COUNTRY REPORT

Cameroon

Central African Republic

Chad

The full publishing schedule for Country Reports is now available on our website at http://www.eiu.com/schedule.

4th quarter 1999

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

The Economist Intelligence Unit

The Economist Intelligence Unit is a specialist publisher serving companies establishing and managing operations across national borders. For over 50 years it has been a source of information on business developments, economic and political trends, government regulations and corporate practice worldwide.

The EIU delivers its information in four ways: through subscription products ranging from newsletters to annual reference works; through specific research reports, whether for general release or for particular clients; through electronic publishing; and by organising conferences and roundtables. The firm is a member of The Economist Group.

London
The Economist Intelligence Unit
15 Regent St
London
SW1Y 4LR
United Kingdom
Tel: (44.20) 7830 1000
Fax: (44.20) 7499 9767
E-mail: london@eiu.com

New York
The Economist Intelligence Unit
The Economist Building
111 West 57th Street
New York
NY 10019, US
Tel: (1.212) 554 0600
Fax: (1.212) 586 1181/2
E-mail: newyork@eiu.com

Hong Kong
The Economist Intelligence Unit
25/F, Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong
Tel: (852) 2802 7288
Fax: (852) 2802 7638
E-mail: hongkong@eiu.com

Website: http://www.eiu.com

Electronic delivery

EIU Electronic
New York: Lou Celi or Lisa Hennessey   Tel: (1.212) 554 0600   Fax: (1.212) 586 0248
London: Jeremy Eagle   Tel: (44.20) 7830 1183   Fax: (44.20) 7830 1023

This publication is available on the following electronic and other media:

Online databases

FT Profile (UK)
Tel: (44.20) 7825 8000

DIALOG (US)
Tel: (1.415) 254 7000

LEXIS-NEXIS (US)
Tel: (1.800) 227 4908

M.A.I.D/Profound (UK)
Tel: (44.20) 7930 6900

NewsEdge Corporation (US)
Tel: (1.718) 229 3000

CD-ROM

The Dialog Corporation (US)
SilverPlatter (US)

Microfilm

World Microfilms Publications (UK)
Tel: (44.20) 7266 2202

ISSN 0269-4336

Symbols for 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

Contents

3 Summary

Cameroon

5 Political structure
6 Economic structure
7 Outlook for 2000-01
9 The political scene
12 Economic policy
13 The economy
13 Economic trends
15 Oil and gas
16 Industry
17 Agriculture
18 Infrastructure and services
20 Foreign trade and payments

Central African Republic

22 Political structure
23 Economic structure
24 Outlook for 2000-01
26 The political scene
30 Economic policy and the economy

Chad

34 Political structure
35 Economic structure
36 Outlook for 2000-01
38 The political scene
41 Economic policy and the economy

45 Quarterly indicators and trade data

List of tables

9 Cameroon: forecast summary
12 Cameroon: 1999/2000 budget
14 Cameroon: public enterprises scheduled for privatisation, 1999/2000
30 CAR: presidential election results, 1999
31 CAR: selected indicators and forecast

43 Chad: consolidated government operations
45 Cameroon: quarterly indicators of economic activity
45 Central African Republic: quarterly indicators of economic activity
46 Chad: quarterly indicators of economic activity
46 Chad: direction of trade
47 Cameroon: foreign trade
48 Central African Republic: foreign trade
49 Cameroon, Central African Republic and Chad: French trade

List of figures

9 Cameroon: gross domestic product
9 Cameroon: real exchange rates
25 CAR: gross domestic product
25 CAR: gross domestic product
37 Chad: real exchange rates
37 Chad: real exchange rates

October 4th 1999

Summary

4th quarter 1999

Cameroon

Outlook for 2000-01

The prospects for continued political stability remain encouraging, although an awkward regional environment could pose problems. Donors are likely to maintain their faith in the government's programme of economic reforms. Real GDP is forecast to increase by 4.9% in 1999/2000 and 5.1% in 2000/01, while the current-account deficit is expected to narrow from 4.4% of GDP in 1998/99 to 3.2% in 1999/2000 and 3% in 2000/01.

The political scene

Ethnic tensions have re-emerged within the Roman Catholic Church. The French president, Jacques Chirac, has paid a brief visit to Cameroon. Anglophone chiefs have rejected the separatist agenda favoured by radicals. Journalists have been harassed. CEMAC, the new mechanism for regional economic integration, has in effect replaced the now moribund UDEAC.

Economic policy

Parliament has adopted a CFAfr1.3trn budget for 1999/2000, which aims to boost growth and reduce poverty, though the opposition SDF abstained from the vote, alleging mismanagement at the Ministry of Posts and Telecommunications.

The domestic economy

- The IMF has praised recent macroeconomic performance, and privatisation has remained on track.
- The World Bank has yet to decide on funding for a strategic oil pipeline between Cameroon and Chad. The petroleum market has been liberalised further.
- The privatisation of the electricity parastatal, SONEL, may hurt the aluminium sector, which currently enjoys a subsidy on its electricity consumption.
- Agriculture has been threatened by the rapid spread of a voracious species of caterpillar. Exemptions to the ban on unprocessed timber exports have been clarified.
- The government has announced plans to help revive tourism.

Foreign trade and payments

Officials remain hopeful about the prospects for early moves towards commercial debt relief.

Central African Republic

Outlook for 2000-01

The prospects for political stability and economic growth are uncertain following the contested outcome of the presidential election in September. There are fears that the opposition parties, which have rejected Ange-Félix Patassé's victory, may seek to reignite the tensions that produced the extreme instability of 1996-97. Even if political calm can be restored quickly, donors are likely to demand early moves towards economic and military reform in return for assistance. Government forecasts of average real GDP growth of 5% in 2000-01 and inflation of under 2.5% assume that security and political stability will be maintained, and will prove vulnerable to volatility in the prices of the CAR's main exports.

The political scene

President Patassé has secured a new six-year mandate following the election in September, but opposition parties have complained of irregularities and have demanded an annulment. The presence of UN peacekeepers helped the polling pass off reasonably peacefully, however, and international monitoring groups praised the process. The MLPC mounted a well-organised and well-resourced campaign. The opposition has complained that preparations for the election were marked by government manipulation, but officials have blamed the postponement of the polls, originally scheduled for August, on technical hitches. Regional instability has continued to have a negative impact on the CAR.

Economic policy and the economy

The IMF has welcomed the CAR's progress on economic reform, although the government has produced a more gloomy assessment. The coffee sector has suffered setbacks, but cotton has shown signs of recovery. There have been allegations that diamonds from rebel-held areas are being illegally traded on the Bangui exchange.

Chad

Outlook for 2000-01

Prospects for political stability and economic growth are fragile, and hinge on the outcome of deliberations at the World Bank over funding for a controversial oil pipeline. Further delays to the project could exacerbate existing ethnic and regional tensions. Assuming that the project is finally approved, economic growth is likely to be strong in 2000-01, although rising imports will put pressure on the current account and may fuel inflation.

The political scene

The government has continued to seek to play down rebel activity in the northern region of Tibesti, despite reports of defections from the army to the rebel MDJT. There has been sporadic dissident activity elsewhere in the country, but one rebel leader has settled with the government. The defence minister has acknowledged the extent of Chadian casualties during the deployment of troops in the Democratic Republic of Congo, while President Déby has pledged to improve soldiers' pay and conditions. Relations with France have remained difficult, but ties with Libya have improved.

Economic policy and the economy

A World Bank decision on funding for an oil pipeline remains in the balance. The IMF has praised the government's progress on reform, but the management of the cotton sector continues to prove sensitive amid concerns over the pace of privatisation. Cotton production has fallen below expectations as a result of adverse weather conditions.

Editor: Antony Goldman
All queries: Tel: (44.20) 7830 1007 Fax: (44.20) 7830 1023
Next report: Our next Country Report will be published in January

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	National Assembly with 180 members elected by universal suffrage, who sit twice-yearly and serve for a five-year term
National elections	May 1997 (legislative) and October 1997 (presidential); next elections due by 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, the MDR and the UNDP. Last reshuffled December 1997
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	Charles Etoundi
Key ministers	Environment & forestry	Sylvestre Naah Ondoua
	Higher education	Jean-Marie Atangana Mebara
	Livestock, fisheries & animal husbandry	Hamadjoda Adjoudji
	Mines, water resources & energy	Yves Mbele
	Posts & telecommunications	Isaac Njiemoun
	Public works	Jérôme Etah
	Transport	Joseph Tsanga Abanda
BEAC governor	Jean-Félix Mamalepot	

Economic structure

Latest available figures

Economic indicators	1994	1995	1996	1997	1998[a]
GDP at market prices[b] (CFAfr bn)	3,416	4,150	4,555	5,017	5,380
Real GDP growth[b] (%)	–2.4	3.5	5.0	5.2	5.0
Consumer price inflation[b] (av; %)	35.1	13.9	4.7	1.5	2.4[c]
Population (m; mid-year)	12.8	13.3	13.6	14.0	14.4
Exports fob[b] ($ m)	1,454	1,736	1,761	1,858	1,867
Imports fob[b] ($ m)	1,052	1,109	1,200	1,360	1,320
Current-account balance[b] ($ m)	–56	90	–219	–189	–162
Reserves excl gold ($ m)	2.3	3.8	2.8	0.9	5.0[c]
Total external debt ($ m)	8,326	9,346	9,542	9,293	8,628
External debt-service ratio, paid (%)	21.0	20.7	23.9	13.4	11.6
Crude oil production (‘000 b/d)	114.5	103.4	103.7	110.1	117.7[c]
Coffee production[d] (‘000 tonnes)	75.9	73.7	74.0	104.1	99.7
Cocoa production[e] (‘000 tonnes)	109.0	109.1	134.0	125.8	122.0
Exchange rate[b] (av; CFAfr:$)	435.0	518.6	501.8	541.1	602.1[c]

October 3rd 1999 CFAfr613.13:$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 1997[b]	$ m
Crude oil	850
Timber	291
Cocoa	148
Cotton	132

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

Main destinations of exports 1997[f]	% of total
Italy	25.4
Spain	20.4
France	16.1
Netherlands	7.1

Main origins of imports 1997[f]	% of total
France	25.0
Nigeria	8.5
US	8.5
Germany	6.4

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

Outlook for 2000-01

Political stability is likely to continue—

The prospects for domestic political stability remain encouraging. The coalition government, which includes 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), is working smoothly. It continues to dominate the 180-seat National Assembly (parliament) and most of Cameroon's ten provinces. Even in the West and English-speaking North-West provinces, traditionally bastions of the radical opposition Social Democratic Front (SDF) and Union démocratique du Cameroun (UDC), there have been calls for an accommodation with the president, Paul Biya. Factional tensions within the SDF—the biggest opposition party in parliament, with 43 seats—have deepened since its April 1999 congress, and the erosion of the party's political base and the deterioration of its financial situation are likely to continue, weakening the opposition still further. Ndam Njoya, the leader of the UDC, which has five seats, all from the West province, has already indicated his willingness to join the government.

—but the regional environment remains difficult

Despite public declarations to the contrary, Cameroon's relations with Equatorial Guinea, one of its southern neighbours and fellow member of the Communauté économique et monétaire de l'Afrique centrale (CEMAC), may become strained as a dispute develops over oil resources in undemarcated areas of the Gulf of Guinea. Mr Biya is under considerable domestic pressure to grant licences for deep offshore oil exploration in the disputed maritime area, which includes Equatorial Guinea's Zafiro oilfield and from which Mobil already produces some 100,000 barrels/day. In anticipation of the intensification of the border conflict, Equatorial Guinea has filed an application at the International Court of Justice in The Hague to protect its interests when the court rules on the ongoing border dispute between Cameroon and Nigeria. While an amicable resolution of the issue through bilateral negotiations is possible, such an outcome appears unlikely, given that relations between Cameroon and Equatorial Guinea have soured significantly in recent months, which increases the probability of a long, drawn-out process that will benefit neither country.

International confidence in the economy grows

Donor confidence in the government's programme of economic reforms remains good. The privatisation process is expected to continue to gather pace, with most of the remaining high-profile state-owned industries to be sold off in 2000-01. These include Cameroon's largest and politically most sensitive parastatal, the agro-industrial Cameroon Development Corporation, as well as water, electricity, telecommunications and refining companies, and a state-owned bank and insurance house. New policy and performance targets agreed under the third year of the enhanced structural adjustment facility (ESAF), covering 1999/2000, appear attainable, which should encourage further moves towards debt relief from Paris Club and non-Paris Club bilateral creditors within the framework of the October 1997 Paris Club agreement. On the basis of an updated assessment of its external debt sustainability, Cameroon could also become eligible for assistance under the World Bank's heavily indebted poor countries (HIPC) initiative.

A new stockmarket will help the emerging private sector

As part of efforts to deepen the reform process and develop alternative mechanisms for private-sector investment and financing within Cameroon and the region, the government appears set to accelerate moves to establish a stock exchange in the commercial capital, Douala. If Cameroon's bourse is adopted as the stock exchange for the regional economic grouping, CEMAC, its market capitalisation could reach CFAfr2.45bn ($3.9m) in the first year of activity and climb to CFAfr5.33bn within five years, driven by the current privatisation programmes in CEMAC countries and oil and gas company stocks. The location of regional bourse has been a matter of heated dispute between Cameroon and Gabon, the two leading members of CEMAC. Cameroon dismisses Gabon's concerns about the health of its banking sector, arguing that the country accounts for nearly half of CEMAC's GDP and has the largest industrial base and the most diversified economy in the subregion. The establishment of a bourse in Cameroon is also critical to the government's strategy for allowing Cameroonian nationals to take a stake in the state enterprises being privatised. Moreover, institutional investors have been buying equity in privatised state enterprises, and share purchase is an increasingly common form of personal investment among Cameroon's middle classes. However, the initiative remains government-driven, which is likely to prompt concern on the part of organisations such as the Groupement interpatronal du Cameroun (GICAM), the association of Cameroonian industrialists and entrepreneurs, which favours a more private-sector-led initiative.

