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16107

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Distr.  
LIMITED  
PPD.10  
25 November 1986  
ENGLISH

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**INDUSTRIAL DEVELOPMENT REVIEW  
SERIES**

**CONGO**

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Prepared by the  
Regional and Country Studies Branch

417

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**The views and comments contained in this study do not necessarily reflect those of the Government of Congo nor do they officially commit UNIDO to any particular course of action.**

## Preface

This series of industrial development reviews on developing countries is prepared within the framework of UNIDO country studies by the Regional and Country Studies Branch.

The reviews provide a survey and brief analyses of the respective country's industrial sector, as an information service to relevant sections within UNIDO and other international agencies as well as aid agencies in developed countries concerned with technical assistance to industry. The reviews have proven a handy, useful information source also for policy-makers in the developing countries as well as for industrial entrepreneurs, financiers and economic researchers.

The reviews draw primarily on information provided by the UNIDO data base and material available at UNIDO headquarters from national and international statistical publications. Since up-to-date national statistical data usually are not complete, it is evident that the reviews will need to be updated and supplemented periodically. To supplement efforts under way in UNIDO to improve the data base and to monitor industrial progress and changes on a regular basis, it is hoped that the appropriate national authorities and institutions in the respective countries and other readers will provide UNIDO with relevant comments, suggestions and information. Such response will greatly assist in updating the reviews.

The present Review was prepared on the basis of information available at UNIDO headquarters in mid-1986. It is divided into two rather distinct parts. Chapters 1 and 2 are analytical in character, giving first a brief overview of the country's economy and its manufacturing sector and then a more detailed review of the structure and development of its manufacturing industries. Chapters 3 and 4 contain various kinds of reference material on national plans and policy statements relevant to industrial development, on the more important governmental and other institutions involved in industrial development and on the country's natural, human and financial resources for

industrial development. The Review also contains relevant basic indicators and graphical presentation of manufacturing trends as well as statistical and other appendices.

It should be noted that the reviews are not official statements of intention or policy by Governments nor do they represent a comprehensive and in-depth assessment of the industrial development process in the countries concerned.

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EXPLANATORY NOTES

Regional, industrial and commercial classifications and symbols used in the statistical tables of this report are, unless otherwise stated, those used in the Statistical Yearbook of the United Nations.

Dates divided by a slash (1984/85) indicate a crop year or a financial year. Dates divided by a hyphen (1984-85) indicate the full period, including the beginning and end years.

References to dollars (\$) are to United States dollars, unless otherwise stated.

In tables:

Three dots (...) indicate that data are not available or are not separately reported;

A dash (-) indicates that the amount is nil or negligible;

A blank ( ) indicates that the item is not applicable;

One dot (.) indicates that there are insufficient data from which to calculate the figures.

The following abbreviations are used in this document:

ADB	African Development Bank
CFA	African Financial Community
CPAF	African Financial Community Franc
CMSEE	National Centre for Statistics and Economic Research
CPDC	Centrally Planned Developed Countries
EEC	European Economic Community
GFCF	gross fixed capital formation
IMF	International Monetary Fund
AFI	Agro-Food Industries
PCT	Congolese Labour Party
SAP	Structural Adjustment Plan
SME	Small and Medium Enterprises
SMI	Small and Medium Industries
GDP	gross domestic product
GNP	gross national product
SDR	Special Drawing Rights
VA	value added
MVA	manufacturing value added
UDEAC	Central African Customs and Economic Union

THIS REPORT IS BASED ON INFORMATION AVAILABLE AS AT MID-1986.

BASIC INDICATORS 1  
The economy

---

GDP (1985):	\$2,117.3 million <sup>a/</sup>					
Population (early 1986):	1.9 million					
Annual average rate of population growth (1973-84):	3.1 per cent					
Economically active population: (early 1986)	570,000					
GNP per capita (1984):	\$1,140					
Average annual growth rates of GDP: (per cent)	<u>1960-70</u> 7.6	<u>1970-76</u> -1.3	<u>1976-80</u> 0.7	<u>1981</u> 24		
	<u>1982</u> 13	<u>1983</u> 3.5	<u>1984</u> 2.5	<u>1985</u> -3.0	<u>1986<sup>b/</sup></u> -3	
Structure of production: (percentage of GDP at market prices)	<u>1980</u>	<u>1984</u>				
Agriculture, forestry and fisheries	10.0	5.8				
Manufacturing and mining <sup>c/</sup>	8.9	7.5				
Petroleum	34.9	43.2				
Other	46.2	43.5				
Annual average inflation rate: (percentage)	<u>1965-73</u> 4.6	<u>1973-83</u> 12.4	<u>1980</u> 20.3	<u>1982</u> 16.3	<u>1984</u> 12.2	<u>1985<sup>d/</sup></u> 8.0
Exchange rate: (CFAF equivalents to \$1)	<u>1982</u> 328.6	<u>1983</u> 381.0	<u>1984</u> 436.9	<u>1985</u> 415.2	<u>1986<sup>e/</sup></u> 350.0	

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a/ Preliminary estimate.

b/ First quarter only.

c/ Excluding petroleum.

d/ Based on wholesale price index.

e/ As at 2 May 1986.

BASIC INDICATORS 2  
Resources and transport infrastructure

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Resources

Export commodities (1984): (in thousands of tons)	Coffee (2,509), Cocoa (1,770), Tobacco (323)
Stockbreeding (1982): (head of stock)	Cattle (68,187), Pigs (3,598)
Fish (1983): (in tons)	21,702
Forest (1984):	20 million ha exploitable 13 million ha commercially exploited Rough timber production: 586.7 thousand m <sup>3</sup> Export of rough timber: 250.2 thousand m <sup>3</sup> Local processing: 65.6 thousand m <sup>3</sup>
Mining:	Lead: 5.4 thousand tons (1984)
Energy (1984):	Petroleum: 42,345 thousand barrels (1984) Electricity generation: 252.6 million Kw/h Electricity imports: 80.5 million Kw/h

Transport

Roads:	3,000 km tarmac roads 670 km stone-paved road 1,600 km unmade main roads 3,700 km unmade secondary roads
Railways:	550 km between Brazzaville and Pointe-Noire (CFCO - Congo-Ocean Railway) 285 km between Loubomo and Mbinda (Gabonese frontier) 410 passenger/km in 1984 - millions - 1,148 tons-km in 1984 - millions - 2,110 tons-km in 1984 - millions -
Ports:	9,217 thousand tons (Pointe-Noire) 618 thousand tons (river ports)
Airports:	Brazzaville, Pointe-Noire

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BASIC INDICATORS 3  
Foreign trade and balance of payments

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Exports

Total value (fob): 552.55 billion CFA francs (1984)

Main export: Petroleum: 497.94 billion CFA francs (1984)

Main destinations: United States (76 per cent), France (8.7 per cent), Belgium (3.7 per cent)

Imports

Total value (fob): 269.86 billion CFA francs (1984)

Main imports: Building materials, machinery and equipment, food products, transport material

Main origins: France (47.6 per cent), Spain (5.1 per cent), Federal Republic of Germany (4.8 per cent), Gabon (4.7 per cent)

Balance of payments

Current account balance: -21.47 billion CFA francs (1984) (3.9 per cent of GDP)

Foreign public debt: 651 billion CFA francs (1984) (71 per cent of GDP)

Official gross reserves: 3.6 billion CFA francs (end 1984) (equivalent to 0.5 import weeks CIF)

Debt service

Public: 41 billion CFA francs (1984)

Private: 34.9 billion CFA francs (1984)

Total: 24 per cent of export of non-factor goods and services

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**BASIC INDICATORS 4**  
**Manufacturing sector**

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Value of manufacturing output:	165,203 million CFA francs (1984)			
Manufacturing value added (MVA):	41,638 million CFA francs (1984)			
MVA per capita:	23,132 CFA francs (1984)			
Sectoral breakdown of MVA (1984): (per cent)	<u>1975</u>	<u>1981</u>	<u>1985</u>	
Mainly consumer goods	65.9	56.6	52.5	
Mainly intermediate goods	21.8	30.9	39.5	
Mainly capital goods <sup>a/</sup>	12.3	12.4	7.9	
Average annual rates of growth of MVA: (per cent)	<u>1960-70</u>	<u>1970-76</u>	<u>1976-80</u>	<u>1981</u>
	5.6	-7.5	4.7	17.2
	<u>1982</u>	<u>1983</u>	<u>1984</u>	
	5.0	0.0	-7.0	
Employment in manufacturing:				
Total	12,450 (1983)			
Percentage of active population	12.74 per cent			
Trade in manufactures (1984):				
Manufactured exports	46.1 billion CFA francs			
Manufactured imports	298.2 billion CFA francs			
Share of manufactured exports in total exports	7.9 per cent			
Share of manufactured imports in total imports	71.3 per cent			
Manufactured exports in total manufacturing output	27.9 per cent			

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<sup>a/</sup> Including some consumer durables.

**BASIC INDICATORS 5**  
**Exports and imports of manufactures**

Value of manufactured exports (1984) 46.1 billion CFA francs

**Main manufacturing exports (1984)**

	Per cent of total	Destination (per cent)				CPDCs
		Developing countries	Developed countries Total	USA	EEC	
Wood (veneers, ply)	24.7	12.0	88.0	3.0	76.3	0.0
Cotton cloth	8.6	100.0	0.0	0.0	0.0	0.0
Non-metallic mineral products	0.2	0.0	100.0	0.0	0.2	0.0
Agro-food products	13.0	100.0	0.0	0.0	0.0	0.0
Chemicals	53.6	99.2	0.8	0.0	0.0	0.0

Value of manufactured imports (1984) 298.2 billion CFA francs

**Main manufactured imports (1984)**

	Per cent of total	Developing countries	Origin (per cent)				CPDCs
			Total	USA	EEC	Japan	
Machines and transport equipment	60.3	1.7	96.3	10.6	70.3	8.9	1.5
Chemicals	13.7	1.9	96.5	2.5	93.2	0.2	1.5
Food products	12.3	10.2	89.8	0.0	23.6	0.0	0.0

BASIC INDICATORS 6  
Inter-country comparison of selected indicators

1. <u>Demographic indicators</u>		Unit	Cameroon	Central African Republic	Congo	Zaire
Population (mid-1984)	million		9.9	2.5	<u>1.8</u>	29.7
Population growth (1973-84)	per cent per year		3.1	2.3	<u>3.1</u>	3.0
Infant mortality (1984)	per 1,000		116	138	<u>78</u>	103
Area	Thousands of km <sup>2</sup>		475	623	<u>342</u>	2,345
Density	Inhabitants per km <sup>2</sup>		21	4	<u>5</u>	13
2. <u>Economic indicators</u>						
GDP (1983)	millions of \$		7,800	560	<u>2,110</u>	4,700
GMP per capita (1984)	\$		300	260	<u>1,140</u>	140
Growth of GDP (1973-83)	per cent per year		7.1	0.7	<u>8.1</u>	-1.0
Agriculture (1983)	per cent of GDP		22	39	<u>5.8</u>	36
Industry (1983)	per cent of GDP		35	20	<u>47.9</u>	20
Manufactures (1983)	per cent of GDP		11	8	<u>8.3</u>	2
Services (1983)	per cent of GDP		43	40	<u>46.3</u>	44
Exports (1983)	per cent of GDP		32	23	<u>55</u>	33
Imports (1983)	per cent of GDP		17	22	<u>38</u>	18
Gross investment (1983)	per cent of GDP		27	11	<u>46</u>	24
Outstanding foreign public debt (1983)	per cent of GMP		23.2	37.1	<u>76.2</u>	132.0
3. <u>Industrial indicators</u>						
MVA (1982)	millions of 1975 \$		715	47	<u>191</u>	168
Share of MVA in GDP	per cent		11	8	<u>8.3</u>	2
Growth of MVA (1973-83)	per cent per year		13.5	1.0	<u>12.7</u>	-2.0
MVA per capita (1983)	\$		82.7	19.2	<u>70.3</u>	3.6
Share of manufactured exports in total exports <sup>a/</sup> (1982)	per cent		7.4 <sup>b/</sup>	26.2 <sup>b/</sup>	<u>6.7<sup>b/</sup></u>	3.2 <sup>c/</sup>
Share of MVA in world MVA (1981)	per cent		0.02	...	<u>0.01</u>	0.01

a/ SITC 5-8 less 68.

b/ 1980.

c/ 1979.

### Executive Summary

The Congolese economy sustained a high pace of economic growth in the early 1980s aided by rising oil output and prices. Economic growth stagnated in 1983 and 1984, with real GDP growing at 3.5 per cent and 2.4 per cent respectively. In consequence of a 12 per cent fall in value added in the petroleum sector, overall economic growth declined by 3 per cent in 1985.

Falling oil output coupled with a slump in the world oil market has imposed financial austerity which reduces both investment and consumption. A medium-term structural adjustment programme was adopted in mid-1985 to achieve macroeconomic equilibrium by redressing internal and external imbalances stemming from falling oil prices, rising debt burden and poor performance of public sector enterprises. Congo's economic and financial programme for 1986-87, supported by an IMF stand-by arrangement to the tune of SDR 22.4 million, aims at reducing the current account deficit, containing inflationary pressures and stimulating economic activity.

The manufacturing sector contributes less than 5 per cent of total GDP and provides about 13 per cent of the effective employment in Congo. Its share of non-oil GDP fell from 13.7 per cent in 1980 to 8.5 per cent in 1985. Until 1983, agro-food industries were the most important branch of the industrial sector. Most non-petroleum sectors, excepting forestry, experienced stagnating or declining growth rates during 1984 and 1985. A small domestic market and other constraints have inhibited the growth of the manufacturing sector in recent years.

In the mid-1960s some fifty enterprises were involved in manufacturing activities: agro-food, beverages and tobacco factories (11 enterprises); woodworking plants (10 enterprises); metalworking factories (8 enterprises) and textiles, clothing and leather factories (2 enterprises). The manufacturing base of the 1960s has hardly changed in the 1980s. However, a significant change in the composition of GDP has been caused by the petroleum sector which increased its share of GDP from 3 per cent in 1970 to 43.2 per cent in 1984. Following the establishment of an oil refinery in 1983, chemical



and petroleum industries became predominant. Manufacturing value added, after stagnating at zero growth rate in 1983, declined by 7 per cent in 1984 and the index of manufacturing output fell by 12.5 per cent in early 1985.

While labour productivity in the industrial sector has grown significantly since the beginning of the 1980s, it is approximately nine times lower than that of the primary sector. Manufacturing enterprises in the public sector registered net operating losses in 1984, and labour productivity was 7.5 times lower than that of the private sector. Improvements in efficiency, measured in terms of the ratio of value added to actual production, were most apparent in the agro-food, metalworking and chemical industries. Low level of efficiency occurred mainly in the building materials industries, paper and paperboards and textiles. A rising share of wages in total MVA from 53.2 per cent in 1975 to 61.4 per cent in 1985 appears to be an indicator of overmanning which seems to be one of the principal causes of low labour productivity in the manufacturing sector.

A sharp rise in the share of hydrocarbon exports in total exports replaced wood as Congo's main export product. Manufactured exports currently account for around 8 per cent of total exports. Since Congo's heavy dependence on oil exports has recently exposed the country to vulnerability stemming from fluctuations in oil markets, the new Plan for 1987-91 is expected to accord priority to industrial diversification, and to avoid regional disparity in industrial development.

In the sphere of industrial diversification, renewed efforts could be aimed at promoting viable agriculturally-based industries. Removal of transport constraints within the country would provide better opportunities for the development of forest products. The current policy of the Government in evaluating the performance of State enterprises in favour of private enterprises is expected to attract foreign investment and technical co-operation from multilateral and bilateral sources.

Sommaire<sup>a/</sup>

L'économie congolaise a maintenu son rythme élevé de croissance au début des années 80, grâce notamment à la hausse de la production pétrolière et des prix du pétrole. La croissance a été moindre en 1983 et 1984, le PIB réel augmentant respectivement de 3,5 et de 2,4 %. En raison d'une baisse de 12 % de la valeur ajoutée dans le secteur pétrolier, la croissance économique globale a diminué de 3 % en 1985.

La baisse de la production pétrolière, combinée au marasme du marché mondial du pétrole, a contraint le pays à l'austérité financière, avec pour conséquence une diminution de l'investissement et de la consommation. Un programme d'ajustement structurel à moyen terme a été adopté au milieu de 1985; il vise à assurer l'équilibre macro-économique par le redressement des déséquilibres internes et externes dus à la chute des prix du pétrole, à l'alourdissement du fardeau de la dette et aux résultats médiocres des entreprises du secteur public. Le programme économique et financier du Congo pour 1986-1987, auquel le FMI a contribué par un accord stand-by portant sur le montant appréciable de 22,4 millions de DTS, vise à réduire le déficit des opérations courantes, à maîtriser les pressions inflationnistes et à stimuler l'activité économique.

Le secteur manufacturier représente moins de 5 % du PIB total et fournit environ 13 % de l'emploi effectif au Congo. Sa part du PIB non pétrolier est tombée de 13,7 % en 1980 à 8,5 % en 1985. Jusqu'en 1983, les industries agro-alimentaires étaient la première branche d'activité industrielle. La plupart des secteurs non pétroliers, à l'exception de la sylviculture, ont connu une stagnation ou une diminution des taux de croissance en 1984 et 1985. Divers obstacles, dont l'étroitesse du marché intérieur, ont freiné la croissance du secteur manufacturier au cours des dernières années.

Au milieu des années 60, l'industrie manufacturière comptait une cinquantaine d'entreprises réparties entre les secteurs suivants : produits agro-alimentaires, boissons et tabac (11 entreprises), travail du bois (10 entreprises), travail des métaux (8 entreprises) et textiles, vêtements et cuir (2 entreprises). Dans les années 80, la base industrielle ne s'est guère modifiée par rapport aux années 60. Cependant, la composition du PIB a fortement évolué, sous l'effet du développement du secteur pétrolier, dont la part est passée de 3 % en 1970 à 43,2 % en 1984. La construction d'une raffinerie de pétrole, en 1983, a assuré aux industries chimique et pétrolière une place prédominante. Après la

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a/ Une version française de cette étude paraîtra prochainement.

stagnation de 1983 (taux de croissance zéro), la valeur ajoutée manufacturière a diminué de 7 % en 1984 et l'indice de la production manufacturière a diminué de 12,5 % au début de 1985.

Malgré une nette amélioration depuis la début des années 80, la productivité du travail dans le secteur industriel reste environ neuf fois inférieure à ce qu'elle est dans le secteur primaire. En 1984, les entreprises manufacturières du secteur public ont enregistré des pertes nettes d'exploitation et la productivité du travail y a été 7,5 fois inférieure à celle du secteur privé. L'amélioration de l'efficacité, mesurée par le rapport de la valeur ajoutée à la production effective, s'est surtout fait sentir dans les industries agro-alimentaires, dans le travail des métaux et dans l'industrie chimique. C'est surtout dans les secteurs suivants que la productivité reste faible : matériaux de construction, papier et carton, et textiles. La part des salaires dans la VAM est passée de 53,2 % en 1975 à 61,4 % en 1985 : elle semble bien révéler l'existence de sureffectifs, qui paraît être l'une des causes principales de la faible productivité du travail dans le secteur manufacturier.

La part des hydrocarbures dans les exportations a fortement progressé et ils ont supplanté le bois comme premier produit d'exportation du Congo. Les produits manufacturés représentent actuellement quelque 8 % des exportations totales. Comme le pays dépend fortement des exportations pétrolières et que cette dépendance l'expose - on l'a vu récemment - aux fluctuations du marché pétrolier, on compte que, dans le nouveau plan (1987-1991), la priorité sera accordée à la diversification de l'industrie et que l'on veillera à éviter les disparités régionales dans le développement industriel.

S'agissant de la diversification industrielle, il faudrait redoubler d'efforts pour créer des industries agricoles viables. L'amélioration des transports favoriserait le développement des industries forestières. La politique actuelle du gouvernement, qui tend à développer le rôle des entreprises privées par rapport aux entreprises publiques, devrait attirer les investissements étrangers et encourager la coopération technique multilatérale et bilatérale.

