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McNamara Paper

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Travel Briefings: Congo, Central African Republic, Niger, Upper Volta, and Mali - Travel Briefs, Congo

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Itinerary for Visit to Congo, CAR, Niger, Upper Volta,
and Mali, March 1-10, 1972

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>		<u>REMARKS</u>
Feb. 29	1830	2330	Depart Washington--National	A116
Tues.	1932	0032	Arrive New York	River Club
Mar. 1	0930	1430	Depart New York--JFK	AF010 (B707)
Wed.	2240	2140	Arrive Paris	Bristol
Mar. 2	0845		Mr. Chaufournier	
Thurs.	0930		Mr. Giscard d'Estaing	
	1100	1000	Depart Paris--Le Bourget	UT767 (DC8) Marseille, Douala, Libreville
				GMT 1115-1205 1735-1835 1925-2010
	2230	2130	Arrive Brazzaville (Congo)	Govt. Guesthouse
Mar. 3	0900		Meeting with President Ngouabi	<i>all substitute program</i>
Fri.	1000		Discussions with Government (until 1215)	
	1230		Meeting with UN ResRep Pennacchio, Italian	
	1300		Lunch free	
	1430		Meeting with heads of Agence Transequatorial de Communications (ATC) and visit to port of Brazzaville (till 1630)	
	1700		Visit Brazzaville and discuss urban problems (till 1800)	
	1900		Dinner hosted by President	
Mar. 4	0815	0715	Leave Brazzaville	UT722 (DC8)
Sat.	0950	0850	Arrive Bangui (CAR)	Safari Hotel
	1130		Meeting with President Bokassa	
	1215		Meeting with UN ResRep Balima, Upper Voltan	
	1300		Lunch free	
	1430		Discussions with Government (till 1600)	
	1630		Visit to road and rural development (till 1800)	
	1900		Dinner hosted by President (folk performance)	
Mar. 5	0730	0630	Depart Bangui	President's Caravelle
Sun.	1030	0930	Arrive Niamey (Niger)	Villas de l'Entente
	1230		Meeting with President Diiori	
	1300		Lunch with the President (till 1430)	
	1530		Visit Saga rice project	
	1700		Visit livestock station Kirkissoye (till 1800)	
	1830		Meeting with UN ResRep Grondin, Canadian	
			(till 1900)	
	1930		Dinner hosted by President (folk performance)	
	2000			
	2100			
Mar. 6	0800		Meeting with Mr. Kasse, Representative of ECA in West Africa	
Mon.	0830		Discussions with Government (till 1115)	
	1115		Meeting with President (till 1215)	
	1230	1130	Depart Niamey	President's DC6
	1245	1245	Arrive Ouagadougou (Upper Volta)	President's Palace
	1300	1330	Lunch free with Pres.	
	1500		Meeting with President Lamizana	
	1545		Meeting with UN ResRep Dorsainville, Haitian	
	1615		Meeting with Prime Minister Ouedraogo	
	1630		Discussions with Government (till 1800)	
	1810		Meeting with Cardinal Zoungrana	
	1930		Dinner hosted by President	

Visit to village - Sago

Mar. 7	0800	0800	0800	Depart Ouagadougou (Govt. plane DC4)	
Tues.	0915	0915	0915	Arrive Bobo Dioulasso (refreshments)	
	1000			Visit Cotton Project and Rural Development Fund	
	1130			Visit Kou Valley (River Blindness area)	
	1300			Lunch at Prefect Residence	
	1430			Visit Rural Center on River Blindness (till 1630)	
	1700	1700	1700	Leave Bobo Dioulasso	Government DC4
	1815	1815		Arrive Mopti	Guesthouse
	1900			Dinner free	
Mar. 8	0830			Visit Mopti rice area	
Wed.	1230	1230		Leave Mopti	Government plane
				Snack on the plane	
	1330	1330		Arrive Segou	
	1400			Visit "Office du Niger" agricultural project	
	1630	1630		Leave Segou	Government plane
	1700	1700		Arrive Bamako	Govt. Guesthouse
	1845			Meeting with President Traore	
	1915			Dinner hosted by President (folk performance)	
Mar. 9	0830			<i>Dinner</i> Discussions with Government (till 1100)	
Thurs.	1200			Visit Haute Vallee rural projects	by car
				(lunch on the road) (till 1600)	
	1815	1815		Depart Bamako	RK503 (Caravelle)
	2000	2000		Arrive Dakar	
	2030			Dinner hosted by President Senghor	
	2300			Leave Presidency	
	0000	0000		Depart Dakar	PA185 (B707)
Mar. 10	0335	0835		Arrive New York--JFK	transfer to Newark
Fri.	0610	1110		Depart Newark	DL307 (DC9)
	0700	1200		Arrive Washington--National	

0900 US Amb. Bldg

PEOPLE'S REPUBLIC OF THE CONGO

Visit of Mr. Robert S. McNamara
President of the World Bank Group
March 2 and 3, 1972

1. Itinerary and Daily Schedule of Activities
2. Prepared Statement by President
3. Maps
 - (a) Rural Population Density, Economic and Administrative Divisions
 - (b) Transport System
 - (c) Major Agricultural Projects, Potential and in Process of Implementation
4. Basic Data
5. Political and Economic Situation
 - (a) Political Situation
 - (b) Economic Situation and Bank Group Strategy
 - (c) Population
6. Foreign Aid
7. Ongoing Bank Group Operations
 - (a) Manganese Project (230 FR; 1959 Bank Loan of US\$35 million)
 - (b) Potash Project (480 COB; 1967 Bank Loan of US\$30 million)
 - (c) Technical Assistance Grant for road study dated March 10, 1967 (US\$185,000)
 - (d) Highway Engineering Project (S-6 COB; 1969 IDA Engineering Credit of US\$0.63 million)
 - (e) Pointe Noire-Makola Road Construction Project (189-COB ; 1970 IDA Credit of US\$1.5 million)
 - (f) Education Project (237 COB ; 1971 IDA Credit of US\$3.5 million)
 - (g) Highway Maintenance Project (274-COB; 1971 IDA Credit of US\$4 million) not yet effective
8. Projects in the Bank Group's Operations Program
 - (a) Railway Project (proposed US\$6.3 million IDA Credit, negotiations completed)
 - (b) Livestock Project (Appraisal mission returned)
 - (c) River Transport Project
 - (d) Sibiti-Zanaga Road Project
 - (e) Railway Realignment Project

9. Other subjects likely to be discussed:
 - (a) Introduction
 - (b) Bank Group Lending Program and Future Project Possibilities
 - (c) Future Bank Group Assistance to transport sector
 - (d) Investment disputes

10. Biographies
 - (a) Head of State and (in alphabetical order) Ministers and other Congolese personalities
 - (b) U.N. Resident Representative and French Ambassador

11. Background Documents
 - (a) Country Program Paper
 - (b) Speech by President Ngouabi on National Mobilization
 - (c) Minutes of Meeting Bank Group - Congo at 1971 Annual Meetings
 - (d) Department of State - Background Notes

* * *

TRANSLATION

PRESIDENCY
PROTOCOL SERVICE

PEOPLE'S REPUBLIC OF THE CONGO

WORK - DEMOCRACY - PEACE
=====

OFFICIAL VISIT OF MR ROBERT S. MC NAMARA, PRESIDENT
OF THE WORLD BANK GROUP, IN THE CONGO FROM
MARCH 2 TO MARCH 4, 1972

Thursday, March 2, 1972

22:30

- Arrival International Airport Brazzaville/Maya-Maya
Flight UT 767

Reception at Airport by:

- Minister of Public Works, Transport and Civil Aviation -
Captain Goma
- UN Resident Representative Pennacchio and Mrs. Pennacchio
- IBRD Governor Bouiti-Banza and Mrs. Bouiti-Banza
- IBRD Alternate Governor Sathoud and Mrs. Sathoud
- Director of External Relations Tchiouffou
- Director of Investments Milongo

Overnight stay at Villa Corniche, President's Guest House,
(Mr. and Mrs. McNamara, Mr. Ljungh)

Overnight stay at Hotel "Olympic" (Messrs. Kochman,
Chaufournier, Clark, Steckhan)

Friday, March 3, 1972

7:55

Departure Villa Corniche

8:00

Courtesy visit Mr. McNamara to Vice-President Moudileno-
Massengo in the presence of Minister of Transport Goma
and IBRD Governor and IBRD Alternate Governor

8:15

Drive to International Airport

8:30

Take-off to Pointe-Noire by special plane Lina-Congo -
Fokker 27

Discussion on plane with Government Delegation:

- 17:30 - Minister of Industry and Mining Lekoundzou
- 18:30 - Minister of Transport, Public Works and Civil Aviation Goma
- 19:00 - Minister of Agriculture Gangoué
- 20:00 - Representative of Ministries of Education and Friendship
- IBRD Governor Bouiti-Banza

Saturday, March 4, 1972

8:15

- IBRD Alternate Governor Sathoud
- Departure Brazzaville to Bangui-Flight UT 722
- Economic Adviser to the President
- Director of External Relations Tchiouffou
- Director of Investments Milongo
- Mme Dadet-Mopolo (English-speaking wife of the Secretary-General of Foreign Affairs)
- Mr. Chapoux Economic Counsellor
- Interpreter

9:40

Arrival at Pointe-Noire

- Reception at Airport by Government Commissioner Nonault,
- ATC Director-General Babackas
- ATC Assistant Director General Peytral
- ATC Director Castanou
- ATC Director Tchichellé
- ATC Controller Bounsana

10:00

Brief working session and visit of port

11:00

Departure for Dolisie by special train

11:00 - 13:00

Working session on train - lunch ~~free~~ (on train) -
(13:00 to 14:30)

14:30 - 16:00

Continuation of working session on train

16:00

Arrival Dolisie

16:30

Departure Dolisie for Brazzaville by special plane -
"Lina-Congo"

ITINERARY AND DAILY SCHEDULE

OF ACTIVITIES

THURSDAY, March 2

11:00 Leave Paris (LEG) - (DC-8) - 3 stops: Marseille 1215/1305
 Douala 1835/1935
 Libreville 2025/2110

22:30 Arrive Brazzaville

Reception at airport by Government Delegation
~~Mr. Noumazalay, Coordinator General~~, Mr. Bouiti - Banza
 IBRD Governor, Mr. Sathoud - IBRD Alternate Governor and
 United Nations Resident Representative Mr. Pennacchio

FRIDAY, March 3

09:00 Brief courtesy visit to the President of the Republic,
 Major N'gouabi

10:00-12:15 Discussions with Government likely to be chaired by Coordinator
~~General Noumazalay~~ and in the presence of Finance Minister,
 Pongui, IBRD Governor Bouiti - Banza, IBRD Alternate Governor
 Sathoud and others.

12:30 Discussions with United Nations Resident Representative
 Mr. Pennacchio

13:00 Lunch free

~~14:00-16:00~~ Discussions with ATC, including ATC Chairman and Transport
 14:30-14:30 Minister Goma, ATC Director General Babackas, ATC Technical
 Director Peytral (French), ATC Director - Railroads Tchichellé,
 ATC Director - River Transport Castanou, ATC Financial
 Controller Bounsana, possibly including visit of Port of
 Brazzaville

1700 -

~~16:30-18:00~~ Urbanization visit of Poto-Poto area of Brazzaville*

19:00 Dinner offered by the President of the Republic Major N'Gouabi

SATURDAY, March 4

08:15 Leave Brazzaville - (DC-8) - non-stop
 UT 722

09:50 Arrive Bangui

* Alternatively, visit of a state farm near Brazzaville (being explored
 with Government)

REMARKS AT AIRPORT UPON ARRIVAL
IN THE PEOPLE'S REPUBLIC OF THE CONGO

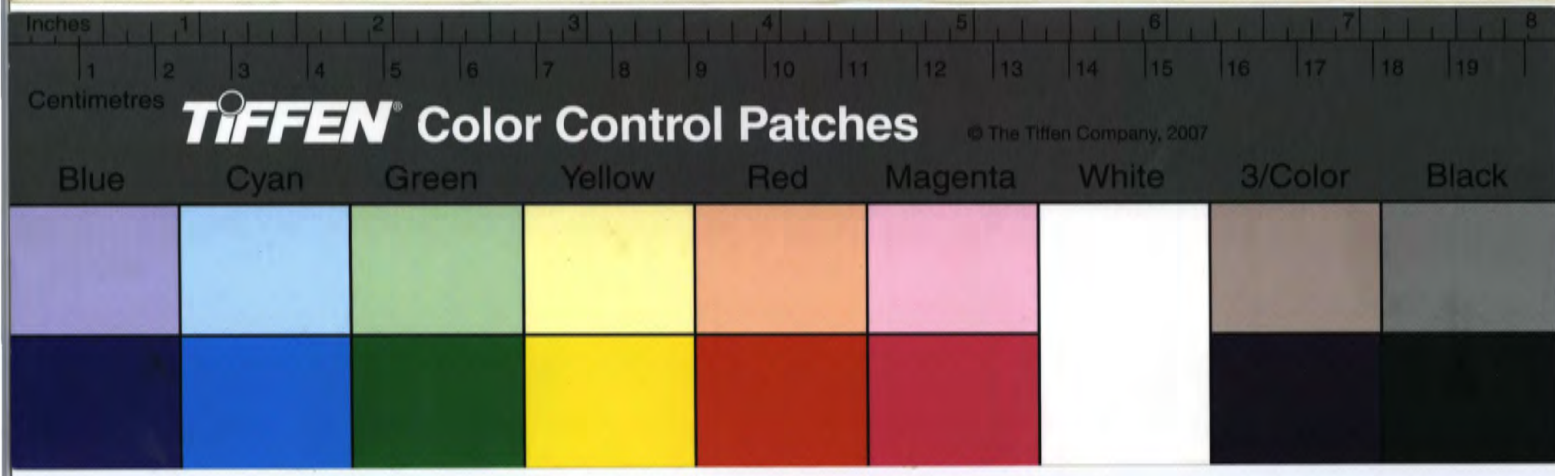
3/1/72

I have for a long time wanted to visit the People's Republic of the Congo. My purpose in coming here is to learn more about the problems you face, how you propose to deal with them, and how we in the World Bank Group can continue to help in the process.

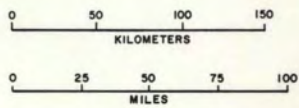
The total of assistance we have ^{already} committed ^{here} for projects ^{rising} here is ^{already} ~~not insubstantial~~. A considerable proportion of it has been for the development of transport, in recognition of your country's central importance in the region's transportation network. For instance, ~~apart from a grant of \$185,000 from the World Bank itself,~~ a number of credits totaling \$5.5 million ^(including one for it in Dec '71) have been extended by our affiliate, the International Development Association, for roads. ^{And on Tuesday of this week I sent 2 our Board of Directors a 6 million project} We hope that, if all goes well, we may before long be able to assist in the ^{for the} modernization of your railways.

But transport is not our only concern. We are also interested in other high-priority sectors, ^{including} ~~such as~~ education and agriculture. We have already approved our first credit of US\$3.5 million for an education project here. By providing more facilities for vocational, agricultural, technical and teacher training, the project will help adapt your educational system to your economic needs; in particular, it will provide many of the skills that are badly needed in the agricultural sector.

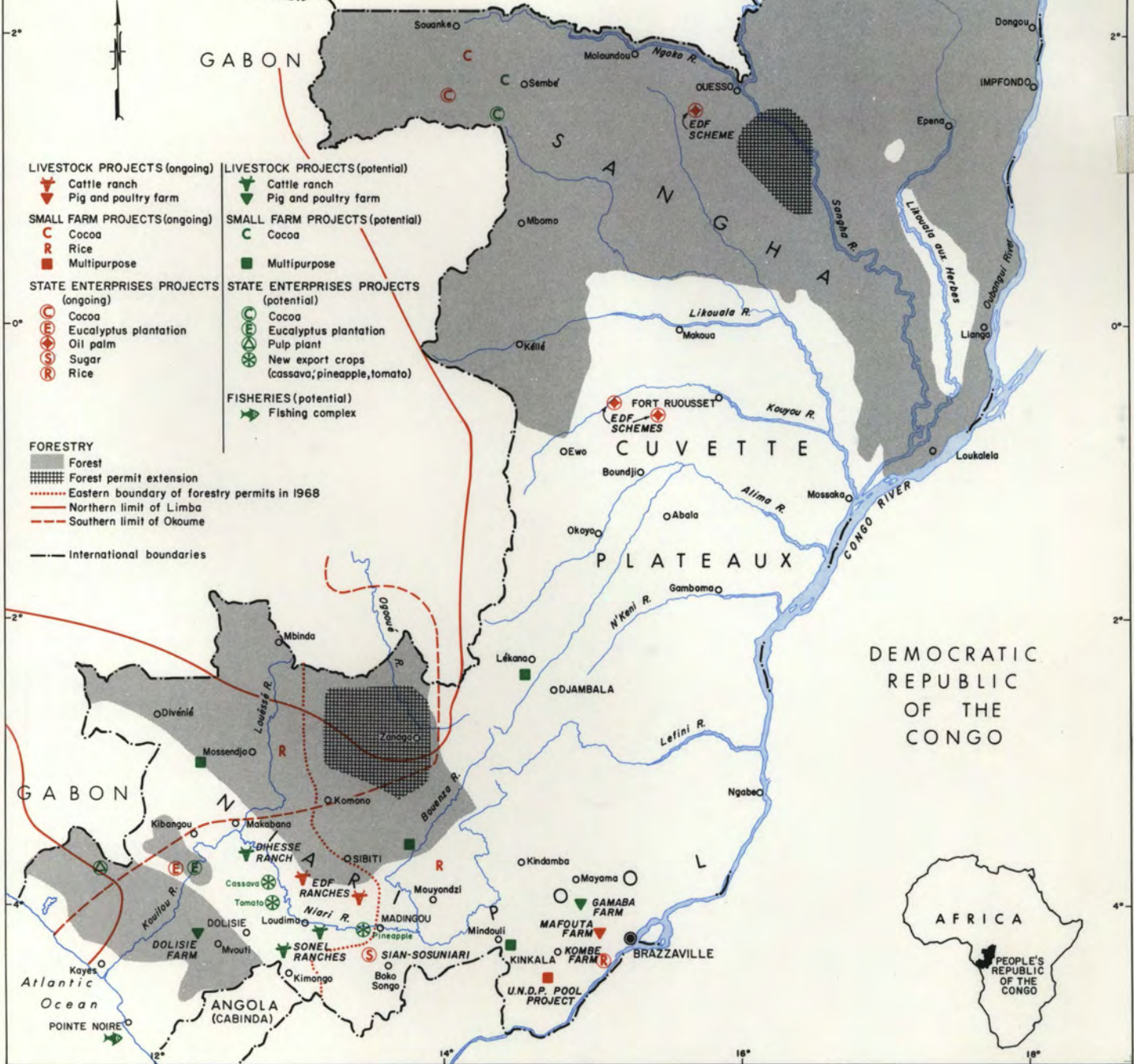
It is our firm conviction that a development program proceeds best if it is inspired, framed and led by the people of the country itself. We hope to be able to offer all the assistance we can within that framework. The hope is based on the confidence that our goal is the same as yours -- creating a happier and more productive life for all the people of this country.



