COUNTRY REPORT

Cameroon

Central African Republic

Chad

4th quarter 1998

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The Economist Intelligence Unit

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Summary

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Outlook for 1999-2000: Political stability is expected to continue as the president, Paul Biya, consolidates his position and the radical opposition weakens. Rising production of export commodities should offset the impact of an increasingly gloomy global trade picture, keeping GDP growth at 4.9% in 1998/99, strengthening to 5.4% in 1999/2000.

Review: An anglophone officer was President Biya's surprise choice as the director of national security. Efforts have been made to open a dialogue with Nigeria. The 1998/99 budget conforms to IMF prescriptions, and the World Bank has approved a third structural adjustment credit. The government forecasts a rise in the output of major agricultural products in 1998/99. Cameroon is hoping to secure a London Club commercial debt deal this year.

Central African Republic

Outlook for 1999-2000: The return of the reformist ex-prime minister, Jean-Paul Ngoupande, to the political fray will liven up the debate in the run-up to the presidential election in 1999. However, provided his health holds, President Ange-Félix Patassé is likely to win another term. The legislative election due this year should provide an early indication of the strength of rival parties. While the IMF believes that reforms will deepen, recovery is fragile and vulnerable to gloomy global commodity markets.

Review: The former prime minister, Mr Ngoupande, has returned from France to resurrect his political career. The independent electoral commission has been sworn in, but the scheduled legislative election has been postponed until November-December because of organisational problems. The mandate of the UN peacekeeping force has been extended until late October. The IMF has finally approved an ESAF, but the GDP targets it sets out look ambitious.

Chad

Outlook for 1999-2000: Despite further delays, the final decision by the World Bank on funding for the proposed pipeline from the Doba oil basin to the Atlantic coast in Cameroon is likely to be a positive one. President Déby's position appears secure. The economy should continue to perform well, with inflation down and GDP growth strengthening, but the financing needed for oil sector development will increase the country's dependence on donors in the short term.

Review: The fate of a southern faction leader remains unclear, while the imprisonment of an opposition politician has stirred criticism both at home and abroad. Relations with France have gone through a turbulent period. President Déby has ordered a limited government reshuffle. The World Bank has postponed the decision, scheduled for October, on funding the new oil pipeline. Cameroon is to step up its oil supplies to Chad. The latest cotton harvest has broken all records.

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Cameroon

Political structure

Official name	République du Cameroun	
Form of state	Unitary republic	
Legal system	Based on English common law and the Napoleonic Code	
National legislature	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	There are more than 100 registered 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	Mounchipou Seidou
	Public works	Jérôme Etah
	Transport	Joseph Tsanga Abanda
BEAC governor	Jean-Félix Mamalepot	

Economic structure

Latest available figures

Economic indicators	1993	1994	1995	1996	1997
GDP at market prices[a] (CFAfr bn)	3,103	3,416	4,132	4,571	4,932[b]
Real GDP growth[a] (%)	–3.2	–2.5	3.3	5.0	5.1
Consumer price inflation[a] (av; %)	22.3	35.1	13.9	4.7	1.5
Population (m)	12.6	12.8	13.3	13.6	14.0
Exports fob[a] ($ m)	1,651	1,433	1,664	1,761	1,978[b]
Imports fob[a] ($ m)	1,021	1,017	1,074	1,200	1,347[b]
Current-account balance[a] ($ m)	–620	–327	–62	–219	–109[b]
Reserves excl gold ($ m)	34.0	1.9	1.1	2.4	1.4[b]
Total external debt ($ m)	7,456	8,326	9,346	9,515	8,342[b]
External debt-service ratio, paid (%)	22.6	21.5	20.4	23.6	14.6[b]
Crude oil production ('000 b/d)	130.0	114.5	103.4	103.7	110.1
Coffee production[c] ('000 tonnes)	109.0	75.9	49.9	73.7	82.0
Cocoa production[d] ('000 tonnes)	92.0	100.9	109.0	136.2	122.0
Exchange rate[a] (av; CFAfr:$)	265.4	435.0	518.6	501.8	541.1

September 16th 1998 CFAfr565.65:$1

Origins of gross domestic product 1996	% of total
Agriculture	28.6
Industry	22.8
Manufacturing	13.7
Services	48.6
GDP at factor cost	100.0

Components of gross domestic product 1996	% of total
Private consumption	72.5
Government consumption	7.8
Gross domestic investment	16.1
Exports of goods & services	23.9
Imports of goods & services	–20.3
GDP at market prices	100.0

Principal exports 1997[a]	$ m
Crude oil	742
Cocoa	244
Timber	233
Coffee	189

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

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

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

[a] Fiscal years ending June 30th. [b] EIU estimate. [c] Crop years ending November 30th. [d] Crop years ending September 30th. [e] Drawn from partners' trade returns, subject to a wide margin of error.

Outlook for 1999-2000

The prospects for political stability are good—

With members of the coalition government apparently working well together, and the remaining elements of the radical opposition increasingly divided and demoralised, the prospects for continuing political stability are extremely encouraging. While a government reshuffle remains a possibility in the short to medium term, it would probably not herald any major change in either policy or personnel.

The president, Paul Biya, will be anxious to retain the services of a number of influential ministers from the north—principally the industry minister, former prime minister and leader of the Union nationale pour la démocratie et le progrès (UNDP), Bello Bouba Maigari; the secretary-general at the presidency, Hamidou Marafa; and the defence minister, Amadou Ali. This informal alliance between north and south echoes the consensus approach to government that characterised the stable, politically relaxed era of Mr Biya's predecessor, Ahmed Ahidjo, in the 1960s and 1970s, and is a powerbase that the president will seek to consolidate.

—as Mr Biya's authority grows—

There are further signs that the president's confidence in the strength of his position will continue to grow. He has already purged all known or suspected opponents within the ruling party, the Rassemblement démocratique du peuple camerounais (RDPC), and has surrounded himself in the political bureau and central committee with loyal supporters. With new support from the north, Mr Biya has been able to distance himself from the Essingan, the Beti-Bulu ethnic cabal that helped prop up his regime following the failed coup attempt in April 1984 and subsequently exercised such a powerful—and negative—influence over government policy.

In a sign of his strengthening position, in early September the president appointed an anglophone from the radical opposition heartland in North-west province, Colonel Ivo Desancio Yenwo, to the sensitive post of director of national security. Such a move, unthinkable a year ago, reflects Mr Biya's dominance of the political environment. Symbolically, it will also serve to highlight the growing gulf between a proactive, self-assured administration and the increasingly impotent, North-west-based, predominantly anglophone opposition party, the Social Democratic Front (SDF), and its ambitious and charismatic leader, John Fru Ndi.

—and the political fringe is merely an irritant

The SDF is in any case beset by financial problems, ethnic tensions and political differences, with the predominantly grass-roots constituency seeking some form of accommodation with the presidency but the national leadership bitterly opposed to such a move. Another of Mr Biya's former foes, the Southern Cameroon National Council, is now effectively moribund, though there is a risk that the more radical Cameroon Anglophone Movement may try to disturb the present calm by embarking on a low-profile campaign of violence in the anglophone South-west and North-west provinces. Actions of this kind would be a painful nuisance to the local population in the anglophone areas, but would not affect Cameroon's political stability.

Growth will falter—

Sound political management is likely to be matched by an equally steady commitment to economic liberalisation and reform. While the uncertain global economic outlook may damage Cameroon's export commodity-based economy, the effect of depressed prices on export earnings is likely to be at least partially offset by greater efficiency and transparency in government, a less fettered private sector, and an increase in production which will boost receipts and the impact of spending.

The effect of the economic downturn in South-east Asia is likely to be limited, as Cameroon's exposure to such markets is relatively insignificant. Economic growth may therefore slip slightly in 1998/99 as a result of adverse global conditions, but should still average a healthy 4.9%, before quickening to 5.4% in 1999/2000.

—but structural reforms should deepen

As part of the reform process the Ministry of Economy and Finance is to cede tax-collection powers to private companies, which will be paid on a commission basis. This should boost domestic revenue mobilisation, an important component of the IMF package. The government has set a minimum non-petroleum revenue target for the 1998/99 financial year of CFAfr61bn ($106m). In addition to improved revenue collection, the authorities hope to meet their target by implementing other reform measures, including the replacement of the turnover tax with a value-added tax (VAT) on January 1st 1999.

The current account will remain in deficit

Oil, timber, coffee, cocoa, cotton and aluminium will continue to dominate exports in 1998/99. Oil and aluminium earnings, which increased in 1996/97 and 1997/98, will decline in 1998/99, as market prices are expected to weaken before recovering in 1999/2000. The competitiveness of Cameroon's export sector will benefit from recently introduced reform measures, including a reduction in export duties; the elimination of cargo preferences; and the abolition of the royalties on freight and duties payable to the National Shippers' Council. Imports, meanwhile, will also continue to increase over the forecast period, reflecting growing domestic demand, and as a result the trade deficit will increase to $50m in 1999/2000. This, together with Cameroon's traditionally large invisibles deficit, will ensure that the current-account deficit rises from $211m in 1997/98 to $260m in 1999/2000.

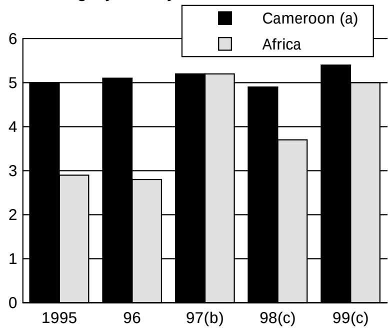
Cameroon: forecast summary

($ m unless otherwise indicated; fiscal years ending Jun 30th)

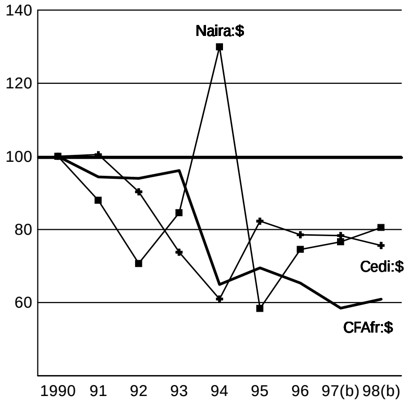
	1996/97[a]	1997/98[a]	1998/99[b]	1999/2000[b]
Real GDP growth (%)	5.1[c]	5.2	4.9	5.4
Consumer price inflation (av; %)	1.5[c]	2.1	2.0	1.9
Merchandise exports	1,978	1,783	1,440	1,510
Petroleum & petroleum products	743	378	310	355
Non-oil products	1,235	1,405	1,130	1,155
Merchandise imports	1,347	1,381	1,480	1,560
Current-account balance	–109	–211	–236	–260
Exchange rate (av; CFAfr:$)	541.1[c]	589.4	574.0	547.0

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

Cameroon: gross domestic product
% change, year on year



Cameroon: real exchange rates (a) (d)
1990=100



(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.*

Review

The political scene

Colonel Ivo Yenwo returns to the Etoudi palace

In a surprise move the president, Paul Biya, appointed Colonel Ivo Desancio Yenwo to the sensitive post of director of national security on September 6th. Although Colonel Yenwo comes from North-west province—the stronghold of the radical opposition Social Democratic Front (SDF) and home of its chairman, John Fru Ndi—he enjoys the president's confidence, having personally saved Mr Biya's life and secured the safety of his family during the failed coup attempt by the Republican Guard in April 1984. He is highly respected within both military and civilian circles. Colonel Yenwo returns to a service he knows well, having been involved in presidential security for nearly two decades under both the late Ahmed Ahidjo and Mr Biya. Until September 1996, when he was appointed legion commandant of the gendarmerie in Mr Biya's native South province, Colonel Yenwo was deputy director of presidential security and deputy director of Cameroon's domestic intelligence and security service, the Centre national des études et de la recherche.

