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Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

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THE WORLD BANK
Washington, D.C.

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Mchamara Papers

Contracts
Zaire (1968-1970)

The World Bank Group
Archives



1771243

A1993-012 Other # 21

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Contacts with member countries. Zaire - Correspondence 01

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WBG Archives

ZAIRE

CONGO (KINSHASA)

1. 4/16/68 Maurice Tempelsman, Leon Tempelsman & Co., NYC (commissioned by President Mobutu to seek foreign financial participation)
2. 7/19/68 Maurice Tempelsman (see above); accompanied by Messrs. Ted Sorensen and Oppenheimer
- 2.a 8/9/68 Mr. Kochman
3. 9/27/68 Victor Nendaka, Minister of Finance
4. 10/16/68 Victor Nendaka, Minister of Finance
Maurice Tempelsman (see info above)
Ambassador Cyrille Adoula
- 12/11/68 Ambassador Cyrille Adoula; ~~accompanied by~~ Ted Sorensen
5. 1/29/69 Maurice Tempelsman (see title above);
6. 1/31/69 Etienne Hirsch, consultant to the World Bank on Congo affairs
7. 2/13/69 Victor Nendaka, Minister of Finance, and associates
(Kinshasa)
8. 2/12/69 Economic and Financial Inter-Ministerial Commission:
(Kinshasa) Victor Nendaka, Minister of Finance
Faustin Nzeza, Minister of Transport and Communication
Alphonse Ilunga, Minister of Public Works
Albert Ndele, Governor of the National Bank
Ambassador Cyrille Adoula
B. Bisengimana, Principal Advisor to the President and Secretary
General of the Economic and Financial Inter-Ministerial Commission
9. 2/13/69
(Kinshasa) Ted Sorensen (*Filed in R. M. N. office*)
10. 2/14/69 President Joseph Desire Mobutu (*Filed in R. M. N. office*).
(Kinshasa)
- 2/13/69 Mr. Aldaffe (met at dinner)
(Kinshasa)
- " Edouard Mambu, Chief Adviser to Governor Ndele
- " Justin Marie Bomboko, Minister of Foreign Affairs
11. 2/15/69 Herman J. Cohen, Political Officer, American Embassy (*Filed in R. M. N. office*)
- 2/14/69 Leon Engulu, Governor of Lubumbashi Province, and mining officials
(Lubum.)
- 2/14/69 Robert Cayron, Managing Director of GECOMIN
(Kin.)
12. 2/17/69 Hubert Ansiaux, Governor of the National Bank of Belgium
(Brussels) Franz de Voghel, Deputy Governor
13. " Pierre Ansiaux, Director, Societe Nationale

14. 2/17/69 L. Wallef, Chairman, Union Miniere *(filed in RMcN office)*
(Brussels) M. Nokin, Governor, Societe Generale
Lord H. Colyton, Chairman, Tanganyika Concessions, Ltd.
- 2/27/69 Edouard Mambu, Chief Advisor to Governor Ndele, National Bank of
the Congo (K)
- 4/7/69 Ambassador Cyrille Adoula
15. 9/3/69 Telephone conversation with Edouard Mambu, Chief Advisor to
Governor Ndele, National Bank of the Congo
- 9/30/69 Albert Ndele, Governor, National Bank of the Congo
- 10/3/69 Albert Ndele, Governor, National Bank of the Congo
Baron Spirlet]
Mr. Lecointe] Belgian representatives of Union Miniere
16. 1/30/70 Ambassador Justin-Marie Bomboko
Irving Brown, Exec. Dir., African-American Labor Center (an official
of AFL-CIO, in charge of the Union's investment programs abroad)
17. 4/14/70 Edouard Mambu, Chairman of the Board of SOCOFIDE (Congolese
development finance company)
18. 8/5/70 President Joseph Desire Mobutu
Mr. Namwisi, Minister of Finance
Albert Ndele, Governor, Banque Nationale du Congo
19. 11/5/70 Jules Sambwa, Governor, National Bank of the Congo
Ambassador Pierre Iлека
20. 7/19/72 Mr. Bokana, Legal Adviser, Bureau of the Presidency
Ambassador Iлека Mboyo
21. 9/27/72 Baruti wa Ndwalki, Finance Minister
22. 10/24/72 Theodore Sorensen
Maurice Tempelsman
23. 11/19/72 RMcN notes of visit to Zaire *(filed in RMcN office)*
24. 11/19/72 RMcN notes of conversation with President Mobutu of Zaire
25. 11/19/72 Briefing session at OUA village
(Zaire)
- " Meeting with Bisengimana, Director of Office of the Presidency
Sambwa, Governor of the National Bank
Baruti, Commissioner of State for Finance
Ndongala, Commissioner of State for National Economy
26. 11/10/73 President Mobutu (Blair House)
27. 2/4/74 Ambassador Mbeka Makosso
28. 10/3/74 Baruti Wa Ndwali, Commissioner of State for Finance

29. 9/5/75 Wambea Nkoso Bofossa, Finance Minister
Muanda di Baziuki, Adviser
30. 8/10/76 Nguza Karl-I-Bond, Foreign Minister
Ambassador Bulumba Ndagano
31. 10/5/76 Bofossa w'AMB'ea Nkoso, Commissioner of State for Finance
(Manila) Sambwa Pida Nbagui, Governor, Banque du Zaire
32. 9/24/77 Kiakwama Kia Kiziki, Commissioner of State for Finance
Bofossa w'Amb'ea Nkoso, Governor, Banque du Zaire
Bazundama Mbandanu Luzumbulu, Director of Taxes, Dept. of Finance
Muanda di Baziuki, Adviser to the Governor, Banque du Zaire
33. 3/3/78 Umba'di Lutete, Minister of Interior
Malumba Lokoji, Minister of Planning
Ambassador Kasongo Mutuale
34. 8/15/78 Bofossa w'Amb'ea Nkoso, Governor, Bank of Zaire
Hughes Leclercq, Advisor to the Governor
Mr. Mwanda, Central Bank of Zaire
35. 3/1/79 Bofossa w'Amb'ea Nkoso, Governor of the Bank of Zaire
Ambassador Kasongo Mutuale
Mr. Razafindrabe, Executive Director
36. 9/12/79 President Mobutu (Hilton Hotel)
Mr. Bokana, Planning Minister
Mr. Bofossa, Finance Minister
37. 2/8/79 Kamanda wa Kamanda, Ambassador of Zaire to the United Nations



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Mr. McNamara:

1) you asked me about the state of the
Congoese Conciliation.

Mr. Woods has a letter from Mr.
Nokin of Société Générale indicating that
it wants to employ the Bank's good offices.

There is no official request for concili-
ation by the Bank from the Congoese
Government. However, in reply to an informal
approach, the Bank has indicated its
willingness to entertain sympathetically
such a request.

Mr. Knapp has an extensive briefing
paper on the Congo which he wants to
discuss with you.

2) you wish to discuss this with Mr. v. Campenout.

RBS 4/9

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

April 5, 1968

OFFICE OF THE PRESIDENT

Mr. McNamara:

Mr. Maurice Tempelsman called (at the suggestion of Mr. Sorensen) for an appointment. Have scheduled him for 4:00 p.m. on April 16.

A MemCon on his recent visit with Mr. Woods is attached. Mr. Steckhan is getting other information.

ps

4/5
JK
Done

OFFICE MEMORANDUM

blue copy

TO: Files

DATE: January 15, 1968

FROM: J. C. de Wilde *JCW*SUBJECT: Visit of Messrs. Robert Anderson and Maurice Tempelsman to Mr. Woods
on the Subject of Foreign Investment in the Congo (K) Mining Industry -
January 12, 1968.

Mr. Tempelsman reported that his firm, Leon Tempelsman and Son of New York (which apparently is linked with, or represents, the Oppenheimer interests in South Africa), had been commissioned by President Mobutu in a letter of October 31, 1967 to seek foreign financial participation in the 40 percent of the capital stock of Gécomin which had been set aside for private interests. His firm had associated Mr. Anderson's firm in this endeavor.

Mr. Tempelsman, who claimed he had been instrumental in negotiating the arrangement whereby the Belgian Société Générale des Minerais had taken over the management of Gécomin, said that this arrangement was working reasonably well but that longer-term plans were now necessary to develop the Gécomin mining properties which had formerly been owned by Union Minière. He considered it particularly essential to make plans to develop lower-grade copper ores. The policy of confining mining to ores with a five percent copper content was especially wasteful. However, if lower-grade copper ores were to be utilized, additional investment would be required soon both in mining and in processing facilities.

Mr. Tempelsman said he had told President Mobutu that additional foreign private investment in the mining industry would depend on:

1. Assurances that such private investment would be secure. Adequate assurances to this effect would depend also on the way past private investment was treated. In this connection Mr. Tempelsman had emphasized the importance of a settlement with the Union Minière.
2. The adequacy of the rate of return. Mr. Tempelsman had expressed the view that taxation of mining enterprise was much too heavy. New tax rates should give some incentive to the exploitation of lower-grade ores.

Mr. Tempelsman thought it would be highly desirable to have the Union Minière participate in Gécomin together with other foreign interests. Representatives of Union Minière, however, felt that all efforts to get foreign capital investment in the mining industry ought to be deferred until the Congolese were prepared to agree to the formation of an entirely new company replacing Gécomin and to compensate Union Minière.

He hoped that some sort of settlement with Union Minière could be achieved. President Mobutu had originally made an oral declaration recognizing the principle of no nationalization without compensation, but this had never been in writing. According to Mr. Tempelsman, lawyers representing the Congolese Government and the Union Minière had in fact prepared a draft

January 15, 1968

agreement (apparently some time in August or November 1967) providing for the compulsory settlement by a commission of three eminent international jurists of "all claims against each other arising out of L'Union Minière's operations in the Democratic Republic of the Congo, and relating to the participation which the Democratic Republic of the Congo owned in L'Union Minière through December 31, 1966." However, no action had been taken on this draft. (I should note, parenthetically, that this does not check with information given me by the management of Union Minière last December in Brussels. I was given copies of a letter written on March 17, 1967 by Union Minière to Mr. Theodore Sorenson, Counsel for the Congolese Government, proposing an agreement for compulsory arbitration of the issue of compensation for the seizure of the assets of Union Minière. I was told that there had been no reply to this proposal except for a brief letter from Mr. Sorenson, dated October 17, 1967, in which the latter regretted that there had been no action on this proposal and expressed the hope that Union Minière would be patient.)

Messrs. Tempelsman and Anderson were informed of the forthcoming Bank mission to the Congo. This mission was designed principally to determine whether the general prospects of the Congo were such as to warrant some Bank-IDA investment, and, if so, what the nature of such investment might be. The Congolese Government was also looking to the mission for advice on economic and financial policy. The mission would, of course, be very much concerned with the mining industry and the related investment and policy questions.

It was agreed that it might be useful to review the prospects of foreign investment in the Congolese mining industry following the Bank mission's return and the completion of its back-to-office report containing its principal findings.

JCW:eob

CC: Mr. George D. Woods
Mr. Martin M. Rosen
Mr. Ladislaus von Hoffmann
Mr. Abdel G. El Emary
Mr. Xavier de la Renaudiere
Mr. Armand Van Nimmen

*Mr. McNamara - to see, please.**RBS 7/23**7/19*

OFFICE MEMORANDUM

TO: Files

DATE: July 22, 1968

FROM: A. Van Nimmen *AN*SUBJECT: Visit of Messrs. H. Oppenheimer, M. Tempelsman and T. Sorensen to
Mr. McNamara - July 19, 1968Present: Messrs. McNamara, Oppenheimer, Tempelsman, Sorensen, Van Nimmen,

1. Mr. Oppenheimer, chairman of the Anglo-American Corporation of South Africa and Director of Charter Consolidated Ltd., informed Mr. McNamara of his desire to set up a subsidiary company in the United States, presumably with a 49 percent participation by his own group and in association with a number of U.S. banks. The establishment of such a company would permit a further expansion of his group's activities in Africa.
2. Mr. Oppenheimer furthermore asserted that the financial interests which he represents are willing to take certain risks in Africa. In general, however, they favor the setting up of mixed companies with Government participation. Participation of the World Bank Group in any of these ventures would, of course, greatly strengthen the financial security and reduce the risks. The example of the Mauritanian copper project, where private interests cooperate with an African Government and with IFC, was cited as a case in point. Mr. Oppenheimer also mentioned that representatives of his firm (presumably Messrs. W. D. Wilson and Hone of Charter Consolidated) had recently contacted IFC with respect to the possibility of investing in the Kansanshi copper mine (Zambian copper belt). In this context Mr. Oppenheimer pointed out that the latest decisions taken by President Kaunda - involving increases in taxation and an obligation for firms to plough back at least 50 percent of their profits - had suddenly cast some doubts over the realization of these financial plans. He thought that the World Bank could use its influence to reduce investment risks and to prevent any such drastic measures from being taken.
3. Mr. McNamara replied that the World Bank would welcome any participation of private investment in African economic development. He added that the influence of our institution in these countries is rather limited, especially where the level of our operations is still relatively small.
4. Upon a question of Mr. McNamara, Mr. Oppenheimer expanded on his group's present activities in other parts of Africa. He particularly stressed the close cooperation which his group maintains in Cameroon and Mali with BRGM, the French agency in charge of the development of mineral resources in France and in developing countries.
5. With regard to the Democratic Republic of the Congo, Mr. Oppenheimer said that his company is presently buying part of that country's diamond output and simultaneously carrying out further prospecting for diamonds. He also said that his group has signed a contract with the Japanese concern which has received a copper mining concession at the Musoshi site near the Zambian border. The contract essentially involves the sinking of a shaft, but further financial participation by the Oppenheimer interests is not excluded.

President has seen

.../

6. Mr. Tempelsman added that he had recently met with President Mobutu and that a letter dealing with the question of a possible World Bank role in the mediation of the UMHK dispute could be expected in the next week or so.

AVanNimmen:jfe

cc: Mr. Robert McNamara ✓
Mr. Martin Rosen
Mr. Ladislav von Hoffman
Mr. Abdel G. El Emery
Mr. John C. de Wilde
Mr. Xavier de la Renaudière

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 16, 1968

FROM: A. G. El Emary *ayles*SUBJECT: Your meeting with Messrs. Tempelsman, Oppenheimer and Sorensen
on Friday, July 19.

Apropos of the above-mentioned meeting you might like to glance at the two attached memoranda to the files dealing respectively with an earlier meeting between Mr. Tempelsman and Mr. Woods and with the current negotiations between Union Minière and the Congolese Government. I would like to draw your attention to the fact that the information regarding negotiations with the Union Minière is based on a confidential telegram received by the State Department.

