enterprises have been set up in the country, there has never been any systematic harassment of the private sector by the Government. <sup>1/</sup> On the contrary, it has encouraged private investment. Legislation concerning foreign investment is generally in line with regulations prevailing in the other UDEAC countries. Relations between the Government and private enterprise are satisfactory. Gross private investment in the last five years has been considerable, averaging about CFAF 7 billion a year. Whereas public investment has been below planned levels, private investment targets have been reached.

9. Organizationally the one important change which has resulted from the 1968 coup is the creation of the CNR. The latter is a collegial body composed of some 30 members who formulate State policies. The CNR includes among its members a "directoire" of twelve which acts as the executive branch of the committee ensuring the execution of policy. It consists of a chairman in charge of security, Commandant Ngouabi, who has been President of Congo since December 1968, two deputy chairmen and six secretaries each in charge of supervising a ministry. The Government itself merely implements the broad policy decisions taken by the CNR. The Prime Minister is appointed by the President upon recommendation of the CNR: he is directly responsible to the CNR. It is, however, unlikely that these administrative changes will significantly affect the conduct of affairs or the country's political orientation.

10. In April 1968 Chad and the Central African Republic (CAR) notified their UDEAC partners that they would leave the economic union which they had formed in January 1966 with Cameroon, Gabon and Congo, and that they would join instead in an economic union with Congo (Kinshasa). This decision

---

<sup>1/</sup> The public sector includes a textile plant, a cement factory, a glass factory and a number of smaller enterprises. Furthermore, there are a number of "régies" and "offices" which are responsible for the management of oil palm plantations, electricity and water supply, agricultural marketing, road construction and reforestation.

caused considerable uncertainty in Congo, since Chad and CAR alone account for about one third of the country's exports. Even under the rules of ordinary competition, Congo would be unable to compete in these markets with a number of products from Congo (Kinshasa); a fortiori competition would become still more difficult if Congo (Kinshasa) came to benefit from certain trade preferences. In the meantime, however, CAR has announced its decision to re-enter UDEAC. Chad's position is still somewhat unclear.

### C. Economic Structure

11. Accurate information on the composition or even the size of Congo's GDP does not at present exist. The latest national accounts date from 1958; all existing estimates for more recent years are simple extrapolations based on some rough economic indicators, like exports, turnover and transport figures. It would be erroneous to attach to these estimates anything but an indicative value. More useful insights will be gathered from the sectoral evaluation described in the Annex to the report.

12. From an analysis of the broad economic aggregates a few salient features of the economy emerge:

- (a) Agriculture is of relatively minor importance. Total agricultural output which accounted for 30 percent of gross domestic product in 1958, may now have fallen to as little as 20 percent, although the population engaged in agricultural activities may still represent 60 percent of total population. Subsistence-type production represents the bulk of agricultural output and may range anywhere between two-thirds and three-fourths of the total. Reasons for the stagnation in the marketed output of agriculture have to be found in the lack of experience with commercial agriculture in Congo, in the recent trend of migration toward the urban areas, in the withdrawal of a large French company which had previously managed the industrial plantations and in the present deficiencies of the marketing organizations.
- (b) Congo has rich natural forests. Exploitation of the forestry resources accounts for nearly 50 percent of the foreign exchange earnings. Contrary to Gabon, where timber output has practically been stable since 1960, Congo witnessed an important increase in its timber production in the early sixties. Since 1964, however, the level of output has remained unchanged.
- (c) Known mineral resources are limited. Prior to 1968 mining was of little importance in the Congolese economy. The exploitation in early 1969 of the Saint-Paul potash deposits located near Pointe-Noire will alter this picture drastically and will increase the country's exports by nearly 45 percent. Off-shore drilling for petroleum could also lead to additional mineral production.

Table I: VOLUME AND COMPOSITION OF GDP /a

	1958		1964	
	<u>Index</u>	<u>Percentage</u>	<u>Index</u>	<u>Percentage</u>
I. <u>Primary sector</u>				
Agriculture	100	30.0	101	22.8
Marketed output	100	(10.8)	100	( 8.1)
Subsistence output	100	(19.2)	102	(14.7)
Fishery	100	0.4	200	0.6
Forestry	100	2.5	233	4.4
Mining	100	0.8	150	0.9
Total primary sector	<u>100</u>	<u>33.7</u>	<u>113</u>	<u>28.7</u>
II. <u>Secondary sector</u>				
Manufacturing	100	7.1	188	10.0
Construction	100	3.8	144	4.1
Total secondary sector	<u>100</u>	<u>10.9</u>	<u>173</u>	<u>14.1</u>
III <u>Tertiary sector</u>				
Services	100	34.2	113	29.1
Government	100	21.2	176	28.1
Total tertiary sector	100	<u>55.4</u>	<u>138</u>	<u>57.2</u>
<u>TOTAL</u>	<u>100</u>	<u>100.0</u>	<u>133</u>	<u>100.0</u>

---

/a Data in this table are based on Table 1 , Statistical Appendix.

- (d) The tertiary sector is unusually large. This is in part due to the fact that Congo handles imports and exports for the CAR and Chad and, to some extent even for Gabon (manganese) and that Brazzaville was the administrative center of the four territories belonging to the Federation of French Equatorial Africa. In addition, however, the government sector has continued to expand rapidly since independence. The real utility to the economy of much of the contribution of "government services" arising out of high and mounting current government expenditures may be questioned.
- (e) Congo remains a poor country. Total GDP in market prices in 1968 is estimated at CFAF 50 billion. Per capita GDP would then be in the neighborhood of US\$ 220. Large parts of the economy are in the hands of foreign interests and annual factor payments abroad may well amount to nearly CFAF 10 billion. This would bring per capita GNP to a level of approximately US\$ 180.
- (f) Economic planning plays a minor role in the formulation and execution of economic policy. Project preparation is poor and long-term budget policy is conspicuously lacking. In March 1964, the Government published a five-year plan (1964-1968). This plan, which was the first economic plan to be drawn up for the country, is largely descriptive in character. It contains little analysis and hardly any guidelines for action and it did not even include a major project for a sugar plantation, with Government participation, concerning which a decision was taken at approximately the same time. For these various reasons we shall not go through the exercise of making a systematic comparison between plan and execution, although at certain points, particularly with regard to agricultural output, forestry production and overall investment levels, reference will be made to the plan targets.
- (g) As member of UDEAC Congo shares a number of institutions with the other countries of the union. The most important of these institutions is the common Central Bank 1/; it has an office in each of the five member states, but the central offices are in Paris. Monetary reserves of the members are pooled. They are converted in French francs and kept in an account of the Central Bank with the French Treasury (compte d'opérations). Each member has free access to the pooled reserves, but interest has to be paid by the country whose imputed share becomes negative. Furthermore, the central bank as a whole has overdraft facilities with the French Treasury in case its foreign assets are depleted. Such overdrafts also carry an interest charge.

---

1/ Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun (BCEAEC).

## II. RECENT TRENDS

### A. Economic Growth and Investment

13. Since 1963, GDP in current prices has expanded at an annual rate of approximately 8 percent. In the same period prices have increased steadily at about 4 percent per year, giving an annual increase in real GDP of about 4 percent. Since the population has been growing at a rate of between 1.5 and 2 percent a year, the annual increase in GDP per capita can be estimated at 2 to 2.5 percent.

14. Investment activity in the last five years has been intense. Total investment in the period 1964-68 has amounted to approximately CFAF 60 billion, or CFAF 12 billion per year. A large share of this investment is represented by the CPC potash project, which by itself cost over CFAF 20 billion. Exclusion of this project from the overall investment figure reduces the average yearly investment flow from CFAF 12 to CFAF 8 billion. In 1968, investments excluding the potash mine probably amounted to less than CFAF 7 billion. For this reason alone it would be misleading to consider past investment levels as an indicator of the amount of investment which is likely to take place in the next few years. But even apart from the CPC project, investment activity in Congo has been dominated by a number of large projects in the private and public sectors. Whether such large projects are likely to be forthcoming in the near future is really the crucial issue in forecasting the future evolution of investment, and will be dealt with in the following section.

15. Next to the mining sector which, including the CPC project, accounted for 35 percent of investment in the last five years, the largest part of investment has been absorbed by the transport and service sectors; these, taken as a whole, represented another 23 percent. This high proportion is readily understandable in a country which, as a result of its history and geographic location, plays such a significant role as a transit area for the neighboring territories.

Table II: Distribution of Sectoral Investments - 1964-68

in percentages

	<u>Total</u>	<u>of which</u>	
		<u>Private sector</u>	<u>Public sector</u>
Mining	35	(98)	(2)
Forestry and wood processing industry	4	(68)	(32)
Agriculture and agricultural industries	13	(69)	(31)
Other industries (including energy)	14	(41)	(59)
Transport and services	23	(22)	(78)
Health and education	4	( - )	(100)
Urbanization	3	( - )	(100)
Housing	4	( - )	(100)
	100	(59)	(41)

Source: Table 14, Statistical Appendix.

Next in order of importance come the agricultural and industrial sectors followed by forestry and social infrastructure.

16. The share of the public sector in total investment activity has been very large: approximately forty percent of all investments undertaken in the 1964-68 period originated in the public sector. Even if social investments - which were all carried out by the Government - are excluded the relative part of the public sector in investment activity still amounts to over 35 percent. The importance of the BCCO 1/ in industrial investment, on the other hand, is underlined by the fact that in the category "other industries" the share of public investment was as high as 59 percent. Participation of the public sector was even higher in the transport and service sector (78 percent) and, of course, in the social infrastructure sector (100 percent). But nowhere, except in the mining sector, was it below 30 percent.

17. Although the share of the public sector in investment activity has been considerable the contribution of national resources to capital formation has been small. Much of the public sector investment has been financed through foreign aid. The following table shows that foreign resources have contributed 83 percent of the country's total gross investment in the period 1964-68; almost half of these foreign resources were of public origin. But foreign aid has become more expensive. Whereas in 1964 out of a total flow of foreign public resources amounting to CFAF 3.5 billion, CFAF 2.1 billion

1/ BCCO (Bureau pour la création, le contrôle et l'orientation des entreprises et exploitations de l'Etat) is an autonomous agency in charge of managing a number of public sector enterprises (see Annex, Para. 26).

or 60 percent were given in the form of grants, the grant-element of the public aid flows in 1968 has probably amounted to only 22 percent (see Table 16, Statistical Appendix). Although the average national resource contribution to investment has been small, it has increased from 13 percent of total investment in 1964 to 23 percent in 1967. Only in 1968, due to the disproportionately large inflow of foreign resources in connection with the implementation of the CPC project, did the relative share of national resources in total investment decline. In the five year period under consideration (1964-68) total mobilization of national savings amounted to approximately CFAF 10 billion or some 6 percent of gross national product in the same period.

Table III: Sources of Investment Finance /a

(in percentages)

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>Total</u>
<u>Foreign</u>						
public	37	36	30	31	37	34
private	50	51	48	46	48	49
<u>Total foreign resources</u>	<u>87</u>	<u>87</u>	<u>78</u>	<u>77</u>	<u>85</u>	<u>83</u>
<u>National</u>						
public	8	8	16	18	11	12
private	5	5	6	5	4	5
<u>Total national resources</u>	<u>13</u>	<u>13</u>	<u>22</u>	<u>23</u>	<u>15</u>	<u>17</u>
<u>TOTAL INVESTMENT</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

/a This table is based on Table 15, Statistical Appendix.

18. In the same period public savings amounted to approximately CFAF 7.5 billion. These savings financed slightly over 30 percent of public investment.

## B. Sectoral Developments

### (a) Agriculture

19. Before reviewing the latest trend in the evolution of agricultural production it should be stressed again that Congo has a limited agricultural potential. Poor soils, variable rain conditions and reluctance on the part

of the male population to engage in agricultural activities, are common problems in much of tropical Africa; in Congo these are aggravated by the excessive urbanization and high degree of school attendance. There is scope for improvement in the agricultural sector: better road maintenance, a more efficient marketing agency, the use of pesticides, and improved plantation management especially in oil palm, would raise production. But given the constraints mentioned above, these improvements are unlikely to have more than a marginal impact. The output of export crops will continue to represent a small part of Congo's exports, because of lack of comparative advantage, while the output of agricultural products for the domestic market will continue to be limited by the small size of the population. Emphasis ought therefore to be placed on (a) improvement in the productivity of present export crops, (b) increased production of staples to compensate for the rural exodus and (c) increased local production for the substitution of present imports of fruits, vegetables, meats, etc.

20. Subsistence agriculture still accounts for the bulk of agricultural output. There is little information about trends in production. Since there is no evidence of significant changes in production techniques employed in subsistence agriculture or in the availability of land, it seems reasonable to assume that output has been increasing at the same rate as the population living outside the monetary economy. Per capita production in this sector probably does not compare unfavorably with neighboring countries, since WHO estimates indicate a fairly good level of nutrition (per capita calorie intake about 2050 per day).

21. In the last five years production of cash crops has been stagnating, and has remained far below expectations. Output of maize, palm oil and coffee is at 44, 51 and 78 percent, respectively, of plan targets. The only exceptions to this situation are sugar and, to some extent, paddy. Following the completion of a second sugar plantation, sugar output increased from 28,000 tons in 1964 to 90,000 tons in 1967. As a result, Congo has become the largest sugar producer in the OCAM area, and sugar now represents over 80 percent of cash crop production. Reasons for the stagnation in the production of other export crops are the withdrawal of a number of expatriate planters, lack of effective agricultural extension and deficiencies of the marketing organization.

22. Marketing of most of the cash crops is in the hands of the Office National de Commercialisation des Produits Agricoles (ONCPA). This semi-public agency has a monopoly in the marketing of cocoa, coffee, groundnuts, rice (in certain regions only) and palm kernels (except those treated by the Regie Nationale des Palmeraies du Congo); it also runs a number of processing plants located in various parts of the country and owns storage facilities as well as a vehicle fleet. Financial resources of the agency are mainly provided by a levy on the value of the marketed produce. The Banque Nationale de Developpement du Congo (BNDC) provides credit to cover the short-term financing needs of the agency. Overall financial performance of the ONCPA has been rather poor, especially on account of groundnuts and coffee. Yearly deficits have been of the order of CFAF 100 million, and have been financed through contributions from the Caisse de Soutien a la Production Rurale and from the Central Government budget. The reasons for ONCPA's financial



difficulties are manifold and not easy to resolve. The high cost of ONCPA's operations and its resulting deficits appear to be principally due to the limited volume of produce handled, lack of selectivity in buying, management deficiencies and the high prices which it is required to pay for some products such as groundnuts which it must purchase at CFAF 31 per kilo (shelled) as compared with the price of CFAF 24.8 prevailing in Senegal. The present management of ONCPA is aware of these problems and is attempting to improve the operations and efficiency of the agency. Of vital importance for a marketing agency like ONCPA is the regularity of its pick-up services, and the use of consistent standards of quality control. The recent technical assistance provided by BDPA in the evacuation of the cocoa crop, shows that with the necessary reforms, and provided secondary feeder roads in the Cuvette region be properly maintained, ONCPA could greatly improve its financial record.

(b) Livestock

23. Congo is a country without tradition in the raising of cattle. There are a few ranches in the Niari Valley, some of which are owned by the Government. Meat production is, however, far from sufficient to satisfy local demand and more than 2,000 tons of meat have to be imported annually from Chad. FED has decided to finance two additional government-owned ranches, while FAC intends to study the feasibility of setting up another 50,000 ha ranch. The financing of the latter project has been broached to the Bank.

(c) Forestry

24. Like its neighbor, Gabon, Congo is very rich in forestry resources. The country shares with Gabon a monopoly in the production of okoume, a tropical wood ideally suited to the manufacturing of plywood and veneer. Forestry exploitation is now extending deeper in the country. Industrial permits have been given in an area going as far eastward as Komono. To allow exploitation still further inward, the Bank has been approached for the financing of the improvement of the Sibiti-Komono-Zanaga road connection.

25. Government policy with respect to forestry has in recent years centered on the double objective of (1) increasing the share of the African producers in total output and (2) fostering industrialization. In both these areas government policy has met with considerable success. The share of African logging operators in total output has risen from 16 percent in 1962 to 23 percent in 1967, and the proportion of log output processed in Congo has risen from 11 percent in 1963 to 25 percent in 1967.

(d) Mining

26. The importance of the mining sector to the Congolese economy will become significant in the first half of 1969 when the Compagnie des Potasses du Congo (CPC) will start production. This company, which has a government participation of 15 percent and to which the Bank has made a loan of US\$ 30 million in 1967, will produce 840,000 tons of marketable potassium chloride

per year. The project will increase Congo's exports by approximately CFAF 5 billion. The total annual wage bill to the Congolese workers employed by the mine will amount to approximately CFAF 120 million and additional fiscal resources for the government can be estimated at CFAF 325 million in the early years of operation.

