Report No. 2213-COB

People's Republic of the Congo
Economic Trends, Current Issues and Prospects

(In Two Volumes)

Volume I: Main Report

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Western Africa Region
Programs II

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Document of the World Bank

CURRENCY EQUIVALENTS

Currency Unit: CFA Franc (CFAF)

A fixed parity exists between the CFAF and the French Franc.

1 French Franc = 50 CFA Franc

The CFA Franc floats against the dollar. Throughout this report the following rates have been used for the conversion of the CFA Franc into US dollars and vice versa:

1968 and earlier years: US$1 = CFAF 247

1969	US$1 = CFAF 256
1970	US$1 = CFAF 277
1971	US$1 = CFAF 276
1972	US$1 = CFAF 252
1973	US$1 = CFAF 230
1974	US$1 = CFAF 240
1975	US$1 = CFAF 214
1976	US$1 = CFAF 239
1977	US$1 = CFAF 246

1978 and onwards US$1 = CFAF 226

WEIGHTS AND MEASURES

1 metric ton (t)	=	2,205 lbs
1 kilogram (kg)	=	2.2 lbs
1 kilometer (km)	=	0.62 miles
1 meter (m)	=	3.28 feet
1 cubic meter (m3)	=	10.76 cubic feet

FISCAL YEAR

January 1 to December 31

PREFACE

This report is based on the findings of several missions that have visited the Congo since October 1977, as well as official discussions held in Washington and in the Congo. An advanced draft was discussed with Congolese authorities in February 1979. Mr. Maurice Gervais is the principal author, assisted by Mr. William Grau and Ms. Elisabeth Bowen for the analysis of the external debt. Mr. P.A. Popiel contributed to the macroeconomic and the financial analysis. The report was edited by Ms. Michaela Rubin. The last report on the Congo was entitled "People's Republic of the Congo, Economic Memorandum" No. 804a-COB, dated March 5, 1976.

The report takes a 10-year perspective, concentrating on recent economic developments through 1978 as they relate to current internal and external financial problems and the Government's stabilization measures. Its main focus is on the options open to the Government in reestablishing a healthy financial position over the medium term as a condition to resuming a more rapid pace of development and restoring the country's creditworthiness. The report neither analyzes the long-term structural problems nor provides the strategy to solve them. Treatment of the main sectors is limited to discussing the options available to the Government in the medium-term in allocating its scarce resources to priority projects to maintain a pace of development consistent with the objectives of restoring equilibrium in external and domestic finances. Other important issues such as the role of the private sector in Congolese development are touched upon. The findings of recent Bank studies on the forestry and petroleum sectors, as well as the Bank's ongoing work in the transport sector, are summarized in view of their importance in achieving the growth objectives of the country.

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LAND AREA (THOUSAND SQ. KM.) TOTAL 342.0 AGRICULTURAL 149.5	CONGO, PEOPLES REP. 1960 /b	1970 /b	MOST RECENT ESTIMATE /b	REFERENCE GROUPS (ADJUSTED AVERAGES - MOST RECENT ESTIMATE) /a SAME GEOGRAPHIC REGION /c	SAME INCOME GROUP /d	NEXT HIGHER INCOME GROUP /e
GNP PER CAPITA (US$)	210.0	330.0	500.0	261.4	430.3	926.1
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	119.0	194.0	142.0	80.6	262.1	730.7
POPULATION AND VITAL STATISTICS						
POPULATION, MID-YEAR (MILLIONS)	1.0	1.2	1.4	.	.	.
URBAN POPULATION (PERCENT OF TOTAL)	33.0	34.8	35.8	17.1	24.6	49.0
POPULATION PROJECTIONS						
POPULATION IN YEAR 2000 (MILLIONS)			3.0	.	.	.
STATIONARY POPULATION (MILLIONS)			7.0	.	.	.
YEAR STATIONARY POPULATION IS REACHED			2115	.	.	.
POPULATION DENSITY						
PER SQ. KM.	3.0	4.0	4.0	18.4	45.3	44.6
PER SQ. KM. AGRICULTURAL LAND	7.0	8.0	9.0	50.8	149.0	140.7
POPULATION AGE STRUCTURE (PERCENT)						
0-14 YRS.	41.8	41.8	43.0	44.1	45.2	41.3
15-64 YRS.	55.0	55.0	54.0	52.9	51.9	55.3
65 YRS. AND ABOVE	3.2	3.2	3.0	2.8	2.8	3.5
POPULATION GROWTH RATE (PERCENT)						
TOTAL	1.6	2.1	2.5	2.7	2.7	2.4
URBAN	3.8	2.6	3.0	5.7	4.3	4.5
CRUDE BIRTH RATE (PER THOUSAND)	46.0	45.0	46.0	46.3	39.4	31.1
CRUDE DEATH RATE (PER THOUSAND)	27.0	22.0	19.0	17.2	11.7	9.2
GROSS REPRODUCTION RATE	..	2.8	3.0	3.1	2.7	2.2
FAMILY PLANNING						
ACCEPTORS, ANNUAL (THOUSANDS)	..	..	..	.	.	.
USERS (PERCENT OF MARRIED WOMEN)	..	..	..	..	13.2	34.7
FOOD AND NUTRITION						
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)	127.0	99.0	86.0	94.3	99.6	104.4
PER CAPITA SUPPLY OF						
CALORIES (PERCENT OF REQUIREMENTS)	97.0	97.0	98.0	89.5	94.7	105.0
PROTEINS (GRAMS PER DAY)	40.0	40.0	41.9	55.8	54.3	64.4
OF WHICH ANIMAL AND PULSE	..	23.0/f	..	17.9	17.4	23.5
CHILD (AGES 1-4) MORTALITY RATE	40.0	32.0	27.0	22.3	11.4	8.6
HEALTH						
LIFE EXPECTANCY AT BIRTH (YEARS)	37.0	42.0	46.0	47.0	54.7	60.2
INFANT MORTALITY RATE (PER THOUSAND)	180.0	..	..	..	68.1	46.7
ACCESS TO SAFE WATER (PERCENT OF POPULATION)						
TOTAL	..	27.0	38.0	20.3	34.4	60.8
URBAN	..	..	81.0	53.9	57.9	75.7
RURAL	..	..	..	10.1	21.2	40.0
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)						
TOTAL	..	6.0	9.0	22.5	40.8	46.0
URBAN	..	8.0	10.0	62.5	71.3	46.0
RURAL	..	6.0	9.0	13.9	27.7	22.5
POPULATION PER PHYSICIAN	13000.0/g	9160.0	7320.0/h	17424.7	6799.4	2262.4
POPULATION PER NURSING PERSON	1460.0/g	670.0	800.0	2506.6	1522.1	1195.4
POPULATION PER HOSPITAL BED						
TOTAL	220.0/g	220.0/i	190.0	502.3	726.5	453.4
URBAN	..	..	250.0	201.4	272.7	253.1
RURAL	..	..	..	1403.6	1404.4	2732.4
ADMISSIONS PER HOSPITAL BED	..	22.8/i	28.6/j	23.4	27.5	22.1
HOUSING						
AVERAGE SIZE OF HOUSEHOLD						
TOTAL	4.5	..	..	4.9	5.4	5.3
URBAN	..	..	..	4.9	5.1	5.2
RURAL	..	..	..	5.5	5.5	5.4
AVERAGE NUMBER OF PERSONS PER ROOM						
TOTAL	2.7	..	..	..	..	1.9
URBAN	..	..	..	..	..	1.6
RURAL	..	..	..	..	..	2.5
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)						
TOTAL	4.0/k	..	..	..	28.1	50.0
URBAN	..	..	..	..	45.1	71.7
RURAL	..	..	..	..	9.9	17.3

TABLE 3A
CONGO, PEOPLES REP. - SOCIAL INDICATORS DATA SHEET

	CONGO, PEOPLES REP.			REFERENCE GROUPS (ADJUSTED AVERAGES /a - MOST RECENT ESTIMATE)		
	1960 /b	1970 /b	MOST RECENT ESTIMATE /b	SAME GEOGRAPHIC REGION /c	SAME INCOME GROUP /d	NEXT HIGHER INCOME GROUP /e
EDUCATION						
ADJUSTED ENROLLMENT RATIOS						
PRIMARY: TOTAL	78.0	133.0	155.0	59.0	82.7	102.5
MALE	103.0	150.0	166.0	64.2	87.3	108.6
FEMALE	53.0	116.0	143.0	44.2	75.8	97.1
SECONDARY: TOTAL	4.0	19.0	52.0	9.0	21.4	33.5
MALE	6.0	27.0	66.0	12.0	33.0	38.4
FEMALE	2.0	11.0	37.0	4.4	15.5	30.7
VOCATIONAL ENROL. (% OF SECONDARY)	28.0	10.0	6.3	7.0	9.8	11.5
PUPIL-TEACHER RATIO						
PRIMARY	53.0	60.0	61.0	42.2	34.1	35.8
SECONDARY	20.0	33.0	41.0	22.9	23.4	22.9
ADULT LITERACY RATE (PERCENT)	15.6	50.0/i	..	20.8	54.0	64.0
CONSUMPTION						
PASSENGER CARS PER THOUSAND POPULATION	..	12.6	14.7	4.0	9.3	13.5
RADIO RECEIVERS PER THOUSAND POPULATION	13.0	69.0	60.0	44.3	76.9	122.7
TV RECEIVERS PER THOUSAND POPULATION	..	1.9	3.8	2.9	13.5	38.3
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	1.0	0.7	..	5.6	18.3	40.0
CINEMA ANNUAL ATTENDANCE PER CAPITA	..	..	0.9	0.4	2.5	3.7
LABOR FORCE						
TOTAL LABOR FORCE (THOUSANDS)	360.0	520.0/l	580.0/l	.	.	.
FEMALE (PERCENT)	38.0	37.1	37.0	31.9	29.2	25.0
AGRICULTURE (PERCENT)	51.7	41.8	36.0	77.6	62.7	43.5
INDUSTRY (PERCENT)	16.8	21.5	26.0	7.9	11.9	21.5
PARTICIPATION RATE (PERCENT)						
TOTAL	37.4	35.9	35.2	40.8	37.1	33.5
MALE	48.3	46.9	45.7	53.9	48.8	48.0
FEMALE	27.4	25.7	25.2	25.6	20.4	16.8
ECONOMIC DEPENDENCY RATIO	1.2	1.1	1.1	1.2	1.4	1.4
INCOME DISTRIBUTION						
PERCENT OF PRIVATE INCOME RECEIVED BY						
HIGHEST 5 PERCENT OF HOUSEHOLDS	..	..	..	..	15.2	20.8
HIGHEST 20 PERCENT OF HOUSEHOLDS	..	..	..	..	48.2	52.1
LOWEST 20 PERCENT OF HOUSEHOLDS	..	..	..	..	6.3	3.9
LOWEST 40 PERCENT OF HOUSEHOLDS	..	..	..	..	16.3	12.6
POVERTY TARGET GROUPS						
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US$ PER CAPITA)						
URBAN	..	..	..	187.6	241.3	270.0
RURAL	..	..	..	96.8	136.6	183.3
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US$ PER CAPITA)						
URBAN	..	..	..	138.4	179.7	282.5
RURAL	..	..	167.0	71.0	103.7	248.9
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)						
URBAN	..	..	..	34.5	24.8	20.5
RURAL	..	..	..	48.7	37.5	35.3

.. Not available
. Not applicable.

NOTES

/a The adjusted group averages for each indicator are population-weighted geometric means, excluding the extreme values of the indicator and the most populated country in each group. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1974 and 1977.

/c Africa South of Sahara; /d Lower Middle Income ($281-550 per capita, 1976); /e Intermediate Middle Income ($551-1135 per capita, 1976); /f 1965; /g 1962; /h Government establishment only; /i 1967; /j 1972; /k Data for city of Pointe-Noire only; /l Total population in age 15-59.

May, 1979

DEFINITIONS OF SOCIAL INDICATORS

Note. The adjusted group averages for each indicator are population-weighted geometric means, excluding the extreme values of the indicator and the most populated country in each group. Coverage of countries among the indicators depends on availability of data and is not uniform. Due to lack of data, group averages for Capital Surplus Oil Exporters and indicators of access to water and excreta disposal, housing, income distribution and poverty are simple population-weighted geometric means without the exclusion of extreme values.

LAND AREA (thousand sq. km)

Total - Total surface area comprising land area and inland waters.

Agricultural - Most recent estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow.

GNP PER CAPITA (US$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1975-77 basis); 1960, 1970, and 1977 data.

ENERGY CONSUMPTION PER CAPITA - Annual consumption of commercial energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita.

POPULATION AND VITAL STATISTICS

Total population, mid-year (millions) - As of July 1; if not available, average of two end-year estimates; 1960, 1970, and 1977 data.

Urban population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries.

Population density

Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area.

Per sq. km. agriculture land - Computed as above for agricultural land only.

Population age structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population.

Population growth rate (percent) - total, and urban - Compound annual growth rates of total and urban mid-year populations for 1950-60, 1960-70, and 1970-75.

Crude birth rate (per thousand) - Annual live births per thousand of mid-year population; ten-year arithmetic averages ending in 1960 and 1970 and five-year average ending in 1975 for most recent estimate.

Crude death rate (per thousand) - Annual deaths per thousand of mid-year population; ten-year arithmetic averages ending in 1960 and 1970 and five-year average ending in 1975 for most recent estimate.

Gross reproduction rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1975.

Family planning - acceptors, annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.

Family planning - users (percent of married women) - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION

Index of food production per capita (1970=100) - Index number of per capita annual production of all food commodities.

Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distributions of population, and allowing 10 percent for waste at household level.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for a minimum allowance of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.

Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day.

Child (ages 1-4) mortality rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group.

HEALTH

Life expectancy at birth (years) - Average number of years of life remaining at birth; usually five-year averages ending in 1960, 1970, and 1975.

Infant mortality rate (per thousand) - Annual deaths of infants under one year of age per thousand live births.

Access to safe water (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.

Access to excreta disposal (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.

Population per physician - Population divided by number of practicing physicians qualified from a medical school at university level.

Population per nursing person - Population divided by number of practicing male and female graduate nurses, practical nurses, and assistant nurses.

Population per hospital bed - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities.

Admissions per hospital bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING

Average size of household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes. Statistical definitions of household vary.

Average number of persons per room - total, urban, and rural - Average number of persons per room in all, urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

Access to electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION

Adjusted enrollment ratios

Primary school - total, and female - Total and female enrollment of all ages at the primary level as percentages of respectively primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

Secondary school - total, and female - Computed as above, secondary education requires at least four years of approved primary instruction; provides general vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.

Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION

Passenger cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

Radio receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population, excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

TV receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

Newspaper circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

Cinema annual attendance per capita per year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

EMPLOYMENT

Total labor force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc. Definitions in various countries are not comparable.

Female (percent) - Female labor force as percentage of total labor force

Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force.

Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force.

Participation rate (percent) - total, male, and female - Total, male, and female labor force as percentages of their respective populations These are ILO's adjusted participation rates reflecting age-sex structure of the population, and long time trend

Economic dependency ratio - Ratio of population under 15 and 65 and over to the labor force in age group of 15-64 years.

INCOME DISTRIBUTION

Percentage of private income (both in cash and kind) received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS

Estimated absolute poverty income level (US$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.

Estimated relative poverty income level (US$ per capita) - urban and rural - Relative poverty income level is that income level less than one-third per capita personal income of the country.

Estimated population below poverty income level (percent) - urban and rural - Percent of population (urban and rural) who are either "absolute poor" or "relative poor" whichever is greater.

Economic and Social Data Division
Economic Analysis and Projections Department

ECONOMIC INDICATORS

GROSS NATIONAL PRODUCT IN 1978	Blns. CFAF	%
GNP at Market Prices	184,5	100,0
Gross Domestic Investment	42,9	23,3
Gross National Saving	-13,5	7.3
Current Account Deficit	-56,6	30,7
Exports of Goods, NFS	83,8	45,4
Imports of Goods, NFS	122,1	66.2

ANNUAL RATE OF GROWTH (%, constant prices)	1967-72	1972-74	1974-77	1977/78
GNP at Market Prices	4.8	9.9	-3.2	2.9
Gross Domestic Investment	1,8	17.1	-13.6	26.9
Gross National Saving	-2,1	29,5	-25.3	14.7
Current Account Deficit	5.4	-3.5	9.1	-3.2
Exports of Goods, NFS	8.3	36.6	-2.1	-1.1
Imports of Goods, NFS	6.4	12.3	2.3	-2.4

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1976

	Value Added in GDP, 1976		Labor Force 1/		V.A. Per Worker	
	CFAF mln.	%	Thousands	%	CFAF thousands	%
Agriculture	19,368	11.2	210	38	92.2	10.2
Industry	59,310	34.2	(	(	(	(
Services	77,924	44.9	(361	(62	(426.8	(89.8
Unidentified and unallocated	16,834	9.7	(	(	(	(
Total/Average	173,436	100.0	571	100.0	303.7	100.0

GOVERNMENT FINANCE

Central Government

	(Billions of CFAF and percentages)								% of GDP		
	1967	1970	1972	1974	1975	1976	1977	1978	1967-72	1973/74	1975/76
Current Receipts	12.8	16.7	18.9	40.1	44.3	47.8	50.4	60.0	22.0	26.0	28.2
Current Expenditure	13.0	16.2	20.5	39.3	46.6	48.5	57.4	70.1	21.8	26.0	31.1
Current Surplus	-.2	.5	-1.6	.8	-2.3	-.7	-7.0	-10.1	.2	-	-2.8
Capital Expenditures	.7	1.0	-2.5	7.1	18.2	8.5	2.5	5.0	2.0	4.4	4.8
External Assistance (net)	..	..	..	2.6	1.9	-2.8	-2.9	.8	-.8	1.2	-.4

MONEY, CREDIT AND PRICES	1972	1973	1974	1975	1976	1977	1978
	(Billions of CFAF outstanding end period)						
Money and Quasi Money	15.8	18.3	25.6	29.0	33.7	34.5	36.9
Bank Credit to the Government	2.5	3.4	5.9	10.0	14.4	18.2	21.4
Bank Credit to Private Sector 2/	17.1	19.3	21.9	28.3	36.4	38.9	39.4
	(Percentages of Index Numbers)						
Money and Quasi Money as % of GDP	16.1	16.7	17.2	16.9	17.9	16.9	16.4
Consumer Price Index (1975 = 100) 3/	78.0	80.7	85.1	100.0	107.3	122.4	136.6
Annual percentage changes in:							
Consumer Price Index 3/	9.8	3.5	3.7	19.8	7.3	14.1	11.6
Bank Credit to the Government	200.0	36.0	74.1	69.0	44.0	26.4	18.0
Bank Credit to the enterprise sector	9.1	15.8	10.6	29.2	28.6	6.9	1.3

1/ Total labor force; unemployed are allocated to sector of their normal occupation. "Unallocated" consists mainly of unemployed workers seeking their first job.

2/ Includes public enterprises.

3/ In the absence of a general price index, Refers to consumption patterns of higher income families.

.. Not available.

. Not applicable.

TRADE PAYMENTS AND CAPITAL FLOWS

BALANCE OF PAYMENTS	1967	1972	1974	1975	1977	1978 (estimates)
Exports of Goods, NFS	17.9	29.3	75.0	59.0	81.7	83.8
Imports of Goods, NFS	-32.8	-53.6	-83.9	-104.5	-121.9	-122.1
Resource Gap (deficit -)	-15.1	-24.3	-8.9	-45.4	-40.2	-38.3
Investment Income and						
Interest Payments	-1.9	-2.1	-4.5	-6.8	-10.0	-17.3
Other Factor Service Payments	.7	.4	- .7	.3	-.3	-.4
Private Transfers	-.9	-2.6	-12.3	-5.3	-6.7	-.6
Balance on Current Account	-17.0	-28.6	-26.4	-57.3	-57.2	-56.6
Public Transfers	2.6	5.0	4.5	7.4	5.4	7.7
Direct Foreign Investment	5.7	16.7	17.1	22.1	32.2	28.3
Net M & LT Borrowing	1.7	5.4	16.2	9.5	8.4	15.5
Disbursements	..					
Amortization	..					
Other Capital n.i.e.	3.1	5.7	-2.9	10.5	-2.5	-3.0
Errors and Omissions	3.1	-4.9	-6.1	1.7	3.9	-2.5
Increase in Reserves	-.8	-.7	2.4	-3.4	-9.8	-10.6
Gross Reserves (end of year) 3/	.6	5.4	5.4	3.0	3.2	..
Net Reserves (end of year)	.7	.3	3.8	-.9	-6.7	-6.2
Fuel and Related Materials						
Imports	..	..	..	..	..	..
of which: Petroleum 4/	1.2	..	..	..	12.0	..
Exports	.1	1.1	38.5	28.3	39.2	46.0
of which: Petroleum	.1	1.1	38.5	28.3	39.2	46.0

RECORDED MERCHANDISE EXPORTS (1967-78 PERIOD AVERAGES IN BILLIONS OF CFAF)

	Amounts			%	
	1967-72	1973-74	1975-78	1967-72	1973-76
Crude oil	.3	24.1	37.1	2.2	61.2
Wood products	6.3	10.3	8.1	45.7	16.5
Agricultural products	1.6	3.2	3.4	11.6	6.2
Others 1/	5.6	3.8	9.0	40.6	16.1
Total	13.8	45.4	57.6	100.0	100.0

EXTERNAL DEBT, DECEMBER 31, 1978

	CFAF Blns.
Public Debt, incl. guaranteed	151.4
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	151.4

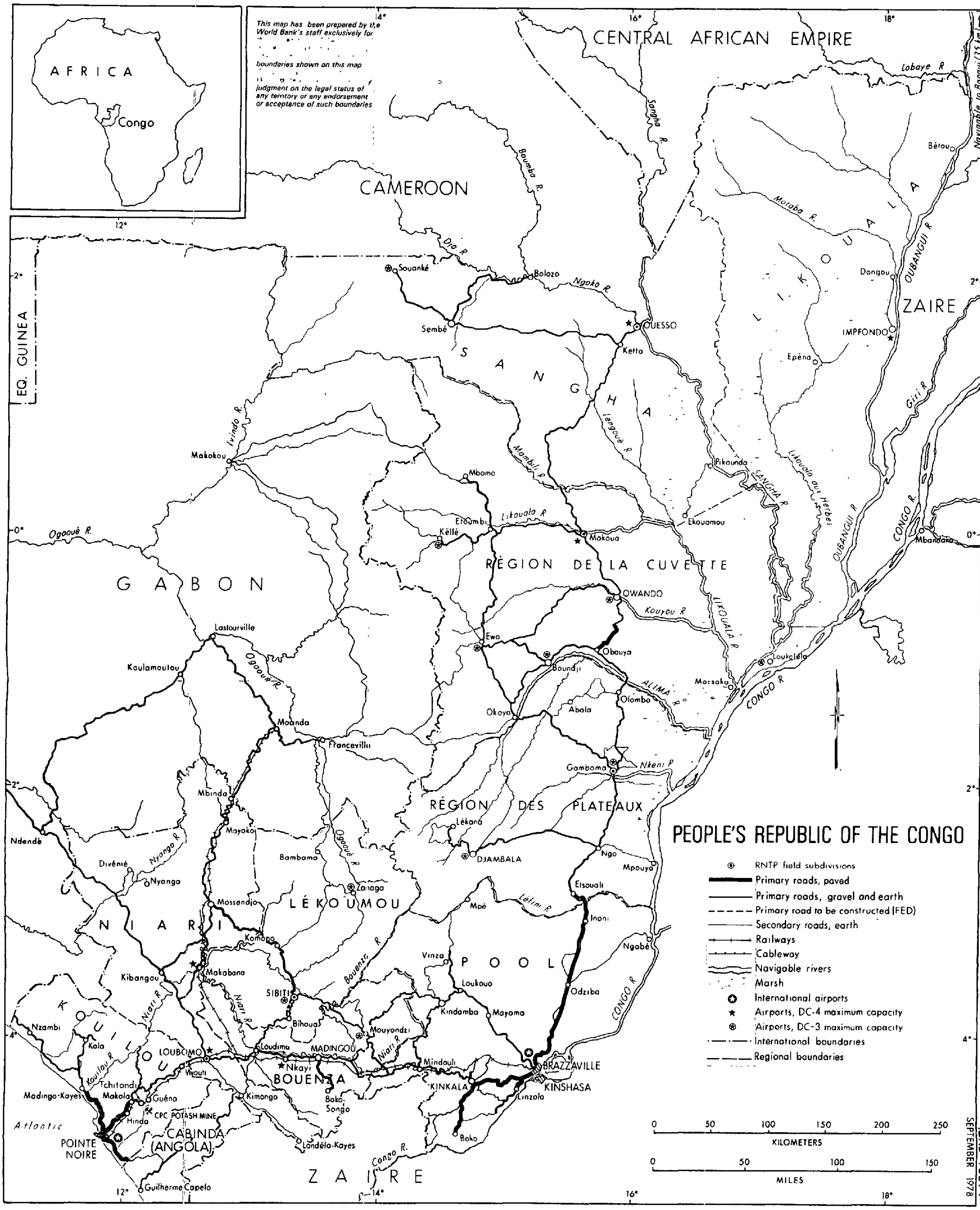
DEBT SERVICE RATIO for 1978 2/

	%
Public Debt, incl. guaranteed	20.8
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	20.8

IBRD/IDA LENDING (latest month) (Millions of US$) 5/

	IBRD	IDA
Outstanding & Disbursed	41.5	20.2
Undisbursed	16.4	1.9
Outstanding incl. Undisbursed	57.9	22.1

1/ Excludes reexport of diamonds. Comprises non-oil, mireral and other products and unrecorded reports.
2/ Ratio of scheduled Debt Service payments to Exports of Goods and Non-Factor Services.
3/ According to International Financial Studies, IMF.
4/ Estimated.
5/ For IBRD, latest report Feb. 28, 1979, for IDA, latest report March 31, 1979.
.. Not available.



PEOPLE'S REPUBLIC OF THE CONGO
AFRICA
Congo
This map has been prepared by the World Bank's staff exclusively for
boundaries shown on this map
judgment on the legal status of any territory or any endorsement or acceptance of such boundaries
CENTRAL AFRICAN EMPIRE
CAMEROON
EQ. GUINEA
GABON
ZAIRE
CABINDA (ANGOLA)
SANGHA
LIKOUALA
RÉGION DE LA CUVETTE
RÉGION DES PLATEAUX
LÉKOUMOU
NIARI
KOUILOU
POOL
BOUENZA
BRAZZAVILLE
KINSHASA
POINTE NOIRE
OUESSO
IMPFONDO
OWANDO
DJAMBALA
LOUBOMO
MADINGOU
SIBITI
KINKALA
RNTP field subdivisions
Primary roads, paved
Primary roads, gravel and earth
Primary road to be constructed (FED)
Secondary roads, earth
Railways
Cableway
Navigable rivers
Marsh
International airports
Airports, DC-4 maximum capacity
Airports, DC-3 maximum capacity
International boundaries
Regional boundaries
KILOMETERS
MILES
IBRD 13894
SEPTEMBER 1978

GLOSSARY OF ABBREVIATIONS

ACAC	-	Agence Congolaise de l'Aviation Civile
ADB	-	African Development Bank
AGIP	-	Agenzia Generale Italiana di Petrolio
ASECNA	-	Agence pour la securite de la navigation aerienne
ATC	-	Agence transcongolaise des communications
BCC	-	Banque commerciale congolaise
BEAC	-	Banque des etats de l'Afrique centrale
BNDC	-	Banque nationale de developpement du Congo
BOISSANGHA	-	French logging and wood processing firm
CCA	-	Caisse congolaise d'amortissement
CCCE	-	Caisse centrale de cooperation economique
CFCO	-	Chemin de fer Congo-Ocean
CIB	-	Societe congolaise industrielle des bois
CIDOLOU	-	Cimenterie domaniale de Loutete
CNPS	-	Caisse nationale de prevoyance sociale
CPC	-	Compagnie des potasses du Congo
CSC	-	Confederation syndicale congolaise
EDF	-	European Development Fund
FAC	-	Fonds d'aide et de cooperation
FALCO	-	Fabrique d'allumettes du Congo
HYDROCONGO	-	Societe nationale des hydrocarbures du Congo
IBRD	-	International Bank for Reconstruction and Development
IDA	-	International Development Association
ILO	-	International Labor Organization
IMPRECO	-	Societe des impressions du Congo
LINACONGO	-	Ligne nationale aerienne du Congo
OCB	-	Office congolais du bois
OECD	-	Organization for Economic Cooperation and Development
OFNACOM	-	Office national du commerce
ONCPA	-	Office national de commercialisation des produits agricoles
ONPT	-	Office national des postes et telecommunications
PCT	-	Parti congolais du travail
PLACONGO	-	Placages du Congo
RNPC	-	Regie nationale des palmeraies du Congo
RNTP	-	Regie nationale des travaux publics
SIACONGO	-	Societe industrielle et agricole du Congo
SICAPE	-	Societe italienne-congolaise d'armement et de peche
SIDETRA	-	Societe industrielle de transformation
SMAG	-	Salaire minimum agricole garanti
SMIG	-	Salaire minimum interprofessionnel garanti
SNE	-	Societe nationale d'energie
SNEB	-	Societe nationale d'exploitation du bois
SOCOBOIS	-	Societe congolaise du bois
SOCOMAB	-	Societe congolaise de manutention du bois
SOCOTON	-	Societe cotonniere nationale
SONAMIF	-	Societe nationale des mines de M'Fouati
SONAMIS	-	Societe nationale des mines de Sounda-Kakamoeka

GLOSSARY OF ABBREVIATIONS (Continued)

SONATRAB	-	Societe nationale de transformation du bois
SONEL	-	Societe nationale d'elevage
SOTEXCO	-	Societe textile du Congo
SYBETRA	-	Syndicat belge des entreprises de travaux
UCB	-	Union congolaise des banques
UDEAC	-	Union douaniere et economique de l'Afrique centrale
UEB BETOU	-	Unite d'exploitation du bois de Betou
UNDP	-	United Nations Development Program
WHO	-	World Health Organization

SUMMARY AND CONCLUSIONS

1. At the end of 1977, the People's Republic of the Congo had a per capita income of about US$500, placing it among one of the middle income countries of tropical Africa. This position reflects the dramatic rise in GNP after the initiation of offshore oil production in 1972, the small size of the country's population, and its favorable location as a regional center for administration and trade during colonial days. It disguises, however, a number of structural imbalances that existed long before the oil boom and have persisted since then.

2. For decades the development of the Congo was impeded by a number of constraints, including:

... Rapid urbanization from a small rural population base.

... A narrow economic base centered on transportation, services and Government with limited import substitution manufacturing opportunities and slow employment generation potential.

... A traditional agricultural sector with limited prospects.

... A forestry sector generating low value added, and whose future now depends on capital intensive exploitation of the northern forests and improved productivity in the south.

... An obsolescent educational system detached from economic realities, which is turning out graduates who lack relevant training and are unable to find jobs meeting their expectations.

3. Combined with the economic and social policies pursued since independence, these constraints exerted serious pressures on public finances despite the country's relatively high per capita income. In particular, policies designed to employ in the public sector all secondary and university graduates who were unable to find jobs elsewhere, while rapidly expanding student enrollment rates resulted in a virtually uncontrolled rise in the civil service wage bill and a sustained increase in the cost of education (which now stands at least at 30 percent of the current budget and 7 percent of the GNP). The brief petroleum boom of the mid-1970s only contributed to raise expectations and accelerate the economic and financial imbalances. The economy and the public sector have on the whole been unable to generate savings.

Developments Prior to the Oil Boom

4. The Government that took office in 1969 was firmly committed to accelerating the process, initiated in 1964, of establishing a socialist state. Its objective was to diversify the economic base, provide new employment opportunities particularly in urban areas, exercise closer control over the means of production, and improve the distribution of national income. The public sector expanded rapidly as it took over existing enterprises (transport, energy and water, agro-industries), established new ones in

agriculture, and reinforced its control over the distribution system. Only pockets of modern sector activities remained in private hands, mainly in forestry, petroleum and some manufacturing and services.

5. These policies greatly increased Government spending, reduced the efficiency of formerly productive enterprises through overemployment, distorted the resource allocation pattern, and led to an alarming public finance situation. The country depended on foreign capital and aid to finance the bulk of investments and to sustain the high level of public consumption.

6. A major change in the resource outlook was the discovery of oil in 1970 and optimistic forecasts of output and revenues. On this basis the Government greatly expanded its foreign borrowing, doubling the outstanding debt to CFAF 74 billion or 83 percent of the 1972 GDP. The rate of growth of the public sector accelerated and several new public enterprises, including the national refinery and the state farm system, were launched during the 1970-73 period. At the same time, the Treasury deficit expanded reaching about 20 percent of revenues in 1972, largely financed by arrears of payments to local and foreign suppliers and creditors. Private investment stagnated. Heavy investment in oil production facilities partly compensated for the decline of private investment in other sectors as uncertainties concerning the State's public ownership policies and the tapering off of import substitution investment opportunities impeded new private initiatives. GDP growth was not very responsive to investment owing to the social character of many public investments, the start-up problems of public enterprises, the substantial unutilized capacity in existing plants, and the longer than expected gestation period of investments in oil production facilities. Domestic consumption generally increased more rapidly than gross domestic income, which was only made possible by a falling investment rate and a persistently more rapid expansion of imports over exports.

7. By the time large scale oil production for exports was initiated in 1972, it had become apparent that the public enterprise sector was undergoing severe financial strains. Many factors were responsible for this, including obsolete equipment inherited from the private sector, insufficient project preparation and working capital, the lack of qualified Congolese staff to assume control of the rapidly expanding parastatal sector, the absence of financial reporting and supervision systems and unrealistic Government pricing policies. But the most important reason for the sector's difficulties was massive overemployment, encouraged by the Government and sustained by pressure from the Congo's well-organized trade union federation.

8. The parastatal sector relied on transfers of budgetary resources either in the form of operating subsidies or funds from the investment budget to sustain salaried employment. Because of the Government's own liquidity problems, the flow of resources was largely offset by the accumulation of unpaid bills to the public sector. In turn, the financially weak public enterprises postponed payments for raw materials and services to other public sector entities, to the private sector and to the banking system. The result

was a massive accumulation of arrears and a contraction of short- and medium-term credit by the banking system as existing short-term liabilities were in effect converted to medium-term credits thereby compressing credit ceilings available to the enterprise sector. Even more important, public enterprises had to postpone outlays for equipment maintenance and investment in replacement capital so that physical assets deteriorated and productive capacity declined.

The Effects of the Oil Boom

9. The 1973/74 petrolem boom temporarily halted the domestic and external financial deterioration and boosted real domestic income. Combined with the quadrupling of oil prices and a peak output of 2.4 million tons in 1974, the oil boom resulted in a major improvement in the country's terms of trade with a consequent large positive effect on real domestic income, a doubling of budgetary revenues between 1972 and 1974, an even larger increase in exports and a tenfold rise in foreign exchange reserves. Notwithstanding a rapid increase in domestic consumption and investment, the sharp rise in GDY combined with dramatically improved terms of trade helped to reduce the resource gap to 9 percent of GDY. In spite of escalating factor service payments from the oil sector, gross national savings were, for the first time, sufficient to cover a substantial portion of domestic investment.