Attachments - 2

cc: Mr. Knapp

JCdeWilde:eob

President has seen

Handwritten notes on right margin:
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OFFICE MEMORANDUM

TO: Files

DATE: January 15, 1968

FROM: J. C. de Wilde *JCW*

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January 15, 1968

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JCW:eob

CC: Mr. George D. Woods
Mr. Martin M. Rosen
Mr. Ladislaus von Hoffmann
Mr. Abdel G. El Emary
Mr. Xavier de la Renaudiere
Mr. Armand Van Nimmen

CONFIDENTIAL

Files

July 11, 1968

J.C. de Wilde

SETTLEMENT OF INVESTMENT DISPUTES BETWEEN THE CONGO
AND THE UNION MINIERE

DECLASSIFIED

JUN 24 2013

WBG ARCHIVES

We have received a confidential but authoratative report that direct negotiations between the Union Minière and the Congolese government have taken place and that agreement has apparently been reached on the main elements of a settlement. The principal provisions of this tentative agreement call for (1) compensation of the Union Minière with shares in Gécomin, the company which took over the Union Minière's assets in the Congo, and (2) prolongation of the present contract under which the Société Générale des Minerais (a company with an ownership structure similar to that of Union Minière) manages the operations of Gécomin.

cc: Mr. J.B. Knapp
Mr. R. Cope
Mr. M.M. Rosen
Mr. W. Diamond
Mr. A.G. El Emary
Mr. R. Demuth
Mr. J.M. Payen

JCW:cn

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August 9, 1968

MEMORANDUM OF CONVERSATION WITH MR. KOCHMAN

Kochman reported to me that the President of Congo (Kinshasa) would very much like to have me visit there and specifically asked Kochman to talk to me about it when he got back.

I said he could inform them it was my hope to do so before the first of April.

RMcN

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JUN 24 2013

MEMORANDUM FOR THE RECORD

WBG ARCHIVES

Mr. McNamara's meeting with Minister of Finance Mr. Nendaka of the Democratic Republic of the Congo on Friday, September 27, 1968. The Minister had requested to see Mr. McNamara alone. An interpreter from the Congolese Embassy and Mr. Steckhan were also present.

Mr. McNamara welcomed the Minister. The Minister expressed his satisfaction at meeting Mr. McNamara privately and conveyed personal greetings from President Mobutu.

The Minister then stated that President Mobutu had authorized him to ask Mr. McNamara to use personally his good offices* to settle the differences between the Democratic Republic of the Congo and Union Miniere. If Mr. McNamara were willing to accept this charge, the next step might be for Mr. McNamara to appoint representatives to go to the Congo to start the formal proceedings.

The Minister emphasized it had not been easy to obtain President Mobutu's approval for this formal request to Mr. McNamara. It had taken all the efforts of a close associate of President Mobutu's (obviously meaning the Minister himself) to persuade the President to make this move.

The Minister went on to say that the Congo wanted to forget the past and look to the future. All the Congo wanted was justice. In particular, the Government of the Congo would like to see Mr. McNamara use his influence with the affiliates of the Union Miniere to persuade them to respect the sovereignty and the laws of the Congo and to refrain from interfering in the internal affairs of the Congo.

The Minister pointed out that the Congo had shown its good intentions by turning over the management of the Union Miniere installations to Gecom. Furthermore, the Minister had, before leaving for Washington, signed a decree naming among others two former Union Miniere officials to the Board of Directors of Gecom.

The Minister repeated that the main purpose for asking for this personal meeting was to convey to Mr. McNamara the decision of the Democratic Republic of the Congo. He was willing to discuss the details with Mr. McNamara's associates. To conclude this point, the Minister expressed the hope that his action would not lead to speculation in the shares of Union Miniere.

The Minister then turned to the second purpose of his visit which was to reiterate, on behalf of President Mobutu, an invitation to Mr. McNamara to visit the Congo.

In reply, Mr. McNamara accepted in principle the invitation to visit the Congo sometime during the first half of 1969, possibly in late winter or early spring. Mr. McNamara thought that the Bank could be of major assistance to the Congo assuming that the Government continued to follow sound economic policies and kept its expenditures under control.

* Later in the conversation the Minister once used the word "arbitrage," but it was not clear whether the term was used in its narrow legal meaning and the interpreter did not translate it into English.

With respect to the principal purpose of the Minister's visit, Mr. McNamara emphasized that not only Mr. Woods but also he and his colleagues had long been anxious to see the dispute with Union Miniere settled and Mr. McNamara felt that the request as conveyed today by the Minister was an important step in this direction. However, Mr. McNamara felt he could not act without the consent of both parties and would, therefore, need the Minister's permission to approach Union Miniere to seek its approval of his role in the dispute. If Union Miniere would agree, Mr. McNamara was very much inclined to accept. The Minister responded that Mr. McNamara had his permission to contact Union Miniere for exploratory talks adding that Mr. McNamara would have to consult with the Congolese before reaching formal agreement with Union Miniere about his role in the conflict. Mr. McNamara accepted this.

The Minister recognized that the Congo's differences with Union Miniere were a problem of crucial importance. All other points, such as the economic policy matters mentioned in Mr. McNamara's correspondence with President Mobutu, did not present any problem to the Congolese Government. The Minister mentioned in particular the curb on public expenditures and the insurance problem. He advised that the Congolese Government had appointed Ambassador Adoula, the Congolese Ambassador to the U.S., to negotiate the insurance question with the British.

On a confidential basis, the Minister apprised Mr. McNamara of his Government's intention to appoint Ambassador Adoula head of the contemplated development bank after he had completed the above-mentioned negotiations. At this point, not even Ambassador Adoula knew of his new assignment.

Rainer B. Steckhan

Rainer B. Steckhan
September 28, 1968

cc: Mr. Knapp
Mr. Broches
Mr. El Emary

RBSteckhan:ml

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Mr. McNamara - to see, please.

AB 10/14

10/14
Return to
me before the
Wednesday
meeting
AB

October 12, 1968

Mr. Theodore C. Sorensen
Paul Weiss Rifkind Wharton & Garrison
575 Madison Avenue
New York, N.Y. 10022

Dear Mr. Sorensen:

I am writing with reference to the several telephone conversations between us on October 11, for the purpose of clarifying the meaning and intent of the note of October 10, 1968 signed by Minister Nendaka and addressed to Mr. McNamara.

As I told you, Mr. McNamara now understands that Minister Nendaka is in basic agreement with the ideas outlined in our aide memoire of October 4, 1968. On this understanding Mr. McNamara will be pleased to receive the Minister at 11:00 on Wednesday morning October 16. It is our hope that next Wednesday's meeting will dispel certain doubts in our mind raised by Minister Nendaka's note as well as clarify any points on which the Minister might want further elucidation. In preparation for that meeting it may be useful if I summarize the points I made during our telephone conversation:

- (a) On September 27, 1968 Minister Nendaka called on Mr. McNamara and asked him on behalf of the Government of the Democratic Republic of the Congo whether he, Mr. McNamara, would be prepared to assist in a personal capacity in finding a solution of the dispute between the Congo and the Union Minière group. Our aide memoire of October 4, 1968 conveyed Mr. McNamara's response to this request and stated that Mr. McNamara was prepared in principle to lend his good offices for a solution of the dispute provided both parties wished him to do so and provided further that an agreement acceptable to all could be reached regarding the scope of his task.
- (b) The aide memoire then went on to outline the role that might be played by the President of the Bank. The document also mentioned a possible alternative, namely submission of the dispute to the International Centre for Settlement of Investment Disputes, but since Minister Nendaka has since indicated that for the time being he is not interested in that alternative no further mention of it need be made.

President has seen

- (c) With respect to the scope of Mr. McNamara's role and the manner in which he might carry out his task, the aide memoire, which was handed to the Congolese delegation in French, contained the following two short paragraphs:

"Le Président n'a pas d'idée a priori sur ce que pourraient être les conditions d'une règlement satisfaisant du différend. Son objectif principal sera de provoquer et de faciliter des contacts efficaces entre les parties en vue d'arriver à un règlement. Toutefois si à un moment quelconque de ces consultations, le Président devait penser que des suggestions ou des explications de sa part pourraient faciliter la solution du problème, il n'hésiterait pas à intervenir dans ce sens.

"Le Président désignerait des fonctionnaires de la Banque ou des personnalités étrangères à la Banque pour l'aider dans cette tâche; il ferait en sorte de choisir des personnalités ayant la compétence technique nécessaire pour aider les parties dans cette affaire."

- (d) The English translation of these paragraphs is as follows:

"The President does not have any preconceived ideas about the nature of a satisfactory settlement of the dispute. His principal objective would be to bring about and facilitate effective contacts between the parties with a view to arriving at a settlement. However, if at any time during these contacts it would seem to the President that suggestions or clarifications from his side would facilitate a solution of the problem he would feel free to intervene in that sense.

"The President would designate persons from the Bank staff or from outside to assist him in his task and would select for that purpose persons having the technical competence necessary to be of assistance to the parties."

- (e) The second paragraph of Minister Nendaka's note of October 10 reads as follows:

"Mon Gouvernement, sans prendre à l'heure actuelle des engagements formels en ce qui concerne une médiation ou une conciliation, aimerait explorer avec vous au cours des semaines à venir - de façon encore informelle et par l'intermédiaire de son conseil Maître C. Sorensen - les solutions éventuelles que pourraient être proposées par le Président de la Banque aux deux parties, de même qu'une participation probable de la Banque dans la réalisation de ces solutions. Le Gouvernement estime cependant qu'une décision finale sur le règlement du différend ou sur l'annonce d'une pareille solution doit être exclusivement réservée aux autorités compétentes de la République Démocratique du Congo."

October 12, 1968

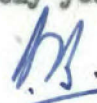
- (f) The English translation would read as follows:
- "Without at this stage making a formal commitment as regards mediation or conciliation my Government would like to explore with you in the course of the coming weeks--informally and through its counsel, Mr. C. Sorensen--possible solutions which might be proposed to the two parties by the President of the Bank as well as a probable participation of the Bank in the realization of these solutions. The Government believes, however, that a final decision on the settlement of the dispute or on the announcement of such a solution should be exclusively reserved to the proper authorities of the Democratic Republic of the Congo."
- (g) The clause "sans prendre à l'heure actuelle des engagements formels en ce qui concerne une médiation ou une conciliation" calls for a clarification. At this stage no one is asked to undertake any formal commitments. We are now asking the Government of the Congo whether the procedure outlined in the two above-noted paragraphs of our aide memoire are acceptable to it. After having received an affirmative reply we shall submit the identical proposal to the Union Minière. After the Union Minière has equally given its agreement, both parties would formally ask Mr. McNamara to act and would commit themselves to cooperate with him in the execution of his task. As will be clear from our aide memoire, this task could certainly not be characterized as arbitration. It goes without saying, therefore, that neither the Government of the Congo nor the Union Minière would be under any obligation to accept solutions proposed by Mr. McNamara and that it would be up to them to take a final decision with respect thereto. If the Government of the Congo has some hesitation about characterizing Mr. McNamara's task as "mediation" or "conciliation," this causes no problem. What Mr. McNamara has declared himself prepared to do is to lend his "good offices" and we feel this is the proper term to use. Mr. McNamara would not assume his task and enter into discussions with the parties about the substance of their claims and counterclaims until the parties had undertaken a formal commitment to have recourse to his good offices.
- (h) Minister Nendaka's note refers to exploration of "une participation probable de la Banque dans la réalisation de ces solutions." These words indicate to us the existence of a possible misunderstanding which should be promptly cleared up. The World Bank does not make loans to finance or facilitate the settlement of disputes between governments and foreign investors whose properties may have been nationalized or expropriated. Moreover, the parties should keep in mind that the President of the Bank would be acting in his

October 12, 1968

individual capacity and not as the chief executive of the World Bank; the responsibility of the Bank would therefore in no way be engaged. Since you asked me whether there was any reason why the Bank could not finance the Congolese mining industry as it is now constituted, or as it might be further developed or reorganized, I repeat the answer I gave you, namely that the Bank would be entirely free to finance the mining industry in the Congo if it was satisfied as to the soundness of the loan and the prospects of repayment, and if it felt that a loan for the mining sector would be an appropriate means for the Bank to promote the economic development of the Congo. Summarizing the foregoing, Mr. McNamara's role in assisting the Government and the Union Minière in settling the dispute would have neither negative nor positive implications for possible financing of the mining industry by the Bank. The possibility of such financing should therefore be kept entirely outside the settlement discussions.

- (i) Before undertaking the task which the Government of the Democratic Republic of the Congo has asked him to assume, Mr. McNamara must be satisfied that both parties accept the terms of reference as he has broadly defined them in our aide memoire. I hope therefore that Minister Nendaka when seeing Mr. McNamara on Wednesday will be able to give him full assurances on this score.

Sincerely yours,



A. Broches
General Counsel

ABroches:vv

Reg please hold for
10/16 meeting at 11:00
RBC 10/11

10/12 To Mr. Broches
Excellence - submit to
CONFIDENTIAL DRAFT
October 2, 1968
ABroches:cml
the longest L. M. en

DECLASSIFIED

AIDE-MEMOIRE

JUN 24 2013

WBG ARCHIVES

The President of the Bank is prepared in principle to lend his good offices for a solution of the pending dispute between the Government of the Congo and the Union Minière interests, provided he is requested to do so by both parties and a mutually acceptable agreement can be reached regarding the scope of his task.

This note is intended to convey to the Congolese Delegation our views on the role that might be played by the President of the Bank. If these ideas are accepted by the Congolese Delegation, we would submit them to the Union Minière interests for their agreement.

~~Neither the President nor the Bank staff~~ ^{does not} have any preconceived ideas about the nature of a satisfactory settlement of the dispute. Accordingly, ^{his} ~~the~~ primary task of ~~the President~~ would be to ensure fruitful contacts between the parties. However, if at any time during those contacts it would seem to the President that suggestions or clarifications from his side would facilitate a solution, he would feel free to intervene to that extent.

The President would designate persons from the Bank staff or from outside to assist him in his task and would ensure that these persons would have the technical competence to be of assistance to the parties.

While the President is willing in principle to undertake the task described above, he wishes to draw the attention of the Congolese

President has seen

Delegation to an alternative procedure, namely to submit the dispute to conciliation under the auspices of the International Centre for Settlement of Investment Disputes, in which event he would appoint one or more conciliators acceptable to both parties. The President is Chairman ex officio of the Administrative Council of the Centre and the efforts of a conciliation commission or of a single conciliator operating under the auspices of the Centre would enjoy the high prestige associated with the Bank and its President.

5

OFFICE MEMORANDUM

TO: Files - Congo Good Offices

DATE: January 29, 1969

FROM: A. Broches

SUBJECT: Visit of Messrs. Sorensen and Tempelsman

Messrs. Sorensen and Tempelsman had a meeting with Mr. McNamara today at which I was present. Part of the meeting was taken up with a discussion of general and political background information. The following are random notes and comments on points raised by the visitors in relation to the pending dispute.

