COUNTRY REPORT

Cameroon
Central African Republic
Chad

May 2000

The Economist Intelligence Unit
15 Regent St, London SW1Y 4LR
United Kingdom

The Economist Intelligence Unit

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ISSN 0269-4336

Symbols in tables

“n/a” means not available; “–” means not applicable

Printed and distributed by Redhouse Press Ltd, Unit 151, Dartford Trade Park, Dartford, Kent DA1 1QB, UK

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Summary

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Outlook for 2000-01

President Paul Biya will continue to enjoy the advantages of a united governing coalition and a strong presidency. The opposition will remain weak. There may be problems if the newly appointed security team uses excessive force to combat crime and secessionist activities. Developments in the Gulf of Guinea will continue to dominate foreign policy. The government may speed up economic reforms to help it negotiate a new facility with the IMF. Real GDP will grow by 4.3% in 1999/2000. Inflation will remain subdued in 2000, at 2%. HIPC debt relief is expected in 2001.

The political scene

President Biya has reshuffled his cabinet. The crackdown on crime in Douala and Yaoundé has been stepped up. The internal security apparatus has been reorganised. The activities of English-speaking separatists have been condemned. A UN report has condemned the systematic use of torture in Cameroon's prisons. The WFP's regional headquarters are to be located in Yaoundé. The French-speaking community and the Commonwealth have sought to promote democracy. AIDS is on the increase. Illegal immigration has strained relations between Cameroon and Equatorial Guinea.

Economic policy

The World Bank and the IMF have put pressure on the government. Fiscal revenue in the first half of the current financial year has been encouraging. The last remaining state-owned bank has been privatised.

The domestic economy

A new consortium has been set up to build the proposed Chad-Cameroon oil pipeline; the World Bank is expected to make a decision on proposed loans by mid-year. The price of petroleum products has increased by more than 3%. The mining code has come under review. Cocoa exports have decreased and coffee output is expected to fall. A new cotton ginnery has opened. MTN has bought state-owned Camtel-Mobile, and privatisation of Camtel is back on track.

Foreign trade and payments

Trade with France has slowed. A new EU-ACP trade and aid convention has been agreed. Aid has continued.

Central African Republic

Outlook for 2000-01

Now that the UN's peacekeeping troops have gone, the maturity of the CAR's politicians will be tested to the full. Opposition support will remain conditional on progress in tackling corruption; and efforts towards consensus politics may also be undermined by delays in the reform of the military. The CAR will consolidate its relations with France, while continuing to adopt a low regional profile. Donors will remain confident in the government's economic reforms. Real GDP will grow by an annual 5%, fuelled by an overall pick-up in business activity and foreign investment. Inflation will be kept under control. After bottoming out at CFAfr683:US$1, the CFA franc will slowly recover to CFAfr586:US$1 by end-2001.

The political scene

The prime minister, Anicet-Georges Dologuélé has reshuffled his cabinet, following allegations of corruption. The last UN Minurca peacekeeping troops have left the country. The UN advisory mission has made a cautious start. Reform of the armed forces has started, against a backdrop of discontent among former militia fighters. France has resumed military aid.

Economic policy

Parliament has passed the 2000 budget; revenue is projected to rise by 16%. The anti-corruption drive has discovered some serious cases of embezzlement.

The domestic economy

The tobacco company, Socacig, has opened a new factory in Bangui. Several strategic investors have expressed interest in the power parastatal, Enerca. Coffee producer prices have been cut. The Louis Dreyfus group has announced its interest in managing the cotton-marketing company, Sococa.

Foreign trade and payments

The diamond trade has come under increased scrutiny.

Chad

Outlook for 2000-01

The political situation will remain fragile, as President Idriss Déby struggles with the resurgent revolt in the Tibesti region. The conflict will remain contained however, even though there is a risk that other politico-military opposition groups might decide to step up attacks in their regions. Relations with France will remain tense. Libya will continue to increase its regional influence. Attention will focus on impending developments in the Doba oil project. The government will remain committed to reforms. Along with the IMF, the government hopes for 3.8% real GDP growth in 2000.

The political scene

Conflicting claims have come from the Chadian army and the insurgents in Tibesti. The rebel leadership has continued to rebuff President Déby's offers of peace talks, calling for his resignation instead. There has been another cabinet reshuffle. The French ambassador has been recalled. Chad has hosted the Comessa summit. Judicial proceedings against former president Habré have started in Senegal.

Economic policy and the economy

The World Bank has announced a US$17.5m IDA credit. Its board is expected to make a decision about the funding of the Doba-Kribi oil pipeline by mid-year. Chevron and Petronas have joined in.

Foreign trade and payments

France has signed three aid agreements with Chad, totalling €17.6m.

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Cameroon

Political structure

Official name	République du Cameroun	
Form of state	Unitary republic	
Legal system	Based on English common law and the Napoleonic Code	
National legislature	Assemblée nationale with 180 members elected by universal suffrage, who sit twice yearly and serve a five-year term	
National elections	May 1997 (legislative) and October 1997 (presidential); next elections due in May 2002 (legislative) and October 2004 (presidential)	
Head of state	President, elected by universal suffrage, may serve a maximum of two seven-year terms	
National government	Consists of the prime minister and his Council of Ministers. Includes representatives of the ruling RDPC, the UPC and the UNDP ; last reshuffled March 2000	
Main political parties	The Rassemblement démocratique du peuple camerounais (RDPC) holds 109 seats in parliament; the Social Democratic Front (SDF) 43 seats; the Union nationale pour la démocratie et le progrès (UNDP) 13 seats; and the Union démocratique du Cameroun (UDC) 5 seats; other parties include the Union des populations camerounaises (UPC) and the Mouvement pour la défense de la République (MDR)	
	President	Paul Biya
	Prime minister	Peter Mafany Musonge
Ministers of state	Culture	Ferdinand Léopold Oyono
	Defence	Amadou Ali
	Economy & finance	Edouard Akame Mfoumou
	External relations	Augustin Kontchou Koumegni
	Industrial & commercial development	Bello Bouba Maigari
	National education	Joseph Owona
Key ministers	Agriculture	Terevet Zacharie
	Civil service & administrative reform	René Ze Nguele
	Environment & forestry	Sylvestre Naah Ondoua
	Employment	Pius Ondoua
	Health	Laurent Esso
	Higher education	Jean-Marie Atangana Mebara
	Justice	Robert Mbella Mbappé
	Livestock, fisheries & animal husbandry	Hamadjoda Adjoudji
	Mines, water resources & energy	Yves Mbele
	Posts & telecommunications	Isaac Njiemoun
	Public works	Jérôme Etah
	Transport	Joseph Tsanga Abanda
Governor of the regional central bank (BEAC)	Jean-Félix Mamalepot	

Economic structure

Annual indicators

	1995	1996	1997	1998	1999[a]
GDP at market prices[b] (CFAfr bn)	4,150	4,555	5,017	5,276	5,625
Real GDP growth[b] (%)	3.3	5.0	5.1	5.0	4.4[c]
Consumer price inflation (av; %)	13.9	4.7	1.1	0.1	2.0
Population (m; mid-year)	13.3	13.6	14.0	14.4	14.6
Exports fob (US$ m)	1,736	1,769	1,886	1,863	1,732
Imports fob (US$ m)	1,109	1,238	1,327	1,441	1,409
Current-account balance (US$ m)	90	–115	–58[a]	–186[a]	–234
Reserves excl gold (US$ m)	3.8	2.8	0.9	1.3	4.4[c]
Total external debt (US$ m)	9,346	9,542	9,267	9,829	10,275
External debt-service ratio, paid (%)	20.7	23.4	22.2	24.9	22.5
Crude oil production (‘000 b/d)	103	104	110	115	100
Cocoa production[d] (‘000 tonnes)	109	134	126	115	125
Exchange rate (av; CFAfr:US$)	499.2	511.6	583.8	590.0	615.7

May 5th 2000 CFAfr734.76:US$1

Origins of gross domestic product 1997[b]	% of total
Agriculture	42.1
Industry	22.1
Petroleum	6.6
Services	35.8
GDP at factor cost	100.0

Components of gross domestic product 1997[b]	% of total
Private consumption	70.4
Government consumption	6.6
Gross domestic investment	17.0
Exports of goods & services	26.6
Imports of goods & services	–20.8
GDP at market prices	100.0

Principal exports 1999	US$ m
Crude oil	554
Timber	415
Cocoa	135
Coffee	85

Principal imports 1997[b]	US$ m
Capital goods	315
Food	119
Fuel	26

Main destinations of exports 1998[e]	% of total
Italy	22.1
Spain	12.8
France	15.7
Netherlands	8.2

Main origins of imports 1998[e]	% of total
France	32.9
US	5.7
Nigeria	4.9
Italy	4.5

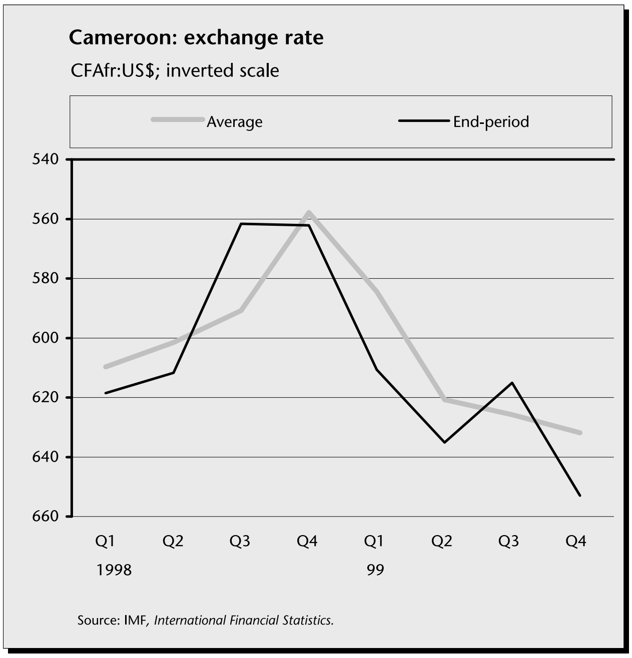
[a] EIU estimates. [b] Fiscal years ending June 30th. [c] Actual. [d] Crop years ending September 30th. [e] Drawn from partners’ trade returns; subject to a wide margin of error.

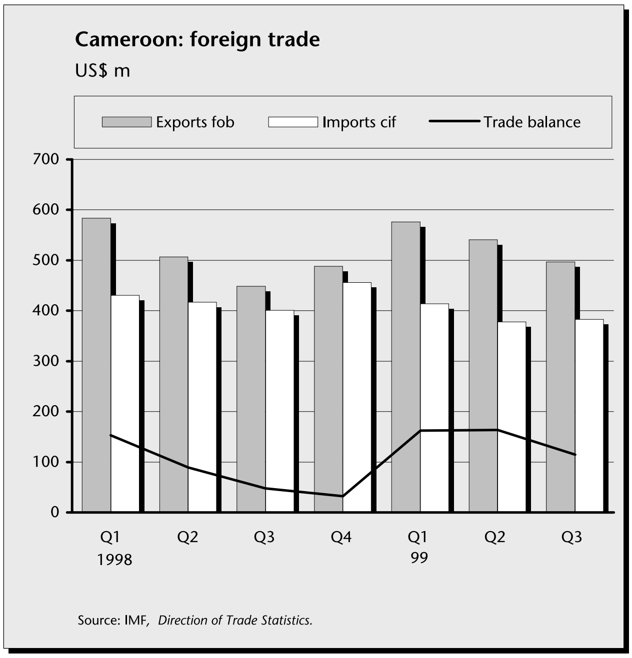
Quarterly indicators

	1998				1999			
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
Prices								
Consumer prices (1995=100)	103.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
% change, year on year	–3.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Financial indicators								
Exchange rate								
CFAfr:US$ (av)	609.7	601.5	590.8	557.8	584.4	620.7	625.8	631.9
CFAfr:US$ (end-period)	618.5	611.7	561.6	562.2	610.7	635.1	615.1	653.0
Interest rates (%)								
Deposit rate (av)	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Discount rate (end-period)	7.50	7.50	7.50	7.00	7.00	7.60	7.60	7.60
Lending rate (av)	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00
M1 (end-period; CFAfr bn)	410.2	427.3	429.4	485.3	464.7	466.6	474.7	538.5
% change, year on year	17.7	16.6	10.5	14.5	13.3	9.2	10.5	11.0
M2 (end-period; CFAfr bn)	672.3	686.8	694.1	745.1	740.2	763.0	786.1	844.2
% change, year on year	9.0	7.8	5.2	7.8	10.1	11.1	13.3	13.3
Sectoral trends								
Crude oil production								
('000 barrels/day)	100	100	100	100	100	100	100	100
Foreign trade[a] (US$ m)								
Exports fob	583.4	506.6	448.3	488.2	576.1	540.9	497.1	n/a
Imports cif	–430.4	–417.2	–400.6	–456.0	–414.0	–377.6	–382.6	n/a
Trade balance	153.0	89.4	47.7	32.2	162.1	163.3	114.5	n/a
Foreign reserves (US$ m)								
Reserves excl gold (end-period)	1.47	1.17	1.66	1.29	2.29	1.78	2.18	4.43

[a] *DOTS* estimates.

Sources: *Oil & Gas Journal*; IMF, *International Financial Statistics*; *Direction of Trade Statistics*.





Outlook for 2000-01

Political forecast

Domestic politics

The prospects of political stability in 2000-01 remain good. President Paul Biya will benefit from a united governing coalition and a strong presidency. Meanwhile, the opposition will remain weak owing to factional tensions. Separatist militancy in the west will be contained.

The coalition arrangement on which President Paul Biya has built political stability was untouched by the recent cabinet reshuffle. None of the political heavyweights from the ruling Rassemblement démocratique du peuple camerounais (RDPC), the northern-based Union nationale pour la démocratie et le progrès (UNDP) and the Union des populations camerounaises (UPC), which make up the coalition government, was changed. The foundations of the north-south alliance, which has been the basis of political stability since independence, was further strengthened with the appointment as roving ambassador of the highly respected El Hadj Moussa Yaya, the *éminence grise* of the former president, Ahmadou Ahidjo, and a political heavyweight from the north. In addition, President Biya, who comes from the south, can also count on the support of the English-speaking South-West province, home of the prime minister, Peter Mafany Musonge.

