
ZAIRE

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1.

MAIN FEATURES OF THE ECONOMY

The Republic of Zaire, independent from Belgian government since 30 June 1960, has a land area of 2,344,000 km², making it the third African state, after Sudan and Algeria. With a population of 29,700,000 inhabitants (provisional results of the 1984 census), it has an average density of 13 inhabitants per km².

The World Bank estimates an annual population growth rate of about 3%. The structure by age classes is sharply orientated towards the young sectors, with 40% of individuals less than 14 years of age. About 36% of the inhabitants live in urban areas. The country's economic growth is difficult: during the entire period from 1977 to 1984 the gross domestic product, at constant prices, rose by 0.6% (the marketed share of this, however, decreased by 1.8%). After a decline of 3.1% in 1982, GDP increased, still at constant prices, by 1.2% in 1983, and 2.6% in 1984.

The economic structure is centred on the primary sector and services. Where the production of goods is concerned, the biggest contribution is made by the mining and metallurgical sector (24.5% of GDP at constant prices in 1984). It should be noted that in 1984 exports of extractive products supplied 70.3% of Zaire's foreign trade receipts. The principal mined products are copper, zinc, cobalt, cassiterite, diamonds and gold. Marketed agriculture accounts for 8.9% of GDP, and subsistence agriculture for 11.4%. The incidence of manufacturing industry is very low (6.3%) and has been declining as a result of manifold problems. Among the most important of these are the absence of invested capital and cash difficulties due to the scarcity of credit, the age of productive equipments, the restricted market, the competition of imported pro-

ducts, the under-utilisation of productive capacities, and the lack of adequate managerial abilities.

The problems of shortage of foreign currencies for import of inputs, which existed prior to the exchange rate liberalization measures, have now been replaced by difficulties arising from the big increases in import costs due to devaluation of the national currency.

The secondary sector is dominated by food industries, tobacco processing, textiles and clothing.

Where public accounts are concerned, the recently adopted policy of austerity has led to a significant reduction in the public deficit (4.4% of GDP in 1983 against 10.5% in 1982).

Causes of concern still lie in the high weight of interest on the public debt; the austerity induced compression of capital expenditure, which slows down the necessary process of improvement of the country's infrastructural apparatus; and the frequent inability to meet repayment obligations on the foreign loans contracted.

In its foreign trade relations, Zaire exports mineral and agricultural products and imports capital goods, consumer goods, and foodstuffs. The chief trade partner is Belgium, followed by United States, France, West Germany and Italy. The balance of trade is traditionally positive, while the overall balance of payments is negative and is mainly financed by the central bank's recourse to foreign loans.

The rate of exchange, which was heavily devaluated in September 1983 as a result of the market liberalisation measures, continues to decline and is at present (December 1985) in the region of about 55 zaires per dollar.

With regard to inflation, the stabilisation policies of the last few years are beginning to bear fruit: the increase in retail prices at Kinshasa was 15.4% in 1984 against 110.5% in 1983 and 34.7% in 1982. In 1985 a still relatively limited rate is expected, not much higher than that for the previous year.

Government economic policy has shown two important trends: immediately after independence the businesses hitherto

managed by foreign investors were compulsorily transferred to the State or to Zaire private businessmen. The latter proved to be entirely unprepared for this task, especially as Belgian colonisation had certainly not contributed to developing adequate local personnel for key positions.

At the same time the "politique des grands travaux" was launched, a policy intended to transform Zaire into a modern industrial economy through enormous public investments in the fields of energy, metallurgy and the oil industry.

All this led to deterioration of the productive apparatus, the flight of foreign capital, the appearance of increasingly large public budget deficits, worsening inflation due to financing the deficits on a monetary basis by the central bank, and the progressive deterioration of the balance of payments. These negative consequences of the policies adopted, together with the need for continued support from the IMF and the possibility of renewing the foreign debt, compelled the country to make a drastic change of course at the beginning of the eighties, and drafting of the "programme d'ajustement économique et financier", an economic and financial adjustment plan drawn up in September 1983.

On the one hand a strict policy was introduced in management of the public budget with a view to reducing the deficit, allied with a strongly restrictive monetary policy. On the other hand, within the framework of this general picture, an effort was made to improve utilisation of resources by a vast policy of liberalisation of the economy. Measures were taken such as devaluation of the national currency and the selection of a system of flexible exchange rates; removal of restrictions on the prices of goods and services, and on interest rates; reduction of public monopolies and certain subsidies; the freeing of foreign trade and the revision of customs rates; and the possibility for foreign investors to repatriate their profits. It is still early to assess the full result of these measures although, as has already been seen, they are in fact producing positive effects on inflation, the public deficit and foreign accounts.

TABLE 1

Main Features of Zaire's Economy (000,000 zaires)

	1977	1978	1979	1980	1981	1982	1983	1984
(1) GDP at current prices								
Marketed GDP	3,202.5	4,439.5	8,866.6	13,829.2	18,688.7	23,489.8	45,520.8	
Total GDP	3,956.2	5,480.5	11,105.0	17,182.9	23,780.9	31,110.4	59,134.4	
% increase		+38.5	+102.6	+54.7	+38.4	+30.8	+90.1	
Percent contribution of the various sectors to GDP at constant prices								
Marketed agriculture	8.1	8.3	8.5	8.6	8.6	8.9	8.9	8.9
Mining and metallurgy	23.8	22.9	21.6	22.5	23.5	23.5	24.0	24.5
Manufacturing industries	8.3	7.6	7.1	6.9	6.8	6.2	6.1	6.3
Other goods	3.8	4.1	3.8	3.7	3.6	3.9	4.2	3.8
Services	43.7	43.7	45.6	44.6	43.9	43.7	43.1	43.0
Import dues and taxes	1.6	1.7	1.6	1.9	1.9	1.4	0.9	0.6
Non-marketed agriculture	9.4	10.2	10.5	10.5	10.5	11.1	11.3	11.4
Non-marketed building	1.3	1.5	1.3	1.3	1.2	1.3	1.5	1.5
(2) Public budget								
Current receipts	669.0	723.1	2,304.7	3,777.3	4,801.8	6,247.4	11,758.6	27,289.1
Total expenditures		1,289.4	2,866.2	4,114.8	6,524.1	9,515.0	14,348.1	30,900.0
Balance		-566.3	-561.5	-337.5	-1,722.3	-3,267.6	-2,589.5	-3,610.9
% of current balance on total GDP		10.3	5.1	2.0	7.2	10.5	4.4	
(3) Balance of payments (000,000 SDR)								
Trade balance		+385.9	+470.0	+455.2	+257.8	+486.8	+592.5	
Current account		-121.8	+100.7	-43.2	+286.6	-45.0	+142.0	
Total balance of payments		-77.4	+11.8	-13.3	-221.9	-112.1	-11.2	
(4) Rate of Exchange mean values (zaires per US\$)		0.84	1.73	2.80	4.38	5.75	12.89	36.13
(5) Consumer price trend	0.86							
General index of household consumer prices in Kinshasa markets (1975 = 100): 4th quarter-year		590.2	1,102.8	1,427.9	2,137.4	2,880.1	6,062.7	6,995.7
% increase			+86.9	+29.5	+49.7	+34.7	+110.5	+15.4

Source: Banque du Zaire, Rapport Annuel et Bulletin de Statistiques, various issues
IMF International Financial Statistics

2.

MONETARY POLICY AND FINANCIAL DEVELOPMENT

Based in very recent years on a decidedly restrictive trend in order to reduce the high inflation levels, the public debt and the deficit on the balance of payments, money policy in Zaire makes use of a fundamental instrument: the maximum limit on expansion of banking credit, which is contracted annually with the IMF (2,500,000 million zaires for 1985). The Central Bank splits up this overall ceiling on a quarter-yearly basis according to the intensity of the expected credit demand in the system. Each quarterly ceiling is then divided into two parts: one part ("divided ceiling") is distributed among the various commercial banks in proportion to the extent of their deposits and own funds. The second part ("undivided ceiling") is used to meet medium term credit demands and requirements for financing the agricultural campaigns for food products, cotton and sugar cane. Granting of these types of loans by the banks is in fact subject to prior authorization by the Central Bank, until the particular available maximum has all been used up. Centralization of loan approval decisions with the Central Bank and separation of this phase from the loan evaluation process, entrusted to the commercial banks, constitute a limit on the banks' independence and introduce criteria that are probably not the best ones for selection of the ventures to be financed.

In this connection it should in fact be noted that the maxima imposed by the IMF are somewhat restrictive, especially in view of the inflation rate, and the excess credit demand situations that occur are settled by rationing of quantities rather than through any action on rates (which is moreover impossible, as will be seen, in those cases where there are administrative restrictions on them).

The selective purposes the imposition of credit ceiling had in the past have ceased since 1984. Before that date, the portion distributed among the various banks was further divided by ceilings for the different sectors of production. There is then a second restriction that is imposed on Government financing by the Central Bank, in order to hold back the creation of a monetary basis obtained in this way. Precisely because of the effectiveness of the direct credit control, the other monetary policy instruments take on less importance and are chiefly used in particular economic situations in order to strengthen the direct control operation (for example, situations of high bank liquidity or of sliding exchange rates). Manipulations of the official bank rate, and the compulsory reserve requirements are the main ones. As regards the former, the banks have access to refinancing by the Central Bank in various forms (pensioning of bills, i.e. rediscount of bills with a life of less than 15 days; rediscount of commercial bills or treasury bills, advances on current account). Each bank can have recourse to credit with the Central Bank to the extent of a maximum related to the amount of deposits held and its own funds. In case of excess, heavy penalties are charged.

The rate for the compulsory reserve system is very high (at present 40% of sight deposits and time deposits with maturity up to and including six months). The compulsory deposit may consist either of cash (as it normally happens) or treasury bills and is not remunerated. The largeness of the reserve percentage and the absence of any remuneration on it lead to severe lack of flexibility in bank management. This is evident in the difficulties of managing liquidity, and the need to apply very high spreads between rates receivable and payable, with the consequent impossibility of remunerating deposits adequately.

If the market interest rates are now examined, it can be seen that the rise following their liberalisation and the successes in the fight against inflation have in the last two years (1984 and 1985) led to positive values in real terms, largely reversing the trend existing in previous years.

Market rates on loans range at present (December 1985) from

25 to 35%, while those on short term agricultural campaign financing are officially fixed (26%) and benefit from facilitated rediscount (24%). The structure of returns on maturity does not show any appreciable favourable correlation with the length of the operation.