## 1. THE ECONOMY OF CONGO

### 1.1 Recent economic trends

The economy of Congo registered a record real growth rate of 24 per cent in 1981 as a result of growing oil output and prices. Having sustained a high pace of economic growth (13 per cent) in 1982, real GDP grew at a modest rate of 3.5 per cent in 1983. While the rising oil output assured a positive growth rate of 2.5 per cent in 1984, non-oil GDP declined by 2.4 per cent in the same year. With a 12 per cent fall in value added in the petroleum sector, overall economic growth declined by 3 per cent in 1985. In the face of falling oil output and slump in international oil markets, the Congolese economy is entering into a crucial period of falling revenues, rising balance-of-payments deficit, declining international reserves and soaring debt servicing commitments, leading to a drastic downward adjustment in government spending.

Recurrent spending during 1986 is to be cut by 50 per cent from \$918 million to \$457 million. A \$185 million ceiling has been set on public-sector wages, compared to the original allocation of \$210 million. The wage bill for state-owned enterprises is also to be reduced by between 3 and 7 per cent. Spending on investment is being cut by 50 per cent from \$312 million to \$156 million. Revenue during 1986 is projected at \$972 million, of which \$481 million represents forecast oil receipts. The weak dollar and low oil prices add to the problems<sup>1/</sup> resulting from an estimated budgetary deficit of around \$253 million.

The drastic cut in government spending seems to have paved the way for an agreement with the IMF on rescheduling Congo's public external debt with

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<sup>1/</sup> Receipts from crude oil exports normally account for 60 per cent of total government revenue. During 1986 they are expected to fall to between 24 and 39 per cent. In addition, the depreciation of the US dollar against the CFAF (African Financial Community Franc) would reduce the local currency earnings.

official and commercial creditors. Total outstanding debt to Paris Club members at the end of 1985 was about \$950 million. The Government successfully rescheduled some \$500 million of debt service to March 1988 at a meeting of the Paris Club in July 1986. The Paris Club meeting followed an IMF standby arrangement under which Congo gets \$26.6 million. It represents Congo's first credit from the IMF since 1979. The Government's recent package of economic adjustment measures, outlined in the structural adjustment plan (SAP) adopted in June 1985, meets the criteria for IMF funding facilities to offset the decline in export revenues resulting from the drop in oil prices. The IMF recently approved a stand-by arrangement authorizing purchases up to the equivalent of SDR 22.40 million over the next 20 months in support of the Government's economic and financial programme.

With the single exception of forestry, most non-petroleum sectors were experiencing either stagnating or declining real growth rates during 1984 and 1985. Agricultural value added, after registering a 2.7 per cent growth rate in 1984, experienced zero growth in 1985. Manufacturing value added fell by 7 per cent and the index of manufacturing output fell by 12.5 per cent in the early 1985. Stimulated by public and private investment, construction grew significantly at the rate of 10.1 per cent in 1983, but suffered negative growth rates of 3 per cent and 27 per cent in 1984 and 1985 respectively.

In line with Congo's endeavour to diversify exports as well as to promote agro-industries, the Government is setting up a new parastatal organization for developing rubber cultivation and processing. The first phase of a \$37.6 million five-year project involves clearing and planting three areas of 1,000 hectares, building three villages, setting up a plant nursery, etc. The plantation is expected to have a capacity of 7,500 tonnes of latex a year, which would generate revenue of some CFAF 4,400 million (\$11.6 million). Some 80 per cent of the project cost will be incurred in foreign exchange.

Congo's immediate economic prospects continue to be heavily dependent on oil. A decline in economic growth seems unavoidable in 1986 as oil production falls and austerity measures reduce both investment and consumption. Inevitably, long-term growth prospects could stem from alternative export opportunities and from a more diversified economy.

## 1.2 Economic structure

The population of Congo is estimated at 1.9 million in early 1986. With a GNP per capita of \$1,140 in 1984 the country enjoys one of the highest per capita incomes in sub-Saharan Africa. The development of the oil sector accentuated urban/rural disparities by raising incomes principally in the urban areas. These disparities are the key factors in the rural exodus which has been continuing for several years. More than two-thirds of the total population occupies 25,000 km<sup>2</sup>, mainly urban and semi-urban areas, out of the total area of 342,000 km<sup>2</sup>. Congo occupies a strategic position on a transport corridor that provides Central Africa with access to the Atlantic Ocean at the country's second largest city, Pointe-Noire.

Until recently, forestry and import substitution of manufacturing played a significant role in accelerating growth before the development of the oil sector. The country also relied for growth on transit and other transport services and trade. During the second half of the 1970s petroleum production became the most significant contributor to economic growth in terms of value added. In 1985 petroleum contributed 46.2 per cent of GDP, 90 per cent of total exports and two-thirds of government revenue. Table 1 shows that the petroleum sector has been the major contributing sector which increased its share of GDP from 35 per cent in 1980 to 43 per cent in 1984.

Agriculture is still the most important sector in terms of employment, absorbing about 35-40 per cent of the economically active population. However,

Table 1. Composition of GDP by sector of origin, 1980-84  
(percentage)

Sector	1980	1981	1982	1983	1984
Agriculture, forestry and fisheries	10.0	7.9	5.9	5.8	5.8
Manufacturing and mining <sup>a/</sup>	8.9	8.4	8.6	8.3	7.5
Petroleum	34.9	36.9	37.0	39.6	43.2
Other	46.2	46.8	48.5	46.3	43.5

Source: Calculations based on National Accounts, various issues.

a/ Excluding petroleum.

its share of GDP has always been small and declining. Agriculture, excluding forestry, accounted for 5.8 per cent of GDP in 1984. Manufacturing and mining, excluding petroleum, contributed 8.9 per cent of GDP in 1980, but the share declined marginally to 7.5 per cent in 1984.

The contribution of exports to gross domestic product has continued to grow significantly since 1960, rising from 10 per cent in 1960 to 57.2 per cent in 1984. It declined marginally to 56.0 per cent in 1985. After 1974 hydrocarbons replaced wood as the main export product. The predominant role of petroleum in the Congolese economy makes it even more vulnerable to fluctuations in the international oil market.

The country's investment rate has been consistently high until 1984. It grew at an average annual rate of 9.3 per cent during 1965-73 and at 6.3 per cent during 1973-84. This was largely due to the fact that oil companies started to invest heavily, when investment outlays for the manufacturing sector began to decline. Total investments as percentage of GDP increased from 25.4 per cent in 1970 to 60.2 per cent in 1982.

When the Five-Year Development Plan for 1982-86 was approved by the Government in 1982, the overall target for public investments was set at \$3.2 billion. About two-thirds of the total investment was to be allocated to the creation of infrastructural facilities outside the major cities. Unless oil revenues turn out substantially higher than presently foreseen, the country's present limited external debt capacity would call for a realistic reassessment of resources for investment.

The Plan's principal trust on the creation of infrastructural facilities outside the Brazzaville/Pointe-Noire urban corridor seems to be an implicit recognition of the limitations that influence the commodity producing sectors. Creation of infrastructural facilities outside the urban and semi-urban areas could facilitate the development of the non-oil sector and set the stage for new opportunities in the manufacturing sector.

### 1.3 Overview of the manufacturing sector

The manufacturing sector is largely based on the processing of agricultural and forest products. The share of the agro-food, beverages and

tobacco industries in MVA grew significantly from 45.2 per cent in the 1960s to 52.3 per cent in 1985. Manufacturing enterprises in Congo are mostly directed towards the satisfaction of final domestic demand, partly due to the very low level of participation by the capital goods industries in manufacturing activities.

In the mid-1960s some fifty enterprises were involved in manufacturing activities: agro-food, beverages and tobacco factories (11 enterprises); textiles, clothing and leather factories (2 enterprises); woodworking plants (10 enterprises) and metalworking factories (8 enterprises). The manufacturing base of the 1960s has hardly changed in the 1980s.

The manufacturing sector contributes less than 5 per cent of GDP and provides about 13 per cent of the effective employment in Congo. Growth in MVA, calculated in constant CFA francs, was of the order of 4 per cent between 1981 and 1985. Until 1983, agro-food industries were the most important branch of the industrial sector. Following the commissioning of an oil refinery, the chemical and petroleum-based industries became predominant.

Labour productivity in the industrial sector has grown significantly since the beginning of the 1980s (of the order of 25 per cent per year). It is still, however, approximately nine times lower than that in the primary sector. Levels of labour productivity differ between sectors. The public sector, which employs about 48 per cent of the industrial work force, only contributed 18 per cent of total manufacturing value added in 1984. Manufacturing enterprises in this sector registered net operating losses in 1984 and labour productivity was 7.5 times lower than that of the private sector.

Almost all Congolese manufacturing production is destined for the domestic market. The share of manufactured exports in total exports has continued to decline since the beginning of the 1960s falling from 50.9 per cent in 1965 to around 7.9 per cent in 1984. Imports of manufacturing products, on the other hand, have increased at a steady pace.

Manufacturing is chiefly concentrated in the Brazzaville and Pointe-Noire districts as well as in the Niavi valley. The Five-Year Development Plan for

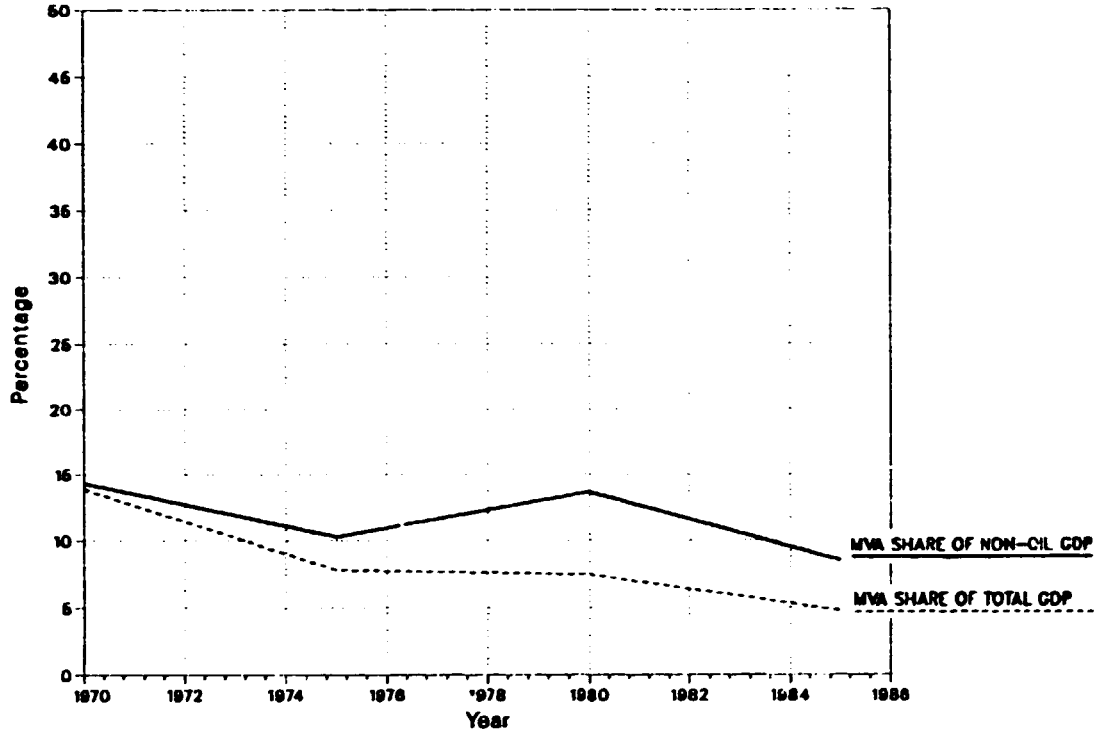


1982-86 spells out the need to balance regional development, particularly in the north. With a desire to avoid regional imbalance in industrial development the Government initiated a number of measures which, however, were inhibited by financial constraints.

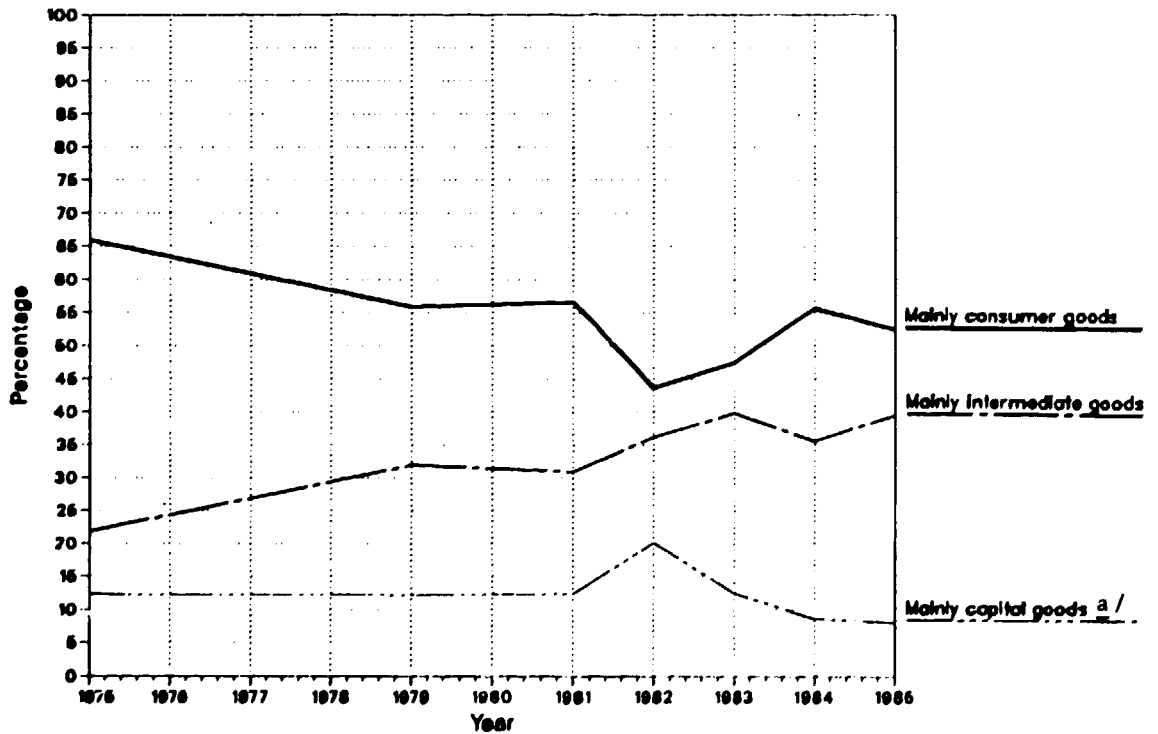
The reversal in the oil market starting in 1983 and the operating difficulties of the State enterprises placed a heavy burden on the implementation of the Plan (1982-86), for which the total investment was fixed in 1981 at about CFAF 1,100 billion, with an allocation of about CFAF 96 billion to the industrial sector. In 1985, the implementation of the Plan in the industrial sector could be assessed at less than 35 per cent; the rehabilitation of State enterprises, the prime object of the Plan, had still not been achieved. The Second Five-Year Plan (1987-91) is currently being prepared. As far as industrial development is concerned, priority will be given to the rehabilitation of State enterprises, maintenance and rehabilitation of production plants and the development of new projects.

# MANUFACTURING TRENDS

## SHARE OF MVA IN TOTAL AND NON-OIL GDP, 1970-1985 (at current prices)

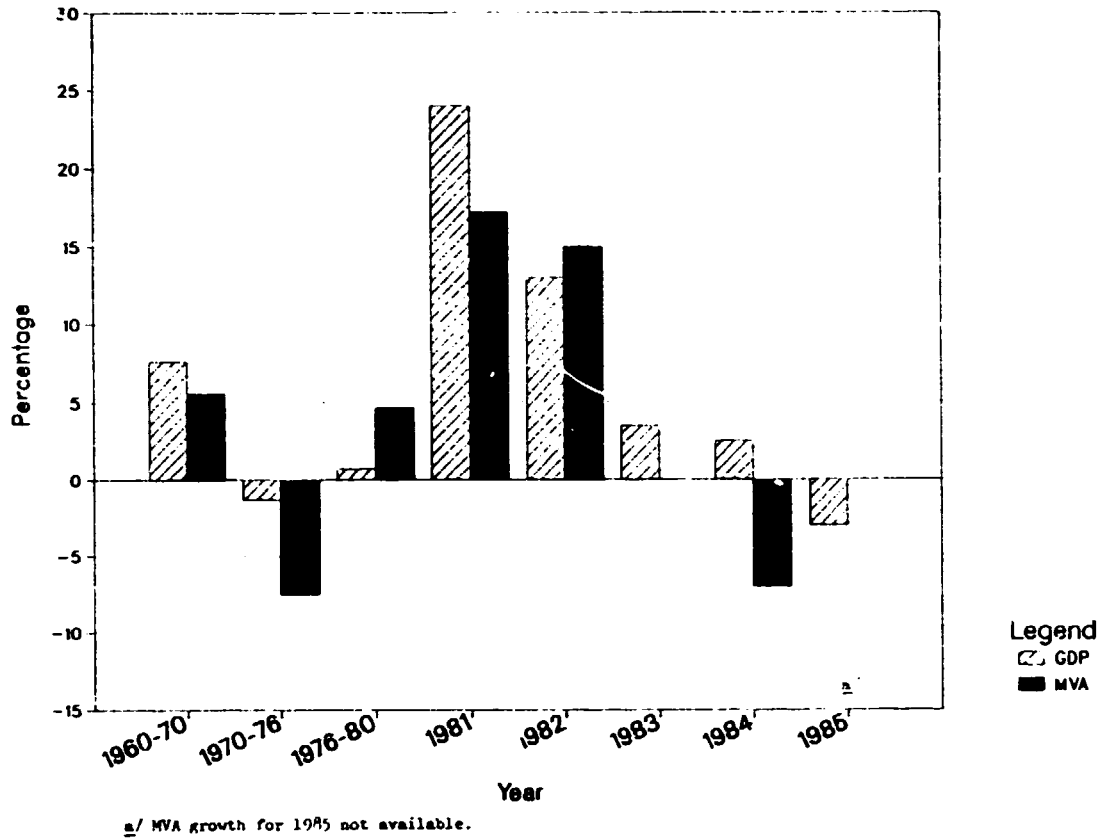


## COMPOSITION OF MVA BY END USE, 1975-85

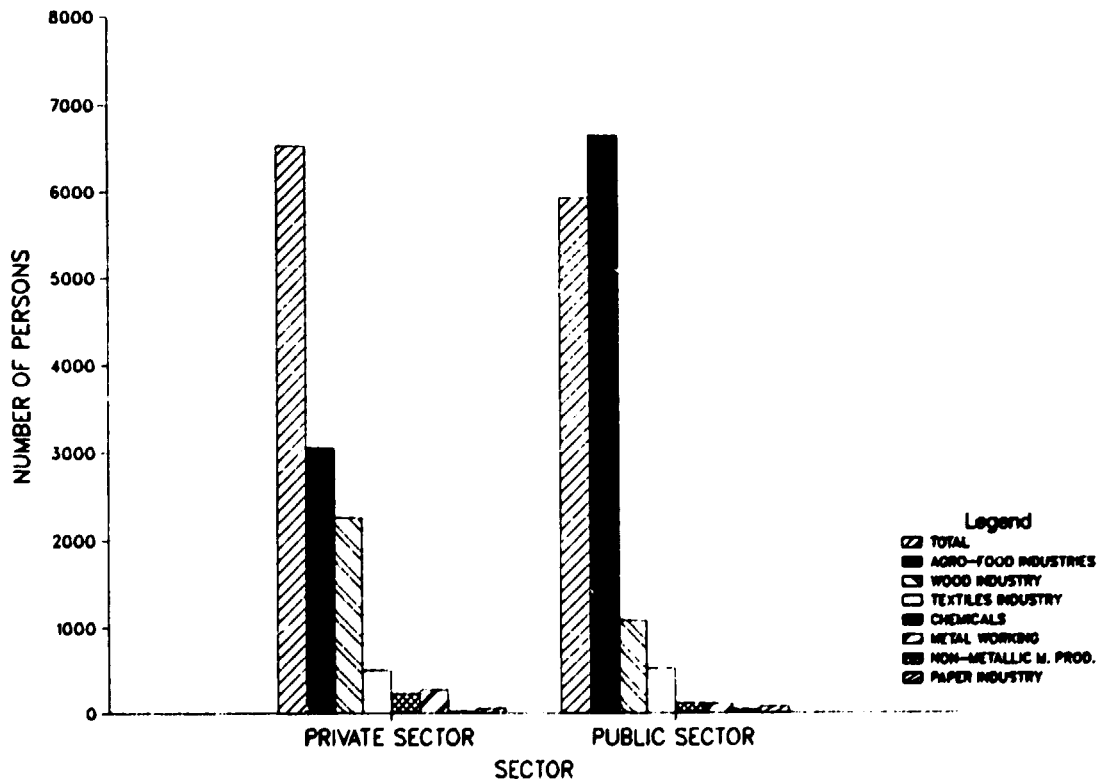


a/ Including some consumer durables.