10. The rise in Government resources was accompanied by a sustained increase in public expenditures both current and capital. The Government stepped up its support to public enterprises either through the investment or the current budget and initiated new projects with its own funds and by borrowing abroad. In 1975, public sector salaries were raised by 30 percent, contributing to a doubling of current outlays between 1972 and 1975.

Economic Deterioration since the Oil Boom

11. In 1975 geological problems brought about a fall in petroleum output by 25 percent. The Government was caught in a liquidity squeeze resulting in a huge treasury deficit of CFAF 21 billion, or about 50 percent of 1975 revenues. In the following two years, petroleum output failed to recover to the 1974 level and investment outlays and subsidies to public enterprises had to be sharply curtailed. The wage bill continued to escalate, however, at the time when foreign loans committed since the early 1970s were coming to maturity so that the debt service burden on Central Government resources became unbearable. Even after most sources of deficit finance were exhausted--including advances by the oil companies to be repaid from future oil royalties, foreign loans and Central Bank advances up to statutory limits -- a substantial budgetary gap remained, so that arrears (including about 25 percent of maturities on the external debt) escalated rapidly.

12. The impact of the Central Government's liquidity problems also exacerbated the financial problems of public enterprises since the Government was unable to pay for goods and services. As a countervailing measure, public entities withheld taxes owed to the Government, further aggravating the Treasury's liquidity problems. Several state enterprises had to close down,

including the country's important textile mill, and others had to reduce their level of operations since capital assets had been run down. In 1976, the only year for which a consolidated profit and loss statement is available for the majority of public enterprises (54 out of about 80 units), the sector as a whole was in deficit with expenditures exceeding revenues by about 5 percent. Excluding the Agence Transcongolaise des Communications (ATC), 1/ the country's largest public enterprise, the shortfall was 10 percent of revenues. The cost of rehabilitating the public sector, including the replenishment of working capital, had become prohibitive. 2/

13. While variations in petroleum output were making themselves felt on public sector finances, events were also setting the stage for the decline of the two most important sectors in the non-oil economy: forestry and transport. The forestry sector provided the bulk of the country's exports before the oil boom and was an important client of the country's transport system. However, output had declined since the early 1970s, owing to the depletion of the most easily accessible resources in the south and transport problems, which impeded forestry development in other areas. Following a short boom in tropical timber prices in 1972/73, the 1974 recession in industrial countries caused a severe depression in the sector and widespread financial losses to the Congo's logging industry. At this time the Government decided to establish a marketing monopoly for timber exports to maximize the benefits of log exploitation to the national economy. From the point of view of foreign investors, this measure added to the uncertainties of forestry production in the Congo and led to the departure of many small- and medium-scale international loggers. Moreover, the new marketing board failed to replace the credit facilities and sales outlets formerly provided by private exporters to small-scale Congolese operators in the south, so that this branch of the industry also went into decline. The upshot of these developments was a reduction in logging capacity from which the sector has yet to recover.

14. The depression in the forestry sector occurred at a time when the ATC was undertaking an ambitious investment program, with substantial foreign financing. In spite of successive tariff increases, ATC's financial problems reached crisis proportions in 1978 requiring subsidies by the Government and additional transport tariff increases to maintain services. Tariff readjustments by the ATC are limited, however, by the ability of the northern zone forestry producers to pay the higher rates and still earn an adequate return

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1/ The ATC is responsible for managing the Congo's river-rail-port transport system.

2/ Note that arrears owed by the Government to public enterprises stood at about CFAF 15 billion at the end of 1977 while taxes withheld by the public sector amounted to about CFAF 10 billion. Also a share of arrears owed to public enterprises consisted of subsidies contained in the budget but never disbursed. Should a compensation of arrears be undertaken and arrears of subsidies be annulled, the level of outstanding arrears at the end of 1978 could well be reduced by about CFAF 13-15 billion.

on their investments, as well as by the carrying capacity of exported products from neighbouring countries which depend on the ATC. With limited margins available for raising tariffs and stagnant transport demand, the ATC's financial viability is now in jeopardy at a time when its debt service obligations, guaranteed by the Government, are steeply escalating.

15. In 1978, there was a resurgence of economic activity, with Gross Domestic Income (GDY) increasing at 4 percent/year. The main factors behind the recovery were a rise in oil production from a new oil field, increased manufacturing output as some of the Government's rehabilitation programs started to take hold and the acceleration of construction on the railway realignment project. On the other hand, domestic and external finances continued to deteriorate in the absence of measures by the Government to bring public demand under control. The Treasury deficit reached its highest level since 1975 and payment arrears (including 35 percent of maturities on the external debt) rose to CFAF 60 billion or 100 percent of 1978 budgetary revenues. The outcome of the budget takes account of the fact that 50 percent of 1978 external arrears were rescheduled by bilateral lenders. The country's external position also continued to deteriorate, the overall balance of payments deficit reaching CFAF 10.6 billion or 16 percent of merchandise exports.

16. By the end of 1978, the following conditions characterized the economy:

... Real gross domestic income resumed its growth in 1978, after a steady decline since 1974. But this cannot be expected to continue given the anticipated fall in oil output after reaching its forecast peak in 1979.

... Although the resource gap was reduced to 18 percent of GDY in 1978, it is still too large for the economy to support, given the country's export prospects and the limited capacity of the public sector to engage in new debt undertakings.

... Gross National Savings were still negative, on account of the continuous decline of GDY, the rise in domestic consumption, and the escalation of factor service payment outflows related to the oil sector.

... Because of the disappointing performance of the petroleum sector the Government had come to rely on bilateral loans to finance the budgetary deficit and on commercial finance to support local cost financing of public sector projects.

... Repeated defaults on external debt servicing obligations had resulted in a hardening of foreign credit terms beyond what the public sector could accept given its state of development.

... The liquidity problems of both Government and state enterprises had spilled over to suppliers and creditors, including the banking system.

17. At this juncture, Government institutions and monitoring mechanisms are unprepared to carry out the programs that would achieve financial stabilization and restore growth. Throughout the 1970s, the Congo has in fact been unable to plan and carry out a formal medium-term development plan. Instead, the wide variations in resource availabilities led the Government to adopt a series of short- and medium-term investment programs consisting of a number of inadequately prepared and loosely integrated projects. Most recently the Government approved a two year Action Program (1978/79) which, in addition to deficiencies in project preparation, also overestimates the public sector's capacity of providing local cost financing. At year's end, the Program was still far from reaching its goals owing largely to foreign resource constraints, a chronic absence of public savings and delays in project preparation.

Current Policies

18. Measures to stabilize finances as pursued by the Government in 1978 included: salary deductions for a limited period; reductions in scholarships; lowering of the retirement age; systems to improve financial reporting, controls over expenditures and the allocation of Government resources to public enterprises; the earmarking of the proceeds from salary deductions to a separate investment fund; initiating the compensation of arrears between the Government and the public sector; and the bilateral rescheduling of the Central Government's debt.

19. Recognizing that these measures by themselves are insufficient to achieve a manageable domestic and external financial position, the Government is undertaking, with the IMF, a Second Tranche Stand-by program during 1979. The program aims at containing expenditures and lowering the overall level of payments arrears. Through credit restrictions and controlling public expenditures it is also expected that the country's external finances will be improved and that the level of arrears will be lowered.

20. An important feature in the Government's growth strategy is also a recognition of the role that the private sector can play in mobilizing external resources and in improving the performance of the economy. It is attempting to attract private partners in the management of important industrial public enterprises, it has revised the taxation structure of the petroleum sector to spur oil exploration and production, and is actively seeking foreign investors to develop the country's forestry resources in the north. Government institutions for monitoring the activity of private investors are, however, ill-equipped to ensure that the national economy retains maximum feasible benefits from their activities without compromising investment incentives.

Medium-Term Stabilization and Growth

21. The Government is increasingly aware that the massive economic and financial imbalances can only be corrected by a sustained effort at achieving stabilization over the medium-term allied with measures to restore growth. The present Second Tranche Program constitutes a first step in initiating the kind of demand management that is urgently needed to reduce the liabilities of the past and generate public savings. However, a

comprehensive master plan that would explicitly link financial stabilization with a growth strategy has yet to be defined although some of its components are known. Without such a plan, the Government's stabilization and development efforts would have little credibility at home and abroad. It is essential for enlisting domestic support for prolonged austerity measures and foreign support for debt rescheduling the debt and for obtaining concessional finance to complement efforts at increasing investment resources.

22. A medium-term stabilization program would require the forecasting of available resources over 5-6 years while paying heed to the uncertainties of oil production. Its success would then depend on keeping public expenditures as low as possible to achieve a budgetary surplus and at the same time minimize the burden of austerity that the Congo's various socio-economic groups have to carry. A successful growth strategy would be to direct investment resources to highly productive projects while stabilizing the investment climate to increase private sector participation in the development process. To carry out a public investment program of this type while ensuring that maximum national benefits are derived from private sector activity, a strengthening of Government planning and monitoring institutions would be required.

23. The main features of a medium-term financial stabilization program would be:

... An immediate and substantial reduction in the external debt burden of the public sector, including public enterprises, by negotiating debt rescheduling agreements.

... The definition of a high priority minimum investment program coupled with targets for reducing the level of arrears to restore the flow of concessional foreign finance.

... The reduction of unnecessary expenditures on materials and supplies while maintaining essential economic services at present levels in real terms.

... A further reduction in expenditures on wages and subsidies (scholarships and transfers to public enterprises) to levels consistent with the Congo's financial circumstances.

24. A financial stabilization program would eventually falter in the absence of a growth program because resource generation would be insufficient, prolonged austerity would be required, and unemployment would rise. A growth strategy would emphasize:

... The selective rehabilitation of public enterprises and the closure of public entities whose rehabilitation cannot be economically justified. For public entities that provide vital services (energy, water, transport and communications), an overall tariff review is needed to recover costs.

... A first stage, modest smallholder agricultural development program with emphasis on inexpensive input delivery systems, agronomic research, adequate producer prices and local programs for improving farm to market roads.

... A coherent transport policy aimed at the completion of the CFCO realignment project, the formulation of a medium-term tariff policy, road maintenance and improvements, and the development of air cargo transport.

... The continued high level of foreign investment in oil exploration and production given the favorable new tax incentive scheme.

... The acceleration of forestry development in the north and south through investment by foreign private partners and raising the productivity of national forestry enterprises. This would urgently require improvements in the investment climate, in fiscal and marketing policies, in labor availability in the north and in the efficiency of the ATC system.

25. Assuming that a policy package along the above lines is adopted, the financial and external situation would start to improve around 1981/82 and the growth of GDP should accelerate by about 1984. Improving economic and financial management this way would open up new avenues of concessional assistance, including the Bank Group, to finance the foreign exchange and a share of the local project costs in the transition to an economy capable of acquiring and servicing debt on more conventional terms and of generating domestic savings to reduce its needs for foreign finance.

I. INTRODUCTION

1. With a 1977 GNP of about US$500 per capita, the People's Republic of the Congo is one of the higher income countries in West Africa. This position reflects the relatively high GNP/capita levels reached in pre-independence days, the country's small population, and substantial gains in domestic production after the initiation of oil production in 1972.

2. In March 1977, Commandant Marien N'Gouabi, who came to power in 1968, was assassinated. An interim government was then appointed by the country's only political party, the Congolese Worker's Party, and the ultimate political authority was vested in the "Comite Militaire du Parti" (CMP). The presiding officer of the committee, General Joachim Yhombi-Opango, was also president. In February 1979, the Congolese Worker's Party dissolved the CMP and restored the governing structure that had preceded it. During the Third Party Congress, held in April, Colonel Denis Sassou-Nguesso was appointed President and Head of the Party.

3. During the latter part of the 1960s the Government advocated a development strategy aimed at establishing a socialist state. In pursuit of the basic objectives of diversifying the economy and providing new employment opportunities the Government expanded the public sector by assuming, in part or in total, control over some private enterprises, creating new production units (particularly in agriculture), and increasing its control over the distribution system (mainly in the agricultural and forestry sectors). Other private sector activities were left largely undisturbed, particularly in petroleum production, forestry, and some manufacturing and services. Policies were also aimed at improving the distribution of income and social services. The Government continued to keep civil service employment accessible to all secondary and university school leavers who could not find jobs elsewhere. The educational system was generously financed, including scholarships for a large portion of students at secondary levels and all students in universities and in specialized training schools.

4. In retrospect, the Government's development programs did not yield the desired results. To a large extent it had based its financing strategy on anticipated oil revenues, starting in the mid-1970s, at levels that would support much of the debt burden arising from investments in public enterprises during their critical gestation period. The rapid expansion of the public sector outpaced the Government's capacity to adequately finance new ventures and to retain effective control over their activities, as well as the educational system's ability to provide trained managers and workers. The emphasis placed on employment creation paid little heed to the ability of new public enterprises to carry a large redundant work force. To finance the heavy wage bill, state enterprises had to postpone vital capital improvement and equipment renewals. The result was a general decrease in productive capacity and continued reliance on Government operating subsidies. After 1975, the Government was unable to provide the public sector with new financing owing to the persistently depressed production of petroleum, the rise in the debt burden and, most of all, the high outlays on civil service wages, which were adjusted upwards following the 1973/74 petroleum boom and,

thereafter, were difficult to compress. The Government's financial problems led it to default on external debt servicing obligations thereby inhibiting the flow of foreign finance on normal terms. Also, Government policies of monopolizing timber marketing at the time when the forestry industry was severely affected by the recession in industrial countries created a cloud of uncertainty that deterred new foreign investment and resulted in the contraction of timber productive capacity. The stagnation of forestry also harmed the performance of other sectors, particularly the country's rail transport system.

5. During 1978, the Government attempted to arrest the deterioration of public finances and restore growth. It implemented a number of measures to improve controls over public spending, to ration scarce public funds to public entities and to scale down current outlays. The Government has rescheduled the external debt with a number of countries. Tax incentives to accelerate petroleum exploration and production in new wells have been negotiated with oil companies. The Government has also defined a short-term Action Program to rehabilitate existing public enterprises while pursuing ongoing and new projects and declared a partial moratorium on launching new state enterprises.

6. For 1979, the Government is undertaking a Second Tranche Stand-by Program with the IMF, by which it hopes to arrest the rise in payment arrears and improve domestic and external finances. Crucial for reducing expenditures is the ability to obtain favorable rescheduling agreements with bilateral lenders and to arrest the deterioration of the financial position of the country's public enterprises, particularly the river-rail-port transport system.

7. Even if the 1979 program were successful, a comprehensive medium-term stabilization and growth program is urgently needed. Without such a program, the Government will continue to pursue ad hoc stabilization measures that avoid the pressing problem of adjusting public consumption to available resources, and thereby perpetuate the financial crisis without restoring a reasonable rate of growth. This report will address itself to both the structural and short-term origin of the current financial situation and will attempt to define the main options open to policy makers in the medium-term so as to enable the Congo to better achieve its social and economic development objectives. Discussions of possible long-term strategies to improve the structure of the economy are beyond the scope of this report.

II. MACROECONOMIC DEVELOPMENTS

A. Origin and Use of Resources 1/

8. From 1967 to 1978, available domestic resources grew at an average annual rate of 5.7 percent, while domestic consumption increased by 6.5 percent/year. The long-run growth of consumption at a higher rate than total resources was made possible in most years by a declining rate of productive investment. Three distinct periods marked by large variations in supply and demand can be distinguished.

1967-72: Available domestic resources rose by 4 percent/year: consumption increased at 5 percent/year. The rate of investment fell steadily from 23 percent of available resources in 1967, to 19 percent in 1972.

1973/74: The short-lived petroleum boom vastly expanded available domestic resources at a rate of 15 percent/year. Consumption (mostly private) increased at a slightly lower pace and the rate of investment improved to 20 percent of total resources.

1975/78: From 1975 to 1977 a large and persistent shortfall in oil production, a stagnating non-oil economy and reduced exports caused available domestic resources to decline by 5 percent/year. Nevertheless, consumption continued to increase until 1976 and the rate of investment fell off sharply reaching 16 percent of total resources in 1976. In 1977, the economy was particularly depressed: domestic resources decreased at 8 percent/year and both consumption and investment declined. The downward trends were reversed in 1978 owing mainly to increased oil production. Domestic resources increased by 3 percent, and investment recovered from its persistent decline since 1975. Consumption, however, continued to fall at about the same rate as in 1977.

1/ Official national accounts estimates are available only for 1967 and 1970. Using these two years as reference points, the staff estimated the 1967-78 national accounts, extrapolating value added from production indicators, especially in manufacturing, and basing estimates in services mainly on developments in the remainder of the economy and on Government accounts. All growth rates in this chapter and in the remainder of the report are derived growth trends, from exponential least squares estimates. Because of the limited information at hand, national accounts indicators should be interpreted with caution.

9. The drop in domestic income after 1974 combined with increased factor service payment outflows, mostly from the petroleum sector, adversely affected per capita incomes. With the population growing at an estimated 2.3 percent/year, per capita income probably regressed to the level recorded before the oil boom, even after the 1978 recovery.

Table 1: INDICATORS OF THE ORIGIN AND USE OF RESOURCES, 1967-78 a/

(Billions of CFAF at 1970 prices unless otherwise indicated)

	1967-70	1971/72	1973	1974	1975-77	1978
Origin						
Gross Domestic Product (GDP)	69.9	80.8	88.1	102.1	98.2	101.2
Terms of trade effect b/	-.6	-1.5	4.5	23.0	13.1	11.3
Gross Domestic Income (GDY)	69.3	79.3	92.6	125.1	111.3	112.5
(% increase/year)	(4.7)	(4.5)	(14.0)	(35.1)	(-4.3)	(4.2)
Imports of goods and NFS	39.3	46.7	44.8	60.7	68.4	64.1
Exports of goods and NFS c/	-22.1	-27.3	-31.7	-49.6	-41.2	-43.6
Resource balance	17.2	19.4	13.1	11 1	27.2	20.5
Available resources	86.5	98.7	105.7	136.2	138.5	133.0
(% increase/year)	(4.1)	(5.7)	(3.0)	(28.9)	(-1.7)	(2.6)
Use of resources						
(% of total resources)						
Domestic consumption	78.6	80.1	79.4	80.0	82.8	82.3
Gross Domestic Investment (GDI)	21.4	19.9	20.6	20.0	17.2	17.7
Memo items						
Factor service payments	-1.3	-1.6	-5.3	-3.6	-5.5	-9.4
Gross National Income (GNY)	68.1	77.7	87.3	121.5	105.8	103.1
Per capita gross national income (thousands of CFAF)	59.0	63.1	68.5	93.2	77.7	72.1
Implicit GDP price index	94.1	107.2	116.5	134.2	174.9	199.8

a/ In a number of tables in this report, the years 1973, 1974 and 1978 are singled out to highlight changes in trends.

b/ Measures the effect of changes in the terms of trade on domestic purchasing power.

c/ In terms of export capacity to import.

Source: Statistical Annex, Tables 1.1 and 1.2.

Supply of Resources

10. The level of resources available for domestic use was affected throughout the 1967-78 period by wide fluctuations in GDP, the positive terms of trade effect on income during the oil boom and, except in 1973/74, large net inflows of imports financed by foreign savings.

11. Gross Domestic Product. Before the 1973/74 oil boom, the growth of GDP derived mainly from the increase of value added in transport and related services, stimulated by forestry and mining developments in neighboring countries and, to a lesser extent, in the Congo. Value added in mining rose after the start of potassium production in 1968, although the sector's contribution to GDP was relatively minor until 1973. The forestry sector helped augment Government revenues and exports but, owing to its low value added, provided little direct stimulus to the growth of GDP.

12. After 1972, variations in oil output triggered the expansion and contraction of GDP. Petroleum production was initiated in 1972 in a first offshore field, Emeraude. Value added in mining increased sixfold from 1972 to 1974, raising the sector's share of GDP from 4 to 19 percent. Production declined unexpectedly by 25 percent in 1975 mainly on account of geological problems in the Emeraude field, but was aggravated by the Congo's position as a high cost producer. Moreover, tenuous relations between the Government and petroleum operators reduced incentives to invest in secondary recovery and in exploration. Production in a second offshore field, Loango, was initiated in mid-1977. The consequent surge in oil output in 1978 produced a fragile economic recovery with output expected to peak again in 1979. The flooding of the potassium mine in 1977 contributed to the decline of the mining sector.

13. Owing to the enclave nature of the petroleum sector, variations in mining production provided little direct stimulus to the economy. However, petroleum royalties and taxes boosted Government revenues, which led to increased current and capital spending, thereby stimulating manufacturing (including many state enterprises), construction, trade and services. Private demand for domestically produced goods and services was also stimulated by the dramatic improvement in the country's foreign exchange position and the resultant liquidity of the economy.

14. After 1974, the Government was unable to keep up its financial support of the parastatal sector, which led to the stagnation of manufacturing. State enterprises, constituting a large part of the manufacturing sector, were faced with management and labor difficulties, pressure from many quarters to maintain a high level of employment out of line with productivity, and the Central Government's inability to pay for goods and services delivered to it. Production declined while capital assets were run down owing to inadequate maintenance and equipment replacement. The decline in public sector manufacturing was offset to some extent by increased production in the private sector,

Table 2: SECTORAL INDICATORS, 1967-78

(Billions of CFAF at 1970 prices and percentages)

Growth Indicators

(Percentage/year)

	1967-70	1971/72	1973/74	1975-77	1978
Gross Domestic Product	4.5	5.6	11.0	-2.2	6.5
Agriculture and forestry	-2.4	4.3	-5.3	1.6	-
Mining	54.3	29.9	148.0	-9.6	20.9
Manufacturing	1.1	3.8	6.3	-4.3	20.1
Transport and communications	6.3	7.5	5.4	-1.3	3.3
Commerce	5.7	4.5	3.8	1.1	-
Government	10.5	3.2	4.5	.3	-2.8
Memo item					
Rate of growth of non-mining GDP	4.0	5.0	3.3	-.9	4.6

Contributions to Incremental GDP

	1956-70	1971/72	1973/74	1975-77	1978
	(Billions of CFAF)				
Gross Domestic Product	9.0	8.5	19.2	-7.1	6.2
	(Percentages)				
Agriculture and forestry	-10.0	12.9	-7.3	-5.6	-
Mining	14.4	12.9	72.4	71.8	38.7
Manufacturing	5.6	14.1	11.5	36.6	53.2
Transport and communications	35.7	35.3	13.0	11.3	12.9
Commerce	22.2	14.1	5.7	-9.9	-
Government	31.1	3.5	6.3	2.8	-3.2

Sectoral Distribution of Non-Mining GDP

	1967-70	1971/72	1973/74	1975-77	1978
	(Billions of CFAF)				
Gross Domestic Product	99.1	95.9	88.0	87.2	86.3
	(Percentages)				
Agriculture and forestry	19.0	16.5	14.8	14.9	14.3
Mining	-	-	-	-	-
Manufacturing	22.3	21.1	21.7	21.3	22.6
Transport and communications	25.5	27.7	29.4	28.3	28.5
Commerce	17.5	18.0	17.8	18.9	18.4
Government	15.7	16.5	16.4	16.7	16.2

Source: Statistical Annex, Tables 1.3 and 1.4.

particularly in 1975/76. 1/ Construction also stagnated as important public sector projects came to an end in 1976/77. A resurgence of manufacturing and construction took place in 1978 as public enterprise rehabilitation programs started to take hold (cement, textiles, sugar) and construction activity on a major railway realignment project accelerated.

15. While petroleum production was on the increase, international and domestic events were setting the stage for the persistent stagnation of forestry and related activities, particularly transport and services. Logging production was declining in the Congo before 1974 as the most easily accessible forests in the south were depleted. Beginning in 1974, forestry production in the Congo and in neighboring countries was affected by depressed international demand during the world-wide recession. At the same time, the Government changed the forestry code and established a public log marketing monopoly. Faced with reduced profits, low international prices, and Government intervention in log marketing, many expatriate logging companies left the Congo. A permanent reduction in logging capacity ensued causing Congolese forestry production to stagnate even after the revival of international demand and production in neighboring countries.

16. The Terms of Trade Effect on Income. A significant factor in raising the level of available domestic resources was the sharp improvement in the country's terms of trade in 1973 and 1974. By vastly enhancing domestic purchasing power, the net effect of the changes in the terms of trade boosted domestic income and added to the economy's capacity to import. The terms of trade effect was dampened, first by the decline of oil exports and, toward the end of the 1975-78 period, by rising import prices.

17. The Resource Gap. The steady rise in available resources was bolstered by increasing net inflows of resources financed with foreign savings. This is not surprising given the absence of trade controls in the Congo, the country's good credit image before and during the oil boom enabling the Government to obtain funds abroad to support both public consumption and investment, the importance of petroleum exploration and investment financed by foreign funds, and the relatively high level of technical assistance supplied by public agencies, both international and bilateral. Because of the sharp rise of exports during the oil boom the resource gap was almost closed in 1974. In the following year, however, a large resource gap (20 percent of total resources) was recorded. It was sustained largely by Government borrowings from bilateral lenders, drawing down of foreign reserves, and by obtaining advances on future oil royalties from the oil companies. Starting in 1976 the resource gap narrowed again with the stagnation of foreign private capital inflows and falling gross domestic income which depressed the demand for imports. But the Government continued to borrow abroad to maintain existing public consumption levels as well as pursue investment efforts. Also, petroleum companies maintained a high pace of exploration and development activities. Therefore, although the resource gap narrowed, it still remained at a relatively high level up to 1978.

1/ See Chapter III.D for details.

Domestic Demand

18. Consumption. Throughout 1967-78, domestic consumption increased more rapidly than available resources while the rate of investment fell steadily. The consumption behavior of the economy followed in large part public sector spending patterns. There are three reasons for this: the enclave nature of petroleum activity, which although it accounted for a large part of GDP generated limited income directly to the private economy; high public sector spending, particularly by the Central Government, sustained by increased oil revenues and foreign loans accounting for about 20 percent of the total resources during 1973-78; and the Government's backlog of requirements for resources to pursue its ambitious socio-economic programs, so that when new resources materialized, public consumption and investment closely followed suit. Private consumption rose by 19 percent a year between 1972 and 1974 owing to the strong linkages between public expenditures and manufacturing, construction and services and to the rise in the money supply.

Table 3: MAIN INDICATORS OF DOMESTIC DEMAND, 1967-78

(Billions of CFAF at 1970 prices and percentages)

	1967-70	1971/72	1973	1974	1975-77	1978
		Averages in CFAF billion				
Total resources	86.5	98.7	105.7	136.2	138.5	133.0
(% increase/year)	(4.1)	(5.7)	(3.0)	(28.9)	(-1.7)	(2.6)
		In percentages of total resources				
Domestic consumption	78.6	80.1	79.4	80.0	82.8	82.3
(% increase/year)	(4.8)	(6.4)	(1.5)	(29.8)	(1.0)	(-1.4)
Public	18.3	21.4	20.2	16.8	19.6	21.8
Private	60.3	58.7	59.2	63.2	63.2	60.5
Domestic investment	21.4	19.9	20.6	20.0	17.2	17.7
(% increase/year)	(1.5)	(2.6)	(9.5)	(25.2)	(-13.6)	(26.9)
Government	5.8	5.8	6.8	8.1	7.4	8.3
Enterprises and households	15.6	14.1	3.8	11.9	9.8	9.4
Memo items						
Resource gap						
% of total resources	19.8	19.7	12.4	8.1	19.7	15.4
(% increase/year)	(1.6)	(10.6)	(-38.8)	(-15.3)	(20.9)	(-5.1)

Source: Statistical Annex, Tables 1.1 and 1.2.

19. Investment. Although the country had a high rate of Gross Domestic Investment (GDI) throughout 1967-78 (about 19 percent of total resources), the rate of investment was on a steady decline. The Government's share of domestic investment increased faster than capital formation by enterprises, both public and private. The main factors behind the declining rate and the shift in origin of investment were: the brightening of economic prospects starting in 1970, which improved the Government's credit image and allowed it to step up foreign borrowing for investments; the low savings rate of public enterprises, which impeded replacement investment; and, after 1970, the unfavorable investment climate created by ambiguities in the Government's policies of state ownership, and the tapering off of import substitution manufacturing opportunities, all of which reduced private investment incentives. This trend was offset, to some extent, by the sustained high level of investment in oil production facilities.

20. The contribution of Government savings to investments was minor before 1974 (averaging about CFAF 1.7 billion at current prices). It doubled in 1974 relative to the 1973 level, doubled again in 1975 reflecting the gains in petroleum revenues, and was adjusted to the 1974 level in 1976 and 1977 when expected petroleum revenues failed to materialize. Three important public investment projects were undertaken during the period. The national refinery, started in 1973, was completed in 1976. A national highway construction program between Brazzaville and Ouesso was initiated but, after some progress, had to be curtailed because of financing difficulties. The country's transport monopoly, the Agence Transcongolaise des Communications (ATC), launched a substantial investment program in 1974. It consisted of replenishing rolling stock, river transport equipment, improving port facilities at Pointe Noire and Brazzaville, and realigning part of the CFCO railway.

21. National accounts data provide little insight into the efficiency of investment. Changes in investments appear to have been generally unrelated to changes in GDP with the exception, of course, of the petroleum sector where capital investments had a significant direct impact on value added. One reason for this is the existence of substantial underutilized capacity both in private and in public sector manufacturing, services and construction. The bulk of plants and equipments in these sectors dates back to investments undertaken in the mid-1960s. New public investments failed to yield expected increases in output. A large part of Government investments went to social overhead capital, to transport (which derives its value added from activity in other sectors), to an expensive but, as of yet, non-operational refinery, and to existing public enterprises which, to a large extent, utilized Government investment subsidies to sustain the large redundant work force. 1/

1/ If it were possible to estimate the amount of disinvestment incurred by the economy, net domestic investment would be substantially lower owing to the accelerated deterioration of plant and equipment in public enterprises since 1972/73, the worsening of the road transport network since the mid-1960s, and the repatriation of capital equipment and assets by foreign private investors who left the Congo in the late 1960s and the 1970s.

Table 3: INDICATORS OF DOMESTIC INVESTMENT, 1967-78

(Billions of CFAF at 1970 prices and percentages)

	1967	1970	1974	1976	1977	1978	1967-78 Rate of Increase
				Billions of CFAF			
Government	4.8	5.4	11.0	8.5	8.7	11.1	9.2
Enterprises and households	13.5	13.5	16.3	13.8	9.9	12.5	-.6
Total	18.3	18.9	27.3	22.3	18.6	23.6	2.7
(% of GDY)	(28.2)	(25.4)	(21.8)	(19.8)	(17.2)	(21.0)	(-3.0)
				Percentages of GDY			
Financed by (% of total) a/	100.0	100.0	100.0	100.0	100.0	100.0	—
Foreign	71.7	76.7	71.8	78.8	..	..	..
- public grants	10.7	8.4	6.1	7.3	..	..	..
- loans	61.0	68.3	65.7	71.5	..	..	..
(to public sector)	(15.2)	(31.6)	(25.6)	(34.1)	..	..	..
(to private sector)	(41.8)	(36.7)	(40.1)	(37.4)	..	..	..
Domestic	28.3	23.3	28.2	21.2	..	..	..

a/ Proportions obtained from current price data.

Source: Based on data provided by the Ministry of Plan and on Balance of Payments estimates.

Gross National Savings

22. Before 1973, Gross National Savings (GNS) on the average were negative, making the economy dependent on foreign savings to finance the bulk of investments as well as part of domestic consumption. In the following two years, the savings performance improved dramatically: GNS rose from -4 percent in 1972 to 10 percent of GDY in 1974, owing largely to the effect of changes in the terms of trade on domestic purchasing power. 1/ Thus, in 1974, national savings covered 46 percent of domestic investments. In 1975 and

1/ Amounting in 1973/74 to 200 percent of GNS.

1976, the decline of GDY coupled with the continued rise in consumption and escalating factor service payments by the oil companies and the public sector caused national savings to drop rapidly to -4 percent of GDY in 1975 and a record -11 percent in 1976. Thereafter, the savings position improved slightly although it was offset by the continued increase in factor service payment outflows and interest payments on the public external debt.

Table 4: INDICATORS OF GROSS NATIONAL SAVINGS, 1967-78

(Billions of CFAF at 1970 prices and percentages)

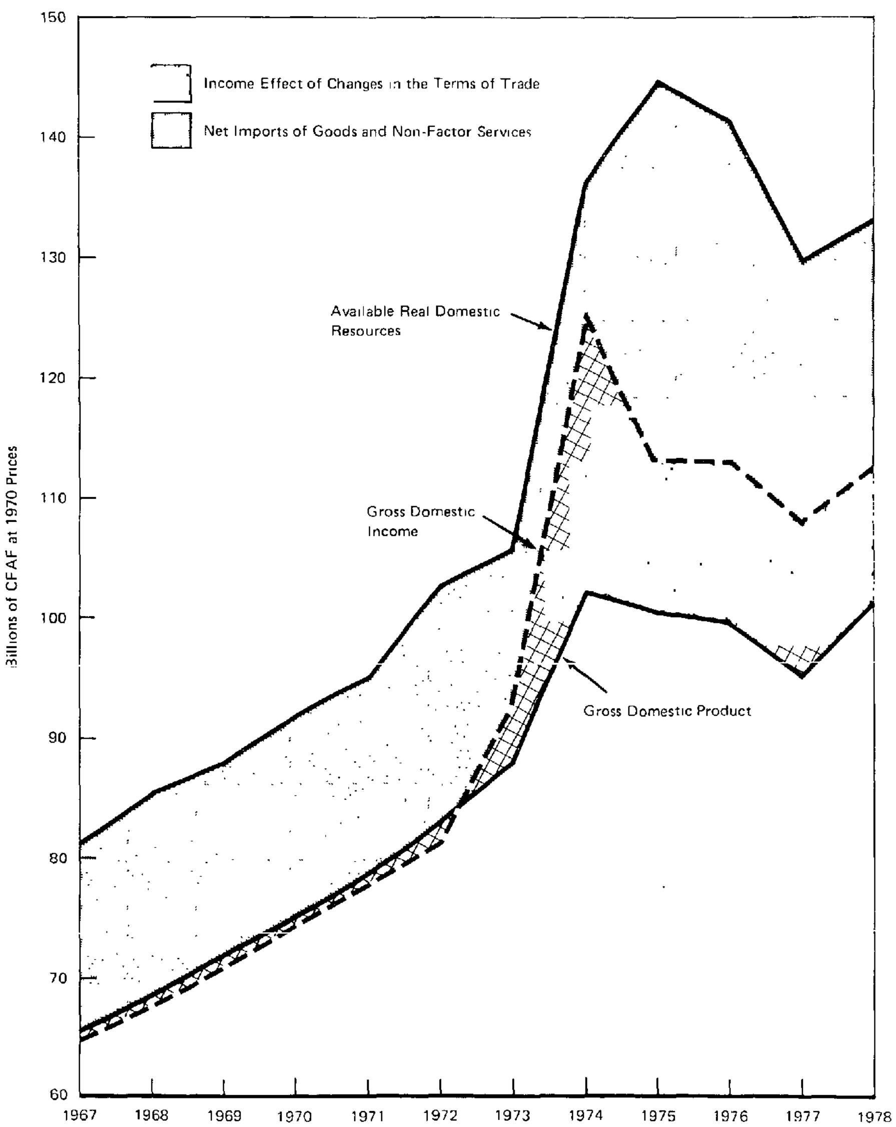
	1967-72	1973	1974	1975	1976	1977	1978
			(Billions of CFAF)				
GDY	72.7	92.6	125.1	113.1	112.8	108.0	112.5
GNS	-.3	1.0	12.6	-5.0	-12.9	-8.8	-6.3
GDI	18.9	21.8	27.3	30.5	22.3	18.6	23.6
			(Percentages)				
GNS/GDY	-	1.1	10.0	-4.4	-11.4	-8.1	-5.6
GDI/GDY	26.0	23.5	21.8	27.0	19.8	17.2	21.0
(GDI - GNS) / GDY	26.5	22.5	11.8	31.4	31.2	25.3	26.6

Source: Statistical Annex, Table 1.2.

