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ZAIRE



ZAIRE

Brief for Mr. McNamara's Meeting  
with President Mobutu

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K



REMARKS AT AIRPORT UPON ARRIVAL IN ZAIRE

It is a pleasure to be visiting Zaire again, and I am grateful to President Mobutu for the invitation that brings me here. During this visit, I hope to learn more about your plans for economic and social development, and to see how we in the World Bank Group can assist you in implementing those plans.

Our participation in programs and projects here started more than 20 years ago. In the earlier phase, before your country became independent, we provided assistance for general development purposes, as well as for transportation and agriculture. In recent years, we have diversified our activities: apart from supporting the expansion of road and river transport, we have provided assistance for the development of industry and education. Looking ahead, we hope to follow with close attention your plans in sectors such as these, especially transportation and agriculture. Your efforts to deal with the problems of urbanization and water supply will also be of interest to us.

Development can have little meaning unless its benefits are spread widely among the people of a country. In Zaire, as elsewhere, we are particularly interested in projects and plans designed to raise the living standards of the poorest of the poor. In the future, as in the past, we look forward to doing what we can to help create a better, happier and more productive life for the people of this country.



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# REPUBLIC OF ZAIRE

## BACKGROUND NOTES

Population: 18.4 million (1971 est.)  
 Capital: Kinshasa

The Republic of Zaïre (formerly the Democratic Republic of the Congo) is located in the south-central part of the African Continent. It includes the greater part of the Zaïre (formerly Congo) River Basin. The country's only outlet to the Atlantic Ocean is a narrow strip of land on the north bank of the Zaïre estuary along the south Atlantic coast. Zaïre is bounded on the west and north by Cabinda (a Portuguese Angolan enclave on the coast), the People's Republic of the Congo (Brazzaville), the Central African Republic, and Sudan; on the east by Uganda, Rwanda, Burundi, and Tanzania; and on the south by Angola and Zambia. With an area of 905,063 square miles, it is about the size of the United States east of the Mississippi River.

The vast, low-lying central area is a basin-shaped plateau sloping toward the west, covered by tropical rain forest. This area is surrounded by mountainous terraces in the west, plateaus merging into savannas in the south and southeast, and dense grasslands toward the Zaïre River in the northwest. There are high mountains in the extreme eastern region.

Zaïre lies on the Equator, about one-third of the country to the north and two-thirds to the south. The area, therefore, is hot and humid. In the western region south of the Equator the rainy season lasts from October to May, while north of the Equator it lasts from April to November. In the central region, however, rainfall is more or less regular throughout the year. During the October-May wet season the storms often are violent but seldom last more than a few hours. The average annual rainfall for the entire country is about 42 inches.

The flag of Zaïre is green with a gold ball in the center. Inside the ball is a hand-held torch of brown and red. Use of this insignia began in November 1971, at the time of the country's change of name.

### THE PEOPLE

In 1971 Zaïre had a population estimated by the International Bank for Reconstruction and Development (IBRD) to be 18.4 million. After a partial census in 1970, the Zaïrian Government listed the population at 21 million. Of the total, approximately 60,000 are non-Africans. The number of U.S. citizens residing in the country is about 2,300. Population density is approxi-

mately 18 persons per square mile, while the estimated annual growth rate is 2.3 percent. Kinshasa (formerly Leopoldville), the capital and largest city, has about 1.2 million inhabitants. Other large towns are Kananda (former Lulua-bourg), Lubumbashi, and Kisangani.

The number of ethnic groups may total as many as 200. The criteria for distinguishing these groups, however, are not standardized. Despite this ethnic profusion the Zaïrian population can be divided into three major groups:

(1) The Pygmies are believed to have been the first inhabitants of the Zaïre River Basin. About 50,000 live in the west and northwest and 30,000 in the northeastern part of the country.

(2) The Negroes are represented by:

(a) The Bantu, who are predominant in Zaïre except in the extreme northwest region. They form the bulk of the population and number approximately 10 million.

(b) The Sudanese, who inhabit the north and northeast. Their number is estimated at 3-4 million.

(c) The Nilotics are settled in the northeast and are not very numerous.

(3) The Hamites include several groups of Bahima shepherds living on the eastern frontier.

There are perhaps 200 vernacular languages and dialects spoken in Zaïre. The four principal ones are:

(1) Lingala which was developed in the 1880's in response to the need for a commercial language. In time the original fragmentary jargon was given written form, and it is now used extensively along the Zaïre River from Kinshasa to Kisangani (formerly Stanleyville) and in the north and northwest. It is the official language of the Zaïrian National Army.

(2) Kingwana, a dialect of Kiswahili, which was introduced into the country by Arabs and especially the Zanzibari Swahilis in the course of 19th-century slaving operations. It is spoken extensively in the northeast, east, and south.

(3) Kikongo, the language used primarily in the narrow neck of territory between Kinshasa and the Atlantic Ocean. A simplified dialect is spoken in the region immediately east of Kinshasa. Most of the languages of western Zaïre belong to the Kikongo language group.

(4) Tshiluba, spoken primarily by the tribal groups of the south-central area of Zaïre. It is a form of the Kiluba language widely used in the southeast.





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The four languages described above are regional, and the number of people who speak any one of them is a small percentage of the total population.

French, the official language, was introduced by the Belgians and is the only language common to all regions of the country. Despite its widespread geographic use, it is spoken only by educated Zairians. The literacy rate is estimated at 35 percent.

The population is divided about evenly between Christians and adherents of either traditional religions or syncretic sects. There are approximately 4,000 Catholic and 1,000 Protestant missionaries in Zaire, operating perhaps 700 missions. The traditional religions vary widely among ethnic groups and none are formalized. They embody such concepts as monotheism, animism, vitalism, spirits, ancestor worship, witchcraft,

and sorcery. The syncretic sects are a mixture of Christianity and traditional beliefs and rituals. They often use Christian sources and their prophets promised to lead people to a new way of life and a black Christ. Two of the most popular of these sects were seen as threats to the colonial regime and banned by the Belgians.

## HISTORY

### Prior to 1960

It is believed that Zaire was populated as early as the Stone Age and settled in the seventh and eighth centuries by Bantus coming from what is now Nigeria. These peoples brought with them the knowledge of the manufacture and use of metal. In 1482 Diego Cao, a Portuguese navigator, arrived at the mouth of the Zaire River. These early



seafarers did not penetrate far inland but stayed near the mouth of the river. They found there an already-developed society that was organized into the Bakongo Kingdom and composed of parts of what are now Congo (Brazzaville), Cabinda, Zaïre, and Angola. The Portuguese named the area Congo after this Kingdom and its chief—the name by which it was known until late-1971. The country's modern name, Zaïre (pronounced ZAH-ear), also dates from the era of Portuguese exploration and is derived from a Kikongo word meaning "river."

Christianity was introduced by these explorers and in 1518 the son of the King of the Kongo became the first Congolese bishop. The few Christian churches and artifacts from this period are still extant. The area remained practically unknown to most Europeans until Henry Morton Stanley's dramatic voyage from East Africa across the continent to the mouth of the Zaïre (then Congo) River in 1877. Stanley explored the area on behalf of the Belgian King, Leopold II, who quickly realized its potential value. Other nations responded by putting forward their claims to it, thus precipitating the Berlin Conference of 1885 at which King Leopold's claim was recognized. Zaïre remained the personal possession of the Belgian sovereign until he ceded it to the Belgian state in 1907.

Although syncretic religious sects, particularly the Kimbanguist and the Kitawala, were early manifestations of opposition to colonial dominance, it was not until the 1950's that the real push for independence gained significant momentum in Zaïre. When Gen. Charles deGaulle, in a speech at Brazzaville (now People's Republic of the Congo) in 1958, gave the French African colonies a choice between complete independence and partial independence, the Zaïrian independence movements could no longer be suppressed by the Belgians. Following riots at Kinshasa in January 1959, Belgian King Baudouin announced that the colony could look forward to independence "without undue delay." Then, in January 1960 the Belgian Government convened the first of the series of roundtable conferences at Brussels to discuss with the Zaïrians the modalities of independence. Under Zaïrian pressure the Belgian Government agreed to grant independence on June 30, 1960.

In April 1960 parliamentary elections were held in Zaïre in which Patrice Lumumba's Congolese National Movement (MNC) obtained a majority of the seats. The Alliance of the Bakongo (ABAKO) obtained the next largest number. After much maneuvering the ABAKO leader Joseph Kasavubu was named President and Lumumba was named Prime Minister.

## Independence

Peaceful independence lasted only 1 week. On July 5 the army mutinied, public authority broke down, and on July 10 Belgian troops intervened to protect Belgian nationals. The following day Moïse Tshombe, Governor of Katanga, declared

his Province an independent country, while the Central Government requested U. N. assistance to maintain order and restore the territorial integrity of the country. When the United Nations refused to place itself under the Central Government's orders, Prime Minister Lumumba requested and received direct Soviet aid.

Relations between Prime Minister Lumumba and the United Nations and between Lumumba and President Kasavubu deteriorated rapidly, and on September 5, 1960, Lumumba was dismissed by Kasavubu. Lumumba refused to accept his dismissal and in turn attempted to dismiss Kasavubu. To halt the trend to chaos and end internecine bickering, Col. Joseph Mobutu (now MOBUTU Sese Seko) took over the Government, expelled Soviet and Communist bloc diplomats and technicians, and eventually imprisoned Lumumba. Later, Lumumba was apprehended while trying to escape and died under mysterious circumstances in February 1961. Lumumba's death plunged the country into further strife when his former Vice Prime Minister, Antoine Gizenga, proclaimed himself Lumumba's heir and head of the legitimate Government, setting up a rival administration at Stanleyville (now Kisangani). When Mobutu returned the reins of government to Kasavubu in February 1961 there were four groups contending for power: the Central Government under Kasavubu; Gizenga at Stanleyville; Tshombe at Katanga; and another separatist group at Kasal under Albert Kalonji, a Baluba chieftain.

The Kalonji and Gizenga groups were reintegrated into the Central Government by August 2, 1961, at which time Cyrille Adoula was appointed Prime Minister. Tshombe, however, held out at Katanga for a longer period. The United Nations continued its attempts to negotiate with Tshombe on the basis of Secretary General U Thant's plan devised in 1962 to reintegrate Katanga, and the two sides finally reached agreement in mid-January 1963. U. N. troops remained in Zaïre until June 30, 1964, but played little role in subsequent security difficulties.

Shortly after the end of the Katanga secession, rebellion against the Central Government broke out in the Province of Kwilu. This rebellion, which originated in traditional tribal rivalries, was turned into an anti-Government revolt by Pierre Mulele, an early collaborator of Lumumba who had spent some months in the People's Republic of China.

## The Simba Rebellion

Similar tribal discontent erupted into open rebellion in Kivu Province in April 1964. The rebels in this area were led by followers of Lumumba who had gone to Brazzaville in November 1963 and set up a Committee of National Liberation dedicated to the overthrow of the Central Government. Through the exploitation of tribal hatred and unhappiness over the fruits of independence, leftist rebel leaders extended the rebellion over much of the northern and eastern



part of the country by June 1964. In July former Katangan leader Tshombe was named Prime Minister of the Central Government.

On August 5 Kisangani (formerly Stanleyville) fell to the rebels, who called themselves "Simbas," the Swahili word for lion. By the end of the month rebel forces controlled about two-fifths of the country. On September 5 Christophe Gbenye, another Lumumbist, arrived at Kisangani and proclaimed himself President of the "People's Republic of the Congo."

Rebel fortunes soon began to wane, however, as Central Government forces began to recapture rebel-held cities. On November 24 Belgian airborne troops, transported in U.S. Air Force planes, parachuted into Kisangani and captured it from the rebels. Between November 24 and 28, a Belgian/U.S. rescue mission evacuated some 1,900 hostages who had been held at Kisangani and Isiro (formerly Paulis). Central Government forces gradually reclaimed control over more rebel-held areas, until by the middle of 1966 there were only a few isolated bands of rebel terrorists holding out in the bush. The rebellion, however, had seriously damaged the administrative and economic infrastructure of the country. Educated Zaïrian administrators were often considered by the rebels as enemies and became particular targets for rebel attention. Vast agricultural areas were damaged or allowed to disintegrate during the rebellion.

#### Return of Mobutu

As presidential elections scheduled for the spring of 1966 approached, a period of intense political activity occurred. President Kasavubu dismissed Prime Minister Tshombe in October and asked Evariste Kimba to form a government. Again the effort was unsuccessful and was followed by a brief period of political in-fighting and public quarreling which ended when Lt. Gen. Mobutu, Commander in Chief of the National Army, seized control of the Government on November 25. Mobutu declared that he would be President for 5 years and disclaimed any intention to establish a military regime.

Challenged by a revolt of former Katangan gendarmes in the National Army in July 1966, Mobutu defeated the rebels and further strengthened the control of his government over the country. A similar challenge from the remaining white mercenaries broke out in July 1967. After several difficult months and under pressure of the army, the mercenaries and their Katangan allies withdrew into Rwanda. At about the same time another mercenary group intruded into Zaïre in southwest Katanga but withdrew after a relatively few days of inconclusive fighting.

Following the collapse of the mercenary revolt in November 1967, Zaïre entered the longest period of internal calm and political stability that it had known since independence. The Government has been able gradually to strengthen its administrative control, particularly over outlying

areas which had been the scene of previous disturbances. This fact, coupled with the lack of new disorders, has resulted in considerable improvement in the overall security situation and has provided the base for economic recovery.

One of the key political issues in Zaïre in the period after independence was the question of whether the country was to have a federal system of government or a unitary system with a strong Central Government. From 1960 to 1966 a modified federal system existed which gave a certain degree of political power to the various provincial governments. Shortly after assuming power in 1965, President Mobutu began to reduce the political power of the provincial governments and to strengthen the political position of the Central Government.

In early 1967 President Mobutu proposed a new constitution designed to eliminate the independent political power of the provincial governments and to bring the provincial administrative machinery under the direct control of the Central Government. A popular referendum was held on the proposed constitution, and on June 24, 1967, the Government announced that the Constitution had been accepted by an overwhelming majority of the voters.

By presidential decree on October 27, 1971, the country's name was changed to the Republic of Zaïre. The rationale in changing the name was to strengthen national authenticity and end confusion with the People's Republic of the Congo (Brazzaville).

#### GOVERNMENT & POLITICAL CONDITIONS

Zaïre has a strong centralized presidential form of government. Executive power is vested in the President (Chief of State and Head of Government) who is elected to a 7-year term by universal adult suffrage.

The unicameral National Assembly is composed of 420 members who are elected to terms of 5 years by secret, direct, universal suffrage.

The highest court in Zaïre's independent judiciary is the Supreme Court of Justice whose judges are appointed by the President.

For administrative purposes, the country is divided into eight Provinces (Bandundu, Equateur, Kasai-Occidental, Kasai-Oriental, Shaba, Kivu, Bas-Zaïre, and Haut-Zaïre) and the Federal District of Kinshasa. Under the terms of the 1967 Constitution the President appoints Governors and other leading provincial officials from areas outside the Provinces in which they serve. In this way, the Central Government can assert greater control over the Provinces. The Federal District is under the jurisdiction of the Ministry of the Interior.

In the period immediately after independence a large number of competing political parties emerged, some with a national following but most based on a single region or tribe. On taking power in 1965, President Mobutu suspended all political party activities. The 1967 Constitution permits



the existence of two political parties; in May 1967 the President founded the Popular Movement of the Revolution (MPR) as a political arm of his government. As of January 1972 the MPR remained the country's only political party.

The most recent presidential election was held in November 1970 when President Mobutu was elected to a full 7-year term. From 1965, when he assumed power, until the 1970 election he ruled by decree. National Assembly elections were held in November 1970.

## ECONOMY

At the time of its independence in 1960, Zaire (then called the Congo) had one of the most highly developed and diversified economies in sub-Saharan Africa. However, in the period 1960-67 it suffered severe economic and financial disorders—insecure and disrupted transportation facilities and trade services, a breakdown of civil administration, and a decline in export earnings. Large budgetary deficits added to inflationary pressures and balance-of-payments problems, which were reflected in a depreciation of the national currency on the black market and in clandestine exports.

The period from 1967 to the end of 1971 saw the Zairian economy reverse its previous decline and make an impressive recovery. A key element in this recovery was a monetary and economic reform program initiated in June 1967 by the Government in cooperation with the International Monetary Fund (IMF). The reform program included a major devaluation of the currency and a liberalization of the previous import restrictions. The program was aimed at stimulating exports, stabilizing the currency, and restoring the deteriorated foreign exchange situation. Within 2 years the monetary reform, combined with the return of political tranquillity, succeeded in substantially increasing exports, stabilizing the currency, and raising foreign exchange reserves (the official monetary exchange rate is 1 Zaire = U.S. \$0.50).

An important additional element in the resurgence of the economy after 1967 was the continued high level of world prices for the country's principal export, copper. Returns from copper exports were particularly important in the sharp increases in foreign exchange reserves and government revenues.

Although Zaire has not recovered completely from the economic disruptions of the 1960-67 period, it remains one of the most economically developed countries in sub-Saharan Africa. In 1971 gross national product (GNP) was estimated at about U.S. \$1.5 billion; per capita income was approximately \$100. The percentage of the population engaged in the cash economy is greater than in most countries in Africa.

## Natural Resources

The wide variety of natural resources in Zaire has been the main spur to economic development. Rich mineral deposits in southern Shaba Province

(formerly Katanga) are an important source of copper and zinc and the leading source of cobalt. About 400,000 metric tons of copper were mined in 1971, thus making Zaire one of the world's leading producers. Industrial diamonds mined in the two Kasai Provinces account for about 75 percent of the total produced outside the Communist countries. Large quantities of tin, columbite-tantalite, manganese, and several rare metals are extracted in other regions. Potentially important offshore petroleum deposits were recently discovered. Extensive tropical forests are a source of large quantities of valuable hardwood; this sector is being developed gradually. Zaire has immense hydroelectric potential—estimated at more than one-sixth of the world total.

On January 1, 1967, the Zairian Government expropriated the mineral holdings of the Union Minière, a Belgian-owned copper-mining company which provided more than half the export earnings and government revenues. In September 1969 an agreement was reached on the question of the compensation due Union Minière for the nationalization of its mining properties. Under this agreement, a 25-year management contract between the General Congolese Ore Company (GECOMINES) and General Minerals Company (Belgian-owned) was concluded. Additionally, a formula was arrived at through which Union Minière would receive compensation as part of the management fee provided for in the agreement.

## Agriculture

While Zairian soil on the whole is not particularly fertile, differing climatic zones have permitted cultivation of a wide range of crops.

The agricultural sector is characterized by mostly-European-owned plantations and Zairian cash and subsistence farming. The plantations produce and process coffee, cocoa, tea, rubber, and palm products for export and sugar for domestic consumption. Sales of products from these plantations provide most of the revenue from the agricultural sector.

Some 80 percent of the Zairians live a rural life producing the base essentials by traditional ways. These farmers, usually working small plots of land, produce mainly staples and vegetables for local markets and provide some palm oil, rubber, and coffee for export.

A considerable amount of cotton was grown in the past for use in local textile mills and for export, but this activity had a very severe setback as a result of the 1964 rebellion. At the present time cotton exports are just beginning to recover.

## Trade

While Zaire's exports are better diversified than those of most other African countries, the country is heavily dependent on copper sales for revenue earnings. Depressed copper prices have greatly reduced those earnings since mid-1970 and have had a detrimental effect on Zaire's rate



of development. The country now looks to a resurgent agricultural sector and increased copper production to make up for the lower copper prices. The 1967 economic stabilization program has had a positive effect on agricultural exports.

The value of Zafrican exports spurred by the monetary reform increased from \$338 million in 1965 to about \$798 million in 1970 (5 percent of which went to the United States). Of this, copper accounted for 60 percent. Other exports included diamonds, palm oil, and coffee. Imports in 1970 were estimated at about \$620 million and consisted primarily of manufactured goods, machinery, transportation equipment, and foodstuffs. The United States supplied about 14 percent of the imports. Other major trading partners include Belgium and other members of the European Economic Community (Common Market).

## Industry

Industrial and manufacturing activities are centered principally at Kinshasa and Lubumbashi. These areas have substantial sources of electric power, benefit from sizable urban manpower resources, and are located on main transportation arteries. The largest production gains since 1958 have occurred in consumer goods, particularly processed food and clothing. This has been brought about by increasing consumer demand reflecting the inflationary pressures of recent years, the growing urban population, and the relatively high consumption patterns of an emerging money-income middle class. Also, the earlier decline in export earnings, which had forced a reduction in imports and the imposition of import restrictions, had been a stimulus to local production of some industrial and consumer items. Most of the manufacturing sector is European-managed and a large part is European-owned.

## Foreign Investment

During the colonial period Belgians and other foreigners established plantations, mining complexes, industrial plants, and supporting transportation and trade facilities. Total foreign investment in 1971 was estimated at more than \$3.5 billion. U.S. investment, which doubled in the period 1970-71, stands at \$60 million and is expected to climb to \$500 million by 1975, much of which will be in the copper-mining sector. American investment is currently in auto assembly, tourist facilities, milling, petroleum sales and exploration, and light manufacturing such as rubber products and batteries.

The Zafrican Government has adopted a special policy of encouraging foreign investment and in June 1969 published a new investment code which provides certain tax holidays for new investors.

If political tranquility and economic progress, supported by foreign assistance and invest-

ment, can be continued Zaïre has good prospects of being one of the first African countries to make major advances in economic development.

## FOREIGN RELATIONS

Zaïre follows a nonaligned foreign policy and maintains friendly relations with other members of the Organization of African Unity (OAU), the United States, and the principal countries of Europe and Asia.

Relations between Zaïre and Belgium underwent a marked improvement between 1967 and 1970, culminating in a state visit to Belgium by President Mobutu in November 1969 and a return visit by King Baudouin in June 1970.

Because of past military assistance by the People's Republic of China to rebellious groups in Zaïre, President Mobutu has said that the Zafrican people would not support recognition of the Chinese Communists. The Government of the Republic of China (Taiwan) maintains an Embassy and conducts a small aid program in Zaïre. Since 1965 Zaïre has made peace with its neighbors, reduced rebellious groups to isolated pockets of bandit-type resistance, and begun to play a significant role in intra-African politics. In September 1967 Zaïre was host to a successful meeting to OAU Chiefs of State. Zaïre is a member of the OAU, the African, Malagasy, and Mauritian Common Organization (OCAM), the Union of Central African States (UEAC), and the United Nations and several of its specialized agencies.

