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**History of Monetary Anchor and
Exchange Rate Arrangements in Congo:
Economic Background and Empirical Evidence**

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Abstract

This paper provides an insight into the hectic history of monetary anchor and exchange rate arrangements set up since the late nineteenth century in the African territory known today as the Democratic Republic of the Congo. It starts by making reference to exchange rate arrangements that existed in the 16th century, between the Portuguese currencies and the *nzimbu*, *libongo*, and *mitako*, known as currencies of the ancient Kingdom of Congo discovered by the Portuguese in 1482, of which a large territory is integral part of the current Democratic Republic of the Congo. The paper analyses successively the key features of monetary regimes and exchange rate arrangements over three periods of the Congo's history, namely, the Congo Free State (*Etat Indépendant du Congo*) era (1885-1908), the time when the Congo was a Belgian colony (1908-1960), and the post-colonial epoch, starting from 1960 to the early 2000s. Attached to the paper is an appendix that presents in a comprehensive review of exchange rate arrangements in Congo over the period covered, with a particular focus on the post-colonial era in so far as the latter is characterised by a vast number of attempts of monetary adjustments and stabilisation programmes, implemented, for most of them, in unfavourable conditions and political environment.

Key words: chronic high inflation, currency substitution, dollarisation, exchange rate, hyperinflation, intervention currency, legal tender, monetary anchor, state budget deficit.

Early European Currencies in Congo prior to 1885

At the time when the whole of Black Africa previously known as Ethiopia, was called Guinea, divided into Upper and Lower Guinea, the King of Portugal took the title of *Dominus Guineae*, on the basis of the rights he claimed from his possession of these territories. The lands of Congo and Angola were part of Lower Guinea. When the

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Portuguese navigator Bartolomeu Diaz reached the Cape of Good Hope in 1488, King João II issued a commemorative coin engraved with the inscription ‘*Dominus Guineae*’. That same period witnessed the spread of *cruzados*, *justos* and *espadinus* in gold coins, and later, of *testaos*, *indios* and *reales* in silver coins as well as *reales preto* in copper coins, all over the Western African coast (*Banque du Congo Belge*, 1960). However, the first significant minting of Portuguese coins intended for circulation in Africa started in 1694 under the reign of Pedro II. These coins circulated along with the traditional means of exchange, such as the *nzimbu*, *lubongo*, *mitako*, salt and fabrics, which served as means of payment in the ancient Kingdom of Congo (Bontinck, 1987; Mambu, 2003).

One of the oldest sources available on the exchange rate of the *nzimbu* is a letter dated 20 October 1575, written by García Simões, a Jesuit priest, and published by the Portuguese Society of Lisbon (Dartevelle, 1953). In relation to the Portuguese currency at that time, namely the *reis*, the letter mentions an exchange rate of 10 *nzimbu* for 1*reis*.²

Table 1: Nzimbu unit of measure and rate of exchange (1782)

Unit	<i>Bondo</i>	<i>Lifucos</i>	<i>Funda</i>	<i>Nzimbu</i>	<i>Reis</i>	<i>Gold Franc</i>
Value	1	10	100	100,000	5,000	28.00
	-	1	10	10,000	500	2.80
	-	-	1	1,000	50	0.28

Source: based on Dartevelle (1953)

In his work devoted to the Kingdom of Congo, Cuvelier (1946) carried out a review of the variation of the exchange rate of the *nzimbu* from the start of the reign of Dom Alfonso (1516) to 1787. Table 2 contains a summary of this review.

² A translation of the Portuguese geographer Cordeiro Da Sousa (1883), from which the figures summarised in Table 1 have been extracted, is reproduced as follows:

“In an interesting manuscript dated 1782, *History of Angola*, written by Elias Alexandre Da Silva Correia, we find the second division of the *n’zimbu* and its equivalence in Portuguese currency: 1 *bondo* (obviously the *cofo*) 10 *lifucos* (*lufucos* in our text) 100 *fundas*, 100,000 *n’zimbu*, 5,000 *reis*. One *funda*, 1,000 *n’zimbu*, 50 *reis*. The *funda* is divisible in parts equivalent to 25, 20, 12½, 10 and 5 *reis*, this concerning the best *n’zimbu*.” (Dartevelle, 1953: 110). It emerges from this comment and from further investigation on the topic that the locals of the Kingdom of Congo used a decimal system to count the monetary shells, in which the *nzimbu* were grouped by tens, hundreds, thousands, etc. (Bontinck, 1987). One *bondo* was equivalent to one *cofo*, a name given to the small basket in which the *nzimbu* shells were placed on collection from the sea and Luanda Island beaches (Bontinck, 1987). The same source indicates that the normal weight of one *cofo* was approximately 30 kilos.

Table 2: Rate of Exchange *nzimbu*/Portuguese currency

Year	Value for one cofo of <i>nzimbu</i>		
	in cruzados	In reis	in gold franc
16th century			
1516	33	46,000	260
1553	50		
17th century			
1615	25	10,000	56
1646	5	2,000	11.2
1651	2.5	100	5.6
1692	2	800	0.3
18th century			
1787	2.5	1,000	5.6

Source: based on various sources cited by Cuvelier (1946)

A small mat woven out of raffia fibre, known as *libongo* was also used as currency in the South-western region of the Kingdom of Congo. Bontinck (1987) claims that local fabrics were the origin of the term *makuta*, meaning a bunch of four *libongo*. One *libongo* was worth 12.5 *reis*, the Portuguese currency of the time. One *makuta* (should be written *dikuta* or *likuta* for singular) was, therefore, worth 50 *reis*. However, as a result of the prestige attached to the coat of arms, the value of one *libongo* bearing the Portuguese coat of arms could amount to 50 *reis*.

By issuing coins to be sent to the West African coast, engraved with the Portuguese coat of arms and crown, the Portuguese King's goal was to introduce, under a local name referred to as *macuta*, an African unit of account defined on the basis of the same patterns as an European currency, with a fixed value equal to half the Portuguese *testao* or 50 *reis*, in replacement of a fluctuating traditional unit of account. The new unit was minted in copper coins subdivided into copper halves and quarters, while coins of 2, 4, 6, 8, 10 and 12 *macuta* were, later on, minted in silver (Mahieu, 1924).

At the Belgians' arrival in Congo in the late 19th century, the *macuta* was still in circulation. It ceased to be minted under the reign of King Louis I (1861-1889). However, the locals maintained the term *macuta* – most commonly spelled *makuta* – to name copper and nickel fractional currencies issued by the Congo Free State and, later on, the Belgian colonial authority (Mahieu, 1924). The same term *makuta* was adopted to name a hundredth fraction of the Zaire currency launched by the *Banque Nationale du Congo* in June 1967.