Counterclaims by the Congo. Mention was made of amounts owing to the Congo on account of unpaid taxes and minerals taken out of the Congo by Union Minière and not paid into Congolese accounts. I knew that the Congolese believe they have a claim on this score and Mr. Hirsch and I questioned the Union Minière about this during our recent visit to Brussels. While I do not recall having received a very clear answer, and certainly not an indication of the amounts involved, the position of Union Minière seems to be that this is a matter without much significance since if the payments (assuming them to have been due) had been made, Union Minière's claim against the Congo would have been increased by an equivalent amount. This argument would only hold water if Union Minière's claims were going to be settled for 100%.

Mining richest veins. The Congolese representatives made the point that since Union Minière is no longer dealing with its own properties, the staff which is now in the employ of Gecom in is mining the richest ore which, according to them, was inconsistent with proper long-term mine resource management.

Maintenance. In connection with mention of the substantial reduction of expatriate staff, Mr. Tempelsman said that this was linked with unsatisfactory maintenance of the properties, ascribing this to lack of interest in the long-term quality of the properties on the part of the Belgians. Since the cost of the expatriate staff is borne by the nationalized company, this sounds very unlikely. The reduction is more likely due to Congolese pressure for a reduction of expatriate staff. Incidentally, Mr. Tempelsman mentioned that a few hundred of the expatriate staff consisted of non-Belgian nationals.

Production. The Congolese representatives said that Union Minière had caused production to stagnate since independence, particularly in comparison with Zambian production. In connection with IFC's investment in a Mauritanian copper venture, the commodity staff prepared a report on copper giving worldwide production figures

and giving data for important producers through 1967. These show that, taking 1950 as a base, Chile had nearly doubled its production by 1967, Peruvian production had been increased sixfold (from an extremely low base), and Zambian production had somewhat more than doubled. As against this Congolese production stood at 175% of 1950 at the end of the period. Taking 1960 as a base, Chile's production went up by a third, Peru's had not increased, Zambia's had increased by 14%, while Congo's production was about equal in 1967 to that realized in 1960.

Investment. Mr. Tempelsman suggested that a massive investment was necessary to raise production, mentioning an amount of from \$80 million to \$150 million. Union Minière had talked about a continuing annual investment of \$20 million.

Production restrictions. Mention was made of fears among producers of a break in the market unless agreements are made to restrict production. According to the Congolese representatives, the Congo would be in a poor position in any restrictive scheme because of its unfavorable base due to lack of expansion in recent years. It is difficult to evaluate this argument since in the past no formal agreements to restrict production have been effective.

Arbitration. When we discussed arbitration, Mr. Sorensen said that the Belgians had shied away from arbitration when he had made clear that the arbitration would bear on the entire dispute and the claims of both parties, rather than on a computation of damages suffered by Union Minière. Later on in the conversation, however, Mr. Sorensen indicated that the Congo might not now be willing either to submit the dispute to arbitration.

Advantages of the management contract. The Congolese representatives pointed to the advantages for Union Minière of the present management contract. What they said confirms our own estimate of the very considerable value of this contract. They added that in view of present taxation Union Minière collected more through the management contract than they would have as owners. This may well be true since the Congo is taxing its own nationalized company to the hilt (and in an uneconomic way as Mr. Tempelsman explained), but the point seems irrelevant in connection with the bargaining position of Union Minière since the low investment yield to an owner would apply just as much to new investors taking shares in Gecommin.

(I have to interrupt my dictation here and may add some further notes.)





Hirsch - January 31, 1969

1. Belgians want a settlement and are realistic about it.

Reason: Whole system is geared between Congo and Belgium to make best use of ore -- i.e., integration with about 50% done in Belgium.

2. Thought that last summer they were moving to a settlement -- they were prepared to settle on basis of extension of management and sales contract: 4-1/2% for management and 2% for guarantee fund of non-African personnel; would not ask for more but would divide 2% for management and 4-1/2% fee; calculate value at 6% interest rate + 10M tons per year: \$200 million present value which is 1/2 of estimated total present value of \$400 million; other half they would want in 36% stock interest in Gécomin.

Now they are ready to compromise to accept higher price; reduce interest rate to 5%; management fee 1-1/2% instead of 2%, and, therefore, 5% for fee -- would reduce by 1/2 what they require as stock, i.e., would accept 17%.

Is difficult for Congo to be completely in hands of Belgians, but need Belgian management for competency: therefore, need foreign shareholders. But this raises problem of what profits would be available to foreign shareholders and this depends on tax policy of government. Would be difficult for government to limit taxing power because 1/2 of government revenue now comes from Gécomin.

Belgians could be pressed to 0% stock ownership.

Why does the Congo want foreign capital in Gécomin: profits are high and can probably support expansion; the normal requirement of LDCs for foreign capital in order to obtain technical assistance and management doesn't exist.

The equities: impossible to have a judgment. When they are coming out of a colonial system, they can say it was not a contract between equals: a contract for 90 years at no or low price; low taxes; high profits; but they took risks. No means of saying what is the rule of right.

The other problem: What is the value of the net assets. Figures vary between 16 and 40 billion francs. Figure of 16 has no value. On a real basis (proper value of copper stocks; depreciation cost of equity, etc.) figures might be 25-30 billion francs. At discussions in Brazzaville "they" (who?) accepted 20.5 billion francs. Would be inadvisable to reopen the matter.

Relative bargaining power:

Belgians: realize time is not working for them, e.g., they could not now put an embargo on copper as they did before.

they want to invest outside the Congo and need Congo income (in '67 the management fee was equal to total profit and twice the dividend).

feel responsible for staff which has had hard times.

is important for banking, shipping, etc. companies linked to them to be secure.

Congo: Lack of settlement is a disincentive to foreign investment.

How to proceed:

1. Clarify who in Congo is responsible to discuss the problem.

2. Listen to them: how they see their position.

3. Have some feel as to their reaction on the formula above.

4. When believe have a formula the Congo will accept, put pressure on the Belgians who are probably ready to settle within narrow limits. Nokin is most influential.

5. Part of the deal must be an agreed public statement. Bank can comment if either party violates.

7

February 27, 1969

Meeting between Mr. McNamara, Minister of Finance Victor Nendaka and Minister Nendaka's Associates on February 12, 1969. Messrs. Kochman and Steckhan were also present.

Minister Nendaka opened the meeting by underlining the success of the 1967 devaluation and the new economic policies. Foreign reserves had increased and the new budget was balanced at \$370 million, of which 22% or \$80 million, would be devoted to investments. Total GNP amounted to \$1.2 billion in 1968, thus approaching pre-independence levels. The Government had refrained from increasing taxes which at present amounted to over 30% of GNP, the equivalent of \$370 million.

Minister Nendaka stated that new foreign investments were on the increase in the Congo, although he did not provide figures. He mentioned that recently Occidental had shown interest in copper mining, an international nickel firm was doing business in Katanga, INOCABRAD had asked for concessions for phosphate mining, Intercontinental planned to build a hotel and British firms had started a textile plant. Furthermore, Societe Generale des Minerais planned to erect a 27-story office building in Kinshasa.

The Minister went on to say that reconstruction in the Congo was underway, particularly in the field of infrastructure, e.g. transportation. The Government intended to finance a 200-kilometer railway in the north without outside help. 1968 had been a good agricultural year, although due to the poor state of roads part of the crop had not been brought to the markets for sale to consumers.

In reply to a question by Mr. McNamara, Minister Nendaka stated that, taking 1960 as a base year, prices had risen to 690% by June 1967, and to 770% by June 1968. Since then prices had stabilized and in recent months had shown a slight tendency to decrease. The Minister attributed this decrease in prices to an increase of domestic production and the liberalization of trade.

Mr. McNamara thanked the Minister and asked whether figures on past and projected investments, (both foreign and domestic) and past and projected production of major crops and minerals were available. The Minister undertook to supply the desired information. (Mr. McNamara reiterated this request in a short meeting with Minister Nendaka, Foreign Minister Bomboko and Governor N'dele the following day aboard the Presidential yacht).

Rainer B. Steckhan
Rainer B. Steckhan

RBS:mek

cc: Mr. El Emary

8

February 24, 1969

MEMORANDUM FOR THE RECORDS

Meeting of February 13 with CIMEF
(Economic and Financial Inter-Ministerial Commission)

Mr. McNamara accompanied by Mr. Kochman, Mr. Steckhan and Mr. de Lusignan attended an extraordinary meeting of the CIMEF, under the chairmanship of Mr. Bomboko, Ministry of Foreign Affairs.

Were also present:

Mr. Nendaka, Minister of Finance,
Mr. Nzeza, Minister of Transport,
Mr. Ilunga, Minister of Public Works,
Mr. N'Dele, Governor of the National Bank,
Ambassador Adoula and
Mr. Bisengimana, Principal Advisor of President Mobutu and Secretary General of the Commission.

During this meeting, Mr. Bomboko first welcomed the President of the World Bank. He then explained the reasons for having established the Economic and Financial Inter-Ministerial Commission whose purpose is to advise the Head of State on any matter related to investment programs whether proposed by the respective ministries on an annual basis or on multi-annual basis. The Commission has the responsibility of proposing measures related to the stabilization of public finances.

Mr. Bomboko also informed the President of the World Bank and his party about the composition of this Commission which consists of the Ministers of Finance; National Economy; Transport; Land, Power and Mines; Telecommunications; Public Works; Agriculture; Tourism; Foreign Affairs; the Governor of the National Bank of Congo and the Secretary General of the Commission with his two assistants.

After insisting on the potentialities of the Congo and on the need to diversify economic development with the help, not only of bilateral aid, but more than ever of multilateral assistance, Mr. Bomboko summarized the states of the projects under consideration by the Bank, i.e.:

President has seen

- a) Highway project;
- b) River transport project;
- c) Agricultural development;
- d) Development Bank - SOCOFIDE;
- e) Establishment of a group of experts within the secretariat of the CIMEF.

The President of the Bank thanked the President of the CIMEF of the excellent background he had presented and indicated the points in which he would be particularly interested:

1. Achievements of the Congolese policy to attain the levels of 1959/60 output, particularly in the agricultural sector.
2. The Congolese plans regarding capital investment in the years to come from 1969 onwards and the results already achieved over the past three years, 1966 to 1969.
3. Capital budget figures for 1966 to 1968, for 1969 and for future years.

Mr. McNamara said he would like to discuss with the Ministers the prospects in the mining, transport and agriculture fields, during his stay in the Congo, in the light of the information that would be supplied to him on the above. It was not possible for the Congolese to furnish the data during his stay. They only handed over some basic reports out of which this information will be able to be collected.

10



12

Notes on Luncheon Meeting with Governor Ansiaux and Deputy Governor de Voghel
of Banque Nationale de Belgique, February 17, 1969

a. I referred to the statements made at the previous evening's dinner meeting concerning a memorandum of settlement drawn up a week earlier and on which some action was reported to have been taken in the Congo during the past three days. Was this a memorandum agreed between the parties and what did it contain? The answer I received was that neither Ansiaux nor his deputy had seen the memorandum or was familiar with its contents, that their information about the existence of the memorandum came from "Congolese sources" and that these sources had indicated that Ndele had submitted a memorandum outlining proposed settlement to President Mobutu and had obtained the President's agreement in principle.

b. I said that the U. M. officials did not refer specifically to any meetings with the Congolese since the July conversations held in Kinshasa. What was the National Bank's information on this point? The answer was that Ndele passed through Brussels at the time of our Annual Meeting and probably talked to U. M. At the same time Nendaka, who up to that point had known absolutely nothing, was briefed by de Spirlet and this, the National Bank thought, was the sole knowledge he brought to his meeting with you. Ndele was most upset by Nendaka's intervention and decided not to seek an interview with you. As far as the National Bank knew, the U. M. file had always remained with the Congolese National Bank and the Ministry of Finance had nothing at all.

b.1 I mentioned having learned from U. M. just after my visit to Brussels that Ndele was sending an assistant to resume the July discussions. De Voghel, after consulting his diary, concluded that the assistant must have been Mr. Mambu who spent the 29th of January in Brussels.

c. I stated that I remembered that shortly after independence Ndele had the reputation of a playboy and of living lavishly. I was told that he had become "more serious". As regards his integrity, the view was expressed that he was not very likely to be open to bribery "at least in this matter."

d. I recapitulated the position as stated the evening before by Minister Harmel, and supported by Minister Snoy and Governor Ansiaux as follows: (i) the Belgian Government had put heavy pressure on U. M. not to walk out at the time of the 1966 crisis and felt a responsibility towards the company and its staff; (ii) the Government attached great importance to a continued Belgian presence and hoped to see conditions established which would enable Belgian staff of G&C to think in terms of a career in the employ of that company; (iii) the Government felt that the U. M. was entitled to compensation as a matter of principle but had no firm views on the amount of compensation and should not be regarded as endorsing any particular claim formulated by the U. M. Ansiaux said that I had correctly stated the Belgian position, and indicated that the Belgian Government was likely to be helpful in putting pressure on U. M. as regards the figures, especially if we considered a proposed settlement reasonable. He reiterated, however, the Belgian Government's view that a settlement should be arrived at promptly.

e. Ansiaux also reiterated the strong concern expressed by Harmel and Snoy regarding lending operations by the World Bank Group prior to a settlement. The Government thought that such an action on our part would fatally undercut the position of U.M. and of the Belgian Government. I repeated the point made the night before about the difference between substantial progress towards a settlement and finalization of a settlement and of the possibility of a graduated response in the various stages, but we did not argue the point.

f. Hearing my report on the 9 a.m. meeting with U. M., Ansiaux and de Voghel expressed great disappointment at the fact that neither side had been at all forthcoming. They were surprised and greatly disturbed by Nokin's statement that in the absence of a settlement by February 1970 there would be another major crisis. They had no opinion on whether Nokin's threat to walk out was a bluff or was a serious possibility.

g. Ansiaux felt even more strongly than the night before that Ndele should be encouraged to come to Brussels promptly, and he promised to get in touch with him. He also reaffirmed his understanding and conviction that he (Ansiaux) should act in his own name or that of the Belgian Government and that your name should in no way be mentioned. Ansiaux promised to keep us informed of the results of his efforts. Since van Campenhout would be away from Washington, Ansiaux would get in touch with you directly.

h. Among minor points discussed, I raised the question whether the National Bank did not agree that U. M. had weakened its position by agreeing to construct one or more office buildings. De Voghel expressed the belief that these promises were made at the time when U. M. was planning to create a Congolese company for its holdings in the Congo and to transfer its administrative headquarters for that part of its operations to Kinshasa.

