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Contacts
Zaire (1976-1980)

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Contacts with member countries - Zaire - Correspondence 03

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OFFICE OF THE PRESIDENT

Foreign Minister DZair - 8/17/76

I Pres, has said that he loves the US & grateful for what the US & I did have done - "men like me are rare in this world" welcomes the idea which will help him a lot, but he doesn't appreciate the comments of Wiseman - he wants us to tell him what is wrong but doesn't want abuse from Wiseman -

The I.D.A. is correct + appreciates our remarks -

II 2nd part of message to explain what the Pres has done to improve the situation in Zair -

- has taken unpopular measures:
- A. Devalued - recognizes it was not as soon as IMF recommended - could not do it earlier because of political problem
 - B. Adjusted prices
 - C. Held salary increase down
 - D. Reduced imports of luxury goods

OFFICE OF THE PRESIDENT

There are 3 things the W.B.R. wants =
Budget
Plan
debt

I Re the Plan:

would have preferred - Bk to send experts
who had experience with poor countries -
wants "better experts"

Lawrence J. The Bk made a report
which apparently agreed -

Pres has created a Stabilization Committee
with Pres as Chairman -

Pres will personally follow the implementa-
tion of the measures he has taken -

Pres has also created a Plan Committee
that he will also chair -

II Pres recognizes that the foreign debt has
increased too rapidly + that Zaire
hasn't even known the total + that
there is no specific org in charge
of it -

∴ Pres will create a Debt Mgmt Institute -
he wanted M.V.'s ideas -

III Re the budget

Pres recognizes the deficit is important
[accepts and states it] + he promises

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

OFFICE OF THE PRESIDENT

will be limited to a realistic level + Bk will be able to verify it -

"With another Mr. Butler said tell me I am doing what I can, the truth is the truth + we accept we must do more but we need the help of the Bk -

e.g. Foreign Min has reorganized to give 2 of their 500 diplomats abroad -

Mr. Butler believes some people under and don't like him or his country -

"It will be hard for me (Mr. Butler) to deal with Weber again - is prepared to ask for Zaire to be transferred to another region if necessary to avoid dealing with Weber" -

"I love the Press? The Bk; he is a great friend of mine" - I want him to tell me what I am doing wrong - but can't accept abuse from staff -

So important a problem, he wanted to send the #1 man in the country and to meet to a the

INTERNATIONAL BANK FOR
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CORPORATION

OFFICE OF THE PRESIDENT

August 11, 1976

I replied that President Mobutu was correct in believing there was a special relationship between him and me. And for that reason, as well as others, I felt I owed him a frank appraisal of his problems -- I was literally his servant, employed by him for that purpose.

But I could assure Mobutu Wiehen's views and attitude were the same as mine and that he had no objective other than to help Mobutu and his government advance the welfare of the people of Zaire.

It was inconceivable to me that Wiehen spoke abusively. I could only conclude that translation differences or poor reporting was the cause of the President's misunderstanding. I know Wiehen had cordial discussions with the Minister of Finance and the Governor of the Central Bank. Perhaps it was Bisengimana who misunderstood and misinterpreted Wiehen's comments to the President.

In any event, I wanted to correct the misunderstanding; to that end I would be happy to meet with the Finance Minister and the Governor of the Central Bank if President Mobutu wished to send them to Washington. And while they were in Washington, I would arrange for them to meet with Mr. Wiehen and other members of the staff.

The Foreign Minister said he believed that would be very helpful and he remarked: "There are conflicts among the members of all governments."

RMcN

of Zaire, the Government might not be able to control matters any longer. Coming back to Gecamines, which he said was to play a central role in the recovery, he explained that the Government was envisaging copper production in 1978 to reach 350-360,000 tons, and in 1979, 400-420,000 tons, provided that the expatriate technicians return at an early date and resume their functions.

4. In conclusion, he said it was a privilege once again to meet with Mr. McNamara, that he found his previous meetings with Mr. McNamara, for example in Manila in 1976, most helpful, and that he was particularly grateful to the Bank for the role it had taken at the recent donors' meeting in Brussels.

5. Mr. McNamara responded by saying that the best thing he had heard from Governor Bofossa was the latter's acknowledgement that it was in the first place in Zaire's own hands to deal with its economic problems. He assured Bofossa that he was among friends in the Bank and that, as is possible among friends, he would speak very candidly. He stated that in the past the Government very often did not take the actions that were seen as necessary. Zaire was a rich country, but had suffered from mismanagement of its economy. He pointed at the distortions that had been caused by the Government's moving away from a market system, and mentioned as examples the over-valued exchange rate and artificial prices which, together, have destroyed agriculture and have seriously affected exports as well as the distribution of imports. Zaire had failed to plan and control investments for development. He referred specifically to the exclusion of the President's budget from regular budget controls. He said the Bank hopes that all these problems will now be addressed. While reluctant to deal with a matter normally handled by the IMF, he said Zaire had to adjust its exchange rate and keep it at an appropriate level by using a crawling peg. Investment planning had to be substantially improved and redirected towards productive purposes and had to reflect the availability of domestic savings and external assistance at levels which could be realistically expected. He said all of this was so obvious that he had been reluctant to speak about it, but these principles had been violated so often in Zaire that he had to address them.

6. He assured Mr. Bofossa that, if the Government will actually move in the direction he had indicated, the Bank was anxious to assist the country. However, he already saw a few problems which could affect the Bank's ability to help Zaire. First, he said that while he fully agreed with Bofossa's emphasis on getting Gecamines rehabilitated, he said it was essential that adequate technical and management expertise be available in Zaire. He said that according to a recent report, 429 essential

expatriates had been dismissed. While he obviously would not hold up a torch for the Belgians, and in fact hoped that eventually Zairian staff would move into all these positions, he said that unless the staff situation were corrected very quickly, it would be impossible for the Bank to consider assisting in the rehabilitation or even to continue disbursements under the ongoing expansion project. As a second example, he referred to the recent cut in budget allocations to the Office des Routes. In closing, Mr. McNamara repeated that the Bank was very anxious to help Zaire, but that Zaire had to take first a number of steps to put its own house in order.

7. Governor Bofossa thanked Mr. McNamara for his candor, which he interpreted as a sign of friendship. He said he had simply wished to present the global situation of Zaire to Mr. McNamara and he would discuss details with the staff of the Bank.

8. Mr. McNamara welcomed the fact that a meeting between Governor Bofossa and Mr. Wapenhans had already been scheduled for the following afternoon.

9. Mr. Bofossa did not respond to the two examples given by Mr. McNamara, the Gecamines staffing problem and the Office des Routes budget.

10. At the end Mr. de Groote expressed to Mr. McNamara his gratitude for the highly useful help he had been given on his recent visit to Zaire by the Bank's new Resident Representative there, Mr. Chadwick, and the secretaries in RMZ.

cc: Mr. McNamara (2)
Mr. E. Stern
Mr. Wapenhans
Messrs. Gué/Maubouche
Mr. Schott

MHWiehen/msg

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OFFICE MEMORANDUM

TO: Robert S. McNamara

DATE: August 14, 1978

FROM: Michael H. Wiehen, Acting Vice President, EAN *MWL*

SUBJECT: ZAIRE - Briefing Note for your Meeting with Mr. Bofossa
(Governor of the Bank of Zaire)

1. Mr. Bofossa is visiting the IMF with a substantial delegation, apparently to prenegotiate a third stand-by agreement with the Fund. There are indications that Mr. de Groote has assumed a special role as an adviser to President Mobutu in negotiations with international organizations and wishes to demonstrate to the Zairians that he can effectively represent their interests. In early June President Mobutu gave very broad powers to his former Director of the Presidency, Mr. Bisengimana, to negotiate with external donors on behalf of Zaire. That mission, however, failed on the eve of the Brussels Conference June 13 when President Mobutu apparently refused to confirm the powers he had given Mr. Bisengimana. Mr. de Groote reportedly continued to work closely with Mr. Bisengimana in Kinshasa, but it is not known that he has any specific mandate at this time.

*What is policy
that you have
outlined
future thinking*

2. The stand-by agreement with the IMF is being negotiated as the Zaire economic situation continues to worsen due to the severe difficulties being experienced by Gecamines, the continuing adverse terms of trade and the continued decline in almost all the productive sectors of the economy. This year's budget which became available only recently indicates that there will be for the fourth consecutive year a huge budget deficit amounting to about 500 million zaires (\$600 million). Furthermore, Zaire continues to accumulate arrears on its current debt including large commercial arrears reportedly about 300 million zaires (\$360 million). Further work on the Mobutu Plan appears to be halted. The Plan which included a general set of reforms is gradually being implemented largely with technical assistance and the investment program is now being recast with our assistance. On the political front the most significant development is the declaration of a general amnesty for all political prisoners including the former Minister of Foreign Affairs, Mr. Nguza Karl-i-Bond. Relations with Belgium which had been on the verge of a total break in early July have now been restored and Mr. Simonet, the Belgian Minister of Foreign Affairs, recently visited Kinshasa to seek a reconciliation.

3. During Mr. Bofossa's visit to the United States he plans to meet with Mr. Friedman in New York to inform him that Zaire cannot accept the proposed Citibank Loan on the terms and conditions offered. The Loan of \$220 million would require that Zaire first pay up to \$193 million in arrears (as of end May) to the Commercial Banks plus \$3 million in commissions to Citibank. The Bank of Zaire has only \$87 million in the BIS account established for this purpose and could not possibly find the additional \$109 million. Therefore, Mr. Bofossa is expected to tell Mr. Friedman that the Commercial Banks should now meet with Zaire to agree on rescheduling of its debt.

4. Two main issues are likely to be raised by Mr. Bofossa: (1) assistance to GECAMINES; (its present production facilities are in need of substantial rehabilitation); (2) the mobilization of external assistance through the Witteveen facility and donor consultations in the framework of the Brussels conference.

A. International Consultations and Current Prospects for Mobilizing External Assistance

5. On the basis of very rough estimates, Zaire's annual external capital requirements would amount, on the average, for the next three years, to about \$600 million of which \$200 million could be provided out of the existing aid pipeline. This excludes any payments by Zaire to meet its current debt and accumulated arrears which for 1978 amount to about \$1,400 million, including about \$660 million of arrears as of the end of 1977. The most significant factor characterizing the current prospects for mobilizing external assistance to Zaire relates to the skepticism of the Government's commitment to carry out the internal reforms needed. On the other hand, the Government may be materially incapable of overcoming this skepticism if its efforts are not met with substantial external assistance.