## U. S. -ZAÏRE RELATIONS

Central to U.S. policy toward Zaïre is assistance to the Zafricans in their efforts toward nationbuilding and economic and social progress. Relations between the two countries since Zafrican independence have been excellent. Total U.S. economic aid since 1960, given bilaterally or through the U.N. technical assistance program, totaled almost \$20 million through fiscal year 1971. Current U.S. aid programs center on the restoration of Zaïre's transportation and agricultural sectors. There are about 85 Peace Corps volunteers in Zaïre engaged primarily in roadbuilding and maintenance, teaching, and health services.

Each year the U.S. Government, in cooperation with the Zafrican Government, invites prominent government officials, media representatives, educators, and scholars to visit the United States to become better acquainted with the American people and to exchange ideas and views of mutual interest with their American colleagues. This cooperative effort in mutual understanding is furthered through frequent visits to Zaïre by representatives of American business and educational institutions, as well as by visits of Fulbright-Hays scholars and specialists in a variety of fields.

In February 1970 William P. Rogers became the first Secretary of State to visit Africa. Upon his arrival at Kinshasa, Secretary Rogers told the Zafrican Foreign Minister: "We in the United



States are particularly proud of the friendship that the two nations have had, for the success of this Government, particularly for the stability and viability which you have shown in the last 2 or 3 years....Certainly, your country is a very fine example of the success that can be achieved in Africa by a country that has a feeling of nationhood and has stability, and we in the United States...are very pleased to have played a small part in that success."

During President Mobutu's official visit to the United States in August 1970, President Nixon made the following observations: "The Congo is a good investment, not only because of its natural wealth but because of a wealth even more important than its natural resources—a strong and vigorous and progressive people and a stable leadership."

"I would say it was a good investment because it is one of the richest countries in the world in terms of natural resources. But it has far more than that. It has, also, people who are able to develop that wealth if given the chance to do so...And when we combine rich natural resources with a strong, vigorous people and a leader who is able to provide the stability and the vision for progress for that country, then that country is a good investment, a good investment for its own people or for others who may desire to participate in its growth."

#### PRINCIPAL GOVERNMENT OFFICIALS

President; Minister of Defense—MOBUTU Sese Soko  
Minister of Interior — BULUNDWE Kitongo Pengemali  
Minister of Foreign Affairs—NGUNZA Jean  
Minister of Finance - BARUTI Lambert  
Ambassador to the U.S.—Pierre ILEKA  
Ambassador to the U.N.—Andre MANDI

Zaire maintains an Embassy in the United States at 1800 New Hampshire Avenue, N.W., Washington, D.C. 20009.

#### PRINCIPAL U. S. OFFICIALS

Ambassador—Sheldon B. Vance  
Counselor of Embassy—Bayard King  
Director, U.S. AID Mission—Hermon Davis

Public Affairs Officer (USIS)—James McIntosh  
Defense Attaché—Col. Richard Nalle, USA  
Peace Corps Director—Robert E. Wilson

#### Consulates

Principal Officer, Lubumbashi—Leonardo Neher  
Principal Officer, Bakavu—Raymond Seitz  
Principal Officer, Kisangani—Frank Crump

The U.S. Embassy in Zaire is located at 6 Avenue des Aviateurs, Kinshasa.

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## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: November 2, 1972

FROM: J. Burke Knapp

SUBJECT: Zaire 

1/2

I have just seen Mr. Husain's excellent memorandum to you dated October 30 regarding your trip to Zaire. The issue of "large projects" is indeed a difficult one especially because we have a very limited capacity to support Zaire as long as we rely upon the relatively small amount of IDA funds that we can afford to allocate to Zaire. On the other hand, (and here I should like to question Mr. Husain's recommendation with respect to the financing of the Voie Nationale) I don't think we can risk Bank funds in Zaire now or in the immediately foreseeable future, except on an enclave project where we have external guarantees. I do think it very important for us to be associated with the execution of the Voie Nationale Project and this will of course be difficult unless we take some financial participation. In the circumstances I think we have to do this out of IDA funds.

cc: Mr. Husain

JBKnapp:ism



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: October 30, 1972

FROM: S. Shahid Husain *SH*SUBJECT: Your Trip to Zaire

Attached is a briefing book on Zaire and the draft economic report. In the following paragraphs I shall summarize briefly the political situation in Zaire and the issues we face in the country.

Political Situation

President Mobutu continues to be the dominant political figure. In 1970 he was re-elected as President for another seven years. His party, the Mouvement Populaire de la Revolution (MPR) is the only political party in the country and recently General Mobutu brought about an integration of the top management of the party by merging the Cabinet with the Executive Committee of the party into a National Executive Council. The ministers are now called commissaire national.

The period since General Mobutu took over in 1965 has seen a major transformation in Zaire. New political and public administrative institutions have replaced the chaos that prevailed before. The basic question, however, remains as to whether these institutions can give Zaire a continuity of policy and a hope of orderly political change. President Mobutu's rule is very much a personal rule where his effectiveness and authority are supported by distribution of personal favors and spoils. While tribalism cannot be said to be a major force in Zairan politics, regionalism continues to be important. Furthermore, the stratum of educated and trained people who man the administration and political institutions is extremely thin. Structurally, therefore, Zairan politics and society remain unstable.

Economic Management

The stabilization program of the late 1960's was a success because of the Government's concerted effort and because of high copper prices, which increased Government revenues and exports. A team, supported by external consultants, was installed in the Bureau of the Presidency with financing from IDA and France to assist in investment budgeting, medium term investment programming and in preparing a central programming mechanism. A program of rehabilitation of the transportation system was undertaken with assistance from the Bank, UNDP and other lenders. All these efforts were initially successful in rehabilitating and building institutions. However, lately we have seen new strains developing within the system.



The central planning effort came to an abrupt halt at the end of last year when the French consulting firm, SEDES, was asked to leave Zaire after allegations of leakage of confidential information to the French Embassy. At that time we were considering presentation to the Board of a second proposal for a grant to continue this assistance. Since then, we have tried to enter into a dialogue with the Government on new proposals for planning assistance but with little success. Preparation of an overall economic plan for Zaire, therefore, remains in abeyance. In the absence of a plan, priorities are difficult to determine. I feel, you should draw President Mobutu's attention to this and offer IDA assistance in building up the planning mechanism in Zaire.

The deficiencies of economic management which in the late 1960's had been covered by high copper prices, are becoming more apparent now. Fiscal management deteriorated in 1970 and 1971 and, although there has been some improvement recently it remains difficult to contain current expenditures. The management of the balance of payments and external debt is again less than satisfactory. Most important, the economy and its vital institutions continue to be heavily dependent on expatriate personnel and the development of Zairan skills to replace them will, at best, be gradual.

#### Creditworthiness

Zaire's exports and public savings are heavily dependent on production and price of copper. Present plans call for expansion of exports from 430,000 tons in 1971 to about 750,000 tons in 1978. Assuming that the price of copper continues at about 50 cents, Zaire's total exports are expected to increase from \$680 million in 1971 to about \$850 million in 1975, an overall annual growth rate of 5.6%. Exports of commodities other than copper such as palm oil, rubber, timber, etc., face both a production and a marketing constraint. The export performance projected above would not be a bad performance compared to many other developing countries. The debt service ratio is expected to increase from 4.4% in 1971 to 12-17% in 1981.

The questions about creditworthiness relate not only to the mounting debt burden but also to two other basic questions. First, the economic management issue which I have referred to. Specifically, does Zaire have and is it likely to have in the next few years an administration which can pursue an effective policy of balance of payments and debt management? Second, do the economy and the economic managers have the resilience and the skill to manage the crucial variables in the face of any further drop in copper prices, a contingency which cannot be completely excluded. It would be difficult to give a positive answer to either question and the Government would have to strengthen its planning and policy coordination effort before external lenders such as the Bank can be assured of its capacity to handle the situation that might arise in the face of declining copper prices and increasing indebtedness.



I feel extremely uneasy about the way Zaire has gone about contracting external debt last year and about its consequences for the future (Please see paragraphs 85-88 and 148, Zaire Economic Report). You may wish to discuss this with President Mobutu and emphasize the need to set up either in the Presidency, the Central Bank or the Treasury a mechanism for external finance programming and for screening the projects for which external finance is sought and the terms on which loans are obtained.

#### Bank Group Operations

Our operations program for 1973-77 consists of 19 projects for \$325 million and the lending program for the same period is for \$225 million. Hitherto, we have not contemplated Bank lending. We have been trying to develop projects in agriculture, education and transport, with moderate success. The greatest gap in our operations is the lack of success in agriculture. We have recently conducted an agricultural sector survey, whose report was discussed last month by an aid coordinating group convened in Kinshasa. We are now planning to station an agriculture specialist in our office in Kinshasa to work closely with the Government. However, the problem which may limit our effort in this sector is the low priority and attention that it receives from the Government. The basic problems in the agriculture sector are lack of transportation, marketing and credit facilities, seeds and extension services. Some of these problems are less serious for plantations than for peasant farming. However, the lack of qualified staff at the Ministry of Agriculture is another major constraint, as is the absence of a good agricultural planning unit. I suggest that we express our readiness to intensify our efforts in agriculture and emphasize the need for stepping up Governments' own efforts at programming and project preparation.

#### The Issues of Large Projects

There are four large projects for which massive amounts of external financing will have to be found in the next few years and which are preoccupying the Government at this point. These are the 1,800 km Inga transmission line from the Inga Falls to the Shaba region, an additional power plant at Inga, the Voie Nationale rail link to complete the railway outlet for copper from the Shaba region to the Zairan port of Banana, and investments in the Tenke-Fungurume mining complex in Shaba.



The cost of these projects may add up to above \$1 billion and is estimated as follows:

<u>Year in Which Financing Commitment is Required</u>		<u>Estimated Cost Range</u>	<u>Estimated Execution Period</u>
1973	Additional Inga Power Plant:	\$140-150 million	5 years
1973	Inga Transmission line :	\$210-290 million	5 years
1974	Voie Nationale :	\$200-270 million	6-8 years
1973	Tenke-Fungurume :	\$300-350 million	3 years

I expect that President Mobutu will raise with you the question of the financing of one or more of these projects by the Bank, particularly in the power field. I would not recommend the diversion of IDA resources from transport, agriculture and education to finance any of these proposals. The question, therefore, is whether the Bank would be justified in assisting any of these efforts. As in many other developing countries, there are suppliers and contractors proposing to Zaire varying solutions to these projects. The danger is that in the process Zaire may buy a package which may or may not be the most economic. On the other hand, the Bank's participation in any of these ventures is inhibited by serious questions on Zaire's creditworthiness and economic management. We should, therefore, largely confine Bank lending to enclave projects where our loans would partly or wholly be serviced from foreign exchange earnings related to the project and at least partly guaranteed by an entity outside the control of the Government of Zaire; unsecured loans should be considered only for residual amounts required for an effective coordination role. In line with this strategy, I would recommend the following:

1. Inga Power Plant and Transmission Line: The existing and prospective copper producers (Gecamines, Sodimiza and Tenke-Fungurume) are under serious time pressure for expansion of power production to enable expansion of copper production and additional power will be needed by 1976-77. Bids for Inga transmission line and power plant have been invited from suppliers and are expected to include financing arrangements. Thus, if at this stage the Bank were to contemplate financing either of these projects, the whole bidding procedure would have to be reopened and there will be a further delay. We could get around the creditworthiness problem--at least partly--by trying to obtain the

*What assumption  
re expansion  
of Cu production?*



guarantees of the sponsors of Sodiniza and Tenke-Fungurume for our loan, but we cannot expect these foreign shareholders of copper mining companies to guarantee the entire Bank loan if one of the beneficiaries is Gecamines and therefore to the extent that our loan is not guaranteed by them, we would have to depend on Gecamines' guarantee. I suggest that at this stage, if asked, we offer Bank assistance only in comparing technical alternatives and assisting the Zairans in selecting the best technical and financing package.

2. Tenke-Fungurume Infrastructure: The sponsors have approached us for financing the infrastructure of this project. This could be a full fledged enclave project, secured by guarantees from foreign sponsors and we should consider financing it if asked by the Government of Zaire as well as the sponsors.

3. Voie Nationale: With regard to Voie Nationale, I suggest that after the studies are completed and have been reviewed, if the project is economically feasible we assist the Zairans in coordinating the external financing, and possibly to meet the residual requirements which cannot be met from other sources. At a later date, when we know the exact costs and financing requirements, we might set a ceiling on Bank participation.

I would suggest that we emphasize to the Government of Zaire that as a precondition for proceeding with any of these projects, we would like them to formulate, if necessary with our assistance, a reasonably detailed debt management program, covering the next 3-4 years and would like to have the opportunity to review with them the external debt and balance of payment situation and to have a general agreement on policies to be followed.

cc: Messrs. Knapp  
Bell o/r  
Lejeune

Halbe/Husain:bl



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### Composition of Government

The composition of the Cabinet as formed on October 18, 1972 is as follows:

1. Mobutu Sese Seko, President of Republic and Commissaire d'Etat for National Defense, and for Planning;
2. Kithima bin Ramazani, Political Affairs (interior and local affairs);
3. Ngunza Karl'I-Bond, Foreign Affairs;
4. Nzondomyo A'Dopke Lingo, Justice;
5. Sakombi Inongo, Information;
6. Baruti Wa Ndwali, Finance;
7. Ndongala Tadi Lewa, National Economy;
8. Uмба-Di-Lutete, Mines;
9. Kayinga Onsi Ndal, Agriculture;
10. Namwisi Ma Njoyi, Commerce;
11. Mabobia Inengo Tra Bwato, Education;
12. Engulu Baangampongo Bakokele Lokanga, Public Works;
13. Eketebi Moyidiba Mondjolomba, Transports and Communications;
14. Kabuita Nyamabu, land and real estate matters;
15. Muntu Kakubi Tshiondo Kabanza Wa Mintenge, Energy;
16. Kalonda Lomeme, Public Health;
17. Kparagume Atoloyo, Social Affairs;
18. Bintu A Tshiabola, Labor and Social Security;
19. Miss Mataa Nkumu Wa Bowanga Anganda Diowo, Postes and Telecommunications;
20. Bokonga Ekanga Botombele, Culture and Arts;
21. Sampassa Kaweta Milombe, Youth and Sports.

There are also 3 Deputy Commissaire d'Etat for Foreign Affairs, Agriculture and Education.



### President Mobutu Sese Seko

Général Mobutu was born in a little village opposite Bangui in the North-East of the Congo in the Equateur Province in front of the Central African Republic, from the same tribe as the present President of Central African Republic, General Bokassa. He is 39 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 States 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 former 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 AWC 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. 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.



Mr. BISENGIMANA

~~Director of the Bureau of Presidency since 1967.~~  
Before joining the President's Office as an advisor in 1966, he was working as an engineer with the Postes and Telecommunications administration.

Mr. Bisengimana is a graduate of the former Luvanium University in Kinshasa where he studied Telecommunications engineering.

He is a technocrat keenly interested in Zaire's large investment projects. He is considered as the organizer of the first phase Inga power plant and is now the main driving force behind Inga phase II and the Shaba transmission line.

As a non-Zairan, of Rwandese origin, Mr. Bisengimana has survived to many an attempt at unseating him emanating from jealous ministers. President Mobutu's confidence is his strength.



Minister of Finance

Baruti Wa Ndwali

We have no biographical data on Mr. Baruti, appointed Minister of Finance in February 1972.

He is a former Director, Exchange Control and International Agreements Department, of the National Bank.

He is a young and competent technocrat. He is not politically powerful and is more apt to follow the lead of Governor Sambwa.



President of National Bank,

Jules SAMBWA

**Born:** November 12, 1940

**Nationality:** Congolese

**Spouse:** IFASO, Julienne (five children)

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

**Career development:** 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.

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Appointed head of the National Bank of the Congo following President Mobutu's Government reshuffle in September 1970, Mr. Sambwa is, at age 30, probably the youngest central banker in the world.

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.



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January 21, 1972

COUNTRY PROGRAM PAPER

REPUBLIC OF ZAIRE <sup>1/</sup>

<u>IBRD/IDA Lending Program (\$ millions)</u>				
		FY 64-68	FY 69-73	FY 73-77
1971 Population: 18.4 million	IBRD	-	-	-
1970 per capita GNP: \$105	IDA	-	83.5	245.0
Current population growth Rate: 2.3% p.a.		---	---	---
Current exchange rate: 1 Zaire = US\$ 2	Total	-	83.5 <sup>2/</sup>	245.0
	Operations Program			355.0

Annual Average per cap. (\$)

IBRD/IDA	-	0.91	2.66
IDA	-	0.91	2.66

<sup>2/</sup> The Lending Program approved at last year's Country Program Review was \$82.0 million.

A. POLITICAL AND ECONOMICAL BACKGROUND

1. Zaire's independence in June 1960 led to one of the most chaotic episodes in recent African history. The Government, which had been singularly poorly prepared for independence, found itself facing a situation with which it could not cope. Political strife among prominent leaders and secessionist movements in various provinces would have required the intervention of a powerful central Government. But, due to the departure immediately after independence of most expatriate civil servants, the administration was virtually non-existent while the army itself was torn apart between different factions and allegiances. Parliament was ineffective. Insecurity prevailed in the interior.

2. Economic decline followed in the wake of this political dislocation. Owing to the insecurity in the interior, agricultural extension services ceased and a number of foreign-owned plantations were abandoned. By 1965 cash crop production had fallen to two-thirds of the level attained in 1959. Only copper, entirely concentrated in Katanga province, withstood the shock of independence and continued to expand, although slowly. Public finances, however, were a shambles partly because of the decline in economic activity, and partly because expenditures could no longer be contained. Considerable budget deficits led to sharp price increases, erosion of the currency and rigid exchange controls.

<sup>1/</sup> On October 27, 1971 the name of the former Democratic Republic of the Congo was officially changed to Republic of Zaire.



3. This situation was brought to an abrupt end by General Mobutu's take-over in November 1965. From then on, the central Government gradually reasserted effective control and restored law and order over practically the entire territory of Zaire. The number of provinces was reduced from 21 to 8 and, instead of being elected, the new governors became presidential appointees, not normally stationed in their region of origin. At the same time President Mobutu, with the backing of the army, gradually concentrated political power in his own hands and eliminated from the Government nearly all those old-timers who might have become potential political rivals. Ministerial posts were given to a generation of younger and more competent technocrats, fresh from university and without regional political ties. To remedy the most crucial deficiencies of the administration Mobutu organized a "Bureau de la Présidence" to which he appointed a group of able young men with the purpose of defining some of the most urgent reconstruction tasks and of supplementing the administration wherever necessary. A new political party -the Mouvement Populaire de la Révolution (MPR)- was set up. This party, which replaced all previous parties, is headed by the President and counts among its active members most Government officials and local authorities. It defines the country's main political and economic objectives and, in these matters, supersedes both the Government and the National Assembly.

4. Simultaneously with its efforts toward political unification, the new regime laid the basis for economic recovery. In June 1967, the Zairan currency was devalued and a stabilization program introduced under the auspices of the IMF. This program, which improved export incentives and increased Government revenues, restored both internal and external financial equilibrium. Its success was facilitated by an increase in copper prices from 51 cents/lb in 1967 to 56 cts/lb in 1968 and 66 cts/lb in 1969. Consequently, despite rapid increases in Government ordinary expenditures, sizable Government savings could be generated and channeled into public investment. Government capital expenditures financed in this manner, reached \$50 million in 1968 and over \$110 million in 1969. At the same time, foreign exchange reserves increased from \$122 million at the end of 1967 to \$225 million at the end of 1969, which may be compared with the flow of imports which at that time was running at an annual rate of \$640 million.

5. Having thus improved the overall political and economic situation the Government authorities took two further steps designed to attract foreign investment. The first was the promulgation in June 1969 of a new Investment Code which permits the granting of considerable tax incentives to potential investors for investment proposals which are considered of high priority by the Government. The second was the settlement in September of the same year of a pending dispute with the Union Minière regarding the take-over of its assets by Zaire. By the end of 1969, international confidence in Zaire seemed to be restored, and was reflected in a number of state visits undertaken by President Mobutu and in a noticeable improvement in relations with Belgium.

#### B. COUNTRY OBJECTIVES

6. Until the first Consultative Group meeting for Zaire, organized in May 1971 under Bank auspices, the country's overall objectives had never been systematically set forth, although particular objectives had been enunciated



in a series of speeches by the President or had become apparent from actions taken by the Government. The needs for reconstruction and rehabilitation were generally so urgent and obvious that it was unnecessary to elaborate detailed programs. This situation is now gradually changing. With the benefit of hindsight and thanks to the work undertaken in the Office of the Presidency, it is possible to state what have been, and continue to be, the main goals of President Mobutu's regime:

a) in the short-run:

- restoration of internal security and order, through the establishment of a strong, central political authority;
- gradual removal of the ethnic rivalries by the establishment of a feeling of national identity and unity;
- restoration of monetary stability and international confidence;
- rehabilitation of agriculture and transport, the two sectors most badly hit by the disturbances following independence.

b) in the longer-run:

- building of an "économie mixte" in which private enterprise is encouraged, but in which the State can take an active participation where necessary;
- gradual elimination of the almost exclusive foreign control over some of the basic economic activities, and the introduction of Zairan nationals in responsible management positions;
- development of Kisangani, in the northeast, as a third growth center in the country, besides Kinshasa, the capital, and Lubumbashi, the center of the copper mining industry.

Recent political and economic developments

7. General Mobutu has continued to strengthen his personal position in Zaire. In November 1970 he was re-elected President for another seven years by a favorable vote of almost 100%. In December, a new national assembly was elected for the first time since Mobutu came to power, but in practice it does not detract much from his authority since it convenes only for short periods, and for the remainder of the year legislative power is delegated to the President. In any case, a recent political decision stipulates that the party has become the main body responsible for the definition of the country's major objectives, superseding both the Government and the National Assembly. With the arrest, last October, of former ministers Bomboko and Nendaka for allegedly plotting to overthrow the President, and with former premier Adoula ailing in Switzerland, all of Mobutu's former political allies have been eliminated. The only signs of opposition to the regime have come from the university students. A demonstration at Lovanium University in 1969 was suppressed by the army and some students were killed. A milder demonstration in 1971 was described officially as part of a plot against the President and resulted in a few students being jailed and the others being drafted into the army although they were subsequently permitted to continue their studies.



8. On the surface, therefore, there may have been some increase in the authority of the central Government, but whether there has been any real gain in political stability is more doubtful. Opposition may have been simply suppressed rather than having been transformed into genuine support for the new regime. Mobutu took over the country and brought the period of disorder to an end; but he has yet to show that his own version of governmental order has a firmer base than his own personal power.

9. On the economic front, the story is somewhat similar. The restoration of order was followed by the monetary reform of 1967, and the economy embarked on a period of rapid growth, assisted by high copper prices. There was a revival of interest by foreign investors which the Government encouraged by the Investment Code. During this period, the budget was able to produce substantial surpluses, which both financed investment and provided General Mobutu with money which he could use in various ways to build up his position. At the same time, the balance of payments was strong and foreign exchange reserves rose.

