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UNITED NATIONS

24 OCTOBER 1965

THE UNITED NATIONS CIVILIAN OPERATIONS

IN THE CONGO

REPORT ON

SIX YEARS OF TECHNICAL CO-OPERATION ACTIVITIES

JULY 1960 - JUNE 1966

OFFICE OF THE RESIDENT REPRESENTATIVE
UNITED NATIONS DEVELOPMENT PROGRAMME
KINSHASA

1967

C O N T E N T S

PREFACE BY THE RESIDENT REPRESENTATIVE

INTRODUCTION

1. General Remarks
2. Sociological Aspects
3. Economic Situation

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✓ 1.00 Sources of Finance and Coordination of Programmes

2.00 How a UNTAB Project is Planned, Executed and Controlled -
Its Effectiveness

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✓ 3.00 The Direct Activities of UNTAB

✓ 3.01 Economic Analysis and Coordination

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✓ 4.00 Specialized Agencies

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ECONOMIC ANALYSIS AND COORDINATION3.01 Economic Analysis and Coordination3.011 Bureau of Economic Coordination (BEC)

An effect of Independence and the following political events was a deterioration of the economic situation^{1/} of the country. After the central authorities had regained control over the country in 1962, there was a tremendous need for economic recovery.

To effect economic recovery, the Government had to mobilize and use domestic resources and foreign aid, in money, men and material. It was obvious from the outset that to achieve satisfactory results in this area, it was necessary to work out an overall recovery programme, based on a correct assessment of the needs and potential of the country. To set up such a programme, a team of highly qualified economists was required, until qualified Congolese would be available to replace the international experts. Their task was to study the weaknesses and ills of the economy at both national and provincial levels, and to propose remedies in the form of feasible projects, that could be promptly executed to assure economic recovery and stability.

The projects contained in the recovery programme are not to be confused with long-term development planning, which aims at the comprehensive economic and social development of the country.

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^{1/} See also Introduction)., p.

As yet there have been two main and permanent difficulties which the experts have encountered: shortage of (1) technicians and (2) of foreign exchange. As many European technicians were repatriated, the export earnings declined rapidly after Independence and, thus, put the country into great need of foreign technical and financial assistance^{1/}.

. During the initial years of Independence, technical assistance was provided by the UN, and also on the basis of bilateral agreements. The coordination, however, on both the administrative and the functional level, was not properly established. To avoid overlap and redundancy on the one hand, and serious gaps in important areas on the other, the technical assistance programme had to be rationalized; that is, conceived in terms of the recovery programme referred to earlier.

In the field of importation, friendly countries extended financial and commodity assistance through the UN in the initial years after Independence to help the country to overcome serious shortages of essential goods. There has been some criticism that the resources made available through this assistance have not been properly managed. The Government has, therefore, taken steps to ensure sound management by creating organs of execution and control.

To meet the requirements of a steady development, the Government initiated the necessary steps to broaden the basis of foreign financial aid. Increasing the number of sources, however, meant a greater effort in coordination.

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^{1/} See also Introduction, p.

Faced with these pressing needs and convinced that such work is most efficiently done at the highest Government level, the Government, on 15 September 1962, issued Ordinance N° 136, creating the Bureau of Economic Coordination^{1/} in the Prime Minister's office to discharge the tasks mentioned above.

The BEC was entrusted with the following functions:

- a) determination of objectives and of priorities for economic projects;
- b) elaboration of the programmes supported by foreign aid;
- c) control of supplies and promotion of a food programme;
- d) establishment of an overall plan of priorities for technical assistance, and review of the recruitment of foreign technicians;
- e) advising the Prime Minister, the Minister of Planning and the Minister of Economic Affairs on all matters of economic policy.

By Ministerial Decree of 20 October 1962, the organization of BEC was planned as follows:

3.0111 Office of the Director

The director was responsible for the proper running of the Bureau and a Congolese counterpart was to share in the execution of this task. They were assisted by two internationally recruited experts; namely by a senior economist as assistant to the director, and a legal adviser. By Ordinance N° 136 the director was also adviser to the Prime Minister, the Minister of Plan and the

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^{1/} See also Chapter A), p. 8.

Minister of National Economy.

3.0112 Programming and Studies Section

This section had the duty to study the national economy in terms of its resources and needs. In the light of these studies the section was to draw up the above-mentioned short-term economic recovery programmes. It examined all development projects within the framework of these programmes, and recommended to the director of the BEC the appropriate measures regarding such projects. He was thus able to advise the Prime Minister.

3.0113 Foreign Aid Section

This section was in charge of consultation with present and possible future donors of aid to the Congo. It planned and coordinated foreign financial or commodity contributions, and various technical assistance programmes, and ensured that they harmonized with the overall recovery programme proposed by the Programming and Studies Section and adopted by the Government. Within this framework it coordinated requests for foreign experts and obtained government approval for the recruitment of experts in question. In addition, it studies scholarship and training programmes and discussed them with the ministries concerned, in order to incorporate them into the general framework of the recovery programme.

3.0114 Liaison and Import Control Section

This section had two tasks:

- 1) It was in charge of the Government's import programme. Through the Director of the Bureau, it proposed to the Government the principles according to which foreign aid

was to be utilized for imports. It assessed import requirements within the framework of the overall recovery programme, studied the priorities for the different types of imports submitted by the Office of Supply to the Bureau for approval, and made appropriate recommendations to the Government. Allocations of quotas to the various importers were also to be approved by this Section to ensure conformity with the Government policy.

2) It had the task of seeing that the defined economic policy was actually implemented, and of maintaining permanent contact with the Ministries, the provinces and the departments concerned, either to collect the necessary data for coordination or to solve difficulties which arose by coordination; and, finally, of following up, with the organizations and authorities concerned the implementation of the projects prepared by the Bureau.

3.0115 Activities of the Bureau

On 9 November 1963 the Congolese franc was devaluated as a step towards achieving monetary stability. The director of the BEC was appointed by the Government as a member of the "Commission de Redressement financier" (Commission for Financial Recovery) whose terms of reference were to prepare a plan of monetary reform. With the director of the BEC, two other UN experts - the President of the Monetary Council and the Public Finance Controller - were appointed as members of the Commission by the Prime Minister^{1/}.

Already in 1963 countries providing aid to the Congo were becoming more aware of the role played by the Prime Minister's

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^{1/} See also p. , and p.

Bureau of Economic Coordination and tended to rely upon it more and more. During 1964 this trend grew even stronger.

During the second half of 1964 they called on its help as a centralizing agency, when there were problems to be solved in matters of foreign aid, illegal re-exportations, or salaries. The Bureau became also the coordinating agency in the preparation relating to the Belgian-Congolese "contentieux" (investment conflicts). Moreover, in the preparation of a programme for an extraordinary budget, the Bureau played a major role of coordination.

Mention should be made of the role played by the Bureau in the following negotiations:

- negotiations for a 10 million DM loan by the Federal Republic of Germany;
- Preliminary negotiations for a commercial, financial and technical assistance agreement with Spain;
- Negotiations relating to the settlement of annual programmes of American aid (Agricultural products under Title 1 PL 480, Import economic aid);
- French-Congolese negotiations for an air traffic agreement and for medical assistance; and finally
- Discussion with various private financial groups wishing to invest or to finance new projects in the Congo.

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The Bureau also handled the reception of various foreign missions and prepared their meetings with national authorities; among these missions may be mentioned the Nigeriaⁿ Delegation, which came to inform the Government about the talks between Nigeria and the European Economic Community, and various delegations of the Economic Commission for Africa.

During the conference of Congolese diplomats held in Kinshasa in December 1964, the director of the Bureau briefed the participants in detail on the economic perspectives of the nation. The Bureau also cooperated with the commission preparing a Congolese maritime legislation.

Other tasks of the Bureau included negotiations on the prices of hydrocarbons, transportation rates, import of special product such as cotton, palm oil, and efforts made to obtain freedom in importation of foods such as meat and dried fish.

In 1965 the director of the BEC and other United Nations experts assisted the Congolese Government in the following questions of economic policy:

- Study of a new system for allocation of import quotas based on Customs classifications. This system made possible a more realistic and efficient programming of imports on the basis of the accurately determined needs of the country. The new procedure was to be implemented when the quotas for the first quarter of 1966 were distributed.

.../.

- Studies of the tariffs charged for electric energy by four distributing companies.
- Creation and management of a special committee, including representatives of IRES (Institute for Economic and Social Research), the Statistical Directorate of the Ministry of Planning and the National Bank of the Congo, for the study and development of the national accounting system.
- Study of new procedure to simplify and accelerate imports of agricultural commodities provided by United States Aid.
- Study of economic cooperation in the sub-region of Central Africa; organization of the visit to the Congo of a special ad hoc team of the Economic Commission for Africa (ECA); study of and observations on the ECA's Ewing report.
- Participation in the work of the Committee on Wage Policy.
- Assistance to the work of the United Nations Special Fund Team which was investigating the Inga Dam project.
- Study of the plan of operation of the United Nations Special Fund project for the establishment of the National Institute of Vocational Training (INPP).
- Study and recommendations on telecommunications projects.

- Creation of and participation in a special committee (including representatives of the Ministries of Finance, Planning and Industrial Development, National Economy, and Foreign Trade) charged with the examination and approval of industrial development projects.
- Allocating of Counterpart Funds to assist the relief work undertaken by the ad hoc interagency committee for food shortages.
- Chairmanship of the Special Committee for the Reconstruction of the Liberated Regions (i.e. areas formerly held by the insurgents).
- Participation in discussions with a Belgian Mission for the negotiation of a loan of one ~~million~~^{billion} Belgian francs (\$20 million).
- Participation in committees negotiating commercial agreements with several foreign countries;
- Price control in collaboration with the National Bank;
- More equitable distribution of imported goods in the interior of the country;
- Establishment of a sound basis for a future medium-term planning.

In 1965 the BEC administered the following foreign assistance:

United States - Agricultural surpluses	\$22,000,000
- Industrial commodities	19,000,000
Germany	2,400,000
Italy	3,750,000

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and moreover, in collaboration with the United States Aid, the BEC administered counterpart funds which financed 45 projects at a total cost of the equivalent in Congolese francs of \$40,575,000.

In 1966 the work of the experts attached to BEC was undermined by uncertainty as to its legal basis (see chapter 3.0116) and by problems created by arguments about the Bureau's functions. However, despite the difficulties before and after the Bureau's attachment to the High Commission for Planning and National Reconstruction, the experts continued with their work and participated in activities such as the following:

Foreign Aid

- Assistance in the preparation of an investment budget for the first time since 1960;
- The conclusion of United States loans of \$12 million and \$7 million for the importation of industrial goods, and the distribution of these loans;
- Studies for the distribution of United States farm product aid for 1965/66;
- Proposals for a loan of CF 1,500 million derived from United States counterpart funds, for development projects;
- The programming and management of counterpart funds deriving from United States, Federal Germany and United Kingdom aid, involving in addition the financing of development projects;

- Study of the need for United States farm product aid for the financial year 1966/67;
- Suggestion of projects to benefit from Belgian credit for equipment of 20 million Belgian francs;
- Distribution of United Kingdom, Federal Germany and Italian aid;
- Negotiation with the IBRD team in Abidjan;
- Elaboration of the programme of UNDP assistance for 1967;

Imports

- Programming of imports for the first eight months of 1966;
- Selection of import requisition forms for equipment likely to be financed by European Development funds;

Investments

- Submission of recommendations concerning the procedure to be followed for the examination private and public investments;
- Participation in the preparation of various Special Fund projects;

Statistics

- Organization of a seminar for heads of provincial statistics offices;
- Submission of recommendations concerning the reorganization of the Statistical Services;
- Discussions with the Ministry of Labour concerning employment and salary surveys;

General

- Preparation of a short-term programme of action;
- Composition of a documentary list of economic and finance agencies;
- Submission of recommendations concerning the organization of the High Commission for Planning and National Reconstruction.