23. At the end of 1978 the economy was therefore affected by serious disequilibria between production and consumption, exports and imports, savings and investments. While the external resource balance seems to have improved since 1976, and the downward trend in GDY appears to have been reversed in 1978, forecasts for 1979 point to a reduced rate of growth coupled with a sharp rise in domestic consumption. To restore a healthy economic position, a vigorous national policy aimed at controlling demand, increasing the rate of domestic savings, restoring productivity in the public sector, and accelerating investments in directly productive activities will be needed over an extended period of time.

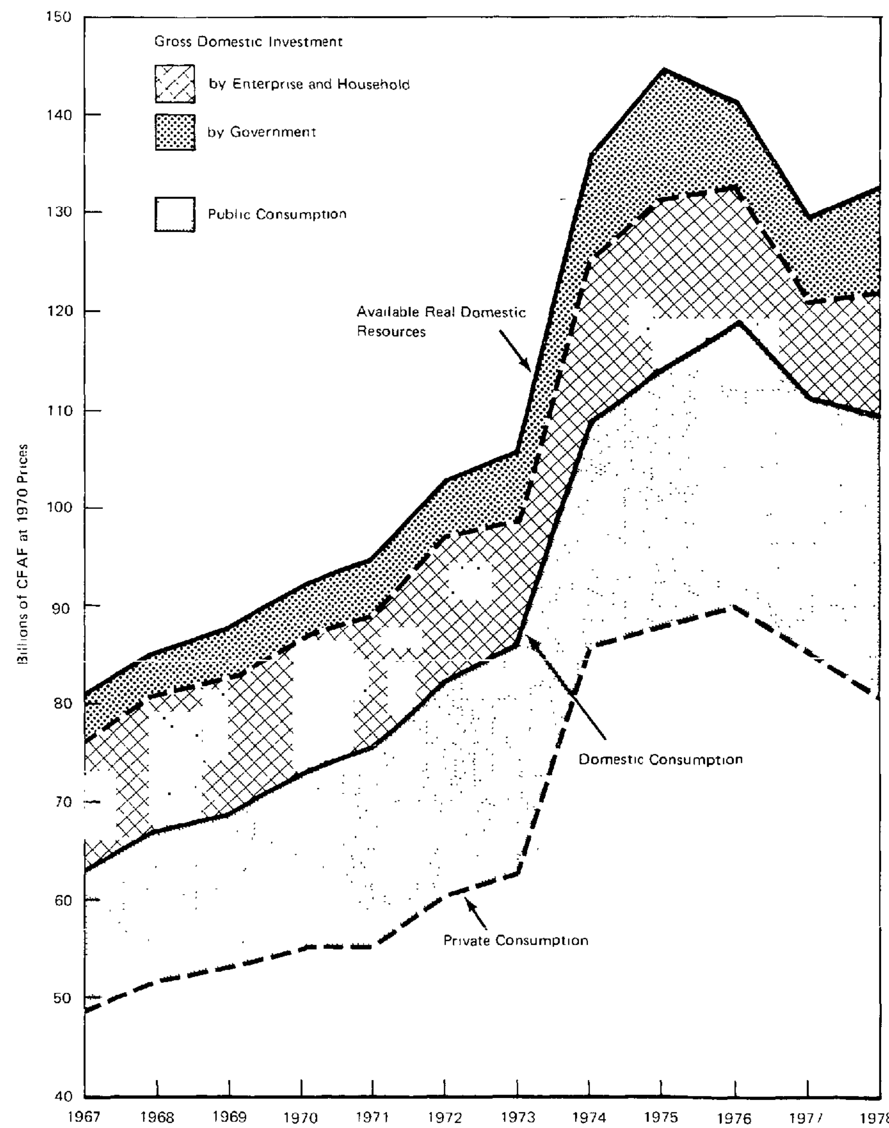
ECONOMIC INDICATORS
(In Billions of CFAF and %)

1.1: Origin of Resources, 1967–78



Source: Statistical Annex, Table 1.2

1.2: Use of Resources, 1967–78

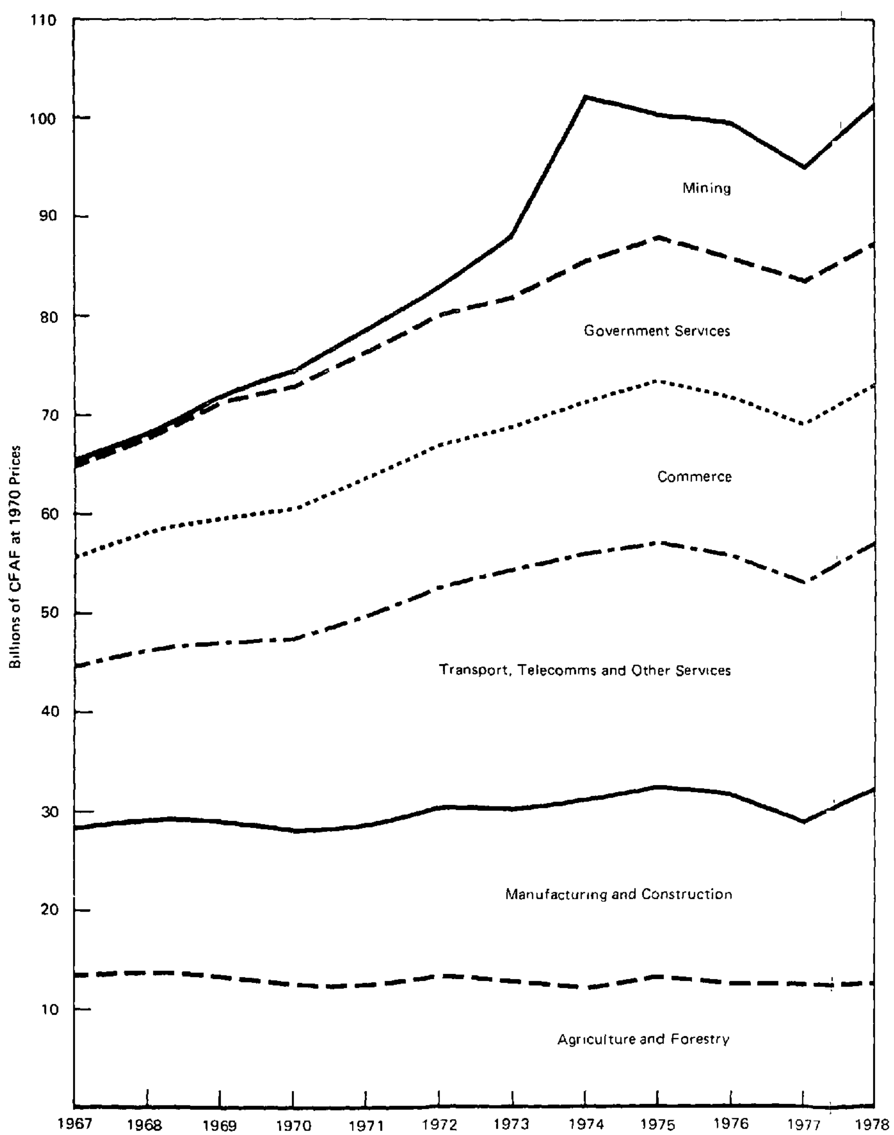


Source: Statistical Annex, Table 1.2

World Bank – 20318

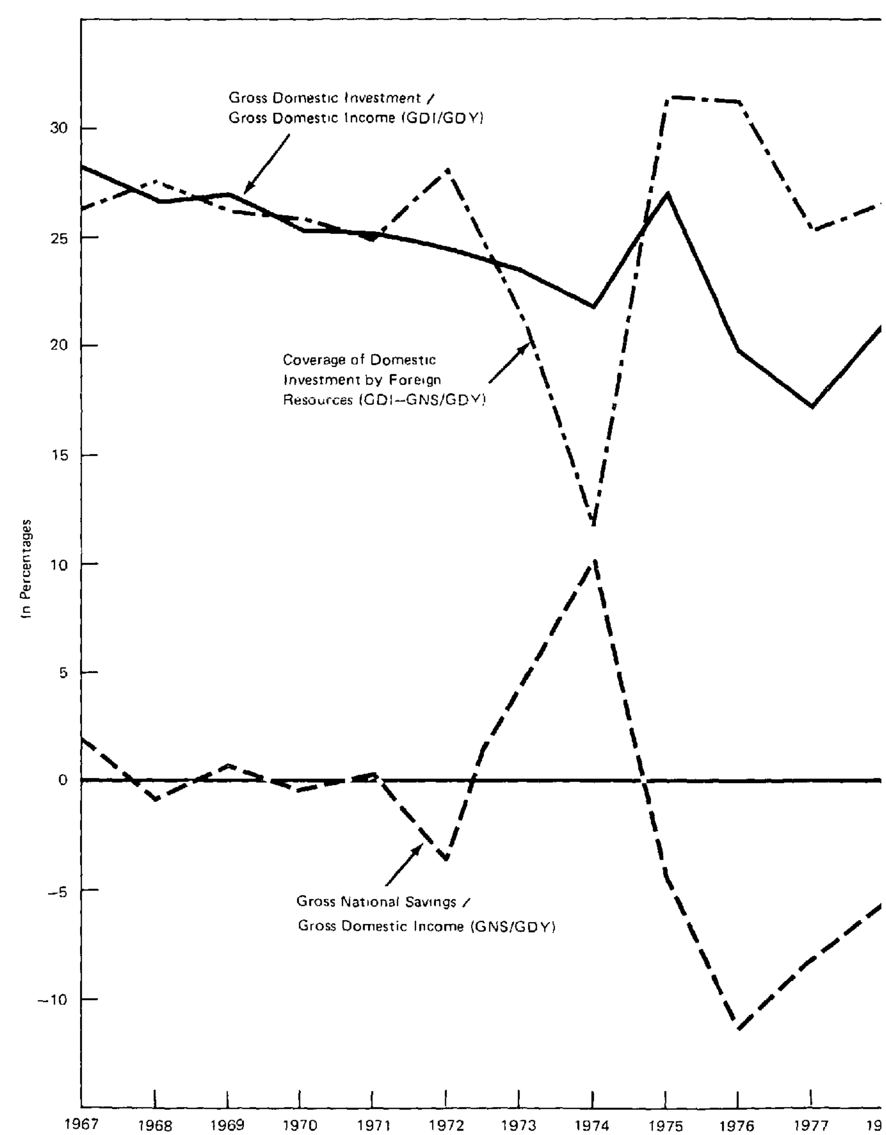
ECONOMIC INDICATORS
(In Billions of CFAF and %)

1.3: Estimates of Value Added by Sector, 1967–78



Sources: Statistical Annex, Table 1.4.

1.4: National Savings – Domestic Investment Analysis, 1967–78



Source Statistical Annex, Table 1 2

B. Human Resources, Employment and Education 1/

24. The population of the People's Republic of the Congo is small, about 1.4 million at mid-year 1976, and is estimated to be growing at an annual rate of about 2.3 percent. This is a higher rate than that prevailing in the mid-sixties and reflects improved health delivery systems combined with wider health coverage. According to the 1974 population census, birth rates averaged 46-47 per thousand and death rates 22-23 per thousand. The population density was 3.8 inhabitants/km2 (the average for Africa is 13 inhabitants/km2), with a high of 9.1 in the Bouenza region near Brazzaville and a low of 0.7 in the Sangha and Likouala regions in the north. The population pyramid was heavily biased in favor of young persons, with children under 14 accounting for 43 percent of the total population.

25. About 75 major and minor ethnic groups occupy distinct areas in the Congo, large migratory movements having ceased during colonial days. Three important ethnic groups predominate: the Kongo, located in the more populated southwestern part of the country (Bouenza, Kouilou and the Niary Valley); the Teke, located in the Lekoumou, Pool and the Plateaux regions; and the Mbochi, concentrated in the Cuvette and Sangha regions. Only in important urban centers are ethnic groups intermingled.

Table 5: POPULATION INDICATORS, 1950-76

(Thousands and percentages)

	1950-55	1955-60	1960-65	1965-70	1970-74	1974-76
Population						
(averages in thousands)	850	927	1,019	1,130	1,252	1,346
Percent urban	17	19	29	30	38	40
Rates of increase						
Total population	1.7	1.8	2.0	2.2	2.3	2.3
Urban population	3.7	7.2	7.8	6.0	8.8	7.3
Rural population	2.1	-0.1	0.2	0.6	-1.2	-1.1

Source: Recencement General de la Population, 1974, and staff estimates based on World Bank Atlas statistics. See Statistical Annex, Table 2.1.

1/ See Appendix for maps covering the location of population, ethnic groups and education and health facilities.

26. A striking demographic feature is the Congo's high urbanization rate. An estimated 45 percent of the total population resided in villages and towns of more than 10,000 inhabitants in 1976. 1/ Including towns of more than 2,000 inhabitants, the proportion was 56-60 percent. This makes the Congo one of the most urbanized societies in tropical Africa. While rural-urban migrations were well under way before independence, they accelerated between 1955 and 1965, mainly in response to job opportunities in the new administration. Migrations appear to have slowed down from 1965 to 1970 at the time when the initial expansion of the public sector came to an end. A new wave of migration seems to have occurred from 1970 to 1974 parallel to the renewed expansion of employment in the public sector and higher education opportunities combined with the deterioration of economic conditions in rural areas. Since 1974, increased import availabilities in urban centers and a widening gap between rural-urban living standards appear to have sustained migratory movements.

27. The limited information for Brazzaville 2/ clearly shows two important characteristics: the migration of the rural young (15 to 25 year old category) in search of educational and employment opportunities, leaving behind an aging rural population; and migrations from Brazzaville's hinterland, which has traditionally supplied the city with its food requirements. The consequence is obvious: both the intensity and the composition of the influx of immigrants to the city have combined to lower the food production capacity of the Pool and the Plateaux and reinforce the disequilibrium between urban food demand and supply.

28. Employment. Few recent data are available on the size and composition of the labor force 3/, the extent of unemployment, and the total number of gainfully employed. Estimates for 1972/73 put the labor force at about 540,000 or about 40 percent of the population. About 40 percent of this was in agriculture, 8 percent in the public sector, 36 percent in the private modern and informal non-agricultural sector, and the remaining 16 percent openly unemployed. 4/

29. From the limited information available, unemployment and underemployment are estimated to have increased substantially since 1973 owing to the continued migratory movements, the increase of primary and secondary school leavers searching for jobs, the stagnation of the economy, the closing of important public enterprises, and the reduction of salaried workers in other public entities.

1/ This rate is substantially different from Bank Atlas figures since the threshold population for urban centers in the Atlas is 300,000.

2/ See Statistical Annex, Tables 2.2 to 2.4.

3/ The labor force is assumed to comprise all persons between ages 15 and 59.

4/ The traditional concept of unemployment is not very meaningful in a society such as the Congo's where, even in urban centers, strong family ties still exist. Through income transfers the unemployed worker is able to subsist until he finds work.

Table 6: EMPLOYMENT INDICATORS, 1973-77

(Thousands and percentages)

	1973	1977	Annual rate of increase (%)
Total Labor force	550	580	1.3
of which employed in:	%	%	
Agriculture a/	41	37	-1.1
Government	4	7	16.1
State enterprises	4	5	7.8
Private urban formal and informal sectors b/	36	34	-0.1
Unemployed c/	15	17	4.6

a/ Includes dependent children.
b/ Includes urban underemployed.
c/ Bank staff estimates.

Source: 1974 Population Census; Recencement Agricole 1972/73; Recencement Industriel 1973; Ministere du Plan, and World Bank estimates.

30. The Government's employment policies since independence were to direct as many school graduates as possible toward the private sector and employ the remainder in the public sector. As private labor markets have been unable to absorb new entrants, more and more of the graduates from high schools and universities have had to be employed in the civil service and in public enterprises. A tenfold increase in salaried civil service personnel occurred between 1960 and 1977, reaching about 38,000 employees or one Government employee for 37 inhabitants. This is a very high ratio compared to that of neighboring countries. More than 50 percent of all civil servants are employed in education and defense. Employment in state enterprises totalled at least 27,900 in 1975. 1/ The ATC was the largest employer, followed by the SIACONGO. 2/

31. Overemployment in the public sector is the single most important reason for the difficulties faced by the Government in lowering public expenditures to adjust to its reduced financial prospects. It also accounts in large part for the widespread financial difficulties of public enterprises.

1/ Based on an incomplete census of public enterprises conducted in 1975 and 1976 by the UNDP/ILO Project for Assistance to public enterprises.
2/ Societe Industrielle et Agricole du Congo, the country's largest agro-industrial complex.

Recognizing these problems, the Government has introduced measures to arrest the growth of public sector employment through more selective hiring practices. By promising more rapid advancement to graduates in technical fields the Government also hopes to stimulate interest in technically related studies. Measures are also being taken to reduce the retirement age from 55 to 50 years and to change the structure of agricultural wages to more closely reflect productivity. However, most of these measures will need some time to have an effect on the wage bill and, to a large extent, are being resisted by the country's powerful labor union, the Confederation Syndicale Congolaise. In the interim, the public sector will continue hiring an additional 1,500 - 2,000 graduates each year.

32. The support of education has represented a heavy financial burden on Government revenues. Formal education since the late 1950s has grown faster than in neighboring countries. The Congo is now well on the way to achieving universal literacy--the adjusted enrollment rate is 98 percent among children aged 6-11. The formal school system is based on the French model, consisting of six years of primary schooling followed by a general or technical secondary program of two cycles, lasting four and three years respectively, and ending with the Baccalaureat diploma. Although education is theoretically compulsory for all persons between ages 6-16, probably only 30 percent of the relevant age group is enrolled in secondary schools.

33. Specialized schools to train teachers, para-medical staff, forestry and agricultural technicians complement the general education system. Training programs are also offered by the Chamber of Commerce, the ATC, the Ministry of Labor, and a number of other specialized agencies. An adult education program stressing functional literacy, initially assisted by UNDP, is still going on under the auspices of the Ministry of Education. Two institutions provide post-secondary training: the National School of Administration and the University of Brazzaville. The University offers degree programs in science, humanities, education, law and economics. In 1973/74, it had 2,500 students (of which 60 percent were studying law and the humanities), and 130 teachers for a high student/teacher ratio of 19:1.

34. As of 1973/74, the following developments in primary and secondary education were most striking. Growth of enrollments at the primary level had tapered off to about 6 percent a year. While student promotion and retention rates had improved slightly, pupil/teacher ratios, teacher qualifications and the availability of teaching materials and classroom space were deteriorating. The secondary level was characterized by an acceleration of enrollment growth, averaging 25 percent a year, and a concomitant deterioriation of teacher qualifications, teaching facilities and pupil/teacher ratios. Curricula were heavily oriented toward the liberal arts, because of shortages of teachers and facilities for teaching science. Expatriates constituted over 60 percent of the teaching staff in upper secondary general and technical schools. Recent information shows that the high rate of enrollments at secondary and university levels has not yet abated.

Table 7: MAIN INDICATORS OF THE EDUCATION SECTOR
1957-73
(Growth rates in percentages/year)

	1957-65	1965-70	1970/71	1971/72	1972/73
Primary Level					
- Enrollment	12.5	5.5	5.5	8.7	5.8
- Teachers	..	5.5	2.9	4.7	7.1
- Number of schools	8.1	1.8	1.0	0.4	4.9
- Average pupil/teacher ratio	..	59.4	61.1	63.1	63.8
Secondary level					
Lower cycle enrollment	..	17.2	18.6	21.3	33.5
Upper cycle enrollment	..	31.7	37.9	39.2	33.7
Technical					
Elementary	..	3.8	21.3	16.5	-6.5
First cycle	..	-6.6	32.1	22.1	1.1
Second cycle	..	18.5	44.0	33.9	25.8

Source: Bank staff estimates and Statistical Bulletins, Office National de la Statistique et des Etudes Economiques.

35. The financing of education in the Congo is shared between parents, communities, and Government. All education is public. The provision of primary school buildings is the responsibility of the locality. Parents pay an initial enrollment fee for children entering primary school, and buy some books. Students in the adult education program must pay an annual fee. Otherwise, education is free. Handsome scholarships (by African standards) are awarded to many students who advance to secondary schools, and to all students in universities at home or abroad, in teacher training institutions, and in other professional schools. The education budget, which accounted for about 34 percent of budgetary revenues in 1976, has increased sharply in recent years mainly because of the rise in the number of teachers, the wage bill, and scholarship stipends.

36. Despite the priority placed on education, the system has been unable to meet the economy's qualified manpower needs. There is an oversupply of graduates with a general education and without marketable skills, placing a heavy burden on the Government to provide employment. In mid- and high-level technical, financial, and management categories, non-Africans are in the majority. The surge of secondary and higher education also helped accelerate urbanization since these institutions as well as jobs to which secondary and university graduates aspire are located in urban centers.

37. The Government recognizes the structural problems of the educational system. It has evolved a concept of "Ecole du Peuple" which it hopes will provide the delivery system for carrying out an educational reform aimed at adjusting education to the economic realities of the country. The "Ecole du Peuple" formula is being tested with the help of a UNESCO project, which is now in its initial phase. It will help specify how the new curricula can be applied to cover the entire primary level, in a first phase and, subsequently, the secondary level. An ongoing World Bank project will also help to improve education planning. An urgently needed manpower survey is also envisaged to provide direction to the educational reform.

Table 10: MAIN INDICATORS OF EDUCATIONAL EXPENDITURES BY THE CENTRAL GOVERNMENT, 1973-78
(Millions of CFAF and percentages)

	1973	1974	1975	1976	1978	% increase/year
Salaries	3,986	4,821	6,719	6,974	9,492	18.8
Scholarships	1,198	1,718	2,341	2,947		(
Other transfers /a	-	92	567	1,118)	5,136	(29.5
Brazzaville University	300 /b	324	600	982)		(
Capital expenditures	226 /b	589	1,328	407	..	..
Total	5,710	7,544	11,555	12,428	14,628	20.7
% of budgetary revenues	25.8	18.8	26.1	26.0	33.8	
% of total budgetary expenditures	21.7	16.2	17.8	20.8	22.1	
% of nominal GDP	5.6	5.5	7.2	7.2	7.2	

/a Unidentified.
/b Estimated.

Source: Ministry of Finance and IMF estimates. Statistical Annex, Table 5.4.

C. Wages, Prices and Income Distribution

38. In the Congolese economy, wage competition as an adjustment mechanism is weak despite the high underemployment among semiskilled and unskilled urban workers. The main factors that contribute to the reduction of wage competition are: the size of the public sector--where employment is protected by the State and minimum wage standards are enforced--and pressure by the country's well organized labor union, the Confederation Syndicale Congolaise (CSC).

39. Wage rates for agricultural and non-agricultural workers are regulated by the Government through a guaranteed minimum hourly wage, the Salaire Minimum Agricole Garanti (SMAG), and the Salaire Minimum Interprofessionnel Garanti (SMIG). Salaried workers also benefit from family allowances

as well as accident and sickness insurance financed by mandatory contributions from employers, employees, and investors to the Caisse Nationale de Prevoyance Sociale (CNPS). Average salaries in the modern private sector, which are higher than those in the public sector, are determined through collective bargaining between the CSC and the federation of employers. The Government does not interfere in negotiations but is represented by an observer, who ensures that the agreements do not contradict existing laws.

40. Salaries in the public sector are determined by a scale ranging from 200 to 1,900 points with intermittent 10-point stages, each corresponding to the same absolute amounts. 1/ Base salaries are supplemented by premia and indemnities, according to various criteria so that the effective salary can be significantly above the base salary. Salaries of employees in state enterprises are negotiated every two years between the CSC and management. Generally, salaries are substantially lower in small- and medium-size public entities than in the larger enterprises. 2/ Effective January 1, 1975, a major readjustment in minimum wage rates as well as civil service salaries took place. The SMIG and SMAG, which had remained at the same level since 1968, was increased by 15 percent for higher salary levels to more than 50 percent for lower pay scales. Civil service salaries were adjusted upwards by an average 30 percent.

41. There is no mechanism that adjusts civil service salaries to cost of living increases. Since 1975 salary increases have been limited to regular promotions every two years which can result in salary advancements of 24 percent at the lower end of the scale to one percent at higher levels. Therefore, real wages have tended to decline after the general increase in 1975. The Government has attempted to apply pressure on state enterprises to contain wage hikes to minimize the disparity between civil service wages and prevailing wage rates in the public sector. Nevertheless, the autonomy of state enterprises combined with the strength of the CSC has resulted in sizeable salary increases based on salary trends in the private sector rather than on the financial performance of the enterprise. Consequently personnel costs of state enterprises have risen rapidly. For more than a year the Ministry of Labor and Justice has tried unsuccessfully to enact a law by which all state enterprises would become subject to a single wage contract negotiated between the CSC, the enterprises and the Government.

1/ See Statistical Annex, Table 3.2 and 3.3.
2/ See Statistical Annex, Tables 5.7 to 5.10.

Table 8: MINIMUM GUARANTEED HOURLY WAGES, 1968-75 a/

(CFAF/hour and percentages)

	August 1968 to Dec 1974		January 1975 level (CFAF/hour)		Equivalent Annual Percentage Increase	
	SMIG b/	SMAG c/	SMIG b/	SMAG c/	SMIG b/	SMAG c/
First category						
First level, A	45.88	39.74	78.00	67.50	7.9	7.9
Second level, A	47.39	42.34	79.51	68.86	7.7	7.7
Second category						
level A	48.86	42.34	80.98	70.14	7.5	7.5
Third category						
level A	53.07	45.98	85.29	73.78	7.0	7.0
Fourth category						
level A	87.23	75.60	109.45	103.40	3.3	4.6
Fifth category						
level A	126.32	109.48	148.54	135.28	2.3	3.1

Memo items

Ratio between fifth and first categories:

1968	2.8	2.8
1975	1.9	2.0

a/ Net of allowances and supplements.
b/ Non-agricultural operations, based on a 40-hour work week.
c/ Agricultural operations, based on a 48-hour work week.

Source: Statistical Annex, Table 3.1.

42. Wholesale and consumer price indicators, available since 1964 for the city of Brazzaville only, have been based on consumption patterns of higher income households. A new consumer price index is being prepared with a larger commodity basket, based on consumption patterns of low- and medium-income households. 1/ Since 1973, consumer prices rose on the average by 10 percent a year, the most important increase occurring in 1975 (20 percent). Foodstuff prices rose on the average by 10 percent a year (17 percent in 1975); prices of manufactured goods by more than 10 percent (45 percent in 1975). The prices of electricity, gas and water, which are fixed by the Government, remained at the 1973 level until they were increased by 14 percent in early 1977 and a further 16 percent in 1978. Indicators on retail prices for foodstuffs of low income families in Brazzaville point to price increases of 10 to 20 percent a year for major items from 1973 to 1979. In 1978 the price escalation of domestically produced food stuffs appears to have abated.

43. Two different systems of price controls exist in the Congo; controls over selected retail prices in effect since 1972 and over profit margins since 1966. Retail prices are fixed by the Government on essential commodities (rice, salt, meat, cement). Changes in these prices have been rare. Also, in July 1977 the Government tried to impose fixed retail prices throughout the country without allowing for differences in transport costs. This led to increased competition by private traders in the South who frequently undersold the State trading monopoly, OFNACOM. 2/ The uniform retail price system was abandoned, effective January 1, 1979. Fixed profit margins range from 20 to 35 percent and have not changed since 1966. All types of goods not subject to either price control system--mainly luxury goods--are exempt from controls. The enforcement of price controls poses many problems, except for the goods that are marketed by OFNACOM.

44. Reliable data on trends in income distribution are unavailable. In the early part of the 1970s several factors apparently helped reduce income disparities. They included the Government's social programs, which provided new employment opportunities, subsistence income for an increasing number of young people to pursue educational goals, and expanded health services to a larger number of Congolese. 3/ Another factor was the system of income transfers through the extended family, which helped to alleviate rural-urban income disparities.

1/ See Statistical Annex, Table 3.6.
2/ Office National du Commerce.
3/ See map in Appendix for the location of health facilities.

Table 9: PRICE DEVELOPMENTS, 1968-78

(Rate of increase/year)

	1968-73	1974	1975	1976	1977	1978 (estimate) a/
Consumer prices b/	4.1	3.7	19.8	7.3	14.1	11.6
of which: food	4.9	6.1	17.1	4.8	14.3	15.0
clothing	5.8	-3.0	15.1	4.5	10.3	2.6
Wholesale prices	6.3	15.3	13.9	16.8	14.9	6.8
of which: food	6.7	8.1	12.9	24.0	18.1	11.0
manufactured items	7.2	16.9	18.2	15.9	10.5	3.1
Import prices						
food	1.2	23.7	9.3	9.9	..	..
other consumer items	9.7	11.2	26.0	14.4	..	..

Selected prices of major food items in Brazzaville	1968-73	1973-77	1977/78
Yams	6.6	13.5	41.7
Cassava flour	4.1	24.7	-36.5
Corn	12.8	8.8	-18.1
Sweet bananas	1.2	18.0	55.6
Groundnut oil	2.9	26.0	7.8
Palm oil	5.0	16.7	-3.1
Salt	-2.6	35.0	-54.4
Freshwater fish - fresh	6.9	.4	-19.3
Beef boneless	.7	11.3	4.7
Live chickens	8.6	6.3	10.1

a/ Until June 1978.
b/ Higher income households.

Source: Statistical Annex, Tables 3.4 and 3.5.

45. Rural-urban income disparities appear to have worsened during the petroleum boom and thereafter with the stagnation of economic activity and urban inflation. The Government's new found oil resources were mostly utilized to provide operating support to public enterprises and to finance the wage bill in the civil service and in state enterprises. At the same time, urban subsistence costs escalated. While part of the higher food prices benefitted smallholder food producers, official pricing policies designed to keep urban prices of imported and domestic foods at low levels, the poor state of farm to market roads and high marketing costs dampened the rise in producer prices. Since little was done to stimulate agricultural production, rural-urban disparities probably increased. At the same time, urban inflation reduced real incomes and caused urban consumers to attempt to maintain living standards. This in turn slowed down income transfers to rural dwellers. Another segment of society, the urban unemployed and underemployed, has suffered from the recent closure of several important state enterprises. At least 3,000 workers have joined the ranks of the openly unemployed, thereby aggravating income disparities.

III. THE MAIN SECTORS 1/

A. Agriculture

46. Agriculture including crop, livestock and fishing represents no more than 10 percent of GDP and accounts for only 7 percent of exports, but provides a livelihood for about 50 percent of the population. Only 2 percent (190,000 ha) of the country's arable land is cultivated. Agricultural conditions are favorable only in limited areas of the country, mainly in the Niari valley with its rich ferralitic soils, on bottom lands (Pool) in the southwest, in central areas (Plateaux) and in the northwest (Sangha). 2/ Rainfall varies from 2,000 mm in the dense forest regions distributed over most of the year, to a minimum of 1,200 mm over 70 to 100 days in the grass savannah. Cassava is grown as the main food crop, supplemented by yams, plantain bananas and groundnuts. Cash crops comprise rice, maize, coffee, cocoa, oil palm and sugar.

47. The traditional sector is characterized by small family holdings dispersed over wide areas near villages of less than 300 inhabitants. The modern agricultural sector consists of about 25 state-owned farms and ranches concentrated in the Niari valley and near the major urban centers. The bulk of foodcrop marketing is carried out by private traders with the exception of state farms, which market their own products. Smallholder coffee, cocoa, rice,

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1/ See Appendix for maps indicating the location of economic activity by sector.

2/ An exhaustive soil survey has yet to be conducted to identify the areas suitable for cropping.

palm kernels and maize are marketed by the State-owned marketing agency ONCPA 1/. Input supply is poorly organized, purchases being made either through the Ministry of Agriculture or from private importers. Also, farm to market roads are rudimentary in most areas and are poorly maintained. Agricultural training for higher level extension staff takes place at the Institut de Developpement Rural and, for medium level staff, at the College d'Enseignement Agricole de Sibiti.

48. The smallholder sector is self-sufficient in food crops. However, its contribution toward meeting urban food needs has been falling in recent years, mainly because of the rapid rate of urbanization, difficult marketing conditions, unattractive producer prices, interruptions in agricultural research, and the declining fertility of soils, particularly in the Pool. As a result, periodic food shortages occurred in urban centers and the production of other crops has generally stagnated or declined in recent years. During the 1960s, the Government attempted to accelerate development in smallholder agriculture through its pre-cooperative program. The program was based on regrouping farmers and providing modern inputs and extension services to expanded villages. It faltered because of the difficulties encountered in regrouping farmers in a number of areas, institutional weaknesses, and a lack of financial resources. In the late 1960s, a pilot project supported by the French Government was aimed at stimulating production through price incentives and improved input delivery and marketing systems. On a small scale, this project yielded interesting results, perhaps pointing the way toward a revitalization of smallholder food and cash crop production. An important attempt at developing cooperatives for food production in the Pool and Koukouya Plateaux was undertaken in the 1970s. Success was limited, however, because of the program's emphasis on the organization of cooperatives while it neglected agronomic and marketing problems. With the exception of this last project, the Government deemphasized the cooperatives movement in the 1970s, and concentrated on the expansion of the state farm system.

49. The Government's disappointments in traditional agriculture, coupled with a policy of expanding control over economic activity and the need to satisfy urban food stuff requirements led to the enlargement of a capital-intensive state farm system. The state farm venture has not measured up to expectations: most state farms have never been able to turn a profit and have required State subsidies. The reasons for the system's failure are common to public enterprises in other sectors. 2/ A particular problem, however, was maintaining a salaried work force even during periods of low agricultural activity.