A. Broches

1. Ansiaux (who had lived in Lubumbashi as a boy) stated Ndele had been negotiating an agreement re the UM dispute with Spirlet which, while not complete (some details including settlement of the amount and indemnification), had been reduced to writing. The written memorandum had been approved by Mobutu.
2. A settlement appeared imminent. As recently as a week ago and three days ago he had been so informed.
3. He didn't care about whether UM was pleased; all he was concerned about was achieving an equitable solution and protecting (physically and economically) the Belgians in the Congo.
4. He believed the Bank could play a role of appraising and, if it appeared reasonable, endorsing to both of the parties for approval the settlement their negotiators brought to them.
5. The three Belgians expressed the fear that if the Bank went ahead with a credit to the Congo before the settlement were negotiated, it would be delayed indefinitely.
6. Ansiaux agreed, if McN requested it, to arrange for Ndele to come to Brussels immediately (i.e., within 10 days) to continue the negotiations and hopefully to conclude them.

September 3, 1969

MEMORANDUM OF CONVERSATION

Mr. Edouard Mambu, Chief Advisor to Gov. Ndele, National Bank of the Congo, called from Paris to say:

(a) He had been ordered to report to President Mobutu and therefore would be unable to see me as he had requested on Saturday, September 6.

(b) They are proceeding "very quickly toward a settlement of the Union Miniere problem." "They hope to make very important progress in the next three or four days." "They hope a settlement can be reached in the next week." "The President wants very much to solve the problem."

(c) He hopes to see me in the near future and give me information on the specifics of the settlement.

Robert S. McNamara

OFFICE MEMORANDUM

TO: The Record

DATE: April 3, 1970

FROM: Michael L. Lejeune

SUBJECT: CONGO (KINSHASA) - Visit of the Ambassador

On January 30, 1970, I attended a meeting between Mr. McNamara and the Congolese Ambassador, Mr. Justin-Marie Bomboko, which had been organized at the latter's request.

The Ambassador had with him Mr. Irving Brown, Executive Director, African-American Labor Center, an official of the AFL-CIO who is in charge of the Union's investment programs abroad. AFL-CIO have been financing programs for workers' housing, canteens, training schemes, etc. in South America; the operations were guaranteed by USAID.

The Ambassador thought that similar schemes might be useful for Africa as well and the Congo in particular, and wondered whether the Bank might help AFL-CIO's schemes by granting guarantees, since USAID was not in a position to guarantee such investment in Africa.

Mr. McNamara explained that the granting of guarantees for third party operations was an activity which the Bank had not taken up so far and would be reluctant to do in the foreseeable future.

Subsequently Mr. Brown sent me some literature about his organization's activities.



THalbe/MLejeune:jh

cc: Mr. McNamara (2)

President has seen

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Michael L. Lejeune

SUBJECT: CONGO (Kinshasa) - Current status of operations

DATE: January 29, 1970

1. I understand the Congolese Ambassador is coming to see you tomorrow, at 4:40 pm. We have no indication as to the purpose of his visit. The following resumé gives the status of the principal matters underway in the Congo. I plan to attend the meeting, unless you wish otherwise.

I. Current operations

(a) River transport study

2. The study of port and river transport is a UNDP-financed project for which the Bank is the executing agency. During the mid-term review of the study in Kinshasa in November, the consultants' interim report was discussed between representatives of the UNDP, the Government, the consultants and the Bank. The report gives an outline of the proposals for improving the organization of OTRACO and Voies Navigables. It contains preliminary recommendations for assistance in implementing such improvement during the second phase of the study (which is to start in January 1970 and which is to be completed by May) and for a 1970/72 Investment program for OTRACO and Voies Navigables, and for training. Progress of this study is most satisfactory. The Government agreed in principle with the consultants' basic recommendations which provide for the complete reorganization of the structure and management of OTRACO and Voies Navigables. The consultants' definitive recommendations will be given in the draft final report which has been received and is being reviewed in the Bank.

3. On the basis of this report the Bank will be in a position to assess the suitability of projects to be considered for financing over the coming two years. However, the Government has still to confirm officially their agreement to the consultants' draft final recommendations. According to latest information, a letter from General Mobutu to the Bank is underway, approving the recommendations with some modifications. One of the main results of the last Bank mission and of the mid-term review was to consider a third phase to the present study which would provide assistance to the Government in the actual fleshing out of the OTRACO and Voies Navigables organizations for which the groundwork would be laid in the second phase. To be effective this third phase should follow immediately upon the second phase and start in May 1970. The Government is therefore considering submitting an application to UNDP to finance this third phase. The new project would last from 12

President has seen

to 18 months. The next Bank supervision mission is scheduled for March 1970 to ascertain the progress made in implementing the recommendations of the studies' first phase and to discuss the arrangements for the studies' third phase.

(b) Highway technical assistance and maintenance project
(\$6 million IDA Credit)

4. This UNDP/IDA project has been underway since August 15, when the Belgian consultants started. The first Bank supervision mission visited Kinshasa in November and discussed with the consultants their inception report. This report outlined a 1970 emergency program which identified investments of between \$7.5 million and \$9.2 million. The consultants will prepare information on a further investment program in the highway sector in early 1970. The next supervision mission is scheduled for March 1970 to discuss the consultants' preliminary recommendations for improving the highway administration and for the 1970 rehabilitation program, before they are presented in definitive form in their first interim report. It is likely, however, that on the basis of the inception report we will decide to mount an identification mission which would go to the Congo at the same time as the supervision mission.

(c) Setting up of a team of five experts in Kinshasa

5. A team provided by SEDES has been set up in the Office of the President of the Republic on September 1, 1969. Unfortunately, for medical reasons, the fifth man (financial analyst) was unable to take up his duties. The Bank has been trying to assist SEDES in finding a suitable replacement, so far unsuccessfully. To our knowledge the SEDES experts have been working on the investment budget of the Congo for 1970. Mr. de Lusignan who will return from a trip to Kinshasa in mid-February will report on how this operation is progressing.

II. Prospective operations

(a) The National Development Bank - SOCOFIDE

6. The Bank has officially informed the Government of the Congo of its satisfaction with the outline proposal regarding the establishment of SOCOFIDE and has indicated to the Minister of Finance that the Bank is now envisaging to propose to the Board of Directors a first IDA credit for SOCOFIDE of \$5 million. In agreement with the Bank, SOCOFIDE has been established in the meantime as a shell company. Furthermore, the Government has accepted the Bank's candidate for the post of Director General of the company, Mr. Guetta. Another Bank mission will visit the Congo in early February to discuss further steps, particularly regarding the lining up of foreign shareholders for SOCOFIDE.

(b) Agriculture

(i) Rubber development project:

The Bank has received a draft preparation report from the FAO/Bank Group on the development of 5500 ha of rubber in the region of Kisangani. Further preparation by FAO/Bank group will be necessary, expected to be ready by April.

(ii) Fisheries:

The FAO/Bank Cooperative Program is also working on the preparation of a fisheries project in Lake Albert and Lake Edouard. Preparation will not be completed before April at the earliest.

(iii) The FAO/Bank Cooperative Program is assisting the Government also in the preparation of a cotton and food crops project in the Oubangui and in the Uele regions and of a livestock development project in the same region and also in the Katanga and in Kasai.

(c) Education

7. A Bank reconnaissance mission went to the Congo in August to discuss with the Government its priorities in the field of education. This mission concluded that there was need for rehabilitating and expanding the existing schools, specially agricultural, technical and primary teacher training schools. There was also need to replace the equipment of these schools and to reform the Ministry of Education. The Bank has recently written to the Minister of Education to inform him of the Bank's recommendations and of its readiness to send a joint Bank/UNESCO mission to discuss them.

(d) Transport


8. It is expected that the recommendations of the various teams involved in the study of transport are likely to lead to a number of loans and credits for roads and ports from FY 1971 onwards. We shall be in a better position to estimate a future lending program in this field when we receive the final recommendations of the team of consultants. The general approach of the Bank following our last economic mission is that the rehabilitation of the transportation system should have priority over projects to extend it. This is the reason why the Bank is concerned that Congo might jump the gun with the construction of a rail link between Port Francqui and Kinshasa, a study of which is underway by some private companies. We think there are more economic alternatives, such as the improvement of the existing river transport system, which should be analyzed before a decision is taken. It is also our feeling that even if the Government decided to carry out the construction of this rail link, investments in the river transport system would be required anyway to carry the increase of the copper traffic from the Katanga during the construction period of the project. The Government has recently been informed

that the Bank would be willing to assist the Government in planning and supervising a study of alternatives and in arranging for its finance from UNDP or from the Bank itself, if necessary. First indications from Mr. de Lusignan, at present in the field, indicate a favorable Government reaction to our proposal.

III. Other activities

9. (a) You informed President Mobutu of your decision to open an office in Kinshasa. In a few days you will receive a memo recommending a suitable candidate. Once a decision on a candidate has been taken in the Bank, the Government will be given his name and particulars.

10. (b) We are working on setting up a consultative group for the Congo. The Government is being sounded out at present on its reaction. I will elicit first reactions from a number of countries likely to be interested (USA, Common Market countries including European Development Fund-FED, Scandinavian countries) during the forthcoming Kenya Consultative Group meeting in Paris, next week. An economic updating mission to the Congo is planned for April/May, to gather data for a basic paper to be submitted to a possible first group meeting after the Annual Meeting.

A handwritten signature in dark ink, appearing to read "Robert H. S. Jones", is written above a solid horizontal line.

17

OFFICE MEMORANDUM

TO: Mr. Robert S. Mc Namara

DATE: April 14, 1970

FROM: William Diamond *W.D.*

SUBJECT: Your Meeting with Mr. Edouard MAMBU April 14, 1970

1. Mr. Mambu, Chairman of the Board of SOCOFIDE, the new Congolese development finance company, is here to negotiate the proposed \$5 million IDA credit and the \$750,000 IFC investment for SOCOFIDE.

2. Negotiations began April 13. Other members of the Congolese delegation are:

Mr. Kwakenda, Deputy Cabinet Director, Ministry of Finance;
Mr. Kabwita, Legal Counsel, Office of the President of the Republic;
Mr. Guetta, Director General of SOCOFIDE (whom we proposed to the Congolese, and a part of whose fees we are paying).

Mr. Mambu

3. A young man (not yet quite 30 years old), Mr. Mambu is a good example of the new, intelligent, hard-working, determined, Congolese technocrats. (He is the oldest of 9 children of an illiterate plantation worker; his mother is also illiterate. The parents have sent or are sending all but one of the nine through high school and college).

4. Mr. Mambu is the closest collaborator of Mr. Ndele, Governor of the National Bank of the Congo, carrying the title of Adviser to the Governor, and being in fact his Deputy. (Incidentally, Ndele is now in a clinic in Lausanne recovering from a heart attack three weeks ago.) The Director General of the central bank is Mr. Kroc, on secondment from IMF; it is likely that, at the expiration of Mr. Kroc's secondment (in a year), Mambu will succeed him.

5. Mr. Mambu received a Master's Degree in economics from the University of Lovanium, Kinshasa, in 1964. Before that, he had had traineeships at a commercial bank in Kinshasa, in the U.S.A., and at the Congolese Monetary Council. After graduation, he was appointed to a post in the Department of Economic Studies of the Congolese central bank, went to the Belgian central bank as a trainee in 1965 and 1966, rose quickly through the grades in the Congolese central bank after his return, and became Director of the Department of Economic Studies and the Governor's Adviser in 1968.

President has seen

6. Mr. Mambu is highly respected by Congolese and foreigners alike, for his competence, integrity, clearness of thought and speech, as well as pleasant manners. He is a coming man.

7. You met Mr. Mambu during your visit to Kinshasa, for which he organized many of the meetings and other arrangements. I believe he was with you much of the time. *He played a Key role in the negotiations with Union Minière*

8. In February, Mr. Mambu became the first Chairman ("President") of SOCOFIDE. He had taken active part in all the preparatory work for this company since early 1968, became the Chairman of the Congolese Sponsoring Group in September 1968, and has since worked closely with us on all aspects of this project. If there is any single person who has helped SOCOFIDE project pass the many hurdles along the way, it is Mr. Mambu.

9. Mr. Mambu speaks a reasonably good, if somewhat halting, English.

SOCOFIDE

10. The "shell" company was established in January 1970, with a nominal share capital of 100,000 Zaires (\$200,000) and a Board consisting of 5 Directors, all resident in Kinshasa (4 Congolese, 1 foreign). The Director General, Mr. Guetta (seconded by the Bank) took up his position on March 16, 1970, and has started to build up a small organization.

11. The share capital is now being increased to 2 million Zaires (\$4 million), of which the Government and the central bank will together hold 25%, private investors in the Congo 30%, and IFC and foreign investors 45% (IFC 18.75%; foreign investors 26.25%). We have obtained firm commitments from 12 institutional investors in Belgium, France, Germany, Italy, Japan, and the United States, to take up the foreign part of the share capital. A public issue in Kinshasa (open throughout April) for the local, private, subscriptions is already fully subscribed.

12. The Government, other than subscribing to the share capital, has also agreed to contribute 23 million (\$6 million) of low-cost, subordinated, long-term, loan capital, one-third of which has already been made available to SOCOFIDE (ahead of the agreed time).

13. No issues or problems between us and SOCOFIDE remain unsolved. The negotiations should finish by the end of this week, and the IDA Credit and IFC Investment are scheduled for consideration by the Executive Directors on May 26. The approval and subsequent effectiveness of the Credit and Investment will mark the completion of this promotional effort.