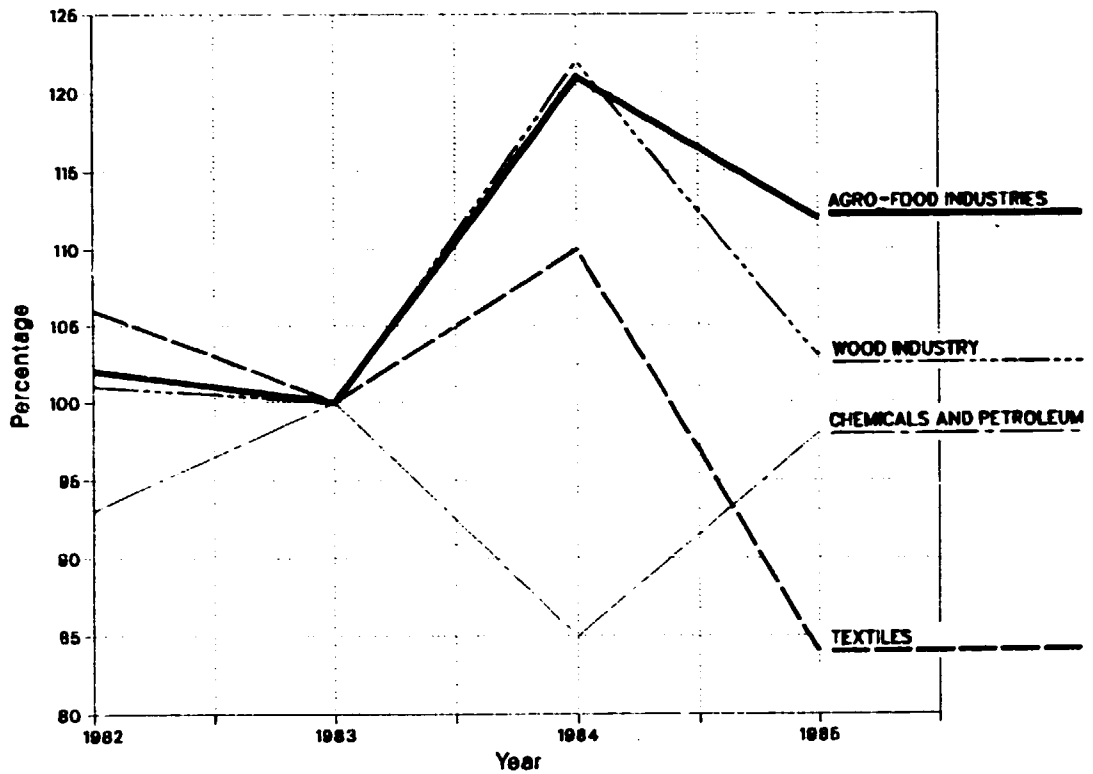
### REAL GROWTH RATES OF GDP AND MVA, 1960-85



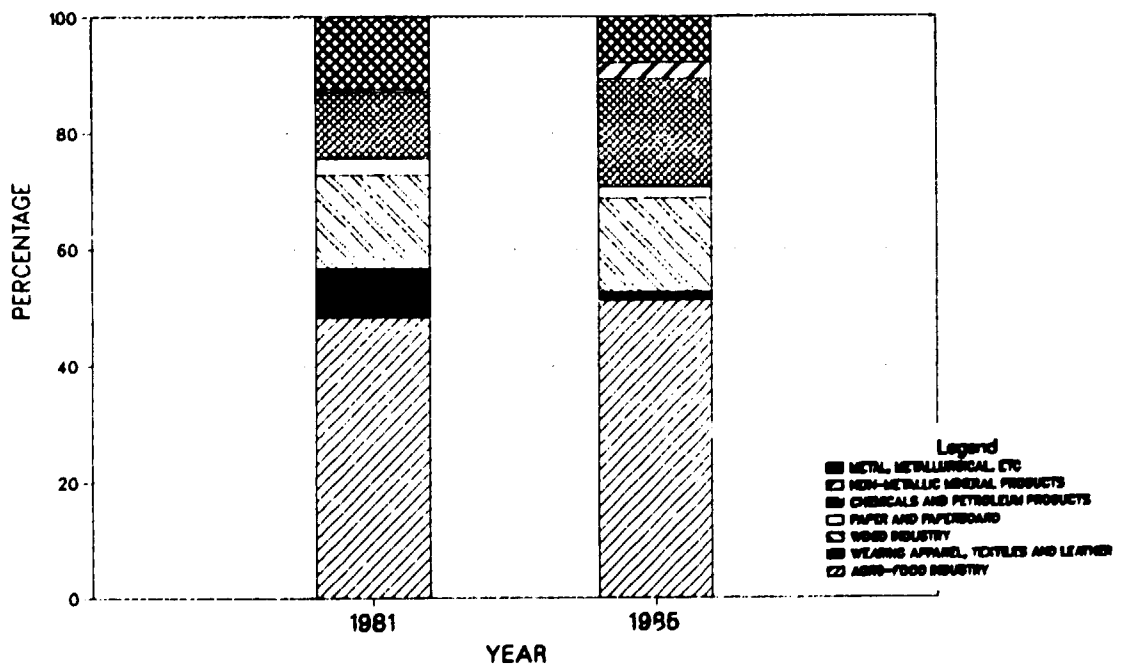
### STRUCTURE OF MANUFACTURING EMPLOYMENT BY SECTOR, 1983



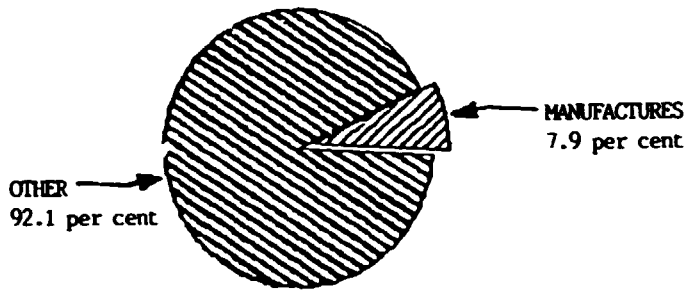
**INDICES OF MANUFACTURING PRODUCTION, MAIN INDUSTRIES, 1982-1985**  
(in the first half of each year, first half of 1983=100)



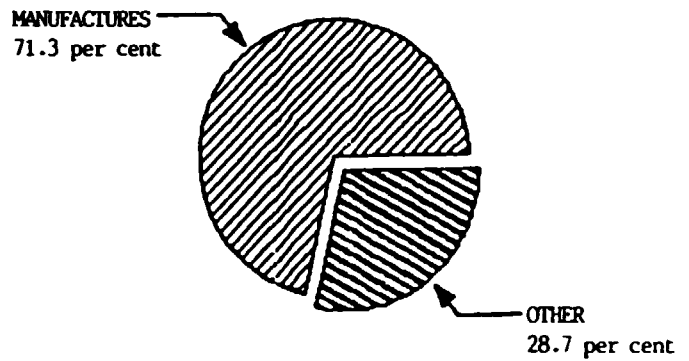
**COMPOSITION OF MANUFACTURING VALUE ADDED, 1981 AND 1985**  
(AT CURRENT PRICES)



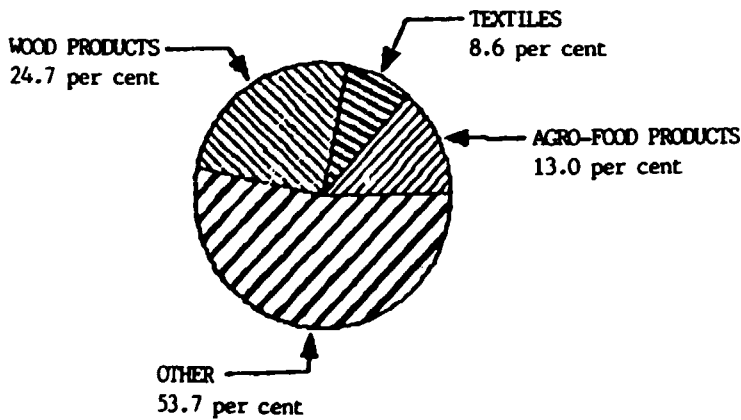
SHARE OF MANUFACTURES  
IN TOTAL EXPORTS  
1984



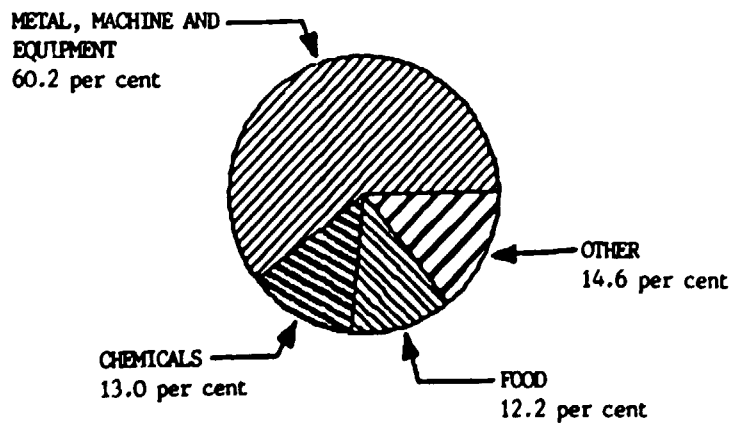
SHARE OF MANUFACTURES  
IN TOTAL IMPORTS  
1984



COMPOSITION OF  
MANUFACTURED EXPORTS  
1984



COMPOSITION OF  
MANUFACTURED IMPORTS  
1984



## 2. STRUCTURE AND PERFORMANCE OF THE MANUFACTURING SECTOR

### 2.1 Growth and structural change

Manufacturing activities in general expanded modestly until the mid-1970s. As a result of rising oil prices and increased oil production from new fields in Congo, the economy picked up rapidly towards the end of the 1970s and there was a parallel improvement in the expansion of the manufacturing sector. Appendix Table A-1 shows that manufacturing and mining (excluding petroleum) grew at almost 16 per cent in 1980. The high pace of growth was sustained until 1982 after recording a 17.2 per cent increase in 1981. However, the manufacturing sector stagnated in 1983 with zero growth rate and suffered an absolute decline of 7 per cent in 1984.

The contribution of the manufacturing sector to GDP declined from 13.9 per cent in 1970 to 4.8 per cent in 1985. This trend reflects the significant change in the composition of GDP caused by the petroleum sector which increased its share of GDP from 3 per cent in 1970 to 43.2 per cent in 1984. The share of MVA in non-oil GDP increased from 10.3 per cent in 1975 to 13.7 per cent in 1980, reflecting the significant growth of the manufacturing sector at the end of the 1970s. Table 2 shows that the share of MVA in non-oil GDP fell to 8.5 per cent in 1985. The small domestic market and other constraints have hindered the growth of the manufacturing sector in recent years.

Table 2. Share of manufacturing value added in total and non-oil GDP, 1970-85  
(percentage)

	1970	1975	1980	1985 <sup>a/</sup>
MVA share in total GDP	13.87	7.79	7.44	4.79
MVA share in non-oil GDP	14.33	10.30	13.68	8.49

Source: National Accounts, various issues.

a/ Provisional accounts for 1985, CNSEZ March 1986.

Table 3 shows the changes in the composition of MVA by end use during 1975-85. The share of consumer goods declined from 65.9 per cent in 1975 to 52.5 per cent in 1985, with particularly low shares recorded in 1982 and 1983. As against the decline in the MVA share of consumer goods, the share of intermediate goods in MVA increased consistently from 21.8 per cent in 1975 to 39.5 per cent in 1985, with the exceptions of a marginal decline in 1981 and a sharp decline in 1984. The share of capital goods in MVA remained stable at around 12 per cent until 1983, with the single exception of the year 1982 during which its share rose to 20 per cent - reflecting partly the consumer demand for some consumer durables and priority attached to the production of capital goods in the first year of the current Five-Year Plan (1982-86). However, there has been a marked decline in the MVA share of capital goods in recent years.

Table 3. Composition of MVA by end use, 1975-85  
(percentage)

Category	1975	1979	1981	1982	1983	1984	1985
Mainly consumer goods	65.9	55.9	56.6	43.7	47.6	55.7	52.5
Mainly intermediate goods	21.8	31.9	30.9	36.2	39.8	35.6	39.5
Mainly capital goods <sup>a/</sup>	12.3	12.2	12.4	20.1	12.5	8.6	7.9

Source: Calculations based on National Accounts, various issues.

<sup>a/</sup> Including some consumer durables.

As mentioned earlier, the manufacturing sector in Congo is largely directed towards the satisfaction of final domestic consumption. In 1985 consumer goods industries accounted for around 52.5 per cent of MVA. A sharp rise in per capita income since 1974 increased the level of final household consumption, which in turn resulted in a noticeable increase in demand for agro-food products. Of these, the beverages branch, particularly brewing, recorded the best performance: the production of beer rose from 107.3 thousand hectolitres in 1967 to more than 900 thousand hectolitres in 1984. This growth led to a massive reduction in beer imports, which fell from 38.05 thousand hectolitres in 1960 to 3 thousand hectolitres in 1980. Other branches (flour mills, sugar refineries and processing of oils) encountered

serious operating difficulties and their production either fell (sugar and processing of oils) or at most stagnated (flour mills).

The textiles, wearing apparel and leather rank second among consumer goods industries in terms of value added (after agro-food). Very heavily dependent as it is on the level of final demand, the textiles branch experienced a prolonged recession between 1960 and 1973. The rise in household purchasing power following the petroleum booms of 1973/74 and 1978/79 together with the establishment, in 1973, of a cloth printing works (IMPRECO) had a favourable impact, contributing to increased production in the branch: between 1975 and 1984 the production of printed cloth rose almost six-fold, from 5.5 million metres in 1975 to 31.5 million metres in 1984. The level of production, reinforced by the installation of new equipment in 1983, now exceeds Congo's own needs and part of the production is exported to Zaire. However the demand for imports of Congolese cloth by Zaire has fallen since 1985 following the official closure of frontiers with Congo and increased imports by Zaire of cloth from Chad and the Central African Republic. This slow-down in demand, coupled with the operating difficulties of State enterprises explains the significant drop in the value added of the branch which fell from CFAF 2.7 billion in 1984 to CFAF 650 million in 1985.

The significant rise in the share of intermediate goods industry from 21.8 per cent in 1975 to 36.2 per cent in 1982 was largely due to a significant growth rate in value added generated by the industry during 1975-80 and an increase in investment on intermediate goods industries during 1980-82. Stimulated by the increase in petroleum revenue, investment created direct and indirect demand for the production of intermediate and capital goods.

The chemicals and petroleum products industry has registered exceptional growth in value added, increasing from CFAF 677.6 million in 1976 to almost CFAF 8.5 billion in 1985. Over the period 1981-1985, value added in the branch rising by almost 21.2 per cent per year. The high growth performance recorded by the branch is due to the establishment of a petroleum refinery (CORAF).

The wood products industry occupies second place among the intermediate goods industries in Congo. Its value added accounted for almost one-third of



the value added of intermediate goods industries in 1985. After passing through the crisis in forestry production between 1970 and 1980 (production of rough timber fell from 810 thousand cubic metres in 1970 to 603 thousand cubic metres in 1980), wood manufacturing production rose after 1980. This recovery can be explained by a combination of several factors: the construction of a new saw mill at Ouessou, the effects of rehabilitation in the State sector, liberalization of the market, particularly exports, and finally the impact of investment in construction. In the longer term the branch should continue to grow with the implementation of the paper pulp project at Pointe-Noire. This project destined for the production of bleached sulphate paper pulp is expected to play a key role in the Second Five-Year Plan (1987-91), which is intended to make timber the "post-petroleum" industry of Congo.

The growth in the mechanical and metalworking industries was essentially stimulated by investments in the petroleum industry. The value added of this branch showed sustained growth between 1975 and 1981 (27 per cent per year). Taking the first six months of 1983 as a base (100), production reached an index of 129 at the end of 1983 but levelled out at an index of 70 for the first six months of 1985. Between 1982 and 1985, value added in the branch showed a fall of 17 per cent per year, sinking from CFAF 6.2 billion in 1982 to CFAF 3.6 billion in 1985. The current slow-down in production has reduced the branch's share of total manufacturing value added to a level lower (8 per cent in 1985) than that of 1976 (12.3 per cent).

The position of building materials industries in Congo is regarded as strategic. In its first draft, the Five-Year Plan (1982-86) envisaged some CFAF 550 billion (at 1981 prices) of investment in construction and CFAF 51.9 billion of investments planned for the building materials branch. A new cement works (CIDOLOU) and a limestone crushing plant (UBC) have, however, consistently failed to meet domestic demand and to achieve the substitution of local cement for imports. Value added in the branch declined consequently, in current values, between 1980 and 1984 (from CFAF 177 million in 1981 to CFAF -535 million in 1984). The re-opening in 1985 of the national cement works (which had been closed in 1984) should increase production (which had

fallen to an index of 15 in the first six months of 1985 from a base 100 in 1983). Based on provisional accounts for 1985, the level of value added in the branch is likely to be similar to that achieved in 1976. However, compared with total MVA, value added in the branch would probably show a fall from 12 per cent in 1976 to less than 3 per cent in 1985.

Indices of manufacturing production (first half of 1983 = 100) presented in Appendix Table A-2 show the industry-wise growth trends during 1982-85. The Table reveals the accelerated growth of agro-food industries until 1984. In the first half of 1985 the index of manufacturing production fell to 112, compared to 136 in 1984. Agro-food industries, excluding bakeries, beverages and tobacco, grew significantly in the second half of 1984, with production index rising to 544 as against 203 in the first half of 1984. The index of production in the textiles industry fell sharply the second half of 1984. The general declining trend of many manufacturing sub-sectors, e.g., wood products, paper, chemical and petroleum products, is widely indicated by the falling indices of manufacturing output in these branches during the first half of 1985.

Table 4 presents recent data pertaining to the composition of MVA, which seem to be consistent with the growth trends expressed in terms of indices of manufacturing production in Appendix Table A-2. The share of agro-food industry in MVA rose from 48.4 per cent in 1981 to 51.2 per cent in 1985. The most striking feature of the Table is the sharp fall in the MVA share of wearing apparel, textiles and leather from 8.3 per cent to 1.4 per cent during 1981-85. Their share of MVA (in current prices) was around 23 per cent in 1976. While the share of wood industry remained unchanged, the share of paper and paperboard industries declined marginally. Chemicals and miscellaneous petroleum products increased their share from 11.5 per cent in 1981 to 18.7 per cent in 1985.

Table 4. Composition of manufacturing value added, 1981-85  
(at current prices)

Branch of manufacturing	Value added (in millions of CFAF)		Composition of value added (percentage)	
	1981	1985 <sup>a/</sup>	1981	1985
Agro-food industry	16 616	23 239	48.4	51.2
Wearing apparel, textiles and leather	2 841	650	8.3	1.4
Wood industry	5 515	7 264	16.0	16.0
Paper-paperboard	987	890	2.9	2.0
Chemicals and miscellaneous petroleum products	3 939	8 498	11.5	18.7
Non-metallic mineral products industry	177	1 290	0.5	2.8
Metal, metallurgical and electrical industries	4 269	3 599	12.4	7.9
Total manufacturing	34 344	45 430	100	100

Source: National Accounts, various issues.

<sup>a/</sup> Provisional estimate.