Macroeconomic prospects are good

The EIU forecasts that real GDP growth will recover from 4.4% in 1998/99 to 4.9% in 1999/2000 and 5.1% in 2000/01. Activity in the secondary sector—mining, manufacturing, housing, utilities and public works—driven by the recovery in oil prices and an increase in concessional financial inflows from bilateral and multilateral donors, should more than compensate for the projected slowdown in the primary sector associated with falling prices for coffee and cocoa. Private consumption is also expected to pick up in 1999/2000 and 2000/01. The overall fiscal deficit on a commitments basis (excluding grants) is projected to improve from an estimated 3.5% of GDP in 1998/99 to 2.9% in 1999/2000 and 2.6% in 2000/01. This will reflect the intensification of ongoing tax reforms, which are aimed at broadening the tax base and improving administrative capacity. Privatisation of state enterprises in 1999/2000-2000/01 will also help improve the government's fiscal position and generate increased economic activity and foreign direct investment (FDI).

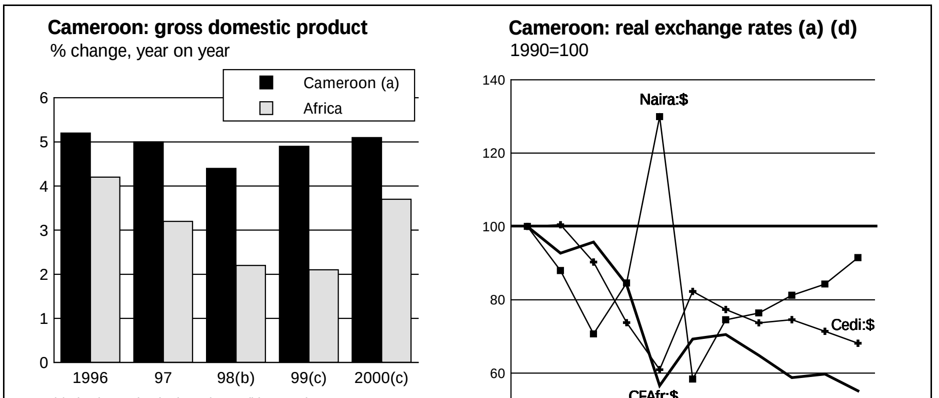
The current-account deficit will narrow

The current-account deficit (including grants) is forecast to fall from 4.4% of GDP in 1998/99 to 3.2% in 1999/2000 and 3% in 2000/01. The gradual strengthening of the country's external position reflects the recovery in world market prices for crude oil, Cameroon's largest source of export revenue, and productivity and income gains from efficiency-enhancing structural reforms, such as the privatisation of large state-owned enterprises, which will offset the impact of weak prices for some traditional exports, such as coffee and cocoa, and the stronger outlook for the CFA franc. We are forecasting a recovery in the value of the euro, to which the CFA franc is linked, which will translate into an average exchange rate of CFAfr600.45:$1 in 2000—compared with CFAfr612.1:$1 in 1999—and CFAfr569.2:$1 in 2001. The financing requirement is projected to narrow significantly from an estimated $413m in 1998/99 to $309m in 1999/2000 and $120m in 2000/01, thanks to anticipated private capital inflows from FDI and concessional support from bilateral and multilateral donors.

Cameroon: forecast summary
($ m unless otherwise indicated)

	1997/98[a]	1998/99[b]	1999/2000[c]	2000/01[c]
Real GDP growth (%)	5.0	4.4	4.9	5.1
Consumer price inflation (av; %)	2.4	2.0	1.9	2.0
Merchandise exports fob	1,867	1,742	1,905	2,134
Petroleum	492	563	501	436
Non-oil products	1,375	1,179	1,404	1,698
Merchandise imports cif	1,564	1,608	1,652	1,545
Current-account balance	–162	–219	–296	–256
Exchange rate (av; CFAfr:$)	602	601	606	585

[a] Actual. [b] EIU estimates. [c] EIU forecasts.



(a) Fiscal years beginning July 1st. (b) EIU estimates. (c) EIU forecasts. (d) Nominal exchange rates adjusted for changes in relative consumer prices.
Sources: EIU; IMF, *International Financial Statistics; World Economic Outlook.*

The political scene

Ethnic prejudice re-emerges in the Catholic Church

Ethnic tensions have resurfaced in the politically influential Roman Catholic Church following the appointment in July of André Wouking, a Bamiléké, as the new archbishop of the capital, Yaoundé. The announcement prompted protests from youths from a rival ethnic group, the Ewondo—a subgroup of the ruling Beti-Bulu ethnic clan—who erected barricades along the main Yaoundé-Bafoussam highway to prevent Bishop Wouking's supporters from entering the capital for the inauguration ceremony. The personal intervention of the president, Paul Biya, who ordered the security forces to deal with the protesters, helped preserve order. But the incident highlighted the deep-seated ethnic tensions that afflict major Cameroonian institutions, including the Catholic Church, which has more than 1m adherents in the Yaoundé region alone.

President Chirac pays a long-awaited visit

The French president, Jacques Chirac, cut short a much-heralded visit to Cameroon after only one day on July 24th in order to attend the funeral of King Hassan II of Morocco. Nevertheless, the trip provided an opportunity to reinforce the close relations between France and Cameroon, and between Mr Chirac and Mr Biya, which have been the subject of speculation ever since the Cameroonian leader backed one of Mr Chirac's rivals in the French presidential contest in 1995. Mr Chirac disclosed that French bilateral co-operation will focus on four areas: reforms to improve the competitiveness of the economy; the enhancement of public-sector management through an improvement in the legal system; human resource development; and decentralisation and rural development. Mr Chirac's visit was seen in Cameroon as a strong endorsement of Mr Biya and his government. Although this was Mr Chirac's first visit to Cameroon since he became president of France, he made an official visit to Cameroon in 1987 as prime minister.

A trial of alleged terrorists continues—

In August the Yaoundé Military Tribunal continued with the trial of the 58 Southern Cameroon National Council (SCNC) militants accused of involvement in a series of armed attacks in North-West province in 1997, which left three gendarmes dead and destroyed several government buildings. Some of the accused claim that their confessions were extracted through torture and threats of violence during interrogations by the gendarmerie. While allegations of human rights abuses by the security services are rife, the militants' position was undermined by further claims that the violence had been instigated by two of Cameroon's most respected politicians, the late John Ngu Foncha (the architect of Cameroon's reunification and vice-president of the Federal Republic in 1961-70) and Solomon Tandeng Muna, a former speaker of the National Assembly. The SCNC is a radical anglophone movement that campaigns for a return to the pre-1972 two-state federal structure along linguistic lines, with extremists demanding outright independence for the two predominantly English-speaking provinces.

—while traditional anglophone rulers condemn the SCNC

Traditional rulers of the anglophone South-West province meeting in the provincial capital, Buea, in mid-July, condemned the federalist/secessionist agenda of the SCNC and its activities. The chiefs unequivocally rejected the SCNC's proposals for a return to a loose federal system of government or secession to create an anglophone republic from a union of the English-speaking North-West and South-West provinces. They opted instead to support the government's proposals for decentralisation, which envisage the creation of ten states from the ten existing provinces within a unitary republic in which the presidency would retain strong executive powers. The chiefs are widely regarded as a conservative political forces, and their conclusions were not unexpected. However, the traditional hierarchy remains influential, and the position adopted by the chiefs represents a serious blow to the SCNC. An anglophone state without the South-West province is not a viable option, given that the province controls access to the sea, as well as most natural resources (including crude oil and timber) and infrastructure in English-speaking parts of Cameroon.

Journalists are harassed

The police and the gendarmerie have continued to harass journalists working for the independent media who have highlighted the alleged wrongdoings of politically well-connected and wealthy individuals. The publisher of the weekly *Le Front Indépendant*, Peter William Mandio, was arrested in Douala at the end of May following the publication of an article on the dispute between the Société de fournitures industrielles du Cameroun (SFIC) and the general manager of the Cameroon National Ports Authority. Christophe Bobiokono, a journalist working for the independent bi-weekly *Mutations* was then arrested in late July after the minister of economy and finance, Edouard Akame Mfoumou, filed a libel complaint. The newspaper had published an article by Mr Bobiokono, which made controversial and damning allegations in connection with the award and execution of lucrative government contracts. In late July journalists called for the decriminalisation of libel cases, drawing attention to the apparent enthusiasm of the judiciary—which is itself a frequent target of corruption allegations—for custodial sentences rather than other forms of punishment in newspaper libel cases.

Catholic bishops demand improvements in regional security and human rights

More than 50 bishops and archbishops from the six member states of the Communauté économique et monétaire de l'Afrique centrale (CEMAC)—Cameroon, Central African Republic, Chad, Congo (Brazzaville), Equatorial Guinea and Gabon—held the fifth general assembly of the Association of the Episcopal Conference of Central Africa (ACERAC) in Yaoundé in late July. The meeting focused on security and human rights issues in the region. Officials drew attention to the human and material costs of the current fighting in Congo (Brazzaville), the tensions in Chad and Central African Republic, and the fragility of CEMAC's other member states. In an indication of the growing politicisation of the church within the region, the association identified economic and physical insecurity, corruption, fraud and tribalism as the main causes of political instability in the subregion. It condemned the exploitation of ethnic differences by political leaders to conserve or win power, the recruitment of child soldiers by warlords, corruption in the public administration and the judiciary, human rights violations, and the failure to resolve the debt burden from which most countries in the region are suffering.

CEMAC in effect replaces UDEAC

The moribund Union douanière et économique de l'Afrique centrale (UDEAC) was dissolved and in effect replaced by CEMAC following a regional summit in Malabo, the capital of Equatorial Guinea, in June. Cameroon's exports to CEMAC countries have increased sharply since 1996/97, mainly because of the impact of tariff reductions, and President Biya would like to see deeper economic integration between the six CEMAC member states. But the process is likely to be slow, and will face stiff resistance from the more conservative and insular constituencies in the very small but oil-rich CEMAC countries, particularly Gabon and Equatorial Guinea. Cameroon is the organisation's most important market, accounting for nearly 50% of the combined GDP and total population of the CEMAC region.

Lake Nyos poses a threat

At the beginning of August there was an explosion in Lake Nyos (250 km north of Mount Cameroon), which was caused by a weak earth tremor on the volcanic line along which the lake is situated. The lake lies on a geological fault that includes Mount Cameroon, which erupted earlier this year. A team of experts who visited the lake after the incident have warned that there is a high risk of a repeat of the 1986 explosion, in which 1,746 people were killed, unless immediate action is taken to deal with the toxic carbon-dioxide deposits that have built up at the bottom of the 200-metre-deep lake.

A national crisis committee, chaired by the politically influential secretary-general of the presidency, Marafa Hamidou Yaya, issued a communiqué on August 13th recommending the immediate rehabilitation of the roads leading to the two dangerous volcanic lakes, Nyos and Monoun, the creation of seismic and geochemical observatories, and the launch of the first phase of efforts to decontaminate the lakes. Lake Monoun exploded in 1984, killing 34 people.

Economic policy

Parliament adopts the 1999/2000 budget

The National Assembly has adopted a budget of CFAfr1.3trn ($2bn) for 1999/2000 (July-June), compared with CFAfr1.23trn in 1998/99, an increase of 5.5%. The new budget coincides with the final year of the IMF's three-year $220m enhanced structural adjustment facility (ESAF), approved in August 1997. Its macroeconomic targets for 1999/2000 include a 4.8% increase in real GDP, a current-account deficit of 2% of GDP and an inflation rate of 2%. The prime minister, Peter Mafany Musonge, explained that the broad aim of the budget is to boost growth and reduce poverty.

Cameroon: 1999/2000 budget
(CFAfr bn)

Revenue	1,297.6
Fiscal revenue	753.2
Non-fiscal revenue	223.0
External assistance (loans & grants)	299.0
Ministry of Posts & Telecommunications annex budget	22.4
Expenditure	1,297.6
Recurrent expenditure	565.2
Capital expenditure	295.0
Debt service	415.0
Ministry of Posts & Telecommunications annex budget	22.4

Source: Local media.

The budget is balanced and assumes that 75.2% of projected revenue will come from domestic revenue (tax and non-tax revenue), 23% from foreign aid (concessional loans and grants) and the remaining 1.8% from the annex budget of the Ministry of Posts and Telecommunications. Compared with the 1998/99 budget, fiscal revenue shows an increase of 7.3%, while non-fiscal revenue is up 13.8%. Projected external budgetary assistance, which is up 9.1%, comprises CFAfr134bn in structural adjustment loans and CFAfr165bn in project loans and grants. Projected revenue from the Ministry of Post and

Telecommunications annex budget is down sharply, by 61.4% compared with 1998/99, as a result of the merger of the commercial activities of the ministry's telecommunications department with Intelcam to create the Cameroon Telecommunications Corporation (CAMTEL).

Total current expenditure shows an increase of 9.5% compared with the 1998/99 budget, while projected public investment and debt service are up 28.8% and 1.7% respectively. The budgetary allocation for public investment is 22.7%, that for debt service 32%, and that for the Ministry of Posts and Telecommunications annex budget 1.8%, with the remainder earmarked for recurrent expenditure. The overall budget deficit on a commitments basis (excluding grants) in 1999/2000 is projected at 2.9% of GDP, compared with an estimated 3.5% in 1998/99.

The parliamentary opposition, led by the Social Democratic Front (SDF), abstained from the budget vote, protesting that the allocation for the recently restructured Ministry of Posts and Telecommunications was excessive. It has called for a parliamentary inquiry into the management of the ministry's finances in the 1998/99 fiscal year, alleging that hundreds of dubious contracts, valued at more than CFAfr10bn, were issued in February and March.

The economy

Economic trends

A solid fiscal performance continues to win praise from the IMF

On September 7th the IMF board approved the disbursement of the final annual instalment of SDR54.04m ($73.75m) under Cameroon's three-year enhanced structural adjustment facility (ESAF) agreement in support of the government's economic reform programme for 1999/2000.

Cameroon has successfully implemented the second annual ESAF programme, despite the adverse impact of a sharp deterioration in its terms of trade in the first half of 1998/99; almost all quantitative and structural performance criteria and benchmarks for the year have been met. The IMF's first deputy managing director, Stanley Fischer, praised the progress made during the last two years in strengthening the public finances through the regular transfer of oil revenue to the budget, the successful introduction of value-added tax (VAT) and the adoption of an action plan to enhance public expenditure management. The board has expressed the hope that the implementation of structural reforms and well-targeted public expenditure in the social sector will make Cameroon eligible under the heavily indebted poor countries (HIPC) initiative.

Privatisation remains on track—

The IMF board also noted the progress that Cameroon has made in implementing structural reforms, including the rehabilitation of the banking system, the privatisation of public enterprises and the liberalisation of the energy and transport sectors.