(e) Manufacturing

27. Industrial expansion in the last five years has been impressive. Between 1958 and 1964 its share in GDP increased from 7 to 10 percent; and indices of industrial production suggest that between 1964 and 1966 expansion may have been as much as 20 percent per year. This industrial growth is due not only to the incentives provided by the UDEAC market, but also to the active policy of industrial promotion pursued by the Congolese government. To promote and manage public sector investments the government has set up the BCCO. This agency has performed a useful function as catalyst of foreign resources provided by governments and suppliers for the financing of public sector projects. Mobilization of national resources by this agency has been very limited. Some additional national savings have been generated by a number of semi-autonomous institutions in charge of public services such as water and electricity supply, forestry and roads. So far, BCCO's main function has been the supervision of the construction stage of a series of projects which will come to maturity in the near future. Management of these projects will impose severe demands on the available manpower and a serious effort will have to be undertaken to run them efficiently. The larger industrial projects under execution in the public sector are a textile factory and a cement plant. The latter however will be temporarily managed by the German supplier.

28. In spite of its desire to expand the public sector, the Congolese government has never discouraged private investment. Relationships with the private sector are good, and apart from the CPC mining project, private foreign investment has totaled CFAF 16 billion in the period 1964-68. The principal projects are in the Pointe-Noire area and in the Niari Valley.

(f) Roads and Transport Links

29. International transport links pose no immediate major problem; they are assured primarily by ATEC, an inter-state agency which is responsible for the improvement and maintenance of the main axis connecting Brazzaville with Fort Lamy via Bangui. The only bottleneck presently encountered on the international transport network is the Mayombe stretch of the CFCO railway. This stretch, which is characterized by light earthworks and sharp curves, was originally designed for light traffic. The transport of manganese from the Comilog mine in Gabon and the normal increase of the remaining traffic have more than tripled the tonnages transported over that part of the CFCO railway between 1960 and 1967. Heavy wear and tear has necessitated the replacement of rails costing some CFAF 100 million a year. ATEC has requested UNDP to finance a feasibility study on the realignment of the tracks. The Bank would be executing agency for the study.

30. With respect to domestic road transport the government attaches great priority to the bituminization of the main axis connecting Pointe-Noire with Ouessou via Brazzaville. The economic justification of this project, especially for the Ouessou-Brazzaville stretch, seems very questionable in view of the high construction costs, the long distance and the relatively light traffic. Given the fact that the navigable rivers cover a large part of the eastern half of the country and provide easy access to Brazzaville, it appears more urgent to rehabilitate the feeder roads which connect the main centers on these navigable arteries with the interior of the country (see Map 3). Experience with road maintenance projects in the Ouessou area has shown how vital the good condition of feeder roads is to the evacuation of agricultural cash crops and how responsive agricultural output is to the improvement of the road condition. Where the river system is not navigable all year and where the agricultural output needs rapid evacuation it may be necessary to improve certain stretches of the north-south road connection. To identify these stretches RNTP, the agency in charge of road construction and maintenance, should initiate a careful study, perhaps with appropriate technical assistance, of the interconnection between road and river transport, and to determine priorities accordingly.

(g) Electric Power

31. There are in Congo three main centers of electricity demand: Pointe-Noire, Brazzaville and the Niari Valley. In the Brazzaville area supply is assured by a hydro-power dam which in 1968 was still used at less than half of its installed capacity. Even under rather optimistic assumptions on the future evaluation of demand, present capacity will probably not be fully utilized until 1978. In the Niari Valley electricity consumption is concentrated in a number of large industrial or semi-industrial enterprises which produce their own current. In the Pointe-Noire region expansion in recent years has been considerable, averaging over 7 percent a year between 1963 and 1967. This rate of expansion is expected to be boosted in 1969 by the completion of a glass factory. To meet this additional demand the agency in charge of electricity production and distribution (SNE) has decided to install two additional thermal units of about 1 MW each. It is possible, however, that such a "piece meal" approach to the supply of electricity is uneconomical and that the projected expansion of demand in Pointe-Noire would justify the acquisition of larger thermal units.

(h) Education

32. Expansion of school enrollment has been very large in recent years, averaging 10 percent a year for primary and 25 percent a year for secondary education. In 1967, the ratio of school enrollment to school age population was around 80 percent for the 6-14 year age group. This increase in educational facilities has often been expensive, providing the population with skills and knowledge not necessarily adapted to immediate needs of the country. The number of repeaters is very large and, consequently, the average age of the students is much higher than would be expected from a normal student population. In 1968, educational expenditures represented 23 percent of the ordinary budget.

33. Of high priority in the field of education is the establishment or extension of a number of vocational training schools intended to form artisans with elementary skills for which there exists a demand in the villages or small urban centers. Such additional programs could, however, not be undertaken unless other educational expenditures can be reduced. The introduction of an effective limit to the number of school years which may be repeated and the savings which other rationalization measures would entail, could help greatly in releasing the financial resources necessary for the financing of such a program of vocational schools.

### C. Foreign Trade and Balance of Payments

34. Foreign trade <sup>1/</sup> is of great importance to the Congolese economy in view of the limited size of the domestic market. Exports are equivalent to about one-quarter and imports to over two-fifths of GDP. Congo also derives substantial receipts from the provision of transportation for most of the foreign trade of Chad and the CAR.

35. With an increase of 46 percent in 1963-67 (see Table 10), exports have risen quite impressively. Much of this increase took place in 1963-64, but growth rates of 12 percent and 6 percent have been attained in 1966 and 1967 respectively. Timber which accounts for about half of total exports, has been the prime element in this upward trend. Congo's only other export item of any importance, sugar, has also increased rapidly. Exports to UDEAC countries have amounted to 20-30,000 tons per year since 1963; and, starting in 1966, there have also been substantial exports to non-UDEAC countries: about 30,000 tons in 1966 and 60,000 tons in 1967. The third dynamic element has been the export of miscellaneous manufactures, particularly to the other UDEAC countries. Traditional agricultural exports, coffee, cocoa and palm products, have either stagnated or declined, and now account for less than 5 percent of total exports. Petroleum exports have declined since 1963 as off-shore resources have so far proved less favorable than originally thought.

36. Imports have increased even more rapidly, with a 1963-67 growth rate averaging 15 percent annually. Information is incomplete <sup>2/</sup>, but it

---

<sup>1/</sup> This discussion is concerned exclusively with adjusted foreign trade figures as shown in Table 10. The following adjustments have been made: (a) diamonds which are shown only as an export in official statistics, are excluded altogether, since the trade is entirely of a transit nature; a small amount for the profit margin on the trade is included as a service item in the balance of payments estimates; (b) re-exports which were of considerable importance in the early 60's have been excluded.

<sup>2/</sup> See Table 8, Statistical Appendix, for composition of registered imports. The composition of re-exports is not known.

seems that equipment goods, raw materials and intermediate goods have increased significantly as a proportion of total imports, reflecting the upsurge in investment activity after 1964. Consumer goods have become relatively less important, while imports of foodstuffs have remained about stable.

37. More than 50 percent of Congo's imports come from, and less than 20 percent of the exports are sold in, France. Conversely, Congo has a moderate export surplus with the rest of the EEC, and a larger surplus with the other UDEAC countries (see Table 11, Statistical Appendix). Exports to UDEAC countries, principally Chad and CAR which represented 37 percent of total exports in 1966, have assumed an increasingly important position, and much of the recent investment has been based on the UDEAC market outlet. Hence, the decision of Chad and CAR to leave UDEAC in April 1968 potentially had serious long-run consequences for the Congolese economy. The UDEAC treaty continued to hold until the end of 1968 so that there were no immediate ill-effects. CAR has now decided to re-enter the group, but if Chad remains out, this could eventually hurt the Congo.

38. As a result of the trends described above, Congo has had a substantial and increasing trade deficit as follows:

Table IV: Trade Balance

(in billion CFAF)

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Trade Balance	-4.4	-5.4	-5.8	-6.4	-8.8

39. No official balance of payments figures exist at present. The mission has constructed balance of payments estimates (see Table 17, Statistical Appendix), based on information provided by the Congolese authorities and by the major foreign creditors. While obviously subject to a substantial margin of error, they do give a broad indication of the main balance of payments elements.

40. Transit of goods to and from Chad, CAR and Gabon is a valuable source of foreign exchange (about 3 billion CFAF annually). Throughout the period 1963-67 transit services and foreign aid together have more than covered the trade deficit. While there has been a substantial inflow of private capital for new investments in 1964-67, this has been more than offset by a large though diminishing outflow of private funds attributable to salary transfers, capital repatriation associated with the departure of French nationals, and investment income payments abroad. In three of the four years the overall balance of payments had small deficits which were approximately equivalent to the surplus in one year. Net foreign assets, which were already negative at the beginning of this period were at about the same level - minus 0.6 billion CFA francs - at the end of 1967. Despite this unfavorable reserve position, the country has been able to avoid foreign

exchange restrictions and an alteration in the foreign exchange rate because commercial banks have been willing to draw on their home offices for funds and it has been possible to draw, in the last analysis, on the central bank's pooled reserves. Credit restrictions have been imposed by the central bank authorities. The latest in early 1968 have had the desired effect, since by the end of August the net foreign assets position had recovered to CFAF + 0.6 billion. At the same date, gross reserves stood at CFAF 2.2 billion, equivalent to about 1 1/2 months' imports, compared with only CFAF 0.6 billion at the end of June 1967.

41. As a result of the country's determined policy of political non-alignment, foreign aid has been obtained from a large number of sources and the total volume has been favorably influenced by it. Congo is one of the largest recipients of foreign aid, on a per capita basis, in Africa. Per capita aid receipts in 1965 were \$24. By contrast, per capita aid receipts (excluding Eastern bloc aid) averaged \$6 for all of Africa and \$10 for francophone Africa. <sup>1/</sup> Total disbursements have also steadily increased from CFAF 4.0 billion in 1963 to CFAF 6.0 billion (\$ 24 million) in 1967. More than half of the aid came from France and over three-fourths was in the form of grants.

42. French grant aid has become relatively less important, but it has remained fairly stable at about CFAF 2.5 billion per year. FAC investment grants have fallen off considerably since 1964, but FAC financed technical assistance and other aid increased. There are at present some 550 technical assistants, mainly teachers, being financed by France. Caisse Centrale loan operations have been rather small, although two important loans have recently been made to ATEC and BNDC.

43. The FED has been the single largest official source of investment funds, but disbursements have declined somewhat since 1964. At the end of October, 1968, some CFAF 500 million remained to be disbursed on commitments from FED's first fund; commitments from the second FED fund, as of June 30, 1968, stood at CFAF 4.4 billion, while disbursements at the end of October totalled CFAF 1.2 billion, leaving CFAF 3.2 billion in the pipeline.

44. The advent of Eastern bloc aid in 1964 has been principally responsible for the rising trend of overall disbursements. The first Chinese credit of CFAF 1,235 million, obtained in 1964 and consisting of 40 percent hard currency and 60 percent goods, was utilized almost at once and almost entirely for budget support. A second credit for CFAF 5.0 billion was also signed in 1964. This is being made available entirely in the form of goods. It has comprised the machinery and materials for the new textile factory (see Annex, para 27) and, for the remainder, goods which are handed over to

---

<sup>1/</sup> Source: The Flow of Financial Resources to less-developed Countries, 1961-65, OECD (Paris, 1967), p. 155. This comparison is relevant since Congo (B) is one of the very few African countries receiving substantial Eastern bloc aid.

and sold by the Office National du Commerce (OFNACOM) <sup>1/</sup>. The sales proceeds, less distribution costs, are credited to the BCCO for investment purposes. In practice the BCCO has received rather less than envisioned because of OFNACOM's trading difficulties. The terms of both these credits are generous (zero interest and repayment 1977-87 and 1980-89 respectively).

45. The U.S.S.R. made two development loans in 1964 totalling about CFAF 3 billion. Disbursements on these have so far taken the form of equipment and materials, principally for the construction of a hotel at Brazzaville, and provision of geological services. Amortization schedules are more stringent than in the case of the Chinese credits, and 2-1/2 percent interest is payable. The U.S.S.R. has also furnished a military assistance credit worth about CFAF 400 million, and has donated the construction cost of a large maternity hospital. A small loan (CFAF 250 million) on generous terms has been made by North Korea for the construction of a match factory 1,000 km up the Congo river from Brazzaville, at Betou.

46. Other aid provisions have included a CFAF 620 million credit from West Germany (KfW) for the Loutete cement plant in 1965, and the IBRD loan of \$ 30 million for the CPC mining project in 1967. In addition, since 1965 the Government has obtained suppliers' credit for public sector projects amounting to CFAF 1.8 billion.

#### D. Public Finance

47. Public finance encompasses a variety of operations. Autonomous public institutions such as the ONCPA, OFNACOM and BCCO, and foreign aid, which generally has not been channelled through the government budget, have already been dealt with. This leaves government budgetary and all other operations relating to the Treasury to be discussed.

#### Central Government Budget 2/

48. Recent results for the government budget are given in the following table. The figures, which are derived from Treasury records, are on an

---

<sup>1/</sup> OFNACOM is a semi-public institution set up in 1964 as a distributing agency. Its original purpose was to take over the distributive function of a large plantation company operating in the north. Its operations now cover the whole country. It has had continuous trading difficulties owing to inexperienced management, lack of incentives for store-keepers, and over-extension in certain remote areas. Present management is aware of the problem and is taking steps to redress the situation.

<sup>2/</sup> The Congolese budget is on a calendar year basis with a five-month complementary period prior to 1967. The 1967 budget was intended to be closed at the end of January 1968. It was closed for expenditures, but not for receipts until the end of April 1968. Such procedures hinder an analysis of the real situation.

exact calendar year basis. They are better suited to analysis than government accounts figures (which in any case are not yet available for 1967), since the latter include the overlapping complementary period.

Table V: Central Government Budget  
(in billion CFAF)

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	Budget <u>1968</u>	Mission Est. <u>1968</u> <sup>/a</sup>	Budget <u>1969</u>
Current receipts	9.3	9.6	12.6	13.3	13.0	13.4	15.9
Current expenditures	9.2	10.5	12.1	13.2	12.0	(13.6)	15.0
Current surplus/or deficit	+0.1	-0.9	+0.1	+0.1	+1.0	(-0.2)	+0.9
Investment expendi- tures	1.2	1.6	0.8	1.0	1.2	(1.3)	0.9
Overall deficit	-1.1	-2.5	-0.7	-0.9	-0.2	-1.5	-

/a For calendar 1968.

Source: Table 13, Statistical Appendix.

49. Both current receipts and expenditures increased by somewhat over 40 percent in 1964-67, considerably faster than national income. Each represented in 1967 over 25 percent of GDP (or approximately 30 percent of monetized GDP), which is exceptionally high in the African context. The inflated level of expenditures stems to a large extent from overemployment in the government service; this in turn is attributable to political pressures to provide employment for Congolese nationals repatriated from neighboring countries since independence, and for school-leavers, for whom alternative employment opportunities are limited. Government salary scales have remained unchanged between 1961 and early 1969, but between 1964 and 1967 the number of government employees rose from about 16,000 to somewhat over 20,000. Social services, representing about 30 percent of expenditure, are also a heavy charge on government finances. Such information as is available on the breakdown of expenditures by function (see Table 12, Statistical Appendix) indicates that the rapid increase in total expenditures 1964-67 was due to increases in all items other than general administration and economic affairs. Health, defense and education all increased substantially, but their relative importance remained about the same (11 percent, 15 percent and 17 percent, respectively). The most striking increase (of about CFAF 2 billion) was in transfers. These include loans and subsidies to government institutions, and since 1966, payments to the UDEAC solidarity fund. Public debt service payments also have grown from a negligible amount to around CFAF 600 million, reflecting the large amounts of additional debt incurred in recent years. By contrast, expenditures on general administration and economic affairs appear to have declined both in relative and absolute terms, but almost certainly at the expense of the purchase of materials rather than of personnel.

50. Apart from 1965, current receipts have just kept pace with expenditures. This has been possible for two main reasons. In the first place, import duty proceeds which account for about 50 percent of total receipts



have risen in conjunction with the increase in imports. Secondly, the government adopted measures to redress the unsatisfactory position of 1965. Two new direct taxes were introduced in 1966 and 1967 respectively. Although less than envisaged, together they yielded about CFAF 700 million in 1967. The government also used the once-and-for-all measure of requiring companies to pay profit tax in 1966 for 1965 and 1966. In addition, Congo's receipts from the tax unique 1/ have increased appreciably since the implementation of the UDEAC treaty.

51. Taking the years 1964 to 1967 together, the small current surpluses achieved in 1964, 1966 and 1967 were more than offset by the large deficit in 1965. On the other hand, the achievement of surpluses at all marks an improvement as compared with the immediate post-independence years 1960-63. Although the Treasury accounts show a small current budget surpluses in 1966 and 1967, in contrast to the deficit in 1965, preliminary estimates indicate no surplus or perhaps a renewed deficit in 1968. In any event, it is clear that current revenues, although rising rapidly, have at best made only a negligible contribution to the financing of investment.