## 2.2 Manufacturing employment, performance and efficiency

Manufacturing employment declined from 44.2 per cent of the active population in 1968 to 37.1 per cent in 1973 and 12.74 per cent in 1983. This relative decline reflects the falling contribution of the manufacturing sector to money GDP. Since 1973, the average annual decline in manufacturing value added has been at about -2 per cent and that of manufacturing employment

within total employment at around -3 per cent. Around 12,500 persons were engaged in manufacturing activities in 1983.<sup>1/</sup>

In 1983, the agro-food, beverages and tobacco industries accounted for more than half of manufacturing employment. While this share may remain high in absolute values, it nevertheless confirms the declining trend of employment in this branch within total industrial employment (73.6 per cent in 1968, 51.8 per cent in 1983). This general trend is the result of two divergent processes: on the one hand a very marked fall in the number of employees in the agro-food industries (where the proportion of total employment fell from 68.2 per cent in 1968 to 35.0 per cent in 1973), and on the other hand a quadrupling in the importance of the beverages and tobacco branch within total employment (4.48 per cent in 1968, 16.71 per cent in 1983).

The number of employees in the woodworking industry almost trebled between 1968 and 1983, rising from 1,232 (1968) to 3,340 in 1983; this trend led in turn to an almost three-fold increase in the proportion of employees in the wood industry to total manufacturing employment (19.6 per cent in 1968, 26.8 per cent in 1983). Apart from the building materials industry, where the number of jobs doubled between 1968 and 1983, the contribution of the other branches to total manufacturing employment stagnated during that period, each of the branches contributing less than 10 per cent of the total number of persons employed (Table 5).

If the share of wages in manufacturing value added is taken as an indicator of workforce in the manufacturing sector, the trend observed since

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<sup>1/</sup> Employment statistics supplied by the Congolese Ministry of Planning do not include agricultural employment. According to IMF estimates, the population employed in agriculture was 40 per cent of the total active population. According to official statistics, manufacturing employment includes fisheries, energy (water and electricity supply) and petroleum services. The number of employees thus defined amounted to 15,429 (in 1983) but only to 12,450 if the last three types of activity are excluded.

Table 5. Manufacturing indicators by branch of manufacturing, 1968-83

Branch of manufacturing	Distribution of employees as per cent of total			Distribution of wages as per cent of total			Total wages as per cent of VA			VA as percentage of production in branches		
	1968	1973	1983	1968	1973	1983	1976	1981	1983	1976	1981	1983
Agro-food industries	69.15	58.89	35.05	47.73	34.50	19.04	52.47	50.49	53.60	27.35	29.47	38.80
Beverages and tobaccos	4.48	4.23	16.71	12.20	11.96	29.08						
Wearing apparel, textiles and leather	7.68	9.67	8.23	11.05	11.14	11.69	39.19	40.33	75.80	37.38	31.65	23.20
Wood products	9.63	15.29	26.83	12.70	21.51	23.00	62.35	61.95	68.10	47.67	41.04	45.80
Paper-paperboard products	0.94	0.78	1.00	2.70	2.79	1.74	77.06	45.89	102.50	63.64	63.97	40.20
Chemicals and miscellaneous petroleum products	2.73	2.18	2.72	3.81	3.85	4.17	62.43	36.35	25.00	36.77	54.88	14.20
Non-metallic mineral products	3.21	4.70	6.39	2.03	5.21	6.22	96.56	319.77	393.80	41.73	7.59	9.70
Metal, metallurgical and electrical industries	3.68	4.26	3.07	7.78	9.04	5.06	77.79	52.14	65.40	24.11	42.79	44.50
<b>TOTAL MANUFACTURES</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>56.90</b>	<b>51.33</b>	<b>54.60</b>	<b>30.17</b>	<b>34.40</b>	<b>27.60</b>

Sources: SABOUKOULOU, TRANCHANT: Activités des entreprises modernes en 1973: résultats du recensement industriel et commercial. (Activities of modern enterprises in 1973; results of manufacturing and commercial census). Directorate for Statistics and Economic Accounting 1974; CNSSE: National Accounts, various issues.

1981 shows overmanning<sup>1/</sup> between 1981 and 1983. The chemicals and miscellaneous petroleum products industries tend to show a decline in workforce (wages expressed as a percentage of value added falling from 62.4 per cent in 1976 to 25 per cent in 1983), while the ratio for the other branches remains basically stable.

The distribution of employees by type of manufacturing enterprise reveals a virtually equal distribution between public sector employment (47.56 per cent of the workforce) and the private sector (52.44 per cent). This distribution is confirmed at sectoral level in the agro-food, textile and paper-paperboard branches. Employment provided by the public sector predominates in the building materials industries (non-metallic mineral products), while private sector employment exceeds public in the wood products, chemicals and metalworking industries (Table 6).

Table 6. Structure of manufacturing employment by sector, 1983

Branches	Private sector		Public sector		Total	
	Employees	Per cent	Employees	Per cent	Employees	Per cent
Agro-food	3,054	47.4	3 390	52.6	6,444	51.7
Textiles	501	48.9	523	51.1	1,024	8.2
Wood	2,260	67.7	1,080	32.3	3,340	26.8
Paper	54	43.2	71	56.8	125	1.0
Chemicals	224	66.1	115	33.9	339	2.7
Non-metallic mineral products	163	20.5	633	79.5	796	6.4
Metalworking	272	71.2	110	28.8	382	3.1
TOTAL	6,528	52.4	5,922	47.6	12,450	100

Source: Ministry of Planning, Survey for the first six months of 1983.

<sup>1/</sup> The calculation of the relationship between total wages paid and manufacturing value added as an indicator of level of workforce in the branches assumes, if it is to be valid, that real wages have not changed appreciably during the period under consideration. This hypothesis seems to be confirmed in Congo: between 1975 and March 1984 there was no increase in the minimum wage. As far as public enterprises are concerned, the policy of the Congolese authorities has been to minimize wage increases in order to maximize the number of employed.

Performance indicators for public and private sector industries presented in Table 7 indicate that the total wages paid by public enterprises represented some 39.5 per cent of total wages paid in the manufacturing sector while the contribution of these firms to MVA did not exceed 9.55 per cent.<sup>1/</sup> On average, for public enterprises, the total wages paid in relation to value added rose to almost 158 per cent in 1984. Apart from the

Table 7. Performance indicators for public and private enterprises, 1984  
(percentage)

Branch of manufacturing	Distribution of value added (per cent)			Wages as percentage of value added, public sector	Value added as percentage of production, public sector	Net operating results as percentage of value added, public sector
	Private	Public	Total			
Agro-food industry	86.04	13.96	100	183.71	11.80	-378.45
Textile industries	101.79	-1.79	100	-377.32	-14.89	725.36
Wood products	81.16	18.84	100	60.12	76.29	-16.74
Paper products	101.66	-1.66	100	-651.10	-7.46	224.55
Chemicals	90.90	9.10	100	78.25	30.03	-74.54
Building materials	153.82	-53.82	100	-243.05	-38.71	69.87
Metal, mechanical and electrical products	98.52	1.48	100	188.81	44.54	-58.02

Source: CENAGES: Contrôle d'exécution du plan quinquennal 1982-86 (Monitoring of Five-Year Plan 1982-86), Summary report on the State sector of the economy. Brazzaville, March 1985.

Note: The value added of a branch is defined as the production value of the branch less intermediate consumption. The value added of a branch can be negative if the value of production is less than the intermediate consumption of the branch. Value added figures are based on domestic market prices.

<sup>1/</sup> The performance of public enterprises in the manufacturing sector in terms of manufacturing value added is wholly comparable with that of public enterprises in other branches. In all, the value added by the 103 Congolese public enterprises contributed some 10 per cent of GDP in 1984.

woodworking industry, this ratio was higher than 100 per cent (in absolute values) for all the other branches.

Generally speaking, efficiency gains and losses in manufacturing industries have not been equally distributed between the public and private sectors. Value added in manufacturing enterprises in the public sector compared with total MVA did not exceed 18.3 per cent. Only public enterprises in the agro-food, wood products, chemicals and building materials branches achieved a positive ratio and only the latter two exceeded the national average. In all branches, public sector industries in 1983 and 1984 recorded negative net operating results. Three factors at least can explain the financial deterioration and falling production recorded by public sector manufacturing enterprises: production costs remained very high particularly due to the high labour component and low productivity of factors of production (in turn linked to over-capacity of production units and to the technologies in use).<sup>1/</sup> The second factor relates to the circumstance that public enterprises are unable to operate a realistic pricing policy. The third relates to management problems within these enterprises.

The efficiency of the manufacturing sector can be roughly estimated from the ratio of MVA to actual production in the branches. Table 8 shows that the ratio increased between 1975 and 1981, from 25.42 per cent at the beginning of the period to 34.3 per cent in 1981, with a subsequent decline to its 1975 level in 1985. Improvements in efficiency were most apparent in the agro-food, metalworking and chemical industries (the ratio in the latter branch rising from -96.16 per cent in 1975 - negative value added - to +54.8 per cent in 1981). Low level of efficiency occurred mainly in the building materials industries (where the share of value added in final output fell from 41.7 per cent in 1975 to 9.7 per cent in 1981 and -140 per cent in

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<sup>1/</sup> The rate of utilization of installed production capacity in public sector manufacturing enterprises has been falling steadily since 1982. In the case of cement works, the rate fell from 45.8 per cent in 1982 to 33.7 per cent in 1983 and to 0 per cent in 1984; in agro-food, it was 26.3 per cent in 1982 falling to 10.9 per cent in 1984 (flour mills) and from 20.7 per cent in 1982 to 0 per cent in 1984 (processing of oils). The rate for the glass industry fell by 71 per cent between 1982 and 1984, from 46.7 per cent to 13.34 per cent.



Table 8. Performance indicators for the manufacturing sector, 1975-85  
(in billions of CFA francs and per cent)

Years	Produc- tion	Value added			Consump- tion of fixed capital	Value added co-effi- cient <sup>a/</sup>	Wages as percen- tage of value added (Percentage)	Operating surplus as per- centage of value added
		(Billion CFA francs)	Wages	Operating surplus				
1975	41.2	10.4	5.5	2.1	1.2	25.4	53.2	20.1
1981	99.8	34.3	17.6	7.5	4.6	34.4	51.3	21.9
1982	94.5	30.9	19.7	2.8	5.9	32.7	63.9	9.1
1983	146.2	40.4	22.0	4.1	8.2	27.6	54.6	10.2
1984	165.2	41.5	24.8	-1.7	11.3	25.2	59.8	-4.1
1985 <u>b/</u>	178.2	45.4	27.9	-4.3	10.8	25.5	61.4	-9.5

Source: National Accounts, various issues.

a/ Value added/actual production.

b/ Provisional estimates.

1984), and in the paper-paperboard and textile industries. The ratio of wages to value added appears to confirm the view that there has been over-manning in the manufacturing sector over the period 1975-85; wages in total MVA rising from 53.2 per cent in 1975 to 61.4 per cent in 1985.

Table 9 gives details on value added coefficient and the ratio of net operating surplus to value added in each sub-sector of manufacturing during 1984. Value added coefficient, i.e. the ratio of value added to actual production, was the highest in the agro-food industries (39.5 per cent), followed by paper and paperboard products (39.2 per cent), metalworking industries (38.4 per cent), wood products (37.5 per cent), textiles (23.8 per cent) and chemicals (10.1 per cent). Non-metallic mineral products had negative value added and negative net operating surplus in 1984. The other two manufacturing branches which suffered negative net operating surplus during 1984, despite positive value added coefficient, were agro-food industries and textiles.

Table 9. Value added coefficient<sup>a/</sup> and net operating surplus by branch of manufacturing, 1984  
(percentage)

Branches	Value added coefficient, (per cent)	Net operating surplus as a percentage of value added
Agro-food industries	39.5	-7.0
Textile industries	23.8	-1.1
Wood products	37.5	0.9
Paper and paperboard products	39.2	13.8
Chemicals	10.1	10.6
Non-metallic mineral products	140.0 <sup>b/</sup>	307.1 <sup>b/</sup>
Metalworking industries	38.4	11.1

Source: Calculations based on National Accounts, 1984.

a/ The value added coefficient is defined as the ratio of gross value added to actual production of a branch. The value added coefficient is an indicator of the efficiency of a branch.

b/ Negative value added and negative net operating surplus.

The value added per employee in industry increased (in current francs) at an average annual rate of growth of 9.5 per cent between 1981 and 1984 and at around 5 per cent (in constant francs) during the same period. This general trend is perceptibly lower than the national average: the value added per employee in all sectors increased by an annual average of 16.05 per cent between 1981 and 1984 rising from CFAF 5.72 million in 1981 to CFAF 8.94 million in 1984, compared with CFAF 2.73 million for industry in 1981 and CFAF 3.58 million in 1984.

These general trends in value added per employee in industry since 1981 conceal significant disparities by branch of industry and by ownership: the textiles, paper and non-metallic mineral products industries have registered significant declines in their value added per employee. Table 10 reveals that for these branches, however, the decline registered in their value added has not stopped the growth in employment. For example, employment in the paper

industry has continued to increase by close to 34 per cent annually between 1981 and 1984, while value added declined by an annual rate of 11.5 per cent.

Table 10. Trends in value added per employee, 1981-84  
(in million CFAF)

Branch of industry	1981	1982	1983	1984	Annual growth rate, 1981-84 (per cent)		
					Value added	Employment	Value added per employee
Agro-industry	3.16	2.17	3.41	4.14	7.26	-1.99	9.42
Textiles	3.89	2.04	2.02	2.55	-1.56	13.27	-13.13
Wood	1.95	2.09	2.45	2.58	7.81	-1.85	9.78
Paper	5.54	2.03	1.29	1.60	-11.46	33.97	-33.90
Chemicals	6.34	8.64	9.96	7.40	22.02	15.91	5.29
Construction materials	0.30	-0.35	0.43	-0.85	( )	( )	( )
Metal-mechanical	1.82	5.30	5.34	4.67	-0.50	-27.31	36.90
Total industry	2.73	2.60	3.54	3.58	(.)	(.)	9.46

Source: Based on Comptes nationaux, diverses livraisons  
MIA: Diagnostic de l'industrie congolaise, Brazzaville, 1985.

In contrast the gains in value added per employee has been very pronounced in the branches which have been able to adapt by changing levels of employment to variations in demand. Also the growth in productivity in metal-mechanical branches have permitted a high increase in value added per employee, achieved notably through low level of employment - while at the same time demand, essentially linked to petroleum, continued to grow.

For all branches the private and mixed enterprises generated a higher value added per employee than their public sector counterparts in 1984 (Table 11). For agro-industries, metal-mechanical industries the divergence

Table 11. Value added per employee according to branch of industry and ownership, 1984  
(in million CFAF)

Branch of industry	Private sector	Public sector
Agro-industry	9.66	0.91
Textiles	5.13	-0.09
Wood	2.69 <sup>a/</sup>	2.19
Paper	5.95	-0.04
Chemicals	7.71 <sup>a/</sup>	5.30
Metal-mechanical	5.24	0.57

Sources: Based on comptes nationaux 1984; CENAGES: Contrôle d'exécution du plan quinquennal 1982-86, Brazzaville, 1985; MIA: Diagnostic de l'industrie congolaise, Brazzaville, 1985.

a/ Private and mixed enterprises.

in value added per employee varied from 1 to 10 between private and public sector enterprises; the latter showed negative ratios in the textile and paper industries.

### 2.3 Exports and imports of manufactures

The growing proportion of hydrocarbon exports in total exports (rising from about one per cent in 1970 to almost 90 per cent in 1985) has certainly been to the detriment of exports of manufactured products which, according to UNCTAD,<sup>1/</sup> continued to show a relative decline from 50 per cent of total exports in 1965 to 6.67 per cent in 1980. A combination of several factors can explain the relative decline of exports of manufactured goods in the foreign trade of Congo: a weakening in the export drive of Congo has led to a decrease in exports of manufactures to trading partners in Central Africa; and the diversion of traffic through Gabon and Cameroon has led to a reduction in

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1/ UNCTAD, Manual of Statistics for International Trade and Development 1983.

re-exports (transit) of manufactured goods. The importance of these re-exports in the total exports of manufactures nevertheless remains decisive: if these re-exports (particularly diamonds)<sup>1/</sup> and return materials are excluded, the share of manufactured exports in total exports from Congo fell to an average of 6 per cent during the period 1981-84. Table 12 shows growth of manufactured exports, including re-exports, during 1978-84.

Table 12. Value of manufactured exports and proportion of manufactured exports in total exports, 1978-84

	1978	1981	1982	1983	1984
Value of manufactured exports <sup>a/</sup> (billions of CFAF)	8.48	11.09	14.61	31.06	46.03
Manufactured exports <sup>b/</sup> as a percentage of total exports	10.8	3.6	3.9	6.9	7.9

Source: National Accounts, various issues.

a/ Net of re-exports and returns.

b/ Including re-exports.

Although the share of manufactured exports in total exports declined, the total value of manufactured exports, excluding re-exports and petroleum products, has greatly increased from CFAF 3.6 billion in 1981 to almost CFAF 8 billion in 1984. The operation of the petroleum refinery (CORAF) has permitted an increase in the export of chemicals and miscellaneous petroleum products, whose absolute value rose from CFAF 605 million in 1982 (compared with nil in 1981) to almost CFAF 25 billion in 1984.

<sup>1/</sup> The value of diamond exports rose in 1984 to some CFAF 11.2 billion and ranked third in importance in total exports (after petroleum and wood). The diamonds are from Zaire and are exported through Congo. The value added of Congolese diamond cutters is probably close to 10 per cent of the CIF cost of the gems.

Table 13. Composition of manufactured exports by branch of manufacturing, 1978-84  
(percentage)

Branch of manufacturing	1978	1981	1982	1983	1984
Agro-food industries	5.8	2.7	2.0	3.1	13.0
Textiles	2.8	10.8	26.3	1.5	8.6
Wood products	87.4	86.5	67.0	27.5	24.7
Chemicals	-	-	4.7	64.6	53.6
Total	96.0	100.0	98.0	96.7	99.9

Sources: Calculations based on National Accounts, various issues.

This export substitution has been matched by a change in Congo's direction of trade; while wood products are essentially imported by developed market economy countries (88 per cent, of which 76.3 per cent go to the European Economic Community and 3 per cent to the USA), Congolese exports of petroleum products are mainly to developing countries (85.7 per cent) whereas the developed market-economy countries only absorb 14.3 per cent of these exports.

The share of manufactured imports in total imports increased from 67.4 per cent in 1975 to 76.2 per cent in 1982 as a result of the rising level of investment. The share of manufactured imports fell again to 63.6 per cent in 1983 and increased to 71.3 per cent in 1984.<sup>1/</sup>

In 1984, more than 60 per cent of manufactured imports consisted of machinery and equipment. The figure for this ratio confirms the rising trend in this category since 1975. However, since 1983 the slow-down in demand, particularly linked to a downward revision of investment planned for the

<sup>1/</sup> Caution should be applied in interpreting these data. According to the Central Bank, between 1980 and 1984 approximately a quarter of the total CIF value of imports was not recorded by the customs services.

Table 14. Composition of manufactured imports by branch of manufacturing, 1975-84  
(percentage)

Product	1975	1978	1981	1982	1983	1984
Agro-food	15.7	20.1	7.8	6.7	8.4	12.3
Textiles	8.0	9.3	5.1	3.6	4.9	5.3
Wood products	0.6	0.1	0.6	0.6	0.8	1.0
Paper-paperboard	3.3	4.2	2.3	2.7	3.5	3.0
Chemicals	21.5	21.3	17.0	14.4	2.6	13.7
Non-metallic mineral products	1.5	3.2	1.9	4.4	7.8	4.4
Metal, machine and equipment products	<u>49.4</u>	<u>41.9</u>	<u>65.3</u>	<u>67.6</u>	<u>72.1</u>	<u>60.3</u>
Total imports	100	100	100	100	100	100

Source: Calculations based on National Accounts, various issues.

Five-Year period 1982-86, has been reflected by a relative and absolute decline in purchases of imported machinery and equipment (imports of which fell from CFAF 239,004 million in 1982 to CFAF 179,757 million in 1984).

The import trading partners of Congo are essentially industrialized countries. In 1984, industrialized countries provided about 76 per cent of Congo's imports. The share of the European Economic Community in Congo's manufactured imports was 63 per cent and that of France, the main trading partner, some 47.6 per cent.

#### 2.4 Ownership and investment patterns

The respective importance of public and private sectors varies greatly from one branch of manufacturing to another. An indicator of the distribution of capital between public and private sectors can be arrived at, for each branch of manufacturing, by establishing average participation in share

capital for each sector weighted by the turnover of enterprises. Considering only the leading fifteen manufacturing enterprises established in Congo<sup>1/</sup> the public sector dominates the building materials industry and the paper-paperboard branch. On the other hand, the private sector, especially foreign, controls all other branches through its participation in the share capital of enterprises (Table 15).