PEOPLE'S REPUBLIC OF THE CONGO
 MAJOR AGRICULTURAL PROJECTS,
 POTENTIAL AND IN PROCESS OF IMPLEMENTATION

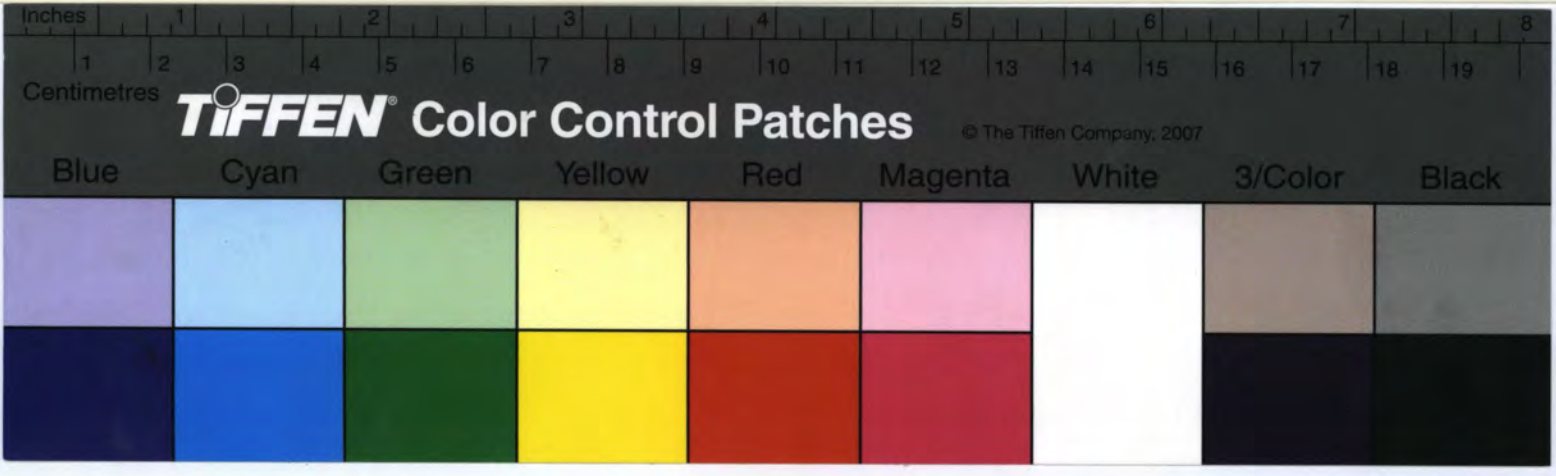


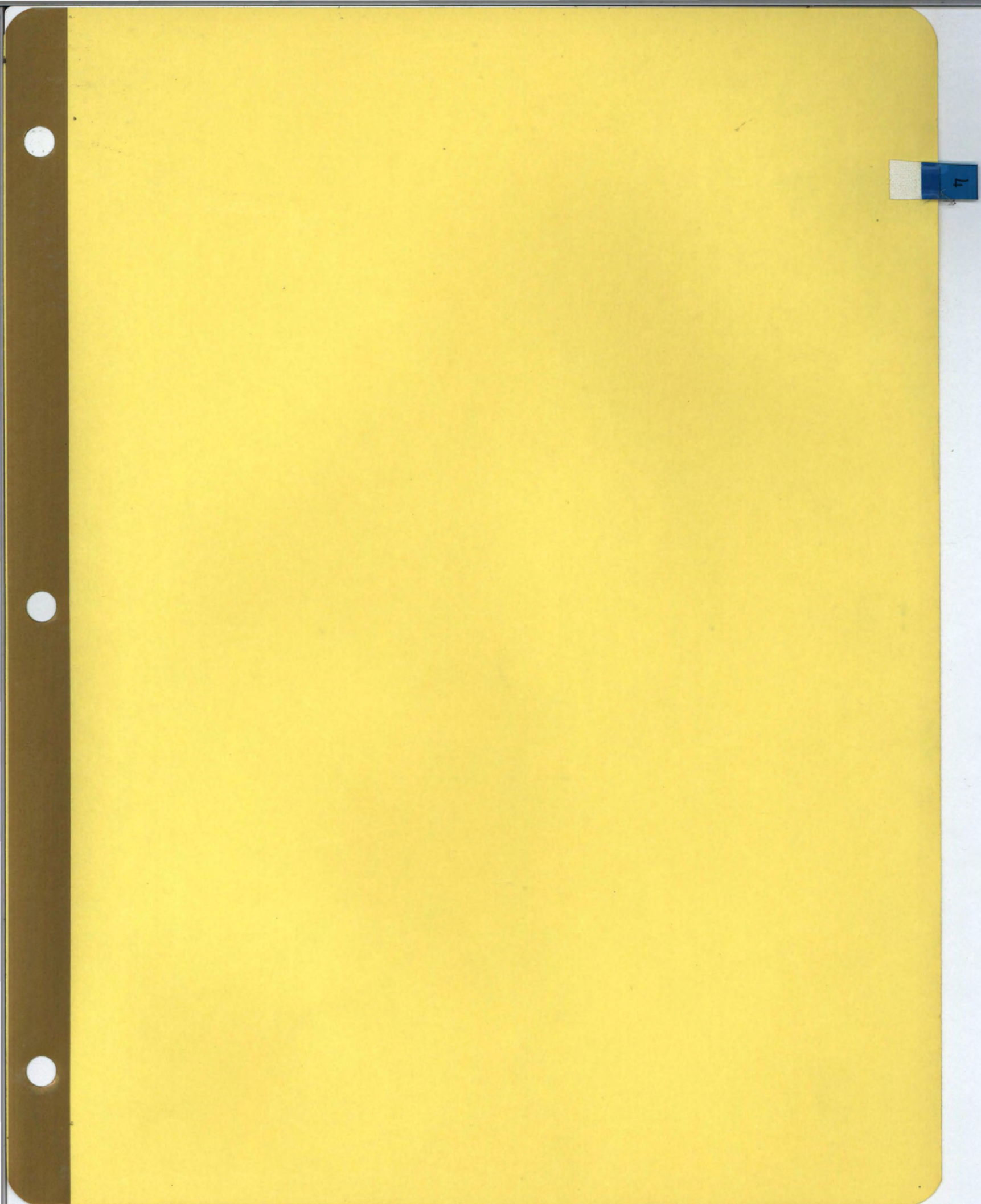
- | | |
|--|---|
| LIVESTOCK PROJECTS (ongoing) | LIVESTOCK PROJECTS (potential) |
| ▼ Cattle ranch | ▼ Cattle ranch |
| ▼ Pig and poultry farm | ▼ Pig and poultry farm |
| SMALL FARM PROJECTS (ongoing) | SMALL FARM PROJECTS (potential) |
| C Cocoa | C Cocoa |
| R Rice | R Rice |
| ■ Multipurpose | ■ Multipurpose |
| STATE ENTERPRISES PROJECTS (ongoing) | STATE ENTERPRISES PROJECTS (potential) |
| ⊙ Cocoa | ⊙ Cocoa |
| ⊙ Eucalyptus plantation | ⊙ Eucalyptus plantation |
| ⊙ Oil palm | ⊙ Pulp plant |
| ⊙ Sugar | ⊙ New export crops (cassava, pineapple, tomato) |
| ⊙ Rice | |
| | FISHERIES (potential) |
| | ➤ Fishing complex |
| FORESTRY | |
| ■ Forest | |
| ▨ Forest permit extension | |
| ⋯ Eastern boundary of forestry permits in 1968 | |
| — Northern limit of Limba | |
| — Southern limit of Okoume | |
| — International boundaries | |



JANUARY 1971

IBRD - 3202





CONGO
BASIC DATA

Area: 342,000 sq. km.
 Population (1970): 936,000 of which 398,000 urbanized
 Growth rate: 2.2 percent a year
 Density: 2.7 inhabitants per sq. km.

Gross Domestic Product
(at current market prices)

Total in 1967: CFAF 59 billion
 Per capita in 1970 (estimate): US\$255
 Growth rate 1968-1970: 4% at current prices
 Investment as % of GDP in 1964-1969 period: 18%
 Domestic public saving as % of GDP: 3%
 Government revenue as % of GDP in 1970: 22%

Money, Credit, Prices: Congo is a member of the BCEAEC and uses the CFAF
(in billions of CFAF)

	1966 Dec.	1967 Dec.	1968 Dec.	1969 Dec.	1970 Dec.	1971 May	1971 June
Money supply	7.9	9.5	10.1	10.7	12.8	13.2	13.4
Domestic credit	9.9	12.2	12.3	13.2	14.4	15.7	15.5
Retail Price Index	111.2	115.2	120.6	118.3	121.3	n.a.	125.4

Government Budget (actual revenue and expenditures in billions of CFAF):

	1967	1968	1969	1970	1971	1972
	Actuals					Budget
Total revenue	13.1	14.0	16.4	17.9	15.1 ^{a/}	21.9
Total expenditure	14.2	13.6	16.7	19.8	20.8	21.9
of which investment	1.6	1.4	1.5	2.2	2.3	1.9
<u>Total Public Investment:</u>	9.2	9.2	13.6	n.a.	n.a.	n.a.

External Public Debt

Total debt, including undisbursed, Dec. 31, 1969: US\$100 million
 Debt service in 1971: US\$12 million
 Ratio in % of 1969 exports of goods: 30%
 1969 exports of goods and services (net): 22.4%

Balance of Payments

(in billions of CFAF)

	1965	1967	1968	1969
Exports f.o.b.	8.7	10.4	10.6	11.0
Imports c.i.f.	15.5	20.4	20.9	20.4
Foreign exchange reserves (Dec. 31)	0.5	-0.6	0.5	0.1

Commodity Concentration of Exports

	1965	1967	1968	1969
Wood	53%	46%	57%	57%

IMF Position

June 30, 1970
 Quota: US\$10 million
 Drawings: None

Exchange rate CFAF 255.785 = US\$1

a/ Excluding about 2.5 billion of receivables.

POLITICAL SITUATION

(1) After the creation of the Federation of French Equatorial Africa in 1910, which included the territories of the Moyen-Congo (now the People's Republic of the Congo), Oubangui-Chari (now the Central African Republic), Chad and Gabon, Brazzaville became the Federation's administrative and commercial capital, and the Moyen-Congo its economic axis. The building of the seaport of Pointe Noire and the construction of the Congo-Ocean Railroad from the seaport to Brazzaville gave the Congo the facilities for transporting the external trade of the other members of the Federation.

(2) In the early days of this century, most of the Congo was handed over to large, mostly French, companies. These so-called "concessionnaire" companies were given exclusive rights over all agricultural, forest, and industrial exploitation within their concession for thirty years. In exchange, they were to pay the state a sum that varied with the size of their concessions, plus 15 percent of their annual profits. They were also to build roads, to maintain order, and to safeguard local African rights by creating reserves for them. In fact, they were negligent of African life and the already limited manpower of the Congo was rapidly decimated by disease and forced labor. Ivory and rubber constituted then the wealth of the Congo. With the disappearance of ivory, and the fall in world rubber prices, the power of the companies waned. The colony was considered a dismal economic failure and disillusionment with the Congo was almost total on the part of the French Government and public in the pre-World War II days.

(3) Congo's hour of glory came when the federation's much-maligned officials in 1940 refused to obey the Vichy-Government of Marshall Petain and opted for Free France. Even the Africans who had been so long suppressed, volunteered in large numbers to join de Gaulle's armed forces. Equatorial Africa with its capital, Brazzaville, had become the overseas cradle of French Resistance Movement. It later became the cradle of decolonization of the French African territories. At the Brazzaville conference of early February 1944 of the French African territories in the presence of de Gaulle, the colonies had for the first time spoken with a collective voice on issues of self-government and this led to reforms in 1946 which created the first assembly in Brazzaville with a majority of African members.

(4) Territorial politics before independence in 1960 were marked by frictions between northern tribes such as the Mbochi (with an important foothold in the African quarter of Poto-Poto in Brazzaville) and southern tribes such as the Balali and Bakongo. Many parties were organized along tribal lines. In 1960 Abbé Youlou, a Balali born at Brazzaville, won the elections with southern and European support over the socialists from the North and was elected President of the Congo Republic in 1961. One of Youlou's staunchest supporters was Tchitchelle, a Vili station master and mayor of Pointe Noire. He is now the director of the Congo-Ocean Railroads.

(5) President Youlou, a high-living, flamboyant leader who wore priestly robes of the richest French cloth in a rainbow of colors, governed for three years. In 1963 he attempted to merge the tribal parties into one party. Following unrest among the unemployed urban masses, he was ousted by the strong, communist-infiltrated labor unions. De Gaulle refused to use the 3,000 French troops in the Congo to help the Abbé. The Congolese army declared itself in favor of the revolutionary movement, and President Youlou resigned and fled. He was condemned to death in absentia and now lives in Spain. A provisional government led by Mr. Massemba-Debat, a moderate and Protestant from Kinkala, near Brazzaville, was established.

He appointed (with the approval of the army), young, French-trained technicians as Ministers (including Babackas, then Finance Minister and now head of ATC). This was the beginning of a period of close political and economic cooperation with (mainland) China. In 1966 Noumazalay became Prime Minister under President Massemba-Debat until 1968, when he was dismissed.

(6) On July 31, 1968, a "readjustment", in the Party jargon, took place, and President Massemba-Debat was ousted. He now lives as a free man in Boko. An army man, Major Raoul, took his place briefly as President of the National Revolutionary Council. He was succeeded by Captain Marien Ngouabi and Raoul became Vice-President. Lieutenant Goma (now Minister of Transport) was appointed chief of staff. A new constitution made the Congolese Workers Party (PCT) and its Political Bureau and Central Committee the major arm of government. There have been various attempts since to overthrow the Government, sometimes with the support from exiles living in Zaire. The last crisis occurred after a strike of Brazzaville students before Christmas 1971 when Vice-President Raoul and the first secretary of the Congolese Workers Party, Ndala, were ousted. The winner of the December 1971 shake up seemed to be Noumazalay, the coordinator-general, who emerged as the second most powerful man in the country, although he is not officially a member of the State Council (Cabinet) nor the Vice-President. The political situation remains inherently unstable.

(7) The country has presently two organizations: the Government and the Congolese Workers Party (the Party). The Party takes precedence over the Government. One man heads both organizations: Marien Ngouabi, President of the Republic, President of the State Council (Cabinet), Minister of Defense and Security and President of the Central Committee of the Congolese Workers Party.

(8) The Central Committee of the Party is directed by a Politbureau consisting of four members who are formally equal but in fact appear to have different ranks:

Ambroise Noumazalay (Planning)
Pierre Nze (Party Organization, Propaganda)
Ange Diawara (Army)
Ange Edouard Pongui (Finance and equipment).

Pongui as Finance Minister, is the only member of the Politbureau who is also a cabinet member.

(9) The Central Committee of the Party with 30 members, among which are the Vice-President (and successor of Major Raoul), Minister of Justice Aloise Moudileno-Massengo, the Minister of Transport and Civil Aviation Captain Louis Sylvain Goma, the Minister of Foreign Affairs Henri Lopes, World Bank Alternate Governor and Central Bank Director Jean Edouard Sathoud (but not World Bank Governor Bernard Banza-Bouiti). On the other hand, there are Ministers who are not Party members such as the Minister for Primary and Secondary Education Christophe Moujoueke. The Director General of ATC, Babackas is equally not a member of the Party.

(10) Many of the people in power are young, inexperienced, socialist-oriented, dogmatic revolutionaries, and most of them belong to the army. The particular brand of socialism they practice requires a high degree of vocal attacks on Western "neo-colonialist" economic and political influences, and at least until December 1971, corresponding allegiance to Peking's foreign policy line. The extreme leftist group advocating economic and social policies modelled after the (mainland) Chinese example are believed to be losing ground as evidenced by the December 1971 shake up.

(11) The more realistic socialists in the leadership seem to be making a comeback. The clearest example is the case of Mr. Noumazalay, Prime Minister under former President Massamba-Debat, who, from being accused before a military court, rose to Coordinator-General of Planning - the most prestigious economic position - and to the second political position in the country. Another case is Mr. Babackas, Director General of the Transcongolese Communications Agency (ATC), Finance Minister under President Massamba-Debat and former Ambassador to France, a remarkable administrator and probably fairly "rightwing" among the socialists. He is reputed to have been offered the Finance Ministry in the 1971 shake up which he allegedly turned down. Messrs. Noumazalay and Babackas know that they cannot achieve their economic and social objectives without a continuous inflow of foreign aid from all possible sources, including the World Bank Group.

ECONOMIC SITUATION AND BANK GROUP STRATEGY

1. The Congo has two advantages that had won for it in colonial days special treatment on the part of the French Government. The first is the location, bordering on the Congo river, and the Atlantic Ocean; the second is the presence in the Congo basin of enterprising tribes such as the Bakongo. These advantages partly account for the fact that Congo has today the only railroad, the largest towns and the greatest number of educated people of the four countries of the former federation.
2. The dominant feature of the Congolese economy is its position as an inter-regional transport center. Congo's transport system was developed as one of the major routes of penetration into Equatorial Africa servicing Gabon, the southeast of Cameroon, the CAR, and most of Chad. The largest portion of the so-called transequatorial route, a 3,000 km railroad-river-road system linking Pointe Noire with Fort-Lamy (Chad), is located in the Congo, and managed by ATC (Agence Transcongolaise des Communications). International traffic accounts for 80 percent of river traffic at Brazzaville, 60 percent of railway traffic and 64 percent of the throughput of the port of Pointe Noire. In large part because of the importance of transport services, the tertiary sector accounts for about 50 percent of the gross domestic product.
3. Congo's traditional role as a regional transport and administrative center, together with rapid rates of industrialization, has further accentuated the already heavy concentration of the population in the South. The major urban centers are in the South, and the area south-west of Brazzaville has some three quarters of the population on less than one third of the land area. The rest of the country has a density of less than one inhabitant per km². This makes development of the under-populated North a serious problem for the Northern-dominated Government and explains the concern with development in the North, although there is general agreement that for the time being the real potential is in the South.
4. Congo is probably one of the most urbanized countries of black Africa; 43 percent of the population of the Congo lives in urban centers of 12,000 or more inhabitants and 37 percent of the population lives in the four major towns. The rapid urbanization rate (6.5 percent annually as compared with a general population growth rate of 2.2 percent) has accentuated the rise in urban unemployment and underemployment in the form of marginal service activities. The Congolese have sought ad hoc solutions through employment creation in urban areas and through rapid modernization of agriculture, which have so far not had much success. Indeed, these programs have worsened the Government's overall financial situation. The prospects for more modern sector jobs in the cities are not good, as government administration and state enterprises already suffer from excessive numbers of employees. High rates of inadequate elementary and secondary education contribute to the growing masses of urban youths who are reluctant to accept jobs below their level of expectations. The Government's stress on socialist education is designed to change the attitudes of young people in this respect.

5. Congo is one of the countries in Africa with the lowest share of agriculture in GDP; agriculture, livestock, and fishing account for only 10 percent of GDP. There is no significant tradition in fishing, livestock raising and cultivating the land except in the fertile region of the Niari Valley in the Southwest of the country. Except for sugar, coffee, and cocoa, agriculture is mainly of a subsistence nature and has not contributed significantly to higher export earnings or to meeting increased domestic demand for food.

6. Forest exploitation is the mainstay and one of the most promising areas of expansion for the Congolese economy. Wood production amounted to some 650,000 tons in 1970 and is expected to increase to almost 1,000,000 tons by 1975, when the transport bottleneck of the Brazzaville-Pointe Noire railroad is expected to be eliminated. Wood exports presently account for some 60 percent of export earnings.

7. Industry is an important sector of the economy, contributing 15 percent to GDP, i.e. about the same percentage as agriculture and forestry. Much past investment was made in foreign industrial enterprises and in poorly-run uneconomic state enterprises, whose scale of operation was geared to the UDEAC customs union market. Prospects for industrial growth are not good, as possibilities of import substitution have been largely exhausted. A period of rationalization and cutting of losses is needed, particularly in the state enterprises.

8. A major production potential in the Congo is oil. It is estimated that production will reach 500,000 tons in 1972 and will rise to 2 million tons by 1973 (equivalent to US\$25 million gross foreign exchange earnings) and to 4 million tons in 1975. However, the agreement with the French parastatal oil company requires it to build an expensive refinery as soon as production exceeds 3 million tons. It is therefore doubtful whether the company will in fact allow production to exceed 3 million tons, given the present ambivalent investment climate.

9. Congo's education system is one of the more advanced in Africa, with about 70 percent enrollment of the age group 7 to 16. Comparable figures are Cameroon, 75 percent; Gabon, 65 percent, Ivory Coast, 40 percent; Chad, 24 percent. Total enrollments increased by almost 45 percent from 1965 to 1970. The rapid growth of the education sector has not, however, been related to the specific needs for manpower in the various sectors of the economy. In particular, vocational education and training have not received adequate attention. Furthermore, dropout rates are high and the average qualification of Congolese teachers is low. Schools are under-equipped or equipment is underutilized because of shortage of qualified teachers and lack of supervision. Generally, curricula are too academic and ill-adapted to the country. The Government is aware of these problems and has decided to carry out a reform of education including a new socialist school curriculum.

10. The Government budget was in current surplus or at least balanced through 1969. In 1970, the situation began to deteriorate. Mr. Chaufournier, on his visit to Congo in November 1971, was assured by the Minister of Finance that the budgetary situation was improving in the second half of 1971. Provisional and incomplete data on the 1971 budget, which we received in February 1972, show an improvement in the overall budgetary situation in the second half of 1971 over the first half, but for 1971 as a whole, there was a marked deterioration as compared with 1970. Budgetary performance is not expected to improve substantially in 1972. The prospects for reducing the current deficit in the future could be good, as revenues expected from oil may rise from an estimated \$2.3 million in 1972 to some \$8 million in 1973/74, and provided the Government is able to take the politically difficult decision to stabilize expenditures.

11. We informed the IMF mission before it went to Congo in February 1972 of our interest in up-to-date accurate information on the budget and its financing and we plan to review with this mission the information it brings back, to determine the impact of the budgetary situation on future Bank Group lending. A Bank economic mission is tentatively planned for September 1972 to analyze more fully the financial and economic situation.

12. The major reasons for the budgetary deficits are increasing recurrent expenditures for large public investments, increasing wages and salaries for an already inflated bureaucracy, inherited from the colonial days and previous regimes, and large current and capital expenditures for inefficient state enterprises. Declining imports of capital goods and import-substitution resulting from the Government's industrial investment effort (which has now slowed down) have also had a considerable effect on import tax revenues; import taxes accounted for 46 percent of total revenue in the last five years.

13. In the past, Congo's trade deficits have partly been offset by payments for transport services. In view of the favorable petroleum and timber export prospects and assuming an inflow of public external capital at current levels, the balance of payments in the near future will be manageable if the level of imports continues to be kept under control. Net foreign assets of the banking system declined from CFAF 1.6 billion in March 1969 to CFAF 0.1 billion in September 1969, and rose again to CFAF 1.6 billion in March 1971 (CFAF 1.3 billion in May 1971). The increase was exclusively due to the use of CFAF 1.6 billion in Special Drawing Rights.

14. The Government has a draft three-year development plan (1970-72) which also includes projections of investments until 1979. However, intersectoral adjustments have still not been made, and as a result the projects included in the draft plan would require annual average investments of about CFAF 25 billion (US\$98 million). Total investment would be CFAF 75 billion in the 1970-72 period (US\$300 million), and CFAF 200 billion (US\$800 million) in the 1970-79 period. During the previous six-year period annual investment averaged CFAF 10 billion (US\$40 million) per year, but included considerable

amounts for enclave projects such as the IBRD financed COMILOG and Congo Potash projects. Our economic mission estimates that Congo will not be able to invest more than CFAF 14 billion (US\$55 million) per year in the present five-year period.

15. Further growth prospects of the Congolese economy depend, among other things, on:

- (a) the ability of the Congo to generate again sufficient public savings;
- (b) a reorganization and reduction of losses of state enterprises;
- (c) the continued ability of ATC to provide reliable and efficient service for the country and its neighbors;
- (d) the adaptation of education to the manpower needs of the economy;
- (e) an improvement in the process of planning and allocating resources in relation to a rational set of priorities in the productive sectors; and
- (f) the ability to attract foreign private investment within the framework of a mixed economy.

16. The Bank Group's strategy is to support improved transport services as a prerequisite for expanded production in agriculture and forestry. In particular, IDA's proposed investments in ATC will strengthen Congo's traditional role as a transit center and continue to provide to neighboring countries an efficient low-cost transport to the sea. The livestock project in the South, presently being appraised, is IDA's first attempt to finance directly a productive sector.

17. A serious development constraint in the Congo is the inadequacy of public savings and high debt service and this has led the Bank, at the February 1971 review of the CPP, to reduce the proposed five-year lending program by 40 percent to US\$15 million for the period 1969-1973 by eliminating any Bank (as opposed to IDA) lending and by deleting some projects, such as a small farming project designed to assist in improving the local food supply and an unidentified road project.

18. The Government has expressed two concerns regarding the Bank Group's present lending strategy: it considers that IDA's lending program is too low and neglects the development of agriculture in the North.

