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MEMORANDUM AND RECOMMENDATION

OF THE

PRESIDENT OF THE

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED LOAN OF US$150 MILLION EQUIVALENT

TO

THE REPUBLIC OF CAMEROON

FOR A

STRUCTURAL ADJUSTMENT PROGRAM

MAY 16, 1989

CURRENCY EQUIVALENTS

The CFA Franc (CFAF) is tied to the French franc (FF) in the ratio of FF 1 to CFAF 50. The French franc is currently floating. The rate of CFAF 305 to the US dollar is used for the economic projections beginning 1989/90.

Currency unit	=	CFA Franc (CFAF)
US$ 1.00	=	CFAF 305
CFAF 1.0 billion	=	US$ 3.3 million

SYSTEM OF WEIGHTS AND MEASURES

Metric System

GLOSSARY OF ACRONYMS

BCD	Banque Camerounaise de Développement
BEAC	Banque des Etats d'Afrique Centrale
BIAOC	Banque Internationale pour l'Afrique Occidentale - Cameroun
BICIC	Banque Internationale pour le Commerce et l'Industrie - Cameroun
BPPBC	Banque de Paris et des Pays-Bas - Cameroun
CAMAIR	Cameroon Airlines
CDC	Cameroon Development Corporation
CRTZ	Cameroon Television
FONADER	Fonds National de Développement Rural
HEVECAM	Hévéa Cameroun
ONCPB (NPMB)	Office National de Commercialisation des Produits de Base (National Produce Marketing Board)
QRs	Quantitative Restrictions
REFIFERCAM	Régime de Fer Camerounais
SCB	Société Camerounaise des Banques
SGBC	Société Générale des Banques au Cameroun
SNEC	Société Nationale des Eaux du Cameroun
SNI	Société Nationale d'Investissements
SOCAPALM	Société Palm
SODECAO	Société de Développement de Cacao
SODECOTON	Société de Développement de Coton
SONEL	Société Nationale d'Electricité
UDEAC	Union Douanière des Etats de l'Afrique Centrale

FISCAL YEAR

July 1 to June 30

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Republic of Cameroon

Structural Adjustment Loan

Loan Summary

Borrower: Republic of Cameroon

Amount: US$150 million equivalent

Terms: 17 years, including five years of grace, at the Bank's standard variable interest rate

Program Description: The Loan would support the first phase of the Government's adjustment program for addressing key macro-economic and sectoral issues facing Cameroon over the medium-term. The objective of the program is to redress the recent substantial decline in GDP and to achieve a positive rate of per capita growth by 1995. The basic elements of the program are: (a) restructuring of public finances over the medium-term, through improved programming and budgeting of government resources, better control over government salaries, improvement in the productivity and management of the civil service, and an increase in non-oil tax revenues; (b) restructuring and rehabilitation of the public enterprise and banking sectors; (c) in agriculture, financial stabilization of the marketing structures for the principal export crop (coffee, cocoa, cotton), progressive liberalization of trade in these crops, and creation of incentives to increase food security and promote non-traditional agricultural exports; (d) deregulation of internal commerce with a view towards lowering the domestic cost structure, and rationalization of external trade regulations and effective rates of protection; (e) improvement of incentives for petroleum exploration and production; (f) reorientation of policies in the forestry, health and education sectors; and (g) establishment of specific action programs to reduce the social cost of adjustment. The program is described in detail in the Government's Declaration of Development Strategy (Annex V) and the action program is detailed in the Policy Matrix (Annex VI). The foreign exchange provided under the Loan would be used to finance essential imports.

Benefits: The proposed operation would help reestablish basic financial equilibria in the banking, public enterprise and agriculture sectors and shift incentives towards production of tradeable goods, thereby providing a sound basis for diversified economic growth. The operation will lead to a more efficient use of public resources, stimulate the non-oil productive sectors, and achieve a more appropriate balance between the public and private sectors. The particular benefits from public enterprise adjustment measures are the lessening of the financial burden on the Government, the increased transparency of the financial relations between the State and public enterprises, and the rationalization of resource allocation to these enterprises.