52. Investment expenditures on budgetary account form only a small element in total public sector investment (11 percent). The major part is made by autonomous agencies and from foreign aid funds. Prior to 1966 the investment budget consisted of a few chapters appended to the current budget. For 1966 and thereafter, a separate investment budget has been prepared by the Ministry of Planning which includes both foreign and locally financed projects. However, only a portion of the locally-financed projects are financed according to normal budgetary procedures, i.e. through the Treasury, and it is to these alone that the table above refers. The remainder continue to be financed directly either by foreign donors or by autonomous agencies themselves.

53. Budgetary investments were lower in 1966 and 1967 than in the preceding two years, in line with the government's desire to ease the general financial situation. 2/ Consequently, the overall deficit declined, especially as compared with 1965.

54. Complete information on calendar 1968 is not yet available. In the 1968 budget the government attempted to reverse the trend in current expenditures with a cut-back in appropriations of CFAF 1.1 billion as compared with the 1967 budget. The reduction fell on defense, general administration and transfers, while education provisions increased by 25 percent. Appropriations for wages and salaries were scarcely increased at all, implying no increase in the number of government employees and no change in

---

1/ The tax unique is a single production tax which replaces import duties on raw materials and other indirect taxes.

2/ See paras 14-17 for a discussion of public investment in general.

average remuneration. Receipts were estimated at CFAF 13.0 billion, 1/ i.e. no higher than for budget 1967, even though some further small increases in tax rates were introduced. In view of the 1967 calendar year out-turn, this was likely to be an underestimation.

55. Extrapolating from Treasury records for September 30, 1968, receipts for calendar 1968 are likely to be about CFAF 13.4 billion, and total expenditures, including budgetary investment, about CFAF 14.9 billion, leaving an overall deficit of CFAF 1.5 billion. While calendar and fiscal 1968 are not precisely comparable, this would indicate that government efforts to compress the overall deficit have so far been ineffective, and also that revenue growth has slowed markedly. Current expenditures probably have continued to increase in spite of the restrictive budget, although at a much slower pace than in the preceding years. 2/

#### Special Accounts

56. The Congo has various quasi-budgets known as Comptes Spéciaux, for which all receipts and expenditures, as for the government budget, are channelled through the Treasury. The most important of these are the Fonds Routier, the Régie Nationale de Travaux Publics (RNTP), and the Caisse Nationale de Retraite (CNR). 3/

As the following table shows, the Comptes Spéciaux have consistently had surpluses:

- 
- 1/ As elsewhere in this discussion, receipts are taken to exclude all borrowings.
- 2/ This last statement is tentative since we can only estimate the breakdown of current and investment expenditures for 1968 very roughly. With estimated investment expenditures of CFAF 1.3 billion, current expenditures would be CFAF 13.6 billion, giving a current deficit of CFAF 0.2 billion.
- 3/ The RNTP is an autonomous agency, set up in 1966, charged with the maintenance and construction of roads. Its source of funds consists almost entirely of (1) transfers from the current budget, (2) the use of Fonds Routier funds which are themselves derived from current budget transfers on the basis of certain ear-marked taxes. The CNR, a government pension fund, is independent of the Government budget.

Table VI: Special Accounts  
(in billions CFAF)

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Balance	+0.2	+0.3	+0.8	+0.5
of which:				
Fonds Routier	+0.13	+0.21	+0.45	-
RNTP	-	-	-	+0.15
CNR	+0.08	+0.10	+0.31	+0.34

These surpluses, which accrue to the Treasury, have helped to offset the overall deficit in the government budget.

Financing of the Deficit

57. The combined deficit on budgetary and Special Accounts' operations has been financed by domestic and external borrowing, by changes in deposits of public institutions with the Treasury, by various other operations of the Treasury, and by changes in Treasury cash balances. This is summarized in the following table:

Table VII: Total Treasury Operations  
(millions CFAF)

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Government Budget	-1,123	-2,521	-709	-914
Special Accounts	<u>+179</u>	<u>+308</u>	<u>+784</u>	<u>+533</u>
<u>Balance</u>	-944	-2,213	+ 75	-381
Government Borrowing				
Domestic	-	+125	+695	+ 87
External	+1,510	+2,271	-661	-647
Change in deposits of Public Institutions with Treasury	+442	+397	+463	-529
Other Treasury Oper- ations	+252	-885	+378	+287
Change in Treasury cash balances (- = increase)	-1,260	+305	-950	+1,184

Source: Treasury records.

58. External borrowing to finance the Government's budgetary operations was an important element in 1964 and 1965. In 1964 this consisted of Congo's overdraft drawings on its then existing current account with the French

Treasury; part of this was later paid back, and the balance of CFAF 1.2 billion has been consolidated into a long-term debt. External financing in 1965 consisted of the CFAF 1.2 billion Chinese credit referred to in para 44 and an accumulated obligation (of CFAF 1.3 billion) to the French postal checking system, which has since been repaid.

59. Government domestic borrowing began in 1965 with a loan of CFAF 125 million from the Caisse d'Epargne. This was followed in 1966 by a loan of CFAF 135 million from the CNR, and by the sale of equipment bonds and treasury bills amounting to CFAF 560 million, which new regulations obliged the financial institutions to purchase. A further sale of equipment bonds in 1967 more than offset the redemption of Treasury bills the same year.

60. The Treasury acts as banker to various public institutions. The chief depositors are the CNR and the Caisse Nationale de Prévoyance Sociale (CNPS). The net increase in deposits of these institutions during 1964-67 contributed significantly to the Treasury's liquidity, and thereby helped finance government expenditures. Other Treasury operations comprise a medley of receipts and expenditures. While the balance on their account has fluctuated, their effect, taking the four years together, has been about neutral.

61. Changes in Treasury cash balances are, of course, the reflection of all functions of the Treasury, including its role as cashier for the Government. They are, however, the item which concerns the Congolese authorities most closely. This is because, in case of a liquidity shortage, Treasury borrowings from the Central Bank are limited to 10 percent of the previous fiscal year's receipts less the amount of equipment bonds outstanding and because they provide the only up-to-date information on public finances in view of the great delay with which data on the actual execution of the budget become available. It should be noted that Treasury balances fell sharply in 1967, when, compared with the previous 3 years, the other non-budgetary elements in Treasury operations were less favorable. At the end of 1967, Treasury cash balances stood at only CFAF 721 million. As of September 30, 1968 they had improved to CFAF 820 million, though this was more than accounted for by increased liabilities to public institutions.

62. The new government is apparently concerned about the continued weak financial situation evidenced by these Treasury figures. It has publicly remarked on the excessive employment in the public service, and on the heavy financial burden of the social services. Yet even though government had announced that the 1969 budget would be characterized by austerity, it has slightly increased public salaries and has budgeted ordinary expenditures at a level of CFAF 15.0 billion, i.e. CFAF 1.6 billion higher than the estimated level in 1968. An increase of this magnitude is likely to jeopardize the government's proclaimed attempt to improve the state of public finances. The latter will probably deteriorate in the coming year unless severe measures are taken to reduce non-salary expenditures including transfers. Part of the burden will almost inevitably have to fall on investment expenditures.

### III. DEVELOPMENT PROSPECTS

#### A. Output

63. Although it is not feasible to make a detailed forecast of Congo's economic growth in the next few years, we shall attempt to review the likely evolution of the major sectors between 1969 and 1972. Mining and industry can readily be recognized as the sectors which will register the largest growth in the coming one or two years. In the former the expansion will be entirely due to completion of the potash mining project. By 1970 annual output of the St. Paul mine should be at the expected level of 840,000 tons. Although it would be possible to double the capacity of the refining plant with a fraction of the initial investment cost it is unlikely that this will happen before 1972. As for the industrial sector, output will expand in 1969 and 1970 due to the completion of a number of public sector projects such as the cement factory, the textile plant and the glass factory. After this expansion the growth of the industrial sector will probably slow down, since it appears unlikely that a few new projects, including a small paper pulp factory and a vegetable canning plant, can be carried out rapidly. Performance in the agricultural sector will probably be mixed and differ from product to product. With respect to cash crops the largest growth will continue to come for at least two years from the expansion of the SOSUNIARI sugar production. In 1968 Congo's sugar output was in the neighborhood of 100,000 tons; by 1970 output will probably be at full capacity, i.e. at 130,000 tons. Increases of this magnitude should not be expected in the production of other cash crops. Cocoa production, which in 1968 reached the record level of 1,286 tons, could probably be stimulated somewhat more, but improvements in the extension service, road maintenance and the evacuation of output will be required even to keep the production at present level. Palm oil production is likely to increase as a result of the FED-financed activity in the Cuvette congolaise, but in view of the country's lack of competitiveness on the world market, expansion of this crop will be limited to the growth of the local market for both oil and soap. On the other hand, coffee production could expand considerably in the next few years. Present output is below the level attained in 1965, and Congo exports are equal to only two-thirds of the country's quota under the international coffee agreement. Improvement of the feeder road system in the Cuvette congolaise, and rationalization of ONCPA management could contribute a great deal to the expansion of coffee production in that area. To be sure, expansion of coffee production would affect only a limited number of people, but raising monetary income in the area would be a step in the implementation of the government's regional development policy. Production of the forestry sector will probably stagnate and might even slightly decline until the new areas to be opened up by the construction of the Sibiti-Komono-Zanaga road will be in full exploitation. This will not be the case until 1972.

64. In view of the factors mentioned above it can be expected that the over-all growth rate of the economy in 1969 and 1970 will probably exceed the rate of growth registered in the five preceding years and will

probably be in the neighborhood of five percent (in constant prices). After that period economic growth will presumably slow down and fall back to a level of three to four percent.

65. The major effort in the coming years will have to be directed to the management, maintenance and consolidation of what has been achieved in the last two years. The completion of a number of public sector projects will raise management problems of unprecedented magnitude for the country, which will severely tax the country's administrative and management resources. The proper means of ensuring the efficient management and financial autonomy of public enterprise will require detailed attention. The second important task facing the government is the preparation of new projects. At present few projects are ready for consideration by foreign financing agencies. Next to the global decline in the availability of foreign aid, this is the main reason why the inflow of foreign financial resources is likely to be smaller than in the years 1964-68. The mission's impression is that the urgency of this task is not yet fully grasped by the government. The planning team which visited the country in 1968 and 1969 with a French technical assistance grant has helped the country in drawing up a development plan for the next five years, but implementation of the plan and further elaboration of possible projects will require a continuous effort on the part of the Congolese authorities.

#### B. Foreign Trade

66. In analyzing the export forecasts for Congo we shall concentrate first upon the evaluation of the country's exports outside the UDEAC area. This analysis will be carried out independently from the potash project. Future potash exports will, indeed, have such a large impact upon Congo's exports that it would be misleading to look at the evolution of exports without simultaneously evaluating the foreign exchange outflows which will be entailed by the project. Therefore an attempt will be made to determine separately the net foreign exchange gains to be expected from the potash mining exploitation, taking into account imports of production requisites, debt service and other factor payments. Then a forecast will be made of Congo's exports to the other UDEAC members. Especially in the case of Congo, where intra-union exports are important, this part of the analysis is important in assessing balance of payments prospects.

67. As mentioned earlier, forestry production - so far the largest contributor to Congo's foreign exchange earnings outside UDEAC - will grow only slowly in the next few years. Exports of logs may, in fact, decline somewhat since the transformation of wood in veneer will continue to expand. Veneer output in 1967 amounted to 54,000 m<sup>3</sup> (of which 49,000 m<sup>3</sup> were exported), but total productive capacity is now over 90,000 m<sup>3</sup>. Assuming that this capacity will be fully utilized by 1972, and taking into account a slight decrease in the export of logs as well as a stagnation in the export of sawn timber, one can estimate that total value of forestry exports will amount to CFAF 5.3 billion in 1972. This would represent an:

annual rate of growth of less than 2 percent a year. Assuming a slight expansion in the export of palm kernels and coffee, and providing "other" exports grow by 5 percent a year, Congo's total registered exports (excluding potash) could attain CFAF 9.2 billion by 1972. This would imply a total yearly rate of increase of slightly over 3 percent, which would be considerably below the 9 percent annual rate of increase registered in the 1963-67 period.

68. By 1972 potash exports will at least amount to 840,000 tons of potassium chloride, which valued at a price of US\$ 24 per ton would represent CFAF 5 billion. However net foreign exchange earnings of the project will be much smaller. The concessionary company will need to retain a substantial part of gross sales proceeds for debt service (CFAF 1.8 billion), the importation of production requirements (CFAF 790 million), depreciation and profits; and after making an additional allowance for transfer of salaries by expatriate employees, it is likely that the net contribution in foreign exchange to the Congolese economy will be in the neighborhood of CFAF 900 million in 1972. If a decision to expand the capacity were taken before that time, the net foreign exchange contribution of the potash mining project could be larger.

69. With respect to Congo's exports to the other UDEAC countries, a forecast of the future evolution is rendered very difficult by the heterogeneous character of the export components. Congo's exports to the UDEAC countries should continue to increase, partly under the influence of economic development in CAR and Chad, partly as a result of new industries. Consequently, exports to member countries of the monetary union will probably rise faster than other exports (excluding potash). On the other hand, there are reasons to believe that the growth of intra-UDEAC trade will be lower than it was in the last four years, when the trade-creating effects of UDEAC were probably strongest. All in all it seems likely that Congo's exports to UDEAC will rise by 7.5 percent a year and reach CFAF 5.4 billion in 1972.

70. Under these assumptions total foreign exchange earnings from exports to non-UDEAC countries (including the net effect of the CPC project) and from exports to the other UDEAC members may be estimated at CFAF 15.5 billion in 1972. This implies an average annual growth in export earnings of 6 percent from 1967 to 1972.

71. The evolution of imports is even more difficult to predict than that of exports, particularly because of its heavy dependence on the future evolution of public finances and - even more important - on the future evolution of foreign capital flows. Discounting the import-substituting effect of the textile plant and of the cement factory, and assuming that the remaining categories of non-equipment would increase somewhat less than in the past (i.e. at 7.5 percent) total imports of non-equipment goods in 1972 may amount to some CFAF 19 billion. If, furthermore, the imports of equipment goods were to fall back to CFAF 5 billion per annum, Congo's total import bill in 1972 would amount to CFAF 24 billion. 1/

---

1/ Of which CPC imports will represent about CFAF 800 million annually.

72. The trade deficit (including the net effect of the potash exports) would then correspond to CFAF 8.5 billion, or slightly less than in 1967. Whether it will be possible to Congo to sustain this deficit by the expected capital flows will be discussed in the last section of this chapter.

### C. Public Finance

73. The prospect for public finance is not very favorable. Government revenues are likely to grow much less rapidly than in the years 1964-67, with a slow-down already evident in 1968. This is for two reasons: in the first place, there is little room for further increases in tax rates without widespread evasion and disincentive to the private sector. At Congo's stage of development, the ratio of revenues to GDP is already extremely high. Revenue growth will therefore have to depend largely on the expansion of production and trade. Secondly, activity in general and imports in particular are likely to be less buoyant than in the last five years. The only exception to this less favorable prospect is the start-up of CPC's operations in 1969, which will yield some CFAF 325 million in taxes annually. (See para 26). Assuming that revenues and imports, excluding CPC's contribution to both, grow at the same rate in 1967-72, i.e. at just over 4 percent annually, and allowing for some marginal improvements in tax collection, revenues in 1972, excluding CPC tax payments, could be CFAF 16.3 billion. Total revenues, including CPC's taxes, could therefore be about CFAF 16.6 billion, or 25 percent higher than in 1967.

74. If current deficits are to be avoided, current expenditure growth over the same period 1967-72 needs to be kept down to 4.5 percent a year. This would mean a drastic deceleration of expenditure growth compared with 1964-67. Preliminary estimates for 1968 suggest that such a cut-back is possible. But given the political and social pressures, its achievement will require a continuous effort. However, it should be possible, and certainly desirable, to economize by reducing subsidies to government agencies such as ONCPA and OFNACOM. The present drive to improve their profitability promises well, but the coming into operation of various new public entities may make the task of reducing or eliminating subsidies to public enterprises difficult. For 1969, a current deficit is likely owing to the high level of ordinary expenditures, but this might still be offset by a small surplus in the years 1970-72. At best, current receipts and expenditures over the four years taken together can be expected to be in balance, viz. no budgetary savings will be available for investment.