As the new director of national security, Colonel Yenwo takes over from a senior police superintendent, Pierre Minlo, a Bulu from the same region as the president, who enjoyed the trust and support of the Essingan, a secret society for the protection of the Beti-Bulu ethnic group's interests. If the announcement of his replacement was a surprise, Mr Minlo's departure was not. He had provoked the wrath of the first lady, Chantal Vigoureux, when a character and morality investigation he conducted in 1994, at the start of her relationship with Mr Biya, concluded that she was unfit to be his wife. Members of Essingan were aware of Mrs Biya's grudge against Mr Minlo and had been pressing for him to be replaced by a younger officer, also from the Beti-Bulu ethnic group. The group was reportedly surprised to learn that an anglophone had been appointed instead. Mr Yenwo's promotion is a clear signal that the president is no longer hostage to his clan, and will make it hard for radical opposition groups to argue that anglophones are marginalised in Cameroon.

Mr Biya seeks to project a new international image

Mr Biya's uncharacteristic participation in a major summit abroad—in September he attended the 12th meeting of the Non-Aligned Movement (NAM) in Durban, South Africa—may signal a new enthusiasm for the role of international statesman. As recently as June 1997 the president chose, without explanation, not to attend the Organisation of African Unity (OAU) summit in Zimbabwe, where he was scheduled to hand over the chairmanship of the organisation to Zimbabwe's president, Robert Mugabe. His election to the NAM vice-presidency therefore came as something of a surprise, although the organisation's low profile between summits may suit Mr Biya's preference for low-key diplomacy.

Cameroon woos the new Nigerian leader

A high-powered delegation led by Cavaye Yegue Djibril, the president of Cameroon's National Assembly, visited the capital of Nigeria, Abuja, in August. The Cameroonian authorities believe that Nigeria's new military ruler, General Abdulsalam Abubakar, is more well-disposed towards trying to find a negotiated and peaceful solution to the Bakassi border conflict than his predecessor, General Sani Abacha, who died suddenly in June. While relations between the two countries have traditionally been cordial rather than warm, under Abacha tension gave way to violence, with the start of a series of military skirmishes in December 1993. Nevertheless, while the atmosphere did ease soon after Abacha's death, the mood soured again in early September, with Nigerian military sources accusing Cameroon of massing troops in the Ekondo Titi area close to Bakassi.

A new good governance programme is launched

The national governance programme (PNG) was launched on August 21st. Its main objective is to establish good governance in Cameroon by institutionalising public accountability and transparency in economic, financial and social management, as well as enhancing civil society's participation in public affairs. Officials hope that the programme will transform the government sector into "an efficient regulatory system adapted to the demands of a modern, democratic society". According to Jean Jacques N'doudoumou, the co-ordinator of the PNG and technical adviser to the prime minister, the programme will target the following areas:

- public administration;
- decentralisation;
- economic management;
- financial management; and
- the promotion of civil society.

SDF deputies in the National Assembly decided to boycott the PNG on the grounds that the party had been marginalised during its preparation. The parliamentary leader of the SDF, Mbah Ndam, complained that the setting up of an independent national election commission should be the starting point for a credible good governance programme. The first phase of the PNG, which will be supervised by a steering committee chaired by the prime minister, Peter Mafany Musonge, will cost some CFAfr432m ($740,000). The UN Development Programme (UNDP) will provide CFAfr300m and the remainder will come from the government.

More journalists are arrested

The courts have continued to send journalists working for the independent media to jail. The publisher of the normally pro-government weekly *Aurore Plus*, Michel Michaut Moussala, was arrested on September 3rd. He had been sentenced in January 1998 to a six-month prison term and a CFAfr2m ($3,300) fine in a criminal libel case brought by Tchouta Moussa, formerly general manager of the Cameroon National Ports Authority and a member of parliament belonging to the ruling party, the Rassemblement démocratique du peuple camerounais (RDPC). At New Bell prison, Mr Moussala joined another journalist, Pius Njawe, who was imprisoned for suggesting that President Biya had suffered from a "heart malaise" while watching a football match in 1997.

The economy

The new budget swallows the Bretton Woods institutions' medicine

The National Assembly approved the 1998/99 budget on July 30th, despite objections from SDF deputies, who described it as unrealistic. The budget is fully in keeping with IMF tenets, with overall spending falling compared with 1997/98, infrastructure and social sector expenditure rising, and revenue collection up. The government's confidence that it can meet some of the more ambitious targets stems principally from the sharp fall in debt-service obligations following the deal with the Paris Club of commercial creditors reached in October 1997. However, the EIU remains cautious about growth projections of 5.2% and a continued narrowing of the current-account deficit, given the difficult external trading environment that is likely to develop in 1998/99.

Cameroon: government budget proposals
(CFAfr bn)

	1997/98	1998/99	% change
Total expenditure	1,257	1,230	–2.1
Debt service	599	408	–32.0
Other recurrent expenditure	492	593	20.5
Capital expenditure	166	229	38.0
Total revenue	n/a	1,230	n/a
of which:			
tax revenue	604	702	16.2
petroleum revenue	135	140	3.7

Source: *Marchés Tropicaux*.

The IMF praises progress on reform—

An IMF mission visited Cameroon in early July to review the first annual arrangement under the country's three-year enhanced structural adjustment facility (ESAF). The ESAF arrangement, which was approved in August 1997 and covers the period July 1st 1997-June 30th 2000, is for a total of SDR162.1m ($220m, or 120% of quota); the first annual allocation amounts to SDR54m (40% of quota). Cameroon's total IMF credit outstanding at the end of the first annual allocation amounted to SDR108.1m. According to the IMF mission leader, Menachem Katz, all the quantitative targets and structural benchmarks for the first year of the programme had been achieved. The GDP growth rate was slightly above 5%, inflation had been kept below 2%, and the current-account deficit was around 2% of GDP. He indicated that the main objectives of the second annual allocation under the ESAF would be:

- to enhance domestic revenue mobilisation and increase government revenue by 10.3%, from CFAfr903bn ($1.5bn) in 1997/98 to CFAfr996bn in 1998/99;
- to increase funding and improve the management of public expenditure on priority areas such as health, education and infrastructure; and
- to accelerate the privatisation programme.

—and the World Bank accords a third structural adjustment credit

The World Bank approved its third structural adjustment credit to Cameroon, for $180m (equivalent to SDR133.5m), on June 25th. The loan will help Cameroon lay the foundations for sustainable growth rates of above 5% per year, and help it to increase employment and reduce poverty. The adjustment programme supported by the loan focuses on consolidating and deepening reforms in four areas:

- transport, including railways, ports and road maintenance;
- the privatisation of public utilities and agro-industries;
- the financial sector; and
- forestry.

Officials in Yaoundé consider the World Bank's programme unrealistic. While the Musonge government has demonstrated its political commitment to the reform process, at the institutional level the administration may lack the technical capacity to see the reform process through.

The government tightens regulation of the insurance sector—

Prudential regulations set by the International Conference of African Insurance Companies (CIMA) are being strictly applied, in an attempt to clean up Cameroon's insurance sector. CIMA has already withdrawn the licences of two companies, AMACAM and Médiatrice. Following a CIMA meeting in Ouagadougou, the capital of Burkina Faso, on August 21st, the licences of two other Cameroonian insurance companies, Les provinces réunies and Trans-africaine assurances, have been suspended; they will be withdrawn unless they can meet the minimum solvency ratio and present an acceptable financial restructuring plan within three months. The move precedes the government's decision to privatise interests in the insurance sector, with the state-owned Société camerounaise d'assurances-réassurances (SOCAR) and Caisse nationale de réassurance (CNR) due to be sold off during 1998/99.

—and of non-bank financial institutions

In September the prime minister signed a decree strengthening the regulation of traditional loans and savings co-operatives, which will now be placed under the supervisory authority of the specialised unit of the regional central bank, the Banque des états de l'Afrique centrale (BEAC). The move follows mounting public concern over the ease and pace with which co-operatives were being formed, collecting savings and then being liquidated by unscrupulous operators. This reflected the inadequacy of the former regulator, the Ministry of Agriculture, which lacked the technical capacity to supervise financial institutions effectively.

A second cellular phone licence is placed on offer

Tenders have been invited for a second cellular phone licence. The tenders are to be submitted before November 30th and the bidders must have at least 30%

share capital participation by Cameroonian nationals. The concession will be for 15 years. At present, Cameroon has only one mobile phone operator, the state-owned Camtelmobile. This inefficient agency has just 4,200 subscribers, even though its GSM 900 network covers 28% of the population. The winner of the second licence will be expected to provide national coverage.

A new player enters the lottery market

A new national lottery company, Loterie électronique du Cameroun (Lotelec), was launched at the beginning of August in Douala. Lotelec will replace the bankrupt Loterie nationale du Cameroun (Lonacam), following an agreement between the government and Canadian Bank Note International. While in many countries such operations are instantly profitable, the Cameroon market is relatively shallow, and Lotelec will have to compete with both Pari mutuel urbain camerounais and Cameroon Foot-Pools.

Agriculture and forestry

The government talks up agriculture

New official crop estimates indicate the government's confidence that agricultural export commodities will remain the main motor of growth. Cocoa production is projected to increase marginally, from 125,617 tonnes in 1997/98 to 128,000 tonnes in 1998/99, while coffee output is expected to increase from 99,700 tonnes to 105,080 tonnes. The projected increase in rubber production by the privatised Hévéa-Cameroun (HEVECAM) is expected to lead to a slight increase in national rubber output, from about 62,000 tonnes in 1997/98 to 64,000 tonnes in 1998/99. Banana exports, meanwhile, which were estimated at 190,000 tonnes in 1997/98, are projected to rise to 205,000 tonnes, despite Cameroon's loss of market share in Europe as a result of the European Union's compliance with the World Trade Organisation (WTO) ruling on its banana trade regime. On the assumption that the Société camerounaise de palmeraies (SOCAPALM) is privatised before the end of the year (3rd quarter 1998, page 12), industrial production of palm oil is projected to increase from some 118,000 tonnes in 1997/98 to 120,360 tonnes in 1998/99. The government expects the growth in logging activity to continue, and projects a 5% increase in timber production, from 3.41m cu metres to 3.58m cu metres. This assumes that the contraction in Asian demand for timber exports will be offset by a decline in Latin American production. These upbeat forecasts are based on the government's assessment of both the prospects for rainfall and new efficiencies generated by privatisation and other structural reforms. If met, these production increases should offset the negative impact of depressed global commodity prices, keeping export earnings up and helping the government to meet the balance-of-payments targets set out in the ESAF accord.

The government sugar company is privatised

Outbidding the Société brasseries du Cameroun (SABC), its closest rival, the French agro-industrial group SOMDIAA has bought the state-owned Cameroon Sugar Company (CAMSUCO) for CFAfr11bn ($18m). The fact that the privatisation of CAMSUCO took over seven years illustrates the degree of resistance within the establishment to the disposal of state assets. The company has a sugar-processing mill with a capacity of 50,000 tonnes/year (t/y), with the possibility of increasing capacity to 80,000 t/y, and a 15,000-ha sugar plantation. However, last year CAMSUCO produced only 3,000 tonnes of sugar because of inefficiencies, lack of maintenance and the low morale of its workers. SOMDIAA already owns a majority share in the Société sucrière du Cameroun and another local sugar company, and thus now effectively controls the national production and distribution of sugar. Domestic sugar demand is estimated at 100,000-120,000 tonnes.

The cocoa season is launched

The 1998/99 cocoa season was launched on August 13th by the minister of industrial and commercial development, Bello Bouba Maigari. According to official figures, cocoa production stood at some 126,000 tonnes in 1997/98, short of the 150,000-tonne target the government had set at the beginning of the cocoa season. Mr Maigari identified the major problems facing the industry as a proliferation of unprofessional middlemen, stagnation in production and the drop in quality since the sector was liberalised. He maintained that production could still meet the target of 150,000 tonnes by 2000. Cameroon exported 100,000 tonnes of cocoa at an average price of CFAfr1,050/kg in 1997/98, compared with a price of CFAfr955/kg the preceding season.