<u>Risks</u>: The main risks associated with the proposed operation are that, as a result of social pressure and untested Government implementation capacity, the reform program would be implemented more slowly than expected, or that the measures would not be strong enough to elicit the envisaged increase in private investment and non-oil exports or to increase domestic resource mobilization sufficiently to reduce the budget deficit and conform import demand to projected levels.

<u>Estimated Disbursements</u>: The Loan would be disbursed in three equal tranches of US$50 million. The first tranche would be available upon effectiveness, and the second and third tranches, not earlier than March 31, 1990 and December 31, 1990, respectively, upon satisfactory progress in implementation of the program. Special conditions for loan effectiveness and for release of the second and third tranches are presented in Annex III.

<u>Retroactive Financing</u>: Out of the proceeds of the loan, US$15 million (or 10% of the total loan) will be disbursed against the country's actual imports, excluding items covered by the negative list, since March 31, 1989, i.e. less than four months prior to the expected date of loan signing. This retroactive financing is justified by the up-front action already taken by the Government on many important elements of the structural adjustment program.

CAMEROON - STRUCTURAL ADJUSTMENT PROGRAM

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT TO THE EXECUTIVE DIRECTORS ON A PROPOSED LOAN OF US$ 150 MILLION EQUIVALENT TO THE REPUBLIC OF CAMEROON FOR A STRUCTURAL ADJUSTMENT PROGRAM

1. I submit the following memorandum and recommendation on a proposed loan in th: amount of US$ 150 million equivalent to : Republic of Cameroon to support the Government's Structural Adjustment Program. The proposed loan would be on standard IBRD terms with 17 years maturity including 5 years of grace.

2. A Country Economic Memorandum (Report No. 6395-CM) was distributed to the Executive Directors in February 1987 and a Financial Sector Report (Report No. 6028-CM) was distributed in June 1986. The report which follows is based on the conclusions of those reports and the findings of three missions for the structural adjustment program that visited Cameroon in July 1988, November 1988 and February/March 1989. Updated country economic data are shown in Annex I.

PART I - THE ECONOMY

A. Background

3. Cameroon, with a per capita GDP of US$ 955 and 10.9 million inhabitants in 1937, is one of Africa's most diverse countries in terms of human resources and natural geography. Agriculture, livestock, and forestry production are major potential sources for growth; the scope for expanding agricultural production of a wide range of products is significant given the favorable land/population ratio, below-potential yields and underexploited natural resources. The mineral resource base is also diversified with reserves of oil, bauxite, iron ore and natural gas. The exploitation of hydroelectric and mineral resources, the processing of agricultural, forestry, and mineral products for export, plus selected forms of manufacturing for the regional common market, the Union Douanière des Etats de l'Afrique Centrale (UDEAC), and other countries could significantly contribute to the economy's growth.

4. Economic growth was high (about 8 percent per annum in real terms) throughout the 1970's and until 1985. In the period after Independence, Cameroon relied heavily on agriculture, which still remains the key economic sector, employing about two-thirds of the population and generating 40 percent of export receipts. However, oil became a major source of growth after 1978 when production commenced in Cameroon. By 1984/85 oil production accounted for more than 15 percent of GDP, 45

percent of government revenues and almost two-thirds of total merchandise exports. Oil production reached a peak of 8.9 million metric tonnes in 1985/86. During this period the share of agricultural production in total GDP fell from above 30 percent in the 1970's to 21 percent in 1984/85.

5. Oil revenues boosted public and private spending, enabling gross fixed investment to grow at an average real rate of 7 percent during the first half of the 1980s and to maintain a high level of 20 percent of GDP. Government direct investment increased much faster than private sector investment and its share (excluding investment of the public enterprises) in total investment rose from one-fifth in 1979/80 to one-third by 1984/85. In addition, there was considerable expansion in the public enterprise sector: during 1982-1985 the sector accounted for 12.5 percent of gross fixed capital formation (but contributed only 7 percent of GDP and employed only 2 percent of the economically active population).