Interest rates are on the contrary wholly negative in real terms in the case of sight deposits (not remunerated) or time deposits of smaller amounts or shorter term.

An interesting new factor that appeared in April 1984 consists in the Central Bank's weekly issue of treasury bills to finance the public deficit. These securities are destined to savers and have a life of 28, 56, 91 or 182 days, with returns higher than the expected rate of inflation and the return on bank deposits. Although still very restricted, and aimed mainly at subscription by the large state boards, this treasury bills market constitutes at least the start of a competition factor in relation to deposits, an important stimulus to the mobilization of private savings, and an uninflationary means of financing the public debt. It should be noted that these bonds have different features from those already existing on the market for some time, issued to the banks and used by the latter mainly as guarantee of credit lines granted by the Central Bank. The return in this case is very low (4.75%, rising to 7% in 1986).

Table 3 shows the main indices of financial deepening in the country: rather low values are found, without any tendency to increase (in comparison with the first two years under examination there is on the contrary a significant decrease). The rate of M1 increase is almost always high in nominal terms, whereas it oscillated widely in real terms, although a certain degree of restriction is found during the last two years.

The diminishing weight of time deposits can also be noted, as well as the importance of currency in circulation almost equal to deposit money: this confirms the low spread of bank money, especially outside the capital, and the existence of tendencies to the hoarding of legal currency.

In interpretation of the data, it must be borne in mind that

the positive value of net indebtedness to foreign sources (which rose sharply in 1983 owing to the devaluation of the zaïre decided in September) is given by the Central Bank's liabilities, whereas the net position of the banks is largely in surplus.

In conclusion, it may be observed that the high weight of the subsistence economy (12.9% of GDP in 1984), the widespread occurrence of legal currency hoarding, and the low values of the financial depth are all indicators of Zaïre's limited financial development. One of the causes of the inadequacy of the financial processes must probably be seen in the presence of highly negative real return on sight bank deposits and of unfavourable characteristics on time deposits, as will be seen later. When the almost total absence of any securities market or money market is also taken into account, it clearly emerges that financial saving is systematically and severely penalized in this country.

TABLE 2
Interest Rates (December 1985)

1) Central Banks (refinancing rates)	
Advances on current account	23%
Rediscounting of bills 15 days	23,24%
Ordinary rediscounting	26%
Rediscounting of short-term agricultural loans	24%
Rediscounting of medium/long term agric. loans	25%
2) Commercial Banks	
Demand deposits	0-0,5%
Time deposits	20-35%
Short-term loans	26-35%
Medium-term loans	26-34%
Agricultural seasonal loans	26%
3) Sofide	
Foreign currency medium-long term loans	12,5-15,5%
National currency medium-long term loans:	
to SMF's	25%
to other businesses	30%
4) B.C.A.	
Commercial loans	33-35%
Short-term agricultural (seasonal) loans	26%
Medium-term agricultural loans	25%
5) Treasury Bills (Dec. 10th issue)	
at 28 days	32%
at 56 days	35%
at 91 days	38%
at 192 days	42%

Source: Data collected by the Author

TABLE 3

Money Deepening Ratios

	1977	1978	1979	1980	1981	1982	1983	1984
Currency in circulation (% of GDP)	11.7	14.6	5.1	9.0	8.8	10.5	10.4	
Deposit money (% of GDP)	15.0	15.5	11.2	9.5	9.6	12.6	12.3	
Total Money = M_1 (% of GDP)	26.7	30.1	16.3	18.5	18.4	23.1	22.7	
Total Money (% nominal change)	—	56.1	9.6	75.7	37.4	64.6	86.9	32.5
Total Money (% real change)	—	—	-30.8	+46.2	-12.3	+29.9	-23.6	+8.2
Term deposits (% of GDP)	4.6	4.6	3.5	2.8	2.7	3.4	1.6	
Total money + term deposits = M_2 (% of GDP)	31.3	34.7	19.8	21.3	21.1	26.5	24.3	
Net domestic credit (% of GDP)	42.5	42.6	29.3	23.7	26.2	32.6	15.8	
Net external liabilities (% of GDP)	5.1	5.2	2.8	1.5	5.9	0.7	17.8	

Source: Banque du Zaïre, Rapport Annuel 1983, Bulletin de Statistiques, various issues,
data worked out by the Author.

3.

PERFORMANCE OF FINANCIAL INSTITUTIONS

The banking system consists of three private foreign controlled banks (Banque Commerciale Zairoise: BCZ; Union Zairoise de Banques: UZB; Banque de Kinshasa: BK), one public Bank (Banque du Peuple: BP) and five branches of foreign banks (First National City Bank-Zaire; Barclays Bank-Zaire; Banque de Paris et des Pays-Bas; Grindlays Bank; Banque Internationale pour l'Afrique au Zaire). The first four banks mentioned have 81 branches outside the capital — very few in relation to the vastness of the country. Among the sources of funds, alongside the limited but growing capital and reserves of their own, sight deposits are predominant, while time deposits are of somewhat restricted importance and tend to be decreasing relatively as time passes. Sight deposits are of two kinds: checking accounts, for employees of businesses; and current accounts, reserved to business organizations, dealers and professional people. Both classes of account are not remunerated, make a charge for holding the account, and a fairly high minimum starting deposit (it varies from bank to bank; in the case of BP, for example, it is fixed at 10,000 zaires for checking accounts, and 50,000 for current accounts). This last feature tends to reserve the product exclusively to the clientele with larger monetary resources and to reduce the bank's number of accounts open and the related administration costs borne at parity of volumes handled. It should be noted that for some months the BCZ has been giving a return on its sight deposits (0.5%).

The bank management motivated this action as a response to the competition of treasury bills and the linked phenomenon, albeit still weak, of banking disintermediation; the increase in

return is however clearly insufficient to achieve the aims indicated. With regard to the breakdown of sight deposits by holder and by region, in December 1983 66.3% of them were held by businesses and only 22.8% by individuals; 76.6% were concentrated in the capital.

Time deposits vary in their terms (from 15 days to over twelve months) and may carry the possibility of repayment before term (deposits with notice). The initial payment required is higher than for sight accounts. The rate, fixed for the whole period, is established case by case with the customer and depends on the maturity of the deposit, the average amount of the funds deposited, evolution of the economic situation (the rate of return tends to follow that on treasury bills), and the bank's cash requirements. At present (December 1985) returns from 20% to 35% are observed. Most of these deposits are held by businesses (67.1% against 19.8% for individuals), and mainly in the capital (91.8%).

Where the use of these funds is concerned, it is noted that the incidence of cash reserves is high and growing, chiefly due to the exceptional weight of the compulsory reserve, which imposes strict limits on the banks' economic and financial management. Foreign current assets considerably exceed foreign indebtedness, while investment in securities is limited as a result of the small dimension of the securities market and the legal restraints on taking up holdings; it mostly consists in the purchase of treasury bills to guarantee credit lines with the Central Bank. The portion of credits has diminished significantly for some time and during the last three years has been lower than that for cash and reserve requirements. Distribution of loans by term shows a decided bias towards short term, even though the extent of medium term loans is growing. It should be noted that the possibility of making loans beyond the short period is linked to collection of long term funds, in different proportions according to the duration thereof.

Even for short-term loans the banks require real guarantees such as mortgage or pledge. Rates of interest receivable, as already seen, have been freed except for those on agricultural loans and are

at present in the region of 26-35%. It should be noted that these contractually established rates are accompanied by credit utilization commissions, calculated differently from bank to bank, and the turnover tax (18%), which shifts the equilibrium position of the credit market into values of lower quantities exchanged and at higher price. Taken as a whole, the distribution of loans by the banking system to the different economic sectors shows the predominant and increasing role of agriculture, followed by trade and the manufacturing industries.

The supply of services other than the traditional ones of credit and deposit is limited and is concentrated on administration of the payments system, and on exchange operations and settlement of foreign trade transactions. The structure of the profit and loss accounts (Table 6) shows a very high interest margin, due to the low weighted average cost of collection, mainly used to cover the somewhat high operating costs. Lastly, Table 7 shows that the growth of the principal items in the banks' balance sheets was always negative, in real terms, until 1982, and that expansion of credits is definitely lower than that of deposits.

The Caisse Générale d'Epargne (Cadeza) is the only savings bank left after the failure of the Caisse Nationale d'Epargne and the Crédit Immobilier. The bank has no company capital. It is the bank with the widest territorial spread (47 branches scattered throughout the country). Cadeza specializes in the collection of savings from individuals, which it does by opening bank or savings accounts. The former have the same features as those in the commercial banks, except for a smaller starting deposit. The latter, represented by savings books in the holder's name, can be at sight, in which case they do not permit the drawing of cheques, while the return is low (about 10%, now under review) and the minimum initial payment small (160 zaires). Time savings accounts (6-12 months) require a rather higher initial payment (1,100 zaires), offer a 15-20% return and do not allow withdrawal of funds before maturity. In December 1982 the deposits formed 90.9% of the funds administered and were distributed in the following proportions:

savings accounts, 49.4%; sight bank deposits, 36.2%; bank time or notice deposits, 14.4%. Where asset management is concerned, before 1978 Cadeza devoted itself mainly to taking up holdings in public undertakings, and to medium-long term mortgage loans. Since that time it has been authorized to carry out all banking operations. It is at present developing forms of consumer credit for small amounts and short terms (1-2 months), and especially short-term commercial credits to small and medium private traders. Part of this amount goes to private businessmen to finance agricultural foodstuff campaigns. The interest rate is around 32%, to which large commissions must be added (about 10%). The minimum financing amount is about 10,000 zaires, and real guarantees are required. Cadeza does not on the other hand grant loans to industrial or agricultural production.

It should be noted that, in view of the smallness of the funds administered, the Central Bank has not considered it necessary to subject Cadeza to the compulsory reserve system or to the restraints of direct credit control. The insolvency rate, especially on the old mortgage loans, is very high, as also the accumulated operating losses which considerably exceed the value of assets and which are guaranteed by the State. In conclusion, Cadeza would appear to have a fair potential in the field of incentives to personal savings, due to the manifold nature and characteristics of the products offered, and to its considerable territorial spread. In reality, its actual situation is dramatic and its prospects appear to be in definite jeopardy. Account must be taken of factors such as the extent of the continual running losses and the condition of insolvency, the precariousness of the financial equilibrium based on ample cash reserves and above all on the absence of perception of the bank's insolvent state by the public, managerial inefficiency due to poor qualifications of personnel and the big problems of communication between branches and the central office, the characteristics of customers, who tend to be those rejected by the commercial banks owing to their poor economic culture and low financial resources, and the high instability of collection of funds and

its trend towards short term (85% of deposits at 31st December 1983 were sight deposits). To all this must be added the loss of confidence in the bank by customers since the middle of the sixties when, as a consequence of disorders in the east of the country and massive requests for withdrawal of funds, Cadeza was compelled by liquidity problems to defer and ration the repayment of deposits.