Energy and transport

Shell keeps to its decision to sell Pecten—

Royal Dutch Shell still intends to pull out of Cameroon (3rd quarter 1998, page 16), despite the $250m credit facility supported by the International Finance Corporation (IFC) that has been granted to Pecten Cameroon, a subsidiary of Shell Exploration and Producing Company. On July 8th the IFC announced that it had made its first disbursement under a revolving credit facility which is supporting Pecten's programme to develop oilfields off the coast of Cameroon and limit the expected decline in its oil production. The ongoing development programme involves drilling new oil wells, rehabilitating existing wells, installing new platforms and building new production facilities. The facility is the largest ever syndicated loan to a Sub-Saharan African country; up to $60m will be provided by the IFC, with the remaining $190m coming from a syndicate of 15 banks. The facility covers a five-year period. Shell officials maintain that Pecten has no part to play in the company's long-term development strategy.

—but others show new interest

Despite Shell's lack of enthusiasm, other players continue to show an interest in Cameroon's oil sector. In August the Société nationale des hydrocarbures (SNH) awarded a 2,300-sq-km exploration licence to a new joint venture of two Canadian independents, Euroil and Trophy Petroleum, in the Rio del Rey basin. A Euroil executive cited the liberal nature of the law and taxation system that apply to the oil sector in Cameroon as the reason behind the decision to invest. In a further sign of external interest in Cameroon's offshore sector, the independent Kelt Cameroon and Mobil Cameroon won the Ebodje Marin licence, covering the offshore blocks MLHP 1, 2 and 3.

Importation of petroleum products is liberalised—

The monopoly of the state-owned national refinery company over the supply of refined petroleum products to domestic distributors has been abolished. A joint ministerial ordinance from the Ministry of Finance and the Ministry of Industrial and Commercial Development authorised distributors licensed by the Caisse de stabilisation des prix des hydrocarbures, which regulates petroleum product prices, to import up to 20% of the estimated domestic demand for petroleum products by sea, as from June 30th. Importation of refined petroleum products will be through a tender open to all licensed distributors, and the imported products will carry a surcharge of 15%, which will be paid to the Treasury. In 1997 Cameroon's crude oil imports, mainly from neighbouring Equatorial Guinea, amounted to about CFAfr113bn ($195m).

—as exports of petroleum products rise

A deal signed with Chad in August should see exports of petroleum products, mainly gasoline and gasoil, increase to 12,000 tonnes per month, up from their current level of 10,000 tonnes per month. This increase will reduce fuel shortages in Chad, created by the closure of the Kaduna oil refinery in northern Nigeria, which used to supply about 60% of the country's fuel needs. The Chadian and Cameroonian authorities also agreed, in principle, on a project to extend Cameroon's electricity network to Chad, by constructing a high-tension line linking Maroua in north Cameroon to Chad's capital, Ndjamena.

The US transport secretary visits Cameroon

The US transport secretary, Rodney Slater, visited Cameroon in mid-July, meeting the president and the transport minister, Joseph Tsanga Abanda. The purpose of the trip was to follow up on President Bill Clinton's promise during his recent Africa tour to help the continent improve its air security, Mr Slater told the local press. He also indicated that the US government was willing to participate in the construction of a deep-sea port in Limbe, in the anglophone Southwest province, although the government's priority is the construction of Kribi port, the final destination of the proposed—and potentially highly lucrative—Chad-Cameroon pipeline.

Foreign trade and payments

Cameroon looks set for a London Club agreement

Having met the initial performance targets set out in its three-year ESAF, Cameroon has begun preparing the ground for a possible commercial debt initiative with the London Club of creditors before the end of the year. The reconciliation of data with commercial creditors is almost complete, and preparations for negotiations are at an advanced stage, but Cameroon has not yet chosen its legal advisers. Officials hope that a deal on the country's commercial debt, estimated by the EIU at some CFAfr250bn ($450m), will reduce both the overall debt stock and debt-service obligations through a mix of rescheduling and write-offs.

The US grants debt relief—

A debt-rescheduling agreement has been signed with the US, according to which Washington is to cancel CFAfr5.8bn ($9.9m), representing 50% of Cameroon's debt to the US government. The remaining 50% is to be rescheduled over 23 years with a six-year grace period at an interest rate of 6.7%. The US ambassador to Yaoundé said that US government had granted the debt relief to support Cameroon's poverty-reduction programme.

—and the EU pledges new funding

In mid-August the minister for public investment and regional development, Justin Ndioro, and the European Union delegate, Friedrich Niegel, signed an Ecu28.5m ($32.5m) grant agreement with the European Development Fund (EDF). The bulk of the funding (Ecu25m), is budgetary assistance to support the 1998/99 structural adjustment programme. The balance (Ecu3.5m) is to finance the urban participatory development project known as FOURMI II. Other EDF-supported projects include the rehabilitation of the 250-km Bertoua-Garoua-Boulai road; rural development in Logone and Chari department; and a road-maintenance programme (PERFED II).

Other aid news

- The African Development Fund, the soft-loan arm of the African Development Bank, granted a $10.3m concessional loan in July to finance an agricultural research and extension programme. The loan is expected to improve food security and rural incomes by strengthening the capacity of Cameroon's Research Institute for Agricultural Development.

- France's Fonds d'aide et de coopération (FAC) extended financial assistance totalling CFAfr1.5bn ($2.4m) in July, of which CFAfr600m has been allocated to support urban health projects in Yaoundé. The remaining CFAfr900m is for cultural development.

- The Agence française de dévéloppement announced in August that it will provide a subsidy of CFAfr322m to fund research into ways of increasing palm-oil production in Cameroon.

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, 85 members elected by universal suffrage serve a five-year term
National elections	August-September 1993 (presidential and legislative); the next legislative election, originally due by August-September 1998, has been postponed until November-December. The next presidential election is due in 1999
Head of state	President, elected by universal suffrage to serve a six-year term
National government	The prime minister (nominated by the president) and his nominated Council of Ministers; the coalition government is dominated by the MLPC. Last cabinet reshuffle February 18th 1997
Main political parties	The Mouvement pour la libération du peuple centrafricain (MLPC) is usually supported by the two small liberal parties, the Parti libéral démocrate (PLD) and the Convention nationale (CN), and has recently been supported by the Mouvement d'évolution sociale de l'Afrique noire (MESAN), the Mouvement démocratique pour la renaissance et l'évolution de la république centrafricaine (MDRERC) and the Rassemblement démocratique centrafricain (RDC). Members of the coalition government include constituents of the grouping of 11 opposition parties, known as G11, principally: the Alliance pour la démocratie et le progrès (ADP); the Front patriotique pour le progrès (FPP); and the Mouvement pour la démocratie et le développement (MDD, formerly Mouvance David Dacko)

	President	Ange-Félix Patassé (MLPC)
	Prime minister	Michel Gbezera-Bria
	Minister of state for foreign affairs	Jean Mette Yapende (MLPC)
Key ministers	Agriculture	Timothé Augéné (MLPC)
	Defence, army reform & veterans	Pascal Kado (MLPC)
	Environment, water, forestry, fisheries & hunting	Joseph Gnomba (MDRERC)
	Family & social affairs	Eliane Mokodopo (MESAN)
	Finance & budget	Anicet Georges Dologuélé (MLPC)
	Human rights & democratic culture	Laurent Gomina Pampali
	Justice	Marcel Metefara (MLPC)
	Mining & energy	Desiré Pendemou (MLPC)
	Post & telecommunications	Michel Bindo (RDP)
	Public works & infrastructure	Jackson Mazette (MLPC)
	Territorial administration & public security	General François N'Djadder Bedaya (MLPC)
BEAC governor	Jean-Félix Mamalepot	

Economic structure

Latest available figures

Economic indicators	1993	1994	1995	1996	1997[a]
GDP at market prices (CFAfr bn)	349	475	551	545	595
Real GDP growth (%)	–2.6	7.3	6.0	–1.5	5.1
Consumer price inflation (av; %)	–2.9	24.6	19.2	4.4[a]	0.6
Population (m)	3.16	3.22	3.28	3.36	3.43[b]
Exports fob ($ m)	133	146	179	146[a]	173
Imports fob ($ m)	158	131	179	126[a]	130
Current-account balance ($ m)	–13	–33	–81	–63[a]	–44
Reserves excl gold ($ m)	112	210	234	232	179[b]
Total external debt ($ m)	873	885	942	928	950[c]
External debt-service ratio, paid (%)	5.0	12.6	6.4	6.3	6.6[c]
Diamond production ('000 carats)	495	532	484	487	540[c]
Seed cotton production[d] ('000 tonnes)	15.9	27.5	32.0	42.0	n/a
Timber production ('000 cu metres)	311	231	240	288	n/a
Exchange rate (av; CFAfr:$)	283.2	555.2	499.2	511.6	583.4[b]

September 16th 1998 CFAfr565.65:$1

Origins of gross domestic product 1996	% of total
Agriculture	56.7
Industry	16.0
Services	27.3
GDP at factor cost	100.0

Components of gross domestic product 1996	% of total
Private consumption	89.8
Government consumption	8.0
Gross domestic investment	3.9
Exports of goods & services	20.2
Imports of goods & services	–21.9
GDP at market prices	100.0

Principal exports 1996	$ m
Diamonds	64
Coffee	56
Timber	15
Cotton	11

Principal imports 1995	$ m
Capital goods	31
Fuel & energy	16

Main destinations of exports 1996[e]	% of total
Belgium-Luxembourg	40.6
Côte d'Ivoire	5.3
Spain	2.9
Taiwan	2.9

Main origins of imports 1996[e]	% of total
France	31.0
Côte d'Ivoire	16.1
Cameroon	8.6
Japan	3.4

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

Outlook for 1999-2000

A returning exile could break the political mould—

Since his return to the capital, Bangui, in June, the former prime minister Jean-Paul Ngoupande has dominated the political agenda, eclipsing the activities of other opposition leaders. For the moment, however, his political strength is debatable. If he is to emerge as a serious challenger to the incumbent, Ange-Félix Patassé, in next year's presidential election, Mr Ngoupande will need a national political base. While he clearly enjoys significant support in Bangui itself—as demonstrated by the enthusiastic welcome he received on his return from France—this will probably not be enough in itself to provide a launch pad for a serious bid for the presidency.

—as there are questions over the president's health—

However, it is President Patassé who remains the great unknown as far as next year's poll is concerned. There have been suggestions that he is seriously ill, and, if he decides not to run, the election race would be thrown wide open. The existing opposition parties are widely regarded as ineffectual and inspire little loyalty, while the ruling party, the Mouvement pour la libération du peuple centrafricaine (MPLC), may struggle to agree on a candidate, possibly prompting debilitating factionalism in the run-up to the polls. The next legislative election, meanwhile, which was originally scheduled for August but has been delayed until November-December because of administrative problems, is likely to provide some indication of current party political strengths. This is unlikely to have much bearing on the presidential contest, however, as far more is at stake. The most revealing aspect of the legislative election will therefore be not so much the result as the manner in which the process is conducted, and in particular the performance of the electoral commission and the ability of the UN mission in the CAR to preserve the peace.

—but policy will play only a small part

Mr Ngoupande established good credentials as a reformist during his brief period in government and is likely to prove more inspirational than veteran rivals such as Abel Gounba. By contrast, Mr Patassé has been a reluctant convert to structural adjustment. Nevertheless, all parties are likely to remain committed to an IMF programme, without which the prospects for growth would be profoundly compromised.