6. Until the mid-1980s, the Government nevertheless maintained a balanced budget, despite large capital expenditures. Given the Government's policy of using its own resources, foreign financing contributed little to the State's total financing requirements. It amounted to less than CFAF 40 billion a year, or around 6 percent of total expenditures until 1984/85. In addition, until 1985/86, the Government accumulated large deposits in the domestic banking system, depositing on average CFAF 35 billion per annum of savings. Furthermore, a significant proportion of Government's receipts from the oil sector was accumulated in external reserves and the balance of payments remained consistently in surplus. Cameroon is a member of the French Monetary Cooperation Zone, and its currency, the CFA Franc (CFAF), is freely convertible into French Francs.

7. Since Independence, the Government has sought to provide universal education at the primary level and to increase access to other levels of education for large segments of the population. The primary enrollment ratio is 107, one of the highest in West Africa. In secondary and higher education the gross enrollment ratios are 27 percent and 1.6 percent respectively. Other social indicators are shown in Annex II.

8. The population growth rate was most recently estimated at 2.9 percent based on a 1987 census. During the past decade, the urban population increased at an annual growth rate of 7 percent from 2.2 to 3.9 million. Nearly 40 percent of the population now live in towns.

B. The Current Crisis

9. Since 1985, the fall in the US$-denominated prices of Cameroon's major export commodities (oil, coffee and cocoa) and the depreciation of the US$ have exposed major structural weaknesses in the economy and have plunged it into a deep recession. Between 1985 and 1987, Cameroon's export price index in CFAF terms fell by 65 percent for oil, 24 percent for cocoa, 11 percent for coffee, and 20 percent for rubber, causing a 47 percent deterioration in the terms of trade. The balance of payments registered a current account deficit of 8.8 percent of GDP in 1986/87 compared to a surplus of 3.9 percent in 1984/85. These exogenous factors undermined Cameroon's economic and financial viability and brought a halt to economic

growth. The economy stalled in 1986/87, with GDP falling by 3 percent. It is estimated that GDP fell by 9 percent last year (1987/88) and will fall by a further 6-7 percent this year. Investment and imports are about 50 percent and 40 percent, respectively, below their levels of three years ago.

10. The fall in export earnings, together with internationally uncompetitive domestic interest rates which encouraged capital flight, resulted in a dramatic decline in Cameroon's net foreign assets from CFAF +128 billion in June 1986 to CFAF -147 billion in June 1988. This has led to a sharp contraction in the liquidity of the domestic banking system, which is, in turn, further constraining economic activity.

11. In 1986/87, Government revenues fell by CFAF 146 billion and, for the first time in Cameroon's history, government operations recorded a large deficit (CFAF 508 billion, equivalent to 12 percent of GDP). This deficit resulted from a 28 percent fall in oil revenues between 1984/85 and 1986/87, plus a continued increase in recurrent expenditures, mainly on personnel, and the failure to scale back public investments fast enough. It was financed by (i) a build-up of domestic arrears amounting to CFAF 240 billion (mostly to domestic contractors working on investment projects), (ii) a drawdown of deposits held both externally and with the domestic banking system (exacerbating the latter's liquidity constraint), and (iii) an increase in foreign financing - public and publicly-guaranteed external debt at end 1987/88 is estimated at US$ 2500 million, equivalent to 19 percent of GDP. The creation of domestic arrears has acted as an unanticipated tax on the private sector and has contributed to the slowdown in economic activity and the illiquidity of the banking system. The resolution of this problem is an essential first step for getting the economy back on track.