Lastly the smallness and limited development of the bank's operations must be considered (as of December 1982 the bank collected deposits amounting to 2.6% of those of the banking system and made loans equivalent to 0.9%).

Société financière de développement (SOFIDE) is Zaire's development bank, in operation since June 1970, with head office at Kinshasa and 4 branches in the country's principal cities.

Its aim is to "favour the creation, modernization and expansion of businesses in all productive fields of the economy". The organization's resources consist of capital (20% held by the State, 20% by the Central Bank, 27.2% by the Zaire private sector, and 32.8% by foreign investors), quasi-capital (public loans not repayable or repayable at very long term and reduced rates, and consolidated funds from the International Development Association, IDA), and credit lines and special funds granted by foreign financial institutions (Banque Africaine de Développement, Banque Européenne des Investissements, etc.) or coming from public resources (some compensation funds, fonds de convention de développement).

The development bank does not issue securities or collect deposits: in this connection it must be noted that the banking law classified it as a corporation specializing in medium-long term transactions, so that it is banned from issuing deposits with a term of less than two years. With regard to its field of operation, SOFIDE can make medium and long term loans, take up holdings and give guarantees in favour of all sections of production. For cash loans the corporation's financing of each separate business cannot exceed a specific ceiling (20% of the corporation's own capi-

tal and reserves), nor can it exceed 50% of the total cost of the investment in the case of a new project, or 75% in case of expansions and modernizations. The minimum amount for any loan was fixed on the corporation's establishment at 20,000 dollars (about 1,000,000 zaires at the present rate of exchange), although in practice no loans are normally made for less than 2,000,000 zaires; in other words, projects are not financed if their value is less than 4,000,000 or 2,650,000 zaires according to the type of investment. The average financing per project was for example, 7,000,000 zaires in 1983, and 13,500,000 in 1984.

The rates generally charged are 12.5% or 15.5% for foreign currency loans on funds made available by foreign institutions; 25% for small and medium agricultural businesses and 30% for other businesses in the case of loans in zaires; and 15% on loans made on funds granted by the Fonds de convention de développement.

There are then commissions for study of the project (normally 2% of the financing granted) and credit utilization (1.5% of the amount not used). The most frequent loan periods are from 6 to 8 years; repayment is made in half-yearly instalments; the required guarantees are generally real, more rarely personal. The rate of insolvency on loans was 26% in 1984.

The corporation's loan policy in recent years has, in line with national aims, been directed to favouring investments designed to help reach food self-sufficiency, restore parity in the balance of payments, and develop local raw materials. Among the recipients of funds, an effort has recently been made to give priority to small and medium businesses (84% of loans authorized in 1984, even though these were directed to the most modern and organized of them, and for investment projects of a certain size). Out of total credits granted in 1985 (amounting, as of 30th November, to 1,366,983,000 zaires) the manufacturing sector benefited from 47% of the funds (16.1% in 1984), transport 25.5% (29.9), building 11.9% (2.6), forestry 2% (34.4), agroindustry 7.6% (7.3), and agriculture 4.4% (6.4). The importance of the agricultural sector is moreover progressively decreasing. It should be noted that Sofide's financing

is excluded from the credit regulating policy and hence it does not require prior authorization by the Central Bank, as it is necessary in the case of commercial banks' medium term loans.

Table 7 shows that the rates of increase of the main balance sheet items are very marked. The profit and loss account items, referred to the balance sheet total, in comparison with the commercial banks, show a lower weighted average return on assets, a higher cost of collection, lower operating costs, and higher operating and net earnings. The corporation's principal problems include the mentioned high rate of loan insolvency due to the financed business's difficulties consequent on the high devaluation of the zaire, the shortage of resources to be granted on loan in the national currency (as of 31.12.84, 87% of the loans appearing on the balance sheet were in foreign currency), and above all the inability to collect private savings, with consequent dependence on the resources of the public budget or foreign organizations. In other words, Sofide does not collect its funds on the market in accordance with the conditions of remuneration that this would impose in relation to the relative scarcity of financial capital, but through privileged channels at reduced cost. This is thought to jeopardize achievement of greater operating efficiency by the corporation, weaken the incentive to local savings mobilization policies and reduce the efficiency of the credit function, since it leads to loans on which rates lower than market rates are applied.

Zaire's financial system possesses other institution of lesser importance for the purpose of this study. There is another development bank, regional in character, the Banque de Développement des Etats des Grands Lacs, with head office at Goma, in Zaire, which proposes to operate in Zaire, Rwanda and Burundi, financing large community or national projects. The bank's development in the agricultural sphere is very limited and appears to be confined to short and medium term loans for the marketing of products (coffee, for example). There are then two institutional investors, one in the social security field (Institut National de la Sécurité Sociale, INSS) and one insurance company (Société Na-

tionale d'Assurances, SONAS). These organizations are supplied with funds through social insurance contributions and insurance premiums respectively, and the credit they provide for the productive sector, for the most part in the form of purchase of holdings, is insignificant in practice. Even less importance attaches to the Compagnie Financière de Kinshasa (which also issues time deposits) and Société Mobilière et Immobilière, which grants medium-long term mortgage credits.

The post office savings system, at one time developed to some extent through the widespread diffusion of post offices in the regions of the interior, has practically ceased to operate for about the last 10 years, although some revival of the system is expected at present.

At 31.12.1984 it administered 15,450,000 zaires in its post office checking accounts (*comptes chèques postaux*), equivalent to 0.2% of the deposits collected by the banking system. The factors that have endangered operation of the system are managerial inefficiency and lack of public confidence due to the same events which led to the Cadeza crisis.

TABLE 4

Aggregate Balance Sheet of the Commercial Banks (% values)

	1977	1978	1979	1980	1981	1982	1983	1984
Assets								
1. Cash	24.4	28.3	25.3	30.0	31.0	47.9	33.3	44.6
(of which: deposits with Central Bank)	(22.8)	(26.4)	(22.4)	(24.3)	(26.0)	(42.0)	(30.5)	(39.7)
2. Gross foreign assets	13.1	13.2	16.4	21.7	24.6	12.7	35.2	22.3
3. Receivables from Government	9.4	9.4	7.7	6.9	5.3	3.5	1.9	1.8
4. Receivables from non-financial Public Enterprises	3.2	1.8	1.1	0.4	1.0	0.3	0.2	0.5
5. Receivables from businesses and individuals	49.9	47.3	49.5	41.0	38.1	35.6	29.4	30.8
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Liabilities and capital								
1. Demand deposits	55.9	65.8	72.0	65.0	65.2	75.5	74.3	63.4
2. Time deposits	14.8	14.8	14.3	11.4	9.8	10.9	7.3	7.3
3. Residents' deposits in foreign currency	2.9	2.4	3.7	6.2	5.5	4.3	2.2	1.8
4. Import payments provisions	8.4	5.1	3.4	4.1	11.4	1.7	2.6	1.4
5. Foreign liabilities	5.0	3.4	5.9	5.6	6.6	5.8	8.0	3.8
6. State deposits	0.5	1.4	1.5	1.6	1.4	0.5	1.0	0.2
7. Capital and reserves	5.5	5.0	6.4	7.1	7.9	7.7	8.3	10.4
8. Sundry net items	7.0	2.1	-7.2	-1.0	-7.8	-6.4	-3.7	11.7
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Banque du Zaire, Annual Report 1983, Bulletin de Statistiques, 1st quarter, Author's calculations.

TABLE 5

Banking System Loans (% composition)

Sectors	1977	1978	1979	1980	1981	1982	1983	1984
Agriculture	27.7	29.5	30.8	38.1	34.8	34.7	37.8	40.1
Remaining Primary Sector	9.5	7.1	6.4	6.9	7.4	7.3	5.0	6.1
Manufacturing Industries	20.2	17.4	19.9	17.3	20.0	21.3	20.8	18.9
Trade	28.6	28.9	27.6	26.2	24.8	21.5	22.2	21.4
Transport	3.9	5.5	5.7	2.7	2.4	5.2	3.2	4.5
Others	10.1	11.6	9.6	8.8	10.6	10.0	11.0	9.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total (000 zaires)	479,792	603,932	823,893	954,923	1,259,258	1,789,388	2,749,440	4,163,260
Short-term loans		89.6	90.2	91.7	89.4	85.8	81.7	76.6
Medium-term loans		10.4	9.8	8.3	10.6	14.2	18.3	23.4

Source: Banque du Zaire: Rapport Annuel 1983, Bulletin de Statistiques, 1st quarter

TABLE 6

Profit and Loss Accounts (31/12/1984)

Items	Commercial banks (UZB/BCZ/BP)		SOFIDE		B.C.A.	
	000 zaïres	% on balance sheet total	000 zaïres	% on balance sheet total	000 zaïres	% on balance sheet total
Interest receivable	1,965,443	12.5	216,701	11.8	28,647	12.8
Interest payable	235,162	1.5	64,379	3.5	151	0.1
Interest margin	1,730,281	11.0	152,322	8.3	28,496	12.7
Other receipts	762,287	4.8	24,389	1.3	4	0.0
Margin on financial intermediation	2,492,568	15.8	176,711	9.6	28,500	12.7
Operating costs	1,732,957	11.0	73,931	4.0	25,067	11.2
of which personnel	n.r.	n.r.	30,745	1.7	12,630	5.6
Operating result	759,611	4.8	102,780	5.6	3,433	1.5
Appropriations and depreciations	636,663	4.0	51,014	2.8	981	0.4
Net non-operating receipts	—	—	—	—	251	0.1
Net profit	122,948	0.8	51,766	2.8	2,201	1.0

Source: UZB, BCZ, BP, SOFIDE, BCA, 1984 balance sheets; Author's calculations.

