

CONGO (KINSHASA)

Congo (Kinshasa) lies in Equatorial Africa and comprises almost the entire basin of the River Congo. Area: 2,345,409 km². Population (1966 estimate): 16,664,000. Formerly, a Belgian colony, it became independent on 30 June 1960. Rain forest covers 55 per cent of the country, which has enormous mineral resources (copper, cobalt, uranium) and is the world's largest exporter of diamonds (32 per cent of the world total).

ORIGINS OF THE CENTRAL BANK

The *Banque Nationale du Congo* was established by decree-law on 23 February 1961, and its first concern was to take over the Congolese organization and assets of the *Banque Centrale du Congo Belge et du Ruanda Urundi*, which on 4 August 1961 was divided into two banks, the above-named Congo National Bank and the *Banque d'Emission du Ruanda et du Burundi*.

When the Congo (Kinshasa) became independent, this brought to an end its monetary union with Ruanda Urundi. The *Banque Nationale du Congo* was vested with the exclusive privilege of issuing the Congo franc and also with the functions of a Central Bank. The parity of the Congo franc was at first the same as that of the Belgian franc (50 per U. S. dollar), but as early as November 1961 it was devalued to 65 per U. S. dollar. Another

devaluation, in November 1963, was accompanied by the introduction of a multiple exchange system, under which the rate for buying dollars was 150 francs, and the selling rate 180 per U. S. dollar.

In the course of a monetary reform in February 1967, the Congo franc was replaced by the zaïre at the conversion rate of 1:1,000. The external par value of the new currency unit was fixed at 2 U. S. dollars.

Soon after the monetary reform, the President of the Republic promulgated Law No. 67/264, of 22 June 1967, by which the statute of the Central Bank was amended in order to adapt it to economic and financial developments since 1961.

ORGANIZATION OF THE CENTRAL BANK

The *Banque Nationale du Congo* is a public corporation with a capital of 500,000 zaïre, entirely state-owned.

The Bank's organs are the Governor, the General Manager, the Council and the Board of Auditors.

The Governor and the General Manager are each assisted by an advisory committee.

The Bank's highest authority is the Council which lays down the Bank's policy and supervises its management. It has a voice in all major decisions of monetary policy and closely follows economic and financial developments in the country. It furthermore has the function of approving the Bank's balance sheet, supervising its activities and determining the conditions of service for the Bank's staff. The Council consists of the Governor, who is its chairman, the General Manager, four other members and a representative of the Finance Minister. It normally meets once a month, but an extraordinary meeting may be convened by the

Governor at his discretion. All members are appointed by Presidential decree.

The Governor is the legal representative of the Bank and is responsible to the President of the Republic for compliance with his directives on credit and exchange policy. The Governor has at his side an advisory committee made up of the General Manager, the heads of the research, foreign and credit departments, and a group of private experts. The Committee meets once a week to discuss management questions and work out proposals to submit to the government for the latter's measures regarding credit and exchange policy.

The General Manager, in his turn, is associated with an advisory management committee composed for the heads of all the Bank's departments and concerned mostly with administrative problems.

The Bank works through a network of branches in all the country's major towns, but only the head office at Kinshasa and the branch at Lubumbashi are authorized to deal in foreign exchange.

FUNCTIONS OF THE CENTRAL BANK

The principal functions assigned by law and the Bank's own statute to the *Banque Nationale du Congo* are the issue of legal tender, the formulation and putting into effect of monetary policy, credit control and exchange regulations.

The Central Bank is responsible for credit policy and implements it through credit control. To this end it has powers to fix the banking system's lending and borrowing rates, to require banks to keep deposits with the Central Bank, to lay down certain compulsory ratios between specified assets and liabilities, to restrict

the volume of credit by imposing a ceiling either on all lending or on separate categories of credit, to determine the conditions on which the banks must insist before extending any credit, as well as the conditions on which banks may draw on the Central Bank's rediscounting facilities.

In practice the commercial banks do little credit business and have so far always had more ready money than they needed. The Central Bank has, therefore, never had to give them liquidity injections in the form of rediscounts or advances. The Central Bank's own activities are not subject to any limitation, and, in addition to being the bankers' banker, it is free to deal with other financial institutes, with government agencies and with the public. Indeed, it was the President of the Republic himself who decreed that the accounts of CECOMIN (the government-controlled company which succeeded the *Union Minière* in gold mining) were to be transferred to the Central Bank.

THE CENTRAL BANK'S RELATIONS WITH THE STATE

In all the Central Bank's activities, the overriding need has always been to find money for the state. The Congo (Kinshasa) had to begin its life as an independent state amidst complete political and administrative disruption, and had the greatest difficulties in creating a new class of leaders and managers to take the place of the departed Europeans. For several years the state's primary source of finance was the *Banque Nationale du Congo*, which was unable to meet the Treasury's requirements otherwise than by printing new money.