3.0116 Existence and Evaluation

The life of the BEC has been thwarted with difficulties and uncertainties. Execution of its functions had been undermined by the grave lack of security and stability in the country, the inevitable serious economic consequences, the lack of a permanent director (which is a key post in the Government organization), the chronic shortage of personnel, the critical nature of its work and the precarious legal basis of its status.

Since its initiation the post of BEC Director has been difficult to fill. Such a position requires an extraordinary personality with outstanding capabilities and experience. Even when the chair has been occupied, it would appear to be too hot for long sessions. There have only been two Directors for short spells in 1963 and 1965. The rest of the time the directorship was either empty or partially substituted by the up-grading of expert advisers to the position of Principal Adviser. The Bureau, containing four vital sections demanding close cooperation, cannot work but with tension and difficulty without an overall coordinator.

To perform the functions of the bureau as described above^{1/}, ~~XXX~~ the Government needed the services of experts to assist in the day-to-day operations as well as in the training of counterparts and local personnel.

From the beginning, in January 1963, this project suffered from shortage of personnel. For example, in 1964 the staff was only eight strong during the first term and reached a maximum of only 13 by December of that year, compared to the Government's request for 30 experts. To alleviate the situation, three economists from the Ford Foundation were assigned part-time to the Bureau. In 1965 the Government's request was for 33 experts; 14 were lacking. In 1966 the request totalled 28; there was a shortage of 13 (there were many staff changes in the first half of 1966). For 1967, of the 15 posts available, four are unfilled; this includes that of the Director.

The past shortage of personnel had three main effects:

- The individual jobs of the staff had to be over-extended, thus a number of experts had to fill multiple assignments which were not in the original plan;
- The Bureau had to limit its action, particularly at the beginning of 1965, to the most urgent tasks, i.e. finding solutions to specific economic problems facing the Prime Minister; preparing or negotiating economic agreements with freindly nations; or assisting the Ministry of National Economy in granting and distributing import quotas;

- The necessary research and statistical work could not be fully accomplished.

The very nature of the important and critical work carried out by an international staff for the Congo places the Bureau in a potential position vulnerable to criticism and abuse. To satisfy every facet of the diamond of want in the Congo is building castles in the sky. Therefore criticism has come from unsatisfied spheres, and abuse from powerful and rapacious sides. All criticism has not been without some reason, for the Bureau of Economic Coordination has not succeeded in coordinating all economic policies. A great number of regulations were introduced by the Government, notably in matters of ordinary budgets, introduction of new taxes, price control, salary increases, closing of access to the Benguela railway without the Bureau being consulted. Its authority broke down: partly from the fact that it was considered by most of the Government departments, whose work was being coordinated, as a foreign body, against which all the usual defense mechanisms arose; and partly because the Bureau departed from its original functions of planning and coordination in order to undertake operational tasks for which it was inadequately equipped.

Its involvement in the distribution of certain foreign aid caused resentment, particularly in the Ministry of National Economy. The Bureau programmed the imports at the request of the Prime Minister. The Minister of National Economy opposed the programme. Thus delays were experienced in the arrival of imports. Again criticism was levelled at the Bureau.

The Bureau's life, at best, has been unsettled and rather nomadic. Various factions have attempted to gain control of it. Since its creation it has undergone three distinct changes; the first when Congolese assumed top executive and administrative positions in early 1965. Although this was a move to replace the experts' operational work by its normal advisory role, it was unfortunately premature as the new members were not counterparts, and had not trained along with the experts. The effect was the undermining of operations. The second change came in December 1965 when the bureau was requested by the Prime Minister to exist in his own office. The Director became the Prime Minister's special adviser. From June 1966 the life of the BEC was led along a razor's edge. There were plans: to separate the experts and place them in individual Ministries and Government departments; to disband the Bureau completely; to divide the functions between the Ministry of National Economy and a planned High Commission for Planning and National Reconstruction. The precarious existence ceased in September with the Prime Minister's letter, dated the 23rd, which communicated the decision to incorporate the Bureau in toto as the Technical Services section of the newly formed High Commission for Planning and National Reconstruction.

The unsettled existence of the Bureau can be indicated perhaps by the following supreme decisions:

<u>Date</u>	<u>Type of Decision</u>	<u>Effects</u>
15 Sep 62 Decree N° 136		Establishment of Organization for administration of foreign currency finance. A Director's Office.

<u>Date</u>	<u>Type of Decision</u>	<u>Effects</u>
20 Oct 62	Ministerial Arreté N° 3	Organization of BEC.
30 Oct 62	Ministerial Arreté N° 4	Internal Organization of BEC 1. Programming and Studies Section 2. Foreign Aid Section 3. Liaison and Import Control "
11 Mar 66	Decree N° 66/91-bis	Abrogation of N° 136 and its Arretés. Suppression of BEC.
14 Mar 66	Ordinance 66/94, 95	Nomination of the BEC Director and his Assistant.
28 Mar 66	Ordinance 66/143, 144	Creation of HCPNR.
6 Apr 66	Ordinance 66/209	BEC granted responsibility of general allocation of foreign currency.
20 May 66	Ordinance 66/327m	BEC granted the authority to control allocation of foreign currency for general exports.
25 Aug 66	Ordinance 66/463	Modification of 143/144, establi- shing at the HCPNR responsibilities for: 1. Execution and Control of National Economic and Social Planning; 2. Study and Elaboration of general policy in technical assistance financial and economic matters; 3. Study and Elaboration of Invest- ments Policy and verification that investment projects conform with approved studies.
8 Sep 66	Ordinance 66/496	Slight modifications without change of N° 463.

There have, however, been some encouraging developments.
For example, the members of the Government and administration as
a whole have become convinced of the need for a central coordinating
agency, authorized to take concrete measures to meet the numerous

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N.B. At the time of reporting, the actual Ordinance 66/496 had
not been published. 7 January 1967.

problems which do not belong to a specific ministry. The experts of the Bureau find that they are enjoying a higher degree of confidence in their actions, and it has become evident that the Congo needs the uninterrupted benefit of the advisory and operational services of this organization.

It is indeed more important than ever that the programmes of foreign aid and of technical assistance be coordinated, whether by the United Nations or by bilateral aid. This aid should be used in the most rational and efficient manner and, in order to do so, it will be necessary to establish an economic policy based on systematic planning. The tasks of the Bureau have become larger, as shown by the conferences and meetings initiated by its services or in which it participated. Recruiting and training of Congolese personnel should and is being accelerated, since eventually they are to replace the international staff which is now mainly responsible for the Bureau. The structure of the Bureau should be adapted to the size of the job. For this purpose, it was decided to divide the country into three broad economic areas, with the regional offices in Kinshasa, Lubumbashi and Kisangani. These offices, highly autonomous in matters of regional interests, such as supply programmes, will remain under the control of the Bureau, itself the voice of the economic policy of the Government and the stimulating agent in all economic matters of national interest.

Since early 1965, in application of the policy of transfer to the state all auxiliary agencies of the administration, the Bureau provides the secretariat of the Commission in charge of

handling counterpart funds.

Also in 1965, three delegates of the BEC, one of them in the capacity of Vice-Chairman, participated as members of the Congolese Delegation in the work of the Franco-Congolese and Belgo-Congolese Committees responsible for these two bilateral technical assistance programmes.

Achievements of the Bureau in 1966 are;

- Responsibility for the initiative in drawing up of an investment project;
 - In the area of technical assistance, for the first time the Under-Secretaries of all the Ministries concerned took part in discussions on the consolidated UNDP Programme;
 - From January 1966, the Bureau was responsible for the management of counterpart funds;
 - Although there was no direct training programme, five counterparts were placed in sections of the Bureau. As a result, the post of adviser on fellowships (formerly in the UNDP programme) and the post of adviser on foreign aid were reserved for Congolese civil servants. One attended the extra-ordinary session of the Interafrican Commerce's working group of ECA and the UAO Special Committee of fourteen for Commerce and Development; also the fourth session of UNCTAD Council for Commerce and Development.
- With the move to HCPNR, only four counterparts accompanied the Bureau to continue their training. It

is the opinion of the experts that each one of them should have a counterpart to train.

- The Bureau gave assistance in the preparation of requests to the Special Fund:

1. projects dependent upon the utilisation of energy from the Inga hydroelectric works;
2. study of the railway between Port-Francqui and Kinshasa;
3. study of an arterial road between Sakama and Matadi;
4. study for fertilizer production;
5. mine prospecting in the Bas-Congo;
6. planning assistance.

The Bureau also gave assistance with the study, under ECA auspices, of transport in the area of the lakes.

Perspectives for the future are that in the reorganizational move to the High Commission for Planning and National Reconstruction a clear definition of the roles and responsibilities should be given to all economic and financial departments, in order to prevent overlapping and lack of coordination.

In the sphere of imports a uniform procedure for importation should be adopted, and imports should be confined initially to primary goods and those which cannot be produced in the Congo.

For investments, an overall programme and budget should be drawn up.

UN experts should be relieved of their operational tasks in order to assume their normal advisory roles.

It is reported that the stated desire of the Government is to dispense with the services of all the experts on the expiry of their contracts, with the added proviso that it has the right to adapt the job descriptions should circumstances demand such an action.

3.0117 Relations to Other Programmes

According to Ordinance N° 136, the Director of Economic Coordination is to work in close relationship with the Controller of Foreign Exchange in the Monetary Council and the Controller of Public Finance in the Ministry of Finance. The three cooperate in an attempt to eliminate abuses or irregularities in the use of foreign exchange and of counterpart funds from foreign aid. They work together in harmonizing economic financial and monetary policies.

During 1965, three economists provided to the Congolese Government by the Ford Foundation were assigned by the Prime Minister's Office to assist the BEC on a part-time basis.

In 1966 at the HCPNR, five members of the French Bilateral Assistance were working for the Congolese Government.

3.012 The Ministry of Planning and of Industrial Development

3.0121 Description and Activity

After the reunification of the country in early 1963, a pressing need for a comprehensive economic policy of the Congo was felt. Such a policy included long-term economic thinking and planning at the Ministry of Planning and Development, as well as the short-term economic policy, study and solution of

the economic problems of the moment, and preparation of the operations required for execution at the BEC^{1/}.