10. After the middle of 1970, copper prices began to decline and this has confronted the Government with a situation to which it has not yet properly adjusted. Falling prices for its principal export presented the Government with both internal budget problems and a deteriorating balance of payments. Current budget revenue in 1971 will probably amount to \$578 million, as compared to \$631 million in 1970, while expenditure will probably increase from \$654 million to \$714 million. In fact, the Government has not yet made a serious attempt to reduce its spending in the face of falling revenues; instead, it has resorted to increased borrowing from the Central Bank and from the Euro-dollar market. Since internal expenditure has not been reduced while export earnings have fallen, foreign exchange reserves have declined. They fell from \$250 million in June 1970 to \$174 million -the equivalent of two months' imports- in December 1971.

11. In the last three years, private investment has accounted for some two-thirds of total capital formation and about 16% of GDP. The revival of foreign investors' interest in Zaire after 1968 is illustrated by the fact that, by mid-1970, some 70 investment proposals, totalling \$124 million had been approved under the Investment Code, and a further \$26 million were under consideration. However, recently the mood of private investors has become cautious. Part of this is the result of the deteriorating budget and balance of payments situation. Part of it is due to the discovery that despite the official warm welcome held out to foreign investors, there are numerous bureaucratic obstacles and sometimes political interference to overcome. Matters have not been helped by the various sudden political changes and a "scandal" involving foreign exchange and tax frauds which occurred in November 1970.

12. In the last year and a half, therefore, the Government has not succeeded in strengthening the political and economic stability which it had established at the beginning of 1970. President Mobutu has eliminated political rivals but it is not obvious whether this is a sign of strength or of weakness. The Government has not yet faced up to the cuts in spending which are necessary to restore equilibrium to the budget and the balance of payments. It is to be hoped that it will take the measures necessary to enable economic growth to continue without resorting to an unduly large volume of foreign borrowing, possibly at unfavorable terms. But so far hard evidence that it will is lacking.



13. As to the longer-term objectives, the Government has made some progress in recent years in associating itself with a number of private investment projects, and we expect that this policy will be continued. However, efforts to replace expatriate technicians by Zairan nationals in responsible management positions will for some time to come be held back by the lack of qualified trained manpower.

14. As far as emphasis on the rehabilitation of the north-eastern part of the country (Kisangani) is concerned, the Government has done little beyond undertaking a study on the development potential of the area. However, efforts to encourage investment out of the Kinshasa area have recently led to the choice of Kisangani for the location of a new textile plant.

#### Investment Planning

15. The documents submitted by the Zairan Government to the Consultative Group meeting last May represented its first systematic attempt to produce a public investment program. Starting from an overall annual growth target in the next five years of at least 6% and assuming that public investment would continue to represent about one-third of total capital formation, the Government estimated that public investment in the 1971-1975 period would amount to \$1,034 million. The two major sectors of concentration were transport (36%) and agriculture (10%), with some 40% of the program (mainly construction and defense) not yet defined as to its project content.

16. Although we think that some of the industrial projects included in the program - a steel mill and a cement plant- have dubious economic justification, the overall program -with its major emphasis on transport and increased allocation of public investment to agriculture- reflects a sound evaluation of the country's needs. Nevertheless, the size of the program appears overambitious, both with regard to Zaire's limited absorptive capacity and in view of the availability of domestic resources for public investment in the next five years.

17. As to absorptive capacity, the lack of trained Zairan nationals continues to hinder the preparation, execution and supervision of development projects in all sectors of the economy. Although the Government recognizes this situation and is willing to let foreign experts fill a number of key positions (our second highway project, for example, requires an input of 45 foreign experts), a widespread use of expatriates would run counter to the Government's objective to make the economy Zairan in character and promote the advancement of Zairan nationals. Furthermore, in many cases, implementation of projects may also be retarded by the shortage of trained lower and middle-echelon personnel.

18. With regard to the financing of the five-year public investment program, the Government proposals envisaged that \$530 million would be available from public savings, \$382 million from external aid, and \$122 million from commercial loans. In fact, the financing picture seems certain to be very different: no public savings have been generated in 1971, and, if any savings appear in 1972, they are likely to be very small. Our view was that it would be unrealistic to plan for \$530 million of public savings in the 1971-1975 period. We made three projections based on different copper prices, and concluded that, under the reasonable price assumption of 50 cts/lb, public savings could total about \$232 million. However, this target depended on the



Government's sticking to its intention of restraining current expenditures in 1971 to their 1970 level. But now, with the trend in 1971 expenditure known (see para 10), the savings for the 1971-1975 period are more likely to be \$120 million than \$232 million. Moreover, most of them would be generated in 1975, when tax concessions granted to Gecamines, the state-owned mining company, will come to an end and when, consequently, budget receipts are expected to rise sharply. (If one assumed a copper price of 40 cts/lb, total savings in the period would fall to about \$60 million, while, with copper at 60 cts/lb, they would rise to about \$310 million).

19. Last spring, we also felt that, unless there was some unexpected change in the rate of disbursement, the volume of external aid which would be available during the five-year period would amount to \$250 million rather than \$382 million, as projected by the Government. There is no reason, at this stage, to revise this estimate and, hence, the volume of Government savings and foreign aid together can be estimated at \$370 million, as opposed to the Government's original figure of \$912 million.

20. The Government's original estimate of commercial borrowing for the five-year period was \$122 million; when added to our estimate of public savings and foreign aid this would give \$492 million, which can be compared with the investment target of \$1,034 million as given to the Consultative Group. However, the contrast between these two figures certainly exaggerates the effect which the fall in copper prices will have on Zaire's growth. The target of around \$1 billion of investment was unwarrantably high; it contained a number of projects of lesser priority, as well as a substantial amount of unidentified investment. A volume of investment around, say, \$600 million might well permit the economy to maintain a growth rate of about 6%, provided the project content of the program were improved and the least productive projects postponed.

21. The issue which the Government faces is therefore how far to scale down its investment target and how much to increase its external borrowing to meet the gap created by lower internal savings. Since Zaire's present debt service is low - in 1971 debt service payments were less than 3% of export earnings - there is some scope for additional borrowing. And, in fact, the Government has already increased its borrowing rate quite considerably. Between the end of 1969 and June 1971, suppliers' credits have increased by \$129 million and a Euro-dollar loan of \$25 million was obtained to cover general budgetary expenditures. Borrowing on this scale would be acceptable as a short-term measure to bridge a financing gap while the Government took the steps necessary to restore the budgetary position. If maintained for long, however, it would result in a sharp increase in the debt burden. For example, total public debt outstanding (excluding undisbursed) could increase from \$293 million in June 1971 to \$595 million at the end of 1975, with a debt service ratio in the latter year of 11% (assuming a copper price of 50 cts/lb. For prices of 40 cts/lb and 60 cts/lb the ratio would be 12% and 10%, respectively).

22. As already noted, the Government does not have any quantitative economic objectives other than the 6% growth rate and the savings and investment projections put forward at the Consultative Group meeting. However, the latter have now been overtaken by events. The following table gives some Bank projections of revenue and savings based on specific assumptions as to the price of copper, together with some other economic indicators.







Balance of payments and creditworthiness

23. In spite of the slump in export earnings following the recent fall in copper prices, Zaire's export prospects in the coming years remain promising, largely because of the expansion in copper mining which is either under way or envisaged (see paras 54 - 55). Based on these projected levels of copper output, and assuming that Zaire's exports other than copper increase at an annual rate of 6%, the country's total earnings from the export of goods and non-factor services would amount at \$1.4 billion in 1980. This would represent a rate of increase of 5.4% per annum over the already very favorable level attained in 1970.

24. These projected export earnings, combined with the expected volume of capital inflow, would be sufficient to permit an increase in the volume of imports of 5.3% per year. This should be sufficient to support a rate of economic growth of approximately 6% a year. Provided, therefore, that the volume of imports does not increase beyond expectations, as for example, might occur if the Government were to engage in deficit financing on a substantial scale, it would appear that with reasonable management of its financial affairs Zaire will be able to make a substantial contribution to its development from its own resources. In these circumstances we believe that the external capital required will in general not exceed the external cost of the projects financed by foreign aid. Accordingly, except as the particular circumstances of some project might suggest otherwise, we do not contemplate using Bank Group lending to finance local expenditure.

25. There are two types of uncertainties affecting Zaire's creditworthiness. First, the political situation remains potentially unstable. The present stability depends on the authority exercised by President Mobutu and a small number of his close associates. The machinery to facilitate a transfer of power, namely the legislature and the party, is relatively new and will take a long time to become an established part of the local tradition. Furthermore, the paucity of qualified manpower means that for some time Zaire will not have the administrative structure and corps of competent civil servants which are essential to complement any political machinery. The management of Zaire's economy is highly dependent upon expatriates, and this adds to the inherent political and administrative uncertainty. The net effect of all these factors is that the future quality of economic management is likely to be uncertain and subject to sharp changes. Any deterioration in the political situation, a possibility which cannot be discounted, will have not only a direct bearing on the management of the economy and economic variables such as the budget, the exchange rate, external debt, the attitude to foreign capital, and investment planning, but could also lead to an exodus of expatriate technicians and managers on whom the day-to-day management of the economy depends.

26. The second set of uncertainties in Zaire relates directly to economic factors. Zaire's foreign exchange earnings and Government revenue are heavily dependent on mineral exports, particularly copper. Fluctuations in the price of copper and other metals can lead to significant changes in both the balance of payments and the budget. This has been apparent in the last five years. The prospects for a significant diversification of exports, as well as of Government revenues in the next decade are not very great. Given the limited skills of the Zairans to manage their economy, and given the political uncertainties, it is always possible that a combination of political and economic



problems could lead to serious debt servicing difficulties, despite the relatively low debt service ratio projected for the next five years. In view of the risks inherent in this situation, Bank lending to Zaire would not be justified.

C. EXTERNAL ASSISTANCE

27. In the first years after independence, Zaire received substantial amounts of foreign aid, at a gross level of about \$80 million a year. In the last three years, however, foreign aid has declined to about \$60 million in 1968-69 and \$73 million in 1970. This decline has taken place in spite of increased disbursements on the part of the European Development Fund (FED) and France, and reflects a gradual reduction of US foreign aid from \$40 million a year in the 1964-66 period to \$13 million in 1970.

28. Since 1968, following the decline of US assistance, Belgium has become the largest aid provider with yearly disbursements totalling some \$23 million. Almost all of this aid is for technical assistance payments and scholarships. Belgian project assistance has so far been less than \$2 million a year, but with the recent shift to programming aid for a five-year period the proportion of project aid is likely to increase somewhat.

29. The second largest source of aid, and by far the largest source of project assistance, is the EEC, through the channel of its development aid agency (FED). As at the end of 1970 total commitments from this source amounted to \$90 million equivalent, and total disbursements amounted to \$40 million, leaving some \$50 million in the pipeline. Almost all of this was project aid. Zaire's projected allocation under the fund's replenishment for the period 1971-75 (third fund) will be in the order of \$100 million.

30. Yearly disbursements from the FED have risen sharply from \$9 million in 1969 to \$14 million in 1970. Owing to a number of large projects in the program for the next few years, disbursements are expected to remain at that level and may total \$70 million in the 1971-75 period. The sectoral distribution of the FED's operations has changed considerably over the years. Whereas transport represented 57% of the 1958-63 program, with agriculture absorbing only 10%, the 1964-69 program provided 25% for agriculture and only 13% for transport. The FED's contribution to the Inga dam project represents another 25% of the latter program. The exact composition of the 1971-75 program is not yet known, but indications are that transport may again increase its share in the total, at the expense of agriculture.

31. Other principal sources of aid are France and the United Nations, both with disbursements of \$7 million in 1970. The UNDP program for 1972-76 totals \$20 million. This program, half of which is for preinvestment studies, gives highest priority to agriculture (30%), followed by education (28%) and transport (11%). It has been discussed with us and is consistent with our own lending program.



32. Mainly because of FED's decision to finance a number of large projects with a relatively short construction period, and because of expected increased activity by a number of relatively new sources of aid including the Bank Group, total foreign aid disbursements to Zaire can reasonably be expected to rise to \$102 million in 1975, with some \$57 million coming from bilateral sources and \$45 million from multilateral sources. Bank Group disbursements in the latter year are estimated at \$23 million, making it the second largest aid provider after Belgium.

33. A large part of these aid disbursements in 1975 will continue to be for technical assistance. However, due to the shift in US aid from commodity to project aid and largely because of increased lending by the Bank Group, the share of foreign resources made available for direct project financing will increase. From approximately \$20 million, or about 30% of aid disbursements in 1970, it could well rise to \$60 million, or 59% of aid expected to be disbursed in 1975.



D. BANK/IDA LENDING PROGRAM

34. In early 1968, an economic mission visited Zaire to assess the development prospects and needs after the political and economic stabilization. The Bank Group's strategy is based on the findings of this mission and centers around the rehabilitation of the transport and agricultural sectors and support of industrial development by means of lending to Sofide (formerly Socofide), a development finance company. An integral part of this strategy is the strengthening of Zaire's capability to prepare and execute development projects by the provision of technical assistance and assistance for education. So far, we have committed \$34.5 million along these lines, consisting of \$13 million for two transport projects, \$15 million for Sofide and \$6.5 million for an education project. We have also provided a grant of \$200,000 towards the cost of a team of experts for the Office of the President to assist in outlining a five-year public investment program and in preparing annual development budgets.

35. The proposed operations program in Zaire for FY 1973-77 comprises twenty projects and amounts to \$355 million. Main emphasis of the program is on transport, which represents \$150 million, or 42% of the total. The principal objective of our activity will continue to be the rehabilitation of the network. This will include a large amount of technical assistance and advice on institution-building and policy-making. In financial terms, our transport rehabilitation program would represent \$80 million; it is also the "hard core" of the program, with the highest probability and the least slippage potential. In addition to this rehabilitation effort, the program for the first time includes two railroad construction projects involving lending of \$70 million.

36. The second objective of the program is to help the modernization and expansion of the agricultural sector. Because of the problems encountered in setting up an agricultural program appropriate to the country's needs, and because of the relatively low, albeit increasing, priority given to the sector by the Government, this part of our program, which amounts to \$60 million, is still modest. The third largest share of the program is absorbed by a number of additional lines of credit to Sofide, which is expected to play an increasing role in the finance of investment.

37. This operations program includes all the projects now in the pipeline plus three unidentified agricultural projects. The corresponding lending program amounts to \$245 million. Such a program, which amounts to \$2.66 per capita per year, is not, in itself, particularly large. If, however, it is financed wholly with IDA funds, it will be the largest IDA program after India, Pakistan and Indonesia and the per capita allocation will be higher than that of other countries of similar size. An IDA program somewhat larger than the average can be justified on the grounds that the disorders after independence excluded Zaire from any benefit from IDA for several years. Consequently, by the end of FY 71, Zaire had received \$1.1 per capita of IDA funds whereas the average for all countries receiving IDA funds was \$3.0. If the proposed lending program is carried out, then by the end of FY 74 the per capita figure for Zaire will be \$8. This compares with, for example, \$9.8 projected for Kenya, \$8.9 for Tanzania, \$8.6 for Uganda and \$7.4 for African IDA countries as a whole. In other words the above average amount of "input" into Zaire, both in terms of IDA money and staff time, is an attempt to compensate for the many years in which there was no Bank Group involvement at all. If, however, it is decided that IDA funds cannot be allocated on a scale sufficient to carry out a program of this magnitude, we would propose to reduce or eliminate lending for those projects or sectors which seem best able to attract finance from other sources. This would probably include the power project and perhaps the two railway projects.



38. So far, projects have not come forward at a rate exceeding the available IDA funds. The programs for FY 1974 and FY 1975, however, are fairly heavy, so that it may be that by FY 1973 we will face the necessity to tailor the operations to the available funds.

#### E. ECONOMIC SECTORS AND SECTORAL DISTRIBUTION OF BANK/IDA OPERATIONS

##### Transport

39. The transport system in Zaire is largely based on the river network, with roads feeding into the waterways and railroads paralleling their unnavigable stretches. This system fell into disrepair during the post-independence disturbances, and has not yet been properly rehabilitated. Since 1962 USAID together with the UN have been financing and supervising a program of road maintenance. Under this program, maintenance is contracted annually to private plantations, industrial enterprises and others directly interested in specific roads for their own operations. However, the system covers less than 15% of the total highway network. Furthermore, the condition of a number of roads has deteriorated beyond the point where low cost maintenance can be effective. In the field of river transport no similar program existed and the deterioration of the system, both with regard to management and maintenance of the facilities, was possibly even worse.

40. Because of the deficiency of the existing administration and institutions, our first action in the transport sector was to provide technical assistance to evaluate the immediate needs and to improve the institutional arrangements. This was accomplished through two technical assistance programs, of which UNDP financed the waterways aspect, while UNDP and the Association jointly financed the highway aspect. In both cases, the Bank acted as Executing Agency for the UNDP and has supervised the transport consultants actually designing the necessary institutions, policies and programs.

41. In the case of highways this assistance has led to the setting up of a Bureau of Roads, which started operations on January 1, 1972. This bureau which is under the Ministry of Public Works, will be responsible for all aspects of roads, bridges and ferries. The new organization will permit more administrative flexibility and more effective use of external technical assistance. The fact that foreign experts can be given executive authority should facilitate operations and ensure adequate training of local personnel.

42. In addition, the consultants have elaborated a ten-year program for rehabilitating the 20,000 km of roads which carry 99% of the country's traffic; the cost of this program has been estimated at about \$220 million. Our second highway project, the total cost of which amounts to \$45.4 million, includes a first phase of this ten-year plan. Although the main goal of the project is to make the Bureau of Roads an effective organization through the provision of expatriate experts, the project also provides for maintenance and other equipment, rehabilitation of 1,900 km of high priority roads, as well as studies and engineering for future road works. Finance will be provided from various sources including the Association, UNDP, USAID, CIDA, FAC and the Zairian Government. An IDA credit of about \$19 million has been negotiated in December 1971 and the project is scheduled for presentation to the Board in February.

43. The expatriate experts in the Bureau of Roads and outside consultants will also prepare a series of feasibility and detailed engineering studies for a number of priority roads selected from the ten-year highway investment program. Therefore, a third and fourth highway project, probably still including an element of technical assistance, and providing for the rehabilitation and construction of further roads, have been included in our program for FY 1974 and FY 1976. They are tentatively estimated at respectively \$20 million and \$35 million.



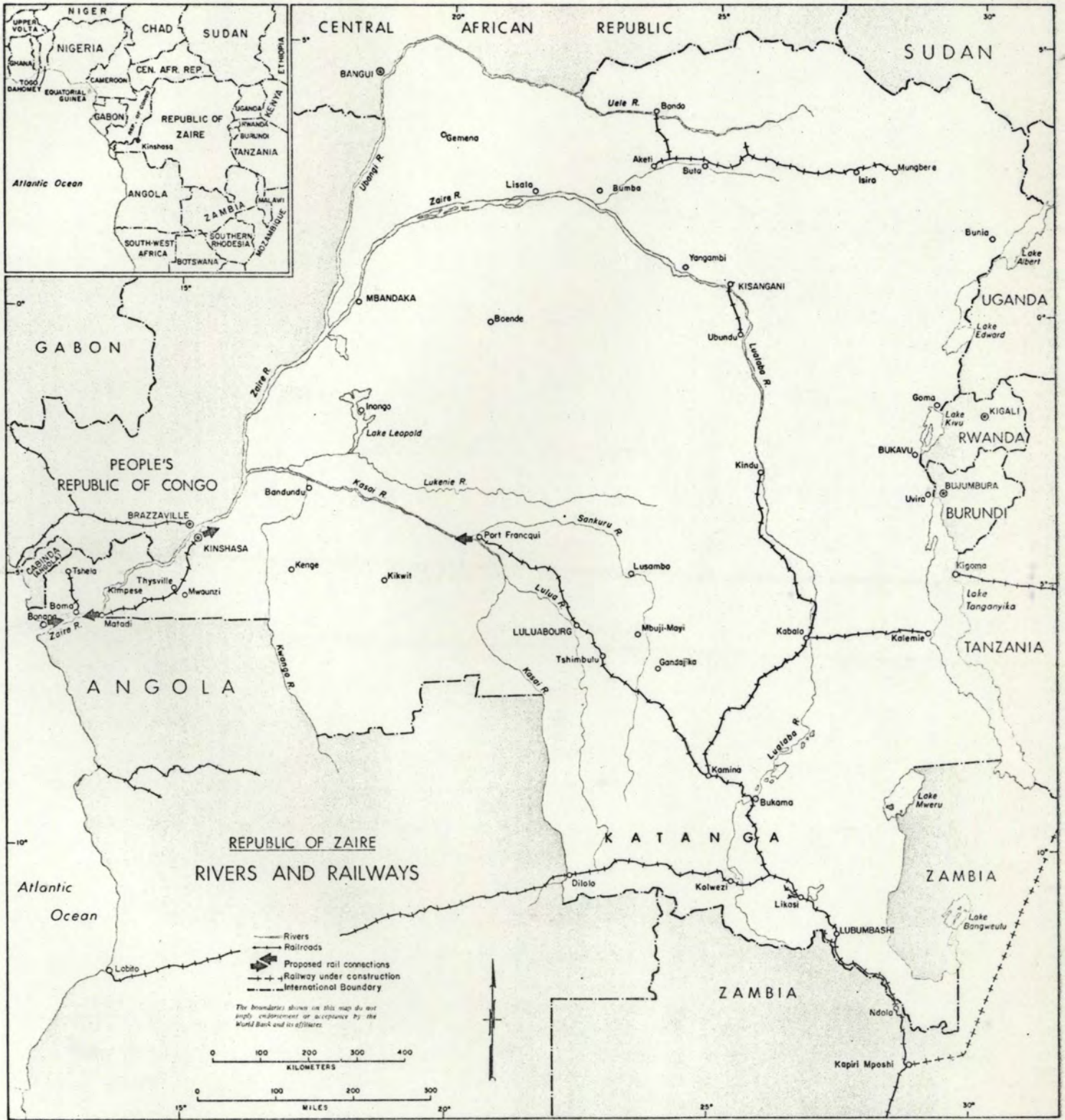
44. The UNDP-financed technical assistance to strengthen the management of the river transport organization (ONATRA) and to prepare a river transport investment program, led to a first IDA credit of \$7.0 million in FY 1971. This project provides for the improvement of navigation on the Zaire and Kasai Rivers, the rehabilitation of the river fleet and the financing of experts to fill key positions in the organizations in charge of river transport. A second river transport project, including the rehabilitation of the Matadi-Kinshasa railway managed by Onatra, is in the lending program in FY 1973 for \$25 million. However, the first project is causing us much concern because progress in implementation has been slow. Unless the situation improves and unless the Zairan authorities soon take the measures necessary to strengthen Onatra's financial position, the second project, if any, is at best likely to slip into FY 1974.