European trade in silver currencies with Africa and the East was fairly profitable, as can be seen from the considerable importance Austria gave to it in the 18th century, especially with the introduction into Africa of the Thaler known as the “Marie Therese Year 1780” (Mahieu, 1924). Although the Thaler was no longer legal tender in Austria after 1854, it continued to be minted and exported to Africa until the late 19th century. A Decree of 27 July 1887 issued by the Governor-General of the Congo Free State set at three francs the rate at which the Marie Therese Thaler could be exchanged at the State Treasury (*Revue Belge de Numismatique*, 1896, cited by Mahieu, 1924).

Exchange Rate Arrangements at the time of the Congo Free State (1885-1908)

On 27 July 1887 the Belgian King Leopold II, Sovereign of the Congo Free State³, issued a Decree (*Bulletin Officiel de l’Etat Indépendant du Congo*, 1887) by which the Congo Free State adopted the international monetary system in force at that time, based on the Franc (F) as unit of account and in line with the Latin Monetary Union. The system comprised a gold coin of F20, silver coins of F1, 2 and 5 and of 50 centimes, as well as copper coins of 1, 2, 5 and 10 centimes. The F20 gold coin was to be struck at 900/1000 fineness, 6.45161 grams weight with respectively 2/1000 and 2/1000 allowance (Royal Decree of 27 July 1887).

Table 4: Foreign currencies exchange rate at 03/01/1891

Currency	Gold Pound St.	Gold Mark	Rupee	Marie Therese
Coin	Pound1	Marks20	Marks10	Thaler1
Exchange rate/Franc	24.20	24.40	12.20	1.30 3.00

Source: based on Banque du Congo Belge (1960)

The Decree of 27 July 1887 (*Bulletin Officiel*, 1887) aimed at organising the monetary regime of the Congo Free State, stipulated, among other provisions, a temporary acceptance of foreign currencies as a medium of payment in the State. This provision was intended to overcome the shortage of currency in a new territory expected to witness fast-growing commercial activity and, at the same time, comply with one of the prescriptions of

³ In 1884, King Leopold II urged various European nations to recognise the *Association Internationale du Congo* (International Association of Congo) that he had created for the purpose of managing his African enterprise. In 1885, he proclaimed himself Sovereign of a new state he called *L’Etat Indépendant du Congo*, translated sometimes as the Independent State of Congo and sometimes as the Congo Free State, which he treated as his personal property (Slade, 1962).

the Berlin Act, which proclaimed free trade and circulation for all nations in the Congo basin. As a consequence, a Decree of 3 January 1891 fixed, as shown in Table 4, the exchange rate of foreign currencies in circulation, namely the Pound Sterling (GBP), Mark, Rupee and Marie Therese Thaler (*Banque du Congo Belge, 1960*).

Monetary Regime and Exchange Rate Arrangements during the Colonial Period (1908-1960)

Article 1 of the *Charte Coloniale* declared a complete separation of legal entities, governing laws, and capital accounts between Belgium and its Colony. Nevertheless, Article 11 of the same *Charte Coloniale* defined the monetary statute of the Belgian Congo as follows: “(1) gold and silver currencies that are legal tender in Belgium play the same role in the Colony; (2) silver currencies minted by the Congo Free State are no longer legal tender or exchangeable at the Colonial Treasury; (3) any profit that may arise from the issuing of Belgian currencies needed by the Colony is attributable to the colonial budget; (4) the King is allowed to strike special fractional coins for the Colony, provided that those coins are not legal tender in Belgium” (*Moniteur Belge, Journal Officiel, 1908: 5887-5889*).

A fixed link was established between the Belgian franc (BF) and the Congolese franc (CF), which were exchanged at par. In practice, the exchange rate of the Congolese currency was dependent on the BF. This contradicted the principle of legal separation stated in Article 1 of the *Charte Coloniale*. The BF was particularly unstable at that time, and this instability affected the Congolese currency and finance (Louwers, 1925).

On the one hand, the State notes issued by the Congo Free State were gradually withdrawn after the annexation. On the other, due to a rapid increase in the Colony's business volume, it became urgent to issue new banknotes and coins. To deal with the most urgent matters first, notes issued by the National Bank of Belgium were put into circulation in the Colony during the first years of its existence, i.e. between 1909 and 1911. However, the use of the Belgian central bank's notes was subject to various legal and technical problems, due essentially to the much-debated management of the Belgian monetary system itself in relation to its Latin Monetary Union membership (Willis, 1901; de Lannoy, 1931; Dupriez, 1949; Wertz, 1952; Moens 1976). The use of Belgian central bank's notes was, therefore, rapidly abandoned and the metropolitan authorities decided to issue banknotes proper to the Colony (de Lannoy, 1928).

Prior to the First World War the question of the exchange rate of the Congolese currency was not considered to be of significant concern or likely to affect the economic development of the Colony. The only currency mentioned in the legal and regulatory provisions was the Franc, which meant the Belgian Franc. The term Congolese Franc (CF) emerged as a consequence of the effective separation between Belgium and Congo imposed by the First World War (Gerard, 1925).

Following the outbreak of that war, the *Banque du Congo Belge* opened a branch in London on 8 September 1914 (Wertz, 1952). This branch served as the bank of the Colony's Treasury. As the latter was unable to obtain funds from the Belgian Ministry of Finance based in Le Havre, it borrowed funds in GBP in London. At the same time, Congo started to sell on the London market gold extracted from the Kilo mine in the northeast of the Colony. This was the starting point for a stream of commercial transactions in GBP to which the Congolese currency was pegged from then on (Wertz, 1952). As a result, the Colony's currency note became independent from the BF and was granted the quality of legal tender in Congo by late October 1914. From that time the CF gained a formal identity distinct from the BF regardless of the at par link established in 1909 (*Banque du Congo Belge*, 1960).

The London branch of the *Banque du Congo Belge* became the only financial intermediary between the Colony and the rest of the world. The bank succeeded in carrying out the management of its GBP cash flows smoothly. The amount needed to achieve a balance was withdrawn from credits in GBP granted to the Belgian Government, and from export proceeds received for Congolese supplies to Britain. This was done at the same exchange rate as the one at which Belgian refugees in the United Kingdom were allowed to exchange BF against the GBP, namely, GBP1 for BF25.40. The *Banque du Congo Belge* bought GBP1 at CF25.40 CF and sold at CF25.45 (Wertz, 1952). This exchange rate remained stable until the end of the First World War. By mid-1918, when Belgium was still under the German occupation, the real exchange rate of the Belgian currency was estimated at GBP1 for BF50. This rate was 50 per cent below the exchange rate applicable to the CF in The Netherlands, where the quotation was considered more in line with the real economic situation, in contrast with the arbitrary exchange rate applied in the United Kingdom in favour of Belgian refugees (Gérard, 1925).