President Biya has promised to take steps to implement the constitutional changes that were passed by parliament in 1996 and which included the provision of a partly elected senate, elected regional councils and a constitutional council. However, there is doubt whether the president will continue his programme of democratisation, since it would effectively redress the power imbalance between the presidency, the judiciary and the legislative branch of government. President Biya's current term of office does not expire until 2004, so he will not hurry to change the status quo which ensures a strong presidency.

Meanwhile, the opposition will remain increasingly divided and demoralised. Militancy in the West province and the English-speaking North-West province, bastions of the radical opposition—the Social Democratic Front (SDF) and the Union démocratique du Cameroun (UDC)—will wane as some party leaders, including that of the UDC, Ndam Njoya, indicate their willingness to join the ruling coalition and share the spoils of office. In addition, the SDF, which is the biggest parliamentary opposition party with 43 members, will continue to suffer from internal splits and a poor financial base. Despite recent formidable gestures of protests, notably the seizure of the regional state radio in Buea, the secessionist movement, represented by the Southern Cameroon National Council (SCNC), will continue to lack unity and consistency and will fail to threaten stability at a national level.

Human rights watch

Security concerns will be addressed, but there may be problems if the newly appointed security chiefs use excessive force in combating crime and secessionist activities. In a bid to stem rising crime in the country—especially in the administrative capital, Yaoundé, where representatives of the US and Netherlands have recently been attacked—President Biya has brought in some elderly law and order hardliners to fill key security posts. These include the new minister of territorial administration, Koungou Edina Ferdinand, who is credited with containing violence during the turbulent political transition of the early 1990s, when he was governor of Littoral province. There is a fear, however, that this might lead to serious abuses of human rights—particularly in a country where torture is already widespread and systematically used in prisons (according to a UN report released in late February).

International relations

Developments in the oil-rich Gulf of Guinea will continue to dominate foreign policy. With the depletion of Cameroon's proven oil reserves, there is growing pressure on President Biya to grant licences for deep offshore oil exploration in the disputed maritime areas. But whereas Cameroon's relations with Nigeria are likely to improve—President Obasanjo of Nigeria seems committed to finding a negotiated solution to the border conflict over the oil-rich Bakassi Peninsula—relations with Equatorial Guinea could deteriorate. This is because, apart from the maritime border dispute, the Equatorial Guinean authorities are starting to show signs of hostility towards the rising number of Cameroonian workers, traders and fraudsters settling in Malabo because of the petroleum boom, most of whom enter the country illegally.

Economic policy outlook

Policy trends

The government may speed up its economic reforms to help it negotiate a new facility with the IMF to cover the 2000-03 period. The two leading economic reformers in government—the powerful secretary-general of the presidency, Marafa Hamidou Yaya, and the politically connected minister of economy and finance, Edouard Akame Mfoumou—retained their posts during the recent cabinet reshuffle, seemingly confirming President Biya's commitment to pushing through changes. But it is not clear whether the three-year enhanced structural adjustment facility (ESAF) that was approved by the IMF in August 1997 will be successfully completed by September 2000. Although the IMF acknowledged that some progress had been made with implementing reform during its last mission in February, it urged the government further to improve the management of public finances and accelerate the privatisation programme. Assuming the government moves along these lines and completes its poverty reduction strategy paper (PRSP), the IMF should approve a three-year poverty reduction and growth facility (PRGF) towards the end of this year.

Fighting corruption, a major source of disquiet for donors, will also remain a priority. Out of nine ministers and secretaries of state who left the government in March, four were dismissed on allegations of corruption, an indication that President Biya remains committed to rooting out corruption in public administration. But there is still a long way to go before the country is likely to lose its bottom place in the corruption rankings published by the respected international corruption watchdog, Transparency International.

Fiscal policy

The government will remain committed to a policy of fiscal restraint in 2000-01. The intensification of tax reform, which is aimed at broadening the tax base and increasing the efficiency of tax and customs administration, coupled with relatively high oil prices, should allow the government to narrow its overall fiscal deficit from 2% of GDP in fiscal year 1998/99 (July-June) to 1.6% of GDP in 1999/2000. Public spending, the bulk of which goes towards debt servicing and public investment, will be sustained by increasing inflows from bilateral and multilateral donors and proceeds from privatisation. Transparency will greatly improve, thanks to the government's efforts to transfer all petroleum revenue to the national budget. The 2000/01 budget, which is currently in preparation, will remain tight.

Privatisation

During 2000 the government is expected to accelerate the privatisation of the main public utilities—the water company (Société nationale d'eaux du Cameroun, SNEC), the electricity company (Société nationale d'électricité, Sonel) and the telecommunications company (Camtel)—to satisfy the demands of the World Bank and the IMF. It is thought that the uneven progress in the privatisation of the utilities, one of the cornerstones of the current economic reform programme, has been largely due to lack of interest from potential strategic investors, rather than the opposition of powerful local interest groups or lack of government commitment. As a result, the government has sought to make its privatisation offers more attractive. For example, the invitation to tender bids for 51% of Camtel, the fixed-line telephone monopoly, in February came with guarantees of a four-year monopoly and a mobile telephone licence.

Economic forecast

Cameroon: forecast summary

(US$ m unless otherwise indicated)

	1998[a]	1999[b]	2000[c]	2001[c]
Real GDP growth (%)[d]	5.0	4.4[a]	4.3	5.0
Consumer price inflation (av; %)	0.1	2.0	2.0	2.0
Oil production ('000 b/d)	115	100	97	90
Oil prices (Dated Brent; US$/b)	12.76	17.86[a]	22.0	18.75
Merchandise exports fob	1,863	1,732	1,702	1,758
Oil	653	554	675	615
Merchandise imports fob	1,441	1,409	1,376	1,410
Current-account balance	–186	–234	–172	–152
Exchange rate (av; CFAfr:US$)	590.0	615.7	660.9	601.8

[a] Actual. [b] EIU estimates. [c] EIU forecasts. [d] Fiscal years ending June 30th.

International assumptions

The prospects for growth in the global economy are encouraging: the EIU forecasts that world GDP will grow by an average 4.4% in 2000 in real terms, compared with 3.3% in 1999. France, a major trade partner of Cameroon, is expected to post a growth rate of 3.7% this year, up from 2.6% in 1999.

Despite a positive outlook for the global economy, world market prices for some of Cameroon's main commodity exports are forecast to remain depressed. The price of cocoa, Cameroon's third most important export, which fell by 32% in 1999, is forecast to drop by a further 23% in 2000, to just 39.8 US cents/lb, before recovering slightly to 45 US cents/lb in 2001. Meanwhile, robusta coffee prices are forecast to slump to an average 51.1 US cents/lb in 2000, 24.3% below the 1999 level, and further to 44 US cents/lb in 2001. Price prospects for cotton and timber, however, are expected to improve. World cotton prices, which reached a historical low of 53.1 US cents/lb in 1999, have started to recover, albeit slowly, and should reach 62 US cents/lb by the end of this year, and average 68 US cents/lb in 2001. According to the World Bank's quarterly *Global Commodity Markets*, Cameroon timber prices are forecast to climb from US$270/cu metre in 1999 to US$305/cu metre in 2000 and US$315/cu metre in 2001.

Oil, by far Cameroon's most important export, will enjoy buoyant prices over the forecast period. Despite the decision of nine OPEC members to increase their crude production limit from April 1st, the market will remain in deficit in 2000, and the price of Dated Brent, which eased to below US$25/barrel in the second quarter, will average US$22/b for the year as a whole. Prices will trade at around US$19/b in 2001.

Economic growth

We have lowered our forecasts for real GDP growth in 1999/2000, from 5% to 4.3%. Despite the good harvest in the north of Cameroon, growth of the primary sector, which accounts for about 41% of GDP, will slow, reflecting the weak recovery of the world market prices of Cameroon's main agricultural exports and reduced forestry activity. The forestry subsector, which accounts for about 7% of GDP is in recession, because of a sharp drop in logging due to the enforcement of the restriction on exports of unprocessed timber. Activity in the secondary sector (mining, manufacturing, construction, utilities and public works), driven by the recovery in oil prices and an increase in concessional financial inflows from bilateral and multilateral donors, will only partly compensate for the projected slowdown in the primary sector. Private consumption will grow at a slower rate than we originally anticipated.

Inflation

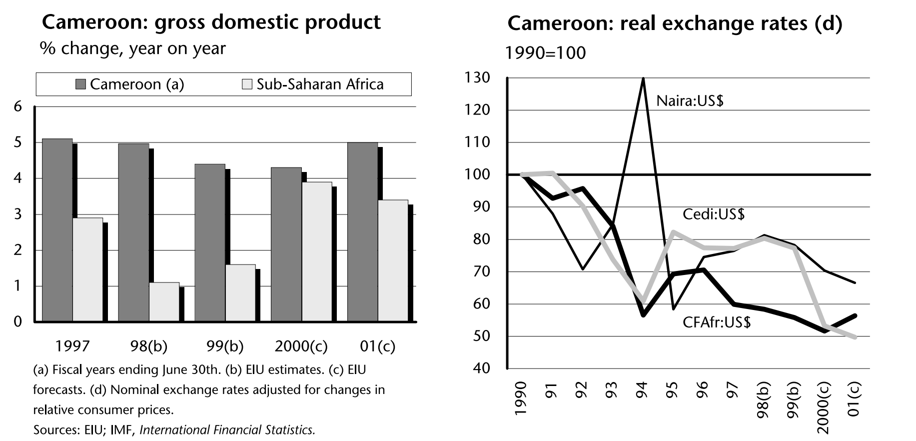
The regional central bank, Banque des Etats de l'Afrique centrale (BEAC) is expected to maintain a sound monetary policy throughout the Central African Franc Zone region. Coupled with the Cameroonian government's tight fiscal policy, this will help keep inflation at around 2% over the forecast period.

Exchange rate

Thanks to continued support from France and a pooling of reserves at a regional level, the regional currency, the CFA franc, will remain pegged to the euro at a rate of CFAfr656:€1 in 2000-01. Moreover, since its launch in January 1999, the euro has steadily depreciated against the dollar, from US$1.12:€1 in the first quarter of 1999 to US$0.99:€1 in the first quarter of 2000, causing the real effective exchange rate of the CFA franc to depreciate as a result. But the economic fundamentals of the euro area remain strong, and we expect the currency to trend upwards by the end of 2000. As a result of the automatic link, the CFAfr:US$ exchange rate is forecast to strengthen in the second part of this year from this quarter's average of CFAfr683:US$1 to CFAfr637:US$1 by end-2000, and further to CFAfr586:US$1 by end-2001.

External sector

The strong recovery in the world market price of crude oil, Cameroon's largest export earner, will more than compensate for the expected marginal decrease in export volumes of cotton, cocoa and coffee as well as the sharp fall in the volume of logs exported in 1999/2000. The projected growth in imports, due to the demand for manufactured inputs to upgrade the newly privatised industries (telecommunications and railways) and improve infrastructure, will be offset by the projected increase in oil revenue. The trade surplus is therefore set to grow and the external current account deficit is projected to narrow to less than 2% of GDP during 1999/2000 and 2000/01. The overall balance-of-payments deficit is projected to narrow progressively in 1999/2000 and 2000/01, owing to an anticipated increase in concessional financial aid from bilateral and multilateral donors over the period. Cameroon is likely to become eligible for debt relief under the heavily indebted poor countries (HIPC) initiative by 2001, leading to a reduction in its stock of external public debt to the equivalent of 150% of exports of goods and non-factor services—a sustainable level.



(a) Fiscal years ending June 30th. (b) EIU estimates. (c) EIU forecasts. (d) Nominal exchange rates adjusted for changes in relative consumer prices.
Sources: EIU; IMF, *International Financial Statistics*.

The political scene

President Biya reshuffles his cabinet

In a move that had been expected since January, President Paul Biya reshuffled his cabinet on March 18th. Initially the changes were expected to involve the dismissal of government ministers accused of corrupt practices in order to restore the image of Cameroon, which has been ranked by Transparency International as the world's most corrupt country. But, with the rising wave of violent crime in the main cities of Douala and Yaoundé since the beginning of the year (see below), Mr Biya also had to look at the cabinet positions related to security. To general astonishment, some elderly hardliners with records of toughness during the Ahmadou Ahidjo era were brought out of retirement to fill some of these posts. Koungou Edima Ferdinand, who is 72 years old and was a prefect in the 1970's and governor of Douala during the social unrest of the early 1990s, replaced Samson Emane as minister of territorial administration. Robert Mbella Mbappé, a retired magistrate and former minister, was appointed minister of justice to replace Urbane Laurent Esso, a senior magistrate, who was given the health portfolio. Mr Mbella Mbappé gained his reputation as a law enforcer in the 1960s, when he handed down tough sentences to rebels involved in the armed insurrection against President Ahidjo. Emmanuel Edou was replaced as secretary of state in charge of the gendarmerie by Rémy Ze Meka, a civil administrator and confidant of President Biya. Professor Jacques Fame Ndongo, former director of the Cameroon School of Journalism and a member of Biya's inner circle, took over from René Ze Nguele, as minister of communications. (The bill liberalising the audio-visual media became law in April, and the Ministry of Communications has now acquired strategic importance, since it will be responsible for granting licences to private broadcasters.) Overall there were seven new entries into government, while nine ministers changed portfolios. All strategic posts in the new government have been filled by men who are close to president Biya and have proved their loyalty. Four ministers, all of whom are accused of corruption, were sacked.

Crackdown on violent crime in Douala

The rising wave of violent crime in the commercial capital Douala, including murders, carjackings and armed robberies, reached crisis level in late January with the assassination of Gabriel Nourry, a French businessman who had been resident in Cameroon for more than 30 years. The French government lodged an official protest about the growing insecurity of its citizens in Douala, while the foreign affairs ministry in Paris issued a statement warning French citizens about armed banditry and urban crime in Cameroon. A special ad hoc joint operational command (*commandement operationnel*), comprising soldiers, gendarmes and policemen, was set up by presidential decree on February 20th to restore security in Douala; General Mpay of the armed forces was appointed to lead it. There is optimism that the operational command will reduce crime in Douala, because the last time the structure was used in Cameroon, during the turbulent political transition to a multiparty system in 1991-92, it was effective in ending political violence.