6. The first Belgian sponsored meeting of donor countries, last June, in Brussels, mobilized perhaps \$50-60 million in emergency aid for Zaire, most of which was already in the pipeline; it also aired, once more, the generally strong feelings on the part of all donors that substantial internal reforms had to be implemented if external assistance was to be effectively utilized. In order to help establish confidence in its commitment to carry out these reforms, Government asked the IMF to propose an expatriate candidate for the position of Director General at the Central Bank and asked the Bank to do the same for the position of Chief Controller at the Ministry of Finance. The first post was filled by an IMF candidate and the UNDP has agreed to propose a candidate for the second post. The Bank declined a Government request to propose a candidate for this post.

7. The following is a tentative schedule of the program to promote a plan for Zaire's economic recovery:

- a) September: IMF mission to negotiate a Stabilization Program and Colenders mission to evaluate GECAMINES;
- b) October: IMF Board approval of Standby Agreement. Second Brussels Meeting: including preliminary discussion of Zaire's public investment program; additional short term assistance, and monitoring of performance;
- c) November: Paris Club Meeting to reschedule debt for 1978. (The last meeting in 1977 rescheduled through December 1977);
- d) December/January: Consultative Group Meeting (provided the public investment program is ready and participants are prepared to make commitments to Zaire's recovery program.).

August 14, 1978

B. GECAMINES

8. Mr. Bofossa is likely to reactivate President Mobutu's request for the Bank to mobilize the financial assistance needed by GECAMINES in order to safeguard its productivity and to maintain production at minimum adequate levels. External financing needs for the reconstruction of Kolwezi (mainly housing, vehicles and some equipment) have been estimated at about \$25 million. Another \$185 million, at least, is needed for the rehabilitation of existing plants. The completion of the expansion project would require another \$70 million in addition to the \$130 million still to be disbursed by GECAMINES as foreseen at the time of appraisal. A supervision mission (including EIB and LAFB) is scheduled to go to the field in mid-September in order to make a comprehensive assessment of GECAMINES' overall position and prospects. It will determine the pace at which the expansion project should be implemented. This assessment will include a thorough assessment of GECAMINES' staffing arrangements following its recent dismissal of Belgian personnel repatriated from Kolwezi.

9. After suspending for two months all the expatriate technicians who had left Kolwezi following the outbreak of hostilities, GECAMINES has now reactivated the contracts of 24 (22 French, one Belgian and one British) technicians, but has dismissed the 429 remaining Belgian technicians. It is not clear whether this decision is a final one, since it could be difficult to replace, on short notice, the bulk of Belgian technicians who manned Kolwezi. The evaluation of GECAMINES' manpower requirements and the adequacy of its expatriate staffing arrangements is critical to our appraisal of a rehabilitation project and continuation with the expansion project. The dismissal of the Belgian technicians appears to rest on a political decision: the Belgian airlift of expatriate technicians was perceived by some of the Zairian authorities as an attempt to undermine the present regime. Security in the area has improved substantially through the normalization of relations with Angola.

10. You may wish to emphasize to Mr. Bofossa that our involvement in the proposed rehabilitation project and our continuation of the expansion project will hinge on the adequacy of GECAMINES' manpower and staffing arrangements.

C. Bank Lending and Work Program

11. A tentative FY79-83 Lending Program is listed in Attachment A. The FY78-80 Lending Program has been based on an allocation to Zaire of \$140 million during the fifth replenishment period. We have agreed with Government to hold a project implementation review during the last quarter of this year in order to review the implementation difficulties arising

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from general financial and policy constraints. The projects scheduled for FY79 are in priority areas and should be considered quite firm. The key to this program and a test of the Government's will is the Fourth Highway Project (IDA credit of \$26 million) which pulls together in a comprehensive road maintenance and improvement program over \$90 million of external financing (including \$33 million from the Saudi Fund). Although the project has been approved for negotiation by the Loan Committee, we are concerned about the ability of the Government to fund the current budget of the executing agency, the Bureau of Roads, in view of recent cuts in its budget. The point should be reiterated to the Governor that the Government must restore the budget of the Bureau of Roads, or we will be forced to reconsider our entire approach to this sector.

cc: Messrs. Wapenhans, Maubouché

SSchott/NFaltas:mfb

Attachment

ZAIRE - TENTATIVE LENDING PROGRAM FY78-83

(In Million US\$)

<u>Fiscal</u> <u>Year</u>		<u>Cost</u>			<u>Financing Sources</u>		
		<u>Total</u> \$	<u>Local</u> \$	<u>Foreign</u> \$	<u>IDA</u> \$	\$	<u>Cofinancing</u>
<u>FY78</u>	Oil Palm Development	47	24	23	9	15	BADEA, CCCE, ADF
<u>FY79</u>	Railways III (SNCZ)	114	40	74	19	64	Saudi Fund, KfW, OPEC Fund
	Smallholder Maize I	40	19	21	10	26	IFAD, ADB, KfW
	Gecamines II	300	100	200	31	94	EEC, Com.Cr. MT
	Highways IV	121	30	91	26	64	Saudi Fund, CODA, PD,, KfW, USAID, FAC.
<u>FY80</u>	DFCV (SOFIDE) */	69	18	51	5	25	KfW, OPEC, ADB, EIB, SBI, CIDA, KfW
	Pipeline */	67	15	52	20		
	Education */	21	9	12	20		
<u>FY81</u>	Agric.				10		
	Fisheries */				10		
	Rail/River/Ports				15		
<u>FY82</u>	Highways V				25		
	Smallholder Maize II				16		
	Agro-Industry I (Sugar) */				20		
	Forestry */				20		
<u>FY83</u>	Integ. Rur. Dev.				10		
	Rail/River IV				20		
	Agro Industry II				15		
	Education IV				13		

*/ Standby Project

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara, President

FROM: Willi A. Wapenhans, Regional Vice President, EAN

SUBJECT: ZAIRE: Visit of Governor Bofossa

DATE: March 1, 1979

1. Citoyen Bofossa, former Minister of Finance, and presently Governor of Zaire's Central Bank, is scheduled to meet briefly with you Thursday, March 1, at 5:50 p.m. Governor Bofossa is presently in Washington as head of a delegation to negotiate a stabilization program with the IMF. Mr. Roulet, Division Chief and I intend to be present. Mr. Roulet would be prepared to translate.
2. The purpose of Governor Bofossa's meeting with you is directly related to recent developments concerning the GECAMINES project. On January 24, 1979, after consultation with the European Investment Bank (EIB) and the Libyan Arab Foreign Bank (LAFB), we sent to the Government and GECAMINES a letter (copy attached) dealing with changes required in respect of the ongoing project and specifying in some detail measures we expect GECAMINES and the Government to take to strengthen the company's management and operations and restore its financial position. The letter was to prepare for negotiations to follow the findings of a September 1978 supervision mission and thereby to implement understandings reached during my October visit to Kinshasa.
3. On February 19, our office in Kinshasa received a telex signed by GECAMINES' General Manager, notifying us that GECAMINES had decided to cancel the unwithdrawn balance of Loan 1090-ZR (about US\$24.5 million) and informing us that GECAMINES would not seek Bank Group assistance for the rehabilitation program which we had planned to appraise shortly. Due to adverse weather conditions in Washington, this message was received here only on February 21. A similar notification was sent by GECAMINES to EIB, but not to LAFB.
4. Since we had reason to believe that GECAMINES might not have appreciated fully the consequences of this action, including the fact that, technically, the cancellation of the unwithdrawn amount of the loan would in no way alter the other provisions of the loan and related agreements, we decided (i) to hold up disbursements under the LAFB and the IBRD loans, 1/ (ii) to notify our co-financiers EIB and LAFB; and (iii) to seek an early meeting with Governor Bofossa who was then on his way to Washington, to seek clarification of the Government's position in the matter.
5. Together with Mr. Roulet, I first met with Governor Bofossa last Saturday for about two hours. While he had heard about these developments, he was not familiar with the details. He expressed extreme concern, speculated

1/ Pending withdrawal applications, which we are presently holding here, amount to about US\$2.4 million which would normally be disbursed equally under our Loan and the LAFB loan.

that the decision had been taken without consultation with several key government officials (including himself) and without full appreciation of its consequences. He undertook to take up the matter immediately with his Government and to advise us by noon on Tuesday. On Tuesday, February 27, I had a second meeting with him. On that occasion, he mentioned that he had had several conversations with Government officials including on two occasions with President MOBUTU and he gave me a telegram which he had been instructed to handover to us (translation attached).

6. In Governor Bofossa's opinion, GECAMINES' decision, which he regards as highly emotional, has to be seen against the extremely sensitive background of Zaire at the present time. In recent months, Zaire has taken a number of steps, such as executive appointments of expatriates to various key positions in institutions like the Central Bank (Dr. Blumenthal) and Customs (Mr. Watterynx), the decision to make similar arrangements in the Ministry of Finance (Mr. Battuk), the devaluation of the Zaire, the introduction of foreign exchange control measures and the cutting of credit and foreign exchange facilities to influential Zairian personalities. As many of these measures were advocated by the outside world, the Government feels on the defensive. Portions of our letter of January 24 have been undoubtedly interpreted in this context either inadvertently or intentionally.

7. Specifically, Governor Bofossa mentioned (a) the second paragraph on page 3 of our letter in which we requested that the powers of a Mr. Picquet who was to act as GECAMINES' Deputy General Manager, be defined precisely. Although the proposal that Mr. Picquet should function as Deputy General Manager had been made in writing by the Government itself, this passage was interpreted as the Bank insisting on imposing him on GECAMINES, a fact which was particularly resented since Mr. Picquet happens to be a former employee of the Union Minière, the former owner. I have made it clear to Governor Bofossa that the Bank is not -- and never was -- interested in a particular individual, but merely wishes to ascertain that persons assuming key positions are suitably qualified and that their powers are both adequate and clearly defined. (We have since learned that Mr. Picquet has been dismissed and replaced by another expatriate); (b) the third paragraph on page 3, regarding the composition of GECAMINES' Board. This was, apparently, also interpreted as evidence of the Bank wanting to impose certain personalities. I have likewise made it clear to Governor Bofossa that our concern is not about individuals, but about the need to have relevant Zairian interests represented and about the Board's ability to give GECAMINES management overall policy guidance.

8. Governor Bofossa concluded by expressing the hope that we would agree to keep the dialogue open. He specifically asked us to delay further action on the cancellation notice until he had the chance to report personally to his authorities. He also suggested that, as a first step, a mission should be sent by Zaire and GECAMINES to Washington to clarify all possible misunderstandings. In short, he is trying to have the decision reversed and to make this prominently known through the dispatch of a mission.