Following the Armistice of November 1918 the United Kingdom broke the agreement between the Allies that maintained relatively stable the exchange rate of the GBP against the French Franc (FF) and the BF, namely around GBP1 for BF27. As a result,

both the FF and the BF depreciated dramatically, driving the Belgian currency down to more than BF100 for GBP1. By late June 1919, while the Belgian currency was quoted at F31 for GBP1, the Congolese currency continued to be quoted at CF25.45 for GBP1, or a premium of about 22 per cent against the BF. (*Annales Parlementaires*, 1920-1921; *BCCBRU*, 1957). However, on 30 June 1919, the Belgian metropolitan authorities decided to align the Congolese currency with the BF, which resulted in a devaluation of the CF by about 22 per cent (Gérard, 1925). As a consequence of this alignment, the legal separation between the two currencies was denied as the Congolese currency resumed its linkage with the metropolitan currency. The chronic instability of the Belgian currency was arbitrarily transferred to the Congolese money, which affected colonial export and fiscal revenues.

The German occupation of Belgium in 1940 resulted in another disruption of the special links between Congo and metropolitan Belgium. However, contrary to the situation of the First World War, provisions were set up to enhance solidarity between the BF and the CF. In this respect an agreement was concluded between the United Kingdom, France and Belgium on 14 May 1940, which fixed an exchange rate of BF120 for GBP1, and BF68 for FF100. A Decree of 30 May of the same year fixed the same exchange rate for the CF. After the surrender of the Belgian army, the *Banque de France* decided to exchange BF1 for FF1, while the CF was given the same definition as the currency of the African French territories known as *Afrique Equatoriale Française (AEF)* (*BCCBRU*, 1957).

On the basis of an agreement of 7 June 1940 between France, the United Kingdom and Belgium, a Decree of 21 June of the same year fixed the new exchange rate at BF176.625 for GBP1, and BF100 for FF100 (Wertz, 1952). However, by the end of 1940 the Belgian government-in-exile installed in London partially changed the agreement of 7 June 1940 by putting back the BF exchange rate to BF120 for GBP1, especially for the calculation of budget, salaries and pensions paid to Belgian officials based in London. In the meantime the Congolese currency remained at the exchange rate of CF176.625 for GBP1 (Wertz, 1952). Furthermore, a number of measures were taken to preserve the Belgian Congo's foreign exchange reserves. In this respect the *Banque du Congo Belge* was exempted from the obligation of convertibility, exchange control was installed, a fixed exchange rate was imposed and restrictions on loans the Bank could make to the Government were abolished (*BCCBRU*, 1957).

As during the First World War, most of the Congo's exports were directed to the United Kingdom, which resulted in another set of special links between the latter and

Congo and Ruanda-Urundi. Belgium and the United Kingdom concluded an agreement for this purpose on 21 January 1941. The accord provided for the purchase of large volumes of Congolese products by the United Kingdom and the purchase of British Pounds by Congo for monetary and commercial gold in excess of its needs. Starting from September 1942 the United States became a member of this agreement, which was implemented but never signed for lack of an arrangement covering the possibility of Congo regaining its freedom of action after Belgium's liberation (*Académie Royale des Sciences d'Outre-Mer*, 1983).

Following the liberation, there was the same lack of cohesion between Belgian and Congolese economies as that observed after the First World War, marked by hyperinflation in Belgium and stable and solid money in Congo, as the Colony had taken advantage of particularly favourable economic circumstances during the War period. One might expect that in view of the role played by the Congolese currency over that period, it was time for Congo to free itself once and for all from dependence on the BF. However, once again the metropolitan power decided to put an end to the autonomy that the Congolese currency had enjoyed during the war period (Zimmer, 1988).

On 5 October 1944 an agreement was concluded between Belgium and the United Kingdom to replace the 21 January 1941 agreement, which had made Congo and Ruanda-Urundi members of the Sterling Zone, and take them back into the Belgian monetary zone. The exchange rate of the Belgian currency was fixed at BF176.625 for GBP1. No mention of the CF was made in the agreement, which clearly meant that the colonial currency was no longer different from the BF. To explain this state of affairs the Belgian Government claimed that the monetary freedom that Colonial Congo had enjoyed during the War was accidental, due to extraordinary circumstances (Wertz, 1952). As a matter of fact, it was in the interest of Belgium whose economy was weakened by a four-year War. Belgium was anxious to maintain a tight at-par link between the two currencies in order to avoid the cost that would affect capital flows between Belgium and Congo should a premium exist in favour of the Colonial currency over the BF.

In the end, despite the formally distinct identity stated in all legal provisions elaborated for the Colony by the Belgian metropolitan power, the CF remained in fact permanently linked to the Belgian currency. And yet, over the 1950s, opinion was growing among Belgians involved in the metropolitan and colonial administration, in favour of a real separation between the two currencies.

In the meanwhile, starting from its creation in 1887, the Congolese currency unit was defined on a par with the Belgian one. At times, as during the period of Congolese

prosperity derived from the Colony's contribution to the First World War, the CF did meet the required conditions for its autonomy. However, it was systematically brought back under the influence of the BF in such a way that the monetary separation proclaimed by law between Belgium and its Colony can be considered no more than an historical illusion.

Post-Colonial Monetary Regime and Exchange Rate Arrangements (1960-2005)

On 30 June 1960 the Belgian colony became an independent State under the name of Democratic Republic of the Congo. Following independence, the *BCCBRU* was put into liquidation in September 1960. On 22 September 1960, a *Conseil Monétaire du Congo* was established as a transitional monetary authority, while a law creating a central bank named *Banque Nationale du Congo* was passed. The hard peg with a fixed exchange rate at CF1 for BF1 was abandoned in November 1961, time from which the US dollar became the monetary anchor, with a CF defined in terms of gold. The Congo joined the International Monetary Fund on 28 September 1963.

Monetary Adjustment of 6 November 1961

The first devaluation made after independence was announced on 6 November 1961. Initially the measure included the possibility of flexible adjustments to the CF within fluctuation bands that were not to exceed 20 per cent. In the end the adjustment was turned into a formal devaluation of 30 per cent, considered as a minimum, essentially aimed at preserving the viability of agricultural export enterprises, as they were the only providers of foreign exchange revenue at that time.⁴ It was also intended to help lower the pressure on foreign exchange reserves by reducing the demand for imports (Herman, 1962). Moreover, the adjustment was also designed to be the first step of a far-reaching programme to reorganise the administration of external trade, and as preparation for an in-depth economic reform.