TABLE 7

Main Balance Sheet Items of Financial Institutions (000 zaires)

	1977	1978	1979	1980	1981	1982	1983	1984
BANKING SYSTEM								
Deposits	671,090	997,944	1,048,346	1,804,553	2,447,074	4,328,015	7,664,145	9,588,040
% increase	—	+48.7	+41.1	+28.1	+35.6	+76.9	+76.6	+25.4
Balance sheet total	950,140	1,238,115	1,630,929	2,362,297	3,262,235	5,008,465	9,364,131	13,550,251
% increase	—	+30.3	+31.7	+44.8	+38.1	+53.5	+87.0	+44.7
Loans	504,379	607,443	826,519	977,820	1,274,747	1,799,803	2,771,040	4,233,015
% increase	—	+20.4	+36.1	+18.3	+30.4	+41.2	+54.0	+52.8
SOFIDE								
Balance sheet total	24,706	32,052	54,562	111,719	184,401	290,416	1,089,025	1,841,973
% increase	—	+29.7	+70.2	+104.8	+65.1	+57.5	+275.2	+69.1
Loans	18,740	25,032	47,542	103,479	172,771	229,902	862,491	1,546,191
% increase	—	+33.6	+89.9	+117.7	+67.0	+33.1	+275.2	+79.3
B.C.A.								
Deposits	—	—	—	—	—	—	—	140,717
Balance sheet total	—	—	—	—	—	252	43,241	224,255
% increase	—	—	—	—	—	—	+170.6	+481.6
Loans	—	—	—	—	—	—	—	24,539
CADEZA								
Deposits	19,510	22,150	44,859	50,621	70,085	111,007	—	—
% increase	—	+13.5	+102.5	+12.8	+38.5	+58.4	—	—
Balance sheet total	21,126	27,982	64,836	69,224	89,092	122,138	—	—
% increase	—	+32.5	+131.7	+6.8	+28.7	+37.1	—	—
Loans	6,852	7,309	11,358	14,287	15,993	16,693	—	—
% increase	—	+6.7	+55.4	+25.8	+11.9	+4.4	—	—

Source: Banque du Zaire, Annual Report 1983 and Bulletin de Statistiques,
1st quarter 1985; SOFIDE and B.C.A., balance sheets 1984; Author's calculations.

4.

GENERAL FEATURES OF AGRICULTURAL SECTOR
AND AGRICULTURAL POLICIES

As has already been seen (Table 1), in 1984 marketed agriculture contributed 8.9% and subsistence agriculture 11.4% of GDP, calculated at constant prices. Both percentages, and especially the second, have been increasing in recent years. In 1983 agricultural products accounted for 10.2% of the monetary value of exports, showing a slight recovery in the most recent years, but a marked decline in comparison with the past (29.6% in 1977). If subsistence agriculture is also included, the personnel employed in agriculture is estimated at about 70-75% of the labour force and appears to be falling slightly. The country's agricultural potential is still largely unused: the region is notable for the abundance of water-courses and rain, the availability and diversity of arable land, and the possibility of growing all tropical crops.

Three main branches can be identified in Zaire's agriculture:

- a) perennial export crops (especially coffee, then rubber, timber, palm oil and palm products, cacao, tea, and cinchona). This area is dominated by the large and modern agro-industrial undertakings, controlled by foreign or national groups, which produce, process and export the products. These companies often integrate their own production by purchasing product from plantations belonging to small or medium farmers, which develop around them. Since independence this area has suffered severe regression: the index of production of exported products dropped from 100 in 1970 to 64.8 in 1983.

- b) "industrial" crops, used as raw material by national industry (cotton, tobacco, sugar-cane, maize). These crops are chiefly grown by

small households farms which sell the product to mills, breweries, cattle fodder makers, cotton companies, tobacco processors, and sugar factories. As will be seen below, in some cases these companies group the farmers round them and supply technical assistance and credit in kind in the form of input. Aggregate production of cotton fibre, sugar-cane and tobacco moved from 564,821 tons in 1977 to 564,258 tons in 1984.

c) foodstuff crops mainly grown for domestic consumption (manioc, maize, rice, ground-nuts, beans, fruit and vegetable products, and tropical fruits). This area is dominated by traditional small households farms. Although no completely reliable figures are available, it can certainly be stated that this is the area that has made most progress in recent years. This can be seen both in the share of non marketed agriculture in GDP, and from the index of production of marketed foodstuffs, which stood at 100 in 1976 and 143 in 1983.

We now pass to an examination of the principal forms of production. Apart from the agro-industrial companies, which have already been examined, the other large area of Zaire's agriculture is made up of small traditional households farms. These are units characterised by primitive production techniques, shortage or poor quality of inputs used, mainly family labour, a very limited cultivated area (average 1.5 hectares), and a product chiefly intended for home consumption, with only the residual portion for sale. These farms mainly operate in the field of food crops, but diversify their sources of sustenance by fishing, rearing some animals, or at the same time engaging in cultivation of industrial crops (especially cotton, tobacco, palm oil, and tea).

Alongside the agro-industrial concerns and the small traditional farmers, there is a third system of production, which is rapidly expanding and involves all types of agricultural production, as well as marketing. It consists of small and medium farms (SMFs) characterized by more developed production techniques, some organizational and administrative structure, employed labour, and an output mainly directed to the market. These farms generally be-

long to dealers, clerical workers and smallholders and in some cases have legal status as companies.

Lastly there are agricultural cooperatives that group and assist small member farmers in marketing the product and procuring input.

The country's agricultural production underwent considerable decline after independence. The crisis was particularly marked for agro-industrial crops, but food production per head also decreased, and the country lost its self-sufficiency for food. The decline in this area must be attributed to manifold causes.

Foremost among these was government policy unfavourable to agriculture and based on: overvalued rates of exchange that discouraged exports and encouraged imports of agricultural products; controlled prices fixed at unprofitable levels for farmers; the spread of practices of compulsory imposition of specific crops on the peasants; and infrastructural works that were directed solely in favour of urban areas and which neglected rural zones. Where agro-industry is concerned, all this was accompanied by factors such as nationalization policies, which discouraged foreign investment and compelled many of the main foreign groups to withdraw; poor management; the absence of capital, leading to aging of the plantations, and obsolescence of plant and instruments of production; difficulties in finding labour; and decrease of export product prices on the world market.

In recent years the attitude of the authorities has radically changed. On the one hand, agriculture has greatly benefited from the effects of policies of liberalization of the economy, which have led to abolition of compulsory crops, a big increase in prices to the producer since the removal of ceiling on prices (for foodstuffs the prices have doubled twice, in 1982 and 1983), and an incentive to exports, due to the big devaluation of the national currency. On the other hand, the field has finally become the subject of due attention by the authorities, which have begun to recognize its key role in the country's economic development.

In 1973, agriculture was declared "priority of the priorities",

while the "Plan de Relance de l'Agriculture 1972-1980" and the subsequent "Plan de Relance agricole 1982-1984" fix the essential policy lines in favour of rural development. The aims of public action, in order of priority, are: a) development of the production of foodstuffs with a view to achieving self-sufficiency in this field; b) rehabilitation of crops used as raw materials for local industries; c) promotion and diversification of export crops in order to increase foreign currency receipts. The instruments selected for these purposes are somewhat wide. Among them particular importance attaches to those in the credit area (constitution of an agricultural department in Sofide and then BCA, institution of public funds for agricultural financing, imposition of low rates on loans to agriculture, and the location of funds with international organisations).

Secondly the State is particularly active in updating the road network and drawing up integrated rural development projects in cooperation with international organizations. Such projects are given an independent organization in relation to the promoting corporations and consist in grouping and coordination of the small farmers in a given zone, with a view to development of specific crops, generally in the field of food commodities.

The projects provide for the supply of a variety of services such as distribution of innovational inputs, technical assistance, product marketing, infrastructural improvement (road network, hydraulic systems), and the supply of social health services.

It should be noted that public interventions are in line with the general government trend towards the freeing of markets and encouragement of private operators, so that the State tends hardly ever to interfere directly in production or marketing.

Even the infrastructural operations are often contracted out to private companies. The numerous public agencies that were at one time responsible for marketing the products have been definitely abolished or failed. The policies described have undoubtedly led to an appreciable improvement in agricultural production, and the aim of food self-sufficiency seems to be on the way to achieve-

ment. The main problems which still hinder the full development of the rural sector's productive potential appear to be:

a) difficulties in procurement of inputs and marketing of products, due to the vastness of the territory, the spread of production units and their distance from the consumption centres, as well as the inadequacy and poor state of communication routes and the systems and means of transport. It should also be noted that the completely freed marketing system can give rise to monopsonist situations with penalizing prices for agricultural products;

b) the use of still primitive techniques by farmers, allied with the absence of adequate inputs (lack of fertilizers and insecticides, poor quality of seeds, lack or poor state of implements);

c) inefficiency and inadequacy of the credit system, as will be seen below;

d) the excessive breakdown of production units;

e) the lack of training of farmers, who are very often illiterate;

f) the poor infrastructural level of rural areas (in the fields of road network, health, education, and irrigation);

g) problems connected with storage of products; these problems are in fact becoming more acute with the increase in production during the most recent years and relate both to structures and to financing);

h) unfair competition by certain foreign crops that are dumped in the country (rice from Thailandia, maize from Zambia);

i) the absence of statistics on agricultural production, especially with regard to foodstuffs, and the inadequacy of agronomic research;

j) the state of advanced decline of many agro-industrial plantations;

k) the widespread phenomenon of depopulation of rural areas.

Despite these problems, agriculture is called upon to make a considerable effort towards productive intensification and an increase in productivity, in order to be able to meet the needs of an urban population that is growing more quickly than the rural

population.

To end this analysis of the rural sector, we take a look at stock raising and fishing.

Stock raising is carried out both on an industrial scale by large companies and in the traditional way by small breeders (especially in the fields of pigs, sheep, goats and poultry). Meat production for domestic consumption is still greatly inadequate. The same dualistic structure in the production system is also found in fishing.

With regard finally to the land system, it is observed that all land belongs to the State, which grants it on concession to those who work it regularly. These concessions are recorded in the land register and constitute a fairly safe title for use of the land. Mortgages can be recorded on the land register certificate.