9. I assured Governor Bofossa that -- in the light of his intention and of the reassuring response of the Executive Council -- we likewise would not wish to take any drastic action. I believe that the EIB and LAFB will take a similar position. I also said that we would welcome a mission from GECAMINES and the Government to discuss and to the extent necessary, clarify the positions advanced in our letter of January 24. However, I made it very clear that any negotiations on the letter as well as on the project proper could only be entered into jointly with our financing partners. This was the more important since the letter did, in fact, represent the position the three partners had jointly arrived at.

10. I also told Governor Bofossa that for the time being, we do not expect that developments in respect of the GECAMINES project would affect other ongoing operations provided we could be assured that performance would continue to be acceptable and all other rights arising out of the contract would continue to be fully respected. In this connection, I should like to point out that about two months ago, we concluded negotiations for a proposed credit of US\$26.0 million for a highway project. Before this project can be submitted to our Executive Directors, however, one important issue namely the provision of adequate budgetary resources for the Office des Routes will still have to be resolved. About a week ago, we concluded successfully negotiations for a proposed credit of US\$20.0 million for a proposed railway project. Virtually all conditions precedent to Board presentation -- including tariff action -- have by now been completed and, on project grounds, the proposal could be submitted to the Executive Directors relatively shortly. In addition, we are about to submit to the Loan Committee a proposed project for a fifth credit (US\$15.0 million) to the local Development Bank. Finally, work is proceeding on a small-holder maize project (about US\$15.0 million) which should reach the Loan Committee in a few weeks. We have also offered assistance to the Government of Zaire for the preparation of a Public Investment Program which, when prepared in an acceptable manner, would constitute an important piece of documentation for an eventual Consultative Group Meeting. Progress in this respect has so far been slow and on February 2, 1979, we spelled out in a letter to the Minister of Planning (copy attached) the steps the Zairian Government still has to take.

JDRoulet/WAWapenhans:lk
Attachments

Cleared with and cc: Messrs. T. Jones, K. Miller, Ms. Haug

cc: Messrs. Stern, Broches, Hattori, Fuchs, Bronfman

OFFICE MEMORANDUM

TO: Records

DATE: March 5, 1979

FROM: J.-D. Roulet, Division Chief, EA2DC

SUBJECT: ZAIRE. Governor Bofossa's Meeting with Mr. McNamara

1. On March 1, 1979, Governor Bofossa accompanied by Ambassador Kasungu, met briefly with Mr. McNamara. Present for the Bank were Messrs. McNamara, Stern, Wapenhans, Koch-Weser and I. Mr. Razafindrabe, Executive Director for Zaire, was also present.

2. Governor Bofossa began by expressing his and his Government's gratitude to Mr. McNamara for having agreed to see him despite his extremely heavy schedule and said that he interpreted this as a sign of the Bank's continuing interest in Zaire. He went on to say that the purpose of his visit to Washington was primarily to negotiate a stabilization program with the IMF and he felt confident that the outcome of these discussions would be positive. The stabilization program, however, would deal only with short-term problems and it was indispensable that these arrangements be complemented by a program covering a longer term period to enable Zaire's economy to recover. In this respect, Zaire was looking to the Bank, as a financing institution but above all as leader of the Consultative Group, to provide assistance and support and he emphasized that his Government wished to keep close relations with our institution. He added that his Government was fully conscious of the fact that any recovery program for Zaire would depend in the first instance upon the performance of GECAMINES. Governor Bofossa stated specifically that a well-managed and efficient GECAMINES was not only the key to Zaire's recovery but also the only guarantee of his country's creditworthiness.

3. Mr. McNamara said that he fully agreed with Governor Bofossa's appreciation of the situation, and particularly about GECAMINES' role. Because of GECAMINES' importance to Zaire's economy, the Bank had agreed in 1975, to provide, together with other lenders, substantial financial assistance and had intended to provide further assistance for GECAMINES' proposed rehabilitation program. He had, therefore, been surprised and puzzled by the notice of cancellation received from GECAMINES a few days earlier. He added that there was considerable doubt as to whether normal operations could be justified unless action was taken to ensure that GECAMINES' performance was at a consistently high and acceptable level.

4. Governor Bofossa replied that he had discussed this question with Mr. Wapenhans, consulted his authorities, including President Mobutu on two occasions, and conveyed to the Bank a message expressing his Government's wish to keep the dialogue open. He added that he had been specifically instructed to do his utmost to minimize the impact of what he described as an unfortunate incident caused by emotional reactions in Zaire. As a

first step, he suggested that Zaire and GECAMINES should send a technical mission to Washington to clarify any misunderstanding that might have arisen in recent exchanges of correspondence between the Bank and GECAMINES and he intended to pursue this matter actively on his return. Mr. McNamara said that he was reassured by the Governor's statement and welcomed the Governor's proposal to send a technical mission to Washington. He asked Governor Bofossa to convey to his Government and to President Mobutu the assurance that the Bank was determined to do all it could to assist Zaire in its development efforts, through our usual operations and as leader of the Consultative Group, but that the Bank could only provide effective assistance if, on its part, the Government was prepared to take all necessary measures to help itself.

cc: Messrs. McNamara, Stern, Wapenhans, Razafindrabe (ED),
Broches, Hattori, Gué o/r, Adler o/r, Fuchs, Guillot,
T. Jones, Miller,
Ms. Haug

JDRoulet:mr

OFFICE MEMORANDUM

TO: Files

FROM: W. A. Wapenhans

SUBJECT: ZAIRE - Meeting Between President Mobutu and Mr. McNamara

DATE: September 26, 1979

1. On September 12 at 11 am, Mr. McNamara called on President Mobutu at the Washington Hilton Hotel. Also present from Zaire were Mr. Bofossa, Minister of Finance, Mr. Bokana, Minister of Planning, Mr. Emony, Governor of the Central Bank, and Mr. Kasongo, Zairian Ambassador to the USA. For the Bank, in attendance were Messrs. Wapenhans and Gue. The meeting lasted about 40 minutes, at the end of which President Mobutu and Mr. McNamara continued in private discussions for another ten minutes. Present during the latter meeting was the Zairian Ambassador.

2. The discussion during the main meeting covered essentially four major topics: (i) the stabilization program and its prospects; (ii) the importance of progress in the settlement of arrears; (iii) the recovery program and the proposed Consultative Group Meeting; and (iv) improvements in project implementation. In the private discussion, the communications from the Bank to Zaire regarding the de Wit incident were reviewed. President Mobutu nominated Minister Bofossa and Mr. McNamara named Mr. Wapenhans to be the principal parties to work out an acceptable settlement for Zaire and the Bank respectively.

3. The Stabilization Program: President Mobutu opened the discussion by reminding Mr. McNamara that he had a standing and permanent invitation to visit Zaire. He stressed that notwithstanding Zaire's riches in natural resources, they could not succeed alone to overcome the protracted economic crisis. Zaire needed outside help and encouragement on the spot and the IMF agreed. Until the IMF had approved a stabilization program, it had not been possible to move towards recovery. That stage had now been reached after Zaire had overcome the aftermath of the Shaba war, accepted the need for expatriate institutional strengthening of the Central Bank, the Customs, and the Ministry of Finance, and had heeded IMF advice to proceed with a series of devaluations. But, the President asserted, there was only so much people could be asked to accept and if the Zairian people were not solidly behind their leader, there would already have developed a maddening situation.

4. The President stressed that there was an urgent need to return to development to enable Zaire to repay its debt, that agriculture was central to such development, but that they were severely handicapped in proceeding with development because of the fiscal limitations imposed by the stabilization needs. He hoped, however, that now that the stabilization program was in place and the Gecamines matter had been settled, a fresh start could be made. To that intent, his associates had already delivered to the Bank the three-year economic recovery program.

5. Mr. McNamara assured the President that the Bank was anxious to do everything in its power to help. He emphasized, however, that the most important aspect at this time was adherence to the agreed stabilization program and rearrangement of the debt, since this was crucial to its successful implementation. Mr. McNamara encouraged Zaire to proceed with a third Brussels Conference since the tentative commitments of the

second Brussels Conference, which had been assumed in the stabilization program to amount to SDR 180 million, needed to be firmed up. President Mobutu agreed and reported that he had already spoken to the Belgian Foreign Minister and asked him to make arrangements so that Zaire could go back to its "Brussels Partners".

6. Settlement of Arrears: Mr. McNamara stressed that the size of the arrears (approximately \$1.4 billion) made it imperative that this issue be addressed before a three-year recovery program could be seriously considered. The terms of any arrangement still to be worked out would have major implications for the prospects for recovery. He could not see how a Consultative Group Meeting could usefully review and discuss a recovery plan in the absence of an agreement on debt and the settlement of arrears.

7. President Mobutu invited Minister Bofossa to report on the steps taken to bring about an agreement on the settlement of arrears. Contact had been made with the Chairman of the Club of Paris and tentatively a meeting was planned for October 22-23. Minister Bofossa was under the impression that the Club of Paris again wanted to engage in a short-term exercise covering essentially the 1979 arrears, but that the Zairians were hoping for coverage of at least 1980 and possibly beyond. He was also conscious of the concern of the members of the Club that private creditors not be afforded terms of settlement more favorable than those for public debt. Meanwhile, the Lazard Group was working out a comprehensive approach for rescheduling and the Governor of the Central Bank would shortly be in touch with private lead banks to initiate discussions for rescheduling of private debt. President Mobutu assured Mr. McNamara that these matters were being tackled with determination, but that he hoped Mr. McNamara would not make the agreement on the settlement of debt a formal condition for the invitation to the Consultative Group to meet at the earliest possible date.

8. Recovery Program and Consultative Group Meeting: Mr. McNamara assured the President that the analysis of the Mobutu Plan would be taken in hand immediately. He hoped that the Plan would be more than just a list of desirable projects and include Zaire's intention regarding policies for implementation and be consistent with the likely availability of resources. At the invitation of President Mobutu, Minister Bokana explained the work that had gone into the Plan preparation and stressed that Bank staff had been closely associated with its preparation through the earlier phases of its gestation.

9. Mr. McNamara then agreed to proceed with the preparation for a Consultative Group Meeting in mid-December. He said that we would inform the members of the Consultative Group forthwith that we intended to call a meeting of the Group on the assumption that there would be:

- (a) an economic plan that Bank staff had been able to appraise; and
- (b) an agreement on the settlement of arrears and re-scheduling of debt.