Table 15. Average participation of public and private sectors in the share capital of 15 leading manufacturing companies, 1982  
(percentage)

Branch of manufacturing	Public sector	Private sector	Percentage share of capital of each branch to total capital for manufacturing <sup>a/</sup> (per cent)
Agro-food	7.2	92.8	56.48
Textiles	17.7	82.3	9.00
Paper-paperboard	100.0	0.0	1.55
Chemicals	47.7	52.3	7.19
Non-metallic mineral products	100.0	0.0	2.34
Metalworking industry	0.0	100.0	10.00

Source: "Les 500 entreprises d'Afrique Noire" (The top 500 enterprises in Black Africa), Ediafric-La Documentation française, 4th Edition, Paris 1984.

<sup>a/</sup> The column total does not equal 100 per cent due to the absence of wood processing from among the leading 15 manufacturing enterprises in Congo.

The data in respect of gross fixed capital formation for each sector (public or private) are still extremely fragmented. As a whole, private investment was higher than public investment during the entire period

<sup>1/</sup> These leading fifteen enterprises represented approximately 46.3 per cent of total manufacturing turnover.



preceding the launching of the first Five-Year Plan (in 1982). This private investment was mainly by oil companies; the value of gross fixed capital formation for non-petroleum private enterprises did not exceed 6 per cent of the total level of investment (Table 16).

Table 16. Trends in public and private investment, 1975/77 - 1982/84  
(in billions of CFAF)

Sector	1975-1977 <sup>a/</sup> (Per cent)		1978-1979 <sup>b/</sup> (Per cent)		1980 <sup>c/</sup> (Per cent)		1981 <sup>d/</sup> (Per cent)		1982-1984 <sup>e/</sup> (Per cent)	
Public (f)	27.0	(23.3)	17.0	(25.8)	62.9	(48.2)	63.6	(33.5)	463.9	(55.2)
Private, non-petroleum	4.0	(3.4)	3.9	(5.9)	4.6	(3.5)	5.5	(2.7)	74.5	(8.8)
Private, petroleum	85.0	(72.3)	45.0	(68.3)	63.0	(48.3)	121.0	(63.8)	301.6	(35.8)
Total private	89.0	(76.7)	48.9	(74.2)	67.6	(51.8)	126.0	(66.5)	376.1	(44.8)
Total <sup>f/</sup>	116.0	(100)	65.9	(100)	130.5	(100)	189.6	(100)	840.0	(100)

Source: Ministry of Planning.

- a/ Three-Year Plan.
- b/ Two-Year Plan.
- c/ Complementary Plan.
- d/ Transitional Plan.
- e/ First Five-Year Plan (1982-1986).
- f/ Excluding administration.

Since 1982, investment in manufacturing has represented, on average, less than 10 per cent of total investment. Investments in public sector manufacturing enterprises are substantially larger than those in the private sector (Table 17).

Statistics on the distribution of gross fixed capital formation by branch of manufacturing are not available in Congo (as the National Accounts only evaluate the distribution of gross fixed capital formation by product). An estimate of this distribution can be made by taking the amount of fixed capital consumption as an indicator of annual investment flows and investment in capital assets by branch of manufacturing.<sup>1/</sup>

<sup>1/</sup> Fixed capital consumption is a component of the value added of branches of manufacturing. It is only a rough indicator of investment and installed fixed capital assets because its amount partly depends on fiscal regulations regarding amortization of capital.

Table 17. Value and distribution of investment in manufacturing companies in the public and private sectors, 1982-85  
(billions of CFAF)

Sectors	1982 (Per cent)		1983 (Per cent)		1984 (Per cent)		1985 <sup>a/</sup> (Per cent)	
Public	16.8	(77.4)	16.7	(64.8)	12.8	(60.1)	8.9	(76.7)
Private	4.9	(22.6)	9.1	(35.2)	5.9	(39.9)	2.7	(23.3)
Total	21.7	(100.0)	25.8	(100.0)	14.8	(100.0)	11.6	(100.0)

Source: Ministry of Planning.

<sup>a/</sup> Estimates.

According to the trends shown in Table 18, investment efforts have been most notable in the chemical and miscellaneous petroleum products industries (rehabilitation of the Pointe-Noire refinery and establishment of CORAF). Total investments in the branch grew from less than 1 per cent of total manufacturing gross fixed capital formation in 1975 to almost 20 per cent in 1985. The rate of growth of investment in the manufacture of non-metallic mineral products has been less sustained (rehabilitation of CIDOLOU and construction of UBC). Taking all branches together, but with the exception of textiles and the paper industry, the period 1981-82 was marked by a very clear growth in investment which levelled off after that period.

Table 18. Estimated<sup>a/</sup> distribution of investments and fixed capital assets by branch of manufacturing, 1975-85  
(percentage)

Branches	1975	1981	1982	1983	1984	1985 <sup>b/</sup>
Total industry	100.0	100.0	100.0	100.0	100.0	100.0
Agro-food	58.8	59.0	47.9	55.2	49.6	43.8
Textiles	13.9	5.0	4.8	6.1	4.9	7.0
Wood products	14.9	13.0	17.6	18.3	13.5	14.6
Paper-paperboard	1.2	5.1	3.0	(-)	(-)	(-)
Chemicals	0.3	5.5	7.8	4.4	21.1	19.1
Non-metallic mineral products	0.3	5.0	10.4	6.7	5.0	9.2
Metalworking industry	0.4	6.2	8.2	8.1	5.2	5.5

Source: National Accounts, various issues.

<sup>a/</sup> Estimates based on fixed capital consumption.

<sup>b/</sup> Provisional estimates.

## 2.5 Geographical distribution of manufacturing enterprises

Manufacturing enterprises in Congo are very unequally distributed throughout the country. The north (Likouala, Sangha, Cuvette and Plateaux), basically a region of agriculture and forestry, contains only small-scale manufacturing establishments exclusively concentrated in agro-food (Ouesso, Owando and Mossaka) and wood products (Ouesso, Mbirou and Impfondo). The main obstacles facing the development of the manufacturing sector in the northern areas of Congo are the weakness of the transport infrastructures linking the north with the remainder of the country and particularly the coast. The isolation of the northern region is unfavourable to the supply of industrial inputs and restricts outlets to an exceptionally scattered regional demand (the north covers an area of 225,000 km<sup>2</sup> with a population of about 326,000 or less than 1.5 inhabitants per km<sup>2</sup>). The weakness of communication infrastructures particularly penalizes the timber industry: while the north enjoys relative advantages as far as forestry production is concerned, the lack of land transport infrastructures makes it necessary to float rough timber down the Congo River which limits the growth of value added in regional woodworking industries.

By contrast, the south-west of the country (Pool, Lekoumou, Bouenza, Niari and Kouilou) contains almost the entire national manufacturing base. Pointe-Noire, the first industrial town in Congo, contains mainly the chemicals and miscellaneous petroleum products industries and the largest metal construction enterprises. The "Corridor" region (Loubomo, Nkayi, Madingou, Loutété and Mindouli) contains agro-food industries and enterprises processing non-metallic mineral products (cement works, limestone crushing, etc.). The manufacturing enterprises situated in Brazzaville are more diversified but continue to be limited in size. Overall, the south-west of the country constitutes the real industrial heart of the Congo. Unlike the remainder of the country, it has transport infrastructures (railway and a national highway) enabling it to be supplied with inputs and ensuring that its production can be moved out. Containing 80 per cent of the Congolese population and almost all the urban residents, the south-west represents a market of almost 1.5 million people.

The Five-Year Plan (1982-86) is aimed at reorganizing the national territory and achieving better distribution of economic activities throughout

the country. Priority is thus being given to developing communication infrastructures (particularly in the north) and achieving geographical integration of the country by establishing local villages and developing secondary centres. This development policy is particularly aimed at limiting the rural exodus (from north to south) and revitalizing the northern areas of the country.

### 3. INDUSTRIAL DEVELOPMENT STRATEGIES, POLICIES, PLANS AND INSTITUTIONS

#### 3.1 Aims of industrial policy

The First Five-Year Plan (1982-86) of the People's Republic of Congo contains seven broad general objectives:

- to ensure self-generating and self-sufficient development;
- to reclaim the national territory by setting up regional centres;
- to break foreign encirclement and the external stranglehold;
- to combat unemployment by limiting the flight from the land and adapting the training system to the needs of manufacturing enterprises;
- to ensure food independence by making agriculture the basis of development;
- to improve the standard of living of the population; and
- to combat the exploitation of labour.

With regard to industrial development, the Five-Year Plan (1982-86) has four main objectives: <sup>1/</sup>

- "reconstructing the national economy by consolidating manufacturing enterprises where there is State participation, by expanding production and by increasing productivity;
- strengthening national unity by improved distribution of manufacturing units throughout the national territory;
- making the Congolese economy self-sufficient by developing economic integration and intersectoral relations between branches of manufacturing;
- promoting social revolution by creating a socio-economic sector featuring co-operative relations in manufacturing and restricting capitalist and bureaucratic production relationships."

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<sup>1/</sup> This section has been prepared from official documents, and in particular: République Populaire du Congo, Plan quinquennal 1982-86; cahier 2: Plans sectoriels. Brazzaville 1981.

République Populaire du Congo, Rapport d'évaluation du Plan 1982-86; Ministère de l'industrie et de l'artisanat. Brazzaville, various issues.

Priority is being given to the rehabilitation of manufacturing enterprises in which the State is involved. The rehabilitation expenditure plan rose in 1982 to CFAF 39 billion (at 1981 prices) of which CFAF 15 billion came from the State, 21.7 billion from loans and 2.1 billion from local resources.

Table 19 shows that the value of new projects amounted to CFAF 95.5 billion or a little less than 10 per cent of the total planned investment for the five-year period. The priority given in the Plan to construction and infrastructures was to be reflected by major development of the building materials industries (expansion of production capacity and diversification of building materials). The aim of satisfying food requirements was to be reflected in revitalizing the agro-food industries and the development of the supporting agro-industrial linkages.

Table 19. Planned industrial investment during the Five-Year Plan, 1982-86  
(Millions of CFAF)

Branch of manufacturing	Value of gross fixed capital formation (millions of CFAF) 1981	Percentage of total
Agro-food industries	18 898	19.7
Consumer goods and miscellaneous industries	8 324	8.7
Building materials	52 127	54.6
Wood products	5 704	6.0
Metalworking industries	6 206	6.5
General measures and research	<u>4,295</u>	<u>4.5</u>
Total	95 554	100.0

Source: Five-Year Plan (1982-86), vol. 2.

The reversal in the petroleum market and financial difficulties experienced with the national budget placed a heavy burden on the implementation of the Plan. Few new projects have actually progressed beyond

the research stage and investment efforts have been essentially devoted to rehabilitating State manufacturing enterprises (see Appendix Table A-5).

### 3.2 New directions in industrial policy and changing investment priorities

To redress internal and external economic imbalances of the Congolese economy caused by falling oil prices, poor performance of public sector enterprises and rising debt burden the Government adopted, in mid-1985, a medium-term structural adjustment programme. The IMF has approved a stand-by arrangement for Congo for the equivalent of SDR 22.40 million in support of the Government's economic and financial programme. Congo's economic and financial programme for 1986-87, which is supported by the present IMF stand-by arrangements, aims at reducing the external current account deficit, stimulating economic activity and containing inflationary pressures.<sup>1/</sup> The programme contains wide-ranging supply- and demand-oriented measures, most of which are already under implementation.

The Structural Adjustment Programme has resulted in a reduction of 40 per cent of the target expenditure of the Five-Year Plan. The key measures include a reduction in the overall budgetary deficit through major cuts in government expenditure and through measures to increase non-oil revenue, a reduction in government domestic arrears, the elimination of outstanding external arrears, prudent external debt management, an appropriate public investment programme, and the gradual implementation of flexible marketing and pricing policies. In view of the sharp decline in oil receipts, the programme is designed to channel public investment toward quick yielding projects in the productive sectors of the economy, notably agriculture and forestry.

The Government also intends to continue its efforts to encourage private investment and to promote small- and medium-sized enterprises. The programme incorporates specific measures to improve the financial situation of a number of key public enterprises as a prelude to a comprehensive reform of the public sector to be launched in 1987 with the assistance of the World Bank.

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<sup>1/</sup> See IMF, Survey No. 86/28, September 2, 1986, p.280.

The 1987-91 industrial development plan currently under preparation has five priority aims:<sup>1/</sup>

- reconstructing the national economy by consolidating State enterprises and increasing productivity;
- expanding and diversifying the bases for national growth by rendering industrial units capable themselves of renewing and developing their manufacturing plants;
- achieving an equilibrium trade balance, excluding oil, covering imports of capital goods and intermediate products not locally available by exports of goods produced within the country;
- avoiding regional disparity in industrial development, with a view to unifying the national territory and to achieving a harmonious distribution of activities throughout the country; and
- rehabilitating manufacturing enterprises by the implementation of new projects. This rehabilitation assumes the creation or development of national research and engineering companies to carry out feasibility studies and market research and to exercise technical control over the implementation of projects.

These broad priorities are reflected in a specific number of inter-sectoral linkages:

- in the context of the national objectives of self-generating and self-sufficient development and the objective of food self-sufficiency by the year 2000, the industrial plan accords priority to the development of the agro-industrial branch. The development of agro-food industries contributes both to the policy of import substitution upon which the Congolese authorities have embarked and the strengthening of intersectoral links between branches of manufacturing.<sup>2/</sup> Specifically, the enhancement of agriculture-

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<sup>1/</sup> This section has been prepared from official documents, in particular, Congolese Labour Party, Permanent Secretariat, Department of Planning and Economy: Directives en vue du Plan 1987-1991 dans le secteur industriel (Guidelines for the 1987-1991 plan in the manufacturing sector). Brazzaville, August 1985. CIATA/Ministry of Industry and Small Enterprises: Elements de politique industrielle à moyen et long termes (Factors in medium and long-term industrial policy). Draft, Brazzaville, March 1986.

<sup>2/</sup> For an overview of intersectoral links between branches of manufacturing, see the matrix of technical coefficients in local products presented in Appendix Table A-6. Appendix Table A-7 presents the shares of local and imported intermediate inputs in the total consumption of intermediate goods by manufacturing sub-sectors. The Table highlights the degree of dependence on local intermediate consumption and the scope for import substitution.



industry links could be achieved by groundnut processing projects for supplying the local market (project supported by the State enterprise HUILKA) and by a maize processing project (supported by MAB) for human and animal consumption.

Industrial strategies for the development of the wood branch (forestry activities and manufacture of wood products) still have to be defined. Two major alternatives are currently under consideration. The first would encourage exports of primary products with low domestic value added: manufacture of telephone poles and prefabricated modules for wooden houses. A project for the manufacture of charcoal for export to the Sahel countries is currently under consideration. The second alternative envisages the substitution of exports by manufactures in branches of industry which have a high domestic value added. This second option assumes that the project for building a paper pulp factory using eucalyptus (20,000 hectares) will be revived. The project is to be re-evaluated between now and 1987, basically in respect of its scale (which is likely to be reduced as a result of the feasibility studies carried out during the First Five-Year Plan).

These intersectoral alternatives are accompanied by economic policy measures concerning the development of the industrial sector. The general guidelines of the Third Extraordinary Congress of the Congolese Labour Party (1981) are re-stated,<sup>1/</sup> particularly those relating to priority development of the State sector. Freedom of enterprise and private initiative are recognized, indeed encouraged (cf. Appendix B). The role of the public sector seems to have been reassessed in favour of the private sector, including foreign management and its participation in industrial investment. There is a special emphasis on the development of small and medium enterprises (SMEs) set

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<sup>1/</sup> The guidelines set out by the III Extraordinary Congress of the PCT (Congolese Labour Party) (March 1979) divide economic activity into three sectors: the State sector, whose development is a matter of priority, should enjoy an operating monopoly in the energy, credit, banking, insurance and internal transport sectors; then comes the domestic private sector; and finally, "foreign private capital". These guidelines provide that the private sector as a whole should "function in harmony with the State sector and not as an instrument for its destruction".

up by Congolese nationals. The promotion of such enterprises has been the task of the Ministry of Small and Medium Enterprises since 1985. Its aim is to give national SMEs preference in public markets, to limit administrative procedures, and to assist these enterprises in marketing their output and in obtaining supplies of inputs. Consideration is currently being given to development aid for this category of enterprise in the form of a decentralized structure project (at regional level). Such structures will in time make it possible to encourage a grouping together of SMEs and provide them with the engineering services they need.

As far as guidelines concerning the development of the private sector controlled by foreign enterprises are concerned, the importance attached to this sector in manufacturing policy has yet to be officially defined. However there are indications that "the association of domestic private enterprise with foreign private enterprise may be authorized".

The uncertainty surrounding the petroleum market and the financial difficulties of Congo have led to a delay in the preparation of the Second Five-Year Plan envisaged for the period 1987-91. In all likelihood the Plan - whose main contours were not yet visible in mid-1986 - may be delayed. The priorities set by the Government, in consultation with the IMF and the World Bank in regard to financial readjustment in the short term will probably modify the general policy options defined at the end of 1985 and at the beginning of 1986.

A similar delay may occur in the industrial programme for 1987-91. Many investment projects, which were elaborated during 1984-85 and which were scheduled for implementation in 1987-91 have already been abandoned, including inter alia:

- a project for a foundry - moulding factory at Mossendjo for the fabrication of spare parts for agricultural equipment;
- a wood industry project at Mossendjo;
- 9 regional projects for pre-fabrication of concrete elements with a capacity of 3,000 tonnes;
- 9 projects for carpentry - door frames, joinery - with a total capacity of 5,400 m<sup>3</sup> per year;
- a project for fabrication of semi-mobile wooden dwellings.

Other investment projects are maintained, although for some of them their implementation is provisionally suspended including inter alia:

- the Congobrik project at Yaka-Yaka with a capacity of 2.7 million bricks per year;
- the CICO project for the establishment of a cement factory;
- the project for production of matches by BETOU (FALCO) is conditioned upon the rehabilitation of the Falco enterprise;
- a project for retreading of tyres;
- a project for production of iron concrete at Loubomo by the FERCO enterprise with a capacity of 12,000 tonnes per year. The pessimistic conclusions of a feasibility study seem to constrain the implementation of the project.

A number of these projects have been suspended primarily because they were over-dimensioned. The difficulties encountered by Congo in finding external partners for "joint ventures" seem to be based upon the postponement of major projects in the wood industry. The periodic revision in the pulp and paper project, which was expected to constitute Congolese "post-petroleum" industry, and the suspension of the wood industry project at Mossendjo are characteristic examples.

### 3.3 Institutional framework for industrial development

In Congo, the distribution of authority among the technical ministries does not necessarily correspond to the sectoral division of control over the manufacturing sector. In industry, administrative responsibility depends on the type of activity: agro-food industries are dependent on the Ministry of Agriculture and Stockbreeding; the miscellaneous petroleum products industries (basically the refinery) are under the authority of the Ministry of Mining and Energy; finally, manufacturing industries depend on the Ministry of Industry and Fisheries. Co-ordination is provided by the Ministry of Planning, whose main task is to lay down the broad outlines of industrial policy. Since August 1984, the supervision of industrial activities as a whole by the Ministry of Industry has been on the increase but has not yet been wholly achieved. The guidelines in the second Five-Year Plan envisage, however, that responsibility for designing, preparing, co-ordinating and

ensuring the implementation of national industrial policy shall lie with the Ministry of Industry. For this purpose, this Ministry has three administrative structures:

- The General Secretariat for Industry, responsible for the conception of industrial policy;
- The Directorate for Research and Planning, responsible for drafting long-term plans for developing the industrial sector;
- The Directorate for Control and Guidance, responsible for carrying out the Plan and for its implementation in public enterprises.

In addition to these central administrative structures, there are public bodies responsible for providing technical assistance to manufacturing enterprises.