C. The Stabilization Plan for Public Finances

12. To deal with its deteriorating finances, the Government first launched an austerity program in 1987/88 to restore budgetary balance. This program succeeded in cutting the Government's deficit to 6 percent of GDP last year. Expenditures were reduced by 34 percent or CFAF 415 billion over the previous year; on the other hand, revenue also fell by CFAF 120 billion to about 80 percent of the 1986/87 level. The largest expenditure cut was the elimination of extrabudgetary spending (CFAF 250 billion) which covered a variety of recurrent and capital expenditures. In addition, capital expenditures were reduced by CFAF 212 billion (48 percent) and recurrent expenditures (excluding debt service) by CFAF 88 billion (18 percent); the latter included a freeze on wages, a 27 percent reduction in transfers and subsidies, and a 38 percent cut in goods and services. Interest payments were the only item to increase.

13. The second year of the Government's stabilization program is supported by an 18 month Stand-by arrangement approved by the IMF in September 1988. The 1988/89 budget aims to reduce the overall deficit further to 2 percent of GDP. This is being accomplished through a further reduction of capital expenditures, which are programmed at one-third of their average 1984/85 - 1986/87 level. In addition, efforts are underway to reduce personnel expenditures by reviewing the payroll for "ghost"

workers and to increase nonoil tax revenues mainly through excise taxes on alcohol and petroleum products and improved tax administration. As of December 1988, the Government's budget was on track with the exception of a slight revenue shortfall, attributable to the decline in economic activity, and the accumulation of a moderate amount of external debt arrears. The Government has requested a rescheduling of these arrears, as well as a portion of current maturities, through the Paris Club. In addition a rescheduling plan for domestic arrears has been negotiated with most large domestic creditors. The Government intends to pay 15 percent in cash with the balance in negotiable, seven-year Treasury bills at the Central Bank rediscount rate, currently 9.5 percent. The cash payment may be insufficient, however, to restore liquidity in the banking system, especially since a portion of these payments will be repatriated to foreign firms that had been working through domestic contractors. Taking into account the above measures, the IMF has concluded that Cameroon remains in compliance with the September 1988 Stand-by arrangement.

14. The severe cutback in overall government expenditure during the past two years, to 60 percent of the average 1984/85 - 1986/87 level, is a major cause of the slowdown in economic activity. Due to the across-the-board nature of the cuts, it has also resulted in severe underfunding of essential economic and social services and has left numerous investment projects uncompleted. The Government has recently completed reprogramming its capital expenditures based on criteria, agreed with the Bank, that aim to concentrate resources on those projects nearest completion and to emphasize the maintenance of existing assets. Nevertheless, the overall constraints on the budget will result in slower than desirable implementation of most development projects.

15. The financial crisis has also prompted the Government to take a closer look at its public and parapublic enterprises that absorbed large amounts of public resources in recent years and drained liquidity from the banking system through a combination of non-performing loans, unpaid crop credit and a build-up of arrears to domestic suppliers. A Public Enterprise Rehabilitation Commission was set up in July 1986 to recommend measures to reduce the heavy burden of this sector on public finances, improve companies' performance, and rationalize state participation. Since August 1987, the Commission has shown considerable energy and determination in pursuing its mandate and has carried out audits on companies which have led to recommendations concerning their restructuring, privatization or liquidation. It has also evaluated their cross-claims and debts. A review of the institutional, regulatory, and macroeconomic environment has been carried out concurrently with these audits to assess and rationalize the environment for the companies that are to be retained in the Government's portfolio. The policies examined relate to pricing, trade, credit, employment, wages, investment, and privileges that these companies currently enjoy.

D. Structural Issues

Public Finance Management

16. With the drop in oil revenues, the need for a tight budgetary policy has become an urgent task for the Government. The challenge is to

control expenditures without excessive costs in terms of growth foregone. Restoration of equilibrium will require that the Government enhances its domestic revenue effort and adjusts spending to a level consistent with available resources. Non-oil tax revenues have been eroded in the 1980's and need to be increased from their current level of 10 percent of non-oil GDP to their historic level of 14-15 percent, in order to attain budgetary equilibrium in the medium-term. This will require a medium term restructuring of the tax system which should be accomplished primarily by broadening the tax base and improving tax administration and compliance, rather than by increases in tax rates. For the next few years, until this restructuring can be accomplished, the Government will have to rely heavily on foreign borrowing to maintain a minimum level of capital investment consistent with reviving the economy and sustaining growth in the medium term.