1/ Office National de Commercialisation des Produits Agricoles.
2/ See para 82.

Table 11: MARKETED PRODUCTION OF PRINCIPAL CROPS, 1973-78

(Thousands metric tons)

	1973/74	1974/75	1975/76	1976/77	1977/78 (estimates)
Food crops a/					
Cassava	542.2	553.2	559.3	565.5	571.7
Bananas	33.5	33.8	34.2	34.6	35.0
Groundnuts	16.3	16.7	16.7	16.9	17.1
Yams	11.1	11.2	11.4	11.5	11.6
Cash crops b/					
Cocoa	2.4	2.9	2.3	3.0	2.3
Coffee c/	1.1	1.3	1.5	2.1	5.2
(local production)	(..)	(..)	(1.4)	(.7)	(.7)
(foreign production)	(..)	(..)	(.1)	(1.4)	(4.5)
Tobacco leaves d/	1.1	1.0	1.0	.6	.4
Palm kernels	.9	.8	.6	.3	.7
Paddy	2.2	1.6	2.0	1.1	.8
Maize e/	-	-	.2	.6	.8

a/ Official estimates.
b/ Estimates of cash crops are derived from marketed volumes adjusted for on-farm consumption of rice and maize.
c/ Crop year November-October.
d/ Crop year October-September.
e/ Not marketed by ONCPA before 1976. Marketing period April-July. In this case 1975/76 refers to the 1976 marketing period.

Source: Ministry of Rural Economy, Statistical Services.

50. Smallholder cocoa production has demonstrated some dynamism in recent years. Cocoa is farmed mainly in the Sangha area, which has no road connection to Brazzaville. Collection costs are high 1/, exerting downward

1/ Due largely to the need to ferry trucks to Ouesso by river transport.

pressure on producer prices. Recent increases in marketed cocoa may reflect a more thorough collection effort by the ONCPA rather than increases in producer prices. However, the price improvements that did occur seem to have provided cocoa farmers with the income and incentive to plant new cocoa bushes, which would contribute toward increased production in the future.

51. Smallholder coffee production, mainly in the Plateaux, which are accessible by road from Brazzaville, has been on the decline in recent years despite substantial producer price increases. 1/ This is due largely to declining yields and aging coffee bushes. The rise in marketed coffee in recent years originates from a sharp increase in unrecorded coffee imports from Zaire and overseas marketing of coffee by the Congo on behalf of the Angolan marketing board.

52. The ONCPA is the principal marketing agent for cocoa, coffee, rice, palm kernels and, after 1976, maize. While operating costs are high, the recent sharp rises in export prices of coffee and cocoa which were not translated, to the same degree, into rising producer prices, and the large volume of marketed coffee from Zaire resulted in a boom in ONCPA profits in 1977 and 1978. Until 1978, the absence of a comprehensive agricultural policy led ONCPA to become involved in financing road improvements and the provision of farm inputs. While ONCPA may have lost some benefits from selling its crops forward, the high profits enhanced its liquidity position, even after payments of taxes to the Treasury. 2/ In addition to regular tax payments, ONCPA made exceptional transfers to the Treasury in 1976 and 1978 out of net profits. Very little of the additional revenue trickled down to producers and no sustained effort was made to increase production of coffee and cocoa.

53. These developments have led to a reassessment of agricultural development strategies. The Government now accords top priority to smallholder agriculture and intends to avail itself of existing opportunities in cash and food crop production. Separate extension services and marketing boards for food (Office des Cultures Vivrieres - OCV) and cash crops (Office des Cultures Commerciales - OCC) 3/ have been established to carry out the Government's smallholder program. The ONCPA, including its accumulated profits, is to be absorbed into the OCV and OCC. While the Government still intends to group smallholders into cooperatives, the limited success of experiments in the 1960s has led to the adoption of a more gradual approach under which selected farmers will be assembled in so-called 'rural groups.'

1/ Less important areas of coffee production are the Cuvette and Bouenza regions.

2/ See Statistical Annex, Tables 4.5 and 4.6 for details on ONCPA profits.

3/ An ADB project is supporting the cocoa-coffee program to be carried out by the OCC.

54. Other Government programs include the selective rehabilitation of state farms whereby the burden of achieving financial viability is placed on managers and workers and where salaries will be more carefully adjusted to productivity levels. To restore production in the Congo's largest agro-industrial complex, the SIACONGO 1/, the Government split up this unit into three operations for sugar processing, flour milling and edible oil refining and animal feed production. A management contract with a foreign firm has been negotiated for the flour milling and edible oil complex. The Government is also planning an ambitious program for the integrated development of the Koukouya and Djambala plateaux, which benefit from high population densities (30 h/km2) and good natural conditions. This project is hampered, however, by a lack of regular water supply and the isolated position of the Djambala Plateau.

55. To finance the new agricultural strategy, the Government has imposed salary deductions on public sector and professional salaries which are earmarked in a special fund. An agricultural stabilization board has also been set up which will obtain its resources from profit margins on the sale of cash crops and forestry products and channel them to the new "offices," as well as to support the rehabilitation of state farms and an agricultural credit scheme.

56. The <u>cattle population</u> is estimated at some 45,000 head of which the largest share is on the state-owned cattle ranches of the Societe Nationale d'Elevage (SONEL). 2/ Total meat production has been expanding in recent years but local production of mutton, pork and poultry, provides only half of domestic requirements while beef production supplies 20 percent of national consumption. The remainder comes from imports. The main constraint on further development of animal husbandry appears to be the lack of technical personnel and infrastructure, and the high capital costs of projects. A World Bank/FAC financed project is the Dihesse Ranch in the Niari Valley with a target of about 15,000 head of cattle. So far the project has only reached a stock level of about 4,000 head owing to difficulties in obtaining tse-tse resistant cattle from neighboring countries. Other ranches in the Niari Valley are undergoing rehabilitation with the help of the European Development Fund. Encouragement is also being given to poultry and pork production mainly in state farms, which is more profitable than cattle breeding in the short term, and can more easily accommodate changes in demand.

57. The <u>domestic fishing</u> industry consists of deep sea, continental and inland water fishing. Industrial deep sea fishing was initiated in 1977 by the Societe Italo-Congolaise d'Armement et de Peche (SICAPE), a joint-venture

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1/ The SIACONGO is a publicly owned sugar and animal feed production and flour milling complex taken over by the Government in 1971. At that time, it was producing about one million tons of sugar cane. This compares with about 100,000 tons of sugar cane in 1977. See Statistical Annex, Table 4.3.

2/ See Statistical Annex, Table 4.7 for details on the national herd.

in which the Government has a majority participation. SICAPE commissioned an ocean-going tuna boat in 1977 and launched two others in 1978. The entire catch is sold to a foreign buyer. Information on the financial outcome of this venture is, as yet, unavailable.

58. SICAPE and three other private ventures 1/ carry out continental ocean fishing on an industrial scale. The fleet has a capacity of about 500 tons and is supported by processing and refrigeration facilities on land. The Congo has recently negotiated fishing rights on the Angolan continental shelf, an area of important fish concentrations. So far, they have only been accorded to SICAPE. Private sector fishing activity has stagnated since the early 1970s, and its expansion depends on acquiring similar fishing privileges. Until 1977, a substantial part of the maritime catch was supplied by artisanal fishing operations of which about 80 percent were owned by expatriate West African nationals. The catch is estimated to have dropped by 50 percent in 1978 following the departure in late 1977 of a large number of foreign small-scale operators.

Table 12: INDICATORS OF FISH PRODUCTION, 1970-76

(Thousands of metric tons)

	1970/71	1972/73	1974/75	1976
Ocean fishing	10.2	16.1	15.3	17.0
Industrial	7.4	13.1	11.0	11.4
Smallholder	2.8	3.0	4.3	5.6
Fresh water fishing	13.5	14.0	14.5	15.0
Total	23.7	30.1	29.8	32.0
Memo item:				
Recorded imports	9.9	9.2	8.2	9.4
Fish consumption per capita (kg) a/	28.0	31.0	29.0	30.0

a/ Staff estimates.

Source: BEAC Monthly Bulletin and staff estimates.

1/ Of which two firms are owned by expatriates and a third by a Congolese private operator.

59. Inland water fishing is carried out by smallholders near Brazzaville and mostly in the upper reaches of the Congo-Oubangui rivers near Mossaka. Marketing of fish products to Brazzaville is impeded, however, by the closure of the drying station at Mossaka. In the 1950s, fish pond farming was also a thriving activity with about 4,000 ponds producing 100 tons/year. Since then, the annual catch has dropped to about 5 tons/year. A recent UNDP/FAO project, now being followed up by the Government aims to revive this activity.

60. The potential of the domestic fishing industry to satisfy internal demand has yet to be realized. In 1976, fish consumption is estimated to have reached at least 30 kg/capita a year; domestic fishing activity supplied only about 23 kg/capita a year, the remainder being provided by imports of fresh and dried fish. The major constraints to the development of domestic fishing seem to be the lack of a coherent national policy owing to overlapping jurisdictions over the sector by the various ministries involved, a lack of knowledge of continental shelf fishing resources, limited landing facilities at the port of Pointe-Noire, and inadequate incentives to domestic industrial and smallholder fishing enterprises. To overcome these constraints, the Government has commissioned a number of studies on fisheries resources, is accelerating its investment program in SICAPE and is launching a cooperative program to assist small-scale fishing operators.

B. Forestry

61. The direct contribution of value added in forestry to GDP is small, about 5 percent, and has been decreasing since 1969. Before the petroleum boom, timber was the largest export and contributed substantial public revenues. While production levels have dropped, the sector still is an important employer and the largest single client of the country's railway and river transport systems. It also has great potential for development with a sustainable rate of exploitation of more than one million cubic meters of logs a year. The richest potential lies in the enclave Sangha area for redwoods and in the southern Zanaga region, where unexploited okoume stands are still available.

62. Since the late 1960s the volume of log production has declined by about one half. Output peaked in 1969 at 840,000 m3 and stood at 430,000 m3 in 1978. Up to 1974, the major causes of this decline were the depletion of reserves in the south and transport bottlenecks, which impeded forestry exploitation in other areas. Several expatriate loggers left the Congo between 1970 and 1974. Since then, timber production has been affected by the adverse impact of the recession in industrial countries, which occurred as the Government was changing the structure of forestry taxation and log marketing practices. While a new tax code, introduced in 1974, might have been readily acceptable to logging companies, the establishment shortly thereafter of a State-owned log marketing agency, the Office Congolais du Bois (OCB), added to the industry's difficulties by raising the level of uncertainty in logging operations. The new marketing arrangements reinforced the depressed state of logging and caused the departure of a second contingent of small- and medium-scale expatriate timber operators who had been dependent on log exports.

The overall results were a deterioration in the investment climate, a further contraction in logging capacity, and the concentration of log production in the hands of a few powerful expatriate firms. 1/ The stagnation of forestry production persisted after 1976 at the same time that production in neighboring countries staged a recovery. Also, the full impact of the reduced logging capacity is now being felt in other sectors, particularly rail transport. 2/

Table 13: PRODUCTION OF EXPORTS OF TIMBER AND PROCESSED WOODS
1971-78
(In thousands of cubic meters)

	1971	1972	1973	1974	1975	1976	1977	1978 (estimate)
Timber								
Okoume								
Production	454	362	257	176	102	171	180	185
Exports	325	190	46	37	29	32	..	..
Limba								
Production	135	102	84	57	18	10	3	3
Exports	118	83	61	57	13	15	..	..
Other species								
Production	248	287	309	237	190	219	231	242
Exports	160	200	206	182	136	97	..	..
Total production	837	751	650	470	310	400	414	430
Total exports	603	473	313	276	178	144	155	170
Processed wood								
Veneer								
Production	66	87	96	71	43	54	72	75
Exports	66	63	96	60	43	54	69	..
Sawn Timber								
Production	44	42	58	48	40	60	49	55
Exports	13	16	26	24	17	16	23	..
Total production	110	129	154	119	83	114	121	130
Total exports	79	79	122	84	60	70	92	..

Source: Data provided by the Department of Water and Forestry and World Bank estimates.

1/ See Statistical Annex, Table 4.8 for details on changes in the structure of the forestry industry.

2/ See paras. 66-72 for details.

63. The Government created the OCB in the hope of capturing a higher value added for the Congolese economy in the sale of logs to a vertically integrated, oligopolistic international market. The OCB purchases all logs at a determined price ("prix plage - Pointe Noire"), which includes the logger's operating cost and profit margins, taxes, transport and handling costs up to Pointe Noire. The OCB then prepares the logs for export and sells a portion directly to importing countries. The major part, however, goes to foreign importers represented in Pointe Noire, often corporate relatives of domestic loggers. The "prix plage" is infrequently adjusted to reflect changes in producer costs and international prices. 1/ While OCB's operations have apparently managed to capture for the Government some financial benefits from forestry at present levels of production, it has been ineffective in its function as a marketing agency because of the lack of contacts and experience in industrial markets, the limited number of species offered and, its inability to finance stocks. To avert the risk resulting from these weaknesses, informal arrangements came into being whereby some logging companies repurchase a proportion of logs from the OCB at a set preferential f.o.b. price. While this practice may be acceptable to established loggers in the Congo, it has contributed to the operational risks for potential new foreign investors and reflects OCB's inability to achieve the objective for which it was created. Finally, the OCB has displaced a marketing system which extended cash advances and spare parts to the Congo's nascent small- and medium-scale operators without adequately replacing this system.

64. Of the more than 40 species of marketed wood, only hardwoods of superior quality enjoy buoyant demand in industrial countries. With relatively few species commanding high prices 2/, serious cost constraints hinder logging operations, particularly in the north. Less preferred logs cannot support the high transport and stock financing costs. Also, because of the lack of homogeneity of natural forestry stands in the north, the low yields per hectare of high value species and the high costs of developing forestry concessions, the only hope for expansion at this stage lies in capital intensive operations, a fact which is well recognized by the Government. In the immediate future, the capital, equipment and management capabilities needed to accelerate forestry exploitation in the north are not readily available domestically, either in the public or Congolese private sectors. Recent Government attempts to attract new foreign ventures have been unsuccessful. The World Bank is financing the feasibility study of a forestry development project in the north, and is also investigating the conditions under which the Government can hope to interest foreign private investment in the sector, while meeting the Government's objectives of retaining maximum feasible benefits for the national economy.

65. In addition to attracting foreign investors, the Government's forestry development policies aim at rehabilitating the state enterprise sector as well as strengthening small- to medium-scale private Congolese

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1/ See Statistical Annex, Table 4.9 for details on the cost structure of log exports.

2/ Okoume and limba, from the south, and sapelli and sipo, from the north.

operators. Some public entities in wood processing have improved management. However, they lack the resources to recapitalize and finance current operations. Others, such as the Unite d'Exploitation de Betou (UEB) and the Societe Nationale d'Exploitation du Bois (SNEB) will require more substantial rehabilitation programs to realize their potential. To finance this program, the Government places much hope in a foreign commercial loan 1/ made to and administered by OCB. While production from these units will undoubtedly increase, the unfavorable terms of the loan will weigh heavily on the financial viability of Congolese forestry enterprises.

C. Transport

66. The Congo's location in a transport corridor that reaches northwards into Central Africa has been a key factor in the country's development. Transport and associated services have grown steadily, at least until 1974. The sector's main asset is an integrated transport system managed by a Government agency, the ATC. The system comprises the favorably located sea port of Pointe Noire, and river port facilities at Brazzaville, Mossaka and Ouesso; a 550 km railway system, the Chemin de Fer Congo-Ocean (CFCO) between Brazzaville and Pointe Noire, and a branch line to the Gabonese border, owned by a manganese mining consortium in Gabon (COMILOG) and managed by the ATC; and a river transport fleet enabling ATC to share a transport monopoly with the Central African Empire's Agence Centrafricaine des Communications Fluviales (ACCF) for the transport of general goods and timber on the Congo-Oubangui-Sangha rivers. All port facilities are equipped to receive and stock floating timber. 2/

67. The ATC is complemented by road and air transport systems. The Regie Nationale des Travaux Publics (RNTP) in the Ministry of Public Works is responsible for the maintenance of about 4,600 km of primary roads of which only 3,000 km are all weather roads, including 558 km of paved roads. The system provides access to the railway and river transport systems and fills gaps in non-ATC regions. Local authorities, with RNTP help, are responsible for maintaining about 3,700 km of secondary roads. However, insufficient funds and lack of trained personnel have reduced maintenance to a minimum, and the condition of the road network is generally poor. Air transport consists of the international airports of Brazzaville and Pointe Noire, 18 airports for multi-engined propeller planes, and 25 airstrips for single-engined aircraft, all managed and maintained by the Agence Congolaise de l'Aviation Civile (ACAC). A national airline, LINACONGO, provides limited passenger service, and is supplemented by a mixed enterprise airline company for cargo transport in southern areas.

1/ The Exim Bank and Citibank loans total US$6.5 million, fully secured by a lien on OCB revenues. The terms are: rate of interest, 2.5% over the London Interbank Rate; maturity, 4-1/2 years.

2/ ATC and ACCF are the national successor organizations of the former Agence Transequatoriale des Communications (ATEC) which managed rail and ports systems and maintained the waterways up to Bangui and the main road link to the Ched border. The assets of two private river transport companies were also split up between ATC and ACCF in 1970.

68. The Congo's transport development is greatly affected by, and to some extent affects, transport developments in neighboring countries. In the past, the major obstacle to the Congo's traffic development has been capacity constraints. The most striking example of this occurred in 1974 when limited stocking capacity for timber at Brazzaville, combined with slow turn-around times on the CFCO railway, resulted in a massive timber bottleneck. 1/ At that time log prices were falling rapidly at the onset of the recession in industrial countries so that forestry operators, unable to meet delivery schedules, suffered serious losses. Countries dependant on the ATC are also diversifying their access to the sea through alternate transport links, particularly with the Cameroon. Since the completion of the trans-Cameroon rail link to N'Gaoundere, substantial traffic diversion has occurred from Chad. In the Central African Empire, the Government is developing the Bangui-Cameroon border road link toward the N'Gaoundal railhead as well as improving its road network from the Haute Sangha region toward the Cameroon. All these external developments have negative implications for the Congo's transport system.

Table 14: TRANSPORT SECTOR INDICATORS, 1971-78
(1970=100)

	1971	1972	1973	1974	1975	1976	1977	1978
Railway traffic								
Passengers	101.2	108.6	118.6	143.3	154.7	172.8	180.0	197.8
Freight								
- CFCO railway	104.3	101.3	100.9	102.1	88.4	98.0	99.1	96.6
- COMILOG	127.1	124.2	133.8	139.9	149.0	151.4	126.3	109.9
River Transport								
Passengers	171.4	242.9	271.4	385.7	528.6	600.0	585.7	728.6
Freight								
- on barges	102.6	114.1	135.9	143.6	128.2	148.7	138.5	116.7
- floated logs	169.6	191.3	252.2	282.6	87.0	482.6	587.0	430.4
Port Traffic								
Pointe Noire	114.8	112.0	113.3	118.7	116.9	117.9	105.5	100.0
Brazzaville	100.0	101.6	111.0	122.6	74.2	116.9	121.5	122.4

Source: Statistical Annex, Table 4.13.

69. Parallel to these developments, the ATC launched an investment program for 1974-78 (US$280 million 2/), supported by a consortium of external donors including the World Bank. The program is aimed at improving management,

1/ See Statistical Annex, Table 4.11 for details on transported forestry products.

2/ Includes cost revisions negotiated in November 1977 which have resulted in a 30 to 40 percent increase on the CFCO realignment component.

rehabilitating existing assets, and increasing transport capacity. Its main components are the realignment of part of the CFCO railway, handling improvements at the port of Brazzaville, and upgrading river transport equipment and railway rolling stock.

70. Stagnant transport demand has, however, jeopardized the ATC's overall financial viability, which successive tariff increases have failed to improve. The ATC's financial position became critical in 1978 and an austerity program was designed to reduce operating expenditures and increase efficiency. The investment program also was revised and most of the components outside of the CFCO realignment project have had to be postponed. In spite of these measures, the ATC will need substantial operating subsidies, a partial rescheduling of the external debt, and tariff increases to balance its budget and maintain capital assets. ATC tariff policies will have to be harmonized with the carrying capacity of northern forestry products and other commodities. ATC's financial problems therefore highlight the need for forestry development in south and north Congo and for reducing operating costs.

71. While the expansion of the road transport network has held a lower priority than the ATC program, attempts have been made to develop the Pointe Noire-Brazzaville-Ouesso trunk road which, together with road links to Libreville in Gabon, and the development of the Sibiti-Zanaga forestry road, constitute the Government's priority trunk road development program in the long term. Financed by supplier credits, the construction of a paved road was started going northwards from Brazzaville to the Lefini river (200 km), and westwards from Brazzaville toward Pointe Noire (100 km). With some sections completed, this program has now been postponed because of lack of financial resources. The exception is the Lefini bridge, being built with Italian financial assistance, and the Sibiti-Bihoua road, now being completed with the help of the European Development Fund.

72. Air transport still plays a very modest role in the country. Its improvement could possibly alleviate some of the transport constraints between Brazzaville and other major centers. The country's national airline, LINACONGO, has had chronic financial difficulties, due in large part to the accumulation of unpaid bills by the Government, and has not been able to renovate its transport equipment. A program, financed by the Canadian government to help restructure LINACONGO, is now being phased out.

D. Mining and Manufacturing

73. The mining sector has held a key role in the economy since the start of potassium production in 1969 and offshore petroleum production in 1972. From 1972 to 1974, the share of mining in GDP rose from 3 to 14 percent. Petroleum exports rose from 6 percent in 1972, to 70 percent of total exports in 1977. Other mining activities such as the exploitation of copper, lead, zinc and small-scale gold production 1/ have declined over the past few years because of the depletion of deposits.

1/ Small-scale gold production is carried out by the Societe Nationale des Mines de Sounda-Kakamoeka (SONAMIS).

74. The Compagnie des Potasses du Congo (CPC) produced 474,000 tons of potash by 1972; during the following four years production stagnated at about that level. The French Government was involved in the project from the beginning through the participation of French shareholders of CPC. It was called upon to provide operating subsidies because of extraction difficulties caused by the structure of the deposits, which consultants had failed to examine thoroughly during preinvestment studies. In June 1977, the flooding of the mine forced operations to cease altogether. The CPC was obliged to dismiss the work force of 1,700 people. This was a severe blow to the economy and, in particular, to the village of Holle where the mine was located. Again, the French Government compensated to a large extent for the loss and assumed the reimbursement of the debt owed to the World Bank.

75. The Societe Nationale des Mines de M'Fouati (SONAMIF) is responsible for copper, lead and zinc ore production. Output rose slowly up to 1976 but fell off in 1977 as deposits were depleted. Two new deposits have been discovered around M'Fouati: a small deposit near Dienguele with an estimated production capacity of 30,000 tons/year of enriched lead over a period of five years; and a larger deposit at Yanga Koubenza, with a sustainable production of about 70,000 tons/year for a period of about 25 years. Production at the

Table 15: MINING PRODUCTION, 1967-78
(Units as indicated)

	1967	1972	1973	1974	1975	1976	1977	1978
				Thousands of Metric Tons				
Crude Oil	50	335	2,082	2,420	1,812	2,010	1,829	2,421
Emeraude	(-)	(323)	(2,070)	(2,408)	(1,800)	(1,998)	(1,627)	(1,409)
Loango	(-)	(-)	(-)	(-)	(-)	(-)	(190)	(1,000)
Pointe Indienne	(50)	(12)	(12)	(12)	(12)	(12)	(12)	(12)
Potash	-	474	444	475	462	429	139	-
Copper, lead, zind, ore	12	9	13	13	16	18	10	5
Enriched copper, lead, zinc	-	-	-	-	-	-	1	3
				(Kilograms)				
Gold	72	65	39	22	16	8	9	-
				Thousands Cubic Meters				
Natural gas (Utilized production)	-	15,120	15,663	18,834	16,754	15,254	9,423	1,695

Source: Ministry of Mining and Energy.

Dienguele site has already begun and a newly built enrichment plant is scheduled to reach full-scale production in 1979-80. The start of production at the Yanga Koubenza deposit is planned to coincide with the depletion of reserves at Dienguele. Sizeable deposits of iron ore were discovered in the early 1970s at Nabesa in the Sangha region, near the Gabonese border. Although they appear promising, their inaccessibility, and the lack of financing have prevented their exploitation.

76. Petroleum exploration in the Congo began as early as 1955/57 and resulted in the discovery of a small onshore field at Pointe Indienne. In 1969/70, exploration was resumed on a large scale by ELF and AGIP. Emeraude, the main offshore field was discovered in 1969 and production started in 1972. Loango, a smaller one, was located in 1972 and, after substantial delay, oil began to flow in August 1977. A new field, Likouala, northwest of Emeraude, has been found with recoverable reserves of about 10 million tons, and should reach full production in 1981.

77. The Emeraude field is exploited by ELF and AGIP on a 65:35 basis and is located about 19 km from the shore line at a depth of about 600 m, and 60 m below the seabed level. A sea line connects the field with a terminal on the coast at Djeno. Estimates of recoverable reserves 1/ have been revised downward substantially because of unforeseen exploitation difficulties: the most optimistic forecast in 1972 was 5 billion barrels (270 million tons) and was revised to 285 million barrels in 1976. Problems in developing the field have limited the recovery factor to about 3 percent of proven reserves. 2/ The major impediments are: a very weak reservoir pressure, combined with the shallow depth between the seabed and producing zones thereby restricting the number of producing wells to five or six per platform; and, the geological nature of the reservoir, which makes pressure maintenance complex and affects the level of production. The oil's high viscosity also makes it difficult to market. Development drilling was completed in February 1976. Production peaked at 2.4 million tons in 1974 and fell by 25 percent in 1975. After recovering slightly in 1976 to about 2.0 million tons, production decreased steadily in 1977 and 1978. Reserves will most likely be depleted by the mid-1980s.

78. The Loango field, which is also exploited by AGIP (65 percent) and ELF (35 percent), is located beneath heavily compacted clay in offshore waters, 90 m deep, some 30 km from the coast, and connected by a sea line to the Djeno terminal. Production was initially expected to start in late 1975, but was delayed until August 1977 because special drilling equipment and production platforms had to be supplied in order to penetrate the clay. Water injection was used from the outset to increase the rate of recovery. Production reached 1 million tons in 1978 and is expected to peak in 1979. Thereafter output is expected to fall steadily until the late 1980s when reserves will be depleted.

1/ Reserves that are recoverable with present technology and at prevailing prices.

2/ The world average recovery factor is about 30 percent of proven reserves.

79. In October 1977, a new agreement was signed between the Government and the two foreign-owned oil companies (AGIP and ELF) concerning taxation of new oil discoveries. It stipulates that discoveries rapidly leading to production will be subject to lower income tax rates. Since then ELF and AGIP have stepped up exploration activities, and the Government has opened up new areas for research in joint ventures with several new foreign partners.

80. The construction of a Government-owned oil refinery was completed in 1976 at Pointe Noire by a Belgium consortium (SYBETRA). 1/ Construction costs, initially estimated at CFAF 14 billion, reached CFAF 33 billion upon completion. Annual refining capacity is about one million tons. The refinery is not yet operational owing to the failure of the power supply system at Pointe Noire to provide sufficient energy, the absence of autonomous power supply facilities and other major technical problems. These problems have led the government to initiate action in early 1976 to obtain redress from the supplier. If successful, the Government would be able to commission the refinery within the next two years.

81. Manufacturing accounts for about 10 percent of GDP and consists of raw material processing and a limited number of import substitution activities. The major plants are located in urban centers, mostly in the south. Import substitute manufacturing is constrained by the narrowness of the domestic market and the decreased competitiveness of Congolese products. Moreover, some countries outside of UDEAC 2/, which were traditional trade partners, are creating new facilities for import substitute production (for instance, sugar production in Chad). The Congo seems to have a potential comparative advantage in processing some raw materials for international markets, particularly forestry products. Also, owing to the large production and processing infrastructure now in existence, sugar refining for export could also be profitable, even at today's depressed prices.

82. Production in private sector manufacturing grew slowly but steadily (7 percent/year) over the 1967-76 period. Variations in production occurred in those lines most subject to changing international demand, particularly wood products. Output of some domestically consumed products stagnated (soaps, paints, shoes) following trends in the domestic economy while others expanded rapidly (beverages and printed textiles).

83. The 1967-76 period witnessed the expansion of the public sector in manufacturing and other activities as the Government assumed control of some important production units (sugar and flour milling, energy, ocean fishing, transport, petroleum distribution), and built new facilities (cement, textiles, glass and plastic bottles, petroleum refining). The growing importance of public sector manufacturing was accompanied by an alarming decline in production levels and capacity utilization (25-40 percent of installed capacity) and

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1/ Syndicat Belge des Entreprises de Travaux.
2/ Union Douaniere des Etats de l'Afrique Centrale.

by a sharp deterioration in the financial position of most public enterprises. 1/ In an attempt to maintain high employment, and, given low productivity levels, public enterprises had to cut down on maintenance and replacement equipment. They also accumulated arrears of payments to suppliers, local banks, and to other public entities, and failed to pay taxes to the Government. The Government was able to provide them with limited operating subsidies but, after 1976, discontinued this support owing to its tight liquidity position. Unrealistic pricing policies and the rapid accumulation of unpaid bills to such units as the Societe Nationale d'Energie (SNE) aggravated the parastatal sector's financial problems. The result was a deterioration of physical assets, the closing down of some units (of which the most important was the country's textile mill, SOTEXCO), the drawing down of working capital to finance production at reduced levels, and increased difficulties in obtaining short- and medium-term credits from the banking system to finance raw materials, supplies, and equipment. During 1978 a number of rehabilitation programs were launched by the Government. Limited financial resources were provided from a foreign commercial bank loan to the cement plant, SOTEXCO and SICAPE. Combined with improvements in management and sharp cuts in the labor force, some public enterprises staged a small recovery.

84. With the help of a UNDP/ILO Assistance to the Public Enterprises project the Government has become more knowledgeable of the financial and physical conditions of state enterprises and is establishing better financial reporting systems and controls. The Project is being transformed into an institute for management training charged also with providing technical assistance for setting up financial reporting systems. Nevertheless, restoring the production potential of the most important units would require a minimum of CFAF 10-15 billion for capital equipment alone, which the Government clearly cannot afford. To overcome the financial and management constraints and restore productivity, the Government is attempting to attract foreign expertise to manage and refinance some important units. Some enterprises in the forestry sector are improving their management and have established detailed rehabilitation plans. Investment in these units would appear to be the most immediately profitable projects.

1/ See Statistical Annex, Tables 5.7 through 5.15.

Table 16: INDICATORS OF INDUSTRIAL PRODUCTION OF MAJOR PRODUCTS 1969-76
(Percentages and index numbers, 1968 = 100)

	1969	1970	1972	1974	1975	1976	Rate of Increase
Total /a	115.3	124.6	146.1	134.9	142.2	161.2	4.8
Public and mixed enterprise sector	122.5	132.0	160.0	125.1	117.9	124.4	1.6
Agricultural processing /b	99.8	83.0	80.5	54.9	58.4	56.9	-6.3
Wood processing /c	112.8	92.3	147.6	119.1	56.9	75.4	-3.6
Fish processing	102.9	146.1	344.1	369.6	152.0	123.5	8.8
Cloth /d	-	100.0	116.5	71.3	104.3	52.2	-7.8
Cement /e	100.0	198.5	180.6	73.8	120.3	113.1	-4.0
Electricity and water	113.1	152.6	202.2	198.7	220.5	282.5	10.4
Private sector	106.6	115.7	129.3	146.7	168.8	228.9	8.0
Wood processing	106.8	134.2	147.1	137.3	123.7	169.9	7.8
Shoes, soaps, paints	115.9	104.3	111.4	106.2	110.4	111.0	0.1
Beverages and tobacco	103.4	114.6	130.6	163.0	183.7	203.1	8.4
Textiles /f	-	-	-	-	100.0	474.2	374.2

/a This table covers about 85 percent of modern sector manufacturing in the Congo. However, it provides little indication as to the growth of the public sector since it includes several private processing firms that were taken over by the Government. In all such cases, production indicators of private sector manufacturing before being taken over by the Government are included in the public sector.

/b After 1971, public sector.

/c Covers only veneer production: one public enterprise unit, SONATRAB, and two mixed enterprises after 1973, SIDETRA and PLACONGO.

/d SOTEXCO, began operations in 1970. Indicators above apply only to cloth production.

/e Cement production started in 1969 and peaked in 1971 with production rising slightly above full capacity of 100,000 tons.

/f A new plant, IMPRECO, opened in the latter part of 1975.

Source: Statistical Annex, Table 4.14 and Bank estimates.

IV. FINANCIAL AND RESOURCE ALLOCATION ISSUES

A. Public Finances

85. The public sector consists of the Central Government, several autonomous agencies, local authorities and a number of state enterprises. Its importance in the economy is shown by the share in the GNP of Central Government revenues, expenditures and deficits, all of which have been increasing since 1967.

Table 17: CENTRAL GOVERNMENT REVENUES AND EXPENDITURES AND DEFICITS AS A PROPORTION OF GNP AT MARKET PRICES, 1967-78

(Percentages)

	1967-72	1973	1974	1975	1976	1977	1978
Budgetary revenues	22.5	23.2	30.4	28.9	29.2	29.4	32.5
Total Expenditures	24.3	27.6	32.9	42.3	34.8	35.0	40.7
Treasury Deficits	2.2	4.6	4.5	13.3	5.3	6.0	8.6

Source: Statistical Annex, Table 5.1.

86. Consistent series on Central Government finances exist since 1967. From this information it can be seen that during 1967-68 the Government tried to bring expenditures in line with revenues mainly by reducing current outlays. With the help of foreign grant assistance, a balanced budget was nearly achieved in 1968 and the Government was able to reduce arrears.

87. As noted earlier, the years 1969-73 set the stage for the present public finance crisis. The Government launched an ambitious socio-economic program and, anticipating future oil revenues, rapidly increased investment outlays while expanding the civil service and financing increased social transfers, particularly in education. Revenues rose by 4.5 percent a year; budgetary expenditures by 11.9 percent a year. The upshot was a sharp rise in Treasury deficits (93 percent a year) and, in the absence of sufficient foreign and domestic deficit finance, payment arrears escalated at 22 percent a year reaching 68 percent of 1972 budgetary revenues.

88. The short-lived oil boom led to a doubling of budgetary revenues from 1972 to 1974. Expenditures quickly followed suit and the deficit rose by 20 percent a year. To a large extent, this was the result of built-up pressure to increase public consumption and to rescue the failing enterprise system. Current expenditures doubled and investment spending increased. Despite loans from the oil companies, secured by pledging further oil revenues (a practice which was initiated in the financing of the refinery and which has continued to this day), arrears of payments continued to escalate at 23 percent a year.