The Engineering and Industrial Maintenance Company (SIMI) carries out engineering studies for projects involving simple technologies (brick-works, tile-works, timber and carpentry workshops, etc.). These projects are to be extended throughout the country. SIMI was established in 1983 as a mixed economy company linking the interests of the Congolese Government (48 per cent) with two foreign companies (one French with 8 per cent shareholding and the other Spanish with 43 per cent). The objectives of SIMI are:

- to carry out economic and commercial studies, technico-economic research, process and design research;
- to carry out project feasibility studies;
- to control and monitor work on site and guide the implementation of projects;
- to direct and assist enterprise or project managers in the management of their factories;
- to develop preventive and curative maintenance programmes; and
- to provide training in the maintenance area.

SIMI has a permanent staff of 11 persons assisted by 3 foreign consultants. The equipment grant allocated by the Congolese State is about CFAF 90 million.

The Office for the Development of Small and Medium Enterprises (ODPME) (formerly The Office of Industrial Development (ODI)) promotes and contributes to the development of small and medium industry and artisanal manufacture. In particular, the specific objectives of ODI are:

- to provide technical and financial assistance to manufacturing units coming within its terms of reference;
- to provide technological support to this sector;
- to contribute direct or indirect financing of certain types of investment; and
- to compile a register of foreign economic partners in order to encourage the promotion of activities involving technological and organizational innovations.

ODI has a staff of seventeen. Its initial budget under the Five-Year Plan (1982-86) was CFAF 1,300 million (its own operating and investment budget) with the addition of CFAF 1 billion for the industrial and artisanal development fund. The credits actually allocated to ODI were CFAF 100 million in 1982 and CFAF 29 million in 1984. In 1985, ODI was placed under the aegis of the Ministry of Small and Medium Enterprises, and changed its name to the Office for the Development of Small and Medium Enterprises (ODPME).

The Centre for Investment Project Expertise (Centre d'Expertise des Projets d'Investissement - CEPI) is a new body which co-operates with the United Nations. It comes under the supervision of the Ministry of Planning, and its main responsibility is to carry out economic research including feasibility studies, market research and project evaluation.

The SMI department of the Congo National Development Bank (Banque Nationale de Développement du Congo - BNDC) has particular responsibility for providing financial assistance to small-scale industrial projects. Finance is provided either using the BNDC's own funds or through a credit line. Since its establishment in 1979, 19 projects have been financed by African Development Bank (ADB) credit line representing a total of CFAF 1,400 million. The total amount of credits granted to entrepreneurs may be up to 75 per cent of the total investment; equity should never be less than 25 per cent of that total.

The Office of Technical, Economic and Commercial Information (Bureau d'Informations Techniques Economiques et Commerciales - BITEC) was founded in 1983. BITEC, which is an agency of the Congolese Foreign Trade Centre (Centre Congolais du Commerce Extérieur - CCCE) is located in Paris. Its objectives are:

- to provide Congolese businessmen with the information they need to carry on their activities (prices, manufacturing standards, information on import-export cycles etc.);
- to act as a link between Congolese and foreign businessmen; and
- to promote Congolese products in foreign markets.

#### 4. RESOURCES FOR INDUSTRIAL DEVELOPMENT

##### 4.1 Human resources

Taking into account the distortion of the age pyramid at the 0-14 year age level, representing between 45 and 50 per cent of the total population of around 1.9 million, the economically active population (15-59 years) can be estimated at 570,000 persons or 40 per cent of the total population. This overall figure requires analyses by sex, age group and place of residence of the population (main towns, secondary centres, rural):

- According to a survey carried out by CRETH-Urbanor in 1981,<sup>1/</sup> 25.22 per cent of the total urban population is less than 7 years old; 39.91 per cent are attending school; 17.88 per cent are non-active adults (over 65 years). In total, the proportion of active population in total urban population is not more than 16.99 per cent;
- The gross activity ratio<sup>2/</sup> for women is low: it ranges from 17.9 per cent at Brazzaville to 10.8 per cent at Pointe-Noire;
- Allowing for the very high rates of school attendance in Congo,<sup>3/</sup> the activity ratios for age groups 15-19 years probably do not exceed 20 per cent and those for the 20-24 years age group 75 per cent (56.4 per cent in secondary centres).

The proportion of the active population employed in agriculture can be estimated at 35-40 per cent. This ratio is particularly low; the average for sub-Saharan Africa is in the region of 71 per cent. It is due to the high level of urban population which accounts for more than 50 per cent of the total population of Congo. The economically active population employed in

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<sup>1/</sup> CRETH-Urbanor: Etudes Socio-Urbaines. Ministry of Public Works, Brazzaville, October 1981.

<sup>2/</sup> The gross activity ratio is defined as the ratio of the number of active persons in employment to the total active population (15-59 years) multiplied by 100.

<sup>3/</sup> The number of pupils in primary school as a percentage of the relevant age group was 158 per cent in 1978 (compared with an average of 63 per cent for sub-Saharan Africa) and the number enrolled in secondary school as a percentage of the relevant age group was 69 per cent (compared with an average of 13 per cent for sub-Saharan Africa).

industry in the broadest sense (including mining, petroleum, construction and energy supply) represents 26 per cent of the total active population; finally, employment in sales and non-sales services is 39 per cent.

Since the 1960s, education has occupied a central position in the economic and social development of Congo. The country today has one of the highest levels of school attendance in sub-Saharan Africa. School attendance at the first level of general studies has been almost complete since 1970: the rate of school attendance for the 6-11 age group is about 98 per cent. Regional disparities in the rate of primary school attendance are very minor and attendance is never less than 85 per cent (the average for secondary urban centres being 91.9 per cent). During the 1970s, the number of secondary school pupils grew more rapidly than the number of primary pupils, rising from 9,265 (in 1964) to 127,210 in 1978. The increase in the number of pupils in the first cycle of secondary education was 19.4 per cent per year and 26.3 per cent per year in the second cycle, while in technical education the number of pupils rose by 8 per cent per year from 3,700 pupils (in 1965) to 10,900 in 1978. The number of students in higher education rose in the same period from 613 to 3,642.

This "education explosion" explains the high proportion of men over 15 years of age still in the educational system. In 1980, this rate was 41.3 per cent at Brazzaville, 38.8 per cent at Pointe-Noire and 37.2 per cent in secondary urban centres. On average, almost 40 per cent of the active population is undergoing education.

If these trends continue, the number of pupils registered in the education system would be in the region of 650,000 in 1986 (compared with 515,000 in 1977/78). In view of the very high level of school attendance in the past, the rate of growth of the number of pupils in the first stage of the first cycle may be slightly higher than the rates of demographic growth. The number of pupils in the first stage can be estimated at 430,000, and in the second stage 160,000. Secondary education is registering the effects of the earlier growth in basic education. Based on trends in previous years, there would be about 40,000 pupils in 1986 and, considering the failure rate in the baccalauréat, some 6,000 school leavers without this diploma. Finally, it can be estimated that 12,000 students will emerge from higher education, of which some 9,000 will not have a final degree (Table 20).



Table 20. Trends in school attendance by level of education, 1977/78-1985/86

Level of education	1977/78		1985/86 <sup>a/</sup>	
	Pupils	Per cent	Pupils	Per cent
First stage primary	359 000	69.5	430 000	64.5
Second stage primary	119 000	23.1	160 000	24.0
General secondary	19 000	3.7	40 000	6.0
First stage technical	8 500	1.7	15 000	2.3
Second stage technical	4 000	0.8	8 000	1.2
Teacher training	900	0.2	1 200	0.2
Higher	5 450	1.0	12 000	1.8

Source: Ph. HUCON: Bilan-diagnostic de l'économie congolaise à la veille du premier plan quinquennal (Diagnostic balance sheet of the Congolese economy on the eve of the first five-year plan). CERED, Université Paris-X, 1983.

a/ Estimate.

The rapid growth in the number of school leavers (at secondary and higher levels) presents the problem of absorbing them into the production system (see Appendix Table A-9). As a result of very low employment growth in the private sector (which is estimated at about 1 per cent per year between 1980 and 1984), it was the public sector which absorbed the majority of school leavers. Employment in public administration, excluding the security forces and the army, thus grew at 29 per cent per year between 1980 and 1983, rising from 34,790 in 1982 to 44,801 in 1983. This inflation in the number of staff contributed to the marked increase in central Government operating expenditure. Between 1980 and 1984, wages paid by the Administration rose by 16.2 per cent per year from CFAF 36.9 billion in 1980 to CFAF 67.3 billion in 1984. At that time, the central Government wage bill was 40.6 per cent of its operating expenditure.

The State is by far the largest employer in Congo, accounting for 32 per cent of total employment, 45 per cent of urban employment and 70 per cent of

salariied employment. Employment in State enterprises grew by 8.5 per cent per year between 1980 and 1984.

#### 4.2 Agricultural resources

The position of agriculture in the Congolese economy continues to be extremely modest: although this sector, including stockbreeding and fishing, employs about 200,000 people (or almost 40 per cent of the total economically active population) it contributes less than 10 per cent of gross domestic product. The size of agricultural areas is limited: out of 34.2 million hectares, less than 230,000 are used for agriculture (less than 0.6 per cent of the area of the country).

About three-quarters of the land under cultivation is devoted to food crops. These include cassava (700,000 tons produced in 1983-84) and plantains (60,000 tons). Yields from food crops are low: 696 kg/ha for cereals (compared with an average of 856 kg/ha in sub-Saharan Africa), 857 kg/ha for rice (compared with 1,780), 4,107 kg/ha for cassava (compared with an average of 7,373 kg/ha for sub-Saharan Africa and 12,195 kg/ha for Zaire). A considerable part of this food production is destined for local consumption in rural areas, and the supply of urban centres (containing more than 50 per cent of the total population) depends to a large extent on food imports: food imports increased by a factor of 17.2 between 1960 and 1982 and the food dependence co-efficient<sup>1/</sup> rose from base 100 in 1960 to 151 in 1980.

Many difficulties have been experienced in the development of industrial crops. Sugar production, in the region of 100,000 tons in the 'sixties, fell rapidly during the 'seventies to a level of about 12,000 tons in 1980 (representing 11.5 per cent of the capacity of sugar refineries in operation). Despite the rise in production between 1980 and 1984 (from 12,300 tons to 30,900 tons, or an annual growth rate of some 38 per cent), this represents scarcely more than 30 per cent of the level reached in the 'sixties. The financial difficulties of the State company SUCO are a hindrance to the implementation of the five-year plan for sugar. The planned

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<sup>1/</sup> The food dependence coefficient is defined as the sum of imports and food production in relation to food production and multiplied by 100.

production target for 1986 was 750,000 tons of raw sugar corresponding to sugar cane production of some 750,000 tons and the cultivation of 14,000 to 15,000 hectares. The production of palm cake and palm oil registered a markedly similar decline to that of sugar production. In 1980, palm oil production (1,925 tons) was less than 40 per cent of the level recorded in the 'sixties. Since 1970, production has fallen at an average rate of -5.3 per cent per year.

Table 21. Trends in agricultural production, 1970-84  
(in thousands of tons)

Crop	1970	1972	1974	1976	1978	1980	1981	1982	1983	1984
<u>FOOD CROPS</u>										
Cassava	461	489	515	556	580	580	628	650	672	696
Plantains	29	32	33	34	35	38	62	57	60	.
Maize	.	.	.	0.2	5.9	3.3	3.6	3.6	2.6	2.8
Rice	2.6	3.4	2.1	1.9	0.6	0.9	1.0	1.2	1.1	0.5
<u>INDUSTRIAL CROPS</u>										
Coffee	1.5	1.1	1.3	2.3	4.9	2.5	2.5	1.8	2.2	2.5
Cocoa	1.3	2.1	2.4	2.3	2.2	2.3	2.0	2.2	1.5	1.7
Sugar cane	667	246	341 <sup>a/</sup>	.	.	12.3	15.7	20.4	22.6	30.9
Tobacco	0.7	0.6	1.1	1.0	0.4	0.4	0.4	0.4	0.1	0.3

Sources: 1970-1978: Statistical Yearbook 1978, CNSEE 1980;  
1980-1984: Ministry of Agriculture and Stockbreeding.

<sup>a/</sup> Data valid for 1973.

Cocoa and coffee have developed more favourably. After the record harvest year registered in 1977 (coffee: 5,184 tons; cocoa: 3,021 tons) production has stabilized since 1980 around 1,500-2,000 tons for cocoa and 2,500 tons for coffee. The sustained level of production for these two export crops can partly be explained by the increase in the purchase price to producers which rose by 18 per cent (for cocoa) and 23 per cent (for coffee)

between 1980 and 1984, while the price of other crops did not change. Generally speaking, the increase in the price to producers was lower than the increase in prices to the consumer (which rose by 60 per cent between 1980 and 1985).

### Forestry

Forestry, which was the leading export sector until the 1970s, has seen a decline in its importance in favour of petroleum. This relative decline (forestry contributed no more than 1.3 per cent of GDP in 1981 and 1.8 per cent in 1984) was accompanied by an absolute decline in the production of rough timber between 1970 (802,000 cubic metres) and in 1975 (321,000 cubic metres). The revival in the timber industry really began to take off after 1979 (478,000 cubic metres) and reached nearly 590,000 cubic metres in 1984. The supply of rough timber to local mills producing sawn timber, veneers and plywood has followed this trend (Table 22).

Table 22. Trends in the production and utilization of rough timber, 1970-84  
(in thousands of cubic metres)

	1970	1975	1980	1981	1982	1983	1984
Production	802	321	603	527	517	514	588
Delivery to local factories	210	193	279	205	202	188	250
Exports	592	128	324	322	315	326	338

Source: Directorate of Waterways and Forests.

The continuation of this rising trend depends not only on the management of the forest heritage (reafforestation and maintenance of the forest) but also the success of the geographical networking programme included in the Five-Year Plan (1982-86). The re-routing of the CFCO (Congo-Ocean Railway) and improvement of the navigable waterways could contribute to better methods of transporting rough timber and reduce the time taken. A regular supply of electricity to the wood products industries would permit an increase in value added in this branch.

In addition to exploitation of the natural forest (20 million hectares of which 13 million hectares can be exploited commercially) there are now 20,000 hectares of eucalyptus plantations. This artificial forest is the basis of a vast project for the production of paper pulp (290,000 tons per year). However, due to difficulties encountered in financing the project, its scale has been reduced and its effective implementation postponed. The eucalyptus are currently marketed internationally as logs.

#### 4.3 Mining and energy resources

##### Mining resources

Congo has important deposits of metal ores (zinc, lead, copper, tin, iron, silver, titanium, tungsten, gold, etc.), rare metal ores (ilmenite), non metallic substances (potash, silica, cement limestone, phosphates) and precious stones (corundum, diamonds). However, only lead and zinc are currently being exploited on an industrial scale.

Production of lead and zinc has been very irregular since the 'sixties due both to variations in the prices of these minerals on the world market and to changes in the exploitation agreements granted by Congolese authorities. On average, since the 'sixties, the production of lead and zinc ores has ranged from 2,000 to 20,000 tons. Reserves are estimated at around 1.5 million tons (25 years of exploitation). A processing plant at Mfouati has a theoretical capacity of 70,000 tons per year.

##### Energy resources

Congo has considerable energy potential: not only is it a petroleum producer, but it also possesses a number of sites which are used or can be used for the production of hydro-electric power.

Petroleum production is concentrated on off-shore deposits at Pointe-Indienne off Pointe-Noire. Since 1971 production has grown rapidly from a little over 100,000 barrels per year in 1971 to 42.3 million barrels in 1984 (Table 23); it almost doubled between 1980 (22.9 million barrels) and 1984. There are currently 26 drilling platforms in position and 114 wells

Table 23. Trends in the production and consumption of energy, 1974-84

	1974	1976	1978	1980	1981	1982	1983	1984
Crude petroleum Millions of barrels/year	17.1	14.0	17.0	22.9	28.9	32.3	38.0	42.3
National consumption of refined petroleum products (thousands of tons/year)	206.1	251.8	241.3	251.7	259.8	293.2	280.5	273.1
Production of electric energy (millions of kW/h) comprising:	96.6	113.0	54.9	154.6	158.7	200.2	232.5	252.6
- hydro-electricity	54.1	62.0	54.8	100.0	103.2	175.7	230.6	250.8
- thermo-electricity	44.5	51.0	0.1	54.5	54.8	24.5	1.9	1.8
Imports of electricity (millions of kW/h)	.	.	.	6.8	19.3	26.1	57.0	80.5

Source: Ministry of Mining and Energy, Directorate of Energy.

drilled. Storage capacity at the Djèno oil terminal is about 370,000 cubic metres. ELF-Congo a subsidiary of the French Company ELF-Aquitaine, and AGIP Recherches Congo are the main operators in exploration and exploitation.

National consumption of petroleum products rose from 260,000 tons in 1974 to 273,000 tons in 1984. During this period, the volume of demand varied markedly (+10 per cent between 1974 and 1976; -2 per cent between 1976 and 1978). Recently, after growing at an average of 8 per cent per year between 1980 and 1982, consumption fell by 3 per cent per year between 1983 and 1984, thus reflecting the slow-down in national economic activity.

Trade in petroleum products within the country is the monopoly of a State company Hydrocongo. Until 1983, all refined petroleum products were imported. From that date onwards, the installation of a refinery at Pointe-Noire (CORAF) led progressively to the full satisfaction of final demand using national resources: in 1983, 38.5 per cent of the kerosene, 70.7 per cent of the petrol and 34 per cent of the diesel fuel consumed in Congo were refined by CORAF. Prices of petroleum products, after remaining stable for a long time (in particular there was no change of prices at the

pumps between April 1980 and January 1983) increased (depending on product) from 12 per cent to 43 per cent in January 1983 and 18 per cent to 33 per cent in May 1984. This price increase allowed CORAF to cease producing at a loss and to achieve a profit of around 0.9 billion CFA francs in 1984. Current prices are sufficient to cover total average costs.

The fact that the project for a hydro-electric barrage in the Sounda Gorge (planned in the 'sixties) was never carried through certainly contributed to the slow-down in Congo's industrial development.<sup>1/</sup> The country currently has two hydro power stations (the Djouè station at Brazzaville which came into service in 1958 and the station at Bouenza commissioned in 1979) and four thermal power stations (Brazzaville 1938, Pointe-Noire 1935, Loubomo 1954 and Nkayi). Adding to these the 9 or 10 micro stations established in rural areas, installed electric power can be estimated at 120 MW. However, the age and obsolescence of part of the equipment and the grid mean that scarcely more than 65 MW of usable power can be guaranteed. Of this total production, energy from thermal sources, which was still 35 per cent of the total in 1980, accounted for scarcely 1 per cent in 1984.

Between 1967 and 1980, demand for electric power grew at an average rate of 8.24 per cent per year with differences in the rates of growth depending on the type of electric current distributed: low tension grew much more slowly (+7.27 per cent) than high tension (+13.17 per cent per year). Since 1980 production has increased rapidly (in the region of 13 per cent per year between 1980 and 1984). Demand has however exceeded national supply with a growth of 20 per cent per year. The Congolese energy gap has therefore been filled by imports of electric power from Zaire (which has a significant generation over-capacity). In total, domestic Congolese production covered about 76 per cent of needs in 1984.

#### 4.4 Financial resources

The level of gross domestic saving in Congo is closely linked to the level of petroleum resources. The oil boom in 1973/74 was accompanied by a

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<sup>1/</sup> This project envisaged the production of around 7 billion kilowatt hours. The barrage would have had direct and indirect linkage effects on the wood products industries and the extractive industries.

sharp rise in gross domestic saving from a negative saving of CFAF -4.8 million in 1972 to CFAF +22.9 billion in 1974. The second steep rise in oil production and prices in 1978/79 produced very similar effects: between 1978 and 1980, gross domestic saving rose by an annual average of 45.3 per cent from CFAF 4.2 billion in 1978 to CFAF 128.5 billion in 1980. At the same time, the average propensity to consume fell from 61.7 per cent (in 1978) to 41.03 per cent in 1980. Since 1980, the gross rate of savings has levelled off at an average of around 36.7 per cent with a low of 30 per cent in 1981 and a high of 48.6 per cent in 1982 (see Appendix Table A-10).

The level of gross domestic savings, particularly since the second oil shock, appears in total sufficient to finance gross fixed capital formation: growth in total investment (rising from 21.2 per cent of GDP in 1978 to 60.2 per cent in 1982) was accompanied by an increase in gross domestic saving, the latter, expressed as a percentage of total investment, rising from 9.7 per cent in 1978 to 99.6 per cent in 1980 and 122.1 per cent in 1984. However, if net factor income is included in this gross domestic saving, gross national saving proves to be vastly inadequate to finance total investment: 1980 to 1984, gross national saving settled at an average of around CFAF 7.5 billion; but this average itself concealed wide fluctuations in the indicator.