75. In the past, some budgetary investment has been carried out on the basis of domestic resources through (a) using the surpluses of the comptes speciaux, (b) domestic borrowing, (c) using the deposits of public institutions with the Treasury, and (d) reduction in Treasury cash balances. The comptes speciaux should continue to have surpluses of around CFAF 500 million. 1/ Further domestic borrowing by issuing equipment bonds to pri-

---

1/ This is lower than in 1966 and 1967 since RNTP is increasing its level of expenditure.



vate financial institutions is possible. However, since financial institutions already hold over CFAF 600 million in equipment bonds, borrowing from the private sector is unlikely to exceed CFAF 200 million per year unless individuals and companies are obliged to purchase them. (Alternatively, the Government could somewhat increase its borrowing from the Central Bank). In the future public institutions are likely to increase their deposits with the Treasury less rapidly, because the past increase in such deposits was largely due to the fact that these institutions were obliged to shift their balances to the Treasury, thus providing the Treasury with a once for all gain. In the years ahead the evolution of these deposits will probably be a function of the growth of these institutions, increasing by perhaps CFAF 150 million per year. Finally, Treasury cash balances can scarcely be reduced as they are already at a low level. In all, domestic resources available for financing government investment can hardly be expected to exceed CFAF 850 million annually. In addition, some public agencies, e.g. ATEC, will continue to make investments from self-generated funds. Information on these is lacking, but it may be assumed that investment of this kind will continue at about the same level as in previous years, i.e. at about CFAF 1 billion annually.

#### D. Investment Financing and Creditworthiness

76. It has already been argued above that the level of investment activity which has prevailed in the country in the last five years will probably not be sustained in the few coming years. The reasons for this expected slow-down are manifold, but one important factor is the lack of suitable investment projects. It seems that in the last few years the most obvious investment opportunities have been seized, both with respect to industries producing for the world market and for the industries whose output is mainly sold inside UDEAC. The planning team which was preparing the country's new development plan (1970-1974) at the time when the Bank economic mission visited the country, was clearly aware of this situation. It was concentrating its attention on possible investments in the small mechanical industries located at Pointe-Noire, for which in any case, large amounts of resources would not be required. Nevertheless, it remains true that important investment opportunities can be implemented quite quickly, as shown by the rapid expansion of the sugar industry. A similar development in the next five years can not be excluded.

77. With respect to the private sector, the most likely investment prospects are an extension of the potash mine and the setting up of a small paper pulp factory. Furthermore the SIAN-group appears to be interested in starting a cattle-breeding ranch in the Niari Valley. Off-shore petroleum exploration, which will be undertaken shortly by SPAFE, the same company which operates in Gabon, will also result in some investment. Finally, some additional activity may be expected on the part of the mechanical industries in Pointe-Noire. The latter area will develop in any case under the indirect impact of the CPC mining operations. All in all, annual private investment flows will probably be around CFAF 3-4 billion compared with about CFAF 6 billion in the 1964-68 period.

78. It will not be possible for the Congolese public sector to keep on expanding in the next five years at the same rate that it has grown in the period 1964-68. The problem of managing the projects which will come to maturity soon will put heavy demands on the available trained manpower. The investment undertaken in the last few years is impressive, but many of the benefits could be dissipated if the projects were not run and managed efficiently. On the contrary, if they are, some of the profits could be used after a few years to start other projects. It is probable that Congo has at present reached its absorptive capacity in managing public sector enterprises. The next five years should be utilized to improve management in some of the public services presently in deficit (ONCPA, OFNACOM), to ensure that the new industrial projects get off to a good start and to prepare projects for a later period. This preparation of new projects is all the more important since, as mentioned earlier, the most obvious investment opportunities have been seized and because a point may soon be reached where foreign aid disbursements would be slowed down through lack of well-prepared projects.

79. The foregoing analysis on the projected evolution of public finance (see paras 73-75) has already shown that the contribution of domestic resources to the financing of public investment will probably be limited to CFAF 850 million per year. A considerable part of these funds will be absorbed by the provision of Congolese counterparts in the execution of foreign financed projects, like the FED road construction, the FAC rehabilitation activity in the northern cocoa area, and the FED renovation of the palm oil mills in the Cuvette congolaise. Furthermore, the entry into production of the public sector projects under BCCO management will also make it necessary for the Government to provide in certain cases the working cash balances required for the ordinary operation of these enterprises. Little will be left for the financing of new productive projects. However, as noted already, a certain amount of finance will probably be available from a number of semi-public institutions, including ATEC. ATEC's resources for investment in Congo will probably amount to around CFAF 1 billion a year, but will be available for ATEC projects only. Resources for investment generated by ONCPA and OFNACOM will be minimal, because of the overall weak financial situation of these institutions.

80. From the above it appears that almost all of the investment to be undertaken in the public sector will have to be financed with foreign aid or suppliers' credits. However, foreign aid resources will not increase in the next few years, but are rather likely to decline. The pipeline in the second FED program for Congo has been estimated at CFAF 3.2 billion. At the present rate of disbursement, this may provide resources for another three years. What will happen after that period will depend on the renewal of the Yaounde convention in early 1969. With respect to French aid, there is no reason to believe that FAC and CCCE assistance to the country will increase in the next years. Furthermore, the aid from the Soviet Union, mainland China and North Korea is unlikely to be repeated in the near future. To be sure, part of this aid has not yet been disbursed, but on the other hand, apart from the M'Pama dam, no suitable projects seem ready for financing.

81. Rough estimates indicate that total annual flows available for public sector investment are unlikely to exceed CFAF 3-4 billion as compared to CFAF 5 billion a year during the last five years. Adding to this the yearly expected flow of private capital, one may expect that foreign financial resources may total CFAF 7 billion as compared to CFAF 12 billion in the 1964-1968 period. Even if allowance is made for an increase in foreign exchange earnings from international transport services, this would be clearly insufficient to cover the above-mentioned trade deficit. 1/ Hence, imports will have to grow considerably less than in the past or Congo will have to find additional sources of balance of payments support. The situation of the balance of payments could also be considerably eased if additional foreign aid disbursements, not 100 percent tied to imports, were to be made available. This type of aid would be advisable, however, only if it were accompanied by appropriate safeguards against wasteful public expenditures.

82. Because in the past a large part of public sector investments has been financed with foreign resources, Congo's public debt is relatively high. At the end of 1968, total outstanding public and publicly guaranteed debt amounted to US\$ 118 million. 2/ But in view of the generous terms of most of this debt, service payments are spread rather evenly over time. The debt service ratio 3/ in 1967 amounted to 11 percent. On existing debt this ratio will rise to 12 percent in 1972, primarily due to increasing service on the debt contracted for the potash project. Exclusion of the CPC project (both in exports and in debt service) brings the rate back to 6.8 percent in 1972. The prospect of a continued expansion in export earnings, which Mission estimates indicate might be at the annual rate of 6 percent during the period 1967-1972, should make possible some further increase in the debt service burden. Moreover, Congo can meet short-term shortfalls in foreign exchange by drawing on the pooled reserves of the UDEAC monetary union or by participating in the drawing rights which the central bank of the union can eventually exercise on the French Treasury.

83. However, the most severe constraint on the government's ability to service additional public debt is likely to be the low level of public savings. Although debt service payments met from the central government budget represented only 4 percent of current expenditures in 1967, it will be difficult to mobilize the resources required to service additional debt and to

---

1/ In the longer run the completion of the northern Cameroon rail-road connection and the construction of possible alternative evacuation routes for the southern parts of the CAR might reduce the importance of international transport as a source of revenue for Congo. This will, however, not occur before 1972.

2/ More than one-fourth of this was accounted for by the IBRD loan to CPC.

3/ Defined as the ratio of debt service over gross foreign exchange earnings from commodity exports.

make a significant domestic contribution to the financing of public investment unless the growth in ordinary outlays can be much more severely curtailed than in the past. The government will have to make a serious effort to curb such expenditures in the future, particularly since there appears to be little or no scope for increasing revenues which already tend to absorb too large a share of the national product.

84. Apart from public finances, certain other problems need thorough examination. The reasons for the lag in agricultural development and the continued migration to the cities with the attendant threat of growing unemployment and underemployment require further analysis. Ways and means of finding more remunerative employment in the rural sector must be explored. In this connection the adequacy of incentives to develop agricultural output for the domestic market and export has to be examined. Similarly, the possibilities of, and incentives for, further development of manufacturing for both export and domestic consumption need to be investigated. In examining this complex of problems, it would be desirable to analyze also the implications which possible changes in the exchange rate might have for incentives and structural changes in the economy as well as for the future relationship between government receipts and expenditures.

Development in Major Sectors(a) Agriculture

1. Subsistence production represents the bulk of total output and may range between two-thirds and three-quarters of total agricultural production. Precise figures on the evolution of this production are not available, but presumably this output increased more or less in proportion to the increase in rural population, i.e. by a little less than 0.5 percent per year. In 1967, total agricultural subsistence production was estimated at 170,000 tons of foodstuffs, consisting mainly of manioc (420,000 t.) sweet potatoes (80,000 t.) and bananas (30,000 t.). The rural diet is complemented with products from hunting and fishing. On the whole, nutritional standards in the country compare satisfactorily to those prevailing in neighboring countries (daily per capita intake of calories is 2,046), and are particularly favorable with respect to animal proteins (10.2 grams per capita a day). 1/
2. Production of cash crops is restricted to the Niari Valley and vicinity. The largest part of this cash crop is produced on plantations, outside the traditional milieu. Sugar alone accounts for over 80 percent. Groundnuts, cocoa and coffee are the main products which the traditional farmers sell on the market. Monetary means generated by this production do not exceed CFAF 560 million, or less than 2 percent of GDP.
3. In the last three or four years the production of cash crops has stagnated. Sugar and paddy are the only exceptions to this trend. The production of palm oil, on the other hand, has declined from 4,014 tons in 1965 to 2,500 tons in 1968. Reasons for this stagnation in the production of export crops are the withdrawal of a number of expatriate planters, the lack of effective agricultural extension work and the deficiencies of the marketing organization.
4. The most noteworthy recent evolution with respect to the production of cash crops has been the great expansion in the output of sugar cane, and the concomitant increase in the production of refined and unrefined sugar. Total sugar output jumped from 28,000 tons in 1964 to 90,000 tons in 1967, an expansion which made Congo the largest sugar producer in the OCAM region. 2/ Cultivation of sugar cane in Congo is of rather recent origin. First attempts to cultivate non-irrigated sugar cane in the Niari Valley were undertaken by the Société Industrielle et Agricole du Niari (SIAN) in 1953, 3/ but actual

1/ West African pilot study of agricultural development, FAO.

2/ OCAM (Organisation Commune Africaine et Malgache) is a political and economic grouping including most French speaking African countries.

3/ SIAN is a French-owned company which has participations in a flour mill (Grands Moulins du Congo), a ranch (Société Nationale d'Élevage) and in the newly established sugar factory (Société Sucrière du Niari). It also operates a groundnut oil factory. With 540 people permanently employed, it is one of the largest employers in the country.

production of sugar did not start until 1956. Sugar factory and refinery are located in Jacob. The surface under cultivation currently amounts to 7,000 ha. The company produced 32,000 tons of sugar in 1967. Of this total output, 13,000 tons are refined; the rest is sold in unrefined state.

Table I: Marketed Agricultural Output  
(in metric tons)

	<u>1960</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u> <sup>/a</sup>
Coffee <u>/b</u>	655	1,485	1,384	2,139	1,828	1,850	1,900
Cocoa	695	1,015	950	1,114	877	1,143	1,286
Palm kernels	6,782	9,920	6,400	5,603	4,103	4,992	3,500
Palm oil	5,134	2,750	4,452	4,014	4,282	3,127	2,500
Groundnuts <u>/c</u>	8,129	5,940	6,370	9,250	6,785	7,850	5,250
Tobacco	562	586	473	688	634	745	700
Maize	1,679	1,010	1,152	526	695	841	850
Paddy	3,200	1,040	1,100	1,700	2,200	2,600	5,000
Sugar <u>/d</u>	14,361	24,400	28,160	31,000	61,000	90,000	100,000

/a Estimates

/b Total output expressed in weight of dried berries

/c Total output expressed in weight of unshelled groundnuts

/d Total output expressed in weight of unrefined sugar

Source: Ministère de l'Agriculture, Ministère du Plan and staff estimates.

5. In August 1964 the decision was taken to considerably expand Congo's sugar producing capacity. For this purpose a mixed company, the Société Sucrière du Niari (SOSUNIARI), was created with the participation of the Congolese Government (38.5 percent), SIAN (21 percent) and a few other companies. Plantations of sugar cane were started in the Niari Valley and a factory was installed at Loudima. Total investment amounted to approximately CFAF 4.5 billion. Sugar production from the new facilities started in August 1966. In 1967 the planted area amounted to 13,000 ha and nearly 60,000 tons of sugar were produced. Total capacity is designed for an annual output of 100,000 tons. All of SOSUNIARI's output is sold unrefined. Congo is, together with Madagascar, an exporting member of the Afro-Malagasy sugar agreement. According to the terms of this agreement the OCAM sugar importing countries have the obligation to import 70 percent of their sugar needs from the two producing members at a price of 6 cts per lb (compared to a world market price of 1.5 cts per lb). Congo's export quota under this agreement is 65,000 tons. Considering that the country's total sugar production in

1968 was probably in the neighborhood of 100,000 tons, and that Congo's own sugar consumption amounted in the same year to only about 3,000 tons, some 32,000 tons of sugar had to be sold on other markets. Long-term contracts for yearly deliveries of 6,000 tons each have been signed with the Soviet Union and Mauritania.

6. In terms of tonnages produced groundnuts are the second most important cash crop in the country. Total production of groundnuts has, however, been stagnant in the last few years. Yearly fluctuations in output are relatively large due to the variable length of the dry season in the Niari Valley. The latter phenomenon has continuously prevented the introduction of mechanized production methods and will probably discourage any large scale expansion of groundnut production in the future. Most of the present output is sold by ONCPA to the SIAN oil mill located in Kayes. Half of the groundnut oil is consumed locally, the other half is exported, mainly to the other UDEAC countries. The oil cake is sold in Europe.

7. Together with groundnuts, palm oil is one of the cash crops for which recent production trends have been the least favorable and for which actual production in 1968 (2,500 tons) was much below the target level of the plan (9,700 tons) and even below the level attained in 1964 (4,452 tons). Reasons for the decline in palm oil production have to be found (a) in the virtual disappearance of the smaller units in the Niari Valley, (b) in the bad management of the Régie Nationale des Palmeraies du Congo (RNPC). 1/

8. Oil palm exploitation used to be carried out in three different parts of the country: the Niari area, the Cuvette and the Sangha region (Ouessou). Of these areas, the northern one presents the most favorable climatic and pedological conditions. Production in that part of the country has been fairly stable since 1964. Industrial plantations under exploitation cover an area of approximately 1,800 ha and are supplemented by some 500 ha of smallholder exploitations, but because of lack of maintenance and neglect of the trees, yields are well below the expected level (665 kg of oil per ha as compared to an expected yield of 1,500 kg/ha). Palm fruit is treated in an oil mill located at Ouesso. The second most important area for the production of oil palm is the Cuvette congolaise, with plantations totalling 1,800 ha. Average yields in this area are lower than in the Sangha region and transport costs from Etoumbi to Brazzaville are considerably higher than from Ouesso to Brazzaville (CFAF 8.8 per kilo as compared to CFAF 4.4 per kilo from Ouesso). Despite these comparative disadvantages of the Cuvette region, the European Development Fund (FED) has decided to finance a palm oil project in the area covering a 1,500 ha extension of the plantations as well as the replanting of 750 ha. This project will probably also include

---

1/ The Régie Nationale des Palmeraies du Congo is an autonomous public agency created in June 1966 to take over the plantations and the oil mills previously managed by the Régie Nationale des Plantations de la Sangha and the Régie Nationale des Plantations de l'Equateur. RNPC is now responsible for the management of all oil palm plantations as well as of all oil palm mills existing in the country.

the rehabilitation of two of the existing oil mills. The third area under oil palm cultivation was in the Niari Valley; it was characterized by smallholder exploitation and the fruit used to be treated in a number of oil mills with very small capacity. Some of the smallholders were grouped in cooperatives but, because of deficient management and lack of competent extension service personnel, production fell from 1,086 tons in 1964 to 230 tons in 1966. By 1967 most of the oil mills had closed down and output was virtually nil.

9. Under present conditions palm oil production in Congo is far from being competitive on the world market. In order to sell in Marseilles at the market price prevailing in August 1968 (CFAF 38 per kilo), production cost of the Ouessou factory would have to be approximately CFAF 16 per kilo, while in fact the average cost is as high as CFAF 44 per kilo. Exports of palm oil have consequently drastically declined; from 3,200 tons in 1963 they fell to 400 tons in 1967. In 1968 they completely dwindled away. Oil production now is almost entirely absorbed by several soap factories which buy the oil at a protected price of CFAF 48 per kilo. Approximately one fourth of the soap production is sold on the local market, the rest is exported to the UDEAC partners. Palm kernel output has followed the decline of palm oil. The output, which is entirely exported, amounted to 10,000 tons in 1963 and fell to 5,000 tons in 1967.