89. In January 1975, the Government increased civil service pay scales by an average 30 percent and launched an ambitious three year investment program (Plan Triennal de Developpement Economique et Social, 1975-77). The extent of the shortfall in revenues was realized too late in the year to modify investment targets so that a huge Treasury deficit ensued (46 percent of 1975 revenues). After exhausting credit facilities with the Central Bank and borrowing from neighboring countries, a substantial overall deficit still remained (CFAF 11 billion), which was financed by arrears.

90. In the following two years, oil output remained depressed. To adjust for the revenue shortfalls, the Government reduced investments sharply, postponed the Plan Triennal, and reduced subsidies to public enterprises and purchases of materials. Large budgetary deficits remained, however, as expenditures on wages and scholarships continued to rise. Debt service payments also rose rapidly, as commercial loans, committed in the period before the oil boom, came to maturity. In the hope that the shortfall in oil revenues would be temporary, little was done to stem the growth of civil service employment. To maintain public consumption, the Government borrowed from bilateral sources (Angola, Algeria, Ivory Coast, Libya) and accumulated arrears of payments.

91. The outcome of the 1978 budget shows a large increase in both revenues and expenditures as well as a substantial Treasury deficit of CFAF 16 billion, or 27 percent of 1978 revenues. This is not indicative of any trend, however, since the budget outcome was considerately inflated by the extension of the complimentary period by an additional seven months to November 1978; normally the complimentary period is three months after the end of the fiscal year during which expenditures committed in the previous fiscal year are paid off and tax arrears are collected. Bank and IMF practice is to calculate public finance data on a cash basis during the fiscal year. Therefore, revenues and expenditures are out of line with the Government's initial budget estimates. But even after reconciling these figures with the previous year, the real measure of the financial deterioration is the level of accumulated arrears--at end-1978, it reached about CFAF 60 billion or 100 percent of 1978 revenues.

Table 18: MAIN INDICATORS OF CENTRAL GOVERNMENT PUBLIC FINANCES TREASURY ACCOUNTS - CASH BASIS, 1967-78

(Billions of CFAF and percentages)

	1967-73	1974	1975	1976/77	1978 Adjusted Budget a/	1978 Actuals
Revenues	16.4	40.1	44.3	49.1	51.7	60.0
(of which oil)	(.2)	(16.7)	(13.8)	(12.7)	(12.8)	(13.1)
Current expenditures	-16.9	-39.3	-46.6	-53.0	-52.1	-70.1
Current balance	-.5	.8	-2.3	-3.9	-.4	-10.1
Investments a/	-1.4	-7.2	-18.2	-5.5	-3.0	-5.0
Other accounts	-.3	.5	.1	-.1	-	-.8
Treasury balance	-2.2	-5.9	-20.4	-9.5	-3.4	-15.9
Financed by						
Net foreign borrowing	-.5	2.6	1.9	-2.9	-1.2	.7
Net domestic borrowing	1.5	-.3	7.3	4.0	-3.5	-1.8
Arrears/financing gap	1.2	3.6	11.1	7.6	8.1	13.7
Debt relief	..	..	..	.8	..	3.2
Memo items						
Net borrowing from oil companies	-	2.6	3.5	.5	..	-.7
Earmarked oil royalties	.5	1.7	1.5	3.8	..	6.1
Accumulated arrears (end of period)	15.7	19.5	30.6	45.8	..	59.5

a/ Adjusted to include total scheduled debt service (instead of budgeted amounts) and revenues from salary deductions in 1978.
b/ Up to 1977, includes earmarked oil royalties to the refinery account.

Source: Statistical Annex, Table 5.1.

Trends in Revenues

92. Non-oil revenues fluctuated with changes in the fiscal structure, the tax base and tax administration. Since 1967, discretionary increases in direct and indirect taxes combined with changes in the tax system have contributed to increase the tax burden on tax payers. 1/ A recently imposed levy on wages (Fonds de Solidarite), had the effect of substantially reducing personal incomes. 2/ A parallel development was the reduction of yields on certain taxes since about 1972. Revenues from corporate income as well as excises have been below potential owing mainly to the withholding of taxes by public enterprises--to compensate for the accumulation of unpaid bills by the Government. 3/ A new forestry fiscal regime adopted in 1974 which replaced administratively determined standard export values for logs by f.o.b. values has not been applied owing to the depressed state of the forestry sector and institutional weaknesses. Proceeds from the single tax levied on goods produced domestically for export to other UDEAC countries in lieu of import duties declined after 1974 because of falling exports of manufactured goods by domestic producers to other UDEAC countries. In 1978, there was a serious shortfall of taxes on imported goods as imports stagnated while the Government could not collect import taxes from public enterprises in financial difficulties. These developments account largely for the relative stagnation of non-oil revenues and the shift in importance from indirect to direct taxes.

93. Until 1977, oil revenues were received in the form of income taxes and royalties, both of which were based on the posted price per barrel. Exploitation and transport costs as well as royalties were deductible. In 1977 an agreement was reached with the oil companies to raise the income tax rate to 76.3 percent of the posted price. This measure reflected the Government's concern that the companies were selling petroleum at higher than posted prices. On the other hand, deductible rates on operating costs were increased substantially in response to the petroleum operators' complaint of high operating costs. The agreement was retroactive to January 1, 1976. The Government has also negotiated a new tax agreement with the oil companies by which new wells that are rapidly put into production benefit from liberal tax concessions.

1/ Some tax rates also had to be reduced: on corporate income to stimulate economic activity; on imported basic commodities to protect living standards; and for individuals or companies reinvesting income in the Congo.

2/ For salaries of less than or equal to CFAF 30,000/month, the rate is 10 percent; for higher salaries, the rate is 20 percent. The total yield is estimated to be about CFAF 4 billion, of which CFAF 1.7 billion in 1978.

3/ Accumulated arrears on corporate income and excise taxes were estimated at CFAF 10 billion in April 1978. At that time, unpaid bills by the Government and subsidies, granted to the public sector but never disbursed, amounted to about CFAF 15 billion.

Table 19: CHANGES IN THE STRUCTURE OF CENTRAL GOVERNMENT NON-OIL REVENUES 1967-77

(Billions of CFAF and percentages of non-oil revenues)

	1967-72	1973	1974	1975	1976	1977
Total non-oil revenues (blns CFAF)	16.0	20.9	23.4	33.3	36.7	39.5
Direct Taxes (%)	19.1	22.5	21.6	22.3	27.6	30.2
Companies	5.8	6.2	5.7	7.6	9.9	8.1
Individuals and employees	8.9	11.0	11.5	9.3	11.3	15.9
Property	.1	.1	.1	-	-	-
Others	4.3	5.2	4.3	5.4	6.4	6.2
Indirect taxes and non-tax revenues (%)	71.1	64.5	65.8	64.8	64.1	64.5
Goods and services	19.9	27.0	24.9	20.0	14.4	20.4
(of which single tax)	(6.3)	(9.0)	(9.5)	(6.0)	(3.2)	(9.6)
Taxes on imports	39.2	30.5	33.0	36.7	45.6	35.9
Taxes on exports	4.8	1.9	1.8	1.3	.8	1.2
Other taxes	2.3	2.6	2.2	2.5	1.6	2.5
Non-tax revenues	4.9	2.5	3.9	4.3	1.7	4.5
Adjustments to cash basis (%)	9.8	13.0	12.6	12.9	8.3	5.3

Source: Statistical Annex, Table 5.2.

94. Following the start-up of oil production in 1972, oil revenues rose dramatically in 1974 as petroleum output reached its peak and prices quadrupled. The result was a doubling of overall budgetary revenues in 1974 compared to the 1972 level. This was followed in 1975 by a 17 percent decline in oil revenues, reflecting a 25 percent drop in oil production. In 1976, oil revenues declined by an additional 16 percent despite a 10 percent rise in oil production. This was caused by a dispute between the Government and petroleum companies, which delayed the payment of part of 1976 profit taxes until early 1977. In 1977, oil revenues rose by 34 percent due entirely to the payment of back taxes. In 1978, oil revenues fell in spite of the recovery of oil production due to deductions by the oil companies of CFAF 1.5 billion from oil profit taxes because of tax overpayments in 1975. 1/

1/ Note that other automatic deductions from oil royalties for debt service payments on the petroleum refinery and on loans to the Government by the oil companies are included in revenues, in expenditures (as interest payments on the debt) and, below the Treasury deficit line, as amortization of foreign loans.

Table 20: MAIN INDICATORS OF OIL REVENUES BASED ON PRODUCTION, 1974-78

(Billions of CFAF and percentages)

	1974	1975	1976	1977	1978 /a
Petroleum Production			(Millions of metric tons)		
	2.4	1.8	2.0	1.8	2.4
			(Billions of CFAF)		
Government income owed by the oil companies /a	19.4	11.6	14.1	12.9	13.2
(Taxes)	(12.9)	(7.1)	(7.7)	(5.6)	(5.1) /c
(Royalties)	(6.5)	(4.5)	(6.4)	(7.3)	(8.1)
			(Percent)		
Government revenue as a percentage of exports	57.6	41.0	40.4	32.9	28.7
Income received during each FY as a percentage of total revenues	41.6	31.2	24.3	28.0	21.8
Memo items:			(Percent)		
Earmarked oil income as a percentage of income received	10.2	10.9	24.1	30.3	40.9
Adjustments between income owed and income received	-2.7	2.2	-2.5	1.2	1.4

/a IMF estimates.
/b On the basis of production during calendar year.
/c Includes CFAF 1.5 billion in tax overpayments deducted from profit taxes in 1978.

Source: IMF.

Trends in Expenditures

95. Budgetary expenditures have closely followed the rise in civil service employment, the growth of the public sector and variations in revenues, realized as well as anticipated. From 1969 to 1977, Government expenditures rose from 24 percent to 35 percent of GNP, reaching a peak of 42 percent in 1975. The growth of expenditures was sustained, above all, by the persistent increase in current expenditures; investment outlays rose and fell with the availability of revenues.

96. Current expenditures have increased at a compound rate throughout 1967-78 of 17.8 percent. Steep rises occurred; in 1969 and in 1975, largely caused by adjustments in civil service pay scales, in 1974, by high expenditures on supplies and transfers to public enterprises; and, in 1978, by escalating interest payments on the public debt. Up to 1973, wages and salaries accounted for 55 percent of current outlays followed by supplies (22 percent) to students at home and abroad. A new feature in expenditure patterns has been the rapid increase, since 1973, of extra-budgetary expenditures financed by arrears of payments at the Ministry of Finance.

Table 21: MAIN INDICATORS OF CENTRAL GOVERNMENT EXPENDITURES, 1967-78

(Billions of CFAF and percentages)

	1967-72	1973/74	1975	1976/77	1978
			(CFAF billion)		
Total expenditures	11.4	42.2	39.4	-3.8	25.2
Current	10.4	38.6	18.6	11.1	21.9
(% of total expenditures)	(91.7)	(85.5)	(71.9)	(90.6)	(93.2)
(of which growth rate of wages)	(11.8)	(13.1)	(42.6)	(11.8)	(18.3)
Investments	23.5	68.9	155.6	-62.8	100.0
(% of total expenditures)	(8.3)	(14.5)	(28.1)	(9.4)	(6.8)
Memo item			(Percent)		
Growth rate of budgetary revenues	8.5	45.5	10.5	6.7	19.0
Total expenditures as a % of revenues	108.1	117.0	146.3	119.1	125.3

Source: Statistical Annex, Tables 5.3 to 5.6.

97. Until 1978 the Ministry of Plan controlled the investment budget, which was transferred to its account by the Treasury. Care must be taken in interpreting investment data. In many cases, transfers of investments funds were in fact subsidies to public entities to replenish their working capital and were effectively utilized to pay wages. The investment budget was also used to purchase share capital in existing enterprises and to provide resources to the Regie Nationale des Travaux Publics for routine road maintenance. Until 1977, oil revenues earmarked for local cost financing of the refinery were also included in investments and are identified in statistical tables by memo items. Finally, budgetary investment expenditures are recorded as payment authorizations by financial authorities and not as actual outlays; therefore,

part of investment outlays were, in fact, arrears of payments to the investment budget or to public enterprises. Accordingly, actual investments by the Government in physical plant and new infrastructure were usually much lower than official data would suggest.

98. Budgetary investments up to 1973 averaged CFAF 1.7 billion a year, accounting for only 9 percent of overall expenditures. Investment outlays rose by 109 percent in 1974 and a further 156 percent in 1975 when petroleum revenues became available to finance ongoing programs and the Plan Triennal. Severe liquidity difficulties and the reluctance to cut down current outlays, however, led the Government to reduce its investment program in 1975 and scale down investment targets in 1976 and 1977. Investment fell by 66 percent in 1976 and a further 58 percent in 1977. More than 50 percent of 1974-77 investment expenditures went to energy and transport; agriculture, including state farms, received about 7 percent of the total.

Table 22: CENTRAL GOVERNMENT BUDGETARY INVESTMENTS, 1974-77

(Billions of CFAF and percentages)

	1967-73	1974	1975	1976	1977	Total 1974-77
Total Investments /a	1.1	7.1	18.2	8.5	7.1	40.9
of which (%):						
Agriculture and Livestock	..	11	8	7	2	7
Manufacturing and Mining	..	5	10	9	1	7
Energy /b	..	45	15	43	66	35
Transport and Public Works	..	28	25	13	9	20
Education	..	8	7	5	5	7
General Administration	..	11	8	15	11	11

Memo item:

Earmarked oil royalties	1.2 /c	1.7	1.5	2.8	4.7	

/a Totals are adjusted to Treasury basis (calendar year); sectoral allocations are based on fiscal years.
/b Including earmarked oil revenues to the SYBETRA account.
/c 1973 only.

Source: IMF Article XIV consultations, 1969 to 1977.

99. In 1978 the Government launched a two year rehabilitation program (Plan d'Action 1978/79) with spending targets of CFAF 130 billion. At year's end, with the exception of the CFCO realignment project and the rehabilitation of two state enterprises, much of the program had yet to be

initiated. To ensure that domestic and foreign resources, which the Government had set aside for local cost financing, would effectively be available for investments and not absorbed into the general budget for recurrent expenditures, the management of the investment fund was handed over to the Caisse Congolaise d'Amortissement (CCA). 1/ At the end of 1978 resources with the CCA amounted to CFAF 6.7 billion (about CFAF 5.0 billion from a Eurodollar loan which was undisbursed in 1978, and CFAF 1.7 billion of salary deductions). An additional CFAF 3.3 billion from salary deductions is estimated to become available to finance the 1979 investment program.

Scope for Stabilizing Finance

100. While there is some scope for improving tax yields, 2/ an immediate improvement in public finances cannot be expected to come from non-oil revenues. Fiscal pressure has reached a high level, and tax rates even had to be reduced in several cases to stimulate economic activity and to protect living standards. The parastatal sector is incapable of contributing substantially to Government resources and will itself require a major injection of capital for its rehabilitation. The small size of the agricultural sector, with limited scope for rapid expansion, also offers little hope of providing new resources. It will, itself, require substantial amounts of financing and other inputs to restore productivity. Temporary measures such as the salary deductions imposed in 1978, will not improve revenues substantially.

101. The variability of oil revenues and stagnating production levels likely for the next few years, do not allow the Government to firmly base a stabilization strategy on the petroleum sector. Revenues originating from petroleum production have proven to be uncertain. Furthermore, the new tax agreements for existing and new wells could well be translated into reduced revenues if production fails to rise to high levels.

102. The limited and uncertain revenue prospects now oblige the Government to reduce expenditures and strengthen its control over the allocation of public funds. Failure to stabilize finances will result in defaults on external debt servicing obligations, the acceleration of external arrears with a consequent drying up of external finance and the inability of the Government to contribute to the country's development. The Government has now reduced investment expenditures to less than the minimum needed to ensure local cost financing of ongoing projects. Subsidies to public entities have also been reduced. Since real outlays on administrative materials and supplies have stagnated in recent years, entailing *inter alia* the deterioration of many of the country's roads due to insufficient maintenance, further cuts in these items could seriously impair the recovery of the economy. A careful

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1/ The CCA has been responsible since 1971 for managing the Government's external debt.

2/ Mainly by enforcing the tax laws in those public enterprises that can afford to pay taxes and by broadening the tax coverage in the informal private sector.

allocation of administrative materials to more productive uses would, however, be warranted. Strengthening finances will, therefore, depend largely on immediate reductions in the external debt burden as well as in the more inflexible items such as wages, salaries and social transfers.

Public Sector Finances 1/

103. Comprehensive historical series on public sector finances are unavailable but partial data for 1975 and 1976 illustrate the deterioration of the financial position of the majority of public enterprises. The main features are: low and often negative rates of return; insufficient working capital; high wage bills relative to output; high inventories relative to sales; high debt equity ratios deteriorating cash positions; the high level of short-term receivables from the Government and other public entities and payables to the Government, public and private suppliers and the banking system; and the deterioration of capital assets.

104. Most alarming has been the deteriorating financial position of the Agence Transcongolaise des Communications (ATC). The economy of the Congo as well as the economies of neighboring countries depend heavily on the ability of the ATC to provide efficient transport services. However, the ATC's ongoing investment program has not achieved the expected increases in transported tonnage because of reduced transport demand for timber and manganese during the recession and the flooding of the potash mine. An important factor was also the lack of Government policies to stimulate investment in the forestry sector. Scarcity of locomotives during 1978 because of inadequate maintenance, the lack of spare parts, and faulty technology also reduced the railway's transport capacity. These factors have placed tremendous strain on ATC's finances and, under prevailing trends, will result in a steady erosion of the agency's working capital position in spite of the austerity program undertaken in 1978 and periodic tariff increases. In view of the present crisis in Central Government finances, there is little hope that the Government will be able to subsidize ATC's operations and assume the bulk of its debt service obligations.

B. Money and Credit

105. The People's Republic of the Congo is a member of the Communaute Financiere Africaine and together with the Cameroon, the Central African Empire, Chad and Gabon, shares a common currency, the CFA franc, issued by a common central bank, the Banque des Etats de l'Afrique Centrale (BEAC). The CFA franc is fully convertible into French francs at the rate of CFAF 50 = 1 FF. Monetary policy for the community is determined by the Board of Directors of the BEAC, assisted by monetary committees at the national level.

1/ See Statistical Annex, Tables 5.7 to 5.17.

In addition to the Central Bank, two commercial banks 1/ provide banking facilities and short- and medium-term credits, while the National Development Bank (BNDC) specializes in medium- and long-term credits. Other financial institutions such as the Compte des Cheques Postaux and the Caisse Nationale de Prevoyance Sociale collect savings.

106. Up to 1973, monetary developments closely followed trends in the rest of the economy, with credit expanding at an average rate of 7.4 percent a year, while GDP increased annually by about 9 percent and the money supply by about 9.3 percent a year. Liquidity problems of commercial and development banks impeded the growth of credit. Central Bank credit to the Government expanded, however, following a readjustment of credit ceilings in 1972 and an increase in budgetary revenues. 2/

107. The years 1973/74 witnessed important changes in monetary and credit trends. While the growth of credit accelerated to 18 percent a year, the liquidity position of the economy improved dramatically. Foreign assets rose by 270 percent in 1973/74, supporting a large increase in the money supply (27 percent a year). The enterprise sector was able to finance its cash needs from current earnings without exhausting credit facilities in the banking system.

108. The highest rate of credit expansion was registered in 1975 (41.4 percent a year). The shortfall in Government oil revenues and large-scale spending for public consumption and investment led the Government to exhaust its credit margin with the BEAC. The enterprise sector, also affected by liquidity problems, rapidly increased its outstanding liabilities to commercial banks. Since the growth of the money supply had slowed down, the increase in outstanding credit was made possible by drawing down foreign reserves and by a sharp rise in other liabilities. While credit expansion decelerated in 1976, it still rose faster than the money supply and, once again, was sustained by a further drawing down of foreign reserves and by foreign medium- and long-term loans by the banking system.

109. The years 1977 and 1978 mark the advent of a liquidity crunch brought about by a drop in the growth rate of the money supply and sharply reduced liquid assets in the banking system. The liquidity problems of the commercial and development banks appear to have been brought about by the following:

1/ Union Bancaire Congolaise and Banque Commerciale Congolaise.

2/ Credit ceilings by BEAC to the Government are established at a level of 20 percent of budgetary revenues in the previous fiscal year.

Table 23: CREDIT DEVELOPMENTS BY ORIGIN, DESTINATION AND FINANCING, 1972-78

(Billions of CFAF and percentages)

	1972	1973	1974	1975	1976	1977	1978
Outstanding credit at end of year (billions of CFAF)	19.6	23.2	27.8	39.3	50.8	57.1	60.8
(% increase/year)	-	18.4	19.8	41.4	28.8	12.4	6.5
Origin (in % of total)							
Central Bank	37.8	40.5	29.1	35.1	33.5	35.2	38.8
Commercial Development Banks & other financial institutions	62.2	59.5	70.9	64.9	66.5	64.8	61.2
Destination (billion of CFAF)							
Central Government	2.5	3.4	5.9	10.0	14.4	18.2	21.4
(% of total)	(12.8)	(14.7)	(21.2)	(25.4)	(28.3)	(31.9)	(35.2)
(% increase/year)	(-)	(54.4)	(73.5)	(69.5)	(44.0)	(26.4)	(17.6)
Remainder of the economy (billions of CFAF)	17.1	19.8	21.9	28.3	36.4	38.9	39.4
(% of total)	(87.2)	(85.3)	(78.8)	(74.6)	(71.7)	(68.1)	(64.8)
(% increase/year)	(-)	(15.8)	(10.6)	(29.2)	(28.6)	(6.9)	(1.3)
Financing (billions of CFAF)							
Net foreign assets (increase -)	-.3	-.5	-3.7	.9	2.6	6.7	6.2
Money Supply	16.0	18.3	25.6	29.0	33.7	34.5	36.9
(% increase/year)	(-)	(14.4)	(39.9)	(13.3)	(16.2)	(2.4)	(7.0)
Other liabilities (net)	3.9	5.4	5.9	9.4	14.5	15.9	17.7
(of which M & LT foreign loans)	(..)	(.9)	(1.5)	(2.7)	(5.9)	(7.3)	(8.9)
(Postal debt)	(..)	(..)	(2.4)	(3.1)	(4.1)	(6.1)	(6.9)
Memo item:							
Total credit as % of GDP	21.5	22.6	20.3	24.6	29.3	31.4	30.1
Ratio of GDP to the Money Supply	6.2	6.0	5.8	5.9	5.6	5.9	6.1

Source: See Statistical Annex, Table 6.3.

(a) Given the overall credit ceilings set by the monetary union, the rapid credit expansion to Government resulted in the compression of available credit to the rest of the economy. Credit extension occurred either directly from the BEAC, and indirectly through defaults by the Government on its obligations toward the French postal system entailing a large rise in the postal debt, and escalating foreign medium- and long-term liabilities of the banking system as a whole.

(b) Defaults on short-term credit repayments by the beleaguered public enterprise sector resulted in a freezing of outstanding credit facilities. The inability of the public enterprises to reimburse short-term credit most likely contributed to reducing liquidity ratios below statutory limits, 1/ thereby inhibiting the ability of the banking system to extend new credits.

(c) The perception of the international financial community of the Congo's reduced creditworthiness led foreign bankers to require Congolese banks to deposit part of their liquid assets abroad probably as guarantees against defaults by Congolese importers on open letters of credits. This is equivalent to increasing the minimum reserve requirement of the commercial banks with a resultant contraction of their ability to extend new credits to the economy.

110. Combined with the fall in the growth of the money supply, there was a sharp deceleration of credit expansion to the enterprise sector. Compared to 1976 when credit to the enterprise sector rose by 29 percent a year, the rate of growth fell to 7 percent a year in 1977 and one percent a year in 1978. The ability of both public and private enterprises to continue to finance current operations and stocks was therefore severely curtailed.

111. Credit developments in the banking system must also be seen in the light of the large-scale increase of payment arrears outside the banking system and of the economy's ability to continue to borrow abroad. In periods of rising economic activity, high liquidity, and a good credit image abroad monetary policy instruments within the monetary union are relatively ineffective in controlling domestic demand. Government and the public sector can always accumulate arrears among themselves, causing a *de facto* expansion of the money supply, provided that the flow of imports of intermediate and consumer goods is maintained. This constraint can then be overcome by borrowing domestically and abroad. In the Congo, the massive increase in arrears

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1/ Under existing BEAC rules, commercial and development banks must maintain a liquidity ratio of 75 percent defined as follows: *current assets* (cash; deposits with other banks including BEAC, the Post Office and the Treasury; holdings of Government securities with maturities of less than 6 months; and short- and medium-term credits rediscounted and rediscountable with the Central Bank) over *short-term liabilities* (demand and time deposits of up to 6 months and credit from the BEAC).

among public sector entities and between the public sector and private suppliers and creditors, domestic and foreign, may be coming to an end as a result of the economy's reduced capacity to import. Furthermore, the large-scale defaults by the public sector on the external debt has considerably reduced the Government's ability to borrow abroad. Under these circumstances, monetary policy including the lowering of overall credit ceilings would be effective as one of the instruments available to the Government in controlling domestic demand and step up the pace of adjustments within the framework of an overall stabilization program.

C. Balance of Payments

112. The Congo's balance of payments has reflected disequilibria in the domestic economy because of its vulnerability to international fluctuations and of urban consumption patterns. Until 1972, the current deficit increased slowly, reaching 31 percent of GDP. It was covered by net inflows of capital from public and private sources so that, on average, the overall balance was slightly positive. In 1973, at the onset of the oil boom, the current account balance improved. A substantial overall deficit was nevertheless recorded owing to a shortfall in net public capital inflows. In 1974, a large surplus was registered on the overall balance because of a sharp improvement in the current account balance and large inflows of public capital, which compensated for the substantial outflows of short-term private capital in the oil sector as is explained in para. 116.

113. The years 1975-76 mark the effect of the prolonged shortfall in petroleum and forestry exports on the current account balance; current account deficits in both years rose to 36 percent of GDP. Thereafter, the current balance slowly improved. However, overall deficits continued to rise rapidly throughout 1975-78 owing to shortfalls in net capital flows and rising external public debt servicing obligations, which were financed, in large part, by arrears of payments. At the end of 1978, gross foreign reserves stood at CFAF 6.3 billion or about one month of merchandise imports.

114. A large current deficit is not unusual for developing countries that are trying to accelerate the pace of GDP growth with resultant large imports of intermediate and capital goods. In the Congo's case, it exposes it to severe balance of payments' pressures should oil production falter again, since much of the deficit is due to high levels of domestic consumption and unproductive public investments.

115. Global information on the Congo's external position conceals important differences between the oil and the non-oil sectors. 1/ Over 1972-77 period, the overall balance of the oil sector was strongly positive while the non-oil sector registered a highly negative and deteriorating overall balance. Therefore, the imbalances that have characterized the Congo's external position

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1/ See Statistical Annex, Table 7.2 for more details.

Table 24: MAIN INDICATORS OF THE BALANCE OF PAYMENTS, 1967-78

(Billions of CFAF and percentages)

	1967-72	1973	1974	1975/76	1977	1978
Exports of goods and NFS	23.9	38.3	75.0	65.9	81.7	83.7
Imports of goods and NFS	-42.0	-52.4	-83.9	-112.3	-121.9	-122.1
Resource gap	-18.1	-14.1	-8.9	-46.4	-40.2	-38.3
(Rate of increase/year)	(7.6)	(-42.0)	(-36.9)	(57.5)	(-14.8)	(-4.7)
Factor service income	-1.5	-6.3	-5.2	-8.1	-10.3	-17.7
Private transfers	-1.5	-5.4	-12.3	-5.4	-6.7	-.6
Current deficit	-21.1	-26.8	-26.4	-59.9	-57.2	-56.6
(Rate of increase/year)	(9.5)	(-6.3)	(-1.5)	(53.7)	(-8.3)	(-1.0)
Financed by: (% of current deficit)						
Government medium- and long-term non-monetary capital	31.6	25.0	78.4	30.6	24.1	41.6
Private M and LT non monetary capital	45.9	64.6	64.8	37.4	56.3	50.0
Other capital n.e.i.	16.1	10.8	-11.0	16.3	-4.4	-9.3
Reserves and other items (- indicates increase)	-	8.2	-9.1	6.8	17.1	18.7
Errors (% of current deficit)	6.4	-8.6	-23.1	8.8	6.9	-4.4

Source: Statistical Annex, Table 7.1

can be attributed to events outside the oil sector, namely: reductions in export volumes of forestry and agricultural products, the rise in both volume and prices of imports, a slowdown in ATC transit traffic, and escalating public debt service obligations. 1/

116. The information also brings to light an interesting fact about oil production in the Congo; except in 1974, the current account balance of the oil sector has never been positive. This is the result of continuous research and development on new oil fields by the oil companies entailing large resource outflows to pay for consultant services and capital imports. Another striking feature is the negative overall balance of the oil sector in the boom year,

1/ In this presentation, from 1976 onwards, public medium- and long-term debt servicing data are recorded as scheduled interest and amortization payments, which are financed either by actual resource flows, debt rescheduling or arrears of payments.

1974. This is the consequence of large short-term capital outflows (commercial credits accorded by domestic oil companies), which were reimbursed the following year.

117. The impact of petroleum production in the Congo is also evidenced by changes in the terms of trade and their effect on the trade balance. The sharp rise in export prices in 1974 largely enabled the economy to sustain the substantial rise in import prices in following years. 1/ A trade balance analysis separates the terms of trade effect from changes in import and export volumes 2/. The calculations show that, except for 1978 when export volumes increased, the poor performance of exports after the 1974 boom was mainly the result of declining export volumes. On the import side, both the rise in volumes and prices contributed to the rise in imports until the end of 1975. In 1976 the effect of falling import volumes was offset by rising prices so that imports in current prices continued to increase slightly. Imports then fell in 1977 and 1978 as the drop in volumes more than offset the effect of price increases.

D. External Debt

118. As a member of the Communaute Financiere Africaine, the Congo is relatively free from foreign exchange constraints. The French treasury convertibility guarantee facilitates the Government's ability to service its external debt although the monetary union would impose penalties and require internal credit contractions if balance of payments deficits exceeded prescribed limits. The relevance of debt service ratios based on export performance is therefore reduced since the economy, and particularly the public sector, can continue to service the debt in situations of trade imbalances without being obliged to immediately compress imports. On the other hand, external debt service payments must be met out of Government and public enterprise revenues. The determinants of the debt service burden are therefore some combination of: the profitability of public enterprises; the growth of Central Government budgetary resources and/or the Government's ability to compress expenditures to meet debt servicing obligations; and the growth of exports or the reduction of imports.

119. In recent years, the rise in the Congo's external medium- and long-term debt has outpaced the public sector's debt servicing capacity. From 1970 to 1978, the outstanding and disbursed debt increased more than fivefold reaching CFAF 150 billion or 74 percent of the GNP. 3/ This meant

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1/ See Statistical Annex, Table 7.3 for estimate of the terms of trade.
2/ See Statistical Annex, Table 7.4.
3/ The outstanding including undisbursed debt is estimated to have reached about CFAF 197 billion or about 111 percent of GNP.

Table 25: MAIN INDICATORS OF THE PUBLIC EXTERNAL DEBT, 1970-85

(Billions of CFAF a/ and percentages)

	1970-72	1973/74	1975-77	1978	Grant element b/	% of the 1979-85 debt service
Outstanding disbursed debt	39.2	49.0	95.4	152.0	-	-
(% increase/year)	(14.5)	(12.4)	(27.4)	(35.2)	-	-
Outstanding incl. undisbursed debt	63.5	91.6	152.9	196.6	22.6	100
(% increase/year)	(26.7)	(15.6)	(24.9)	(8.2)	-	-
Service payments as a % of scheduled debt service						
- Central Government	57.8	58.4	76.4	67.5	-	-
- Other public sector	99.2	100.0	96.2	62.8	-	-
Structure	Percentage of the outstanding including undisbursed debt					
Creditors:						
Private lenders	27.9	30.1	27.1	27.4	-1.3	45.0
International Institutions	16.4	13.8	15.1	17.5	35.6	10.3
Governments	55.7	56.1	57.8	55.1	32.9	44.7
Debtors:						
Central Government	70.6	75.9	67.9	64.7	25.2	67.0
Other public institutions	29.4	24.1	32.1	35.3	20.8	33.0
Memo items						
Outstanding incl. undisbursed debt as a % of GNP	88.8	86.3	103.8	110.5	-	-

a/ Averages except for 1978.
b/ Discounted debt service schedule from 1979 onward (including arrears) compared to outstanding including undisbursed at end 1978. Discount rate: 10 percent.

Source: Statistical Annex, Table 8.1.1.

a fourfold increase in debt servicing obligations at a time when budgetary expenditures tripled and the financial position of public enterprises deteriorated. Despite attempts to stem the growth of external arrears of payments, the Government managed to service only 70 percent of the 1974-77 debt. In 1978, the Government's performance in servicing the debt worsened - only 60 percent of the debt service could be financed. Other public entities, mainly the ATC and the National Development Bank fared better until 1978. However, in this year the ATC accumulated CFAF 1.7 billion of arrears on its debt service. The continuing weak financial performance of the public sector with potential widespread defaults would exacerbate the Central Government's liquidity problems since it is the guarantor of all public external debts.

120. Several factors have combined to worsen the country's external debt problems. Foremost was the expectation at the beginning of the decade that rapidly expanding oil revenues would ease the strain on public finances and allow the Government to engage in large scale foreign commercial borrowing to pursue its ambitious investment programs. As it turned out, most projects implemented with foreign commercial finance were incapable of carrying their own debt burden so that the full impact of the rising debt servicing obligations fell on Government revenues. As the financial position of the Treasury deteriorated, and owing to the difficulty of compressing current outlays, the Government borrowed with bilateral lenders to support the current budget and also borrowed in the Eurodollar market at unfavorable terms to obtain the resources needed to finance local costs of its 1978/79 Action Program. Another adverse development was the hardening of credit terms, first by the Congo's traditional partners as economic prospects brightened in 1972-74 and, later, by commercial lenders as the Government started to default on its debt servicing obligations. Finally, throughout the period, the Central Government relaxed controls over new debt undertakings, allowing individual ministries and public entities to negotiate loans on their own. In many cases, the Central Government only became involved in negotiations at the final stages when credit agreements were to be ratified. The ability of the Caisse Congolaise d' Amortissement (CCA) to maintain control, or, at the very least, to forecast debt servicing obligations, was therefore curtailed. 1/ The CCA has also been unable to maintain an account of debt transactions by public enterprises.

121. Little reliable information is available on the Congo's short-term external debt obligations and its creditworthiness as perceived by foreign lenders. However, the high level of the country's postal debt indicates that a serious problem exists in this respect and the Government has accumulated unpaid bills to international airlines and other foreign suppliers. A disturbing sign of the Congo's reduced creditworthiness is also the requirement by the foreign correspondents of Congolese commercial banks that they deposit

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1/ The CCA, responsible for monitoring the public debt and servicing the debt owed by the Central Government, has no autonomous funds to carry out debt administration and depends on Treasury allocations to meet debt service obligations.

part of their liquid assets abroad to ensure the repayment of commercial credits. The ability of the Government to obtain resources from foreign commercial creditors also appears to be strained. In recent years the Congo has been obliged to pledge future oil and forestry revenues to obtain foreign finance, even at unfavorable terms.

