14 mai 1963

Situation économique et financière

La fin de l'année 1962 trouve le pays dans une situation positivement meilleure que la précédente.

Ce n'est que vers la fin de l'année écoulée que la sécurité a été rétablie à travers la République et que la réunification économique du pays a été accomplie, facteurs qui constituent le fondement préalable indispensable à l'effort déjà entrepris de reconstruction et de redressement de l'économie. D'autant plus que l'activité exportatrice (élément impulsif de base dans la conjoncture économique du Congo) du Sud-Katanga et du Sud-Kasaï, qui couvrent, en principe, 60 % de l'ensemble des exportations, restaient en dehors de la trésorerie commune des devises.

D'autre part, passant rapidement en revue les conséquences des événements qui ont suivi l'Indépendance, il convient de remarquer de prime abord les déplacements massifs de population rurale (déjà clairsemée) vers les centres urbains, tandis que les petits cultivateurs, faute de stimulant, retournent à l'économie de subsistance ancestrale. Il en résulte une certaine dégradation des terres cultivables, un manque d'intérêt à récolter et, en dernier ressort, une réduction sérieuse de la production agricole. En conséquence, la pénurie marquée de vivres qui s'ensuit et l'apparition d'une inflation constamment en croissance, par suite du déficit permanent des finances publiques (de l'ordre de 1,1 milliard par mois) financé par une augmentation du stock monétaire de 8,2 milliards en 1961 et de 7,5 milliards en 1962, provoquent une désarticulation de la machine productive.

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Par contre, les exportations de produits minéraux marquent dans l'année écoulée par rapport à la précédente une progression importante malgré l'absorption considérable de la production des diamants de joaillerie par les trafiquants. Le chiffre total des exportations de produits miniers se montait à 1,5 milliard en 1962, contre 0,4 en 1961, et marque une augmentation de l'ordre de 260 %.

En définitive, le total des exportations enregistrées s'est accru, dans l'année écoulée par rapport à la précédente, de 531 millions, d'après les statistiques douanières et de 554 millions d'après les statistiques de change.

EXPORTATIONS DE PRODUITS LOCAUX

(en millions de F.C. au cours fixe)

		Statistiques douanières		Statistiques de change
1961	Produits végétaux	4 931		
	Produits minéraux	430		
	Divers	203		
			5 564	5 121
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	Variations		+ 531	+ 554
	en %		+ 9,5%	+ 10,8%

Source : Bulletin Mensuel du Conseil Monétaire - Février 1963.

Il est à noter que l'accroissement de 10 % peut être attribué en partie à la réintégration depuis le mois de septembre dernier de l'économie du Sud-Kasaï.

Compte tenu du fait que les exportations du Katanga et du Sud-Kasaï ont atteint en 1962 F.C. 14 milliards, dont la presque totalité ont échappé, en 1962, à la trésorerie en devises mais qui dès l'année en cours viendront fortifier les recettes d'exportation, les perspectives en ce qui concerne les exportations du Congo pour l'année en cours sont plus favorables. En fait, la réunification économique du pays d'une part, et la mesure de la "rétention quota", déjà mise en vigueur depuis septembre dernier, décrété par l'article 16 du Décret-Loi du 29 juin 1961 concernant l'organisation du contrôle des changes, d'autre part, laissent espérer que les exportations dans l'année courante ne seront pas inférieures de 18 milliards de F.C. (au cours fixe), dont 9 milliards de l'Union Minière.

D'autre part, en ce qui concerne les importations, il est à noter que les autorités monétaires, vu les besoins d'approvisionnement pressants de l'économie, furent contraints d'exercer une politique relativement libérale. En 1961, époque à laquelle l'économie congolaise n'avait pas encore pleinement bénéficié de l'apport de l'aide étrangère, l'année s'est clôturée avec un prélèvement global net sur les réserves de change de 2 592 millions de F.C., soit, au cours fixe, de $51,8 millions.

En 1962, la même politique se poursuit avec certaines variations en ce qui concerne le degré de liberté ou de rigidité requise selon l'évolution du stock des réserves de change. L'aide économique étrangère accordée au pays commence à s'accroître sans pouvoir, cependant, alléger sensiblement la cadence des prélèvements sur la trésorerie en devises.

L'accroissement continuel des besoins d'approvisionnement, par suite du redressement de l'économie entrepris, a exigé pendant les premiers quatre mois une validation mensuelle de licences d'importation de plus de 400 millions, sans compter les importations qui ne comportent pas d'allocation officielle de devises (licences sans devises, aide américaine, assistance agricole). Mais, depuis le mois de mai, les autorités monétaires furent contraintes à limiter l'octroi des licences d'importation afin d'éviter l'effritement des réserves en devises. Mais, dès le commencement du deuxième semestre de 1962, les recettes d'exportations s'améliorèrent de mois en mois, de sorte que, depuis le mois de novembre, le niveau de la validation des licences d'importation est de nouveau plus élevé.

Cependant, les importations mises en consommation ne suivent pas l'allure qu'imposent les autorités monétaires, mais continuent à s'accroître à une cadence sensiblement supérieure à celle de l'an-

née précédente. C'est ainsi que, d'après les statistiques douanières, les importations enregistrées marquent en 1962, par rapport à 1961, une augmentation de l'ordre de 50 %, tandis que d'après les statistiques de change, elles présentent une diminution de l'ordre de 30 %. La différence peut être attribuée d'une part au décalage chronologique qui intervient entre la validation et l'importation effective (près de 2 milliards d'importations de 1962 ont été financés en 1961) et, d'autre part, à des raisons spéculatives (allongement volontaire de l'importation à l'extrême limite du délai).

IMPORTATIONS

(en millions de F.C. au cours fixe)

	Statistiques de change	Statistiques douanières (a)
1961	7 043	5 680 (b)
1962	5 001	8 337
Variations	- 2 041	+2 657
en %	- 28,9%	+ 46,8 %

(a) Colis postaux exclus

(b) Importations ONU déduites.

Source : Bulletin Mensuel du Conseil Monétaire - Février 1963.

En ce qui concerne la structure des importations, il est à noter que le changement survenu au profit des biens d'équipement, le pourcentage relatif des biens d'approvisionnement et de matières premières n'ayant pas changé entre 1961 et 1962, tandis que le pourcentage des biens de consommation a diminué.

STRUCTURE DE L'IMPORTATION

(en millions de F.C. au cours fixe)

Utilisations	1961 (9 mois)		1962 (9 mois)	
	Valeur	%	Valeur	%
Consommation	2 265	49,9	2 893	44,6
Approvisionnement et matières premières	1 586	34,7	2 218	34,1
Equipement	705	15,3	1 384	21,3
Colis postaux	13	0,4	n.d.	-
Total	4 569	100,0	6 495	100,0

Source : Bulletin Mensuel du Conseil Monétaire - Février 1963

A part la balance commerciale qui, en 1962, a laissé un excédent de F.C. 674 millions contre un déficit de F.C. 1922 millions en 1961, les autres rubriques de la balance des paiements présentent, sommairement, le mouvement suivant :

Les invisibles en général présentent un solde négatif de F.C. 2 662 millions, qui s'explique par le sérieux accroissement des services reçus, d'une part, ainsi que par la réduction considérable des services rendus à des non-résidents par suite de la réduction des cessions en devises des Nations Unies.

Les donations et assistances officielles présentent, par ailleurs, un apport de 3 577 millions à l'économie congolaise, dont 1 289 millions restent à utiliser. Enfin, les réserves de change marquent une légère augmentation de 21 millions malgré une somme de 327 millions au passif, qui représente le paiement pour la dette résiduaire au Ruanda-Urundi, tandis que l'importation de capitaux frais se monte à F.C. 134 millions.

Dans le premier trimestre de 1963, sur la base de renseigne-

ments provinciaires, les exportations présentent un mouvement de 4 milliards, tandis que les importations approchent les 2 milliards et les invisibles en général un net mouvement passif de 850 millions. Ce qui revient à dire qu'un net accroissement théorique des réserves de change s'est produit.