14. During my recent visit to Kinshasa, I discovered that SOCOFIDE objectives are widely known and understood. I had already learned, in the process of putting the foreign investors group together, that there is much optimism about SOCOFIDE. ^{ahead} There are going to be lots of problems ahead, but I think the chances of SOCOFIDE growing rapidly and effectively are very good.

cc: Mr. Lejeune
Mr. Sekse

ESekse/WDiamond:cb

OFFICE MEMORANDUM

TO: Memorandum for the Record

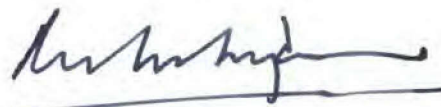
DATE: September 16, 1970

FROM: Michael L. Lejeune

SUBJECT: CONGO (K) - Meeting between President Mobutu and Mr. McNamara

1. On Wednesday, August 5, Mr. McNamara, accompanied by Mr. Knapp and Mr. Lejeune, met with President Mobutu at Blair House. Principal among those present were Mr. Namwisi, Minister of Finance, and Mr. Ndele, Governor of the Central Bank.
2. In responding to one or two questions, President Mobutu made it clear that he did not wish on this occasion to take up individual questions of project matters; he said that the Finance Minister and Governor of the Bank would return to Washington later in the month for full discussion of all questions involving the Bank and the Congo. He did say, however, that he was very appreciative of the help already given by the Bank and of the Bank's having established a permanent Resident Representative in Kinshasa. At Mr. McNamara's request, he reviewed the progress made in the Congo on both the political and economic fronts. He stressed that it had been his aim to provide the Congo with a feeling of nationhood and a sense of dignity. He felt he had had some success. There were many things yet to do.
3. Mr. McNamara emphasized the Bank's deep interest in helping the Congo and said we would be ready to have full discussions with Mr. Namwisi and Mr. Ndele when they come back later.
4. While there was no specific discussion of matters of business between the Bank and Congo, the meeting provided an occasion for President Mobutu to demonstrate his grasp of the larger issues facing his country and a statesmanlike determination to lead the Congo to fill its appropriate place in the world.

cc: Messrs. Knapp
Williams
Halbe
deLusignan



President has seen

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara DATE: August 4, 1970

FROM: Michael L. Lejeune

SUBJECT: CONGO (Kinshasa) - Meeting with President Mobutu

1. For your meeting with the President of the Democratic Republic of the Congo - on August 5, at 10 a.m., for 30 to 45 minutes - I am attaching the President's Curriculum Vitae, memos on the political and economic situation in the Congo, a summary of our operations and a list of major members of his party.
2. After the \$5 million IDA credit in FY 1970 for SOCOFIDE, the new development bank established with our help, our tentative five-year lending program provides, in FY 1971, for projects for lake fishing, river transport and possibly highways, to be followed, in FY 1972, by a rubber, a cotton and a livestock project; also, a second lending to SOCOFIDE and a first education project. FY 1971 would be exclusively IDA, as would be FY 1972. We hope, in FY 1973, to be able to begin some Bank lending, assuming continued political and economic stability, but I would not mention this to the Congolese at present.
3. We do not have any particular subjects to raise with President Mobutu.
4. Likely subjects to be raised by President Mobutu:

We do not know what President Mobutu would like to talk about. However, information received from Kinshasa indicates that he may bring up the following:

 - (a) He may thank you for the SOCOFIDE credit, our help for the investment code, the team of experts at the Office of the President - cofinanced by the French Government, the Congolese Government and a Bank Technical Assistance Grant - the establishment of the resident mission and our efforts in setting up a Consultative group.
 - (b) He may confirm his approval of the recommendations of the consultants' studies in the field of highways and river transport, aiming at substantial reorganizations in the responsible government agencies - OTRACO and Ministry of Public Works. You may wish to indicate our satisfaction with this approval and say that we intend to remain closely associated with

President has seen


implementing the reorganizations; also that we plan to send a preparation mission for a second road project in September and a mission to appraise a river transport rehabilitation project in October. We hope both actions will lead to lending in the last quarter of FY 1971.

- (c) President Mobutu is likely to talk about the Bank study. he requested to determine the solution which, in the long run and considering the increase in copper output, would be the most economic mode of evacuation of Katanga's mineral production. He is likely to consider the construction of a new railway between Port Francqui and Kinshasa as the best solution, but we hope ^{he} will confirm that the Congo will not go ahead with any concrete plans before knowing the results of the Bank study. You may wish to emphasize the desirability of withholding a decision until the study is completed and say that we are currently finalizing the terms of reference of the study and are planning to send a mission in September to discuss them with the Government.
- (d) Beyond the study mentioned above, President Mobutu may ask the Bank to study also the need for extending to the sea the railroad from Kinshasa to the existing port of Matadi 80 miles up the river from its mouth, and the construction of a deep water harbor at Banana on the coast. I recommend viewing this possible request favorably since both projects may be economically justified within this decade. The present port of Matadi is congested and cannot be extended, due to its unfavorable site; save for unforeseen events, copper transport is certain to rise. Moreover, there are plans to establish industry at the coast based on Inga power, an example of which is a proposed aluminum smelter which may be built by the Kaiser Aluminum & Chemical Corporation. It would produce 70,000 t a year initially, using imported alumina.

We have only just learned that President Mobutu may raise this question and have not yet been able to ascertain if or when such a study could be carried out. I suggest, therefore, that you respond favorably but without commitment. We will give them the answer in Copenhagen.

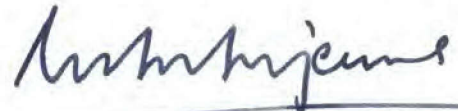
- (e) The President may inquire about Bank group interest in the Tenke project which would increase Katanga copper production by 100,000 t a year by 1975, at a cost of about \$200 to 250 million. IFC has been asked by the Government to take a 10% participation in the share capital of a future mining company, together with the sponsors of the project, Union Minière, Société Générale des Minerais - the Union Minière affiliate managing at present GECOMIN, the state owned

company which took over Union Minière assets in the Congo -, US Steel, Shell International and International Nickel. I understand IFC has provided you with a separate brief.

- (f) For agricultural development, President Mobutu may ask the Bank to help establish a medium term investment program. Progress in agricultural development has been slow, so far, due mainly to lack of dynamism in the Ministry of Agriculture. It seems President Mobutu is contemplating some reshuffling of ministers after the presidential elections in November, including the Minister of Agriculture. He may wish to see such step paralleled by Bank assistance in agricultural investment programming. We had planned already to give the agricultural sector particular attention during the next economic mission, scheduled for April 1971, which you may wish to point out; I feel, however, given the importance the head of state attaches to this question, a special Bank effort, such as a separate sector study, would be warranted. Here again, because of staff constraints, we cannot be specific about timing. I suggest that in this case, too, you say we will consider the request and respond in Copenhagen.
- (g) For prestige reasons within Africa, the President may wish to see our resident mission (de Azcarate) expanded into a permanent mission, similar to the missions in Abidjan and Nairobi. President Mobutu raised the point in his letter to you, dated January 26; you replied on February 16 that establishing a third permanent mission would require finding the highly experienced staff essential for effective work; you had doubts about being able to staff another mission at an early date. I think this posture should not be changed at present. Mr. de Azcarate will be able to concentrate exclusively on the Congo and to call on the resources of headquarters, our Nairobi mission and - via headquarters - on the FAO and UNESCO Cooperative Programs.
- (h) We doubt that he will raise questions about the Consultative Group. However, if he does, you could say that we have completed our contacts with the countries which would be interested in the group. Favorable replies have been received from the governments of the United States, Canada, the United Kingdom, Belgium, France and Germany. Italy and Japan will participate, but only as observers. We have invited the European Development Fund (FED) and are about to invite the IMF, UNDP and the African Development Bank. We expect all of them to accept. We are planning the first Group meeting in Paris at the beginning of next year, after completion and translation into French of the latest economic report
- 

and after its communication to the Congolese Government and the members of the Group. For your private information, we do not wish to hold the meeting before January because we wish to see what may eventuate from the presidential and parliamentary elections in November and December.

5. As mentioned above, we do not have any particular subject to raise with President Mobutu. However, you may wish to make a general statement on the Bank Group's determination to participate in the coming years in the economic development of the Congo with financial support of well prepared and economically justified projects. I suggest you be cautious about the volume of lending since in the early years, at least, we shall be confining ourselves to IDA funds. You could say that the reason we established our resident mission in Kinshasa was precisely to build up close relations with the Government and to expedite project preparation work. Finally, you may wish to note our agreement with, and support of, the efforts to diversify the economy in the light of a likely decline in copper prices with its effect on the Government's revenues, half of which come from copper.



A handwritten signature in blue ink, appearing to read 'Arthur H. James', is written above a horizontal line.

OFFICE MEMORANDUM

TO: Mr. R. S. Mchamara
FROM: L. von Hoffmann
SUBJECT: Congo (Kinshasa)

DATE: August 4, 1970

DECLASSIFIED

JUN 24 2013

WBG ARCHIVES

CONFIDENTIAL

In your meeting with President Mobutu scheduled for August 5, the Tenke Copper Project may come up. In his memorandum of June 8 Mr. Gaud has briefed you on the subject and I would like to report to you on the recent developments.

Union Miniere just completed its negotiations in the Congo. They have reported that the following conclusions have been reached:

1. Gecom in will hold 17% of the equity (which they will receive free in exchange for the concession), IFC will be asked to acquire 10% for cash, International Nickel, Shell and U.S. Steel would each have 17%. Union Miniere will have 10% directly and 7% through an affiliated company. The remaining 5% will be held by the Societe Generale des Minerais, a trading company affiliated with the Union Miniere group.
2. The new company will be exempted from all taxes for five years beginning from commercial production. Thereafter income tax and dividends payable to Gecom in will not exceed 50% of net profits. There will be no other taxes, such as mineral taxes or export taxes.
3. With regard to foreign exchange remittances, the company will remit all its foreign exchange earnings after deducting selling and transport expenses accruing outside of the Congo to the National Bank of the Congo, but the company will be entitled to maintain a revolving balance of \$10 million in foreign exchange with the Congolese Bank from which all remittances for debt service and dividends will be paid.

A meeting is scheduled for next week in London between the partners of the Syndicate and IFC to review the agreements in detail.

Based on the projections of Union Miniere using a copper price of 50¢, taxes and dividends accruing to the Government would be of the order of \$20 million per year after expiration of the tax holiday.

The major issues in the negotiations were:

- a) the extent of the Government's participation for which Union Miniere offered 10% and the Government asked for 20%;
- b) the extent of Union Miniere's participation in its own name which the Government wished to keep as low as possible for political reasons;

President has seen

- c) the tax system after expiration of the tax holiday for which Union Miniere was seeking a slow escalation of taxes over 20 years to which we had objected on the grounds that the periodic reviews during the period of escalation would be an unnecessary source of contention in the future;
- d) the foreign exchange remittance system for which Union Miniere was seeking maximum retention of foreign exchange earnings outside of the country to service foreign obligations;
- e) the extent of IFC's participation. The Syndicate members were welcoming an IFC participation of 10%, but the Government wanted to increase the IFC participation, apparently as a move to assure a combined Gecommin/IFC participation of not less than 25%. In this respect we had stated that we preferred to take 10%, but if it was necessary to achieve agreement among the parties, we would have been prepared to consider taking more. In any event, the matter now appears to be satisfactorily resolved.

On the above basis, the 10% IFC equity investment may amount to \$6-8 million. The Congolese had made it clear that they would expect us to hold these shares in our own name.

The draft of a letter to be sent by President Mobutu to SGM, which SGM has negotiated with the Government, contains the following paragraph:

"I expressed the desire that, as the promoter of the project, you should try to obtain the participation of the IFC. I also consider it desirable that when the operating company will have reached a sufficient level, both the Congolese and the international public should be given opportunity to take an interest in the company by introducing a fraction of its shares on the stock exchange."

To this SGM proposes to answer as follows:

"Following your wish we are informing you that a participation of 10% in the initial capital of the company will be offered to the IFC ... It is understood that in case that the IFC wished in the future to sell a part of its initial participation, it will give preference to the other shareholders including Gecommin, in proportion of their respective holdings. We have noted your desire to see the shares of the company introduced on a stock exchange when conditions permit. In this case, IFC will be called upon in priority to make available the shares which it will hold at that time."

Both letters are subject to our approval. The exact meaning of the above points needs to be clarified in the course of the forthcoming discussions. Off hand it seems to me that we should not give the other shareholders a right of first refusal on our shares, but keep our freedom to distribute them to the public or institutional investors.

I do not think that it is necessary for you to raise the Tenke project with President Mobutu at this time.

c.c. Mr. Gaud
Mr. Lejeune
Mr. Adomakoh

LvH/eh

BIOGRAPHY

Lieutenant Général Joseph MOBUTU

General Mobutu was born in a little village opposite Bangui the capital of Central African Republic in the North-West of the Congo in the Equateur Province across the river Oubangui, from the same tribe as the present of Central African Republic, General Bokassa. He is 38 years old, is married and has seven children (3 boys and 4 girls). He is a devout Roman Catholic but considers his religion a completely personal matter and it is never evident in his public life. He believes in self-discipline, is moderate in his personal habits and lives in comparative austerity. He is in good health, does not smoke and rarely drinks hard liquor. Mobutu likes to consider himself a man of fine taste and in his home he plays records of his favorite composers, Mozart and Bach. He is an enthusiastic outdoorsman and enjoys football and soccer. He runs a farm at his Nsele estate from which he derives much pleasure.

After primary and secondary education at the missionary school, he was enrolled for seven years at the age of 19 in the army. He left the army with the rank of Sergeant and turned to journalism. He worked for a daily newspaper "L'Avenir" and a weekly "Actualités africaines" of which he later became editor. At the same time, he enters politics and joins Patrice Lumumba's Mouvement National Congolais (MNC). He became very close to Patrice Lumumba and went with him to Brussels to attend the Round Table conference of Congolese leaders in January 1960 where Lumumba's ideal of an unitary Congo State was accepted by Belgium.

After independence, Lumumba appointed Mobutu Chief of Staff of the Congolese army with the rank of Colonel. In the first weeks of independence, Mobutu established himself as the country's most outstanding Congolese Officer, trying to restore discipline to an army which had mutinied. Mobutu was practically forced to turn himself against Lumumba due to the intricate political situation which developed between July and September 1960. In September, Mobutu became Commander, Chief of the army and made his first coup in dismissing the Government official machinery and in appointing 15 university graduates and Congolese technicians to run the country. These appointees were known as the Collège des Commissaires. In February 1961, the Collège was disbanded. A constitutional Government was re-established and Cyrille Adoula (now Ambassador in Washington) was appointed Prime-Minister, Mobutu turning his talents to restructuring and consolidating the Congolese army now renamed Armée Nationale Congolaise (ANC).

Until 1965, he was an army man showing himself at the dangerous places and trying to make of the ANC an organized and disciplined 20.000 men force. Seeing that the political parties could not come to an agreement to organize Congo on a sound and efficient basis and were not dedicating themselves to the national cause, Mobutu seized power a second

time in November 1965. No force could oppose him and he could brush aside the existing executive. This time, he decided to declare himself President, to take away most of the Parliament's legislative authorities which were however restored some time later in 1966, although no parliamentary elections were organized until this year. He swept out all political opposition and established a new presidential constitution and a single party, the Mouvement Populaire de la Révolution (MPR). He first ran the country with a Prime Minister, General Mulamba; he then dismissed him in October 1966 and took full executive powers having in addition control of the army, the police and the national defence.