Up to 1963, when the Government proposed that the task of preparing an outline of a long-range programme of economic and social development should be taken up by the Ministry of Planning and Industrial Development in collaboration with other Ministries of the Central Government and the Provincial Governments, economic development projects were only considered on an ad hoc basis. The Ministry of Planning had, from time to time, compiled and published economic projects based on available statistics. Due to lack of organizational arrangements and technical personnel, it has not, however, been possible to develop this work further, to outline plans whereby the human and material resources of the country could be developed in an orderly and coordinated manner.

In 1963, therefore, an economic planning section was established in the Ministry of Planning and Industrial Development. The service of a UN senior adviser and three statisticians were already at the disposal of the Ministry to assist the building up of a five-year plan as formally announced and published by the Government. An expert from the Economic Commission for Africa assisted the Minister of Planning in preparing a preliminary report on the plan for discussion at the National Conference of Provincial Ministers of Plan, called for mid-February 1964.

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^{1/} For the role played by BEC, see 3.011.

1964, like preceding years, was a year of preparation. It became more and more evident that the concepts defined before Independence in regard to economic development, and used as a foundation for the preparation of a ten-year plan, no longer met the needs of a Congo which had experienced very deep changes in its structure.

It was thus necessary:

- to think in new terms in regard to a development policy;
- to adapt the economic and administrative structures of the country to the execution of a plan of development;
- to prepare this plan.

To achieve the first of these goals, the Government asked for the services of a Principal Adviser, two advisers in planning matters, and three statisticians. Here again, recruitment and financing difficulties intervened, and only the Principal Adviser and one statistician were available. Moreover, starting in July 1964, the Principal Adviser also filled the post of Director of the Bureau of Economic Coordination. Nevertheless, the following was achieved:

- collaboration in the study of the situation of the economic perspectives and of the possibilities of planning, prepared by an EEC mission (TORRE Mission);
 - study on the participation of the Congo in the African Bank for Development;
- .../.

- preparation of a conference of the provincial ministers of planning to keep them advised of the economic policy of the Government and to coordinate their activities;
- collaboration in the work of a French bilateral assistance mission (Perroux mission) to study the conditions under which a development plan could be elaborated;
- elaboration of an investment code;
- elaboration of an annual study of the current situation and also of studies to ensure that contemplated projects would fit into a development plan to be applied in the future.

With regard to the assistance given to the service of statistics, the statistician assigned to the Ministry of Planning continued to train the personnel in charge of fundamental statistical data besides assisting in the actual work. This work continued in 1965. In 1966 the expert in the project, not attached to the Bureau of Economic Coordination, worked in the Directorate for Statistics and Economic studies where, with his assistance, the annual statements on foreign trade, trade between the Congo and other countries and other publications were produced.

3.0122 Evaluation and Future Perspectives

The need for the continuation of the assistance given to the Directorate for Statistics and Economic Studies increases as the concept phase of a plan goes into the phase of preparation.

The Government's thinking, which is in line with the suggestions of the EEC Mission, is to lead the planning in the Congo towards a regional development, better suited to the geographical structure of the country, and less sensitive to the local problems which may occur.

3.013 The Ministry of National Economy

One of the key areas in Government administration which has suffered seriously from the departure of experienced expatriate specialists and the disruption of procedures, was that of procurement and supply, both for public and private sectors.

Immediately following Independence the country was faced with an acute shortage of vital supplies and materials from overseas, a comparative paucity of foreign exchange available for the purchase of basic raw materials, consumer goods and foodstuffs, the absence of reserves and the consequent need for strict control of the utilization of foreign exchange resources.

The Ministry of National Economy of the Government of the Congo took on the responsibility for the import and supply arrangements in two ways. An Industrial Unit in the Ministry was made specially responsible for looking after the requirements of industry, while the other needs of the country were handled by the Supply Office.

The Ministry of National Economy is thus responsible for ensuring a continuous flow of supplies and the distribution of basic raw materials, including all products and merchandise required for industrial production, agriculture and other areas of economic activity. Within the import programme, the Ministry

has to ensure adequate imports of foodstuffs and basic commodities, medical supplies, drugs, disinfectants, insecticides, etc. The Ministry must also recognize the need to encourage national production and stimulate the maintenance and growth of existing industries. The import programme must also take into account the paucity of the country's foreign exchange resources.

As follows from the above description, the role of the Senior Adviser on Supply and his team of experts working in the Ministry of National Economy is to advise and assist the Ministry in the task of ensuring the availability and distribution of essential supplies including those available as a result of foreign aid. He also has to ensure that the best possible use is made of foreign exchange by means of a system of import quota allocations for the benefit of the whole of the Democratic Republic of the Congo applying the guiding principles and directives issued by the BEC to ensure that the policies laid down by the Government are fully adhered to.

Since early 1963 the Ministry maintained these essential services, despite the chronic shortage of staff. Import quota allocations of the Congo's foreign exchange resources were made at four-monthly intervals throughout the years, and the executive tasks resulting from the various foreign aid programmes were adequately carried out. Despite this preoccupation with quota allocations, certain basic research studies were undertaken into individual commodity articles which resulted in an improvement in their supply. These included the meat industry, pro-

cessed fish, salt, etc., and as a result of these studies it was found possible to remove these commodities from import restrictions. In 1964 the new register of importers was completed. It was found necessary to set up a special committee to deal with the huge number of applications which were submitted.

One of the most rewarding features of the work of the team within the Ministry was the way it was integrated and succeeded in identifying itself with the Congolese staff in the common task. As a consequence relations with Congolese officials were harmonious and friendly.

In 1965 the Senior United Nations Adviser and the experts attached to the Supply Office of the Ministry of National Economy assisted the Ministry in the distribution of import quotas totalling approximately \$67,333,000.

In addition, these experts have prepared studies on supply problems.

At the end of 1966, the two experts who controlled the quota system at the Ministry of National Economy have been relieved of their tasks, and been reintegrated into the High Commission for Planning and National Reconstruction.

The latest disturbing report was that the future imports, already granted, outbalance allocations allowed from the National Bank.

LIST OF EXPERTS IN ECONOMIC ANALYSIS AND COORDINATION - 1966

Name	Nationality	Function	Station
ALBANIS, C.	Greece	Programme Officer, Counterpart Funds	Kinshasa
BRISSON, J.	Haiti	Chief of Foreign Aid Section	"
CHAUSSY, J.	France	Statistician	"
CICALA, S.	Italy	Expert, Import and Supply	"
CLAUWAERT, F.	Belgium	Auditor, Counterpart Funds	"
COINIDIS, P.	Greece	Administrative Assistant	"
D'ASTUGUES, M.	U.K.	Senior Expert in Importation and Supply	"
HELBAWI, Y.	Syria	Chief of Programming and Studies Section	"
HERMAN, H.	U.S.A.	Assistant Economist	"
KNOLL, Mrs. E.	Austria	Adviser, Technical Assistance	"
NICOLAKAKI, P.	Greece	Legal Adviser	"
NICOLAOU, S.	Greece	Administrative Assistant	"
PUTTEMANS, R.	Belgium	Principal Adviser	"
SALAFIA, A.	Italy	Inspector, Counterpart Funds	"
SALDUCCI, M.	France	Accountant/Bookkeeper	"
VALLIER, G.	France	Professional Officer, Supply Programme	"
ZADORA, K.	Poland	Assistant Economist	"

MONETARY POLICY (NATIONAL BANK)3.02 Monetary Policy - (National Bank)3.021 The Structure of the Monetary Institution of the
Democratic Republic of the Congo

After Independence on 30 June 1960, the Decree-Law of 3 October 1960 established the Monetary Council to deal with all aspects of monetary policy.

As of 20 June 1964 the functions of the Monetary Council were transferred to the newly created "Banque Nationale du Congo."

The functions of these two institutions can be summarized as follows:

From October 1960 to June 1964, the Monetary Council served as an interim central bank and advised the Congolese Government on monetary and credit policies. In its function as a central bank it issued the bank-notes for the Congo, it acted as depository of all public funds and carried out the policies of the Congolese Government in the field of money banking, credit and foreign exchange. As of 31 August 1961 the Monetary Council took over the assets and liabilities of the Central Bank for the Belgian Congo and Rwanda-Urundi. All branches of the former Belgian Bank became operating branches of the Monetary Council as of that date.

The Monetary Council consisted of a President, a Vice-President and four other members, all appointed by the President of the Republic. From the beginning, the President of this

Council has been a senior consultant provided by the United Nations.

The UN senior consultant was designated by Ordinance N° 136 of 15 September 1962 as Controller of foreign exchange for imports prepared by the Ministry of National Economy and approved by the Bureau of Economic Coordination^{1/}. He had a full vote in the Exchange Commission and made the final decision concerning transfer of foreign exchange for invisibles. He supervised the Licencing and Exchange Control Offices.

Since 20 June 1964, the position of President of the Monetary Council has been changed to that of Director General of the "Banque Nationale du Congo" and assigned to an expert recruited by the International Monetary Fund in cooperation with the UN.

Under the authority of a Congolese Governor of the Bank, this expert performs management functions. In addition to succeeding the President of the Monetary Council, he has also been appointed by ordinance of the President of the Republic as Foreign Exchange Controller, directly responsible to the Government. The two functions of Director-General and Foreign Exchange Controller complement each other, particularly considering that the Exchange Office and the Licence Office are both departments of the National Bank, according to the laws in force.

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^{1/} For the Ministry of National Economy and the BEC, see Chapter 3.01, Economic Analysis and Coordination, p.

3.022 The Aims of the Programme and the Services Rendered
by UN experts

3.0221 The Aims of the Programme

The aims of this project are to provide advisory, operational and training assistance to the Congolese Government in the preparation, establishment and execution of monetary, foreign exchange, credit, banking and financial policies. The project also aims at assisting the Congolese Government in assuring proper control over foreign exchange resources and the maintenance of internal financial stability.

3.0222 The Implementation of the Programme

The activities of the UN experts can best be described along with the development of the foreign exchange situation of the Congo since Independence has been achieved, for this realm has been one of the major concerns of the President of the Monetary Council, and later on of the Director-General of the National Bank in their function as Foreign Exchange Controllers. With regard to the public finance, as the major instrument of the Government to influence the internal monetary situation, the authorities described here, although they provided advisory services in this respect, assumed only an operational function on a second level acting as depository institution of the Treasury. The main features of the budgetary development are, therefore, described in the following chapter.^{1/}

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^{1/} See Chapter 3.03, Public Finance, p.

If one considers the assistance of the UN in the field of monetary policy in terms of personnel and finance, it is a very small project. It is, however, one of those particular assistance programmes in which a few highly qualified experts have produced considerable results as the guides and heads of a highly complex institution such as the "Banque Nationale du Congo" with approximately 1,500 Congolese employees.

The outbursts of violence which took place in several parts of the country at the time of Independence quickly resulted in the near collapse of economic activity and public finance.