En ce qui concerne les prévisions pour toutel'année en cours, à part les recettes d'exportation de 18 milliards, déjà mentionnées, on s'attend à ce que les importations ordinaires atteignent le chiffre de 7 milliards, à ce que les dépenses de la "rétention quota" pour importations et transferts d'approvisionnements, les 5,5 milliards, qu'environ 600 millions soient transférés au titre de la dette au Ruanda-Urundi, etc. et qu'enfin les invisibles en général marquent un solde passif de 3 milliards.

Relativement à l'évolution des finances publiques, il est à mentionner, de prime abord, le désordre de l'organisation administrative qui a suivi l'Indépendance.

En fait, l'article 7 de la loi fondamentale relative aux structures de la République avait consacré le principe de l'autonomie des provinces en leur reconnaissant une personnalité civile distincte de l'Etat, accordant ainsi une certaine autonomie politique et administrative aux provinces, sans toutefois rien prévoir pour adapter le service de la Trésorerie aux changements structurels. D'autre part, le gonflement de la machine administrative, centrale et provinciale, ainsi que la faiblesse de l'autorité devant les revendications du personnel de la Fonction Publique, ont provoqué une augmentation déséquilibrée des dépenses publiques.

En conséquence, deux traits sont à signaler qui caractérisent la structure des dépenses publiques : d'une part l'augmentation des décaissements des gouvernements provinciaux, qui représentent

pour 1961, le 60 % des décaissements globaux et en 1962, le 42 % et d'autre part l'expansion des dépenses du personnel qui couvrent à peu près 85 % des décaissements globaux. C'est par suite de cette expansion déséquilibrée que le déficit budgétaire atteint, en 1961, le 246 % et, en 1962, le 234 % des encaissements globaux. Il est à noter que dans ces chiffres le Sud-Katanga et le Sud-Kasaï sont exclus. Or, étant donné que le mouvement des décaissements et des encaissements du Sud-Katanga laisse un déficit de 52 %, le déficit valable pour tout le Congo, inclusion faite du Sud-Katanga, se réduit à 154 % des encaissements globaux.

En 1963, une sérieuse amélioration est attendue dans l'évolution des finances publiques, par suite des mesures prises en ce qui concerne le contrôle des décaissements et la limitation du déficit. Dans le budget prévu, les encaissements globaux couvrent le 56 % des décaissements, le déficit global étant ainsi réduit à 78 % de l'ennemble des recettes.

SITUATION DES FINANCES PUBLIQUES

(en millions de F.C.)

	1961		1962				1963	
			Sud-Katanga exclus		Sud-Katanga inclus			
Décaissements par le Gouvernement Central	5.315	40%	9.747	58%	9.747	43%	10.393	44%
Décaissements par les Gouvernements Prov.	7.951	60%	7.178	42%	13.128	57%	13.041	56%
Décaissements globaux	13.266	100%	16.925	100%	22.875	100%	23.434	100%
Encaissements globaux	3.833	100%	5.072	100%	8.956	100%	13.178	100%
Déficit global	9,433	246%	11.853	234%	13.879	154%	10.256	78%

Depuis l'Indépendance on a abandonné les phases règlementaires préalables à l'ordonnancement, à l'engagement et à la liquidation des décaissements, l'accomplissement des formalités extérieures étant vidées de leur signification réelle. Ainsi le Gouvernement Central ne parvenait plus à freiner les décaissements provinciaux, à faire respecter une discipline budgétaire et à adopter une politique coordonnée de limitation des dépenses.

Ce n'est qu'en Avril 1962 que ce système fut abandonné et que le Gouvernement Central fut contraint, par suite de l'ampleur catastrophique des dépenses, de prendre certaines mesures afin d'empêcher l'aggravation de la situation financière interne.

En général, les mesures prises consistent essentiellement dans l'allocation aux provinces par le Gouvernement Central d'une subvention forfaitaire destinée à toutes leurs opérations indistinctement. Ainsi les recettes provinciales sont laissées à la disposition des provinces et le Gouvernement Central n'intervient plus que pour faire l'octroi des subventions mensuelles, sur lesquelles cependant sont imputés les paiements directs effectués par le Gouvernement Central aux secteurs dont il est responsable.

Enfin, la Chambre a voté récemment un projet de loi financière déterminant la compétence, la répartition des charges et des recettes en matière de finances publiques entre le Gouvernement et les Provinces. On peut espérer que cette législation constituera la base d'un contrôle budgétaire plus efficace pour le rétablissement du contrôle des finances publiques du Congo.

Avant de conclure, il convient de préciser brièvement qu'en 1962 l'activité de la production secondaire s'est accrue de 10 % et que, si son approvisionnement est assuré, on s'attend à ce qu'il y ait une nouvelle augmentation de 15 % environ en 1963. Durant l'année 1962, une augmentation de l'emploi de 10 % à Léopoldville a été enregistrée, les prix de détail des biens de consommation

courante pratiqués sur les marchés de Léopoldville ont presque triplé, en mars dernier, et le salaire minimum vient d'être doublé en avril 1963, toujours par rapport aux niveaux de 1960.

13 June 1963

ORG 130/1 ge
T. 320/2

TO: Members of Consultative Group

From: S. Habib Ahmed, Chief of Civilian Operations

Subject: Training and Fellowship Programmes under ONUC Auspices

It is proposed to bring up to date the previous report on training and fellowship programmes under ONUC auspices which covered our activities in the field of training up to December 1962. Attached is a form designed to assist you in filling in the number of participants in courses organized, or to be organized, locally and abroad within the field of your responsibility. You are requested to fill in the number of participants in courses which have terminated, or will be terminating, each year during the period 1960 to 1966 and to indicate by use of letters (a) and (b), respectively, the numbers of participants in courses organized abroad and locally.

TRAINING PROGRAMME UNDER ONUC AUSPICES
(as of June 1963)

NOTE: In completing this table footnotes (a) and (b) should be used following the number of participants to indicate, respectively, the number of participants in courses organized abroad and locally. The fields of training previously reported upon are again listed to facilitate filling in the number of participants in courses which have terminated during 1960 - 1963 or will be terminated in the course of 1963 - 1966. Other fields of training included in courses organized since December 1962 may be added to this list.

Field of activity and purpose of training	Number of participants								Duration
	Courses terminated in				Courses terminating in				
	1960	1961	1962	1963	1963	1964	1965	1966	

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NEWYORK

13 June 1963

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ONUC 3934. AMACHREE FROM AHMED.

REUR 4123 POUCHING OUR SUGGESTIONS ECONOMY AND FINANCE CHAPTER REPORT CIVILIAN OPERATIONS TODAY. PROCEEDING MEANTIME WITH FRENCH TRANSLATION. REGARDING INTRODUCTION WHICH WAS POUCHED 4 MAY MAY WE EXPECT YOUR COMMENTS OR SHOULD WE PROCEED STENCIL FRENCH VERSION ?

cc: Mr. Van Stuwe

2.500 x 200 — Imp. Plateau 11267

T. O. R.

T. O. D.

BY:

Drafted by : A. C. Gilpin

Authorized : SHAHMED ~~A. C. Gilpin~~

Date : 13 June, 1963

Registry

ORS 130/1 gen

Ref: Civops 489/63 13 June 1963

TO: Mr. S. Habib Ahmed, Chief of Civilian Operations

FROM: James R. Brooks, Deputy Chief, Civilian Operations

SUBJECT: Situation economique et financiere

.... Attached is the French translation of the report prepared by Mr. Stathis of the economic and financial situation as of the end of 1962.

Would you consider it desirable to issue this as a document of the Office of the Chief of Civilian Operations and send it to 1 RES, Monetary Council, embassies, etc.?

I have sent it to Professor Badre for his comments.