Mr. McNamara stressed that, while we would not add any formal conditions to the convening of a Consultative Group Meeting, it may become necessary to postpone the meeting if these assumptions were not met. He also stressed that we needed to review the Mobutu Plan and distribute the respective documentation some six weeks prior to the meeting. There was thus no possibility for advancing the meeting.

10. Implementation Performance: Mr. McNamara said that while he did not feel this was the time and place to review the future World Bank program, he did want to draw the President's attention to the very unsatisfactory situation regarding project implementation, especially in regard to six projects on which we were presently working. He stressed that we have a responsibility to help Zaire but that we cannot do so unless the Government helps us as well. Mr. McNamara detailed the problems besetting the first livestock and the cotton projects; he stressed the need for funding of the second education project; he urged action on the recent highways and railways projects to bring about their effectiveness; and he outlined the difficulties we were encountering in completing arrangements for the maize project to be considered by our Board. He stressed that significant improvement in implementation performance was essential for him to be able to recommend further projects for approval to the Board.

11. President Mobutu responded by reminding Mr. McNamara that this aspect had been the subject of discussion before. He was very conscious of the need for improvement and with many of the other pressing problems behind him, he would now turn his attention to matters of implementation. While he would not want to make rash promises, he assured Mr. McNamara that he would see a change in performance in the very near future.

12. The meeting lasted until about 11.40 am. While frank and to the point, it was friendly and constructive throughout. President Mobutu was well briefed and conducted the discussion throughout with little reference to his aides. As stated above in paragraph 2, there followed a brief meeting between President Mobutu and Mr. McNamara alone with only the Zairian Ambassador in attendance.

cc: Mr. McNamara's Office (2)
Mr. Stern
Mr. Gue

WAWapenhans:rsvh

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara, President

DATE: September 11, 1979

FROM: W. A. Wapenhans, Vice President, EAN

SUBJECT: ZAIRE - Meeting with President Mobutu

1. Arrangements have been made for you to meet with President Mobutu on Wednesday, September 12 at 11 a.m. at the Hilton Hotel. President Mobutu is likely to be accompanied by Planning Minister Bokana and Finance Minister Bofossa. The latter you have met on previous occasions. Mr. Gué and I plan to be present. Mr. Gué will be available for translation. The Zairian authorities have also asked for a meeting between Minister Bokana and myself. Timing has not yet been firmed up pending the finalization of President Mobutu's schedule. Mr. Bokana, a lawyer by profession, has emerged as a very trusted adviser. He has led the Zairian Delegations to the Brussels conferences and has recently been put in charge of planning and the completion of Zaire's public investment program (referred to in Government circles as the "Mobutu Plan").

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2. President Mobutu has spent the last few weeks in Europe, primarily in Switzerland and also in Germany. He recently met with French Minister of Cooperation Robert Galley and with President Giscard d'Estaing, as well as with Belgian Foreign Minister Simonet. President Mobutu arrived in Washington on September 10. He is scheduled to call on President Carter on Tuesday, September 11 at 1.45 p.m. He will also meet with Secretary Vance, the Black Caucus, the Foreign Affairs and the Foreign Relations Committees. The purpose of this visit, which is of a private nature, is primarily to mobilize support for Zaire's stabilization and recovery program following approval of the IMF stand-by agreement on August 27.

Recent Developments(a) Political Developments

3. Internally and externally, the situation has not significantly changed over the past 12 months. The Cabinet revamping in late February has been accompanied by some increase of its role in decision making. However, the Government has still to demonstrate that it is coming to grips with the economic and financial crisis and is tightening its control over the provinces in the interior where the Army seems to have a free rein on a number of economic activities. One of the most significant events in foreign policy was the rapprochement with Angola, although the Benguela railway remains closed to traffic. The transfer

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of security responsibilities in the Shaba province from the Pan African force to specially-trained Zairian units has apparently been completed smoothly. The importance that President Mobutu now attaches to stability in that province is underlined by his holding one Cabinet meeting per month in Shaba. All provincial governors are now attending such meetings.

(b) Economic Developments

4. The economic and financial difficulties of Zaire continue. The decline in aggregate production which has beset the economy since 1975 has not yet been arrested. Preliminary data indicate that commercialized GDP fell by about 3 percent in real terms in 1978 -- bringing the cumulative contraction since 1975 to nearly 17 percent. The output of major sectors such as mining, oil production, electricity generation and rail-river transport, as well as the recorded volume of agricultural exports, were considerably lower in the first quarter of 1979 as compared to the same quarter a year ago. This decline in economic activity so far this year, is as in the past, the result of several interrelated factors: (a) the acute shortages of essential imports (fuel, spare parts, raw materials and intermediate products), and (b) distortions in the allocation of resources resulting from rampant inflation, an overvalued currency, inadequate cost/price relationships in the productive sectors, including negative interest rates. In addition, specific factors adversely affect Gecamines' production (insufficient maintenance and rehabilitation, transport bottlenecks and manpower problems). However, while the volume of copper exports is down to approximately 350,000 tons p.a., the stronger world prices for copper and especially for cobalt since the fourth quarter of last year are estimated to raise export earnings from US\$1,675 million in 1978 to about US\$1,900 million in 1979, an increase of 13% in nominal terms. Merchandise imports (financed through the banking system) declined by about one-fourth in real terms in the first half of 1979, compared to the first six months of 1978. Import needs, on the other hand, have become progressively greater because of the cumulative deterioration of the capital stock, the growing deficit of spare parts, and the extremely low level of inventories. Moreover, perhaps as much as one-half of the export gain in nominal terms stands to be wiped out by the higher cost of oil import needs, which are likely to rise from about US\$150 million in 1978 to US\$300 million in 1979.
5. External debt payments during January-June of this year (US\$89 million, of which roughly half represents liquidation of arrears) have significantly exceeded payments over the same period in 1978 (US\$59 million). However, they covered only 20 percent of

the approximately US\$235 million in debt service falling due in the first half of 1979. According to the IMF, total external arrears stood at US\$1.36 billion on March 30, 1979, of which roughly half were on account of public debt and half on account of short-term commercial credits and nondebt invisibles.

6. Budgetary performance remains precarious. During the first semester of 1979, expenditures amounted to 77 percent of budget estimates- a reduction in real terms compared to 1978; however, revenues fell short of budgeted amounts by 33 percent. By June 30, the deficit reached about Z 270 million, equivalent to over two-thirds of the deficit budgeted for the entire year. This represents no improvement over the dismal performance of 1978, when the annual deficit attained a record level of about Z 560 million. Moreover, in March, public sector salaries were raised by about 60 percent, against the advice of the IMF. The IMF estimates that prices have increased by 40-50 percent in the first half of 1979.

(c) Institutional Developments

7. Mr. Blumenthal, the expatriate Deputy Governor of the Central Bank heading the IMF team of advisers, left Zaire in late June (nearly two months before the expiration of his one-year contract). He is to be replaced by Mr. Mamadou Touré (Sénégal) a former director of the Africa Department at the Fund, who is expected to take up his post later this month. The UNDP-appointed expatriate Controller-General at the Ministry of Finance, Mr. Batuk (Turkey) has been in Zaire since mid-May but his work has been handicapped by the delay in recruiting the five members of his team. He has begun to approve all expenditures above Z 500,000. The newly established Central Pay Directorate is off to a good start with a French director and two French assistants. Their objective has been to establish first the number of and make proper records for all employees of the Government payroll and then to begin determining the legitimate number of employees.

8. On May 15, a law was passed transforming the Customs Directorate of the Ministry of Finance into a semiautonomous parastatal institution to be headed by an expert from Belgium and to receive substantial Belgian technical assistance. The Director and some members of the team have been named but have not yet arrived in Zaire. In the crucial area of investment, several important and long overdue changes -- adoption of a new investment code and revamping of the Investment Commission -- are near completion.

9. Some promising and concrete signs of improved management are: (a) the improved allocation of the last P.L. 480 shipment of rice in February (a much greater proportion of the rice than in earlier shipments flowed to the market and was sold at very near the designated price); (b) the allocation of about US\$100 million for emergency imports referred to in paragraph 16 has been left to the Ministry of Economy and Trade, which has worked very closely over several weeks with ANEZA (the association representing the private sector) to determine the optimum allocation by product and by firm; (c) the preparation of monthly foreign exchange budgets by the Central Bank; (d) considerably wider appreciation of the necessity of discipline and close monitoring in order to implement the stabilization program (recently a Surveillance Committee has been created to sound the alarm whenever key parameters approach the IMF-approved ceilings); and (e) a serious effort to curtail credit to the commercial sector.

10. Regarding relations with the Bank, our draft economic report was discussed in August with key Zairian Ministers and senior officials who agreed with its analysis and conclusions. However, perhaps the most important recent development touching on the management of the economy is the approval by the IMF on August 27 of a long-awaited Stand-by Arrangement, which is summarized and examined below.

(d) The IMF Program

11. The Stand-by Arrangement authorizes SDR 118 million in drawings from the upper credit tranches over a period of eighteen months beginning August 28 of this year. This amount would be made available in 6 equal tranches of about SDR 20 million -- the first by end-November 1979, and the rest by end-February, May, August, November and on or after December 1, 1980. Only SDR 39.6 million would be disbursed during the first six months of the program. Zaire's quota in the Fund is SDR 152 million and its outstanding financial obligations to the Fund resulting from past operations and transactions currently total SDR 206.8 million. During the program period the net transfer of resources from the IMF, including an additional SDR 50 million from its Trust Fund, would amount to only SDR 27.2 million, as Zaire will have to repay SDR 140.8 million on past obligations. Excluding disbursements from the Trust Fund, the net transfer from the IMF would amount to SDR 8.1 million in calendar year 1979 and minus SDR 19.3 million in 1980. Reviews of performance by the IMF will take place in December of this year and again before the end of June 1980.

12. The program aims at reducing the external disequilibrium and the rate of inflation, creating the conditions for a revival of economic activity. It seeks to: (a) reduce the inflation rate during the second semester of 1979 to one-half that of the previous semester and halve the rate again in 1980; (b) reduce the overall balance of payments deficit from SDR 287 million in 1978 to SDR 252 million and SDR 188 million in 1979 and 1980 respectively; (c) improve merchandise imports to SDR 1152 million in 1979 and SDR 1176 million in 1980 compared to SDR 883 million in 1978; (d) reduce the budget deficit from Z 560 million in 1978 to Z 445 million in 1979, of which

up to Z 345 million can be financed by the domestic banking system, compared to Z 530 million in 1978; (e) slow the expansion of credit to the enterprise sector; and (g) limit to SDR 100 million the amount of new borrowing within the 1-12 year maturity range on the account of external public debt and to SDR 40 million for the 1-5 year range.