Privatisation of most of the economically important state-owned enterprises is likely to be completed by the end of the 2000/01 fiscal year. The launch of competitive bidding for the agro-industrial giant, the Cameroon Development Corporation, and the Cameroon Telecommunications Corporation (CAMTEL) is scheduled to take place by end-1999, while the selection of the successful bidder for the state-owned mobile phone company, CAMTEL-Mobile, is likely to take place in the first quarter of 2000. Invitations for pre-qualification bids for the privatisation of the national electricity company, the Société nationale d'électricité (SONEL) will also be issued by end-1999.

In line with the government's commitment to deepen the liberalisation of the refined petroleum market, invitations for bids for the privatisation of the Société camerounaise des dépôts pétroliers (SCDP) are also scheduled to be launched by the end of 1999 (3rd quarter 1999, page 20), while the government plans to begin negotiations on terms for the sale of the national water company, Société nationale des eaux du Cameroun (SNEC), by the end of February 2000. The government also intends to complete the privatisation of the last remaining state-owned bank, the Banque internationale pour le crédit et l'épargne du Cameroun (BICEC) and the largest state-owned palm-oil company, SOCAPALM, by end-1999. Negotiations for the privatisation of the state-owned insurance company, Société camerounaise d'assurance et de réassurance (SOCAR), which has been placed under the temporary management of the successful bidder—a French insurance company, Chanas Privat—is also due to be completed by the end of the year.

Cameroon: public enterprises scheduled for privatisation, 1999/2000

	Sector	Equity[a] (CFAfr bn)	Government stake (%)	Annual turnover[a] (CFAfr bn)
Cameroon Development Corporation (CDC)	Agriculture	15.6	100	42.5
Société de développement du coton (SODECOTON)	Agriculture	4.5	70	87.0
Société nationale d'électricité (SONEL)	Electricity	30.0	97	60.7
Société nationale des eaux du Cameroun (SNEC)	Water	6.5	99	16.2
Cameroon Airlines (CAMAIR)	Transport	5.3	96	50.4
Société de transport de conteneurs (CAMTAINER)	Transport	0.4	25	2.4
Cameroon Telecommunications Corporation (CAMTEL)	Telecommunications	n/a	100	n/a
CAMTEL-Mobile	Telecommunications	n/a	100	n/a
Société camerounaise d'assurance et de réassurance (SOCAR)	Insurance	0.8	56	8.8
Caisse nationale de réassurance (CNR)	Insurance	1.0	100	4.9
Banque internationale du Cameroun pour l'épargne et le crédit (BICEC)	Banking	3.0	100	3.0

[a] At June 1998.

Source: EIU.

—as state-owned hotels join the agenda

In its letter of intent to the IMF of August 9th, the government indicated its intention to transfer the management of state-owned hotels to the private sector. The most attractive hotels under public management include the four-star Sawa hotel in Douala, the Mont Fee hotel in Yaoundé, the Beanie hotel in Giro and the Miss hotel in Mara. The French ACCOR group, which gave up the management of these hotels in 1990-91 following a dispute over management fees, is interested in the contract, and ACCOR's representative for Central Africa, Jean-Pierre Barron, has already contacted the authorities about his company's interest in the purchase or management of the state-owned hotels, according to the Paris-based newsletter, *La Lettre du Continent*. The transfer of management to the private sector may improve the quality of service in the hotels, but it is unlikely to revive the fortunes of tourism unless it is followed up with a serious strategy or action plan for promoting the sector.

Oil and gas

The Chad-Cameroon pipeline is awaiting World Bank approval

The launch of the initial construction phase of the Chad-Cameroon oil pipeline hinges on the World Bank's approval of loans totalling $119m. The construction of the pipeline is part of the $3.5bn oilfield and pipeline development project, which is owned by a consortium of Exxon (40%), Shell (40%) and Elf Aquitaine (20%). The 1,050-km pipeline will run from the Doba oilfields in southern Chad to the Atlantic ocean port of Kribi in Cameroon. The World Bank management is now satisfied with the project's environment, resettlement and compensation plans, as well as the Chad government's oil revenue-management strategy, particularly with regard to its emphasis on poverty reduction. It is seriously considering presenting the loan proposals to the World Bank board of executive directors for consideration in October, but will only go ahead if it is guaranteed a majority vote. According to the Paris-based newsletter, *Lettre Afrique Energies*, the project has the support of eight executive directors: two representing Africa, the three representing Latin America, one representing North Africa, and the France and China directors, who together control 22.9% of total votes. The Middle East director is believed to be sympathetic, but some directors from Europe are thought to oppose the project under pressure from environmental groups. They account for 12.6% of the vote. The US and Canada, which together control over 20% of the vote, have not yet decided whether or not to support the project.

Washington's position is likely to be complicated by the passage through Congress of the Demilitarisation of Development Act, which obliges the government to veto loans by multilateral agencies to countries in which military expenditure is not audited by a civilian authority. While the bill presents little problem for Cameroon, the situation in Chad is open to interpretation, and will require careful last-minute lobbying by Bank officials and oil companies if US support for the project is to be obtained. Substantial equity funding has already been mobilised by the three sponsors, Exxon, Shell and Elf-Aquitaine, to cover the $1.6bn upstream oil development, but the additional $1bn in debt financing needed for the pipeline is being arranged by ABN-Amro Bank and Crédit Agricole Indosuez, and depends on the World Bank loan approval.

The petroleum products market is liberalised further

At the beginning of July the distribution margins for refined petroleum products were liberalised. In theory, market forces should now determine retail prices and the margins distributors are able to add to the monthly base price offered by the national oil refinery, the Société nationale de raffinage (SONARA). However, local consumers are not expected to reap significant benefits from the liberalisation because the market is dominated by the Groupement professionnel des pétroles (GPP), a cartel of five companies (Texaco, Mobil, Total, Shell and Elf). Texaco dominates petrol sales with 119 filling stations, followed by Elf with 88 filling stations. Mobil, Shell and Total dominate the lubricant and aviation fuel markets. Elf controls about half the bunker market, with the balance shared between Mobil, Shell and Total. Distributors chose to pass on the full increase in prices ordered by SONARA in September in response to rising crude oil prices on world markets. Petrol prices rose by 9%, to CFAfr424/litre from CFAfr389/litre in August; diesel by 7.4%, to CFAfr321/litre from CFAfr299/litre, and kerosene by 3.8%, to CFA164/litre from CFAfr158/litre. In an indication of the degree to which liberalisation has depoliticised the once highly sensitive issue of petroleum product pricing in Cameroon, a strike by taxi drivers in Yaoundé and Douala in protest at the September increases quickly petered out.

Industry

Plans for the privatisation of SONEL are on track—

Preparations for the privatisation of the national electricity company, SONEL, have reached an advanced stage. A legal and regulatory framework for the electricity sector has been established, and President Paul Biya signed a decree on June 15th defining the powers of the new industry regulator, the Agence de régulation du secteur de l'électricité. The strategy for SONEL's privatisation is being finalised with the assistance of the World Bank's private-sector arm, the International Finance Corporation (IFC), and pre-qualification bids are expected to be issued by end-1999. The preliminary indications are that the company will be privatised as a single power-generation and distribution entity, open to competition from independent power projects. The government would like to keep 51% of SONEL equity capital in local hands, with the local private sector taking around 14% and the staff 5%, while the new strategic investor would hold 49%, with control of the company's management and blocking rights on the board.

Electricité de France, which has close technical co-operation links with SONEL, is thought to be interested in becoming a strategic investor in the company, but is likely to face competition from various other foreign interests already present in Africa. These include Hydro-Quebec and Lyonnaise des Eaux, which successfully bid for Senegal's electricity utility, SAUR (a subsidiary of France's Bouygues group), which owns 51% of Côte d'Ivoire's Compagnie ivoirienne d'électricité (CIE), and Compagnie générale d'électricité, also of France, which, in a joint venture with an Irish company, won the privatisation bid for Gabon's state electricity company. Created in 1963, SONEL's share capital of CFAfr30bn ($48.8m) is owned by the Cameroon government (97%) and the Agence française de développement (3%). In 1997/98 SONEL produced 3.02bn kwh of electricity, which was distributed to nearly 422,000 subscribers.

Potential French strategic investors are expecting to be treated favourably by Cameroon, as the Agence française de développement approved a €15m ($15.6m) loan in July for an emergency power investment programme, which in essence involves the procurement and installation of diesel-powered generators in Yaoundé and Bafoussam, with a total capacity of 30 mw, and the rehabilitation of existing generators on the same sites. However, uncertainty over the fate of SONEL has already hampered another private-sector initiative in the energy sector. Ocelot Energy, a Canadian company which has an agreement to develop the Sanaga South gasfield to fuel a 75-150-mw build-operate-transfer power plant for the national grid, has suspended its project pending the completion of the SONEL privatisation.

—but aluminium may suffer

Although aluminium prices are rising and European producers are optimistic about the prospects for 1999/2000, the privatisation of SONEL will cast doubt on the future of Camerounaise de l'aluminium (ALUCAM),a subsidiary of the French Pechiney group. For over 40 years the aluminium plant has enjoyed a special electricity tariff and now consumes about 50% of SONEL's total production at CFAfr7/kwh, less than one-sixth of the price paid by domestic consumers. Loss of the subsidy will seriously undermine ALUCAM's financial viability. Closure of the aluminium plant would lead to the loss of 2,500 jobs and would have a devastating socio-economic impact in Edea region, the homeland of the Bassa/Bakoko ethnic group, who are close allies of President Biya and the ruling Rassemblement démocratique du peuple camerounais (RDPC). Pechiney is hoping that the government will persuade SONEL's new owners to maintain the long-standing contractual agreement guaranteeing ALUCAM the subsidy for a reasonable transitional period. But the government will also have to convince the World Bank, which is keen to see SONEL run strictly as a private business.

A nickel-cobalt project progresses

According to the Paris-based newsletter *Lettre Afrique Energies*, Geovic-Cameroun, a subsidiary of a US company, was recently granted a licence to mine nickel and cobalt. The mineral deposits are located in Lomie district to the south of the Haut-Nyong area in south-east Cameroon. The other mineral deposits in the area are located at Kamouna (covering a 6-sq-km area), Napen, Rapodjombo and Madah in the south Mang district, and at Messea in the Ngoyla district. There are also deposits in the Ngoyla district. The Kamouna deposit will be the first to be developed by Geovic; geological surveys, surface sampling and exploration drilling have shown exciting potential.

Agriculture

Caterpillars defoliate plantations

Defoliating caterpillars (*spodoptera exempta*), which first appeared in the West province in early May, are now ravaging plantations in five of Cameroon's ten provinces, West, North-West, South, North and Adamaoua. It is feared that unless the government succeeds in controlling the spread of these caterpillars, Cameroon could be faced with famine. Since late April the caterpillars have also invaded Rwanda, Burundi, Kenya, Uganda, Somalia and Ethiopia.

SOMDIAA's pyrrhic victory hurts the local sugar monopoly

The Société sucrière du Cameroun (SOSUCAM), a subsidiary of SOMDIAA, a French agro-industrial group, has recorded a sharp drop in turnover and build-up in stocks following the decision of its largest client, Société brasseries du Cameroun (SABC), a subsidiary of the French BGI-Castel Group, to buy its sugar from Belgium. The local market has also been flooded with imported sugar from Nigeria, the UK, the US and Brazil as a result of import liberalisation. SOSUCAM stocks are estimated at 39,000 tonnes produced last season. In 1998 SOMDIAA outbid SABC, its closest rival, to buy the state-owned Cameroon Sugar Company (CAMSUCO) for CFAfr11bn ($18m; 4th quarter 1998, pages 12-13).

The government sets limits on timber export ban exemptions

The environment and forestry minister, Sylvestre Naah Ondoua, has announced that endangered hardwood species will not be exempted from the ban on unprocessed timber exports introduced in July. Under the new regulations, endangered hardwood species can only be exported if they are processed locally, although more abundant species, such as *sapelli* and *ayous*, will continue to be exported unprocessed. This exception is a considerable retreat from the comprehensive ban on unprocessed timber exports envisaged when the law was originally passed in 1994, and therefore represents something of a success for well-connected timber firms, which have lobbied carefully in recent months. In the short term the sector is nevertheless likely to suffer a setback. The Ministry of Economy and Finance has forecast a decrease in log production from 3.5m cu metres in 1998/99 to 3.3m cu metres in 1999/2000, while log exports are projected to drop sharply from an estimated 1.2m cu metres in 1998/99 to 600,000 cu metres in 1999/2000. The projected loss in tax revenue from log exports is estimated at CFAfr18bn ($28.6m).

Infrastructure and services

The privatisation of the telecommunications sector is on track

The government has issued invitations for pre-qualification tenders for the privatisation of the Cameroon Telecommunications Corporation (CAMTEL) and a call for bids for the privatisation of Cameroon Telecommunications Mobile (CAMTEL-Mobile). According to the invitation, the government has decided to sell 51% of CAMTEL to a strategic partner which will be either a major telecommunications operator acting alone or a consortium led by such an operator. The government's aim is to establish a link with partners capable of providing the financial resources necessary for the growth of the telecommunications sector, ensuring the expansion of the network and improving the quality of telecommunications sources, while keeping abreast of new technologies. Officials aim to release 10% of CAMTEL's equity to local small investors and 5% to employees.

CAMTEL-Mobile's tender invitation did not specify what percentage was on offer, and there was no mention of shares being set aside for local small investors and employees. CAMTEL runs the national telephone network, which has about 86,000 subscribers for a total of 134,000 available telephone lines. CAMTEL-Mobile is 95% owned by the state and 5% owned by CAMTEL. It runs Cameroon's only GSM cellular phone network, although a second licence was awarded to France Cables et Radio, a subsidiary of France Télécom, in July for CFAfr10.4bn ($16.6m; 3rd quarter 1999, page 16). CAMTEL-Mobile's network comprises a mobile switching communications system and 15 base stations. It has about 4,800 subscribers.

France Cables et Radio promises to expand its cellular network

France Cables et Radio has created a wholly owned local subsidiary based in Yaoundé, the Société camerounaise de mobiles (SCM), to operate its licence. SCM plans to invest CFAfr20bn ($32.5m) over the next eight years to expand its network and improve the quality of services. It expects to have about 30,000 subscribers and to recruit 200 Cameroonians within the next five years. According to the concession agreement signed with Cameroon, SCM will sell 30% of its equity to the domestic private sector within the next two years, achieve national coverage of its cellular phone services within the next five years, fix its prices no higher than those of CAMTEL-Mobile, and limit the use of its frequencies allocated to telephone services only.