19. The Government feels that by limiting its available funds for the Congo, IDA is in fact penalizing the Congo, which is playing a large regional role and has been successful in preparing, with the encouragement of the Bank, a large number of projects suitable for Bank Group financing. We have thus

far taken the line that, unlike other countries, the Congo is in the enviable position of having a number of well prepared projects from which it could choose those with the highest priority for IDA financing. We acknowledge that IDA funds are limited but emphasize that the Congo has done well by any standards - population, level of income, economic performance - in attracting scarce IDA funds. In fact, if - as we hope - IDA will make two credits to the Congo this year, totalling about US\$10 million, this will be an exceptionally high amount for a country such as the Congo, considering that total IDA funds for the 20 countries for which the Western Africa Department has an operational responsibility, will not exceed US\$60-70 million in FY72. We also point out that the Congo's eligibility for IDA funds would be judged, not so much by the number of sound projects the Congo could prepare, but more importantly, by her efforts to generate public savings. In this respect, the Congo's record has become spotty, to say the least. Thus IDA had to assume as much as 90 percent of total cost in the recently negotiated road maintenance project, which was the highest proportion of total cost financed by IDA anywhere in Western Africa.

20. According to the present IDA Lending Program (1969-1973) IDA assisted projects are basically located in the South, where the development potential is high. However, if and when the Congo's fiscal and economic performance improve to a point where it would be considered creditworthy for Bank lending, the Bank Group would no longer be prevented by the scarcity of IDA funds from financing additional well prepared projects in other sectors and regions, including agricultural investment opportunities in the underprivileged North.

21. The Government, which depends to a large extent on political support from Northerners, would like to be able to show some development in the North. It proposed for IDA financing a cocoa project in the Upper Sangha region near Ouesso, which was identified with the help of PMWA. We advised the Government that the project should be started on a smaller scale than proposed and should include smallholder development. The Government is disappointed that we have so far not included a cocoa project in the Operations and Lending Program.

22. Government planners are troubled by the fact that a good deal of international aid, including that of IDA, is being devoted to the ATC transport system, which produces significant benefits (about one third of total benefits) for the neighboring countries. They feel that this aid, although necessary, is probably being given at the expense of what they regard as purely Congolese development, such as agriculture in the North and the social sectors.

POPULATION

Congo (Brazzaville) with less than a million population in 1971, is one of the smallest countries in Africa. The crude birth rate is slightly lower and the crude death rate slightly higher than the African average. The rate of growth of about 2.2 percent is sufficient to double the population in about 30 years. The density of the population is estimated to be about three persons per sq. km.

More than 40 percent of the population live in urban areas (towns 12,000+) and about 37 percent live in the four largest towns. The population of Brazzaville is estimated to be about 170,000 inhabitants. The average growth rate of the urban population is about 6.5 percent. This excessive urbanization and the consequent urban unemployment, and the high infant and adult mortality are the main demographic problems of the country. There are no official or unofficial programs in the field of family planning.

According to the U.N., the birth rate in the Congo is likely to remain more or less constant at the present level while the death rate will decline to about 16.3 by 1988. As a result, the population of the country is expected to increase to about 1.4 million by 1985.

Congo (Brazzaville)

1. Estimated population, 1971	958,000
2. Crude Birth Rate, 1970	44.6 per 1,000
3. Crude Death Rate, 1970	21.8 per 1,000
4. Rate of natural increase	22.8 per 1,000
5. Population trend, 1950-1985	

<u>Year</u>	<u>Population</u>
1950	627,000
1960	764,000
1970	936,000
1980	1,202,000
1985	1,381,000

6. Age-specific fertility rates, 1960

<u>Age</u>	<u>Births per year per 1,000</u> <u>women of specified age</u>
Under 20	189
20-24	282
25-29	250
30-34	198
35-39	134
40-44	66
45 plus	22

FOREIGN AID

Unlike in other ex-French colonies, foreign aid for the Congo comes from a multitude of western and eastern sources.

EXTERNAL AID, 1964-1969

	1964	1965	1966	1967	1968	1969	Total 1964-69
<u>Grants</u>	<u>3.3</u>	<u>2.9</u>	<u>2.5</u>	<u>2.6</u>	<u>1.9</u>	<u>1.7</u>	<u>14.8</u> = 40 %
of which EDF	<u>1.3</u>	<u>0.8</u>	<u>0.6</u>	<u>0.9</u>	<u>0.6</u>	<u>0.4</u>	<u>4.6</u>
FAC	<u>0.8</u>	<u>0.7</u>	<u>0.6</u>	<u>0.3</u>	<u>0.2</u>	<u>0.5</u>	<u>3.0</u>
<u>Loans</u>	<u>0.2</u>	<u>1.4</u>	<u>1.9</u>	<u>2.5</u>	<u>8.9</u>	<u>6.6</u>	<u>21.5</u> = 60 %
of which IBRD/IDA	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.9</u>	<u>4.2</u>	<u>3.3</u>	<u>8.3</u>
<u>TOTAL AID</u>	<u>3.5</u>	<u>4.3</u>	<u>4.4</u>	<u>5.1</u>	<u>10.8</u>	<u>8.2</u>	<u>36.3</u>

During the six-year period 1964-1969 Congo received slightly more than CFAF 36 billion in foreign aid disbursements (US\$144 million). Of this amount about 40 percent was in grants and 60 percent in loans.

France's aid during this period totaled CFAF 12 billion (US\$ 48 million) or 33 percent of the total, an average of US\$ 8 million per year. Two thirds of French aid was in the form of grants.

The World Bank Group was, with disbursements of CFAF 8 billion (US\$ 32 million), the second largest donor during the period with 23 percent of the total (of which US\$ 30 million was a loan for the potash project).

Aid from the European Development Fund (EDF) totalled almost CFAF 5 billion (US\$ 20 million) or almost 13 percent, an average of US \$ 3.3 million per year between 1964 and 1969. 52 percent of the EDF grants were for transport infrastructure, mainly roads and bridges, and the rest for education (23 percent), urbanization (15 percent), and agriculture (9 percent).

(Mainland) China gave interest-free loans totalling CFAF 4 billion (US \$ 16 million) or 11 percent of the total over the period and the Soviet Union CFAF 2 billion (US \$ 8 million) or 6 percent.

At present the following donors provide technical assistance in the form of personnel:

France: 737 (of which 209 volunteers)

China : 200 experts

USSR : 150 experts

United Nations: 20 experts

In the absence of a clearly defined development plan, our economic report estimates the financing capacity of Congo for the five-year period 1971-1975 at about CFAF 72 billion depending, of course, on the availability of local savings on foreign aid. If Congo were to try to implement an investment plan of this size, and if it can count on CFAF 30 billion in private investment and CFAF 16 billion in public investments, it will still need about CFAF 26 billion or about \$100 million in foreign aid. This gap can realistically be filled by aid disbursements from the EDF, France, China, Russia, UNDP, IBRD/IDA and miscellaneous other sources. Of the US \$ 100 million gap to be filled by foreign aid in the period 1971-1975, IDA might be able to finance some 20 to 25 percent, or US \$ 20-25 million.

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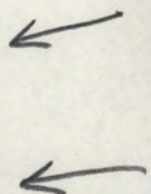
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MANGANESE PROJECT

(Bank Loan 230 FR, 1959 of US\$35 million)

Project Description

In 1959, the Bank loaned \$35.0 million to the Compagnie Miniere de l'Ogooue (COMILOG), a mining company formed by US Steel Corporation (49 percent), a wholly-owned subsidiary of the French Government (22 percent) and two other French companies (29 percent). The project consisted of the opening, equipping and operation of a manganese mine with an annual minimum capacity of 500,000 tons. The loan helped finance construction of facilities for transporting ore to the port of Pointe Noire and construction of stocking and loading facilities at the port. The project was completed in 1962 at a total cost of about \$100 million. Other sources of financing were additions in share capital, shareholders' loans, loans from the French Caisse Centrale; and cash generated during initial operations. The annual output of the mine was 1,600,000 tons in 1970 and close to 2 million tons in 1971. The amount of the Bank loan outstanding is about US\$5 million. Bottlenecks have affected Comilog's shipments through Congo Brazzaville. Political relations between the Gabonese Government (which is strongly pro-Western) and the Congolese Government (communist-oriented) are sometimes tense. The Gabonese Government and Comilog are extremely worried by possible implications of the political developments in the Congo and have expressed their deep concern about the future. However, no problems have arisen so far. During negotiations on wage increases in 1970, the Congolese Government has given strong support to the railway workers' union, thus weakening Comilog's bargaining position. Negotiations ended with an agreement resulting in an increase in the cost of Congolese labor for Comilog of the order of 50 percent. The Congolese Government's attitude in labor disputes is resented by both Comilog and the Gabonese Government.

Issues

The cableway had originally been built with a capacity of 1.4 million tons. Major technical improvements, consisting mainly in increasing cable speed, have resulted in increasing the original capacity to 2.2 million tons per year a limit beyond which no further increases would be possible without jeopardizing operational reliability.

The above saturation limit is likely to be achieved around 1974. Further increases of Comilog's shipments would require new transport facilities. The alternative solutions are:

- (a) Construction of a new cableway, parallel with the existing one, and improvement of the operating conditions of the ATC railway.

- (b) Extension of the Comilog railway line from M'Binda to Moanda, across the Congo-Gabon border, and improvement of the ATC railway (same as under a).
- (c) Construction of a branch railway link between Moanda and the planned Owendo-Booue Railway in Gabon, thus creating an all-Gabonese route for Comilog's shipments.

Alternative c) is favored by the Gabonese Government and Comilog for political reasons, but would require a very large new investment, for which there is no economic justification as long as alternatives a) and b) are feasible. Moreover, choice of alternative e) would imply the intention of abandoning a major part of the existing project facilities (cableway, railway, port facilities, with a total of 1,500 employees on the Congolese side) after a short (perhaps 15 years) period of operations and shortly after completion of Bank Loan repayment (last maturity is due in 1974).

POTASH PROJECT

(1480-COB; 1967 Bank Loan of US\$30 million)

Background

This was the first Bank loan to the Congo after independence. It helped finance the most important industrial undertaking in the country and was to contribute to diversifying the economy which relies primarily on timber and sugar. It was to double the Congo's exports and to add 15% to GDP. It provides presently employment to 800-900 African families.

Project description

<u>Borrower:</u>	CPC (Compagnie des Potasses du Congo)	
<u>Guarantor:</u>	EMC 1/ jointly and severally for 57.5%	
	BRGM for 42.5%	
<u>Total cost:</u>		US\$82.0 million
<u>Bank loan:</u>		US\$30.0 million
<u>Other Financing:</u>	Shareholder capital and advances	US\$37.0 million
	European Investment Bank (EIB) Loan	US\$ 9.0 million
	Banque Nationale de Paris Loan	US\$ 6.0 million

Date of Bank Loan: January 9, 1967

Terms of Bank Loan: 17 1/2 years, including 4 years of grace at interest rate of 6%

Internal rate of return: 13%

Description and Project Execution

The project consists of an underground potash mine located at Saint Paul (35 km from Pointe Noire, along the Congo-Ocean railway), a refining plant and auxiliary installations (power plant, storage, and loading facilities, and housing) located on the mine site, and a sea terminal in Pointe Noire. The planned production capacity was 830,000 tons per year of Potassium Chloride (KCl). 85% of CPC's shares belong to French Government-owned Companies 1/, and 15% to the Congo Government.

Physical execution of the facilities was completed in mid-1969, about six months behind schedule, with a cost overrun of about US\$11 million (11% of original estimates). Due to lack of financial control, the overrun became apparent only after project completion. Management performance during construction has been grossly inadequate. The auditors (Price Waterhouse) have strongly criticized CPC's accounts. As a consequence of the above shortcomings, the whole senior management of CPC was replaced between 1969 and 1970.

1/ EMC (Entreprise Minière et Chimique), BRGM (Bureau des Recherches Géologiques et Minières), SPAFE (Société des Pétroles d'Afrique Equatoriale). The French Government has entrusted to EMC a leading role among the shareholders regarding CPC.

Status

A much more serious problem than the cost overrun and the inadequacy in management arose in 1969. Once operations commenced, the structure of the ore body was found to be folded and discontinuous, with steep inclinations, instead of flat and homogeneous as expected. The resulting mining difficulties have limited production to about 212,000 tons of KCl (about 25% of rated capacity) in 1970, and about 430,000 tons of KCl (about 50% of rated capacity) in 1971. The main shareholder, EMC, is presently financing the cash requirements of the Borrower in the form of shareholders' advances. As EMC is itself in a tight liquidity situation, funds to subsidize CPC are provided to EMC by the French Treasury.

A delicate political and legal situation was created by the discovery of CPC's mining and management difficulties by the Bank. Under a force majeure clause in the shareholders' Guarantee Agreement, the Guarantor's obligations could terminate in case of nationalization of CPC. The danger was that the Congolese Government which had already nationalized various enterprises at that time, might not realize the real reasons for the failure of the project and nationalize the Borrower, thereby releasing the Guarantors from their obligations. At the same time, the Bank was aware that the Guarantee Agreement between the EIB and the Guarantor-Shareholders did not contain a force majeure clause. As a result, the Bank might have been placed in a most awkward position in the event of nationalization, mainly that of seeing its co-lenders fully repaid while the Bank would lose its remedies against Guarantor-Shareholders. On the other hand, the Bank's grounds for prematuring the loan (i.e. failure of CPC to inform Bank of mining difficulties in time) were considered weak. It was apparent moreover that by refraining from prematuring, the Bank would perpetuate the risk that the force majeure clause be triggered by the Congo. The Bank managed in April 1971 to obtain the removal of the force majeure clause, thereby committing the shareholders unconditionally to repay the loan, in exchange for its agreement not to premature the loan for reasons solely relating to the failure of the Project.

The outstanding amount of the Bank loan as at December 31, 1971 was US\$27.8 million.

Supervision missions were sent to the Congo in February and May, 1970, and several meetings among the Bank, the Borrower, and the Shareholders-Guarantors took place in Paris and Washington in the second half of 1970. A Supervision Mission in depth was carried out in March 1971. The mission consisted of a staff member of the Industrial Projects Department and of five mining and geology specialists of Laubett Corporation of San Francisco, a consulting firm specialized in technical and organizational problems of mining exploitations.

The main conclusions of the Laubett report are as follows:

- (a) The project will not produce any return to the shareholders or be able to generate funds necessary to repay CPC's debts.
- (b) Reserves that can be reached from the existing shaft would allow no more than 5 years of mine life at a reduced output.
- (c) Although the project is not viable in the long term, it would be possible, through a major reduction of operating costs and other drastic measures, to increase cash generation so that all operating costs (except depreciation) plus part of interest charges could be covered.
- (d) An Emergency Plan to achieve the objectives under (c) could be prepared by CPC's management with the assistance of three or four specialists in two months from the date of the decision to proceed.

A brief review of CPC's results for 1971 was carried out in Paris in December 1971. The last supervision mission has just returned from the Congo and reports:

"That in addition to doubling production from 1970 to 1971 the company has realized major improvements in operations including management, productivity and cost reductions. Sales revenues have reached a level where they virtually cover operating costs excluding debt service! Even if further improvements took place, there is unfortunately no reason to change our basic conclusion that the project will never be a profitable operation. The Bank has restated its position to CPC as expressed in its letter of July 14, 1971 accompanying Laubett report that all efforts should be made to continue the improvement of operations.

Issues

The danger for the Congo is that France might decide any day to close down the potash mine and settle the shareholder-guarantors' debt to the Bank in one lump sum payment, without giving the Congo the time necessary to prepare alternative investment possibilities in the coastal area and to find remunerative work for the 900 Congolese families presently employed by CPC. In the interest of the Congo we have repeatedly urged CPC to make every effort to continue the improvement of its operations, and we feel that this is as far as we can go without interfering unduly with what is an extremely sensitive political matter in France.

TECHNICAL ASSISTANCE GRANT FOR ROAD STUDY

(dated March 10, 1967 - US\$185,000)

Background

Timber has provided an increasing share of the country's export earnings. While the most accessible timber resources near the coast and along the existing railroads are being rapidly exhausted, the construction of the Zanaga-Sibiti road would open up new possibilities. The main resource of the Zanaga area is okoume, an excellent raw material for plywood manufacture. A study of the Sibiti-Jacob road which would link the Zanaga-Sibiti road with the Congo-Ocean railroad had already been completed with European Development Fund (EDF) assistance and the Government asked for a Bank grant for the study of the Zanaga-Sibiti road.

The Bank has discussed the proposed study with the UNDP. Because the study consisted largely of engineering work and did not include any significant amount of economic investigation, it was not the kind of feasibility study which the UNDP usually finances. Moreover, the UNDP had already a substantial program in the Congo. In view of these considerations, the UNDP agree that it would be appropriate for the present road study to be financed by the Bank.

Project Description

Recipient: Congo

Total Cost: US\$265,000

Grant Amount: (= foreign exchange component) US\$185,000

Date of Grant: March 10, 1967

Description: The project consists of the preliminary engineering of the 144 km Sibiti-Zanaga road.

Status

Project completed.

HIGHWAY ENGINEERING PROJECT
(S-6 COB - 1969 Credit of US\$0.63 million)

Background

Most of the country is sparsely populated and the roads are carrying very low traffic. The proper solution for ensuring adequate transport capacity consists in providing for most of Congo's roads a level of maintenance adapted to their economic role. A highway maintenance study was required for this purpose.

The Sibiti-Zanaga road is an extension of the Jacob-Sibiti road which will be built with FED financing. The road will permit the evacuation of okoumé and other timber from the forest area north of Sibiti to the CFCO railway at Jacob.

The Pointe Noire-Bondi road is part of Highway No. 1 and links the port of Pointe Noire with the site of the CPC Potash mine at Saint Paul. The information available on the economic merits of the proposed upgrading of the road was considered insufficient.

Project Description

<u>Borrower:</u>	Congo
<u>Total Cost:</u>	US\$760,000
<u>Credit Amount:</u>	(= foreign exchange component) US\$630,000
<u>Date of Credit:</u>	May 26, 1969
<u>Terms of IDA Credit:</u>	10 years including a two-year period of grace
<u>Description:</u>	The project consists of the following services by consultants:

a) Preparation of a comprehensive program for the maintenance of the national highway system including the reorganization and strengthening of the Road Maintenance Organization.

b) Detailed engineering and the preparation of tender documents for the Sibiti-Zanaga road (144 km).

c) An economic feasibility study for the Pointe Noire-Bondi road (43 km) and on the basis of the findings of this study the completion of detailed engineering and tender documents.

Status

All these studies have been satisfactorily completed at less than the estimated cost; an amount of US\$30,000 of the Credit has been cancelled. The remainder of the Credit has been refinanced through the Highway Maintenance Project 274-COB of 1971.

POINTE NOIRE-MAKOLA ROAD CONSTRUCTION PROJECT
(189-COB, 1970 - IDA Credit of US\$1.5 million)

Background

The Pointe Noire-Makola road (34 km) linking the CPC Potash mine and refining plant with the port of Pointe Noire is one of the most heavily traveled sections of Congo's main road network. The feasibility study financed under IDA Engineering Credit S-6 COB confirmed the justification for paving this road. Even if the mine was shut down in 1978 the rate of return of the project would still be about 11% according to the latest supervision report.

Project Description

<u>Borrower:</u>	Congo
<u>Total Cost:</u>	US\$2.0 million
<u>IDA Credit:</u>	(= foreign exchange cost) US\$1.5 million
<u>Date of Credit:</u>	<u>May 28, 1970</u>
<u>Rate of Return:</u>	17% (at the time of appraisal)
<u>Description:</u>	The project consists of the improvement of the road from Pointe Noire to Makola and consultants' services for the supervision of the construction.

Status

The lowest bid for the improvement of the road was 35% over appraisal cost estimates. This cost overrun was due to a higher than estimated tax component, a higher than estimated rate of inflation and the uncertain political climate. There have been delays in project execution and work only began last August. It is now proceeding satisfactorily.

EDUCATION PROJECT
(237-COB, 1971 - IDA Credit of US\$3.5 million)

Background

As mentioned before, Congo's educational system is among the most advanced in Africa with about 70% enrolment of the age group 7-16 and an increase in total enrolments of almost 45% during the period 1965-70. However, the quality of education is deficient.

The average qualification of Congolese teachers is low. Schools are often under-equipped, curricula are too academic and ill-adapted to the country. The Government is considering a reform of education including a new elementary school curriculum.

Four junior secondary technical schools produce semi-skilled workers in mechanics, construction and office work. The Lycée Technique provides upper secondary courses in industrial, agricultural and commercial subjects. Training is at the skilled worker and technician levels but the curriculum and the syllabi are not closely linked to labor market needs.

The Government, faced with the problem of compulsory school attendance up to age 16, yet without sufficient junior secondary schools to accommodate the elementary schools output, is opening practical orientation centers (Centres d'Orientation Professionnelle, COP), offering two-year classes in agriculture and crafts. The approach is desultory and the centers resemble work camps where students mark time until they have reached the age of 16.

Twenty-five elementary vocational training centers (Centres Elementaires de Formation Professionnelle, CEFPP), offering two-year courses for about 1,000 elementary school-leavers, were created some years ago to provide farmer and artisan training. Instruction is poor and unadapted to local needs. A more recent restructuring of the program into fewer but larger centers with more teachers and equipment and, most important of all, integration into regional development programs, promises success.

Project Description

<u>Borrower:</u>	Congo
<u>Total Cost:</u>	US\$4.1 million
<u>Credit Amount:</u>	US\$3.5 million
<u>Date of Credit:</u>	March 26, 1971
<u>Description:</u>	The project would comprise: a) construction, furniture and equipment for: 1) an elementary vocational training center at Boko; 2) a technician training institute at Pointe Noire;

- 3) an elementary teachers training college at Dolisie;
- 4) the addition of 10 laboratories to two senior secondary general schools (at Pointe Noire and Brazzaville).

The project would add 100 student places at the trained worker level, 250 at the technician level and 240 laboratory places in senior secondary schools. It would also provide funds to consolidate three teachers' training institutes in one location.

b) technical assistance for project implementation of curriculum development.