13. The program also includes the following main policy measures: (a) the implementation of a system of flexible exchange rates and improvement of foreign exchange management; (b) the adoption of income policies, implying a reduction in real wages and salaries in the public and private sectors; and (c) reducing outstanding external payments arrears.

14. Actual performance during the first six months of 1979 implies that GDP will most probably decline again in 1979 rather than stagnate as explicitly assumed in the program. The gap between aggregate demand and aggregate supply seems to have widened even more during the first half of this year. Two key elements in the program, increased collection of customs revenues and restraint in Government expenditures, depend on the effectiveness of the recently created Customs Office and the role of the Controller-General as well as of the Central Pay Directorate at the Ministry of Finance. Our expectations about the speed with which these expatriate advisers can become fully effective are more reserved than those of the IMF.

15. Projected export earnings in the program for 1979 seem within the most probable range. Aside from the uncertainties surrounding Gecamines' output, it is especially difficult to ascertain (a) whether the aid package promised at the Brussels meeting last November will be disbursed on time and in the proper form, i.e., accelerated project disbursements, commodity assistance and other balance of payments support; and (b) whether the arrangement with the syndicate of private banks can be finalized before the end of this year (further accumulation of arrears would result in collapse of the IMF program). This in turn may affect the willingness of the Paris Club to reschedule the debt service coming due this year, to which Zaire owed as of June 30, 1979, US\$57 million in arrears from previous rescheduling exercises. The importance of these flows for the program's success is crucial for reducing inflation and restoring productive activity, since in their absence Zaire's import volume under the program's assumptions would fall by 10 percent in real terms during 1979 from the record low level of 1978. Even under the program's assumptions, the import volume in 1979, although substantially above that of 1978, would be equivalent to roughly half of the 1974 level. In fact, a decline in real terms is assumed for 1980.

16. To improve supply conditions and abate inflation, the Government decided in late July to allocate about US\$100 million of foreign exchange controlled by the Central Bank to emergency imports of essential goods from August through September. This measure was taken in anticipation of the new stabilization program, which foresees continuous adjustments in the exchange rate. The zaire was in fact devalued on August 24 (three days before the IMF approval of the stand-by), by 25 percent in terms of the SDR, on top of the 50-percent devaluation effected between November 1978 and January 1979.

17. Unless the wide divergence between the official and parallel exchange rates - as much as 400% - is significantly narrowed, the inflation rate reduced, interest rates raised to more realistic levels, and price/cost relationships adjusted frequently to increase the profitability of the productive sectors, no administrative reform or allocation and control schemes will be sufficient to restore the confidence of the domestic and foreign private sectors and to correct the distortions in economic behavior which have plagued this country for the last several years. Within the remainder of this year, these objectives cannot be reached; some of them might take 12 to 18 months, in particular those regarding the exchange rate. This implies that the IMF program's success may be severely impaired by continuous hoarding, speculation, dissavings and capital flight.

18. Whether the Government will be able to impose the further reductions in real wages and salaries to public and private sector workers envisaged in the program remains to be seen. We must note that by 1977 the former had already declined by about 55 percent in real terms from 1974 levels. The suppression of indexation for Gecamines' staff is another area in which the program's objectives may prove difficult to achieve. The income policy of the program illustrates very clearly the divergence between the critical need to raise living standards and improve the quality of the administration and the urgency of reducing the inflation rate by restraining domestic demand.

19. Three further points must be mentioned concerning the implications of the program: a) the assumption of a 77% increase in the Government's salary and wage bill during 1979; b) the reduction in external arrears envisaged for 1979 appears inadequate to restore short-term commercial credits indispensable for improving overall supply conditions; c) the uncertainties regarding Zaire's terms of trade prospects for the next 12 to 18 months. While the IMF program provides a framework for change, the adverse trends of the first semester of 1979 imply a very substantial improvement in performance in the second half of 1979 and in 1980. Moreover, the prospects for successful implementation and effective stabilization would require substantial and timely inflows of foreign assistance, including rescheduling and new money.

Issues for Discussion

20. President Mobutu and his associates are likely to describe the recent measures taken by Zaire and discussed above. He may also report on his progress of rapprochement with Angola, his support for the reopening of the Benguela railway, and his apparent dissatisfaction with Arab support for Africa. In light of this background, he is likely to raise two major points of concern to us, namely the timing and venue of a Consultative Group meeting, and the level and nature of assistance which Zaire may expect from the Bank Group. President Mobutu is likely to assert that he and his Government have now or will shortly have met all the major conditions set by the Brussels conferences and those insisted upon by the Bank to convene a C.G. (see para. 22 below). He is likely to insist that such performance calls for an appropriate response on the part of Zaire's partners including the Bank. You may recall that in your letter of July 12, 1976 to President Mobutu (copy attached) you had specifically stressed the need for (a) a sound and well balanced policy of economic development; (b) an adequate planning mechanism; (c) sound budgetary policies and discipline; and (d) sound external debt management.

21. We suggest that we emphasize our readiness to assist depending on Zaire's success in improving its economic management performance, articulating clearly priorities for short-term economic recovery in the form of a three-year investment program, improving implementation of on-going projects and preparing a strategy for developing the agricultural sector.

(a) International Consultations

22. We expect the Zairian authorities to ask the Bank to convene rapidly a meeting of the Consultative Group to mobilize assistance and support. At the Second Brussels Conference of November 1978, we have officially taken the position that a meeting sponsored by the Bank would only be convened after (a) a stabilization program has been agreed by the Government and the IMF; and (b) the Government has prepared a credible and appraisal 3-year public investment program approved by the Executive Council. We have also indicated to the Zairian authorities that it would be desirable to ascertain beforehand that the major donors, i.e. Belgium, France, U.S., Germany, Italy and Japan are ready to consider reasonable levels of support for such a program. We have further indicated that agreement, at least in principle, should have been reached with the London and Paris Clubs about debt rescheduling. The major Paris Club members, i.e. U.S., France, Germany and U.K. (as well as the IMF) appear to have taken substantially the same position.

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23. The condition relating to the conclusion of a stabilization program with the IMF has now been fulfilled. Regarding the public investment program, the latest draft was reviewed by the Bank in May of this year. This draft adequately analyzed financial and economic constraints but the priorities and financing of specific future investments were not indicated realistically and an implementation strategy remained to be elaborated. Government officials indicated in early August that the final version of the draft would be submitted to us early in September and it is possible that it will be brought by the delegation. We would need to determine whether it is acceptable for the purpose of convening a Consultative Group meeting. Regarding debt rescheduling, consultations with the Paris and London Clubs are reportedly under way and in this respect, Zaire has retained the services of the Lazard Group, Kuhn, Loeb, Lehman Bros, and S.G. Warburg and Co. Ltd. to assist them in preparing proposals and in carrying negotiations with governments, private banks and commercial creditors. Representatives of the Lazard Group and Kuhn Loeb, visited the Bank last week and informed us that while preparatory work is proceeding well, additional time will be needed to successfully conclude negotiations with the interested creditors.

24. At present, we should not commit ourselves to a specific date for a Consultative Group meeting until we have had an opportunity to review the final draft of the public investment program. Since this document, assuming that we find it acceptable, would have to be finalized and translated for distribution at least six weeks before the meeting, it would be difficult to convene such a meeting before the end of Calendar 1979. As Zaire wishes to maintain the momentum generated by the recent IMF action, we understand that they have asked Belgium to organize a third ad hoc Brussels conference. Intimations to that effect were received from Mr. de Groote and a press statement was issued in Brussels at the end of last week according to which such a meeting might be convened next month. This, however, remains to be confirmed, and you might wish to ask President Mobutu about the latest status. Such a meeting, which we would encourage and be prepared to attend, would have the advantage of providing an opportunity to review recent developments and performance against understandings reached earlier. Should such a meeting come about, we should expect considerable interest in the subsequent convening of a C.G. meeting by participants. President Mobutu may want to invite the C.G. to meet in Zaire. We should resist such an attempt since its deterioration into a public relation exercise could not be excluded.

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*Unsuccessful
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(b) Future Bank Group Assistance

25. At the last CPP review meeting (the Postscript and agreed Lending Program are given as Attachment I) it was agreed that the future Bank Group program should be drastically reduced to five operations totalling \$90 million for the period FY80-84, subject to review if substantial improvements occurred. Our willingness to consider additional assistance, even possibly program lending, should be subject to positive developments in three basic areas:

- (i) the finalization of and government commitment to a meaningful investment program taking into account economic and social priorities and based on a realistic projection of available resources;
- (ii) implementation performance under ongoing operations and processing of forthcoming projects. Project execution by autonomous or semi-autonomous agencies in the field of transport and utilities as well as industrial finance is generally satisfactory. This is not the case however for projects in agriculture and education where we face major problems. For instance in the case of the First Livestock project (FY73) we had to notify the Government recently that we may have to suspend further disbursements at the end of this month if we are not provided with proper accounts enabling us to ensure a reasonable degree of supervision over the utilization of the funds provided by the Association. The implementation of the Cotton Project (FY77) has been stalled because the implementing agency was dissolved in May 1978 without consultation with the Bank or the Belgian Government which is cofinancing the project; a decision would have to be made before the end of the current calendar year on the continuation of the project if the Government does not implement an agreed plan of action confirming principally the financing of a new implementing agency, the revision of legal documents and agreement on appropriate arrangements for cotton pricing. In the education sector, counterpart funds have not been provided to the project institutions for up to eighteen months (we were advised last week, however, that all overdue contributions were reportedly made). Finally our two latest operations made in FY79, a \$20 million credit for a Railway project and a \$26 million credit for a Highway project both of high priority, are faced with substantial delays in effectiveness. In both cases arrangements with major cofinanciers have not been completed and none of the conditions of effectiveness of the IDA credits has been fulfilled. The Smallholders Maize project

negotiations of last June could not be concluded pending solution of major issues. The implementing agency agreed to be in charge at the time of appraisal had all but disappeared because of lack of financing by the budget and therefore lack of staff, and the Government could not agree to the financing of non incremental requirements for fertilizers. A post-appraisal mission in July 1979 was not able to solve those problems with the Government and conclude negotiations. It, however, agreed with the authorities on a plan of action to be completed by the end of October 1979 according to which inter alia funds for the projects should be released, steps be taken to secure the necessary amount of fertilizers for the project for the 1980 campaign, and accounts established for the project entity. We hope to be able to proceed thereafter.