The devaluation of 6 November 1961 accelerated the exhaustion of foreign exchange reserves. On the one hand, it prompted importers to use foreign currencies received from the *Office des Licences* (in charge of import licences) as quickly as possible. On the other, importers delayed the sale of their stock in order to benefit from further price

⁴ Soon after attainment of independence, the strategic mineral products provider Katanga province seceded, followed immediately by the diamond-producing Southern Kasai region, which reunited with the rest of the country prior to the end of Katanga secession.

increases. The prospect of devaluation in stages caused anxiety, which made monetary activity more ebullient, and increased the velocity of money circulation, as it speeded up the purchase of goods to prevent liquid assets from being hit by a further devaluation (*Banque Nationale du Congo, 1967*).

Monetary Adjustment of 6 November 1963

In early 1963 the Katanga secession came to an end and the country was reunited. With the resumption of a contribution from province of Katanga, the Government was therefore able to count on a subsequently larger volume of potential resources. In the meantime there was a recovery in agricultural exports and in the domestic manufacturing industry, which resulted in a supply increase. At the same time, the increase in prices recorded since the monetary adjustment of 6 November 1961 contributed to a reduction in demand pressure. In view of these developments, the year 1963 seemed, eventually, to offer better opportunities than the first two years of independence for a thorough monetary reform accompanied by a revised public finance policy. On 6 November 1963 a new pegged dual rate of exchange was defined, giving a buying rate against the USD of CF150, and a selling rate of CF180 (Mambu, 1964).

For a short time implementation of these provisions helped to reduce the size of the public finance deficit and stimulated export activities. However, soon afterwards rebellions resumed and spread all over the central and eastern region of the country, undermining the process of stabilisation that had started to be noticeable in 1964.

Monetary Adjustment of 24 June 1967

A relative political stability which started with the coming to power of President Mobutu in November 1965 enabled the implementation of an important monetary and financial reform launched on 24 June 1967. This was intended to resolve the ensuing economic problems: (1) monetary financing of public expenditure; (2) decline in production and revenue; (3) continuous increase in prices, and (4) disequilibrium in the balance of payments (*Banque Nationale du Congo, 1967*). At the same time, the Government created a new monetary unit called the Zaire (symbol 'Z'), equivalent to CF1,000 (*Banque Nationale du Congo, 1968*).

The programme replaced the dual exchange rate established with the monetary reform of 6 November 1963 by a single exchange rate, which fixed the value of Z1 at USD2, to which the new currency was pegged henceforth. The introduction of the new

currency was accompanied by a devaluation of 67 per cent, and the removal of all quantitative and administrative restrictions on imports and exports (*Banque Nationale du Congo*, 1967).

Following the monetary adjustment of June 1967 GDP increased at an average real annual rate of about 9 per cent between 1967 and 1970. However, from 1970 to 1973 GDP slowed down to an average real rate of approximately 5 per cent a year (Leslie, 1987). The decline was essentially due to lower copper prices, and poor performance of the agricultural sector. The contribution of export sectors other than copper production to global State revenues also decreased subsequently (*Banque du Zaïre*, 1979).

During the early 1970s, as the volume of investment was significantly in excess of domestic savings, external debt increased, from USD307 million as of December 1969 to USD895 million as of December 1973 (Peemans, 1997). The Government relied to an increasing extent on budget deficits. In addition, in the absence of a comprehensive development plan, investment was allocated primarily to the mining and manufacturing sectors. The structure of these industries was such that they required significant imports of raw materials and intermediate and capital goods.

The period from June 1967 to March 1976 was marked by successive changes, swinging from the Belgian franc to the US dollar as monetary anchor, even though with reference to the end of the gold convertibility of the US dollar (15/08/1971) the Congolese currency did not adjust its parity following the devaluation of the US dollar.

Monetary Adjustments over the Period 1976-1980

The combined effect of worldwide economic crisis and adverse outcome of the zaïrianisation and radicalisation policies⁵ contributed to a further deterioration of the Congolese economic situation over the 1970s. To halt the continuing overall decline, the government launched another adjustment programme on 12 March 1976. The domestic dimension of the programme consisted of urgent measures relating to the State budget, lending, wages and prices (*Banque du Zaïre*, 1976, Bornemann *et al.*, 1979).

⁵ In November 1973 Mobutu Government initiated a policy known as “zaïrianisation” measures. Under these, the Government began expropriating foreign interests in various sectors of the economy, such as farms, small and medium-sized industries and trading enterprises. Zaïrianisation resulted in the further disorganisation of trade channels and a further decline in the agricultural sector’s contribution to the economy in 1974. In November 1974, despite the lessons that should have been learned from the unsuccessful zaïrianisation, President Mobutu decided to intensify this process, by introducing a policy known as “radicalisation” (Young and Turner, 1985: 350). This policy consisted of nationalising all remaining private companies that had not been subjected to the November 1973 zaïrianisation. All businesses, including even those owned by nationals, with a turnover of more than Z 1 million were also subjected to the radicalisation process (Young and Turner, 1985).

The monetary unit, which had been pegged to the US dollar since the creation of the Zaïre at the rate of $Z1 = \text{USD}2$, was devalued by about 40 per cent and the peg was changed from the USD to the IMF Special Drawing Right (SDR). The new parity, therefore, became $Z1 = \text{SDR}1$ or $\text{USD}1.20$. The peg to the SDR was supposed to help reduce exchange rate fluctuations (Bornemann *et al.*, 1979). This devaluation was intended to improve export businesses' cash position and reduce public and private consumption in order to establish a balance between demand and supply. The programme provided for a gradual reduction in the annual external debt servicing cost. The objective of this provision was to restore external credibility. In the meanwhile multilateral negotiations regarding medium-term and long-term external debt were planned for the purpose of reducing the debt servicing burden starting from 1976. Implementation of the 1976 programme failed to meet expectations, and the economy showed no sign of recovery (Vanderlinden *et al.*, 1980).

Following the devaluation of about 40 per cent and the change of peg from the USD to the SDR in March 1976, the exchange rate of the Z against the SDR remained unchanged at $Z1 = \text{SDR}1$ until the end of October 1978 (Bornemann *et al.*, 1979). During this period, due to rapid inflation, Zaïre's export competitiveness was adversely affected. So was the profitability of domestic production compared with rival products imported through official channels. In an effort to increase exports of diamonds from small-scale producers through the official market, starting from April 1977, the *Banque du Zaïre* began to apply a preferential exchange rate to the export proceeds from these diamonds. In this respect, the exchange rate was revised from $Z1.825$ to $Z2.20$ for $\text{USD}1$ in August 1977, and $Z2.92$ for $\text{USD}1$ in January 1978.