14 mai 1963

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Ce n'est que vers la fin de l'année écoulée que la sécurité a été rétablie à travers la République et que la réunification économique du pays a été accomplie, facteurs qui constituent le fondement préalable indispensable à l'effort déjà entrepris de reconstruction et de redressement de l'économie. D'autant plus que l'activité exportatrice (élément impulsif de base dans la conjoncture économique du Congo) du Sud-Katanga et du Sud-Kasaï, qui couvrent, en principe, 60 % de l'ensemble des exportations, restaient en dehors de la trésorerie commune des devises.

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D'autre part, en ce qui concerne les importations, il est à noter que les autorités monétaires, vu les besoins d'approvisionnement pressants de l'économie, furent contraints d'exercer une politique relativement libérale. En 1961, époque à laquelle l'économie congolaise n'avait pas encore pleinement bénéficié de l'apport de l'aide étrangère, l'année s'est clôturée avec un prélèvement global net sur les réserves de change de 2 592 millions de F.C., soit, au cours fixe, de $51,8 millions.

En 1962, la même politique se poursuit avec certaines variations en ce qui concerne le degré de liberté ou de rigidité requise selon l'évolution du stock des réserves de change. L'aide économique étrangère accordée au pays commence à s'accroître sans pouvoir, cependant, alléger sensiblement la cadence des prélèvements sur la trésorerie en devises.

L'accroissement continuel des besoins d'approvisionnement, par suite du redressement de l'économie entrepris, a exigé pendant les premiers quatre mois une validation mensuelle de licences d'importation de plus de 400 millions, sans compter les importations qui ne comportent pas d'allocation officielle de devises (licences sans devises, aide américaine, assistance agricole). Mais, depuis le mois de mai, les autorités monétaires furent contraintes à limiter l'octroi des licences d'importation afin d'éviter l'effritement des réserves en devises. Mais, dès le commencement du deuxième semestre de 1962, les recettes d'exportations s'améliorèrent de mois en mois, de sorte que, depuis le mois de novembre, le niveau de la validation des licences d'importation est de nouveau plus élevé.

Cependant, les importations mises en consommation ne suivent pas l'allure qu'imposent les autorités monétaires, mais continuent à s'accroître à une candence sensiblement supérieure à celle de l'an-

née précédente. C'est ainsi que, d'après les statistiques douanières, les importations enregistrées marquent en 1962, par rapport à 1961, une augmentation de l'ordre de 50 %, tandis que d'après les statistiques de change, elles présentent une diminution de l'ordre de 30 %. La différence peut être attribuée d'une part au décalage chronologique qui intervient entre la validation et l'importation effective (près de 2 milliards d'importations de 1962 ont été financés en 1961) et, d'autre part, à des raisons spéculatives (allongement volontaire de l'importation à l'extrême limite du délai).

IMPORTATIONS

(en millions de F.C. au cours fixe)

	Statistiques de change	Statistiques douanières (a)
1961	7 043	5 680 (b)
1962	5 001	8 337
Variations	- 2 041	+2 657
en %	- 28,9%	+ 46,8 %

(a) Colis postaux exclus

(b) Importations ONU déduites.

Source : Bulletin Mensuel du Conseil Monétaire - Février 1963.

En ce qui concerne la structure des importations, il est à noter que le changement survenu au profit des biens d'équipement, le pourcentage relatif des biens d'approvisionnement et de matières premières n'ayant pas changé entre 1961 et 1962, tandis que le pourcentage des biens de consommation a diminué.

STRUCTURE DE L'IMPORTATION

(en millions de F.C. au cours fixe)

Utilisations	1961 (9 mois)		1962 (9 mois)	
	Valeur	%	Valeur	%
Consommation	2 265	49,9	2 893	44,6
Approvisionnement et matières premières	1 586	34,7	2 218	34,1
Equipement	705	15,3	1 384	21,3
Colis postaux	13	0,4	n.d.	-
Total	4 569	100,0	6 495	100,0

Source : Bulletin Mensuel du Conseil Monétaire - Février 1963

A part la balance commerciale qui, en 1962, a laissé un excédent de F.C. 674 millions contre un déficit de F.C. 1922 millions en 1961, les autres rubriques de la balance des paiements présentent, sommairement, le mouvement suivant :

Les invisibles en général présentent un solde négatif de F.C. 2 662 millions, qui s'explique par le sérieux accroissement des services reçus, d'une part, ainsi que par la réduction considérable des services rendus à des non-résidents par suite de la réduction des cessions en devises des Nations Unies.

Les donations et assistances officielles présentent, par ailleurs, un apport de 3 577 millions à l'économie congolaise, dont 1 289 millions restent à utiliser. Enfin, les réserves de change marquent une légère augmentation de 21 millions malgré une somme de 327 millions au passif, qui représente le paiement pour la dette résiduaire au Ruanda-Urundi, tandis que l'importation de capitaux frais se monte à F.C. 134 millions.

Dans le premier trimestre de 1963, sur la base de renseigne-

ments provisoires, les exportations présentent un mouvement de 4 milliards, tandis que les importations approchent les 2 milliards et les invisibles en général un net mouvement passif de 850 millions. Ce qui revient à dire qu'un net accroissement théorique des réserves de change s'est produit.

En ce qui concerne les prévisions pour toutel'année en cours, à part les recettes d'exportation de 18 milliards, déjà mentionnées, on s'attend à ce que les importations ordinaires atteignent le chiffre de 7 milliards, à ce que les dépenses de la "rétention quota" pour importations et transferts d'approvisionnements, les 5,5 milliards, qu'environ 600 millions soient transférés au titre de la dette au Ruanda-Urundi, etc. et qu'enfin les invisibles en général marquent un solde passif de 3 milliards.

Relativement à l'évolution des finances publiques, il est à mentionner, de prime abord, le désordre de l'organisation administrative qui a suivi l'Indépendance.

En fait, l'article 7 de la loi fondamentale relative aux structures de la République avait consacré le principe de l'autonomie des provinces en leur reconnaissant une personnalité civile distincte de l'Etat, accordant ainsi une certaine autonomie politique et administrative aux provinces, sans toutefois rien prévoir pour adapter le service de la Trésorerie aux changements structurels. D'autre part, le gonflement de la machine administrative, centrale et provinciale, ainsi que la faiblesse de l'autorité devant les revendications du personnel de la Fonction Publique, ont provoqué une augmentation déséquilibrée des dépenses publiques.

En conséquence, deux traits sont à signaler qui caractérisent la structure des dépenses publiques : d'une part l'augmentation des décaissements des gouvernements provinciaux, qui représentent

pour 1961, le 60 % des décaissements globaux et en 1962, le 42 % et d'autre part l'expansion des dépenses du personnel qui couvrent à peu près 85 % des décaissements globaux. C'est par suite de cette expansion déséquilibrée que le déficit budgétaire atteint, en 1961, le 246 % et, en 1962, le 234 % des encaissements globaux. Il est à noter que dans ces chiffres le Sud-Katanga et le Sud-Kasaï sont exclus. Or, étant donné que le mouvement des décaissements et des encaissements du Sud-Katanga laisse un déficit de 52 %, le déficit valable pour tout le Congo, inclusion faite du Sud-Katanga, se réduit à 154 % des encaissements globaux.

En 1963, une sérieuse amélioration est attendue dans l'évolution des finances publiques, par suite des mesures prises en ce qui concerne le contrôle des décaissements et la limitation du déficit. Dans le budget prévu, les encaissements globaux couvrent le 56 % des décaissements, le déficit global étant ainsi réduit à 78 % de l'ensemble des recettes.

SITUATION DES FINANCES PUBLIQUES

(en millions de F.C.)