Status

A project unit has been established and a consultant architect, acceptable to the Association, selected

Issues

In December, 1971, the Government requested substantial changes in the Center at Boko and smaller changes in the other project items, At Boko the Government proposed a change of the course length from one-year to two years. We opposed this change on the grounds that a one-year course should be sufficient to impart the skills required of a rural artisan; that after a two-year course (with full boarding) the trainees would be less likely to return to their home villages as artisans but would probably wish to continue their education further; and that the output of the Center would be halved by doubling the course length and the recurrent costs per pupil-year increased.

The Credit Agreement required the appointment of a senior civil servant within the Ministry of Education to be in charge of technical education and vocational training. We are now informed that a Ministry of Technical, Professional and Higher Education has been created, separate from the Ministry of Education. A request has been sent to Congo to ascertain how coordination will be achieved between the new Ministry and the existing Ministries concerned with education and training.

HIGHWAY MAINTENANCE PROJECT
(274-COB, 1971 - IDA Credit of US\$4.0 million)

Background

The highway network is a feeder to the rail and river system and ensures communication with remote and sparsely populated regions. This network of about 11,000 km is extensive, with 11 km per 1,000 inhabitants, compared with 15 km in C.A.R., 9 in Chad, and 4 in Cameroon. However, most of the roads have low design standards and are in poor condition. Only 1,500 km out of the 8,300 km of classified roads provide all-weather service.

Since major upgrading is not justified at present, improved maintenance is the best way to satisfy the need for reliable road transport. This is the purpose of the present project.

Project Description

Borrower: Congo

Total Cost: US\$4.25 million

IDA Credit: US\$3.4 million (= foreign exchange component) and US\$0.6 million (refinancing of Highway Engineering Credit S-6 COB)

Date of Credit: December 22, 1971

Rate of Return: 20 percent

Description: The project consists of a 4-year highway maintenance program (1972-1975) which consultants would help implement and provides for:

- 1) reorganization and strengthening of the Road Maintenance Organization;
- 2) comprehensive training of personnel;
- 3) overhaul of the existing equipment fleet and procurement of additional equipment; and
- 4) extension or renovation of workshops for equipment maintenance.

Status: Awaiting effectiveness of credit.



Railway Project

1) The project consists of ATC's investment program (excluding any financing for the construction of the Holle-Dolisie section of the Congo-Ocean Railways) for the years 1972 and 1973. The total cost of the project amounts to about \$25 million with a foreign exchange component of \$21 million of which \$6.3 million is to be financed by an IDA credit.

2) The purpose of the proposed credit is to obtain through a detailed engineering study firmer cost estimates and hopefully a justification for a future railway construction project and to finance interim measures to cope with the railway's short-term capacity problems (freight cars). The IDA credit to the Government will be on-lent to ATC with a repayment period of 30 years (including a 5 year grace period) and at an interest rate of 7 1/4%.

The proposed IDA credit would finance the following items:

Cost of 260 freight cars	-	\$4 million;
Foreign exchange cost of an engineering study of the Holle-Dolisie section of the Congo-Ocean Railways	-	\$1.4 million;
A study of ATC's costs and tariffs	-	\$0.3 million;
(Contingencies)	-	\$0.6 million.)

3) ATC has accepted to increase its tariffs by 10% starting July 1, 1972.

4) Negotiations for the project with a delegation headed by Mr. Babackas, Director General of ATC, were substantially concluded on January 20, 1972. We are now awaiting Government approval of the draft credit documents. Board presentation is scheduled for March 14.

LIVESTOCK PROJECT

1) This project consists of the creation of a ranch in the interior on the Dihesse plain of the Niari Valley, a fertile area in the Southwest of the country. The plain is an area of rich vegetation with a low population density with little tradition in cattle breeding. FAC has financed the SEDES feasibility studies and PMWA has assisted in the final preparation.

2) The estimated total cost of the project (ranch and cattle fattening station) until year 13 when production will reach a maximum is between \$9 and \$10 million of this amount, \$4.5 million would be for investment in building tracks, fences, water supply and cattle while the balance of some \$5 million would be working capital.

3) The annual operating results remain negative until year 8. The financial rate of return calculated over a period of 25 years is estimated at 11 percent while the economic rate of return would be 12.7 percent. It is estimated that in year 13 when the project reaches its full capacity the total production will be equal to 35 percent of present Congolese *meat* imports and 40 percent of the present national cattle production.

4) The key issues of this project are its size, management, and the selection of a type of breed which might increase the economic return of the project. Under discussion is the Afrikaander breed from South Africa versus the more familiar Ndama breed.

5) The appraisal mission returned from the field late February 1972 and is preparing its report. Board presentation is scheduled for FY73.

River Transport Project

1) In September and October 1971 the Congolese Government and ATC requested the Association to help finance a 1972-1975 river transport investment project consisting of the purchase of river transport equipment such as river towboats, barges, and pusher boats. Total cost of this project would be about \$10 million with \$7 million of foreign exchange and \$3 million of local cost.

2) After the nationalization of the Congolese assets of the multinational transport agency, ATEC (Agence Transequatoriale des Communications), and the private river transport company CGTAE in 1969, river transport on the Oubangui-Sangha-Congo river system is assured jointly by the Congolese ATC and the Central African Government-owned shipping company, ACCF (Agence Centrafricaine des Communications Fluviales).

3) The project would be part of a renewal and expansion program for the river fleet so as to meet the sizeable timber and other traffic increases which are expected.

4) The Government's request to increase substantially the transport capability of its river fleet is a corollary to the overall traffic increases foreseen for the Transequatorial Transport Route as a whole. Although still subject to some uncertainty, the expected traffic development has been subjected to the scrutiny of several studies undertaken by different consulting firms, the Government (namely, Agence Transcongolaise des Communications, (ATC)) and the Bank. Present traffic includes petroleum products, sugar, cement and miscellaneous cargo upstream; and timber, cotton and miscellaneous items downstream. In 1970, ATC transported approximately 80,000 tons on the river system. By agreement between Congo and CAR, ATC is limited to carrying 20% of the traffic which crosses the Congo-CAR boundary. Although only a modest increase is forecast in other categories, ATC expects timber shipments to increase rapidly so that its share of the timber traffic will grow from 93,000 tons in 1971 to 630,000 tons in 1975.

5) We have discussed the project with ATC in a preliminary fashion in early 1972 in Washington and have asked for more information. We are planning a preparation visit to the Congo in April 1972 to look into the technical, financial and regional aspects of the proposed project.

SIBITI-ZANAGA ROAD PROJECT

(1) The detailed engineering and bidding documents for the Sibiti-Zanaga road (143 km) were completed in October 1970. The cost of the project was estimated at US\$12 million with a foreign exchange component of about US\$7.5 million, i.e. 60%. The Sibiti-Zanaga road, together with the connecting Jacob-Sibiti road (75 km) would open up a new forest area north of Sibiti. The timber production induced by the project road would be carried by road to Jacob and hauled by the CFCO railway from Jacob to the sea-port of Point Noire. The Jacob-Sibiti road would be constructed with FED financing. We had hoped to finance this project in the early 70's. However, the project had to be scheduled for FY 75 for the following reasons:

(a) The project awaits progress by FED on the engineering and construction of the Jacob-Sibiti road (75 km) linking the project road with the CFCO railway and the port of Pointe Noire. FED would have to complement the engineering which was not carried out satisfactorily, and to provide about US\$3 million on top of the US\$3.6 million which it allocated to this project in 1968. The problem has been discussed with FED. Our position up to now has been that we would appraise our project when bids will have been received for the FED project.

(b) The need to coordinate implementation of this project with the CFCO realignment, in view of the limited capacity of the railroad until 1975.

(c) The need to assess the optimum level of forestry exploitation.

ADB has offered to participate up to US\$3 million in the financing of this project.

(2) The Government has undertaken (with UNDP financing) a Forestry Development Plan for the area north of Sibiti, which would be opened up by the project road. The Phase I report on this exercise was due in September 1971. We have not yet received a copy from UNDP. This report should provide essential information to update the economic evaluation of the project and to define possible forestry policy measures to be associated with it.

RAILWAY REALIGNMENT PROJECT

(1) The purpose of the proposed first railway project is, among other things, to provide finance for the detailed engineering of the realignment of a 110 km section of the Congo-Ocean Railway between Holle and Dolisie.

(2) Following completion of the final engineering, the calling of the bids and the construction of the new line will take about three years, or until early 1976. This project is estimated to cost some \$43 million, with a foreign exchange component of \$27 million, and will require contributions by other lenders, since the magnitude of the financing required would pose very serious problems for IDA. We have so far included an IDA credit of \$5 million in FY 1974 for this purpose in our lending program.

INTRODUCTION

TO SUBJECTS LIKELY TO BE DISCUSSED

1) The Government has in the past raised a number of issues which are likely to come up again during your forthcoming visit.

Overall Bank Group Lending Program.

2) The Government (in particular Coordinator General Noumazalay and IBRD Governor Banza-Bouiti) has expressed concern at IDA's limited lending program which they feel is not commensurate with the number of well-prepared projects in the Congo. You will find background on this under item 5 b (paras 18 & 19) and this subject may give you a good opening for insisting on the need for the Congo to mobilize more resources through budgetary savings.

Budgetary Situation.

3) You will find a reference to this subject under item 5 b paras 10-12. In fact, it is quite difficult to obtain a clear picture in this respect. We know and the Government concurs, that the budgetary situation has deteriorated since 1970. However, it is hard to determine precisely to what extent, basically for two reasons. First, the Treasury does not have reliable data on state revenues and expenditures year by year on a cash basis. Second, there are no comprehensive and consolidated data on overall revenues and expenditures of the state and state enterprises. Some time ago an ECA expert had helped the Government to lay the basis for a consolidated budget of the state and its enterprises. But the work is incomplete and we have urged the Government to continue work in this respect. Moreover, we plan to assign a public finance expert to our next economic mission tentatively scheduled for September 1972 to improve our knowledge in this field which is so crucial to the size of our future lending program.

Economic Policies.

4) Mr. Noumazalay is chiefly responsible for planning and the most articulate spokesman on this subject (as on all other economic subjects) and I am sure he will give you an opportunity to explore with him the economic policies of the Government. As you know, there is no formally adopted development plan. All we have is a draft tri-annual interim development plan 1970/1972 (dated 1971) and investment projects for 1970/80. This list of projects by sectors adds up to an unfeasible sum of almost US\$ 800 million (CFAF 200 billion) worth of total investments over the decade. This compares with US\$ 200 million (CFAF 50 billion) during the last 5 year plan (1964-1968) and US\$ 55 million (CFAF 13.5 billion) of total investment in 1969.

5) Economic policy issues you may wish to raise could include:

a) Future Bank Group Assistance to the Transport Sector

You will find a separate briefing on this subject under item 9c. Mr. Babackas who has negotiated a US\$ 6.3 IDA credit for a first railway project in Washington in January 1972 will be the principal Government spokesman on this subject. However, on the broader subject of the Bank's rationale for emphasizing lending to transport Mr. Noumazalay

may also have comments.

In general, the Government welcomes Bank Group lending to the transport sector since it responds to the top priority the Government accords to this sector and since it helps the Congo break its ideological isolation from its "capitalistic" neighbors by strengthening Congo's role as a regional, low-cost transport center. However, occasionally the Government has voiced the suspicion that the World Bank defends the interests of the developed countries by restricting its lending to the limited development of transport infrastructure thereby permitting the moving of products from the countries of the interior (possibly also from the Congo) toward the developed countries where they are processed and acquire added value, and thereby also permitting these developed countries to trade with the interior (Chad, CAR, Gabon and Southeast Cameroon). You may wish to point to the existing education credit (item 7f) and the proposed livestock credit (item 8b) and assure the Congo that the Bank Group is anxious to relate its assistance to the needs of the Congo.

b) Government plans to develop agriculture and their relation to slowing the rapid rate of urbanization.

The Government agrees with our economic mission that the traditional agricultural sector has not produced enough and that prices for African staple food, especially in towns have risen drastically. The Government disagrees with the remedies proposed by our mission: renewed emphasis on the labor-intensive traditional sector in the form of extension services, agricultural credit, price incentives, and pilot experiments in integrated agricultural development (for background see para 12 of CPP under 11a). The Government feels that this approach has been tried and foundered "in the abyss of peasant apathy". The Government has launched a program of capital-intensive state farms and agro-industrial complexes for the following reasons:

- "the impending scarcity of rural labor, already a problem in some regions, will require a great increase in productivity in order to maintain adequate food production, better balanced than the subsistence cropping to which we (the Congo) have nearly reverted, and in order to ensure a maximum utilization of the country's agricultural potential."

- "the very high cost of food in the cities, owing to the low productivity of the farmers, and to the cost of marketing, because the villages are scattered over areas very difficult of access. Unless a remedy is found, this will quickly lead to a "Gabonese" type situation i.e. a fall in the standard of living and in the nutritional balance of the urban population, concomitant with the strong pressure on prices."

- "the failure of past experiments in training in the rural sector, already mentioned, which demands, even if new trials are not abandoned, immediate support of traditional, staple or export production."

- "the latent unrest of the rural population - a consequence of the repeated failures mentioned above and of their decreasing income, which makes them seek the status of wage-earners and forces the Government to create jobs in the countryside in order to slow down the growth of unemployment in the cities." (quotes from a letter of Mr. Noumazalay)

c) The Role of the Private Sector.

The Government keeps insisting that there is a place for the private sector in the development of the Congo but its socialist jargon and vitriolic attacks on Western imperialism create a rather uninspiring investment climate. The Government also feels that we overemphasized in our economic report the role of the private sector in development and shows great sensitivity in discussions of this issue (and the related issue of nationalizations). Since the Government will have to rely on further private investments if it wants to get anywhere near its ambitious investment targets (see para 4 above) it might be useful to raise this subject with Mr. Noumazalay. We have never been able to extract a comprehensive and unequivocal statement from the Government on the future role of the private sector.

Investment Disputes.

6) As you know a few nationalizations took place in the Congo in the sixties. Since then the Congolese have made slow but constant progress in settling their investment disputes.

7) You may wish in particular to express appreciation for the most recent settlement with CGTAE (December, 1971) and inquire about the prospects for settling the three outstanding issues:

CASP
UNELCO
SIAN - SOSUNIARI

You will find a briefing under item 9d.

Status of Potash Project

8) Potash Project (see item 7 b)

The Government is likely to raise the question of what the Bank will do to help this project, as did ex-Vice-President Raoul last November when Mr. Chaufournier visited the Congo. You may wish to ask the Government whether they have formulated their views on the recommendations contained in the Leubett report and whether they are thinking of alternative investment and employment opportunities in the area.

BANK GROUP LENDING PROGRAM

AND FUTURE PROJECT POSSIBILITIES

1. As mentioned before, Congo (B) is one of the countries whose development potential is substantial, and for which we had prepared a rather large number of projects. Naturally, we could not proceed with financing all of these projects, and we had reached a stage about a year ago where the Government was disappointed that we cannot finance all those projects on which we had at one time or another done some preparatory work.

2. The fact that the Government can virtually expect US\$10 million worth of credits (road maintenance project and the proposed first railroad project) in the current fiscal year has helped to improve our relations with the Government, which seems to have suppressed last year's disappointment for the time being. Looking into the future, however, the Government would still like the Bank Group to finance more projects, and they may raise this with you during your visit. We do not have up-to-date information on many of these projects. However, you may find the following brief descriptions useful, as they often relate to projects on which we had done some preparatory work in the past.

Pineapple Project

3. This is a pineapple growing and canning project in the Niari valley, where conditions are said to be suitable. As planned the plantation would cover some 1,500 ha and process some 40,000 tons of pineapples annually. The EEC countries would provide the main market outlet. Investment costs are tentatively put at US\$5 million, while the gross annual value of production would be in the order of US\$4.4 million. Financial data is at present limited. Initial trials were conducted by Libby's, but the latter withdrew despite encouraging agronomic results. Later, a Dutch firm, Catz International, an agent of Maui Brand and Pineapple Company Inc., Hawaii, a medium-size canned pineapple producer, have shown interest and a preliminary agreement has been signed with the Government. Under the terms of this agreement, the Government would finance the project, with the assistance of agencies such as the Bank, while Catz International would provide management and marketing services. Catz would also have a trade monopoly. The terms do not appear to be favorable to the Government.

4. The project estimates presented by CATZ seem to be seriously miscalculated and the benefits to the Congo would probably be substantially less than now anticipated. Additional preparation by an independent technical assistance team would probably be necessary to provide the Government with a better background for the negotiation of the final agreement. The Government seems to be willing to pay too high a price to assure its participation in the highly competitive world pineapple market.

Cocoa Project

5. Cocoa is grown mainly in the Northern Sangha region, in small, scattered, individually-owned plots. The total acreage amounts to about 4,000 ha, producing on average about 1,000 tons of cocoa annually. Quality is poor, yields are low, and producers have the disadvantages of poor extension services and difficult transport arrangements.
6. The Government has considered the planting of a further 15,000 ha of cocoa under the aegis of a Cocoa Board. Most of this expansion would be in (13,000) ha), with subsidiary developments in Likouala (1,000 ha) and Mayombe (1,000 ha). Full development would not be until 1988, by which time total production would be 15,000 tons of cocoa. Total investment would amount to CFAF 1.9 billion (US\$7.5 million).
7. We feel these plans are too ambitious, and the Government would be better advised to rehabilitate the one existing State cocoa plantation of 350 ha. Following this, it might be feasible to develop a more limited project of 4,500 ha in Sangha, after further studies.

The Niari Paper-Pulp Project

8. The paper pulp project, as envisaged by the Government, would consist of (a) the planting of some 50-60,000 ha in the Loudima and/or Pointe Noire area with eucalyptus and some pine, (b) the setting-up of a 250,000-ton pulp factory.
9. The reforestation in the Loudima area began in 1964 and is jointly operated and financed by ONAF and the French Technical Center for Tropical Forestry (CTFT). Plantations covered 3,000 ha by the end of 1970, and have already shown impressive results. Eucalyptus is said to be high yielding and produces sufficiently after only five years, instead of after eight years, as in most eucalyptus growing countries. Total plantation investment would be about 7.2 billion (US\$28 million). FED is studying this project.
10. A feasibility study for a paper and pulp factory was prepared by the CTFT and financed by UNIDO. The study recommends not to proceed with a small paper plant producing 6,000-10,000 tons for the UDEAC market, but to consider setting up a larger pulp plant of 250,000 tons capacity in Loudima or Pointe Noire for export. The plant is provisionally estimated to cost about CFAF 30-36 billion (US\$120-144 million). The internal rate of return appears low, and the project might face serious marketing problems. If this is not the case, there is still a timing problem, as it will overload the railway, and a financing problem, as the project is very capital intensive (up to US\$144 million) and should therefore be left to the private sector in the near future. No approach has yet been made for financing, except for the on-going afforestation program, and apparently no industrial promoter has shown enough interest.

11. During Mr. Chaufournier's visit to the Congo in November 1971, the then Vice President Raoul requested IDA financing for the afforestation program to absorb labor that might be released from the failing potash project. A month later Raoul was ousted from the Government and we have heard nothing since on this project.

Sibiti' - Zanaga Road Project

12. You have a separate briefing on the project under item 8d. The Congolese feel very strongly that the road should be built this year rather than in FY 75 and you find our arguments for delaying construction under item 8d. However, as a compromise you may wish to say that you will instruct the next road supervision mission to carefully review with the Congolese the prospects of advancing this project. ←

FUTURE BANK GROUP ASSISTANCE TO THE TRANSPORT SECTOR

The Government gives first, although not exclusive, priority in its investment plans to the development of transport, and ATC (Agence Transcongolaise des Communications) with over 4,000 employees is the most important transport enterprise, not only for the Congo but also for South-east Gabon, Southeast Cameroon, Chad, and Central-African Republic.

The Congo's transport system is characterized by three features:

- (a) the existence of a unified transport agency (ATC);
- (b) the preponderance of transit traffic from Gabon, Chad, CAR and Cameroon on the system; and
- (c) the importance of the Congo Ocean Railway (CFCO) within the system.

ATC was created in October 1969, following the nationalization of the Congolese assets of the Agence Transequatoriale des Communications (ATEC), a multinational agency set up in 1958 jointly by Congo, Gabon, CAR and Chad to manage the transequatorial road-river-railway route (2,900 km long) from Fort Lamy (Chad) through Bangui (CAR) to the seaport of Pointe Noire in Congo, as well as a road connection between Congo and Gabon. Although ATC is now run as a national agency, it de facto performs the same role as the former ATEC, by virtue of agreements between the countries. The Director General as well as the directors of the various sections are Congolese, assisted by qualified expatriate personnel.

The ATC system must be considered on a regional basis. In 1969, transit traffic was about 64% of the throughput of the Port of Pointe Noire, 60 percent of traffic on the CFCO and 80 percent of traffic through the Port of Brazzaville and over the Congo-Oubangui-Sangha river system. These proportions are expected to grow considerably in the coming years.

ATC owns and operates an integrated system consisting of three sections: (a) the railway from Pointe Noire to Brazzaville (CFCO); (b) the ocean port of Pointe Noire; and (c) river transport services on the Congo, Sanga and Oubangui rivers. Section (a) includes a road transport service between southern Gabon and Dolisie. The railway forms the largest section, its revenues accounting for almost 70 percent of the total for ATC, against 12 percent for the ocean port and 18 percent for the river services. A privately owned railway, connecting to the CFCO at Mont Bello, carries manganese ore from a Bank-financed project in Gabon 1/.

1/ Compagnie Miniere de l'Ogooue (COMILOG), Bank Loan 230-FR, 1959; 49% equity belongs to U.S. Steel and balance to French interests.

In 1970 the seaport of Pointe Noire had a total throughput of 2.9 million tons and the river port of Brazzaville handled 438,000 tons. Programs to increase the capacities of both ports are underway. River transport on the Congo-Oubangui-Sangha river system and its tributaries is assured jointly by ATC and the Central African Government-owned shipping company, the Agence Centrafricaine des Communications Fluviales (ACCF). A renewal and expansion program for the river fleet, so as to meet the sizable timber traffic increases, has been prepared by ATC and ACCF. ATC has requested the Bank to finance part (around \$9.7 million) of its river program. This request is presently being reviewed in the Bank.

ATC's controlling statute provides that it has financial autonomy and operates on a commercial basis. The three operating sections have individual budgets and investment plans and have to cover their expenses through their own revenue. The whole ATC system showed a net surplus (over CFAF 700 million) in 1970. Each section is self-sufficient.