10. Cocoa is mainly grown in the western part of the Sangha region. Cultivation is scattered over the forest in small individual plots, which renders extension service and the application of insecticides extremely difficult. Furthermore, the area is 1,700 km. from Pointe Noire and access roads are in very poor condition. The decline from 1,114 tons in 1965 to 872 tons in 1966 was due principally to the deterioration of local roads which made the region around Souanké inaccessible. Both FED and FAC have been active in the region, financing respectively rehabilitation of the road system and agricultural extension services. In 1968, a special effort was undertaken by BDPA to accelerate the evacuation of the cocoa crop. The operation was extremely successful. Exports in the first six months of 1968 were higher than total exports in the previous year and ten times higher than exports in the equivalent period of 1967. Because of the speed of the evacuation, quality of the crop was also much better. Whereas in previous years only about 20 percent of Congo's cocoa exports fell in the "superior" quality, over 95 percent of the exports for the first quarter of 1968 were of the best quality. This experience shows that considerable improvements in the export of a cash crop can at times be achieved with relatively little technical assistance, provided the roads are passable and the marketing organization is efficient. To be sure, cocoa production represents hardly over 1 percent of Congo's export earnings (excluding diamonds), but a limited action of this kind has a proportionately large impact on the monetary income of the cocoa farmers, since prices paid for the superior quality are 40 percent higher than those paid for the lowest category. It also permits ONCPA to make reasonable profits in the handling of cocoa. Finally, the cocoa program is located in the northern part of the country and is therefore in line with the Government's desire to regionalize the economic development effort.



11. After some expansion in the early sixties coffee production is now stagnant. Production is almost exclusively of the robusta variety and concentrated in the Niari Valley near Sibiti. Some coffee is also produced in the Cuvette region, but because of poor road conditions ONCPA has been unable to insure a regular collecting service. In general, because of insufficient treatment with insecticides, deficient storage capacity and poor performance of the depulping plants, quality of the coffee is very poor. Part of the production is consumed locally, but most of it is exported. In 1968 exports probably amounted to roughly 1,000 tons. Congo's quota in the international coffee agreement amounts to 1,500 tons (1968/69).

12. Expansion, on the other hand, has been registered in the production of tobacco. From 473 tons in 1964 production rose to 745 tons in 1967. Tobacco cultivation was introduced in Congo in 1945 by the Service d'Exploitation Industrielle des Tabacs et Allumettes (SEITA). The Congolese branch of this company still provides technical assistance to the farmers and is responsible for collecting the crop. Production is concentrated in the Pool region (Kindamba). Part of the output is sold to the Société Industrielle et Agricole du Tabac Tropical (SIAT), a French cigarette factory located in Brazzaville, the rest is exported. Cigarette production in 1967 amounted to approximately 1,000 tons, of which one fourth is consumed locally and three-fourths exported to the other UDEAC countries.

13. Other cash crops consist mainly of maize, paddy and vegetables. Because ONCPA does not have a monopoly on the marketing of these crops, statistical information in the production trends is less accurate than for some other crops. It seems, however, that in recent years the production of maize has slightly declined, while the production of paddy has increased, especially due to the expansion of a private mechanized plantation in the Niari Valley. Production of vegetables is directed to the supply of the cities. In the proximity of Pointe Noire FAC has financed a small but interesting project which groups some 400 market-gardeners in a small agricultural cooperative. The work is part-time and often carried out by the women. Vegetables are sold locally and, to a small extent, exported to some border towns in Gabon.

(b) Livestock

14. Congo is without tradition in the raising of livestock. Nevertheless, the country does present some potential for future expansion of cattle breeding. Livestock was introduced in Congo by European settlers in the late fifties, after their attempt to mechanize the production of groundnuts had led to a financial disaster. The presence of trypanosomiasis (sleeping sickness) and the length of the dry season, two major obstacles to the introduction of livestock in the Niari Valley, have been overcome by the import of trypano-resistant cattle from Guinea (N'Dama) and by the cultivation of forage crops. In 1968 there existed in the region some 14 ranches, of which eight were private and six were Government-owned or semi-public. In the latter category fall two relatively important ranches owned by the Société Nationale d'Elevage (SONEL), a semi-public company which was set up in 1967 and in which SIAN has a 37.5 percent participation. Small cattle owners are

extremely rare. In 1968 it was estimated that there were probably no more than 260 African cattle farmers in the Niari area, possessing some 5,000 head of cattle.

15. Total cattle population in 1968 amounted to 29,000 animals, with more than 80 percent in the Niari area. These, however, have been far from sufficient to satisfy the local demand for meat. Animal meat consumption in 1967 amounted to 2,476 tons. <sup>1/</sup> In the same year local production of meat was only around 300 tons; the balance was imported from Chad. To help fill this gap FED decided in 1966 to finance two Government-owned ranches; at Mindouli (Louila) and the other probably near Loudima (Louboulou). These two ranches together will cover an area of approximately 22,000 ha. After a period of ten years their total cattle population will have reached its maximum of 10,000 head, and total annual meat production in the country - taking into account the natural increase in the already existing herds - might then amount to some 1,100 tons. In view of the fact that this would leave a considerable gap between production and consumption, FAC is intending to study the possibility of setting up an additional 50,000 ha ranch in the "boucle du Niari", a zone located south of Makabena, between the Comilog railroad and the Niari river. IBRD has been approached for the eventual execution of the project.

(c) Forestry

16. Congo is, like its neighbor Gabon, very rich in forestry resources. Tropical forests cover more than half of the country's surface, and wood and timber products provide nearly 45 percent of the country's exports (excluding diamonds). As in Gabon, forest exploitation started in the coastal region (Kouilou) but is steadily penetrating the interior (see map 4). Total timber output has now stabilized at a level of some 650 thousand cubic meters a year, but due to the fact that the exploitation has moved inland, i.e. more preponderantly in the okoume area, the proportion of okoume in total production has considerably increased. The share of okoume in Congo's forestry production has risen from 28 percent in 1964 to 46 percent in 1967. Export of okoume now exceeds export of limba.

17. The policy of the Congolese Government with respect to forestry exploitation has centered in most recent years on the double objective of (a) increasing African participation in the sector and (b) encouraging the establishment of timber-processing industries. In both these areas the Government's efforts have met with some success. To increase African participation in the exploitation of the forest, the Government has reserved a small area with easy access to the Comilog railroad for African permits, and has also set up an Office National des Forêts (ONAF), an autonomous public agency which has received a 55,000 ha permit in an area north of Mossendjo. As a result of these policies timber output from African logging operations has increased from 71,000 m<sup>3</sup> in 1962 to 154,000 m<sup>3</sup> in 1967. The share of

---

<sup>1/</sup> All figures regarding meat production and consumption are expressed in carcass weight. Consumption figures refer only to urban areas.

African producers in total output has risen from 16 percent in 1962 to 23 percent in 1967. To foster local industrialization the Government has introduced a system of industrial forestry concessions. These concessions which are of considerable size (around 60,000 ha), are given only to logging firms which process a specified percentage of their output in the country. This policy, combined with a fiscal incentive given for the local processing and transformation of logs, has led to a considerable expansion of the wood processing industry. Every year between 1964 and 1967 a new veneer factory has entered into production, representing a total investment in the period of approximately CFAF 1 billion. There are now five such veneer factories in the country and output of veneer has risen from 9,290 m<sup>3</sup> in 1963 to 53,888 m<sup>3</sup> in 1967. Output of sawn-wood has also somewhat increased, from 26,720 m<sup>3</sup> in 1964 to 39,305 m<sup>3</sup> in 1967. From the following table it appears that the proportion of log output processed in Congo has risen from 11 percent in 1963 to 25 percent in 1967.

Table II: Wood Processing<sup>/a</sup>  
Logs Transformed as Percentage of Total Log Output

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Sawn-wood	8	8	9	8	10
Veneer	<u>3</u>	<u>6</u>	<u>12</u>	<u>10</u>	<u>15</u>
Total	11	14	21	18	25

<sup>/a</sup> This table is based on Table 4, Statistical Appendix

18. Inland penetration of the forestry exploitation has now proceeded as far as Komono. Soon permits will have to be given in the area east of that set aside for industrial forestry concessions. It is to facilitate the evacuation of timber from this new area that the Bank has been approached to finance the improvement of the Sibiti-Komono-Zanaga road connection. This road, total construction cost of which would amount to \$8.4 million, would link up with the FED-financed Jacob-Sibiti link and would permit the evacuation of the timber output of the newly opened area via the CFCO railway. Expected forestry traffic on the road is 130,000 tons. Total timber output in Congo for the next few years can be expected to remain at its present level of 650,000 m<sup>3</sup>. The proportion of okoumé in total output will continue to rise and will probably exceed 50 percent. When the untapped forestry reserves in the northern part of the country will be opened up, Congo's log output might considerably increase. As a first step in this direction FAC is presently financing a forestry inventory in the Ouesso region.

19. In the last years Congo has continued to finance a limited reforestation program. Under this program some 550 ha of eucalyptus trees are being planted yearly in the Loudima region. Financial resources for the program are mainly provided by the revenue of a reforestation tax levied on the export of logs and processed wood. The reforestation is carried out under the supervision of ONAF with the view of eventually providing the raw material for a

paper pulp plant. Several projects for the construction of a paper pulp plant have been drawn up over the years, but none of them have ever found an interested promoter. One of those projects consist of a 150,000 ton paper pulp plant to be supplied from 30,000 ha of eucalyptus plantations. Present market conditions, however, do not seem to warrant such a large factory. Another, more immediately feasible, project would consist in a small 10-15,000 tons plant which could produce cardboard paper; but this project would depend on the possibility of exports to the UDEAC market. Finally, SIAN has a plan to convert into paper pulp the bagasse 1/ which it now uses to produce thermal power.

(d) Mining

20. Mineral production has thus far been of marginal importance to the Congolese economy. Employment in the mining sector probably amounted to less than 500 people and the contribution to GDP was less than one percent. Production of the mining sector consisted primarily of crude petroleum, but output of this product has steadily decreased and in 1967 represented less than one percent of export earnings (excluding diamonds). The only cassiterite mine in exploitation closed down at the end of 1968. The only other significant contribution to the economy from the mining sector comes from the transport of Comilog's manganese output from Gabon through Congo via the private Comilog railroad and the CFCO to Pointe Noire, as well as from the diamond smuggling from Congo (Kinshasa). Diamond exports represent about CFAF 4 billion, but they cannot be considered a product of the Congolese economy. Legalization of artisanal diamond production in Congo (Kinshasa) could at once dry up this source of revenue. For statistical purposes we have thus excluded them from Congo's foreign trade.

21. The importance of the mining sector will increase markedly in the first half of 1969 through the entry into production of the potash mine. The Compagnie des Potasses du Congo (CPC), a private company with 15 percent Government participation, has invested in the course of the last four years CFAF 20.5 billion for the equipment of a potash mine and refinery at Holle as well as for the construction of a sea terminal at Pointe Noire. Annual production of the refinery will amount to 840,000 tons or marketable potassium chloride. 2/ This output will represent about CFAF 5 billion and will increase Congo's export proceeds (excluding diamonds) by nearly 45 percent. Additional fiscal resources for the Government will amount to some CFAF 325 million per year at the beginning of the operation, but will increase to CFAF 600 million in 1979, when the income tax holiday will have come to an end and a one-percent export tax will have become applicable. Additional Government revenue can be expected whenever dividends will be distributed to the shareholders. Total direct benefit to the Congolese economy will furthermore include a wage bill of approximately CFAF 120 million for the employment of nearly 600 workers.

---

1/ Bagasse is the crushed remains of the sugar cane after the sugar has been extracted.

2/ Or the equivalent of 500,000 tons of potash.

22. Additional immediate changes in the production of the mining sector should not be expected. Mineral prospecting is being carried out rather intensively with foreign financing provided by FAC, FED and the Soviet Union. It has led to the discovery of iron ore deposits near Zanaga and in the Sangha region (where they are a continuation of the Belinga deposits in Gabon), but no prospects for the exploitation exist as yet. Prospecting for petroleum, both on land and off-shore, continues and could, if successful, lead in a relatively short time to additional resources for the Government.

(e) Manufacturing

23. Industrial expansion in the last few years has been very satisfactory. No indices on industrial production are available, but measured by the evolution of industrial employment as recorded by the UDEAC census, industry has probably grown by 20 percent a year between 1963 and 1966.

Table III: Indices of Industrial Employment /a

	<u>1960</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Brazzaville	100	125	127	127	132
Pointe-Noire	100	154	208	281	287
Other	<u>100</u>	<u>105</u>	<u>131</u>	<u>167</u>	<u>254</u>
Total	100	124	146	176	213

/a This table is based on Table 2, Statistical Appendix.

Expansion in 1967 and 1968 has probably been of the same order of magnitude, and for 1969, when some of the more recent projects will come to maturity, a significant increase in industrial production can also be expected. The main reasons for this relatively important growth are (a) the establishments of UDEAC and Congo's role inside this economic union, (b) relatively favorable Government policies towards foreign private investment, and (c) the dynamic role played by the Government in the setting up of a number of productive enterprises in the public sector. These elements will be dealt with in turn below.

24. It should be stressed first that Congo is, next to Cameroon, the most industrialized of the UDEAC countries. Industrial production is mostly of the consumer goods type, and it appears rather evident that it has been spurred by the existence of a protected UDEAC market. Furthermore, in 1966 a number of Congolese companies were granted taxe unique status, which means that all payments of indirect taxes on the use of intermediate goods or on the final output of these enterprises were replaced by a single tax levied at the factory. This system not only greatly facilitates the levying of taxes, but also constitutes an added incentive for the companies to which the status has been granted since the rate of the single tax is lower than the sum total of the taxes which it replaces. Total exports from Congo to the other UDEAC partners of products subjected to the taxe unique amounted in

1967 to CFAF 3.6 billion. These exports included the major industrial consumer goods produced in Congo, namely refined sugar, cigarettes, soap and beer. Exports to UDEAC then represented more than one-third of Congo's exports. The system of the taxe unique undoubtedly has certain drawbacks. Since the intermediate goods used in the production of taxe unique final goods are imported duty-free, the establishment of industries producing these intermediate goods seems to be partly impaired, but in the present state of Congo's economic development, with its emphasis on production of primary goods for export on the world market and of final consumer goods for export to the UDEAC countries, the advantages of the taxe unique system have probably outweighed its disadvantages.

25. It has already been said that, in spite of its emphasis on public sector investment, Congo has managed to attract a good deal of foreign private investment. Excluding the potash mine project, private foreign investment amounted to some CFAF 16 billion in the period 1964-1968. Some CFAF 3 billion went into manufacturing. Principal projects were the establishment of the Kronenbourg brewery in Pointe-Noire (CFAF 900 million), and the expansion of SIAN's sugar refinery as well as the establishment of its flour mill (CFAF 1 billion). Furthermore, considerable investments have been carried out by the oil companies for the marketing of gasoline. Altogether, these investments are not insignificant.

26. A very large part of productive investment has, however, been carried out in the public sector. Since national savings are very small and largely absorbed by a number of semi-autonomous institutions (like ONAF, SNE, SNDE, RNTP, ATEC), most industrial public sector investments have been financed by foreign grants, long-term loans or suppliers' credits. Only about 15 percent have been financed with local resources. To create and supervise the public enterprises, the Government has set up the Bureau pour la création, le contrôle et l'orientation des entreprises et exploitations de l'Etat (BCCO), an autonomous agency under the authority of the Ministry of Economic Affairs. So far this agency has been primarily engaged in supervising construction of a number of projects, but in the near future, as these projects mature, the respective responsibilities of and financial relationships between the BCCO and the operating management of the state enterprises will have to be settled. A decision will also have to be reached on the utilization of eventual profits.

27. The two most important recent projects in the public sector are a cement factory and a textile plant. The cement factory, located at Loutete in the Niari Valley, started production in April 1968; it has a total yearly capacity of 80,000 tons. More than half of the production will be sold on the local market, while the rest (30,000 tons) will be exported to the UDEAC countries. The factory, total cost of which amounted to CFAF 2.0 billion, was partly financed through suppliers' credits (CFAF 1.2 billion), and partly through a loan from the German Kreditanstalt (CFAF 0.6 billion). The Congolese Government has undertaken to provide the working capital. During the first five years of operation, the project will be run with the help of German management provided by the sponsors (Salzgitter and Fritz Werner). The second major project executed in recent years is the textile

factory at Kinsoundi, near Brazzaville. This textile complex, which includes installations for spinning, weaving, dyeing and printing, will start operating in the early part of 1969. The factory will produce 3.5 million meters of fabric, all of which will be sold on the domestic market, and some hosiery, part of which will be sold on the UDEAC market. The raw material will most probably be imported from the Central African Republic. This textile plant is one of the projects financed out of a CFAF 5 billion aid package given to Congo by mainland China in June 1965. Cost of the factory is estimated at CFAF 1.4 billion. The project will provide employment for over 1,200 people.