DEMOCRATIC REPUBLIC OF THE CONGO

POLITICAL SITUATION

1. The political consolidation is continuing its course. President Mobutu has asserted himself as the, so far, unchallenged leader of the country. Potential political contestors, like former ministers Bomboko and Nendaka, have been first removed from the Cabinet then discharged from their ambassadorial functions. The political party (Mouvement Populaire de la Révolution - MPR) increasingly asserts its influence all over the country. At a party congress, held in Kinshasa in May, to commemorate the third anniversary of the MPR, President Mobutu was appointed sole candidate for the presidential elections which will take place in November 1970.
2. For President Mobutu this is a very important year. On June 30 the country celebrated the 10th anniversary of its independence. Ceremonies organized to commemorate this event were attended by the King and the Queen of Belgium who toured the country for more than two weeks prior to these ceremonies. This official visit of King Baudouin and his wife as well as the climate of confidence which prevails in the Congo, and particularly in Kinshasa, has underscored the return to normalcy and official international recognition of the Mobutu regime. President Mobutu's state visit to the United States will also be for him a major event in the course of this year. At the end of November he will celebrate the fifth anniversary of his coming to power. At this time he intends to make a major address summarizing for his people the economic and political program achieved in the last five years. It is likely that he will endeavor to present on that occasion a five-year development program.
3. The real test of President Mobutu's political stamina and acumen will, however, come only next year when, after the parliamentary elections of December 1970, a National Assembly will be set up. Although all candidates will be presented by the MPR, it remains to be seen whether the political cohesion will be strong enough to overcome the regional and tribal rivalries which, although momentarily muted, undoubtedly continue to exist. General Mobutu will avoid at all costs renewed tribal tensions as they used to exist in the early sixties between the Lulua and the Buluba in the Kasai areas and any attempt at secession from Katanga. In the distribution of provincial governorships he has also made it a point to install in each province a governor not belonging to one of the ethnic groups prevailing in that province. In the distribution of ministerial and key administrative and political posts, General Mobutu is obliged to maintain a certain balance among the principal ethnic groups. Thanks to General Mobutu's influence and the influence of the Party, the Congo is becoming a nation.

4. The Congo's international political alignment continues to be outspokenly pro-western and pro-American. Trade relations with the Eastern European countries have, however, become stronger in the last two years. An effort has also been undertaken to increase the relations with the two former Belgian trust territories, Rwanda and Burundi, but in view of the deficient transport connections between the three countries and because of a desire on the part of Rwanda and Burundi to develop closer ties with East Africa, cooperation has been limited to a few economic sectors, including the production of electric power. One should also note the very recent renewal of diplomatic relations with Congo Brazzaville. Ideologically the Presidents of both Congolese Republics are still far away from each other but they have many reasons for their countries to coexist, one of them being that people on both sides of the Congo River belong to the same ethnic groups and speak the same language.

DEMOCRATIC REPUBLIC OF THE CONGO

RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS

1. Although a region of great economic potential, Congo remains at present a poor country, with a per capita income of less than \$100. Mining, mainly of copper and by-products, accounts for 30 percent of GDP, agriculture for 10 percent and services for over 40 percent. Copper accounts for 65 percent of export earnings. Foreign exchange reserves now stand at \$250 million, or five months worth of imports.

2. Economic growth in the last two years has been satisfactory, exceeding 7 percent (in constant prices) in both years. Developments in these two years have, however, been widely divergent. Whereas industrial output had declined in 1968 as a result of reduced purchasing power and increased foreign competition following the June 1967 monetary reform, industrial activity has picked up considerably in 1969. Most enterprises are working again at full capacity and there exist a considerable number of expansion plans. As a result of the intense construction activity, especially in the public sector, construction materials have become increasingly scarce and building costs excessively high.

3. In the field of agricultural production, the record has been somewhat disappointing. Due to both favorable climatic conditions and the restoration of security in the interior, agricultural output increased by more than 15 percent in 1968. In 1969, however, the output has fallen back by more than 5 percent, particularly with respect to coffee, tea and foodcrops. Cotton and palm oil production continued to increase. First estimates of the 1970 production indicate that in this year the output-

level attained in 1968 may again be reached.

4. In 1969 Government receipts increased by 44 percent and reached Z 268 million, as compared to Z 186 million in the preceding year. This sharp increase is due not only to the high copper prices, but also to the increase in economic activity and to improved tax collection. In fact, the contribution of Gecomim (mainly copper) to Government revenue has remained constant at approximately 50 percent of the total. In the same year Government expenditures rose by 36 percent, from Z 190 million to Z 257 million. Instead of a deficit amounting to Z 4 million in 1968, a surplus of Z 11 million was registered in 1969.

5. A large part of Government expenditures are taken at the initiative of the Presidency and, consequently, remain outside any effective budget control. In 1968 these presidential expenditures amounted to Z 22 million; in 1969 they reached Z 50 million, or nearly one fifth to total Government expenditures. It is impossible to know the exact composition of these expenditures, but it can be surmised that they finance the political party as well as a series of investment projects undertaken by the Presidency (like the rehabilitation of Bukavu after the 1967 rebellion). To a large extent they are also used to defray expenditures incurred by President Mobutu and his retinue.

6. Because of certain inconsistencies in the economic classification of ordinary and investment expenditures, and because of the uncertainties regarding the nature of the presidential expenditures, the evaluation of the investment component in total Government expenditure is not a straightforward matter. Evaluations made by the Research Department of the National Bank of Congo estimate this component at Z 26 million in 1968 and Z 56 million in 1969. According to these calculations the share of investment in total

Government expenditures would thus have risen from 14 to 22 percent.

7. In accordance with a now-established practice, Government receipts for 1970 have been conservatively estimated at Z 215 million, i.e. Z 50 million below the level of receipts attained in 1969.

This estimate is based on a copper price of 55.000 BF/ton (50 U.S. cents/lb).

In view of the high prices prevailing during the first four months of the year (77 U.S. cent/lb), and in spite of the drop which has been registered in recent weeks (66 U.S. cents on June 12, 1970), it can now be estimated that Government receipts for the present year will rather lie in the neighborhood of Z 320 million. Early returns indicate that Government expenditures in the first half of 1970 amounted to Z 163 million. On the basis of these data Government authorities expect an overall surplus in 1970 in the order of Z 10 million. In view of the likely rise in Government expenditures during the last six months of the year (mainly as a result of the above-mentioned anniversary festivities), it is more realistic to predict that expenditures will absorb the totality of revenue. If copper prices were to fall much below their present level of 62 U.S. cents/lb (which, in view of an expected capacity expansion in Chile, does not seem excluded), the Government might even have to face a small deficit for this year.

BASIC DATA

Area and population

Area	905,000 square miles
Population	17 million
Rate of increase	2.3 percent per annum

<u>Gross Domestic Product</u>	<u>1959</u>	<u>1964</u>	<u>1966</u>	<u>1968</u>	<u>1969</u>
		<u>(in millions of zaïres)</u>			
(1966 prices)	285.1	267.5	304.1	324.6	347.6
(current prices)	66.1	225.0	304.1	720.4	882.5

GDP per head, 1969 \$ 100 approximately

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	<u>(In millions of zaïres)</u>			
<u>Government finance</u>				
Total receipts	61.8	95.1	185.6	268.1
Ordinary expenditure	60.7	87.5	164.0	201.2
Deficit (-) or surplus	1.1	7.6	21.6	66.9
Capital expenditure	5.7	13.8	25.5	56.0
Over-all deficit (-) or surplus	-4.6	-6.2	-3.9	10.9

<u>Money and Credit</u>	<u>(End of period)</u>			
	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Foreign assets (net)	10.2	60.9	84.9	112.6
Domestic credit	90.3	96.5	108.0	110.5
Claims on Government (net)	77.6	79.6	87.3	82.7
Claims on private sector	12.7	16.8	20.7	27.8
Money supply	73.4	110.8	135.1	151.7

1966 1967 1968 1969
(In millions of U.S. dollars)

Trade and payments

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Exports of Goods	482.9	470.5	584.9	681.4
Imports of Goods and Services (net)	465.9	427.6	507.1	587.3
Net Goods and Services	17.0	42.9	77.8	94.1
Investment Income, Net:Outflow (-)	-8.0	-2.1	-10.8	-14.5
CURRENT SURPLUS (+) OR DEFICIT (-)	9.0	40.8	67.0	79.6

<u>External Debt (December 31, 1969):</u>	<u>(In millions of U.S. dollars)</u>
Total debt outstanding (including undisbursed)	280.7
<u>Estimated Debt Service Ratio (1969):</u>	3.5%

Democratic Republic of the Congo

Status of Operations

Operations currently under consideration are the following:

1. Technical Assistance - Highway Administration Project
(Credit CK 152)

This project is progressing satisfactorily. The consultants of Research and Development have submitted their proposals regarding the reorganization of the Public Works. The last Bank supervision mission noted that the Consultants' recommendations tend to propose an autonomous roads agency which would actually take over the functions of the Ministry of Public Works. The mission asked them to submit alternative solutions which they have done. The Government is now expected to make a choice and let the Bank know shortly. Probably, it will prefer the establishment of a Road Fund under the supervision of the Ministry of Public Works, which would be responsible for the maintenance and rehabilitation of the national routes.

The consultants are preparing the 1971-1973 investment program. Their preliminary conclusions are expected by this summer. A project preparation mission is scheduled for September to be followed in January 1971 by an appraisal of a second road Credit which might be included in FY 1971 lending program.

2. SOCOFIDE

The Credit and Project agreements have been signed on May 28, the IFC documents on June 1. The shareholders meeting has been held in Kinshasa on June 9 and the share capital of SOCOFIDE has been increased to \$4 million. The Development Credit and Project agreements are effective.

3. River Transport

The UNDP study of measures to increase the efficiency and capacity of ports and river transport, for which the Bank is Executing Agency, has been substantially completed. Recommendations by the consultants for reorganizing the river transport system and for priority investments to be carried out over the next three to five years are under review by the Government and the Bank, and are likely to lead to proposals for Bank Group financing towards the end of FY 1971. The UNDP is considering a proposal that would extend the consultant's contract to October 1971 to provide the Government with assistance in implementing agreed recommendation on reorganization. The terms of reference of the proposal have been discussed in May with the Government and the consultants, and were approved in June. Negotiations with the consultants were held in July and the plan of operation and the contract are to be signed by August 10. Proposals for a project suitable for Bank financing would be presented by the consultants by the second half of August and Feasibilities Studies would be available at the latest by mid October. We are planning to send an appraisal mission about end October and a Transport Credit is listed in FY 1971 lending program.

4. Economic study of the evacuation of Katanga mineral production

Further to General Mobutu's request to study the alternatives river transport/railway with a view to have the most economic and best evacuation route of Katanga mineral production, the terms of reference of an economic study have been drafted. They are to be finalized within Transportation Projects Department and cleared with Area Department.

A mission to Kinshasa is planned in September to discuss them with the Congolese authorities. The purposes of the study would be:

a. to establish an economically and technically sound plan for the improvement and the development of transport services on the evacuation route ("Voie Nationale") linking the Katanga region to Kinshasa and the sea; and

b. to assess the economic benefits and costs to the Congo of selecting an all-Congolese route to connect the Katanga region to the sea.

5. Tenke copper mining project in Katanga

This project was discussed on June 3 with IFC by the members of a consortium consisting of Société Générale, International nickel, Shell, United Steel and Gecomin. IFC is preparing a separate brief on this matter summarizing the outcome of the discussions and indicating the latest developments regarding this project.

6. The Team of Experts within the Office of the President of Republic

The Team is fully associated with the Office of the President and works according to its Terms of reference. The Director of the Office and the Minister of Finance seem to be very satisfied with the work of the team. However the Governor of the National Bank feels that it could have a much more active part if it were associated more closely to the CIMEF (Interministerial Commission for Economic and Financial Affairs) and to the Bank. The team has already to its credit the preparation of the 1970 development budget, and several memoranda on specific projects such as for instance the roads and river transport projects supervised by the Bank Group. They are preparing

comprehensive sectorial notes for a paper highlightening the development orientations of the Congo over the five coming years. They will also be asked to prepare the 1971 development budget and assist a programming unit to be set up within the Office of the President.

7. Agriculture

The FAO/IBRD Cooperative Program has completed the preparation of a 30,000 ha cotton project in the northern part of the Congo, and its report is being reviewed in the Bank. The preparation of a lake fishing project in the Eastern Province (Lakes Albert and Edouard) is being finalized in Rome. The report is awaited. On both projects important organizational problems have to be solved. However the cotton project appear to be the most promising one.

The Cooperative Program will send a mission in September to identify and possibly prepare a livestock project in the Katanga and in the Equateur Provinces.

A 5,500 ha rubber project has also been prepared by the FAO but additional data are required prior to final appraisal.

8. Education

A Bank/UNESCO reconnaissance mission went to the Congo in April and identified a \$7 million project for the expansion of the existing Higher Secondary Teacher Training College, the construction of a primary teacher educator training college, the rehabilitation of three secondary technical schools and provision for technical assistance. The project could also include the construction of a vocational school and of a technical school, if the Government wishes to borrow from the Bank for this purpose. A UNESCO preparation mission is scheduled for September to assist the Government in preparing a request to the Bank.

9. Resident Mission

Mr. de Azcarate has arrived in Kinshasa on July 6 and has been received by the President of the Republic.

Composition
of President Mobutu's party

President Mobutu is expected to be accompanied by a group of about 12 officials. The principal members will be the following:

- | | | |
|--------------------|---|---|
| Governor Ndele | - | Governor of the Banque Nationale du Congo |
| T. Bumba |) | - Members of the Political Bureau of the "Mouvement Populaire de la Revolution (MPR)" |
| A. Boboliko | (| |
| Mr. Umba di Lutete | - | Minister delegate to the Presidency |
| L. Namwisi | - | Minister of Finance |
| E. Loliki | - | Vice-Minister of Foreign Affairs |
| B. Bisengimana | - | Director, Office of the President |
| Th. Idzumbuir | - | Congo's Permanent Representative at the UN |

U.S. DEPARTMENT OF STATE
OFFICE OF THE CHIEF OF PROTOCOL
Washington, D.C. 20520

OFFICIAL VISIT TO THE UNITED STATES OF HIS EXCELLENCY LIEUTENANT
GENERAL JOSEPH DESIRE MOBUTU, PRESIDENT OF THE DEMOCRATIC REPUBLIC
OF THE CONGO - August 3, 1970 - August 14, 1970

OFFICIAL PARTY

His Excellency Lieutenant General Joseph Desire Mobutu
President of the Democratic Republic of the Congo

Mrs. Mobutu

His Excellency Jean-Theodore Umba-Di-Lutete
Minister Delegate at the Presidency

Mr. Thomas Tumba
Member of the Political Bureau of the Popular Movement
of the Revolution

Mrs. Tumba

Mr. Andre Bo-Boliko
Member of the Political Bureau of the Popular Movement of
the Revolution

Mrs. Bo-Boliko

His Excellency Louis Namwizi
Minister of Finance

Mr. Albert Ndele
Governor of the National Bank of the Congo

His Excellency Evariste Loliki
Vice Minister of Foreign Affairs

Mr. Barthelemy Bisengimana
Director of Cabinet of the Presidency

His Excellency Theodore Idzumbuir
Ambassador, Permanent Representative of the Democratic
Republic of the Congo to the United Nations.