122. The country's debt servicing obligations are now a severe burden on the economy. The scheduled debt service in 1978, including outstanding arrears, stood at 20 percent of exports. The Central Government's debt service obligations (including arrears) accounted for 26 percent of budgetary revenues in 1978, which is expected to rise to about 46 percent in 1979. 1/ The Government's debt servicing obligations will rise from CFAF 15 billion in 1979 to CFAF 18 billion in 1982 and decline thereafter. 2/ Debts service obligations of the public enterprises will rise steadily from 1979 to 1981 and stabilize thereafter until 1985 as a result of loans by the ATC to finance the CFCO realignment project. The persistent high level of the debt service burden over the next five years--even without new debt undertakings--will therefore severely limit the public sector's financial options to undertake new investments. Should the Goverment's and other public entities' debt servicing performance deteriorate, the availability of external finance even at unfavorable terms could very well disappear. To restore the Government's creditworthiness and open up new concessional finance sources, debt relief is urgently required. The Government has obtained substantial year-by-year debt rescheduling with some bilateral lenders. Its ability to continue to roll over its debt in this way will depend on how foreign lenders perceive the measures taken by the Government to improve economic and financial management including measures to meet rescheduled debt servicing obligations.

E. Development Planning and Resource Allocation

123. The Congo has not had a formal development plan since 1968. This is rather unusual for a country where the State has increasingly assumed entrepreneurial functions. An interim program was in effect in 1970-72 and preparatory work was undertaken for a plan covering the following years. At the end of 1972, the Congolese Labor Party issued guidelines for investment activities in the public sector. With the initiation of oil production in

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1/ This is the total scheduled debt in 1979 including arrears up to end 1978. The Government expects to be able to reschedule about CFAF 7.4 billion in scheduled debt service payments, which would lower the ratio to 27 percent including arrears and 13 percent without arrears.

2/ Debt service forecasts do not take into account new debt undertakings after December 1, 1978, debt rescheduling the Government hopes to obtain in 1979, and accumulated arrears. See Chapter V for forecasts of debt service ratios assuming new external commitments after 1978.

1973 and 1974, the Government adopted an investment program for 1975-77 (Premier Programme Triennal de Developpement Economique, Culturel et Social) with planned outlays of CFAF 76 billion. When the Treasury ran into serious liquidity problems in 1975 and 1976 the program was postponed. Disbursements on public medium- and long-term loans increased substantially, however, as a result of higher than expected capital costs affecting manufacturing, infrastructure and, most important, the energy sector.

124. The results of the Congo's efforts in development planning are not satisfactory. An overwhelming proportion of resources (both domestic and foreign) was allocated to projects that have failed to meet production targets and offer little hope of servicing the increase in external debt they have occasioned. Also, adverse developments in petroleum output have shattered hopes of supporting debt repayments of the public sector using oil resources. Despite these adversities, the Government's new 1978/79 Action Program, which aims primarily at rehabilitating the public sector, continues to reflect the optimism of past years regarding both the means necessary to increase productivity in the public sector and its capacity to rapidly improve its performance. The Program also fails to establish project priorities and is founded on optimistic assumptions as to the availability of foreign and domestic finance.

125. A serious shortcoming of the 1978/79 Action Program is the lack of public savings needed to finance even a minimum of the local costs of ongoing projects. For instance, the Government has yet to provide in full its own contribution to the CFCO realignment project. This project accounts for 25 percent of program outlays and needs to be accorded the highest priority. Lacking the financial resources to pursue the Action Program, the Government has contracted a new foreign loan on highly unfavorable terms to finance local costs and provide the public sector with funds for its rehabilitation 1/. However, the evidence points to insufficient project preparation in the public sector to support the burden of this loan so that the already intractable external debt repayment problem experienced by the Central Government will continue to worsen. An equally important shortcoming is the lack of coherent sector strategies well integrated into the overall program and the absence of clear allocative priorities, with the exception of the development of smallholder agriculture which is accorded the highest priority.

1/ US$52.5 million with 2 years grace and 5 years to pay back. The rate of interest is about 1.5 percent above the European Interbank rate. The loan is to be repaid with earmarked oil revenues from the Likouala well, as yet unexploited.

Table 26: FINANCIAL INDICATORS OF DEVELOPMENT PLANS, 1964-78

(Billions of CFAF and percentages)

	1964-68 Development Plan			1975-77 Plan Triennal /a			1978/79 Action Program	
	Planned Outlays	Percentage Allocation Planned	Percentage Allocation Actuals	Planned Outlays	Percentage Allocations Planned	Percentage Allocations Actuals	Planned Outlays	Percentage Allocation
Agriculture forestry fishing	4.9	9	5	11.6	15	3	18.4	14
Industry mining	25.1	46	51	12.6	17	28	26.4	20
Economic infrastructure	8.5	16	18	19.9	26	24	57.4	44
Social infrastructure	10.3	19	13)	)			5.8	5
Services /b	5.5	10	13)	31.9)	42	43	18.6	14
Others	-	-	-)	)			3.9	3
Total	54.3	100	100	76.0	100	100	130.5	100
(% realized)	(85)	(-)	(-)	(138)	(-)	(-)	(-)	(-)
Financing								
Domestic	-	-	18	-	-	31	37	-
Foreign	-	-	82	-	-	69	63	-

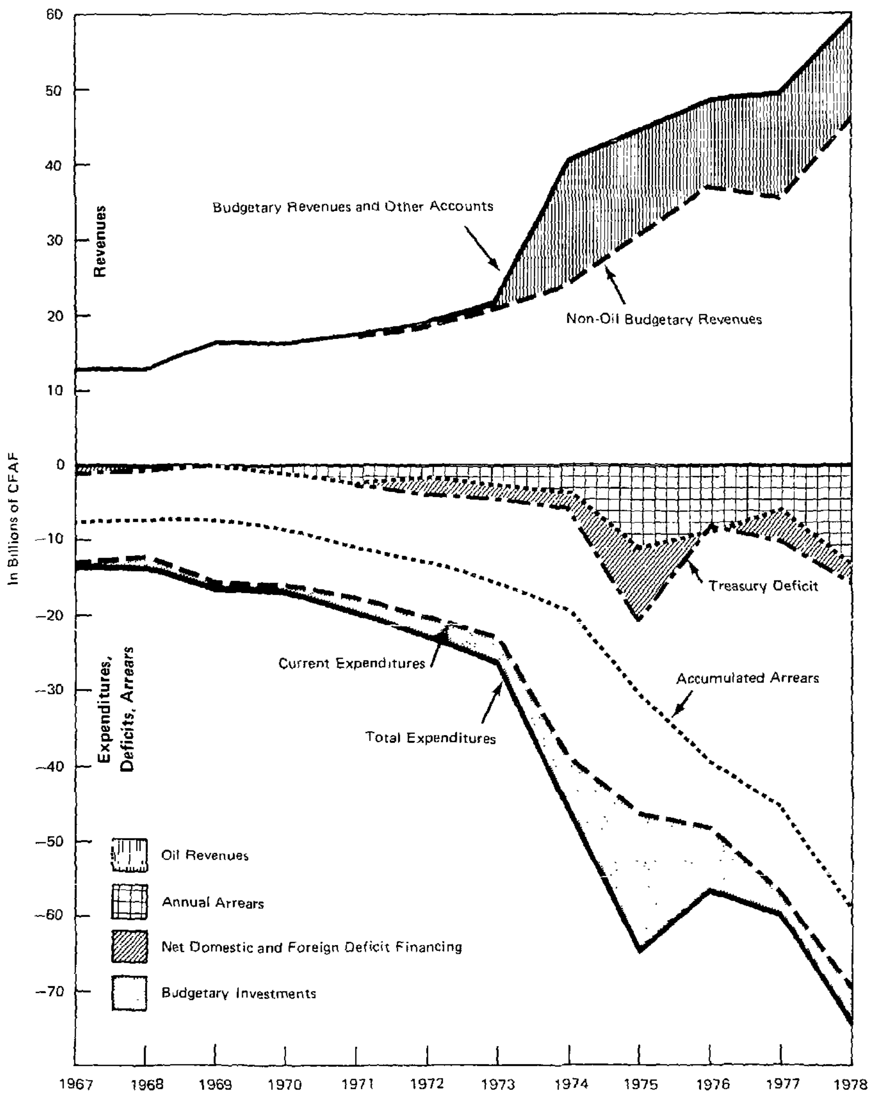
/a Planned outlays for the 1975-77 Plan Triennal are of reduced relevance when compared to actuals since the Program was abandoned at end 1976. The substantial overachievement of the program is due mostly to increased costs for the refinery as well as sustained disbursements on foreign loans in other sectors.

/b Includes defense materials.

Source: IMF Article XIV Consultation Reports, 1966 through 1977.

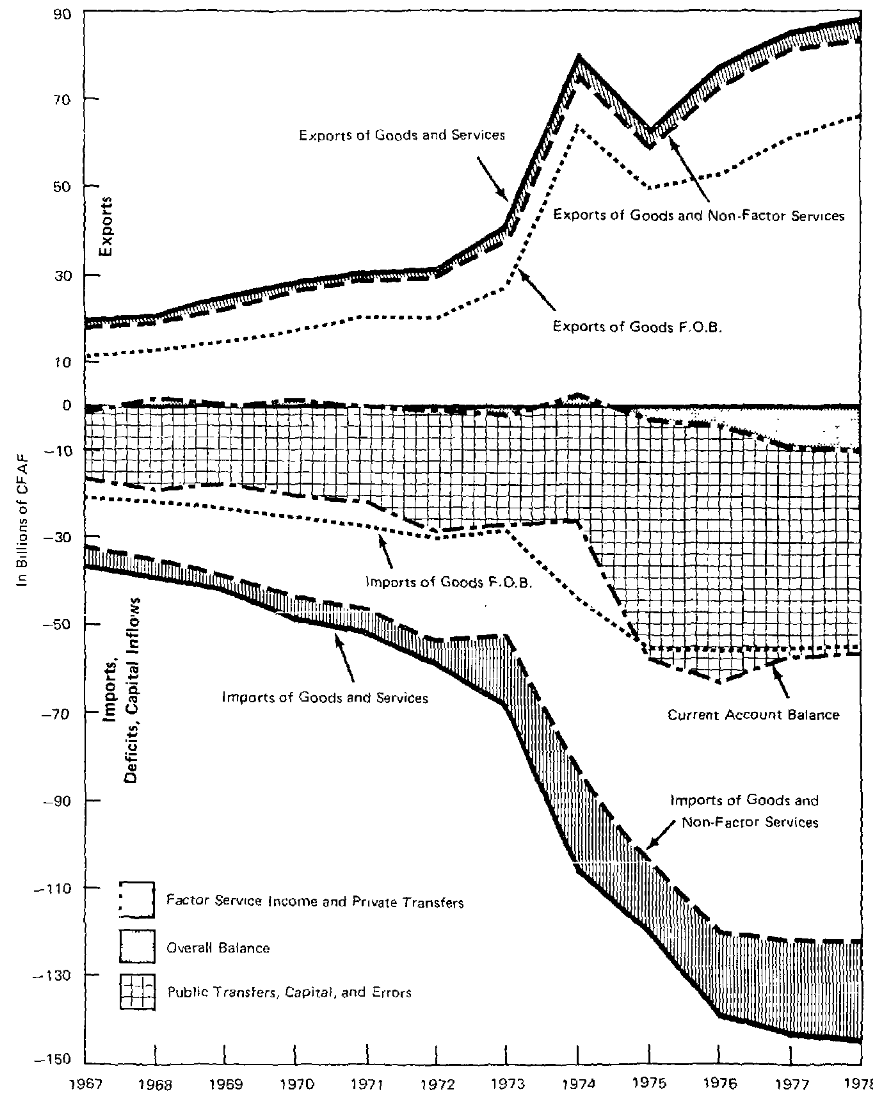
FINANCIAL INDICATORS
(In Billions of CFAF and %)

2.1: Central Government Public Finances, 1967–78



Source: Statistical Annex, Table 5.1

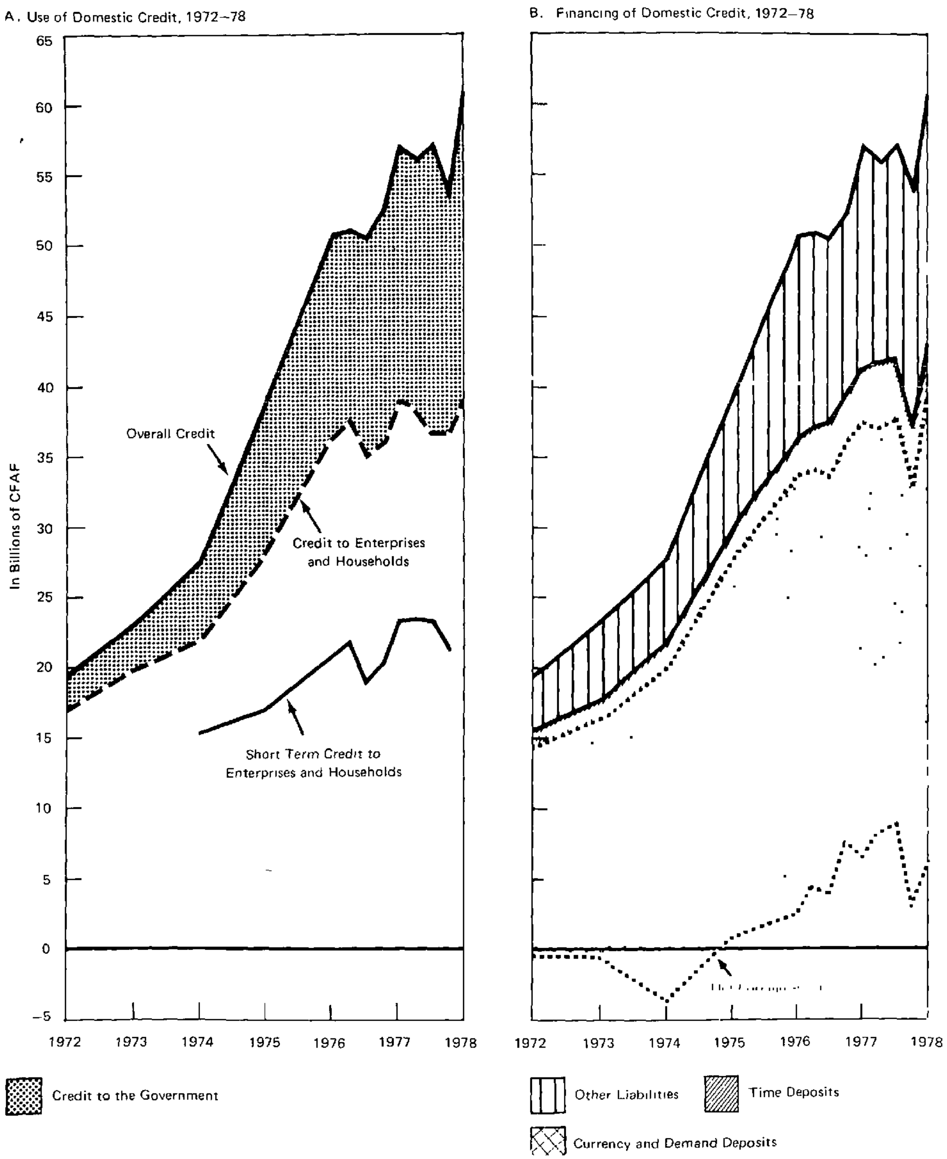
2.2: Balance of Payments, 1967–78



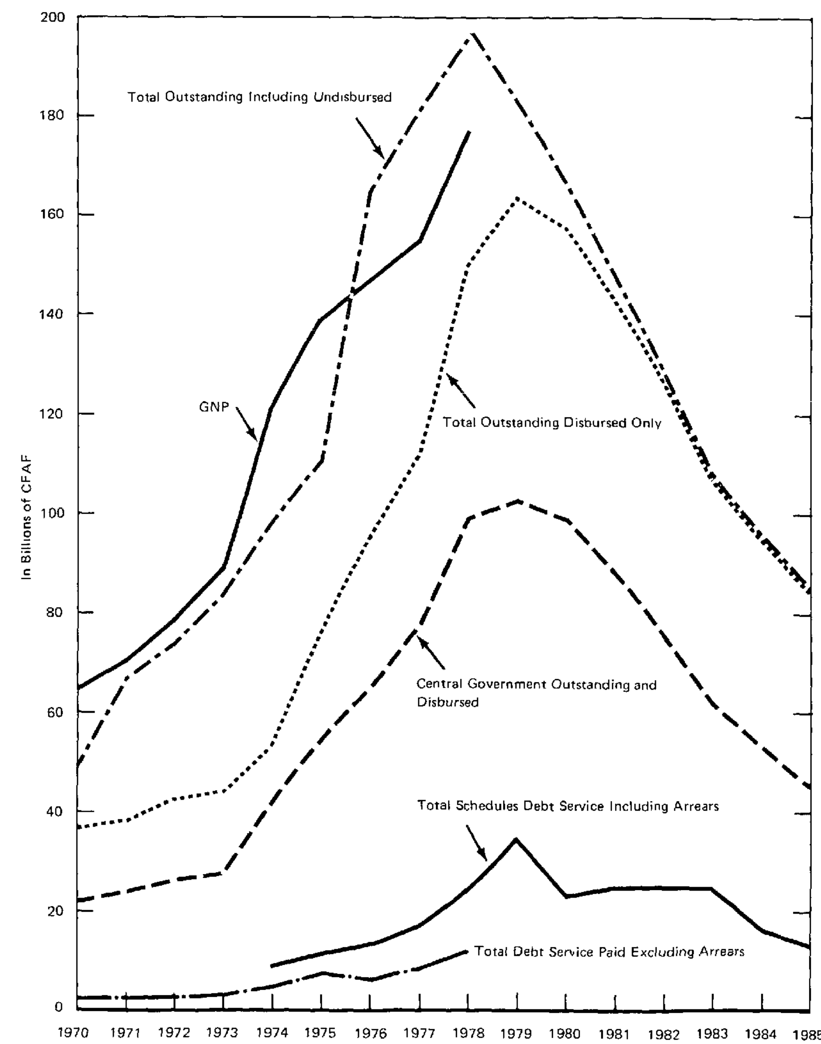
Source: Statistical Annex, Table 7.1

FINANCIAL INDICATORS
(In Billions of CFAF and %)

2.3: Domestic Credit Developments, 1972–78



2.4: External Public Debt, 1970–85



Source: Statistical Annex, Tables 8.1 to 8 3

V. POLICIES AND PROSPECTS

126. This chapter examines the main problems to be resolved by the People's Republic of the Congo to enable it to redress its internal and external finances and at the same time restore economic growth. At this stage, the Congo is left with few options that would simultaneously achieve a manageable domestic and external financial position and an acceptable rate of growth. Yet the two are inseparable because the public revenues needed to maintain a successful medium-term stabilization effort must in large part be obtained from growth in such critical sectors as forestry, and the rehabilitation of state enterprises. A stabilization program building on present Government efforts linked with an indicative medium-term growth strategy is outlined below, including implications for the sectors and the economy until 1985. 1/

A. Stabilization of Public Finances

127. The key to improving the economy is stabilizing public finances, a fact which is well recognized by the Government. Past Government stabilization measures consisted of a number of apparently uncoordinated programs. The 1979 Stand-by Program, undertaken with the assistance of the IMF, which builds on past Government programs, could signify the first step towards a medium-term program that would seek to strengthen internal and external finances and improve the public sector's savings performance.

128. While the Government's efforts are commendable, some of the measures it has taken to improve both the flow and the allocation of public resources for development could prove to be counterproductive in the medium-term. For instance, salary deductions have been imposed as a temporary measure and are to end in October 1979. Given the unfavorable reactions to this policy, the pressure on the Government to put an end to salary deductions will mount thus imperiling the carrying out of future wage control policies, which are basic to stabilizing finances. Furthermore, withdrawing Treasury control over the investment budget can only provide a short-term solution to the difficult problem of improving the allocation of resources between the current and the investment budgets and the tightening of discipline over the use of resources. The experience in 1978 shows that the sharp rise in real investment resources occurred at the time when the current Treasury deficit rose sharply and the Government defaulted on a large portion of its external debt service obligations. The process of isolating resources for investments has also been applied at the sector level: about 60 percent of the 1979 investment budget was earmarked for the Government's priority program of restructuring smallholder agriculture. However, the Government does not yet have adequately

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1/ The stabilization and growth programs outlined below have been quantified and sensitivity tests applied using the Bank's Minimum Standard Model. The implications for medium-term growth and domestic and external finances are shown on an indicative basis in Table 27.

prepared agricultural projects to absorb the finance that is now available. Much of the investment fund is therefore frozen until the project preparation stage is completed, while other priority activities (notably forestry processing enterprises, the CFCO realignment project, the rehabilitation of the energy and water distribution enterprises) have remained virtually without resources.

129. In past and present public finance stabilization programs, the Government paid little heed to the deterioration of the financial position of public enterprises--particularly the ATC--and the possible widespread defaults by enterprises on their own external debt servicing obligations. Most of the Government's proposals within the 1978/79 Action Program consist of new investments and refinancing of working capital as well as some institutional changes. Little progress has been made in enhancing the Government's knowledge and control over the public sector and in enforcing improved financial reporting by the public sector. The plan to create an auditing directorate within the Ministry of Finance has yet to be fully implemented. A commission to carry out the compensation of payment arrears has yet to initiate operations and limits itself to clarifying the financial relations between the Treasury and the public enterprises.

130. The 1979 Stand-by Program with the IMF aims basically at reducing the level of outstanding arrears--domestic and foreign--by CFAF one billion relative to the 1978 level. An important performance criterion is also arresting the rise in new arrears on Central Government and government-guaranteed external debts during 1979. Ceilings on new external indebtedness and on domestic credits are imposed to dampen domestic demand. However, there are no ceilings on new external debt commitments of maturities in excess of 15 years and on debt refinancing. The Government hopes to achieve all of the targets mainly by reducing current expenditures through debt rescheduling with bilateral lenders, new concessional borrowings for budgetary support with bilateral sources, better enforcement of tax collection, particularly with public enterprises, and improved controls over expenditures. If successful, and provided the deterioration in the financial position of large public enterprises can be kept in check, the Stand-by Program could provide the impetus for a more comprehensive medium-term stabilization program.

131. The magnitude of the financial imbalances requires that a stabilization program be carried out over four to five years. This would allow authorities to spread the impact of austerity measures over a longer period of time, improve the mechanisms for controlling expenditures, and link the program with the growth of the economy in mid-stream, thereby ensuring the adequate financing of the public sector. Growth could be stimulated by the measures envisaged to rehabilitate the public sector and attract foreign private partners. The program would require forecasts of available resources over the medium-term and take into account the uncertain financial prospects after 1979, assuming the stagnation, at best, of oil production from existing and new oil wells. It would also establish expenditure targets to reinforce measures already adopted by the Government.

132. Adjustments could be carried out in the following order:

(a) An immediate and comprehensive rescheduling of the external debt including the debt owed by public enterprises in financial difficulties. This would lower the level of payment obligations to be borne by the Government and public enterprises and provide some flexibility in reducing the impact of austerity in other expenditure categories. Since the Government considers that the earmarking process as the only way to ensure availability of resources for specific purposes, it should also be adopted for meeting the rescheduled debt service obligations. The rescheduled debt service payments would, however, increase the debt burden toward the end of the stabilization period, relative to current forecasts, and would need to be met by scaling down, over time, expenditures in other categories.

(b) The definition of an investment program based on a minimum number of high priority projects. The aim would be to limit the number of projects to those for which detailed project preparation could be readily undertaken with local skills and foreign assistance. In turn, the overall financial requirements would be reduced in line with the public sector's future debt servicing capacity and available domestic resources for local cost financing.

(c) A reduction of outlays on goods and service while reallocating them to essential economic and social services.

(d) The reduction of real wages and subsidies to minimum acceptable levels by increasing them at lower rates than inflation. This measure would need to be accompanied by phasing out the system of automatic promotions every two years. Wage bill reductions would provide the margin toward the end of the stabilization period to finance the increase of the debt burden. They would also set the pace of adjustment by civil servants and prospective new entrants toward new career profiles and jobs in other sectors of the economy as well as toward more productive disciplines.

133. Of major importance in the Government's financial stabilization strategy would be the containment of <u>education costs</u>, until the 'Ecole du Peuple' is implemented, which would then channel students into career profiles more in line with the needs of the economy. While speeding up the pace of the readjustment process and carrying out urgently needed manpower studies to better define educational needs, the Government will need to impose on beneficiaries a rising share of the costs of education.

134. Another key element would be the mobilization of foreign concessional assistance to finance projects, including a high proportion of local costs, and to provide budgetary support. Without a comprehensive stabilization program and measures to ensure that rescheduled debt servicing obligations will be met, it is doubtful if sufficient budgetary and project assistance would materialize to ensure the success of such a program.

B. Medium-Term Growth

135. To be successful, measures to improve public finances would need to be combined with a growth program. It would provide new resources while alleviating unemployment. The key components for accelerating growth would be:

(a) the selective rehabilitation of public enterprises;

(b) improvements in the productivity of smallholder agriculture in line with the Government's long-term aim of restructuring the sector;

(c) continued improvements in the transport infrastructure to relax critical transport bottlenecks;

(d) the accelerated development of forestry resources;

(e) the continued high pace of research and development in the oil sector.

In addition to focussing on these critical activities, the Government will also need to develop coherent wage and price policies as the means to improve productivity and incentives.

136. Rehabilitation of public enterprises. The utilization of excess capacity in existing public enterprises potentially provides the most immediate opportunities for restoring growth in the non-oil economy. By rehabilitating public enterprises it would also make them less dependent on operating subsidies and more able to contribute to public savings toward the end of the stabilization period. Even with limited resources, much can be done to improve the performance of the public enterprise system through: on-the-job management, improved decision-making processes by changing the practice of day-to-day control of operations by the administration; strengthening the Government's ability to monitor public enterprises by enforcing the establishment of a uniform accounting system; modifying hiring criteria and practices to attract new entrants in technical fields; and adjusting production targets to take account of financial criteria and profitability. In the absence of such measures most enterprises are not ready to receive the substantial injection of capital, which the Government in its 1978/79 Action Program believes is the solution to raising public sector productivity.

137. Substantial resources are needed for rehabilitating and replacing existing assets as well as replenishing working capital. While some of the investment capital will originate from domestic resources, the bulk of the

resources will have to come from foreign sources. A solution for some public enterprises to mobilize foreign resources, management expertise and the transfer to technology would be to intensify present efforts at attracting foreign partners in management contracts. For public enterprises in which management contracts are not warranted, rehabilitation loans should be scrutinized by the Government in view of the public sector's present external debt problems. Following the system now in place of allocating resources to public enterprises from the Government's own investment budget, new investments should not be undertaken until the institutional reforms, mentioned above, have been carried out and detailed rehabilitation proposals have been formulated.

138. Given the limited resources and planning capacity now available to the Government, the rehabilitation of public enterprises will, of necessity, have to be phased in according to priorities such as the following:

(a) Enterprises in strategic economic activities. They include the energy (SNE) and water production and distribution units (SNDE); the country's rail-road-river transport unit (ATC), telecommunications, air transport (LINACONGO), and road maintenance (RNTP);

(b) Productive enterprises where the preconditions for successful rehabilitation programs already exist, and which would contribute to a short-term improvement in the growth of GDP. This would include enterprises with substantial, unutilized plant capacity, which could be rehabilitated at little cost, possibly with foreign private or public finance that could become available in the short-term (the sugar plant, the cement plant); enterprises that have already developed feasible rehabilitation programs; and enterprises that, if rehabilitated, would benefit from favorable domestic or international demand conditions (forestry production and processing enterprises).

(c) Enterprises that, for a number of reasons (low competitiveness, unadapted technology) will require structural changes in the medium-term and substantial capital infusions. The Government may even decide to close down some enterprises or reduce the scope of their activities until public finances have improved.

139. Agriculture 1/. The Government's new emphasis on restoring the productivity of smallholder agriculture is a much welcomed change over past policies. Nevertheless, in view of the severe constraints affecting traditional agriculture in the Congo (including the dispersion and the aging of

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1/ This section expresses the Bank staff's preliminary conclusions on the Government's agricultural strategy. A sector study is now being undertaken by the FAO/Cooperative Program, which will help to more carefully define the issues involved.

the rural population, the deteriorated transport infrastructure and the lack of project management expertise) the program seems to be overly ambitious. It is based on the major restructuring of Government's agricultural services. A large number of civil servants in the Ministry of Rural Economy that are at present underemployed will be shifted to the Government's two new offices and will be paid from the proceeds of the sale of the cash crops. It is possible that these new institutions will absorb much of the gains to be obtained from the Government's efforts at increasing the productivity of smallholder agriculture. In turn, this would impede the plowing back of benefits to producers, thereby stifling incentives.

140. A more cautious approach would appear to be warranted. A modest first phase program based on countrywide improvements in producer prices, local programs to restore feeder roads, the acceleration of agricultural research, the delivery at low cost of improved inputs and marketing services could be undertaken. A number of pilot projects, limited in scope, consisting of the regrouping of farmers on a voluntary basis, the establishment of minimum socio-economic infrastructures and the extension of agricultural credit could also be undertaken. This would give the new offices and other government agencies the necessary experience on which to base more ambitious programs in the medium- and long-term.

141. The forestry sector has the greatest potential for rapidly embarking the economy on a modest but sustained growth path well into the 1990s. The revival of the forestry sector, which is crucial for the success of a medium-term growth program, hinges mainly on the accelerated development of northern forestry reserves, with the help of foreign private partners. Substantial opportunities are also available to boost production in southern zones, mainly by improving the productivity of public and mixed enterprises.

142. To attract foreign partners in new ventures in the north, the Government will have to adopt more stimulative policies, particularly in the marketing of forestry products. So far, the Government has been reluctant to change the marketing system thinking that foreign investors might be attracted to the Congo on the grounds that wood species in the north are so valuable that forestry operators would seek to exploit them under any condition. This has, however, not been the case. Early action is needed to improve the investment climate and to make OCB's marketing role more predictable. Delays in decision-making in this respect would affect the ATC's finances, jeopardize the financial stabilization program and impede the recovery of the economy.

143. The absence of the coherent transport policy impedes the establishment of investment priorities in the sector. Ongoing improvements and the maintenance of the ATC's transport facilities are crucial for accelerating economic development in northern Congo. To complete the CFCO realignment project, the Government would need to accord it top priority and provide the necessary resources in a timely fashion to meet its obligations toward the donor consortium. Uncertainties regarding future ATC tariffs would also have to be addressed. *Ad hoc* transport tariff increases will not, by themselves, restore the financial equilibrium of the ATC and only hurt the investment

climate, particularly in the forestry sector. A tariff strategy would need to be announced well in advance of rate changes. The ATC's cash flow should be improved also by raising operational efficiency, reducing the wage bill, rescheduling the ATC debt, and stimulating forestry development. The removal of transport bottlenecks in the Zanaga area and the improvement of river transport capacity to northern Congo, are essential prerequisites to developing forestry resources. Given the present financial constraints, the Government should also reassess the external debt implications of the major trunk road development to Ouesso and to Gabon. An alternate strategy would be to maintain and upgrade existing roads while developing air cargo transport to complement ATC efforts on the Brazzaville-Ouesso link. Minimum improvements in farm to market roads would complement investments in transport.

144. Prices and wages. The Congo has yet to establish an income policy that would link prices with the recovery of production costs and incentives. To a large extent, Government has aimed at controlling urban consumer prices with direct price controls over domestically produced goods and lower tariffs on imported goods. Given that wages have risen in many years faster than prices, this has seriously undermined the financial position of public enterprises. Unattractive agricultural producer prices have depressed incentives for smallholders to improve productivity, aggravated disparities in rural-urban living standards, and contributed to rural-urban migration. The establishment of a national wage and price policy, which would improve prospects for cost recovery, increase incentives to raise productivity and reduce rural-urban real income disparities, should therefore be placed at the top of the Government's list of priorities.

C. Prospects for 1979-85

145. Development prospects to 1985 are based on the assumption that the Government adopts a policy package similar to the one proposed above, which would stimulate the mobilization of domestic resources, increase the flow of concessional assistance and improve the investment climate for investment in the economy by foreign private partners. Forecasts also take account of the uncertainties in oil production and assume that no new wells will come on stream during the 1979-85 period after the initiation of production in the Likouala well in 1980.