In view of serious dislocations in the domestic economy resulting from the widening disparity between the official and unofficial market exchange rates, the Government initiated a new policy of successive devaluations of the national currency. Between November 1978 and January 1979 alone the Z was devaluated by a cumulative 50 per cent, as follows: from $Z1 = \text{SDR}0.9$ on 1 November 1978 to $Z1 = \text{SDR}0.81$ on 7 November 1978, to $Z1 = \text{SDR}0.7614$ on 27 November 1978, and to $Z1 = \text{SDR}0.5$ on 2 January 1979. (Mambu, 2003).

Monetary Adjustments over the 1980s

In view of the failure of the 1979-80 programme, the Government prepared another adjustment plan for the period 1981-83. A contribution of $\text{SDR}912$ million was expected from the IMF in support of this three-year programme (*Banque du Zaïre*, 1982).

Right from the start of 1981, the Government failed to meet the requirements for a successful completion of the three-year programme, which was, therefore, abandoned. Its failure was due to both external and internal factors. On the one hand, the continuing stagnation of Western countries' economies led to falling demand for the major commodities exported by the Congo. Low international prices for copper and cobalt, caused a fall in foreign exchange proceeds, which undermined the adjustment programme, and led to a cancellation of the financial support from the IMF. The withdrawal of the IMF's financial support was followed by an increasing reluctance on the part of other institutional lenders, international and national, to consider loan requests from Congo. This attitude resulted in a dramatic reduction of external resources available to Congo, which restricted the country's ability to import goods and subsequently worsened the overall supply. (Leslie, 1987).

The economic and financial situation of Congo worsened in 1982, due to a further decline in production in all sectors of the economy, including export agriculture, domestic manufacturing, and the mining industry. By late 1982 the Government initiated a number of measures aimed at providing tighter control on public expenditure and more efficient collection of fiscal revenue. The main objective was to curb the expansion of domestic demand and improve the allocation of public resources. In addition to these budgetary and monetary policies, other measures designed to remove the remaining price controls and to liberalise small-scale mining and trading in diamonds and gold, known as *diamant artisanal*, by designating a preferential exchange rate to be applied to this trading activity, were also taken in early 1983 (Beaugrand, 1997)⁶. With this liberalisation policy the Government aimed to combat smuggling in precious minerals and to return to official economic channels the largest portion possible of the foreign exchange generated in the grey economy by small producers. Thanks to severe spending cuts the management of public finance over the first half of 1983, marked by reduced recourse to financing by the Central Bank, resulted in a temporarily balanced budget. This formal equilibrium was reflected in a fall in the growth rate of money supply, combined with a slowdown in the expansion of credit to enterprises and households (*Banque du Zaïre*, 1983).

⁶ Prior to this liberalisation policy, the exploitation of diamonds and gold was a monopoly of large mining companies, and thus forbidden to others. Nevertheless an increasing number of small producers were involved in this kind of until then clandestine activity.

However, by mid-1983, the overall economic situation of the country was still marked by a rapid increase in prices, an overvalued exchange rate, a large balance of payments deficit, and a growing volume of external payments arrears. In view of this development, the Government decided to implement a more far-reaching economic and financial adjustment programme, with financial support from the IMF. The essential objective of this new programme was to reduce the current balance of payments deficit. In this respect, on 9 September 1983 the Government defined a new exchange regime in three parts, namely (1) modification of the exchange rate, (2) introduction of a floating exchange regime and (3) liberalisation of the exchange regulations (Leslie, 1987, Mambu, 2003).

These measures were put into effect on 12 September 1983. The exchange rate was modified from $Z1 = \text{SDR}0.1575$ to $Z1 = \text{SDR}0.03542$, which implied a devaluation of 77.5 per cent compared with the exchange rate in force on 22 June 1981 (Beaugrand, 1997). At the same time a floating exchange regime was adopted on two levels. An official foreign exchange market was established for conducting a limited list of transactions with foreign currencies provided by the Central Bank. An unofficial free market, reserved for transactions conducted by commercial banks using their available foreign exchange, was also set up. A foreign exchange inter-bank market was established with the task of fixing a free exchange rate of the Z against the USD on a weekly basis. The Central Bank could intervene in this market in order to strike a balance between demand and supply if necessary (Leslie, 1987, Mambu, 2003).

At the launching of the monetary reform there was a gap of 10 per cent between the official and the unofficial exchange rate. This gap was gradually reduced and completely closed on 24 February 1984, the date from which the exchange rate was freely determined by the market. This change went together with a wide liberalisation of exchange and external trade regulations. In this respect a number of measures were put into effect, including the following: (1) abolition of the compulsory transfer of 30 per cent of export proceeds to the Central Bank, (2) elimination of residents' accounts in foreign currencies, (3) simplification of import procedures and abolition of the related requirement for prior approval from the Central Bank, and (4) relaxation and subsequent abolition, from 1 March 1984, of the provisions that assigned export proceeds for specific purposes (*Banque du Zaïre*, 1984). In addition to the revision of the exchange and external trade regime, other measures were taken regarding the State budget, credit, prices and salaries, aimed at limiting the expansion of domestic demand (Beaugrand, 1997, Mambu, 2003).

The devaluation of mid-September 1983 resulted in a dramatic increase in the cost of imported goods and services, such as fuel, the price of which rose fivefold because of the price liberalisation policy. As this increase was passed on to all other sectors of the economy, the retail price index grew by 28 per cent in September alone, while the average monthly inflation rate prior to September was at 4 per cent. In the end the average inflation rate for 1983 amounted to 76 per cent, compared with 37 per cent in 1982. However, as a result of a relatively comfortable volume of foreign exchange reserves at the banks' disposal, and rather low demand, no significant demand pressure was noticed. As a result, the external exchange rate remained stable until early 1984. Set at USD1= Z29.92 on 9 September 1983, the exchange rate in the free market was fixed at USD1= Z30.40 at the first inter-bank market fixing session of 21 October, and Z30.89 on 29 December 1983. The 10 per cent fluctuation margin established between the official exchange rate and the rate of exchange in the free market was gradually narrowed until it was cancelled out by February 1984, when the single exchange rate stood at USD1 = Z33 (*Banque du Zaïre*, 1983).