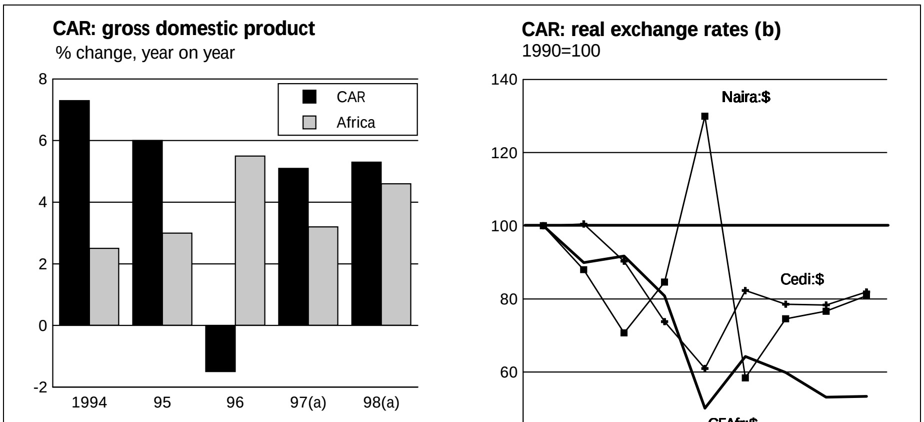
Growth targets are ambitious but achievable

The new enhanced structural adjustment facility (ESAF) with the IMF sets a target for GDP growth of 5% in 1999 and 5.2% in 2000, while the current-account deficit is set to fall to 6% of GDP in 1999 and 5.4% of GDP the following year). These targets do not look unrealistic, but their fulfilment will largely depend on factors outside the government's control, such as world market prices for the country's most important exports—diamond, coffee, cotton and wood—and weather conditions in cash-crop production areas. Moreover, poor security in rural areas is seriously disrupting buyers' collection of coffee and diamonds from artisanal producers. Poverty alleviation is an important component of the ESAF plan. To some extent, this will be achieved through increases in health and education expenditure, but the decisive factor will be the scale and distribution of growth within the economy.

Poverty-alleviation measures make slow progress

In addition to the depressed prospects for commodity prices, the population is widely dispersed, there are few large towns, and violent highway robbery is commonplace. It will therefore be hard to stimulate more lively trade flows of farm goods into urban areas, bolster urban food supplies or increase the flow of cash income out to the villages. Moreover, owing to the scattered geography of settlement the cost of setting up or improving education and health services for rural communities is high.

One of the most serious challenges facing the government in its efforts to ease poverty is the creation of new jobs in Bangui. The IMF estimates that the crisis of 1996-97 led to the loss of around 3,000 formal sector jobs in the capital, pushing the formal sector unemployment rate to 10% by December 1997. Generating new opportunities will be particularly difficult as many private-sector businessmen, particularly Lebanese and French expatriates, who were targeted by looters in the 1996 mutiny, are likely to be reluctant to set up new firms, while potential newcomers will probably wait to see if the CAR remains stable once the UN peacekeeping force, the Mission des Nations Unies en République centrafricaine (Minurca), has left the country.



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

Review

The political scene

A former prime minister returns to the fray

The former prime minister Jean-Paul Ngoupande, whose short-lived reformist administration foundered on the inveterate opposition of the president, Ange-Félix Patassé, to transparency and privatisation, staged a triumphal return to Bangui on June 16th. After several months in France, he returned to launch the campaign of the Parti de l'unité nationale (PUN), which he set up in April, for this year's legislative election. Mr Ngoupande is considered a likely candidate for the presidency in 1999, although he has been careful not to commit himself. At this stage, both his prospects and those of his party are difficult to gauge. He has said that he was surprised to be greeted at the airport by so many thousands of enthusiastic supporters. However, while such displays of popular backing may offer encouragement to the former prime minister, they are a poor measure of national feeling.

The electoral commission is sworn in

The independent electoral commission, the Commission électorale mixte indépendante (CEMI), was formally established on June 19th, despite opposition protests over the president's choice of chairman, Michel Adama-Tamboux (3rd quarter 1998, page 28). The row was finally settled when the UN special representative, Oluyemi Adeniji, who is the political head of the Minurca peacekeeping mission, made it clear that international donors might refuse to finance the organisation of this year's legislative polls if the commission was not in place. Given the condition of state finances, the absence of outside aid would constitute a serious problem, with the election expected to cost CFAfr1.8bn ($3.2m). The CEMI has a nine-member executive, with two vice-chairmen, one from the pro-Patassé alliance and one from the G11 opposition alliance. It also has a 42-member national "co-ordination" team, with representatives of the 34 legally registered parties and a range of civil society groups, notably the trade unions, religious denominations and human rights organisations, which have played a prominent political role in the CAR since the start of moves to end one-party rule in the early 1990s. The commission also has offshoots in the 16 provinces and the 8 districts of Bangui. Its first task was to oversee the updating of the electoral roll—there were only 885,000 registered voters in 1993—and to decide where polling stations should be located. The CEMI also had to reach a final decision on the timing of the vote (see below).

The expansion of the legislature favours President Patassé

At the forthcoming legislative election the number of deputies in the Assemblée nationale is to be increased from 85 to 109, ostensibly to match population growth. While the target level of population for each constituency is 40,000 in rural areas and 65,000 in Bangui, all sous-préfectures with less than 40,000 people will still have at least one deputy. The net effect of these boundary changes will be to maximise the number of deputies elected from the north-west—admittedly populous, but also the home region of Mr Patassé—while penalising Bangui, where the opposition G11 group and the Rassemblement démocratique centrafricaine (RDC) are strong. However, the president's party, the Mouvement pour la libération du peuple centrafricain (MLPC), might not reap the full benefits of the new electoral map, as it will have to compete for local votes with both Mr Ngoupande's PUN and another new party, the Forum démocratique pour la modernité (Fodem), set up by a former MLPC minister, Charles Massi.

The elections have been postponed at the CEMI's behest—

The government had been keen to hold the legislative election on August 16th and 30th, but in view of the delays in setting up the CEMI, this proved unrealistic. Moreover, opposition groups feared that President Patassé wanted an early vote because it would leave little time for proper checks on the validity of the voters' register or for campaigning. An early vote would have been particularly damaging for Mr Ngoupande, whose party has had little time to develop a public profile. On July 4th the CEMI announced that the first round of the legislative vote would be held on September 20th and the second round on October 11th, but it soon became clear that even these dates were impracticable, and on September 22nd the president announced that the first round of the election will be held on November 22nd and the second on December 13th. There were a number of reasons for the delay. By July large numbers of party and independent candidates still had to file nomination papers and provide their personal details for printing on ballot papers. However, even this process had to be halted, as the commission first had to carry out a nationwide tour to check provincial voting registers. The survey was originally scheduled to begin on July 6th, but the CEMI was unable to obtain enough vehicles from the government, and could not start the trip until the second half of August.

—prompting complaints from Mr Ngoupande

The postponement of the vote appeared to have the support of the UN envoy, who publicly acknowledged the organisational problems encountered by the CEMI. But the delay stirred suspicions in the minds of some opposition leaders, who were clearly concerned that the authorities were being deliberately obstructive in failing to provide the commission with the necessary means to carry out its job properly and on time. In late July the CEMI projected the cost of the election at CFAfr2.3bn, instead of the original estimate of CFAfr1.8bn. Mr Ngoupande accused the government of conducting a co-ordinated policy of foot-dragging, saying that it lacked the political will to face a genuine electoral challenge.

Minurca's mandate is extended—

On June 22nd the UN secretary-general, Kofi Annan, advised the Security Council to prolong the mandate of the Minurca peacekeeping force for three months, to October 25th, to cover the electoral period in the CAR, and on July 14th the council accepted his proposal. This extension had been widely expected; the tenth and final contingent of Minurca soldiers—120 soldiers from Egypt, deployed after Ghana and Botswana pulled out of the mission—only arrived in Bangui on June 23rd. Minurca now numbers 1,380, with 120 troops each from Mali, Gabon, Senegal, Togo, Chad, Burkina Faso and Egypt; 50 from Canada; 240 from Côte d'Ivoire; and 250 from France.

—as the UN backs a deeper commitment

It would come as no surprise if Mr Annan sought another extension of Minurca's mandate, in view of the possibility of a further significant delay to the election. From Mr Annan's point of view, the mission will have failed if it pulls out just as the situation is particularly tense in the wake of a tight election result. Indeed, in seeking Security Council approval for the first extension, Mr Annan pointed out that much remained to be done in moving the CAR towards stability: "National reconciliation and the security situation are still fragile… to reach a durable peace, it is necessary to take urgent action in the following areas: a credible restructuring of the defence and security forces, the organisation of free and regular elections and economic and social revival." He also called on the government to pay off salary arrears as soon as possible, the importance of which was highlighted a few weeks later, in August, when Bangui municipal employees staged a strike in support of demands for the payment of arrears. The Security Council backed Mr Annan when in mid-July it called on the government to push through armed forces reform—which is essential if further mutinies are to be avoided—as soon as possible. The secretary-general's statement appears to imply that he would like to keep Minurca in place until progress is achieved both on the economic front and with army reform.

The authorities back down on media manipulation

The government has been forced to abandon a scheme to control the output of news on national radio and television during the run-up to the election. On July 29th the authorities announced that a "co-ordinating unit" would be set up, charged with checking all news items before they were broadcast. The next day listeners and viewers were deprived of all news, as members of the censorship committee had not yet been appointed. Journalists at the broadcasting organisation began an immediate strike in protest. They had already written a letter to the communications minister complaining that President Patassé had been trying to muzzle their freedom to report. They claim they had been pressurised not to cover Mr Ngoupande's return (see above). Such attempts at censorship, however clumsy and ineffective, are clearly contrary to the pre-electoral climate of democratic freedom the UN is trying to foster. It seems likely that the authorities came under heavy pressure over the issue from Oluyemi Adeniji and major donors, as on July 31st they announced the suspension of the co-ordinating committee.

Mr Patassé's foreign friends fuel a furore

President Patassé, whose personal connections with Libya's leader, Colonel Muammar Qadhafi, date back many years, arrived in Tripoli on August 18th. Ostensibly, the purpose of the visit was to congratulate the Libyan leader on his recovery from a hip operation. However, the trip also served a useful diplomatic purpose: Colonel Qadhafi remains a potentially influential and destabilising player in Chad, especially in the wake of recent French military cutbacks. It therefore makes sense for the CAR to maintain a degree of goodwill in Tripoli. Still, Mr Patassé has never demonstrated the surest of diplomatic touches. Earlier this year he signed a bilateral co-operation accord with Nigeria's late military ruler, General Sani Abacha, who undertook to provide training for the CAR armed forces. There is already a French military training mission in Bangui, but Mr Patassé's relations with Paris are prickly, at best, and he has been looking for opportunities to widen contacts and reduce French influence. Shortly after his return from Tripoli, Mr Patassé was attacked by the increasingly vocal and combative Mr Ngoupande over his security co-operation with the Abacha regime and the equally controversial government of President Laurent Kabila in the Democratic Republic of Congo (DRC, formerly Zaire).

The economy

The IMF finally approves an ESAF deal—

On July 20th the IMF executive board finally approved an enhanced structural adjustment facility (ESAF) for the CAR. It said the first disbursement from the SDR49.4m ($66m) package of concessional funding would be made shortly. Approval of the ESAF could prove to be a turning point in the process of restoring the country's economic and financial credibility. Although the actual loan is relatively small, the reaching of a formal agreement with the Fund is likely to play an important catalytic role, and may help the country in its efforts to secure budget aid from other donors. However, much will depend on the government's ability to adhere to the agreed course of austerity and liberalisation. If complacency creeps in or—even more damaging—the programme is derailed by political interference on the part of Mr Patassé, July's accord may turn out to be a false dawn. Major donors such as France and the World Bank remain deeply sceptical about the CAR's conversion to structural adjustment.