17. On the recurrent expenditure side, the main effort needs to be on containing personnel expenditures. Civil service salaries are relatively high reflecting the period of high oil revenues. The existing freeze on the wage bill needs to be continued; new hiring, including graduates trained in public administration institutions, should be further reduced; and the costly system of benefits and allowances requires rationalization. The Government also needs to improve the quality of its recurrent expenditures by adopting operating standards that ministries should strive to achieve and that could be used for allocating resources based on performance. Budgetary allocations will need to be better designed than during the past two years when non-wage recurrent costs were sharply reduced with no prior planning. The sharp reductions in non-wage recurrent expenses have reduced vital maintenance of capital infrastructure and provision of services in health, education, transport, agriculture, and urban services, and could lead to dramatic repercussions on the country's future growth.

18. In general, considerable improvements are required in the management of government resources. Budget planning does not yet take place within a medium-term framework incorporating revenue and expenditure projections based on the forecast behavior of key macroeconomic variables; sectoral allocations are often made on a rather arbitrary basis especially when expenditure cuts are required due to lack of coherent sector strategies; public finance data are not presented in a consolidated form which seriously hinders effective management of scarce public resources; project appraisal, monitoring and evaluation are frequently neglected or poorly executed; and procurement procedures are often unclear and implementation slow.

Banking Sector and Financial Policies

19. Cameroon's banking system comprises ten commercial banks with varying degrees of state, parapublic and foreign shareholding, and three state-owned banks, of which one is a commercial bank and the other two are development banks specializing respectively in agriculture and industry. Over the past two years, the banking system has become heavily illiquid, and many individual banks, particularly the three state-owned banks but also some large jointly-owned commercial banks, have become technically insolvent, largely on account of the accumulation of high portfolio

arrears. The aggregate deficit of the banking system is estimated to range from CFAF 300 - 375 billion or almost one-third of their outstanding portfolio and approximately 10% of the country's GDP. The financial difficulties of the banks have led to a de facto rationing of deposit withdrawals and have severely limited their capacity to finance productive activities. The mounting disarray of the formal banking system is believed to have been paralleled by an expansion of the informal financial market, consisting of "tontines" and other mutual savings mechanisms, which has always been active in Cameroon and is now estimated to hold about CFAF 200-300 billion of deposits or almost one-third of total deposits of the financial system.

20. This situation of banking distress has resulted from a combination of factors. The sharp decline in real GDP over 1986/87-1987/88 was bound to spill over into the financial sector. The Government's budgetary difficulties since 1986 led to a reduction of public sector deposits that directly affected banking liquidity, as well as the accumulation of government arrears vis-à-vis private sector contractors, which impaired the latter's capacity to service their banking debts. Another factor was the involvement of the banking system in the provision of seasonal agricultural credit (mostly for cocoa, coffee and cotton) including for domestic marketing costs and taxes, without taking into account declining export prices, resulting in an overhang of unpaid crop credit exceeding CFAF 100 billion. Credit to public enterprises, many of which are poor performers, is estimated at some CFAF 150 billion and constitutes another source of banking arrears. Furthermore, banking management was weak, particularly in state-owned banks and those in which the state was predominant. Finally, banking control exercised by the national authorities and by BEAC (the Central Bank common to Cameroon and the other five countries of the region) was ineffective until a start was made in 1987 to strengthen it.