Bearing in mind the importance of factor income paid externally, the financing of the public current account deficit has mainly been achieved since 1980 by foreign borrowings (the latter contributing 10.5 per cent to financing of the public deficit in 1980, 62 per cent in 1982 and 125 per cent in 1983). The level of net external financing, expressed as a percentage of total fiscal resources, has shown a constant decline since 1974 from 44 per cent in that year to 26.5 per cent in 1980 and from 13.2 per cent in 1983 to less than 0.9 per cent in 1984.

The addition to the IMF stand-by arrangement covering SDR 22.40 million external co-operation in the form of capital assistance to Congo amounted to \$141.3 million in 1985. This represented an increase of 42 per cent in relation to 1984. During 1985 around \$3.787 million at 26 per cent was channelled to industry, mainly from bilateral sources (France/EEC). Annex Tables A-11 and A-12 provide further details on external capital assistance to Congo during 1985.



#### 4.5 Manufacturing prospects and the role of technical co-operation

Prospects for industrial development in Congo are uncertain due to fluctuations in the oil market. The accumulated deficits on public finance and balance of payments have induced the Government to implement a Structural Adjustment Programme in collaboration with the IMF and the World Bank, and to adopt policy changes that envisage the re-establishment of macro-economic and financial equilibrium and rehabilitation of public enterprises. The short- and medium-term development in the oil market would influence the efforts of this readjustment.

Two alternative scenarios are envisaged:

- i) The current depression in the oil market will be of short duration and the price per barrel of oil will rise until the end of 1986 or early 1987 to around \$15-20 (a price considered realistic by many international observers). The growth in oil resources will have a positive impact upon financial readjustment. In the medium-term, if the general objectives of the Plan are not modified, the maintenance of the programme of de-localizing growth poles and strengthening spatial linkages will induce a fresh impetus to the buildings and public works sector which would positively affect the network of construction and building material industries. In the short-term the revival of oil activities could have multiplier effects on the metal-mechanical branch, which is directly linked to oil (Pointe-Noire). In turn this revival would make it possible to implement investment projects in the field of import substitution linked to the growth in final, mainly urban, demand.
- ii) In contrast, continued depression in the oil industry would bring the price of oil down to \$5-10 per barrel. This oil crisis would reinforce the difficulties in implementing the structural adjustment programme and could influence the political and social stability of Congo. If this crisis continues, it would be necessary to promote export substitution projects and reinvigorate the pulp and paper project. The development of wood processing industries would have upstream effects upon the forestry sector.

Irrespective of future economic trends certain problems would remain and constitute a major constraint to industrial development in Congo. These problems are:

- The weakness of the domestic demand of 1.8 million inhabitants which, however, could have been counterbalanced by exploiting effective demand linked to the oil income. However, the decline in oil price has limited this effective demand; in all likelihood the final household consumption will stagnate between 1985 and 1987. At the same time Congolese exports of industrial products towards countries of the Central African Customs Union (UDEAC) and Zaire have continued to decline.
- The problem of competitiveness of Congolese industry in the light of international competition constitutes an obstacle to development of import-substitution projects. The protection of the domestic market - already utilized by the Congolese authorities for developing projects in the field of cement and flour-milling - has already heavily penalized the Congolese economy. The renewal of these protectionistic measures seem difficult because they counteract the main provisions of IMF structural adjustment loans.

In the light of the preceding analyses it is possible to visualize that priority would need to be given to policy analyses of medium- and long-term prospects for industrial development. In addition to focussing on macro-economic and financial aspects of alternative scenarios, these analytical studies could be sector-oriented and survey and evaluate the development projects. The delay in the formulation of the second Five-Year Plan could partly be tied to the absence of such macro-economic and sector projections. In contrast to a number of other countries, notably in West Africa, the Congolese Plan is not "a collection of projects without plans and without coherence" but "a plan without projects".<sup>1/</sup> These

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<sup>1/</sup> cf Ph. HUGON et O. SUDRIE: "Les crises de la planification africaine: diagnostic et propositions". Programme des Nations Unies pour le Développement (UNDP), Juillet 1986.

perspective analytical studies could also lead to surveying and evaluating export substitution projects within the international division of labour and the substitution of imports within the framework of economic integration in the Central African economic region.

Congo planned to invest around CFAF 30 billion before the end of 1986 on the rehabilitation of State enterprises and on the expansion of manufacturing activities. Some twenty new projects were also scheduled to be initiated by the end of 1986. The practical implementation of these projects seems to be at fault due to the current financial constraints. The domestic market itself is far too small to support the expansion of the manufacturing sector. Competition from neighbouring countries, particularly from Cameroon, seems to inhibit industrial expansion. Congo has been developing the same industries, e.g., textiles, paper-pulp, petroleum refining, etc., as its neighbours. Progress in the region's inland transportation is enhancing competition from Congo's neighbours.

There is evidently an urgent need to promote justifiable agriculturally-based industries. Renewed efforts could be called for with the prime objective of seizing the opportunities stemming from the improvement in the overseas market, particularly in a large market within the Central African Customs Union. The development of forest products may afford some opportunities if transport constraints within the country could be overcome.

In view of the uncertainties associated with the oil sector, judicious foreign investments are required to compensate for the drastic cut in industrial investment. Technical expertise is also required to reduce the country's current vulnerability to changes in the world petroleum prices and to expand the manufacturing sector within a framework of a more pragmatic approach.

External co-operation can play an important role in fostering economic stability and growth of the Congolese economy. In the field of technical assistance Congo received multilateral and bilateral assistance equivalent to

\$38.8 million in 1985, representing a reduction of around 23 per cent compared with \$47.7 million in 1984.<sup>1/</sup>

Bilateral assistance is the main source of technical assistance accounting for 86.7 per cent of the total. During 1985 bilateral assistance was essentially provided by France (76.5 per cent), USA (12.37 per cent), Federal Republic of Germany (4.65 per cent) and Italy (4.20 per cent). In addition substantial bilateral assistance was provided by Centrally Planned Economies of Eastern Europe and China.

Multilateral technical assistance accounted for 13.3 per cent of total assistance in 1985 reflecting a decline of 31 per cent in comparison with 1984. This reduction in multilateral assistance was mainly due to the decline in assistance provided by the European Development Fund. The UN system contributed technical assistance equivalent to \$4.7 million in 1985 corresponding to 12.3 per cent of total technical assistance to Congo in that year (see Table A-13).

The main sectors benefitting from multilateral and bilateral technical assistance were agriculture (22.58 per cent), health (14.85 per cent), education (14.80 per cent), transport and communication (13.96 per cent) and employment (12.70 per cent). Assistance to the industrial sector was limited to around \$520,000 or 1.33 per cent of the total technical assistance to Congo. Of this amount France provided \$296,000 while UNDP/UNIDO/ILO rendered assistance equivalent to \$222,000. Tables A-13 and A-14 provide details of multilateral and bilateral technical assistance projects to the industrial sector by UNDP/UNIDO, UNDP/ILO, and France. Further details of completed and ongoing technical assistance programme of UNIDO are provided in Appendix D.

UNDP maintained the overall level of its programme due to substantial government cost-sharing contributions which amounted to \$7.7 million for the period 1982-85. Although the bulk of UNDP assistance, around 60 per cent,

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<sup>1/</sup> Rapport sur la Coopération pour le Développement en République populaire de Congo, 1985, Programme des Nations Unies pour le Développement, Brazzaville, août/septembre 1986.

has been devoted to the agricultural sector (sugar projects, coffee and cocoa extension, food crops extension, rural fish culture, forestry development, etc.), technical assistance provided by UNDP to the management of public enterprises, small- and medium-scale enterprises and to industrial project appraisal merits mention. UNIDO assisted in the completion of a UNDP-financed project for approval of industrial projects in the Ministry of Planning and in the preparation of a follow-up project in this area as well as in industrial planning. The latter started in November 1985 with a budget of \$774,600.

In the light of the preceding analyses the main contours of priorities for multilateral bilateral assistance to the manufacturing sector in Congo would appear to include:

- policy analyses of medium- and long-term prospects for industrial development, and identification of sub-sectoral development options and prospects;
- identification and evaluation of industrial development projects;
- assistance to small- and medium-scale industrial enterprises;
- improvement in the performance of public industrial enterprises;
- improved competitiveness of manufacturing production and enhanced capacity utilization;
- promotion of agricultural-based industries;
- development of forest-based industries;
- development of simple capital goods industries linked to agricultural processing activities;
- promotion of subregional specialization and co-operation in manufacturing within the framework of the Central African Customs and Economic Union.

The new pragmatic attitude of the Government in evaluating the performance of State enterprises in favour of private enterprises is expected to attract additional foreign investment and technical co-operation from multilateral and bilateral agencies.

Appendix A

Statistical Tables

Table A-1: Rate of growth of GDP by sector, 1980-85  
(at 1980 prices)

	1980	1981	1982	1983	1984	1985
Agriculture, stockbreeding and fisheries	6.6	-0.6	-16.4	1.7	2.7	0.0
Forestry	1.5	-10.4	-7.2	-1.6	33.3	...
Manufacturing and mining <sup>a/</sup>	15.8	17.2	15.0	0.0	-7.0	...
Petroleum	14.8	32.2	12.7	11.1	11.3	...
Public works	3.3	36.3	32.2	10.1	-2.7	...
Transport and communications	32.2	19.2	9.2	-6.3	6.8	...
Commerce and services	26.2	50.2	32.3	-3.8	-14.5	...
Non-trading services	5.7	8.0	-6.2	2.4	5.0	...
Import taxes	22.5	2.3	24.6	1.9	5.3	...
GDP	17.5	24.0	13.0	3.5	2.5	-3.0

Source: National Accounts, various issues.

a/ Excluding petroleum.

Table A-2: Indices of manufacturing production, 1982-85  
(First half of 1983 = 100)

Branch of manufacturing	1 half 82	2 half 82	1 half 83	2 half 83	1 half 84	2 half 84	1 half 85
Agro-food industries	102	120	100	120	121	136	117
- Bakeries	87	96	100	116	136	140	102
- Beverages and tobaccos	97	91	100	96	114	104	112
- Other AFI	180	525	100	427	203	544	125
Textiles	106	102	100	76	110	82	84
Wood products	101	122	100	125	122	134	103
Paper	109	102	100	97	96	61	56
Chemicals and petroleum products	93	104	100	83	85	105	98
Non-metallic minerals	76	89	100	83	23	-	15
Metalworking industries	128	122	100	129	96	87	70
Total manufacturing industry	98	101	100	86	89	81	80

Source: Ministry of Planning: Enquêtes semestrielles de conjoncture (half-yearly status surveys), various issues.



Table A-3. Trends in MVA, 1975-1985 (selected years)  
(in million CFA Franc)

Branch (ISIC)	1975	1978	1981	1982	1983	1984	1985 <sup>a/</sup>
Agro-food (311+313+314)	4,509	8,660	16,616	11,378	17,122	20,506	23,239
Textiles (321)	2,407	2,164	2,841	2,154	2,152	2,710	650
Wood products (331)	2,271	3,941	5,515	5,639	6,231	6,910	7,264
Paper-paperboard (341)	290	652	987	389	543	685	890
Chemicals (351+353)	-1,533	1,207	3,939	5,365	9,100	7,157	8,498
Non-metallic minerals (361)	1,261	378	177	-216	227	-535	1,290
Metal working industries (381)	1,289	2,357	4,269	6,203	5,066	4,205	3,599
Total (300)	10,494	19,359	34,344	30,912	40,441	41,638	45,430

Source: National Accounts, various issues.

<sup>a/</sup> Provisional figures, provisional national accounts 1985, April 1986.

Table A-4: Manufacturing production, valued added, imports and exports, 1975-84  
(millions of CFAF)

Branch of manufacturing	Production			Value added			Exports			Imports		
	1975	1981	1984	1975	1981	1984	1975	1981	1984	1975	1981	1984
Agro-food	26,146	56,383	51,901	4,509	16,616	20,506	3,821	300	5,970	10,701	36,473	56,572
Textiles	3,412	8,977	11,356	2,407	2,841	2,710	441	1,200	3,975	5,483	20,259	26,384
Wood products	3,421	13,436	18,438	2,271	5,515	6,910	530	9,591	11,386	430	1,437	4,775
Paper-paperboard	396	1,543	1,747	290	987	685	...	...	...	2,239	10,921	13,569
Chemicals	1,594	7,178	70,453	-1,553	3,939	7,157	4,005	...	24,700	14,729	53,428	50,766
Non-metallic minerals	1,443	2,333	382	1,261	177	-585	...	...	72	1,017	5,828	18,534
Metalworking industries	4,862	9,986	10,926	1,289	4,269	4,205	4,467	...	...	33,794	175,347	220,977

Source: National Accounts, various issues.

Table A-5. Investments in public sector manufacturing enterprises and level of implementation of the First Five-Year Plan, 1982-86  
(Millions of CFAF)

Branch of manufacturing	1982	1983	1984	1985 <sup>a/</sup>	Total	Level of implementation of 1982-86 Plan (per cent)
Agro-food industries	11.1	3.0	2.9	1.2	18.4	71
Consumer goods	2.1	1.3	0.5	0.4	4.5	24
Wood/paper	0.3	(.)	0.1	0.3	0.7	10
Building materials	7.5	7.1	8.0	0.9	23.7	30
Metalworking	-	0.4	0.1	0.2	0.7	7
Total	21.1	12.1	11.9	3.0	48.2	34

Source: Ministry of Industry and Small Enterprises, Exécution financière du premier plan quinquennal 1982-1986 (Financial implementation of First Five-Year Plan 1982-1986). Brazzaville, March 1986.

<sup>a/</sup> Implementation of the 1985 annual portion up to 30.10.85.

Table A-6. Matrix of technical coefficients in local products, 1984  
(percentage)

Products/Branches	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16
01 Agriculture, stockbreeding, fisheries	4.5	-	-	1.9	-	-	-	-	-	-	-	-	3.6	-	-	3.3
02 Forestry	-	3.4	-	-	-	27.8	-	-	-	-	-	-	-	-	-	-
03 Extractive industries	-	-	-	-	-	-	-	65.0	4.9	-	-	1.8	-	-	-	-
04 Agro-food industries	2.1	-	-	3.4	-	-	-	-	-	-	-	-	52.7	-	-	1.5
05 Textile industries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06 Wood industries	-	-	-	-	-	13.1	-	-	-	-	-	1.5	-	-	-	-
07 Paper-paperboard industries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
08 Chemical industries	1.7	12.0	1.1	6.1	18.6	6.0	-	4.9	12.1	-	5.8	7.7	-	11.3	-	2.1
09 Non-metallic mineral products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Metalworking industries	-	-	-	-	-	-	-	-	-	3.8	-	-	-	-	-	-
11 Electricity, water and gas	-	-	-	1.1	-	1.7	-	-	24.6	-	2.2	-	-	-	-	2.0
12 Construction	-	-	4.2	-	-	-	-	1.6	-	-	-	6.0	-	2.3	-	1.9
13 Restaurants and hotels	-	-	-	-	-	-	-	-	-	-	-	1.3	-	-	-	1.4
14 Transport and communication	-	-	-	-	-	-	-	-	12.3	-	1.5	4.4	1.5	1.3	2.5	4.5
15 Trading services	-	4.7	3.4	3.4	2.7	-	-	2.8	12.8	1.7	3.0	5.6	1.7	5.1	2.6	-
16 Non-trading service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Calculations based on National Accounts, 1984. See attached technical note.

Technical Note on Table A-6

The Technical coefficient  $x(i,j)$  expresses the ratio of consumption of intermediate goods (i) in the production of product (j). If  $CI(i,j)$  denotes intermediate consumption of product (i) in branch (j) and  $y(j)$  the actual production in branch (j) thus:

$$X(i,j) = CI(i,j)/y(j)$$

The national accounts compatibility system of the UN permits a distinction of the origins of the necessary inputs in the production (inputs produced locally as inputs). The matrix of technical coefficient presented in Table A-6 only measures the part of intermediate consumption produced in Congo to the total production of the branches.

In this matrix the branches producing the inputs are shown in the columns, while the products utilized as intermediate consumption by other branches are shown on the lines. (Thus a production of 100 in the textile industry - column 5 requires 18.6 of industrial chemical products - line 8).

The matrix of technical coefficients is an indication of the production structure of a country. This structure however is more articulated when the number of technical coefficients signifying zero or weakly positive is important. In the case of Congo the weak domestic economic integration limits the multiplier effects.

**Table A-7: Composition of intermediate consumption in branches of manufacturing by origin of inputs, 1984**  
(percentage)

<b>Branches of manufacturing</b>	<b>Local intermediate consumption</b>	<b>Imported intermediate consumption</b>
Agriculture, stockbreeding and fisheries	57.2	42.8
Forestry	64.9	35.1
Extractive industries	42.2	57.8
Agro-food industries	29.7	70.3
Textile industries	31.5	68.5
Wood industries	82.3	17.7
Paper-paperboard industries	9.7	90.3
Chemical industries	84.8	15.2
Non-metallic mineral products	78.7	21.3
Metalworking industries	12.6	87.4
Electricity, water and gas	48.6	51.4
Construction	54.3	45.7
Restaurants and hotels	87.7	12.3
Transport and communications	54.3	45.7
Trading services	40.5	59.5
Non-trading services	52.1	47.9

Source: Calculations based on National Accounts 1984.

Table A-8: Net activity ratios<sup>a/</sup> for the male population by age group, 1980  
(percentage)

Age groups	Brazzaville	Pointe-Noire	Secondary urban centres
15-19 years	18.53	10.84	13.25
20-24 years	35.79	78.33	56.40
25-29 years	84.59	91.31	86.20
30-34 years	89.27	92.07	93.71
35-39 years	90.59	88.79	95.14
40-44 years	92.14	90.59	96.35
45-49 years	87.97	87.90	93.35
50-54 years	75.20	70.12	83.19
55-60 years	55.36	67.36	63.07
TOTAL	70.17	82.96	84.65

Source: CRETH-Urbanor, Etudes socio-urbaines. Brazzaville 1981.

a/ The net activity ratio is defined as the ratio of actual employment in an age group to the total number available for employment in the age group considered.

Example: A: The total population in the age group considered  
B: The literate population  
D: The active working population

$$\text{net activity ratio} = \frac{D}{A - B} \times 100$$

Table A-9. Estimated training-employment balance sheet by level of education and branch, 1982-86

	Level of education									Total		
	Level I <sup>a/</sup>			Level II <sup>b/</sup>			Levels III & IV <sup>c/</sup>					
	Demand	Supply	Balance	Demand	Supply	Balance	Demand	Supply	Balance	Demand	Supply	Balance
Agriculture	1 867	294	<u>1 573*</u>	3 512	552	<u>2 960</u>	4 257	721	<u>3 536</u>	9 636	1 567	<u>8 069</u>
Mining and quarrying + electrical + construction	1 043	445	<u>598</u>	1 328	593	<u>735</u>	1 791	1 396	<u>395</u>	4 162	2 434	<u>1 728</u>
Manufacturing	241	131	<u>110</u>	212	643	431	1 681	3 065	1 384	2 134	3 839	1 705
Transport + commerce + hotels	172	229	57	94	739	645	22	1 390	1 368	288	2 358	2 070
Finance + economy + administration	1 386	1 846	460	1 983	2 523	540	649	-	<u>649</u>	4 018	4 369	351
Education and research	11 410	2 620	<u>8 790</u>	8 973	4 712	<u>4 261</u>	24	1 040	1 016	20 407	8 372	<u>12 035</u>
Medico-social	1 005	517	<u>488</u>	3 666	3 139	<u>527</u>	22	2 990	2 968	4 693	6 646	1 953
Labour + foreign affairs + culture + accounting	1 082	662	<u>420</u>	425	1 299	874	415	1 720	1 305	1 922	3 681	1 759
Total	18 206	6 744	<u>11 462</u>	20 193	14 200	<u>5 993</u>	8 861	12 322	3 461	47 260	33 266	<u>13 994</u>
Unskilled labour	-	-	-	-	17 554	17 554	4 302	88 315	84 013	4 302	105 869	101 567
Grand total	18 206	6 744	<u>11 462</u>	20 193	31 754	11 561	13 163	100 637	87 474	51 562	139 135	<u>87 573</u>

Source: B. Millot, Le syndrome du diplôme et le chômage des diplômés: Le cas de la République Populaire du Congo. (The degree syndrome and graduate unemployment in the People's Republic of the Congo.) BIT/PRCTA, April 1984.

a/ Level I: Higher Education.

b/ Level II: Secondary Education.

c/ Level III: Primary Education II.  
Level IV: Primary Education I.