They feel that the IMF has taken a surprisingly generous attitude towards the country, and will watch closely for signs of slippage in the government's programme. The EIU shares their view that the Fund's assessment of the CAR's economy in recent years is optimistic, as are some of the performance targets linked with the ESAF.

Central African Republic: recent economic performance and ESAF programme targets
(%)

	1995	1996	1997	1998[a]	1999[a]	2000[a]
Real GDP growth	6.0	–1.5	5.1	5.5	5.0	5.2
Consumer price inflation	19.2	4.4	0.6	2.6	2.6	2.6
Overall fiscal balance/GDP	–11.2	–4.9	–6.4	–6.2	–5.9	–4.6
Current-account balance/GDP	–7.1	–5.8	–4.3	–6.1	–5.4	–5.1

[a] Programme targets.

Source: IMF press release.

—following years of unease over Mr Patassé's commitment to reform—

The CAR is among the last Franc Zone countries to secure an ESAF in the wake of the 50% devaluation of the CFA franc in 1994. Like other zone members, it was accorded a post-devaluation stand-by credit on relatively easy terms, but such funding is much less concessional than ESAF aid, and the facility was designed as short-term emergency support to provide a secure framework while more profound long-term reforms and recovery plans were prepared. However, unlike many other Franc Zone states, the CAR failed to make progress in negotiating the long-term programme that an ESAF required. The principal stumbling block was President Patassé's reluctance to embark on the tough financial controls that the IMF was seeking. Ironically, the CAR was better placed than some other countries to carry out such measures without subjecting the population to undue sacrifice. It had already slimmed down the civil service in the early 1990s, and the productive economy was capable of generating sufficient tax revenue to maintain public services without further substantial cutbacks. But Mr Patassé appeared uninterested. Even after army pay arrears had provoked mutinies and a collapse into near-civil war, he was wary of reform, regarding it as a threat to his patronage base.

—as the prime minister makes progress on public-sector reform—

The ESAF is the culmination of almost a year of strenuous efforts by the government of Michel Gbezera-Bria to rebuild the revenue collection system, put state finances into order and wrest control of the main parastatals from the presidency (3rd quarter 1998, page 31). Earlier this year the Fund outlined four areas for "priority actions" that the government had to fulfil if it was to become eligible for ESAF support. It wanted the 1998 budget revised to ensure compatibility with the targets that would be set under the ESAF. It also wanted the government to carry out a study of coffee taxation. The other two priorities related to the politically sensitive issue of parastatal companies, which have traditionally been central elements in the patronage system underpinning the presidency. The Fund wanted progress towards the privatisation of several parastatals, notably the fuel company, Petroca. As an interim step it wanted these enterprises brought under the control of a privatisation commission headed by a technocrat answerable to the prime minister, rather than President Patassé. By July all four conditions had largely been satisfied, and the government had already begun negotiations with potential bidders for Petroca. Names mentioned include major players such as Addax, Total, Elf and Shell.

—with an upbeat new budget

In June the finance minister, Anicet Georges Dologuélé, introduced a revised budget in anticipation of the ESAF deal. The sharp rise in projected tax income compared with the 1997 budget appears to reflect hoped-for revenue gains from the revival of formal sector business in Bangui and from the drive to increase collection of customs duties and the diamond tax.

Central African Republic: government budgets
(CFAfr bn)

	1997	1998	% change
Total fiscal receipts	29.6	48.4	63.4
Stamp duty & others	1.6	1.4	–12.4
Indirect taxes	19.9	38.1	91.6
Direct taxes	8.1	9.0	11.1
Other income	11.5	11.5	0.0
Total receipts	41.2	59.8	45.4
Capital expenditure	37.5	53.1	41.6
Interest payments	24.1	24.5	1.6
Other current expenditure	41.1	41.5	1.0
Total expenditure	102.7	119.1	16.0

Source: Ministry of Finance and the Budget.

The UN seized on the finance minister's optimism over the economy's performance to apply pressure on Mr Patassé to accept further reform. In April the UN special envoy in Bangui, Oluyemi Adeniji, had bluntly warned that the CAR had to reach an agreement with the IMF. The unstated implication was that any backsliding on the economy might lead to an early end to the Minurca mission, threatening to plunge the CAR back into violence.

The ESAF programme balances austerity with social programmes

As in a number of other ESAF programmes introduced in Africa over the past two years, the targets and policies set out by the IMF for the CAR government stress both financial austerity and social policy. Like other Franc Zone states, the CAR has committed itself to a drive to bolster revenue and curb spending, keeping the monetary situation under tight control. The medium-term goal is to stabilise inflation at about 2.5%, which should be attainable, given that the tight monetary stance taken by the regional central bank, the Banque des états de l'Afrique centrale (BEAC), kept the rate of consumer price rises down to almost zero in 1997; in 1998 the rate is forecast at 2.6%. The fiscal deficit is targeted at 6.2% of GDP this year, falling to about 4.6% in 2000; again, this should be manageable, given that last year's deficit was only 6.4%.

However, the new ESAF performance targets will not be met without difficulty. Spending restraint in 1997 effectively amounted to an undeclared policy of non-payment of public-sector salaries. Now, given the IMF programme constraints, the government will only be able to reduce arrears gradually, as the drive to boost revenue begins to produce results and as budget aid trickles in from outside donors. Aid will not be on a vast scale, and the ESAF disbursements themselves are not large, at SDR16.5m ($22m) for the first 12 months, in two instalments.

Moreover, the government may have to find room for above-average cuts in some areas, in order to meet Fund requirements for an increased share of public expenditure to go into social programmes, particularly to boost school enrolment and literacy rates and to improve the supply and quality of healthcare. A planned reduction in the number of security and military personnel will release some resources, but could prove politically risky. Donors may well help with start-up and other capital costs for social services, but the IMF will want to see the current costs of these met from government revenue in the long term. As the Fund itself pointed out in its official announcement of the ESAF: "The successful implementation of the programme ... depends on a critical improvement in fiscal performance to increase public savings, as well as timely and adequate external technical and financial assistance."

A government audit unit is established

An auditor's office has been established. This should deliver improved accountability and could prove useful in monitoring privatisation, to ensure that assets are not sold at knock-down prices to allies of the government. However, the effectiveness of the office will depend on its ability to maintain a degree of independence from politicians and interest groups, and acquire the public clout to secure sensitive information and force the authorities to act when irregularities are revealed. That is a tall order. In Uganda there is a public ombudsman who has developed a degree of power—for example, forcing the government to retreat on a controversial hotel privatisation—but he owes his effectiveness partly to the fact that he has been given the highly public backing of President Yoweri Museveni. It seems unlikely that Mr Patassé will be unstinting in his support for the CAR's new audit office. Moreover, unless it has sufficient staff and financial resources, and the power of subpoena, the audit unit's ability to dig out information will be limited; in Uganda a shortage of resources has hampered the ombudsman's work. The audit unit's most effective allies could be the press and parliamentarians. If they provide information, ask questions and discuss the unit's findings, the institution will gain in influence.

Substantial advances are to be made towards privatisation—

Privatisation owes its place in the ESAF programme to donors' desire to break, or at least weaken, the link between clientilist politics and economic management, an issue that goes well beyond the simple question of improving enterprise efficiency and financial performance. A significant part of the political elite shares this point of view, though one must wonder how many are genuinely motivated by a desire to change the system and how many are simply resentful of Mr Patassé's control of the levers of patronage. The top privatisation priorities are telecommunications, power and the state petroleum company, Petroca, though fuel stocks will be placed in the hands of a new joint-venture company, Sogal, in which the state would hold a stake of up to 25% for a transitional two- to three-year period. The IMF has set a deadline of end-1999 for completing the disposal of the power and telecommunications parastatals. Preparatory work for these privatisations has already started. The ESAF agreement also commits the government to transferring the CAR's two main commercial banks, the Union bancaire en Afrique centrale and the Banque meridien BIAO-Centrafricaine, to the private sector.

—but regulation is required

A natural accompaniment to the privatisation programme is the implementation of a more transparent regulatory system, to create an open playing field for investors. The ESAF accord envisages reform of the judicial system and the introduction of new labour and mining codes. These are likely to be more liberal, reducing the burden of red tape encountered by business. However, doubts persist as to whether a new regime will genuinely be implemented and, if so, whether it will be any more effective in ensuring a fair and less corrupt framework of commercial law. To some extent the shape of the new business law environment will depend on the evolution of ongoing efforts to promote a harmonised legal code for the region.

An inflationary blip is attributed to a cassava shortage

BEAC data indicate that annual inflation jumped from 2.33% in April to 3.35% in May. However, this does not appear to reflect a shift in long-term trends or a deteriorating monetary situation. Government statisticians attributed the surge to a rise in the price of cassava. The annual cycle of farm work and production frequently leads to a shortage of this staple food at this time of year.

The diamond exchange reopens hoping for a recovery in business

The diamond exchange in Bangui resumed operations on July 28th. It had suspended operations months earlier because business was slack after the closure of several buying stations. Much of the CAR's gem output is produced by artisanal diggers who sell to travelling buyers. This pattern of trade has been seriously disrupted by a spate of violent highway robberies. However, more buying centres have now opened. The South Africans have been particularly active in launching prospecting and purchasing operations in Bangui and in the mining region of Bria, 580 km north-east of the capital. The managing director of the diamond bourse, Olivier Malingba, hopes that they will attract additional mine operators. The bourse was set up partly in an effort to raise the average purchase price offered to miners and thus tempt them to sell more of their output through official, taxable channels rather than to smugglers. The Bretton Woods institutions will be watching to see if the new minister for mines, Désiré Pendemou, proves more effective than his disgraced and dismissed predecessors, Charles Massi and Joseph Agbo (3rd quarter 1998, page 30) in increasing the government's revenue from the mining sector. Mr Pendemou is a former Air Afrique executive and political supporter of the opposition politician, Abel Goumba, who later took up with Martin Bhe Dogo of the ruling MLPC.

The EU confirms its support for CFA franc parity

On July 6th the European Union formally agreed that France is entitled to maintain the fixed CFA franc:French franc parity when the French currency enters European economic and monetary union (EMU) on January 1st. This will create a *de facto* fixed rate against all EMU member currencies and against the euro, which will eventually replace the national member currencies altogether. With the French franc:euro rate fixed at FFr6.6:Euro1, the CFA franc parity will be CFAfr660:Euro1. The EU's announcement was not unexpected, but it does at least remove the uncertainty caused when some German and British officials cast doubt on the prospects for the survival of the CFA franc fixed rate. However, the EU agreement will not end uncertainty over the long-term sustainability of the fixed rate, especially if the euro develops into a *de facto* reserve currency and sees its value driven up, dragging the CFA franc to uncompetitive levels.