45. Zaire's only possibilities for seaports of its own are at the mouth of the Zaire River. The route from the copper producing Katanga area is a combination of rail and river - rail from Katanga to Port Francqui on the Kasai River, the Kasai and the Zaire River to Kinshasa, and then rail again to Matadi, the principal port, inland on the south side of the Zaire. There is, however, a railway from Katanga to Lobito in Angola on the Atlantic and another south to the Indian Ocean. At present 47.5% of Zairan foreign trade goes through foreign ports. A principal aim of the Government is to have an efficient all Zairan route from Katanga to the Atlantic so as not to have to rely on foreign railways and ports. This implies the eventual possibility of having a new railway to close the gap between Port Francqui and Kinshasa and probably also establishing further port facility lower down on the north side of the estuary, necessitating a railway bridge and line from Matadi (see attached map). Because we felt, and the Zairan Government agreed, that such a large investment (roughly estimated at \$200 million) should only be undertaken after careful analysis, our first river transport credit included an amount of \$400,000 for a study on the subject. The study is intended to establish an economically and technically sound plan for improving and developing transport from Katanga to the sea solely over Zairan territory, and to compare the costs of such a solution with that of alternative routes through neighboring countries. The draft report of the study has been received by the Bank.

46. Kaiser aluminum is proposing to build an aluminum smelter using power from the Inga dam. It would need a new port at Banana. This port could be expected to lead to an increase in forestry exploitation and this could justify a rail-link between Matadi and Banana in the late seventies. A large part of the total cost of this project (including port, railway and bridge) could probably be covered by bilateral finance. To fill a possible gap, we have included \$20 million in FY 1975, but the timing is dependent on the timing of building the smelter, which is not yet decided. The program for FY 1977 includes \$50 million for partial financing of a possible rail-link from Port-Francqui to Kinshasa. The feasibility and timing of this project will, however, depend largely on the conclusions reached by the consultants on its justification.

47. In view of the overall importance of the transport sector for the country and the large share its development has in our program we recommend that a transportation specialist be added to our resident mission in Kinshasa. Such a man would be particularly useful in helping to solve problems in implementing the first river transport project and in the supervision of execution of the highway projects. He could also contribute to the preparation of our second river transport project and follow up on the many questions which are likely to arise in the context of the possible construction of a rail-link from Katanga to the sea.







## Agriculture

48. There are two major types of farming in Zaire: traditional peasant agriculture and commercial plantation agriculture. Traditional farming concerns mainly food crops, small livestock, and very limited numbers of cattle. It is done in very small units and uses very little capital or purchased inputs. Agricultural techniques are based on experience passed down from generation to generation, and the rate of innovation is low. Production is predominantly for subsistence. Commercial agriculture concerns mainly export crops, sugarcane and cattle ranching. It is predominantly carried out in very large units and is capital intensive, making abundant use of purchased inputs and advanced techniques. The rate of experimentation and innovation is often very rapid. Production is exclusively market-oriented.

49. The sector suffered badly from the disturbances following independence, but has made some recovery since then. By 1969-70 the Government estimated that subsistence production had reached the levels attained a decade earlier; commercialized output was still 25% below the earlier levels. Nevertheless, for an economy where 70% of the population is classified as rural, the current contribution of agriculture is disproportionately low. The value of agricultural output is roughly 18% of GDP, and agricultural exports make up only 14% of total exports. Self-sufficient in maize and rice before 1960, Zaire currently imports both food grains, and per capita consumption may have diminished.

50. In recent years the Zairan Government has given relatively low priority to the agricultural sector, devoting less than 1% of its current budget to agricultural outlays. However, a beginning was made recently toward the establishment of goals and the design of projects within an overall agricultural development program. The Ministry of Agriculture first prepared a five-year (1971-1975) program for presentation to the first meeting of the Consultative Group, and later expanded it into a ten year program covering the period 1971-1980. The stated objectives are:

- a) to achieve self-sufficiency in basic food crops (rice and maize) and in cotton ( and if possible, become an exporter of these products), and diminish the country's dependence on meat imports;
- b) to diversify production, especially seeking to increase export possibilities; and
- c) to permit the creation of a strong domestic industry utilizing agricultural products.

51. To help the Government with the elaboration of its agricultural development strategy the Bank sent an agricultural survey mission to the country in April/May 1971. The mission found that agriculture offers a number of development possibilities. Given the large urban migration which has taken place over the past ten years, and which seems to be continuing unabated, the demand for foodstuffs will provide a major opportunity for cash cropping. Export prospects are less promising, but it should be possible to increase exports of palm oil, strengthen the position of rubber, expand coffee and tea production in accordance with quota allocations, and obtain some increase in crops such as cotton, cocoa, pyrethrum and papain. The best prospects for export earnings, however, are in forestry. Cotton and, to some extent, rubber are the only two



commodities where production for domestic industry seems likely in the near future.

52. The mission concluded that future developments in the commercial sector will depend largely on the overall private investment climate as influenced by government policies towards the sector. They will also depend on the degree to which the Government will be able to associate the private sector to the management of Government projects. Two such projects are presently included in our lending program for FY 1973 and FY 1974, dealing with ranching and rubber development respectively.

53. The major constraints in agriculture bear on the traditional sector. In this respect our proposed strategy is based on the recognition that one of the key factors explaining the present low agricultural yields is the deterioration of the planting material. Recognizing that a program to produce, multiply and distribute good quality seeds will have to be built up step by step, our mission has recommended that existing local staff and equipment should be concentrated in a few key areas, selected both with regard to their climatic conditions and with a view to their proximity to urban areas or evacuation points. Furthermore, this strategy would have to include a number of infrastructure outlays for the restoration of feeder roads, ferries and bridges. Finally, it will be necessary to build up the staff of whatever agency will have responsibility for shaping and implementing developmental policies for agriculture, in all likelihood the Ministry of Agriculture. This will probably require a reorganization of the Ministry to carry out the expanded and more complex responsibilities such a program would entail. One project in the traditional sector dealing with cotton production is already under preparation and included in our lending program for FY 1974.

54. Some members of the agricultural survey mission returned to Zaire in January of this year to sound out the Government's reactions to this strategy and to discuss with the Zairan authorities a number of preinvestment studies which would have to be undertaken in order to mold the overall plan into a number of identifiable projects. If the Government's attitude towards our approach is receptive, we would expect to undertake a substantial task of institution-building, similar to the one undertaken in road and river transport, to cover the various aspects of agricultural development, including the provision of agricultural credit, extension service and agricultural education. We intend to work closely within the framework of a proposed UNDP project of technical assistance to the Ministry of Agriculture in order to study the major institutional requirements, but if need be we may have to step in ourselves, for instance, by including the cost of studies and technical assistance in some of our early agricultural projects. To expedite and follow-up on our agricultural strategy we recommend that an agricultural specialist be attached to our resident office in Kinshasa. Apart from his contribution in supervising the execution of the envisaged UNDP technical assistance operation, he could also render useful service in expediting the preparation of the three above-mentioned projects already identified.

#### Mining and Power

55. Copper, of which Zaire is the world's sixth largest producer, provides two thirds of the country's export earnings and nearly 50% of Government revenue. It is at present exclusively produced by Gecamines, the Government-owned successor company to the Union Minière. To recover the share which it occupied in world production in 1950-1960 the company has launched an ambitious expansion program which would increase its production at a yearly rate (5%) exceeding the rate of growth of world demand. This program would raise Gecamines' output from its



present level of 387,000 tons to 450,000 tons in 1974 and 560,000 tons in 1978.

56. Apart from the expansion of Gecamines some additions to total copper output can be expected from two private investment projects, with minority Government participation. The first of these projects consists in the establishment of a copper mine and concentrator in the Musoshi area (Katanga). Total investment committed to date amounts to \$75 million and will permit production of 60,000 tons a year starting in 1973. The company (Sodimico), which is 85% Japanese owned, has, however, located additional deposits of rich ore in the area and is contemplating the extension of its production to 125,000 tons and the construction of smelting and refining facilities in Zaire. The second project would consist of the exploitation of the Tenke/Fungurume ore deposits in Katanga. In 1970 the Government gave the concession for this area to an international consortium including Standard Oil (Ind.), Leon Tempelsman & Son, Charter Consolidated, Mitsui and the Bureau de Recherches Géologiques et Minières (BRGM), a French state-owned investment firm. The cost of the project has been estimated at \$240 million. If a decision to start exploitation can be reached soon, this project could raise Zaire's copper output by another 100,000 tons a year starting in 1976. In such case the country's total copper output might well reach 785,000 tons by 1978 (about 11% of projected world demand), more than double the production in 1970.

57. To meet the electricity requirements of this expansion the Government has been considering linking Katanga with the Inga dam. The first phase of the Inga project is nearing completion and provides for an installed capacity of 300 MW. However, further phases of expansion are envisaged. In September 1970, a Bank reconnaissance mission investigated the economics of the Inga-to-Katanga transmission line versus the development of a hydro-power site in the Katanga province (Busanga). Following this mission we recommended to the Government that, in view of the technical uncertainties connected with a transmission line about 1,000 miles long and because of the large difference in the capital cost of the two alternatives, priority should be given to the Busanga scheme; but that at the same time, the appropriate technical and economic studies of the transmission line should be undertaken to decide whether it would be a feasible long-term solution. It now seems that additional power will be needed in the Katanga before the transmission line could be built even if it were found feasible. Although there are obvious political attractions to a project which would link the two economic poles of the country, the cost at a time when the country is short of capital and the time needed are deterrents and the Government authorities seem divided on the course to follow. Assuming that eventually the Busanga solution will prevail and that the Government will request our financial assistance, we have included a \$30 million operation in FY 1974. However, this amount might be greatly reduced to the extent that other sources of finance are available, or if we are able to reduce our role to promotional assistance. A study on the feasibility of a possible future Inga transmission line could be part of the project.

#### Education

58. In December 1971 the Association signed a \$6.5 million credit for education in Zaire. Entry into this sector was based on the recognition of a dire need for: (i) trained manpower, and (ii) qualified Zairan teachers to service the educational system which has expanded rapidly since independence.



Because other sources, including Belgium, France and UNDP, have been and presumably will continue to be available for financing the expansion of the education system, our activity at this stage is essentially geared to improving the efficiency of the system. A manpower survey financed by the UNDP is an integral part of our project. After its completion, we should be in a position to judge which additional educational facilities may be needed, and whether this further expansion would require financing by us, or could rely on other sources. In the meantime we have included a provision of \$15 million for education in FY 1975.

#### Population and urban infrastructure

59. With a population growth rate estimated at 2.3% and vast unoccupied areas, the Zairian authorities have not properly appreciated that an increasing population poses a threat to economic development and warrants the implementation of population control. However, recent reports indicate that some of President Mobutu's immediate advisers have convinced him that family planning will become necessary. As a result the Government has asked USAID to undertake a survey of the country's major health requirements including family planning in the next five years.

60. Interest on the part of the Zairian authorities in a family planning program, however, is as yet too undeveloped to make an early request to the Bank Group likely. Nevertheless, rapid expansion of the urban areas, particularly of Kinshasa, has created an urgent need for a number of services, including water supply, sewerage and telecommunications. In the case of Kinshasa this overall urbanization problem has been studied by a French technical assistance team and we intend to send a public utilities reconnaissance mission to the country in early 1972. A water supply project is foreseen for FY 1974, followed by a telecommunications project in FY 1975 and an urbanization project in FY 1976, for a total amount of \$30 million.

#### Tourism

61. The major tourist attractions are located in the Kivu and eastern regions, which feature magnificent scenery as well as abundant and diverse wildlife in the National Parks. Now that the shortage of hotel capacity in Kinshasa has been considerably alleviated with the recent opening of two large hotels and some smaller ones, the Government feels that highest priority should be given to the development of tourism facilities in the eastern regions of the country and has signed a convention with British and Belgian concerns creating a new company to develop the Kivu area. This company will take over the management of some existing accommodation facilities and will build additional capacity as necessary.

62. In September 1971, the Bank sent a mission to review recent developments in tourism and to identify projects for possible Bank financing. The mission believes that the priority accorded by the Government to the eastern regions is sound, but sees no immediate need for Bank assistance. The area has great economic potential, and a number of roads which are in poor conditions are scheduled for improvement in the next few years with bilateral or multilateral assistance. There might be need for some lending at a later stage in connection with the construction of hotels and lodges. Although such lending could also be channeled through Sofide, we have, for the time being, kept a US\$5 million tourism operation in our lending program for FY 1975.



Development Bank

63. Since 1968 the Bank Group has taken an active part in setting up a development bank in Zaire and making arrangements for a group of foreign shareholders to participate in its capital. Sofide was established in January 1970. The Bank Group contributed a substantial share of its initial capital through an IFC investment of \$750,000 and an IDA credit of \$5 million, both approved in May 1970. Because of the rapid increase in Sofide's projected commitments over the next two years, a second credit of \$10 million was made by IDA in September 1971.

64. The main problem arising during Sofide's first two years has been the economic evaluation of investment projects. In Zaire, most new industrial projects get substantial advantages under the Investment Code. In some cases these advantages have been granted without sufficient consideration of whether the enterprise could make a worthwhile contribution to the economy. Faced with applications to finance some of these projects after the Government had agreed to arrangements of this kind, Sofide has considered in the past that, provided the projects were found technically and financially satisfactory, it had no justification for turning them down. Recently, however, and at our instigation, an understanding has been reached between Sofide and the Government that Sofide will make an independent economic assessment of projects and that its findings on the economic aspects will weigh heavily in its final evaluation.

65. The second problem has to do with the fact that up to now less than 5% of the amount of financing approved by Sofide has been to Zairan-owned enterprises and that most of the projects in Sofide's pipeline are promoted by foreign enterprises. However, this is largely due to the dearth of Zairan entrepreneurs able to satisfy normal banking criteria. Also, assistance to very small-scale enterprises is not within Sofide's objectives. Sofide is conscious of the need to make a special effort to find and assist Zairan-owned projects of a reasonable size and currently has several such projects under study. Moreover, the Government is considering the creation of specialized institutions to assist small and medium-sized enterprises and, hence, to promote a class of Zairan entrepreneurs, but plans for the establishment of these institutions are still at an early stage. Concurrently, the Government has indicated that it is studying the possibility of establishing a special fund for assistance to Zairan enterprises, into which the proceeds of IDA credits lent to Sofide and repaid by Sofide to the Government might be placed. Sofide has agreed to consult with the Association on the role it would play if the fund were to come into being.

66. Although there is now some uncertainty about the overall economic situation, which might affect private investment in the next few months, we nevertheless expect that the funds which Sofide may be able to obtain in the future from other sources of finance, such as the European Investment Bank, the German Kreditanstalt and the French Caisse Centrale, will not suffice to meet the future demand for Sofide resources. Therefore, three more lending operations to Sofide are included in our program for a total amount of \$65 million.



### Planning assistance

67. For more than two years we have been financing, together with France and the Zairan Government, the services of a team of experts advising the Office of the Presidency on public investment. The Government requested us and France to continue financing the team for another two-year period and, over the last months we were actively cooperating with SEDES, the French consulting firm charged with the administration and back-up of the team, in the recruitment of suitable experts. However, we learned on January 6 that the Government had decided to discontinue the contract with SEDES. The decision results from a problem between the Zairan and French Governments in which the leakage to the French Embassy of material from confidential documents prepared by the team plays a part. A Zairan emissary came to explain to us, on January 10, that the Government felt obliged to end the cooperation with France at this particular, highly confidential level. However, the Government requested the Bank's help in formulating substitute arrangements which would provide the Office of the Presidency with essentially the same services as before. We indicated our willingness to help find a suitable solution, assuming the Government would succeed in solving its problem with France in a way not causing embarrassment to the Bank. We are awaiting the outcome of talks between the Zairans and the French but have already begun to canvass the possibilities of reconstituting the arrangement with different sponsors.

### Resident Representative

68. The posting of a Resident Representative in Kinshasa has proved very useful in strengthening our relations with Zaire, in getting the Zairan officials better acquainted with our policies and methods and in expediting action on our program and projects. The task has now grown to be more than one man can handle, particularly if he is to give enough time to economic and political intelligence and analysis. It is therefore recommended that two assistants be added to the Kinshasa office and that considering the importance we attach to transport and agriculture, they should respectively specialize in these two sectors.

### E. CONCLUSIONS AND RECOMMENDATIONS

69. The financial position of the Zairan Government has deteriorated over the last two years because, while revenue has been reduced by the fall in the price of copper, the Government has not yet adjusted its expenditure to the change. Instead, it has increased external borrowing. Hence, the external debt, while still not large, is growing quite rapidly. Given the fragility of the political and governmental structure, and the uncertainties of financial performance, no Bank lending has been included in the program. While this has not yet constrained the scale of our operations in Zaire, it may well do so in FY 1973 and FY 1974 unless we are ready to treat Zaire as warranting a specially large amount of IDA assistance.



70. The program is built around the rehabilitation and strengthening of the transport system, the encouragement of agriculture and lending to industry via Sofide. A considerable amount of technical assistance for both the preparation and execution of projects is planned to be provided.

71. We are planning to hold the next meeting of the Consultative Group in November or December this year. A mission to prepare an economic report for consideration at this meeting will visit Zaire in March.

Eastern Africa Department



GNP PER CAPIT \$ < 100  
IVA

ZAIRE - 5 YEAR OPERATIONS AND LENDING PROGRAMS  
(BY FISCAL YEAR - AMOUNTS IN \$ MILLIONS)

OPERATIONS PROGRAM			1973	1974	1975	1976	1977
-----			----	----	----	----	----
2-ZAI-AD-02	COTTON DEVELOPMENT	IDA		5.0			
2-ZAI-AL-01	LIVESTOCK I	IDA	5.0				
2-ZAI-AP-01	RUBBER DEVELOPMENT	IDA		15.0			
2-ZAI-AX-01	AGRIC. UNIDENT. I	IDA		10.0			
2-ZAI-AX-02	AGRIC. UNIDENT. II	IDA				10.0	
2-ZAI-AX-03	AGRIC. UNIDENT. III	IDA					15.0
2-ZAI-CC-01	COMMUNICATION I	IDA		10.0			
2-ZAI-DD-03	DFC III	IDA		← 15.0			
2-ZAI-DD-04	DFC IV	IDA			25.0		
2-ZAI-DD-05	DFC V	IDA					25.0
2-ZAI-EE-02	EDUCATION II	IDA			15.0		
2-ZAI-QQ-01	TOURISM I	IDA			5.0		
2-ZAI-TH-04	HIGHWAYS III	IDA		20.0			
2-ZAI-TH-05	HIGHWAYS IV	IDA				35.0	
2-ZAI-TR-01	RAILWAYS I	IDA			20.0		
2-ZAI-TR-02	RAILWAYS II	IDA					50.0
2-ZAI-TX-01	TRANSP. UNIDENT. <i>Trail/River</i>	IDA		25.0			
2-ZAI-UU-01	SPECIAL PROJECT (URBAN)	IDA				10.0	
2-ZAI-WW-01	WATER SUPPLY	IDA		10.0			

50

-----  
1964-68 1969-73 1973-77  
-----

IBRD		
IDA	58.5	325.0
TOTAL	58.5	325.0
-----	-----	-----
NO	7	19

IBRD					
IDA	5.0	110.0	65.0	55.0	90.0
TOTAL	5.0	110.0	65.0	55.0	90.0
-----	-----	-----	-----	-----	-----
NO	1	8	4	3	3

LENDING PROGRAM ( 2/ 4/72 )  
-----

IBRD		
IDA	83.5	225.0
TOTAL	83.5	225.0
-----	-----	-----
NO	8	13

IBRD					
IDA	30.0	30.0	55.0	45.0	65.0
TOTAL	30.0	30.0	55.0	45.0	65.0
-----	-----	-----	-----	-----	-----
NO	2	3	3	3	2



ZAIRE - ACTUAL AND PROPOSED LENDING THROUGH FY 1977  
(\$ million)

		Through 1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	Total 1964-68	Total 1969-73	Total 1973-77
Agriculture (crops)	IBRD	7.0												
Livestock	IDA						5.0							
Cotton development	IDA							5.0						
Rubber development	IDA							15.0						
Agric. unidentified	IDA								10.0					
Agric. unidentified	IDA									10.0				15.0
Agric. unidentified	IDA										15.0			
Communications unidentified	IDA								10.0					
DPC I	IDA			5.0										
DPC II	IDA					10.0								
DPC III	IDA						15.0							
DPC IV	IDA								25.0					
DPC V	IDA										25.0			
Education I	IDA					6.5								
Education II	IDA								15.0					
Power (Busanga)	IDA							30.0						
Tourism	IDA								5.0					
Roads	IBRD	40.0												
Roads, ports & waterways	IBRD	28.0												
Highways I	IDA		6.0											
Highways II	IDA					19.0								
Highways III	IDA							20.0						
Highways IV	IDA									35.0				
Otreco port	IBRD	5.0												
River transport I	IDA				7.0									
River/rail transport II	IDA						25.0							
Railway I	IDA								20.0					
Railways II	IDA										50.0			
Urbanisation	IDA									10.0				
Water supply	IDA							10.0						
General development	IBRD	40.0												
<hr/>														
<u>Operations Program</u>	IBRD					35.5	45.0	80.0	85.0	55.0	90.0			385.0
	IDA													
	Total					35.5	45.0	80.0	85.0	55.0	90.0			385.0
	No.					3	3	5	6	3	3			20
<u>Lending Program</u>	IBRD	120.0												
	IDA		6.0	5.0	7.0	35.5	30.0	50.0	55.0	45.0	65.0		83.5	244.0
	Total	120.0	6.0	5.0	7.0	35.5	30.0	50.0	55.0	45.0	65.0		83.5	244.0
	No.	5	1	1	1	3	2	4	3	3	2		8	14
European Development Fund (FED)		17.0	9.0	14.0	15.0	15.0	13.0	13.0	15.0	15.0	16.0			
IBRD o/s inc. undisbursed		8.6	6.3	5.0	3.4	2.4	1.5	0.5	-	-	-			
exc. undisbursed		8.6	6.3	5.0	3.4	2.4	1.5	0.5	-	-	-			
IDA - gross disbursements		-	-	0.3	2.0	8.5	15.0	14.0	22.5	30.0	43.5			
- net disbursements		-	-	0.3	2.0	8.5	15.0	14.0	22.5	30.0	43.5			
- net transfer		-	-	0.3	2.0	8.5	14.9	13.9	22.5	25.5	43.1			