Monetary Adjustments since the 1990s

From 1990 onwards, a period characterised by hyperinflation over the first half of the 1990s, prices were increasingly set in foreign currency (US dollars or Belgian Francs), although small-scale transactions generally continued to be fixed in Zaïre⁷. As wages in the formal economy were settled in Zaïre, wage earners no longer made use of the sharply falling domestic currency as store of value. Soon after they cashed their wages these were exchanged for foreign currency. Offices acting as foreign exchange bureau and street money-changers proliferated, forming an active foreign exchange market known as a

⁷ Hyperinflation can be defined as starting from the moment when the monthly rate of increase in prices exceeds 50 per cent and ends in the month before the increase in prices falls and remains below this rate for at least one year (Cagan, 1956). Some other scholars, such as Salama and Vallier (1990), define hyperinflation with reference to three stages. Firstly, the increase in prices becomes exponential, out of control and unpredictable. Secondly, relative prices lose their consistency, which helps to speed up the increase in prices. Lastly, it becomes increasingly difficult for the national currency to exert its essential monetary functions as a store of value, medium of exchange and unit of account. The national currency is then overtaken by some other foreign currency, generally the US dollar.

In the case of the Congo, from 56 per cent in 1989, the annual increase in consumer prices reached 256 per cent in 1990, 2,500–4,500 per cent between 1991 and 1993, and 10,000 per cent in 1994, before falling back to 370 per cent in 1995 and 657 per cent in 1996, as a result of a relative improvement in the public governance. In his study entitled “*A modern history of monetary and financial systems of Congo, 1885-1995*”, the author refers to an alternative definition considered more suitable for Congo's case (Beaugrand, 1997). Namely, on the basis of a threshold average monthly inflation rate of 20 per cent over three months, the corresponding quarterly inflation rate amounts to 73 per cent, and nearly 8,000 per cent on an annual basis. With reference to this definition, Congo's hyperinflation began in November 1990 (Mambu, 2003).

parallel market that was handling transactions on a continuous basis, from a few dollars to several thousands dollars.

On 22 October 1993, the Central Bank implemented a so-called monetary reform, which consisted of the following major steps: (1) issuance of new banknotes called *Nouveau (New) Zaire (NZ)*; (2) freezing of bank money; (3) exchange of banknotes in circulation on the basis of NZ1 for Z3 million, and devaluation at the rate of Z9 million or NZ3 USD1 (Mabi, 1997). The issuance of new banknotes stripped of six zeros was intended to facilitate the handling of money as well as simplifying recording and accounting processes. The freezing of bank money was aimed at reducing the excessive volume of the money supply, in order to cool down the high pressure of demand and to lower the high inflation rate. The devaluation was justified by the fact that the national currency was overvalued in relation to foreign currencies (Beaugrand, 1997, Mambu, 2003).

The set of measures of 22 October 1993 proved to be the worst monetary reform ever attempted in Congo. It contributed to further undermine the already dislocated system of monetary intermediation (Mabi, 1997). As early as the end of 1993, one USD was worth NZ102 on the parallel market, recording a differential of 191 per cent with the inter-bank market. In November and December 1993 the monthly inflation rate reached about 250 per cent. Although the rate slowed back to 191 per cent in January 1994, over the three-month period to the end of that month there was a cumulative price increase equivalent to more than 3,300 per cent on a yearly basis (Beaugrand, 1997).

The freely falling/managed float regime went on until late 1997/early 1998. In June 1998, another monetary reform was launched by the government of the new regime conducted by President Laurent Kabila, introducing a new currency called Congolese Franc (CF) at the rate of CF1 for NZ100,000, and providing one year period for the exchange of NZ against the new currency. The initial mid-rate of exchange was CF1.405 for US\$1. Prior to this reform, the country was divided into four currency zones while the NZ exchange rate collapsed rapidly, subjected to a resurgent four-digit hyperinflation fuelled by a frantic printing of bank notes.

As a result of the monetary reform the economy showed signs of an ephemeral semblance of recovery. The sharp fall in the rate of inflation from three-digit figure to around 20 per cent was observed in a context marked by the outburst of several seats of armed conflict in August 1998 and coercive administrative measures aimed at prohibiting

currency substitution. By a decree of 8 January 1999, all transactions in foreign currencies were banned with the aim of obliging foreign exchange out of the grey economy into the banking network. The scarcity of foreign exchange worsened, reducing subsequently the volume of import of vital commodities. Importers resorted to purchasing foreign currencies in the parallel market at a more onerous rate. This resulted in rocketing prices of imported as well as domestic goods. Government expenditure increased as a consequence of the general increase in prices, and as a result of the costs triggered by the war on several fronts. The prospect of further liberalisation of exchange control vanished with the entry of the country into the civil war.

From an annual rate of 107 per cent in 1998, consumer prices index rose to 270 per cent in 1999, and 511 per cent in 2000, while the exchange rate deteriorated by 91 per cent in the inter-bank market (81.9 per cent in the parallel market). In January 2000 the government devaluated the currency from CF4.5 for US\$1 and introduced multiple exchange rates with an official rate at FC9 for US\$1, currency to which the CF was pegged. For US\$1 the official rate was FC23.50 in June 2000, and FC 50 in October of the same year. Over the first half of the 2000s, the end of period exchange rate expressed in CF for US\$1 evolved as follows: CF312 in 2001, CF382 in 2002, CF373 in 2003, CF444 in 2004 and CF430 in 2005, year during which it culminated above FC500 for US\$1.

Empirical estimates of dollarisation recorded a rate as high as 90 per cent over the mid-1990s, a rate which hovered at 75-80 per cent during 1998-2000, falling to around 75 per cent in 2001, as a result of the sharp disinflation observed during the same year. The resurgence of high inflation during the second half of 2004 favoured an increasing currency substitution, which took back the rate of dollarisation to the heights estimated over the mid-1990s, namely around 90 per cent (Mambu, 2005).

Summary and Concluding remarks

To sum up, this paper explored the history of monetary anchor and exchange rates arrangements of the Congo that is known today as the Democratic Republic of the Congo, a country which started as an independent state established in 1885 as a private property of the Belgian King Leopold II until it became a Belgian colony in 1908. As an introduction, exchange rate arrangements prior to 1885 between currencies of the Kingdom of Congo

known since the 15th century and Portuguese currencies were briefly addressed to mention the early presence of European currencies in Congo.