The government announces plans for the tourism sector

Tourism, a flourishing sector in the 1970s, has been in doldrums since the political violence of the early and mid-1990s. According to official statistics, the number of visitors rose slightly from 133,000 in 1997 to 135,000 in 1998, while earnings from tourism increased from CFAfr22.8bn ($36.2m) to CFAfr24bn. In early June the tourism minister, Joseph Claude Mbafou, told a government-sponsored seminar that the sector's poor performance was mainly caused by difficulties in obtaining entry visas from Cameroon diplomatic missions abroad, police harassment, and lack of promotional activities. As part of the Ministry of Tourism's attempt to achieve the target of 500,000 visitors per year by 2002, he disclosed that a Tourism Information Office for Europe will be opened in Paris shortly. Seminars will also be held in provincial headquarters before the beginning of the new tourism season in October, to help government authorities and civil society develop a tourist-friendly culture. Presidential decrees creating a special financial account for the development of tourism and establishing a National Council of Tourism, which came into force at the end of May, are also expected to boost the sector.

The government's budgetary allocation for the Ministry of Tourism has been increased by 17.1%, from CFAfr1.3bn ($2.1m) in 1998/99 to CFAfr1.5bn in 1999/2000. Foreign tour operators agree that Cameroon's share of 0.5% of the African tourism market is far below its potential, but say that the government's target of increasing the number of visitors to 500,000 a year by 2002 is unrealistic, because the country's hotel infrastructure is inadequate in terms of both quantity and quality.

Cameroon's tourist attractions include a picturesque mountain, unspoiled beaches on the Atlantic Coast, game reserves in the north of the country, tropical virgin forest reserves in the south, pygmy reserves in the east, colourful traditional dances in the North-West and Western provinces, traditional ceremonies (the "Ngoung" in the Bamoun region and the "Nyem Nyem" festival in the Adamaoua province), and the *durbars* of the Fulani *lamidats* (emirates) of the north.

Foreign trade and payments

Officials remain hopeful on commercial debt relief

Cameroon's external financing needs for 1999/2000 are projected at about \$2bn. Some \$300m will be needed to cover the current-account deficit (excluding official grants), about \$825m to clear external payments arrears, \$800m for scheduled medium- and long-term debt-servicing payments and \$90m for an increase in official reserves. The total disbursements expected by the government in the form of project grants and concessional loans from bilateral and multilateral institutions, net private short-term borrowing, and private investment are projected at \$518m, leaving a financing gap of \$1.5bn. This will be partly covered by exceptional financing, including use of IMF resources, World Bank policy-based loans and debt relief of about \$507m from the Paris Club of official bilateral creditors. It is highly likely that the projected residual financing gap of about \$825m will be covered by a rescheduling agreement with London Club of commercial creditors and non-Paris Club bilateral creditors. Cameroon hopes to secure such an agreement by end-1999, covering a total commercial debt estimated at about \$900m at end-1998. Of this, overdue principal, arrears on interest and penalties account for over 50%. The IMF estimates that total external debt declined from CFAfr4.6bn in 1997/98 to CFAfr3.7bn in 1998/99.

Japan grants debt relief

A debt-rescheduling agreement was signed with the Japanese government in mid-June. Under the terms of agreement, Japan is to reschedule its CFAfr2.5bn (\$4m) debt over 30 years with a 12-year grace period at an interest rate of 1.8%. The minister-delegate in charge of the stabilisation plan in the Ministry of Economy and Finance has said that the Japanese debt relief was granted within the framework of the agreement Cameroon reached with the Paris Club of official creditors in October 1997.

EU auditors evaluate financial assistance

An EU delegation arrived in Cameroon at the end of June to evaluate co-operation programmes between the European Commission and Cameroon, and to audit the use of EU aid. In 1990-2000 the EU will have disbursed CFAfr532bn (\$844m) to finance various projects in Cameroon, covering education, health and road maintenance projects, and in support of public- and parastatal-sector reform.

Other aid news

• In June the UN Population Fund and the government signed a grant agreement for CFAfr6.6bn (\$10.6m) to fund the third phase of the population programme for 1999-2000. The programme will focus on population control and the improvement of reproductive health.

• In late July the governments of Cameroon and Japan signed a CFAfr5.3bn grant agreement for the construction and rehabilitation of 11 primary schools in Yaoundé and 20 in Douala by 2001. By the end of the project, 342 class-rooms will have been constructed for about 43,000 pupils.

• In late July the minister of public investment and regional development, Justin Ndioro, and the French co-operation minister, Charles Josselin, signed three bilateral agreements worth over CFAfr16bn. The first agreement is for a loan of €23.8m ($24.8m) to finance an increase in the national electricity company's thermal power-generation capacity and the rehabilitation of bridges at Tibati, Maroua and Garoua. The second is for a grant of CFAfr700,000 to support democratisation and human rights projects. The third agreement is for a grant to enhance and promote local cultures and conserve local works of art.

• In July the OPEC Fund for International Development and the Cameroon government signed a loan agreement for $4.85m to fund the construction and equipping of 28 grain-storage silos, purchase 15,000 tonnes of cereals, procure trucks to transport grain, rehabilitate 200 km of feeder roads, and strengthen the pest and locust control unit. The loan carries an interest rate of 3% and has a maturity of 17 years, including a grace period of five years.

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) nd 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; the coalition government is dominated by the MLPC. Last reshuffle January 1999
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 (RDC), 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 finance, economics, planning & co-operation	Anicet Georges Dologuélé (independent)
Key ministers	Agriculture & livestock	Joseph Kalite (MLPC)
	Communications, post & telecommunications	Désiré Pendémon (MLPC)
	Defence, army reform & veterans	Pascal Kado (MLPC)
	Education & research	Agba Otikpo Mezôdé (CN)
	Environment, water, forestry, fisheries & hunting	Thierry Ynifolo Vanden-Boss (PLD)
	Foreign & francophone affairs	Marcel Mété-Fara (MLPC)
	Health	Prosper Thimossat (MLPC)
	Justice	Laurent Gomina Pampall (independent)
	Mining & energy	Jean Serge Wafio (MLPC)
	Relations with parliament	Juliette Nzekou Dongoya (independent)
	Territorial administration & public security	Théodore Biko (MLPC)
	Urban development & housing	Armand Sama (independent)
Ministers-delegate	Budget	Théodore Dabanga (MLPC)
	Economics, planning & co-operation	Jacob Mbaïtadjim (MLPC)
Secretaries of state	Disarmament	Lt-Col Evariste Konzale (army)
	Public security	Abraham Espéré Langou (MLPC)
BEAC governor	Jean-Félix Mamalepot	

Economic structure

Latest available figures

Economic indicators	1994	1995	1996	1997[a]	1998[a]
GDP at market prices (CFAfr bn)	474	569	557	595	642
Real GDP growth (%)	4.9	6.0	–1.5	5.1[b]	5.5
Consumer price inflation (av; %)	24.5	19.2	4.4	0.6[b]	2.6
Population (m)	3.2	3.4	3.5	3.6	3.7
Exports fob ($ m)	162	179	146	174	182
Imports fob ($ m)	151	179	119	127	155
Current-account balance ($ m)	–47.8	–81.0	–63.1	–42.8	–66.3
Reserves excl gold ($ m)	210	234	232	179[b]	157[b]
Total external debt ($ m)	885	942	928	885[b]	774
External debt-service ratio, paid (%)	12.9	6.8	6.7	6.1	5.2
Diamond production ('000 carats)	532	484	487	487	490
Seed cotton production[c] ('000 tonnes)	27.5	32.3	42.4	n/a	n/a
Timber production ('000 cu metres)	231	244	306	461[b]	n/a
Exchange rate (av; CFAfr:$)	555.2	499.2	511.6	583.7[b]	590.0[b]

October 3rd 1999 CFAfr613.13:$

Origins of gross domestic product 1997	% of total
Agriculture	53.4
Industry	20.5
Services	26.1
GDP at factor cost	100.0

Components of gross domestic product 1997	% of total
Private consumption	87.1
Government consumption	7.0
Gross domestic investment	7.8
Exports of goods & services	21.2
Imports of goods & services	–23.1
GDP at market prices	100.0

Principal exports 1997	$ m
Diamonds	67
Cotton	44
Coffee	18
Timber	15

Principal imports 1997	$ m
Capital goods	24
Fuel & energy	15

Main destinations of exports 1997[d]	% of total
Belgium-Luxembourg	36.2
Côte d'Ivoire	5.2
Spain	4.4
Egypt	2.6

Main origins of imports 1997[d]	% of total
France	30.5
Côte d'Ivoire	18.0
Cameroon	10.8
Germany	3.6

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

Outlook for 2000-01

The CAR faces a major challenge

The controversy surrounding the re-election of the president, Ange-Félix Patassé, in September does not augur well for political stability and economic growth in the medium term. If the poll had been successfully navigated in peaceful conditions and if all parties had accepted the result, however grudgingly, it might have heralded a new era of political calm after the army mutinies and ethnic polarisation of politics in 1996-97. But the opposition's rejection of the outcome, amid complaints of fraud and irregularities, represents a major challenge, and one which the UN intervention force based in Bangui, the Mission des Nations Unies en République centrafricaine (Minurca), will not easily overcome before the expiry of its mandate, scheduled for end-1999. UN officials will seek to work with regional powerbrokers, such as the Gabonese president, Omar Bongo, to try to ease tensions. They may hope to persuade Mr Patassé to offer opposition leaders prominent positions in a new coalition government. However, the president is not a natural conciliator or consensus politician. Despite his public appeals for calm, he may be reluctant to offer his rivals anything more than the opportunity to be co-opted into positions that lack real influence. Such a prospect is unlikely to tempt his more trenchant opponents, who may take their grievances onto the streets, with potentially destabilising results. Mr Patassé may be hoping that popular fears of a return to the violence of 1996-97 will dampen support for any opposition calls for direct action. However, if Minurca does withdraw on schedule with the uncertainty surrounding the election unresolved, a potentially dangerous political vacuum is likely to open up in Bangui. Under such circumstances, the UN Security Council may be tempted to extend its mission in order to prevent the CAR from sliding towards chaos. The election is thus an acid test of whether the CAR can avoid the violent, ethnically based battle for power that has come to characterise neighbouring Congo (Brazzaville) and, to some extent, the Democratic Republic of Congo (DRC).

Political stability and economic reform are interlinked

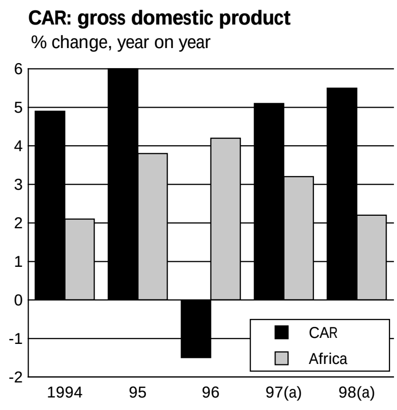
The presidency remains pivotal in the decision-making process in the CAR. If confirmed and ultimately accepted, Mr Patassé's re-election is therefore likely to herald a degree of political continuity. By instinct a factionalist who favours a large patronage-based state, the president has emerged in recent months as a reluctant advocate of donor-backed economic, political and military reforms. He will need to maintain this position if he is to deliver improvements in living standards and basic services in both rural and urban areas, which are preconditions for genuine political stability. As long as the government is seen to be elected on the back of rural prosperity, while Bangui remains in crisis or subject to austerity, the CAR is likely to remain vulnerable to instability and political tension. A period of rationalisation is probably unavoidable if the public sector is to operate within the limits of the fiscal revenue and aid funds that are likely to be available over the next few years. However, it is also essential that the urban economy begins to recover and to generate new employment and prosperity in the relatively near future, if the CAR is to creep back from the brink of a slide into renewed violence.

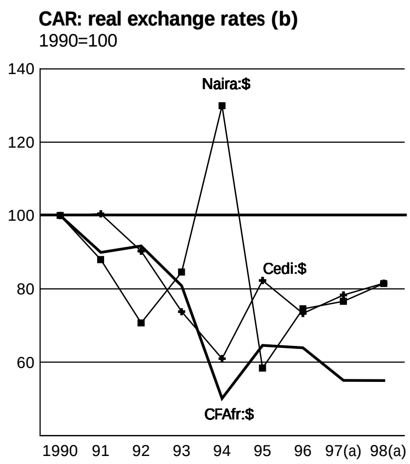
The policy agenda is clear

Once the shape of the CAR's post-election political leadership is clear, the government will face donor pressure to push through controversial and potentially difficult measures to enhance the long-term competitiveness of the economy and revive investment interest. Cotton will be an early priority. But the administration has also committed itself to other tough liberalisation measures, which may well drive up the cost of living in the short term. It is committed to removing controls on the prices of fuel, power, transport, water and telecommunications by the end of 1999. It must also gradually reduce the remaining barriers to imports from other members of the Communauté économique et monétaire de l'Afrique centrale (CEMAC). While this could bring down the prices of some consumer items, it may inhibit the revival of local manufacturing operations that were destroyed in the violence of 1996-97 and are too small to survive open competition from cheaper imports. The government is also committed to the comprehensive restructuring of the armed forces, which will involve the demobilisation of large numbers of soldiers into an uncertain private-sector labour market. On the positive side, there could be an improvement in the quality of public services, particularly health and education; the new *Policy Framework Paper* agreed between government and the IMF sets out detailed provisions on this front, and donor funding to support the upgrade of basic social services is likely to be increased.

Growth depends on regional stability

The government is hoping for steady GDP growth of around 5% in 2000-01, while holding inflation down to less than 2.5%. Such targets appear ambitious, given the weak price outlook for the CAR's main exports, cotton and diamonds, and the forecast strengthening of the CFA franc against the dollar (see Cameroon: Outlook for 2000-01). A further source of uncertainty is the unstable military and political situation in Congo (Brazzaville) and DRC. If the current truce in DRC holds, allowing a gradual resumption of more normal trading activity, it will have positive knock-on benefits for the CAR. Similarly, if the current improvement in security conditions in Congo (Brazzaville) persists, it may allow the reopening of regular Brazzaville-Pointe Noire rail services. This would have a significant positive impact on the CAR, which has traditionally exported much of its timber via the river/rail route through Brazzaville.