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	National Assembly, with 125 members elected by universal suffrage
National elections	June 1996 (presidential) and January-February 1997 (legislative); next elections due 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 in July 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	Salibou Garba
	Communications	Sekimbaye Bassane
	Culture, youth & sports	Massoungaral Nassingar
	Defence & reintegration	Oumar Kadjallami
	Environment & water	Mariam Mahamat Nour
	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 Hassane
	Post & telecommunications	Mahamat Ahmat Karambal
	Public works, housing, transport & towns	Ahmat Lamine
	Social action & family	Agnes Alafi
	Tourism	Pascal Yoadimadji
BEAC governor	Jean-Félix Mamalepot	

Economic structure

Latest available figures

Economic indicators	1993	1994	1995	1996	1997
GDP at market prices (CFAfr bn)	292.0	461.0	505.0	568.0	666.9
Real GDP growth (%)	–15.9	10.2	0.9	3.5	6.5
Consumer price inflation (av; %)	–1.4	40.4	9.5	11.3	5.6
Population (m)	6.3	6.4	6.6	6.8	6.9
Exports fob ($ m)	152	138	249	229	248[a]
Imports fob ($ m)	205	212	231	255	245[a]
Current-account balance ($ m)	–41.8	–35.1	–9.0	–126.3	–97.0[a]
Reserves excl gold ($ m)	39	76	150	165	123
Total external debt ($ m)	768	828	902	997	1,045[a]
External debt-service ratio, paid (%)	8.4	9.2	5.0	9.5	9.4[a]
Seed cotton production[b] ('000 tonnes)	95	95	156	170	204[a]
Exchange rate (av; CFAfr:$)	283.2	555.2	499.2	511.6	583.4

September 16th 1998 CFAfr565.65:$1

Origins of gross domestic product 1996	% of total
Agriculture	44.1
Industry	17.7
Manufacturing	16.1
Services	38.2
GDP at factor cost	100.0

Components of gross domestic product 1996	% of total
Private consumption	84.6
Government consumption	12.8
Gross domestic investment	19.3
Exports of goods & services	27.8
Imports of goods & services	–44.5
GDP at market prices	100.0

Principal exports 1995	$ m
Cotton	109
Livestock & meat	58

Principal imports cif 1991	$ m
Manufactures	262
Non-fuel primary products	85

Main destinations of exports 1996[c]	% of total
Portugal	34.7
Germany	11.3
Costa Rica	6.5
France	5.6

Main origins of imports 1996[c]	% of total
France	34.7
Cameroon	24.1
Belgium-Luxembourg	7.4
Nigeria	6.5

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

Outlook for 1999-2000

The oil debate will continue—

As the prospect of oil wealth becomes ever closer, the political debate both in Chad and internationally will centre on two issues: the environmental and social aspects of the oil project, including the planned pipeline to Cameroon; and the way in which the oil wealth is to be spent, and more particularly, who is to control it.

—but the final decision is still likely to be positive—

The strenuous efforts of environmental campaigners appear to be having some impact in further delaying the crucial World Bank governors' consideration of the project. However, there is still a general expectation both in official circles in Chad and in the oil companies' consortium that the project will continue. Too much has already been invested by both parties for the project to be easily abandoned, and for the government of President Idriss Déby it would be politically almost impossible. Hence, as a precautionary measure officials have already raised the possibility of alternative financing from Libya, and the unlikely possibility of another route for the pipeline through Congo (Brazzaville) should environmental preoccupations in Cameroon or international concern over human rights in Chad prove insuperable. It is expected that the World Bank will now consider the project before the end of the year.

—as long as a revenue-management plan can be agreed

The question of political control over the oil sector and its revenue is still at the heart of the issue. Both the Chadian opposition and "green" campaigners have tended to dramatise the potential for abuse. Officials, however, have disclosed that guarantees have now been extracted—apparently with some difficulty—from President Déby on external supervision of the banking of the oil revenue and that these will be satisfactory to the World Bank governors. It is less clear whether Mr Déby has genuinely been convinced of the merits of a transparent revenue-management plan, or whether he is acting under duress to secure external funding for the project.

President Déby's position is secure—

The opposition (though subdued recently) and their international allies can be expected to use the oil debate to try to gain ground on President Déby, who continues to dominate the political scene. However, his hold on the levers of power is such that it is unlikely that they will make much headway through the usual constitutional channels. While there is the potential for further factional violence in the south, there are few indications at present of a problem that might seriously threaten the stability of the regime.

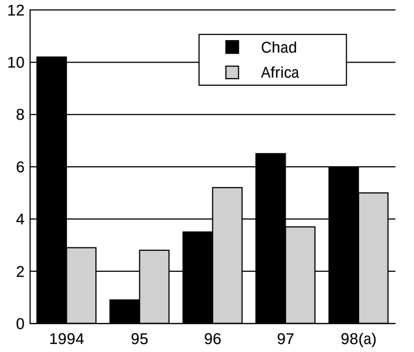
—but relations with France remain problematic

The next few months are also likely to be difficult for the politically sensitive relationship between Chad and the former colonial power, France. Diplomatic ties have deteriorated to the point where President Déby was summoned to a meeting in Paris in July where he was subjected to vigorous criticism over his country's human rights record and also—more quietly but probably more importantly—over the handling of issues concerning French interests, notably Ndjamena's new role as the pivot of France's African defence network, and the Doba oil project in which the French-based oil major Elf has a 20% stake. An easing of bilateral tension is likely to depend on whether there is renewed military repression in the south or whether there is, as the Chadian authorities predict, a period of relaxation following the reported death in April of the southern dissident leader, Laokein Barde. Such a relaxation may also be a central element in the decision of the World Bank over funding of the oil pipeline project—now expected in November or December—since most of its other conditions (environmental and social) appear likely to be met.

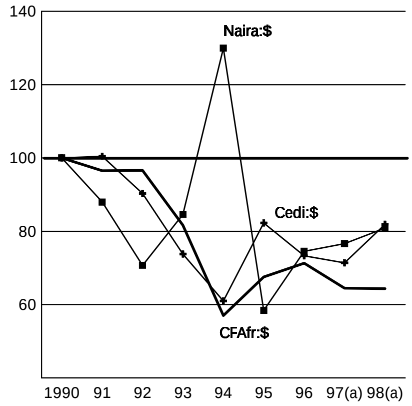
Inflation is set to fall while growth should accelerate

Despite delays in moving forward with oil sector development, and gloom over the short- and medium-term prospects for international oil prices, officials remain confident that Chad is on track to meet the performance targets set when the third tranche of the 1996 enhanced structural adjustment facility (ESAF), worth SDR16.52 ($22m), was approved in April. Inflation is expected to ease to 3.3% this year and to continue to fall thereafter, while real GDP growth is likely to reach 6%. Chad is, however, expected to run a substantial current-account deficit in 1999 and 2000, at nearly 20% of GDP, driven in part by the import of oil sector inputs. This large financing requirement will in the short term leave the government dependent on concessional loans, which some donors are likely to link to political liberalisation and security policies with which Mr Déby may not feel entirely comfortable.

Chad: gross domestic product
% change, year on year



Chad: real exchange rates (b)
1990=100



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

Review

The political scene

Southern issues continue to dominate politics—

The question of reconciliation in the turbulent far south has continued to dominate the political scene. This is the area in which the Doba oil basin is located, and peace and a stable security environment are prerequisites for rapid oil sector development. Two issues have topped the agenda: the fate of the dissident southern faction leader, Laokein “Frisson” Barde, who has not been seen since April, and the incarceration in June of the troublesome southern parliamentarian, Yorongar Ngarlejy.

—amid speculation over the fate of "Frisson" Barde—

Since his absence from the new reconciliation accord signed at Donia on May 6th (3rd quarter 1998, page 38), there has been increasing speculation as to the fate of Laokein Barde, the co-ordinator of the rebel Front des alliances pour une république fédérale-Victimes d'agression (FARF-VA). Rumours of his death were strongly denied by the presidency, but assertions that he had been seen in Moundou were said to have been the result of confusion at the presence there of a FARF-VA emissary, Laokein Medard. Frisson's younger brother, Nguinambaye Barde, the FARF-VA's chief-of-staff, said at a news conference that his brother was "well and truly alive" and had chosen to go into exile. He had allegedly visited his family home to announce that he was abandoning the struggle, apparently traumatised by the fact that armed groups under his control had been involved in killing not only northern civilians in the south, mainly traders and herders, but also some southerners. One report from rebel sources said that Barde had been accompanied "under protection" to the CAR border.

—as the local media report his death

Concern grew at the continued silence from Barde himself. People close to him said that, even if he had vowed to lay down his arms, once out of the country he would make contact with some of the politico-military groups, which although quiescent, maintain a shadowy existence in CAR, Nigeria, Niger, Sudan, Gabon, Benin, Burkina Faso, Algeria and even France. Then, on August 27th, the independent Chad weekly *Ndjamena-Hebdo* carried a report that Barde had died following an ambush of a FARF-VA commando by government forces on April 8th in the region of Doba in Logone Orientale (the area where oil will start to flow in 2001). At that time several thousand government troops had been sent to the region to destroy FARF-VA, which had returned to armed conflict after the surprise blitz on their forces in Moundou on October 30th 1997. The newspaper said that the secret of his death had been one of the best kept in a country where "everything is known". The FARF elements who were now being reintegrated into the army and civil service following the May 6th Donia accord had sworn "not to reveal the facts".

Despite the lull the military presence in the south remains

The apparent end of the FARF-VA rebellion has brought a period of relative tranquillity to the far south. However, the armed forces maintain a strong presence in the region, although there are some areas which it is reportedly still difficult for them to enter. Furthermore, the negative effect of the military clampdown of the previous six months, in which hundreds of people were killed, injured and displaced, is very apparent. According to a report in the French newspaper *Le Monde* from Donia in May, local notables were aggrieved at the massacre of defenceless villagers by government troops and were highly critical of France for continuing to support the Chad army.

Mr Yorongar is first detained—

The government's treatment of a radical opposition deputy to the National Assembly, Yorongar Ngarlejy, has also stirred controversy in the south. He is the sole member of the Fédération action pour la république (FAR) in the assembly, having represented the oil-rich Logone Orientale region since the legislative election in 1997. On May 26th his parliamentary immunity was lifted to permit the president of the National Assembly, Wadal Abdelkader Kamougue, to hear a libel action against him. In an interview with a Ndjamena journal, *L'Observateur*, in July 1997, Mr Yorongar made allegations relating to substantial bribes involving public officials and a major Western company. The deputy has, in a series of highly personal and critical attacks on the president, Idriss Déby, charged that oil revenue will be mismanaged by the administration. When the case was heard on June 2nd, Mr Yorongar claimed that the lifting of his immunity had been unconstitutional, and the matter was referred to the Court of Appeal. Shortly after the hearing he was detained.

—and then convicted and sentenced, along with two journalists—

In an indication of the flaws in Chad's judicial process, and amid much speculation about political interference, on July 21st Mr Yorongar's case was returned to court; in his absence he was convicted and sentenced to three years in jail and a fine of CFAfr500,000 ($825). Also sentenced were two journalists—Singa Gali Koumba, the proprietor of *L'Observateur*, and Polycarpe Togomissi—who each received two-year suspended sentences and fines of CFAfr1m ($1,650), for having reported Mr Yorongar's claims. Mr Kamougue's lawyers protested that Mr Yorongar had not appeared in court. The deputy's lawyers said that they had refused to appear as the proper documents had not been submitted.

—prompting criticism at home and abroad

The sentences have been criticised both within Chad and internationally. A former foreign minister, Acheikh Ibn Oumar, called them "grotesque and an insult to human intelligence". The European Parliament had demanded Mr Yorongar's release in June, calling on the Chadian authorities to "respect the democratic debate on the situation of the country and on the oil project". Human rights organisations criticised both the legal proceedings and the fact that the verdict deprived Mr Yorongar of his parliamentary seat. The London-based human rights organisation Amnesty International described him as a "political prisoner". If the conviction is confirmed by the Court of Appeal, Mr Yorongar will not be permitted to stand in the next parliamentary election in 2000. The Paris-based Reporteurs sans frontières protested to President Déby, saying that *L'Observateur* had simply reported Mr Yorongar's statements and had acted in accordance with Chad's press laws.

Mr Déby is "invited" to visit President Chirac—

The Yorongar affair was one of the subjects on the agenda during an unexpected trip to France by President Déby at the end of July. This was described as a private visit of eight days and diplomatic sources said it was intended to improve relations between the two countries, which are going through a turbulent phase. Three major non-governmental organisations (NGOs)—Agir Ici, Survie, and Friends of the Earth—sent a message to the French president, Jacques Chirac, asking him to raise both the issue of state-sponsored repression and the case of Mr Yorongar. *Ndjamena-Hebdo* claimed that it was a "visit summons" from the French government, but that President Déby had insisted he would only meet President Chirac. It also reported that the president of Gabon, Omar Bongo, had urged the Chad president to sort out his differences with France.