TABLE 8

Data on the Rural Sector

	1977	1978	1979	1980	1981	1982	1983	1984
1. AGRO-INDUSTRY								
Index of production of exported products (1970 = 100)	76.0	81.0	65.7	68.8	66.4	65.7	64.8	
Agro-industrial output in tons (excluding timber)	263,547	257,018	238,446	253,786	257,428	239,128	209,497	219,446
Agro-industrial output in tons (including timber)	690,995	708,249	676,407	646,842	668,678	687,628	722,497	749,446
Receipts from exports of agricultural products in ,000 SDR's	253,877	198,564	157,858	185,515	137,629	148,599	161,039	
% of total value of exports	29.6	20.0	14.5	11.9	8.9	9.9	10.2	
2. INDUSTRIAL CROPS								
Output in tons (cotton fibre, sugar cane, tobacco)	564,821	481,622	499,395	494,490	545,750	554,019	625,621	562,258
Cotton: index of production (1970 = 100)	110.3	56.4	64.1	94.9	76.9	79.5	84.6	
3. FOODSTUFFS								
Non marketed agriculture: % on GDP at constant prices	9.4	10.2	10.5	10.5	10.5	11.1	11.3	11.4
Index of production of marketed foodstuffs (1970 = 100)	128.3	117.5	122.8	135.1	139.9	143.8	148.2	
Index of production of foodstuffs including fishing and stock-raising	125.3	119.3	122.9	132.7	136.3	140.2	143.2	

Source: Banque du Zaïre: "Rapport Annuel 1983" et "L'évolution de l'économie en 1984", Author's calculations.

5.

RURAL CREDIT OUTSIDE FINANCIAL INSTITUTIONS

International aid undoubtedly constitutes a very important source of Zaire's agricultural financing: individual governments (especially Belgium, and the United States through USAID) or international bodies (such as the World Bank through the International Development Agency, the EEC through the European Development Fund, FAO and the United Nations through the United Nations Development Programme, the Banque Africaine de Développement, etc.), either directly or through the Zaire government, often with sunk capital, finance agricultural development projects carried out in cooperation with the Zaire government within the framework of bilateral or multilateral cooperation agreements.

A typical form of financial aid consists for example in Compensation Funds (CF). These are sums obtained from sale on the domestic market of gifts in kind (grain, flour, rice, trucks, etc.) made to the Zaire government by friendly governments or international boards. These sums are deposited in special open accounts, generally with the Banque du Zaire, and are used in accordance with agreements reached with the donating bodies. They are mostly devoted to financing rural development projects (for example, for payment of technicians made available by foreign bodies).

It is noted that in some cases (Projet National Engrais; Projet Lubudi) the financial aid given to the body managing the project reaches the farmers themselves, whenever the different services offered by the project include the granting of financing in kind in the form of credit sale of inputs (fertilizers, seeds, insecticides, pesticides, implements).

Where public funds made available to agriculture are concerned, it is apparent that, despite the assertions of the priority of developing agriculture within the framework of the aims of government economic policy, the sums allocated by the state budget to the "Department of Agriculture and Rural Development" are very modest, and their share is decreasing systematically and appreciably (Table 9). About half the funds are used to ensure operation of the department (internal travelling costs, salaries, equipment, rents) while the other half goes to the more direct benefit of agricultural production by financing the maintenance and improvement of routes of communication (roads, bridges), operation of rural development projects, and supply of seed and fertilizers to farmers.

An important public fund designed to support the country's industrial and agricultural development is the Fonds de Convention de Développement (FCD), instituted in 1979. The purpose of the fund is to finance investment projects by industrial or commercial undertakings that have entered into appropriate "development conventions" with the government. The investments financed must be technically, economically and financially viable and in line with the FCD aims established in the "conventions". These aims consist chiefly in production of local raw materials in order to reduce dependence of agricultural production on supplies from abroad; development of national agriculture, while also improving and extending the socio-economic infrastructures in rural areas; and the training and promotion of local technical personnel. The fund is fed by a tax on the consumption of specific goods produced and/or marketed in Zaire, to the extent of not more than 10% of their retail price. The products subject to taxation are mainly those of the organizations that signed the "conventions", as well as similar products whether imported or produced by competing local businesses, and also the products of organizations negotiating with the government for establishment of such "conventions".

In the first case the businesses levy the tax and pay it into accounts open in their name with the BCA (formerly with the Ban-

que du Zaïre), used under FCD control to finance the investments concerned. If the taxed organisation does not benefit from FCD, however, the sums levied are paid into a single account, again held at BCA. The intention of the fund is briefly to favour the agricultural sector by involving industrial businesses operating downstream from it (breweries, mills, sugar factories, tobacco concerns, and cotton companies) and hence interested in improved procurement of raw material supplies. The companies benefiting from the FCD financing in fact use part of the resources to group and finance the small farmers of SMFs supplying them, through distribution of input on credit (this case is particularly true for cotton and tobacco crops).

Alternatively, especially in the case of maize, the funds destined to particular industries can be used to finance their SMF suppliers directly. In this case the latter must have entered into agreements ("conventions de sous-traitance"), duly approved by FCD, with the industrial concerns, in which they undertake among other things to sell the entire product to the said concerns.

In addition to the organizations referred to above, agro-industrial companies growing agricultural crops for transformation and exportation, or purchasing them from small neighbouring farmers, also benefit from FCD. The FCD credits are at particularly low interest rates: in December 1985 they were fixed at 4% for low or deferred profitability projects and for loans to small farmers, 12.5% for high profitability operations, and 15% for short term credits to transport or marketing businesses.

Investments that are not directly productive, but which concern programmes of public utility or personnel training, benefit from subsidies that are not repayable. FCD does not require guarantees, trusting in the beneficiary organizations' moral guarantee, except in the case of subcontracting businesses. The insolvency rate is about 4%, although it is higher in the case of subcontracting agreements. Lastly it should be noted that FCD has also made loans to SOFIDE.

The importance of FCD is considerable: its total receipts were

586,952 million in 1984 (up 58.6% over the previous year), the funds distributed 999,470 million (up 262.4% compared with 1983; clearly resources accumulated in previous years were used). 30.7% of loans went to industry, 37.9% to agro-industry and industrial crops, 9.9% to foodstuffs, 7.1% to stock-raising, and 4.9% to collection and treatment of agricultural products (see Table 10a).

There is also another public fund, of lesser importance — the Fonds Agricole — fed by a 2% tax on the FOB value of agricultural product exports. The sums are deposited in an account with Banque du Zaïre (its transfer to BCA is scheduled) and managed by the Department of Agriculture. They are allocated to finance urgent operations in the agricultural sector, and for development projects, or to favour product marketing, especially for food products, by granting traders commercial loans for the purchasing of means of transport.

The conditions are easy and flexible: no guarantees are required, and loans are for a fairly long term (formerly 3 years, now 2); the rate is 10%. The loans made were for 169,515 million in 1984, with an exceptional increase over the levels of previous years, in the region of 10 million.

A public corporation of some importance created in 1973 — the Office de Promotion de Petites et Moyennes Entreprises Zaïroises (OPEZ) — is a public corporation for the promotion and assistance of small and medium businesses operating in all fields of the economy. In addition to supplying assistance services in accounting, organization and technique, personnel training, and representation, OPEZ helps member businesses in investment project feasibility studies, credit location, and the preparation of credit line applications to be submitted to banks. Ever since its inception it has envisaged a guarantee fund to cover bank credits granted to small and medium businesses, and this fund came into operation at the end of 1985. It should be fed mainly by resources drawn from FCD. The operation of a "Fonds de Participation" is also envisaged, with which OPEZ will participate in the portion of each investment that is not covered by bank financing and remains

for the account of the promoters requiring credit. The corporation's contribution will provide for reduced interest rates (about 8%) and be given without guarantees.

OPEZ is contacting foreign organizations with regard to financing this fund.

OPEZ would in future also like to put itself forward as an intermediary structure in the grant of credit between BCA and groups of farmers formed and controlled by the corporation itself.

TABLE 9

Evolution of the Agricultural Department's Budget in Relation to the Overall State Budget (,000 zaires)

	1976	1977	1978	1979	1980	1981	1982	1983	1984
Agricultural Budget (1)	34,553.3	24,579.4	127,732.3	113,089.5	92,201.4	198,053.5	230,221.1	235,160.2	235,527.8
Total Budget (2)	614,655.7	967,123.7	1,463,727.9	2,661,959.5	3,193,686.9	3,383,108.1	7,830,535.1	8,167,678.5	24,389,000.0
Percentage (3) (1) : (2)	5.6	2.5	2.5	4.2	2.9	3.6	2.9	2.8	0.9

Source: Département de l'Agriculture et du Développement Rural. "Evaluation du plan de relance agricole 1982-1984", April 1985.

TABLE 10/a

The Fonds de Convention de Développement (,000 zaires)

	1978	1979	1980	1981	1982	1983	1984	31/5/ 1985
RECEIPTS	16,014	44,589	91,828	134,767	154,926	369,967	586,952	322,520
% increase		+178.4	+105.9	+46.8	+15.0	+138.8	+58.6	
LOANS GRANTED	5,978	22,345	44,359	87,111	119,269	275,817	999,470	167,372
% increase		+273.8	+98.5	+96.4	+36.9	+131.3	+262.4	
IN FAVOUR OF								
— Industry			15	72	219	20,786	306,590	31,081
%				0.1	0.2	7.5	30.7	18.6
— Industrial crops (coffee, rubber, sugar cane, cotton, palm-groves, others)	4,319	12,778	34,271	54,585	72,204	178,058	378,979	75,015
%	72.2	57.2	77.3	62.6	60.5	64.6	37.9	44.8
— Foodstuffs (maize, paddy rice, manioc, others)	1,659	9,567	10,068	24,977	42,681	42,318	99,059	13,234
%	27.8	42.8	22.7	28.7	35.8	15.3	9.9	7.9
— Animal husbandry				6,691	4,083	12,000	70,529	6,000
%				7.7	3.4	4.4	7.1	3.6
— Collection and processing of agricultural products						1,500	48,858	28,050
%						0.5	4.9	16.7
— Others (fishing, forestry development, financial institutions)			5	786	83	21,154	95,455	13,992
%			—	0.9	0.1	7.7	9.5	8.4
TOTAL	5,978	22,345	44,359	87,111	119,269	275,817	999,470	167,372
%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Data from "Fonds de Convention de Développement", Author's calculations.

TABLE 10/b

Fonds Agricole (,000 zaires)

	1978	1979	1980	1981	1982	1983	1984	al 31/5 1985
Loans Granted	7,510	13,702	11,346	14,145	10,437	169,516		
% increases		+82.5	+82.8	+24.7	-26.2	+1,524.2		

Source: Département de l'Agriculture et du Développement Rural, "Situation actuelle de l'Agriculture zairoise", September 1982: "Evaluation du Plan de Relance Agricole 1982-1984", April 1985.

It should be noted that the organization's operations are very modest at the moment (some ten applications for credit line were assisted in the agricultural sector in 1983; the balance sheet at 31st December 1983 totalled 12,239 million). The corporation is moreover not capable of self-financing, despite membership fees and the commissions received on services supplied, and it has to rely on state subsidies to cover operating losses and to finance its activities.