Large numbers of foreign farmers and technicians occupied in private enterprises left the country, while African farmers took refuge in the bush or in the main urban centres, abandoning cultivation. Unemployment increased and domestic production for both local markets and export declined sharply. Disruption of transportation facilities also contributed to a shortage of essential goods, such as rice, corn and manioc. Some areas were threatened with famine. Foreign exchange receipts, of which 36% were composed of agricultural exports and 50% were composed of mining products (1958), suffered a sharp decline in the second half of 1960.

Apart from meeting urgent budgetary requirements, the \$5 million granted by the UN in August 1960 under a special agreement also helped in maintaining a flow of essential imports and alleviating increasing pressure on foreign reserves, although at that time foreign exchange reserves were still fairly substantial (about \$100 million). In 1960 the shortage of banknotes

in several provincial branches of the Monetary Council was removed by UN airlifts.

UN experts played leading roles in the negotiations with Belgium on the liquidation of the Central Bank of the Congo and Rwanda-Urundi which took place in Geneva under the chairmanship of an IMF expert and resulted in an agreement signed in New York on 15 December 1960.

With the help of UN experts the Monetary Council was set up. Within this institution a Foreign Exchange Office and an Import Licencing Office were established in order to ensure as strict a supervision as possible on foreign exchange transactions to stop the decline in foreign exchange reserves.

The limited progress achieved in the second half of 1961, however, did not prevent overall domestic production falling by some 20% in 1961. Exports fell even more, 34% compared with 1958, since in addition to decreased production and widespread smuggling, the decline of world market prices impaired the terms of trade. Current foreign payments could only be met at the cost of a drain of some \$45 million on foreign reserves which normal export proceeds failed to replenish. This made it necessary to impose drastic limitation on imports and invisibles. The decreasing supply of both domestic and import commodities and the constant deficit spending^{1/} of the Central Government resulted in inflationary pressure, higher prices and increasing demand for invisible transfers. The part of this demand which, because of exchange restrictions imposed by the Monetary Council, could not be satisfied through official

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^{1/} See p. (5)

channels, fed the black market, where the national currency was sold far below the official rate.

The secessionist tendencies did not only put a heavy strain on the budget^{1/} but also disrupted internal trade, thus cutting traditional outlets for domestic production and increasing import requirements on every side. Secessionist activities also entailed successive flights of refugees to swell the crowd of unemployed instead of growing crops.

In addition to the experts provided, the UN at this stage also supported the Central Government by making foreign financial aid available in order to maintain a flow of essential imports and to alleviate pressure on foreign reserves. The United Nations attempted to enable the country to obtain such financial assistance by setting up a scheme under which donor countries could be assured that their contributions would be properly used.

In this connection, an agreement was signed on 12 June 1961 between the United Nations and the President of the Republic. It provided that any withdrawal of foreign currency or counterpart funds derived from commodities or foreign currency grants or loans, should be subject to the joint signature of United Nations and Congolese representatives. This agreement made it possible for the United Nations to channel to the Congo from June 1961 to the end of 1962:

- \$10 million released from the Congo Fund for starting an import support programme;
- \$61 million granted by the United States for financing .../.

^{1/} See p. (5)

- imports of commodities of United States origin;
- DM 20 million, half in grant, half in loans, from the Federal Republic of Germany for financing imports of commodities and services;
- About \$19 million of commodity grants from the United States under PL 480, Title I.

During these initial years, the UN technical assistance also helped the Congo to establish its own monetary institutions on a more permanent basis. The statutes for a new National Bank were drafted with the assistance of IMF experts. Pending the time when it could start its operations, steps were taken towards implementing the convention of 15 November 1960 providing for the liquidation of the Central Bank of the Belgian Congo and Rwanda-Urundi. A United Nations expert assisted the Congolese representative in the Liquidation Committee in Brussels. These negotiations resulted, at the end of August 1961, in the Monetary Council taking over the assets and liabilities of the Belgian Bank, along with full operational responsibilities in the monetary field.

In view of such enlarged responsibilities, by June 1961 the Exchange Office and the Import Licencing Office were brought more directly under the authority of the Monetary Council. Later on, United Nations experts carried out a reorganization of the two offices and considerable progress was made by the gradual mechanization of control and accounting procedures.

United Nations experts also assisted in adjusting exchange regulations to the requirements of the time. On the import side, a comprehensive import programme was drafted with the

assistance of IMF experts to be used as a basis for allocation of import quotas. To assist exports, a retention quota of 20% of export proceeds was allowed for imports or remittances of salaries. Although established in June 1961, this was not made effective until September 1962. More elaborate measures were taken later by granting authorizations for appropriate retention quotas to the main exporters. The unification of the country in 1963 provided not only a favourable psychological effect, but the exports of these two provinces increased the foreign exchange revenue of the country and gave the competent authorities an opportunity to increase the import programme. Enterprises were thus able to dispose of a larger part (30%) of their export return.

In January 1963, at the time of the reintegration of the province of Katanga into the Republic of the Congo, the Vice-President of the Monetary Council was installed as administrator of the "National Bank of Katanga" in Lubumbashi with the view of reintegrating it into the Central Bank of the Congo. After agreeing to the necessary practical arrangements, the directors of the Katanga Bank, however, failed to implement them, and it was only after UN officials had entered the Bank under the authority conferred on them by the Security Council that the directors furnished the property and information which they had previously withheld. Investigation revealed the existence at N'Dola in Northern Rhodesia of an office - whose existence had been denied by the directors a few hours earlier - with assets of 300 million Katangese francs, these having dwindled from an

earlier total of over one billion francs. Following the effective transfer of the administration of the Bank, the Monetary Council, with the assistance of experts of the International Monetary Fund, arranged for all Katanga notes to be recalled and their equivalent issued in bank notes of the Republic.

The President of the Monetary Council was a member of the "Commission for Financial Recovery" which, during 1963, prepared proposals and recommendations for the Central Government concerning monetary reform. He participated in the consultations with the International Monetary Fund with respect to these proposals, and acted as adviser to the Government in the preparation of the necessary regulations and instructions in connection with devaluation. In September when the Republic of the Congo was accepted for membership in the International Bank for Reconstruction and Development and the International Monetary Fund, the President of the Monetary Council attended their annual meetings as a member of the Congolese delegation.

During the latter part of the year action was taken, with the assistance of the President of the Monetary Council, to further monetary stability through the establishment of credit controls and the use of extraordinary receipts to meet the budget requirements of the public Treasury.

The devaluation of the Congolese franc on 10 November 1963 was a further step towards achieving monetary stability. Up to that date the official rate was 65 Cfr to one US dollar. The new rate of sale of the US dollar was fixed at 180 Cfr

and the purchase rate at 150 Cfr. Rates of other currencies were settled accordingly. The difference between the rate of sale and the purchase rate goes to the Treasury^{1/}.

The Congolese economy during 1964, in spite of the disturbances generated by the rebellion, remained relatively sound thanks to the sustained volume of exports and the country's durable infrastructure.

The impetus given to exports and production by the monetary reform in November 1963 carried over throughout 1964. The monetary reform contributed substantially to internal financial stability through the support to the budget from profits on exchange and increased customs and tax revenues, coupled with restrictive credit policies.

In the year 1964, receipts of foreign exchange (all courses, foreign aid included) amounted to \$445.8 million (66,873 billion Cfr) with \$399.2 million (59,892 billion Cfr) in 1963. Thus, the gross exchange reserve held at the "Banque Nationale du Congo" at the end of 1964 increased by \$6.02 million (903 million Cfr)^{2/}.

This evolution of exports indicates a favourable outcome to the financial reforms of November 1963. On the other hand, the full effect of the diminished production of agricultural goods in the regions affected by the rebellion was only felt in 1965 due to the structure of the marketing process in the Congo.

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^{1/} See Chapter 3.03, Public Finance, p.

^{2/} All figures listed in this paragraph were taken from "Banque Nationale du Congo" Rapport d'Activité Exercice 1964, pp. 6, 7 and 12.

The figure for the total amount of foreign exchange for 1965 was \$25.02 million (3.753 billion Cfr) and for 1966 *\$ 392 million (55.8 billion Cfr)*

There will be an estimated loss of 10 billion Cfr in agricultural exports. Already at the end of 1964 a decrease in the export of palm oil, coffee, bananas, oilcake and rubber was evident due to difficulties of planting, gathering and transporting.

Apart from the mines in Katanga, which have not been affected by the rebellion, the mines of Kivu and other provinces are only gradually recovering or still out of work. Therefore, considerable losses in foreign exchange revenues from this sector of the national economy are expected. These effects, however, may be compensated by the higher prices for copper from Katanga which are being paid on the world market.

During 1964/65 there were two experts provided by the IMF and the UN, who assisted the Government in coping with the above described monetary situation. The work which they accomplished during 1964 can be briefly stated as follows:

- Application of measures taken following the devaluation of the Congolese money in November 1963;
- Closing of the Monetary Council operations and opening of the Banque Nationale on 20 June 1964;
- Exchange of bills in circulation with Monetary Council endorsement against bills issued by the Banque Nationale du Congo;
- Operation as Public Cashier for the Congolese State:

the Banque Nationale made all payments authorized by the Ministry of Finance;

- Transmission throughout the entire country of operational budgetary credits - an assignment made extremely difficult by political circumstances;
- Preparation of exchange regulations;
- Participation, together with the Bureau of Economic Coordination, in the distribution of import quotas and allocation of foreign exchange for private transfers;
- Administration of the Office of Licences;
- Continuing survey of the economic and financial situation of the Congo, and publication of a monthly statistical bulletin.

In 1965 the posts of General Manager of the National Bank of the Congo and of the Licencing Officer were occupied by the United Nations experts. The General Manager also acted as Foreign Exchange Controller. The National Bank acts as Paymaster General for the Congolese State and effects all payments authorized by the Ministry of Finance.

The General Manager and the Licencing Officer were responsible for:

- drafting foreign exchange regulations particularly with regard to foreign trade;
- cooperation with the Bureau of Economic Coordination in the Prime Minister's office and the Ministry of Economic Affairs on the allocation of import quotas;

- cooperation with the United States Agency for International Development (AID) on United States assistance to the Government;
- collaboration with the Congolese Survey Board (Société Congolaise de Surveillance) which sets the prices of imported goods and exercises quality control;
- levying fines and cancelling quotas of importers convicted of fraud;
- granting guaranteed quotas (in accordance with available foreign exchange) to local consumer goods companies, to plantations that produce for export, to public utilities, to state owned enterprises and to pharmaceutical distributors;
- supervising payments made by the Bank in its capacity as Paymaster General's office;
- Receiving, for deposit, counterpart funds derived from the sale in Congolese francs of United States farm products provided by United States assistance, and other funds provided as assistance by foreign countries, notably the Federal German Republic, the United Kingdom and the Common Market (European Economic Community);
- Receiving as deposits the loans provided by the Federal German Republic and the United States;
- administration of the Exchange Control Office and the Licencing Office, the Exchange Control Office authorizes

so-called "invisibles" while the Licencing Office supervises import and export payments.

During the year a number of Congolese from the senior staff were appointed to directorships and it was found that they were equal to their new responsibilities.