The police operation in Yaoundé falters

In Yaoundé the police launched a crackdown in early March to eradicate violent crime in the city. The operation, codenamed Vulture, involved dawn raids on districts frequented by bandits and the deployment of armed police guards in popular meeting places, such as hotels and restaurants. The head of the national police, Luc-René Bell, claimed that the police lacked the resources to fight armed banditry and urban crime, and appealed to the population to help the security forces identify suspected criminals in their neighbourhood and track down armed bandits. About a week later, the US ambassador to Cameroon, Melvin Yates, and the Dutch chargé d'affaires, Jan-Willem De Waal, were attacked by armed bandits attempting to steal their cars in separate incidents. President Biya issued a statement expressing his regret for the assaults and reassuring members of the diplomatic corps in Cameroon of the importance he attaches to the security of persons and property throughout the country. This set the stage for a complete overhaul of the security services in late March.

The security apparatus has new leaders

Internal security responsibilities are shared by the national police, the gendarmerie, the National Intelligence Service (DGRE) and the Ministry of Territorial Administration (Interior). In addition to the cabinet appointments to the Ministry of Territorial Administration and the gendarmerie, in late March a retired police commissioner, Bienvenu Oubelabout was appointed to replace General Angouand as a director-general of the DGRE, while Luc-René Bell was replaced as head of the national police by another police commissioner, Pierre Minlo Medjo, who was director of presidential security until his retirement in 1998. Looking at the backgrounds of the new appointees, there is a fear that the new national security team will resort to repressive methods, like those of the Ahidjo era, to combat crime.

Activities of anglophone separatists condemned

Activists of the Southern Cameroon National Council (SCNC), which is fighting for a return to the pre-1972 two-state bilingual federation or outright independence for the English-speaking region (South-West and North-West provinces), seized the provincial state radio station in Buea (capital of South-West province) on the December 30th 1999 and broadcast a statement proclaiming the independence of Southern Cameroon. Henry Fossung, a retired ambassador who claims to be president of SCNC, cast responsibility on a wing of the movement led by Prince Ndoki Mukete. Ndoki Mukete reacted to the accusation by announcing his resignation from the movement, describing the incident as an illegal act and stating that at no time had he used or recommended the use of force or violence in SCNC activities. In early January a group of SCNC activists hoisted flags of the UN and the defunct Federal Republic of Cameroon in the Limbe municipal playing field. Political leaders in South-West province condemned these acts and called on the government to restrict the activities of the SCNC. Since then, security has been tightened both in the North-West and South-West provinces, even though there appears to be no immediate risk of political destabilisation by the SCNC.

Meanwhile, Justice Alobwede Ebong, the alleged ringleader of the incident in Buea, was declared president of the Republic of Southern Cameroon by activists in the US. Mr Ebong and a handful of SCNC activists are currently being held by the gendarmerie in Yaoundé while criminal investigations are being carried out. Although there is general agreement that they are guilty of sedition, it is likely that they would be charged with a lesser offence, as the government is keen to avoid making a martyr of Mr Ebong.

A UN report condemns torture in Cameroon prisons

Torture is widespread and used systematically in Cameroon’s prisons and police stations, according to a United Nations report on human rights published in late February. The report criticises malnourishment and overcrowding in the prisons. Sir Nigel Rodley, the UN’s special rapporteur for human rights, who prepared the report and visited Cameroon in May 1999 and interviewed victims of torture while they were under detention, said he travelled extensively in the country and met several people bearing physical signs of torture. The government rejected the conclusion of the report on the grounds that torture by government officials is a criminal offence and the Intentional Committee of the Red Cross has unrestricted access to all detention centres. “Torture in detention centres in Cameroon is a thing of the distant past,” said Jean Pongmois, director of the Yaoundé central prison, pointing out that a number of prison warders and police officers had been found guilty of torture by the criminal courts and sent to jail. But the government did not deny that prison conditions are deplorable. Credible press reports indicate that Douala's New Bell prison, originally built for 600 inmates holds more than 2,500, and Kondengui prison in Yaoundé, built to hold 1,500 inmates, holds over 3,000. The overcrowding is exacerbated by the large number of people held in prolonged detention prior to trial, which is largely because of the understaffing and inefficiency of the judicial system.

Lakes Nyos and Monoun are to be degassed

In early February a scientific consultant for the US Agency for International Development (USAID), Christina Neal, announced that the second phase of the project to degas two dangerous volcanic crater lakes in western Cameroon, Nyos and Monoun, would begin in September, after the rainy season. This phase will involve installing a system of pipes in the lakes, to slowly reduce their carbon dioxide level by pumping the gas-rich waters at the bottom of the lake to the surface. The monitoring equipment, which was installed during phase one of the USAID project, has shown that the concentration of gas and the total amounts of gas in both lakes are increasing and are higher than the level in Lake Monoun in 1994 and Lake Nyos in 1986, when lethal gas explosions claimed 1,800 lives. The government is upgrading the access roads to the lakes for moving in the degassing equipment. But until the project is completed the people living around the lakes remain in danger.

WFP's regional HQ will be in Yaoundé

The World Food Programme (WFP) and Cameroon signed a host country agreement to establish sub-regional headquarters in Yaoundé. The move is part of WFP's decentralisation strategy, which is aimed at improving the efficiency of technical assistance and food aid to countries in Central Africa. Since 1968 WFP has granted to Cameroon US$63m of food aid.

The Commonwealth and the OIF promote democracy

The Francophone Agency, Agence de la Francophonie, and the Commonwealth Secretariat organised a colloquium on democracy and pluralism in Yaoundé to promote democracy and respect for human rights in member countries of the two organisations. Cameroon was chosen to host the colloquium because it is a member of both the International Francophone Organisation (Organisation internationale de la Francophonie, OIF) and the Commonwealth. But the fact that the OIF's secretary-general, Boutros Boutros-Ghali, and the outgoing secretary-general of the Commonwealth, Emeka Anyaoku, attended in person was seen as an affirmation that the international community would not support any moves by the English-speaking minority in Cameroon to destabilise the Biya regime or fight for secession.

HIV/AIDS is spreading

The proportion of the population infected with HIV is estimated to have increased to 7% in 1999, up from 5% in 1997. At the last official count in 1997, 5% of pregnant women in the main cities and over 10% in Limbe in South-West province were infected with the human immuno-deficiency virus. The rate of infection among prostitutes in Yaoundé and Douala now exceeds 20%. A typical Cameroonian now entering adulthood has a 17% chance of contracting HIV during his or her lifetime, according to Serge Michailof, the World Bank's director of operations for Central Africa, and there is a risk of an

HIV/AIDS epidemic in the country unless the government takes prompt action to stop its spread. An epidemic would reverse the gains of the government's economic reform efforts, because of the high rate of illness and death it would cause among the country's working age population. The potential economic costs of the epidemic include:

- lower productivity and rising costs in the private and public sector because of increased absenteeism and the retraining of new staff;
- a reduction in the absolute number of consumers;
- a fall in agricultural output; and
- an increased burden on the state health system.

Illegal immigration strains ties with Equatorial Guinea

The large influx of illegal immigrants from Cameroon into Equatorial Guinea is putting a strain on bilateral relations. In response to an official protest from the Cameroon government about attacks on Cameroonian citizens by Equatorial Guinea law enforcement officers, President Obiang Ngeuma sent an emissary to Yaoundé in March to reassure President Biya of his fraternity and goodwill towards Cameroonians. The Cameroon government also complained that in recent months the Equatorial Guinea authorities have systematically refused to allow Cameroonians carrying valid visas to enter the country. The petroleum boom on the island of Bioko has attracted large numbers of Cameroonians, traders and workers as well as fraudsters (known in the country as "feymen"), many of whom have settled illegally in the country. Local people are increasingly resentful of the immigrants, whom they accuse of taking their jobs and practising unfair competition in business. Equatorial Guinea's new labour law, which was passed in December 1999 to restrict the employment of foreigners, is unlikely to be able to stem the immigration, given the economic opportunities there and the porosity of the border between the two countries.

Economic policy

The World Bank-IMF put pressure on the government

The joint IMF-World Bank mission, which visited Cameroon on February 8th-22nd to review the government's economic reform programme in the current 1999/2000 financial year (July-June) and assess the economic and budgetary prospects for the rest of the year, concluded that greater efforts were needed if the county is successfully to complete its three-year economic reform programme. Although Cameroon had made significant progress since the last IMF mission at the end of 1999 (1st quarter 2000, page 13), notably by transferring petroleum revenue to the national budget, more needed to be done to improve the management of public finances and accelerate the privatisation of public enterprises, particularly the electricity company (Société nationale d'électricité, Sonel) and the water company (Société nationale des eaux du Cameroun, SNEC). Satisfactory completion of the current economic reform programme, which is backed by the third annual arrangement under the IMF's three-year poverty reduction and growth facility (PRGF, previously known as the enhanced structural adjustment facility) approved on August

20th 1997, would make Cameroon eligible for assistance under the heavily indebted poor countries (HIPC) initiative. This would pave the way for a programme of debt relief.

Fiscal revenue performance is encouraging

The tax and Treasury departments collected CFAfr369bn (roughly US$540m) in non-oil fiscal revenue in the first half of the 1999/2000 financial year, slightly above the CFAfr366bn target set by the government. The customs department, however, collected CFAfr113bn, CFAfr19bn short of its revenue target of CFAfr132bn, despite the measures introduced to combat smuggling and customs fraud. To achieve the non-oil revenue target set by the IMF for 1999/2000, the customs department will have to collect CFAfr135bn during the second half of the year. The revenue target for the customs department would have been higher, but for the recent reduction of trade taxes to maintain external competitiveness and support trade liberalisation. Taking into account its prudent fiscal stance and the increase in oil revenue, Cameroon is likely to end the financial year with an overall fiscal deficit (excluding grants) of less than 0.5% of GDP, compared with the IMF programme target of 2.9%.

The government hopes that the budget for 2000/01 will buttress Cameroon's case for debt relief. Its main objective will be to create the conditions for sustainable economic growth and poverty reduction. The guidelines for the preparation of the 2000/01 budget, as outlined in the circular issued by the presidency in January, focuses on the need to:

- improve governance and the quality of public spending;
- enhance the country's domestic and international credibility;
- deepen structural reforms to improve the economy's competitiveness; and
- modernise tax and customs administration and increase revenue collection.

The last remaining state-owned bank is privatised

On January 7th the government completed the privatisation of Banque internationale du Cameroun pour l'épargne et le crédit (BICEC), the last remaining domestic commercial bank in which the government had a controlling interest. France's Banques Populaires Group paid CFAfr6.75bn (US$11m) to acquire 52.5% of the bank's shareholding. BICEC was created in 1997 from the performing assets of a liquidated state-owned bank, Banque internationale pour le commerce et l'industrie du Cameroun (BICIC). With a loan portfolio of CFAfr54.6bn (71% of market share) and deposits of CFAfr124.1bn (20%), BICEC is the third largest bank in Cameroon. In 1998/99 the bank made a net profit of CFAfr3.1bn on total assets of CFAfr168bn. BICEC has 470 employees and 26 branches in the country's ten provinces, giving it the largest retail network.

The domestic economy

Oil and gas

The Chad-Cameroon oil pipeline is saved

A new consortium, comprising Exxon (as operator, with 40%), Chevron (25%) and Petronas (35%), was set up in April to build the proposed Chad-Cameroon pipeline, which will transport crude oil from the Doba basin in Chad to a new terminal at the Cameroon port of Kribi in the Gulf of Guinea. Chevron and Petronas bought the stakes of Elf and Shell, which had withdrawn from the initial consortium (1st quarter 2000, page 14). The Cameroon government has already approved the new agreement, effecting the replacement of Elf and Shell by Chevron and Petronas as shareholders in Cameroon Oil Transportation Company (COTCO), the company in charge of the construction and exploitation of the 1,050-km pipeline. The Cameroon government is expecting US$500m in transit fees, taxes and dividends over a 25-year period. Experts estimate that about 1,000-1,500 jobs will be created during the construction phase of the project, which is expected to last less than three years.

The management of the World Bank is backing the oil production and pipeline project because of its potential impact on poverty reduction, and proposes providing a loan of US$90m at concessional rates to finance the respective minority equity participation of Cameroon (US$55m) and Chad (US$35m) in the pipeline project. The Bank's private-sector arm, the International Finance Corporation, expects to provide a loan of US$100m to the consortium and to help mobilise a further US$300m in loans from international commercial banks. Many of the concerns of environmentalists and NGOs about the environmental and social costs of the project will be addressed, at least in principle, by various World Bank projects and guarantees from the governments of Cameroon and Chad, but negotiations with the Bank's executive directors for the approval of the project are expected to have difficulty with the German and Dutch directors. With two major oil companies involved in the project and concerns about the price policy of the OPEC cartel, the US executive director is expected to support the project when it is presented to the World Bank, sometime before the end of June.

Petrol prices adjusted upwards

The price of petroleum products went up at the beginning of March. Petrol prices rose by 4%, to CFAfr437/litre; diesel by 3.2%, to CFAfr354/litre; and kerosene by 3.8%, to CFAfr191/litre. The distribution margins for refined petroleum products have been liberalised since July 1995, allowing distributors to increase prices in response to the recent increase in crude oil prices on the world market. Unlike in October when taxi and bus drivers went on strike in Douala and Yaoundé to protest against an increase which pushed the petrol price above the CFAfr400/l psychological threshold, the March increases were accepted, indicating that Cameroonians are becoming aware of the benefits and risks associated with the liberalisation of the petroleum products market. But in South-West and North provinces fuel distributors in the formal sector are experiencing a big drop in petrol sales, because of the resurgence of black-market trading in subsidised petrol from neighbouring Nigeria. Industry sources say that if the high prices persist until the end of the year, many petrol stations in these provinces will be forced to close down. For the first time the price increases were announced over the radio.