Among non-bank private sources of credit to agriculture, fair importance attaches, as already seen in part, to some large industrial concerns using agricultural raw materials which group the small farmers or SMFs supplying them, provide technical assistance and distribute productive inputs on credit (seeds, fertilizers, pesticides, insecticides, and implements). This area includes the cotton companies for cotton, the breweries and the state corporation Gecamine for maize, and the tobacco processing companies.

Repayment of the cost of technical assistance and input supply is chiefly made in kind and without interest, by deduction from the price paid to agricultural producers at the time of sale of the harvest to the industrial companies. The period of these loans is short (3-4 months). Clearly the companies in question accept the charge of financing at bank rates for the purchase of the inputs granted to farmers, and the risk that they sell to other buyers, thus avoiding repayment, or that they do not obtain sufficient production. This reduces the spread and stability of such a system of financing agriculture and has led to serious economic difficulties, especially for the cotton companies.

Similar examples of credit in kind for agricultural producers are found, although in limited cases, with certain religious missions and a number of agricultural cooperatives, especially in the area of foodstuff production.

The system of savings and credit cooperatives, born in 1971 and operative chiefly in the regions of Kivu, Kinshasa, Bas Zaire, the Equator and Bandundu, is developing strongly. The system consists of three levels: at the base there are the savings and credit cooperatives (Coopec), located in the villages and in city districts,

the members of which can be either individuals or associations, projects, or businesses belonging to members. The only requirements demanded from the members are that they live and work in the cooperative's zone of action and that they should be of proven honourability.

The Coopecs collect members' voluntary savings in the form of sight deposits remunerated through distribution of the financial year's profits, in proportion to the size of the deposits.

The return is difficult to predict, strongly variable and normally low in value (3-4%). About half the funds collected are deposited with the central cooperatives, in sight accounts, while the remainder is held in the form of ready cash and above all passed to the members in the form of credit (up to a maximum of 40% of the funds administered, and an actual percentage of about 30%). The credit granted is linked to the size of the member's deposit with the cooperative and is also backed by real or personal guarantees (joint surety, mortgage, third party guarantee, transfer of wages). Applications for credit mostly concern the purchase or restructuration of the home, financing of social needs (medical or school expenses, establishment of dowries) or the purchase of consumer goods. More rarely the credit is used for productive expenses, especially for the marketing of goods, less frequently for production(*).

The loans are made for a short term (3-12 months), while repayment is broken down into weekly, monthly or half-yearly payments. The insolvency rate is rather high. Interest rates vary according to the kind of loan and the particular cooperative. Rates of 13 to 20% are found at present (the highest rates being charged to development projects or small businesses). The loan policy is esta-

(*) A survey carried out in the KIVU zone in the period 1972-1977 showed that, out of the total number of the loans issued, 12.5% went to trade, 2.2% to agriculture, and 3.8% to the purchase of instruments of work. With reference to the amount of the loans granted, the three sectors together accounted for 37.7%.

See "Les coopératives d'épargne et de crédit et le financement des PME", report submitted by Mimpiya Akan, executive secretary of UCCEC, to the National Symposium on Development of Small and Medium Businesses, held in December 1985, pages 16-17.

blished by a credit committee elected by the general meeting of members, within the framework of directives laid down by the statute and by the general meeting.

At the second level we find the Central Savings and Credit Cooperatives (COOCEC), which group the base cooperatives, providing them with assistance services, personnel training, and public relations. These bodies collect the coopecs' excess resources and use them by purchasing reserve assets (sight bank deposits, treasury bills, time bank deposits), or by granting loans. These last are made to coopec members whose credit applications exceed the maximum credit lines fixed for each member by the first level organizations (they are generally made to projects and small businesses); rates of interest are in line with those charged by the banks.

At the third level, the Union des coopératives d'épargne et de crédit au Zaïre (UCCEC) does not carry out financial transactions, but only representation, coordination and assistance services for the cooperatives described above.

The cooperatives also deserve particular attention because they are the only bodies which, albeit to a very limited extent, make cash loans to the traditional households farms. These intermediaries offer further advantages, such as limited operating costs; their fairly widespread presence in some rural zones; involvement in management of the users of the services, and hence confidence by such users in the cooperative bodies; the attractive features of the financial products of savings collection (high liquidity, absence of minimum investment thresholds, higher return than that offered by the banks on sight deposits) and hence considerable potential for mobilization of rural savings; integration of savings services with the credit services; and flexibility and speed in the procedures for granting loans.

The principal problems that appear to hold back full development of the cooperative system and its greater contribution to the financial growth of the rural markets lie in the high rate of insolvency; the incompetence often found in management; the high instability of deposits, so that burdensome cash reserves must be

held and loans made at very short term; the inability to meet many financing applications owing to absence of the guarantees offered; the widespread existence of these organizations in some regions of the country only; drainage of rural savings to the commercial banks in the urban centres; and the limited amount of the funds handled (about 2% of bank deposits). The payment of negative real returns on financial savings then discourages their mobilization and is only partly offset by the possibility for the members of obtaining credit at rates lower than those current on the market (since only part of the deposits are used to grant credit).

TABLE II
Operations of Savings and Credit Cooperatives

	31/12/1983	31/12/1984
Number of Coocsecs	5	5
Number of Coopecs	107	125
Number of Members	150,000	205,822
Savings Collected (zaïres)	160,000,000	205,000,000
% Increase	—	+28.1
Loans made	—	64,000,000

Source: Mimpiya Akan. "Les coopératives d'épargne et de Crédit au Zaïre"
Union des Coopératives Centrales d'Épargne et de Crédit au Zaïre.

With regard lastly to the unorganized financial market, in Zaïre there are rotating savings and credit associations, called Likelemba, which operate almost exclusively in the townships and are run by women.

In the rural zones, the existence of loans made by emanating from individual money-lenders has been observed, at usury rates and with monthly capitalization, as well as with the requirement of burdensome real guarantees. Recourse to these people appears to be exceptional and sporadic, however, and the agricultural producers do not normally consider this source of credit to constitute a possible alternative to the dearth of institutional credit. The weight of informal finance thus seems to be fairly limited.

6.

FINANCIAL INTERMEDIARIES IN RURAL AREAS

It has often been asserted that the commercial banks do not appear to be the most suitable type of organization to supply adequate financial services to the rural areas, owing to the high credit risk, the absence of sufficient guarantees, and the fact that the applicants for credit in this field are widely scattered; in addition, the high running costs of rural branches due to the limited resources handled and the high number of financial relationships with a restricted average value, constitute a further negative factor. It should moreover be borne in mind that the structural and functional characteristics of such organizations make them more suitable to operate in urban areas for the financing of industrial undertakings. These reflections also appear to be correct in Zaire's case. It has been seen that the portion destined to agriculture out of the total of bank loans granted is the highest and is increasing as time passes (40.1% in 1984). It should now be stated that these transactions are mainly of two types. The first consists of agricultural production credits to the big agro-industrial companies, which fully meet the criteria of bank credit supply (since they offer better guarantees, higher availability of capital and reserves, higher and more stable profitability rates, and deal in large amounts). The second main type of loan is for the financing of agricultural product marketing (campaign credits), especially with regard to coffee, but also for rice, maize, cotton, and sugar-cane. These credits are short term (previously 4, now 6 months), covering the agricultural campaign period, and are made to private tradesmen or industrial companies using agricultural raw materials, for financing of purchase of the harvest and its removal to the consuming or processing centres.

This credit support obviously acts as a considerable incentive to agricultural production to the extent that it makes the marketing system more efficient and enables farmers to sell their crop more quickly and at a relatively more remunerative price. The campaign credit system is coordinated by public bodies such as the Caisse de Stabilisation Cotonière for cotton growing, and especially the "Division Marchés, Prix et Commercialisation" (Markets, Prices and Marketing Division) of the "Department of Agriculture" where foodstuffs are concerned. This division makes an annual estimate of national campaign credit requirements, broken down by region, period and crop, on the basis of a forecast of the quantities to be marketed and prices to the producer; it then communicates these estimates to the Central Bank, which has the responsibility of authorizing the grant of such credits (coming within the "undivided" ceiling). Despite the considerable resources made available by the banks for this type of credit, and the attempt at coordination by public bodies, the system is largely inefficient, especially as regards promptness in the grant of credit. The credit ceiling imposed by the IMF is quickly used up at the start of the quarter-year to which it applies, so that the Central Bank is compelled to ration the credit applications forwarded for authorization. Applications not met are inserted in a waiting-list according to their "age" and are gradually met with funds from the allowance for subsequent quarters. These criteria obviously lead to the disbursement of funds long after the agricultural campaign has ended (there are at present cases of issue of funds in December 1985 in respect of loans applied for in March of the same year).

Moreover the campaign credit distribution system just described cannot fail to prove inefficient. On the one hand, in fact, through the imposition of uniform and artificially low interest rates it excludes any possibility of a market rebalance based on a rise in rates and exclusion of the worst credit applicants.

On the other hand, the credit grant decision is centred in a body (the Central Bank) that has no independent ability to assess applicants' viability and does not bear the costs necessary to deliver

the credit (which are of course incurred by the commercial banks), and consequently is not in a position to identify and select the best and least costly loan recipients to be served.

As already stated, the rates on campaign loans are fixed by the monetary authorities, at present at the level of 26%, and benefit from a facilitated rediscount at the rate of 24%. This margin is obviously inadequate to ensure that the banks' costs of evaluating, processing, and monitoring the credit are covered.

The banks do not on the other hand grant short-term financing to small and medium agricultural producers. Medium-term credits are very restricted, in favour of a few agro-industrial companies.

Table 12 confirms that, among credits granted to agriculture, those for marketing purposes are predominant, even if this position is declining relatively. Within the area of campaign credits, the share going to coffee is still the highest, but is diminishing, while the importance of food products is growing appreciably.

In the Zaire banks' mode of operation there are factors that make it problematical whether they can meet the farmers' financial requirements. These include the small number of bank branches, the absence of adequate savings mobilization products (in terms of returns thereon and the necessary minimum investment thresholds), the onerous requirement of guarantees, the high minimum amounts requested for the grant of loans, the high negotiating costs for borrowers (loss of time and travelling costs to reach the branches, expenses for preparation of the necessary documentation), the limited backing granted beyond short term, and the total absence of production credit for SMFs and traditional households farms.

What has been said above is not intended as criticism of the Zaire banks' work: naturally these institutions have their own particular aims and fields of activity, in general demonstrate economic and financial soundness (if the considerable difficulties of the Banque de Kinshasa are excepted), and still exercise strict operating procedures and efficient credit selection criteria when they

come into contact with farmers.