21. Apart from these factors which have precipitated the current banking crisis, there are other inadequacies in the policy, regulatory and institutional framework that have impeded the efficient functioning of the financial sector and banking system. Banking profitability has been undermined by restrictive margins set on credit, by an over-extended branch network partly due to government pressure, and by excess staffing. A myriad of administratively-mandated interest rates, on both loans and deposits, has stifled banking competition and discouraged the introduction of new, more diversified financial instruments. Banking competition was further curtailed by the setting of quantitative Central Bank rediscount ceilings both on individual banks and individual borrowers. The relatively low Central Bank rediscount rates, of 6.5 percent and 9.5 percent respectively for preferential and normal credits, compared with the money market rates in Paris, may also have encouraged capital outflows, in light of the freedom of financial transfers within the Franc Zone. They have not been conducive to domestic savings mobilization. The lower rediscount rate of 6.5 percent for priority activities such as agriculture and SMEs may have resulted in some diversion of credits from their intended purposes, while the low banking margin of 3 percentage points for the same activities may effectively have discouraged the banks from lending for them. Finally, although BEAC has at its disposal a vast array of control instruments and regulations including prudential banking ratios (e.g., capital adequacy and

liquidity ratios), these are overly complex and not systematically monitored and enforced in practice.

Agriculture

22. After a period of moderate growth in the 1970's, the agriculture sector has stagnated since 1982. The unfavorable climate of 1982-84 partly accounted for this poor performance, but the stagnation can largely be explained by a longer-term decline in cash crop production. This is a cause for concern as Cameroon will have to rely on agriculture for export revenues in the face of depleted oil reserves. The Government's objectives for the sector emphasize food security, the promotion of exports and expansion of crops used by local industry, and in general an increase in rural incomes which are about one-half the national average. However, the Government's agricultural policy has been restrictive, particularly in the pricing and marketing of export crops.

23. Pricing and Trade Policies. Weak commodity prices, the depreciation of the US dollar vis-a-vis the CFAF, dumping and subsidy of food exports from surplus countries, plus high domestic labor and intermediate costs have eroded Cameroon's competitive position for most of its tradeable crops. At current world price levels, marketing losses amount to CFAF 100 to 200 per kg of cocoa, coffee and cotton exported, which is estimated to represent a net drain of CFAF 50 billion per annum on public sector resources. The losses of recent years have been financed by a combination of drawdowns of previously accumulated stabilization reserves on deposit in the banking system and by unpaid crop credit. Producer prices for major export crops are set by the Government independently from world market trends. In the past, when world prices were considerably higher, relatively low fixed producer prices for export crops resulted in heavy taxation of producers. Today, however, Cameroon's official producer prices are among the highest in francophone Africa, as a result of steady increases in the official price during recent years. But with today's depressed world prices and the tight monetary situation, the Government is facing difficulty in supporting the present producer price level. Present producer prices are projected to result in substantial and unsustainable deficits well beyond 1990. A recent diagnostic study of the National Products Marketing Board (ONCPB) indicates that the expected deficit from exporting cocoa, coffee and cotton this year will exhaust all remaining liquid reserves that ONCPB holds in the banking system and on account with the Treasury. Future financing of this deficit would require direct budgetary subsidies and/or a further deterioration in the banking system.

24. Marketing of coffee and cocoa is subject to Government regulation and control. The Government establishes an annual price schedule (barème) to regulate all costs and marketing margins, and assigns the quota and zone of marketing to specific traders and cooperatives. This system is inefficient as the lack of competition creates opportunities for traders to collect rents and it discourages cooperatives from minimizing costs. Internal marketing costs are also high compared with neighboring countries.

25. Institutional Constraints. Excessive Government interference in the administration of cooperatives and its poor management of the

delivery of farm inputs and extension services has proved very inefficient and costly; agencies have proliferated often duplicating each other's functions and their scope of activities has been defined too widely to include services which could be more efficiently provided by the private sector.

26. Food Security. In spite of its overall favorable position as regards food self-sufficiency, the country faces three food security problems. First, continuing chronic malnutrition affects about one-quarter of the rural population under five years of age spread over all provinces. Second, transitory food insecurity exists in the northern provinces due to unfavorable climatic conditions, low productivity of agriculture, and little crop diversification. Third, the food distribution system is inadequate due to the inaccessibility of some areas, poor storage and lack of processing facilities. In addition, price controls and quantitative restrictions on food imports are major policy constraints.