In 1966 the General Manager arrived on 15 March to fill a post which had been vacant for some six months. He was responsible for the management of the Bank and acted as the substitute of the Governor in his absence or whenever he was unable to carry out his functions. In this connection, he held consultations with the Prime Minister and the Minister of Finance; he did not, however, have any statutory responsibility for decisions made in the Ministry of Finance, notably those dealing with the budget. During the year, the country's monetary situation remained sound. Since the beginning of 1965, inflation was held within reasonable limits, and the rate of circulation of money did not increase abnormally. Since the end of 1965 the parallel market, whose operations were in any case not of a volume to effect the country's economy, had remained relatively stable and confined to a small sector of activity.

Although the budgets of 1965 and 1966 both resulted in deficits which were covered by the sale of Treasury Bonds, the potentially inflationary effect of this was neutralized by the fact that depositors of the country's commercial banks were maintaining large liquid reserves, which helped to absorb the liquidity in the country as a whole. There was in fact little outlet for the country's investors, and as a result, although

some issues of Treasury Bonds were in theory negotiable, in practice no money market had developed in the Congo.

At the Licence Office was placed, as stated above, a UN expert, collaborating in the administration and issuance of exchange control licences, in accordance with the quota authorisations issued by the Ministry of National Economy, which is responsible for allocating the country's foreign exchange reserves. On the expiry of his contract in June, his work was taken over by members of the Belgian technical assistance team.

3.0223 Training

Inherent in the work of the experts is the on-the-job training of Congolese counterparts at all levels, both in Kinshasa and at regional branches. Both the General Manager and the Licencing Officer carried out these responsibilities. Training courses abroad have been utilized wherever available. In 1966 the Bank ran an internal course for twenty people.

3.023 Relations to Other Programmes

The work carried out under this project is closely related to the expert services provided to the Congolese Government under the projects for the Office of Public Finance and for the Bureau of Economic Coordination. The advisers for these three projects provide the economic and monetary advisory services to the Congolese Government in maintaining internal financial stability and proper utilization of economic and human resources.

The National Bank is a complex organization with approximately 1,500 Congolese employees assisted by about twenty foreign technicians of various nationalities. Among these are technicians directly on loan from various national banks (National Bank of Belgium, Bank of France, Federal Bank of Germany, and, more recently, Bank of Sweden and Bank of Denmark), and a number of technicians recruited locally among the former officials of the Central Bank of the Belgian Congo.

In 1965 Belgian bilateral assistance provided ten experts from the National Bank of Belgium and French bilateral assistance provided two experts from the Bank of France. The National Bank of the Congo had also on its staff two experts loaned by IBM-CONGO and a number of executives of the former Central Bank of the Belgian Congo.

In 1966 the National Bank of the Congo had the services of nineteen members of the Belgian bilateral assistance, fourteen of whom were from the National Bank of Belgium. French bilateral assistance provided one expert.

LIST OF EXPERTS IN NATIONAL BANK - 1966

Project D

Name	Nationality	Function	Station
PAOLILLO, R.	Italy	General Manager	Kinshasa
TAN, T.	Vietnam	Licencing Officer	Kinshasa

PUBLIC FINANCE3.03 Public Finance3.031 Aims

The initial assistance in the financial sector was determined by the emergency situation following Independence and was more like a relief action, preventing the near collapse of public finance.

Once the most pressing needs had been met, it became possible, at the end of 1962, to integrate the hitherto existing four projects into one programme. The aims of this programme are to help the Congolese Government to create and maintain financial stability, to have better fiscal and budgetary control, a sound execution of the public accounting regulations, and a better administration of the customs and fiscal services. Professional training should be added, to form Congolese supervisory personnel able to establish and apply a financial legislation tailored to the needs of the country.

It should be mentioned that the sector of public finance is an integral part of the national economy, thus, closely related to and dependent upon the cooperation with other governmental institutions which have been described in the previous two chapters.

3.032 Description and Structure of the Programme

The UN assistance programme for public finance is built up according to the following functions and structure of the Ministry of Finance:

The Ministry of Finance of the Congolese Government

establishes and executes the financial policies of the Congolese Government. It prepares, proposes, and controls the execution of the budget and all public expenditure. It prepares tax legislation and executes the tax laws through the assessment, collection and auditing of all taxes. It accounts for all public funds and is the controller of the public purse. It administers the customs laws and regulations. The Ministry of Finance is the adviser to the Government with respect to all monetary and financial policy and acts for the Government in its financial relationship with public and private agencies and corporations, parastatal organizations, banks, credit institutions and international monetary and financial agencies.

The Ministry of Finance carries out these functions through five divisions:

3.0321 Budget Division

The Budget Division is responsible for the preparation and execution of the budget of the Central Government. Within this division there is a section for inspection and studies. The budget division also has the responsibility of advising and controlling the provincial administration of finance.

3.0322 Accounting Division

The Accounting Division is the general accounting office of the Government and as such is responsible for accounting for and auditing all receipts and expenditures of public funds.

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3.0323 Treasury Division

The Treasury Division prepares and administers the Government policies and operations with respect to management of the public debt, Government investments and portfolio holdings, control of parastatal agencies, relations with banking, credit and financial institutions both national and international.

3.0324 Taxation Division

The Taxation Division is responsible for tax policy, procedures, regulations, execution and administration. It prepares, executes and administers tax legislation, rules, regulations and decisions. It assesses and collects the taxes, and administers all aspects of the taxation services. It audits and inspects the records of tax payers, and assures proper compliance with the taxation laws.

3.0325 Customs Division

The Customs Division is responsible for all matters of customs policy of the Congolese Government. It prepares, executes and administers customs legislation, decrees, rules, regulations and procedures. It assures proper functioning of customs service and assesses and collects all duties. It maintains a close coordination with the customs Finance Brigade established to prevent smuggling and contraband.

3.033 The Emergency Period

Prior to Independence, the monetary and financial affairs of the Congo were in the hands of foreign experts. These numbered approximately 400 in the Congo, divided between the

Central Government and the provinces. After 1960 only sixteen of these experts remained in the Ministry of Public Finance.

Even before Independence, the financial affairs of the Congo were becoming precarious. The first ten-year plan had imposed a heavy debt on the Congo. The policy was for the Congo to finance its own development from the revenues arising from increased investment. However, the growth of gross national production was not sufficient to provide the revenues to amortize the debt and to support the cost of keeping up the expensive infrastructure provided by the large pre-Independence investment. The foundation was thus laid for substantial budget deficits. In fact, in 1959 the Belgian Government granted the Congo \$10 million for budget support.

During the second half of 1960 the internal financial situation was deteriorating at the same time as the external situation. The treasury was in danger of stopping payments due to lack of public receipts and inflated expenditure caused by autonomous wage increases. Panic-hoarding and delayed shipments soon depleted banknotes in provincial branches of the central bank.

Pursuant to an agreement signed on 23 August 1960 between the UN and the Government of the Congo, the latter was granted \$15 million. The main purpose of this grant was to enable the Congolese Treasury to meet payments of civilian and military wages and current budget expenditures by using counterpart funds derived from sale of foreign currency.

A team of UN financial experts helped Congolese officials

to maintain essential administrative services and started training courses for local personnel in taxation and customs.

The UN also provided for the services of financial and accounting experts who carried out a fact-finding enquiry in Brussels late in 1960 into the Belgian offices of Congolese fiscal and parastatal agencies as well as into public debt and portfolio, the subject of envisaged Belgo-Congolese negotiations.

By 1961 the financial experts of the UN aiding the Congolese Government in matters of budget, accounting, taxation and customs, had reached thirteen in number.

In spite of the limited progress achieved in the second half of 1961 further wage increases brought public expenditure to an inordinately high level, while economic recession and administrative disorganization resulted in a sharp decline of public receipts. A huge budgetary deficit developed, steadily increasing from 10.4 billion Cfr in 1961 to 13.8 billion Cfr in 1962 (including Katanga) which could only be met through loans from the Monetary Council^{1/}. These loans and the growing nominal purchasing power due to increased wages - which could not be absorbed since the drain of foreign reserves called for drastic import restrictions and domestic production was still insufficient - created a further deterioration of the currency. Furthermore, the secessionist activities deprived the Central Government of substantial revenues and, on the other hand, involved an exorbitant burden of military and civilian expenditure.

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^{1/} See p.

In this predicament, the UN attempted to help the Congo in the public finance sector by providing a number of experts in order to strengthen administrative structures and to train Congolese officials as well as by making foreign fiscal assistance available. Pursuant to a comprehensive survey carried out in September 1961, the UN experts helped in restoring the assessment and collection of taxes and customs duties. Budget and accounting experts assisted in improving administrative procedures to some extent, while two experts were in charge of supervising parastatal agencies. Part of this team was detailed to the provincial governments.

In April 1962, the procedures described as "debits d'office", which had been responsible for huge increases in provincial expenditures, were brought to an end upon recommendations formulated by United Nations experts. By establishing a ceiling on provincial expenditures and making appropriate allocations to the provincial governments, the Central Government was more or less able to maintain provincial expenditures in 1962 within the limits assigned by the budget.

Towards the end of 1962, UN experts had formulated recommendations to the subject of restoring public finance, as a preliminary condition for an overall economic recovery which would fill the budgetary gap, thus preventing the currency from further deterioration.

3.034 The Period of Recovery

3.0341 The New Programme

As already mentioned, at the beginning of 1963 a new

programme replaced the emergency action. This programme has been introduced with a view to establishing, in the long run, a public finance administration entirely operated by Congolese personnel.

Originally 128 experts had been proposed for the implementation of this programme. For financial reasons, an alternative minimum programme was subsequently drawn up, which called for 52 experts, including the Controller of Public Finance.

Most of the posts in this project are operational. Thus technical assistance has, so far, mainly taken the form of direct participation in the tasks normally carried by the local financial authorities. This formula is based on one of the principles mentioned in the programme: "All the experts assume operating functions and are completely integrated with the various services of the financial administration of the country."

The whole programme, as begun in 1963, was to continue on the same scale until 1966. After that period, it should be possible to scale down the massive assistance, leaving only a limited number of foreign experts in an advisory capacity.

In addition to the divisions of the Ministry of Finance already described, Decree N° 136 of September 1962 also provided the post of Controller of Public Finance ("Ordonnateur des Finances Publiques"). The Controller of Public Finance is integrated within the Ministry of Finance and works

in close collaboration with the various services of the Ministry. The duties of the Controller of Public Finance are to assist the Congolese Government in the preparation and execution of the budget; in establishing, administering, maintaining and controlling the customs service, taxation and accounting services; and in advising the Government on all measures to be taken to restore internal financial stability. He controls all expenditures of public funds.

Under the overall guidance of the Controller of Public Finance, a small group of six foreign experts in the Office of the Controller assist in advising the Minister of Finance and the Secretary-General of the Ministry of Finance. They form an advisory and research group on all matters of public finance, particularly concerned with finding methods of developing the services, controlling expenditure and finding new sources of revenue for the Government.