(a) EIU and official estimates. (b) Nominal exchange rates adjusted for changes in relative consumer prices.
Sources: EIU; IMF, *World Economic Outlook*.

The political scene

The presidential election is delayed by administrative hitches

The first round of the presidential election was originally set for August 29th, with a second round provisionally scheduled for September 19th if no candidate secured an outright majority in the first ballot. But polling was postponed twice because of delays in preparing the electoral roll and election material, and the first round was not held until September 19th. Opposition parties expressed unease about the delays, fearing that they masked efforts by the ruling Mouvement pour la libération du peuple centrafricain (MLPC) to influence the outcome. The independent electoral commission, the Commission électorale mixte et indépendante (CEMI), which includes opposition representatives, was unable to produce firm evidence of fraud immediately, although suspicions were raised by the dramatic increase in the electoral roll in two of the MLPC's north-western fiefdoms, Bozoum and Bossangoa. In the latter, the registered electorate rose to 175,000 from only 135,000 at the legislative election in November-December 1998. Since the legislative election the electoral roll had grown by nearly 15% overall, from 1.4m to 1.6m—a rise that is not easily explained.

The UN pushes for further reform of the security services

In an effort to encourage a trouble-free election, the UN—which has invested heavily in consolidating the fragile peace that the CAR has enjoyed since the army mutinies of 1996-97 in the form of the Mission des Nations Unies en République centrafricaine (Minurca) intervention force based in the capital, Bangui—has employed a judicious mix of stick and carrot in recent months. On June 3rd the UN Security Council issued a statement expressing its satisfaction with initial steps to reform the armed forces and promote economic and social reform, but it went on to exhort the Bangui authorities to continue the reform process, particularly with regard to the army, police and gendarmerie. The latter two are not regarded as particularly politicised, but they are operating in a way that could undermine confidence in the judicial process. Bangui's only prison, Ngaragba, was destroyed during the unrest of 1996-97 and, with only crowded police cells to house prisoners, the security forces are alleged to have resorted to summary executions. In the countryside, where violent bandit attacks on road travellers are common, suspects are generally executed on the spot. In Bangui itself, suspected armed robbers are generally beaten harshly for a first offence and summarily executed for subsequent alleged misdemeanours.

Mr Ngoupande tries to weld a united opposition front—

In the run-up to the presidential election the real challenge facing the opposition was as much the internal divisions—personal, regional and ethnic—that have prevented it from forming a coherent challenge to the incumbent, Ange-Félix Patassé, over much of the past six years as the destabilising implications of the slow pace of long-overdue political, military and economic reforms. In last December's parliamentary election, the opposition presented a relatively united front under the banner of the Union des forces acquises à la paix (Ufap) alliance, and came close to forcing the MLPC-led coalition out of office. MLPC rule was only saved by the defection of members of the Parti social démocrate (PSD; 2nd quarter 1999, pages 28-32).

This led the former prime minister, Jean-Paul Ngoupande, to believe that a formalised opposition alliance might do even better in the presidential election and that a joint candidate might defeat Mr Patassé. Hopes were greater than in the 1993 election, when the president easily overcame a splintered opposition challenge. The largest opposition party, the Rassemblement démocratique centrafricain (RDC), led by General André Kolingba, is now more closely integrated with other opposition forces, while in recent months two newly established political parties, the Forum démocratique de la modernité and Mr Ngoupande's Parti de l'unité nationale (PUN), have made small, but potentially significant, inroads into the MLPC's regional vote. At the PUN congress, which began on June 29th, Mr Ngoupande made a strong pitch in favour of opposition unity. A statement from the PUN's provisional executive spelt out the point: "Any individualistic démarche is suicidal. The opposition can only achieve victory through unity." The PUN feared that the local personality strengths that had helped opposition parties to gain ground in the legislative polls, constituency by constituency, would prove counterproductive in the presidential election, fragmenting the first-round opposition vote and inhibiting the prospect of momentum building up behind a common opposition standard-bearer in the second-round run-off.

—but old divisions resurface

However, Mr Ngoupande found himself fighting off hints by other opposition figures that his vision of unity was in essence a platform for his own presidential ambitions. He had only modest success in organising a united front, securing the support of a few small parties led mainly by out-of-favour former Patassé loyalists. These included the Forum civique, the Centrafrique nouvelles perspectives, the Alliance pour la solidarité et le développement, the Mouvement pour la démocratie et l'indépendance-Parti social, and the Union pour la République (UPR). The personal standing of the leaders of some of these groups initially seemed likely to give Mr Ngoupande's candidacy for the presidency a boost, but the grouping fell far short of a united opposition front. With the veterans of the political scene unable to resist the temptation to put up their own challenges for the presidency, ten candidates for the election emerged, which must have thrilled Mr Patassé's campaign managers.

The MLPC's campaign is highly organised and well-funded—

As the election approached, the MLPC stepped up its campaign. The party has a solid organisational base dating back to the 1980s when, with Mr Patassé in exile, Hugues Dobozendi acted as internal leader of the party. It was this base, particularly in the north-west, that carried Mr Patassé to victory in 1993. Like ruling parties everywhere, the MLPC has benefited from the patronage and influence enjoyed by those in power, and its core base of support has been consolidated in recent months by the revival of cash-crop agriculture, particularly cotton. The party entered the election campaign better equipped and organised than its opponents, not least thanks to a generous donation of about 100 trucks and 1,900 motorbikes and bicycles by China. MLPC members of the Assemblée nationale (parliament) spent much of August campaigning for Mr Patassé, particularly in the north. Meanwhile, the president's first wife, Lucienne, was promoting his cause among Gbaya voters in Ouham province.

CAR: presidential candidates, 1999

The incumbent, Ange Félix Patassé, aged 62, appeared the favourite. His Souma ethnic group is a subgroup of the Gbaya, the second largest ethnic group, which is dominant in the populous north-west.

General Andre Kolingba (63), president in 1981-93, a Yakoma, looked likely to do well in the Oubangui river valley, along the southern border, and in Bangui city. He recently spent some time in France, receiving medical treatment, raising doubts as to whether he would be fit enough to stand. Persistent ill-health also cast doubts over the candidacy of another ex-president, David Dacko (69), from the N'Gbaka forest people of the south-west, who nevertheless insisted on competing.

Also in the field was Abel Goumba (73), runner-up to Mr Patassé in 1993 and a Banziri from the east. Another old-timer is Enoch Derant Lakoué, a Gbaya and former prime minister. However, his chances were undermined by his defeat in last year's parliamentary elections and the subsequent defection of three members of his party, the Parti social démocrate (PSD), to the government.

The younger generation was represented by Jean-Paul Ngoupande (49), a Mandja (the second largest northern ethnic group), from Dékoa in the central Kemo-Gribingui region, and the former mines minister, Charles Massi (47), a Gbaya, buoyed by his success in winning a parliamentary seat in Baboua, in the west, hitherto the preserve of the ruling Mouvement pour la libération du peuple centrafricain (MLPC).

There were three minor candidates, who cannot have had much hope of victory: Henri Pouzère, from the large Banda ethnic group, is now a human rights lawyer based in the Gabonese capital, Libreville; Fidèle N'Gouandjika (a Mandja) is a telecommunications engineer best known in the CAR as a karate black belt; and Joseph Abossolo, also a Mandja, is an influential player on the business scene.

—and the party has strengthened its position in the broadcast media—

As in most African countries, the national radio and television services are strongly influenced by the party of government and do not provide even-handed coverage. Simply by concentrating, in relatively uncritical terms, on the activities of the government, they reinforce the status quo. In the run-up to the election, the MLPC took steps to deliver a more overtly partisan message over the airwaves, setting up Radio Victoire, broadcasting to the Bangui area. The station is based in the grounds of Mr Patassé's personal residence, Villa Adrienne (in the upmarket "200 Villas" district built by Bokassa during his pre-imperial years as president). However, voters were offered some broader, unbiased coverage by the privately owned Catholic station, Radio Notre Dame. Like Radio Victoire, the station is only received in and around the capital, but it has consistently given voice to opposition as well as government personalities and remains firmly neutral. Meanwhile, in an effort to strengthen democracy and a pluralistic approach to politics, the UN peacekeeping force has established a station that broadcasts nationwide. Called Radio Minurca, it not only tries to provide balanced coverage, but also attempts to provide voter education on the workings of democracy and the electoral process.

—although newspapers in Bangui are more independent

There are 42 newspapers in the CAR, although only about ten appear regularly. The most popular are the independent *Le Novateur* and the pro-Mouvement pour la démocratie et le développement (MDD) *Le Citoyen*, which also controls *La Tortue Dechaîné*. However, the electoral impact of the printed press is limited as opposition forces predominate in most of Bangui anyway, and the press slant merely has the effect of confirming that position. Moreover, the newspapers are based in the capital, and few copies reach major provincial centres. Nevertheless, under pressure from the UN, in late August the government announced a CFAfr10m ($15,875) grant to the association of independent editors to help newspapers meet the cost of satisfying new regulations, including the requirement that they register as formal sector businesses, subject to normal fiscal treatment. The government also gave the association two premises to house its own secretariat. The new registration rule may be designed to force newspapers to reveal the source of their finances—many are owned or linked to individual politicians or parties—but it was welcomed by the association's chairman, Maka Gbossokoto, who runs *Le Citoyen*.

Donors demand a peaceful election—

The presidential election finally took place on September 19th. Reports in the days following the poll suggested that the turnout was high, although official figures later placed it at just 56.4%. The EU observer mission declared the vote "positive", adding that electoral fraud was "individual and very limited", with serious problems at only about 15 polling stations out of a total of 3,000, including 400 in the capital, Bangui. The process of delivering preliminary results proved slow, however, and opposition leaders issued what appeared to be pre-emptive allegations of fraud and rigging within days of the contest.

The authorities had strong reason to ensure that the campaign and the voting itself went smoothly. Bilateral donors and the UN—which has invested heavily in the CAR through its support for the Minurca peacekeeping force—have linked further support to the CAR to a stable, reasonably uncontroversial electoral process. President Patassé has frequently appeared uneasy over the conditionality imposed by donors. His prime minister, Anicet Georges Dologuélé, does, however, appreciate the link between political stability, donor support, economic reform and sustainable growth, and is likely to have played a significant role in moderating some of the president's more combative instincts in the run-up to polling. Much of the relative calm surrounding the poll can be attributed to the logistical and security presence of Minurca. The main problem on September 19th, despite Minurca's logistical support, was that there were insufficient voting materials in several localities. As a result, roughly 80,000 voters in Ngaoundaye in the west and Birao in the extreme north cast their ballots three days later, despite the objections of some opposition politicians, who claimed that the problems had not been resolved. A further snag was the failure to organise overseas bureaux in Paris and the Gabonese capital, Libreville, thus in effect disenfranchising about 3,000 voters.

—but the results stir controversy

At the beginning of October the Constitutional Court dismissed objections and declared Mr Patassé the winner in the presidential election, with 51.63% of the vote—just above the 50% threshold required for an outright victory. As in 1993, General Kolingba polled around 20%, while Mr Dacko finished third, with 11.15%. The remaining six candidates made little real impact. Opposition parties complained of technical irregularities in the timing of the election, ballot-stuffing in Patassé strongholds and a systematic shortage of voting materials in their centres of support. The UN praised what it called the people's display of civic responsibility, and called for opposition parties to remain calm and respect the result. International observer groups added that, while there may have been some irregularities, these had been insufficient to affect the overall result. However, all nine opposition candidates rejected the outcome, complaining of an electoral "coup d'état", and called for popular resistance. By early October the situation remained uncertain, with the capacity of the opposition to mobilise popular support against the election result still unclear.

CAR: presidential election results, 1999[a]
(% of vote)

Ange-Félix Patassé (MLPC)	51.63
Andre Kolingba (RDC)	19.38
David Dacko (MDD)	11.15
Others	17.84
Total	100.00

[a] Turnout was officially estimated at 56.4%.

Source: Reuters.

The CAR continues to be affected by regional conflicts

The CAR has continued to be affected by wars in neighbouring countries. There have been persistent reports that a Ukrainian entrepreneur has been operating supply flights to Angolan rebels from Bangui, and suggestions that smuggled Angolan diamonds may be being traded in the city. The CAR suffered an influx of DRC government soldiers in August, fleeing from rebel forces who had expelled them from Gbadolite, the home town of the late Zairean president, Mobutu Sese Seko. The CAR authorities feared that the soldiers would increase the risk of renewed fighting in Bangui itself, but fortunately Libya stepped in with an offer of free air transport and they were repatriated to Kinshasa.

Economic policy and the economy

The IMF praises the progress of reform—

After some delay, caused by the CAR's tardiness in meeting a number of agreed policy and performance targets, on July 2nd the IMF formally gave the country a positive verdict in its mid-term review of its first-year enhanced structural adjustment facility (ESAF). During 1998 the government managed to boost budget revenue, though it still fell short of target, leading to a further accumulation of domestic and external payment arrears. The Fund therefore decided to postpone the mid-term review, originally due in January 1999, six months after the start of the ESAF, until the government had rectified the situation. This is a fairly routine occurrence with Fund programmes in Africa, especially in countries that have only recently embarked on the demanding ESAF process. Over the subsequent months the government has managed to clear arrears, privatise the state-owned Bica bank and complete much of the privatisation process for the state-owned fuel company, Petroca. The review also produced an upbeat assessment of the performance of the economy, indicating steady growth in real GDP of 5.5% in 1998 and a forecast 5% in 1999, with encouraging figures for an increase in exports and government revenue. The IMF's review stood in marked contrast to the more gloomy analysis produced by the government (see below).

CAR: selected indicators and forecast
(% change year on year unless otherwise indicated)

	1996	1997	1998	1999[a]
Real GDP	–1.5	5.1	5.5	5.0
Consumer prices (av)	4.4	0.6	2.6	2.6
Government revenue	–35.5	35.6	38.5	8.9
Government expenditure	–47.4	37.8	22.0	6.4
Export (fob, CFAfr terms)	–16.5	38.9	6.8	14.2
Import (fob, CFAfr terms)	–28.0	18.3	21.0	10.6
External public debt (% of GDP)	95.4	98.4	71.7	68.1

[a] Forecasts.

Source: IMF.

A negative verdict and a formal indication that the CAR was off track was always unlikely: the Fund has been impressed with the performance of the Dologuélé government following several years of resistance to the reform agenda from President Ange-Félix Patassé. But now that the review is out of the way, the path is clear for other donors to provide fresh support after the presidential election.