- (iii) Improvement in the agricultural sector. At present, only private sector/commercial-type enterprises continue to operate at reasonable levels of success. We should reiterate that the extension of mining activities, which currently constitute the mainstay of the economy, is not sufficient to ensure diversification and broad-based development for the benefit of the bulk of the population. As a matter of utmost urgency, the Government should articulate a coherent agricultural policy framework including (a) improvements at the ministerial and agencies levels; (b) strengthening of delivery and marketing systems; and (c) setting-up of a broadly-based pre-investment program. An attempt was made to encourage such activities with the Agricultural Working Group of the 1976 Consultative Group. However, its work could not proceed pending the completion of a medium-term development program including a consistent set of priorities. You may wish to ask President Mobutu what his plans are in this respect. If his reaction is encouraging, we could indicate our readiness to renew efforts in this area, together with other members of the Consultative Group.

26. In the short run, the most effective way of helping Zaire should be through massive commodity assistance. However, we would not recommend to consider program lending until progress under the stabilization program has reached the stage where the IMF would be prepared to enlarge its financial support. At present, it would be premature to define the content and specific conditions of a program loan.

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(c) De Wit Incident

27. If the opportunity presents itself, we should remind President Mobutu of the importance we attach to the question of settling the de Wit incident. The letter you sent to President Mobutu last May has so far remained without reply, despite our follow-up on the matter with the Ambassador in Washington and during the visit of Central Bank Governor Mr. Emony to Washington in July. We have now been advised that Zaire has decided to retain the services of Mr. David Morse of the Washington law firm Surrey and Morse, to represent its interest in this case. A letter from Mr. Morse to that effect has been received by Mr. Nurick.

cc: Messrs. Stern
Gué
Adler
Gulhati

Attachments

J.-D.Roulet/A.R.Gué/W.A. Wapenhans:mcme

Handcarried by Mr. Wiehen

JUL 12 1976

His Excellency
Mobutu Sese Soko
President of the Republic of Zaire
P.O. Box 2697
Kinshasa Combe
Zaire

Dear Mr. President,

The evolution of Zaire's economic situation during the last few years has been a matter of great concern to me. Since we met last in October 1973, I have discussed my concerns during the last two Annual Meetings of the World Bank Group with your Finance Minister, and my associates have maintained an almost continuous dialogue on economic matters with your authorities. However, the situation now is such that I feel I should write to you personally.

When we decided, in 1970, to station a Resident Representative in Kinshasa and, in 1973, to expand the office to a Resident Mission with seven experts, we had done so in view of the great need of Zaire for financial and technical assistance to develop its enormous potential, and of your determination to confront the problems of development with authority and energy. We had expected that within the context of a well-conceived development program the Bank Group could assist Zaire in three major ways: by expanding significantly Bank and IDA financial assistance for well-prepared projects in priority sectors of the economy, by providing technical assistance to your Government in the area of general economic policies and planning as well as project preparation and implementation, and by assisting your Government in presenting its case for development support in a systematic manner to the Consultative Group which comprises countries and institutions interested in giving development aid to Zaire.

Since 1970 the Bank Group has given to Zaire one Bank loan of \$100 million for the Cecamines Expansion Project and nine IDA credits totalling about \$160 million for projects in transport, education, agriculture and industry. In the earlier years the shortage of sufficiently well-prepared projects was the major constraint to a larger lending program. The substantial amounts we lent in 1975 (\$152 million) and approved to date in 1976 (\$42.5 million) reflect a significant change in that situation, and I understand that as a result of a close working relationship between your authorities and the Bank staff at the project level, aided significantly by our Resident Mission, a pipeline of projects suitable for financing is being prepared.

It is most unfortunate that at the same time the general economic situation of Zaire has deteriorated to such a degree that I am forced to review the role of the Bank Group's lending activities in your country. I am fully aware that the drastic deterioration of Zaire's terms of trade and the heavy fluctuations of the copper price have had a deplorable impact on the economy, especially the foreign exchange position, and that the developments in neighboring countries have contributed to Zaire's financial and logistical problems. However, these external events could have such a severe impact only because they were accompanied by deficiencies in Zaire's economic management.

Among these deficiencies, please allow me to note particularly the following:

- The absence of a sound and well-balanced policy of economic development which has resulted in a deep dissatisfaction in the rural areas, a rural exodus that is more than just worrisome, a major decrease in export earnings from agricultural products and a regrettable increase in imports of staple goods (such as meat, rice, maize or fish) that could have been largely produced locally. ✓
- The absence of an adequate economic planning mechanism and of a sound procedure for the review and selection of investment projects. This deficiency has led to the adoption of certain investment projects of questionable economic justification, unfortunately encouraged by suppliers' credits which were thoughtlessly offered. The high cost of these projects, besides seriously worsening your country's external indebtedness, has also severely affected its borrowing power, thus forcing the deferral of projects with high economic priority. ✓
- The absence of sound budgetary policies and discipline, which has led -- for several years in a row -- to budgetary deficits of considerable proportions. W
- The absence of sound external debt management which in addition to the significant arrears in payments incurred during the last 13 months has led to a situation of great confusion in the servicing of debt, including repeated delays in the payment of debt service to the Bank Group. W

All these factors combined have led to the most serious economic and financial crisis which Zaire has faced since independence. The Stabilization Program which you prepared in consultation with the International Monetary Fund and initiated earlier this year would, if fully implemented, relieve some of the short-term pressures on the country's economy. To achieve

improvements for the longer term and to set Zaire firmly on the road to development will require the early definition and strict implementation, over the next few years, of an action program which will dramatically depart from past policies.

I wish to assure you that the Bank Group stands ready to give its financial and technical support to any effort on your part to rectify the deficiencies of economic management. However, I regret to advise you that the expansion in the Bank Group's lending activities, which started in 1975 and which seemed justified by the needs of your country as a whole, and the poverty of its rural population in particular, cannot continue, and the future program will have to be limited to relatively small amounts of IDA funds (and even those may have to be reduced further) unless a major improvement in the economic management takes place. I would like you to know that this reduction does not indicate diminishing interest of our institution in your country. My associates and I are deeply concerned that the development effort in Zaire continue to be supported as strongly as possible. However, the institutions of the Bank Group themselves face a serious resource constraint, and we have no choice but to take into consideration, in the allocation of these limited resources, the development effort the recipient countries themselves make. I hope sincerely that in the not too distant future your Government's economic performance will improve to the point where we can once again plan for sustained growth of overruling activities, in line with your aspirations and the great needs and potential of Zaire.

In line with the adjustment of our lending program, we will also have to reduce somewhat the size of our Resident Mission in Zaire which was geared to a much larger level of activities. In the expectation that this adjustment is a temporary one, we will for the time being maintain an office of four experts in Kinshasa, headed by a Resident Representative, who will continue to work with your authorities as closely as possible.

I would like to take this opportunity to advise you of the appointment of Mr. Attila Sonmez as the Bank's Resident Representative, who will take over from Mr. Serge Guetta when the latter returns to Washington in mid-July. Mr. Sonmez has for several years been familiar with the economic problems of Zaire and is well known to your close associates.

Mr. Sonmez and his staff, as well as other Bank staff members based in Washington, will continue to offer their full cooperation and help to your Government in addressing development problems. In addition, as you know, a team of qualified economic experts organized by the Bank and financed by the United Nations Development Programme has for almost two years now been at the disposal of your Service du Plan; in the past the Team has not been utilized as effectively as I am sure you and I had expected when we discussed this project in November 1972, but in the hope that their utilization will be strengthened, I have decided to leave the Team in Zaire for the time being.

Finally, I believe the time has come for another meeting of the Consultative Group on Zaire. At the last meeting held in November 1973, a cycle of 18-24 months between meetings was envisaged. During the last 12 months Zaire's current problems, especially those related to the servicing of external debt, were so acute that a meeting of the Consultative Group probably would not have been able to focus on development problems. Now that a debt rescheduling agreement with governments has been successfully concluded, and negotiations with private creditor institutions are, I hope, well underway, a new Consultative Group meeting should be called before the end of the year. The Bank, as in the past, is prepared to call and chair such a meeting. The success of the meeting -- in terms of renewed development assistance to Zaire -- will depend very largely on the extent to which Zaire will achieve the objectives of the Stabilization Program and the efforts it makes towards improving economic performance and development. Again, our staff will help your authorities prepare for the Consultative Group meeting to the fullest extent possible. In addition, the Planning Assistance Team in the Service du Plan should be fully involved by your Government in these preparations. I have asked Mr. Michael H. Wiehen, Director of Country Programs in Eastern Africa, to discuss the timing and arrangements for this Consultative Group meeting with your associates during his forthcoming visit to Zaire. If well prepared, that meeting of the Consultative Group could mark the beginning of a new phase in the development of your great country.

Sincerely,

Robert S. McNamara

cc: Mr. McNamara's Office (2)

SGuetta/MHWiehen:cj
July 7, 1976

COUNTRY PROGRAM PAPERZAIREPOSTSCRIPT

DECLASSIFIED

JUN 24 2013

WBG ARCHIVES

88. A meeting to review the Zaire Country Program Paper was held under the chairmanship of Mr. McNamara on June 6, 1979. The results of the meeting were as follows:

1. The discussion focused on the implications of the economic and political situation of Zaire for the justification, size and effectiveness of future Bank operations in this country. Despite some recent positive developments in economic management, the situation was considered serious and the outlook not promising because of lack of political will to reform in Government, the weakness of institutions, the inadequate commitment to development, the ambivalence of donor support, and the uncertain prospects concerning the success of an IMF stabilization program. Particular concern was expressed over the problems of the agricultural sector and especially the difficulty of exerting an impact without significantly revamped policies and major institutional reforms.
2. While the meeting accepted the Region's position that a continued presence in Zaire in terms of both a lending program and resident representation was desirable, it was decided that at this time the IDA program for FY80-84 should be kept to the minimum possible, i.e., to five projects for a total of US\$90 million. The Kwango-Kwilu technical assistance project for agricultural development (US\$1.5 million) programmed for FY80 would not be counted as a project and could be presented in addition to the limit of five projects stipulated. The choice of projects will be left to the Region, which will try to maximize to the extent possible both social impact and likelihood of success, taking particular account of institutional weaknesses. All projects should have a high probability of success in terms of implementation and impact.
3. It was agreed that in appropriate cases, the Association could finance local costs. In such cases, IDA financing should not exceed 60 percent of total project costs (including local costs) and the share of IDA and other colenders should not exceed 75 percent of total costs net of taxes.