External aid in the past was mainly derived from French sources (Fond d'Aide et de Cooperation (FAC) for grants, the Caisse Centrale de Cooperation Economique (CCCE) for long-term loans, and various French suppliers for equipment credits). The European Development Fund (EDF) has also assisted ATC financially.

The CFCO Railway provides the basic link between the Atlantic coast at Pointe Noire, the capital Brazzaville (510 km), the manganese mines in Gabon, and the river routes which connect Brazzaville with the northern region of Congo, southern Cameroon, the CAR and Chad.

The railway was constructed between 1922 and 1934 for a foreseen capacity of some 500,000 net tons. Due to: (a) the increasing traffic in recent years (3.1 million net tons in 1970), mainly Comilog manganese from Gabon and timber from Cameroon, CAR and Gabon, and (b) the railway's physical limitations in the 110 km section through the Mayombe mountains, the CFCO represents the principal capacity bottleneck on the ATC system. Steps are being taken to overcome these problems. A feasibility study for the improvement of the railway in this section is being financed by UNDP, with the Bank as Executing Agency. Preliminary engineering of an alternative route through this difficult section, provided under the UNDP study, should be completed in March 1972 and is to be followed by detailed engineering. This detailed engineering and other interim measures to cope with CFCO's short term capacity problems (freight cars) is the object of our First Railway Project in the Congo. The project totals \$25.1 million, with a foreign exchange component of \$20.9 million, of which \$6.3 million is to be financed by an IDA credit. Negotiations for the project were substantially concluded on January 20, 1972. Board presentation is now scheduled for March 14, 1972. Should the detailed engineering confirm the justification of the new route, this construction could be the object of a second railway project in FY 1974. The cost of the railway realignment is tentatively estimated to be about \$43 million, with a foreign exchange component of \$27 million. Financing by traditional donors (FAC, EDF, CCCE) is being sought by ATC.

Road transport in Congo (B) has been of secondary importance so far. Only 1,500 km (312 km paved) out of a total 8,300 km of classified roads provide reliable all weather service. Motorization is very low with a total of 9,000 vehicles in 1969, or approximately 10 vehicles per thousand inhabitants (compared with 20 per thousand in neighboring Gabon). The relative simplicity of the country's economy, the preponderance of long haul bulk traffic and the existence of a navigable river system preclude at this time the need for substantial trunk road development. There is no permanent road connection between Brazzaville and Pointe Noire on the coast or Brazzaville and Ouesso in the north, although the Government has plans to establish permanent road connections in the future between these towns. Construction of a paved road has been started on certain sections between Brazzaville and Ouesso, and the survey of a road between Pointe Noire and Brazzaville is underway. The Bank considers that these projects should be postponed because there is no indication at this time that there would be road traffic to justify them economically. Emphasis at this time should be on improved road maintenance standards, organization and training, and possibly feeder roads where warranted. Railway and river transport, complemented possibly by an improved air transport system, could handle projected traffic economically and efficiently.

The airport of Brazzaville provides regular international jet flight service. A Government-owned national air transport company, Linacongo, provides internal air transport. Air transport could play a greater role in the Congo, given the size of the country and the distribution of population centers. The Government is proposing to ask UNDP for technical assistance on civil aviation development.

Bank Group Strategy

We propose to continue our assistance to the ATC network as the lowest cost mode of transport for the region it serves. The objective of our assistance is twofold: to maintain and strengthen Congo's traditional role as a major transit country for large parts of Central Africa, and to permit large-scale timber exports from Southern, and in the future, Northern, Congo, the country's main source of foreign exchange. The Bank Group has already helped ATC to scale down an overambitious transport investment program to a feasible amount of \$144 million for the five-year period 1971-1975, to cope with the projected increase of traffic. Congo's capacity in the future, to serve as a regional transport center (and to continue to make the necessary investments) will depend on its ability to obtain (financial) support from neighboring countries for ATC's investment program. At present there is no obligation for ATC's clients to channel their traffic through the transequatorial route and many neighboring countries think of (uneconomic) alternative routes to the sea (e.g., proposed railway link Bangui-Nola-Yokadouma-Yaounde and proposed railroad spur Moanda-Booue-Libreville). In providing financial assistance to ATC the Bank Group's role should be to discourage uneconomic investments of neighboring countries in alternative routes to the sea, and in seeking commitments from these countries to continue to use the low-cost ATC transport system and to contribute (through higher tariffs) to the modernization of the system. As a first step, the

Bank Group has insisted on a 10 percent rate increase for ATC as a condition of the first railroad credit. In the future, the Bank Group will have to insist on some kind of regional arrangement between the Congo and its neighbors on the continued use of ATC's facilities. This will be no easy task given the tensions between the socialist Congo and its western-oriented, "capitalistic" neighbors on the one hand, and the nationalistic desires of neighboring countries of having "independent" alternative evacuation routes.

INVESTMENT DISPUTES

In 1967, the Government nationalized the Union Electrique d'Outre-Mer (UNELCO) and the Societe Equatoriale d'Energie Electrique (SEEE). In 1969, it took over the assets of the Agence Transequatoriale des Communications (ATEC), a multinational transport agency, and established the national Agence Transcongolaise des Communications (ATC). Subsequently, both the Congolese and Centralafrican Governments decided to buy out the Compagnie Generale de Transports en Afrique Equatoriale (CGTAE), a French firm operating most of the river traffic on the Congo, Oubangui and Sangha rivers. In 1970, the Congolese Government nationalized the Societe Industrielle et Agricole du Niari - Societe Sucriere du Niari (SIAN-SOSUNIARI), both part of a large sugar and food complex which was already partly Government owned. This agro-industrial complex was faced with serious financial difficulties, and plagued by conflicts with the workers.

The Government has reached an agreement with SEEE and, last December, with CGTAE. The ATEC issue has been settled by a series of bilateral agreements with CAR, Gabon and Chad. Settlements with UNELCO, CASP and SIAN-SOSUNIARI are still pending.

UNELCO

The Government has recognized the principle of compensation. However, the major issues preventing settlement are:

- (i) the depreciation rates used by UNELCO to determine the residual value of the assets;
- (ii) the eviction indemnity.

CASP

Compagnie Africaine des Services Publics was a French-owned water supply company. The Government has similarly recognized the principle of compensation, but apparently agreement has not yet been reached on the valuation of assets.

SIAN-SOSUNIARI

SIAN developed sugar cane fields and a large processing plant in the Congo. It also owned flour and groundnut oil mills, a ranch, and an animal fodder plant. SOSUNIARI, a joint venture between Congo and Grands Moulins de Paris, the largest French flour producer in West Africa, was created in 1964 to expand the cane fields to produce raw sugar which is then processed by SIAN. When the world price of sugar dropped dramatically in the late sixties, Sian/Sosuniari announced that it would have to close down and dismiss its some 10,000 Congolese workers. Thereupon on September 24, 1970, the Congolese Government nationalized SIAN, and its subsidiaries,

and SOSUNIARI, and replaced them by a public company, the Société Congolaise Agro-Industrielle (SIACONGO). The Congolese Government has endorsed all the outstanding debts of SIAN-SOSUNIARI and has recognized in principle the shareholders' right to compensation.

We understand that agreement has been reached between the French creditors of the company, CCCE and COFACE, and the Congo on compensation. However, as far as the group Vilgrain (of Grands Moulins de Paris representing the French shareholders of the company) is concerned, no agreement has been reached with the Congo. Vilgrain is persona non grata in the Congo and the Government had taken the position that before negotiations can begin, it must receive from the company the financial data and balance sheets up to the date of nationalization. Following a suggestion by the then Vice-President Raoul in November 1971, and a subsequent conversation in January 1972 between Messrs. Kochman and Noumazalay, Mr. Broches was ready to travel to the Congo in early March 1972 to discuss with the Brazzaville authorities the potential role ICSID could play in settling the dispute with Vilgrain. Mr. Kochman is planning to take this matter up with Mr. Noumazalay's successor since he agrees that personal contact with the local authorities regarding the Centre will be helpful in making progress with the resolution of the dispute, whether or not the Centre will in the end be involved.

It took the Government some time to understand that the Bank Group was not giving in to pressure by French companies not to lend to the Congo pending the compensation issues.

CABINET LIST

- ✓ - President of the State Council, in charge of Defense and Security..... Marien N'GOUABI
- ✓ - Vice-President of the State Council, Minister of Justice..... Aloise MOUDILENO-MASSENGO, Esq.
- ✓ - Minister of Finance and Budget..... Ange Edouard POUNGUI - ~~not comp~~
- ✓ - Minister of Industry, Mines and Tourism..... Justin LEKOUNDZOU - ~~moderate~~
- Minister of Foreign Affairs..... Henri LOPES
- ✓ - Minister of Public Works, Transport and Civil Aviation..... Captain Louis Sylvain GOMA *close friend of Pres. neg. 14th Dec 1977*
- < - Minister of Health and Social Affairs..... Dieudonné TFOUA
- < - Minister of Post, Telecommunications, Urbanization and Housing..... Victor TAMBA-TAMBA
- < - Minister of Labor..... Alexandre DENGUET
- Minister of Commerce..... Dieudonné MANU - *unc 9/11*
MAHOUNGOU
- < - Minister of Primary and Secondary Education.. Christophe MOUKOUEKE
- ✓ - Minister of Technical, Vocational and Higher Education..... Jean-Pierre THYSTERE-TCHICAYA - *able*
- ✓ - Minister of Agriculture, Water Resources and Forestry..... Alphonse GANGOUÉ

✓ Babackas - *Dir Gen ATC - Amb + Fr, 45 Jan 77, some Eng.*

Banza Bouiti - Director General, Commercial Bank of the Congo
Marc Bonnefous - French Ambassador to the Congo
Ambroise Noumazalay - Coordinator General of Planning Services
and Foremost Member of Politbureau of the CWP
Gian L. Pennacchio - UNDP Rep in the Congo
Jean-Edouard Sathoud - Administrator, National Energy Society

Major Marien N'GOUABI, President of the People's Republic of the Congo
President of the State Council (-Cabinet) in
charge of Defense and Security
President of the Central Committee of the
Congolese Workers Party

Born in Fort Rousset, about 430 km north of Brazzaville

34 years old

Married to a French woman

2 children

Soldier by training

1957 joined preparatory military school in Brazzaville and was later sent to the military school of Strasbourg where he spent two years.

1961 appointed Second Lieutenant in the Congolese Army.

1963 promoted to First Lieutenant.

1964 promoted to Captain.

1966 diploma as paratrooper while commanding the batallion of paratrooper-commandos based in Brazzaville.

mid-1966 appointed Chief of the Office of General Studies in the Office of the Chief of Staff of the National Popular Army. Followed courses in mathematics, physics and chemistry at the Center for Higher Education in Brazzaville.

mid- 1968 arrested for no apparent reason and subsequently freed by a group of his own paratrooper-commandos. This led to the overthrow of President Masebat-Debat (August 1968).

Dec. 1968 President of the People's Republic of the Congo.

Aloise MOUDILENO-MASSENGO - Vice- President of the Council of State, and
Minister of Justice.

Born near Brazzaville
38 years old
Lawyer by training (France)



Record Removal Notice



File Title Travel Briefings: East Africa (Sudan, Somalia, Zambia, and Zaire) - Travel briefs, Sudan		Barcode No. 1772619
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Correspondents / Participants Ange Edouard Pongui, Minister of Finance		
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Justin LEKOUNDZOU - Minister of Industry, Mining and Tourism.

Born in Fort Rousset (as President N'Gouabi)
40 years old

Considered able, competent, as well as one of the moderate and realistic members of the Government.

Henri LOPES - Minister of Foreign Affairs, Chairman of the Foreign Relations Committee.

Born in Kinshasa (Zaire)
34 years old
History teacher by profession

Primary education in Brazzaville and Bangui

1949 Secondary education in Nantes (France)
University education in Paris where he obtained a degree in history which he taught for 2 years in highschools in Paris.

1956-1957 member of the Executive Committee of the Black Africa Students Federation in France.

Chairman of the Congolese Students Association.

1965 return to Brazzaville as history teacher.

Director General for Education.

January 1969 High Commissioner for youth and Sports.

June 1969 Minister of Education

December 1971 Minister of Foreign Affairs.

Mr. Lopes is the author of various articles and poems. The words of the national anthem of the People's Republic of the Congo are his.

Captain Louis Sylvain GOMA - Minister of Public Works, Transport and
Civil Aviation. Chairman of ATC

Born in Pointe Noire

36 years old

Soldier by training

Considered to be energetic, competent and close friend of President N'Gouabi.

Led Congolese delegation in negotiations of Highway Maintenance Credit
274-COB in October 1971, in Washington.

Victor TAMBA-TAMBA - Minister of Ports, Telecommunications, Urbanization
and Housing.

Born in Bouenza region (southwest of Brazzaville)
34 years old

Until April 1970: State Secretary for Transport and Public Works

1971 State Secretary for Telecommunications, Tourism, Urbanization
and Housing.

Since December 1971 Minister

In March 1970, Mr. Tamba-Tamba led the Congolese delegation for the
negotiations of the Pointe Noire Makola Road Construction Credit 189-
COB in Washington.

Dieudonné MANU-MAHOUNGOU - Minister of Commerce.

Less than 30 years old

Graduated from the University of California and is the only English speaking member of the Congolese Government.

Christophe MOUKOJEKE - Minister of Primary and Secondary Education

Born in the Niari Valley (Mouyoundzi)
30 years old
Lawyer by training (France)

Jean-Pierre THYSTERE-TCHICAYA - Minister of Technical, Vocational and
Higher Education.

Born in Pointe Noire
31 years old

Former Director of UNDP financed Teacher Training College in Brazzaville.
Considered to be able and competent.

Alphonse GANGOUE -- Minister of Agriculture, Water Supply and Forestry

Born in Impfondo (Northern Congo)
40 years old

Edouard Ebouka BABACKAS Director General of ATC

Born in Mossaka (Northern Congo)
38 years old
Married
Civil Servant by training.

Primary education at missionary school.
Secondary education in Dolisie and Brazzaville
Studied Law and Economics in Nancy (France).

1962 Principal Inspector of Customs.

Since 1963 Minister successively of various Ministries,
(Finance, Mines and Transport
National Economy
Ports and Telecommunications)

67-69 Ambassador to France.

Has been twice in the United States:
March 1970: New York
January 1972: Washington for negotiation of the proposed
first railraod credit.
Understands some English.

POUR INFORMATION

CURRICULUM VITAE

NOM : BANZA BOUITI

PRENOM : Bernard

DATE ET LIEU DE NAISSANCE : Le 26 Septembre 1933 à Brazzaville
(R.P.C.)

ETUDES : 1941 - 1948 : Ecole primaire de Pointe-Noire et de
Djambala

 Juin 1948 : Certificat d'Etudes Primaires à
Djambala (Léfini)

 1948 - 1950 : Collège d'enseignement secondaire à
Pointe-Noire (Kouilou)

 1950 - 1956 : Différents Collèges et Lycées de
France

 13 Juillet 1956 : Baccalauréat de l'enseignement secon-
daire au Lycée Marcel ROBY de
Saint-Germain-en-Laye.

 1956 - 1961 : Faculté de Droit et des Sciences
Economiques de Paris

 Octobre 1960 : Licence en Droit Section "ECOPO"

 Octobre 1961 : Premier certificat D.E.S.

PRATIQUE : 1959 - 1961 : Stagiaire au siège social de la
Banque Centrale.

 1er Avril 1961 : Admis au nombre des agents du siège
social de la Banque Centrale en
qualité de chargé de mission.

 Mai-Septembre 1961 : Affecté à l'Agence de Douala de la
Banque Centrale en qualité de chargé
de mission.

 Octobre-Décembre 1961 : Réaffecté au siège social de la
Banque Centrale à Paris.

 Janvier 1962 : Nommé Directeur Adjoint d'agence à
Brazzaville.

..../-

1er Avril 1962 : Détaché auprès de la Banque Nationale de Développement à la demande du Gouvernement congolais

Avril 1962-Juillet 1971 : Directeur Général de la B.N.D.C.

1963 - 1971 : Membre fondateur et Administrateur de la Banque Commerciale Congolaise représentant la B.N.D.C., actionnaire.

Depuis le 1^{er} Août 1971 : *Directeur Général de la Banque Commerciale Congolaise, Banque Associée de l'Etat congolais, du Crédit Lyonnais de la Deutsche Bank et de la Banca Commerciale Italiana*

Au nom et pour le compte de la République Populaire du Congo, exerce les mandats de :

- Commissaire du Gouvernement auprès de SIDETRA, S.A.
- Représentant permanent auprès de la B.I.R.D.
- Administrateur suppléant au Comité Congo de la Banque Centrale,
- Administrateur au Conseil d'Administration de l'O.B.A.E.

LANGUES : Connaissances parfaites du français
Bonnes notions de l'anglais
Notions scolaires d'allemand.

Marc BONNEFOUS - French Ambassador to the Congo

Born: January 5, 1924

EDUCATION: Doctorat en Droit (Ph.D in Law)

1947 - Graduated from the French School for Civil Servants
(Ecole Nationale d'Administration)

EXPERIENCE:

1947-1956 Advisor to the French "Résidence Générale" in Morocco;

1956-1959 Division of Cultural and Technical Affairs in the
Ministry of Foreign Affairs;

1957 Private Secretary to the Minister of Foreign Affairs

1959-1961 Secretary at the American Office, Ministry of Foreign Affairs.

1961-1963 Second Advisor to the French Embassy in Lima, Peru;

1964-1966 First Advisor at the French Embassy in Algiers;

1966-1967 Professor in the "Institut des Hautes Etudes de la Défense
" Nationale";

1967-1969 Private Advisor to the Minister of Telecommunications and
to the Minister of Information;

June 1970 - French Ambassador to the People's Republic of the Congo.

Ambroise NOUMAZALAY - Coordinator General of the Planning Services,
(Foremost) Member of the Politbureau of the
Congolese Workers Party.

Born in the North
37 years old
Married to a French woman

Graduated in mathematics from the University of Toulouse (France)

1966-1968 Prime Minister under President Massemba-Debat
Brought in 250 Cuban commandos to train the army and to
act as body-guards of the Massemba-Debat Government. He is
the top technocrat of the Government, hardworking,
eloquent, ambitious. Surrounded by leftist French advisers.

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

N O M : S A T H O U D

P R E N O M S : Jean-Edouard

DATE ET LIEU DE
NAISSANCE : Le 15 Avril 1939 à Gangou (Niari) - République
Populaire du Congo

E T U D E S :

- 1948-1952 : Ecole Primaire de Tando-Petso et de Pointe-Noire
(Kouilou)
- Juin 1952 : Certificat d'Etudes Primaires Elémentaires à
Pointe-Noire (Kouilou)
- 1952-1956 : Collège Moderne de Dolisie (Niari)
- Juin 1956 : Brevet Elémentaire à Dolisie (Niari)
- 1956-1958 : Lycée Pierre d'Ailly à Compiègne (Oise) en France
- Sept.1958 : Baccalauréat 1ère Partie Série M' - Mention Assez-
Bien
- 1958-1959 : Lycée Marcellin Berthelot à Saint Maur des-Fossés
- Juil.1959 : Baccalauréat 2° Partie Série Philosophie - Mention
Assez-Bien
- 1959-1962 : Institut d'Etudes Politiques à Paris
- Juil.1962 : Diplôme d'Etudes Politiques à Paris - Section :
Service Public
- 1963-1965 : Ecole Nationale d'Administration de Paris dont la
scolarité s'est déroulée ainsi :
- Février-Décembre 1963 : Stage administratif pratique au
Cabinet du Préfet de la Sarthe au
Mans
- Janvier-Octobre 1964 : Etudes théoriques à Paris
- Novembre-Décembre 1964 : Stage à la Banque Centrale à
Brazzaville

.../...

- Janvier - Mai 1965 : Etudes théoriques à Paris
Mai 1965 : Brevet de fin d'Etudes à l'E.N.A.
Juin-Octobre 1965 : Stage à la Banque de France à Paris et en Province
Nov. 1965-Juin 1966 : Stage pratique à la Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun
Juillet 1966 : Sous-Directeur d'Agence de la Banque Centrale
Janvier 1968 : Directeur Adjoint de la Banque Centrale
Juin 1968 : Gouverneur Suppléant pour le Congo à la Banque Africaine de Développement
Septembre 1968 - Février 1969 : Participant au cours de Politique et Analyse Financière à l'Institut du F.M.I. à Washington
Avril 1969 : Directeur d'Agence de la Banque Centrale à Brazzaville
Août 1969 : Gouverneur Suppléant pour le Congo à la Banque Internationale pour la Reconstruction et le Développement
Depuis Sept. 1969 : Membre de la délégation congolaise à la conférence semestrielle des Ministres des Finances de la Zone Franc
Décembre 1970 : Administrateur à la Société Nationale d'Energie

Langues : Connaissance parfaite du Français
Bonne connaissance de l'Anglais.