	1961		1962				1963	
			Sud-Katanga exclus		Sud-Katanga inclus			
Décaissements par le Gouvernement Central	5.315	40%	9.747	58%	9.747	43%	10.393	44%
Décaissements par les Gouvernements Prov.	7.951	60%	7.178	42%	13.128	57%	13.041	56%
Décaissements globaux	13.266	100%	16.925	100%	22.875	100%	23.434	100%
Encaissements globaux	3.833	100%	5.072	100%	8.996	100%	13.178	100%
Déficit global	9.433	246%	11.853	234%	13.879	154%	10.256	78%

Depuis l'Indépendance on a abandonné les phases règlementaires préalables à l'ordonnancement, à l'engagement et à la liquidation des décaissements, l'accomplissement des formalités extérieures étant vidées de leur signification réelle. Ainsi le Gouvernement Central ne parvenait plus à freiner les décaissements provinciaux, à faire respecter une discipline budgétaire et à adopter une politique coordonnée de limitation des dépenses.

Ce n'est qu'en Avril 1962 que ce système fut abandonné et que le Gouvernement Central fut contraint, par suite de l'ampleur catastrophique des dépenses, de prendre certaines mesures afin d'empêcher l'aggravation de la situation financière interne.

En général, les mesures prises consistent essentiellement dans l'allocation aux provinces par le Gouvernement Central d'une subvention forfaitaire destinée à toutes leurs opérations indistinctement. Ainsi les recettes provinciales sont laissées à la disposition des provinces et le Gouvernement Central n'intervient plus que pour faire l'octroi des subventions mensuelles, sur lesquelles cependant sont imputés les paiements directs effectués par le Gouvernement Central aux secteurs dont il est responsable.

Enfin, la Chambre a voté récemment un projet de loi financière déterminant la compétence, la répartition des charges et des recettes en matière de finances publiques entre le Gouvernement et les Provinces. On peut espérer que cette législation constituera la base d'un contrôle budgétaire plus efficace pour le rétablissement du contrôle des finances publiques du Congo.

Avant de conclure, il convient de préciser brièvement qu'en 1962 l'activité de la production secondaire s'est accrue de 10 % et que, si son approvisionnement est assuré, on s'attend à ce qu'il y ait une nouvelle augmentation de 15 % environ en 1963. Durant l'année 1962, une augmentation de l'emploi de 10 % à Léopoldville a été enregistrée, les prix de détail des biens de consommation

courante pratiqués sur les marchés de Léopoldville ont presque triplé, en mars dernier, et le salaire minimum vient d'être doublé en avril 1963, toujours par rapport aux niveaux de 1960.

ORG 130/1 gh

Ref: Civops 490/63 13 June 1963

TO: Professor A.Y. Badre, Director, Bureau of Economic Coordination

FROM: James R. Brooks, Deputy Chief, Civilian Operations

SUBJECT: Situation Economique et Financiere

The French version of the recent economic and financial .... report prepared by Mr. Stathis is attached for your information and comments.

ORG 130/1 Gen

OMON
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ORG 130/1 Gen

YC108 5 NY 29 12 22032 ;
ETAT PRIORITE
ONUC
LEO ;
4123 AHMED ECONOMIC AND FINANCE SECTIONS REPORT ON CIVILIAN

OPERATIONS MOST URGENTLY REQUIRED BY OPI. PLEASE EXPEDITE

AND INDICATE PROBABLE DATE READY FOR POUCHING ;

AMACHREE "

COL 4123 "

REGISTRY
13 JUN 1963
ONUC

ORG 130/1 Gen

ACG/mep

T 210/1/2
T 250/2/8
T 100
T 250/2/2

L/59/63

10 June 1963

To: Mr. G. Amachree
Under-Secretary in charge of Civilian Operations in the Congo

Fro: S. Habib Ahmed, Chief of Civilian Operations

Subject: Annual report of the Secretary General on the work of the Organization

Please refer to Mr. Narasimhan's cable N° 3610 of 21 May, in which he asked for an indication of the developments in Civilian Operations since 1 January, 1963, to which reference might be made in the forthcoming annual report of the Secretary-General on the work of the Organization, covering the period 16 June, 1962 to 15 June, 1963.

... I attach some notes which I hope will be helpful to Mr. Duran in preparing the section of the report dealing with Civilian Operations in the Congo.

ROUTING SLIP

TO

Mr. Gilpin

	APPROVAL		NOTE AND RETURN
	SEE ME, PLEASE		YOUR COMMENTS
	YOUR SIGNATURE		YOUR INFORMATION
	NOTE AND FILE	X	FOR ACTION

Herewith, original & 4 copies of final draft of notes. Eventually 3 of the copies should go to Registry with copies of your covering note.

I've kept a copy for our file.

DATE	FROM
8/6/63	N. Landau

8 June 1963

Notes on significant developments in
Civilian Operations in the Congo
1 January - 31 May 1963

Civilian Operations during the first five months of 1963 have been particularly concerned with the situation resulting from the end of Katanga's secession; implementation of a programme designed to rehabilitate the country's economy, highlighting public works, public finance and restoration of agriculture; and emergency action in connection with the Albertville floods.

* * * * *

Civilian operations efforts in Katanga at the beginning of the year were directed largely towards conserving the rapidly disappearing stocks of food in Elisabethville. United Nations Civilian Operations was responsible for distributing Title II American food supplies, as well as for an airlift which partly re-established commercial relations with the Congo's major cities and which, in late February, transported almost 800 Baluba women and children to Bakwanga -- the last phase in the repatriation of various tribes from the refuge they had taken in 1961 around the United Nations military encampment at Elisabethville. During this period, civilian operations public works experts established a plan with the central government authorities and others for the reconstruction of 15 road bridges necessary for maintaining transport and effecting economic recovery. Immediate measures were taken to guard against disease by ensuring adequate disposal of sewage and refuse, and by maintaining the supply of potable water.

* * * * *

In Albertville, the flooding of Lake Tanganyika during late March, April and May affected an estimated 10,000 to 12,000 people, and local initiative was encouraged in meeting the emergency. Under the guidance of civilian operations community development experts, a Community Committee was set up, headed by the provincial president and including representatives from various provincial ministries and from ONUC. The resulting self-help programme which was carried out involved transporting flood victims, building houses and repairing bridges, and saw noteworthy efforts on the part of Congolese army soldiers billeted in the area. The programme was supplemented by United Nations technical assistance: ONUC furnished an airlift to fly in DDT at the request of WHO as a precautionary measure to control epidemics; funds were supplied for the purchase of trucks and building materials; and civilian operations public works experts joined with an expert from the Economic Commission for Africa

and Congolese and Burundi authorities in carrying out a technical inspection with a view to determining measures to reduce the level of the lake. In mid-May, a UNESCO administrator was appointed co-ordinator in flood relief.

* * * * *

The recruitment of experts has greatly accelerated in the past months — over 130 additional experts in various fields had taken up their posts by mid-May.

Two especially important positions were filled. Advising on and helping to carry out policies for strengthening the financial and economic situation were: a civilian operations senior consultant attached to the Ministry of Finance and serving as Controller of Public Finance; and an expert at the Ministry of Economic Affairs who arrived in May to advise on the reorganization of the Bureau of Supply and who is in a position to work closely with Congolese authorities on plans for better utilization of import-support funds, availabilities of foreign exchange and the like.

* * * * *

The Public Works programme has gained increasing momentum. In fact, in the period 1 October 1962 - 31 March 1963, the sums of money spent on this programme were almost twice the amounts spent during the two preceding years, and at least three times as many workers were employed during these six months as compared to the entire previous two-year period. At the end of May, documents were signed putting into effect Programme D, under which public works projects of an emergency nature and in the public interest would be financed by counterpart funds under Title I United States aid. These projects include surveys and reconstruction of roads, bridges and navigable waterways which, it is hoped, will open up potentially rich areas and will connect areas already producing agriculturally or geologically with other parts of the Congo. In addition, construction of sanitary facilities, public buildings, schools and other essential works will take place under these programmes.

Steps have been taken to carry out a plan presented in January 1963 by a study group of FAO officials for assisting in the rehabilitation of the Congo's food and agricultural production. By the end of April, veterinarians, forestry advisers and a technical adviser on coffee testing had arrived — almost one quarter of the total expert strength planned to implement the initial phase of the programme, which includes advice to the new provincial ministries of agriculture.