4. The staffing of the Resident Mission will be kept to a minimum (1-2 people) and will be decided by the Vice President, Operations, and the Regional Vice President.
5. The economic and sector work program will be reduced accordingly and should include only items which are considered absolutely essential.
6. While it may be desirable to hold annual discussions with other donors and Zaire under the aegis of the Consultative Group, such consultations should be at the initiative of the other parties involved. Nevertheless, a meeting of the Consultative Group should be convened once the conditions set forth in paragraph 76 of the CPP have been met.
7. The entire program would be reviewed in 12 months. If the economic management of Zaire improved significantly and concretely, the Bank Group would be prepared to expand significantly its operations in Zaire and, in the context of a broad international assistance effort, consider a program credit, for which a clear need exists. If significant improvement were to take place in the near future, the Region may wish to propose earlier reconsideration by Senior Management.
8. The Region expressed satisfaction with the findings of the recent supervision mission on the Gecamines Project and with the amendments to the Agreement negotiated with Gecamines and the colenders on May 28-29. A note giving the appropriate background and reporting on these recent developments is under preparation. At Mr. McNamara's request, the note will clarify particularly the manner in which Gecamines has revised and amalgamated its expansion and rehabilitation programs and how the Bank project fits into them.
9. A revised Attachment I is included.

Attachment

Eastern Africa Region
Country Programs IIC
July 16, 1979

		Through 1973	FY74	FY75	FY76	FY77	FY78	Current FY79	FY80	FY81	FY82	FY83	FY84	Total FY69-73	Total FY74-78	Total FY79-83	Total FY80-84	Reserve Projects
Cotton	IDA					8.0												
Fisheries	IDA																	
Forestry	IDA																	15.0 (FY82)
Kwango-Kullu Agr. Dev.	IDA																	15.0 (FY83)
Livestock I	IDA	8.5											20.0					
Livestock II	IDA					8.0												
Maize	IDA																	
Oil Palm	IDA						9.0		11.0									
Sugar	IDA									20.5								
Copper Mining, Gecamines	IDA			100.0														
Gecamines Rehab.	IDA																	75.0 (FY81)
DFC I	IDA	5.0																
DFC II	IDA	10.0																
DFC III	IDA		10.0															
DFC IV	IDA																	
DFC V	IDA					10.0												
Highways I	IDA	6.9																
Highways II	IDA	19.0																
Highways III	IDA			26.0														
Highways IV	IDA							26.0										
Highways V	IDA																	
Rail/River I	IDA	7.0																20.0 (FY84)
Rail/River II	IDA			26.0														
Ports/ONATRA III	IDA																	
Railways	IDA							20.0			20.0							
Education I	IDA	6.5																
Education II	IDA				21.0													
Water Supply I	IDA				21.5													
Lending Program	IBRD			100.0														
	IDA	62.9	10.0	52.0	42.5	25.0	9.0	46.0	29.5	20.5	20.0	-	20.0	62.0	100.0			
	Total	62.9	10.0	152.0	42.5	25.0	9.0	46.0	29.5	20.5	20.0	-	20.0	62.0	139.5	116.0	90.0	25.0
	Number	7	1	3	2	3	1	2	2	1	1	-	1	7	10	6	5	4
(of which IDA)		7	(1)	(2)	(2)	(3)	(1)	(2)	(2)	(1)	(1)	-	(1)	(7)	(9)	(6)	(5)	(4)
Lending Program in Constant FY78 \$			12.9	183.6	48.0	27.5	9.0	43.4	26.2	17.2	15.9	-	14.3	103.48	281.0	102.7	75.6	
Commitment Deflator (FY78-100)			77.6	82.8	88.6	94.3	100.0	106.0	112.4	119.0	125.9	133.0	140.0					
- Standby Projects	IBRD																	
	IDA																	
	Total																	
IBRD	1/	15.5	10.7	105.6	101.1	102.4	112.0	109.1	102.9	96.2	88.9	81.1	72.6					
o/s incl. Undfs.	2/	13.5	10.7	5.6	20.9	44.5	79.2	86.6	89.0	87.8	84.1	79.0	72.1					
excl. Undfs.	3/																	
IBRD Gross Disbursements		91.6	-	-	18.0	24.1	25.1	10.3	8.5	5.5	3.5	2.7	1.5					
Less: Amortization		26.9	4.6	4.5	4.6	1.1	-	2.9	6.1	6.7	7.2	7.8	8.4					
Equals: Net Disbursements		14.7	-4.6	-4.5	13.4	23.0	25.1	7.4	2.4	-1.2	-3.7	-5.1	-6.9					
Less: Interest and Charges		48.4	.8	.5	2.5	3.1	5.3	6.1	6.5	6.5	6.2	5.8	5.2					
Equals: Net Transfer		-33.7	-5.4	-5.0	10.9	19.9	19.8	1.3	-4.1	-7.7	-9.9	-10.9	-12.1					
IBRD/IDA Gross Disbursements		103.9	5.3	12.5	32.0	44.7	57.5	37.1	34.0	40.4	42.3	32.4	24.6	12.3				
Less: Amortization		26.9	4.6	4.5	4.6	1.1	-	2.9	6.1	6.8	7.6	8.3	9.0	28.0				
Equals: Net Disbursements		27.0	.7	8.0	27.4	43.6	57.5	34.2	27.9	33.6	34.7	24.1	15.6	-15.7				
Less: Interest and Charges		48.5	.9	.7	2.7	3.6	5.9	6.7	7.4	7.7	7.6	7.5	7.1	8.1				
Equals: Net Transfer		-21.5	-2	7.3	24.7	40.0	51.6	27.5	20.5	25.9	27.1	16.6	8.5	-23.8				

1/ As of the end of fiscal year.

2/ The exchange adjustment of \$0.8 million, as of June 1973, has been included in these figures.

3/ The exchange adjustment of \$0.6 million, as of June 1974, has been included in these figures, with a decrease of \$0.2 million since FY1973.

4/ The exchange adjustment of - million, as of June 1975, has been included in these figures, with a decrease of \$0.6 million since FY1974.

5/ The exchange adjustment of \$1.9 million, as of June 1976, has been included in these figures, with an increase of \$1.9 million since FY1975.

6/ The exchange adjustment of \$7.4 million, as of June 1977, has been included in these figures, with an increase of \$0.5 million since FY1976.

7/ The exchange adjustment of \$12.0 million, as of June 1978, has been included in these figures, with an increase of \$0.6 million since FY1977.

NOTE: All data in this table reflect o/s amounts and transactions of loans sold to third parties.

TABLE 3A
ZAIRE - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.)	ZAIRE			REFERENCE GROUPS (ADJUSTED AVERAGES - MOST RECENT ESTIMATE) ^{/a}		
	TOTAL	/b	MOST RECENT ESTIMATE /b	GEOGRAPHIC REGION /c	SAME	NEXT HIGHER
					INCOME GROUP /d	INCOME GROUP /e
TOTAL	2345.4					
AGRICULTURAL	309.5					
GNP PER CAPITA (US\$)	60.0	90.0	130.0	261.4	181.9	430.3
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	87.0	81.0	62.0	80.6	83.9	262.1
POPULATION AND VITAL STATISTICS						
POPULATION, MID-YEAR (MILLIONS)	17.5	21.3	25.7	.	.	.
URBAN POPULATION (PERCENT OF TOTAL)	22.3	30.3	34.9	17.1	16.2	24.6
POPULATION PROJECTIONS						
POPULATION IN YEAR 2000 (MILLIONS)			46.0	.	.	.
STATIONARY POPULATION (MILLIONS)			122.0	.	.	.
YEAR STATIONARY POPULATION IS REACHED			2160	.	.	.
POPULATION DENSITY						
PER SQ. KM.	7.0	9.0	11.0	18.4	49.4	45.3
PER SQ. KM. AGRICULTURAL LAND	58.0	69.0	83.0	50.8	252.0	149.0
POPULATION AGE STRUCTURE (PERCENT)						
0-14 YRS.	43.7	44.4	43.0	44.1	43.1	45.2
15-64 YRS.	52.5	52.8	54.0	52.9	53.2	51.9
65 YRS. AND ABOVE	3.8	2.8	3.0	2.8	3.0	2.8
POPULATION GROWTH RATE (PERCENT)						
TOTAL	2.3	2.0	2.7	2.7	2.4	2.7
URBAN	..	5.1	5.4	5.7	4.6	4.3
CRUDE BIRTH RATE (PER THOUSAND)	48.0	46.8	46.0	46.3	42.4	39.4
CRUDE DEATH RATE (PER THOUSAND)	24.0	21.0	19.0	17.2	15.9	11.7
GROSS REPRODUCTION RATE	..	2.8	3.0	3.1	2.9	2.7
FAMILY PLANNING						
ACCEPTORS, ANNUAL (THOUSANDS)	..	..	..	.	.	.
USERS (PERCENT OF MARRIED WOMEN)	..	..	..	..	12.2	13.2
FOOD AND NUTRITION						
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)	101.8	101.0	95.0	94.3	98.2	99.6
PER CAPITA SUPPLY OF CALORIES (PERCENT OF REQUIREMENTS)						
PROTEINS (GRAMS PER DAY)	33.0	33.0	32.1	55.8	52.1	54.3
OF WHICH ANIMAL AND PULSE	..	16.0/f	12.5	17.9	13.6	17.4
CHILD (AGES 1-4) MORTALITY RATE	37.0	31.0	27.0	22.3	18.5	11.4
HEALTH						
LIFE EXPECTANCY AT BIRTH (YEARS)	39.5	43.0	46.0	47.0	49.3	54.7
INFANT MORTALITY RATE (PER THOUSAND)	..	..	..	..	105.4	68.1
ACCESS TO SAFE WATER (PERCENT OF POPULATION)						
TOTAL	..	11.0	16.0	20.3	26.3	34.4
URBAN	..	33.0	43.0	53.9	58.5	57.9
RURAL	..	4.0	5.0	10.1	15.8	21.2
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)						
TOTAL	..	5.0	22.0	22.5	16.0	40.8
URBAN	..	5.0	67.0	62.5	65.1	71.3
RURAL	..	5.0	6.0	13.9	3.5	27.7
POPULATION PER PHYSICIAN	63000.0	30040.0	..	17424.7	11396.4	6799.4
POPULATION PER NURSING PERSON	..	13230.0	..	2506.6	5552.4	1522.1
POPULATION PER HOSPITAL BED						
TOTAL	..	320.0	330.0/g	502.3	1417.1	726.5
URBAN	..	90.0	110.0/g	201.4	197.3	272.7
RURAL	..	1070.0	1000.0/g	1403.6	2445.9	1404.4
ADMISSIONS PER HOSPITAL BED	..	..	..	23.4	24.8	27.5
HOUSING						
AVERAGE SIZE OF HOUSEHOLD						
TOTAL	..	..	..	4.9	5.3	5.4
URBAN	..	6.1	..	4.9	4.9	5.1
RURAL	..	..	6.0	5.5	5.4	5.5
AVERAGE NUMBER OF PERSONS PER ROOM						
TOTAL	..	..	..	..	..	..
URBAN	..	..	..	..	..	..
RURAL	..	..	..	..	..	..
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)						
TOTAL	..	..	..	..	22.5	28.1
URBAN	..	..	..	..	17.8	45.1
RURAL	..	..	..	..	..	9.9