Brazzaville, le 1er Mars 1972



LISTE DE LA DELEGATION DE LA BANQUE MONDIALE
DEVANT SE RENDRE A POINTE-NOIRE

- Mr. le Président du Groupe de la Banque Mondiale
- Mme MCNAMARA
- Mr. Mohamed Nassim KOCHMAN, Administrateur des Etats membres du groupe OCAM ainsi que du Mali et de la Guinée Equatoriale
- Mr. Roger CHAUFURNIER, Directeur du Département de l'Afrique de l'Ouest
- Mr. William CLARK, Directeur du Département de l'Information
- Mr. Rainer STECKAN, Chef de Division au Département de l'Afrique de l'Ouest
- Mr. Anders LJUNGH, Assistant personnel du Président de la Banque Mondiale

DELEGATION CONGOLAISE

- Mr. le Ministre de l'Industrie et des Mines *LEKOUNZOU*
- Mr. le Ministre des Travaux Publics, de Transports et de l'Aviation Civile *GOMA*
- Mr. le Ministre de l'Agriculture, des Eaux et Forêts *GANGODE*
- Mr. le Représentant du Programme des Nations-Unies pour Développement *PANNACCIO*
- Mr. le Gouverneur de la Banque Mondiale *Boviti-BANZA*
- Mr. le Gouverneur Suppléant de la Banque Mondiale *SATMOUD*
- < - Mr. le Conseiller Economique à la Présidence
- < - Mr. le Directeur des Services Agricoles et Zootechniques
- < - Mr. le Directeur des Relations Financières Extérieures
- < - Mr. TOUTOU, Attaché de Cabinet au Ministère des Travaux Publics
- < - Mr. le Directeur des Relations Extérieures à la Cocrdination
- < - Mr. le Directeur des Investissements
- < - Mr. LOUKAKOU Emmanuel, Chef de la Division des Relations Internationales à la Direction du Protocole d'Etat

- x - Mr. CHAPOUX
- x - Mme MOMBOULI (Interprète)
- x - Mr. MOUKET Ange, Agent du Protocole
- x - Mme BIKINDOU
- x - Mr. GOMA - M'BY (Interprète)

MEMBRES DE LA PRESSE

- Mr. BAROSE Laurent, Journaliste
- Mr. MATALA Appolinaire, Cameraman
- Mr. MALEGAMA Nestor, Preneur de son
- Mr. MIBORO Martin, Electricien./-

BRAZZAVILLE, LE 2 MARS 1972



LISTE DES PERSONNALITES CONGOLAISES
QUI PRENDRONT PART AU DINER OFFERT PAR MONSIEUR
LE VICE-PRESIDENT DU CONSEIL D'ETAT A MONSIEUR
LE PRESIDENT DU GROUPE DE LA BANQUE MONDIALE ET
MADAME MCNAMARA

- Mr. le Ministre des Finances et du Budget et Mme POUNGUI
- Mr. le Ministre de l'Industrie et des Mines et Mme LEKOUNDZOU
- Mr. le Ministre des Affaires Etrangères et Mme LOPES
- Mr. le Ministre des Travaux Publics, des Transports et de l'Aviation Civile
- Mr. le Ministre du Commerce et Mme MAHOUNGOU
- Mr. le Ministre de l'Agriculture, des Eaux et Forêts et Mme GANGOUÉ
- Mr. le Représentant Résident du Programme des Nations-Unies pour le Développement et Mme PENNACCHIO
- Mr. le Maire de la Ville et Mme GALIBALI
- ✓ - Mr. le Gouverneur de la Banque Mondiale et Mme BOUITI-BANZA
- ✓ - Mr. le Gouverneur Suppléant de la Banque Mondiale et Mme SATHOUD
- Mr. le Directeur de Cabinet du Chef de l'Etat et Mme ICKONGA
- Mr. le Directeur du Protocole d'Etat et Mme ONDOKO
- Mr. le Directeur de Cabinet à la Vice-Présidence et Mme YOKA
- Mr. le Directeur de Cabinet au Ministère des Finances et Mme KAINE
- Mr. le Directeur de Cabinet au Ministère des T.P. et Mme NIAMBI
- Mr. le Directeur Général de l'A.T.C.
- ✓ - Mr. le Secrétaire Général des Affaires Etrangères et Mme DADET-MOPOLO
- Mr. le Président de la Chambre de Commerce et Mme DIALLO
- Mr. le Directeur Général des Services Agricoles et Zootechniques et Mme TCHIKAYA
- Mr. le Directeur des Finances et Mme BOUNDOUMBOU
- Mr. le Directeur des Relations Extérieures et Mme TCHIFOU
- Mr. le Directeur de la B.N.D.C. et Mme OBELA

- Mr. le Directeur des Investissements et Mme MILONGO
- Mr. le Directeur des Travaux Publics et Mme GALIMONI
- Mr. le Directeur des Relations Financières et Extérieures et
Mme KOUANGA
- Mr. et Mme CHAPOUX
- Mr. TCHITCHELLE./-

BRAZZAVILLE, LE 29 FEVRIER 1972 *m*

II

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CONFIDENTIAL
2/19/71

COUNTRY PROGRAM PAPER

CONGO (BRAZZAVILLE)

DECLASSIFIED

APR 04 2013

WBG ARCHIVES

	IBRD/IDA Lending Program (\$ million)		
	<u>FY64-68</u>	<u>FY69-73</u>	<u>FY72-76</u>
1970 Pop'n: 0.94 million	IBRD 30.0	11.0	11.0
1970 Per Cap. GDP: \$255	IDA -	13.6	13.5
Current Pop'n Growth Rate: 2.4% p.a.	Total <u>30.0</u>	<u>24.6</u>	<u>24.5</u>
Current Exchange Rate:	Operations		
CFAF 277.71 = US\$1.00	Program	<u>26.6</u>	<u>29.5</u>
(since August 11, 1969)			
	Annual Average per capita (\$) ^{a/}		
	IBRD/IDA 6.4	5.2	5.2
	IDA -	2.9	2.9

all
IDA

a/ At the 1970 population figure.

A. COUNTRY OBJECTIVES

Introduction

1. The territory of the People's Republic of the Congo, in shape and size similar to Italy, stretches for almost 1,600 kilometers along the right bank of the Congo River and its affluent, the Oubangui. The population of the Congo is 43 percent urban. ^{1/}The average population density is 2.7 inhabitants per square kilometer, but the north of the country is even less densely populated (one inhabitant per square kilometer). All major urban centers are in the south, and the area southwest of Brazzaville has some three-quarters of the population on less than one-third of the land area.

2. More than 60 percent of the country's 324,000 square kilometer surface is covered with tropical forests; however, the country is poor in other agricultural resources, except for the rich soils of the Niari valley. Forestry products are a major and growing source of export earnings (57 percent of total exports in 1968 and 1969). Brazzaville, Congo's capital, was the administrative center for French Equatorial Africa, and still is an important transit port for goods to and from the Central African Republic, Chad, and Cameroon. Pointe Noire, Congo's

^{1/} Urban centers are defined as those containing 12,000 or more inhabitants. The four major towns contain an estimated 343,000 people out of a total urban population of 398,000.

only seaport, located at the end of the Transequatorial Route^{1/} also handles manganese and timber traffic for Gabon. In addition, transport-related services, general administration and educational services are large; consequently, the tertiary sector accounts for 60 percent of GDP. Manufacturing is also relatively well developed, but some enterprises have encountered difficulties, partly because of the loss of markets in other Equatorial African countries.

The Political Situation

3. The 1968 coup d'état which toppled President Massemba-Débat, brought to power a progressive government. A new constitution made the Congolese Workers Party (PCT) and its Political Bureau and Central Committee the major arm of government. Many of the people in power are young, inexperienced, socialist-oriented, dogmatic revolutionaries, and most of them belong to the army. The particular brand of socialism they practise requires a high degree of militancy against Western "neo-colonialist" economic and political influences, and corresponding allegiance to Peking's foreign policy line. The extreme leftist groups believe that economic and social policies modelled after the Mainland Chinese example are best suited to overcome the disparities in income and wealth which had become more pronounced since independence.

4. Counterbalancing the naive revolutionaries is what may be termed the more realistic group, who, although recently forced on the defensive, nevertheless retain considerable power, and may even be making a comeback. The clearest example is the case of Mr. Noumazalay, Prime Minister under former President Massemba-Débat, who, from being accused in front of a military court, rose to General Coordinator of Planning - the most prestigious economic position - and to second secretary of the Party - the third political position in the country. The realists are ideologically of the same mould as their fellow socialists, but they are much more pragmatic. They control the planning apparatus and the major public economic infrastructure institutions. Most important in this context is Mr. Babackas, Director of the Transcongolesse Communications Agency (ATC), Finance Minister under President Massemba-Débat and former Ambassador to France, a remarkable administrator. Messrs. Noumazalay and Babackas know that they cannot achieve their economic and social objectives without a continuous inflow of foreign aid from all possible sources, including the World Bank Group.

5. The political situation in Congo is not very stable. There have been several abortive attempts to overthrow the Government, some of them mounted by rival military factions which had fled to Congo (Kinshasa), and some by local politicians attempting to overthrow the military régime.

^{1/} The Transequatorial Route is a road-river-rail-port network more than 2,000 km long from Chad through the CAR to Pointe Noire in Congo, managed until 1969 by the multi-national Transequatorial Communications Agency (ATEC). The Congolese portion of this route (river-rail-port) is managed by the Agence Transcongolaise des Communications (ATC), a national institution, since 1969.

The civilian challengers of the military are often Southerners who have been pushed aside by the Northern-dominated military leadership, after several years of unchallenged Southern-urban dominance of political, economic and cultural life. In spite of the upheavals in Congo's brief political history since independence the Government has always been able to integrate experienced administrators who have provided stability even while the rhetoric of the top leaders became very radical. The tradition of a responsible elite, grown during a period when Congo was the administrative center of a much larger region, grow on and continue to influence younger men of the realistic group.

6. Congo's relations with Congo (K), which had become very poor since the Mulele affair,^{1/} deteriorated further because of the military plots which started from there. However, since June 1970 the situation has now improved considerably, thanks to personal conciliatory efforts by both Presidents. Diplomatic relations have just been renewed, and traffic across the Congo River has been resumed on a limited basis. Congo's relations with its UDEAC neighbors, which had reached an all-time low after the take-over by the Transcongolese Communications Agency (ATC) of the assets of the Transequatorial Communications Agency (ATEC), have again improved, and agreements have been concluded recognizing the interests of neighboring states. Yet the ATC, like ATEC before it, has not yet been able to overcome shortages of capacity, a problem which interferes with the full restoration of confidence on the part of neighboring states.

The Economy: Constraints and Objectives

7. The structural economic and social problems are the most intractable, and create serious problems for both the Government and the Bank in formulating a comprehensive development strategy.

8. The dominant feature of the Congolese economy is its position as an inter-regional transport center. With the creation of ATC, the maintenance and development of the network of ports, railroads and other infrastructure facilities which constitute the system became the responsibility of the public sector. Indeed, part of the rationale for creating ATC was the fear that ATEC was not prepared to make the investments required to meet growing internal and regional demands for transport fast enough.

9. Traffic data underscore the regional importance of transport facilities on Congolese territory. Transit traffic is estimated at 80 percent of the traffic through the river port of Brazzaville, more than 50 percent of the rail traffic, and 64 percent of the throughput of the port of Pointe Noire. Recently there have been considerable delays in regional and national traffic, particularly timber exports. This caused complaints from neighboring governments, and an almost irrational urge on their part to create alternative routes to the sea. Gabon and CAR in particular are pursuing such plans. The proposed investments for a railway linking the manganese mine at Moanda with Libreville, and for a rail connection between Bangui and the Cameroon railway system, are based as much on

^{1/} Mulele was a Congo (K) rebel leader who was given political asylum in Congo (B) and was lured back to Kinshasa with the promise of pardon, but was shot instead.

fears about political instability in Congo (B) as on doubts about ATC's ability in the long run to serve regional traffic needs. As none of the neighboring countries using Congo's transport system can envisage an important shift in the direction of their traffic in the medium run, ATC's transport problems have to be predominantly considered in the light of their international implications, rather than as a purely national matter. In order to maintain and strengthen this role of Congo as a major transit country, and in order to permit at the same time larger timber exports from Congo itself, large investments to increase the capacity of the ATC system are of high priority.

10. Congo's important role as an administrative and a transit center has further accentuated the already heavy concentration of the population in the South. The rapid urbanization rate of 6.5 percent annually has created severe problems of urban unemployment, inadequate services, and a deteriorating social climate. The Congolese are concerned with urbanization and its economic, social and political consequences, and the most recent Bank economic reports have identified it as a major issue for development policy. People continue to come to the urban centers because the alternatives in rural areas are even worse. To some extent, they may have been misled by the past high rates of industrial investment, and the promise this seemed to offer for obtaining jobs.

11. The Government has sought solutions for the unemployment problem through employment creation in urban areas and through the rapid modernization of agriculture. These policies, although in line with the Government's political preference for an increase in the number of wage-earners - who can easily be incorporated in the labor unions and the Party - have been a failure so far. By raising the expectations of potential rural-urban migrants, the rate of urbanization has increased, and is expected to increase further. Urban unemployment has therefore tended to increase, especially because the Government administration and the newly created state enterprises have reached excessive employment levels. The Congolese do not know how to deal with this problem. They do not have a national plan based on an examination of alternatives, and which would enable them to consider changing urban-rural economic relationships in terms of national objectives and constraints. The prospects for greatly increasing industrial and related service employment in the cities are not good. Much past investment was made in poorly run, uneconomic state enterprises, and in foreign private industrial enterprises whose scale of operations was tailored to the UDEAC customs union market. The creation of competing firms in other UDEAC countries, contrary to the spirit of the UDEAC treaty, has created excess capacity. It would seem that a period of rationalization and cutting of losses is required before a new period of industrial expansion can take place. The Government is aware of the problem, and has asked the UNDP to make a study of possible reforms of state enterprises with a view to cutting the heavy drain they now constitute for the Government budget. The Government is now dominated by Northerners who have ended what they regard as the over-emphasis in the past on the social and economic problems of the city dwellers. President Nguabi wants to take power away from the cities and return it to the villages, his primary constituency.

12. In its effort to modernize agriculture, the Government was hampered from the outset by the fact that it also wanted to keep ownership of land and of the means of production as much as possible in Congolese hands. As individual Congolese lacked the capital and know-how to implement modern agriculture, the Government had to develop a number of state farms and agro-industrial complexes, the latter until very recently in cooperation with the private sector. The result of this effort has been a mixed blessing. Exports of agriculture products except sugar stagnated, and modern farms turned out to be inefficient producers of African food crops. The neglected traditional agricultural sector did not produce enough staple food either, and prices for African staple foods, especially in towns, rose drastically. The bulk of the rural population lives in the poorly equipped traditional sector. Opportunities exist through coordinated programs for increasing output and incomes through the dissemination of knowledge, modest improvement in inputs, and access to markets. Because of the dispersion of the farmers, organization is difficult, but could yield high returns in terms of human welfare and in stemming urban drift. The Bank's economic report suggests that renewed emphasis be placed on the labor-intensive traditional sector in the form of extension services, agricultural credit, and price incentives. New, large, capital-intensive modern farm schemes for such crops as manioc, pineapples and yams should be left to the private sector, at least during the next five years, when a considerable investment effort for transport infrastructure is of higher priority for the Government. In view of the lack of private local capital and entrepreneurship, this would mean such schemes would be left to foreigners. The Government has already approached foreign entrepreneurs for some projects of this nature.

13. It is not known what the optimal capacity of the ATC system will be after improvements have been completed. However, the amount of timber that will be produced for export is directly related to this capacity of the transport system. The Congo is committed to meet the total demand for transit traffic, and only the balance of capacity is available for domestic traffic. A study on the optimum capacity of the ATC system is still underway; there is a problem of indivisibility of investments as, for example, whether or not to double-track the railroad. A decision on future forestry production levels will therefore depend in part on how much capacity is left on the system after transit traffic has been serviced, and whether and when it makes sense to invest in the next scale of capacity.

14. Wood production amounted to about 620,000 tons in 1969, and the Government projected an annual growth rate of about 9 percent for the next five years, bringing production to 1.1 million tons by 1975 and to 2 million tons if the same growth rate were to continue during the next seven years. If no expansion of the railroad facilities takes place after 1975 and production consequently would have to level off at about 2 million tons, the roughly estimated 75 million tons of forest resources could be exhausted within 40 years, assuming no replanting. Even if timber production is stabilized at the level projected for 1975 of 1.1 million tons, or if reserves turn out to be larger than expected, the existing forest resources would still be depleted in about 60 years. Consequently, there is need for

urgent formulation and implementation of a long-range forestry policy which will enable the country to use this physically almost untapped resource as economically as possible. Government revenue from forestry production, which accounts for more than 65 percent of exports outside UDEAC, is only about 5 percent of total Government revenue. An examination of forestry company profits on wood exports indicates that there are substantial margins available from which to increase Government revenues.

15. In order to derive adequate public benefits from this sector, the Government needs a comprehensive forestry development policy based on the following:

- (i) annual production targets which take account of the most rational long-run exploitation of this important natural resource;
- (ii) incentives necessary to reach the output targets including taxes, permit distribution policy, and public sector responsibility for infrastructure and current services;
- (iii) amounts of net revenues forestry exploitation can be expected to yield for the public sector, taking into account the cost to the public sector of supporting infrastructure and services;
- (iv) ways in which African participation can be increased in forestry exploitation; Africans now produce 30 percent of all timber, usually after the big expatriate firms have made the first sweep through the area.

16. The budget produced a modest surplus until 1969, excluding the amounts paid by France for current technical assistance (see footnote 1/ in table below). Since 1969 the budget situation has deteriorated considerably, and public savings have declined. The budget position was particularly difficult during the first months of 1970, and a current deficit is possible for the year. Most of the Congo's investment effort has depended on foreign financial and technical assistance (see footnote 2/ in table below). Public savings decreased from CFAF 1.5 billion in 1968 to CFAF 0.7 billion in 1969. Although the Government has announced its intention to increase public savings, it has so far taken no significant action. Actual budget revenue increased from CFAF 14.0 billion in 1968 to almost CFAF 15.7 billion in 1969, but expenditures rose to CFAF 16.2 billion owing to sharp rises in wages and salaries, transfers to public enterprises, and defense outlays. A CFAF 0.4 billion surplus in the overall budget in 1968 turned into a CFAF 0.4 billion deficit in 1969. Although the budgeted deficit for 1970 is considerably smaller than the deficit budgeted for 1969 (CFAF 1.2 billion), the 1970 actual deficit may well be larger than the budgeted deficit in 1970, because for the first time budget revenue estimates have been rather unrealistic. After a revenue increase of more than 10 percent was attained in 1969, a new increase of about 12.5 percent was budgeted for 1970, but whereas the

1969 increase was derived from increased direct and indirect taxation, the 1970 increase is almost exclusively expected from increased import duties. The following table shows the growth of revenues and expenditures for this period.

BUDGET REVENUE AND EXPENDITURES, 1967-70
(in billions of CFAF)

	1967	1968	1969	1970	1971
		Actual		Budget	Budget
<u>Total Revenue</u>	<u>13.1</u>	<u>14.0</u>	<u>15.7</u>	<u>17.7</u>	<u>19.6</u>
of which:					
Current Revenue	12.7	13.6	15.7	17.7	n.a.
<u>Total Expenditures</u>	<u>14.2</u>	<u>13.6</u>	<u>16.2</u>	<u>18.3</u>	<u>19.6</u>
Current expenditures ^{1/}	12.6	12.1	15.0	16.1	n.a.
Investment expenditures ^{2/}	1.6	1.4	1.2	2.2	n.a.

1/ Current expenditures do not include the CFAF 1.3 - 1.5 billion paid by France for technical assistants working for the Congolese Government.

2/ The investment expenditures included here are only those financed by the Government budget. Public sector investments, averaging more than CFAF 5 billion a year, financed by foreign aid are not included.

17. Actual revenues from import duties have in fact shown a sharp declining trend in 1970 as a result of increased import substitution and the unstable political and commercial situation. In addition, the Government continues to rely on the private sector, on some public utilities for short-term credit through postponing payment of bills for supplies, and on the use of all available Treasury resources, including maximum drawings on the Central Bank.

18. Government revenue in 1969 already amounted to as much as 25 percent of GDP at current market prices. Increase in forestry taxation may be the best option open to the Government in its efforts to improve the financial situation. Measures are also necessary to hold down expenditures; the economic report recommends that the outlays of certain autonomous agencies which are financed by earmarked taxes be carefully scrutinized. However, drastic cuts in Government employment and subsidies to public enterprises will be difficult to achieve, in view of high rates of unemployment and the political considerations involved. Several arrangements have been tried to cut unemployment in the past without much success. The administration is overstaffed, public enterprises are inefficient, and some may be economically unviable.

The Government has asked for UNDP assistance in reorganizing the State enterprises, but recourse to foreign management assistance on an enterprise by enterprise basis may well be necessary. In certain cases, the Government may even have to close down those enterprises which cannot break even within a reasonable time.

19. In 1968 an effort was made to prepare the Congo's first balance of payments, but so far it has proven impossible to publish any consistent data. Monetary data, however, show an improved net foreign assets situation at the end of 1968 and 1969 compared with 1967, notwithstanding a continued large trade deficit. The net foreign assets of the banking system, which declined by CFAF 1.1 billion in the period 1966-67, had returned to the 1965 level by the end of March 1970. This was due to continued sizable inflows of foreign capital (public and private), but the terms on which this capital has been received have worsened considerably. The loan portion has become so high that foreign debt outstanding has increased to an estimated US\$100 million, and the foreign debt service will exceed US\$12 million in 1971. A large part of this debt, however, is for the CPC and Comilog, two private firms. The Government only guarantees these debts.

20. It is difficult to assess the Congo's total foreign debt correctly, since records are not systematically kept. In addition, Ministers sign loan agreements without reporting to the Directorate of External Financial Relations which is responsible for keeping these records and preparing the balance of payments. A first step towards improvement would be the setting up of a new system of recording commitments. The Bank's external debt specialists could provide valuable technical assistance for this purpose.

21. It is difficult to project balance of payments developments for the next five years because of the prevailing uncertainties concerning exports of potash and petroleum, and because of the uncertain inflow of foreign aid funds and private capital due to the changed political situation. However, in view of the favorable timber export projections, we do not foresee serious problems in the near future if aid flows achieve the projected levels.

22. In preparing a new development plan, French experts have made an inventory of all projects that might be implemented. Out of this inventory a provisional program was drawn up. The program includes investments of about CFAF 90 billion of US\$325 million for the 1971-75 period. This would amount to an average annual investment of about 24 percent of GDP. This is an unattainable target even if ATC can continue to contribute about CFAF 7.5 billion over the period (CFAF 1.5 billion (US\$5.4 million) annually), and if CFAF 20 billion (US\$72 million) can be assumed as part of total investments, although directly related to the international vocation of Congo's transport network, and therefore financed from international sources.

23. In the absence of a clearly defined investment plan, our economic report has estimated the capacity to absorb investments of the Congo for the 1971-75 period at about CFAF 56 billion (US\$200 million), or about 15 percent of the projected GDP. Of this amount, a maximum of CFAF 5 billion

could conceivably be undertaken by the local private sector if the necessary guarantees were offered. A further CFAF 16 billion can be expected from the Congo's public sector, including CFAF 8 billion from the Government's investment budget and some CFAF 7 - 8 billion of self-financing by ATC. This would leave a financing gap of at least CFAF 35 billion or about US\$125 million to be filled by external aid and the foreign private sector. The latter could contribute some CFAF 8 billion mainly in the form of investments in the oil sector. The remaining CFAF 27 billion or US\$100 million should come from external aid (see Section C below).