ZAIRE: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS  
\$ million

Project and No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective	Closing Date	Forecast Date	FY'70	FY'71				FY'72				FY'73	FY'74	FY'75	FY'76	FY'77	
						1	2	3	4	1	2	3	4						
						Technical Asst. Highway Admin. Project IDA 152	6.0 - -	5/6/69 6/9/69 8/28/69	Orig: 1/15/73 Rev: - Act: -	N.A. 9/30/70 1/31/71	- (first) .3	- .7 .6	- 1.2 .7						- 1.9 .8
Development Finance Company Project IDA 190	5.0 - -	5/28/70 5/28/70 6/10/70	Orig: 10/31/74 Rev: - Act: -	N.A. 9/30/70 -	- (first) -	- - -	- - -	.1 .3 .9	.3 .6 1.5	1.0 1.5 1.5	1.5 -	2.1 -	4.2 -	4.9 -	5.0 -	- -	- -	- -	- -
River Transport IDA 255	7.0 - -	5/25/71 6/21/71 N.E.	Orig: 12/31/73 Rev: - Act: -	5/3/71 - -	- - -	- - -	- - -	- - -	.4 -	.9 -	1.6 -	2.4 -	6.0 -	7.0 -	- -	- -	- -	- -	- -
Second Development Finance Company IDA 271	10.0 - -	8/31/71 9/24/71 N.E.	Orig: 12/31/75 Rev: - Act: -	8/10/71 - -	- - -	- - -	- - -	- - -	- -	.2 -	1.0 -	2.0 -	8.0 -	10.0 -	- -	- -	- -	- -	- -
Education Project IDA 272	6.5 - -	11/30/71 12/17/71 N.E.	Orig: 4/30/77 Rev: - Act: -	11/15/71 - -	- - -	- - -	- - -	- - -	- -	- -	- -	.1 -	.6 -	2.3 -	4.5 -	6.2 -	6.5 -	- -	- -

Controller's  
12/31/71



ZAIRE  
INDICATIONS OF DEVELOPMENT

	Unit	Annual Average				
		1951-60	1961-65	1966-70 <sup>1/</sup>	1971-75	
<b>I. ECONOMIC &amp; STRUCTURAL INDICATORS</b>						
1. Gross Domestic Product (in constant prices)	% Change			4.0%	5.5%	
2. Manufacturing Output <sup>2/</sup>	% Change			4.0%	7.5%	
3. Agricultural Output	% Change			1.5%	4.0%	
4. Imports of Goods and NFS	% Change			13.8%	3.0%	
5. Exports of Goods and NFS	% Change			14.4%	8.2%	
6. Domestic Price Level	% Change			19.2%	2.5%	
				<sup>2/</sup>		
		<u>1950</u>	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>
7. Gross National Savings	% GDP			11.2%	20.7%	19.0%
8. Resource Gap	% GDP			1.6%	1.9%	4.5%
9. Net Factor Payments Abroad	% GDP			4.1%	5.1%	5.6%
10. Gross Domestic Investment	% GDP			13.7%	24.0%	20.0%
11. Debt Service	% exports				2.3%	10.3%
12. Central Govt. Current Revenue	% GDP			20.4%	31.1%	31.5%
13. Central Govt. Curr. Surplus (Deficit)	% GDP			0.3%	6.3%	3.3%
14. Public Exp. on Social Services	% GDP					
15. Military Expenditure	% GDP					
16. Manufacturing Output <sup>3/</sup>	% GDP			16.9%	21.0%	
17. Energy Consumption	million tons			1.35		
18. Fertilizer Consumption	'000 tons					
<b>II. SOCIAL INDICATORS</b>						
19. Population Growth Rate	%	1.8%	2.0%	2.2%	2.3%	2.3%
20. Urban Population Growth Rate	%			9.2%		
21. BirthRate	Per 1,000 popln.		43	45	45	45
22. Family Planning	Acceptors '000s.					
23. Income of: Highest quintile	% total income					
24. : Lowest quintile	% total income					
25. School enrollment: Primary	% school-age popln.				73%	
26. School enrollment: Secondary	% school-age popln.				3%	
27. Foreign technical assistants	Number				4,400	

<sup>1/</sup> Using 1964 as base year

<sup>2/</sup> 1966

<sup>3/</sup> Including metallurgy

<sup>4/</sup> 1968/1969

Eastern Africa Department  
1/12/72



COUNTRY PROGRAM PAPER  
ZAIRE

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WBG ARCHIVES

Postscript

72. The Zaire Country Program Paper was reviewed in Mr. McNamara's office on February 4, 1972, with Mr. Knapp in the chair.

73. It was generally agreed that the fragility of the political and economic situation in the country makes it very difficult to forecast the future. Consequently, last year's decision was confirmed that no Bank lending should be envisaged at the present time.

74. It was also decided to eliminate from the operations program a power project included in FY 1974 and to reduce the lending envisaged for that year to \$30 million. Although the resulting yearly per capita lending in the FY 72-74 period (\$1.73) would still exceed the yearly allocation to countries of similar size (\$1.08), such a level appeared justified because we had no Bank lending program for Zaire and our financing there would be limited to IDA.

75. It was felt that the IDA lending envisaged in the last three years of the program (\$165 million) was very high, but that in view of all the uncertainties involved it should be left for the time being and reconsidered on the occasion of the next annual review.

76. It was agreed that the Kinshasa mission should be strengthened by the addition of two more people as recommended in the CPP. Budget proposals would be put forward for inclusion in the FY 73 budget but recruitment could take place earlier in anticipation.

77. It was also agreed that the Bank's recent agricultural sector survey should be distributed to Consultative Group members at an early date and might form the basis for a meeting of experts as the first exercise in local aid coordination prior to the next meeting of the Consultative Group scheduled for the end of 1972.

78. Enclosed is Attachment 1, revised accordingly.

Eastern Africa Department  
February 14, 1972



**ZAIRE: LONG-TERM PUBLIC DEBT PROJECTION 1/**  
(calendar years: US\$ millions)

	1964	1966	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
<b>National Income Accounts</b>																				
GDP		583	1,374	1,674	1,924	2,020	2,142	2,249	2,365	2,489	2,641	2,802	2,972	3,149	3,336	3,534	3,741	3,960	4,193	4,433
Plus: Net Factor Income Payments		25	70	85	104	112	120	122	140	147	151	156	164	172	180	188	197	205	214	223
Equals: Gross Domestic Product	450	608	1,444	1,759	2,028	2,132	2,262	2,371	2,505	2,636	2,792	2,958	3,136	3,321	3,516	3,722	3,938	4,165	4,414	4,656
Consumption	382	515	1,053	1,234	1,383	1,490	1,581	1,666	1,744	1,818	1,898	2,060	2,210	2,352	2,504	2,654	2,807	2,958	3,100	3,243
Gross Investment	62	83	250	437	487	442	466	477	487	528	625	668	708	784	781	822	864	909	966	1,005
Gross National Savings		68	311	440	421	270	321	393	419	501	581	592	610	640	672	707	743	780	822	865
Imports of Goods and NFB	373	505	558	644	812	820	815	836	854	924	1,031	1,170	1,237	1,301	1,367	1,438	1,511	1,592	1,673	1,759
Less: Exports of Goods and NFB	379	512	622	728	850	760	790	804	826	1,043	1,196	1,290	1,303	1,369	1,438	1,511	1,587	1,668	1,753	1,840
Equals: Resource Gap	-6	-6	-84	-84	-58	60	25	-48	-72	-120	-107	-80	-66	-66	-71	-73	-76	-76	-80	-83
<b>Finance of Resource Gap</b>																				
Bilateral: US AID	38	44	20	14	13	10	13	15	14	15	16	16	16	17	17	17	18	18	18	18
Other 2/	40	41	37	39	46	46	47	47	47	48	48	50	50	52	52	53	53	55	55	56
Multilateral: FID	3	2	3	9	14	15	13	13	14	15	16	17	19	20	21	21	22	22	23	24
IDA						3	10	13	14	19	24	30	33	36	40	44	48	53	58	64
IFAD																				
Private: Suppliers' Credits		1	19	16	18	20	22	24	26	28	30	30	32	32	34	34	34	35	36	36
Euro-dollar borrowing						55	70	80	80	82	84	85	87	88	90	91	92	93	94	95
Total: Gross Disbursements	81	88	79	78	91	149	177	152	152	154	161	163	165	167	168	169	174	176	178	182
Less: Amortization				15	15	17	39	65	86	82	61	53	41	44	46	46	47	48	51	54
Other Inflow (net)				63	76	132	142	87	66	43	73	90	109	113	118	123	127	136	139	144
Less: Net Factor Income Payments		25	70	85	104	112	120	122	140	147	151	156	164	172	180	188	197	205	214	223
Equals: Resource Gap	-6	-6	-84	-84	-58	60	25	-48	-72	-120	-107	-80	-66	-66	-71	-73	-76	-76	-80	-83
<b>Memorandum Items</b>																				
Interest on Debt				6	8	4	14	23	27	31	31	33	37	41	46	50	54	59	63	67
Total Debt Service				21	24	21	48	80	113	115	92	86	78	85	91	96	102	107	114	121
Average Interest Rate				2.9%	2.7%	2.8%	7.9%	16.8%	6.7%	5.3%	5.3%	5.1%	5.0%	5.0%	4.8%	4.7%	4.6%	4.6%	4.6%	4.6%
Debt Service Ratio				2.9%	2.8%	2.8%	6.1%	10.0%	12.2%	10.8%	7.7%	6.9%	6.0%	6.2%	6.4%	6.3%	6.4%	6.4%	6.4%	6.4%
Total Debt Outstanding				280	295	311	439	512	567	595	652	725	815	908	1,005	1,108	1,213	1,327	1,443	1,563
IMR Debt Outstanding																				
- excluding undisbursed	41	12 3/4	9	5	5	3	2	1	0.5											
- including undisbursed	27	12 3/4	9	6	5	3	2	1	0.5											
IDA Debt Outstanding							13	27	41	60	84	114	147	183	222	266	314	366	423	486
IMR Debt Service							2	1	0.5											
IMR/IDA % Gross Inflow							2.0%	0.6%	0.9%	1.5%	1.7%	2.1%	2.2%	2.2%	2.4%	2.6%	2.7%	2.8%	2.9%	3.0%
% Debt Service				13.0%	7.2%	9.0%	2.9%	1.4%	1.2%	0.7%	0.9%	0.7%	1.1%	1.4%	1.7%	2.1%	2.4%	2.8%	3.1%	3.4%
IMR % Debt Outstanding					1.7%	1.1%	0.5%	0.3%	0.1%											
IDA % Debt Outstanding						1.2%	3.1%	5.2%	7.2%	10.0%	12.8%	15.7%	18.0%	20.1%	22.1%	24.0%	25.8%	27.6%	29.3%	31.1%

1/ Except for financial flows, projections are in constant prices, using 1970 as base year. Some values for 1971 are actuals. Beyond 1978 projections are mere extrapolations of previous trends.

2/ Includes U.S. grant aid.

3/ In 1965 a final disbursement of \$12 million was made on pre-independence loans, when an agreement was reached between Belgium and Zaire whereby all disbursements on pre-independence, foreign-currency loans guaranteed by Belgium would be repaid by the latter country. Zaire is now only liable for the part still outstanding on the \$12 million disbursed in 1965.

**Main indicators (1970-85)**

GDP growth	: 5.7%
GDP per capita growth	: 3.4%
Private consumption per capita growth	: 3.6%
Exports of Goods + NFB growth	: 5.3%
Imports of Goods + NFB growth	: 5.3%
ICOR	: 4
Assumed copper price	: 50 cents/lb



Population: 18.4 m  
Per Cap Inc: \$1.8

Attachment 1

ZAIRE - ACTUAL AND PROPOSED LENDING THROUGH FY 1977  
(\$ million)

		Through <sup>1</sup> 1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	Total 1964-68	Total 1969-73	Total 1973-77
Agriculture (crops)	IBRD	7.0												
Livestock	IDA						5.0							
Cotton development	IDA							5.0						
Rubber development	IDA							15.0						
Agric. unidentified	IDA								10.0					
Agric. unidentified	IDA									10.0				15.0
Agric. unidentified	IDA										15.0			
Communications unidentified	IDA								10.0					
DPC I	IDA			5.0										
DPC II	IDA					10.0								
DPC III	IDA						15.0							
DPC IV	IDA								25.0					
DPC V	IDA										25.0			
Education I	IDA					6.5								
Education II	IDA								15.0					
Tourism	IDA								5.0					
Roads	IBRD	40.0												
Roads, ports & waterways	IBRD	29.0												
Highways I	IDA		6.0											
Highways II	IDA					19.0								
Highways III	IDA							20.0						
Highways IV	IDA									35.0				
Otraco port	IBRD	5.0												
River transport I	IDA				7.0									
River/rail transport II	IDA						25.0							
Railway I	IDA								20.0					
Railways II	IDA										50.0			
Urbanisation	IDA									10.0				
Water supply	IDA							10.0						
General development	IBRD	40.0												
<u>Operations Program</u>	IBRD					35.5	45.0	50.0	85.0	55.0	90.0			325.0
	IDA													
	Total					35.5	45.0	50.0	85.0	55.0	90.0			325.0
	No.					3	3	4	6	3	3			19
<u>Lending Program</u>	IBRD	120.0	-	-	-	-	-	-	-	-	-			-
	IDA	-	6.0	5.0	7.0	35.5	30.0	30.0	55.0	45.0	65.0		85.5	225.0
	Total	120.0	6.0	5.0	7.0	35.5	30.0	30.0	55.0	45.0	65.0		85.5	225.0
	No.	5	1	1	1	3	2	3	3	3	2		8	13
European Development Fund (FED)		17.0	9.0	14.0	15.0	15.0	13.0	13.0	15.0	15.0	16.0			
IBRD o/s inc. undisbursed		8.6	6.3	5.0	3.4	2.4	1.5	0.5	-	-	-			
exc. undisbursed		8.6	6.3	5.0	3.4	2.4	1.5	0.5	-	-	-			
IDA - gross disbursements		-	-	0.3	2.0	8.5	15.0	14.0	20.5	31.0	35.5		25.8	116.0
- net disbursements		-	-	0.3	2.0	8.5	15.0	14.0	20.5	31.0	35.5		25.8	116.0
- net transfer		-	-	0.3	2.0	8.5	14.9	13.9	20.2	30.6	35.1		25.7	114.7

<sup>1</sup> No Bank Group commitments were made between 1960 and 1969.

Eastern Africa Department  
2/4/72



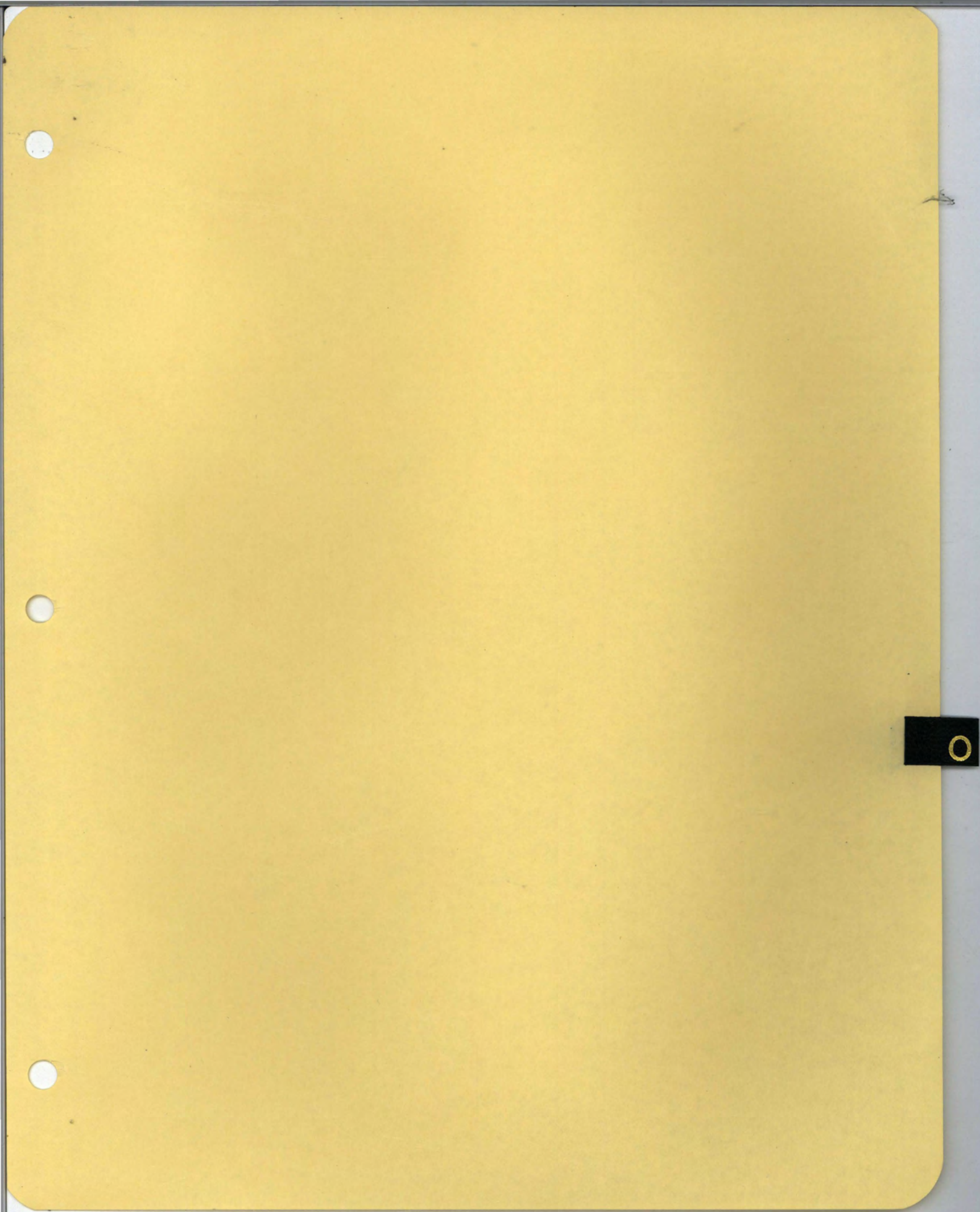
ZAIRE - ECONOMIC WORK PROGRAM

	<u>Economic mission</u>	<u>Sector review</u>	<u>Other</u>	<u>Department responsibility</u>
<u>FY 1972</u>				
9-71		Tourism		TMP
3-72	Current			EAF
3-72		Aviation /1		TRP
<u>FY 1973</u>				
9-72	Preparation			EAF
11-72	CGM		CGM	EAF
<u>FY 1974</u>				
NS	Basic			EAF
NS			CGM	EAF

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/1 A general transport sector survey mission may be scheduled for a later date.







REPUBLIC OF ZAIRE  
STATEMENT OF BANK LOANS AND IDA CREDITS

At September 30, 1972

<u>Loan or Credit Number</u>	<u>Fiscal Year</u>	<u>Borrower</u>	<u>Purpose</u>	Amount (US \$ millions)		
				<u>Bank</u>	<u>IDA</u>	<u>Undisbursed</u>
	Prior to June 1960	Congo and OTRACO		91.6 <sup>1/</sup>		
152-CK	1969	Zaire	Highway Technical Assistance		6.0	1.9
190-CK	1970	SOFIDE	Development Finance Company		5.0	1.8
255-CK	1971	Zaire	River Transport		7.0	6.7
271-CK	1972	SOFIDE	Development Finance Company		10.0	10.0
272-CK <sup>2/</sup>	1972	Zaire	Education		6.5	6.5
292-CK	1972	Zaire	Second Highway		<u>19.0</u>	<u>19.0</u>
Total (less cancellations)				91.6	53.5	
of which has been repaid				<u>74.5</u>		
Total now outstanding				17.1		
Amount sold			54.4			
of which has been repaid			<u>50.0</u>	<u>4.4</u>		
Total now held by Bank and IDA				<u>12.7</u>	<u>53.5</u>	
Total undisbursed					<u>45.9</u>	<u>45.9</u>

STATEMENT OF IFC INVESTMENT

At September 30, 1972

<u>Fiscal Year</u>	<u>Company</u>	Amount (US \$ millions)	
			<u>Equity</u>
1970	SOFIDE (Development Finance Company)		0.75
		Now held	<u>0.75</u>

<sup>1/</sup>Guaranteed by the Kingdom of Belgium

<sup>2/</sup>Not effective as of February 15, 1972.



P



## OFFICE MEMORANDUM

TO: Mr. Shahid S. Husain (through Mr. Halbe) *HL* DATE: August 25, 1972FROM: A. SönmezSUBJECT: Power Deficit in ZaireIntroduction

1. This memo attempts to evaluate the power situation in Zaire and to assess the idea of the transmission of power over a long distance between two regions of the country. It is entirely based on the sketchy information available in the Bank's files.
2. It was not necessary for the purpose of this note to consider the country as a whole because the power system in Zaire is not interconnected on a countrywide basis. Power requirements were projected for two regions, Inga zone and Shaba zone which were accounting respectively for 17% and 77% of the net domestic consumption of electricity in 1971. Shaba zone corresponds to the ex-Katanga, copper producing region. By Inga zone is understood the region of Kinshasa, Bas Zaire, Bandundu. It is significant to study these two zones as separate consumption areas, because in Shaba region the installed plants are interconnected among themselves (except perhaps a few "captive" plants producing only for a given user) and also with the Zambian copper belt. On the other hand, what is defined in this paper as Inga zone should be more or less fully interconnected after the completion of transmission lines this or next year.
3. The projections of power requirements and production capacity are given in Table 1. Obviously the totals of the two zones are only significant under the hypothesis of a transmission line connecting the two regions. In the absence of it, each region's requirements must be matched by its own production capacity. Therefore, the totals in Table 1 are only for the purpose of illustrating the hypothesis of transmission line.
4. The projections can be considered as conservative in that, on the demand side they exclude such big electricity consumers as the possible aluminum smelter, and include only projects under construction such as the steel mill, in the Inga zone, and the new mining consortium (SMTF - Société Minière de Tenke-Fungurume) in the Shaba zone and on the production side they keep the production capacity at the 1970-71 level with the only addition of 300 MW capacity under construction at Inga I (first stage).
5. Table 1 shows that a surplus will arise in the Inga zone, reaching a peak of about 200 MW in the mid-1970's and then declining to turn into a deficit in the mid-1980's. Shaba zone, however, shows a deficit from 1972 onward which increases steadily to reach 628 MW in 1985. The two zones combined will have a deficit of about 60 MW in 1977.

Additional Capacity and Investment

6. No major investment can be completed before 1977 to meet the power shortage in the Shaba zone. Therefore, for the period 1972-77 some



interim measures are necessary to satisfy the additional demand for electricity resulting from the expansion of copper production.