Industry

The mining code is under review

The government is in the process of reviewing the mining code with a view to replacing it with more modern and investor-friendly legislation, which will reduce state interference, provide tax incentives and address environmental concerns. The present code, which was adopted in 1964, is outdated and allows excessive state intervention, according to the minister of mines, water resources and energy, Yves Mbele. With the assistance of the World Bank, the government intends to draft a new mining code to attract foreign investors to develop Cameroon’s mineral reserves, particularly the bauxite deposits in Minim-Martap in Adamaoua province, which are estimated at 900m tonnes with average alumina content of 41.3%); rutile in Akonolinga in Centre province; iron ore in Kribi (300m tonnes with 35% iron oxide); and nickel and cobalt in the south-east of Cameroon. There are also deposits of manganese, uranium and tin, but little is known of their commercial viability. Gold and diamonds are mined in East province but on an artisan scale.

Agriculture

Coffee and cocoa output is likely to fall

In its first estimate of the world coffee balance in 1999/2000, FO Licht, the German-based soft commodities analyst, is forecasting a 10.8% fall in Cameroon’s coffee output in 1999/2000, to 1.075m 60-kg bags from 1.025m bags in 1998/99. Exports are projected to decline by 7.7% during the same period, to 0.951m bags in 1999/2000 from 1.031m bags in 1998/99. At the current world market price for robusta coffee, the producer price is not high enough for coffee farms to break even, because of low yields from ageing coffee plants. Likewise, depressed world prices for cocoa could also have an adverse effect on cocoa supplies, because the break-even price for cocoa farmers in Cameroon is much higher than in other major producing countries, such as Côte d’Ivoire and Indonesia. In addition, many domestic exporters have failed to obtain credits from the banks to buy the 1999/2000 harvest.

The cotton industry expands

The state owned cotton monopoly, Société nationale de développement du coton (Sodecoton), has opened a new cotton gin in an area with a good potential for cotton production, 40 km from Garou, the capital of North province. With a processing capacity of 32,000 tonnes/year, the new plant will increase Sodecoton’s total processing capacity from 250,000 tonnes/year to 282,000 tonnes/year. The new gin was constructed with the technical assistance of foreign partners and funding from the French development agency, Agence française de développement, the EU, and local commercial banks. The Liverpool-based industry weekly *Cotton Outlook* is forecasting cotton lint production of 75,000 tonnes in 1999/2000. As the medium staple cotton price indicator (the Cotlook “A” Index) dropped to 97.4 US cents/kg in December 1999 the lowest since September 1986, and seed cotton prices fell correspondingly, the surface area cultivated by cotton farmers is expected to decrease from 160,000 ha in 1999/2000 to 150,000 ha in 2000/01, and *Cotton Outlook* is projecting cotton lint production of 66,000 tonnes in 2000/01.

Infrastructure and services

MTN takes over Camtel-mobile

South Africa's Mobile Telephone Network (MTN) beat Telecel International and Mobile Systems International to win the international tender for the privatisation of Cameroon's state-owned mobile telephone operator, Camtel-Mobile. The privatisation of the company was completed in February with the signing of a deal worth CFAfr40.7bn (US$65m). MTN holds 70% of the shares of Camtel-Mobile, and the remaining 30% has been reserved for its local partner, Broadband. Between CFAfr150bn and CFAfr200bn will be invested over the next five years to give the company's mobile telephone network national coverage, according to Ross MacDonald, MTN's director for international business development. The Cameroonian cellular market is expected to grow quickly during the next decade, and MTN forecasts 1.1m subscribers, compared with over 6,000 today. At present MTN and Société camerounaise de mobiles (SCM), an affiliate of France Télécom, are the only two companies authorised to operate a mobile phone service in Cameroon. A third mobile phone licence will be granted as an incentive to the strategic investor that buys 51% of the fixed-line telephone company, Cameroon Telecommunications (see below). Competition between SCM and MTN is expected to be keen and users are expecting a significant improvement in quality and lower prices.

According to Jean-Louis Gandet, SCM's general manager, the company plans to invest CFAfr33bn over the next two years to extend its network of base transceiver stations to cover Cameroon's main towns. Having obtained its mobile telephone licence in early July 1999, the company began operations formally on February 1st, with a workforce of nearly 100 employees and a capacity of 10,000 lines. Although SCM's network is at present limited to Douala, Yaoundé and Bafoussam—cellular markets previously monopolised by its rival Camtel-Mobile—the company has attracted at least 50 new subscribers per day since it started operations, and it is planning to increase capacity to 50,000 lines by June and 100,000 lines before the end of 2000.

The privatisation of Camtel is back on track

The invitation to tender bids for 51% of Cameroon Telecommunications (Camtel), the state-owned, fixed-line telephone monopoly, closed on February 28th. The company's equipment include 42 central telephone exchanges, two numerical and eight regional transit stations, and two class "A" land-based stations with 540 lines for international communications by satellite. With the exception of Douala and Yaoundé which have ten digital exchanges, the rest of the switchboards are obsolete analogue systems. The equipment has a capacity of 137,000 lines, but Camtel has only 94,000 subscribers and a waiting list of 40,000, largely because of management inefficiency. The company has a pre-tax turnover of about CFAfr70bn (US$110m), though its outstanding debt is estimated at CFAfr87bn. The Camtel privatisation offer is attractive because it comes with a mobile telephone licence and the guarantee of a four-year monopoly of the fixed-line network. Its international service is highly profitable and its domestic service is potentially lucrative. With a mobile telephone service, Camtel will have the potential to remain a market leader in the telecommunications sector, if it can complete the digitalisation of its main switching networks, reduce its workforce and improve the quality of its domestic services. Experts at the Ministry of Posts and Telecommunications estimate that around CFAfr 200bn is needed to modernise the fixed-line network and increase its capacity to meet a domestic demand estimated at 350,000 lines (4th quarter 1999, page 19)

Mobile phones are the new growth industry

Mobile phones are expected to become Cameroon's fastest growing industry in the next few years; new mobile connections will far outstrip fixed-line connections, and the revenue of mobile companies is projected to surge ahead of that of Camtel's fixed-line services. The biggest boost to the growth of the cellular phone market will come from the prepayment card system, which both SCM and Camtel-Mobile plan to introduce before the end of the year.

Foreign trade and payments

Trade with France slows

In 1999, for the third consecutive year, France enjoyed a trade surplus with Cameroon. However, the trade surplus fell sharply from FFr910bn in1998 to FFr552m in 1999, reflecting a 6.42% decrease in French exports to Cameroon and a 7.84% increase in Cameroonian exports to France. Total merchandise trade between Cameroon and France contracted marginally by 0.56% in 1999, to FFr5.09bn from FFr5.11bn in 1998. Cameroon maintained its position as France's fourth most important trade partner in Sub-Saharan Africa, after South Africa, Côte d'Ivoire and Nigeria. But Cameroon's external trade with France is still below its 1984 peak of FFr12bn.

Cameroon: trade with France
(FFr m)

	1995	1996	1997	1998	1999
French exports	2,155	2,086	2,550	3,012	2,819
Cameroonian exports	2,619	2,077	1,955	2,102	2,267
Total trade	4,774	4,163	4,505	5,114	5,086
Trade balance	–464	9	595	910	552

Source: *Cameroon Selection*.

Aid news

In March the US Trade and Development Agency signed two grant agreements with the Cameroon government for a total of CFAfr1.7bn. The first grant of CFAfr900m is to finance technical assistance for restructuring the country's airports and their commercialisation by the private sector. The second, of CFAfr800m, is to finance a feasibility study for the development of a deep-sea port in Limbe, South-West province.

The Fiji Convention

- The Lomé Convention, which granted a group of 71 African, Caribbean and Pacific (ACP) countries preferential trade and aid links with the EU, expired in February 2000. A new Convention is to be signed in May 2000 in Suva, Fiji, finalizing 18 months of negotiations. The agreement, which is to last 20 years, has a strong political dimension. Beside respect for human rights, democratic principles and the rule of law, all essential components of Lomé IV, the ACP countries have reluctantly agreed to promote good governance, fight corruption and combat illegal immigration.

- Under Lomé IV, most ACP products, whether agricultural or industrial, entered the EU duty-free. Four agricultural products, beef, sugar, bananas and rum, were subject to a more restrictive system of tariff quotas. The new agreement offers a negotiating framework for tailor-made regional free-trade agreements (RFTAs), under which ACP countries, preferably within already existing economic groupings, will gradually open their domestic markets to European products. Given the adjustment costs involved, a preparatory period of eight years has been agreed, during which the old system of preferences will continue.

- 33 African countries classified as least developed countries (LDCs) will still have the option of entering the EU generalised system of preferences (GSP) and by 2004, one year before the GSP is to be renegotiated, the EU will assess which other ACP countries are not in a position to enter a RFTA. Unlike the Lomé Convention, the GSP, which benefits all developing countries, is WTO-compliant since it is based on the twin principles of non-reciprocity and non-discrimination.

- The European Development Fund (EDF) will remain the main source of multilateral EU aid to the ACP countries. The ninth EDF will total €13.5bn (US$12.9bn). In addition, some €10bn left undisbursed from previous programmes will remain available until 2007. An additional €1.7bn will come from the European Investment Bank.

Central African Republic

Political structure

Official name	République centrafricaine
Form of state	Unitary republic
Legal system	Based on the 1995 constitution
National legislature	Assemblée nationale; 109 members elected by universal suffrage serve a five-year term
National elections	November-December 1998 (legislative) and September 1999 (presidential); next elections due in November 2003 (legislative) and August-September 2005 (presidential)
Head of state	President, elected by universal suffrage to serve a six-year term
National government	Prime minister (nominated by the president) and his nominated Council of Ministers. Last reshuffle April 2000. Some ministers have no affiliation, having been appointed as individuals, rather than as official representatives of civil society
Main political parties	The Mouvement pour la libération du peuple centrafricain (MLPC) is the largest party in parliament, but relies on smaller parties, notably the Parti libéral démocrate (PLD), for a majority. The main opposition parties include the Rassemblement démocratique centrafricain (RCD), Alliance pour la démocratie et le progrès (ADP), Front patriotique pour le progrès (FPP), Mouvement pour la démocratie et le développement (MDD), Parti de l'unité nationale (PUN) and Forum démocratique pour la modernité (Fodem)

	President	Ange-Félix Patassé
	Prime minister, minister of economics, finance, planning & international co-operation	Anicet-Georges Dologuélé (independent)
	Minister of state: presidential affairs	Michel Gbezera-Bria (civil society)
Key ministers	Agriculture & livestock	Gabriel Dote Badekara
	Commerce, industry, private sector	Jean-Baptiste Koyassambia (civil society)
	Communications	Francis Albert Ouakanga (MLPC)
	Defence	Jean-Jacques Demafouth (MLPC)
	Education	Eloi Anguimate
	Environment, water, forests, fisheries & hunting	Daniel Emery Dédé (PLD)
	Foreign & Francophone affairs	Marcel Météfara (MLPC)
	Health, population	Richard Lakoué (civil society)
	Higher education & scientific research	Timoléon Mbaikoua (MLPC)
	Infrastructure & development	Joseph Kalité
	Interior	Maurice Regonessa (army)
	Justice	Antoine Grothe
	Mining & energy	André Latou (MLPC)
	Post & telecommunications	Jean-Bruno Vickos (PUN)

Governor of the regional central bank (BEAC)	Jean-Félix Mamalepot

Economic structure

Annual indicators

	1995	1996	1997	1998	1999[a]
GDP at market prices (CFAfr bn)	557	527	566	621	690
Real GDP growth (%)	6.4	–2.2	5.9	3.9	5.6
Consumer price inflation (av; %)	19.2	3.7	1.6	–1.9	2.8
Population (m)	3.4	3.5	3.6	3.7	3.8
Exports fob (US$ m)	179	144	154	136	195
Imports fob (US$ m)	179	125	145	159	170
Current-account balance (US$ m)	–81	–63	–43	–66	–80.0
Reserves excl gold (US$ m)	234	232	179	146	136
Total external debt (US$ m)	946	934	883	921	790
External debt-service ratio, paid (%)	7.8	7.9	9.1	20.9	5.3
Diamond production (‘000 carats)	484	487	473	420	n/a
Timber production (‘000 cu metres)	244	367	534	601	n/a
Exchange rate CFAfr:US$ (av)	499.2	511.6	583.7	590.0	615.7

May 5th 2000 CFAfr734.76:US$1

Origins of gross domestic product 1998	% of total
Agriculture	52.4
Industry	18.1
Services	30.5
GDP at factor cost	100.0

Components of gross domestic product 1998	% of total
Private consumption	91.7
Government consumption	5.9
Gross domestic investment	13.5
Exports of goods & services	15.0
Imports of goods & services	–26.1
GDP at market prices	100.0

Principal exports 1998	US$ m
Diamonds	59
Cotton	27
Timber	22
Coffee	9

Principal imports 1998	US$ m
Capital goods	45
Fuel & energy	14

Main destinations of exports 1998[c]	% of total
Belgium-Luxembourg	66.5
Spain	8.6
China	4.5

Main origins of imports 1998[c]	% of total
France	35.7
Cameroon	12.3
Belgium	5.2

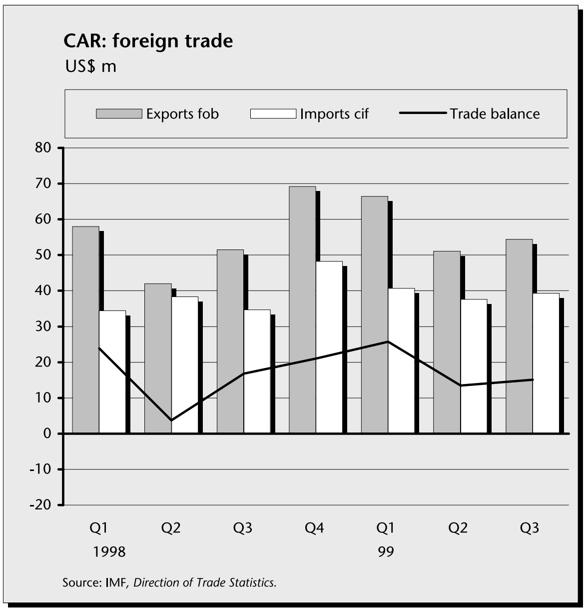
[a] EIU estimates. [b] October actual. [c] Drawn from partners’ trade returns; subject to a wide margin of error.