146. Growth. Under the above assumptions, trends in available domestic resources and their allocation would have the following characteristics:

(a) Total resources would rise at 3 percent/year as GDY would increase at 4.5 percent/year and the net inflows of foreign resources would decline at 5 percent/year. The performance of GDY would be uneven: it would rise sharply in 1979 because of increasing oil output and improved terms of trade owing to recent and forecast oil price increases. GDY would then decline slightly in 1980 as oil production drops in both the Loango and the Emeraude field. From 1981 to 1983, GDY should grow again with the start-up of oil production in the Likouala field and improvements in the performance of

Table 17 : PROSPECTS- GROWTH, CENTRAL GOVERNMENT FINANCES, BALANCE OF PAYMENTS, 1979-85
(In billions of CFAF)

	1978	1979	1980	1981	1982	1983	1984	1985	Rate of increase/yr
	GROWTH (in billions of CFAF at 1970 prices)								
GDP	101.2	106.2	105.9	111.2	118.6	123.6	130.0	137.0	4.7
Income effect of changes in the terms of trade	11.3	14.3	12.0	13.1	13.7	13.7	12.9	12.7	-.6
GDY	112.5	120.5	117.9	124.3	132.3	137.3	142.9	149.7	4.1
Imports of goods & NFS	64.1	65.4	65.0	67.7	68.4	70.1	72.8	74.0	2.3
Exports of goods & NFS	-43.6	-46.9	-43.1	-49.7	-51.7	-54.5	-56.6	-58.7	4.8
Reserve Balance	20.5	18.5	21.9	18.0	16.7	15.6	15.4	15.2	-5.0
Available domestic resources	133.0	139.0	139.8	142.3	149.0	152.9	158.3	164.9	3.0
Domestic Consumption	109.4	113.3	114.0	115.5	119.5	121.7	124.5	129.9	2.3
Gross Domestic Investment	23.6	25.7	25.8	26.8	29.5	31.2	32.8	34.0	5.4
Note: GDS	3.1	7.2	3.9	8.8	12.8	15.6	17.4	18.8	25.9
GNS	-6.3	-2.4	-5.7	-.5	1.8	6.5	8.6	9.2	21.7
	CENTRAL GOVERNMENT PUBLIC FINANCES (billions of current CFAF) 1/								
Revenues	59.2	57.5	62.1	68.2	78.7	86.4	92.6	102.1	10.4
Oil	13.1	17.5	16.1	20.0	21.9	20.7	19.9	19.3	2.4
Non-oil	46.1	40.0	46.0	48.2	56.8	65.7	72.7	82.8	13.2
Expenditures	75.1	68.1	67.4	71.6	76.0	80.6	86.0	93.0	5.7
Current	70.1	57.9	61.4	65.1	69.0	73.1	78.0	84.0	6.3
Investment	5.0	10.2	6.0	6.5	7.0	7.5	8.0	9.0	1.2
Treasury Balance 2/	-15.9	-10.6	-5.3	-3.4	2.7	5.8	6.6	9.1	16.0
Financed by Net foreign borrowings 3/	1.8	-1.2	-13.3	-16.1	-17.0	-18.0	-18.5	-18.5	
Net domestic borrowing	.7	.1	1.1	1.0	1.8	2.7	3.0	3.4	
Debt rescheduling	3.2	7.4	9.4	10.3	8.7	8.6	7.0	5.0	
Concessional Assistance	-	5.3	9.6	10.2	11.7	3.9	5.9	5.5	
Arrears	13.7	-1.0	-1.5	-2.0	-2.5	-3.0	-4.0	-4.5	
Memo items: Accumulated arrears 4/	58.9	26.9	25.4	23.4	20.9	17.9	13.9	8.9	
Scheduled debt service/revenues	19.4	26.3	28.7	30.1	28.6	31.5	31.6	29.9	
Rescheduled debt service/revenues	14.0	13.4	13.5	15.0	17.5	21.5	24.0	27.0	
Treasury balance after amortizing external debt	-24.0	-18.8	-18.6	-19.5	-14.3	-12.2	-11.9	-9.4	
	BALANCE OF PAYMENTS (Billions of current CFAF)								
Resource balance	-38.3	-39.1	-46.6	-39.9	-39.9	-43.5	-39.4	-29.7	-3.8
Current account balance	-56.6	-58.8	-64.3	-58.0	-61.0	-63.4	-58.0	-54.0	-1.3
Financing									
Public grants 5/	7.7	9.0	9.9	10.2	11.7	13.5	15.0	17.5	
Direct private investment	28.3	30.7	32.0	33.0	34.0	32.0	30.0	30.0	
Public M & LT loans	18.7	22.3	22.9	15.5	11.9	10.6	15.0	10.0	
(Disbursement) 6/	(..)	(44.4)	(38.5)	(36.0)	(34.7)	(36.0)	(34.7)	(32.0)	
(Amortization)	(..)	(-14.7)	(-15.6)	(-20.5)	(-22.8)	(-25.4)	(-19.7)	(-22.0)	
Concessional B.O.P. support	1.1	-	-	-	-	5.3	-	-	
Other capital n.e.i.	-4.1	-	-	-	-	-	-	-	
Reserves and related items	7.4	-3.2	-.5	-.7	3.5	2.0	-	-3.5	
Errors and omissions	-2.5	-	-	-	-	-	-	-	
Note. Debt relief (included in public M & LT disbursements & includes public enterprises)	3.2	9.4	10.5	11.2	8.8	7.2	2.0	1.5	
Scheduled debt service / exports	14.0	27.2	24.6	29.6	25.7	25.4	17.8	17.8	
Debt service after debt relief / exports	10.1	16.0	13.8	18.1	18.3	19.8	16.4	16.8	

1/ Data for 1978 not consistent with historical trends and prospects due to the impact on revenues and expenditures of the extended complimentary period in 1978.
2/ Includes credits to public enterprises which were previously contained in part in transfers and subsidies.
3/ From 1979 onward, contains only the amortization of the Central Government's debt.
4/ In 1979, assumes that a compensation of arrears between the Government and public enterprises takes place and external arrears (short-, medium-and long-term debt are rescheduled.)
5/ As of 1979, includes concessional assistance for budgetary support.
6/ Starting in 1979, includes amount of the debt which is rescheduled.

public enterprises. As oil production starts to lag again in 1984 and the cycle of rising productivity in public sector manufacturing comes to an end, the growth of GDY would be sustained by forestry production and processing.

(b) Available resources would be allocated through improved demand management so that domestic consumption rises at 2.3 percent/year (the estimated rate of increase of population) while the rate of investment increases from 18 percent in 1978 to 21 percent in 1985. The shift of resources away from consumption would make the economy less and less dependent on external factors in financing investment. GNS would rise from minus 6 percent of GDY in 1978 to plus 6 percent in 1985 thereby covering about 30 percent of domestic investments.

147. Central Government Finances. To a large extent, the improvements in the allocation of resources and the saving performance of the economy would depend on measures by the Government to control current expenditures and channel an increasing portion of its revenues toward investment. In addition, the program would reduce arrears to a manageable level by 1985 including those to public enterprises. This would improve the financial state of public enterprises and enable them to pay their taxes. Moreover, the program would restore the public sector's credit image at home and abroad. The main features of Government finances would be:

(a) An increase in revenues of about 10 percent/year following trends in the oil and non-oil economy; and, a gradual reduction of the Government's dependence on oil as the main source of revenues.

(b) The growth of current expenditures at a rate about equal to inflation as the Government reduces the intake of new entrants into the civil service and contains wages and other current expenditure items. Austerity measures could be relaxed toward the end of the period as the resource picture improves.

(c) Improvements in the capacity of the Government to service the debt from 13 percent of revenues in 1979 to 25 percent in 1985 and thereafter as rescheduled debt service payments would come to maturity.

148. The Balance of Payments. The country's external finances would also improve during the 1979-85 period because of reduced demand for imports for domestic consumption, increased concessional assistance for development projects and budgetary support, rising net inflows of private capital until 1982 and, thereafter, declining outlays by the oil companies for research and development. The current balance, however, would not improve as rapidly as the resource balance owing to continued high outflows of factor service payments and transfers, particularly by the oil sector, and rising interest

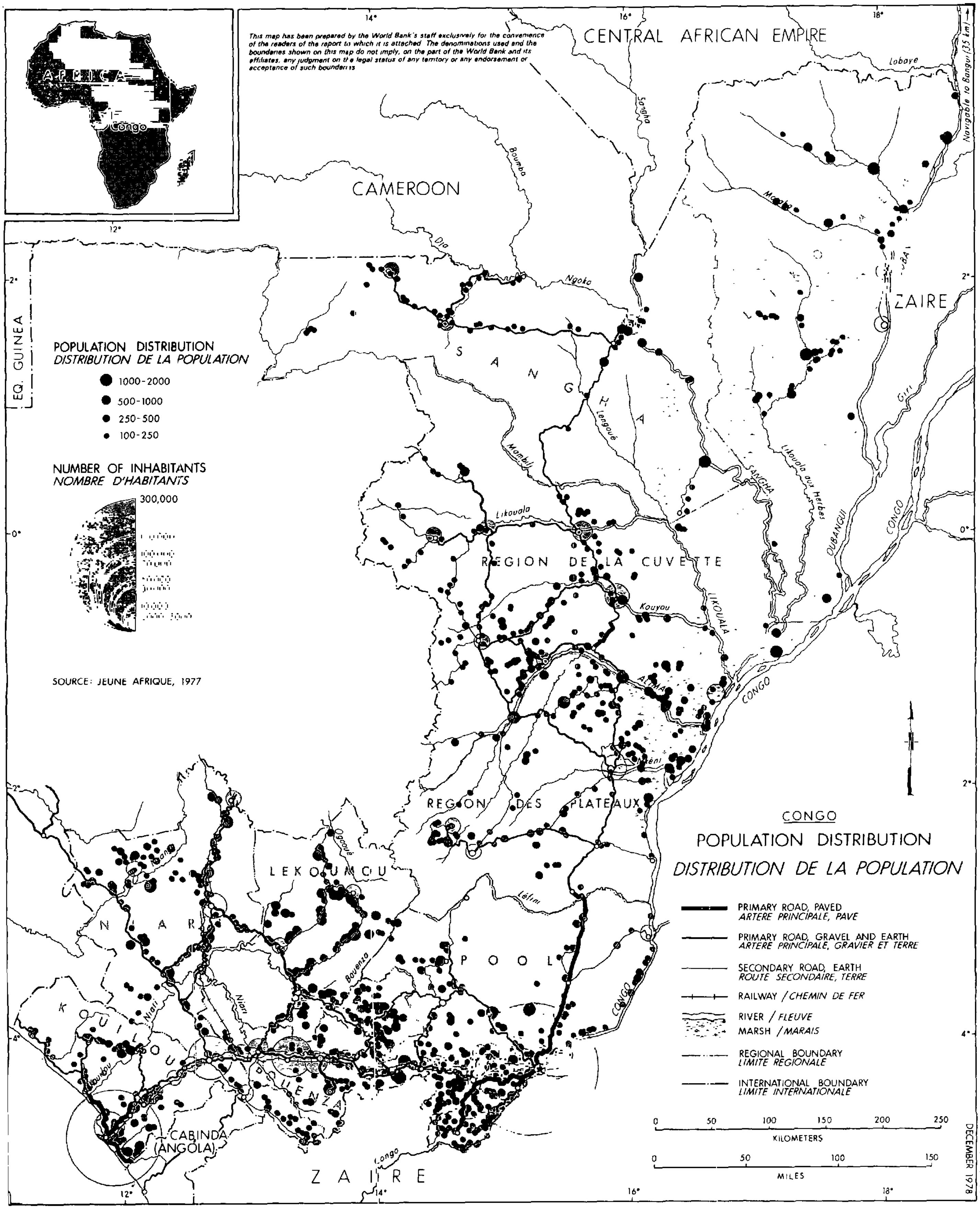
payments on the public debt. Debt rescheduling up to end-1983 would lower the debt service ratio relative to exports to a sustainable, albeit high, level, while foreign resources for balance of payments support would be needed in 1983 as the economy would shift its reliance on oil exports to forestry products.

149. Foreign Assistance. Improving public finances and stabilizing the external account over a program period of about seven years (1979-85) would require substantial support from foreign donors. In addition to debt rescheduling, grant assistance or grant-like loans of about CFAF 150 billion would be required for budgetary (about CFAF 50 billion) and balance of payments support (CFAF 105 billion). Based on historical trends, much of these public capital flows would materialize in any case so that total incremental requirements would be about CFAF 20 billion over the period. Should the accelerated development of forestry occur earlier than forecast, and new oil resources materialize before the end of the period, the foreign capital requirements would be substantially reduced. Ultimately, as the country's external debt service profile and resources improve, its creditworthiness would be restored, and renewed borrowings from commercial sources could be undertaken.

150. In summary, the Congo is facing a serious short-term financial crisis as well as structural obstacles to its economic development. Its comparatively high average per capita income level is based on the value added, largely emanating from the regional transport network and the enclave mining sector. A large proportion of the rural and urban population is poor. The country's financial and economic problems are reflected in large public finance and balance of payments disequilibria. The financial stabilization and medium-term growth programs recommended could permit the Congo to correct its financial situation and resume a reasonable rate of economic development. Assuming the Government commits itself to pursuing these programs, the Congo may be considered eligible for foreign concessional aid, including from the Bank Group, to finance the foreign exchange and part of the local project costs in the transition to an economy ultimately capable of acquiring and servicing debt on more conventional terms.

APPENDIX

Sectoral Location Maps



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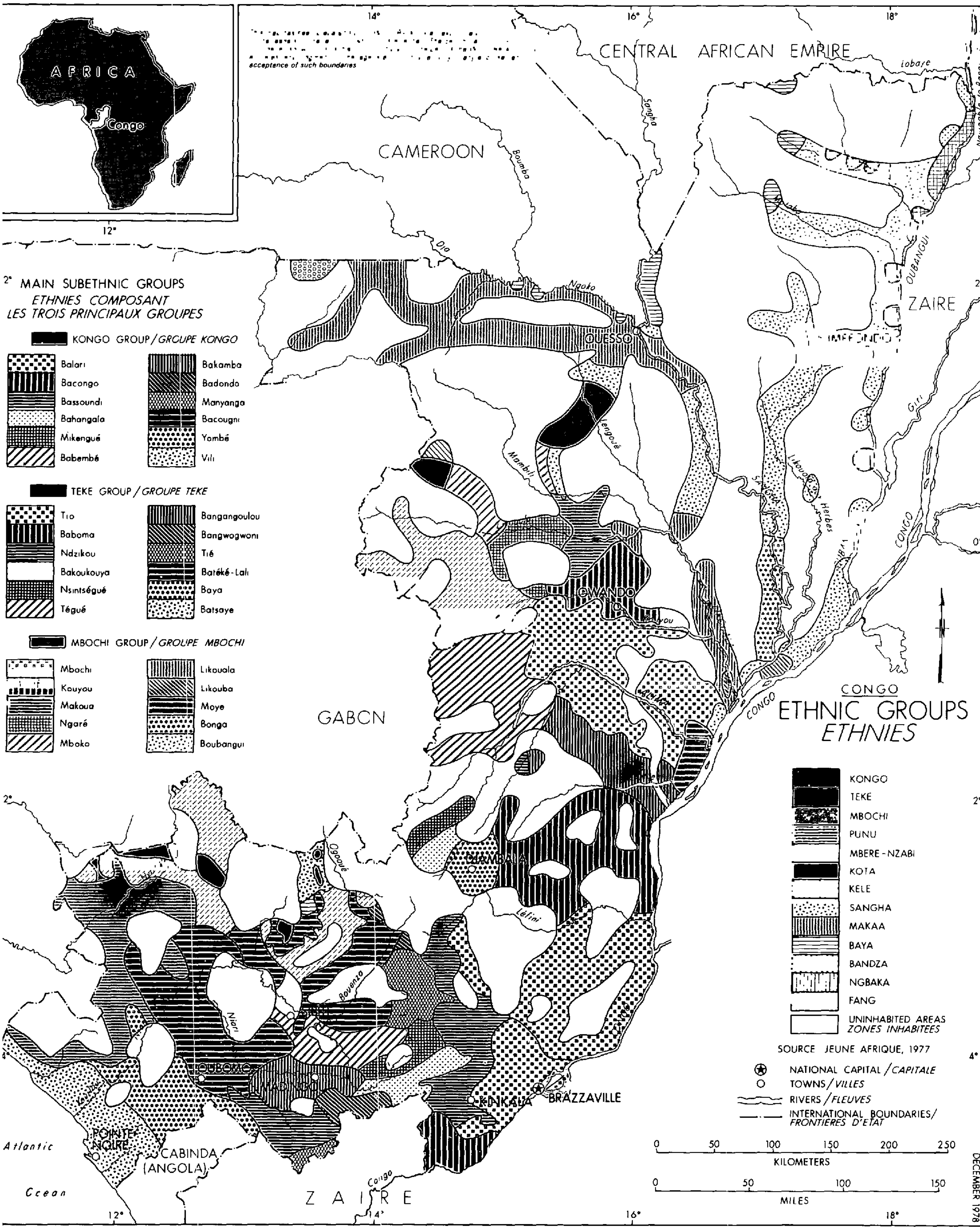
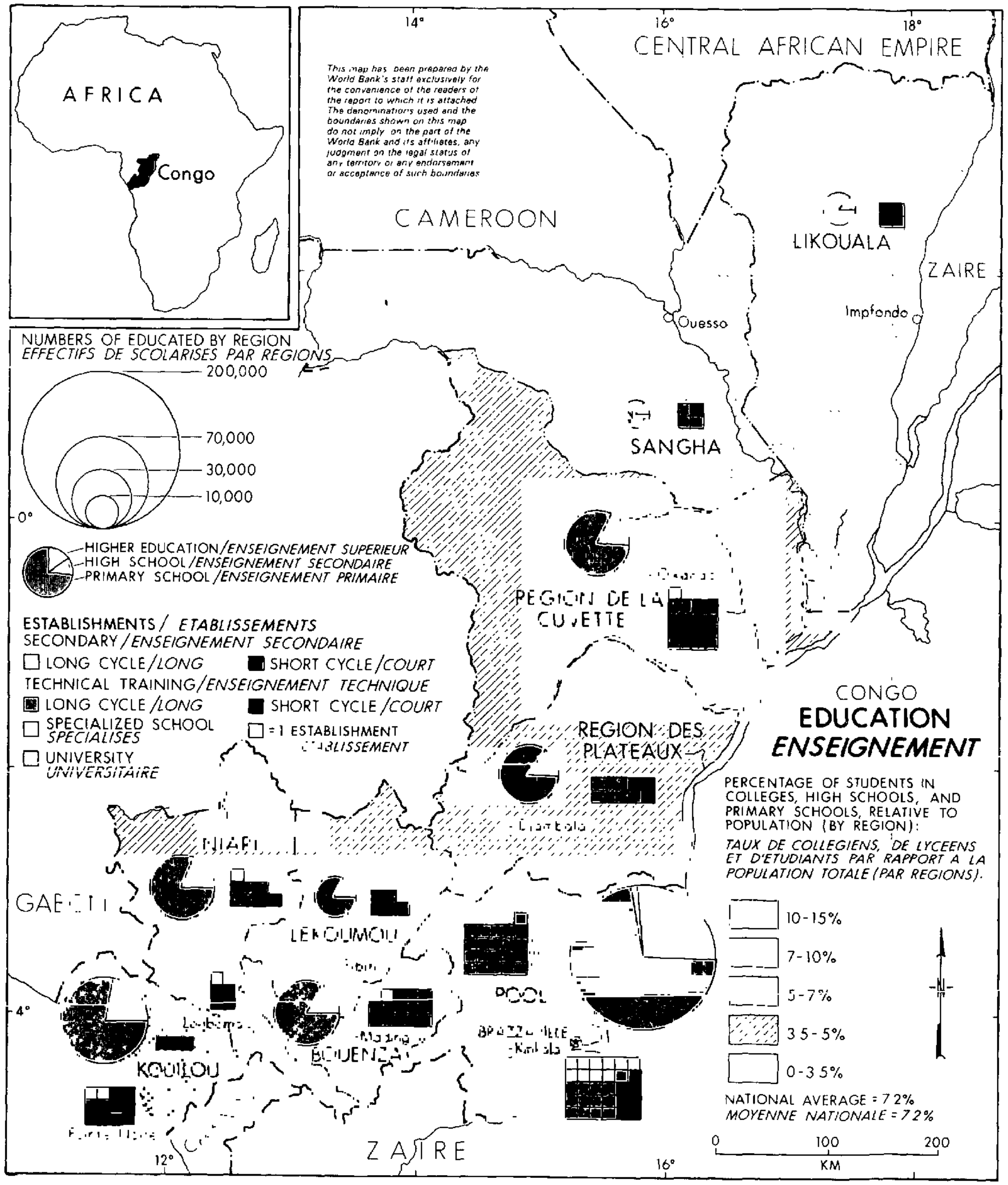
AFRICA
Congo
CENTRAL AFRICAN EMPIRE
CAMEROON
EQ. GUINEA
ZAIRE
CABINDA (ANGOLA)
POPULATION DISTRIBUTION
DISTRIBUTION DE LA POPULATION
1000-2000
500-1000
250-500
100-250
NUMBER OF INHABITANTS
NOMBRE D'HABITANTS
300,000
SOURCE: JEUNE AFRIQUE, 1977
SANGHA
REGION DE LA CUVETTE
REGION DES PLATEAUX
LEKOUMOU
NIARI
POOL
KOUILOU
BOUENZA
Lobaye
Navigable to Bangui (35 km)
Sangha
Boumba
Dja
Ngoko
Motaba
Likouala
Lengoué
Mambili
Likouala aux Herbes
Oubangui
Giri
Congo
Kouyou
Alima
Léfini
Ogooué
Bouenza
Niari
Kouilou
CONGO
POPULATION DISTRIBUTION
DISTRIBUTION DE LA POPULATION
PRIMARY ROAD, PAVED
ARTERE PRINCIPALE, PAVE
PRIMARY ROAD, GRAVEL AND EARTH
ARTERE PRINCIPALE, GRAVIER ET TERRE
SECONDARY ROAD, EARTH
ROUTE SECONDAIRE, TERRE
RAILWAY / CHEMIN DE FER
RIVER / FLEUVE
MARSH / MARAIS
REGIONAL BOUNDARY
LIMITE REGIONALE
INTERNATIONAL BOUNDARY
LIMITE INTERNATIONALE
0 50 100 150 200 250
KILOMETERS
0 50 100 150
MILES
IBRD 13959
DECEMBER 1978



IBRD 13958
DECEMBER 1978

IBRD 14106



AFRICA
Congo
CENTRAL AFRICAN EMPIRE
CAMEROON
ZAIRE
GABON
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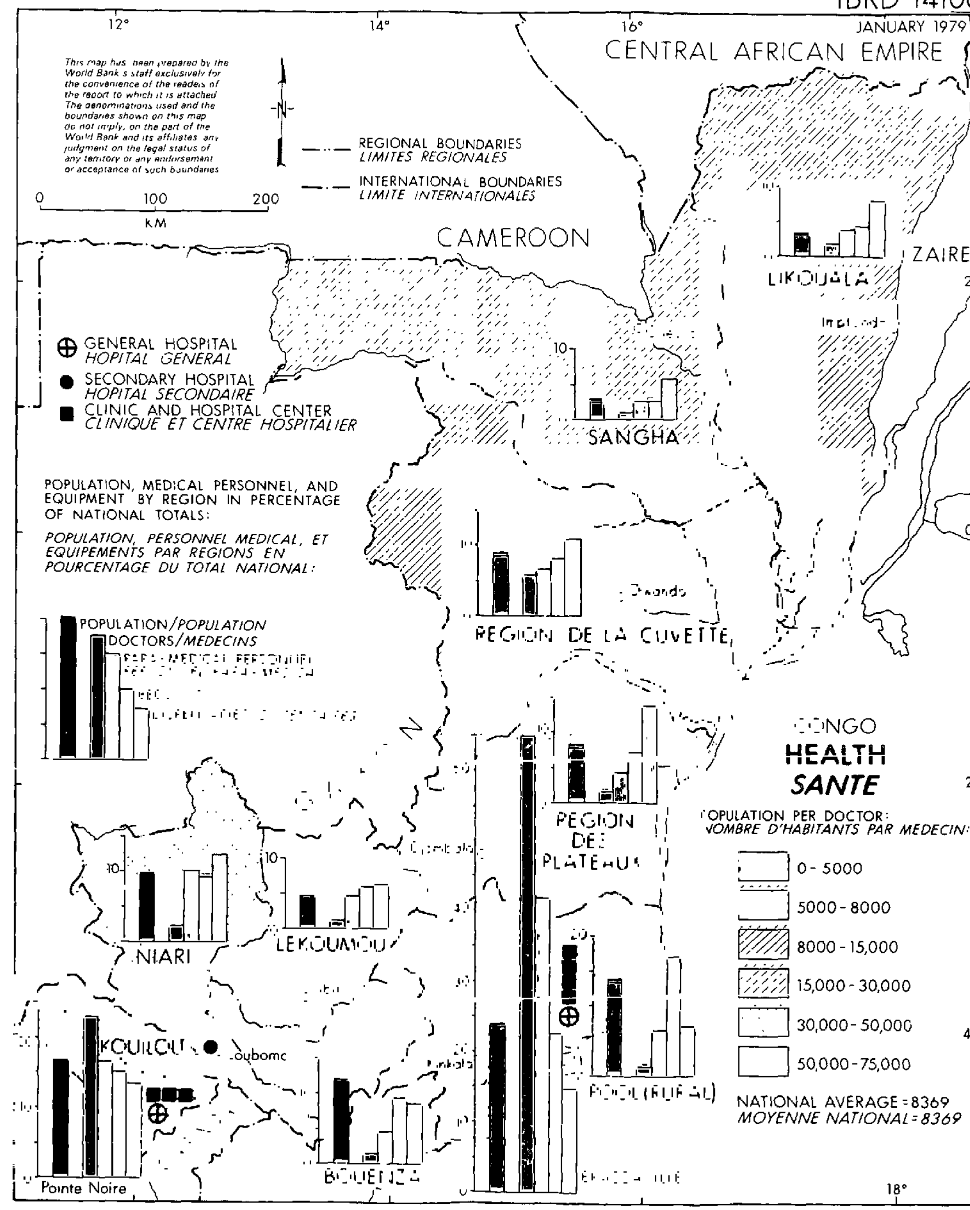
LIKOUALA
Impfondo
Ouesso
SANGHA
REGION DE LA CUVETTE
REGION DES PLATEAUX
NIARI
LEKOUMOU
KOUILOU
BOUENZA
POOL
BRAZZAVILLE
NUMBERS OF EDUCATED BY REGION
EFFECTIFS DE SCOLARISES PAR REGIONS
200,000
70,000
30,000
10,000
HIGHER EDUCATION/ENSEIGNEMENT SUPERIEUR
HIGH SCHOOL/ENSEIGNEMENT SECONDAIRE
PRIMARY SCHOOL/ENSEIGNEMENT PRIMAIRE
ESTABLISHMENTS/ ETABLISSEMENTS
SECONDARY/ENSEIGNEMENT SECONDAIRE
LONG CYCLE/LONG
SHORT CYCLE/COURT
TECHNICAL TRAINING/ENSEIGNEMENT TECHNIQUE
LONG CYCLE/LONG
SHORT CYCLE/COURT
SPECIALIZED SCHOOL
SPECIALISES
=1 ESTABLISHMENT
ETABLISSEMENT
UNIVERSITY
UNIVERSITAIRE
CONGO
EDUCATION
ENSEIGNEMENT
PERCENTAGE OF STUDENTS IN COLLEGES, HIGH SCHOOLS, AND PRIMARY SCHOOLS, RELATIVE TO POPULATION (BY REGION):
TAUX DE COLLEGIENS, DE LYCEENS ET D'ETUDIANTS PAR RAPPORT A LA POPULATION TOTALE (PAR REGIONS).
10-15%
7-10%
5-7%
3.5-5%
0-3.5%
NATIONAL AVERAGE = 7.2%
MOYENNE NATIONALE = 7.2%
0
100
200
KM
14°
16°
18°
12°
0°
4°



JANUARY 1979
CENTRAL AFRICAN EMPIRE
CAMEROON
ZAIRE
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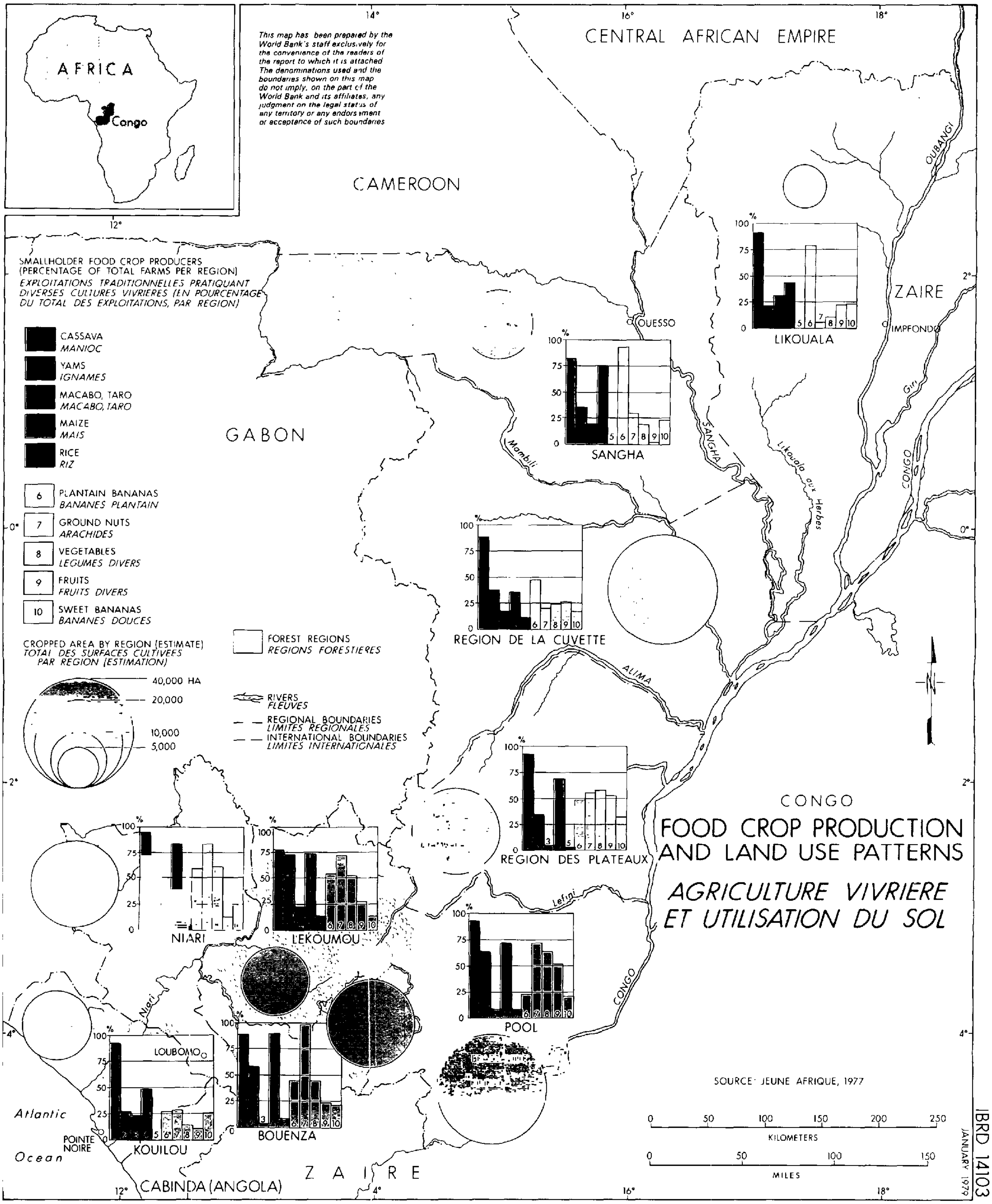
REGIONAL BOUNDARIES
LIMITES REGIONALES
INTERNATIONAL BOUNDARIES
LIMITE INTERNATIONALES
0
100
200
KM
GENERAL HOSPITAL
HOPITAL GENERAL
SECONDARY HOSPITAL
HOPITAL SECONDAIRE
CLINIC AND HOSPITAL CENTER
CLINIQUE ET CENTRE HOSPITALIER
POPULATION, MEDICAL PERSONNEL, AND EQUIPMENT BY REGION IN PERCENTAGE OF NATIONAL TOTALS:
POPULATION, PERSONNEL MEDICAL, ET EQUIPEMENTS PAR REGIONS EN POURCENTAGE DU TOTAL NATIONAL:
POPULATION/POPULATION
DOCTORS/MEDECINS
LIKOUALA
SANGHA
REGION DE LA CUVETTE
REGION DES PLATEAUX
NIARI
LEKOUMOU
KOUILOU
Loubomo
BOUENZA
POOL (RURAL)
Pointe Noire
CONGO
HEALTH
SANTE
POPULATION PER DOCTOR:
NOMBRE D'HABITANTS PAR MEDECIN:
0 - 5000
5000 - 8000
8000 - 15,000
15,000 - 30,000
30,000 - 50,000
50,000 - 75,000
NATIONAL AVERAGE = 8369
MOYENNE NATIONAL = 8369
12°
14°
16°
18°
2°
0°
4°



AFRICA
Congo
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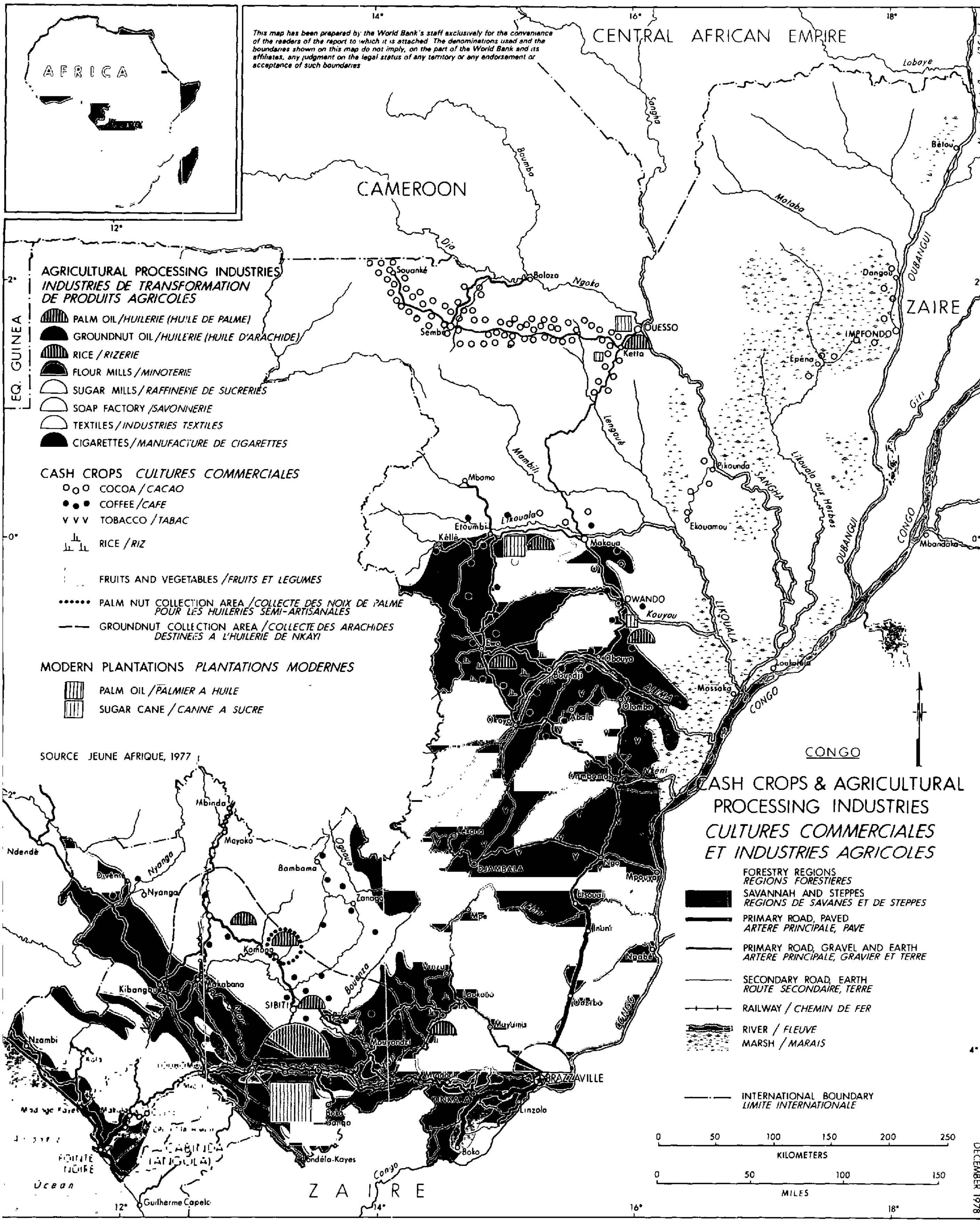
CENTRAL AFRICAN EMPIRE
CAMEROON
GABON
ZAIRE
Z A I R E
CABINDA (ANGOLA)
Atlantic Ocean
SMALLHOLDER FOOD CROP PRODUCERS (PERCENTAGE OF TOTAL FARMS PER REGION)
EXPLOITATIONS TRADITIONNELLES PRATIQUANT DIVERSES CULTURES VIVRIERES (EN POURCENTAGE DU TOTAL DES EXPLOITATIONS, PAR REGION)
CASSAVA
MANIOC
YAMS
IGNAMES
MACABO, TARO
MACABO, TARO
MAIZE
MAIS
RICE
RIZ
6 PLANTAIN BANANAS
BANANES PLANTAIN
7 GROUND NUTS
ARACHIDES
8 VEGETABLES
LEGUMES DIVERS
9 FRUITS
FRUITS DIVERS
10 SWEET BANANAS
BANANES DOUCES
CROPPED AREA BY REGION (ESTIMATE)
TOTAL DES SURFACES CULTIVEES PAR REGION (ESTIMATION)
40,000 HA
20,000
10,000
5,000
FOREST REGIONS
REGIONS FORESTIERES
RIVERS
FLEUVES
REGIONAL BOUNDARIES
LIMITES REGIONALES
INTERNATIONAL BOUNDARIES
LIMITES INTERNATIONALES
LIKOUALA
SANGHA
REGION DE LA CUVETTE
REGION DES PLATEAUX
POOL
NIARI
LEKOUMOU
BOUENZA
KOUILOU
OUESSO
IMPFONDO
LOUBOMO
POINTE NOIRE
OUBANGI
SANGHA
Likouala aux Herbes
Giri
CONGO
Mambili
ALIMA
Lefini
Niari
N
CONGO
FOOD CROP PRODUCTION AND LAND USE PATTERNS
AGRICULTURE VIVRIERE ET UTILISATION DU SOL
SOURCE: JEUNE AFRIQUE, 1977
0 50 100 150 200 250
KILOMETERS
0 50 100 150
MILES
IBRD 14103
JANUARY 1979