28. Apart from these two major projects, the Government has undertaken the execution of a series of minor projects including a hotel, a workshop for the production of matches, and a glass factory. These projects are being financed by long-term loans from the Soviet Union and North Korea, as well as by a suppliers' credit from the U.K. Finally, two small projects - a fish-smokehouse and an atelier for schoolbooks - have been set up with the revenue of special deductions from the wages of Congolese workers.

29. In absolute terms the total amount of the public investment in these projects may not appear very high (CFAF 5.3 billion), but in terms of employment their impact on the economy will be considerable. The above-mentioned projects, all of which have started in 1968 or will come to maturity in 1969, will give rise to the additional employment of nearly 2,000 people, or 10 percent of the total industrial employment of Congo in 1966 as registered by the UDEAC census. This represents a major effort.

## B. Infrastructure

### (a) Roads and Transport Links

30. International transport links raise no major problems. The connection with RCA and Chad is assured via the CFCO railway, the Congo-Ubangui river network and the Bangui-Fort Lamy road, while the main overland connection with Gabon is established via a road leading from Dolisie to N'Dende. Improvement and maintenance of this combined network is entrusted to ATEC, an autonomous agency under the control of the Heads of State of the four countries concerned. The agency is divided into various sections which are responsible respectively for the operation of the Pointe-Noire, Brazzaville and Bangui ports, the management of the CFCO railway, the navigability of the river system and the maintenance of the two above-mentioned roads. Surpluses of the profit-making sections are used to finance the deficits of the other sections, mainly those in charge of road maintenance and river navigability. On the whole the system works satisfactorily. The only current bottleneck is the Mayombe section of the CFCO railway. Tonnages transported over the railway have increased dramatically over the last six years, primarily as a result of the evacuation of the Comilog manganese ore.

Table IV: Tonnages Transported by CFCO  
(in thousand tons)

	<u>1960</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Down-traffic (excluding Comilog)	426.6	547.1	626.1	634.1	621.4	711.3
Up-traffic	309.3	376.6	394.8	397.5	449.5	521.4
Comilog traffic	-	<u>605.3</u>	<u>942.6</u>	<u>1,239.0</u>	<u>1,196.0</u>	<u>1,202.1</u>
Total	735.9	1,529.0	1,963.5	2,270.6	2,266.9	2,434.8

The railway track, which was originally designed for a much lighter traffic and is characterized by sharp curves and minimal earthworks, has greatly suffered from the sudden increase in transport volume. Wear and tear is considerable; yearly expenses for the replacement of rails alone amount to approximately CFAF 100 million. The Governments of the four member countries of ATEC have requested UNDP to finance a feasibility study of the possible improvement or re-alignment of the Mayombe stretch of the CFCO railway. Cost of the project itself could range anywhere between US \$17-25 million, depending on the solution adopted.

31. Domestic transport problems are more complex and immediate. The road system of the country is based on two axes: one running east-west, parallel to the railroad from Pointe-Noire to Brazzaville and the other running northward from Brazzaville to Ouesso. A number of important penetration roads connect the interior of the Niari-Valley region with the Pointe-Noire to Brazzaville link. Those penetration roads include, among others, the above-mentioned ATEC road from Dolisie to N'Dende as well as the connections with Mouyondzi and Kindamba. Construction of the Jacob-Sibiti-Zanaga road mentioned earlier in connection with forestry exploitation would add another such penetration road to the present system. The total road network in Congo is over 10,000 km long, but several of the existing links, particularly those in the Cuvette congolaise, are in very poor condition. The connection with the north is rendered particularly difficult by the sandy nature of the soils and the lack of laterite; the road leads through the marshy area of the Cuvette congolaise and encounters several rivers which have to be crossed by ferry. The Government attaches great importance to the bituminization of the main artery from Pointe-Noire to Ouesso as part of its program for stimulating regional economic development and stabilizing the population in some of the more distant areas of the country. In the view of the mission the economic priority of this project is, however, very dubious given (1) the high construction costs and (2) the small amount of traffic, especially on the Brazzaville-Ouesso link. Of greater immediate urgency is the rehabilitation of a number of secondary feeder roads which in their present condition render the marketing of agricultural products by ONCPA extremely irregular and precarious. The transport map of Congo (see Map 3) shows that navigable waterways penetrate deeply in the country and provide a ready access for most of the eastern half of the country with Brazzaville via the Congo river. ONCPA could operate



from some of the centers located on the waterways (Gamboma, Boundji, Fort-Rousset, Makoua, Ouessou) and evacuate the produce via the river. In those cases where the navigability of the river is not assured all year round, and where prolonged storage of the agricultural output would be uneconomic, certain stretches of the Brazzaville-Ouessou road might have to be improved, or possibly even paved. It would be desirable if the Government could obtain assistance in the identification of the feeder roads which require immediate maintenance and in the determination of those main road sections which may eventually have to be improved. In the longer term perspective attention may also have to be given to the possible road requirements for the opening up of the northern forest region.

(b) Electric Power

32. Until 1967 electricity in the main urban centers was produced by an intergovernmental agency, the Société Equatoriale d'Energie Electrique (SEEE) in Brazzaville, and by a private company, the Union Electrique d'Outremer (UNELCO) in Pointe-Noire and Dolisie. Distribution in all three centers was handled by the latter company. Assets of the two companies were taken over by the Government and transferred to the Société Nationale d'Energie (SNE), a public company responsible for both production and distribution of electricity. At the time of the take-over the Government recognized the principle of compensation and so far (end 1968) a compensation agreement has been reached with SEEE, which also continues to provide technical assistance in the exploitation of the installations. The dispute with UNELCO, however, is still pending. SNE installations include a hydro-power dam (Djoue) near Brazzaville, with a total installed capacity of 15 MW, and three thermal stations, in Brazzaville, Pointe-Noire and Dolisie, with a total installed capacity of 11.4 MW. Moreover, a certain amount of electric power consumed in Congo is produced by private producers in the wood processing industry and a few large industrial enterprises.

33. In recent years the largest expansion of electricity demand has been recorded in Pointe-Noire, where consumption has increased from 13.3 million Kw in 1963 to 17.6 million Kw in 1967, or by an annual rate of increase of 7.2 percent. This expansion is expected to be boosted in 1969 by the entry into production of the glass factory and by the general economic activity induced by the potash project. To face this additional demand SNE has decided to add two units to the Pointe-Noire thermal station and to raise its capacity from 7.2 MW to 9.1 MW. It is foreseen, however, that by 1972 consumption of electricity in Pointe-Noire will exceed consumption in Brazzaville and will reach a peak load of 10 MW. Before that time additional power capacity will have to be installed.

Table V: Electricity Production  
(in million Kwh)

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Brazzaville	26.9	27.9	26.8	28.0	30.7
Pointe-Noire	13.3	14.4	14.0	16.0	17.6

/a This table is based on Table 5, Statistical Appendix.

34. Electricity consumption in Brazzaville has also expanded in recent years, but less so than in Pointe-Noire. The average yearly rate of increase between 1963 and 1967 was 3.5 percent. Consumption in 1968 probably amounted to some 32 million Kwh, with a peakload of 6.3 MW. Expansion in the next few years will not be spectacular, especially since private electricity demand for the European population seems more or less saturated and industrial development in the Brazzaville area will probably be limited. The entry into production of the Kinsoundi textile factory might raise utilized capacity by 1 MW, but even under rather optimistic assumptions about the evolution of power demand, full utilization of the existing capacity in Brazzaville will not be reached until 1978. Before that time a decision ought to be reached on whether it would be more economical to increase the capacity of the existing Djoue dam or whether, on the contrary, constructing the Bouenza dam would be justified. The execution of the latter project has been under consideration for several years and has been submitted to the Bank for financing in 1963. The project, the cost of which had been estimated at CFAF 1.7 billion (in 1963 prices), involves construction of a hydro-dam with an initial capacity of 11 MW and of transmission lines to Loutete and Jacob, locations of the cement factory and the sugar refinery. At the time of submission to the Bank it was judged that construction of the dam might be justified for the delivery of power in the Niari Valley, provided a large consumer, like the potash mine in Holle, would be willing to buy part of the power output. Owing to the hazards attached to a transmission line crossing the Mayombe mountains and the discovery of natural gas deposits at Pointe-Indienne near the coast, CPC decided to produce its power requirements on the basis of natural gas. At the same time SIAN-SOSUNIARI found that bagasse was an economic fuel for the generation of power, and the cement factory also set up its own thermal installation. Whether construction of the Bouenza dam would be justified on the basis of the projected expansion of electricity demand in the Brazzaville region is a question which ought to be studied, although in the absence of important new industrial consumers the new dam is unlikely to be more economical than the acquisition of an additional thermal unit or the extension of the existing Djoue dam. A connection between Bouenza and Pointe-Noire seems rather implausible given the distance (340 km) and the obstacles to the construction and maintenance of a transmission line mentioned above. Only the appearance of a large industrial consumer in the Niari Valley, at a reasonable distance from Bouenza, could justify the immediate construction of the dam, but no such large industrial project is at present in the pipeline. In any case the Government has asked FAC to update the existing Bouenza dam studies and to reevaluate its present construction cost.

35. Apart from the Bouenza dam there exist in Congo two other dam projects. The first is an old scheme for the construction of a dam on the Kouilou river at Sounda. This project has been appraised by the French Government in the 1950's and by 1958 the decision to go ahead with the project had virtually been taken. It consisted of the construction of a dam and a hydro-electric station with a total capacity of 820 MW, but due to political circumstances the metallurgical complex on which the project was based did not materialize and the idea had to be abandoned. The second project would provide a dam on the M'Pama river near Lekana. The feasibility study for this project has been financed by the Soviet Union and very little is known about the conception of the project. Primary purpose of the dam would apparently be the irrigation of the densely populated Koukouya plateau; provision of electric power to Lekana and Djambala would only be a secondary goal (capacity: 1.5 MW).

(c) Education

36. One of the major problems to be faced by the Congolese Government is the one raised by the inordinate, sometimes chaotic expansion of the educational system. This problem is not peculiar to Congo but in a country where urbanization is especially high, the pressures for increased and often formalistic education become increasingly strong. School enrollment in primary education is extremely high. Total enrollment in the primary cycle has increased from 99,339 in 1960 to 207,000 in 1968, i.e. by an annual rate of nearly 10 percent. The number of repeaters is extremely high, especially in the first and last year of the primary education cycle, where it is roughly 33 percent. On January 1, 1967 average age of the school-children attending the first class of the primary school was 8 years; average age for those attending the sixth and final grade was sixteen. Due to a lack of teacher training schools, quality of the teaching staff leaves a lot to be desired. Of the 3,264 primary school teachers teaching in the year 1966/67 only 983 had followed proper teacher training courses. Passage of the primary school into secondary education depends on an entrance examination in which two-thirds of the students are rejected. This severity is probably very commendable given the existing secondary school facilities and given the ultimate demand for manpower with a secondary education, but since primary education is essentially oriented towards preparing children for secondary school, dissatisfaction and frustration among the dropouts is obviously very great.

37. Secondary education is patterned after the French system and resembles the system prevailing in other French-speaking African countries: it consists of a first cycle of four years, ending with a final examination, and a second cycle of three years leading to the baccalaureat. Total secondary school population has grown faster than primary school attendance; from 3,363 in 1960 it increased to 15,939 in 1967, at an annual rate of nearly 25 percent. The percentage of repeaters in secondary school is considerably less than in primary school (around 16 percent), but the percentage of students failing to pass the leaving examination at the end of the first four years is very high. Of the 2,428 students who took the examination in June 1966 only 871 (or 36 percent) passed it. In the same year only 76 students, of which 49 Congolese, were accepted for the baccalaureat. Teaching staff of the

secondary schools consists to a large extent of French technical assistance personnel (30 percent in the first four year cycle, 90 percent in the second cycle).

38. Technical and vocational training is given in a number of secondary schools, providing both first cycle and second cycle education. University education is provided at the Centre d'Enseignement Supérieur, a branch of Fesac, the inter-governmental institution for higher learning in the ex-AEF countries. On January 1, 1967 some 1,080 students attended the Brazzaville center; of these, approximately 140 were non-Congolese Africans. More than half of the students were enrolled in the Faculty of Law.

39. Total Government expenditures for education are considerable. In the 1968 budget, out of total ordinary expenditures amounting to CFAF 12.0 billion, CFAF 2.7 billion (or 23 percent) were set aside for education. At current rates of expansion this percentage will increase. Each additional primary school student costs the central government CFAF 7.547 per year and each additional secondary school attendant anywhere between CFAF 24,000 and CFAF 114,000, depending on whether or not the school has technical facilities. With the expected improvement in the quality of the teaching staff unit costs will probably increase. Aware of the need for more adequate vocational training, the Government has decided to improve the present system of Centres Élémentaires de Formation Professionnelle (CEFP). Those post-primary vocational training centers are intended to train small artisans with elementary skills which could be profitably employed in smaller urban centers or even in villages. This type of training, which has given satisfactory results in other African countries, seems to be well adapted to Congo's present manpower needs. If the Government is to execute this program, it should, however, simultaneously rationalize the system of primary education, among other things by introducing an effective limit to the number of school years which may be repeated.

STATISTICAL APPENDIX



## LIST OF TABLES

Table 1 :	Estimated gross domestic product
Table 2 :	Industrial employment
Table 3 :	Timber production
Table 4 :	Wood processing
Table 5 :	Electricity production
Table 6 :	Evolution of prices
Table 7 :	Money supply
Table 8 :	Composition of registered imports
Table 9 :	Composition of exports
Table 10 :	Foreign trade
Table 11 :	Direction of foreign trade
Table 12 :	Government current revenues and expenditures
Table 13 :	Government budget and other Treasury operations
Table 14 :	Sectoral distribution of 1964-68 investments
Table 15 :	Estimated sources of investment finance
Table 16 :	Foreign aid disbursements
Table 17 :	Balance of payments
Table 18 :	External medium and long-term public debt outstanding, including undisbursed as of December 31, 1968
Table 19 :	Estimated service on external public debt (amortization and interest)





Table 1: ESTIMATED GROSS DOMESTIC PRODUCT

(in billion CFAF - 1958 prices)

	<u>1958</u>	<u>1964</u>
I. <u>Primary Sector</u>		
Agriculture	7.2	7.3
Marketed output	(2.6)	(2.6)
Subsistence output	(4.6)	(4.7)
Fishery	0.1	0.2
Forestry	0.6	1.4
Mining	0.2	0.3
Total primary sector	<u>8.1</u>	<u>9.2</u>
II. <u>Secondary Sector</u>		
Manufacturing	1.7	3.2
Construction	0.9	1.3
Total secondary sector	<u>2.6</u>	<u>4.5</u>
III. <u>Tertiary Sector</u>		
Services	8.2	9.3
Government	5.1	9.0
Total tertiary sector	<u>13.3</u>	<u>18.3</u>
<u>TOTAL</u>	<u>24.0</u>	<u>32.0</u>

---

Source: Plan Intérimaire de Développement Economique et Social, 1964-69; data provided by the Congolese authorities and staff estimates.



Table 2 : Industrial Employment<sup>1</sup>

	<u>1960</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Brazzaville	3,705	4,622	4,718	4,711	4,904
Pointe Noire	2,056	3,161	4,271	5,779	5,894
Other	<u>3,564</u>	<u>3,738</u>	<u>4,653</u>	<u>5,951</u>	<u>9,066</u>
Total	9,325	11,521	13,642	16,441	19,864

---

<sup>1</sup> This census is incomplete in that it includes only those enterprises which are taxed in proportion to their turnover figure and which have a turnover figure exceeding CFAF 40 million. The building and construction sector was excluded from the census.

Source: Industrial census, UDEAC, 1967.



Table 3 : TIMBER PRODUCTION

in thousand cubic meters  
(percentages)

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Total production	456 (100)	520 (100)	635 (100)	612 (100)	691 (100)	656 (100)
of which: by African firms	71 ( 16)	65 ( 13)	83 ( 13)	103 ( 17)	172 ( 25)	154 ( 23)
by European firms	385 ( 84)	455 ( 87)	552 ( 87)	509 ( 83)	519 ( 75)	502 ( 77)

---

Source: Service des Eaux et Forêts, Rapport Annuel



**Table 4 : WOOD PROCESSING**  
**in cubic meters**  
**(equivalent log cubage as percent of total log output)**

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Sawn wood	26,720 ( 8)	28,953 ( 8)	33,633 ( 9)	31,617 ( 8)	39,305 ( 10)
Veneer	9,290 ( 3)	21,917 ( 6)	39,053 ( 12)	37,748 ( 10)	53,888 ( 15)
Total log output	520,397 (100)	634,695 (100)	611,809 (100)	691,232 (100)	655,546 (100)

---

Sources: Direction des Eaux et Forêts, and staff estimates.