The 1967 monetary reform was an integral part of a broader programme of rehabilitation for the public finances. This programme was worked out by the Central Bank in collaboration with

experts from the International Monetary Fund and the Finance Ministry, and aimed at covering public expenditure by revenue while at the same time improving the balance of payments.

Domestically, the key measures of the reform were the consolidation of the state's debt to the Central Bank, the opening up of new sources of revenue, price and wage control (with fixed maximum percentages of increase), and quantitative credit restrictions. Externally, the chief measures were the adoption of a more realistic exchange rate and the concentration of all foreign exchange dealings in the Central Bank. The reform did not achieve all it set out to do, but it did chalk up some notable successes. During the three years 1967-1969 liquidity creation on behalf of the Treasury diminished drastically. During these years, there was indeed a budget surplus, and although public investment expenditure did occasion a steadily growing overall deficit, this was largely financed by foreign loans rather than by monetary means at home. The balance-of-payments deficit disappeared and the new external surplus made it possible to accumulate a sizeable reserve of gold and foreign exchange.

MONETARY AND CREDIT POLICY

Since the monetary reform, the Central Bank has been mainly concerned with preventing the erosion of the value of money by too fast an expansion of the money supply, without detriment, however, to sustained growth of production. These twin purposes were pursued with the help of a whole set of regulations and moral persuasion, with a view to inducing the banks to limit their credits and distribute them among the various sectors of the economy in such a manner as to give priority to the requirements of industrial and agricultural producers. Thus from 1967, the total volume of

credit which each bank was allowed to extend was divided into two parts: one part, much the larger, which was earmarked for priority activities, and a smaller free part. This system was reinforced in February 1968 by the introduction of a special quota for low-interest credits to finance projects of outstanding interest for the country's economic development; these credits are subject to Central Bank authorization in each individual case.

Commercial banks have been instructed not to lend to companies whose own capital and reserves are too low in proportion to their long-term debts and fixed assets. At the same time, companies have been encouraged to draw more widely on foreign sources for financing imports as well as their long-term requirements for fixed investment.

Finally, the Central Bank set up a central risk pool, to which banks and special credit institutes have to report all data relating to individual loans in excess of 1,000 zaïre. Credits extended and taken up are grouped and classified according to various criteria (economic activity financed, form, purpose and geographical location), and thus a body of information is being created which is most valuable in adapting credit policy to the country's economic development needs.

THE BANKING SYSTEM

Apart from the Central Bank, the country's banking system consists of six commercial banks (the *Banque du Congo*, the *Banque Belge d'Afrique*, the *Société Congolaise de Banque*, the *Crédit Congolais*, the *Banque de Paris et des Pays Bas* and the *Banque de Kinshasa*), four financial institutes (the *Société de Crédit aux Classes Moyennes et à l'Industrie*, the *Institut National de Sécurité Sociale*, the *Office National du Logement*, and the *Caisse d'Epargne*

du Congo), and one development bank (the *Société Congolaise de Financement du Développement*, known as SO.CO.FI.DE).

Then there is the *Office des Chèques Postaux*, which, though strictly speaking not part of the banking system, may be counted as belonging to it. It was founded in 1969 as an independent public corporation, with its own juridical personality and financial autonomy. Through its very dense network, this institution does much to mobilize the public's savings and thus contributes indirectly to financing the Treasury.

All the commercial banks belong to foreign interests, with the sole exception of the *Banque de Kinshasa*. In recent years, however, the state has acquired shareholdings in some of them, notably the *Société Congolaise de Banque* (25 per cent), the *Banque Belge d'Afrique* (18.8 per cent), and the *Banque du Congo* (12.5 per cent), not to speak of the *Banque de Kinshasa*, of which the state was one of the founding members with a 20 per cent subscription to the capital.

The Savings Bank of the Congo is counted as a financial institute rather than as a commercial bank, since it does not really engage in banking activities. All it does is to accept savings deposits and invest them in loans to the state or private companies.

Of great importance among the financial institutes is the *Société de Crédit aux Classes Moyennes et à l'Industrie*, which extends medium- and long-term credits to small firms in industry, the crafts, farming and trade.

The Congo's only development bank, SO.CO.FI.DE., was set up on 9 January 1970 with the task of promoting productive investment by furnishing medium- and long-term finance funds in various forms to private enterprise and, within certain limits, to mixed companies. The bulk of the bank's loans go to medium and large industrial firms. Its capital is in the hands partly of

the state, and partly in those of the International Finance Corporation (an offshoot of the International Bank for Reconstruction and Development), the Central Bank and private interests at home and abroad.

The commercial banks as a rule insist on a minimum deposit before opening an account; this usually varies between 100 and 200 zaïre, depending on the bank concerned. Balances on current account earn 0.50 per cent, the rate paid for demand deposits accounts varies between 0.50 and 1 per cent, and that for time deposits is 4 per cent.

The banks' credit take the form of overdrafts on current account, usually for the short term and only exceptionally for the medium term. The banks themselves have to keep a (free) current account with the Central Bank, into which they are required to pay any surplus cash in excess of their current needs.