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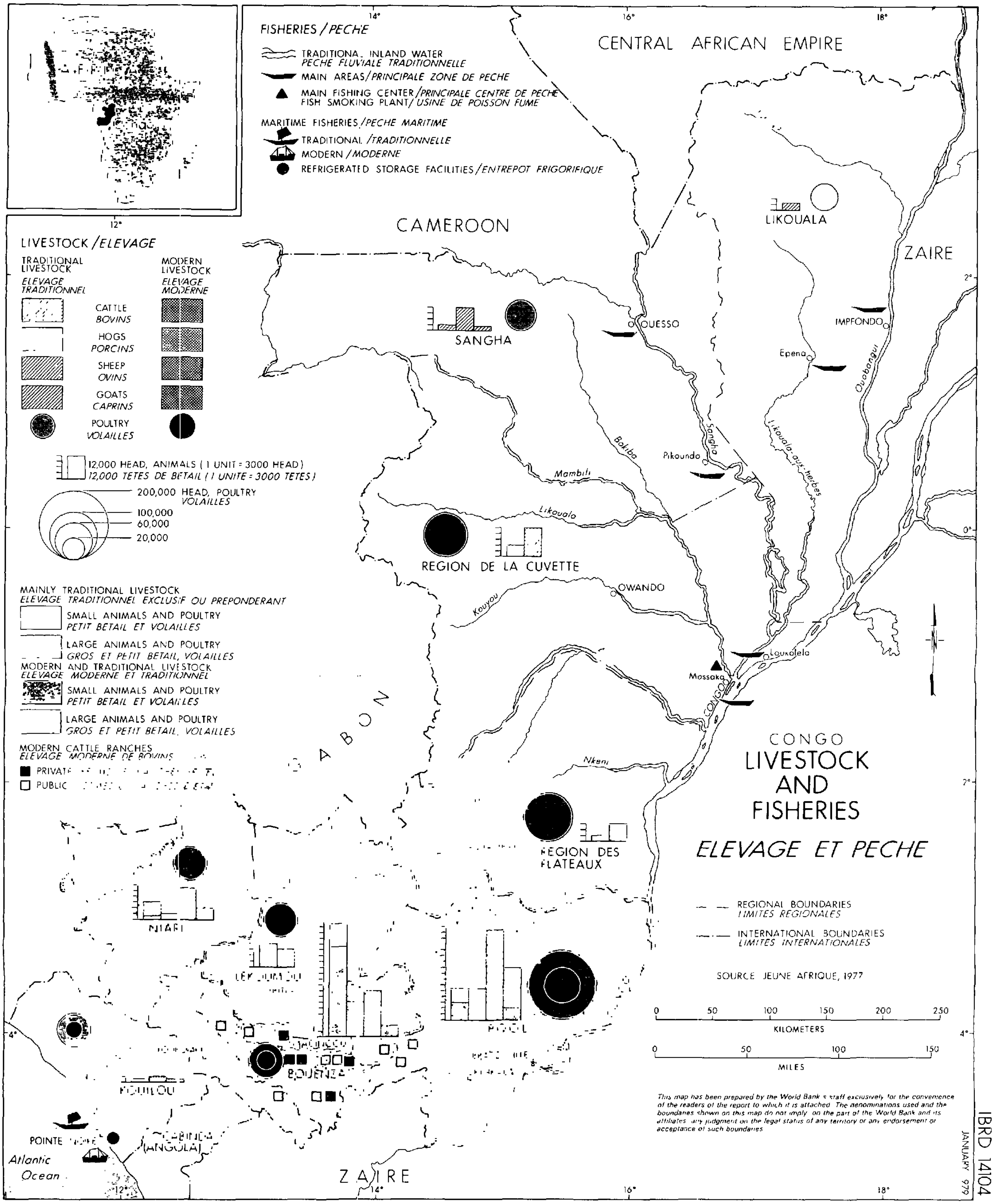
AFRICA
CENTRAL AFRICAN EMPIRE
CAMEROON
EQ. GUINEA
ZAIRE
CONGO
AGRICULTURAL PROCESSING INDUSTRIES
INDUSTRIES DE TRANSFORMATION DE PRODUITS AGRICOLES
PALM OIL / HUILERIE (HUILE DE PALME)
GROUNDNUT OIL / HUILERIE (HUILE D'ARACHIDE)
RICE / RIZERIE
FLOUR MILLS / MINOTERIE
SUGAR MILLS / RAFFINERIE DE SUCRERIES
SOAP FACTORY / SAVONNERIE
TEXTILES / INDUSTRIES TEXTILES
CIGARETTES / MANUFACTURE DE CIGARETTES
CASH CROPS CULTURES COMMERCIALES
COCOA / CACAO
COFFEE / CAFE
TOBACCO / TABAC
RICE / RIZ
FRUITS AND VEGETABLES / FRUITS ET LEGUMES
PALM NUT COLLECTION AREA / COLLECTE DES NOIX DE PALME POUR LES HUILERIES SEMI-ARTISANALES
GROUNDNUT COLLECTION AREA / COLLECTE DES ARACHIDES DESTINEES A L'HUILERIE DE NKAYI
MODERN PLANTATIONS PLANTATIONS MODERNES
PALM OIL / PALMIER A HUILE
SUGAR CANE / CANNE A SUCRE
SOURCE JEUNE AFRIQUE, 1977
CASH CROPS & AGRICULTURAL PROCESSING INDUSTRIES
CULTURES COMMERCIALES ET INDUSTRIES AGRICOLES
FORESTRY REGIONS
REGIONS FORESTIERES
SAVANNAH AND STEPPES
REGIONS DE SAVANES ET DE STEPPES
PRIMARY ROAD, PAVED
ARTERE PRINCIPALE, PAVE
PRIMARY ROAD, GRAVEL AND EARTH
ARTERE PRINCIPALE, GRAVIER ET TERRE
SECONDARY ROAD, EARTH
ROUTE SECONDAIRE, TERRE
RAILWAY / CHEMIN DE FER
RIVER / FLEUVE
MARSH / MARAIS
INTERNATIONAL BOUNDARY
LIMITE INTERNATIONALE
KILOMETERS
0 50 100 150 200 250
MILES
0 50 100 150
Navigable to Bangui (35 km)
Lobaye
Sangha
Boumba
Motaba
OUBANGUI
Bétou
Dongou
IMPFONDO
Epéna
Giri
Souanké
Bolozo
Ngoko
Dja
Sembé
OUESSO
Ketta
Lengoué
Mambili
Likouala aux Herbes
LIKOUALA
Pikounda
Ekouamou
Mbomo
Etoumbi
Likouala
Kéllé
Makoua
OWANDO
Kouyou
Mbandaka
CONGO
Ewo
Boundji
Obouya
ALIMA
Loukoléla
Mossaka
Okoyo
Ollombo
Abala
Gamboma
Nténi
Lékana
DJAMBALA
Ngo
Mpouya
Mbinda
Mayoko
Ndendé
Divenié
Nyanga
Ogooué
Bambama
Zanaga
Kimongo
Bouenza
Kibangou
Makabana
SIBITI
Mouyondzi
Mayama
Nzambi
BRAZZAVILLE
Linzolo
Boko
Kinkala
Madingou
Loutété
Mindouli
Kindamba
Inoni
Ngabé
Odzaba
Boko Songo
Mfouati
Kondéla-Kayes
POINTE NOIRE
Océan
CABINDA (ANGOLA)
Guilherme Capelo
Congo
ZAIRE
12°
14°
16°
18°
2°
0°
4°
IBRD 13960
DECEMBER 1978



FISHERIES / PECHE
TRADITIONAL INLAND WATER
PECHE FLUVIALE TRADITIONNELLE
MAIN AREAS/PRINCIPALE ZONE DE PECHE
MAIN FISHING CENTER/PRINCIPALE CENTRE DE PECHE
FISH SMOKING PLANT/ USINE DE POISSON FUME
MARITIME FISHERIES/PECHE MARITIME
TRADITIONAL /TRADITIONNELLE
MODERN /MODERNE
REFRIGERATED STORAGE FACILITIES/ENTREPOT FRIGORIFIQUE
LIVESTOCK / ELEVAGE
TRADITIONAL LIVESTOCK
ELEVAGE TRADITIONNEL
MODERN LIVESTOCK
ELEVAGE MODERNE
CATTLE
BOVINS
HOGS
PORCINS
SHEEP
OVINS
GOATS
CAPRINS
POULTRY
VOLAILLES
12,000 HEAD, ANIMALS (1 UNIT = 3000 HEAD)
12,000 TETES DE BETAIL (1 UNITE = 3000 TETES)
200,000 HEAD, POULTRY
VOLAILLES
100,000
60,000
20,000
MAINLY TRADITIONAL LIVESTOCK
ELEVAGE TRADITIONNEL EXCLUSIF OU PREPONDERANT
SMALL ANIMALS AND POULTRY
PETIT BETAIL ET VOLAILLES
LARGE ANIMALS AND POULTRY
GROS ET PETIT BETAIL, VOLAILLES
MODERN AND TRADITIONAL LIVESTOCK
ELEVAGE MODERNE ET TRADITIONNEL
SMALL ANIMALS AND POULTRY
PETIT BETAIL ET VOLAILLES
LARGE ANIMALS AND POULTRY
GROS ET PETIT BETAIL, VOLAILLES
MODERN CATTLE RANCHES
ELEVAGE MODERNE DE BOVINS
PRIVATE
PUBLIC
CENTRAL AFRICAN EMPIRE
CAMEROON
ZAIRE
GABON
LIKOUALA
SANGHA
OUESSO
IMPFONDO
Epena
Oubangui
Pikoundo
Sangha
Likouala-aux-herbes
Bokiba
Mambili
Likouala
REGION DE LA CUVETTE
OWANDO
Kouyou
Mossaka
Loukolela
CONGO
Nkeni
REGION DES PLATEAUX
NIARI
POOL
BOUENZA
KOUILOU
POINTE
CABINDA (ANGOLA)
Atlantic Ocean
ZAIRE
CONGO
LIVESTOCK AND FISHERIES
ELEVAGE ET PECHE
REGIONAL BOUNDARIES
LIMITES REGIONALES
INTERNATIONAL BOUNDARIES
LIMITES INTERNATIONALES
SOURCE JEUNE AFRIQUE, 1977
0 50 100 150 200 250
KILOMETERS
0 50 100 150
MILES
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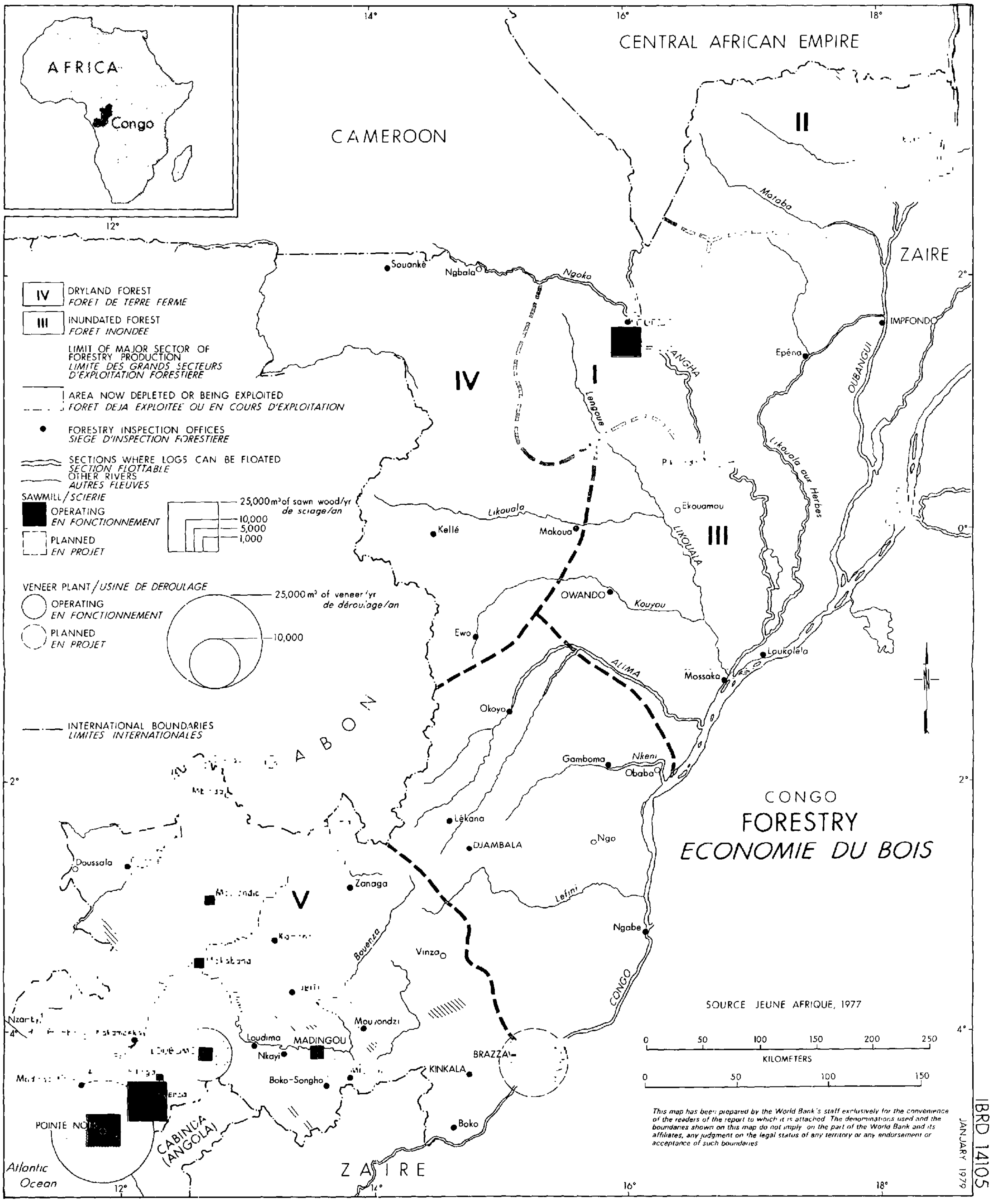
14° 16° 18° 12° 2° 0° 2° 4°
IBRD 14104
JANUARY 1979



AFRICA
Congo
CENTRAL AFRICAN EMPIRE
CAMEROON
ZAIRE
GABON
CABINDA (ANGOLA)
Atlantic Ocean
IV
DRYLAND FOREST
FORET DE TERRE FERME
III
INUNDATED FOREST
FORET INONDEE
LIMIT OF MAJOR SECTOR OF FORESTRY PRODUCTION
LIMITE DES GRANDS SECTEURS D'EXPLOITATION FORESTIERE
AREA NOW DEPLETED OR BEING EXPLOITED
FORET DEJA EXPLOITEE OU EN COURS D'EXPLOITATION
FORESTRY INSPECTION OFFICES
SIEGE D'INSPECTION FORESTIERE
SECTIONS WHERE LOGS CAN BE FLOATED
SECTION FLOTTABLE
OTHER RIVERS
AUTRES FLEUVES
SAWMILL/SCIERIE
OPERATING
EN FONCTIONNEMENT
PLANNED
EN PROJET
25,000m³ of sawn wood/yr
de sciage/an
10,000
5,000
1,000
VENEER PLANT/USINE DE DEROULAGE
OPERATING
EN FONCTIONNEMENT
PLANNED
EN PROJET
25,000 m³ of veneer/yr
de déroulage/an
10,000
INTERNATIONAL BOUNDARIES
LIMITES INTERNATIONALES
Souanké
Ngbala
Ngoko
Lengoue
Likouala
Kellé
Makoua
Ekouamou
Likouala aux Herbes
Motaba
IMPFONDO
Epéna
OUBANGUI
OWANDO
Kouyou
Ewo
ALIMA
Okoyo
Mossaka
Loukolela
Gamboma
Nkeni
Obaba
Lékana
DJAMBALA
Ngo
Lefini
Ngabe
Zanaga
Doussala
Bouenza
Vinzo
Mouyondzi
Loudima
MADINGOU
Nkayi
Boko-Songho
KINKALA
BRAZZA
Boko
POINTE NO
CONGO
I
II
V
CONGO
FORESTRY
ECONOMIE DU BOIS
SOURCE JEUNE AFRIQUE, 1977
0
50
100
150
200
250
KILOMETERS
0
50
100
150
MILES
12°
14°
16°
18°
2°
0°
4°
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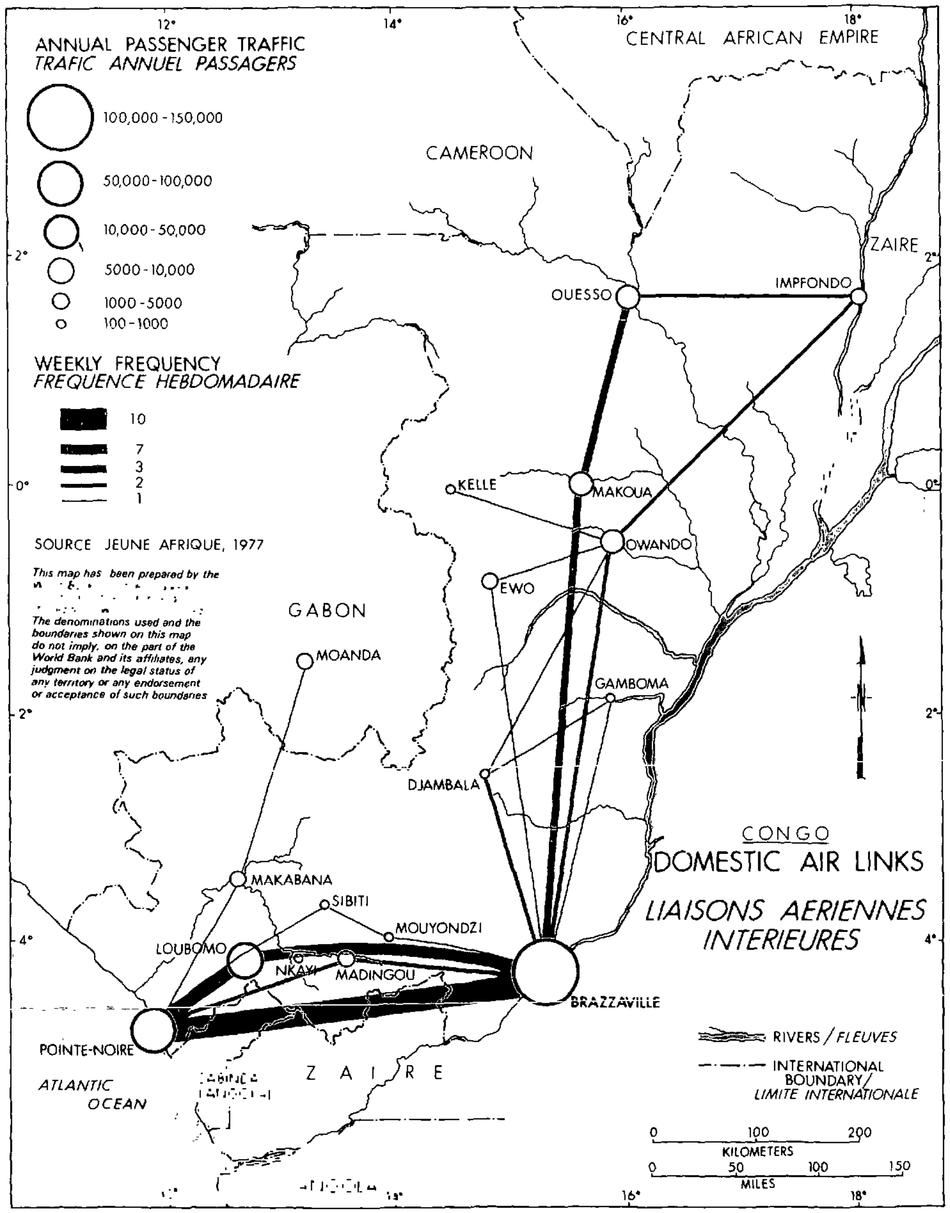
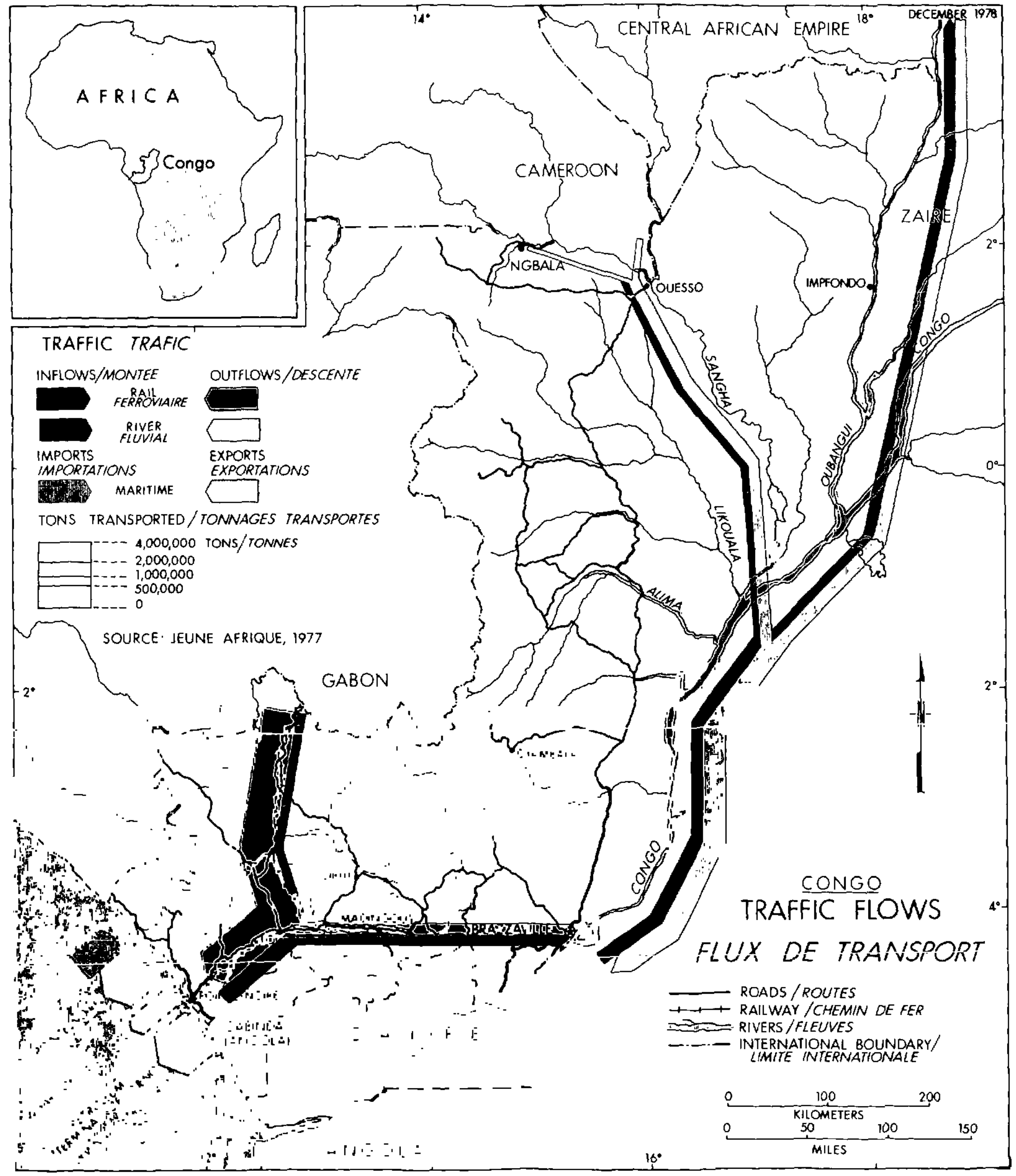
IBRD 14105
JANUARY 1979

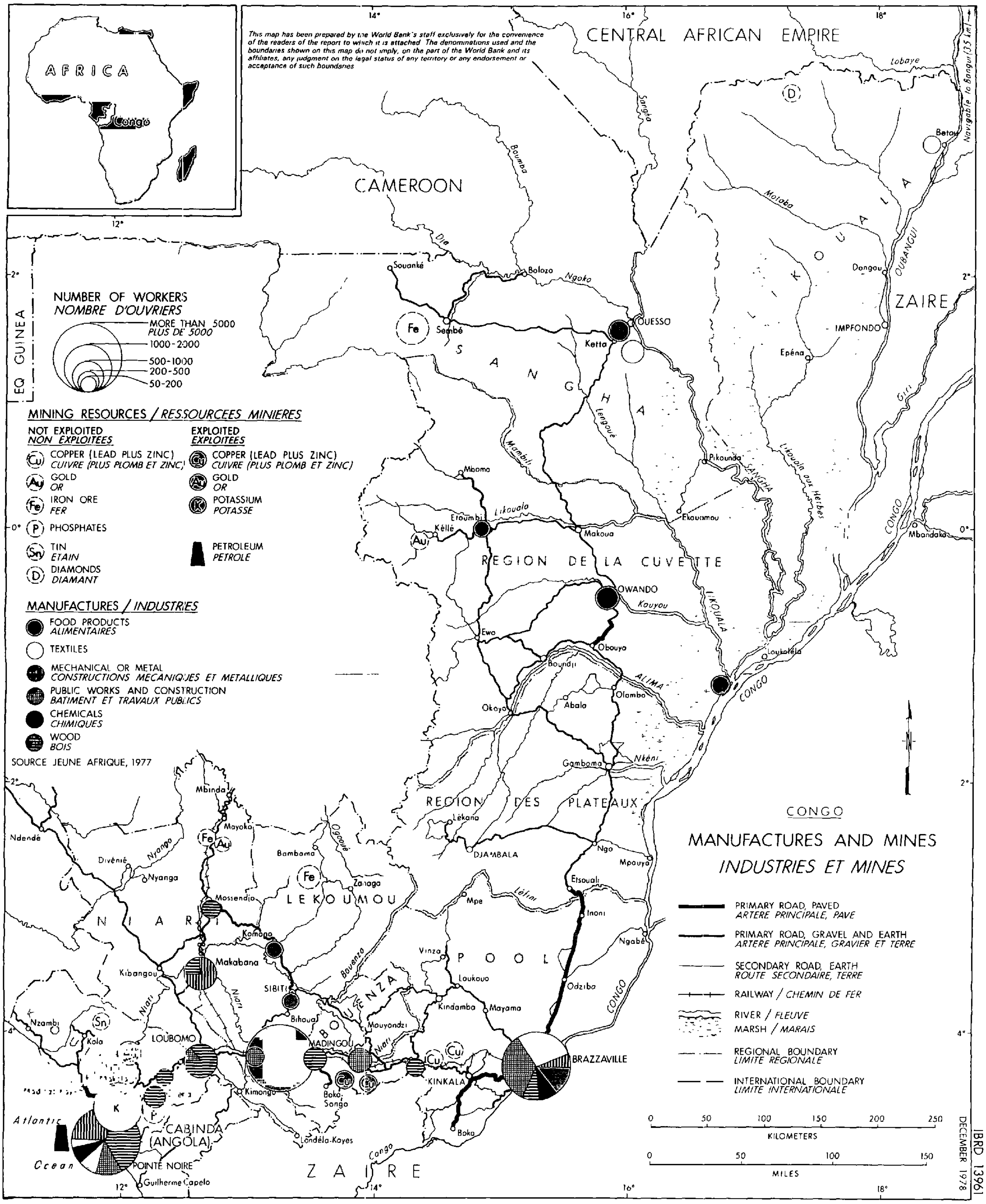
IBRD 13962



ANNUAL PASSENGER TRAFFIC
TRAFIC ANNUEL PASSAGERS
100,000 - 150,000
50,000 - 100,000
10,000 - 50,000
5000 - 10,000
1000 - 5000
100 - 1000
WEEKLY FREQUENCY
FREQUENCE HEBDOMADAIRE
10
7
3
2
1
SOURCE JEUNE AFRIQUE, 1977
The denominations used and the boundaries shown on this map do not imply, on the part of the World Bank and its affiliates, any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries
CENTRAL AFRICAN EMPIRE
CAMEROON
ZAIRE
GABON
OUESSO
IMPFONDO
KELLE
MAKOUA
OWANDO
EWO
MOANDA
GAMBOMA
DJAMBALA
MAKABANA
SIBITI
MOUYONDZI
LOUBOMO
NKAYI
MADINGOU
BRAZZAVILLE
POINTE-NOIRE
ATLANTIC OCEAN
Z A I R E
CONGO
DOMESTIC AIR LINKS
LIAISONS AERIENNES INTERIEURES
RIVERS / FLEUVES
INTERNATIONAL BOUNDARY/ LIMITE INTERNATIONALE
KILOMETERS
MILES



DECEMBER 1978
AFRICA
Congo
TRAFFIC TRAFIC
INFLOWS/MONTEE
OUTFLOWS/DESCENTE
RAIL FERROVIAIRE
RIVER FLUVIAL
IMPORTS IMPORTATIONS
EXPORTS EXPORTATIONS
MARITIME
TONS TRANSPORTED / TONNAGES TRANSPORTES
4,000,000 TONS/TONNES
2,000,000
1,000,000
500,000
0
SOURCE JEUNE AFRIQUE, 1977
CENTRAL AFRICAN EMPIRE
CAMEROON
ZAIRE
GABON
NGBALA
OUESSO
IMPFONDO
SANGHA
LIKOUALA
OUBANGUI
CONGO
ALIMA
CONGO
TRAFFIC FLOWS
FLUX DE TRANSPORT
ROADS / ROUTES
RAILWAY / CHEMIN DE FER
RIVERS / FLEUVES
INTERNATIONAL BOUNDARY/ LIMITE INTERNATIONALE
KILOMETERS
MILES



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AFRICA
Congo
CENTRAL AFRICAN EMPIRE
CAMEROON
EQ. GUINEA
ZAIRE
CABINDA (ANGOLA)
Atlantic Ocean
NUMBER OF WORKERS
NOMBRE D'OUVRIERS
MORE THAN 5000
PLUS DE 5000
1000-2000
500-1000
200-500
50-200
MINING RESOURCES / RESSOURCEES MINIERES
NOT EXPLOITED
NON EXPLOITEES
EXPLOITED
EXPLOITEES
COPPER (LEAD PLUS ZINC)
CUIVRE (PLUS PLOMB ET ZINC)
GOLD
OR
IRON ORE
FER
PHOSPHATES
TIN
ETAIN
DIAMONDS
DIAMANT
POTASSIUM
POTASSE
PETROLEUM
PETROLE
MANUFACTURES / INDUSTRIES
FOOD PRODUCTS
ALIMENTAIRES
TEXTILES
MECHANICAL OR METAL
CONSTRUCTIONS MECANIQUES ET METALLIQUES
PUBLIC WORKS AND CONSTRUCTION
BATIMENT ET TRAVAUX PUBLICS
CHEMICALS
CHIMIQUES
WOOD
BOIS
SOURCE: JEUNE AFRIQUE, 1977
SANGHA
LIKOUALA
REGION DE LA CUVETTE
REGION DES PLATEAUX
LEKOUMOU
NIARI
POOL
BOUENZA
KOUILOU
Souanké
Bolozo
Sembé
OUESSO
Ketta
Betou
Dongou
IMPFONDO
Epéna
Pikounda
Ekouamou
Mbomo
Etoumbi
Kéllé
Makoua
Mbandaka
OWANDO
Ewa
Obouya
Boundji
Loukoléla
Okoyo
Abala
Olombo
Gamboma
Lékana
DJAMBALA
Ngo
Mpouya
Etsouali
Mpe
Inoni
Ngabé
Odziba
Mbinda
Mayoko
Ndendé
Divénié
Nyanga
Bambama
Zanaga
Mossendjo
Komono
Makabana
Kibangou
SIBITI
Bihoua
Vinza
Loukouo
Kindamba
Mayama
Mouyondzi
MADINGOU
LOUBOMO
Nzambi
Kola
Kimongo
Boko Songo
KINKALA
BRAZZAVILLE
Boko
Londéla-Kayes
POINTE NOIRE
Guilherme Capelo
Lobaye
Sangha
Boumba
Dja
Ngoko
Motaba
OUBANGUI
Giri
Lengoué
Mambili
Likouala
Likouala aux Herbes
CONGO
Kouyou
ALIMA
Nkéni
Ogooué
Nyanga
Léfini
Bouenza
Niari
Navigable to Bangui (35 km)
CONGO
MANUFACTURES AND MINES
INDUSTRIES ET MINES
PRIMARY ROAD, PAVED
ARTERE PRINCIPALE, PAVE
PRIMARY ROAD, GRAVEL AND EARTH
ARTERE PRINCIPALE, GRAVIER ET TERRE
SECONDARY ROAD, EARTH
ROUTE SECONDAIRE, TERRE
RAILWAY / CHEMIN DE FER
RIVER / FLEUVE
MARSH / MARAIS
REGIONAL BOUNDARY
LIMITE REGIONALE
INTERNATIONAL BOUNDARY
LIMITE INTERNATIONALE
0 50 100 150 200 250
KILOMETERS
0 50 100 150
MILES
IBRD 13961
DECEMBER 1978