It is only sought to point out the inadequacy of the banks for purposes of the development of rural financial markets and their difficulties in setting up direct relationships with individual farmers. The behaviour of the commercial banks is to some extent matched by Sofide's, despite the difference in structural and functional characteristics (aims, economic subject, territorial distribution, maturities of financial instruments negotiated).

With regard to support for the rural sector, Sofide directs its attention mainly to the agro-industrial and forestry areas, and to financing important investment projects. In the case of support for industrial or foodstuff crops, which as Table 13 shows is limited and falling, the corporation deals with fairly modern and well organized SMFs in both the production and marketing fields (for example by financing the purchase of trucks), but completely neglects the small traditional farmers, excluded from the corporation's credit granting criteria.

The rate on loans to SMFs is 25%, but is still lower on loans made against foreign currency resources.

Within the framework of its action in favour of the industrial sector, Sofide does finance businesses that make use of agricultural raw materials. The corporation would like to increase its ventures in the agricultural field, and for this reason appears to be in competition with BCA to some extent as regards procurement of public funds (especially compensation funds).

The creation of an agricultural department in 1976 has increased the volume of operations in favour of the rural sector as compared with previous years, but has not significantly changed the corporation's agricultural loan policy. The main factors that hinder an adequate supply of financial services in the rural sector by Sofide appear to be the complete lack of instruments for collection of rural savings, the small number of branches in the territory (5 in the main towns), the supply of credit solely at long term, and credit granting criteria that exclude the smallest farmers. In this connection the demand for onerous real guarantees, the high minimum

amounts of the credits granted, and the weight of the self-financing share that has to be borne by the investor are all inhibiting factors.

Undoubtedly the key institution for the development of agricultural credit appears to be the Banque de Crédit Agricole (BCA), a public corporation created by presidential order of 21st October 1982 for the purpose of "contributing to economic development by favouring the creation, expansion or modernization of businesses in the fields of agriculture, fishing and stock-raising, as also in the areas upstream and downstream from agricultural production".¹

In particular, the BCA directs its attention to those organized businesses (whether having individual or company status, or in the form of associations, cooperatives, groups, or development projects) that prove to be economically and financially viable and are run on sound operating lines. Among these, priority is accorded to those whose activity contributes to achievement of the national aims of food self-sufficiency and integrated rural development. In pursuit of its aims, BCA may "grant short, medium and long term credit, principally to farmers for integrated promotion in the rural environment, provide services in the technical, financial and managerial fields, give its own technical and financial assistance in the creation and development of each company or business, take up different forms of capital holdings in such companies or businesses and exercise its appropriate rights, give its own guarantee or stand surety in favour of third parties, transfer to third parties the rights resulting from each loan or investment operation as expressed by titles or securities, contract debts in any form, receive deposits from the public in accounts, or otherwise, repayable on sight, at term or with notice exceeding one year, and carry out all operations in conformity with bank business".²

Operating limits are established in order to ensure a fair

1 See Presidential Order n. 82-162 of 21st October 1982, art. 3.

2 Ibid.

distribution of risks and independence between financing entity and financed entity. The total amount of loans and holdings in each separate business cannot exceed 10% of BCA's own capital and reserves, nor 60% of the value of new projects to be financed, 80% in case of expansion projects, and 75% in the case of campaign credits. Holdings cannot exceed 15% of the capital of the assisted business. The minimum financing amount to be granted is 5000 zaires. The bank is at one and the same time a commercial bank, belonging to the "Association zairoise des banques" and called upon to carry out all ordinary banking transactions under the commercial department's management, a merchant bank and an agricultural development bank (this last term covering all operations of financial support to the rural production including short-term loans).

The bank is placed under the general supervision of the Department of Agriculture; it should be noted that deposits with the BCA and loans made to BCA are guaranteed by the State. The BCA is a very young structure, still with limited activity, whose energies are for the moment devoted mainly to preparation and consolidation of the organizational structures, operating system, accounting and administrative procedures, and personnel training.

Despite its restricted activity, the bank staff at 31/12/1985 consists of no less than 100 employees (of whom 74 with experience of specialized professional training), located in the sole branch at Kinshasa. The bank's capital, contributed wholly by the State, consists of a corporate fund of 5 million zaires and an endowment of 125 million, to be paid over 5 years in annual instalments of 25 million. As regards liabilities, BCA has not yet started an active policy of deposit collection and restricts itself to offering sight deposits without interest (checking accounts). Most of the said deposits (about 80%) consist in FCD resources, at one time deposited with the Banque du Zaïre. The BCA will then also become the depository for the Fonds Agricole's funds, at present with the Central Bank, and would also like to have credit lines with the two mentioned funds. The bank is also seeking to obtain depo-

sit of the compensation funds for financing agricultural projects, and similarly become the beneficiary of the credit lines granted to the Zaire State for the financing of agricultural projects, as well as obtaining loans directly from foreign organizations.

With regard to management of assets, again in this field the business is still limited and at present excludes foreign exchange operations, acquisitions of holdings or the granting of guarantees. The commercial part of the institution mainly grants short-term loans to small and medium businesses engaged in marketing agricultural products, for the purchase of components for means of transport, or consumer goods to be sold in rural areas.

Owing to its limited resources, the commercial department does not on the other hand yet direct its attention to the larger businesses in the industrial and agro-industrial areas. The terms of this kind of loan are similar to those charged by the banks, with rates around 34%. It should be noted that for its "commercial" activity the BCA is subject to the monetary policy restrictions such as compulsory reserve and the credit regulation measures. One facility consists in the fact that the FCD accounts are excluded from computation of the compulsory reserve.

With reference to the bank's operations in the sphere of agricultural development, the BCA has during its first years opted to support production of foodstuffs only. It has thus financed foodstuff campaigns through short-term credits granted to commercial SMFs for products purchase, storage and removal to the products consumption centres. The same businesses have also on occasion been granted medium-term loans for the purchase of means of transport. With regard to production, the bank has given its medium-term and to a lesser extent short-term backing to SMFs for installation of food crops, and the product conditioning, processing and storage structures. Table 15 shows the distribution of operations in all regions of the country and the prevalence of short-term credits during these first years (campaign credits + commercial credits), which account for 69.7% of the number of projects and 57.1% of the total value of loans.

It should be noted that the loans granted during the period under examination constituted a roughly 49.8% contribution to implementation of the relevant projects, while the remaining share was self-financed. In 1985, against 56 projects financed, the bank received 328 credit line applications deserving attention, for a total of 1,349,154,000 zaires, a good many of which were rejected mainly because of lack of funds. In many cases the debtors were unable to honour repayment commitments at their due dates and asked for extensions of the terms, even though today, in the management's opinion, no credits are to be considered irrecoverable. The rates charged are fixed by the Central Bank at 26% for short-term campaign loans, and are at 25% for medium-long term financing (generally 2-4 years). In all cases real or personal guarantees are required. Campaign credits, as is normal, require authorization by the Central Bank, contrary to the longer-term ones. Lastly it should be noted that sometimes BCA jointly finances the same investment projects together with Sofide, taking the responsibility for financing the circulating capital.

With regard to loan appraisal procedures, credit line applications are made by means of appropriate forms available at the branches of the Central Bank and the Banque du Peuple; they are received and analyzed in the first place by the "Secrétariat des Projets", a department attached to the General Manager's Office. The files are then sent for the detailed credit line examination to the "Projects Department" (in the case of agricultural loans) or the "Commercial Department".

The study of credit line applications is partly carried out on site, through missions to the interior of the country and visits to the operators' farms. On conclusion of the examination phase, the granting of credit is decided upon by the Managing Committee, or by the Board of Directors if the amount exceeds 500,000 zaires.

For what concerns profitability, the bank closed the first two financial years with a loss due to the high incidence of operating costs during the start-up phase of operations, but in 1984 the bank made a profit. In comparison with the commercial banks' income

statements, similar values are found in the average return on assets and in operating costs, whereas the average cost of collection and the provisions for capital depreciation are more limited.

With reference to the bank's development prospects, after setting out to consolidate its central structures and economic equilibrium in the first few years, it is now about to open two branches in the interior of the country, probably in the regions of Kivu and Bandundu.

Where support for the traditional small agricultural producers is concerned, at present excluded from BCA credit, the bank does not intend to make loans directly to them, as this would involve high costs and risks. Instead, studies are being made on the possibility of reaching these farmers through relay structures (development projects, production or credit and savings cooperatives, various groups and associations, and confessional bodies).

In such cases, as the loan is made to the intermediate structure and not to the ultimate users of funds, the bank would first have to ascertain the economic situation and repayment capacity of the relay structure.

In conclusion, it seems too early to express any complete judgment on the BCA's operations, and the prospects still appear uncertain.

Some positive and some negative factors for sound development of the institution can however be noted. The former include the high qualification of the personnel, the extent of the corporate purpose with the possibility of offering customers a wide range of integrated services (savings collection, monetary services, short, medium and long term credit, assistance and advice services, contributions of risk capital), a fairly prudent management intent on preserving its financial and economic equilibrium, weighing up the viability of the ventures financed and refusing all forms of subsidy. There are however also factors that might push the institution to adopt incorrect operating practices and thus fail to fulfil the task entrusted to it.

We refer on the one hand to the rapid development of the

structure (already a high number of employees) and on the other to the pressures coming from some government sectors (looking for more "dynamic" initiative on the bank's part in the field of credit to small farmers), which might constitute a spur to indiscriminate growth of loans and neglect of quality. As has been seen, BCA is at present following a policy of prudence and graduality in disbursement of credit, even at the cost of having to sustain a higher rate of operating costs in relation to total receipts.

A more serious problem seems however to lie in the present shortcomings in the field of mobilizing monetary surpluses of the public through the supply of adequate financial products, that is deposits effective either in the function of providing monetary services (checking accounts) or in that of stimulating remunerating savings (term deposits). The management justifies its prudence in this field on the basis of the repercussions on the economic equilibrium that would result from a significantly higher level in the cost of collection compared with the present one (which is practically nil) and intends to give priority to extending the scale of its operations by recourse to public or foreign funds. The risk is precisely that the availability of such preferential channels of supply of funds at reduced cost may "crowd out" collection from the public and thus make the organization no longer sensitive to signals coming from the market. BCA would thus continue to operate in a context of provision costs that no longer reflect the relative scarcity of the financial capital in the economy would thereby be discouraged from applying strict loan selection procedures and pursuing better operating efficiency (in this connection it can be seen from Table 6 that the incidence of operating costs on the margin on financial intermediation is 69.5% in the case of the commercial banks, 41.8% for Sofide, and no less than 88% for BCA).