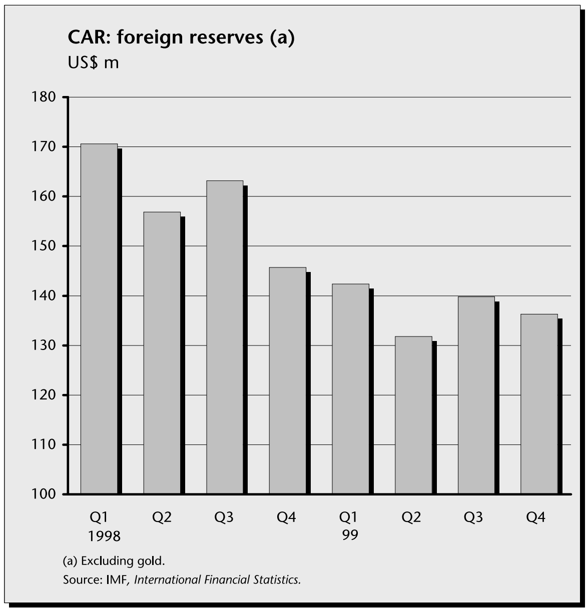
Quarterly indicators

	1998				1999			
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
Prices								
Consumer prices								
(African households, Bangui; 1995=100)	102.5	103.9	104.7	102.4	101.9	101.1	n/a	n/a
% change, year on year	–0.9	–2.3	–0.4	–2.2	–0.6	–2.7	n/a	n/a
Wholesale prices (1990=100)	151.3	149.4	151.5	149.9	150.6	151.3	n/a	n/a
Financial indicators								
Exchange rate								
CFAfr:US$ (av)	609.7	601.5	590.8	557.8	584.4	620.7	625.8	631.9
CFAfr:US$ (end-period)	593.3	598.8	618.5	611.7	561.6	562.2	610.7	653.0
Interest rates (%)								
Deposit rate (av)	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Discount rate (end-period)	7.50	7.50	7.50	7.50	7.00	7.60	7.60	7.60
Lending rate (av)	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00
M1 (end-period; CFAfr bn)	109.08	101.51	92.82	87.58	93.69	88.47	90.94	95.82
% change, year on year	–7.0	–8.3	–12.7	–18.3	–14.1	–12.8	–2.0	9.4
M2 (end-period; CFAfr bn)	118.20	110.41	102.47	97.55	101.94	98.53	100.57	105.42
% change, year on year	–6.6	–7.7	–11.4	–16.1	–13.8	–10.8	–1.9	8.1
Foreign trade[a] (US$ m)								
Exports fob	58.3	42.0	51.5	69.2	66.4	51.1	54.4	n/a
Imports cif	–34.5	–38.3	–34.6	–48.2	–40.7	–37.6	–39.3	n/a
Trade balance	23.8	3.7	16.9	21.0	25.7	13.5	15.1	n/a
Foreign reserves (US$ m)								
Reserves excl gold (end-period)	170.57	156.86	163.17	145.70	142.34	131.80	139.77	136.28

[a] *DOTS* estimates.

Sources: IMF, *International Financial Statistics;* IMF, *Direction of Trade Statistics.*





Outlook for 2000-01

Political forecast

Domestic politics

With the reassuring presence of UN peacekeeping troops now gone, the maturity of Central African politicians—opposition and government alike—will be tested to the full. Opposition backing will remain conditional on the government's success in tackling corruption, though efforts towards a more consensual approach to politics may be undermined by delays in the reform of the military.

The late 1990s were characterised by a reluctance on either side to make compromises and concentrate on the basic economic problems that have to be tackled if the country is to achieve rapid growth and political stability. The UN peacekeeping force has helped to restore law and order and create the conditions for the government to make a fresh attempt at economic reform and financial reconstruction. Progress so far has been impressive and the prime minister, Anicet-Georges Dologuélé, has received full support in his efforts to strengthen public finances, thus allowing soldiers to be paid on time and reducing the risk of fresh mutinies. However, there is some doubt whether the opposition parties and the president, Ange-Félix Patassé, will maintain the climate of consensus and cross-party backing. This is illustrated by the opposition's recent no-confidence motion in parliament, which the prime minister only survived after agreeing to dismiss four ministers for corruption. The government's readiness to bring corrupt officials to book—even when they have close political ties to ruling circles—may start to wane, however, as the risk of political instability recedes. The president, in particular, may be tempted to restore old patronage systems to secure his continued support within the ruling Mouvement pour la libération du peuple africain.

The military reform plan, first prepared in 1996-97 and subsequently refined with UN help, aims to create "republican" forces loyal to democracy and the state. Overcoming ethnic and political allegiances within the armed forces would greatly enhance political stability, and there is now broad all-party support for their overhaul. The task of achieving a regional, political and ethnic balance in recruitment will be difficult. Whereas the Force spéciale de défense des institutions républicaines (Forsdir)—the presidential guard which is dominated by soldiers from the president's home region in the north-west—is being slimmed down, hundreds of pro-Patassé militia fighters recruited in 1996-97 still need to be reintegrated into society; some are pressing to join the regular army, which risks reviving the ethnic factionalism that has destabilised the military hitherto.

International relations

The CAR will consolidate its relations with France, while continuing to have a low regional profile. France has recently restored military co-operation on the understanding that Mr Patassé presses ahead with reform of the armed forces, and in particular the dissolution of Forsdir. This message appears to have been absorbed by the defence minister Jean-Jacques Demafouth, a hardline presidential loyalist who has recently made conciliatory gestures, notably by appointing a former army mutineer, Lieutenant Bruno Galloti, as his head of protocol and by visiting regiments that had previously been viewed with suspicion by the president and his allies. France will also continue to play a central role as the country's main donor. France has considerable technical expertise in development issues and certain economic sectors such as cotton.

Meanwhile, Mr Patassé will be keen not to become involved in the politico-military intricacies of the warn-torn Central African region. For some time there have been rumours that the CAR had become a centre for illicit diamond and arms trafficking, mainly related to the civil wars in the Democratic Republic of Congo and Angola. Under pressure from the international community, in March the CAR authorities took action to try to curb diamond smuggling, by formally ending the special exemptions that had hitherto allowed traders to export diamonds outside the official channels.

Economic policy outlook

Policy trends

The drive to stabilise national finances and crack down on corruption has helped the prime minister and the minister of state for the presidency, Michel Gbezera-Bria—both committed reformers—retain the confidence of the World Bank and the IMF. The perception that Mr Dologuélé is in control of affairs, combined with the government's relatively successful performance under the IMF's enhanced structural adjustment facility (ESAF) programme, persuaded the World Bank to approve its long awaited US$20m structural adjustment credit in December 1999. A first tranche, worth US$9m, was released early this year, providing vital support for the state budget and helping to ensure the regular payment of wages, particularly for the military. Further disbursements of US$5m and US$6m should come during the course of this year. The government, which already has the backing of the UN Development Programme, is also negotiating a technical assistance package with the World Bank, to help it to prepare a poverty reduction programme, strengthen statistical services and assess measures to develop the cotton and forestry sectors. A second annual IMF loan under the now renamed poverty reduction and growth facility should be agreed by mid-2000, with a sharper focus on social issues and poverty alleviation and also on privatisation, most notably in the energy and telecommunication sectors.

Fiscal policy

Fiscal reforms are well under way, and the government hopes to keep the budget deficit at around 3% of GDP. The drive to create a more efficient tax system will take a further step with the introduction of value-added tax in mid-2000, replacing the existing 18% consumption tax. But the government has yet to streamline its list of customs exemptions, in line with the trade liberalisation and harmonisation policy of the regional grouping, Communauté économique et monétaire de l'Afrique centrale (CEMAC). As far as public expenditure is concerned, a high priority for the government over the next years will be to clear public-sector wage arrears and to increase investment in basic public services. Social development has been widely neglected over the past three years, when governments were preoccupied with establishing peace and restoring some basic solidity to state finances.

Economic forecast

Economic growth

Both government and external sources expect the CAR show a slight increase in real GDP growth in 2000, to 5%, assuming political continuity and an overall upturn in investors' and donors' confidence. On the expenditure side, consumer demand will drive real GDP growth, as aid flows in and salaries are paid more regularly. The involvement of foreign strategic investors in the energy and power sectors is also likely to produce an economic spin-off, as they purchase local services and, in the longer run, improve fuel and electricity supplies. Price prospects for cash crops, mostly cotton and coffee, will remain bearish, but as most farmers make the bulk of their living from subsistence farming, informal commerce and urban workers' remittances, this should not affect rural activities dramatically; timber exploitation and livestock rearing are expected to pick up. The departure of the UN peacekeeping force may have a dampening effect on urban consumer spending since, for the first time in decades, the CAR is no longer host to a substantial garrison of foreign troops.

Prices and exchange rate

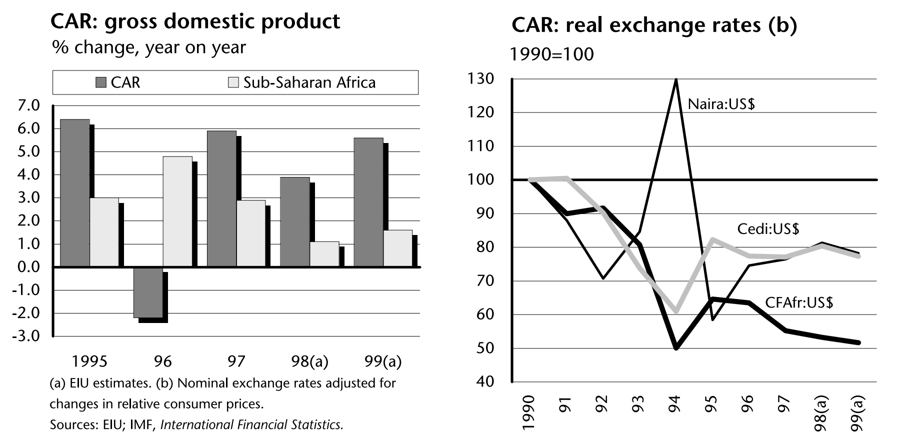
Tight domestic financial policies and the monetary rigour built into the Franc Zone system should keep inflation at low levels and thus ensure that the pick-up in domestic demand is not inflationary. Average inflation is likely to stay in the 2-3% range, despite the one-off impact of the recent fuel price rise.

The regional currency, the CFA franc, which CAR shares with five other Central African countries, will remain stable, thanks to continued support from the French Public Treasury and the pooling of foreign reserves at a regional level. Moreover, the real effective exchange rate of the CFA franc countries has depreciated because of the growing strength of the US dollar against the euro, to which the currency is pegged at a rate of CFAfr656:€1. Since its launch, the euro has steadily depreciated against the dollar, from US$1.12:€1 in the first quarter of 1999 to US$0.96:€1 in the second quarter of 2000. But the economic fundamentals in the euro zone remain strong, and the EIU still expects the currency to begin to strengthen by the end of this year. As a result of the automatic link, the CFAfr:US$ exchange rate is forecast to strengthen in the second part of this year, from this quarter's CFAfr683:US$1 to CFAfr637:US$1 by end-2000 and further to CFAfr586:US$1 by end-2001.

The external sector

Diamonds, whose annual production is around 420,000 carats, will remain by far the country's main source of foreign-exchange earnings. The suspension of exceptional export permits has helped to reduce smuggling and, with the current recovery in the world diamond market, diamond exports should continue to bring in around CFAfr35bn (US$50m at the current exchange rate) per year. Trends in other exports are harder to predict. World prices for cotton and coffee, the country's second and fourth largest exports, reached historical lows in 1999 and, even though cotton prices have now started to recover and should reach 62 US cents/lb by the end of the year (according to the EIU's forecast), robusta coffee prices will continue to decline further, ending at 50 US cents/lb by end-2000, some 26% below the 1999 average. Apart from diamonds, cattle and timber exports are expected to perform relatively well. The growth of manufactured imports—fuelled by the overall pick-up in business activity and investment—is likely to outpace that of commodity exports and, as a result, the country will continue to register a structural trade deficit, of 3-4% of GDP.

An increase in aid inflows will ease the current-account deficit over the forecast period. However, the country's external finances will remain under intense pressure: arrears to foreign creditors now stand at CFAfr20bn, half of which is owed to the African Development Bank. The ADB is barred by its own rules from providing new credit to the CAR until the arrears are cleared. But it is quite conceivable that eventually the arrears may be cleared through a combination of bilateral donor support and debt relief. It is hoped that the CAR will qualify for the HIPC debt reduction programme in 2001.



(a) EIU estimates. (b) Nominal exchange rates adjusted for changes in relative consumer prices.
Sources: EIU; IMF, *International Financial Statistics*.

The political scene

The government is reshuffled

Several new financial scandals in recent months have brought the government under fire from the opposition. Senior public servants implicated in alleged scandals have been dismissed from their posts and legal proceedings have been taken against several of them. This is a clear indication that both President Ange-Félix Patassé and the government are determined to root out corruption in public administration. Nevertheless, 45 opposition members of parliament have called for speedier action, and in mid-April proposed a vote of no-confidence against the government, on the grounds that it was involved in numerous cases of embezzlement and fiscal fraud (see The domestic economy). The vote was eventually rejected, but left some casualties in cabinet. On April 16th four ministers facing accusations of corruption were forced to resign: Godefroy Mohamanade, Aristide Sokambi, Armand Sama and Jean-Baptiste Nouganga; the first three had been drawn from civil society while Mr Nouganga was from the opposition Social Democratic Party. Their replacements have strengthened the dominance of Mr Patassé's party, the Mouvement pour la libération du peuple centrafricain (MLPC) in the cabinet: Gabriel Dote Badekara (minister of state for agriculture and rural development), Joseph Kalité (infrastructure and development) and Michel Dognene (state secretary for disarmament) are from the MLPC; Antoine Grothe, the justice minister is an independent. The former justice minister Denis Wabgao Kizimale has been moved to the public service portfolio, while Emery Dédé moves from agriculture to environment, water forests, fisheries and hunting.