TABLE 3A
ZAIRE - SOCIAL INDICATORS DATA SHEET

	ZAIRE			REFERENCE GROUPS (ADJUSTED AVERAGES - MOST RECENT ESTIMATE) /a			
	1960 /b	1970 /b	MOST RECENT ESTIMATE /b	SAME	SAME	NEXT HIGHER	
				GEOGRAPHIC REGION /c	INCOME GROUP /d	INCOME GROUP /e	
EDUCATION							
ADJUSTED ENROLLMENT RATIOS							
PRIMARY:	TOTAL	60.0	90.0	86.0	59.0	63.3	82.7
	MALE	82.0	114.0	..	64.2	79.1	87.3
	FEMALE	38.0	66.0	..	44.2	48.4	75.8
SECONDARY:	TOTAL	3.0	9.0	13.0	9.0	16.7	21.4
	MALE	4.0	14.0	..	12.0	22.1	33.0
	FEMALE	1.0	4.0	..	4.4	10.2	15.5
VOCATIONAL ENROL. (% OF SECONDARY)		27.0	10.0	14.0/g	7.0	5.6	9.8
PUPIL-TEACHER RATIO							
PRIMARY		40.0	43.0	42.0	42.2	41.0	34.1
SECONDARY		20.0	20.0	27.0	22.9	21.7	23.4
ADULT LITERACY RATE (PERCENT)		31.0/h	13.0	15.0	20.8	31.2	54.0
CONSUMPTION							
PASSENGER CARS PER THOUSAND POPULATION		3.0	3.0	3.5	4.0	2.8	9.3
RADIO RECEIVERS PER THOUSAND POPULATION		3.0	3.0	101.0	44.3	27.2	76.9
TV RECEIVERS PER THOUSAND POPULATION		..	0.3	0.3	2.9	2.4	13.5
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION		1.0	9.0	..	5.6	5.3	18.3
CINEMA ANNUAL ATTENDANCE PER CAPITA		0.1	0.1	0.1	0.4	1.1	2.5
LABOR FORCE							
TOTAL LABOR FORCE (THOUSANDS)		8340.0	10460.0	10600.0	..	..	..
FEMALE (PERCENT)		43.8	42.8	42.3	31.9	24.8	29.2
AGRICULTURE (PERCENT)		83.4	79.3	76.0	77.6	69.4	62.7
INDUSTRY (PERCENT)		8.8	10.8	13.0	7.9	10.0	11.9
PARTICIPATION RATE (PERCENT)							
TOTAL		47.7	44.9	43.6	40.8	36.9	37.1
MALE		54.4	52.1	50.9	53.9	52.4	48.8
FEMALE		41.2	37.9	36.5	25.6	18.0	20.4
ECONOMIC DEPENDENCY RATIO		1.0	1.0	1.1	1.2	1.2	1.4
INCOME DISTRIBUTION							
PERCENT OF PRIVATE INCOME RECEIVED BY							
HIGHEST 5 PERCENT OF HOUSEHOLDS		..	..	..	..	..	15.2
HIGHEST 20 PERCENT OF HOUSEHOLDS		..	..	..	..	..	48.2
LOWEST 20 PERCENT OF HOUSEHOLDS		..	..	..	..	..	6.3
LOWEST 40 PERCENT OF HOUSEHOLDS		..	..	..	..	..	16.3
POVERTY TARGET GROUPS							
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)							
URBAN		..	..	..	187.6	99.2	241.3
RURAL		..	..	80.0	96.8	78.9	136.6
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)							
URBAN		..	..	76.0	138.4	91.9	179.7
RURAL		..	..	43.0	71.0	54.8	103.7
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)							
URBAN		..	..	..	34.5	44.1	24.8
RURAL		..	..	80.0	48.7	53.9	37.5

.. 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 Low Income (\$280 or less per capita, 1976); /e Lower Middle Income (\$281-550 per capita, 1976); /f 1965; /g 1973; /h 1962.

May, 1979

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The **adjusted group average** for each indicator are population-weighted geometric means, excluding the extreme values of the indicator and the most populated country in each group. Due to lack of data, group averages of all indicators for **Central Europe** and **Eastern Europe** are based on indicators for **Access to water and excreta disposal**, **Housing**, **Income Distribution** and **Poverty** for other country groups are population-weighted geometric means without exclusion of the extreme values and the most populated country. Since the coverage of countries among the indicators depends on availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are mostly useful as approximations of "expected" values when comparing the values of one indicator at a time among the country and reference groups.

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 life 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; 1960, 1970 and 1976 data.

POPULATION AND VITAL STATISTICS

Total population, mid-year (millions) - As of July 1; 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; 1960, 1970 and 1975 data.

Population Projections

Population in Year 2000 - Current population projections are based on 1975 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of 3 levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have 3 levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these 9 combinations of mortality and fertility trends for projection purposes.

Stationary Population - In a Stationary Population, there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The Stationary Population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

Year Stationary Population is Reached - The year when Stationary Population size has been reached.

Population density

Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area.
Per sq. km. agricultural 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; 1960, 1970 and 1977 data.

Population growth rate (percent) - total - Annual growth rates of total mid-year populations for 1950-60, 1960-70, and 1970-77.

Population growth rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-75.

Crude birth rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970 and 1977 data.

Crude death rate (per thousand) - Annual deaths per thousand of mid-year population; 1960, 1970 and 1977 data.

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 (1963-71 = 100) - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights.

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 50 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; for most developing countries data derived from life tables.

HEALTH

Life expectancy at birth (years) - Average number of years of life remaining at birth; 1960, 1970, and 1977 data.

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 household or members of the household do not have to spend a disproportionate part of the day in fetching the family 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.

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, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective 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, male 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 weighing 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 newspapers", 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.

LABOR FORCE

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 - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970 and 1975 data. These are ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.

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 - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

Estimated population below absolute poverty income level (percent) - urban and rural - Percent of population (urban and rural) who are "absolute poor".

OFFICE MEMORANDUM

TO: MEMORANDUM FOR THE RECORD

DATE: February 29, 1980

FROM: Alberto de Capitani, Division Chief, EA2DC SUBJECT: Visit to Mr. McNamara of the Zairian Ambassador
to the United Nations

At his request, the Zairian Ambassador to the U.N., Mr. Kamanda wa Kamanda, was received by Mr. McNamara on February 8, 1980, at 6:15 p.m. The meeting was attended by Messrs. Gué, Koch-Weser and myself, and lasted approximately half an hour. The Ambassador indicated that he had been recently appointed to his position and that he wanted to pay a courtesy call on Mr. McNamara. He subsequently asked what were the Bank's views on protectionism in the developed countries, North-South dialogue, and the development of energy resources (both oil and non-oil) in the LDC's. Mr. McNamara indicated that in the face of growing protectionistic tendencies in the Western World, the Bank was increasingly emphasizing the dangers of such policies for both LDC's and developed countries. He expressed cautious optimism about the future of the North-South dialogue, referring in particular to the upcoming report of the Brandt Commission. As for energy development, Mr. McNamara emphasized its priority for developing countries and described the increasing role which the Bank intends to play in this area.

AdeCapitani:lk

Cleared with and cc: Mr. Gué

cc: Messrs. McNamara, Stern (o/r), Hussain
Wapenhans, Koch-Weser

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
(through S. Shahid Husain, Acting VPO) *NK*

DATE: February 7, 1980

FROM: W.A. Wapenhans, Regional Vice President, EAN

SUBJECT: Visit of the Zairian Ambassador to the United Nations

1. As you agreed, the Zairian Ambassador to the UN, Mr. Kamanda wa Kamanda, will pay you a courtesy call on Friday, February 8, at 6:00 p.m. Ambassador Kamanda was appointed to his position only a few months ago. A lawyer by training, in his early 40's, he has been Zaire's representative to the Organization of African Unity in Addis Ababa and, subsequently, Zaire's permanent representative to the UN in Geneva. He is quite fluent in English. He may wish to discuss the present state of relationship between Zaire and the Bank, but is unlikely to carry any special message.
2. Our lending program for Zaire includes three projects for this fiscal year. The Fifth Sofide Project would provide US\$18.5 million equivalent to finance the foreign exchange component of the fixed capital investment requirements of sub-projects in the agriculture, transportation and industrial sectors as well as working capital of existing projects in Sofide's portfolio. The Smallholder Maize Project (US\$37.8 million, of which US\$11.0 million from IDA), would assist in purchasing and distributing seeds and fertilizers, and improve marketing research and extension services in the Kasai Oriental; it would also include rehabilitation of rural roads and of about 200 hand-operated village drinking water systems in the project area. The Kwango-Kwilu Technical Assistance Project (US\$5.6 million, of which US\$2.6 million from IDA) is a pilot scheme which aims at establishing an institutional and managerial environment in which the long-term agricultural development programs of the Kwango and Kwilu sub-regions of Bandundu could operate.
3. A mission headed by Mr. Gué recently visited Zaire to participate in a Project Implementation Review and to pursue general country discussions in preparation for the meeting of the Consultative Group. For your information, I attach herewith Mr. Gué's confidential note on his discussions with President Mobutu and Prime Minister Bo-Boliko Lokonga as well as the mission's general back-to-office report. In view of significant progress in meeting the conditions set up at the last CPP review and subject to agreement by the other partners, we have tentatively agreed with the Zairian government that we would convene the meeting of the Consultative Group for April 28-29.
4. I suggest that Messrs. Gué and de Capitani attend your meeting with Mr. Kamanda. We would not advise you to use Mr. Kamanda as a vehicle to transmit any important communication to Président Mobutu. This could be

Mr. Robert S. McNamara

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February 7, 1980

seen as a decision to bypass the Zairian Ambassador to the US, with whom we have established a good rapport and who has been very effective in the past in conveying our views to President Mobutu and to top officials in government.

AdeCapitani:lk

Attachments (a/s)

cc: Mr. Stern (o/r)