7. The deficit of the Shaba zone can be met for sometime with imports from Zambia. Zambia is reportedly committed to satisfy the needs of the Zairan copper belt up to 1976 or early 1977 at relatively favorable rates as a reciprocal for Zaire's exports to Zambia up to the end of 1970's. However, recent reports indicate that Zambia's own needs would make it impossible to satisfy Zairan demand beyond late 1974. The question of how much power imports from Zambia will be possible and for how long needs, therefore, further clarification but it is already clear that this source of supply constitutes only a short term and interim solution.

8. Another way of dealing with the short term problem may be to install thermal power stations in Shaba. But this would entail several inconveniences. First of all the magnitude of the power deficit in Shaba around 1975-77 is such that it would take quite sizable thermal plants to satisfy it and after the hydroelectric capacity catches up with the demand, it would be impossible to operate them economically in other parts of the country. Second, the transportation costs of fuel for such thermal plants may well be prohibitive. 1/ Finally, in a country like Zaire with considerable low cost hydro-power potential, heavy investment in thermal power sources should be avoided as much as possible.

9. In other words the best interim solution would be to arrange for sufficient imports from Zambia until such time as some longer term solution can become effective, i.e. until 1977. A cut off of power from Zambia anytime before 1977 will mean a slow down of the expansion of copper production or the postponement of the new copper mining project or both. Therefore, it may be justified to build some thermal capacity to meet some marginal deficit, provided it does not necessitate any important capital outlays and provided the bulk of the deficit is met with imports from Zambia.

10. In addition to the interim measures and for the longer term solution of the power shortage problem, the Zairan Government had so far the following alternative:

a) The construction of a hydro-power station in Busanga (in Shaba) with a capacity of 240 MW (four 60 MW units). The cost of the project is estimated at \$75 million (1970 prices) including the costs of connecting with the present distribution network. Feasibility of the project was studied and preliminary design was carried out by a Belgian firm some time ago. Construction period of the project would be 4.5-5 years, i.e. if started in 1972 Busanga could come into operation in 1977.

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1/ It may, however, be worthwhile to have a close look at the possibilities of importing coal from Zambia.



b) The construction of a direct current transmission line of 1800 km from Inga to Shaba with a transmission capacity of 240 MW in the first stage. The cost of the project is broadly estimated at \$285 million including the installation of an additional wire (and AC-DC converting stations) with a cost of \$30-40 million. In 1970 when a Bank mission (Mr. Montfort) visited Zaire, the project was not in an advanced stage of investigation but now that the Government has published a call for bids, considerable work must have been done on it. Moreover, Table 1 (Balance-Total) shows that by 1976-77, when the transmission line could be in operation, there would not be enough power surplus in the Inga zone to feed the line up to capacity (240 or 480 MW). This means that the construction of the second stage of Inga I (1200 MW consisting of eight units of 150 MW) must proceed simultaneously with the construction of the transmission line. This would bring the total cost of the project to an estimated \$325 million. Construction period of the project including the line and power station can again be taken as 4.5-5 years (although recent press reports mention shorter periods).

11. Mr. Montfort in his 1970 report compared the capital and operation-maintenance costs over a period of 20 years for the two projects and concluded that starting the construction of Busanga in 1971 and postponing the construction of the transmission line (and Inga I, second stage) to 1976 would yield the economy a present worth of cost advantage of \$27.5 million, assuming a 10% discount rate. To this consideration he added that Busanga would be a safer source of supply than Inga for the Shaba region, because the length of the line and the difficulties of maintenance under tropical conditions would make the DC transmission line more hazardous, forcing the copper producers to higher costs. All this he found would advocate strongly in favor of the "Busanga solution".

12. Yet the Government of Zaire seems determined to go ahead with the construction of the transmission line. Why is this?

13. There is no doubt that political considerations influence the position of the Government. A Shaba depending on power supply from Inga could be controlled more securely by a Central Government in Kinshasa and might not have separatist ideas as in the past.

14. But now that time has been allowed to pass, there are also some economic considerations which favor the "transmission line solution". A glance at the "Balance" column of the Table 1 shows that the power deficit in Shaba in 1977--the earliest year after the completion of either project--would be 240 MW. This is equal to the capacity of the Busanga scheme. It means that at the time of its completion the Busanga plant would be already insufficient. As there seem to be no other favorable hydro sites in Shaba, Inga power will be needed in Shaba in 1977-78. Under these circumstances it would be logical to concentrate on the construction of the transmission line right away and to abandon the Busanga project.



15. As to the construction of the Second Stage of Inga I, the necessity of it may be seen from "Balance-Total" column of the Table 1: as it was noted earlier, in 1977 the country as a whole, not only Shaba will face a power shortage.

16. The fact that the transmission line has become in a way, an unavoidable investment does not mean that it would be a solution without problems. Some of them have already been mentioned. However, it may be useful to review them briefly:

a) Technological difficulties involved in such a long transport line under tropical conditions: these difficulties will emerge not only during the construction of the line but also for its maintenance, repair, defense etc... These are purely technical problems requiring technical solutions, but the fact that a line of similar size in a country with roughly similar conditions (Mozambique) is actually under construction would probably indicate that it is possible to find these solutions.

b) The present power costs to the copper industry are about 30 cents/KWh. The Busanga plant would supply the electricity at a cost of 50-60 cents/KWh. Above 300 MW transmission capacity the unit costs for electricity from Inga through transmission line (under some conditions) would also be around 60 cents/KWh. In the early years of operations of the transmission line, the unit costs are, however, likely to be higher because the energy required in Shaba will necessitate less than 300 MW capacity. It is estimated for instance that sending less than 200 MW through the line would raise the unit costs to about 80 cents/KWh. (US Embassy report p. 4). But if the estimates included in Table 1 are anywhere near the mark it only means a relatively high cost for two or three years. Also the estimates of Table 1 are based on possibly conservative projections of the requirements of the SMTF (see Table 2): the leaders of this consortium recently indicated a need for 170 MW in the late 70's. This figure looks too high a priori. But we know neither their exact plans of production nor, even more important from an electricity point of view, the techniques of production they propose to use. Energy requirements of techniques based on electrolysis would be much higher than that of smelting. If the SMTF can use 170 MW by 1978-79, it means that the transmission line could pass the 300 MW mark a year or so after its completion.



c) The capacity of Second Stage Inga I was given above as 1200 MW yet the additional requirements of the country as a whole will only fill about half of this capacity by the mid-80's. However, the installation of the eight units can be phased to avoid idle capacity. In addition to this factor of flexibility one may mention several others: exports to neighbouring countries, removal of presently used thermal plants to other parts of the country not connected to the Inga-Shaba network, installation of new industries in either region, etc...

### Conclusion

17. On the basis of the projected power requirements, the time and location of the demand for energy, the construction of the transmission line and the completion of the Phase I of Inga seem to have become unavoidable unless one envisages less copper production than planned. No substantial increase in copper prices is expected in the coming years, therefore, any increases in Zairan copper export earnings will have to come from higher exports volume. Delays in the implementation of expansion programs would jeopardize the creditworthiness of the country in future. Save for possible technical reasons, it is difficult to see how one can oppose the idea of a transmission line.

18. The cost analysis in Mr. Montfort's report remains valid under his assumptions i.e. that the construction of Busanga permits the postponement of the transmission line (and Second Stage Inga I) by about five years. Once this assumption is dropped, as it now seems necessary, there is no possibility of comparison between the two projects. Had the construction of the Busanga dam started in 1970-71 the energy deficit in Shaba could have been to a large extent avoided, a larger part of the Shaba's consumption would have been satisfied by more dependable local sources of energy and the construction of the transmission line would have become less urgent.

19. The data and assumptions underlying the conclusions of this memo need to be checked and substantiated by experts. More particularly the experts should:

- cc: Messrs.
- J. North
  - H. Collier
  - S. Please
  - D. King
  - B. Montfort
- review the demand forecasts,
  - review the transmission line project in detail (technical feasibility and economic justification),
  - explore the possibilities of imports of energy from Zambia (supply situation in the Zambian copper belt as well as the transmission facilities to Shaba),
  - examine the feasibility of thermal power generation in Shaba with special emphasis on the use of nearby fuel resources,
  - examine the possibility of establishing a nucleus of programming unit to study and to devise an energy development program.



Table 1: POWER BALANCE IN INGA AND SHABA ZONES (MW)  
(Domestic Demand and Supply Projections for 1972-85)

<u>Power Requirements</u>				<u>Domestic Production Capacity</u>			<u>Balance</u>			
<u>Years</u>	<u>Inga Zone</u>	<u>Shaba Zone</u>	<u>Total</u>	<u>Inga Zone</u>	<u>Shaba Zone</u>	<u>Total</u>	<u>Inga Zone</u>	<u>Shaba Zone</u>	<u>Total</u>	<u>Years</u>
1971	85	483	568	120	540	660	35	57	92	1971
1972	104	542	646	125	540	665	21	- 2	13	1972
1973	160	593	753	175	540	715	15	-53	-38	1973
1974	204	605	809	275	540	815	71	-65	6	1974
1975	217	650	867	425	540	965	208	-110	98	1975
1976	232	706	938	425	540	965	193	-166	27	1976
1977	248	780	1028	425	540	965	177	-240	-63	1977
1978	262	830	1092	425	540	965	163	-290	-127	1978
1979	327	872	1199	425	540	965	98	-332	-234	1979
1980	345	915	1260	425	540	965	80	-375	-295	1980
1981	360	961	1321	425	540	965	65	-421	-356	1981
1982	378	1009	1387	425	540	965	47	-469	-422	1982
1983	397	1060	1457	425	540	965	28	-520	-492	1983
1984	467	1113	1580	425	540	965	-42	-573	-615	1984
1985	490	1168	1658	425	540	965	-65	-628	-693	1985

Notes for Table 1: on following page.



Notes to Table 1:

1. Projections are based generally on estimates by Mr. B. Montfort (Congo-Kinshasa Partial Sector Review, Power Sector, Public Utilities Department, December 16, 1970)
2. Power requirements for Inga Zone are from Montfort, with following adjustments: a. Aluminum smelter excluded (in Montfort it uses 150 MW in 1973 and 600 MW in 1984), b. Steelmill is included with 25 MW in 1973, 50MW in 1974, 100 MW in 1979 (as in Montfort, except that his 1973 figure is also 50 MW). (The year 1971 from Economic Report 1972)
3. Power requirements for Shaba Zone are derived from Montfort's figures which are given in GWh. The conversion to capacity figures (MW) are made on the basis of 8760h. per year and 53% utilisation (including losses). Mr. Montfort has recommended in a talk with me to use a ratio of 55%, but installed capacity in 1970 being 539.5 MW in Shaba (Montfort, Annex II), load forecast for 1972 (2575 GWh) corresponding to full use of available capacity (Montfort's Back-to-Office memo to D. King, October 8, 1970, p.1 and U.S.Embassy Report dated July, 1971, Enclosure 1), this gives a utilization factor of about 0.53. In fact different sources seem to use different conversion factors, in these projections a factor of 0.53 has been used consistently for requirements and for capacity. Although it is clear that more specific estimates of this factor are necessary to make accurate projections, the procedure used here seemed adequate to give a rough idea about the order of magnitude of the power deficit and its timing.

These estimates are based on present copper producers' forecasts (Gécamines and Sodimiza) of expected load including the load due to the expansion of copper production. It is further assumed that the new Tenke Consortium (Société Minière Tenke - Fungurume, SMTF) would start production in 1975 using about 10 MW capacity in that year and going up to 100 MW in 1980 (see Table 2). All the sources refer to the secretive attitude of SMTF and no official figures are available about their production plans, but estimates are that they would produce 60.000 tons of copper in 1975-76 and reach 100.000 tons by 1980.
4. Capacity projections are based on capacity presently in operation or under construction. Practically it means that we take the capacity existing at the end of 1970 and add to it Inga I under construction. The first unit (50 MW) of Inga I will be in operation before the end of 1972 and it is assumed that the remaining five units (50 MW each) will come into operation in 1973-74 (Economic report 1972). Production capacity in Shaba is taken from Montfort (Annex II) and kept constant throughout the period.



Table 2: DETAILED PROJECTIONS OF ENERGY REQUIREMENTS IN SHABA

Year	Projected Energy Consumption (GWh)				Corresponding Power Capacity (MW)			
	Gécamines & normal load	Sodi- miza	SMTF	Total <sup>1/</sup>	Gécamines & normal load	Sodi- miza	SMTF	Total
1972	2296	78	-	2515	524	18	-	542
1973	2470	120	-	2751	565	28	-	592
1974	2526	120	-	2810	577	28	-	605
1975	2625	168	50	3019	600	38	12	650
1976	2795	192	100	3278	639	44	23	706
1977	2968	192	250	3620	678	44	58	780
1978	3036	192	400	3854	695	44	91	830
1979	3396	204	447	4047	732	45	95	872
1980	3471	228	469	4249	762	49	104	915
1981	3594	288	492	4461	789	63	109	961
1982	3670	307	517	4685	823	69	117	1009
1983	3840	336	543	4919	862	75	123	1060
1984	3895	497	570	5165	874	111	128	1113
1985	4114	497	598	5423	921	111	136	1168

<sup>1/</sup> Including losses. They are equal to the difference of the sum of the first three columns and the total.

Note: 1972-78 figures from Montfort, Annex V. From 1979 on, the total and SMTF from Montfort, Sodimiza figures from U.S. Embassy Report and Gécamines (and normal load) obtained as a residual. The breakdown by firms is tentative after 1979.



Mr. Robert S. McNamara

October 24, 1972

S. Shahid Husain

Zaire: Visit of Messrs. Sorensen and officials  
of Societe Miniere de Tenke-Fungurume (SMTF)

Mr. Sorensen and officials of SMTF are meeting you today at 3 p.m. to discuss the Tenke-Fungurume project in Zaire. I had a meeting with them on October 17 re the possibility of Bank financing of a copper mining project in Zaire. The following is a brief description of their project and a resume of my discussions with them.

Background

Copper production in Zaire reached about 360,000t p.a. in 1969, produced entirely by GECAMINES, the national successor company to Union Miniere du Haut Katanga. GECAMINES is pursuing a ten-year program, providing for production increases to 460,000t by the end of 1974 and to 560,000t by 1980. Furthermore, two new ventures will add to higher copper output in Zaire. One is SODIMIZA (capital 85% Japanese, 15% Zairan), the production of which is expected to reach 100,000t p.a. between 1973 and 1978; the other one is SMTF (Societe Miniere de Tenke-Fungurume), created by a British, American, Japanese and French consortium, with an expected output of 100,000t p.a. by 1976 at the earliest. Thus, total Zairan copper production by 1980 would be in the order of 760,000t. However, latest and so far unconfirmed information indicates that GECAMINES plans to increase its production to even 900,000t in the early 1980's. Were this true, total Zairan output would reach 1.1 to 1.2 million t by that time, tripling the 1969 production.

A description of SMTF, its shareholders, mining project, production forecast, status of studies and a preliminary time schedule are given in Annex A.

Past contacts with SMTF and its group of promoters were mainly by IFC. I met with the promoters for the first time on October 17, during a visit of Messrs. Beville Pain, Finance Director, Charter Consolidated Ltd; Peter Burnell, Chairman of SMTF; J.W. Cozad, Vice President Financial Operations, Standard Oil Company; and J.C. Vred-enburgh, Director, Financial Planning and Financing, Standard Oil Company.



October 24, 1972

The SMTF Proposal

During that meeting we were asked to consider financing of the township required for the Group's planned mining venture, estimated to cost \$60 million.

The cost of the overall SMTF investment was given at \$300 million (including the township) to be financed as follows: \$50 million (20%) equity; \$100-125 million expected to come from EXIMBANK and other, mainly UK, sources and a balance of \$100-125 million still to be found. ←

The promoters thought that a possible Bank loan could be made to the Government and on-lent to a township construction company. Lease contracts between SMTF and the township company should provide the security required for the loan. SMTF would wish to maintain in one form or another management control over the township construction company, as well as of the township administration, to assure timely availability of the facilities and proper functioning.

Our visitors' comments on the general copper market outlook, price forecast (50 cents mentioned) and marketing arrangements were sparse and did not exceed what is given in the Annex. However, the importance, for their decision to invest, of having assured power supply via the Inga line was stressed repeatedly, as was the question of an acceptable but so far undetermined power price. Power requirements for a production of 100,000t p.a. were given at 80-120 MW, depending on the yet undetermined technological treatment process chosen.

Our Position

We found that the promoters came to us to ask for township financing on their own initiative and not because they had been asked to do so by the Government. On this point, the Zairian Minister of Finance had told us during the Annual Meeting that the promoters were supposed to line up all third party financing required for SMTF from their traditional sources of finance.

We said that Zaire was a country in which we had lent IDA funds so far; despite IDA shortage, we had been able to execute our program in the high priority sectors of transportation, agriculture and education. If we were asked to finance beyond this program, Bank funds would have to be



October 24, 1972

considered, requiring that we review with the Government its overall investment program related to copper, including Inga, the transmission line, and the Voie Nationale, investments easily running up to \$1 billion. Since there were competing claims on financing, it would be difficult, therefore, to take even a preliminary position on the township proposal. If we were to finance part of the copper related investments, we would try to do it where we could make the best contribution to the economy and to help the country attract other external finances. In the meantime, the promoters should explore whatever other sources of finance they might be able to open up. However, at the request of our visitors, we agreed that another informal and preliminary discussion could take place during my forthcoming mission to Zaira at the end of November.

SSHusain:pe



SOCIETE MINIERE DE TENKE - FUNGURUME

1. The Company.

The company was constituted on 22nd January 1971 under the name of Societe Congolaise de Tenke-Fungurume (Socotef) in accordance with the terms of a Convention signed between the Government of the Republic of Zaire and the founder members on 19th September 1970. The company's name was changed to Societe Miniere de Tenke-Fungurume (S.M.T.F.) on 19th November 1971, following the country's change of name from "Republique Democratique du Congo" to "Republique du Zaire". The company has its registered office at the Union Zairoise de Banque center in Kinshasa, the capital of Zaire.

The company, by virtue of an Ordonnance-Loi, was granted a research permit over an exclusive research zone covering some 1400 sq. km. in Shaba - formerly Katanga - Province for all mineral substances excepting those minerals which at the date of signature of the Convention were classified as being "reserved" (i.e. uranium). The Republic of Zaire also granted S.M.T.F. the right to obtain exploitation rights for each discovery of a deposit which S.M.T.F. considers commercially and economically viable.

S.M.T.F. was thus created in terms of the Convention with the purpose of "prospecting for, discovering, investigating and exploiting mineral deposits in a zone containing the areas known as the Tenke-Fungurume polygon and Fungurume extension, as well as concentration, metallurgical and chemical treatment, transformation, marketing and exportation of the said substances and the substances deriving therefrom, as well as all operations relating thereto."

The original shareholders of S.M.T.F. are:-

	<u>Percentage Interest</u>
Charter Consolidated Zaire Ltd.	28
Amoco Minerals Inc.	28
Government of Zaire	20
Mitsui & Co. U.S.A. Inc.	14
Bureau de Recherches Geologiques et Minieres	7
Leon Tempelman & Son Inc.	3
	<u>100%</u>



Charter Consolidated Zaire Limited has its registered offices at 11a Avenue de la Porte Neuve, Luxembourg. It is a subsidiary of Charter Consolidated Limited, 40 Holborn Viaduct, London, E.C.1., a major British Mining finance company closely affiliated with Anglo American Corporation of South Africa.

Amoco Minerals Company, having its principle office at 910 South Michigan Avenue, Chicago, Illinois, U.S.A., is a subsidiary of the Standard Oil company of Indiana.

Mitsui and Co. U.S.A. Inc. has its principal office at 200 Park Avenue, New York, N.Y. (U.S.A. and is a subsidiary company of Mitsui and Co. Ltd. of Tokyo, Japan.

Bureau de Recherches Geologiques et Minieres, (B.R.G.M.), a French National Public Institution has its principal office at 74 rue de la Federation, Paris 15e.

Leon Tempelman & Son Inc. has its principal office at 529, 5th Avenue, New York (U.S.A.).

Since the creation of the company two transfers of shares occurred:-

Mitsui and Co. U.S.A. transferred its shares to Mitsui and Co. Ltd., having its head office at 2-9 Nishi Shimbashi Itchome, Minato-Ku, Tokyo, Japan.

B.R.G.M. transferred half of its holding to Omnium des Mines S.A., 280 Boulevard St. Germain, Paris, France, an affiliate of the Banque de Paris et des Pays-Bas.

Simultaneously, with the signing of the S.M.T.F. Convention and the creation of S.M.T.F., a second Convention was signed by the same partners and a second company S.I.M.Z. (Societe Internationale des Mines du Zaire) was created. S.I.M.Z. has been granted exploration rights over an area of 30,692 sq. km., of which half has already been returned to the Government of Zaire, in accordance with the requirements of the



Convention.

S.I.M.Z. is undertaking a longer term (5-10 year) basic geological exploration programme within its concession area where several interesting indications of mineralisation have been identified.

2. The Project.

(a) Location.

As will be seen from the attached maps the Tenke-Fungurume concession area is located in the so called "Copper Arc of Shaba" in the Republic of Zaire, specifically between the Western Group mines of Gecamines (Generale des Carrieres et des Mines du Zaire) at Kolwezi and the Central Group Mines of Gecamines at Kambove and Kakanda.

The Tenke-Fungurume area is 200 miles by macadamized road from Lubumbashi, which itself is accessible by plane from Kinshasa or by road from Zambia. The area has also railway (or rail-river) connections with Matadi in Zaire (2600 km.), Lobito in Angola (1880 km.), Beira in Mozambique (2356 km.), Dar-es-Salam in Tanzania (2356 km.) and with various South African ports.

(b) Ownership.

The area over which S.M.T.F. holds rights formerly belonged to the Union Miniere du Haut-Katanga (U.M.H.K.). Since the early part of the 20th century, U.M.H.K. had undertaken a series of exploration programmes. These included a substantial amount of basic geological work and in the later years an important drilling programme. As a result of the latter, substantial tonnages of high grade copper and cobalt ore were located in a number of scattered deposits. Due, however, to the complicated geological environment and probably also to difficulties of metallurgical treatment by techniques known and available at that time, U.M.H.K. never embarked on an exploitation programme.



In January 1967 the Government of Zaire declared the nationalisation of all the assets and undertakings of U.M.H.K. and prolonged negotiations on the amount payable in respect of compensation for the assets taken over then ensued. On 15th February 1967 a management contract between U.M.H.K. of the newly formed Gecamines was announced; however, it was not until 24th September 1969 that the issue of compensation was finally settled between the parties. Following the announcement of this agreement, the participants in S.M.T.F. responded to an earlier invitation by the Zaire Government to enter into negotiations on rights to develop a major mining complex in the Tenke-Fungurume area. These negotiations resulted in the signature of the Establishment Convention referred to in the first paragraph of this memorandum.