In a ministerial decree of 31 January 1963, the tasks of the Office of the Controller of Public Finance are set out as follows:

"It shall be the permanent role of the Office of the Controller of Finance:

1. to organize, or reorganize, the financial section and work out instructions to facilitate their work;
2. to promote the training of public accountants;
3. to maintain liaison and cooperate with the Bureau of Economic Coordination for the settlement of all questions jointly concerning both organizations;

4. to determine procedures for the preparation of the budget and participate in drawing it up;
5. to examine all drafts of bills, ministerial decrees and administrative circulars that might involve supplementary expenditure or that tend to alter the fiscal system;
6. to introduce flexible, speedy and effective public accounting and administrative methods and procedures;
7. to determine procedures for the payment of regularly earmarked expenses and the accounting of public receipts and expenditure, in conformity with the general regulations for public accounting;
8. to find ways and means of halting the increase in, and reducing, the budgetary deficit;
9. to study ways and means of organizing, or reorganizing, public or para-public credit in various forms;
10. to countersign all treasury account withdrawals from State funds;
11. to exercise financial supervision over public services and organizations that receive or hold public funds;
12. to supervise the work of the financial officers assigned to permanent supervisory duty with the Central and provincial Governments."

This post of Controller of Public Finance was established in March 1963.

At the end of 1963, 1964, 1965 and 1966 the following number of UN experts were assigned to the field of Public Finance:

<u>Year</u>	<u>N° experts</u>
1963	31
1964	40
1965	51
1966	42

3.0342 The Implementation of the New Programme

3.03421 Advisory Services

In order to attempt to strengthen fiscal control and determine the division of competence between the various directions in the Ministry of Finance, and also between the Ministry of Finance and other ministries, a UN expert made a study of the organization and the functioning of the Ministry and prepared a detailed plan for its reorganization. Draft legislation establishing the objectives of the Ministry, and competence within the various units, was also prepared.

In September 1963 a Commission was set up in the Ministry of Finance to examine urgent measures to be taken to strengthen financial control. The Commission, in which the Controller of Public Finance and his deputy participated, proposed the establishment within the ministries of a control of expenditures undertaken. A ministerial decree to this effect was issued on 30 October. Other proposals related to the establishment of a financial inspection body, regulation of the extraordinary budget, and a special investigation service to combat fraud in the field of public finance. The Commission also made proposals on principles to be followed for the pre-

paration of the budget for 1964.

In 1965, the Controller of Public Finance and several experts participated in the work of the following Commissions of the Congolese Government:

- Commission on Counterpart Funds derived from United States "Title I" aid;
- Commission on Counterpart Funds derived from United States "Import Support" aid;
- Commission for Study of reconstruction and economic development of the liberated areas;
- Inter-ministerial Commission to review situation created by non-payment of civil servants' salaries;
- Permanent Inter-Ministerial Economic Commission responsible for preparatory work on agreements on foreign trade, foreign investments and technical assistance;
- Commission for the association of the Congo with the European Economic Community;
- Inter-Ministerial Commission on Transportation (backlog at customs warehouses);
- Commission for revision of export and import duties;
- Commission for the normalization of relations between the Congo and Uganda;
- Commission for the establishment of new international airlines and airports;
- Committee to draft new regulations for public accounting.

In addition, United Nations experts assisted in drafting legislation, studied the administration of the financial services, and suggested improvements.

In 1966 the Controller also filled the functions of Principal Adviser. He directed the work of the project until his departure in June. This position is no longer available to be occupied by a UN or IMF Expert.

3.03422 Operational Services

3.034221 The Controller of Public Finance

By the end of March 1963 the Controller of Public Finance had formulated a programme for extended technical assistance in the field of Public Finance, which aimed at the achievement and maintenance of financial stability through fiscal and budgetary measures and by the establishment of the proper administration of taxation and customs services. The good functioning of these two services, which are responsible for the major part of the State's income, is of utmost importance, and for this reason very substantial assistance was proposed in these fields. The programme included measures for the training of a body of Congolese officials to take over the work within a reasonable transitional period^{1/}.

The Controller of Finance worked in close collaboration with the various services of the Ministry, and served as adviser to the Minister. However, a malignant problem was the authority planned by Decree N° 136 of 15 September 1962, to countersign all public expenditures could not be, in 1964,

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^{1/} See chapter

Training, p.

effectively implemented by the Controller. In those circumstances, taking into account the administrative organization of the Ministries, there were risks of conflicting assignments between the Minister and his technical services (General Secretariat, Budget Control, and Controller-Treasurer)^{1/}. However, by various practical means, the Controller assisted in re-establishing financial stability. With his immediate collaborators, he also participated in the elaboration of the following texts deriving from the new Constitution:

- Financial law establishing the financial authority of the Central Government and of the provinces;
- Texts creating the new main bodies of the State (Court of Accounting, Financial Inspection Staff);
- Texts creating the National Finance Commission.

In 1965 the Controller continued to work to re-establish financial stability. In the critical financial period of the first quarter of the year, he examined each request for allocations involving new expenditures; that is to say, expenditures which had no counterpart in the 1964 budget. To launch the new provincial institutions established after the elections in mid 1965, special allocations were granted to the provinces in accordance with the Controller's recommendations. In several cases, the Controller's opinion was requested on matters involving investments and special expenditures.

The Controller also participated in the following subjects:

- Drawing up legislation and regulations on 1965 budget

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^{1/} For the structure of the Ministry of Public Finance, see p.

estimates;

- Increasing the Central Government's revenue compensating for the budget deficit;
- Halting the increase in public expenditure (decree of 5 May 1965);
- Ensuring effective budget control (i.e. regulations to be incorporated into the appropriation bill);
- Revision of the accounting and payments system;
- Revision of the project for taxation of business activities;
- Curbing illicit profits;
- Tax on import licences where no foreign exchange income is available;
- Airport tax;
- Tax on public showings of Congolese newsreels;
- Increase in sales and excise taxes;
- Budget estimates for 1965;
- Training course in public finance.

The Controller continued his functions until June 1966, when the Congolese authorities decided that a UN or IMF expert was no longer required for this role.

3.034222 The Budget Division

At the beginning of 1963 the economic situation in the Congo was serious. The budget deficit for 1962 amounted to about 12 billion Cfr, and the total debit to the Monetary Council reached a figure of some 24 billion Cfr. In addition; there was a budget deficit in Katanga of another 2 billion Cfr

for 1962. The continuing lack of monetary balance caused an increase in prices on the domestic market and in the rate of exchange on the parallel market, but at the same time there were certain signs of economic relaxation emanating from the reintegration of the provinces of South Kasai and Katanga.

A committee of financial reconstruction, of which the Controller of Public Finance was a member, prepared a budget for 1963. In the budget, the ordinary receipts were estimated to be 13 billion Cfr implying an increase of some 3 billion Cfr in comparison with the 1962 figure. This was assumed to devolve from the new tax rates and a presumed improvement in the collection of taxes and customs duties. Expenditure was estimated to be about 23 billion Cfr, a slight (.4 billion Cfr) increase compared with the accumulated expenditure in 1962 of the Central Government and the southern part of the province of Katanga. The national army, which had to allow for the incorporation of Katangese military personnel and a rise in salaries, contributed to the increase in expenditure. To cover the calculated deficit of 10 billion Cfr, the Minister of Finance was authorized to resort to certain unspecified additional sources; for example, counterpart funds, a tax on import licences, Treasury bills to be purchased by commercial banks, etc., and as a last resort, to apply for further loans from the Monetary Council not exceeding 6 billion Cfr, implying a total loan ceiling of 32 billion Cfr. At the beginning of 1963 there remained another 2 billion Cfr within the previously

authorized ceiling of 26 billion Cfr.

It was not possible to fulfil the budget forecast during the year. The total expenditure during 1963 amounted to some 25 billion Cfr, while the receipts remained at some 8 billion Cfr, leaving a budgetary deficit of 17 billion Cfr. However, about 2 billion Cfr of the expenditure and deficit refer to the financial year of 1962; the deficit to be attributed to the 1963 budget was thus some 15 billion Cfr. Increase in expenditure occurred from the decision taken by the Government in September to pay arrears to teachers, amounting to approximately 1.5 billion Cfr, and from the new statute for civil servants, applicable from 1 October, giving an average rise in salaries of approximately 25%. It was estimated that almost 80% of the total budget expenditure was in the form of salaries, so that a salary rise of 25% meant an increase in total budget expenditure of about 20%. External expenditure also showed a substantial rise, due to increasing travel. Less in receipts occurred, inter alia, because the new consumption taxes could not be applied until July, instead of May. In addition, improvement in the collection of taxes and customs duties was not realized to the extent desired. Fraudulent exports and imports have, to a certain extent, occurred, thereby depriving the Treasury of some direct tax revenue.

To cover the budget deficit of 17 billion Cfr for 1963, loans totalling 8 billion Cfr were obtained from the Monetary Council up to a ceiling of 32 billion Cfr. Further, Treasury bills were sold to commercial banks in an amount of 4.6

billion Cfr, and 1.6 billion Cfr was transferred from counterpart funds. From the monetary reform, the Treasury gained about 1.9 billion Cfr from the rise in value of the foreign exchange reserve, which was used to cover the budgetary deficit. An amount of .8 billion Cfr covered by receipts from the sale of foreign exchange following the monetary reform was derived from the difference between the sale and purchase rates of exchange. In addition, the difference between the new rate of sale for convertible foreign currencies and the purchase rate, as fixed after the devaluation of the Congolese franc on 10 November 1963, was to be a permanent revenue of the Treasury. These exchange profits are at present one of the main sources of financing the budget amounting to 12 billion Cfr of supplementary extraordinary income in 1964. If a free exchange market were to be introduced at a later date, the extraordinary revenue could rise further. Increase in public expenditure as a result of the devaluation was estimated to be about 7 billion Cfr a year, mainly in salaries, and external expenditure. Altogether the monetary reform was expected to lead to a sharp reduction of the budgetary deficit which so far had been a major source of inflation in the Congo.

In September and October 1964, the preparation of the budget case files for 1965 took into consideration the new needs resulting from the political and military events. The transitional Government, however, did not publish any budget for 1965. It met its requirements from extraordinary credits granted on the legal basis of ordonnance. The 1964 budget

was revised to 44.5 billion Cfr, and the 1964 deficit was 4.8 billion Cfr. The achievement is even more apparent when the 1964 original budget is considered: although it was shown as balanced, it had, in fact, a 2.3 billion Cfr deficit (the contribution of the Government to the costs of the UN military and technical assistance operations having been omitted).

In 1965 the insurgency inflicted enormous losses on the economy. Already critical at the beginning of the year, the Central Government's finances continued to deteriorate during the first six months of the year; expenses continued to grow while income remained stagnant. The Government was unable to draw up a budget, and a system of provisional allocations was introduced. This irregular technique hindered the work of the Controller, who was supposed to exercise budgetary control, and undermined the work of the budgetary experts. Measures were introduced to accelerate and rationalize revenue collection, and at the same time controls on expenditure were tightened; this resulted in a clear improvement in the financial situation during the latter half of the year. At the end of September the regular budget for 1965 was signed. Although for the budget's capital expenditures, the documentation submitted by the Ministries and the principal State-owned enterprises was thoroughly checked, not all figures in the budget were verified. The table below, which summarizes the last four budgets, shows the disastrous effect of the insurgency on the 1965 budget.