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More experts have also been recruited to serve one of the Congo's principal carrier organizations — OTRACO. In March, conventions were signed by the Conseil Monétaire with OTRACO and other of the country's large transport enterprises, which guarantee quotas for the importation of essential matériel during the next year.

During this period the Transport Section began implementing a programme for the distribution of trucks imported from the United States on a basis of priority needs of private enterprise.

In the light of plans prepared by ITU, $1,000,000 worth of telecommunications equipment is being given to the Congo by the Federal Republic of Germany. By the end of May, 40 tons of this equipment — valued at about $600,000 — had arrived in Léopoldville, where it was taken on by ONUC aircraft to points of installation.

* * * * *

Civilian operations activities in the field of social welfare focussed especially on community development, in the aim of strengthening the social structure and encouraging a sense of public responsibility on a local village level. During the past five months, various pilot projects have been developing along these lines, including one at a village of 5,000 Congolese situated about eight kilometres from Léopoldville. The results that may be obtained by encouraging community initiative were evident during the Albertville floods. It is interesting to note as well that a community development seminar being conducted at that time on the spot by a civilian operations expert offered its participants practical experience in relief work.

A senior expert in community development arrived in May to direct these efforts.

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In the continuing food distribution programme, Civilian Operations arranged to undertake, in co-operation with the Congolese Red Cross, distribution from April through September 1963 of 6,000 tons of powdered milk to be provided through UNICEF under Title II United States aid.

An agreement was also signed for theprovision of other foodstuffs under Title II United States aid, which, it is estimated, will generate counterpart funds amounting to nearly $23 million.

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There has been increased integration of civilian operations advisory personnel into the ministries with whom they are working.

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There were also developments in training activites. At the beginning of the year, five automobile mechanics left for Switzerland, where they are completing their training for the eventual maintenance of a fleet of postal trucks. In mid-February a course to train monitors for rural development was inaugurated at the Ecole de Cadres of the Ministry of Social Affairs. A ceremony in mid-March celebrated the laying of the first stone of the building which will house the Institute of Building and Public Works and its student body, now numbering seventy-three. UNESCO, in co-operation with the Ministry of Information, organized a training course for Congolese journalists which began in mid-May and will continue through the end of June.

ORG 130/1 Gen

MEMORANDUM 1 June 1963

TO: Mr. Brooks
Mr. Gilpin

FROM: N. Landau, Reports Office

Attached are the notes I have compiled concerning civilian operations activities from January through May 1963, requested by New York in a cable last week for inclusion in the Secretary-General's report to the General Assembly.

I would appreciate knowing about any additions, deletions or corrections that you may decide upon.

26 July1963

Mr. Gilpin:

I list below points which the attached "ONUC Programme of Civilian Operations" does not include, as compared to your Introduction (from which they did lift large parts of a few paragraphs verbatim -- pp. 1, 3 and 4) and the notes we sent on at New York's request.

1- No mention of the establishment of the 20 provinces. (though may be done elsewhere in S-G's report)

2- Most all mention of expanded Public Works activities during the period June 1962-June 1963. We go into this in both Introduction and notes, pointing out that by end of 1962, 9,000 people were employed on P.W. projects; that between October 1962 and March 1963 thesums of money spent on this programme were almost twice the amounts spent during the two preceding years, etc.

3- No mention in airlift paragraph of winding up of Kasai refugee programme; no mention when talking of airlift of our specific and impressive figures given on page 5 of Introduction concerning number of tons of foodstuffs and medicines carried on ONUC planes to interior.

4- No mention of CivOps activities in Katanga immediately following Dec.-Jan. incidents.

5- No mention of CivOps activities in Albertville during floods. Both this and our relief work in Katanga were pointed out specifically and in detail in the Introduction and the notes. They completely skip over CivOps' role in meeting the emergency situations of the past year.

5- No mention of noteworthy donations by various countries: Germany's postal vans and telecommunications equipment; US trucks for transport programme, etc.

6- No mention of the re-organization of the Bureau of Supply in their para. on finance and economy.

7- Along more general lines, no mention of the reorganization of public health and general educational reform, nor of the FAO rehabilitation programme being initiated, all of which you discuss in the Introduction.

8- Not even the mildest mention of problems CivOps still has to face, ~~which makes their piecemeal~~ Their piecemakes it seemsas if we were working under ideal conditions. (Sorry, they do mention smuggling problems; but no mention that Finance Brigade was being worked on.)

8 June 1963

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Civilian Operations in the Congo
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ORG 130/1 Gen

File

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TO: Mr. Brooks
Mr. Gilpin

FROM: N. Landau, Reports Office

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I would appreciate knowing about any additions, deletions or corrections that you may decide upon.

File
OPG 130/1 Gen.

UNITED NATIONS NATIONS UNIES

INTEROFFICE MEMORANDUM

TO: Mr. Godfrey K.J. Amachree
Under-Secretary in Charge of
Congo Civilian Operations

Date: 23 May 1963

FILE NO.:

THROUGH:

FROM: Armel Bellec

SUBJECT: Report on Civilian Operations

Further to your cable of 19 May, please find attached a revised draft in which some of the information given in the text forwarded by ONUC was incorporated. When doing so I attempted to keep in mind that the chief purpose of the report is not to describe the economic and financial situation as such, but to pin-point the deficiencies and bottlenecks which hindered recovery and to show what actions the United Nations took to overcome them.

30/5/63
Gave one copy to
Mrs Landam

reg.

ORS 130/1 ga

JB/rm

L. 31/63 15 May 1963

TO : Mr. G. Amachree
Under-Secretary in charge of
Civilian Affairs in the Congo

FROM : S. Habib Ahmed
Chief, Civilian Operations

SUBJECT : The Economic and Financial Situation

Enclosed is the section for the two-and-a-half year report covering the economic and financial situation. This is a complete re-write of the section sent you before except for the portion covering the Congolese Control Agencies which is copied from the previous report. You may wish to reduce the section on the Congolese Control Agencies into a more summarized form.

Office of Civilian Operations
ONUC

14 May 1963

THE ECONOMIC AND FINANCIAL SITUATION

At the end of 1962 the situation in the Congo appears to be substantially better than earlier in the year. In fact it was only at the end of the year that security was re-established throughout the Republic and that the economic reunification of the country was achieved, factors which constitute essential prerequisites to the reconstruction and recovery of the Congolese economy. More especially, as a fundamental element in the Congolese economy, the exports of South Katanga and South Kasai, which amounted to 60% of the total exports of the country, had remained outside the country's foreign exchange revenue.

On the other hand, in briefly reviewing the consequences of the events following independence, it should be primarily mentioned that there were mass movements of the rural population, which was already sparse, to the urban centres, while, due to lack of incentives, the small cultivators returned to the ancestral subsistence economy. As a result, some of the land suitable for cultivation ran wild, a lack of interest in harvesting was exhibited, and, finally, there was a serious decline in agricultural production. Accordingly, the marked shortage of foodstuffs, and the appearance of a continuously increasing inflation due to a chronic deficit of public finance - amounting to an average of CF 1.1 billion per month, followed by an increase of CF 8.3 billion for 1961 and CF 7.5 billion for 1962 in currency circulation - provoked a dislocation of the processes of production and distribution.

The considerable increase in urban unemployment also contributed to the development of new middle-men in retail trade. A black market in foreign exchange appeared, rising to almost six times the official rate, and this, combined with the difficulty of preventing smuggling (diamonds and other articles suitable for smuggling) to neighbouring countries, led to a disruption of distribution and deprived the country's economy of considerable receipts from normal exports, bringing a vicious circle into operation.