—which the government pledges to deepen

Shortly before the IMF review was completed, the prime minister issued a letter of intent setting out his plans for the future. Assessing progress to date, he estimated real GDP growth in 1998 at 4.7%, compared with the IMF's estimate of 5.5%. Mr Dologuélé said that consumer prices in Bangui had fallen by 2%, instead of rising by 2% as forecast. The lower GDP growth rate was partly blamed on the Asian crisis, which depressed import demand and world market prices for the CAR's main exports, timber, cotton and diamonds, while adverse weather conditions were said to have affected the coffee crop. The fall in consumer prices was partly due to the drop in oil prices, but it may also have reflected increasing political stability in Bangui, which might have allowed a more normal inflow of food supplies from the countryside. Overall trade performance (imports and exports) deteriorated by 0.3%, whereas an 0.4% improvement had been hoped for. More positively, the restoration of law and order in Bangui helped government revenue increase by 38.5%, to CFAfr56bn ($90m). This was lower than the targeted CFAfr62bn; while tax revenue was on track, customs revenue came in below target.

Farmers are hit by low cotton prices—

According to the new Franc Zone report from the Banque de France (the French central bank), the output of cash crop agriculture, which is the main source of income for many rural communities, especially where diamonds and timber are not available, rose by 8% last year. But as a landlocked country, the

CAR faces higher transportation costs than many of its Franc Zone counterparts. This has exacerbated the impact on the country's 100,000 cotton planters of a weakening of the world market for their crop. Figures from the Cotlook index show that prices in the 1998/99 season have been at their lowest for five years, averaging 59 cents/lb, some 13 cents/lb below prices in 1997/98. The decline is particularly worrying because it was caused not by an excessive surge in global output, but by a slump in demand. Production in 1998/99 fell below total demand, forcing an erosion of stocks, but the price still fell. Indications that the new 1999/2000 world marketing season will see a rise in output have sent prices slipping still further. This situation is extremely worrying for the CAR which, like other Franc Zone states, has enjoyed a recovery in cotton production during much of the 1990s. However, it now seems that even Franc Zone crops' traditional reputation for high quality may not be enough to sustain sales volumes, let alone prices. Cotton is a particularly important crop for the CAR because it can be cultivated in many savannah areas, where the climate is too dry for coffee. It also offers flexibility to farmers because, unlike coffee, the crop is planted afresh each season, allowing farmers to expand or cut back the share of their land given over to cotton in response to market conditions.

—which may complicate proposed reform measures

It is against this difficult background, and under pressure from the Bretton Woods institutions, that the government has been forced to consider further reforms to the cotton marketing and price support structure. In April 1998 the government opted to increase the price paid to producers to CFAfr170/kg. It hoped that this would restore the motivation of growers discouraged by high fertiliser and insecticide costs. The move may also have reflected a desire to cement the political base of Mr Patassé's Mouvement pour la libération du peuple centrafricain (MLPC) in the cotton-farming north-west before the legislative election due later that year. But the price hike was not enough to prevent a slump in the area planted in 1998/99; unfavourable rainfall patterns hit yields, and total output fell to 38,000 tonnes from 46,000 tonnes in 1997/98. Moreover, the cost of paying the higher price to producers was proving too high. Despite CFAfr600m-700m in cost cuts, the liberalisation of fertiliser and insecticide prices, and a CFAfr1.5bn package of government subsidy, tax reimbursement and export duty exemptions, the financial position of the cotton parastatal, Sococa, continued to deteriorate. This has forced the government to contemplate further liberalisation and increased reliance on market mechanisms, leaving growers more exposed to the direct impact of world price trends, however painful. In April 1999 it set up a roundtable group of interested parties, with the aim of drafting plans for change by late 1999. Input supply, transport and ginning will probably be transferred from Sococa to private operators, and producer prices will be more closely linked to those prevailing in world markets. The authorities are also experimenting with a more competitive market: Sococa has been replaced in some areas by the French private-sector company Cosecot.

Coffee shows signs of recovery

Coffee output for 1998/99 is thought to have recovered from the 50% slump seen in 1997/98, when unfavourable rainfall and a wave of bush fires depressed output to a mere 6,080 tonnes. The latest estimates from the Banque de France put output for 1998/99 at about 10,500 tonnes, thanks to improved rainfall in early 1999. Like cotton, the coffee sector suffers from a shortage of inputs and insecurity on transport routes, which discourages the travelling buyers who traditionally buy from farmers. It will be interesting to see whether the government feels able to sustain the current tax treatment of coffee: the export tax was raised from 6% to 8% in 1998, and this seems to have encouraged an increase in smuggling of the crop over the border to neighbouring countries for sale on informal market terms, thus evading the tax.

Illegal Angolan diamonds are said to be passing through Bangui

Government officials in Bangui have privately acknowledged that Angolan diamonds are being traded at the regular official gem auctions in the capital, subject to no control on their origin and with the full knowledge of the CAR authorities. The UN has imposed sanctions banning trade in stones originating from Angolan rebels. The CAR government set up the Bangui auctions in order to generate higher prices and attract more local output into the formal regulated arena, thus generating extra fiscal revenue; historically, at least half of the CAR's output has been smuggled out of the country, particularly to buyers in Antwerp, Belgium. The auctions, which are held several times a year, are open to diamonds from any source and regularly attract shipments not only from Angola but also from the Democratic Republic of Congo and, reputedly, Niger. Sellers of Angolan stones often arrive on flights from Brazzaville and Libreville, which is close to southern Congo. The auctions attract buyers from Belgium, the US, France and Israel. The CAR's own officially registered diamond output slipped to 419,900 carats last year (from 473,400 carats in 1997), mainly because of the one-year closure imposed on four buying houses (La Couronne, Socadior, Sadior and Sodiam) after a dispute with the fiscal authorities. With fewer registered dealers operating, more stones are thought to have been smuggled out. But the ban was lifted in November 1998, and it is believed that the resumption of the four houses' activity has led to a pick-up in officially registered transactions this year.

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	June 1996 (presidential) and January-February 1997 (legislative); next elections due by 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 appointed Council of Ministers. Last reshuffle October 1998
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 la démocratie 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	Nassour Guelendouksia Ouaidou
Key ministers	Agriculture	Moctar Moussa
	Civil service & labour	Mahamout Hissène Mahamout
	Communications & government spokesman	Moussa Dago
	Culture, youth & sports	Nagoum Yamassoum
	Defence & reintegration	Oumar Kadjallami
	Environment & water	Pascal Yoadimadji
	Finance & economy	Bichara Cherif Daoussa
	Foreign affairs	Mahamat Saleh Annadif
	Health	Younouss Kedellah
	Industrial & trade development & craft	Djitangar Djibangar
	Internal security & decentralisation	Oumarou Djibrilla
	Justice	Limane Mahamat
	Mines, energy & petroleum	Abdoulaye Lamana
	Planning & regional development	Ahmat Ali Hasten
	Post & telecommunications	Salibou Garba
	Public works, housing, transport & towns	Ahmat Lamine
	Social action & family	Agnes Alafi
	Tourism	Sekimbaye Bassane
BEAC governor	Jean-Félix Mamalepot	

Economic structure

Latest available figures

Economic indicators	1994	1995	1996	1997	1998[a]
GDP at market prices (CFAfr bn)	654.9	718.0	830.7	887.9	984.2
Real GDP growth (%)	10.2	1.0	3.5	4.1	7.0
Consumer price inflation (av; %)	41.3	9.1	11.8	5.9	4.4
Population (m)	6.2	6.3	6.5	6.7	6.8
Exports fob ($ m)	135	247	221	211	246
Imports fob ($ m)	204	282	289	283	297
Current-account balance ($ m)	–34.9	62.5	–14.1	–46.7	–65.1
Reserves excl gold ($ m)	76	150	165	143	132[b]
Total external debt ($ m)	828	902	997	1,027	946
External debt-service ratio, paid (%)	13.0	9.6	11.3	13.4	13.2
Seed cotton production[c] ('000 tonnes)	95	157	158	204	270
Exchange rate (av; CFAfr:$)	555.2	499.2	511.6	583.7	590.0[b]

October 3rd 1999 CFAfr613.13:$

Origins of gross domestic product 1998	% of total
Agriculture, livestock & fisheries	38.3
Manufacturing, utilities & construction	14.1
Services	47.6
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	$ m
Cotton	146
Livestock & meat	44

Principal imports 1998	$ m
Public sector	91
Private sector	4

Main destinations of exports 1997[d]	% of total
Portugal	29.8
Germany	14.2
Thailand	7.5
Costa Rica	6.0

Main origins of imports 1997[d]	% of total
France	41.3
Nigeria	10.1
Cameroon	7.2
India	5.8

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

Outlook for 2000-01

Prospects for political stability and economic growth are fragile

Chad's political and economic prospects in 2000-01 hinge on the outcome of efforts to secure multilateral funding for the already delayed pipeline to carry oil from fields in Doba in the south of the country, across neighbouring Cameroon, to the Atlantic port of Kribi. The development of the oil sector has the potential to transform Chad's traditionally impoverished, agriculture-based economy, which has suffered in 1999 as a result of adverse weather conditions and unfavourable commodity prices on world markets. The new investment and jobs associated with the pipeline project, and, in the medium term, revenue from oil production itself, could create the conditions for stronger, more effective central government, which could in turn help foster longer-term political stability.

The president, Idriss Déby, has worked hard to mollify critics of the project both at home and abroad. While the $3.5bn scheme is mostly a private-sector initiative, financing is conditional on World Bank support for the project, in the form of a relatively modest loan of around $110m. A final decision has been postponed several times because of concerns over the environmental impact of the project and the Chadian government's revenue-management strategy. With some of the world's major oil companies behind the project, it seems likely that it will finally be approved. Environmental groups and minority rights campaigners have, however, continued to lobby hard against the scheme. They complain that inadequate compensation has been offered to the communities that will be uprooted to make way for the pipeline and that the environmental impact of the scheme will be more damaging than the government and its supporters have conceded. These groups remain confident that the World Bank will decide not to support the pipeline, arguing that Chad falls foul of US legislation obliging Washington to veto any multilateral funding for states that fail to submit their defence spending to the scrutiny of civilian authorities.

The seeds of uncertainty remain

Although final approval of the pipeline scheme is expected by the end of 1999, the delays to the project have contributed to an increase in political tension. Since the mid-1990s the promise of oil wealth has allowed the government to co-opt many of the politico-military groups that have contributed to a climate of violence and political instability in Chad. The death in 1998 of a prominent rebel leader from the south, Laokein Barde, appeared to herald a new era of calm. However, there are indications of unrest in the region, where the post-ponement in the development of the oil sector has facilitated a new and bitter rivalry between local communities and the central government over access to resources. Further delays in the pipeline project may, therefore, create the conditions for a return to instability in the south of the country, which would also complicate construction plans once final approval is forthcoming.

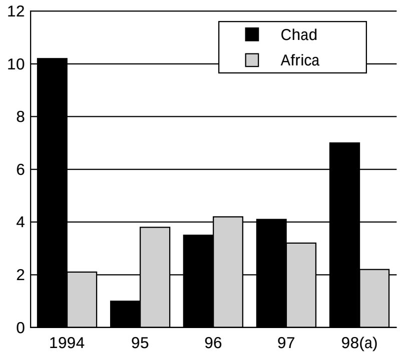
Trouble may spread from the north

Of equal concern to the president will be the continuing unrest in the north. The uprising in Tibesti began in late 1998 and is led by a former close associate of Mr Déby, Youssouf Togoimi. The violence has proved to be a focal point for other northern-based groups, such as those linked to the former president, Goukouni Oueddeye, and the former foreign minister, Acheikh Ibn Oumar. It also indicates that the government is far from enjoying unequivocal support in the north, hitherto regarded as Mr Déby's main powerbase. There has been speculation linking the situation in the north with a shift in policy by some of the president's most important allies in Libya and Sudan. However, there is little evidence to support allegations that the dissidents in Tibesti are backed by either Tripoli or Khartoum. It seems unlikely that the Libyan leader, Muammar Qadhafi, would seek even covertly to undermine relations with a friendly power, which have been cultivated over many years, at exactly the moment when Libya is engaged in a new initiative to rehabilitate its international image. Nevertheless, the security forces' failure to end the unrest in northern Chad—persistently described by officials as little more than isolated incidents of petty banditry—points to a weakness at the heart of government that has begun to undermine President Déby's leadership. It is therefore likely that if the army cannot establish its authority in Tibesti quickly, the president will be persuaded to enlarge his political support base to include some of the increasingly vocal extra-parliamentary opposition elements.

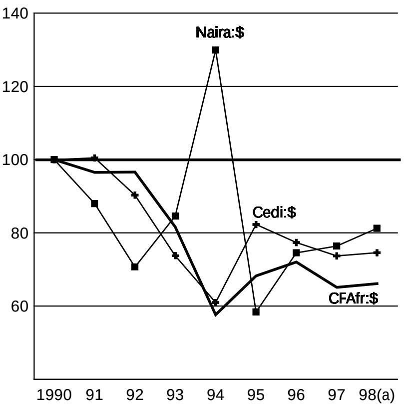
Economic growth depends on oil

The outlook for the economy in 2000-01 will depend on the World Bank's support for the early exploitation of Chad's oil reserves. Assuming final approval is forthcoming before the end of 1999, new foreign direct investment in the oil sector and associated projects should significantly increase in 2000 and 2001, and contribute to a sharp increase in average real GDP growth, estimated by the IMF at only 1.2% in 1999, principally as a result of adverse weather conditions and weak prices for Chad's main export, cotton. A recovery in the agricultural sector is also likely to contribute to more rapid economic growth over the forecast period. The expansion of the economy is, however, likely to push up imports of goods and services, which will contribute to a widening of the current-account deficit and increased inflationary pressures. Any further delays to the project will, however, prove a major setback to the economy, with the government already under pressure to relax its disciplined policies which have found favour with donors but have failed to satisfy the demands of important domestic political constituencies.

Chad: gross domestic product
% change, year on year



Chad: real exchange rates (b)
1990=100



(a) EIU estimate. (b) Nominal exchange rates adjusted for changes in relative consumer prices.
Sources: EIU; IMF, *World Economic Outlook*.