The monetary and financial system that the Belgian Monarch set up in the *Etat Indépendant du Congo* in his capacity as the Sovereign of the State was basically marked by the ownership that he claimed over the Congolese territory, regardless of the provisions of the 1885 Berlin Act, which guaranteed free circulation of currencies and capital flows within the boundaries of the Congo basin. The key monetary provisions were virtually Gold Standard-based, with silver coins externally convertible and unsecured State bills, but no free minting or internal circulation of gold coins.

During the colonial period, regardless of the separation established by law between Belgium and its Colony, the Congolese currency was subject to devaluations that were decided on the basis of external conditions relating to metropolitan economic and monetary development. This policy was applied on the disputable grounds that a differentiation of the exchange rate between the two currencies would be detrimental to both the Belgian and the Congolese economies. And yet the separation of the two currencies was systematically either cited or merely ignored, depending on what was in the interest of metropolitan Belgium. Whenever Belgium devalued its currency the CF was forced to devalue in the same way. As pointed out by Wertz (1952), while it was obvious that a devaluation of the CF would not trigger an automatic and equivalent devaluation of the BF, given the legal separation of the two currencies, by the same token the reverse ought to be applicable. In practice, as a result of the political unbalance of power, metropolitan interests defeated legal provisions.

Following independence of Congo in June 1960, the currency union formed with the two territories known today as Rwanda and Burundi ceased. The hard peg with a fixed exchange rate at 1 Congolese franc for 1 Belgian franc was abandoned in November 1961, time from which the US dollar became the monetary anchor. From then on the history of exchange rate arrangements in Congo was marked by rather erratic developments. The country implemented frequent monetary reforms and moved successively from one monetary anchor to another, switching sometimes to the US dollar, sometimes back to the Belgian franc, and sometimes to the SDR, as well as from hard peg to soft peg. Likewise, over time since independence, the Congolese currency swung alternatively from a single exchange rate to dual and even multiple exchange rates.

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Appendix

Synoptic table of exchange rate arrangements in Congo 1887 - 2005

Dates	Exchange rates	Legal basis/source	Comments
27/07/1887 - 1896	fixed; CF1 = BF1 = 0.29032258g gold	Royal decree of 27/07/1887 by King Leopold as Sovereign of the Congo Free State	franc: adopted as same name for the two currencies, Belgian and Congolese; gold standard
1896 - Dec 1914	pegged; CF1 = BF1 = 0.29032258g gold	Royal decree of 07/02/1896	Colonial charter of 18/10/1908; Congo free State becomes a colony as Belgian Congo; coins of Latin Monetary Union: legal tender in Congo
Dec 1914 - June 1919	pegged as part of a currency union CF25.45 = UK£1	Belgium ordonnance-loi of 19/10/1914	CF pegged to UK£; Ruanda & Urundi (now Rwanda & Burundi) become Belgian protectorates (1916 & 1917) following 1st World War 1917: de facto currency union Belgium-Congo-Ruanda-Urundi (Ruanda joined in 1916, Urundi in 1917)
June 1919 - 24/10/1926	pegged as part of a currency union; CF1 = BF1	Belgium, Ministry of Colonies decision of June 1919	Following end of 1st World War: tight link BF-CF re-established at par despite 20% premium in favour of CF (effective market rate was previously CF1 = BF1.2)
25/10/1926-26/07/1935	pegged as part of a currency union CF1 = BF1 = 0.0418422g gold in practice	Belgium, decree of 14/11/1927	Return to gold standard; decree of 1927 gives CF its own gold definition; prior to this gold definition was that of BF solely
27/07/1935-13/05/1940	pegged; CF1 = BF1 = 0.0301264g gold	Belgium, decree of 27/07/1935	Devalued against gold along with BF
14/05/1940-06/06/1940	pegged as part of a currency union CF120 = UK£1 through BF or 0.68 CF = French franc (FF)1	Anglo-Belgian-French monetary agreement of 14/05/1940 Ordonnance Législative No 61/Fin-Dou., 14/05/1940 Ordonnance Législative No 89/Fin-Dou., 20/05/1940	CF not explicitly mentioned in monetary agreement but directly involved through BF zone
07/06/1940-20/01/1941	pegged as part of a currency union CF176.625 = UK£1 through BF or CF1 = FF1	Belgium, ordonnance législative of 30/05/1940 & of 21/06/1940	CF devalued following devaluation of BF to maintain parity; forced tender of notes of BCB; export of its notes forbidden

Dates	Exchange rates	Legal basis/source	Comments
21/01/1941-04/10/1944	pegged as part of a currency union CF176.625 = UK1	Anglo-Belgian agreement of 21/01/1941; Belgium, ordonnance législative No 107/Fin.-Dou., 10/3/1941	CF directly pegged to UK£; notes of Banque du Congo Belge (BCB) made forced legal tender (Belgium, ordonnance législative N0 105/Fin.-Dou, 10/03/1941
05/10/1944-30/06/1952	pegged as part of a currency union CF1 = BF1	Anglo-Belgian agreement of 5/10/1944	Liberation of Belgium by Allied during 2nd World War CF returns to BF as monetary anchor 18/12/1946 Belgium registers parity with IMF CF1 = 0.0202765g gold 21.09.1949 parity changes to CF1 = 0.0177734g gold
01/07/1952-24/10/1956	pegged as part of a currency union CF(Ruanda-Urundi)1= CF(R-U)1 `= 0.0177734g gold = BF1	Belgium, decree of 30/07/1951	Banque du Congo Belge, (BCB)'s right to issue notes ceases; Banque du Congo Belge et du Ruanda-Urundi (BCCBRU) is granted right to issue notes & coins for the three territories (Congo, Ruanda & Urundi)
25/10/1956-21/09/1960	pegged as part of a currency union; CF(R-U)1 = BF1= 0.0177734g gold	Belgium, decree of 25/10/1956	CF defined in terms of gold
22/09/1960-5/11/1961	pegged; CF1 = 0.0177734g gold = BF1	Republic of the Congo Presidential ordonnance of 22/09/1960	Following independence Congo (from then on Republic of the Congo) leaves currency union with Ruanda & Urundi; parallel market premium from 1960: above 50%
06/11/1961-08/11/1963	pegged; dual rate; official rate: CF50 = US\$1	Republic of the Congo Presidential ordonnance of 06/11/1961	Congolese dual rate replaced "indirect" dual rate through BF that had dual rate. US dollar becomes monetary anchor for CF 20% of foreign exchanges: allowed to be sold on free market where intitial rate was CF64 = US\$1 When Katanga reunited with the rest of the country, Katanga franc1:converted for CF1(Republic of the Congo Presidential ordonnance of 09/01/1963)
09/11/1963-23/06/1967	pegged; official dual rate CF150 and CF180 = US\$1	Republic of the Congo Presidential Ordonnance-loi of 09/11/1963	Conseil Monétaire du Congo: acting as Central Bank CF devalued after a civil war involving Katanga province