Agricultural production of basic foodstuffs for the Congolese population was alarmingly low in 1961 and 1962. The cultivation of these staples, although not abandoned, at least showed a marked decline. The cultivation of manioc which, before independence, was the basic foodstuff of the Congolese people, and was produced in sufficient quantities for domestic consumption and for export, declined very sharply and the price of manioc increased almost tenfold. The production of corn and rice, which were also basic foodstuffs, showed a serious decrease in 1961-62 in relation to 1959-60; the production of rice in 1961-62 was less than half of that of 1959-60. Only the production of edible oils (as well as certain other foodstuffs of secondary importance) was more or less satisfactory. Therefore, apart from edible oils, there arose a threat of fairly widespread shortages of food in urban areas. It was to remedy this situation that the monetary authorities adopted a more or less liberal policy, which is discussed later, and that foreign economic assistance was granted to the Congo. American agricultural assistance alone (Title I and II) provided the country with 40,000 tons of wheat flour intended to alleviate the manioc shortage, 50,000 tons of rice, about 10,000 tons of milk (tinned and powdered), as well as certain amounts

of other foodstuffs and tobacco, totalling CF 1,750 million for 1962.

In 1960, exports of vegetable products, which partly reflect the production of the provinces then controlled by the Central Government, dropped by about 40% in value and 30% in quantity, compared with 1958. In 1961, the corresponding figures were 34% and 25%. Exports of vegetable products thus declined by 11% in value (9% in quantity) in 1962 as compared with 1961. It should also be noted that this decrease in exports was greater in value than in quantity, reflecting a deterioration in the terms of trade.

With respect to mineral products, the 1962 exports show considerable progress over the preceding year, even though a considerable proportion of the jewellers' diamond production was diverted by smuggling. The exports of mining products were CF 1.5 billion in 1962, compared with CF .4 billion in 1961, showing an increase of the order of 260%, the main increases being in respect of cassiterite, diamonds, gold and tin.

To sum up, it will be noted that the total exports recorded for 1962 showed an increase over the preceding year of CF 531 million, according to customs statistics, and CF 354 million, according to foreign exchange statistics.

EXPORT OF LOCAL PRODUCTS

(in millions of CF at the fixed rate*)

		Customs statistics		Foreign Exchange statistics
1961	Vegetable products	4,931		
	Mineral products	430		
	Misc.	203		
			5,564	5,121
1962	Vegetable products	4,379		
	Mineral products	1,555		
	Misc.	141		
			6,095	5,675
	Variation		+531	+554
	Percentage		+9.5%	+10.8%

* Rate of CF 50 = $1.00

Source: Based on monthly bulletin of the Monetary Council - February 1963.

It should be noted that the 10% increase is partly due to the economic re-integration of South Kasai since September 1962.

Taking into consideration the fact that exports of Katanga and South Kasai, which in 1962 amounted to CF 14 billion, and which from 1963 will be included in export earnings, the outlook for Congolese exports is more favourable. Indeed, the economic reunification of the country on the one hand, and the "retention quota" measure, which was decreed by article 16 of the Décret-Loi of 29 June 1961 and was put into effect in September 1962, on the other hand, lead one to hope that this year's exports will not be less than CF 18 billion, including 9 billion from the Union Minière.

As far as imports are concerned, it should be noted that the monetary authorities were forced to adopt a relatively liberal policy in order to meet pressing needs of the economy. At the end of 1961, when the Congolese economy had not yet benefitted materially from foreign aid, there was a total net reduction of CF 2,592 million in foreign exchange reserves; that is, $51.8 million, at the fixed rate.

In 1962 also the same liberal policy was pursued but required variation in amounts of imports permitted according to the fluctuations in foreign exchange reserves. Foreign economic assistance granted to the country began to increase but could not stem the rate of outflow of foreign exchange.

The continually increasing supply requirements needed for consumption and for economic recovery made it necessary to grant more than CF 400 million monthly of import licenses during the first four months of 1962, not including imports that required no official exchange (licenses without exchange payments, American aid, agricultural assistance). However, from May onwards, the monetary authorities were forced to restrict import licenses in order to conserve minimum foreign exchange reserves. But as from the second half of 1962, export revenue increased from month to month so that, from November onwards, the issuance of import licenses could again be somewhat liberalized.

However, the recorded imports did not follow the rate of licenses granted by the monetary authorities, but continued to increase at a higher rate than in the preceding year. According to customs statistics, the imports recorded in 1962 show an increase of the order of 50% over 1961, while, according to exchange statistics, they show a decrease of the order

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of 30%. The difference may be attributed to the time-lag between the granting of the licence and actual importation (nearly 2 billion of 1962 imports were financed in 1961) on the one hand, and to speculation (intentional postponement of imports to the maximum time permitted), on the other hand.

IMPORTS

(in millions of DF at the fixed rate)

	Exchange Statistics	Customs Statistics (a)
1961	7,043	5,680 (b)
1962	5,001	8,337
Variation	-2.041	+2.657
Percentage	-28.9%	+46.8%

(a) excluding parcel-post items

(b) UN imports deducted

Source: Monthly Bulletin of the Monetary Council - February 1963

As far as the structure of imports is concerned, it is note-worthy that there was an increase in the import of capital goods; the relative percentage of raw materials and supplies did not change between 1961 and 1962, while that of consumer goods declined slightly.

PATTERN OF IMPORTS

(in millions of CF at the fixed rate)

Category	1961 (9 months)		1962 (9 months)	
	Value	%	Value	%
Consumer goods	2,265	49.6	2,893	44.6
Raw materials and supplies	1,586	34.7	2,218	34.1
Capital goods	705	15.3	1,384	21.3
Parcel-post items	13	0.4	n.d.	-
Total	4,569	100.0	6,495	100.0

Source: Monthly Bulletin of the Monetary Council - February 1963

Apart from the trade balance, which in 1962 showed a surplus of 674 million as against a deficit of 1,922 million in 1961, the other items in the balance of payment show movements that can be summarized as follows:

Invisibles in general show a negative balance of 2,462 million, which is explained by a sharp increase in payments for services received, and a considerable decrease in exchange receipts as a result of the reduction in UN transfers of foreign exchange to cover expenses in local currency for technical assistance, which the Congolese Government began to contribute in 1962.

Donations and foreign aid contributed 3,577 million to the Congolese economy, 1,209 million of which was carried over into 1963. Finally, the exchange reserves show a slight increase of 21 million in spite of an item of 327 million on the debit side, representing the payment of the residual debt to Ruanda-Urundi, while new inflow of capital amounted to CF 134 million.

On the basis of provisional information, exports for the first quarter of 1963 show receipts of about 4 billion and imports of almost 2 billion. and invisibles, in general, a net negative balance of 850 million. This indicates a theoretical net increase in foreign exchange reserves.

As far as the outlook for the current year is concerned, apart from the export receipts of 16 billion already mentioned, it is expected that regular imports will reach the figure of 7 billion, that approximately 5.5 billion of the retention quota will be utilized for imports and remittances of salaries of foreign personnel, and that 600 million will be transferred in payment of a debt to Ruanda-Urundi and other Governmental charges. Invisibles in general will show a net negative movement of 3 billion.

With respect to public finance, it should be mentioned that there was considerable disorder following Independence which seriously affected this sector of the economy.

Article 7 of the "loi fondamentale", relating to the political and administrative structure of the Congo, established the principle of the autonomy of provinces and recognised a civil authority separated from that of the State. However, no provision was made to assure the integration of the services of the treasury.

The quantitative expansion of government administration, central and provincial, as well as the inability of the authorities to prevent inopportune increases in pay of civil servants, caused a sharp increase in public expenditure.

In consequence, two characteristics of public expenditure should be noted. The first is the increase of expenditures of the provincial governments, which represented, in 1962, 42% of the global expenditure,

against 44% in 1961. The reason is the increase in salary of public employees which covers 83% of the global expenditure.

As a result of this increased expenditure the budgetary deficit reached in 1961, [illegible], and in 1962, 25% of the global receipts. It has to be noted that South Katanga and South Kasai are not included in these figures. Therefore, taking into consideration the fact that the total expenditures and receipts in the regions of South Katanga leave a deficit of 52%, the deficit of the whole Congo, after isolation of South Katanga, is reduced to 15% of the global receipts.