The Minurca peacekeepers pull out

After almost two years of maintaining the peace in CAR, the UN's Mission des Nations Unies en Centrafrique (Minurca) peacekeeping force finally ended its operations on February 15th. Minurca has been succeeded by a low-key observation and advisory mission, Bureau d'observation des Nations Unies en Centrafrique (BONUCA). Originally 1,380-strong, the UN peacekeeping force was made up of contingents drawn from ten countries—Burkina Faso, Chad, Côte d'Ivoire, Gabon, Mali, Senegal, Togo, Egypt, France and Canada—and commanded by a succession of Gabonese generals. It succeeded in maintaining the fragile peace already established by a multinational francophone African intervention force, the Mission inter-africaine de surveillance des accords de Bangui (MISAB), in the wake of the three army mutinies of 1996-97. The UN Security Council had decided that Minurca would be wound down once the 1999 presidential election had been successfully completed (1st quarter 2000, pages 25-26). After the poll, the force was gradually reduced in size. Some 400 troops left in mid-December, and by mid-February only the Egyptians remained—185 troops and 10 civilians, based at M'Poko airbase near the capital, Bangui.

The UN radio station shuts down

The radio station run by the now departed UN peacekeepers has shut down. The station was on the air seven days a week, broadcasting a mixture of politics, education in democracy and human rights and music in French and the CAR's main African language, Sango. Its broadcasts could be heard country-wide on short-wave and on FM in Bangui, providing a refreshing neutrality and political balance in coverage which proved highly popular. With Radio Minurca off the air, there is only one independent alternative to the state broadcasting media left in the country, the Catholic Radio Notre Dame, which can be heard only in and around the capital.

Central Africans, particularly outside Bangui, will miss Radio Minurca's independent and non-partisan editorial line all the more at a time when President Patassé is threatening action to curb the press, which he accuses of stirring up tribalism and hatred. The Paris-based organisation, Reporters sans Frontières, published a report in March, calling for greater professionalism and accuracy in journalism in the country, but also pressing the government to open up the broadcast media to all political groups and remove imprisonment from the statutory list of punishments for media offences.

BONUCA gets off to a cautious start

BONUCA has a mandate to operate for a year, until mid-February 2001. With only a small staff—ten expatriates and 15 local recruits by mid-April—and under the control of the interim UN representative Adeyemi Baryu, a Nigerian, the new observation mission will concentrate on monitoring the security situation and advising on the reform of the CAR armed forces. The UN secretary-general, Kofi Annan, has yet to assign a special UN representative to

Bangui, who, like his predecessor, Oluyemi Adeniji, will report directly to him. According to government sources, the delay was caused by President Patassé's reluctance to accept anyone other than the former Minurca commander, the Gabonese General Barthélemy Ratanga.

Commenting on the departure of the UN force, the defence minister Jean-Jacques Demafouth said it was time for Central Africans to show they could settle their own problems. Opposition politicians were less sanguine: the leader of the Front patriotique pour le progrès, Abel Goumba, interviewed by Radio France Internationale, pointed to the continuing restiveness of militia forces loyal to the president, Ange-Félix Patassé, and complained that Minurca was leaving before the government had completed the reforms of the military. Although BONUCA has full UN backing, it clearly lacks the direct leverage that the large and heavily armed Minurca force enjoyed; the latter's ability to intimidate armed factions or restless local soldiers was enhanced by the distinctly muscular approach taken by its predecessor, MISAB, which consolidated its authority through a full-scale military assault on areas of the capital controlled by mutineers.

Minurca: a successful peacekeeping mission

Besides maintaining order—occasionally breached by outbreaks of violence or lawlessness in provincial area—during its mandate (April 1998-February 2000) the UN force carried out other duties to improve the prospects of an enduring peace in this war-torn part of Africa.

- It collected an estimated 95% of the heavy weapons and 60% of the light arms at large in the country (although there are no illusions about the ease with which new weaponry could leak into the CAR from Chad, the Congos or Sudan).
- It trained 1,000 local police and gendarmes (little such training had been provided since the 1960s).
- It helped to ensure a reasonably fair and free election.
- It began to lay the legal base for reform of the factionalised Central African military.
- It promoted democracy through its own radio station.

Minurca's success has been of value not only to the CAR, but also to the UN itself and the wider cause of peacekeeping in Africa. The force has demonstrated, in a much less controversial manner than the Nigerian-dominated, Economic Community of West African States monitoring group operation in Liberia and Sierra Leone, that outside intervention and peacekeeping can be made to work in Sub-Saharan Africa.

Minurca has also provided a useful demonstration of the viability of the peacekeeping model promoted by the three most influential Western powers, France, Britain and the US. Faced with budgetary and political constraints of their own, they have worked with African governments to develop a scheme under which African countries provide most of the troops for intervention, while outside countries provide funding and logistical and technical support.

Military reforms slowly get under way

In early February President Patassé finally agreed to sign some crucial measures of reform in the military. The decrees dissolved the presidential guard, known as Force spéciale de défense des institutions républicaines (Forsdir), in its existing form and strengthened the defence ministry's powers of control over the military. The central aim of the reform is to end the split between the army, Forces armées centrafricaines (FACA)—largely recruited from the Yakoma ethnic group of the former president André Kolingba—and a more privileged presidential guard—drawn principally from the north-western home area of President Patassé. This will leave the CAR with a small presidential guard, and most manpower concentrated in the army and the gendarmerie. All units are to be trained in the basic principles of non-partisanship and loyalty to the state and democratic institutions. Moreover the army, which has been mainly concentrated at bases in Bangui, will deploy units to provincial centres where they are better placed to combat the banditry and insecurity which for many years has plagued the life of rural dwellers and disrupted domestic trading.

Only 400 of the 1,200 Forsdir troops are being retained for the new presidential guard, whose role will be strictly limited to assuring the personal security of the head of state. The rest are being merged into the gendarmerie—which is being increased in numbers from 1,000 to 1,600—and the regular army. The latter should eventually be about 3,000 strong, although at present it numbers about 3,500. But many long-serving troops are opting to quit under a severance scheme which provides help for a new civilian life: some 500 took up this option last year, and a further 500 or so left on medical grounds. The independent-minded army inspector, General François Bozize, has persuaded more soldiers to accept demobilisation; but they are unwilling actually to quit until they have received their overdue pay.

Former militia fighters complicate the reform

Efforts to reform the Central African military are complicated by the presence of hundreds of fighters from President Patassé's personal militias, the Karako and Basawa. On January 23rd, about 100 ex-members of Karako held an unarmed demonstration in Bangui, to demand integration into the regular forces (at least one was seriously hurt when security forces broke up the protest). Several hundred former militiamen also staged a further peaceful march on February 4th. Mr Patassé recruited some 900-1,000 men for the Karako militia in 1996-97, when he felt under threat from the repeated army mutinies. Several hundred more were recruited into the so-called Basawa militia, based near the airport. Most recruits were poor youths from pro-MLPC *quartiers* of Bangui, and the return of peace and the disarmament programme run by Minurca, has left them without a role. In a city where alternative employment opportunities remain limited, despite the modest economic recovery of the past two years, the fighters are seeking enlistment in the regular forces, where they would receive at least occasional salary payments. The president has managed to get at least 100, and possibly as many as 400, enlisted in the official forces, while public service posts have been found for 200 others. But that still leaves hundreds without an assured future. Reintegrating former militia fighters into the regular army may prove difficult, given the current reforms in the military, and it is hoped that other employment opportunities may arise with the upturn in the economy.

France restores military ties

Charles Josselin, the French co-operation minister, announced the resumption of military aid to the CAR at the end of a 24-hour visit in late January. This is a symbolically important new beginning in relations between Bangui and Paris: in mid-1997 the newly elected left-wing government in Paris had placed great importance on ending France's old military ties with the CAR. The big French bases in Bouar and Bangui, symbolic of France's continued post-colonial influence over the CAR until the early 1990s, were handed over to the Central African forces and the last units of a once considerable armed presence were withdrawn. However, although Mr Josselin has indicated a resumption of French military ties, this will be radically different from the old arrangement: France will provide training support for the reform of the military and provide equipment for the army's two important new provincial operations, at Bouar in the west and Bria in the east. Units at these centres will concentrate on combating the gangs of armed bandits (*zarguinas*) who attack and frequently kill road travellers.

During his visit, Mr Josselin went out of his way to make it clear that France's revived support was directed at the CAR as a whole and not a gesture of personal or partisan backing for Mr Patassé. He explained that he had deliberately delayed his trip until the election was over, so that Paris would be seen to remain neutral during the electoral period, and while in Bangui he made a point of meeting leaders from a wide range of political groups.

Economic policy

The budget is predicated on rising revenue

The 2000 budget, which was delayed by the election and the inevitable hiatus before the new cabinet had settled into place, was only approved in late February. It sets a nominal target for total revenue of CFAfr123.2bn (US$170m), with expenditure at CFAfr144.2bn. On present economic growth forecasts, this represents a budget deficit of 3% of GDP, compared with 2% in 1999. CFAfr52.61bn of total revenue is external financing and CFAfr70.62bn is to be raised domestically. Achieving the latter will be a considerable challenge as domestic revenue has never before exceeded CFAfr60bn. The prime minister, Anicet-Georges Dologuélé, is actually projecting a 24.6% rise in direct tax revenue, due to the introduction of taxation at source for small businesses and improved customs collection, mostly through combating tax evasion. The target, although ambitious, should be achievable: customs revenue during the first two months of this year was 20% up on January-February 1999. Moreover, the government hopes to receive the full value of duties on petroleum sales this year, some of which were siphoned off in the so called Zongo oil scandal in 1999 (see below). Meanwhile, indirect tax revenue is also projected to rise, with the introduction of value-added tax on July 1st 2000. Excluding the one-off receipts of privatisation and other special factors, the budget envisages that current domestic revenue will grow by 16%.

The salary bill budgeted at CFA27bn looks bearable, but donor support will be needed when other expenditure such as debt service is taken into account. The prime minister believes he will also be able to increase debt-service payments this year, to CFAfr30.4bn; last year, some CFAfr20.1bn was allocated to debt service, but informed sources believe the government may only have been able to pay CFAfr12bn-14bn in cash terms.

The anti-corruption drive continues

The recent drive against corruption is one of the main reasons why the World Bank and the IMF appear to retain their confidence in Mr Dologuélé and the equally influential minister of state for the presidency, Michel Gbezera-Bria. Both are seen as committed reformers.

Among the most serious cases of financial embezzlement were allegations of an attempt to launder CFAfr325bn—equivalent to almost half the national GDP—through the Bangui office of the regional central bank, the Banque des Etats de l'Afrique centrale (BEAC). This would have supposedly generated CFAfr77bn in incidental income for the government. Even though it is it hard to believe that such a transaction could slip through the scrupulous supervisory procedures of BEAC, the BEAC office head in Bangui, Jonas Yologaza, was subsequently sacked in early April.

Another case of embezzlement, the so-called Zongo oil affair, might have led to the loss of CFAfr4.6bn in petroleum duties. In 1998 the national fuel parastatal Petroca agreed to sell some fuel free of internal duties to a company called Sicotrans. But instead of being exported to neighbouring countries, the fuel was sold in provincial towns such as Baora, Bouar, Yaloké, Bossembélé and Boda. Sany Vallot, the head of Sicotrans, and Dogonendji Bhé, the former head of Petroca, who is now a parliamentary deputy in the president's MLPC, are accused of being implicated.

The domestic economy

A tobacco plant reopens

Socacig, the tobacco processing company now owned by France's Bolloré group, has opened a new factory in Bangui to replace the plant destroyed during the upheavals of 1996-97. With modern and largely automated equipment, the factory provides only 38 jobs, but it should generate a significant local economic spin-off, both as a customer for local tobacco growers and as a consumer of local supplies and services. The opening of the plant, on March 3rd, attended by the group chairman Vincent Bolloré, his deputy, the former French co-operation minister Michel Roussin, and the prime minister Anicet-Georges Dologuélé, was welcomed as an indicator of the viability of the CAR as a location for new business investment.

Another sign of reviving foreign business interest is the fact that the contract to operate the power parastatal Energie centrafricaine (Enerca) has attracted several major international bidders—the Bouygues' offshoot Saur and Vivendi from France, the American group AES (already engaged in a power project in Uganda) and Dietsmann from Switzerland. Saur already runs the water company Sodeca.

The handing-over of the recently privatised fuel company, Pétrole de Centrafrique (Petroca) was delayed by the presidential election in September

1999, but now seems set for completion within a few months (3rd quarter 1999, pages 33-34). This should be in time for the new shareholders, Royal Dutch\Shell, and TotalFina-Elf to arrange this year’s fuel import contract. The contract is usually signed in mid-year, so that fuel can be brought in from Kinshasa in the Democratic Republic of Congo by river barge during the July-January high-water period when the Oubangui river is deep enough to allow the vessels to come all the way upstream to Bangui. In 1999 the delay to privatisation forced the already liquidated Petroca, with Enerca acting as intermediary borrower, to fund the fuel imports.

Coffee producers’ prices are cut

In a depressed world market for robusta coffee, the Office de réglementation, des contrôles et de conditionnement des produits agricoles announced a drop in producer prices in February, the start of the new buying season. This would be particularly painful for the lowest-grade coffee (“café coque”, priced at only CFAfr115/kg, compared with CFAfr170/kg in February 1999); but even this season’s opening price for the top “marchand prima” grade is a mere CFAfr383/kg (compared with CFAfr482/kg a year earlier). Despite these price pressures, coffee growers are in an better position than cotton producers, because the maintenance of coffee plantations requires relatively little investment, and farmers tend simply to leave the crop on the bushes when prices are too low to justify harvesting. Indeed, even in the present conditions, the CAR is projecting a harvest of 13,000 tonnes for the 1999/2000 season (after 12,037 tonnes in 1998/99), thanks to good rains.