MEMBERS OF THE UNOFFICIAL PARTY

Mr. Louis Tshibambi
Director of Protocol at the Presidency

Mr. Eduard Mokolo
Official of the National Documentation Center

Major Stanley Mika
Officer-in-Charge, Presidential Security

Dr. William T. Close
Personal Physician of the President

Mrs. William T. Close

Mr. C. Lambert Baruti
Director of the Cabinet. Ministry of Finance

Captain Simon-Pierre Kayembe
Aide-de-camp (Air Force)

Captain Jean-Pierre Somanza
Aide-de-camp (Air Force)

Lieutenant Joseph Lomponda
Aide-de-camp (Navy)

Mr. Joseph Pongo
Deputy Office Director
Ministry of Foreign Affairs

Mr. Emmanuel Dimbambu
Administrative Assistant to
His Excellency Jean-Theodore Umba-Di-Lutete

Mr. Emmanuel Schemisi
Administrative Assistant to
His Excellency Evariste Loliki

Warrant Officer Donatien Mahele
Presidential Security

Sergeant Basile Mondele
Presidential Security

Sergeant Joseph Eley
Presidential Security

MEMBERS OF THE UNOFFICIAL PARTY CONT'D.

Corporal Mozart Yama-Yama
Presidential Security

Corporal Stephane Longange
Presidential Security

Mr. Pierre Sandelin
Stenographer

Miss Therese Yabongosanga
personal companion to Mrs. Mobutu

Miss Raymonde Maziere
wardrobe maid

Miss Marie-Louise Maziere
wardrobe maid

Mrs. Madeleine Piron
hairdresser

Mr. Simon Mpeta
valet

MEMBERS OF THE CONGOLESE PRESS

Mr. Victor Kasongo
Chief Editor
Congoles National Radio

Mr. Denos Nhongo
Chief Editor
Congoles National Television

Mr. Norbert Tukulu
Editorial Secretary
L'Etoile

Mr. Christophe Ditsava
Editor-in-Chief
Le Progres

Mr. Leon Elumba
Editor-in-Chief
Le Progres
La Tribune

MEMBERS OF THE CONGOLESE PRESS CONT'D.

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Editor-in-Chief
Essor De Katanga

Mr. Pierre Kazadi
Editor-in-Chief
Depeche

Mr. Robert Tshamala
Editor-in-Chief
Le Renouveau

Mr. Michael Kabessa
Reporter
Congolesse Press Agency

Mr. Emmanuel Kabeba
Cameraman

Mr. Jerome Tsitambwe
Cameraman

Mr. Joseph Tony
Sound Technician

Mr. Thomas Massamba
Assistant Cameraman

Mr. Rene Stalin
Photographer

Mr. Jacques Aselemani
Photographer

MEMBERS OF THE CONGOLESE EMBASSY

Mr. Louis-Fernand Nduki
Minister Counselor
Embassy of the Democratic Republic of the Congo

Mr. Charles Sumbu
Counselor
Embassy of the Democratic Republic of the Congo.

MEMBERS OF THE CONGOLESE EMBASSY CONT'D.

Mr. Didier Mushobekwa
1st Secretary
Embassy of the Democratic Republic of the Congo

Mr. Albert Bulungu
1st Secretary
Embassy of the Democratic Republic of the Congo

Mr. Cyrille Abdoul
Second Secretary
Embassy of the Democratic Republic of the Congo

Mr. Charles Yeye
Attaché
Embassy of the Democratic Republic of the Congo

MEMBERS OF THE AMERICAN PARTY

The Honorable Emil Mosbacher, Jr.
Chief of Protocol
of the United States

Mrs. Mosbacher

The Honorable Sheldon B. Vance
American Ambassador to the Democratic Republic of the Congo

Mrs. Vance

The Honorable David D. Newsom
Assistant Secretary of State
for African Affairs
New York only

Mrs. Newsom
New York only

Mr. William R. Codus
Assistant Chief of Protocol

Mrs. Codus

Mr. John A. McKesson
Director of Central African Affairs
New York only

Mrs. McKesson

MEMBERS OF THE AMERICAN PARTY CONT'D.

Mr. David Waters
Assistant Chief of Protocol

Mr. Saeed Khan
Protocol Officer

Mr. Joseph Leahy
Protocol Officer

Miss Beth Evans
Protocol Secretary

Mr. James Payne
Protocol Baggage Master

Mr. John Clemmons
Security Officer-in-Charge

Mr. Raymond Garo
Security Officer

Mr. John Dugan
Security Officer

Mr. Alfred Boyd
Security Officer

Mr. Robert P. Cronin
Security Officer

Mr. Jep Turner
Security Officer

Mr. Alec Toumayan
Interpreter
U.S. Department of State

Mrs. Marie Sieminski
Interpreter
U.S. Department of State

Mr. George Szabo
USIA Photographer

Mr. Lou Ross
USIA Photographer

HIS EXCELLENCY LIEUTENANT GENERAL JOSEPH DESIRE MOBUTU
PRESIDENT OF THE DEMOCRATIC REPUBLIC OF THE CONGO

Phonetic: Mo-Boo-too

Addressed as: Mr. President

In a bloodless coup on November 25, 1965, Lieutenant General Joseph Desire Mobutu assumed power after an extended political crisis. This marked the second time that Mobutu had assumed control of the country. The coup was a reaction to a power struggle between President Joseph Kasavubu and Premier Moise Tshombe. President Mobutu has since successfully consolidated his power and brought political stability to the Congo. In 1967 he founded the Popular Movement of the Revolution, the Congo's first national political party, in an effort to reduce tribal power.

Once before, in September 1960, in an effort to restore law and order, Mobutu had placed the country under military control and neutralized all political activity. In February 1961, however, he returned the reins of government to President Kasavubu. Kasavubu, in turn, promoted Mobutu to major general and made him Commander in Chief of the Congolese National Army (ANC).

President Mobutu, an Ngbandi, is 39. He studied at the Institute of Social Studies in Brussels for a year. In 1950 he enlisted in the Force Publique, where he served for the next 6 years. After his discharge he worked for several newspapers. He subsequently became one of Patrice Lumumba's chief lieutenants in the Congolese National Movement. After independence in 1960 President Mobutu was appointed Chief of Staff of the ANC. Later, he broke with Lumumba.

The President is married and has eight children. He speaks French and Lingala.

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6. Mr. Sambwa explained that, so far, sight deposits at banks in the Congo had earned virtually no interest, whereas time deposits earned very little. He intended to see interest rates increased to levels which would be competitive with those of major financial centers abroad and thus present an incentive to keep savings within the country.

The convertible accounts would be fed mainly from two sources, (i) from payments made in favor of non-residents, to be authorized by the National Bank under special regulations, and (ii) from payments from abroad, irrespective of whether the account holder was a resident or a non-resident and without any investigation into the origin of these funds. Balances of convertible accounts would be freely transferable abroad without any control by the authorities and at the official rate of exchange. Moreover, Mr. Sambwa considered to allow these accounts to be numbered, to safeguard anonymity.

7. As a complement to their own efforts, the Government hoped to be able to stem whatever difficulties might arise with the help of the IMF. Mr. Sambwa stressed that one of the aims of his visit to Washington was to apprise the Fund and also the Bank Group of the expected difficulties and to enlist their assistance to overcome them when arising.

8. Mr. McNamara then asked Mr. Sambwa what export earnings the Congo expected to have for this year as against next year and also the imports for the same periods. Mr. Sambwa said that export earnings had been Z 364 million in 1969 and Z 210 million in the first half of 1970 as against imports of Z 340 million in 1969 and of Z 222 million in the first half of 1970. Mr. Sambwa hesitated to go beyond these figures but when Mr. McNamara said that they must have had figures on which to base the expected deterioration in the balance of payments, Mr. Sambwa also stated that the National Bank had just completed a study on which these forecasts were based. The assumptions in this study were that copper represented 60% of the foreign exchange revenues and that average copper prices would be as follows over the next five years:

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
- in thousand bfrs. per metric ton	63	56	53	50	50

On that basis, export earnings were estimated to be:

in million Zaire,	402	405	429	426	448,
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whereas imports were expected to remain constant over the period at

million Zaire,	464	464	464	464	464
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Therefore, the expected deficit in the balance of trade would be,

in million Zaire,	62	59	35	38	16
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totalling Z 210 million. Since foreign exchange reserves at the end of 1970 were expected to be around Z 75 million, this meant that the Congo would have to find Z 135 million to finance the cumulative deficit in the balance of trade.

9. Asked about the causes of the steep increase in imports from Z 340 million in 1969 to Z 464 million in 1971, Mr. Sambwa mentioned rising investment expenditures. In view of Government policy aiming at large participations in new industrial enterprises and because they had a large road construction program, expenditures were bound to increase. To these would have to be added investment programs fostered by the head of State, like the construction of airports or similar projects. Mr. McNamara passed on to asking how they expected to keep import figures constant over the next five years. Mr. Sambwa indicated that, first, the Z 464 million was only a prudent working hypothesis and might not necessarily be reached and, second, President Mobutu had created recently a permanent budget committee which would meet once a week and include the Governor of the National Bank and his director of the Cabinet, and the Ministers of Finance and of the National Economy. The committee would follow the evolution of public expenditures, and particularly of the budget, and see that budgetary discipline would be maintained. Asked about the role of the committee with respect to imports, Mr. Sambwa added that although the Government pursued a policy of increased economic and social investments, they were particularly aware of the need to maintain monetary stability. To the extent that budgetary expenditures would have an impact on the balance of payments and the exchange reserves position, the committee was supposed to inform the President for remedial measures.

10. Time running short, Mr. McNamara expressed the wish that the Governor should continue discussion of the forecasts made by the National Bank and the assumptions underlying them with Messrs. Knapp and Lejeune during a luncheon following the meeting with him. Mr. Sambwa said that part of the study made by the National Bank had been handed to the Bank's resident representative in Kinshasa; he would see to it, after his return, that interesting further data would be made available.

11. The meeting closed with Mr. Sambwa's transmitting President Mobutu's appreciation of the cooperation established between the Bank Group and the Congolese Government and of his wish to see this cooperation extended further. Relations were very satisfactory, thanks to the close contacts established between the authorities and Bank staff and also thanks to the assistance which the Government felt it received from Mr. Kochman, their Executive Director.

cc: Mr. McNamara
Mr. Knapp
Mr. Lejeune
Mr. Halbe

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Michael L. Lejeune

SUBJECT: Congo (Kinshasa) - Meeting with Mr. Sambwa,
Governor of the National Bank

DATE: November 4, 1970

1. For your meeting with Mr. Sambwa, the new Governor of the National Bank, I am attaching the following:

- curriculum vitae
- memorandum on the political situation
- memorandum on the economic situation
- basic data
- status of operations
- program of Governor Sambwa.

2. The Governor's party will be composed of Messrs. J. A. Tshishimbi, Demanet, and Zongo. Mr. Tshishimbi is the Director of the Office of the Governor and has been serving in this position for several years under the former Governor of the National Bank, Mr. N'Dele. Mr. Demanet, a Belgian who had been formerly with the National Bank of Belgium, has been a foreign advisor to the National Bank for at least three years. We do not know Mr. Zongo's background; we have heard only that he is a private secretary to Mr. Sambwa.

3. You will remember that Mr. Sambwa, who at 30 is probably the youngest Central banker in the world, was appointed following President Mobutu's Government reshuffle after his return from the U.S., Europe and other parts of Africa in September. Mr. Sambwa is said to be a relative of the President. He was previously deputy to Mr. Bisengimana, Director of the Office of the President. He is considered to be a bright, promising man, but it will obviously be a long time before he attains the eminence in financial and economic affairs of his predecessor. He is apparently conscious of his lack of experience and is seeking to reinforce foreign advisory staff, likely if overall political relations allow, to come mainly from Belgium. His only public pronouncements so far were contained in his inaugural speech made in early October. The views expressed were conservative and orthodox with a heavy emphasis on preserving the value of the Zaire.

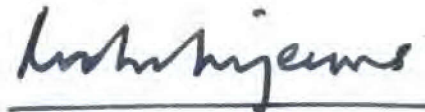
4. We do not know what Mr. Sambwa wishes to talk about. The fact that his first trip abroad in his new functions should be to the Fund, the Bank and US Government, to be possibly followed by a visit to Belgium, is presumably aimed at establishing himself in foreign and Congolese eyes as the successor to N'Dele. He may carry a personal

President has seen

message to you from General Mobutu, on the meaning of the recent change in the Government and the National Bank and stressing his desire for continued cooperation with the Bank. He may also explain President Mobutu's decision to terminate negotiations with the Tenke copper consortium for which an IFC participation had been requested, in favor of a new consortium composed of Chartered Consolidated, Standard Oil of New Jersey, Leon Tempelsman & Son, Mitsui and a state owned French investment firm. He may raise the question of IFC's joining the new group.

5. We do not have any particular subject to raise with Governor Sambwa. However you may wish to assure him of the Bank Group's determination to support economic development of the Congo through helping to finance sound, priority projects and to help in their identification and preparation. As I did earlier, I suggest you be cautious about the volume of lending since, in the early years at least, we shall be confining ourselves to IDA funds. You could say that we established our resident mission in Kinshasa precisely to build up close relations with the Government, including the National Bank, and to expedite project preparation work. Finally you may wish to emphasize the importance we attach to efforts to diversify the economy, and to measures to restrain recurrent expenditures, in the light of a likely decline in copper prices in view of the effect on the Government's revenues, half of which at present come from copper.

6. Mr. Knapp and I will attend your meeting with Mr. Sambwa. I shall have seen him earlier and will let you know of anything significant which comes out of my meeting with him.



cc: Mr. Gaud
Mr. Knapp

Th.U.Halbe:acc

C U R R I C U L U M V I T A E

NAME : SAMBWA, Jules

Born : November 12, 1940

Nationality : Congolese

Spouse : IFASO, Julienne
 (Five children)

Studies and diplomas : "Licencié en Sciences Economiques"
 of Université Libre, Brussels

Former professional stages :

1967-68 Economic advisor (conseiller)
 to the President of the Republic

1968-70 Deputy Director, Office of the
 President

1968-70 Member of the Council,
 National Bank of the Congo.

November 4, 1970

DEMOCRATIC REPUBLIC OF THE CONGO

Political situation

1. President Mobutu continues so far to be the unchallenged leader of the country. Potential political contestants, like former ministers Bomboko and Nendaka, have been first removed from the Cabinet then discharged from their ambassadorial functions. The political party (Mouvement Populaire de la Révolution - MPR) increasingly asserts its influence all over the country. At a party congress, held in Kinshasa in May, to commemorate the third anniversary of the MPR, President Mobutu was appointed sole candidate for the presidential elections. These took place a few days ago, with almost 100 % of the vote being favorable. The term of office is 7 years.