In 1963 a real improvement is expected in the field of public finance as a result of the measures taken to supervise expenditures and to limit the deficit. In the Budget already prepared the global receipts cover 85 of the expenditures, the deficit being thus reduced to 7% of the global receipts.

PUBLIC FINANCE

(In millions of CF)

	1961		1962 Katanga excluded		1962 Katanga included		1963 Budget	
Expenditure by the Central Govt.	5.315	40%	9.747	58%	9.747	43%	10.[illegible]	[illegible]
Expenditure by the Provincial Govt.	7.751	60%	7.176	42%	13.128	57%	13.[illegible]	[illegible]
Global expenditure	13.066	100%	16.923	100%	22.875	100%	23.433	100%
Global receipts	3.633	100%	5.072	100%	8.996	100%	11.178	100%
Global deficit	9.433	246%	11.853	234%	13.879	154%	10.[illegible]	[illegible]

Since Independence the regular procedures for budgeting, for obligating and for the liquidation of obligations were abandoned. The Central Government was unable to stop provincial expenditures, to ensure respect for budgetary discipline and to adopt a co-ordinated policy for the limitation of expenses.

It was not until April 1962, as a result of the magnitude of the spread between expenditure and receipts, that this system was abandoned and the Central Government took certain measures in order to prevent the deterioration of the internal financial situation.

In general, the measures taken consisted of the allocation to the provinces by the Central Government of an agreed appropriation intended to cover all provincial governmental costs. The provincial receipts are left to be budgeted by the provinces. The Central Government does not intervene except to transfer the monthly appropriation and to make direct payments for activities of the Central Government in the provinces for which it is responsible.

Recently the Parliament voted a project of financial law in which are determined the areas of jurisdiction in the field of public finance between the Central Government and the provinces. It is hoped that this legislation will constitute the basis of a more efficient control for the re-establishment of control of public finance in the Congo.

Before concluding, it should be pointed out that secondary production increased by 10% in 1962 and that, if its supply of essential raw materials and spare parts is assured, it is expected that there will be a further increase of about 15% in 1963. During 1962 a 10% increase in employment was recorded in Leopoldville; last March retail prices for current consumer

goods in the Leopoldville market were at almost three times the 1960 level and, recently, in April 1963, minimum salaries were at twice the 1960 level.

CONGOLESE CONTROL AGENCIES

Monetary Council

Created by virtue of a decree-law of 3 October 1960, some three months after independence, the Monetary Council was given the task to "execute the monetary and credit policies of the Congolese Government". This meant taking over the controls exercised up to that time by the Central Bank for the Belgian Congo and Ruanda-Urundi. The Monetary Council was set up to pave the way for a later opening of the National Bank of the Congo (Banque Nationale du Congo), assuring, in the interim period, the functions normally carried out by a central bank. In agreement with the Council but already under its supervision, the Belgian Central Bank continued to perform all normal banking activities, pending the complete implementation of the Geneva Convention, referred to below.

The monetary Council consisted of a president, a vice-president and four other members, all appointed by the President of the Republic after approval by the General Finance Commissioner, an interim officer initially acting in lieu of the Minister of Finance. Except for the president, all members of the Council were Congolese nationals. The decree-law provided that the appointments should be made "in consultation with the Secretary-General of the United Nations".

The Council's first president, a United Nations official, was nominated, as described, by the Chief of State. In effect, while the Council's president was, "de jure", a Congolese official, he had a "de facto" direct relationship with the United Nations.

Licensing and exchange control

Until early 1961, controls over the Imports-Exports Licensing Bureau and the Exchange Control Office were shared by the Monetary Council (by

way of allocations for imports and for invisible transfers) and the Exchange Commission (Commission de Change), an interministerial body which claimed direct supervision in respect of the implementation of trade and exchange controls. This anomalous situation naturally created confusion in the operations of the licensing and exchange offices. Later on it was decided that at least the Exchange Control Office should be more directly under the authority of the Monetary Council; however, it was not until June 1961 that legislation was enacted to make both these offices responsible to the Council. In late 1961 a reorganization of the two offices was carried out, accompanied by a drastic modification in the procedure governing the allocation of foreign exchange against the issuance of import licenses.

The modification effected meant that banks could no longer obtain from the Monetary Council the exchange needed to cover licenses, which forced them to apply to their own correspondents overseas for lines of credit, while importers were told to secure from foreign exporters methods of payment different from the irrevocable documentary credit, which was at the time a condition of all commercial contracts. Importers' financing, in Congolese francs, was also discouraged. A good portion of the Council's foreign exchange reserves had hitherto been immobilized by providing the banks with full cover against imports that might not materialize for months. The banking system, however, had "invested" abroad part of that foreign exchange, pending complete utilization of the documentary credits established by Congolese importers.

The new procedure worked satisfactorily and, after some initial reluctance, foreign banks started granting lines of credit to their Congolese

correspondents. Up to now there have been no difficulties in respect of reimbursements. Foreign exporters, who in the past requested documentary credit as the only method of payment, now accept settlement against delivery of shipping documents. An expansion of activity along these lines is expected in future months.

Considerable progress was made in the Licensing Bureau by the gradual mechanization of control and accounting procedures to almost one hundred per cent automatic checking. At the same time, scrutiny of export licences and export proceeds was improved. The Bureau is now in a position to check and register simultaneously the execution of the export operation with the movement of goods and of payments involved.

By stages, while working on the improvement of technical procedures, the Licensing Bureau has now become what it should always have been - an instrument of pure execution and control. The distribution of quotas among importers rests instead with the Ministry of Economic Affairs and its Supply Office.

Bureau of Economic Co-ordination

A further important step was the creation, by a presidential ordinance of 15 September 1962, of new executive and administrative organs of government, among them the post of economic co-ordinator. Decree-laws of 20 and 31 October 1962 defined the competence and structure of a Bureau of Economic Co-ordination. This Bureau, which is directly responsible to the Prime Minister, is charged with economic planning, determining priorities, controlling the activity of the Supply Office and dovetailing all foreign aid programmes - for economic, financial and technical assistance.

The shortage of essential supplies and products on the markets has become so acute as to cause spreading economic stagnation and mounting social unrest throughout the Congo. The internal markets can be revitalized and normal trading can recommence only when the resumption of an adequate flow of imports is assured. But the Republic's reserves of foreign exchange are precariously close to exhaustion, and current income from exports covers only a fraction of essential expenditures on invisibles and imports. In tackling national supply problems, the first task of the Bureau of Economic Co-ordination was to establish new procedures for the utilization of foreign exchange for imports, and for the elaboration of comprehensive import programmes. These programmes will be oriented increasingly towards imports of capital and equipment goods.

Controller of Public Finance

The United Nations provide a senior consultant to the Ministry of Finance as Controller of Public Finance appointed by the Government under the provisions of Decree no. 136 of 15 September 1962. The duties of the Controller are to assist the Congolese Government in the preparation and execution of the budget and by establishing, administering, maintaining and controlling the customs service, the tax service and public accounting.

ORG 130/1 Gen.

File

Office of Civilian Operations
ONUC

12 May, 1963

THE ECONOMIC AND FINANCIAL SITUATION

At the end of 1962 the situation in the Congo appears to be substantially better than earlier in the year. In fact it was only at the end of the year that security was re-established throughout the Republic and that the economic ramification of the country was achieved, factors which constitute essential prerequisites to the reconstruction and recovery of the Congolese economy. More especially as a fundamental element in the Congolese economy, the exports of South Katanga and South Kasai, which amounted to 60% of the total exports of the country, remained outside the country's foreign exchange revenue.

On the other hand, in briefly reviewing the consequences of the events following independence, it should be primarily mentioned that there were mass movements of the rural population, which was already sparse, to the urban centres, while, due to lack of incentives, the small cultivators returned to the ancestral subsistence economy. As a result, some of the land suitable for cultivation ran wild, a lack of interest in harvesting was exhibited, and, finally, there was a serious decline in agricultural production. Accordingly, the marked shortage of foodstuffs, and the appearance of a continuously increasing inflation due to a chronic deficit of public finance - amounting to 1.211 billion per month, followed by an increase of 10-11 billion per year in currency circulation - provoked a dislocation of the process of production and distribution.