MACRO-ECONOMIC OBJECTIVES (1976)

<u>Indicator</u>	<u>Unit</u>	<u>Current Level (1969)</u>	<u>Country Target</u>		<u>Bank Projection</u>	
			<u>Absolute</u>	<u>Growth rate</u>	<u>Absolute</u>	<u>Growth rate</u>
GDP (constant prices)	\$m	234	-	-	330	5.0
Population	'000	915	-	2.4	1,082	2.4
GDP per capita	\$	255	-	-	304	2.6
Exports	\$m	44	-	-	75	7.6
Capital Inflow						
Private (gross)	\$m	16	-	-	10	-
Public (net)	\$m	6	-	-	10	7.6
Debt-service ratio	%	20	-	-	-	-

B. ECONOMIC SECTORS

Transport

24. Basic to the development of the entire rural sector and indeed of the economy is the improvement in the transport network which at present constitutes the major bottleneck. Improvements in transportation are thus in many cases a pre-condition to the effective use of resources in productive projects, particularly in forestry and market agriculture.

25. The international character of Congo's transportation network and the need for expansion has been discussed. The major bottleneck in that network is the CFCO railroad, particularly the 80 kilometer long mountainous section about 45 kilometers from the port of Pointe Noire. A UNDP-financed study of the feasibility of improving that section has been in progress since June 1970 with the Bank as Executing Agency. The study will take one year, and at least four more years would be needed for detailed engineering and

construction, so that an improved line could not be available until 1975. Short-term measures are urgently required to increase capacity. The Bank has already discussed this question with the CFCO, and has asked the consultants to submit recommendations for interim measures by May 1971. These measures could consist of a better signalling system, extension of some sidings, and the purchase of additional rolling stock.

26. Road transport is of secondary importance in Congo. Only about 1,500 kilometers of roads (of which 330 kilometers are paved) provide reliable all-weather service. There has been little new construction in recent years. Traffic volumes are generally low except on short road sections close to the cities of Brazzaville and Pointe Noire, and on some roads in southern Congo which carry heavy timber traffic. The rest of the heavy traffic can be adequately handled by river transport.

27. For lighter traffic, air transport could play a greater role in Congo, given the size of the country, nature of the terrain, and the distribution of population which make it difficult to justify major road links. There are eight main airports, only three of which have paved runways. Regular international jet services are provided from Brazzaville. A Government-owned national company, Lina Congo, provides internal air transport with only a few aircraft.

28. Until recently, there has been little central planning and coordination of transportation investments and policies in Congo. ATEC was a multi-national agency responsible to the four member Governments. Up to 1969, ATEC, which had a large degree of autonomy, assumed responsibility for investment planning on its own system, while the Government was directly responsible only for highways and air transport. With the creation of the ATC, all transport modes came under the jurisdiction of the Congolese Government.

29. The size of the investment program for the transport sector reflects two important development objectives pursued by the Government: to maintain and strengthen Congo's role as a major transit country for large parts of Equatorial Africa, and to permit large-scale timber exports from southern, and, in the future, northern Congo, the country's main source of foreign exchange receipts. In its road section, it also reflected the Government's intention to build the politically motivated link with the North.

30. During the discussion of our green cover economic report with the Government scheduled for April, we will urge the Government to review its transport investment plan, notably concerning highways. This is important as the low priority North-South road will absorb resources which could otherwise be used for other projects which have a far stronger economic justification.

Agriculture

31. Agriculture, excluding forestry, has lagged. Except for sugar, forestry, and cocoa, it is mainly of a subsistence nature, and has not contributed significantly to either export earnings or to meeting increased domestic demand for food. Agriculture, livestock, and fishing together contribute only 10 percent to GDP.

32. In the past, the Government set up rather ambitious production targets for export crops and import substitution, and tried to reach those targets mainly through the traditional sector. Due to lack of a tradition of cultivating the land and to rapid urbanization which tapped the countryside of its most able workers, the traditional sector, as mentioned earlier, was unable to meet the targets. The Government then decided to give priority to the development of a modern agricultural sector (see paragraph 12 above), but staffing and organization was such a difficult problem that the traditional sector was further neglected. As a result, successful extension programs were not renewed, or inadequate follow-up was provided. In general, the production of staple food commodities lagged behind demand. It is estimated that the number of inhabitants of the large centers of the Congo will double between 1970 and 1985, while the rural population will decrease by nearly 20 percent. The demand for food products will therefore rise sharply, whereas supply is likely to decrease if no action is taken in this sector. Very few proposals have been made for developing food crop production, although opportunities exist for increasing production, and thus the income of small farmers, considerably, if adequate and efficient marketing services can be provided. ONCPA, the National Agricultural Produce Marketing Office, will need reform and possible merging with the National Trading Office (OFNACOM). Price incentives will also have to play a considerable role.

33. The Government continues to give priority to large-scale modern agriculture in both the public and private sectors for plantation-type crops. The projects included in the provisional plan are relatively capital-intensive, and would require a considerable inflow of competent and costly expatriate staff. Congolese labor requirements would be low. Most of these projects still require further preparation, and often lack the necessary market research. In addition, as they would be export-oriented, necessary investments in the transport sector can be considered as a pre-condition for their successful implementation. As these transport investments will absorb the bulk of available funds, investment in agriculture will of necessity have to be of a capital-saving nature for at least another five years. In the longer run, the Niari valley seems to offer opportunity for further agricultural development through agro-industrial units which would not be constrained by rural labor shortages.

Livestock-raising

34. Although Congo has no significant livestock-raising tradition, there is potential for expansion of cattle-breeding in the Niari valley which has rich pastures and decreasing tse-tse infestation. Livestock was introduced there in the late forties, and the herd has grown to about 30,000 head spread over a few ranches, of which the larger ones are government-owned; two were financed by FED. The total offtake of this herd is only about 360 tons, mainly due to complete disorganization at the largest government ranch. The balance of 4,000 tons of meat consumed in urban markets has to be imported from Chad via the CAR. Opportunities for further development exist. A FAC-financed feasibility study for a large ranch, in which the Bank has expressed interest, is underway. However, improvements in the existing livestock sector are required before new investments are undertaken. Study is needed to improve the traditional low-yielding type of cattle.

Forestry

35. Forestry has been discussed earlier. It is the main rural activity in the Congo. It accounted for about 57 percent of the country's total exports in 1969.

36. An inventory of forest reserves is underway in both the North and the South. At present, reserves are estimated at 75 million tons. These could be technically exhausted by the end of the century, assuming the railroad were double-tracked and a large number of forestry access roads opened. The fact is that not a great deal is known about the economic potential of this vast natural resource, nor about the prospects for replenishing reserves through a systematic program of replanting and forest management.

Fisheries

37. Fish has an important place in the diet of Congolese, but much salted and smoked fish is imported. The Congolese, however, lack a fishing tradition, and rely heavily on off-shore fishing by expatriate firms. FAO is at present carrying out an evaluation of off-shore resources, and preliminary results indicate some sizable resources of sardinella and tuna. A state enterprise for the production of smoked fish is now set up in Pointe Noire. A fishing complex including fishing boats and sardinella- and tuna-canning is under study, but no financing has been arranged so far. The Government should see to the completion of the preparatory work, but leave the financing up to the private sector which is better equipped to handle such a project.

Manufacturing

38. Manufacturing contributed about 15 percent of GDP in 1967, as much as agriculture including forestry. In 1969, the rate of growth of production and the amount of new investments (excluding the Compagnie des Potasses du Congo (CPC)) have slowed. Major public investments have been completed, and the private investment climate is not favorable due to the loss of preferential UDEAC markets and political instability. The effort in recent years to build a public manufacturing industry has had disappointing results. This is mainly due to inefficient management and to some questionable investment choices (for example, a record and a bottle factory), and to the creation of competing plants in other UDEAC countries, for example, textiles and cement. As mentioned earlier, a period of rationalization and cutting of losses is needed, including reforms, in order to salvage as much as possible of the investments made.

Education

39. The lack of managerial talent, although the most pressing, is not the only skill shortage in Congo, notwithstanding the fact that its education system appears to be one of the most advanced in Africa. School enrollment comprises about 70 percent of the age group 7 - 16, or about 200,000 pupils.

However, with the prevailing drop-out rate, not more than 1,100 students graduate annually from secondary education and teacher training, and only 210 students will graduate from university annually. In 1969, general secondary school enrollment accounted for almost 22,000 students, compared with only 2,600 students in technical schools and 600 students in teacher training schools, although there are marked shortages of skilled manpower, and many elementary school teachers are not fully qualified. High repeater incidence also lowers the efficiency of the system. Emphasis needs to be placed on the development of technical and vocational education, some of which may have to be geared towards self-employment and teacher training. In addition, more flexibility should be introduced in the curricula of vocational schools to avoid an oversupply in some fields (carpenters) while there are shortages in others (electricians).

Mining

40. Mining of gold, copper, lead, zinc and petroleum have contributed on the average about CFAF 336 million (US\$1.2 million) annually to production over the last five years. Recently, however, US\$100 million have been invested in a potash mine of the Compagnie des Potasses du Congo (CPC), including US\$30 million by the Bank. Unfortunately, however, this mine is no longer commercially viable as originally conceived, because the structure of the ore body has proved to be quite different from what the original geological survey had suggested. While the CPC agrees with the latter, it is not prepared to abandon operations, and proposes to search nearby for a uniform and flat ore body which could make viable production possible. In view of the socio-political and economic implications for the Congo, and in order to permit exploration of alternatives for continuing production, the Bank would agree not to call the loan, provided that the CPC shareholders agree to assume the political risks. No further Bank investment participation is contemplated. In 1970, production will not exceed 20 percent of the planned production, and the gross contribution to foreign exchange earnings will be about US\$3 - 8 million in the period 1970-72 compared with the forecasted US\$24 million. On the other hand, petroleum research offshore has given hopeful results if technical problems can be solved.

Public utilities

41. Private power producers have a larger installed capacity than the national power company (SNE). SNE, which came into being after nationalization of UNELCO, has in the past unsuccessfully attempted to persuade industrial consumers to purchase its power. Industrial consumers hesitated because of the fear that the services would deteriorate because of increased Congolization of the personnel. SNE, however, has demonstrated its ability to provide reasonable service and to maintain its equipment.

42. As a result, SNE has recently purchased a private plant in the Niari valley which serves the sugar industry created there. The company believes that if a reliable and acceptably priced power source were available, more industry would be attracted to this region. A possible source for this energy would be the falls at Moukoulou on the Bouenza

river. The project was studied by Electricité de France, and was then taken over by a group of Chinese engineers who are now there. If they complete the project and the necessary transmission lines, the Niari valley and eventually even Pointe Noire would be taken care of. SNE intends to ask the Bank to finance the expansion of the Djoué hydro plant, near Brazzaville. A Bank survey mission concluded that such an expansion would be justified only if it were tied in with the Bouenza, Niari, Pointe Noire and eventually the Brazzaville grid where power shortages exist.

43. Over the next few years, investments may also be necessary for water supply to the cities of Brazzaville and Pointe Noire. The National Water Distribution Company (SNDE) should be able to take care of this investment if the Government settles its arrears with the company. If not, SNDE will have to look for financing outside its own budget.

C. EXTERNAL AID

44. Foreign aid comes from a multitude of sources in Congo, unlike in other former French colonies. Total disbursements over the years 1964-69 were about CFAF 35 billion, of which CFAF 14 billion was in the form of grants and the remaining 60 percent in the form of loans. A large proportion of these loans, however, consists of Bank and FAC loans for a potash project (CFAF 10 billion), and interest-free loans from Mainland China (CFAF 4 billion) and the Soviet Union (CFAF 2 billion). The European Development Fund (FED) contributed almost CFAF 5 billion in grants, and the French FAC contributed a further CFAF 3 billion, also in grants. Other French sources contributed CFAF 4 billion, but part of this was for current expenditures of institutions like Radio Brazzaville, ASECNA, etc., and for reimbursements of CCCE loans.

45. The absorptive capacity of Congo during the 1971/72 - 1975-76 period is estimated at CFAF 56 billion by the Economic Mission, and the financing gap at CFAF 35 billion. We expect that this gap will be filled by aid disbursements from FED, France, China, Russia, the Bank Group, UNDP, and foreign private investment.

46. A realistic working assumption would be for private foreign investors to contribute CFAF 8 billion, and for FED, FAC, the Bank Group and China each to take CFAF 5 billion in disbursements for their account. A further CFAF 3 billion could then come from Russia, and the remaining CFAF 4 billion may be expected from UNDP, other UN agencies, miscellaneous donors in Eastern and Western Europe, and from some other French sources such as the CCCE. The Bank/IDA contribution to total foreign aid would thus amount to 18.5 percent. This percentage might be even higher if other aid donors do not disburse as expected. A substantial amount is already committed by the Second FED, and a CFAF 7 billion commitment program for the Third FED has already been discussed. Together with disbursements for previously committed projects, this should give a disbursement of at least CFAF 5 billion. FAC and other French aid donors seem to be more reluctant than before to give wholehearted support to Congo, but total disbursements are still expected to amount to CFAF 5 billion.

47. Our expectations of disbursements of CFAF 5 billion from China and CFAF 3 billion from Russia are based on estimated disbursements of CFAF 6 billion during the period 1965-69, and on the size of the undisbursed loans. It is, however, uncertain how these countries will react to the considerably reduced investment program which we are advising. They may not want to spend too much on the projects we think should be retained and, in addition, the practice of disbursing in kind, already a formidable handicap, may be even more difficult to overcome if disbursements have to be linked to projects not chosen according to the availability of capital goods at the particular moment. The Bank/IDA net disbursement figures discussed below indicate that our disbursements can amount to CFAF 5.6 billion in five years if the proposed program is accepted.

48. Congo's external public debt has increased extremely rapidly. It was estimated at US\$100 million at the end of 1969. The service of this debt will reach more than US\$12 million by 1971, or some 20 percent of 1969 exports of goods and net transport receipts. Foreign financing should therefore be on concessionary terms and be limited to high priority projects if Congo's creditworthiness is to be preserved.

49. Congo's creditworthiness is severely constrained by the present relatively high debt burden, the difficulties in increasing the budget savings, and the fact that increased exports from potash will not materialize. In these circumstances, the Government should refrain from contracting new credits on supplier terms. Loans on conventional terms should be confined to institutions such as ATC which are independent of the budget and have projects with high economic priority. Assistance to projects in the rural and social sectors, dependent on Government resources, should preferably be on concessionary terms. The case for concessionary lending to the Congo is strengthened by the fact that, although per capita GDP was about \$255 in 1970, 60 percent of the population lives in rural conditions which are probably worse than in some other African countries with lower average per capita GDP.

D. BANK/IDA PLAN

50. The Bank's rationale for assisting the People's Republic of the Congo rests in part on the proposition that our help will have a significant impact on the development of important sectors of the economy, and in part on the benefits which will accrue to the wider region for which the Congo serves as the central transportation hub. Judged very roughly, on the basis of the distribution of traffic between transit and Congo's own exports and imports, about one-third of the benefits from the implementation of our lending program would accrue to other countries in the region.

51. We should, however, be under no illusion about the extent of our ability to exert a decisive influence on the overall economic and social development policies, given the nature of the country's structural economic and social problems, and the instability inherent in its political and social structure. The economic policy discussions which we are planning to have with the Government will cover these matters as well as the issues of domestic savings, the management of state enterprises, transport policy, forestry policy, and the review of the draft economic and social development plan, so that it will not set excessively ambitious targets. In addition, we expect to exert a direct beneficial influence on the institutions concerned with our various projects.

52. The Congo is suspicious of aid donors in general, and wants to avoid dependence on any one group. The World Bank, particularly in the form of IDA financing, is regarded as the least onerous source of Western foreign aid, although Congolese often criticize what they regard as the excessive Western ideological influence in the Bank and its failure to give adequate attention to the social sectors. The pragmatists amongst the ruling Congolese, whom we mentioned earlier, and who hold the main economic policy jobs and control the public infrastructure institutions, look to the Bank for support in their investment efforts, and even welcome the advice they can obtain from the Bank in this connection. The Government has specifically asked us to send a representative to Congo to discuss our economic report with the highest political authorities. The English version of the report is scheduled to be in green cover by the end of February 1971.

53. In the last few years we have been able to carry out feasibility and pre-investment studies for transport, and a project identification study for education, and have established good working relationships with the technical services in the sectors in which we have displayed interest, although some temporary problems have arisen because of lack of experience with Bank procedures. In dealing with the CPC affair, however, the Government has shown considerable maturity.

54. Our proposed investment program is designed primarily to overcome the bottleneck to the expansion of timber and rural output created by an inadequate transportation system. The Congolese are fully aware of their comparative advantage in inter-regional transportation, and of the fact that our assistance would help them to develop the system to its potential.

55. While we propose that the Bank concentrate its investments in transportation and other non-urban sectors, we do not mean to be unresponsive to the Congo's other development problems. The Congolese know we have little experience in social sector financing, and have accordingly not requested development assistance for their urban problems. Further, the official policy is to discourage further growth of the cities and to rebuild the countryside. Our proposed lending programs in transportation and the rural sectors are consistent with this line. The expanded flow of goods should also have important subsidiary benefits for Congolese engaged in the numerous service activities associated with the large-scale transportation industry. Most of these benefits can be expected to accrue to businessmen and workers in the cities, and in this sense will help ameliorate the urban problem.

56. The Government probably has a long-run, although unstated, program of nationalization of the means of production, but in this respect has in practice nationalized only recently the large sugar and food industry complex which was in serious financial trouble and plagued by conflicts with the workers. Other well-run and profitable private enterprises have not been touched, nor has the CPC. There are nevertheless nationalization issues in the Congo. Some public-utility type enterprises such as UNELCO and CGTAE have not received compensation

for the assets that were nationalized. Discussions are underway on these issues. We have no way of predicting the outcome. The Bank is following developments in order to assure itself that just compensation is made to the parties concerned.

57. A basic development constraint in the Congo is the inadequacy of public savings. In this connection, the proposed Bank lending program will create an incentive to improve public savings performance, and indeed will be made contingent on the provision of an adequate domestic contribution to the financing of public investment. At least some of the local expenses for the proposed projects will have to come from the budget. Even if the expansion of civil servant employment can be stopped and expenditure growth kept to an austere 4 to 5 percent per annum, budgetary savings will not be larger than 10 to 15 percent of Government revenues for some years to come. The \$29.5 million proposed Bank five-year operational program will require an estimated public sector contribution of \$14 million. The budgetary contribution required by this program will amount to an estimated \$8 million, which on an average annual basis would amount to 2.5 percent of estimated Government revenues in 1970.

58. The operations program proposed for the next five years consists of \$11 million IBRD loans and \$18.5 million of IDA credits. Preparatory work on a program of this size is justified on the following grounds. First, a large part of the program benefits the entire region which the Congo (B) transport network serves, and which would have justified a considerably larger IDA program in the absence of an allocation constraint in the Bank Group. Second, public savings are low and cannot be improved dramatically in the next few years. Further, the country is poor. Per capita GDP was some \$255 in 1970, but it is unevenly distributed, with some 60 percent of the people living close to subsistence in the traditional sector. The lending program is estimated at some \$24.5 million, of which \$11.0 million would be Bank loans and \$13.5 million IDA credits. In view of these considerations, an IDA contribution of some \$2.9 per capita annually would not be excessive.

59. Loan 480-COB was fully disbursed in three years. By the end of 1970, 73 percent of the engineering credit S6-COB had been disbursed. However, the implementation of the 1970 Pointe Noire-Makola highway credit 189-COB encountered delays as a result of bids that were higher than expected. We have now authorized the Government to negotiate a new price with the lowest bidder and are awaiting the results. The proposed program should result in a satisfactory rate of disbursements, as a high proportion of the transportation loans are for imported rolling stock and capital goods, and are under the jurisdiction of ATC which has a record of competent management.

60. The proposed program will not add noticeably to the external debt burden of the country in the next five years, and debt service payments after this will only constitute a small fraction of total demands on the budget and balance of payments. External debt service payments are high, and in 1969 amounted to 20 percent of export goods and services,

and would amount to 18 percent of current Government budget expenditures if the Government also had to repay the loans it guaranteed. At present IBRD loans account for 30 percent of all foreign public debt.

Transportation

61. Very preliminary estimates place the cost of engineering and improvement of the Holle-Dolisie section of the CFCO railroad at about US\$25 million, of which we propose to finance US\$17 million. FED has recently indicated that it will not finance more than \$5 million, which leaves an estimated \$3 million to be obtained from other sources. FAC has so far shown no interest in this project. This railroad is a vital link in the transport network. It forms a complement to the expansion being financed by other aid agencies in port facilities, and is particularly vital for the further development of wood and manganese exports and wood processing industries. The entire network is competently managed by ATC.

62. Our road investments consist in part of organizational and equipment improvements in maintenance (\$2.0 million) which will yield considerable returns from the improved functioning of the existing road networks. Further, we propose to finance the construction of two new roads which will permit the increased exploitation of forestry reserves. One road, Sibiti-Zanaga in the south-west, will cost an estimated \$11.2 million, of which \$7.0 million in foreign exchange. We propose to contribute \$4 million in IDA credits, and the ADB might make available \$3 million, leaving \$4 million in local costs to the Government. An IDA credit of \$3 million is proposed for a road in the North, although better knowledge of the forest potential, the Government's forestry policy, and the intentions of foresters will first be required.

Agriculture

63. Development in this sector is closely tied to improvements in transportation, and proposals are based on those in transport infrastructure. Agriculture has second priority in our program, with \$3.5 million in projects amounting to 12 percent of the operational program. The program includes a \$2 million livestock project for the Niari valley designed to supply the domestic market. The initial study was financed by FAC, and FED may participate in the financing. Our last Economic Mission recommended a further \$1.5 million for a small farming project designed to assist in improving the local food supply through an extension program for traditional farmers, and including agricultural equipment, seeds, credit and marketing assistance. The project is designed to provide the means and organization needed to attain food production objectives among small farmers. It is to be based on a UNDP-financed study. If this experiment is successful, it is our hope that other lenders and the Government will be induced to follow. Indeed, our own future lending program will be guided by the results.