Sococa’s management is taken over

Cotton is in a much more precarious position. The sector barely clings to viability—and a sharp improvement in output would require extra investment in fertilisers and pesticides. The World Bank and the IMF are pressing for an end to subsidies for the sector parastatal Société cotonière centrafricaine (Sococa). The World Bank is funding a study of how this might be achieved. But the issue has serious implications, since cotton is the sole cash crop income for some 200,000 families in the savannah areas in the north-west. But the sector may not be without hope: the recent decision of the Louis Dreyfus group to take up the Sococa management and technical support agreement, dropped at the end of last year by the Compagnie française des fibres textiles (CFDT) suggests it can attract outside investors. Another foreign company, Cosecot, is also involved, although operations in the sector may have been hampered by lack of ginning capacity.

Foreign trade and payments

The diamond trade comes under scrutiny

In a surprise move, it was announced in mid-March that the government had decided to suspend the issuing of temporary permits for the purchase and export of diamonds and gold. Only companies that are registered with the Ministry of Mines, and thereby hold a permanent permit and pay the appropriate taxes, are allowed to trade. For some time there have been rumours that the CAR had become a hub for illicit diamond and arms trafficking, in connection with the civil wars in the Democratic Republic of Congo and

Angola. In an attempt to win the goodwill of the international community, the CAR government has also issued an international warrant for the arrest of the Russian entrepreneur, Victor Buth, head of Centrafrican Airlines, a CAR-based aviation company, which is accused of operating planes carrying false registration. Two Central African officials and Buth’s Ukrainian managing director have been tried and convicted on charges connected with smuggling activities. On March 6th the director and chief inspector of civil aviation were fined and sentenced to short prison terms, while the Ukrainian was sentenced to two years in prison and fined CFAfr5m.

Chad

Political structure

Official name	République du Tchad
Form of state	Unitary republic
Legal system	Based on the Napoleonic Code. The 1989 constitution was suspended in December 1990. A new constitution was adopted by referendum in April 1996
National legislature	Assemblée nationale, with 125 members elected by universal suffrage
National elections	January-February 1996 (legislative) and June 1996 (presidential); next elections due in 2001 (presidential and legislative)
Head of state	President, elected by universal suffrage and sworn in on August 8th 1996
National government	The prime minister and his Council of Ministers; last reshuffle March 2000
Main political parties	Mouvement patriotique du salut (MPS, with 65 seats in the National Assembly); Union pour le renouveau et la démocratie (URD, 29 seats); Union nationale pour le développement et le renouveau (UNDR, 15 seats); Union pour la démocratie et la République (UDR, 4 seats); Parti pour la liberté et la démocratie (PLD, 3 seats); Rassemblement pour la démocratie et le progrès (RDP, 3 seats)

	President	Idriss Déby
	Prime minister	Nagoum Yamassoum
Key ministers	Agriculture	Saleh Kebzabo
	Civil service & labour	Abba Koi Djouassab
	Communications & government spokesman	Moumine Togoï Hamadi
	Defence & reintegration	Weiding Assi-Assoue
	Economic promotion, development & co-operation	Ahmat Lamine
	Education	Abderahim Breme Hamid
	Environment & water	Nadjo Abdelkerim
	Finance	Mahamat Ali Hassan
	Foreign affairs	Mahamat Saleh Annadif
	Health	Dandé Laobele
	Industry, trade & craft	Assana Dingamadji
	Interior, security & decentralisation	Abderrahmane Moussa
	Justice	Routouang Yoma Golom
	Mines, energy & petroleum	Moctar Moussa
	Post & telecommunications	Oumar Kadjallami Boukar
	Public works, housing, transport & towns	Bichara Cherif Daoussa
	Social action & family	Fatime Kimto
	Tourism	Salibou Garba
Governor of the regional central bank (BEAC)	Jean-Félix Mamalepot	

Economic structure

Annual indicators

	1995	1996	1997	1998	1999[a]
GDP at market prices (CFAfr bn)	717.8	828.5	886.9	989.0	931.2
Real GDP growth (%)	0.9	2.9	4.3	7.1	–1.1
Consumer price inflation (av; %)	9.1	12.4	5.6	12.1	–6.8[b]
Population (m)	6.3	6.5	6.7	6.8	6.9
Exports fob (US$ m)	247	221	211	246	288
Imports fob (US$ m)	282	289	283	297	359
Current-account balance (US$ m)	62.5	–14.1	–46.7	–65.1	–392.0
Reserves excl gold (US$ m)	150	165	136	120	95[b]
Total external debt (US$ m)	902	997	1,026	1,091	1,030
External debt-service ratio, paid (%)	4.8	11.1	12.0	10.6	12.5
Seed cotton production[c] ('000 tonnes)	157	158	204	270	161
Exchange rate (av; CFAfr:US$)	499.2	511.6	583.7	590.0	615.7

May 5th 2000 CFAfr734.76:US$1

Origins of gross domestic product 1998	% of total
Agriculture, livestock & fisheries	39.5
Manufacturing, utilities & construction	14.3
Services	46.2
GDP at factor cost	100.0

Components of gross domestic product 1998	% of total
Private consumption	93.9
Government consumption	5.9
Gross domestic investment	15.2
Exports of goods & services	18.3
Imports of goods & services	–33.3
GDP at market prices	100.0

Principal exports 1998	US$ m
Cotton	146
Livestock & meat	44

Imports 1998	US$ m
Public sector	293
Private sector	4

Main destinations of exports 1998[d]	% of total
Portugal	32.3
Germany	20.2
Thailand	7.3
France	4.0

Main origins of imports 1998[d]	% of total
France	43.8
Nigeria	9.8
Cameroon	9.8
India	3.9

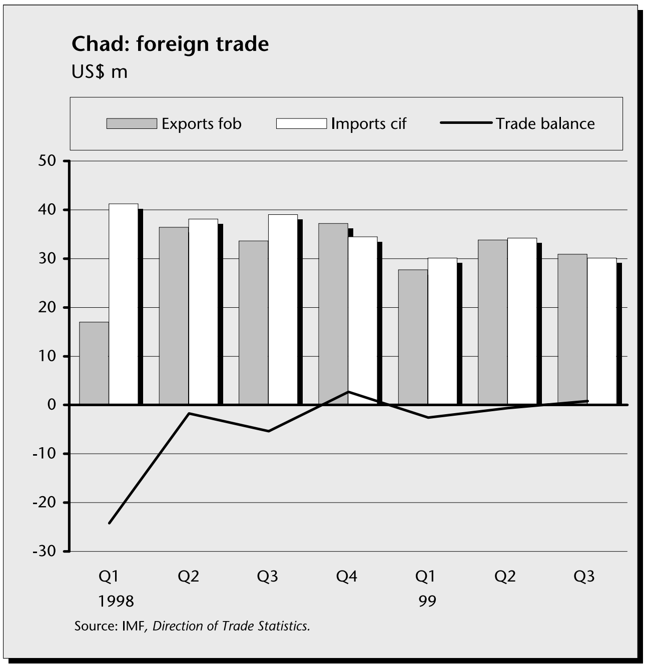
[a] EIU estimates. [b] Actual. [c] Crop years ending November 30th. [d] Drawn from partners' trade returns; subject to a wide margin of error.

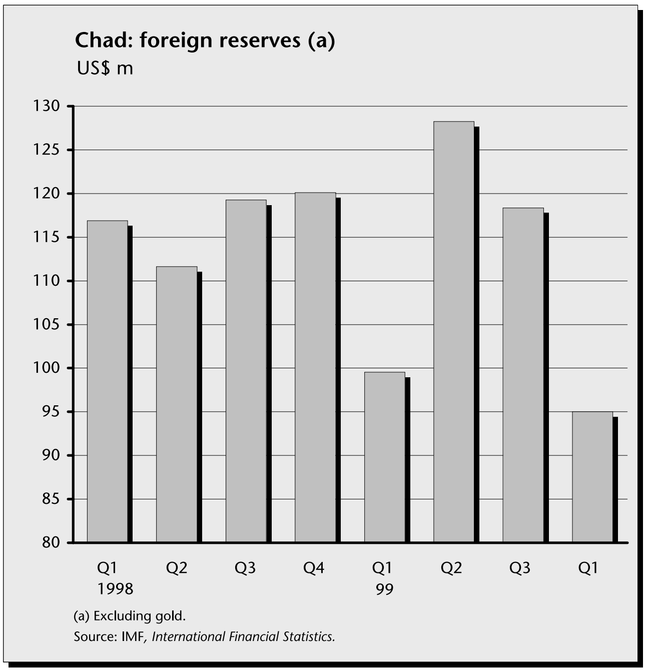
Quarterly indicators

	1998				1999			
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
Prices								
Consumer prices (1995=100)	119.7	134.4	145.5	132.8	121.0	123.3	128.0	123.9
% change, year on year	5.2	11.7	18.3	12.8	1.1	–8.3	–12.0	–6.7
Financial indicators								
Exchange rate								
CFAfr:US$ (av)	609.7	601.5	590.8	557.8	584.4	620.7	625.8	631.9
CFAfr:US$ (end-period)	618.5	611.7	561.6	562.2	610.7	635.1	615.1	653.0
Interest rates (%)								
Deposit rate (av)	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Discount rate (end-period)	7.50	7.50	7.50	7.50	7.00	7.00	7.60	7.60
Lending rate (av; %)	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00
M1 (end-period; CFAfr bn)	103.60	100.05	92.68	98.99	103.75	102.26	97.51	93.50
% change, year on year	–10.1	–4.7	–4.3	–8.7	0.1	2.2	5.2	–5.5
M2 (end-period; CFAfr bn)	110.21	107.11	99.53	104.76	109.72	108.42	103.85	100.02
% change, year on year	–7.5	–2.9	—3.2	–8.4	–0.4	1.2	4.3	–4.5
Foreign trade[a] (US$m)								
Exports fob	16.9	36.4	33.6	37.2	27.7	33.8	30.9	n/a
Imports cif	–41.2	–38.1	–38.9	–34.5	–30.1	–34.2	–30.1	n/a
Trade balance	–24.3	–1.7	–5.3	2.7	–2.6	–0.6	0.8	n/a
Foreign reserves (US$m)								
Reserves excl gold (end-period)	116.87	111.62	119.26	120.09	99.55	128.23	118.36	95.02

[a] *DOTS* estimates.

Sources: IMF, *International Financial Statistics*; *Direction of Trade Statistics*.





Outlook for 2000-01

Domestic politics

The political situation will remain fragile, as President Idriss Déby struggles to deal with new unrest in the Tibesti region of the far north. The Tibesti war will remain contained, however, even though there is always a risk that other politico-military opposition groups in other regions will step up their attacks.

The former closeness of President Déby to the rebel leader, Youssouf Togoïmi once minister of defence, makes the Tibesti row very bitter and unlikely to be resolved in the near future. The rebels of the Mouvement pour la démocratie et la justice au Tchad (MDJT) will continue to rebuff appeals from the government to negotiate, calling for President Déby's resignation instead. In addition, the loose Coordination des mouvements armés et politiques de l'opposition (CMAP), which claims to represent 13 politico-military groups largely operating from external bases, has evidently thrown its support behind the MDJT. In particular, the former president and CMAP figurehead, Goukouni Oueddei, who is currently operating from Algeria, is well known for being an outright MDJT supporter. This lessens the likelihood of a negotiated settlement.

There are fears that continued rebellion in Tibesti might spur other Chadian politico-military groups to step up their own insurgency. In particular, tension might rise in Ouaddai in the east, where the Sudan-based group the Front national du Tchad renové operates, and Logone in the south, the home of a former minister under the country's first president, Antoine Bangui, who has recently established his own rebel movement, Mouvement du renouveau national, and is now a CMAP figurehead. But there is also evidence that for much of Chad—both the highly populated sultanates of the centre of the country and the non-Moslem far south—the current Tibesti problem appears to be no more than a war between different clans from the far north. Since the success of the rebellion by the Front de libération nationale du Chad in the 1970s, the leadership of the country has indeed come from the least populous parts of the country—Goukouni Oueddei (1979-82) from northern Tibesti, Hissène Habré (1982-90) from southern Tibesti and Idriss Déby from north-east Biltine—each coming to power through violence. Like his predecessor, President Déby will ultimately remain in power because of the dominance of his own minority ethnic group in the armed forces. Ironically this power equation has in some ways been a factor for stability, as voters have tended to support those with most military strength, as they did in the 1997 elections.

International relations

Relations with France will remain tense, while Libya will continue to strengthen its regional position. Anti-French sentiment has been growing in the country since the French oil giant, Elf, announced its decision to withdraw from the Doba oil consortium in late 1999, sparking violent demonstrations in the Chadian capital. Like many Chadians, President Déby, who had been responsible for bringing Elf into the project in 1992, apparently saw Elf's departure as an act of betrayal by France. Moreover, the Chadian government has also protested to the French at the activities of the MDJT representative in Paris, Kaylan Ahmed Touer, and has expressed disappointment that the French troops in Chad are not allowed to provide logistic support for the army against the MDJT in Tibesti. The replacement of the controversial French ambassador Alain du Boispéan by Jacques Courbin, may help alleviate some tension, however, while the French government will remain keen to maintain its special ties with strategically located Chad, by providing both military and financial support. With two US oil giants, Exxon and Chevron, now officially involved in the Doba project, relations with the US will become stronger.

Given the current rebellion in Tibesti, a region which covers part of Libya and Niger, good relations with the Libyan leader, Colonel Muammar Qadhafi, will remain crucial to President Déby. Colonel Qadhafi has reportedly been putting pressure on the Tibesti rebels, at the request of the Déby government, but this has apparently had little effect, which has resulted in speculation that the Libyan leader is ambivalent in his support of President Déby .