Table I: Receipts and Expenditures 1963 - 1966
in Cfr Millions

	1963	1964	1965	1966
<u>Expenditures</u>	29,221	42,795	65,398	
<u>Ordinary</u>				
<u>Receipts</u>				
Direct	1,040	4,204	9,599	
Taxation				
Customs	6,270	14,016	15,535	
Other taxes	4,995	7,277	4,939	
Exchange profit	750	12,110	12,830	42,903
Deficit	16,166	5,188	22,495	
<hr/>				
<u>Deficit Covered by:</u>				
<u>Extraordinary receipts</u>	3,605	2,761	3,046	
Treasury Bonds held by commercial banks	4,552	448		
Treasury Bonds held by National banks	7,700	3,500	18,918	
Advances by National Bank	309	-1,521	531	
	16,166	5,188	22,495	

It can be seen from this table that the effects of the monetary reform have continued to contribute considerably to the financing of the budget, inasmuch as nearly 13 milliard Cfr of supplementary income was recorded during 1965 as exchange profits (i.e. the difference, in the ratio of 5:6, in the purchase and sale rates of foreign exchange by the National Bank). Also, the increase in the revenue from direct taxation and customs duties was, to some extent, a consequence of the monetary reform. The increase in ordinary receipts is due to measures taken to accelerate and rationalize the collection of taxes.

The increase in expenditure is considerably more than can be accounted for by the expansion of public service; it is mainly attributable to the fact that new employees were recruited and salaries and other benefits increased without regard to the funds available. As a result, the indebtedness of the State to the National Bank has grown from 35 milliard Cfr as at 1 January 1965 to 54 milliard Cfr as at 31 December 1965.

The Budget Officer was mainly occupied with drawing up a budget for the financial year 1966 and for working out a general system of budget control for all the State's expenses. A draft of an investment budget (extraordinary budget) for the financial year 1966 was presented to the Minister of Finance.

The activities of the UN experts in the budget division were in particular directed towards assisting the division's two offices dealing with the ordinary and the extraordinary budgets, and advising and controlling the provincial administration of

finance. In addition, in 1964 there were a few budget officers attached either to one or more of the provinces, or to the budget division to be used for its contact with the province.

3.034223 The Accounting Division

Accounting and auditing functions of the Central Government were difficult to administer, and from the beginning, the Congolese Government found it extremely difficult to formulate and execute its financial policy. It became more and more apparent that the re-establishment of a financial administration in the Congo, functioning efficiently, would be a basic requirement and the Congolese Government called for qualified personnel to assist the new decision makers.

In 1963, due to lack of trained personnel, there was a considerable backlog in the accounting division. Many accounts had not been checked for years and arrears had to be made up as quickly as possible. The assistance programme provided experts as chief accountants, auditors, and financial reporters. It was also essential to give assistance in this field by training Congolese accountants^{1/}.

Up to the first months of 1965, with the help of UN experts, the following work had been done:

The experts assigned to the checking of cash books worked, since August 1964, along the lines of a plan which would enable them to present, towards the end of 1965, an accurate report of the situation as of June 1965. However, the figures were

^{1/} See chapter Training, p.

not absolutely correct, as the supporting documents were not always available.

Litigation gradually settled the provincial disputes; most of them applied to the troubled areas, Kisangani, Kivu Province, etc. Correspondence concerning them had been interrupted by the political events.

A general study was made with a view to improving the operations of the Controller's Office. The preparation of a survey of the State markets also took place.

The final accounting for 1963 was somewhat delayed by deficiencies in the statistics and perforation departments. Numerous listings of classification were lost or destroyed, thus requiring a duplication of these documents. The sorting of the justifying documents for that year was completed; the 1964 accounts were to be checked as soon as the 1963 checking was sufficiently advanced. The rendering of the accounts from 1 July 1960 to 31 December 1962 was temporarily suspended. This was to be resumed later when the Department was back to normal cycle of work.

In 1965 the accounting experts concentrated on practical training of accountants. A distribution service for documents and forms was established. A working plan for the technical training of accountants was drawn up; its first phase consisted of a briefing tour conducted by Finance Inspectors and designed to ascertain the needs, when a booklet containing instructions and a summary of elementary principles is distributed to the participants; the second phase consisted of

instructions given on the premises. The first phase was put into effect and the second phase was to be implemented during the first six months of 1966. A survey on State markets was also finished.

General accounting did not make much progress, not having advanced beyond May 1963. However, the accounting of disbursements and receipts was brought practically up to date.

Thirty-three financial inspectors were commissioned during 1965. In February 1966 they were detailed to six offices established in the country's largest cities. A series of brochures and manuals was produced to coordinate their work.

The inspection service started putting into effect the plans for a central accounting bureau in Kinshasa. This system, whereby the number of accountants, which was in 1965 too large, was reduced to about thirty, was to be operating by the end of 1966. The bureau also undertook credit management, settlement of financial disputes and preliminary control.

Investigation and inspection of the financial operations of various Government services and State-owned enterprises was carried out. The Postal Administration, the Congo Savings Bank, OTRACO (transport undertaking) and Kinshasa Town Hall were inspected.

In 1966, the Auditor and the Financial Reports Officer were requested to draw up a plan of organization for the new "Direction de l'ordonnancement" established by decree. The organization charts and draft programmes of work were completed, and the putting into force of the new system was en-

visaged for 1 January 1967;

The Adviser to Para-statal Institutions, in close collaboration with the "Inspection des finances", supervised the examination of a number of State accountants. Accelerated finishing courses were given as in previous years to some sixty accountants or trainee-accountants, as well as to candidates submitted by the Finance Inspectorate. It is desirable that other training courses for public accountants should be organized at least every six months in Kinshasa and in the provincial capitals.

As a result of training courses, book-keeping by state accountants improved considerably. Cash books and relevant papers were submitted more frequently to the Central Government accountancy department and errors in book-keeping were less frequent.

In September 1965 the Director of Accountancy requested the Auditor to organize an office responsible for distributing documents and official publications to the State accountants of the Republic. By the end of 1966, this office was functioning regularly and satisfactorily.

The Financial Report Officer took part in accountancy work until September 1966 by which time Congolese counterpart were in a position to take over the proper running of this service.

3.034224 The Taxation Department

The budget for 1963, which has been worked out by committee for financial reconstruction, was characterized by strict limitation in expenditure and sharp increases

The proposal was accepted by the Government and submitted to Parliament. Annexed to the budget proposal was new tax legislation, which had been prepared within the Ministry of Finance. In June, both the budget and the annexed legislation were voted by Parliament without amendments. Earlier in the year, Parliament adopted a financial law which determined the division of competence between the Central Government and the provinces in the financial field. These new laws constituted the programme for the execution of the 1963 budget.

The new tax regulation implied the following main changes: Income tax regulations were modified in order to simplify the tax system; in some cases the modification also led to higher taxes. Further, 30% was added to the calculated professional income tax for the benefit of the State. On personal taxes, 100% was added for the benefit of the State. The consumer taxes on alcoholic beverages, tobacco and petrol were increased and a new tax was levied on sugar and cement. The total yield from the consumer taxes was estimated to be 3.8 billion Cfr for 1963, assuming that the new rates entered into force as of 1 May 1963.

The already mentioned devaluation in September 1963^{1/} had also its effect on fiscal receipts. Apart from the exchange benefits^{2/} which can be considered as an import tax, an approximate increase of 5 billion Cfr in customs duties and of 1 billion Cfr from income tax was expected.

Control and calculation of direct tax, and particularly

^{1/} See p.
^{2/} See p.

income tax, however, was not satisfactory and substantial amounts were evading taxation. Plans have been put forward for reorganization of the book-keeping and control of collection of income tax, which are of particular interest to the provinces.

Financial control of parastatal companies has been undertaken but to a limited extent only, due to lack of personnel. A detailed survey of the administrative and financial status of some of the companies was also made.

For the assessment, collection and control of taxes, the following taxes are levied by the Central Government assisted by UN experts:

- Taxes on income from rents;
- Taxes on property;
- Taxes on professional income;
- Personal taxes on:
 - built-up land;
 - urban land without buildings;
 - salaries and wages;
 - income from entertainments;
 - vehicles;
 - mining concessions.

Approximately 16,000 income tax returns for 1964 were checked and billed. A systematic check of taxpayers' files for 1961, 1962, 1963 and 1964 continued (this job had not been carried out previously) and numerous new taxpayers were added to the lists.

In 1966 the Senior Taxation Expert worked out the receipts and expenditures budget of the Taxation Service, suggested a number of modifications in the financial legislation, dealt with some sixty claims in dispute and generally assisted the Director-General in carrying out his work.

The other experts were responsible for taxation, verification, checking of income tax returns and doing accounting on some 800 files from companies and several thousand files relating to personal income tax.

Action on claims continued and spot checks were made.

The functioning of the financial services are reported to have sunk to a very low level for social and political reasons, therefore it was felt that in the field of taxation a complete fiscal reform was required and vigorous action needed to restore these vital services. A number of experts made potentially salutary recommendations in their reports.

Despite this sad position, the State revenues were increased, in part as a result of the activities of UN public finance experts.

The training of Congolese counterparts continued. In the provinces the experts were primarily concerned with helping the provincial governments with financial questions. Experts' functions are very much operational as the personnel are still not sufficiently trained and disciplined to receive high level advice.

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Taxes on Companies

The time limit for declarations of the 1964 income tax (1963 income) was 30 June 1964; the work of tax computing and checking of documents in the files of 800 companies was begun. The accelerated issue of the lists for 1964 was completed; it was necessary to check files on the spot in some cases.

Although for previous years the first degree taxation had been made in most cases, except for rental incomes by application of the law of 10 July 1963, a complete check of the files had not been made. Steps were taken in 1965 to bring payments up to date by finding the numerous missing declarations, making all changes and adjustments necessary, and listing the additional taxes due.

The time limit for income tax returns for 1964 income was 30 June 1965. The work of tax computing and checking of documents in the files of 800 companies was started without delay and was almost completed by the end of the year. The necessary on-the-spot checks were made in 1966.

In 1966 tax revenue from companies amounted to over 6,000 million Cfr, strict control of company records being exercised.

3.034225 The Customs Division

For the customs services, the UN experts were attached to various customs stations in the Republic of the Congo as verifiers and collectors, assisted by the customs brigade. Other experts undertook the training of Congolese customs officers^{1/} or assumed advisory functions.

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In 1963 new control measures were set up and a special service to prevent smuggling was organized in Bukavu, Kisangani and Goma. A service for the control of consumer taxes was also initiated. A system of barter trade had developed in the Congo, principally in the northeastern part of the country, due to the shortage of commodities. In order to combat this unauthorized trade, a financial brigade was instituted with the task of supervising the border districts in order to prevent, ascertain and investigate offences against the customs, exchange, forgery, smuggling precious stones and external trade regulations. The brigade was composed of a frontier guard and financial police.