—following his flirtation with Libya

Relations with France have deteriorated not only because of Mr Déby's objections to France's criticism of his human rights record (especially, but not exclusively, in connection with the situation in the south and the treatment of Mr Yorongar), but also because of the development of relations with Libya. The "prayer visit" of Colonel Gaddafi to Ndjamena on May 1st had been followed by what *Ndjamena-Hebdo* called a “suspiciously large” increase in the number of Libyans in the country. France, and other Western countries, are also concerned at the oil accords Chad is reported to have agreed with Libya, because of the impact this might have on the Doba oil project (see below). President Déby paid an urgent and unexplained visit to Libya at the end of August, and on September 1st was one of the heads of state attending the 29th anniversary of Colonel Gaddafi’s coming to power. Western observers note that for some months Chad has consistently been breaking the UN air embargo against Libya.

A delayed response to an arms request—

President Déby was also said to be displeased at the way in which France had stalled on his urgent request for FFr30m ($4.9m) of military equipment, notably armoured cars, helicopters and Milan anti-tank missiles, to be drawn from France’s surplus military stocks. According to *Le Monde*, there is already an alternative supplier from “an Arab country”.

—provokes retaliatory measures—

More worrying for the French was President Déby’s decision at the end of June to request the departure of about 30 agents from the Direction générale de la securité éxterieure (DGSE, the French external secret service). The team had been attached to the Chad presidency since shortly after Mr Déby came to power with French assistance in December 1990. This had been particularly important in the early years of his rule, when a senior DGSE official, Paul Fontbonne, was attached to the presidency, having (according to some reports) accompanied Chad’s leader in his official invasion from Darfur. Although the departure was not carried out brutally—the agents were all decorated in a ceremony at the presidency—it was immediate, and has caused concern in French military circles because of the role Chad now plays in France’s reduced military strategy in Africa.

—as Chad’s strategic importance to France grows

Since the total withdrawal from neighbouring CAR was completed in April, Ndjamena airport has replaced Bouar as the pivotal air base and staging post between Dakar in West Africa and Djibouti in the east. This explains the concern raised by Mr Déby’s request that France close two small garrisons, one at Bardai in the north and the other at Loumia in the south. While these facilities are less strategically important, their closure represents a worrying trend, particularly as France has only just completed a substantial project to upgrade its base at Faya Largeau, where the airport runway has been extended. French security operations in Chad have also been useful for watching Libyan movements in the area.

A top general tries to mend fences—

Following Mr Déby’s visit to Paris, General Jean-Pierre Kelche, France’s army chief-of-staff, went to Ndjamena at the beginning of September, officially to prepare for a visit by the co-operation minister, Charles Josselin. According to *Le Monde*, discussions centred on requests by Chad’s defence minister and the army chief-of-staff for increased support in reforming and training the army.

—and makes new commitments

France has already given substantial assistance to the restructuring of the army, which is composed largely of the mainly Zaghawa forces that came in with President Déby from Sudan in 1990. This has had only partial success, although the size of the military has reportedly been reduced from 50,000 to 25,000.

Attempts to "reintegrate" nomads into society have proved ineffective, with many remaining as armed irregulars, while the fusion with the rump of the old national army and reintegrated elements from other dissident groups has proved difficult. It is surprising that France should even consider continuing the exercise at a time of military retrenchment, and this has fuelled speculation that it must reflect the increased importance of Chad in France's reduced African strategy. At the end of his visit General Kelche said that France would provide logistical support to the Chad army, including transport, fuel and medicine. It would also contribute to the reconditioning of equipment, embark on a training "co-operation partnership", notably by sending trainees to the infantry school in Montpellier, and would hold a series of joint exercises. While this unusually accommodating approach indicates how seriously the French military takes Chad, it is unclear whether the wider political context will yet allow the kind of rapprochement with Paris that President Déby is seeking.

Relations with Niger and Nigeria improve

Chad has also been taking steps to improve relations with its two western neighbours, Niger and Nigeria, which in the past have been accused of harbouring and supporting politico-military groups, mainly factions of the Mouvement pour la démocratie et le développement (MDD). Since General Ibrahim Baré Maïnassara came to power in Niger in 1996, MDD activities there have been controlled, and while relations with General Sani Abacha in Nigeria were sometimes problematic, those with the new regime of General Abdulsalam Abubakar have so far been cordial. The three heads of state met in Abuja, the Nigerian capital, on August 12th to discuss issues of regional security; concern was expressed at the threat to peace and security caused by the activities of "rebels, bandits and other undesirables in the Lake Chad area". Shortly afterwards the defence and foreign ministers of the three countries set up a joint planning committee to work out a framework for combined military operations. This was followed on August 24th by a meeting of experts in Maiduguri aimed specifically at "curbing the activities of rebel groups".

President Déby orders a minor reshuffle

In a government reshuffle in July President Déby replaced his interior minister, Abderrahman Sallah, with Oumarou Djibrillah, and his planning minister, Ahmat Hamid, with Ahmat Ali Hassane; both are new members of the government. The former junior minister for foreign affairs, Sekimbaye Bassane, became minister for communications and government spokesman, replacing Haroun Kabadi, who also left the government. The most senior portfolios, including prime minister, defence, finance and petroleum, were not changed, indicating that there will be no significant departure in government policy. The appointment of a new interior minister may help assuage anger in the south at the military clampdown earlier this year, though it is equally likely that the decision, for which there was no official explanation, was linked to internal party manoeuvrings following the otherwise uneventful congress of the ruling Mouvement patriotique du salut (MPS) in June.

The economy

The all-important World Bank decision is delayed again—

The long-awaited consideration of Chad's oil pipeline project by the World Bank board of governors, to approve the Bank's relatively small financial participation, will not take place as scheduled in October. A decision is, however, expected before the end of the year. According to officials from the consortium developing the project (headed by Exxon, and supported by Shell and Elf), this is because of the determination on the part of all those involved in its financing to ensure that it is above reproach on both environmental and social grounds. The World Bank has indicated that a little more time is needed for the collection of relevant information, and for internal debate, as well as for the oil companies to make adjustments to the route of the pipeline. However, Chad's oil minister, Abdoulaye Lamana, said in August that he was confident the project would go ahead. He was speaking at a roundtable conference in Atlanta in the US, where agreement was reached on finance. All that remained to be resolved were a few environmental issues, he said.

—amid reports of division and discord—

According to a report in a London-based newspaper, *The Guardian*, in August, the World Bank's own environmental report has expressed concern at the possible threat to the pigmy population in Cameroon and to traditional pastoral people in both countries, complaining that the pipeline plan "neglects the Bank's policy on natural habitats" as laid out in its newly adopted green code. The newspaper report suggested that the issue is causing "internal strife" at the Bank "between traditional economists ... and new staff", although officials insist that debate on an issue such as this is inevitable, and that the Bank is simply trying to adopt the correct position.

—as environmentalists step up their campaigning

The Bank also recognises that it has a formidable opponent in the form of Korinna Horta of the Environmental Defence Fund in Washington, who has campaigned hard against the pipeline. In July she wrote to the World Bank president, James Wolfensohn, on behalf of the 28 organisations she claims to represent, calling on the Bank to suspend participation in the project until "respect for human rights and compliance with World Bank environmental and other policies can be fully guaranteed". She feared that, in present conditions, implementation of the project would lead to "escalating civil violence". Most of the environmental criticism relates to Cameroon, but she claimed that there was no oil-spill response plan or liability fund on the Chadian side.

There are new indications of local support for the development—

Nervousness in Washington may be behind rumours from Cameroon, reported by the Reuters news agency, quoting Bank sources as saying that the pipeline project may face further delays because of continuing rebel activity in Chad. The story has not been confirmed by other sources in Chad. Indeed a full-page report in the French daily *Le Monde* at the end of August, written from southern Chad by a journalist who had visited a number of villages in the oil-bearing area, stated: "The eventual disaster feared by Western ecological organisations is not for the moment the premier preoccupation of the peasants of Bero, a village on the territory where a part of the 300 wells will be sunk." Even a critic like the radical opposition deputy Yorongar Ngarlejy has never said that he is against exploiting the oil in principle, which confirms an almost universal view that the oil should be developed: it is what happens afterwards that might be in dispute.

—and progress on revenue management

As one of the conditions for approval, the World Bank wants the government to accept a mutually agreed revenue-management plan in which Chad places its oil revenue in a special account at the regional central bank, the Banque des états de l'Afrique centrale (BEAC), which will be controlled by World Bank representatives. Officials have indicated that, after stiff resistance, a still unconvinced President Déby has accepted the proposal. However, with oil companies initially paying only 12.5% royalties, revenue to the authorities from oil will be limited in the short term, particularly if global prices remain depressed.

Chad's pipeline company is finally established

On July 10th the Chad government finally announced that arrangements had been completed for the establishment in conjunction with its partners in the consortium, of the company that will oversee the construction, operation and maintenance of the pipeline within Chad that will transport crude oil from the Doba oilfields to the coast at Kribi in Cameroon. The company, the Tchad Oil Transportation Company (Totco), is owned 15% by Chad government, 34% by Esso, 34% by Shell and 17% by Elf. A similar, but separate, company called Cotco has already been set up in Cameroon to manage the much longer Cameroon segment of the pipeline.

Joint oil companies with Libya are set up

Reports from Tripoli in early August indicated that three joint companies in the oil sector have been set up, in agreements signed by Chad's foreign minister, Mahamat Saleh Annadif, and the secretary of Libya's foreign liaison and international co-operation committee, Omar Mustafa el-Montasser. The companies will cover oil exploration and production; fuel distribution; and oil services. Led by the president's brother, Daouda Déby, the ambassador to Tripoli, discussions have reportedly touched on the construction of a highway from Ndjamena to Tripoli, and even an alternative pipeline from Chad to Tripoli.

Record cotton production is announced for 1997/98

According to the Chadian independent journal, *Ndjamena-Hebdo*, the cotton harvest has beaten all records, reaching an estimated 261,000 tonnes in 1997/98, almost three times the 1993/94 figure. Ibrahim Malloum, director-general of the partly state-owned Cotontchad, said that new crop would stretch the sector's processing capacity to the limit. The increase in output would offset the decline in the world price of cotton, keeping up export earnings. If sustained, this growth will lessen the adverse impact of any conflict over the privatisation of Cotontchad. While the Bretton Woods institutions are insisting on the early disposal of the company, such moves are vigorously resisted by the French-owned Compagnie française des textiles, which part-owns Cotontchad and still has a monopoly on cotton exports from francophone Africa.

Chad: cotton production

	1993/94	1994/95	1995/96	1996/97	1997/98
'000 tonnes	95	157	170	204	261[a]

[a] Estimate.

Source: Ministry of Agriculture.

Chad reaches a deal with Cameroon on additional fuel supplies

The oil minister, Abdoulaye Lamana, visited Yaoundé in August for urgent talks with the Cameroonian authorities on fuel supplies. Since the beginning of disruption to supplies from shortage-hit Nigeria last year, Chad has received 70% of its imported fuel from the Limbé refinery in Cameroon. However, in recent months the trade has been disrupted by a Cameroonian crackdown on smuggling in the north. The minister succeeded in reaching a deal according to which Cameroon is to raise its supplies from 10,000 tonnes a month to 12,500 tonnes a month. While in Yaoundé he also discussed progress on the oil pipeline and a new CFAfr33bn ($56m) project for a 235-km high-tension power cable from Garoua to Kousseri, just across the Chari river from Ndjamena, which would take electricity supplies from Cameroon to Chad.