2. This year was important for President Mobutu in other respects, too. On June 30, the country celebrated the 10th anniversary of its independence. Ceremonies organized to commemorate this event were attended by the King and the Queen of Belgium who toured the country for more than two weeks prior to these ceremonies. This official visit of King Baudoin and his wife as well as the climate of confidence which prevails in the Congo, and particularly in Kinshasa, has underscored the return to normalcy and official international recognition of the Mobutu regime. However, the picture became somewhat clouded again in September of this year (i) when President Mobutu reshuffled his Government, curtailing on this occasion the influence of some key men, like the former Governor of the National Bank, N'Dele, and former Minister of Finance, Namwisi, by assigning them

less independent posts (N'Dele became Finance Minister) or less important ones (Namwisi became Minister of the Economy); (ii) when he decided to exclude Union Minière from any new mining ventures in the Congo, and (iii) when he announced Government control over all assets in the Congo of Cominière, a private Anglo-Belgian Group with important interests in the country. It is too soon to gauge the full significance of these changes both internally and internationally. So far there does not seem to be reason for particular concern, but there may be further changes following the Parliamentary elections which take place November 15.

3. The real test of President Mobutu's political stamina and acumen is likely to come next year when, following the Parliamentary elections a National Assembly will be set up. Although all candidates will be presented by the MPR, it remains to be seen whether the political cohesion will be strong enough to overcome the regional and tribal rivalries which, although momentarily muted, undoubtedly continue to exist. General Mobutu will avoid at all costs renewed tribal tensions as they used to exist in the early sixties between the Lulua and the Buluba in the Kasai areas and any attempt at secession from Katanga. In the distribution of provincial governorships he has also made it a point to install in each province a governor not belonging to one of the ethnic groups prevailing in that province. In the distribution of ministerial and key administrative and political posts, General Mobutu is obliged to maintain a certain balance among the principal ethnic groups. Thanks to General Mobutu's influence and the influence of the Party, the Congo is slowly becoming reunified as a state.

4. The Congo's international political alignment continues to be outspokenly pro-western and pro-American. Trade relations with the Eastern European countries have, however, become stronger in the last two years. An effort has also been undertaken to increase the relations with the two former Belgian trust territories, Rwanda and Burundi, but in view of the deficient transport connections between the three countries and because of a desire on the part of Rwanda and Burundi to develop closer ties with East Africa, cooperation has been limited to a few economic sectors, including the production of electric power. One should also note the very recent renewal of diplomatic relations with Congo (Brazzaville). Ideologically the Presidents of both Congolese Republics are still far away from each other but they have many reasons for their countries to coexist, one of them being that people on both sides of the Congo River belong to the same ethnic groups and speak the same language.

DEMOCRATIC REPUBLIC OF THE CONGO

RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS

1. Although a region of great economic potential, Congo remains at present a poor country, with a per capita income of less than \$100. Mining, mainly of copper and by-products, accounts for 30 percent of GDP, agriculture for 10 percent and services for over 40 percent. Copper accounts for 65 percent of export earnings. In July 1970, foreign exchange reserves stood at \$230 million, or about five months worth of imports. This followed a steady decline from the high level of \$270 million in April of the same year.
2. Economic growth in the last two years has been satisfactory, exceeding 7 percent (in constant prices) in both years. Developments in these two years have, however, been widely divergent. Whereas industrial output had declined in 1968 as a result of reduced purchasing power and increased foreign competition following the June 1967 monetary reform, industrial activity has picked up considerably in 1969. Most enterprises are working again at full capacity and there exist a considerable number of expansion plans. As a result of the intense construction activity, especially in the public sector, construction materials have become increasingly scarce and building costs excessively high.
3. In the field of agricultural production, the record has been somewhat disappointing. Due to both favorable climatic conditions and the restoration of security in the interior, agricultural output increased by more than 15 percent in 1968. In 1969, however, the output has fallen back by more than 5 percent, particularly with respect to coffee, tea and foodcrops. Cotton and palm oil production continued to increase. First estimates of the 1970 production indicate that in this year the output-

level attained in 1968 may again be reached.

4. In 1969 Government receipts increased by 44 percent and reached Z 268 million, as compared to Z 186 million in the preceding year. This sharp increase is due not only to the high copper prices, but also to the increase in economic activity and to improved tax collection. In fact, the contribution of Gecomim (mainly copper) to Government revenue has remained constant at approximately 50 percent of the total. In the same year Government expenditures rose by 36 percent, from Z 190 million to Z 257 million. Instead of a deficit amounting to Z 4 million in 1968, a surplus of Z 11 million was registered in 1969.

5. A large part of Government expenditures are taken at the initiative of the Presidency and, consequently, remain outside any effective budget control. In 1968 these presidential expenditures amounted to Z 22 million; in 1969 they reached Z 50 million, or nearly one fifth to total Government expenditures. It is impossible to know the exact composition of these expenditures, but it can be surmised that they finance the political party as well as a series of investment projects undertaken by the Presidency (like the rehabilitation of Bukavu after the 1967 rebellion). To a large extent they are also used to defray expenditures incurred by President Mobutu and his retinue.

6. Because of certain inconsistencies in the economic classification of ordinary and investment expenditures, and because of the uncertainties regarding the nature of the presidential expenditures, the evaluation of the investment component in total Government expenditure is not a straightforward matter. Evaluations made by the Research Department of the National Bank of Congo estimate this component at Z 26 million in 1968 and Z 56 million in 1969. According to these calculations the share of investment in total

Government expenditures would thus have risen from 14 to 22 percent.

7. In accordance with a now-established practice, Government receipts for 1970 have been conservatively estimated at Z 215 million, i.e. Z 50 million below the level of receipts attained in 1969.

This estimate is based on a copper price of 55.000 BF/ton (50 U.S. cents/lb).

In view of the high prices prevailing during the first four months of the year (77 U.S. cent⁵/lb), and in spite of the drop which has been registered in recent months (50 U.S. cents on November 3, 1970), it

can now be estimated that Government receipts for the present year will rather lie in the neighborhood of Z 320 million. Early returns indicate that Government expenditures in the first half of 1970

amounted to Z 163 million. In view of the likely rise in Government expenditures during the last six months of the year (mainly as a result of the above-mentioned anniversary festivities), it is likely that a small deficit will emerge.

BASIC DATA

Area and population

Area	905,000 square miles
Population	17 million
Rate of increase	2.3 percent per annum

<u>Gross Domestic Product</u>	<u>1959</u>	<u>1964</u>	<u>1966</u>	<u>1968</u>	<u>1969</u>
		<u>(in millions of zaïres)</u>			
(1966 prices)	285.1	267.5	304.1	324.6	347.6
(current prices)	66.1	225.0	304.1	720.4	882.5

GDP per head, 1969 \$ 100 approximately

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	<u>(In millions of zaïres)</u>			
<u>Government finance</u>				
Total receipts	61.8	95.1	185.6	268.1
Ordinary expenditure	60.7	87.5	164.0	201.2
Deficit (-) or surplus	1.1	7.6	21.6	66.9
Capital expenditure	5.7	13.8	25.5	56.0
Over-all deficit (-) or surplus	-4.6	-6.2	-3.9	10.9

Money and Credit

(End of period)

Foreign assets (net)	10.2	60.9	84.9	112.6
Domestic credit	90.3	96.5	108.0	110.5
Claims on Government (net)	77.6	79.6	87.3	82.7
Claims on private sector	12.7	16.8	20.7	27.8
Money supply	73.4	110.8	135.1	151.7

1966 1967 1968 1969

(In millions of U.S. dollars)

Trade and payments

Exports of Goods	482.9	470.5	584.9	681.4
Imports of Goods and Services (net)	465.9	427.6	507.1	587.3
Net Goods and Services	17.0	42.9	77.8	94.1
Investment Income, Net: Outflow (-)	-8.0	-2.1	-10.8	-14.5
CURRENT SURPLUS (+) OR DEFICIT (-)	9.0	40.8	67.0	79.6

External Debt (December 31, 1969): (In millions of U.S. dollars)

Total debt outstanding
(including undisbursed) 280.7

Estimated Debt Service Ratio (1969): 3.5%

November 4, 1970

DEMOCRATIC REPUBLIC OF THE CONGO

Status of Operations

GENERAL

1. Relations between the Bank Group and Congo (Kinshasa) were characterized, in FY 1970, by the decision of appointing a resident representative in Kinshasa and setting up a consultative group. The resident representative, Mr. de Azcarate, assumed his functions on July 6. The first meeting of the consultative group is scheduled for early 1971. Favorable replies have been received from the United States, Canada, United Kingdom, France, Germany, the IMF, the European Development Fund and the African Development Bank. Italy and Japan will participate, but only as observers. The UNDP has been invited and is expected to accept. The Netherlands, Denmark, Sweden and Norway were invited but declined to participate.

2. We have so far made 2 IDA credits to Congo (K): \$6 million for highways in FY 1969 and \$5 million for the new DFC, SOCOFIDE, in FY 1970. The current lending program for FY 1971 contains three projects: lake fishing, river transport and highways, totalling \$18 million, all IDA. Of these it is now very doubtful that lake fishing and highways, which are not yet ready for appraisal, can be completed in FY 1971. The FY 1972 program contains 4 projects: rubber, cotton, education and a second credit to SOCOFIDE, totalling about \$23 million, again all IDA. Of these, the rubber project may

not prove viable. For the two years taken together, we are consequently likely to have net lending of about \$37 million for six projects.

3. It is hoped that in FY 1973, assuming continuous economic stability, our lending can begin to become a blend with the introduction of some Bank lending, but it is best not to mention this to the Congolese at present. Our lending program for FY 1973/1975 would correspond to a yearly average of about \$50 million.

TECHNICAL ASSISTANCE

4. SEDES advisory team

The five-man team, financed jointly by grants from the Bank, France (FAC), and the Congo Government, started its two-year term in September 1969. It is attached to the Office of the President. The Director of the Office and the Ministry of Finance seem to be very satisfied with the team which has mainly helped prepare the 1970 development budget and several memoranda on specific investment projects. The team will prepare the 1971 development budget and assist in the setting-up of a programming unit within the Office of the President.

The Government is likely to request an extension of the team's services beyond September 1971. We are in favor of this but any comment should await the outcome of a review of the team's activities early next year. We know that the FAC would very likely react favorable to an extension request.

5. UNDP river transport study

UNDP has recently agreed to finance a second phase of this study for which the Bank is the Executing Agency, to assist the Government in implementing substantial reorganizations in the Ministry of Transports

and OTRACO. Recommendations by the consultants for priority investment in river transport over the next three to five years have been reviewed by the Government and the Bank. The first river transport rehabilitation project, currently under appraisal, is based on these recommendations.

6. Bank study of the "Voie Nationale"

General Mobutu requested Bank advice on the optimum choice between various railway links from Katanga to the Atlantic. The Government has accepted the Bank's proposal for a broader study, cast in terms of the most economic mode of evacuation of Katanga's mineral production, and including the interim and long term capability of the river transport system. The Government formally accepted the terms of reference proposed by the Bank in September, and a Bank team is currently in the field to discuss organization of the study, and to prepare the selection of consultants.

The Government had indicated that it preferred the Bank to finance the study rather than UNDP. In fact, in the meantime, UNDP has declined financing. We propose to recommend inclusion of the cost, estimated at \$450,000, in the forthcoming first river transport rehabilitation project.

7. Power

At the suggestion of Bank staff, the Bank was asked, in August, to advise the Government on the best solution to cover Katanga's power requirements from 1976 onwards. The choice was between the Busanga scheme - a hydro site in Katanga - and a 1,100-mile transmission line from the Inga dam near Kinshasa to Katanga. A Bank engineer studied

the problem in the Congo, in September. He reported that because of timing requirements and the advanced stage of preparation of the Busanga scheme, the latter should take precedence over the transmission line which might, however, be justified at a later stage and should therefore be carefully studied. A letter to the Government is being prepared. The Bank may be requested to finance the Busanga scheme, the total cost of which is likely to be at least \$65 million.

8. Agricultural sector review

Also in August, at staff prompting, the Government unofficially inquired whether the Bank might assist in the preparation of a medium-term agricultural investment program. The official request is likely to follow soon. Subject to its receipt, we have informed Kinshasa unofficially that availability of Bank staff might permit organizing an agricultural sector review during the first half of calendar 1971.

PROSPECTIVE OPERATIONS

9. Second highway project

An identification/preparation mission just returned from the Congo and confirmed the existence of a rehabilitation project with an estimated \$17 million foreign exchange component. Appraisal will not be possible before January 1971, by which time the consultants employed under the first highway credit will have provided additional economic data. Moreover, the Government will have to decide on reorganizing the Congolese highway administration. Presentation to the Board within FY 1971 appears doubtful, even if an appraisal team can be sent in January/February 1971.

10. River transport rehabilitation project

An appraisal team is in the field. Until we know the outcome of this mission it cannot be sure that this project will reach the Board, as planned, before the end of FY 1971.

11. Agricultural projects

We are awaiting an FAO/IBRD Cooperative Program preparation report for a lake fisheries project which is included in the FY 1971 lending program. Serious organizational problems seem to exist which may make the project slip into FY 1972 or even make it a non-starter.

For the cotton project, included in FY 1972, the IBRD/FAO CP recently submitted a project proposal to the Government. We are awaiting Government reactions.

The status of the rubber project, also included in FY 1972, is somewhat uncertain at the moment. The initial request provided for the financing of a private company which would execute and supervise a project in the Kisangani area. Possible financing of a private company was later criticized by the Congolese Ministry of Agriculture. In August of this year, the Office of the Presidency requested us to look at another rubber project, currently prepared by Goodyear, near Kinshasa, indicating that they would prefer this project to the former proposal. We are currently exploring whether the Government continues to attach any priority to the initial request.

12. Education project

A UNESCO preparation mission just returned from the field. Indications are that this project will materialize in FY 1972.

13. Development Finance Company

SOCOFIDE's activities are reported to develop faster than initially expected. It appears that there will soon be need for another \$7 to 10 million Bank group lending to that institution. A supervision mission will review SOCOFIDE in January 1971 and, if the need is established, would prepare an appraisal for a second loan to be presented to the Board (depending on the timing of the company's need) between July and December 1971.

Th.U.Halbe/dw

PROGRAM OF THE GOVERNOR OF THE NATIONAL BANK OF CONGO

Wednesday, November 4

4 p.m. Mr. Lejeune

Thursday, November 5

9: 30 a.m. Mr. Schweitzer (IMF)

11 a.m. Mr. Tresize (Department of State)

12 o'clock Mr. McNamara
Mr. Knapp

3 p.m. Mr. Gaud

Friday, November 6

10:30 a.m. Mr. Adams¹(U.S./AID)

11 a.m. Mr. Smith (Department of State)

12:30 Mr. Samuels (Department of State)

1:15 p.m. Lunch at the Bank