Table 5 : ELECTRICITY PRODUCTION<sup>/a</sup>

in thousand Kwh

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Brazzaville	26,888	27,948	26,784	28,004	30,727
of which hydro-electric	(26,795)	(27,836)	(26,563)	(27,908)	(30,604)
thermal	(93)	(112)	(221)	(96)	(123)
Pointe Noire	13,333 11	14,389	14,001	15,985	17,600
Dolisie	<u>959</u>	<u>1,038</u>	<u>1,075</u>	<u>1,512</u>	<u>1,718</u>
Total	41,180	43,375	41,860	45,501	50,045

---

<sup>/a</sup> This excludes electricity production by individual private consumers.

Source: Société Nationale d'Énergie



Table 6 : EVOLUTION OF PRICES

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	Percent increase <u>1963-67</u>	<u>1967</u> <u>Jan.-Aug.</u>	<u>1968</u> <u>Jan.-Aug.</u>	Percent increase <u>1967-68</u>
1. <u>Wholesale prices</u> (Feb. 1964 = 100)									
Foodstuffs	100	102	109	114	115	15	115	116	1
Manufactured products	92	102	109	113	118	28	118	115	-3
Fuel and electricity	99	100	101	104	106	7	105	112	7
General Index	96	102	108	112	115	19	115	115	-
2. <u>Cost of living</u> <u>for European households</u> (Jan. 1964 = 100)									
Foodstuffs	98	105	109	116	120	22	119	124	4
Clothing	99	100	106	105	108	9	105	118	12
Utilities	97	100	101	101	102	5	102	103	1
Household services	100	100	108	109	111	11	111	113	2
Other	98	101	104	110	115	17	115	117	2
General Index	98	103	107	113	117	19	116	121	4

---

Source: Bulletin Mensuel des Statistiques



Table 7 : MONEY SUPPLY AND NET FOREIGN ASSETS

( in billion CFAF )

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u> <sup>1/</sup>
Money	8.15	7.68	7.41	7.94	9.48	10.25
Quasi-money	.34	.51	.44	.61	.62	.63
Foreign assets (net) -	.60	-.98	.46	.10	-.60	-.01

---

1/ : end of June

Source: IFS



**Table 8 : COMPOSITION OF REGISTERED IMPORTS**

(Volume in 000 tons - Value in million CFAP)

	1963		1964		1965		1966		1967	
	<u>Vol.</u>	<u>Value</u>	<u>Vol.</u>	<u>Value</u>	<u>Vol.</u>	<u>Value</u>	<u>Vol.</u>	<u>Value</u>	<u>Vol.</u>	<u>Value</u>
Consumer goods										
Foodstuffs	n.a.	3,050	51.0	3,096	46.2	2,458	44.1	2,492	49.1	2,903
Durables	n.a.	2,122	10.3	1,990	10.4	1,686	10.0	4,885	14.1	6,082
Non-durables	n.a.	2,600		2,969		2,649				
Raw materials	n.a.	181	5.2	188	7.5	213	10.7	278	7.7	258
Intermediate products	n.a.	2,058	84.2	2,141	74.1	2,745	71.5	2,790	118.8	4,293
Fuel and lubricants	n.a.	1,016	103.0	1,048	90.0	915	112.2	1,037	123.3	1,210
Equipment goods	n.a.	4,242	11.9	4,574	11.6	5,309	14.1	6,004	17.8	5,888
Total	n.a.	15,269	265.6	16,005	240.5	15,974	262.6	17,189	330.9	20,239

Source: Commerce Extérieur de l'UDE et UDEAC and Bulletin Mensuel.





Table 9 : CONGO (B) COMPOSITION OF EXPORTS /1

(vol. in '000 tons, value in CFAF millions)

	<u>1963</u>		<u>1964</u>		<u>1965</u>		<u>1966</u>		<u>1967</u>		6 months <u>1967</u>		6 months <u>1968</u>	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
<u>Registered exports /2</u>														
Logs	310	3,399	410	4,655	383	4,383	401	4,732	358	4,083	136	1,501	156	1,934
Sawn timber	5	89	4	103	5.3	82	5.7	75	54	86	2.7	47	2.3	49
Veneer	5	160	8	303	19.3	606	16.9	714	18.7	787	6.5	260	13.0	531
Palm kernels	10	316	6.4	203	5.6	184	4.0	145	5.0	159	2.5	79	1.7	77
Coffee	0.6	92	0.8	139	0.5	73	0.6	97	0.9	138	0.5	83	0.5	67
Cocoa	0.9	114	0.9	123	0.7	69	1.1	120	1.0	133	0.1	13	1.1	159
Petroleum	101	335	79	257	50.7	175	65.2	213	38.4	89	18.0	43	38.8	101
Palm oil	3.2	173	0.6	33	2.1	114	0.8	30	0.4	23	-	-	-	-
Other		858		1,019		906		788		2,350				
Total		5,536		6,835		6,592		6,914		7,848		2,990		3,349
<u>Non registered exports /3</u>														
Tobacco		n.a.	0.4	710	0.4	652	0.4	731	0.4	426		n.a.		n.a.
Refined sugar		n.a.	18.4	1,837	14.5	1,489	14.1	1,484	13.3	845		n.a.		n.a.
Soap		n.a.	1.1	80	1.1	80	2.0	166	1.0	75		n.a.		n.a.
Other		n.a.		47		905		1,628		2,418		n.a.		n.a.
Total		2,418		2,674		3,126		4,009		3,764		n.a.		n.a.
<b>TOTAL EXPORTS</b>		<u>7,954</u>		<u>9,509</u>		<u>9,718</u>		<u>10,923</u>		<u>11,612</u>		n.a.		n.a.

1 Composition of adjusted exports as in Table 10, i.e. excluding diamond and other reexports

2 i.e. exports to non-UDEAC countries

3 i.e. exports to UDEAC countries

Source: Commerce Extérieur de l'UDE and l'UDEAC, Bulletin des Statistiques Générales de l'UDEAC, and Bulletin Mensuel



Table 10 : FOREIGN TRADE

(in million CFAF)

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
I. <u>Exports</u>					
a) Registered exports excluding diamonds	5536	6835	6592	6914	7848
Total registered exports	(10295)	(11702)	(11518)	(10659)	(11730)
Re-exports of diamonds	(-4759)	(-4867)	(-4926)	(-3745)	(-3882)
b) Non-registered exports	2418	2674	3126	4009	3764
c) Total adjusted exports (a + b)	7954	9509	9718	10923	11612
II. <u>Imports</u>					
a) Registered imports	15269	16005	15974	17188	20239
less re-exports	3100	1410	880	330	458
Total	12169	14595	15094	16858	19781
b) Non-registered imports excluding diamonds	212	262	441	473	585
c) Total adjusted imports (a + b)	12381	14857	15535	17331	20366
III. <u>Balance of total adjusted trade</u>	-4427	-5348	-5817	-6408	-8754

NOTE: Registered exports and imports refer to trade with non-UDEAC countries as recorded by the customs authorities. Non-registered comprises trade with UDEAC countries and fraudulent trade with Congo (K).

Source: Commerce Extérieur de L'UDE (1960-64) et (1965) et de L'UDEAC (1966), and information provided by UDEAC secretariat.



Table 11 : CONGO (BRAZZAVILLE) Direction of Foreign Trade /1

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
	(in percent of total)				
<u>Exports</u>					
France	19	13	11	10	15
Rest of EEC	35	38	35	n.a.	n.a.
UDEAC countries	30	28	32	37	32
Africa (excl. UDEAC)	7	8	7	4	n.a.
Rest of world	8	12	15	n.a.	n.a.
<u>Imports /2</u>					
France	60	55	59	60	52
Rest of EEC	14	19	15	15	21
UDEAC countries	2	2	3	3	3
Africa (excl. UDEAC)	8	9	7	6	6
Rest of world	17	16	17	17	18
<u>Trade Balance /2</u>					
	(in million of CFA francs)				
France	-5,847	-6,941	-8,101	-9,226	-8,939
Rest of EEC	+1,109	+ 861	+1,218	n.a.	n.a.
UDEAC	+2,206	+2,412	+2,685	+3,533	+3,089
Africa (ex. UDEAC)	- 435	- 587	-2,685	- 568	n.a.
Rest of world	-2,206	-1,092	-1,174	n.a.	n.a.
	<u>-4,427</u>	<u>-5,348</u>	<u>-5,817</u>	<u>-6,408</u>	<u>-8,754</u>

SOURCE: Commerce Extérieur de L'UDE et de UDEAC, and Bulletin Mensuel

/1 Total adjusted imports and exports, see Table 10

/2 Information on source of re-exports is not available. It has been assumed that they were imported from non-UDEAC sources in the same proportions as total non-UDEAC imports.



Table 12: GOVERNMENT CURRENT REVENUES AND EXPENDITURES /1  
(in CFAF billions)

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
<u>Current Revenues</u>				
Direct Taxes	1.8	1.8	2.9	3.1
Indirect Taxes	6.6	6.7	8.4	9.2
Import duties /2	4.1	4.0	6.2	6.5
Export duties	0.5	0.5	0.7	0.7
Single tax	0.4	0.4	0.6	0.8
Domestic taxes /2	1.6	1.8	0.9	1.2
Registration and stamp duties	0.4	0.5	0.4	0.4
Receipts from public domain	0.3	0.3	0.2	0.1
Other receipts	0.2	0.3	0.3	0.7
<u>Total</u>	<u>9.3</u>	<u>9.6</u>	<u>12.2</u>	<u>13.3</u>
<u>Current Expenditures</u>				
Debt Service	0.1	0.3	0.6	0.5
Defense	1.2	1.7	1.7	2.0
Education	1.7	2.2	2.4	2.2
Health	1.0	1.1	1.3	1.5
General administration and economic affairs	4.5	3.9	3.9	4.3
Transfers	0.7	1.3	2.2	2.7
<u>Total</u>	<u>9.2</u>	<u>10.5</u>	<u>12.1</u>	<u>13.2</u>

/1 As in Table 13, the figures here are for calendar years. The breakdown of revenues for every year and the breakdown of current expenditures for 1964 and 1965 are based on Treasury Records. The breakdown of expenditures for 1966 and 1967 has been estimated by distributing actual total expenditures, which are known exactly, between the different categories in the same proportions as budgetary appropriations.

/2 The increase in import duties and the decrease in domestic taxes in 1966 is partly due to the transference in that year of certain consumption taxes from the second to the first.

Source: Treasury Records and Government Budgets.





Table 13 : GOVERNMENT BUDGET AND OTHER TREASURY OPERATIONS <sup>4</sup>  
in billion CFAF

	1964	1965	1966	1967	1968 Budget	1968 Mission estimate
<u>1. Central Government Budget</u>						
Fiscal receipts	9.3	9.6	12.2	13.3	13.0	13.4
Current expenditure	9.2	10.5	12.1	13.2	12.0	(13.6)
Surplus/deficit	+0.1	-0.9	+0.1	+0.1	+0.9	(-0.2)
Investment expenditure	1.2	1.6	0.8	1.0	1.2	(1.3)
Overall deficit (1)	-1.1	-2.5	-0.7	-0.9	-0.2	-1.5
<u>2. Special Accounts</u>						
Receipts	3.8	1.6	1.3	1.5		
Expenditures	3.7	1.3	0.5	0.9		
Surplus (2)	+0.2	+0.3	+0.8	+0.5		N.A.
of which: Fond Routier	+0.13	+0.21	+0.45	-		
CNR	+0.08	+0.10	+0.31	+0.34		
RNTP	-	-	-	-0.15		
<u>3. Total Surplus/Deficit (1+2)</u>	-0.9	-2.2	+0.1	+0.4		
<u>4. Financing</u>						
a) Net External Borrowing						
France	+1.5	+1.1	-0.9	-0.4		
China		+1.1	-	-		
UDEAC			+0.2	-0.2		
b) Net Domestic Borrowing	-	+0.1	+0.7	+0.1		
c) Change in deposits of public institutions <sup>2</sup>	+0.4	+0.4	+0.5	-0.5		N.A.
d) Other Treasury Operations	+0.3	-0.9	+0.4	+0.3		
e) Change in Treasury cash balances <sup>3</sup> (-=increase, +=decrease)	-1.3	+0.3	-1.0	+1.2		

<sup>1</sup> All figures, except for 1968 budget, are on an exact calendar year basis.  
There are some apparent errors of addition due to rounding in the basic figures.

<sup>2</sup> Principally deposits of CNPS and CNR.

<sup>3</sup> Includes customs duty bills held by the Treasury and rediscountable at the Central Bank.

Source: Treasury Records, 1968 Budget and information provided by the Trésorerie Générale.



Table 14: SECTORAL DISTRIBUTION OF 1964-68 INVESTMENTS<sup>/a</sup>

in billion CFAF

	<u>Private sector</u>	<u>Public sector</u>	<u>Total</u>
Mining	21.1 <sup>/b</sup>	0.4	21.5
Forestry and wood processing industry	1.5	0.7	2.2
Agriculture and agricultural industries	5.5	2.5	8.0
Other industries (including energy)	3.4	5.4	8.8
Transport and services	3.2	11.2 <sup>/c</sup>	14.4
Health and education	-	2.5	2.5
Urbanization	-	1.7	1.7
Housing	<u>1.5</u>	<u>0.7</u>	<u>2.2</u>
	<u>36.2</u>	<u>25.1</u>	<u>61.3</u>

---

<sup>/a</sup> Classification in this table between public and private sector is based on the character of the investor, not on the origin of the funds.

<sup>/b</sup> Of which CFAF 20.6 billion for the CPC potash project.

<sup>/c</sup> Includes investment made by ATEC.



Table 15: ESTIMATED SOURCES OF INVESTMENT FINANCE

in billion CFAF

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968/a</u>	<u>Total</u>
<u>Foreign</u>						
public	3.5	3.6	3.3	3.8	6.9	21.1
of which: grants/b	(2.1)	(1.7)	(1.4)	(1.6)	(1.5)	(8.3)
loans/c	(1.4)	(1.9)	(1.9)	(2.2)	(5.4)	(12.8)
private	<u>4.8</u>	<u>5.0</u>	<u>5.4</u>	<u>5.7</u>	<u>8.8</u>	<u>29.7</u>
<u>Total foreign resources</u>	8.3	8.6	8.7	9.5	15.7	50.8
<u>National</u>						
public	0.7	0.8	1.8	2.2	2.1	7.6
of which: central Govt/d(-)	(-)	(-)	(0.8)	(1.1)	(1.3)	(3.2)
other	(0.7)	(0.8)	(1.0)	(1.1)	(0.8)	(4.4)
private	<u>0.5</u>	<u>0.5</u>	<u>0.6</u>	<u>0.6</u>	<u>0.7</u>	<u>2.9</u>
<u>Total national resources</u>	1.2	1.3	2.4	2.8	2.8	10.5
<u>TOTAL INVESTMENT</u>	<u>9.5</u>	<u>9.9</u>	<u>11.1</u>	<u>12.3</u>	<u>18.5</u>	<u>61.3</u>

/a Estimates.

/b Excludes technical assistance.

/c Includes IBRD potash loan disbursements.

/d Includes the part of the Government's investment budget which is financed out of local resources.

Source: Congolese authorities and staff estimates.



Table 16: FOREIGN AID DISBURSEMENTS

	(millions of CFAF)				
	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
<u>GRANTS</u>					
<u>France</u>					
FAC	649	721	634	484	255
Technical assistance	900	1,100	1,200	1,300	1,300
Other <sup>/a</sup>	700	800	900	900	1,000
Budgetary support	130				
<u>FED</u>	1,034	1,310	840	646	910
<u>United Nations</u>	126	158	158	200	250
<u>Other<sup>/b</sup></u>	<u>250</u>	<u>250</u>	<u>300</u>	<u>150</u>	<u>150</u>
TOTAL	3,789	4,138	4,032	3,680	3,865
<u>LOANS AND CREDITS</u>					
<u>France</u>					
Caisse Centrale	180	247	250	564	99
<u>West Germany (KFW)<sup>/c</sup></u>				320	300
<u>China<sup>/c</sup></u>			1,136 <sup>/d</sup>	400	400
<u>U.S.S.R.<sup>/c</sup></u>				500	400
<u>North Korea<sup>/c</sup></u>				100	100
<u>IBRD/IDA</u>					
Potash project					882
TOTAL	180	247	1,386	1,884	2,181
<u>TOTAL GRANTS, LOANS AND CREDITS</u>	<u>3,969</u>	<u>4,385</u>	<u>5,418</u>	<u>5,564</u>	<u>6,046</u>

<sup>/a</sup> Estimate of disbursements by various French agencies for Radio Brazza, ASECNA, etc.

<sup>/b</sup> Includes U.S. aid of about CFA 200 million per year 1963-65, and IBRD technical assistance grant of CFA 44 million.