7.

SOME CONCLUSIONS AND OBSERVATIONS ON RURAL FINANCIAL MARKETS IN ZAIRE

As has been seen in the foregoing pages, the agricultural credit system in Zaire appears insufficient.

Quite large resources are made available to units operating downstream from agricultural production, whether they are commercial undertakings, rural development projects or industrial concerns using agricultural raw materials. In such case the funds supplied are campaign credits or credits for marketing made by the banking system, Sofide, BCA, FCD, the Fonds Agricole, the public budget and international bodies (where projects are concerned). It should be noted that especially in the case of foodstuffs, the campaign credit system suffers from severe lack of coordination and synchronization between the time of disbursement and the time of the applicant's effective need for funds. The benefits of credit for marketing are appreciable for the producers, but indirect. In the field of direct support for agricultural production, with the exception of the big agro-industrial companies that because of their characteristics and dimensions can count on backing by the banking system, Sofide and FCD, a considerable shortage of credit is found. For some years Sofide, BCA and to a lesser extent FCD have also started to direct their attention to the field of the more modern and better organized SMFs, generally in relation to foodstuffs. The traditional small households farms are on the contrary excluded from credit.

In some cases they benefit from forms of credit in kind, mainly productive inputs distributed by development projects, industrial companies processing agricultural raw materials, agricul-

tural cooperatives, and religious missions. Even smaller in importance is cash financing to small farmers for productive purposes granted by the savings and credit cooperatives.

In the face of this situation there is a difference of opinion between those who believe that small farmers are inevitably bound to remain excluded from the supply of financial services and those who on the contrary propose the drafting of credit plans at subsidized interest rates.

The writer believes that financial and economic development cannot exist where the productive units consume their own product and do not create any lasting surplus. This is probably the case for the small households farms in Zaire. If this is so, public intervention or action by international bodies is a priority in order to prepare the infrastructure and conditions that will allow an increase in productivity (see the numerous integrated rural development projects in this connection).

In the writer's opinion, however, the official agrarian policy lacks awareness of the importance of an efficient financial market alongside these infrastructural actions. It could make an irreplaceable contribution to consolidation of the surplus that is forming, by increasing and mobilizing savings and improving their utilization, to the benefit of better investments.

In this way a process of specialization would be established between units forming financial resources and other units more dynamic and efficient in undertaking productive ventures and making investments. This would result in a necessary increase in the average dimensions of productive units, and the reabsorption of inefficient small households.

The example of Zaire demonstrates, on the other hand, that financial underdevelopment means that, even if monetary surpluses are effectively created, as in the case of the large and protracted increase in prices to the producer in 1982 and 1983, or in many rural development projects, they are used up in financing the increase in consumption or inefficient or non productive investments (hoarding).

In conclusion, the writer feels that the possibility of deepening of the financial processes in the rural areas of the country at present clashes with certain factors. The most important of these appears to be on the one hand the absence of institutions and products capable of encouraging and mobilizing rural savings by remunerating them adequately; and on the other the imposition of interest rates at levels lower than those required by the market, with the parallel centralization of decisions on credit granting in the Central Bank.

The availability of funds at costs facilitated for the intermediaries (Sofide, BCA) distracts them from recourse to rural savings, gives them wrong signals on the relative scarcity of financial capital, creates incentives to operating inefficiency, and transmits the wrong information received to the loan policy, allowing application of easy rates and the adoption of less efficient credit selection processes.

All this leads to lower mobilization of savings, and to an increase in consumption, the hoarding of savings, and self-financing of less profitable investments, as well as to a probable reduction in the average productivity of the capital invested in agriculture, and somewhat precarious equilibrium of the intermediaries in the long run.

TABLE 12

Bank Financing of Agriculture (,000,000 zaires)

	31/12/1981	31/12/1982	31/12/1983
(1) Sylviculture & forestry dev.	20	24	54
(2) % of total	1.6	1.3	2.0
(3) Animal husbandry and fishing	18	26	48
(4) % of total	1.4	1.5	1.7
(5) Agriculture	438	621	1,039
(6) % of total	34.8	34.7	37.8
(7) Agriculture: seasonal loans	420	562	826
(8) = (7) : (5)	95.9	90.5	79.5
(9) Seasonal loans: for coffee	345	465	572
(10) = (9) : (5)	78.8	74.9	55.1
(11) for foodstuffs	70	91	246
(12) = (11) : (5)	16.0	14.7	23.7
(13) for cocoa	—	—	2
(14) = (13) : (5)	—	—	0.2
(15) for rubber	5	6	6
(16) = (15) : (5)	1.1	1.0	0.6

Source: Banque du Zaïre

TABLE 13

SOFIDE'S Financing of Agriculture (,000 zaires)

	31/12/83	%	31/12/84	%	02/12/85	%
OUTSTANDING LOANS						
Agriculture	187,614	23.3	297,059	21.8		
Industry	616,286	76.7	1,062,300	78.2		
TOTAL	803,900	100.0	1,354,359	100.0		
OPERATIONS DURING COURSE OF THE YEAR						
Number of financed projects						
Agriculture	11	18.7			16	22.2
Forestry development	4	6.8			2	2.8
Stock-raising	5	8.5			4	5.6
Agro-industry	13	22.0			15	20.8
Other sectors	26	44.0			35	48.6
TOTAL	59	100.0			72	100.0
AMOUNT OF LOANS						
Agriculture	37,174	8.9	60,648	6.4	59,546	4.4
Forestry development	43,050	10.4	325,015	34.4	26,852	2.0
Stock-raising	15,013	3.6	19,841	2.1	18,724	1.4
Agro-industry	76,824	18.5	68,971	7.3	103,309	7.5
Other sectors	243,946	58.6	470,335	49.8	1,158,552	84.0
TOTAL	416,007	100.0	944,810	100.0	1,366,983	100.0

Source: SOFIDE: 1983 and 1984 balance sheets; internal statistics.

TABLE 14

B.C.A.'s Balance Sheet (,000 zaires)

	1982	%	1983	%	1984	%
ASSETS						
Cash and balances	204	81.0	37,788	87.4	170,581	76.1
Short-term agricultural loans	—	—	—	—	19,828	8.8
Assets adjustment accounts	—	—	1,255	2.9	10,714	4.8
Other current assets	—	—	118	0.3	1,125	0.5
Fixed assets	48	19.0	3,212	7.4	8,313	3.7
Medium-term agricultural loans	—	—	—	—	4,712	2.1
Other tied assets	—	—	868	2.0	8,982	4.0
TOTAL	252	100.0	43,241	100.0	224,255	100.0
LIABILITIES AND CAPITAL						
Deposits and current accounts	—	—	—	—	140,717	62.8
Debts to the State	—	—	192	0.4	302	0.1
Other liabilities	268	106.3	65	0.2	3,051	1.4
Corporate funds	—	—	5,000	11.6	5,000	2.2
Capital contribution	—	—	40,000	92.5	75,000	33.4
Profits carried forward	-16	-6.3	-2,016	-4.7	185	0.1
TOTAL	252	100.0	43,241	100.0	224,255	100.0

Source: Banque de Crédit Agricole, 1983 and 1984 balance sheets.

TABLE 15

Projects Financed by B.C.A. (Dec. 1983 - 31/12/1985) (000 zaires)

REGIONS	1983			1984			1985			Total			
	Medium term (production)		Medium term (l)	Medium term (production)		Medium term (l)	Medium term (production)		Short term (seasonal)	Commercial credits			
	No.	Amount		No.	Amount		No.	Amount		No.	Amount	No.	Amount
Bandundu	—	—	10	8,550	2	2,117	12	13,410	2	3,150	26	27,227	15.5
Lower Zaire	1	455	3	3,486	6	19,091	3	1,350	3	9,030	17	35,212	20.0
Equator	—	—	2	3,350	1	2,209	3	10,720	—	—	7	18,363	10.4
Upper Zaire	—	—	4	6,250	—	—	3	3,760	—	—	8	10,468	5.9
Western Kasai	—	—	3	2,463	—	—	2	2,370	—	—	6	8,767	5.0
Eastern Kasai	2	1,446	1	604	2	9,259	3	1,240	—	—	8	12,549	7.1
Kinshasa	—	—	1	5,000	1	4,366	—	—	—	—	4	10,709	6.1
Kivu	—	—	5	8,170	3	9,636	4	6,120	—	—	23	23,926	13.6
Shaba	—	—	3	5,200	4	11,517	2	5,800	—	—	11	27,862	15.9
TOTAL	3	1,901	32	43,073	19	58,195	32	44,770	5	12,180	99	175,083	100.0

Source: Banque de Crédit Agricole, "Note complémentaire: les activités de la Banque de Crédit Agricole en 1985".

(1) Seasonal credits + Commercial credits

TABLE 16

Data on B.C.A.'s Operations

	31/12/1983	31/12/194	31/12/1985
DEPOSIT ACCOUNTS OPEN			
Number	39	210	820
Amount	8,273,064	140,716,355	180,273,582
AUTHORIZED CREDITS			
Number	3	40	56
Amount	1,901,000	58,037,000	115,145,000
Average per project	633,666	1,450,925	2,056,160

Source: Banque de Crédit Agricole, "Note complémentaire: les activités de la Banque de Crédit Agricole en 1985".

May, 1986

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Summary

The Agricultural Services Division of FAO and FIN-
AFRICA have a long history of co-operation in the name
of financial development for the benefit of the rural sec-
tor of the less developed countries.

Within this framework they decided to prepare a series
of country profiles that should serve as a valuable docu-
ment to African countries in assessing the strong and
weak points of different types of efforts made in involv-
ing institutional finance in rural development. The pro-
files should therefore serve as a basis for effective
action at the policy assessment and formulation level
and for technical assistance.

The countries were chosen to cover a variety of situ-
ations and those included in this first volume are: Kenya,
Mali, Niger, Somalia and Zaire.

Another set of countries is considered in a second
volume. The analysis is drawn as much as possible
according to a common conceptual scheme covering:
main features of the economy; monetary policy and
financial development; performance of financial insti-
tutions; rural credit outside financial institutions; infra-
structure for rural development and agricultural pricing
policies; key financial institution(s) and overview of rural
finance.

The detailed scheme followed in the analysis is included
in the preface of this volume while in the second volume
a specific chapter will be devoted to draw some con-
clusions applicable to the generality of the situations
observed.

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