The achievements in 1964 with the aid of UN experts in the field of customs can be summarized as follows:

- a) As of 1 February 1964 the customs union with the neighboring countries of Burundi and Rwanda was abolished and the customs had to be re-established.
- b) The legal liquidation, as of 1 February 1964, of the Congolese Office of Customs at Antwerp, and the installation of new administrative structures within the Congo were undertaken.
- c) Following the Convention of Association between the European Economic Community and the African States and Madagascar, the draft of a new Congolese customs tariff was drawn up. The draft, comprising a tariff for exports and one for imports, was examined by the Ministries concerned, and in 1966 many of its recommendations were put into effect.

- d) New customs regulations were also worked out by a UN expert and, in June 1965, they were reviewed and accepted by the Ministries.
- e) The following technical services have been created and the customs officials have been instructed on them to ensure their proper functioning:
 - Customs checking service (counter checking);
 - service for prevention of customs evasion;
 - Excise tax service;
 - service of statistics of receipt classification;
 - Customs inspection service, being organized.
- f) Appraisals in the field of technology and of tariff classification of goods.
- g) Exports and imports through barter methods, practiced illegally by Congolese provincial authorities, were almost entirely stopped since April 1964 in the entire territory of the Congo, except in the provinces of Kibali-Ituri, Uélé and North Kivu, where political events favored a great increase in frauds.

In 1965 on the whole the local customs services were functioning in a satisfactory manner. Most of the Congolese employees showed greater interest and capability, and were allowed to work more independently than before, while the experts directed and inspected the services and carried out counter-checking. Fraudulent import and export transactions continued, particularly in the Northeast where the political situation was still unsettled, but the number of frauds was decreasing.

As far as the Customs Administration of the Central Government is concerned, the essential services were still in the hands of foreign experts due to the continuing shortage of qualified Congolese personnel.

The work of the UN experts in 1965 may be summarized as follows:

- a) Certain amendments to the customs legislation were made, particularly the readjustment of specific rates in the tariff, modifications relating to base values, and elimination of certain possibilities of reduction in the tariff.
- b) Legislation was drawn up and submitted to the Government on the revision of excise taxes, readjustment of specific export duties, exemption from import duties for companies that had been victims of disasters, and creation of a surtax.
- c) The draft bill recommending the establishment of new customs regulations was revised (third edition).
- d) Proposals were worked out on:
 - the final steps to be taken for the Congo to adhere to the Convention creating a Council of Customs Cooperation and to the Convention on Nomenclature for reclassification of merchandise in customs tariffs;
 - whether the Congo should become a member of GATT;
 - the Congo's adhering to the Convention of 9 April 1965 to facilitate international maritime traffic;

- the cancellation of the fusion of import and export tariffs in the national statistical nomenclature;
- the implementation of the new customs regulations.

e) The inspection service was launched during the second quarter of 1965.

f) A reorganization of the excise tax service was put into effect as of 1 October 1965.

Little progress was made with the financial brigade. At the end of the year, its strength stood at 501 frontier guards and 38 financial police. With a view to improving the service, it was intended to carry out, in 1966, a reorganization, systematic training of staff, and the allocation of vehicles suitable for control purposes.

In 1966, the Principal Customs expert coordinated, organized and assisted the Customs Service. He directed the professional training of customs officials and taught at the Customs School, where he gave courses in customs legislation, customs procedures and basic administration and economics. He also prepared a plan for a national Customs School which would train not only middle level officials, as at present, but also officials at the managerial level, this being the element which is most lacking in the Administration.

Another Customs expert, who was attached to the research service, studied cases and suggested solutions, and took part in training courses, as Instructor. He also prepared a plan

for development of a Customs Department, including research.

A Verificator, in the Financial Brigade, took part in the training of officers of the Financial Brigade and taught in the Customs School. He carried out inspection and follow-up tours of officers in the field. The Financial Brigade's activities are, however, undermined by lack of trained personnel and sufficient transport facilities.

In general, the customs experts carried out the following tasks in 1966:

- establishing new import and export duties;
- drawing up decrees changing customs nomenclature;
- participation in negotiations between the Congo and Rwanda;
- operation of customs training courses in Kinshasa and Lubumbashi;
- drafting of decrees on consumer taxes;
- examination of requests made by various companies for modification of import duties;
- coordination of budget committees;
- advisory service to the Financial Brigade (frontier guards and financial police);
- operational task of customs verification at airport and frontier posts.

In the Customs Service, such important questions as new tariffs, the Customs Code, the establishment of control and inspection services, etc., were still awaiting solution. No decision had been taken by the authorities as to putting them into effect. Much depended on these plans and the service

could not move forward until they were adopted.

In this connection, the views of a Director of Customs were noteworthy. He believed that the Customs Code as planned was not suited to the requirements of the Service, since account had not been taken of how it could be applied to specifically Congolese problems, and also because of lack of active participation by Congolese officials in the preparation of the plan.

A new revision of the Congolese customs regulations was made as a result of the adherence of the Democratic Republic of the Congo to the General Agreement on Trade and Tariffs (GATT) and the European Economic Community.

In 1966 there were only seven Customs control points in the Congo.

3.034226 Training

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(text): Weighing an ivory tusk in the Customs Warehouse at Kinshasa East, where most of the clerks followed a training course provided by the United Nations in 1961. Ivory can be exported by licence only, and an export duty is levied.

Foreign experts have performed large-scale training of Congolese personnel for posts such as accountants and customs officials to create the necessary trainees for the Congolese administration. Apart from especially organized courses, particular emphasis has been laid on in-service training of Congolese counterparts. As an example in 1964, the following training programme was undertaken: The public finance experts

continued to organize several training courses in 1964 for Congolese employees of the Ministry of Finance. This training covered all aspects of public finance, in particular:

a) Customs

At the beginning of 1964, brief, practical courses were given for six weeks to customs personnel at Kinshasa. An identical preparation was used for the Border Guard. Little progress was made in establishing a financial brigade. Decree N° 10 of 4 September 1964 reorganizing the brigade was in force since 1 October 1964. The soldiers (approximately 350) were returned to the ANC in November 1964, as they did not fit into the operations as planned. Five hundred and fifty new officers have been recruited and trained. In May 1965 a final contingent was assigned to the area of Kinshasa and in June 1965 a second one was sent to the region of Libenge-Zango and, at the beginning of July, the remaining part assumed their duties in the province of Central Congo. In June a six-months programme, running simultaneously in Kinshasa, Lubumbashi and Bukavu, was organized to improve the customs checkers and collectors. The main subjects taught in these courses were tariffs and technology, legislation on consumers' taxes, customs accounting, and customs financial disputes. Those courses were completed by practical work in the field. In July 1965 similar courses for six months for both customs checkers and controllers were taken up again in Kinshasa and Lubumbashi.

As was seen above^{1/} great emphasis was laid on training

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^{1/} See 3.034225.

in both 1965 and 1966. In the latter year, training was given to eighteen new customs officers, and additional in-service training was given to nineteen officers. Accelerated training was given to 118 officers of the Financial Brigade.

b) Accounting and Budget

Forty students from all provinces of the Republic enrolled in courses for training of controllers and accountants; these courses were followed with great interest. Twenty-two passed the examination successfully; eight have been assigned to controller jobs and fourteen to accountant jobs. This training continued in 1965 and 1966.

c) Financial Inspection

It was necessary to organize, at the end of 1964, special courses in public and commercial accounting in order to supply the newly created Financial Inspection Corps with qualified Congolese personnel. These courses continued for several months in 1965.

3.03423 Relations to Other Programmes

For 1965 Belgian bilateral aid provided 55 experts who worked in the financial services of the Central and provincial Governments, while French bilateral aid provided two experts for the Central Government Ministry of Finance.

United Nations experts cooperated with these experts, who were doing similar tasks. The International Monetary Fund, of which the Democratic Republic of the Congo became a member in 1964, provided three experts, and the Swedish Government

provided two, who worked as members of the United Nations team.

In 1966 there were eight members of the Belgian bilateral assistance in Customs activity, and twelve members in the taxation section.

LIST OF EXPERTS IN PUBLIC FINANCE - 1966

Name	Nationality	Function	Station
BLANKE, W.	Germany	Tax Inspector	Kinshasa
BONNECHERE, S.	Belgium	Tax Inspector	Mbandaka
BORGEAUD, G.	Switzerland	Taxation Expert	Luluabourg
BOULLAND, R.	France	Tax Inspector	Kinshasa
BROENS, F.	Belgium	Tax Inspector	Lubumbashi
CLAVILIER, R.	France	Tax Inspector	Kinshasa
DELAUVAUD, G.	France	Tax Inspector	Kinshasa
DELIRE, A.	Belgium	Tax Inspector	Bukavu
DENISOFF, A.	Finland	Tax Inspector	Kinshasa
GERARD, R.	Belgium	Financial Inspector	Special Regions
GERMAIN, R.	Haiti	Tax Inspector	Kinshasa
GUERRIER, M.	Haiti	Customs Verificator	Luluabourg
GURLIAT, J.	France	Customs Inspector	Lubumbashi
HEBRARD, A.	France	Auditor	Kinshasa
HORMAN, E.	Belgium	Tax Inspector	Bukavu
JAHN, H.	Germany	Customs Inspector	Goma
JOUBERT, M.	France	Tax Inspector	Kinshasa
KAZEM, M.	Syria	Customs Expert	Kinshasa
KLEREKOPER, K.	Netherlands	Customs Verificator	Kinshasa
KRANTZ, A.	Sweden	Research Officer	Kinshasa
KUSOLITSCH, J.	Austria	Customs Inspector	Kinshasa
LECLERC, H.	Belgium	Economic & Fiscal Expert	Kinshasa
LOYEN, C.	France	Fraud Prevention Expert	Kinshasa
MANDIN, M.	France	Chief Tax Inspector	Kinshasa

Name	Nationality	Function	Station
MASSAUT, J.	Belgium	Treasury Adviser	Kinshasa
MOHL, W.	U.K.	Budget Officer	Kinshasa
Niehoff, O.	Germany	Chief Customs Adviser	Kinshasa
PONTICELLI, L.	Austria	Customs Inspector	Boma
RETENMOSER, J.	Austria	Customs Instructor	Kinshasa
SABBAGH, C.	Lebanon	Accountant - OTRACO	Kinshasa
SCUTT, R.	Haiti	Border Control Expert	Kinshasa
SJOBLOM, R.	Sweden	Adviser on state-owned Enterprises; Associate Expert	Kinshasa
SOYER, G.	France	Customs Verificator	Bukavu
TARAZI, G.	Lebanon	Customs Verificator	Kinshasa
TJUGEN, A.	Norway	Customs Verificator	Matadi
TOME, B.	Syria	Deputy Controller	Kinshasa
TOUBASSI, P.	Stateless	Tax Accountant	Kinshasa
Turnier, A.	Haiti	Customs Adviser	Kinshasa
ULUTAN, B.	Turkey	Controller of Finance	Kinshasa
VASSILIADIS, B.	Greece	Accountant - OTRACO	Kinshasa
VONLANTHEN, I.	Switzerland	Accountant - OTRACO	Kinshasa
YACOUN, K.	Syria	Financial Report Officer	Kinshasa

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