Dates	Exchange rates	Legal basis/source	Comments
24/06/1967-18/06/1968	pegged; Z1 = US\$2 = 1.777432g gold	Presidential ordonnance of of 23/06/1967	Introduction of a new currency, zaïre1 = CF1000 unified exchange rate (Zaïre: Portuguese pronunciation of the local term nzadi for (any)"large river" attached to Congo, name of the river know as river Congo or nzadi Congo (spelled Kongo in local language)
19/06/1968-15/11/1970	pegged; Z1 = BF100 = US\$2 `= 1.777432g gold	Banque Nationale du Congo Circular of 19/06/1968	BF back as intervention currency/monetary anchor 02/09/1970: registration of gold parity with IMF
16/11/1970-23/08/1971	pegged; Z1 = BF100 = US\$2 `= 1.777432g gold	Banque Nationale du Congo Circular of 16/11/1970	US\$ back as intervention currency while BF remains monetary anchor
24/08/1971-26/08/1971	pegged; Z1 = US\$2 = 1.777432g `= 1.777432g gold(nominally)	Banque Nationale du Congo Circular of 24/08/1971	End of gold convertibility for all countries following USA 15/08/1971 relinquishment of gold standard CF back to BF as monetary anchor
27/08/1971-11/03/1976	pegged; dual rate; official rate Z1 = SDR1 `= 1.777432g gold (nominally)	Banque du Zaïre Circular of 26/08/1971	Change in the name of the country from Congo to Zaïre Zaïre did not follow US\$ devaluation of 18/12/1971 did not either revalue against US\$
12/03/1976 - 1977	pegged to rigid basket;dual rate; official rate Z1=SDR1= 1.777432g gold (nominally)	Presidential Ordonnance of 3/12/1976	Switch to SDR as monetary anchor; Z devalued cross rate prior to the switch = Z = SDR1.629014
12/02/1977-31/03/1978	pegged to rigid basket;dual rate; official rate Z1= SDR1.777432g gold (nominally)	Banque du Zaïre Circular	By 1977: special exchange rate for diamond export; recorded by IMF as dual exchange rate in 1978 only.
01/04/1978-31/10/1978	pegged to rigid basket; dual rate official rate: Z1 = SDR1	IMF, Board of Governors, Resolution No31-4, 30/04/1976 ("Second Amendment"	End of gold par value by agreement of IMF members Large parallel market premium
01/11/1978-06/11/1978	pegged to rigid basket; dual rate official rate Z1=SDR0.95	Banque du Zaïre Circular of 11/1/1978	Devaluation during time of an abortive invasion of Shaba (Katanga) province from Angola by "ancients gendarmes Katangais" Freely floating; large parallel market premium

Dates	Exchange rates	Legal basis/source	Comments
07/11/1978-26/11/1978	pegged to rigid basket; dual rate; official rate Z1=SDR0.81	IMF ARER (1979:460)	Devalued Freely floating; large parallel market premium
27/11/1978-01/01/1979	pegged to rigid basket; dual rate official rate Z1=SDR0.7614	IMF ARER (1979:460)	Devalued Freely floating; large parallel market premium
01/01/1979-23/08/1979	pegged to rigid basket; dual rate official rate Z1=SDR0.5	IMF ARER (1980:449)	Devalued Freely floating; large parallel market premium
24/08/1979-21/02/1980	pegged to rigid basket; dual rates; official rate Z1=SDR0.375	IMF ARER (1980:450)	Devaluation. 26/12/1979: currency confiscation; old notes to be exchanged until end year only for new ones up to Z3 000 (US\$1 500) for low income people and Z20 000 (US\$10 000) for high income people
22/02/1980-18/06/1981	pegged to rigid basket; dual rate Z1=SDR0.2625	IMF ARER (1981:461)	Devalued market by central bank with authorisation to import commodities with foreign exchange from outside banking system; Freely floating
19/06/1981-11/09/1983	pegged to rigid basket; Z1=SDR0.1575	IMF ARER (1981:461)	Devalued Freely floating; large parallel market premium
12/09/1983-29/02/1984	managed float, dual rate	Banque du Zaïre, Circular No 199 of 10/09/1983	Devalued to Z1=SDR0.035425; then floating currency as liberalisation measure; also back to dual rate Free rate: 5% above official rate from 17/10 1983 and 2.5% above from 02/01/1984
01/03/1984-21/10/1993	independent float, dual rate; official rate: Z1=0.95	Banque du Zaïre, Circular No 210 of 29/02/1984	unified exchange rate. 19/08/1991: official weekly auction "fixing" rate unified with "out of fixing" rates on other days of the week Large parallel market premium; Managed float Oct. 1991-Sep. 1992: hyperfloat

Dates	Exchange rates	Legal basis/source	Comments
22/10/1993-29/06/1998	New Zaïre (NZ); managed float (IMF: independent float)	Zaïre Ordonnance-Loi No93/003 of 28/09/1993 17/05/1997: end of President Mobutu regime toppled by President Laurent Kabila Country: back to its former name Democratic republic of the Congo	NZ introduced at 3million old Z; exchange rate of NZ: NZ3 = US\$1; 11% devaluation compared to previous rate of old Z managed float to Nov1997. From 1993 until late 1997: country divided into 2 to 4 monetary zones
30/06/1998-21/01/2000	Congolese franc CF; managed float (IMF: independent float)	Democratic Republic of the Congo (DRC), Decree-Law of 17/06/1998	Introduction of a new currency at CF1 = NZ100 000 initial mid-rate: CF1.405 = US\$1 one-year transition period for exchanging old currency. new currency came as an effort to a unified monetary area in the country didived into several monetary zones prior to this reform
22/01/2000-11/06/2000	pegged, multiple rates, official rate: CF9 = US\$1	IMF ARER (2001:243)	Devalued from CF4.5 = US\$1; pegged to US\$ re-introduction of multiple exchange rates Peace in civil war: rather elusive
12/06/2000-23/10/2000	pegged, multiple rates; official rate: CF23.50 = US\$1	IMF ARER (2001:243)	Devalued further during civil war At least one of the rates: floating
24/10/2000-25/05/2001	pegged, multiple rates; official rate: CF50 = US\$1	IMF ARER (2001:243)	Devalued At least one of the rates: floating
Since 26/05/2001	independent float	IMF ARER (2002:247)	floated and unified exchange rate

Source: Mambu (2003); Schuler (2004);Banque Centrale du Congo (2005); IMF (2005)