3. The Establishment Convention.

The most important points covered in this agreement between the Government of Zaire and the shareholders of S.M.T.F. can be summarised as follows:-

- (i) The company is granted sole rights to explore and ultimately exploit known reserved mineral occurrences over an area of 14,025 sq.km. The concession is for 30 years, renewable for up to two further periods of 20 years each.
- (ii) The Government of Zaire is granted a 20% free interest in the equity of SMTF.
- (iii) The company is managed by a Board of at least eight Directors of whom six, including the Chairman and principal Executive Officer, are nominated by the foreign shareholders and two, including the Vice-Chairman, by the Government.



The Board is currently constituted as follows:-

Chairman - representative of Charter Consolidated.  
Administrateur Delege - representative of Charter Consolidated.

2 representatives of Amoco Minerals

1 representative of Mitsui & Co.

1 representative of BRGM/OMNIMINES.

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2 representatives of the Government of Zaire

Following the formation of the company, the Board of Directors invited Mr. Maurice Tempelsman, the President of Leon Tempelsman & Sons, to join the Board which now therefore consists of 9 members.

- (iv) S.M.T.F. has full exemption from all taxes, export and import duties and other imposts until the end of the fifth year of exploitation of each mine discovered, apart from nominal payments in respect of tenure of mining rights. Between the sixth and the end of twentieth year, the company is liable to an overall payment of 50% of annual taxable profits. This payment is made in advance in provisional amounts equal to 12.5% of the f.o.b. value of products exported by the company. These payments are under no circumstances reimburseable to the company. In the event that they exceed in aggregate in any one year, the amount payable in respect of the 50% tax liability, the balance may be carried forward and credited against taxes payable in any subsequent year when the advance payments amount to a lesser amount than the tax liability.

The fiscal and other benefits granted by the Convention are valid for 20 years following which the company becomes subject to the then existing law of the country.

- (v) S.M.T.F. may raise loans upon the decision of the Board of Directors, shareholders or third parties.



- (vi) The company is permitted to retain or transfer outside Zaire in foreign currencies all funds not required for payments to the Government or for local operating expenses.
- (vii) The company has freedom in the choice of its suppliers and contractors subject to giving preference to locally established organisations on equivalent terms.
- (viii) The company is permitted to sell its total production to the organisation (s) of its choice on the basis of going world market rates at the time, subject to first supplying the needs of the local market on the basis of a pro rata contribution by all of the companies engaged in mining copper in the country.
- (ix) The Convention has been promulgated as a law of Zaire and it is provided that wherever its provisions may conflict with those of present or future Zairois Laws or regulations, the terms of the Convention shall prevail.

4. The Feasibility Study.

In January 1971, S.M.T.F. entered into a "Technical Assistance" contract for 10 years with Charter Consolidated. In terms of this the latter undertakes to provide a full range of technical and administrative services to the company and to supply it with or procure for it the necessary technical personnel.

As soon as the formalities relating to the creation of the company were completed offices were established in Kinshasa, Lubumbashi and Fungurume and "feasibility" work commenced. The availability of camp accommodation for employees and the fact that access to a substantial number of known mineral occurrences in the area was immediately possible as a result of the work in earlier years, permitted a highly intensive drilling campaign to begin almost immediately.



There are at present 14 drilling rigs in operation and by the end of August 1972 some 278 boreholes totalling 17,886 meters had been completed. In addition an extensive concurrent programme of sample taking from pits, trenches and adits has been undertaken.

At 30th April, the date of the last public announcement of drilling results "probable and indicated" reserves amounted to 20 million metric tons grading 6.2% copper and 0.4% cobalt. In addition inferred reserves were 14.8m. tons. By the end of August these had risen to 32.2m. tons at 5.6% copper and 0.42% cobalt in the probable and indicated categories plus inferred reserves of 8.7m. tons. The latter figures having not yet been published must be regarded as highly confidential until the time of the next press release.

The target of this year's programme is to identify 50-55m. tons "probable", "indicated" and "inferred" reserves and we are confident of achieving this objective. Open pit operations only are anticipated for at least 10 years. Simultaneously with the geological programme extensive metallurgical studies have been undertaken in England, Zambia and South Africa. A number of processes and flow sheets have been examined in conjunction with alternative mining plans. As a result of this work it is likely that the plant will be designed for the treatment, in the early years mainly of high grade oxide ores from which good copper recoveries are obtainable by direct bulk leaching with sulphuric acid. Changes to the flow sheet involving important additional capital outlays for plant extensions could be necessary from about year 6 of production if it transpires that further reserves of this type of weathered near surface oxide ore cannot be located. Refined copper will be produced in cathode or wirebar form.

Preliminary engineering studies have been undertaken from which a capital expenditure estimate of approximately \$300 million for an operation producing initially 100,000 to 110,000 t.p.a. copper has been derived. This will be progressively refined over the next two to three months and must be regarded only as an order of magnitude at the present time. The estimate is in 1972 money values and excludes any provision for inflation. Feasibility expenditure



to end 1972 will amount to about \$20m.

An operation of this size would require approximately 2,500 employees of whom about 10% would be expatriates.

Extensive studies have been carried out inter alia in the following areas:-

- Township layout, architectural design.
- Road, rail and other infrastructure requirements.
- Water and power supplies.
- Raw materials availability.
- Transportation.

Financial projections, profitability studies and risk and sensitivity analysis based on the flowsheet developed from the results of metallurgical testwork to date will not be available until towards the end of 1972. We are confident, however, from earlier economic studies based upon highly conservative assumptions that these will confirm that the project meets the required levels of profitability. (X)

It is hoped that a decision to proceed with the construction phase of the project can be taken between April and June 1973. Commissioning of the plant could then be anticipated during the second half of 1976. The major potential source of delay to the above programme is the availability of electric power which is referred to separately in the following paragraph. (V)

Concurrently with the completion of technical aspects of the feasibility study detailed investigations into sources of loan finance for the project and the possibility of securing long term contracts for the copper to be produced must begin shortly. It is probable that a firm of independent consultants will be appointed in the near future to examine and comment upon the results of all work undertaken to date and the conclusions drawn therefrom.

6. Power.

Shaba will have an increasing shortfall between demand for and supply of locally generated power from next



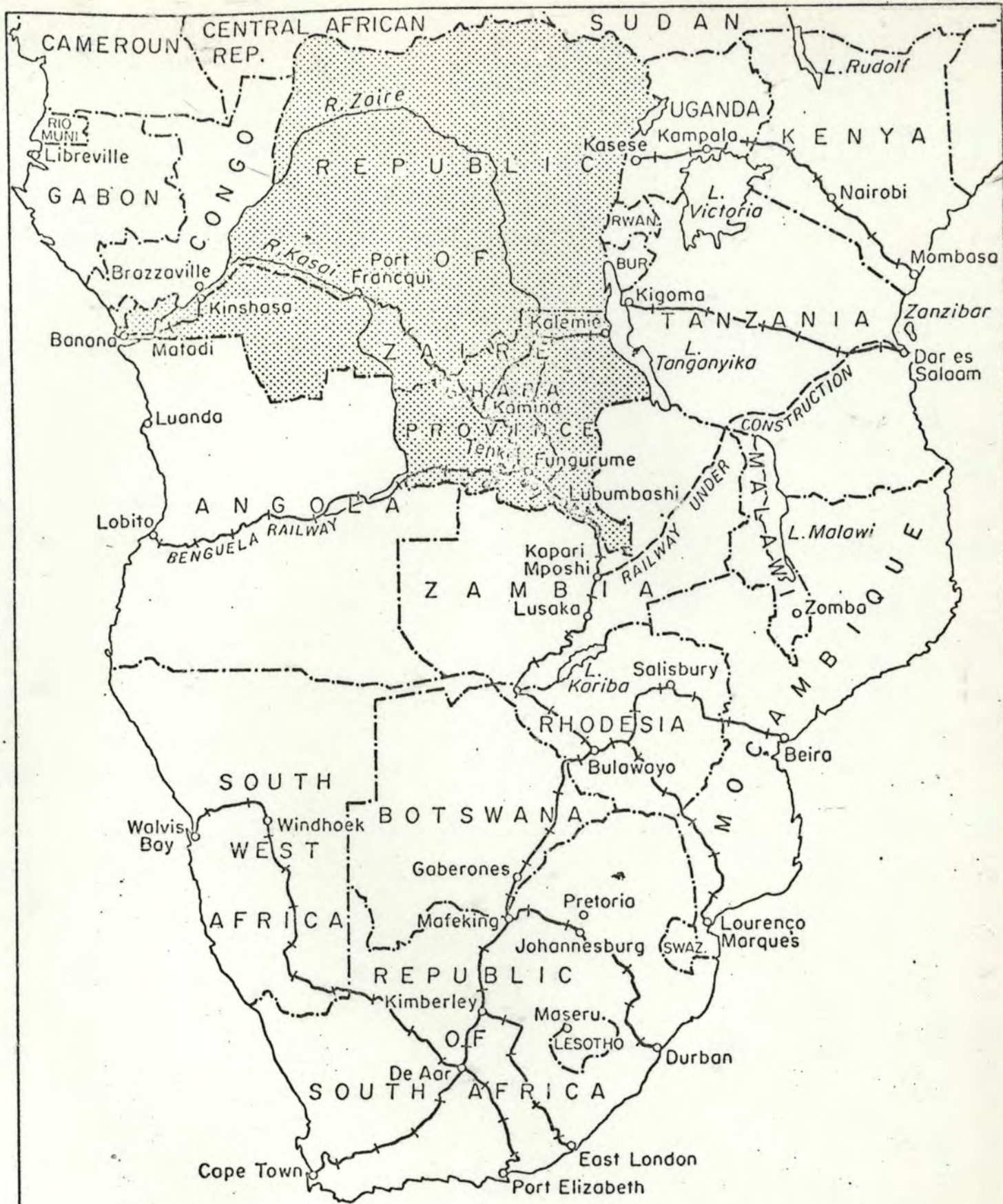
year onwards. After 1975 it is highly improbable that imports from Zambia will be sufficient to cover the deficit. The preferred scheme for doing so amongst local interests was the construction of a further hydro-electric station at Busanga. However, the Government have decided against this and in favour of bringing power from the Inga dam on the lower Zaire river, by high tension DC transmission a distance of over 1800 km.

If S.M.T.F.'s development programme is not to risk being held up, it is essential that the contract for the Inga line is awarded before the end of this year. Although bids are due to be received from an American and a European consortium before 31st October 1972, there must remain considerable doubt as to whether sufficient progress can thereafter be made before the end of the year. (X)

A further major cause of concern to S.M.T.F. is the question of the price at which Inga power will be provided. This is because the minimum offtake required to justify economically the construction of the line, appears to be far above the maximum deficit envisaged in Shaba for many years after 1976. Since power will be a major operating cost for S.M.T.F. even on the basis of present tariffs, this issue is clearly of vital importance and will have been completely resolved before a firm decision can be taken to proceed with production expenditure. (X)

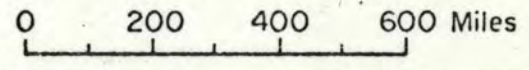
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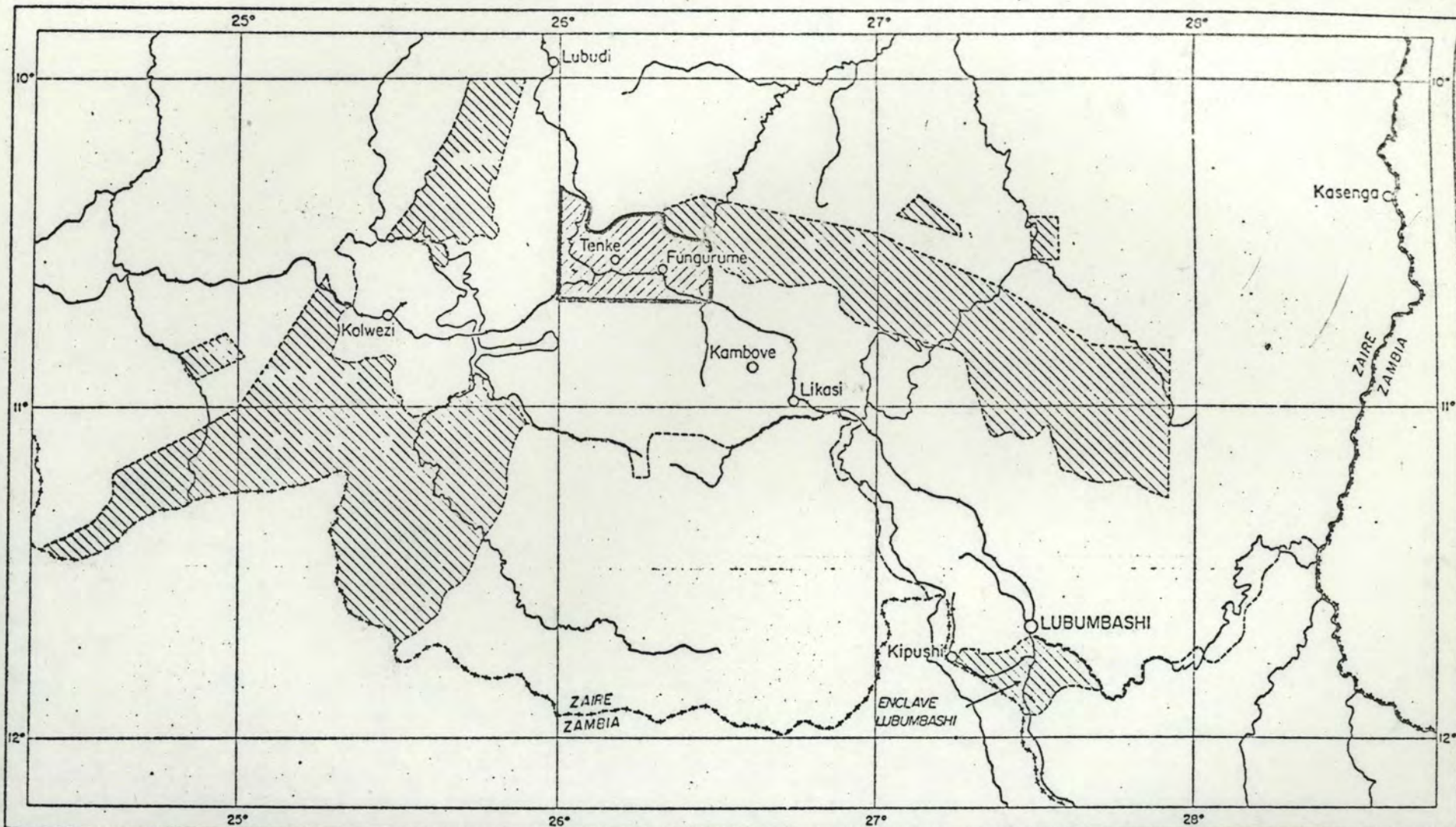


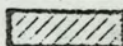
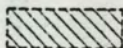
- +—+— Railway
- - - - - Projected Railway
- GECAMINES Mines
- ▲ SODIMIZA Mines

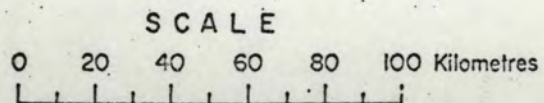
### SOUTHERN AFRICA







-  S.M.T.F. Concession
-  S.I.M.Z. Concession



C.C.L. TECH. DEPT. LONDON

REPUBLIC OF ZAIRE  
SHABA PROVINCE  
SIMZ & SMTF  
CONCESSIONS

Scale: 1:2,000,000

Date: October 1972

GD-1593



October 27, 1972

## S U M M A R Y

### "Voie Nationale" Project

Voie Nationale is a route that joins presently the copper producing Shaba region to the Ocean by railway until Ilebo and from there to Kinshasa by river and again by rail from Kinshasa to Matadi. It goes entirely over Zairan territory, hence the "National" appellation.

Mainly because of two transshipments the transport over the route is expensive and time consuming. This is one of the causes of diversion of traffic through neighbouring countries, especially Angola (Lobito port).

The Bank financed a study under credit 255-CK to establish an economically and technically sound strategy for improving and developing transport services from Shaba to the Ocean over the Zairan territory. A French consulting firm (Bureau Central des Equipements d'Outre-Mer-BCEOM) was selected by the Government and approved by the Bank for carrying out this study. The consulting firm has submitted its draft report which has been discussed with the Bank's participation. The final report should be submitted in November.

Basically the project would consist in linking the railway networks of the two regions by building a new railway between Ilebo and Kinshasa, then extending the rail from Matadi to Banana over a bridge across the Zaire river and building a deep-sea port at Banana.

The total cost of the investment is estimated by BCEOM at \$270 million (at 1971 prices) of which about \$230 million would fall within the period 1973-79. The major component, the Ilebo-Kinshasa railway would cost about \$100 million. The construction of the Matadi-Banana link and the Banana port would cost about \$60 million.

According to the draft report, the all-rail link as described above compares favorably with the alternative of continued use of river transport between Ilebo and Kinshasa. It also compares favorably with the alternative of using foreign routes for the bulk of the transport requirements, except in the somewhat unlikely case that a 30% reduction in freight rates could be obtained on those routes.



BRIEF

1972 ANNUAL MEETING

Updated as of October 28, 1972

ZAIRE

I. THE DELEGATION

a. Names

<u>BARUTI WA NDWALI</u> Minister of Finance	Governor IBRD
<u>SAMBWA PIDA NBAGUI</u> Governor of the Bank of Zaire	Governor IMF
<u>KABONDO WA NZAJI</u> Directeur de Cabinet, Ministry of Finance	Adviser
<u>TSHISHIMBI WA BILENGA</u> Governor of the Bank of Zaire	Adviser
<u>KAZADI MEMBU MUKINKILA</u> Head of Credit Department, Bank of Zaire	Adviser

b. Biographical Sketches

Mr. Baruti Wa Ndwali, formerly Director, Exchange Control and International Agreements, Bank of Zaire. He is a young and competent technocrat. He is not politically powerful and is more apt to follow the lead of Governor Sambwa.

Mr. Sambwa Pida Nbagui, Governor of the Bank of Zaire since September 1970. He is said to be a relative of President Mobutu. He is 32 and was, prior to his appointment, Deputy Director of the Office of the Presidency. He is considered a bright man, with conservative if not orthodox views; so far, he has heavily emphasized preserving the value of the zaire.

Mr. Kazadi's presence in the delegation is of interest because he is rumoured to be Mr. Guetta's successor - designate as Director General of SOFIDE.

II. RECENT ECONOMIC AND POLITICAL DEVELOPMENTS

The situation in Zaire continues to be characterized by internal peace and order, relative economic stability and an increased africanization, both internally and in foreign affairs. These are all due to President Mobutu who, as Chief of State and Chairman of the single national party, the MPR, fully dominates the Zairan scene. There does not seem to be any



person of any political stature at this time, who can be said either to constitute a possible alternative to President Mobutu, or to be an eventual successor.

An economic mission visited Zaire in March 1972 and the economic report is ready for discussion with the Zairan authorities. The economy remains very vulnerable to fluctuations in world copper prices. When prices fell in 1971 to an average of 49 US cents/lb, total export earnings from copper for that year fell by 20%, Government current revenue declined by 9% and the Government had to finance a resource gap of about \$130 million through SDR allocations and borrowings from the Euro-dollar market and from the domestic banking system. For 1972, the Government has imposed an austerity budget but a gap of about \$140 million is anticipated. The rate of growth in 1971 was 5%, as compared to an average rate of growth of 9.5% for 1969-1970. With population growing at an annual rate of 2.3%, the real problem is the financing of Zaire's public investments.

Internationally, relations with Belgium went through a valley recently; General Mobutu was angered by the continuing low quotations for the zaire on the Brussels over-the-counter market. Retaliatory trade restrictions and abolition of the advantages of the Investment Code for Belgian investors have been announced but were never put into effect because subsequent Belgo-Zairan talks redressed relations.

### III. ISSUES RELATED TO ONGOING OPERATIONS

Our relations with Zaire are generally good and in FY 1972 we extended three IDA credits totalling US\$35.5 million, for a development finance company, an education project and a highway project. This represents the largest amount in any fiscal year since independence.

#### River Transport Project (Credit 255-CK)

According to the June supervision mission, the project is proceeding, albeit very slowly. Substantial delays have occurred in filling the key positions, improving ONATRA's financial situation and implementing the physical parts of the project. While progress is being made in the setting up of RVM and RVF, tariffication and budgetary problems impede full scale operation, as does the lack of some key personnel. On the other hand, all three of these agencies suffer from an excessive burden of unnecessary personnel at lower echelons. This project requires close supervision and is likely to remain on the Bank's list of problem projects for some time.



Second DFC Project - SOFIDE (Credit 272-CK)

Although the percentage of SOFIDE's commitments lent to Zairan-owned enterprises improved in the second half of 1971, greater SOFIDE assistance to Zairan enterprise, as well as to projects outside of Kinshasa, should be encouraged. SOFIDE's Zairan staff is still inexperienced and a suitable counterpart for the Director General, who leaves in July 1973, is still to be found, although it is likely that Mr. Kazadi, head of the Credit Department of the National Bank, will be the Government's choice. If so, he should join SOFIDE at the earliest possible time so that he can benefit from Mr. Guetta's knowledge and experience.

Education Project (Credit 272-CK)

This project gave rise to some problems with respect to the correct application of Bank/IDA procurement procedures for goods as well as for consultants' services. A recent supervision mission straightened out these matters.

Second Highway Project (Credit 292-CK)

Because of shortage of staff and too much involvement in day-to-day business, difficulties are anticipated in preparing maintenance and future highway investment plans, as required in the Credit Agreement. The transportation expert assigned to our resident mission (Mr. Duhoux) is following up, but we are following up with a supervision mission in the second half of November. This mission will look also in the consequences of the dismissal, in October, of the Zairan Director General of the Office des Routes and the plans for his early replacement.

IV. ISSUES RELATED TO FUTURE PROJECTS

Livestock Project (FY 1973)

This project, appraised in May, is likely to consist of developing three Government-owned ranches in Shaba (formerly Katanga). Total project cost can be tentatively estimated at about \$3 million, and, if so, the credit would be for about \$4 to \$5 million. Negotiations are scheduled for December.

Three problems will have to be solved before we can go ahead with the project. One is the dispute between the Government and the Compagnie Belge du Katanga (COBELKAT), a mixed development corporation established in the 1930's under Belgian law, now in liquidation. This company owned the ranch at Muhila, which is included in the project, and the dispute concerns the splitting and distribution of the assets.