<sup>/c</sup> Estimates.

<sup>/d</sup> Budgetary support

Source: Information provided by major donors and by the Congolese authorities.





Table 17: BALANCE OF PAYMENTS

(in billion CFAF)

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
<u>Exports</u>	8.0	9.5	9.7	10.9	11.6
<u>Imports</u>	12.4	14.9	15.5	17.3	20.4
Trade balance/ <sup>a</sup>	-4.4	-5.4	-5.8	-6.4	- 8.8
<u>Services</u> (excl'd. investment income)					
Transit services/ <sup>b</sup>	+ 2.3	+3.0	+3.1	+3.2	+ 3.2
Public debt service/ <sup>c</sup>	- 0.4	-0.5	-0.8	-1.2	- 1.3
French military expenditures	+ 4.5	+4.0	+1.0	+ -	+ -
Other/ <sup>d</sup>	+ 0.8	+0.9	+1.1	+1.2	+1.2
<u>Public Transfers</u>					
Solidarity Fund/ <sup>e</sup>	- 0.6	-0.6	-0.6	-0.4	- 0.5
Official grants/ <sup>f</sup>	+ 3.8	+4.1	+3.9	+3.6	+ 3.8
<u>Capital Transactions</u>					
Official Loans and credits/ <sup>g</sup>	+ 0.2	+0.2	+1.4	+1.9	+ 2.2
Foreign private investment, plus suppliers' credits to public companies/ <sup>h</sup>	+ 1.6	+4.8	+5.0	+5.4	+ 5.7
Short-term Treasury financing by France/ <sup>i</sup>	+ 0.5	+1.5	+1.1	-0.9	- 0.4
<u>Outflow of Private Funds/<sup>j</sup></u>	-11.3	-12.4	-8.0	-6.8	- 5.8
<u>Change in Foreign Assets/<sup>k</sup></u> (plus sign = decline)	+3.0	+0.4	+1.4	+0.4	+ 0.7

/<sup>a</sup> See Table 10 .

/<sup>b</sup> Receipts of ATEC and COMILOG for international transportation.

/<sup>c</sup> See Table 19.

/<sup>d</sup> Includes diplomatic expenditures, pensions payed by France to the Congo, and profit margins on the diamond trade.

/<sup>e</sup> Net payment to UDE and UDEAC solidarity funds.

/<sup>f</sup> As in Table 16 , but less CFAF 100 million in 1965-67 for FED disbursements in France.

/<sup>g</sup> As in Table 16 .

/<sup>h</sup> Estimates of investment by all foreign companies operating in the Congo and suppliers' credits to public companies, but excluding investments financed from official sources, e.g. IBRD financing of CPC .

/<sup>i</sup> Drawings on Congo's current account at the French Treasury and liabilities of Congolese Post Office system. See paragraph 58.

/<sup>j</sup> Residual item. This includes investment income (including undistributed profits), private transfers and private capital transactions.

/<sup>k</sup> See table 7 .



Table 18: CONGO (B) - External Medium and Long-Term Public Debt /1  
outstanding including undisbursed as of December 31, 1968

(in millions of dollars)

<u>Total External</u>	
<u>Public Debt</u> <u>/2</u>	<u>118.2</u>
Privately-placed debt	<u>10.8</u>
Suppliers' Credits	4.8
Private bank credits	6.0
IBRD loan	30.0
European Investment Bank	9.0
Loans from China	24.9
Loans from France <u>/3</u>	30.0
Loans from Germany	2.5
Loans from U.S.S.R.	10.9

---

/1 Including publicly guaranteed debts of the private sector

/2 Excludes credit of \$7.4 million from the UAR made in 1964 which appears to be a frame agreement under which no contracts have yet been signed.

/3 Includes one quarter of ATEC's consolidated debt to FIDES.

Source: Congo's debt reports to the Bank and information obtained by the mission in the Congo.



Table 19 : CONGO (B) - ESTIMATED SERVICE ON EXTERNAL PUBLIC DEBT  
(AMORTIZATION AND INTEREST) <sup>1</sup>

(million dollars)

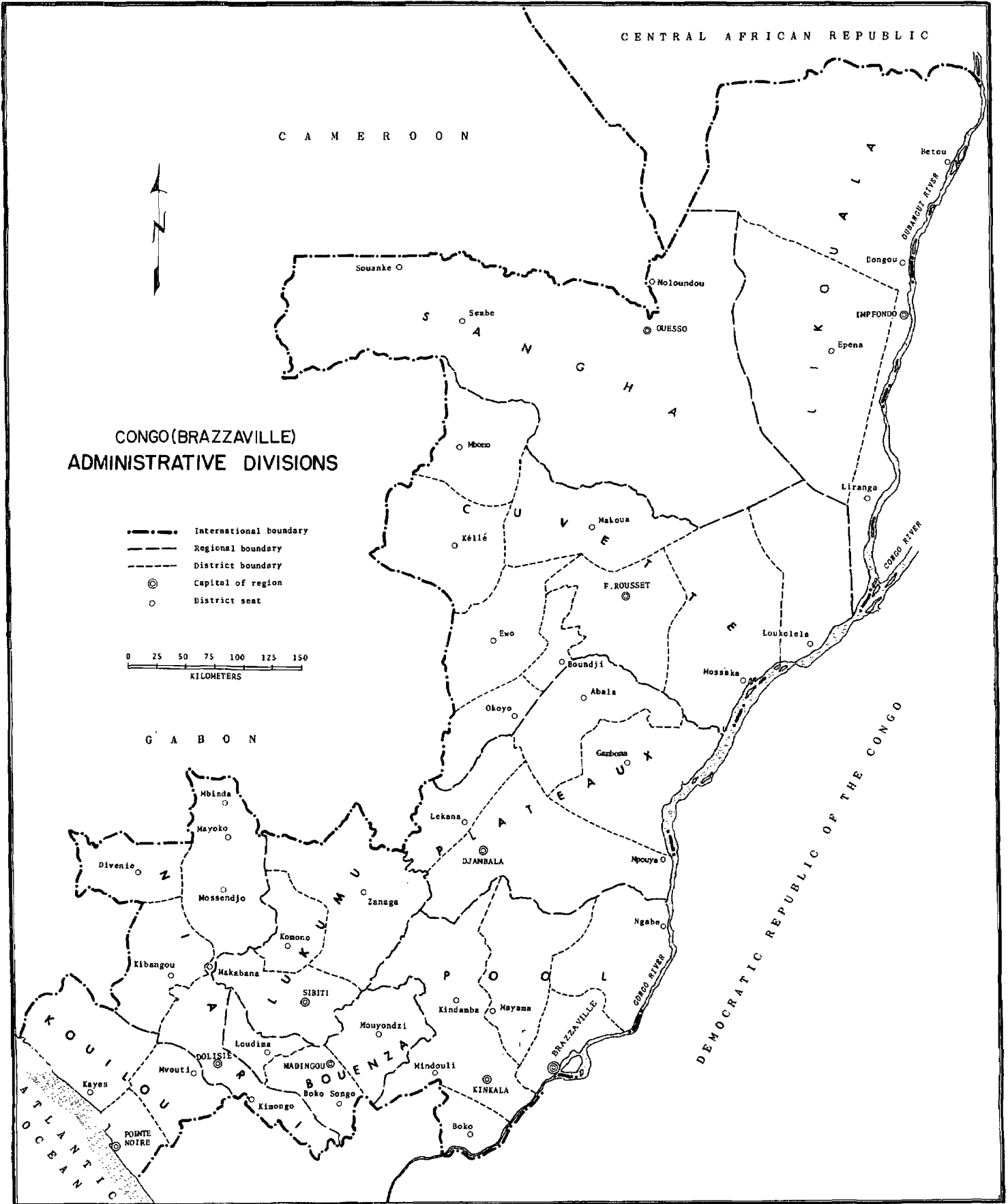
1963	1.6	1973	9.7
1964	2.0	1974	9.7
1965	3.2	1975	9.3
1966	4.9	1976	7.3
1967	5.3	1977	8.5
1968	6.5	1978	7.3
1969	7.3	1979	4.5
1970	10.1	1980	6.5
1971	9.3	1981	6.5
1972	10.1		

---

<sup>1</sup> For 1969 and thereafter, service on debt outstanding (including undisbursed) at the end of 1968 as shown in Table 18. For earlier years, estimate of actual public debt service payments.

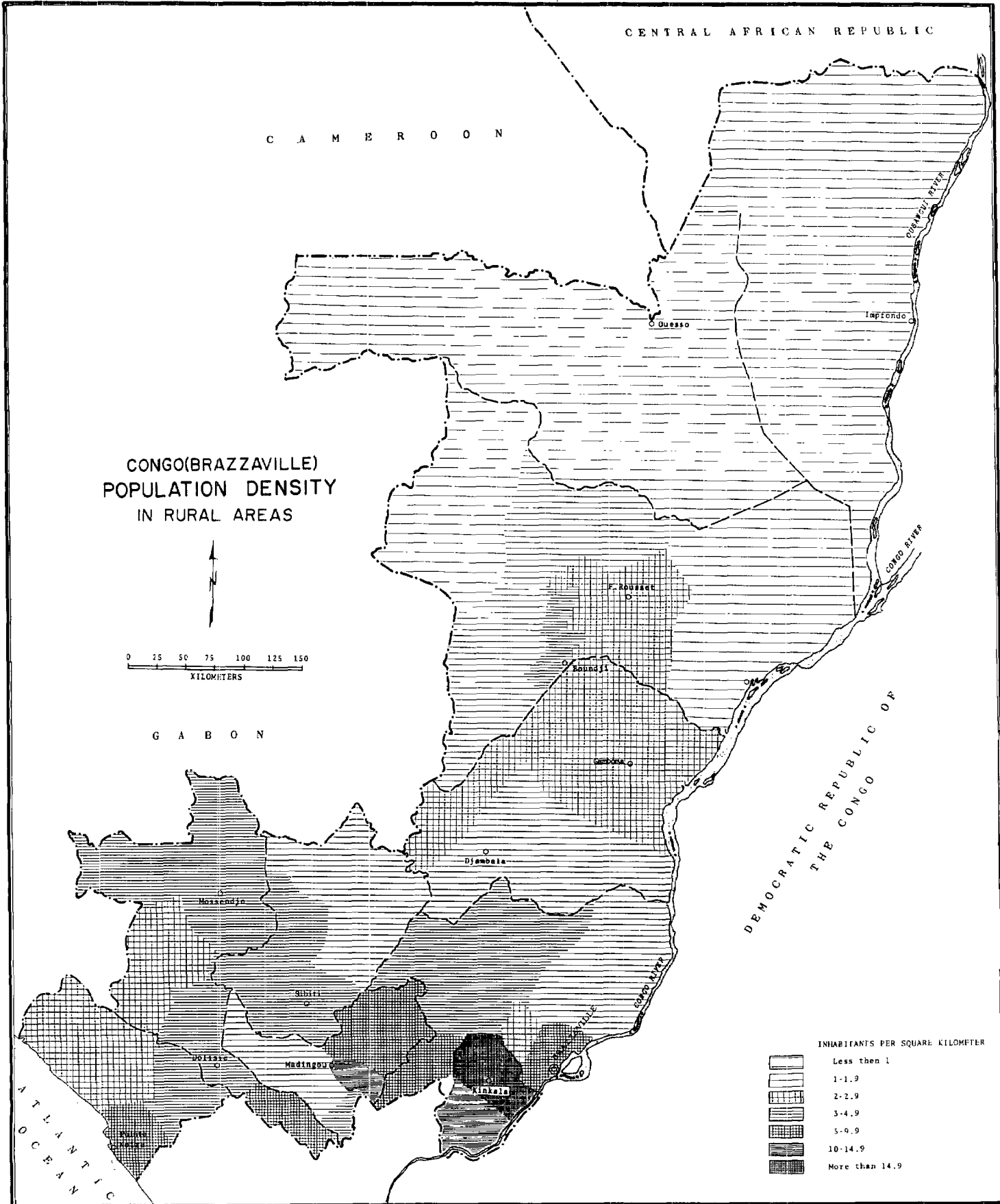
Source: Congo's debt reports to the Bank and information obtained by the mission in the Congo.



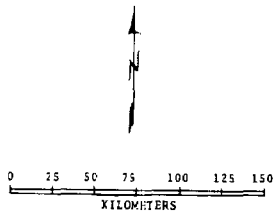








CONGO(BRAZZAVILLE)  
POPULATION DENSITY  
IN RURAL AREAS

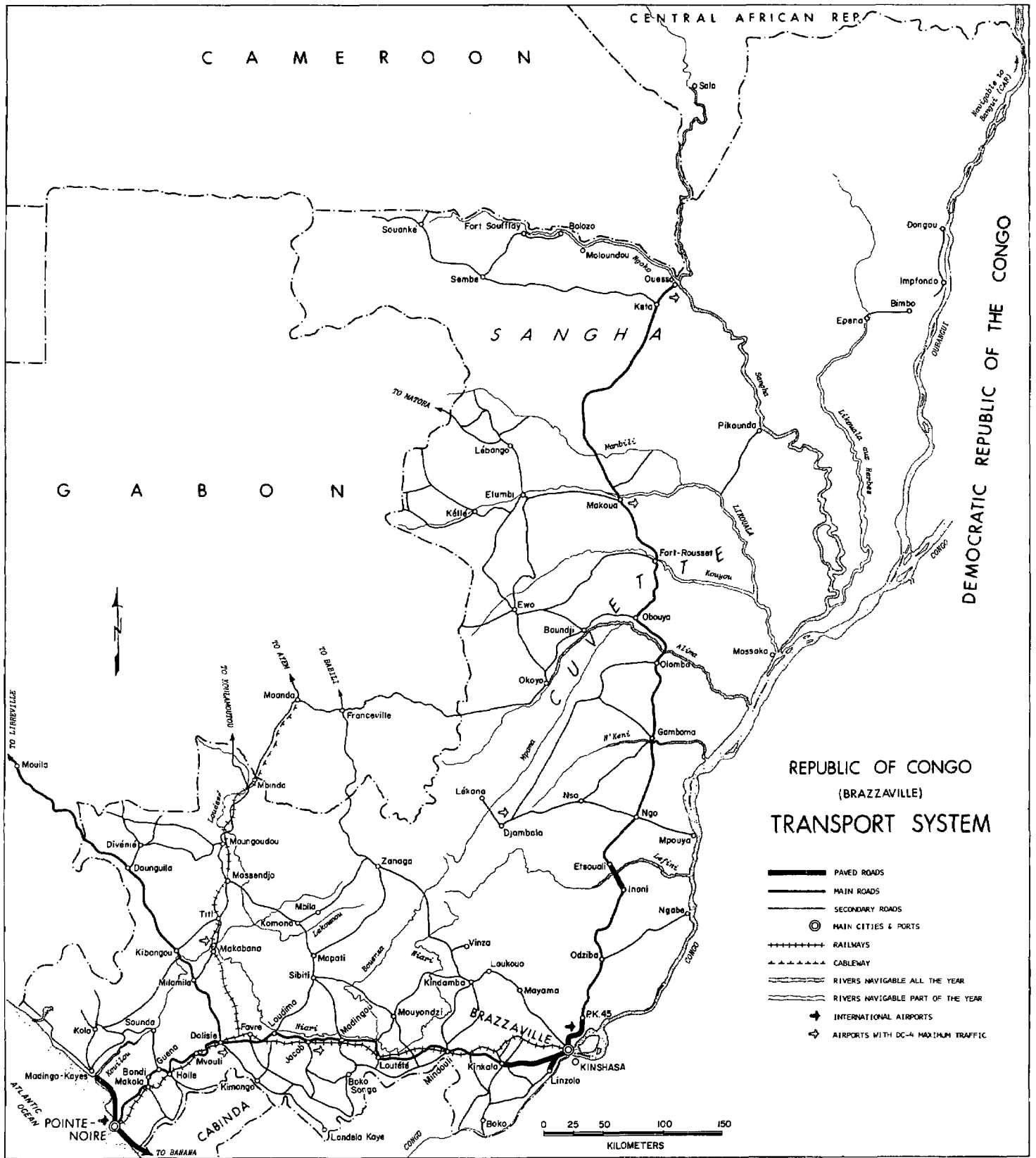


DEMOCRATIC REPUBLIC OF  
THE CONGO

INHABITANTS PER SQUARE KILOMETER

[White box]	Less than 1
[Horizontal lines]	1-1.9
[Vertical lines]	2-2.9
[Diagonal lines (top-left to bottom-right)]	3-4.9
[Diagonal lines (top-right to bottom-left)]	5-9.9
[Cross-hatch]	10-14.9
[Dense cross-hatch]	More than 14.9







REPUBLIC OF CONGO  
(BRAZZAVILLE)  
FORESTRY & AGRICULTURAL RESOURCES