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The considerable increase in urban unemployment also contributed to the development of new middle-men in retail trade. A black market in foreign exchange appeared, increasing the official rate almost sixfold, and this, in concurrence with the difficulty of preventing smuggling (diamonds and other articles suitable for smuggling) to neighbouring countries, led to a disruption of distribution and deprived the country's economy of considerable receipts from normal exports, bringing a vicious circle into operation.

Agricultural production of basic foodstuffs for the Congolese population was alarmingly low in 1961 and 1962. The cultivation of these staples, although not abandoned, at least showed a marked decline. The cultivation of manioc which, before independence, was the basic foodstuff of the Congolese people, and was produced in sufficient quantities for domestic consumption and for export, was almost abandoned, and the price of manioc increased almost tenfold. The production of corn and rice, which were also basic foodstuffs, showed a serious decrease in 1961-62 in relation to 1959-60; the production of rice in 1961-62 was less than half of that of 1959-60. Only the production of edible oils (as well as certain other foodstuffs of secondary importance) was more or less satisfactory. Therefore, apart from edible oils, a problem arose, namely, the threat of fairly widespread shortages of food in urban areas. It was to remedy this situation that the monetary authorities adopted a more or less liberal policy, which is discussed later, and that foreign economic assistance was granted to the Congo. American agricultural assistance

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alone (Title I and II) provided the country with 40,000 tons of wheat flour intended to alleviate the maize shortage, 50,000 tons of rice, about 10,000 tons of milk (tinned and powdered), as well as certain amounts of other foodstuffs and tobacco, totalling CF. 1,750 million for 1962.

In 1962, exports of vegetable products, which partly reflect the production of the provinces controlled by the Central Government, dropped in the order of 40% in value and 30% in quantity, compared with 1958. In 1961, the corresponding figures were 34% and 29%. Therefore, exports of vegetable products declined by 11% in value (9% in quantity in 1962 as compared with 1961). It should also be noted that this decrease in exports was greater in value than in quantity, reflecting a decline in the terms of trade.

With respect to mineral products, the 1962 exports show considerable progress over the preceding year, eventhough a considerable proportion of the jewellers' diamond production was diverted by smuggling. The exports of mining products were 1.5 billion in 1962, compared with .4 billion in 1961, showing an increase of the order of 260%.

To sum up, it will be noted that the total exports recorded for 1962 showed an increase over the preceding year of CF. 531 million, according to customs statistics, and CF. 554 million, according to foreign exchange statistics.

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EXPORT OF LOCAL PRODUCTS

(in millions of CF at the fixed rate)

		Customs statistics		Foreign Exchange statistics
1961	Vegetable products	4931		
	Mineral products	430		
	Misc.	203		
			5,564	5,121
1962	Vegetable products	4,339		
	Mineral products	1,555		
	Misc.	141		
			6,035	5,675
	Variation		+531	+554
	Percentage		+9.5%	+10.8%

Source: Based on monthly bulletin of the Monetary Council - February 1963.

It should be noted that the 10% increase is partly due to the economic re-integration of South Kasai in December.

Taking into consideration the fact that exports of Katanga and South Kasai, which in 1962 amounted to CF. 14 billion, and which from 1963 will be included in export earnings, the outlook for Congolese exports is more optimistic. Indeed, the economic re-unification of the country, on the one hand, and the "retention quota" measure, which was decreed by article 16 of the Décret-Loi

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of 29 June 1961 and was put into effect in September 1962, on the other hand, lead one to hope that this year's exports will not be less than CF. 18 billion including 9 billion from the Union Minière.

As far as imports are concerned, it should be noted that the monetary authorities were forced to adopt a relatively liberal policy in order to meet pressing needs of the economy. At the end of 1961, when the Congolese economy had not yet benefitted materially from foreign aid, there was a total net reduction of CF. 2,592 million in foreign exchange reserves; that is, at the fixed rate of $51.8 million.

In 1962, also, the same liberal policy was pursued but required variation in amounts of imports permitted according to the fluctuations in foreign exchange reserves. Foreign economic assistance granted to the country began to increase but could not stop the rate of outflow of foreign exchange.

The continually increasing supply requirements needed for consumption and for economic recovery made it necessary to grant more than CF. 400 million monthly of import licences during the first four months of 1962, not including imports that required no official exchange (licences without exchange payments, American aid, agricultural assistance). However, from May onwards, the monetary authorities were forced to restrict import licences in order to conserve minimum foreign exchange reserves. But as from the second half of 1962, export revenue increased from month to month so that, from November onwards, the issuance of import licences was again more liberal.

However, the recorded imports did not follow the rate of licences granted by monetary authorities, but continued to

increase at a higher rate than in the preceding year. According to customs statistics, the imports recorded in 1962 show an increase of the order of 50% over 1961, while, according to exchange statistics, they show a decrease of the order of 30%. The difference may be attributed to the time-lag between the granting of the license and actual importation (nearly 2 billion of 1962 imports were financed in 1961) on the one hand, and to speculation (intentional postponement of imports to the maximum time permitted) and the escape of capital through the device of over-pricing, controlled in 1962, on the other hand.

IMPORTS

(in millions of CF at the fixed rate)

	Exchange Statistics	Customs Statistics (a)
1961	7,043	5,680 (b)
1962	5,001	8,337
Variation	-2.041	42.657
Percentage	-28.9%	+46.8%

(a) excluding parcel-post items

(b) UN imports deducted

Source: monthly bulletin of the Monetary Council, February 1963.

As far as the structure of imports is concerned, it is noteworthy that there was an improvement in the import of capital

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goods; the relative percentage of raw materials and supplies not having changed between 1961 and 1962.

PATTERN OF IMPORTS

(in millions of GF at the fixed rate)

Category	1961 (9 months)		1962 (9 months)	
	Value	%	Value	%
Consumer goods	2,265	49.6	2,893	44.6
Raw materials and supplies	1,586	34.7	2,218	34.1
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Parcel-post items	13	0.4	n.d.	-
Total	4,569	100.0	6,495	100.0

Source: monthly bulletin of the Monetary Council - February 1963.

Apart from the trade balance, which in 1962 showed a surplus of 674 million as against a deficit of 1,922 million in 1961, the other items in the balance of payment show movements that can be summarised as follows:

Invisibles in general show a negative balance of 2,662 million, which is explained by a sharp increase in payments for services received, and a considerable decrease in exchange receipts as a result of the reduction in U.N. transfers of foreign exchange to cover expenses in local currency for technical assistance, which

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the Congolese Government began to contribute in 1962.

Donations and foreign aid contributed 3,577 million to the Congolese economy, 1,269 million of which was carried over into 1963. Finally, the exchange reserves show a slight increase of 21 million in spite of an item of 327 million on the debit side, representing the payment of the residual debt to Ruanda Urundi, while new inflow of capital amounted to CF. 134 million.

On the basis of provisional information, exports for the first quarter of 1963 show receipts of about 4 billion and imports of almost 2 billion, and invisibles, in general, a net negative balance of 850 million. This indicates a theoretical net increase in foreign exchange reserves.

As far as outlook for the current year is concerned, apart from the export receipts of 18 billion already mentioned, it is expected that regular imports will reach the figure of 7 billion, that approximately 5.5 billion of the retention quota will be utilised for imports and remittances of salaries of foreign personnel and that 600 million will be transferred in payment of a debt to Ruanda Urundi and other Governmental charges. Invisibles in general will show a net negative movement of 3 billion.

Before concluding, it should be pointed out that secondary production increased by 10% in 1962 and that, if its supply is ensured, it is expected that there will be a further increase of about 15 % in 1963. During 1962 a 10% increase in employment was recorded in Leopoldville; last March retail prices for current consumer goods in the Leopoldville market were at almost three times the 1960 level and, recently, in April, 1963, minimum salaries were at twice the 1960 level.