The second problem is the need for an upward revision of official producer meat prices, to ensure acceptable financial rates of return on the ranches. These prices, which had not changed since 1967 and would make



the project unjustifiable, were increased by ministerial order on July 20, 1972, to levels which APD found could justify a livestock project (0.26 z./kg for first grade live meat and 0.24 for second grade). We have just heard from Mr. Duhoux that this order has been abrogated and that the old prices remain (0.18 z. and 0.165 respectively).

One third issue is that a national ranch authority is to be set up to manage these ranches and supervise the IDA project, and APD is at present insisting that draft statutes for this authority be prepared by the Government as a condition to negotiations. It is extremely important that this project proceed on schedule, to ensure the credibility of our many offers to help Zaire with its agricultural problems. We have had numerous missions on various agricultural subjects in Zaire but this is the first project to materialize. Negotiations are planned for January 1973.

#### Cotton Development Project (FY 1974)

A Bank preappraisal mission recommended a substantial reorganization of the cotton industry. A recent reorganization of the cotton sector has now taken place with the setting-up of a new agency, ONAFITEX. However, relations between ONAFITEX and the private cotton industry have worsened to the point that many ginning mills threatened to close down and have been requisitioned by the Government, to avoid total disruption. A FAC-financed CFDT team of four experts is now in the field to help ONAFITEX revive cotton production in the Ubangui area. If all goes well and, in particular, if the current disputes between the Government and the private cotton industry are resolved, final preparation and appraisal of the project might take place in mid 1973.

#### Telecommunications Project (FY 1974)

In October 1971, the then Minister of Posts and Telecommunications announced that a request was being prepared for IDA financing of a project to improve telephone communications in Kinshasa and between Kinshasa and other urban centers. Interest in such a project was confirmed by the Minister of Finance to another visiting Bank mission, early in June. If such a request is received by the Bank by the end of the year, may be possible for a preparation mission to go to Zaire early in 1973. ] X

#### Unidentified Agricultural Project (FY 1974)

In addition to the cotton and rubber projects, another agricultural project is tentatively included in the FY 1974 program, on the assumption that last year's Agricultural Sector Survey will lead to further projects in this sector. This project is, however, still unidentified and, to be able to process it in FY 1974, identification would have to take place by the end of 1972. Prospects for identification of a suitable project have been explored again during the mini-CG, in October, but without success. Mr. de Azcarate is following up with the Ministry of Agriculture.



V. ZAIRAN PUBLIC INVESTMENT PROGRAM

Although a Planning Ministry was created in the February Government reshuffle - with Mr. Bisengimana in effect as Minister - there is as yet no Zaire development plan. After the termination of the SEDES assistance, the Bureau of the Presidency has approached the UN which sent an expert to Zaire to prepare a project for planning assistance to the Bureau of the Presidency. Indications are that this project is at least one year off. We used therefore the Annual Meeting to reconfirm to the Government our interest in planning and our willingness to help if the Government so wishes.

The March economic mission estimates that, to finance the public investment program which the Government submitted to the first Consultative Group Meeting in 1971, about \$1 billion for 1971-1975, the Government will have to resort to the use of foreign exchange reserves, Euro-dollar borrowings and suppliers' credits for about \$600 million, given the anticipated levels of public savings and long-term foreign aid. But this investment program does not include some large projects to which the Government now attaches high priority: Inga and the Voie Nationale. We estimate that the total public investment for 1972-75 would increase by \$150-200 million if these new projects were implemented. Without them, Zaire's projected debt service ratio for 1981 is 11.5%. The inclusion of these new projects would raise it to 12.3% - 17.5% depending on the size (\$150 or 200 million) and type of borrowing (concessionary aid or commercial type borrowing). Although these debt service ratios are not particularly alarming by themselves, the authorities should be cautioned against borrowing for projects which are not fully economically justified, and advised to undertake a careful review of the Government's investment program with this point in mind.

These large projects had not, until July (President Mobutu's letter to Mr. McNamara on Inga), been suggested to the Bank for financing. However, the Zairans - and more specifically Mr. Bisengimana - feel that the Bank has shown a lack of interest, if not a negative attitude. This feeling is warranted as concerns some projects which are in our opinion economically doubtful, such as the steel mill and the cement plant, but in the power sector we have on several occasions expressed our readiness to analyze the situation, as for instance in our letter to Mr. Bisengimana in November 1970, which was never answered, and most recently in Mr. McNamara's letter of August 7 to President Mobutu. We should proceed very cautiously in the power sector, but given the key importance of power supply for copper production, the mainstay of Zaire's economy, we should give serious thought to active Bank involvement. The development of Voie Nationale is also closely related to copper production. We feel that an overall analysis of this interrelated power-transport-copper complex is necessary and we propose therefore to send a special economic mission to Zaire as soon as possible to review these matters and make recommendations for Bank Group action.

*When would we send the mission  
 ① when would it be about 20  
 ready to start BK  
 ③ when would BK lending be approved  
 no reply*



VI. OTHER MATTERS

(a) Consultative Group Meeting-1973

The meeting is scheduled for early 1973, most probably March. Subject to Government agreement, we intend to include in the agenda a discussion of economic policy and prospects, the agricultural sector, the Voie Nationale and the problem of setting up a planning mechanism.

b) Resident Mission-Kinshasa

Early this year, it was decided that an agricultural and transportation specialist should be attached to our Resident Mission in Zaire. The agricultural specialist would primarily assist in the identification and preparation of agricultural projects suitable for Bank Group financing, whereas the transportation specialist would concentrate on supervision of ongoing highway and river transport projects along with participation in project identification and preparation. Efforts to find candidates for these two permanent positions are continuing, but we have appointed Mr. Duhoux, a consultant, as an interim transportation specialist for a period of six months.



Unofficial translation

TO: Mr. McNamara  
President  
International Bank for  
Reconstruction and Development  
1818 H Street N.W.  
Washington D.C. 20433

Mr. President:

The present economic evolution of my country requires urgent and costly solutions. I am thinking in particular of the Inga hydroelectric project, the first stage of which will be initiated next November.

Without getting too much into details, I can tell you that the next stages have begun. Their cost is so high and the world economic situation so unfavorable that we do not have available to us the type of financing required for this kind of project

Therefore, while I am aware of your extremely busy schedule, I would be infinitely grateful if you could come to Kinshasa as soon as possible and at your early convenience, even if it were only for a few hours, so that I may discuss with you, personally and face to face, matters which are a great concern to me regarding the energy problem of my country.

Sincerely yours.

Signed Mobutu Sese Seko



His Excellency Mobutu Sese Seko  
President of the Republic of Zaire  
Kinshasa  
Republic of Zaire

8/1/72

Mr. President,

I thank you for your letter of July 15 which you were kind enough to have brought to me by Mr. Bokana, and also for the invitation which it contains.

I can understand that the investment program of Zaire must pose important problems for you over the next few years. There are many things to be done, many of them requiring large scale investments. I understand that among these are the energy problems in the mining areas. I am grateful to you for offering me the possibility of reviewing all of these questions with you.

Since Mr. Bokana's visit, I have carefully looked over my calendar. As I have already intimated to Mr. Bokana, I cannot accept your invitation right away since my program is particularly heavy, especially because of the efforts I have to undertake to bring about the replenishment of the funds available to IDA which are so necessary if we are to contribute to the economic development of our member countries, especially in Africa. In addition, I shall very soon have to concentrate on the preparations for the Annual Meeting of our group of institutions, which is to be held at the end of September.

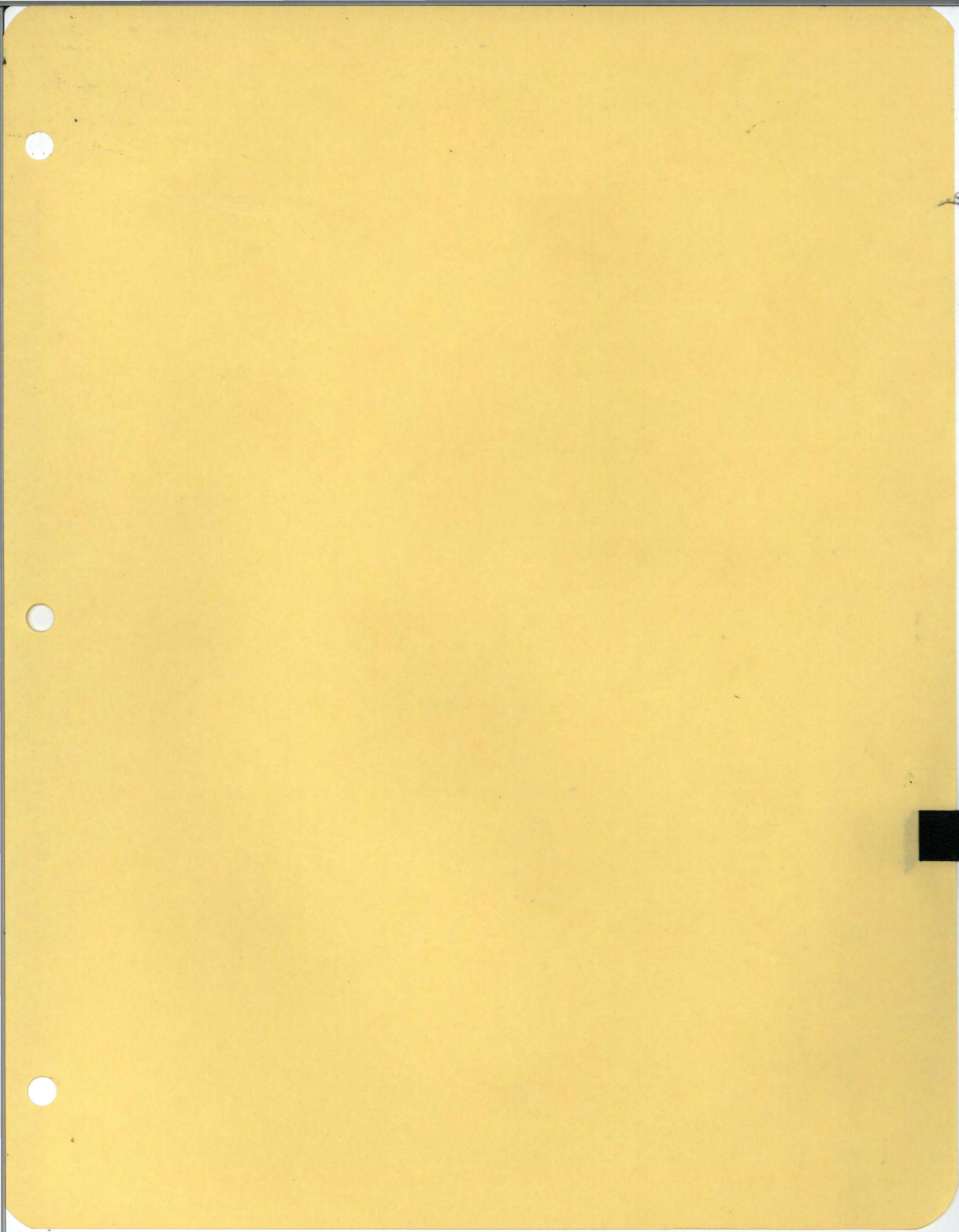
I would like you to know, however, that I intend to examine the problems you have raised. We really know very little about the present power situation in Zaire and, in particular, in Shaba. In order to enable us to study the problems which result from the situation, we will need to have as much information as possible concerning these problems and possible solutions. May I therefore suggest, Mr. President, that you have this information sent to us to enable my associates to study the matter on the basis of all relevant data. I have asked Mr. Lejeune, Director of Eastern Africa Department, to contact Mr. Bisengimana so that we may have the necessary information as soon as possible. As far as I am concerned, I hope to find the occasion to have with you the discussions which you have proposed.

was it sent

Yours very sincerely,

Robert S. McNamara









BUREAU DU PRESIDENT

Kinshasa, le 15.VII.1972

N°PR/ 1595 /72.

A Monsieur Mc NAMARA  
Président de la Banque  
Internationale pour la  
Reconstruction et le  
Développement  
1818, H. Street N.W.

WASHINGTON DC 20.433

(USA)

N/Ré :

V/Ré :

Objet :

Monsieur le Président,

L'évolution économique actuelle de mon Pays exige des solutions urgentes et coûteuses. Je pense notamment au grand projet hydroélectrique d'Inga dont nous inaugurons la première étape en novembre prochain.

Sans vouloir trop entrer dans les détails, je peux vous signaler que les étapes suivantes ont aussi démarré. Leur coût si élevé et la conjoncture économique mondiale si défavorable ne nous permettent pas de disposer de financement compatible avec ce genre de projet.

Aussi, tout en connaissant votre programme extrêmement chargé, je vous saurais infiniment gré si vous pouviez vous rendre à Kinshasa dans les meilleurs délais et à votre prompt convenance, même pour quelques heures seulement, afin que je puisse vous entretenir personnellement et de vive voix, des questions qui me tiennent à coeur concernant les problèmes énergétiques de mon Pays.

Veuillez agréer, Monsieur le Président, l'assurance de ma parfaite considération.



LE PRESIDENT DE LA REPUBLIQUE,



Le 7 août 1972

Son Excellence Mobutu Sese Seko  
Président de la République du Zaïre  
Kinshasa  
République du Zaïre

Monsieur le Président,

J'ai l'honneur de vous remercier de votre lettre du 15 juillet que vous avez eu la grande amabilité de me faire porter par Monsieur Bokana, ainsi que de l'invitation qu'elle contient.

Je conçois les problèmes importants que doit vous poser le programme d'investissement du Zaïre au cours des prochaines années. Il y a beaucoup de choses à faire, parmi lesquelles plusieurs exigent des investissements très importants. Entre ces dernières se situe la question des problèmes énergétiques des régions minières. Je vous suis très reconnaissant de m'offrir la possibilité d'examiner toutes ces questions avec vous.

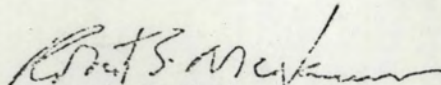
Depuis la visite de Monsieur Bokana, j'ai revu mon calendrier en détail. Comme je l'avais déjà indiqué à Monsieur Bokana, je ne peux accepter tout de suite votre invitation. En effet, mon programme est particulièrement chargé, notamment en raison des efforts que je dois déployer afin d'obtenir la reconstitution des fonds de l'IDA, qui sont si nécessaires pour nous permettre de contribuer au développement économique de nos pays membres, surtout en Afrique. De plus, le moment est déjà proche où je devrai me concentrer sur les préparatifs de l'Assemblée Annuelle de notre groupe d'institutions, qui se tiendra fin septembre.

Je vous prie de croire, cependant, que je désire étudier de près les problèmes que vous avez évoqués. A vrai dire, nous savons très peu sur la situation énergétique actuelle au Zaïre, et en particulier, au Shaba. Afin de nous permettre d'amorcer l'étude des problèmes qui en découlent, il nous faudra disposer du maximum de données intéressant ces problèmes et les solutions possibles. C'est pourquoi je me permets



de suggérer, Monsieur le Président, que vous nous fassiez parvenir autant d'éléments d'information que possible pour permettre à mes associés d'étudier la question en connaissance de cause. J'ai demandé à Monsieur Lejeune, Directeur du Département Afrique de l'Est, de se mettre en rapport avec Monsieur Bisenginana afin d'accélérer au maximum notre mise au courant. De mon côté, j'espère pouvoir trouver l'occasion d'avoir avec vous, Monsieur le Président, les entretiens que vous proposez.

Je vous prie d'agréer, Monsieur le Président, l'assurance de ma plus haute considération.

  
Robert S. McIlamara



Le 17 novembre 1970.

Monsieur B. Bisengimana  
Directeur,  
Bureau de la Présidence  
Kinshasa  
République démocratique du Congo

Monsieur le Directeur,

Nous avons maintenant été en mesure d'étudier les informations rapportées par M. Montfort, au cours de sa mission de septembre au Congo, dont le but était d'une part de faire le point sur la situation énergétique du Katanga, d'autre part de comparer les différents moyens envisagés pour satisfaire la demande d'énergie engendrée par la croissance rapide du secteur minier. Deux projets ont été conçus pour répondre à cette demande: le premier implique l'installation d'alternateurs supplémentaires à Toga et la construction d'une ligne de transmission d'environ 1800 km; le second prévoit une centrale hydroélectrique à Busanga, dans la province du Katanga, dont la puissance installée serait de 240.000 kilowatts.

Il s'avère que les données disponibles sur Busanga sont substantielles (des estimations de coût raisonnablement fermes ont été produites, et des programmes précis de construction ont été préparés pour mettre l'usine en service dès 1976); en revanche, celles concernant la ligne électrique sont purement provisoires et imprécises: les estimations de coût manquent de solidité, les plans détaillés des installations n'ont pas encore été arrêtés. De plus, on sait peu de choses sur le temps requis pour installer la ligne et ses équipements annexes, sinon qu'on pourrait peut-être les mettre en service en 1976. Pour notre part, nous avons de sérieux doutes que les questions techniques et autres restent en suspens en ce qui concerne la ligne haute tension, rendent alors très problématique la réalisation de la ligne dans le temps qui lui a été de prime abord imparti. Toutes choses égales d'ailleurs, le facteur temps apparaîtrait donc pencher en faveur du Busanga. Cependant, on doit, avant de prendre une décision dans ce choix, tenir compte de deux autres importantes considérations.

La première se rapporte à la fiabilité de l'installation. Busanga étant construit dans la zone même de consommation, constituerait une source à énergie très sûre. Tandis que celle procurée par une ligne s'étendant sur 1800 km dépendrait du maintien en parfait état de fonctionnement d'un circuit démesurément long et peut-être partiellement inaccessible.



De surcroît, le projet basé sur la ligne électrique exigerait d'après les données disponibles un investissement beaucoup plus important, peut-être de 110 millions de dollars, contre 64 pour Busanga. Il serait vraisemblable que l'actualisation des dépenses en capital et des coûts de fonctionnement de ces deux projets comparés l'un avec l'autre tout au long de leur vie utile respective, ferait ressortir que la réalisation immédiate de Busanga apparaîtrait plus profitable, quitte à construire par la suite la ligne électrique.

Dans ces conditions, nous recommandons de donner priorité à la réalisation du projet de Busanga pour desservir le Katanga à partir de 1976.

Nous ne voulons pas dire que la construction de la ligne électrique doit être exclue, mais qu'elle devrait être considérée dans toutes phases ultérieures d'un programme à long terme de production d'énergie pour répondre notamment à la croissance rapide du Katanga.

Aussi, nous apparaît-il important, compte tenu de la longueur de la ligne (la première de ce type à être construite dans un pays tropical), d'étudier à fond le problème de la fiabilité, et en particulier celui de l'accès pour l'entretien et les réparations. Il est essentiel de pouvoir absolument compter sur la ligne, compte tenu de l'énergie considérable qu'elle serait amenée à transporter. Nous recommandons donc la réalisation d'une étude de factibilité approfondie qui couvrirait entre autres les aspects suivants: spécifications, trajet, coût, droits de passage, fiabilité, capacité initiale, capacité finale de la ligne. Cette étude comprendrait une évaluation des facteurs conditionnant la vulnérabilité de la ligne. Alors seulement l'importance de cet équipement pour le développement énergétique de votre pays pourra être décidée en toute connaissance de cause. Nous pensons qu'il faudrait que vous obteniez le concours de consultants ayant une expérience de ce genre de problèmes. Il n'en manque pas dans ce secteur.

Nous serions très heureux, si vous le souhaitez, de vous donner des explications plus détaillées et de vous apporter une assistance quelconque à ce sujet.

Je vous prie de recevoir, Monsieur le Directeur, les assurances de ma considération la plus distinguée.

Michael L. Lejeune  
Directeur  
Département Afrique de l'Est

Prepared with and cc: Mr. King  
Mr. Montfort

cc: Mr. de Azcarate, Kinshasa

J. Beach/A. Gintzburger/G. de lausignan/dw



November 16, 1970

Dear Mr. Bisengimana,

We have now had the opportunity to discuss with Mr. Montfort the findings of his visit to your country to review the power situation in the Katanga region and assess the alternative means planned for augmenting the supply to this region to serve the rapidly developing mining load. Two alternative schemes had been conceived to supply the power required: first, the installation of additional generators at Inga and the construction of a direct current transmission line about 1,800 km in length from the Inga powerhouse; and second, the construction in the Katanga region of the Busanga hydroelectric station with an installed capacity of 240,000 kw.

Mr. Montfort found that whereas for Busanga the information concerning the project was well developed (reasonably firm cost estimates were available and firm schedules had been planned for its construction so as to permit it to be in service by 1976) the information available for the direct current transmission line was only of a preliminary nature, and among other things, the cost estimate could not be considered reliable nor could the exact design of the facilities be said to be firmly set. Further there was little information regarding the period of construction required for the line and ancillary equipment other than the belief that it might be possible to have it in service by 1976. We have serious doubts that the technical and other questions involved in a transmission line project of this nature could be satisfactorily resolved within that time limit.



Other things being equal, the time factor would appear to favor Busanga. There are two other important considerations to be borne in mind in reaching a decision. The first is that of reliability. The power supply which would be provided by Busanga could be considered inherently very reliable, that is, a hydroelectric facility to be constructed in the area to be supplied. On the other hand, the direct current transmission line must go overland about 1,800 km so that power supply would be reliant upon keeping in continuous operation this long and perhaps in part inaccessible circuit. Furthermore, the information available indicated that the scheme incorporating the direct current transmission line would require a much larger initial capital expenditure, perhaps US\$110 million compared with the US\$64 million estimated for Busanga. It would appear likely that if these capital expenditures, together with operating expenditures over the lives of the two facilities, were to be compared on the basis of present values, there would be a marked saving in favor of proceeding with ~~with~~ Busanga now, possibly to be followed by the transmission line.

Under the circumstances we recommend that the priority should be given to the construction of the Busanga project in connection with the supply of power to the Katanga area commencing in 1976.

We do not suggest that the construction of the direct current line should not be contemplated, but rather that its construction should be regarded as a potentially important stage in a long run program to meet the needs for power in the Katanga region. In your further consideration of the line, it is important that in view of its great length and the fact that it would be the first of this type to be built in a tropical.



country, the matter of reliability in general and of access for maintenance and repairs in particular should be thoroughly explored and assessed. It would be fundamental that the line should be absolutely reliable in view of the great amount of power it would of necessity have to carry. We would therefore strongly recommend that a full-scale feasibility study be made of the direct current transmission line scheme comprising design, cost estimate, right-of-way, reliability, initial and ultimate capacities together with an assessment of the security aspects. It would be then be possible to state with authority the importance that this facility could assume in the future development of your country's power system. For the purposes of this study we would strongly recommend that you obtain the services of consultants well versed in direct current transmission as verified by the fact that they would have already completed similar assignments. There are a number of consultants with such experience.

Should you require our further comments or assistance in this matter, we will be only too pleased to do our best to comply.