Education

64. An IDA-financed education project of \$3.5 million was negotiated in December 1970. The project is intended to assist in modernizing primary teacher training and vocational training for rural development at the post-primary level, and technical and science teaching at the senior secondary level. The proposed project will play an important part in the effort to overcome shortages of skilled workers which constitutes a serious constraint on economic development.

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COUNTRY PROGRAM PAPER

CONGO (BRAZZAVILLE)

Postscript

65. The Country Program Paper on Congo (Brazzaville) was reviewed at a meeting in Mr. McNamara's office on February 26, 1971. In view of the regional importance of Congo (B)'s transit system, the proposed concentration on transportation projects in the operations program was approved. However, it was decided that because of the Congo's very limited creditworthiness, Bank Group lending for Congo (B) be exclusively through IDA. A smaller program of projects, to be financed exclusively by IDA, was agreed upon, as shown in the revised Attachment 1 which is attached. In particular, the Small Farming and Roads IV projects were deleted, the Livestock, Roads III and Railroad Construction projects were deferred by one year, and the total contribution to the Railroad project was limited to \$5 million IDA.

Western Africa Department
March 9, 1971.

POLITICAL ISSUES

Congo People's Republic (Brazzaville)

Major Marien Nguouabi, President of the Council of State,
on National Mobilization⁹ (April 1, 1970)

Comrade members of the congress, Comrade militants, in view of the constant threat of aggression by colonialism and international imperialism, assisted by their local stooges and other opportunist and irresponsible elements, your party must learn how to sort out the citizens. Following the offensive of the mercenaries, who have been shot down like mad dogs, we must now begin to wipe out for ever all the relics of imperialism by driving away the bloodthirsty and dollar-hungry assassins through a general, methodical, organized and disciplined mobilization of the people within the Congolese Party of Labour (PCT).

You all know that we expect to have to import labour in 1973 because of all the economic projects contained in our 1970-74 five-year National Development Programme. This is because by then there will be no unemployment in the People's Republic of the Congo. It is therefore obvious that the attacks on our people are proof of the degradation of the capitalist system. The attacks also prove the steady progress of our people's revolution despite all the obstacles and difficulties inherent in our struggle. It is our party's desire to introduce urgently concrete regulations making it compulsory for all our cadres to engage in ideological work, regardless of the post they hold. A political and ideological organ must be created within all our State departments because the success of all work depends on ideological work. The party must take charge of all the services responsible for ideological work—the party school, the Press, the information services, the radio, the cultural organizations and education—because they are essential conditions for seizing power. The party must also have a security service freed from all bourgeois and reactionary tendencies—a sound, politically and ideologically trained security service capable of ensuring with fierce jealousy the defence of the fruits of our revolution of 13 to 15 August, 1963.

Ideological work can galvanize the masses, increase their awareness, dynamism and initiative and thus help them accomplish the tasks defined by the PCT. Every militant must systematically study Marxist-Leninist principle and train himself ideologically for the struggle. The study of Marxism Leninism has become an urgent need at the present stage of our revolution. Very few cadres possess advanced theoretical knowledge. This is why they are often inclined towards empiricism, dogmatism and Left infantilism.

This is why our cadres very often get bogged down in detail and red tape. This is why their ideas and ideology are out of step with the development of our struggle against imperialism, colonialism and neo-colonialism. Theoretical study must take the realities of our society into account. Ideological work must not be considered a temporary exercise to convince the people, or an instrument to be used in case of need. Many comrades do engage in ideological work outside official working hours. They pay attention only to their official duties and ignore all political and ideological problems. In the present state of our struggle against imperialism and the enemies of independent and prosperous Africa, we must organize an armed resistance for the defence of the ideals of the August revolution.

POLITICAL ISSUES

The party must unite all the forces which can be united and mobilize all the patriotic elements in the country—the revolutionary workers, peasants, soldiers and intellectuals. Every citizen who is aware of the importance of our struggle against capitalist exploitation must be mobilized for the armed resistance. To be sure, we must take our past experiences and errors into account. The mobilization of the responsible elements in the country must inevitably lead to a popular and revolutionary war against imperialist aggression and all the anti-national and anti-people forces.

This national liberation struggle will unfailingly result in final victory, that is, the victory of the working classes. The Congolese Party of Labour must define the principles of the political organization of our army. To participate in the revolution is to stimulate the awareness of the masses, to organize them for the struggle to overthrow the bourgeois ruling classes and restore power to the people. Once power has been acquired it is necessary to organize and lead the masses to maintain, consolidate and develop power, and thus make it an instrument for the transformation of the old society into a new one.

Rainer B. Steckhan

1971 Annual Meeting -- Meeting of the Delegation of the People's
Republic of Congo with Mr. Knapp - 9:15 - 9:45 on Monday, Sept. 27, 1971

1. At Mr. Chauffournier's request, the delegation of the People's Republic of the Congo (hereinafter referred to as the Congo) met with Mr. Knapp on September 27, 1971. The delegation included Messrs. Bouiti, Director General, Congolese National Development Bank, and Governor of IBERD for Congo, and Sathoud, Director, Central Bank of the Equatorial African States and Cameroon. Messrs. Pougui, Minister of Finance, Kouangha, Director, Bureau of External Financial Relations, and Obela, Regional Director, Congolese National Development Bank, joined the meeting later. Messrs. Chauffournier, Steckhan, and Leduc also attended.
2. During the meeting three issues were raised: a) the size of the proposed IDA lending program; b) the status of the potash project; and c) the status of the investment disputes, resulting from the nationalization of various foreign companies.

Size of Proposed IDA Lending Program

3. Mr. Knapp started out by recalling that the Congo was competing with a great number of other developing countries for limited IDA funds. He emphasized that by any standards - population, level of income, etc. - the proposed lending program for the Congo was very substantial as compared with neighboring countries and geared to the priority needs of the country.
4. In reply, the Congolese acknowledged these facts but pointed out that most of the proposed lending was for projects which would benefit the whole region and for which IDA resources should be allocated taking into account the population of the region rather than that of the Congo alone. Although the Congolese delegation agreed with the high priority assigned to transportation they found it difficult to understand why IDA had turned down projects such as the pineapple and cocoa projects which were designed to raise agricultural productivity and to correct regional imbalances. Messrs. Knapp and Chauffournier replied that it was important to remove first the transportation bottleneck before a major effort could be made to increase production. They pointed out that the amount of IDA lending to the Congo had constantly increased over the past years and that at a later date increased IDA assistance could well be directed to Congolese agriculture.

Status of the Potash Project

5. Mr. Chaufourmier briefed the delegation on the major conclusions of the Laubett's report, which the Congolese said they had not yet received. (The following day, Mr. Leduc handed Messrs. Bouiti and Sathoud another five copies of the report.)

Status of Investment Disputes

6. The delegation of the Congo recalled that the Congo had accepted the principle of compensation and was open to any reasonable suggestion from the companies. They expressed their concern, however, that the World Bank could be influenced by some of the powerful companies who were trying, behind the back of the Congolese, to get the ear of the Bank. The Congolese wanted to be sure that the Congo would also be heard by the Bank and that the Bank kept the Congo informed in this matter.

7. Messrs. Knapp and Chaufourmier emphasized that unresolved disputes over expropriation were a source of concern to the Bank as a development finance agency and that the Bank was interested in reasonable efforts by the Congo to settle these disputes.

8. It was agreed that during the upcoming visit of Messrs. Chaufourmier and Steckhan to the Congo in early November the issues raised would be discussed in more detail and that in particular the Government of the Congo would give its reactions to the Laubett report and outline the dates of its efforts to settle the pending investment disputes.

cc: Mr. Knapp
Mr. Broches
Mr. Chaufourmier
Mr. Clinek

RBSteckhan/Ekv



PEOPLE'S REPUBLIC OF THE CONGO (BRAZZAVILLE)

BACKGROUND NOTES

Population: 936,000 (1970 est.)
Capital: Brazzaville

The People's Republic of the Congo (Brazzaville) is located on the Equator in west-central Africa, extending more than 800 miles inland from the Atlantic Ocean. It is bordered by Gabon, Cameroon, the Central African Republic, the Democratic Republic of the Congo (Kinshasa), and Cabinda (a portion of the Portuguese territory of Angola). With an area of 131,538 square miles, Congo (Brazzaville) is slightly larger than New Mexico.

The country may be divided into four topographical regions: (1) a coastal plain which extends inland about 40 miles to the foothills of the Mayombe Mountains, (2) the Niari Valley in the south-central area, containing the most fertile soil in the country, (3) the central Bateké Plateau separating the basins of the Ogooué and Congo Rivers, and (4) the Congo River Basin in the north, composed of largely impassable flood plains in the lower portion and dry savanna in the upper portion. Much of the Congo is covered by dense forests.

The tropical climate is not conducive to sustained physical effort. Temperatures average 75° F. year-round, and annual rainfall varies from 45 to 80 inches. The main dry season lasts from July through September.

The Congolese flag is red with two green palm branches framing a crossed hoe and hammer topped by a gold star in the upper left corner.

THE PEOPLE

The population of Congo (Brazzaville) is estimated at 936,000 with an annual growth rate of 1.2 percent. Although the average population density is less than eight persons per square mile, approximately 40 percent of the people are concentrated in urban areas, principally Brazzaville (population: 160,000), Pointe-Noire, and Dolisie. Outside the major towns the Congolese are divided into many small communities which have little outside contact.

There are more than 75 tribes in the Congo, the principal ones being the Bakongo (who account for about one-half of the population), the Bateke, the M'Bochi, and the Sangha. Approximately 12,000 Europeans, most of them French, reside in the country.

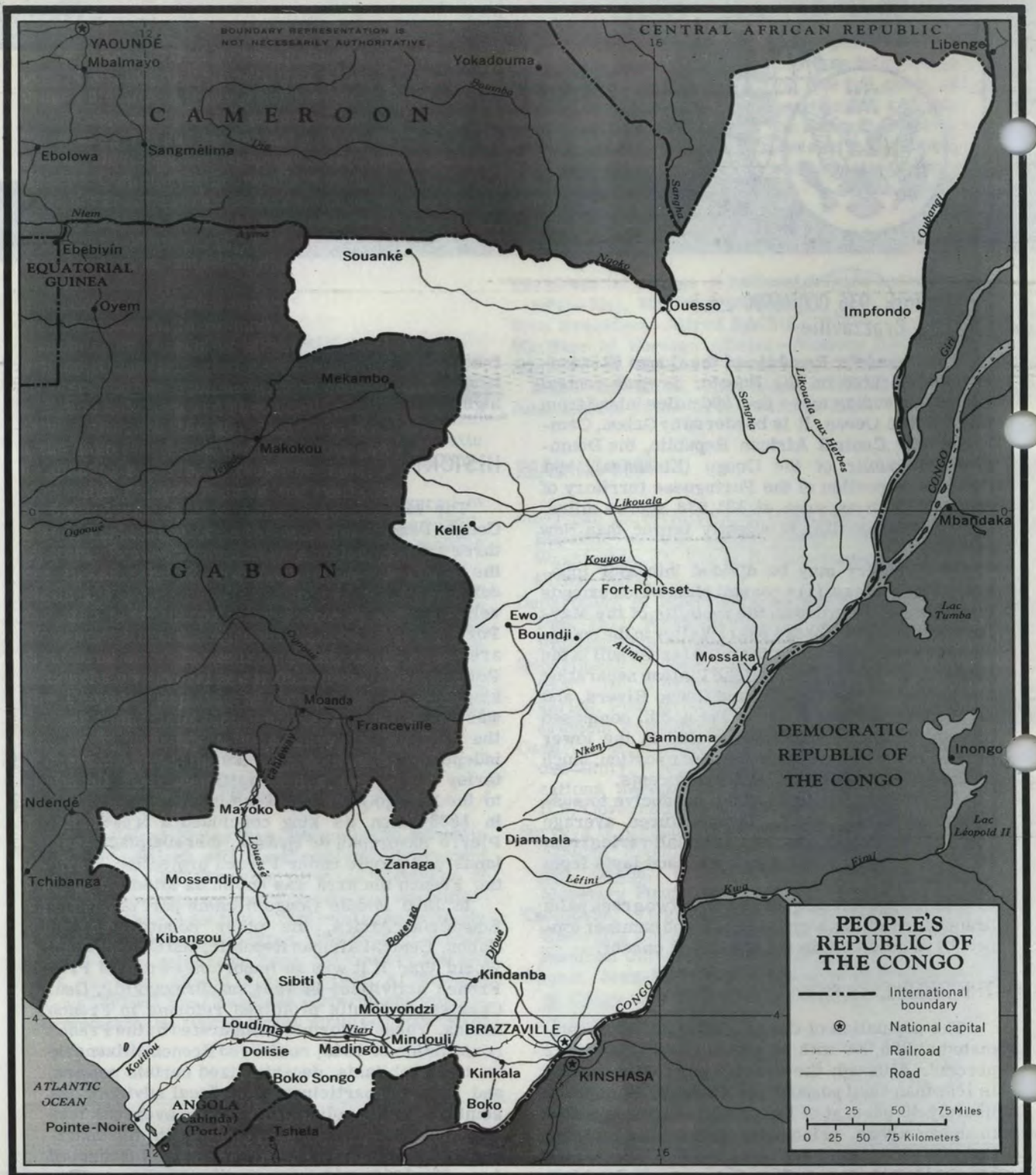
Animistic worship is prevalent but most of the urban population is nominally Christian. French is the official language; tribal languages most

frequently spoken are Lingala and Kikongo. The literacy rate is estimated at 50 percent, one of the highest in Africa.

HISTORY

The early history of the area now known as Congo (Brazzaville) is believed to have focused on three tribal kingdoms—the Kongo, the Loango, and the Teke. The Kongo was a highly centralized kingdom established in the 14th century and which developed a close commercial relationship with the Portuguese, the first Europeans to explore the area. With the development of the slave trade the Portuguese turned their attention from the Kongo kingdom to that of the Loango. When the slave trade was prohibited by European powers in the 1800's, the Loango kingdom was reduced to many small independent groups. The Teke kingdom of the interior also dealt in slave traffic by selling slaves to the Loango kingdom. Teke independence ended in 1883 when its king concluded a treaty with Pierre Savorgnan de Brazza, thereby placing his lands and people under French protection. Under the French the area was known as Middle Congo.

In 1910 Middle Congo became part of French Equatorial Africa, the other countries being Gabon, Central African Republic, and Chad. During World War II it was an important center of Free French activities. In 1944, at Brazzaville, Gen. Charles de Gaulle promised reforms in French Africa. These reforms, inaugurated by the French constitution of 1946, conferred French citizenship on the inhabitants, decentralized certain powers, and initiated participation by local advisory assemblies in the political life of the overseas territories. More reforms followed with the enactment of the Overseas Reform Act (Loi Cadre) of June 23, 1956, which removed remaining voting inequalities and provided for the creation of governmental organs assuring a measure of self-government. A constitutional referendum in September 1958 replaced the federation of French Equatorial Africa with the French Community. The establishment of this community further extended the internal powers of the former overseas territories which were liberalized even more by French acceptance of the concept of full independence within the community framework. Middle Congo, as well as the three other territories,



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became a fully autonomous member of the French Community under the name of Republic of the Congo. On August 15, 1960, it became an independent country but retained close formal bonds with the community.

The immediate postindependence era was dominated by Abbé Fulbert Youlou, who was deposed from the presidency in an uprising led by labor elements in August 1963. All members of the

Youlou government were either arrested or removed from office, and Abbé Youlou is now in exile in Europe. The Congolese military took brief charge of the country and installed a civilian Provisional Government headed by Alphonse Massamba-Débat. Under the constitution of 1963, Massamba-Débat was subsequently elected President for a 5-year term. His term came to an abrupt end in August 1968 when (then) Capt.

Marien Ngouabi and other army officers toppled the Government in a coup de'état. After a period of power consolidation under the newly formed National Revolutionary Council, Ngouabi (now Maj.) assumed the presidency on December 31, 1968. On December 30, 1969, President Ngouabi proclaimed Africa's first "People's Republic" and announced the decision of the national political party, the National Revolutionary Movement, to change its name to the Congolese Labor Party (PCT).

GOVERNMENT

According to the present Constitution, promulgated on January 3, 1970, political power in Congo (Brazzaville) is concentrated in the Central Committee of the Congolese Labor Party (PCT) and the Council of State. The leader of the PCT also functions as President of the Republic (Chief of State and Head of Government). The Constitution specifies no presidential tenure. The Council of State (cabinet) is the executive organ of the Government and is appointed by the President. There is no provision for a legislature in the 1970 Constitution.

The highest court in Congo (Brazzaville) is the Supreme Court whose judges are appointed by the President.

For administrative purposes the country is divided into nine Regions and the capital district of Brazzaville. Each Region is under the authority of a Commissioner, appointed by the Central Government.

POLITICAL CONDITIONS

Since the Ngouabi government took power in 1968, political power has been increasingly centralized in the presidency, and the promulgation of the 1970 Constitution further strengthens this trend. The PCT is the only legal party in the country.

Policy objectives of the Government are broadly expressed in terms of "scientific socialism," despite varying, and sometimes conflicting, interpretations within the country as to modes of application of this doctrine. Although some elements openly press for a program of rapid state assumption of control of the whole economy, the Government has thus far avoided a policy of total nationalization.

The Ngouabi government is struggling with the same basic problems that confronted its predecessors—lack of capital and adequate personnel, unemployment, economic underdevelopment, and low living standards. These problems are further complicated by the continuing conflicts between upper-echelon government leaders based on tribal and regional origins as well as ideological beliefs.

ECONOMY

The Congolese economy is not robust. Gross national product (GNP) in 1970 was estimated at U.S. \$200 million, while per capita income was about \$220.

Agriculture is characterized by two distinctly different types of exploitation: traditional subsistence farming which occupies most of the population, and cash crops—mostly for export. Traditional agriculture produces mainly corn, bananas, cassava, rice, peanuts, tropical fruits, goats, and chickens. Commercially organized cash crops, which are not grown in great quantity, range from palm nuts, sugarcane, bananas, and peanuts to tobacco, coffee, and cocoa beans. Most agricultural commercialization is under the direction of a state marketing board.

The country remains overwhelmingly dependent on imported items of all kinds, including foodstuffs. For example, 90 percent of all meat consumed is imported. Other imported items include machinery, transportation equipment, and consumer goods. Trade balances are chronically and heavily negative, although the gap has closed somewhat in the last few years due to declining imports and expanded exports. In 1968 (the most recent year for which reliable figures are available) imports totaled \$86 million while exports were \$60 million. Tropical wood is the most important export item. France is the Congo's major trading partner and supplied 52 percent of all Congolese imports in 1967.

France has also been the primary source of foreign aid. However, since the August 1963 coup, trade and aid patterns have changed somewhat, as the Congo has concluded several new trade agreements with the People's Republic of China, the U.S.S.R., and other Communist bloc countries.

There is no heavy industry in the country. In addition to processing wood, the Congo produces soap, sugar, palm oil, beer, cement, textiles, and cigarettes.

The most valuable mineral resource yet discovered is a large deposit of high-grade potash near Pointe-Noire. Potash exports are currently estimated at about 67,000 metric tons annually. Recent offshore petroleum exploration has produced promising results and petroleum could, in time, provide the Congo with a major new source of revenue.

The Congo's geographic location at the crossroads of transit trade to and from Congo (Kinshasa), the Central African Republic, Chad, and Gabon, and the lingering effects of Brazzaville's former position as administrative capital of French Equatorial Africa also have a substantial impact on the country's economy. Customs receipts, providing much of the income revenue, and extensive employment in service and transport industries are the primary benefits derived from these circumstances.

The port of Pointe-Noire is served by the 319-mile-long Congo-Ocean Railway connecting it to Brazzaville and the Congo River transport to the north. Pointe-Noire also serves as the port of evacuation for COMILOG, a manganese mining activity in Gabon, 49 percent of which is owned by the U.S. Steel Corp. The Congo is well served by international airlines, and the government-owned Lina Congo provides internal air service. The

road network is very inadequate, which makes retail distribution in the interior difficult and costly, impedes the marketing of rural agricultural production, and limits the accessibility of rich timber stands in the north.

The Congo, Cameroon, the Central African Republic, and Gabon formed the Central African Customs and Economic Union (UDEAC) in the late 1960's. They also form a monetary union and share a common currency, issued by a common central bank.

FOREIGN RELATIONS

The stated foreign policy of the Congo is one of nonalignment, but the leftist Government sides with the Communist and radical states on almost all matters of international importance. Since early 1964, the Congo has established diplomatic relations with virtually every country in the Communist world.

Relations with Congo (Kinshasa), severed in late 1968, were fully restored in December 1970, and normal ferry traffic between the two capitals across the Congo River was resumed.

In addition to being a member of the United Nations and several of its specialized agencies, the Congo is a member of the Organization of African Unity (OAU), the African, Malagasy, and Mauritian Common Organization (OCAM), the Economic Commission for Africa (ECA), and is an associate member of the European Economic Community (EEC).

U. S. - CONGO RELATIONS

The United States has attempted to maintain friendly relations with the Congolese Government and people. As a result of three instances of arrest, detention incommunicado, and expulsion (in two of the cases) of U.S. diplomats and officials by the Congolese authorities, all official U. S. personnel were withdrawn from the country and the U.S. Embassy closed in August 1965. At the time of withdrawal the Congolese Government was informed that the United States would be prepared to

consider reopening its Embassy upon receiving meaningful assurances of Congolese intention to respect U.S. rights of legation (the full range of traditional diplomatic rights, privileges, and immunities). The Embassy of the Federal Republic of Germany represents U.S. interests in the Congo. U.S. assistance from 1960 until relations were broken totaled \$1.9 million.

PRINCIPAL GOVERNMENT OFFICIALS

President (in charge of national defense and security)—Maj. Marien NGOUABI
Vice President—Alfred RAOUL
Minister of Foreign Affairs—Auxence ICKONGA
Minister of National Education, Culture, Arts, Mass Education, and Sports—Henri LOPEZ
Ambassador to the U. N.—Nicolas MONDJO

READING LIST

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