The political scene

The MDJT continues its sporadic activities in Tibesti—

The government's main preoccupation in recent months has been the rebellion in the northern region of Tibesti, which was launched by a former defence minister, Youssouf Togoimi, in late 1998. Reports of the scale of the violence vary, subject to claims and counterclaims by the rebel Mouvement pour la démocratie et la justice au Tchad (MDJT) and the armed forces. In July the MDJT said that it had killed 77 government soldiers in an ambush on an army convoy on the road between Zoumri and Yebbi-Bou in Tibesti. The claim was dismissed as "vile propaganda" by the government's official spokesman, Moussa Dago, who insisted that Tibesti was perfectly calm. At the end of July Mr Dago issued another statement, claiming that the government was in control of all Chadian territory and admitting only that "some 40 individuals calling themselves [the MDJT had] sought refuge in the Tibesti mountains" where they laid mines from time to time, but posed no threat to the government.

—but President Déby insists that all is calm—

The president, Idriss Déby, has also said that there is no substance to the persistent reports of unrest in the north. Interviewed during a visit to Canada at the beginning of September—where he attended the francophone summit in Moncton, New Brunswick—he dismissed the MDJT as no more than a handful of people with a satellite phone and an appetite for mischief in a remote, rural part of Chad. The president claimed that Mr Togoimi had no support in Chad and that all the garrisons in Tibesti were under the control of the appropriate civilian and military authorities. He confirmed that a delegation had gone to the Tibesti to try to make contact with the rebel leader, but after they had spent 47 days in the area, he had declined to meet them. On Mr Togoimi's claim that he would be in the capital, N'djamena, by the end of the year (3rd quarter 1999, page 41), the president said that the only way he could do so would be if he were reconciled with the regime.

—despite claims of high-profile defections

In late August the MDJT claimed that a senior army officer, Colonel Sougui Anar, had defected to it with ten aides. The government reportedly admitted that Colonel Anar might have joined the rebels, but denied that he had taken any troops with him. The defections were also mentioned in a letter written by Mr Togoimi and two other opposition leaders, Acheikh Ibn Oumar of the Conseil démocratique révolutionnaire (CDR) and Guel Elkatou of the Mouvement pour la démocratie et le développement (MDD), to African leaders meeting in Libya on September 7th-8th for an extraordinary summit of the Organisation of African Unity (OAU). The letter went on to claim that government soldiers captured by the rebels had complained of serious human rights abuses by the army high command. Mr Togoimi also claimed that the president had been building secret bases, which he could use as a springboard to regain power if he was forced out of the capital. Although such claims have not been independently confirmed, and appear likely, at the very least, to have been embellished, the Paris-based *La Lettre du Continent* has also reported several serious defections from President Déby's entourage, including that of Adoum Togoi, the director of the president's military cabinet.

A rebel leader settles with the government—

In an indication of the splintered nature of the opposition in Chad, the MDD leader, Moussa Medella, was quick to disassociate himself from the OAU letter. Mr Medella, a minister in Goukouni Oueddeye's government (1979-82), ran a dissident movement in the area around Lake Chad for many years. However, at the beginning of July he reached an agreement with the government following Sudanese mediation. The move followed reports of an attempt to unseat him by sections of the MDD's highly factionalised leadership, allegedly led by its secretary-general, Gaileth Bourkoumandah, who is said to have regarded Mr Medella as a defeatist. On his return to N'djamena following his reconciliation with the government, Mr Medella is reported to have appealed to other politico-military groups to make peace.

—but the FNTR shows signs of life in Ouaddai

Ahmat Yacoub, the leader of another group, the Front nationale du Tchad renouveau (FNTR), has acknowledged that the accommodation Mr Medella has reached with the government constitutes a significant setback for the opposition. In June Mr Yacoub called for a meeting of the leaders of Chad's many disparate dissident movements in order to promote opposition unity. He appealed for the establishment of a joint commission between the various rebels groups, the government and political parties in an effort to forge a lasting peace. Mr Medella's initiative is likely to encourage the government to believe that it can continue to pick off its opponents one at a time, rather than adopt a collective approach that would give the dissidents the status they desire. The FNTR claims to have 300 armed militants operating in the Ouaddai prefecture, including several former government soldiers. Mr Yacoub claims that in June and July his movement killed several government soldiers following the alleged executions of villagers in the area near the Sudan border.

A former president backs the Tibesti revolt

Meanwhile, another of Chad's political leaders, Mr Oueddeye, the former president, who remains influential among his own Toubou people in Tibesti and was one of the original founders of the Frolinat rebellion in the 1970s, has announced his support for the MDJT rebellion. He was reported by Radio France Internationale as having described the troubles as "one war too many", which he blamed on what he called "Idriss Déby's dictatorship". It was not clear where the interview took place, but the former president has normally operated out of Algiers.

A new clash is reported in Logone Orientale—

Following an incident at Bodo in Logone Orientale in late July, in which one villager was killed, Michel Mbailemal, the leader of another opposition group, the Comité d'action pour les libertés et la démocratie (CALD), was arrested along with two of his supporters. His bodyguard had reportedly opened fire on a meeting that was being held in the village by the two prefects of Logone Orientale and Occidentale, both seats of opposition elements. In an official statement, the government spokesman, Mr Dago, sought to play down the incident, insisting that dissident activity in the south, which has been subdued since the death of the rebel leader Laokein Barde in 1998 (4th quarter 1998, page 31), remains minimal.

—as a new rebel movement emerges

There have been a number of convincing reports that a new, southern-based rebel movement known as the Mouvement de renouveau national (Morenat) has been established by Antoine Bangui, who was a member of the Tombalbaye government in the early 1970s. The independent weekly newspaper *N'djamena-Hebdo* reported in June that four former senior army officers who were alleged to have been involved with the movement had been detained in Moundou. The newspaper also suggested that Mr Mbailemal was associated with Morenat. This was confirmed by President Déby in September, when he said that two former Tombalbaye supporters were trying to stir up trouble in the south. Tombalbaye was killed in a military coup in April 1975.

The defence minister confirms that there were 105 casualties in Congo—

According to the defence minister, Oumar Kadjallami, 105 soldiers were killed in Chad's ill-fated intervention in the Democratic Republic of Congo, which lasted from September 1998 until May 1999. A total of 2,227 soldiers had been sent to support Congo's president, Laurent Kabila, against the rebellion in the west of the country. Of the dead, 62 were killed in combat and 30 in road accidents, while 13 died from disease and snakebites. The minister claimed that only six Chadian soldiers had been taken prisoner, and that Chadian troops had captured 117 Ugandan and Rwandan combatants, who were now in N'djamena waiting to be repatriated in exchange for the six Chadians. The Congolese rebels had claimed that 200 Chadian soldiers had been killed and 400 taken prisoner.

—as President Déby promises soldiers a bonus and a new salary index

President Déby, who was present at the ceremony in the southern town of Sarh to mark the troops' return after transiting via Bangui in Central African Republic, tried to remain upbeat about the costly operation, arguing that it had proved that "for the Chadian soldier, there exists henceforth no mission impossible". He promised members of the contingent a bonus of 12 months' pay, as well as a new salary index, which would be progressively extended to all the Chadian armed forces. The soldiers in the contingent would also receive promotions and decorations. He said that the presence of Chadian soldiers in Congo was "a response not only to our attachment to the principles of the UN and OAU charters, but also to our determined will to forearm our people against the torment of war".

Difficulties with France drag on—

Relations between France and Chad have continued to prove difficult. The latest problems have focused on the Franco-Chadian joint commission held in Paris on June 8th-10th. The dispute follows revelations that Chad's main airport in N'djamena technically belongs to France, as a result of moves by the outgoing colonial authorities to appropriate about half the land and many buildings in the Chadian capital, including several ministries, shortly before independence. Difficult negotiations ensued, although in principle France has agreed to return the land. France will be keen to resolve the issue amicably and quickly, as in April 1998 it transferred its principal air force base in Africa to N'djamena following the closure of the base at Bouar in CAR.

—but relations with Libya continue to improve

Relations between Chad and Libya have continued to improve. The Libyan leader, Colonel Muammar Qadhafi, paid an unannounced private visit to N'djamena in June to thank Chad for the support it gave Libya during the years of international boycott, and President Déby visited Tripoli on two occasions in July and August, before attending the extraordinary summit of the OAU in Sirte in September. On that occasion the Libyan African affairs minister, Ali Tureiki, denied any complicity with Mr Togoimi's rebellion in Tibesti, describing it as a purely internal affair in which Libya had no part. In a further indication of the extent of Libyan involvement in Chad, President Déby attended the opening of a Libyan-financed water-bottling plant in N'djamena in July.

Economic policy and the economy

The World Bank ponders its position over the critical oil pipeline project

The development and exploitation of the Doba oilfields in southern Chad have been delayed once again, following the postponement of a critical funding decision by the World Bank in support of the 1,050-km pipeline that will carry oil from Doba through Cameroon to a lifting terminal at Kribi on the Atlantic coast. All the conditionalities relating to the environment and revenue management sought by the Bank appear to have been met, and Bank officials and oil company executives have spoken with renewed confidence about the prospect of the scheme going ahead. However, efforts by Chadian officials in July to force the pace by announcing that the project would definitely proceed were misplaced and premature.

The voting balance will depend on the US—

New doubts have emerged over the position of the US, a highly influential voice on the World Bank board. According to the Paris-based *African Energy and Mining*, those most in favour of the project number eight: the two African executive directors, the three Latin American directors, the North African director and the directors from China and France. Together, these control 22.9% of votes on the board. The Middle East director is also said to look favourably on the project. If so, these would outweigh the opponents of the project, the German, northern Europe and central Europe directors, who control only 12.6% of the vote.

—which is unhappy over the lack of budgetary transparency

The imponderables are the US and Canada, which account for over 20% of the board votes and reportedly have not yet made up their minds. Canada could be susceptible to French pressure, but is also concerned with the human rights aspect of the proposed pipeline. The US's decision is complicated by the Demilitarisation for Development Bill, which was adopted by Congress in 1996 and came into force in late September. It is aimed at reducing non-essential loans to countries that fail to cut military expenditure. Section 6 of the bill lays out ways in which US representatives in international institutions should respond, specifying that they should veto loans to governments if their military expenditure has not been audited by a civilian authority. It is unclear whether the US will choose to apply this Chad, where the relationship between the political and military authorities is somewhat opaque, but if it does the World Bank's decision is likely to go against Chad.

The financial package is ready

The US-based financial news agency Dow Jones expects the final go-ahead at the end of the year, when the draft agreement for both public- and private-sector partners in the project will have been approved by all the respective boards. The World Bank will fund only $110m, but its approval is a pre-condition for a further $1bn in financing, to be arranged by ABN-Amro and Crédit Agricole Indosuez. This will include a component from the Bank's loan affiliate, the International Finance Corporation (IFC), which will provide $100m of its own money and syndicate another $300m in loans, and components from the US Export-Import Bank and France's Coface, which will provide around $300m each. In addition, Credit Suisse First Boston is planning a project bond of $400m, while the members of the consortium behind the project—Exxon, Shell and Elf-Aquitaine—are raising funds to pay for the rest of the $2bn for the pipeline and $1.5bn for the Doba project itself. The World Bank is also providing about $20m to fund parallel programmes to support Chad's management of state revenue and environmental and social changes, and $10m for a similar project in Cameroon.

The IMF is encouraged by economic performance over the last five years—

The IMF's most recent *Staff Country Report* on Chad has confirmed that there was a significant increase in average real GDP in 1994-98 and praises the efforts made by the government to implement overdue economic and financial reforms. New data, which have been incorporated into the Economic structure page of this report, indicate that real GDP grew by an annual average of 5%, while consumer price inflation fell from 9.1% in 1995 to less than 5% in 1998, and the budget deficit of 5% of GDP in 1994 was transformed into a surplus of 0.1% of GDP in 1998. The report records improvements in investment and the balance of payments, as well as a reduction in trade deficit, although official reserves declined over the period. Improvements in cotton and foodstuffs production were also noted, as well as an annual increase of 2.7% in the size of the national livestock herd.

—and commends expenditure controls, especially on the military

On public finances, the report notes a substantial increase in revenue in the five-year period, from 4.9% of GDP in 1994 to 7.7% of GDP in 1998. This reflects the comprehensive fiscal reforms agreed at a regional level by the Communauté économique et monétaire de l'Afrique centrale (CEMAC), which groups Cameroon, Central African Republic, Chad, Congo (Brazzaville), Equatorial Guinea and Gabon; the strengthening of the tax and customs administration; and the government's progress in curbing fraud and tax avoidance. Over the same period expenditure was characterised by prudent wage policy and increased funding of priority sectors, such as health, education and public works, but monitoring of investment spending remained weak. The report noted that military expenditure, excluding demobilisation outlays, fell from CFAfr12.3bn in 1994 ($22.2m, or 1.8% of GDP) to CFAfr9.5bn in 1998 ($16.1bn, or less than 1% of GDP), while the demobilisation programme, which continued throughout the period, resulted in the reduction of the army by some 25% (around 7,000 soldiers).

Chad: consolidated government operations
(CFAfr bn)

	1994	1995	1996	1997	1998
Revenue	32.0	44.8	59.6	68.4	76.2
of which:					
taxes	30.7	39.7	53.0	61.3	69.8
Grants	62.0	53.7	50.6	56.4	50.9
Total revenue & grants	94.0	98.5	110.2	124.7	127.1
Current expenditure	65.6	64.7	77.2	73.5	75.4
of which:					
wages & salaries	26.0	30.1	30.8	30.8	31.5
defence	12.3	10.0	12.7	9.7	9.5
interest	7.6	7.3	8.4	8.5	8.9
Capital expenditure	59.2	65.6	74.6	85.4	78.4
of which:					
externally financed	58.0	65.3	74.0	81.4	73.3
Total expenditure	–124.8	–130.3	–151.8	–158.9	–153.8
Overall balance (commitments basis, incl grants)	–30.8	–31.8	–41.6	–34.2	–26.7
Overall balance (cash basis, incl grants)	–25.0	–25.4	–70.5	–46.1	–30.2
Financing	–25.0	–25.4	–70.5	–46.1	–30.2
External (net)	25.8	32.2	58.9	49.7	27.7
Domestic (net)	–0.8	–6.8	11.7	–3.6	2.5

Source: IMF, *Chad: Recent Economic Developments*.

Cotton production figures are sobering—

After several years of expansion, the adverse weather conditions of 1998/99 saw a decline in cottonseed production to 161,000 tonnes from 270,000 tonnes in 1997/98. This represents its lowest level since the 1995/96 harvest. According to the latest edition of the Franc Zone report, an annual survey of the performance of Franc Zone members produced by the Banque de France, the downturn is also cyclical, following four good years. However, the decline proved especially marked because of the flooding in the early part of the season, which delayed sowing, and persistent fuel shortages, which complicated efforts by Cotontchad to collect the crop.