Quarterly indicators and trade data

Cameroon: quarterly indicators of economic activity

		1996				1997				1998	
		1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
Mining production	Prodn/day										
Crude petroleum	'000 barrels	90	90	90	100	100	100	100	100	100	100
Prices	Monthly av										
Consumer prices:	1990=100	155.5	154.9	156.4	157.1	159.2	162.8	157.1	154.5	153.9	n/a
change year on year	%	5.1	5.3	5.4	2.9	2.4	5.1	0.4	–1.7	–3.3	n/a
Money	End-Qtr										
M1, seasonally adj:	CFAfr bn	327.4	307.8	321.0	311.0	333.8	358.3	393.6	419.7	391.8	394.3[a]
change year on year	%	–3.1	–5.6	9.3	–1.8	2.0	16.4	22.6	34.9	17.4	n/a
Foreign trade[b]	Qtrly totals										
Exports fob	$ m	533	586	595	549	596	615	652	565	n/a	n/a
Imports cif	"	269	291	345	318	293	324	313	383	n/a	n/a
Foreign exchange	End-Qtr										
Central bank	$ m	1.9	1.2	0.9	2.1	1.0	0.8	0.7	0.3	0.9	0.6[c]
Exchange rate											
Market rate	CFAfr:$	503.2	515.3	517.2	523.7	564.4	587.8	593.3	598.8	618.5	611.7[c]

Note. Annual figures for most of the series shown above will be found in the Country Profile.
[a] End-May. [b] *DOTS* estimate; figures are subject to revision. [c] End-July, 596.3.

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

Central African Republic: quarterly indicators of economic activity

		1996				1997				1998	
		1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
Prices	Monthly av										
Consumer prices[a]:	1990=100	142.1	142.6	147.4	145.0	143.8	148.0	146.1	145.6	142.2[b]	n/a
change year on year	%	1.7	2.8	6.9	3.6	1.2	3.8	–0.9	0.4	n/a	n/a
Money	End-Qtr										
M1, seasonally adj:	CFAfr bn	101.69	112.33	116.66	118.30	116.69	110.08	107.77	108.49	108.54	108.38[c]
change year on year	%	–14.3	–2.3	1.3	4.3	14.8	–2.0	–7.6	–8.3	–7.0	n/a
Foreign trade[d]	Qtrly totals										
Exports fob	$ m	52.4	68.1	70.6	58.2	69.1	67.3	63.3	69.1	n/a	n/a
Imports cif	"	49.7	42.6	41.0	40.3	37.1	41.0	41.5	48.2	n/a	n/a
Foreign exchange	End-Qtr										
Central bank	$ m	210.32	230.76	237.25	232.09	211.40	196.70	184.53	178.43	170.43	174.46[c]
Exchange rate											
Market rate	CFAfr:$	503.2	515.3	517.2	523.7	564.4	587.8	593.3	598.8	618.5	611.7[e]

Note. Annual figures for most of the series shown above will be found in the Country Profile.
[a] "African" households, Bangui. [b] Average for January-February. [c] End-May. [d] *DOTS* estimate, figures are subject to revision. [e] End-July, 596.3.

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

Chad: quarterly indicators of economic activity

		1996				1997				1998	
		1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
Prices	Monthly av										
Consumer prices:	1990=100	148.2	161.2	169.8	166.7	163.5	172.8	176.7	169.5	n/a	n/a
change year on year	%	6.6	15.4	15.6	11.9	10.3	7.2	4.1	1.7	n/a	n/a
Money	End-Qtr										
M1, seasonally adj:	CFAfr bn	102.31	107.36	105.40	113.31	110.59	102.66	97.40	107.40	100.48	101.60[a]
change year on year	%	99.7	100.5	43.8	32.1	8.1	–4.4	–7.6	–5.2	–9.1	n/a
Foreign trade[b]	Qtrly totals										
Exports fob	$ m	49.1	41.1	20.0	15.0	19.7	30.2	23.0	19.4	n/a	n/a
Imports cif	“	65.0	44.8	58.5	48.6	44.8	42.7	44.5	51.7	n/a	n/a
Exchange holdings	End-Qtr										
Foreign exchange	$ m	189.10	180.72	175.96	163.84	121.42	103.76	119.85	135.44	116.48	129.10[a]
Exchange rate											
Market rate	CFAfr:$	503.2	515.3	517.2	523.7	564.4	587.8	593.3	598.8	618.5	611.7[c]

Note. Annual figures for most of the series shown above will be found in the Country Profile.
[a] End-May. [b] *DOTS* estimate; figures are subject to revision. [c] End-July, 596.3.

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	n/a	Cameroon	37	44	52	59
Germany	13	25	14	19	France	56	64	75	57
Costa Rica	5	6	8	n/a	Nigeria	11	13	14	16
Belgium-Luxembourg	2	7	3	6	India	1	2	4	8
Spain	2	5	6	6	Belgium-Luxembourg	5	21	12	8
France	8	10	7	5	Portugal	n/a	n/a	12	n/a
US	2	3	7	3	UK	3	3	6	3
Total incl others	82	124	125	92	Total incl others	139	197	217	184

[a] *DOTS* estimate.

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

Cameroon: foreign trade

	$ m			
	Jan-Dec	Jan-Mar	Jan-Dec	Jan-Dec
Imports cif[ab]	1987	1988	1989	1991
Food	202.68	54.80	179.57	314.29
Beverages & tobacco	47.42	9.08	21.03	27.45
Crude materials	42.65	12.20	47.88	162.63
Chemicals	258.91	47.16	193.89	339.62
Paper etc & manufactures	43.96	7.75	36.27	81.50
Textile yarn, cloth & manufactures	94.16	19.87	41.03	80.42
Non-metallic mineral manufactures	70.59	11.37	49.04	69.67
Iron & steel	36.57	8.91	41.87	105.97
Metal manufactures	89.87	17.78	78.42	163.97
Machinery incl electric	362.62	70.99	233.42	469.03
Transport equipment	263.90	45.94	158.52	156.81
Total incl others	1,749.02	352.36	1,273.33	2,306.23

	CFAfr bn			
	Jul-Jun	Jul-Jun	Jul-Jun	Jul-Jun
Exports fob	1991/92	1992/93	1993/94	1994/95
Coffee	31.5	13.1	38.0	60.5
Cocoa & products	34.1	25.9	55.8	61.5
Wood	37.5	49.9	104.7	153.5
Cotton, raw	19.8	20.2	27.0	37.9
Petroleum, crude	262.1	195.6	253.4	293.2
Total incl others	543.0	444.0	825.2	1,018.2

	$ m					$ m			
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec		Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Exports fob[c]	1994	1995	1996	1997	Imports cif[c]	1994	1995	1996	1997
Italy	286	330	393	488	France	338	476	443	474
Spain	285	277	367	368	US	59	50	78	134
France	383	466	352	306	Belgium-Luxembourg	50	82	82	95
Netherlands	119	163	148	164	Germany	54	65	90	87
Germany	106	102	123	119	Italy	37	57	63	65
Nigeria	75	89	102	115	Netherlands	26	37	48	62
China	8	25	32	89	UK	38	44	59	55
US	55	48	64	58	Japan	38	48	35	25
Total incl others	1,823	2,117	2,261	2,428	Total incl others	851	1,140	1,182	1,312

[a] Source: UN. [b] Figures for 1990 are not available. [c] *DOTS* estimates.

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

Central African Republic: foreign trade

	$ '000	
	Jan-Dec	Jan-Dec
Imports cif	1980	1989
Meat & products	758	1,156
Dairy products	2,005	2,788
Fish & products	718	1,423
Cereals & products	5,400	8,192
Fruit, vegetables & products	820	1,105
Sugar & products	901	6,232
Beverages	4,396	1,991
Tobacco & manufactures	739	3,715
Petroleum & products	1,184	10,390
Chemicals	9,490	22,239
Rubber manufactures	1,525	2,412
Paper & manufactures	1,813	3,325
Textile fibres & manufactures, incl clothing	4,589	7,118
Miscellaneous non-metallic minerals manufactures	3,418	6,780
Iron & steel	1,187	1,852
Metal manufactures	4,764	5,939
Machinery incl electric	14,090	28,491
Transport equipment	13,153	24,385
of which:		
road vehicles	13,120	23,638
Total incl others	80,461	159,124

	CFAfr bn	
	Jan-Dec	Jan-Dec
Exports fob	1989	1990
Coffee	8.5	2.7
Wood & cork & manufactures	6.3	9.2
Cotton, raw	3.9	4.5
Diamonds	22.6	19.7
Total incl others	47.2	41.2

	$ m					$ m			
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec		Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Exports fob	1994	1995	1996[a]	1997[a]	Imports cif	1994	1995	1996[a]	1997[a]
Belgium-Luxembourg	65	75	102	98	France	55	70	54	51
Côte d'Ivoire	n/a	n/a	13	14	Côte d'Ivoire	n/a	1	28	30
Spain	1	n/a	7	12	Cameroon	8	12	15	18
France	10	30	5	8	Germany	3	7	4	6
Italy	n/a	n/a	6	4	Belgium-Luxembourg	2	6	5	6
Total incl others	143	187	249	269	Total incl others	132	189	174	168

[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 1994	Jan-Dec 1995	Jan-Dec 1996	Jan-Dec 1994	Jan-Dec 1995	Jan-Dec 1996	Jan-Dec 1994	Jan-Dec 1995	Jan-Dec 1996
French exports fob									
Cereals & preparations	22,725	33,646	38,416	5,797	7,544	8,607	5,072	5,188	8,247
Sugar & preparations	7,336	4,255	7,841	15	32	1	621	1,575	4,199
Beverages	3,748	5,841	6,204	554	590	817	239	392	306
Chemicals	66,889	85,137	82,298	12,189	10,859	8,393	9,720	6,222	10,863
Rubber manufactures	5,075	5,242	5,798	685	741	564	818	1,171	1,179
Paper, etc & manufactures	7,852	13,424	13,312	1,322	1,263	1,045	1,363	1,626	1,576
Textile fibres & manufactures, incl clothing	8,845	11,585	11,476	981	1,358	1,240	486	692	627
Non-metallic minerals mnfrs	6,983	9,122	9,003	163	407	246	466	471	471
Iron & steel	2,025	5,060	6,930	308	224	224	932	601	931
Non-ferrous metals	2,690	7,160	4,881	138	544	58	110	153	142
Metal manufactures	15,002	20,189	16,033	1,976	2,134	1,544	1,984	2,241	2,702
Machinery incl electric	80,406	123,718	103,352	14,928	17,000	13,212	14,919	22,378	23,856
Road vehicles	26,883	30,462	30,336	6,561	7,805	5,846	8,806	6,966	5,604
Other transport equipment	8,820	7,247	4,496	717	119	143	163	309	271
Scientific instruments etc	5,484	8,273	10,341	1,232	1,203	920	1,840	1,557	1,417
Total incl others	305,143	431,713	407,331	52,546	59,649	49,332	51,829	57,521	68,590
French imports cif									
Fruit & vegetables	106,490	114,071	99,413	10	0	0	0	52	23
Coffee, cocoa, tea & spices	45,694	62,029	74,511	5,241	13,824	3,811	0	0	0
Tobacco, unmanufactured	0	0	73	608	138	70	0	0	0
Rubber, crude	16,097	16,944	15,806	21	41	0	0	0	0
Wood & cork & manufactures	107,144	103,162	81,832	312	276	460	0	1	0
Textile fibres & waste	1,164	0	80	109	616	203	196	1,200	54
Petroleum & products	73,930	113,231	21,413	0	0	0	0	0	0
Textile yarn & manufactures	4,933	4,527	3,001	0	0	0	0	0	0
Non-ferrous metals	68,309	105,418	102,569	0	0	0	0	0	0
Total incl others	431,252	526,164	405,508	8,457	15,276	5,007	9,236	10,462	7,240

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