\* Figures underlined represent negative balances.



Table A-10. Indicators of savings and investment, 1970-84

	1970	1972	1974	1976	1978	1980	1981	1982	1983	1984
Rates of gross domestic saving	-1.8	-3.4	16.7	-5.0	2.0	35.6	30.0	48.6	33.1	36.4
Rates of gross national saving	-4.4	-5.4	13.4	-11.2	-7.3	5.0	-9.7	11.8	-6.0	4.3
Net factor income as a percentage of gross domestic saving	71.4	54.8	-22.7	111.4	-421.4	-27.3	-129.7	-77.4	-116.8	-80.0
Gross domestic saving as a percentage of investment	-7.6	-14.6	72.2	-24.0	9.7	99.6	62.5	80.6	79.9	122.1
Propensity to consume	73.8	72.4	55.7	69.7	61.7	41.0	40.7	39.6	39.7	38.7
Total investments as a percentage of GDP	25.4	23.2	23.1	20.8	21.2	35.8	48.2	60.2	41.5	29.9

Sources: Calculations based on National Accounts and balance of payments, various issues.

Table A-11. Summary of external co-operation in capital assistance to Congo in 1985  
(in '000 US\$)

Sector	Assistance from UN system except UNDP <sup>a/</sup>	Multinational co-operation <sup>b/</sup> (Per cent)	Bilateral co-operation (Per cent)	Total (Per cent)				
03 Natural resources		19,485	24.3	19,485	13.8			
04 Agriculture, forestry, fishery		31,042	38.7	18,689	30.57	49,731	35.2	
05 Industry			9.1	0.01	3,778	6.35	3,787.1	2.6
06 Transportation and communication		14,769	18.5	27,000	44	41,769	29.6	
09 Housing				1,444	2.36	1,444	1.05	
10 Health			76.6	0.09	10,000	16.36	10,076.6	7.15
11 Education		14,765	18.4			14,765	10.45	
15 Culture				222.22	0.36	222.22	0.15	
Grand total		80,146.7	100	61,133.22	100	141,279.92	100	
Percentage of total			57		43		100	

Source: Programme des Nations Unies pour le Développement, Rapport sur la Coopération pour le Développement en République populaire du Congo, 1985, Brazzaville, août/septembre 1986.

a/ Normally the only organization concerned is the World Bank, for which, however, no figures are available for 1985.

b/ Bank of the Central African States (BDEAC), European Development Fund/EEC and African Development Bank.

Table A-12. Capital assistance to the industrial sector financed by external sources in 1985  
(in '000 US\$)

Project/activity	Source of investment	Public/private or mixed	Funds committed in 1985			Comments
			Loans/credits	Subsidies	Participation	
SUCO	France/CCCE <sup>a/</sup>	Public	1,111	323		Financing equipment components of sugar factory. Rate of interest: 5 per cent. Duration: 15 years of which 5 years deferred.
CAIEM Mantsoumba	France/CCCE <sup>a/</sup>	Public	2,667	869		Financing of a development programme for a State agro-industrial complex at Mantsoumba. Rate of interest: 4.5 per cent. Duration: 15 years of which 5 years deferred.
Subtotal			3,778			
Establishment of a sawmill	Budget of EEC	Public organization		9.1		Establishment of a mobile sawmill associated with a workshop for transformation of final products.
Subtotal				9.1		

Source: Programme des Nations Unies pour le Développement, Rapport sur la Coopération pour le Développement en République populaire du Congo, 1985, Brazzaville, août/septembre 1986.

<sup>a/</sup> Central Fund for Economic Cooperation (CCCE).

Table A-13. Summary of technical assistance to Congo in 1985  
(in '000 US\$)

Sector	UNDP		UN system other than UNDP <sup>a/</sup>		Bilateral co-operation		Other <sup>b/</sup>		Total	
		(Per cent)		(Per cent)		(Per cent)		(Per cent)		(Per cent)
01 Political affairs					1,556	4.6	200	47.73	1,756	4.55
02 Economic development	252	12.25			617.6	1.83	200	47.73	1,069.6	2.8
03 Natural resources					603.5	1.79			603.5	1.55
04 Agriculture, forestry and fishery	1,477	70.3	1,288	48.71	5,995.3	17.80			8,760.3	22.58
05 Industry	222	10.7			296.8	0.90			518.8	1.33
06 Transportation and communication	4	0.19	27.6	1	5,386.4	16			5,418	13.96
07 International trade					223	0.66	19	4.54	242	0.62
08 Population			311	11.76	16.4	0.03			327.4	0.84
09 Housing					50	0.15			50	0.12
10 Health			521.5	19.72	5,238.8	15.60			5,760.3	14.85
11 Education	30	1.45	232	8.77	5,479	16.27			5,741	14.80
12 Employment	27	1.3			4,902	14.56			4,929	12.70
13 Humanitarian aid			200	7.56	81.6	0.24			281.6	0.72
14 Social conditions	45	2.18	42	1.58					87	0.22
15 Culture			6	0.30	98.5	0.29			104.5	0.26
16 Science and technology			16	0.60	3,124.5	9.28			3,140.5	8.10
Grand total	2,057	100	2,644.1	100	33,669.4	100	419	100	38,789.5	100
Percentage of grand total		5.3		7		86.7		1		100

Source: Programme des Nations Unies pour le Développement, Rapport sur la Coopération pour le Développement en République populaire du Congo, 1985, Brazzaville, août/septembre 1986.

a/ The figures in this column comprise the IPF (Indicative Planning Figure) and Government counterpart contribution.

b/ The only organization concerned is the European Development Fund. There is therefore no separate summary table of the latter.

Table A-14. Projects and technical assistance activities to industry financed by external sources in 1985  
(in '000 US\$)

Project/activity	Source of assistance	Duration of project	Total commitment for duration of project	Annual expenditure in 1985 and/or programmed for the future	Nature of assistance
PRC/83/007 CEPI Study and evaluation of industrial investment projects.	UNDP/UNIDO	1985-1988	744.6	7.5	<ul style="list-style-type: none"> <li>* Strengthen the institutional capacity of CEPI by training and retraining of executives in the techniques of project evaluation.</li> <li>* Evaluate projects submitted by sectoral departments.</li> <li>* Harmonize the procedures and techniques for preparation and evaluation of projects between CEPI and the sectoral ministries.</li> </ul>
PRC/84/005 CENAGES III Management of public enterprises.	UNDP/ILO	1985-1988	1,261.5	228	<ul style="list-style-type: none"> <li>* Financing of 2 experts and 2 volunteers for controlling plan implementation in the mixed State enterprises.</li> <li>* Diagnostic report and corrective plan.</li> <li>* Training of national advisors.</li> </ul>
Subtotal				235.5	

Table A-14 (continued)

Project/activity	Source of assistance	Duration of project	Total commitment for duration of project	Annual expenditure in 1985 and/or programmed for the future	Nature of assistance
Industrial estate	France/FAC	Annual	154	154	4 technical assistants for mining, industry and tourism.
Industry and technology	France/FAC	Annual	111	111	Fellowships and training courses.
Mining, industry and energy	France/FAC	Annual	31.8	31.8	Consultant missions: * Continuous follow-up of the SME; * Technological support to small and medium enterprises.
Subtotal				296.8	

Source: Programme des Nations Unies pour le Développement, Rapport sur la Coopération pour le Développement en République populaire du Congo, 1985, Brazzaville, août/septembre 1986.

Table A-15. Technical co-operation projects to industry in preparation or subject to approval (Pipeline)  
(in '000 US\$)

<u>Project/activity</u>	<u>Source of assistance</u>	<u>Duration of project</u>	<u>Total commitment for duration of project</u>	<u>Annual expenditure in 1985 and/or programmed for the future</u>	<u>Nature of assistance</u>
PRC/83/007 Study and evaluation of industrial investment projects (CEPI)	UNDP/UNIDO	1985-1988	744.6		Strengthen the institutional capacity of CEPI by training and retraining of executives in the techniques of project evaluation.
PRC/84/006 Industrial planning	UNDP/UNIDO	1986-1987	240		Financing of services for a chief technical advisor in industrial planning and for consultants.

Source: Programme des Nations Unies pour le Développement, Rapport sur la Coopération pour le Développement en République populaire du Congo, 1985, Brazzaville, août/septembre 1986.

Appendix B

Investment Code<sup>1/</sup>

Any enterprise wishing to establish an activity or develop an existing activity in the People's Republic of the Congo may qualify for privileged treatment subject to approval on an individual basis (with the exception of commercial enterprises which can only be approved in the context of régime A1 (see below)).

Enterprises eligible to enjoy a privileged régime must belong to one of the following categories:

- Cash crop enterprises which include processing or treatment of the products;
- Stockbreeding enterprises which include installations for protecting the health of livestock;
- Manufacturing enterprises for the preparation or processing of products of vegetable or animal origin;
- Forestry, sawmills and wood products;
- Fisheries enterprises which include installation, or the conservation or processing of products;
- Factories for the manufacture and assembly of manufactured articles or objects;
- Enterprises carrying out mining activities including extraction, concentration or processing of mineral substances and related activities;

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<sup>1/</sup> Act No. 26/82 of 7 July 1982 relating to the Investment Code.



- Petroleum exploration enterprises;
- Energy production enterprises;
- Enterprises for the development of tourist regions and hotels and catering.

A "National Investment Commission", meeting twice a year, shall be responsible for examining applications for approval..

In examining the projects, the following criteria shall be applied:

- Size of investment;
- Participation in implementation of economic and social plans;
- Job creation and vocational training;
- Participation of nationals in capital structure;
- Utilization of technically wholly reliable equipment;
- Utilization of or priority for local materials and local products generally;
- Distribution of wage expenditure between Congolese and expatriate employees;
- Percentage of exports of products;
- Rate of domestic value added;
- Capital investment/employment created ratio;
- Location of jobs;
- Compliance with legislation and regulations relating to the environment.

There are three principal régimes: A, A1 and B.

- Régime A is the general régime applying to enterprises whose activity is confined to the territory of Congo and making an investment in excess of CFAF 100 million. It is granted for a period not exceeding 10 years.
- Régime A1 is the régime granted to entrepreneurs of Congolese nationality making an investment in excess of CFAF 10 million. It is granted for a period not exceeding 10 years.
- Régime B is reserved for enterprises of capital importance in the economic development of the People's Republic of the Congo and involving investments in excess of CFAF 2 billion. Its duration may not exceed 15 years.

Enterprises approved under régime A may be granted the following benefits:

- Application of an overall reduced rate of 5 per cent for import duties and taxes on material and equipment, machines and tools directly necessary for the manufacture and processing of the products;
- Total exemption from import taxes, single taxes and indirect taxes levied internally on raw materials, processing materials and, where relevant, electrical energy;
- Exemption from taxes on manufacturing and trading profits for the first five years;
- Exemption from licensing and land, mining or forestry dues for the first five years.

The fiscal advantages granted where appropriate to enterprises approved under régime A1 are comparable to those of régime A. In addition, for construction enterprises, they include a reduction of 50 per cent in the import duties on utility vehicles (the concession being for one vehicle per block of CFAF 40 million worth of material purchased).

Régime B involves a stabilization of the fiscal régime. During the applicable period (which may not exceed 15 years), the stabilized fiscal régime guarantees the beneficiary enterprise that there will be no increase in the direct or indirect taxation applicable to it at the date of approval. In addition, all or part of the fiscal or customs provisions under régime A may be extended to régime B, with the exception of turnover tax.

Appendix C

Main features of taxation of enterprises operating in Congo

Enterprises operating in the Congo are subject to the following taxes and duties:

- Tax on manufacturing and trading profits;
- Tax on investment income;
- Income taxes;
- Turnover tax;
- Land tax;
- Licensing payments.

Taxation payable on manufacturing and trading profits is the accounting net profit taxed at 49 per cent. Taxation is paid quarterly based on the tax levied for the previous year of account. The balance is payable not later than 30 April of the following year of account.

Taxation of investment income is a withholding at source of 22 per cent of dividend distributions and attendance tokens and 30 per cent of compulsory interest payments.

Income tax payable by the employer comprises income tax as such (5 per cent on gross individual remuneration and benefits in kind if not in excess of CFAF 1.5 million and 9 per cent above that) and training levy (1 per cent of wages).

Turnover tax depends on whether or not the enterprise is subject to the single tax régime:

- Enterprises which are so subject are liable to single tax at a variable rate depending on the product; the tax is collected and administered by the customs administration;

- Other enterprises are liable, in respect of every sale realized in the Congo to: (1) tax on domestic turnover for which the general rate is 9 per cent; (2) domestic tax on transactions at a general rate of 7.5 per cent. These taxes are subject to monthly returns and must be settled within the first ten days of the following month.

Every enterprise subject to corporation tax must each year purchase equipment bonds, to the value of 10 per cent of the net taxable profit, registered, unassignable, non-negotiable, carrying interest at a rate of 3.5 per cent per year. They may be reimbursed after 2 years if the enterprise effects a certain level of investment. Failing this, they are converted into long-term debentures.

Appendix D

UNIDO's completed and on-going technical co-operation projects

Backstopping  
Responsibility  
(Spec. Act. Code)

Project Number

Project Title

A. UNIDO's completed technical co-operation projects

IO/PLAN (00.0)	TS/PRC/71/001	Assistance in the identification and preparation of industrial projects
IO/PLAN (32.1.00)	DP/PRC/71/004	Regional industrial adviser
IO/PLAN (31.2.A)	DP/PRC/73/004	Industrial adviser
IO/INFR (31.4.00)	RP/PRC/74/002	Industrial extension services
IO/INFR (31.3.L)	DU/PRC/84/007	Assistance au développement des petites et moyennes entreprises
IO/INFR (31.3.L)	SI/PRC/82/801	Preliminary assistance to the Promotion Centre for Small- and Medium-Scale Industries (OPPMIC)
IO/FCTY (31.4.B)	TS/PRC/76/001	Assistance to state enterprises
IO/FCTY (31.4.E)	DU/PRC/79/001	Assistance au Centre national de gestion, CENAGES (Executing agency: ILO)
IO/FEAS (31.6.A)	DP/PRC/79/004	Assistance à la création d'un département d'étude des projets (Associated Agency: FAO)
IO/FEAS (31.6.A)	TF/PRC/81/001	Associate expert (multifund to DP/PRC/79/004)
IO/AGRO (30.6.02)	IS/PRC/71/801	Feasibility study for the establishment of an integrated agro-industrial pineapple processing combine
IO/AGRO (30.6.02)	RP/PRC/73/001	Food industries
IO/AGRO (31.7.A)	SI/PRC/83/801	Rehabilitation of the match factory 'Falco'
IO/AGRO (31.7.B)	IS/PRC/73/006	Textile technologist
IO/AGRO (31.7.C)	UC/PRC/78/060	Sugar industry development

**Backstopping  
Responsibility  
(Spec. Act. Code)**

<b>Project Number</b>	<b>Project Title</b>
IO/ENG (30.1.02) TS/PRC/73/002	Elaboration of projects concerning agricultural machines
IO/ENG (30.1.05) IS/COB/71/807	Repair and maintenance of transport equipment
IO/ENG (30.1.05) SI/PRC/71/807	Repair and maintenance of transport equipment
IO/CHEM (30.3.02) IS/PRC/71/805	Feasibility study for production of building materials and ceramics
IO/CHEM (30.4.01) IS/PRC/71/806	Technical and economic feasibility study on the extraction of sodium chloride and other contained chemicals from potash
IO/CHEM (32.1.B) SI/PRC/75/805	Art manufacturing and Congolese handicraft
IO/OD (32.4.C) DP/PRC/81/007	Préparation des plans directeurs des secteurs industriels prioritaires
CPE/REL (70.3.Z) RP/PRC/81/001	People's Republic of Congo: visit of Minister of Industry and Fisheries, accompanied by two high-level officials

**B. The approved and/or technical co-operation projects of UNIDO, 1986**

IO/INFR (31.3.L) DU/PRC/84/007*	Assistance to the development of small and medium industries
IO/TRNG (31.5.B) XP/PRC/86/104	Training in management
IO/FEAS (31.6.A) DP/PRC/83/007*	Bureau central d'expertise et d'évaluation des projets d'investissements (CEPI)

\* Large-scale project (= total allotment \$150,000 or above).

\*\* Total allotment \$1 million or above.

Appendix E

Leading industrial companies, 1985

The following are some of the largest private and state-owned companies in terms of capital investment or employment.

Nationalized Industries

Cimenterie Domaniale de Loutété (CIDOLOU): founded (f.) 1968; cap. CFAF 900m.; production of cement.

Société Congolaise de Pêches Maritimes (COPEMAR): f. 1981; cap. CFAF 860m.; processing of fish products.

Société Nationale de Distribution d'Eau (SNDE): water supply and sewerage; holds monopoly over wells and import of mineral water.

Société Nationale d'Elevage (SONEL): f. 1964; development of semi-intensive stock-rearing; exploitation of by-products in co-operation with SIA-CONGO; cap. CFAF 80m.

Société Nationale de Recherche et d'Exploitation Pétrolières (HYDRO-CONGO): f. 1973; research into and production of petroleum resources; has monopoly of distribution of petroleum products in the Congo; refinery at Pointe-Noire; cap. CFAF 710m.

Société des Textiles du Congo (SOTEXCO): f. 1966; operates cotton spinning mills, dyeing plants and weaving plants in Kinsoundi; cap. CFAF 1,700m.

Société Nationale d'Exploitation des Bois (SNEB): f. 1970; production of timber; merged with wood-processing firm SONATRAB 1983; cap. CFAF 2,017m.

Sucrerie du Congo: f. 1978; cap. CFAF 500m.; sugar production.

Other Companies

AGIP Recherches Congo: f. 1969; cap. CFAF 600m.; 20 per cent state-owned; production of petroleum in Loango Marine Field.

BATA SA Congolaise: f. 1965; cap. CFAF 250m.; production of shoes using plastic, rubber and leather; entreprise prioritaire.

Bernabe Congo: cap. CFAF 157.5m.; production of metal goods, ironmongery and building materials.

Brasserie de Brazzaville: f. 1968; cap. CFAF 450m.; production of beer and soft drinks; entreprise prioritaire.



Elf Congo: f. 1969; cap. CFAF 5,000m.; 25 per cent state-owned; production of petroleum from Emerald, Likouala, Yanga-Sendji and Loango fields.

Impressions de Textiles de la République Populaire du Congo (IMPRECO): f. 1973; cap. CFAF 720m.; 30 per cent state-owned; textile printing factory.

PLACONGO SA: f. 1965 as Société des Placages du Congo; cap. CFAF 2,325m.; rotary peeling of logs.

Société Congolaise des Bois (SOCOBOIS): f. 1964; cap. CFAF 400m.; timber mills; entreprise prioritaire.

Société Congolaise des Brasseries Kronenbourg (SCBK): f. 1963; cap. CFAF 1,450m.; production and sale of beer and soft drinks, fruit juices, soda, ice and carbon dioxide; entreprise prioritaire.

Société Industrielle et Agricole du Tabac Tropical (SIAT): f. 1945; cap. CFAF 1,000m.; mfrs of cigarettes; entreprise prioritaire.

Société Industrielle de Déroulage et de Tranchage (SIDETRA): f. 1966; cap. CFAF 950m.; 35 per cent state-owned; forestry, production of sawn wood and veneers, entreprise prioritaire.

Société Italo-Congolaise d'Armement et de Pêche (SICAPE): f. 1972; cap. CFAF 600m.; 51 per cent state-owned; fishing and processing of fish, refrigeration.

Société des Verreries du Congo (SOVERCO): cap. CFAF 500m.; manufacture of glassware.

Unité d'afforestation industrielle du Congo (UAIC): f. 1978; eucalyptus plantations to provide wood-pulp for export and for new pulp plant at Pointe-Noire.

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Source: Africa South of the Sahara, Europa Publications Ltd., 1986.

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