—and the 1998 fuel shortage caused damage

Both the Franc Zone and the IMF reports highlighted the adverse economic impact of the prolonged energy shortage in 1997-98, which was principally due to persistent problems in the supply from neighbouring Nigeria (caused by the closure of the Kaduna oil refinery), one of Chad's main sources of fuel. Similar difficulties in Cameroon compounded the problem. The consequences included lengthy queues for petroleum products, for which a flourishing black market developed, and disruption to power supplies.

According to the Franc Zone report, the lack of air-conditioning in the hot summer months owing to power cuts caused numerous deaths in N'Djamena. Industrial production was also affected. The fuel crisis also had a negative effect on the production of the state sugar company, Sonasut, further delaying its privatisation.

There are doubts over the government's commitment to privatisation

Apart from the specific questions of cotton and sugar, Chad's privatisation programme seems to be continuing smoothly. Donors have set a deadline of 2000 for the completion of the process. Fourteen companies have already been privatised, and 13 others put into liquidation because they were not viable. These sales reportedly brought in CFAfr2.6bn ($4.1m) in revenue. However, the disposal of the five remaining companies, including the cotton and sugar parastatals, will be politically sensitive, and there are fears of further delays.

Quarterly indicators and trade data

Cameroon: quarterly indicators of economic activity

		1997				1998				1999
		1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr
Mining production	Prodn/day									
Crude petroleum	'000 barrels	100	100	100	100	100	100	100	100	100[a]
Prices	Monthly av									
Consumer prices:	1995=100	106.8	109.2	105.4	103.7	103.3	n/a	n/a	n/a	n/a
change year on year	%	2.3	5.0	0.4	–1.6	–3.3	n/a	n/a	n/a	n/a
Money	End-Qtr									
M1, seasonally adj:	CFAfr bn	338.7	359.4	393.6	415.6	399.0	419.7	435.5	476.7	452.5
change year on year	%	2.4	16.5	22.6	34.8	17.8	16.8	10.7	14.7	13.4
Foreign trade[b]	Qtrly totals									
Exports fob	$ m	442	462	512	443	598	526	527	580	n/a
Imports cif	"	324	328	324	391	446	439	424	472	n/a
Foreign exchange	End-Qtr									
Central bank	$ m	1.0	0.8	0.7	0.3	0.9	0.6	1.1	0.6	1.6
Exchange rate										
Market rate	CFAfr:$	564.4	587.8	593.3	598.8	618.5	611.7	561.6	562.2	610.7[c]

Note. Annual figures for most of the series shown above will be found in the Country Profile.
[a] Average for April-May, 100. [b] *DOTS* estimates; figures are subject to revision. [c] End–2 Qtr, 635.1; end-July, 613.4.

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

Central African Republic: quarterly indicators of economic activity

		1997				1998				1999
		1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr
Prices	Monthly av									
Consumer prices[a]:	1995=100	103.4	106.4	105.1	104.7	102.5	103.9	104.7	102.4	101.9
change year on year	%	1.3	3.7	–0.8	0.5	–0.9	–2.3	–0.4	–2.2	–0.6
Money	End-Qtr									
M1, seasonally adj:	CFAfr bn	116.12	110.52	108.32	108.38	107.79	101.61	94.62	88.46	92.57
change year on year	%	14.4	–1.7	–7.5	–8.5	–7.2	–8.1	–12.6	–18.4	–14.1
Foreign trade[b]	Qtrly totals									
Exports fob	$ m	69.0	67.4	64.3	72.2	88.9	76.1	82.4	80.2	n/a
Imports cif	"	35.3	40.1	41.1	48.3	43.3	47.0	43.1	53.3	n/a
Foreign exchange	End-Qtr									
Central bank	$ m	211.40	196.70	184.53	178.43	170.43	156.72	162.86	145.56	142.19
Exchange rate										
Market rate	CFAfr:$	564.4	587.8	593.3	598.8	618.5	611.7	561.6	562.2	610.7[c]

Note. Annual figures for most of the series shown above will be found in the Country Profile.
[a] "African" households, Bangui. [b] *DOTS* estimates, figures are subject to revision. [c] End–2 Qtr , 635.1; end-July, 613.4.

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

Chad: quarterly indicators of economic activity

		1997				1998				1999
		1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr
Prices	Monthly av									
Consumer prices:	1995=100	113.8	120.3	123.0	117.7	116.2	123.0	134.1	n/a	n/a
change year on year	%	10.4	7.2	4.1	1.5	2.1	2.2	9.0	n/a	n/a
Money	End-Qtr									
M1, seasonally adj:	CFAfr bn	109.84	103.57	100.84	105.93	99.80	99.06	96.94	96.11	100.05
change year on year	%	7.7	–3.7	–7.0	–5.8	–9.1	–4.4	–3.9	–9.3	0.3
Foreign trade[a]	Qtrly totals									
Exports fob	$ m	19.7	30.6	24.9	20.8	17.3	31.7	24.9	29.4	n/a
Imports cif	“	34.1	31.7	32.1	38.1	41.0	37.0	38.3	34.0	n/a
Exchange holdings	End-Qtr									
Foreign exchange	$ m	121.42	103.76	119.85	135.44	116.48	111.24	118.86	119.68	99.15
Exchange rate										
Market rate	CFAfr:$	564.4	587.8	593.3	598.8	618.5	611.7	561.6	562.2	610.7[b]

Note. Annual figures for most of the series shown above will be found in the Country Profile.
[a] *DOTS* estimates; figures are subject to revision. [b] End–2 Qtr, 635.1; end-July, 613.4.

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

Chad: direction of trade[a]

($ m)

Exports fob	Jan-Dec 1994	Jan-Dec 1995	Jan-Dec 1996	Jan-Dec 1997	Imports cif	Jan-Dec 1994	Jan-Dec 1995	Jan-Dec 1996	Jan-Dec 1997
Portugal	18	41	43	40	France	56	64	75	57
Germany	13	25	14	19	Nigeria	10	11	12	14
Thailand	2	3	6	10	Cameroon	6	8	9	13
Costa Rica	5	6	8	8	Belgium-Luxembourg	5	21	12	7
Belgium-Luxembourg	2	7	3	8	India	1	2	4	6
Spain	2	5	6	6	Netherlands	2	2	4	6
Taiwan	1	2	4	6	Italy	1	10	3	6
Total incl others	83	124	125	96	Total incl others	109	161	173	136

[a] *DOTS* estimates.

Source: IMF, *Direction of Trade Statistics*, yearbook, quarterly.

Cameroon: foreign trade

Imports cif[a]	$ '000 Jan-Dec 1995	Jan-Dec 1996
Food	174,039	153,054
Beverages & tobacco	11,579	11,449
Crude materials	77,839	67,822
Petroleum & prods	27,260	188,249
Chemicals	175,080	173,937
Paper etc & manufactures	51,353	45,861
Textile yarn, cloth & manufactures	17,628	15,639
Non-metallic mineral manufactures	36,623	34,082
Iron & steel	40,918	41,749
Metal manufactures	46,797	42,840
Machinery incl electric	207,973	206,856
Transport equipment	120,527	124,215
Total incl others	1,078,541	1,204,343

Exports fob	$ '000 Jan-Dec 1995	Jan-Dec 1996
Coffee	142,487	127,043
Cocoa & products	160,652	182,099
Wood	285,684	248,916
Cotton, raw	78,224	109,776
Petroleum, crude	445,279	627,958
Aluminium	127,524	110,755
Total incl others	1,538,719	1,757,869

Exports fob	$ m Jan-Dec 1994	Jan-Dec 1995[b]	Jan-Dec 1996[b]	Jan-Dec 1997
Italy	211	330	393	500
Spain	210	277	367	330
France	338	466	352	273
Netherlands	126	163	148	130
China	10	25	32	64
Belgium-Lux	41	42	48	44
Germany	30	102	123	40
UK	29	45	61	32
Total incl others	1,360	2,019	2,188	1,858

Imports cif	$ m Jan-Dec 1994	Jan-Dec 1995[b]	Jan-Dec 1996[b]	Jan-Dec 1997
France	241	476	443	332
US	58	50	78	113
Nigeria	1	1	1	97
Germany	48	65	90	94
Japan	41	48	35	74
Belgium-Lux	34	82	82	64
Italy	26	57	63	56
Côte d'Ivoire	9	n/a	n/a	52
Total incl others	717	1,165	1,228	1,360

[a] Source: UN. [b] *DOTS* estimates.

Sources: UN, *International Trade Statistics*, yearbook; IMF, *Direction of Trade Statistics*, yearbook, quarterly.

Central African Republic: foreign trade

Imports cif	$ '000 Jan-Dec 1994	Jan-Dec 1995	Jan-Dec 1996
Food	24,635	27,587	12,585
of which:			
cereals & products	17,183	15,010	5,915
Beverages	2,022	2,885	2,268
Tobacco & manufactures	12,216	9,244	6,709
Petroleum & products	11,374	22,755	14,550
Chemicals	25,037	20,721	14,056
Rubber manufactures	2,425	3,775	2,927
Paper & manufactures	3,483	4,169	3,970
Textile fibres & manufactures, incl clothing	10,993	25,531	20,829
Miscellaneous non-metallic minerals mnfrs	2,102	2,835	2,625
Iron & steel	1,469	1,796	1,367
Non-ferrous metals	4,685	3,548	1,812
Metal manufactures	5,406	10,126	4,743
Machinery incl electric	19,655	60,386	28,475
Transport equipment	17,013	51,733	38,814
of which:			
road vehicles	16,456	49,770	33,043
Total incl others	154,162	265,499	179,942

Exports fob	$ '000 Jan-Dec 1994	Jan-Dec 1995	Jan-Dec 1996
Coffee	2,049	3,103	872
Wood & cork	1,299	2,790	4,756
Cotton, raw	7,528	20,309	22,379
Road vehicles	2,008	9,259	7,119
Diamonds	63,422	75,810	69,098
Total incl others	81,451	119,522	115,128

Exports fob	$ m Jan-Dec 1995	Jan-Dec 1996[a]	Jan-Dec 1997[a]	Jan-Dec 1998[a]
Belgium-Luxembourg	75	102	98	124
Côte d'Ivoire	n/a	13	14	16
Spain	n/a	7	12	16
France	30	5	8	8
Taiwan	n/a	7	7	n/a
Total incl others	187	252	276	328

Imports cif	$ m Jan-Dec 1995	Jan-Dec 1996[a]	Jan-Dec 1997[a]	Jan-Dec 1998[a]
France	70	54	51	55
Côte d'Ivoire	1	28	30	35
Cameroon	12	15	19	19
Belgium-Luxembourg	6	5	6	7
Japan	46	6	2	6
Total incl others	189	173	167	187

[a] *DOTS* estimates.

Sources: National sources; UN, *International Trade Statistics*, yearbook, quarterly.

Cameroon, Central African Republic and Chad: French trade

($ '000)

	Cameroon			CAR			Chad		
	Jan-Dec 1996	Jan-Dec 1997	Jan-Dec 1998	Jan-Dec 1996	Jan-Dec 1997	Jan-Dec 1998	Jan-Dec 1996	Jan-Dec 1997	Jan-Dec 1998
French exports fob									
Cereals & preparations	38,416	34,954	43,131	8,607	8,041	8,373	8,247	6,223	5,326
Sugar & preparations	7,841	5,748	10,251	1	682	2,557	4,199	1,326	285
Beverages	6,204	10,879	11,889	817	799	453	306	266	1,480
Chemicals	82,298	91,175[a]	105,451[a]	8,393	11,010[a]	12,708[a]	10,863	10,122[a]	14,987[a]
Rubber manufactures	5,798	8,521	6,661	564	501	681	1,179	920	587
Paper, etc & manufactures	13,312	15,806	14,259	1,045	853	861	1,576	1,455	1,061
Textile fibres & manufactures, incl clothing	11,476	13,570	14,807	1,240	600	475	627	598	1,022
Non-metallic mineral mnfrs	9,003	8,799[b]	9,930[b]	246	217[b]	249[b]	471	946[b]	534[b]
Iron & steel	6,930	11,140[c]	13,158[c]	224	985[c]	658[c]	931	1,175[c]	2,159[c]
Non-ferrous metals	4,881	6,447[c]	8,626	58	62[c]	83[c]	142	197[c]	251[c]
Metal manufactures	16,033	10,855[d]	12,166[d]	1,544	672[d]	755[d]	2,702	425[d]	555[d]
Machinery incl electric	103,352	97,091	123,024	13,212	10,512	10,092	23,856	16,318	15,690
Road vehicles	30,336	47,488[e]	53,513[e]	5,846	7,290[e]	7,852[e]	5,604	4,145[e]	7,976[e]
Other transport equipment	4,496	3,989	4,678	143	324	98	271	266	69
Scientific instruments etc	10,341	10,490	11,538	920	1,122	1,371	1,417	1,537	3,182
Total incl others	407,331	437,412	509,946	49,332	47,217	50,350	68,590	51,655	60,950
French imports cif									
Fruit & vegetables	99,413	93,982	87,029	0	47	215	23	31	0
Coffee, cocoa, tea & spices	74,511	47,095	45,216	3,811	5,215	4,819	0	0	0
Rubber, crude	15,806	16,743[f]	14,121[f]	0	49[f]	14[f]	0	0	0
Wood & cork & manufactures	81,832	75,739	79,205	460	1,845	3,120	0	1	0
Petroleum & products	21,413	11,737[g]	40,619[g]	0	0	0	0	0	0
Textile fibres, yarn & manufactures	3,081	4,758	4,611	203	429	151	54	1,250	1,357
Non-ferrous metals	102,569	78,644[c]	69,532[c]	0	2[c]	49[c]	0	0	0
Total incl others	405,508	335,213	351,143	5,007	8,406	9,187	7,240	5,395	5,949

Note. Prior to 1997, SITC basis. From 1997, Harmonised System. Figures are not strictly comparable.
[a] Including crude fertilisers and manufactures of plastics. [b] Including precious metals and jewellery. [c] Including scrap and manufactures. [d] Tools etc and miscellaneous metal manufactures. [e] Including tractors. [f] Including manufactures. [g] Total mineral fuels.

Source: UN, *External Trade Statistics*, series D.