Oil prospects

Developments in the Doba oil project will be important for the government. President Déby's military advantages and the continued support of the international community will no doubt help him maintain his position as the longest-serving Chadian leader since independence. However, delays in the long-awaited exploitation of the large Doba oilfields, in the south of Chad, could pose a threat to his position. The project includes the construction of a 1,000-km pipeline from Doba to the Cameroonian port of Kribi. Since the sudden withdrawal of Elf and Shell from the project in late 1999, the Chadian government, led by the prime minister, Nagoum Yamassoum, has made great efforts to re-form the consortium, which Petronas of Malaysia and Chevron of the US formally joined in late March. Much will now depend on when a decision is finally made by the World Bank on the funding of the Chad-Cameroon pipeline. Despite pressure from environmental groups, the Bank is expected to give its go-ahead—on which other funding depends—by mid-year.

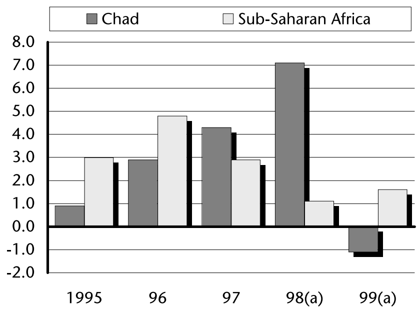
Economic policy

The government will remain committed to reform. Following the signing in January of a three-year poverty reduction and growth facility (PRGF) with the IMF, worth US$50m, the Déby government will continue to make poverty reduction, the fight against corruption and financial stabilisation its top priorities. Continuous improvement in public finances, with firmer control over current spending and better tax administration, will help to keep the fiscal deficit down. But public-sector restructuring may prove slower, especially in the cotton sector, which is still dominated by the state-owned cotton company, the Société cotonnière du Tchad, in association with the powerful French parastatal, Compagnie française pour le développement des fibres textiles. Other enterprises to be privatised include Office national des postes et télécoms, Société tchadienne d'eau et d'électricité, Air Tchad, and Société nationale sucrière du Tchad. Meanwhile, the anti-corruption drive, which has yet to produce clear results, may help to improve the transparency and accountability of the management of public resources. With the help of the World Bank, which approved a US$17.5m International Development Association credit in late January, the government will develop a poverty reduction strategy, which aimed at harmonising and prioritising policies in health, rural development, transport and education.

Economic forecast

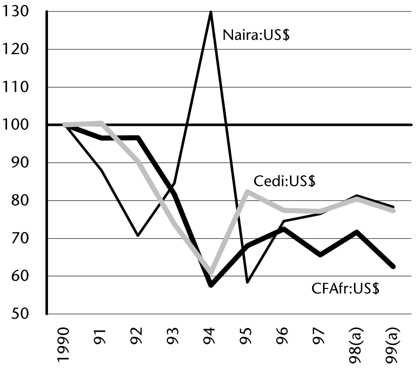
Along with the IMF, the government hopes for 3.8% real GDP growth in 2000. The eventual exploitation of the Doba oilfields, with a potential average output of 250,000 barrels/day, would transform Chad's economic fortunes in the longer run. In the meantime, however, Chad's economy will remain highly vulnerable to external factors, namely the vagaries of the Sahelian climate and world price fluctuations for cotton, the country's main export along with livestock. The cereal harvests in 1999/2000 (December-November), estimated at 1.1m tonnes, were 9% higher than the 1994-98 average. Higher than average mid-season crops, coupled with continued food aid, will help to ensure food security throughout the country. After a very poor harvest in 1998/99, the 1999/2000 cotton season got off a reasonably good start, considering that some areas had been damaged by last season's floods. Cotton growers, however, continue to suffer from the high cost of fertilisers and pesticides and, as a result, cotton sales are likely to taper off, until world cotton prices—which fell by 9% in 1999 to bottom out at 45.9 US cents/lb by year-end—start to recover, and reach 62 US cents/lb by end-2000 (according to the EIU's commodity forecasts). Adequate supplies of food—the main component of the consumer price index—coupled with tight fiscal and monetary policy under the aegis of the IMF and the Banque des Etats de l'Afrique centrale (BEAC), will help keep inflation under control, at around 4%.

Chad: gross domestic product
% change, year on year



(a) EIU estimates. (b) Nominal exchange rates adjusted for changes in relative consumer prices.
Sources: EIU; IMF, *International Financial Statistics*.

Chad: real exchange rates (b)
1990=100



The political scene

Fighting mounts in the Tibesti plateau

Chadian politics has been dominated by the revolt of the Mouvement pour la démocratie et la justice au Tchad (MDJT) in the northern part of the remote and difficult terrain of the Tibesti plateau. Fighting between government troops and MDJT rebels has been rumbling on intermittently in the same area since October 1998. Military engagements have been hard to report accurately, because of exaggerated claims by both sides. They have usually occurred at four- to six-week intervals, and have often involved the taking and loss of the key fort of Yebbi-Bou, which controls the road through the heart of the Tibesti plateau. Between February 24th and March 1st, there were several reports that a major engagement lasting several days had taken place between the MDJT and the Chad army in the vicinity of Guizendi, one of the rebellion's reported headquarters, which lies some 40 km from the Libyan border, not far from Aouzou. According to the Paris-based *Jeune Afrique* it was the "first great battle" in the conflict with the rebels and had been initiated by the Chad army, as could be seen from the dearth of rebel communiqués compared with those issued by the government. The government did not deny the severity of the fighting, and accepted that combat had been taken right to the Libyan frontier. It was reported that President Idriss Déby had spent five days in the area, at Faya Largeau, to direct operations himself.

The obvious satisfaction of government statements, which asserted that the main rebel base had been completely destroyed, was undermined by an MJDT communiqué which claimed that a historic defeat of government troops had taken place, 197 soldiers had been killed, including Colonel Brahim Diallo, commander in Tibesti, and 32 prisoners and 50 vehicles had been taken. Another senior officer, Brigadier Allatchi Djirei, had been seriously wounded and flown to Paris, an MJDT spokesman stated. The MJDT leader, Youssouf Togoïmi, himself claimed that a large number of Chadian troops had fled across the border into Libya. Although these details were officially denied, independent newspapers such as *Ndjamena-Hebdo* and *Le Progrès* confirmed that the Chadian army had sustained heavy losses, even if the MJDT base in Guizendi had indeed been destroyed.

National reconciliation is a long way off

As a backdrop to these repeated incidents, and the conflicting military claims, there has been a continuous war of words, in which the Déby government repeatedly offers peace talks, which are systematically turned down by the MJDT leadership on the grounds that President Déby should first resign. Indeed, one of Mr Togoïmi's own statements claimed that the "authoritarian, arbitrary and dictatorial" attitude of President Déby was a major obstacle to peace and that negotiations would not begin unless the Chadian president resigned. From their respective positions, both parties can justify military aggression. Libya's mediation between the two parties remains elusive and has failed to produce results. In February, after six weeks in Tripoli, a government delegation, led by the former prime minister Djimasta Koibla, returned home, with Mr Koibla admitting that his mission had been unfruitful, and deploring Mr Togoïmi's unwillingness to make the journey to Tripoli to take part in discussions.

The MJDT's position is more or less in line with that of the new opposition politico-military alliance, Coordination des mouvements armés et politiques de l'opposition (CMAP). CMAP was launched at the end of 1999 by veteran political figures, including the former president, Goukouni Oueddei, and the former foreign minister, Acheikh Ibn Oumar (1st quarter 2000, page 38). In a press communiqué to Agence France-Presse in March, the alliance invited the Chadian president to agree to a peace solution for all Chadians, which, it said, could in effect only lead to his resignation, whether by force or around a negotiating table. While evidently in communication with the CMAP, the MJDT has remained outside the alliance, and despite some claims, especially by the Front national du Tchad renové, there were few signs that any of the opposition groups had troops on the ground in any numbers even to match the modest 600 attributed to the MJDT. But the success of Mr Togoïmi's revolt in simply surviving might encourage other groups to become more active again. In early April President Déby, while at the Europe-Africa summit in Cairo, appealed again to Mr Togoïmi and his supporters to return to N'djamena for a "fraternal dialogue—because the Chadian people are tired of war".

A small cabinet reshuffle

Apart from increasing concerns over the prospects of a major conflict at Tibesti, the internal political scene in Chad has been fairly quiet. The change of government in December, which saw the nomination of a new prime minister, Nagoum Yamassoum—the seventh southerner to hold the post since President Déby came to power—was followed by a further reshuffle in March, with the departure of the well-established minister of finance, Bichara Cherif Daoussa, who had become unpopular owing to the rigour with which he had been applying structural adjustment policies, a further sign of Mr Déby's determination to remain in control of northern as well as southern political figures. The public works minister, Hamat Lamine was promoted to minister of economic co-operation, development and co-operation, and Ahmat Ali Hassan replaced Mr Daoussa at the Ministry of Finance.

The French ambassador is expelled

Relations with France—which have been improving since the Chadian authorities expelled a group of French security agents in September 1998 after they were accused of spying on Libya from northern Chad—were dealt a further blow on March 2nd, when the Chad foreign ministry declared the French ambassador, Alain de Boispéan, *persona non grata* and demanded his immediate recall. Both sides tried to minimise the significance of the event. Chad's foreign minister, Mahamat Saleh Annadif, said that relations with France should not suffer, since it was Mr de Boispéan's personality and way of operating that had prompted his expulsion. He described relations between the two countries as good and said that Chad wanted to see them develop and strengthen. According to *Le Progrès*, the expulsion was due to a personality clash between the ambassador and President Déby.

In January the French co-operation minister, Charles Josselin, paid a visit to Chad, and expressed the hope that diplomatic relations between the two countries would soon normalise. The Elf withdrawal from the consortium was also discussed; and Mr Josselin stated: "There is no connection between the Elf decision and the French government. Elf is free in its strategic choices." However, he added, France had supported the oil project from the beginning and had tried successfully to persuade the World Bank to become involved.

Chad becomes President Qadhafi's favourite

Relations with Libya continued to be excellent, according to official sources. The Libyan leader Muammar Qadhafi spent 11 days in Chad at the time of the annual summit of the Community of Sahelien-Saharan States (Comessa), held in N'djamena on February 3rd-4th. The other member states are Burkina Faso, Mali, Niger, Sudan and the recent new members Djibouti, The Gambia and Senegal. The Comessa summit passed a resolution in support of Chad's oil and pipeline project. This was an echo of a similar resolution which had been passed by a "poverty reduction summit" held in Gabon towards the end of January. President Qadhafi later presided over a session of the International

Popular Islamic Command, which was attended by the presidents of Chad, Niger and Mali and other delegations. While in Chad, Colonel Qadhafi spoke of Libya and Chad setting up a joint oil company which would co-operate with foreign oil companies to exploit Chadian oil, despite their seeming reluctance.

Former president Habré goes on trial

One major political development in the new year was the surprise opening of a tribunal in Dakar, following complaints by seven human rights organisations, including the Ligue internationale des droits de l'homme (LIDH), against the former Chadian president Hissène Habré. A dossier of several hundred pages was presented giving detailed information of 97 cases of political assassination, 142 cases of torture and 100 disappearances during Habré's presidency (1982-90). The former president claimed political asylum in Senegal after he was overthrown by Mr Déby in 1990. The Chad government welcomed the move, saying it matched their own efforts to achieve justice. According to the plaintiffs, Mr Habré, whom they dubbed the Pinochet of Africa, is personally and directly responsible for the death of some 40,000 people and the torture of some 200,000.

Economic policy and the economy

The World Bank lends its support

Three weeks after the IMF announced a US$50m poverty reduction and growth facility (1st quarter 2000, page 41), the World Bank announced a credit of US$17.5m from its soft-loan concessional lending arm the International Development Association (IDA). The loan, which is to support capacity-building in public administration, will help the government improve economic and financial management. In particular, it is to finance the gathering of social data and poverty indicators, as part of the poverty reduction strategy submitted by the Chadian government before the PRGF approval. The production of a poverty database should then permit a better allocation of public resources. The IDA credit is on standard terms of 40 years maturity, including a ten-year grace period. The government will finance the rest of the project with an additional US$9m.

The Doba project: delays and decisions

The World Bank's board of governors is soon expected to take a decision in relation to the funding of the Doba-Kribi oil pipeline. Their decision has awaited the putting together of a new consortium in charge of developing the oil deposits at Doba in the far south of Chad. The future of the project was thrown into doubt in November 1999 when two of its main partners pulled out: Royal Dutch\Shell which held 40% and Elf, now merged with TotalFina, which held 20% (1st quarter 2000, page 40). Exxon, now the leading company with a 40% stake, indicated its willingness to continue if other partners could be found. By early February, another US oil company, Chevron, which already has a large stake in the petroleum industry of Congo (Brazzaville), announced it was ready to pick up 25% of the slack, while the Malaysian parastatal oil company, Petronas, said it was willing to come in with 35%. Petronas is well established in several African countries, including Chad's neighbour, Sudan. On March 31st the presidents of Exxon Exploration Chad, Chevron Petroleum

Chad and Petronas Carigali Chad formally signed an investment commitment for the project. The minister of mines, energy and petroleum Moctar Moussa said that the reconstitution of the consortium was: “A significant advance in the exploitation of national wealth and will allow the Doba project to secure the necessary financial approval from the World Bank in the next few weeks”.

The World Bank decision, which some reports had suggested might have been made at the April meetings of the Bank and Fund, is now fixed for July. With the focus back on Washington, the influence of environmentalist opinion has come back into play, with those opposed to the pipeline picking up their campaign again. Notably, the European Parliament in January passed a resolution calling on the European Investment Bank to suspend its own contribution of €44m until the social and environmental requirements were fully guaranteed.

Foreign trade and payments

French aid continues

After the visit of the French minister for co-operation, Charles Josselin, France signed three aid agreements with Chad totalling €17.6m. The first project, worth €3.9m will help modernise drainage systems in the southern towns of Sarh and Moundou, in the south of the country. The second, worth €8.3m, is to improve the sanitation of the capital N’djamena, while a third, worth €5.4m, will go towards improving public health provisions in Lac and Kanem provinces in the west of the country. The Agence française de développement (AFD) is currently funding 20 projects in Chad, the most important being the Sedigi petroleum project, which involves the construction of a small refinery to cater for domestic fuel needs using oil from the Lake Chad deposits, and for which AFD provides €13m out of a total cost of €99m.