27. Forestry and Environment. Cameroon's forestry subsector has considerable potential for increased sustainable production, as well as for increasing government revenues. Only about 40 percent of the country's forest resources are being exploited and many lesser-known species with economic potential are being neglected. Forest exploitation is not efficiently controlled due to the lack of a land-use plan, inadequate policy in granting concessions and licenses for exploitation and exports, and poorly-trained staff running the Directorate of Forestry which is responsible for planning and protection in forest areas. In addition, government regulations require 60 percent of wood exploitation to be transformed into semi-finished products. Because of low conversion ratios in the wood processing industry, this has encouraged wasteful exploitation of forest resources and lower export revenues for the sector.

Trade and Industrial Incentives

28. Depressed domestic demand during the past three years has put a halt to the steady growth of the manufacturing sector, which grew by about 10 percent per annum since independence. It has revealed the sector's lack of competitiveness and high costs which are the result of the long-standing protectionist policies and regulations. For more than twenty years, high trade barriers and the nature of the Investment Code increased the relative profitability of import-substitutes, leading to the establishment of highly capital-intensive activities and low value-added assembly/packaging of consumer goods. Restrictive labor legislation and price controls increased inefficiency and distorted market mechanisms. Incentives to base production on domestic resources and to produce for export markets were limited. Manufacturing relied on an escalation of protection, thereby imposing considerable costs on the rest of the economy. The resulting highly dispersed levels of effective protection distorted resource allocation among sub-sectors of industry.

29. Trade Policy. Both domestic and foreign trade are heavily regulated in Cameroon. Imports are subject to import licensing and the vast majority of locally produced goods are protected by quantitative restrictions (QRs). The tariff system is complex and results in highly dispersed tariff rates, ranging from zero to 180 percent with an average of

45 percent. Tariff instruments include the "entry duty" and the "customs duty" which are fixed for all UDEAC members and the "complementary import duty tax" (0-50 percent) which is fixed by each member country. Protection is aggravated by widespread exemptions from import duties through the Investment Code and other similar fiscal regimes. Exports outside the UDEAC zone are taxed at 2 percent, with the exception of coffee, cocoa and wood which are taxed at higher, specific rates. Industrial exports within UDEAC are taxed under the single tax regime for eligible firms.

30. Price Control. Domestic prices are either fixed or officially approved on a cost-plus basis. Maximum wholesale and retail margins are fixed for all goods and services with specific rates for production and distribution of domestic goods, goods under QRs and some key consumer imports. A minimum margin is guaranteed for retailing. As a result, the system is inflationary; its administration rigid and prone to abuse. The price control system is reinforced by regulations governing entry into wholesale and retail trade (Law 80/25).

31. Investment and Fiscal Incentives. Because of its content and discretionary administration, the Investment Code is the main source of market distortions, and restrictions on competition. Investment incentives are provided through the different regimes of the 1984 Investment Code derived from the UDEAC general guidelines and the regional single tax ("taxe unique") regime. Benefits are granted for 10 to 25 years and increase with the size of the investment. Larger investments benefit from "special conventions" with the State which freeze company-specific fiscal advantages for up to 25 years. Most enterprises in UDEAC, and therefore Cameroon, benefit from the Code, which grants import duty exemptions on inputs and a maximum of 5 percent import duty on capital goods. The single tax replaces all indirect taxes and is levied on the firms' operations for goods sold within UDEAC. However, its rate varies between firms, products and UDEAC countries. It is collected from the final user. The internal turnover tax ("taxe intérieure à la production") regime grants similar advantages to companies selling on their domestic market but is collected by the Customs Department. These incentives encourage over-investment in fixed capital, discourage the use of labor and regional integration, and cause a considerable loss of fiscal revenue.

32. Regulatory and Institutional Environment. The business regulatory environment is often inadequate, obsolete or incomplete. Private sector wages are, for instance, regulated in accordance with extremely detailed public sector wage categories. Entry is restricted in certain sectors, and monopoly privileges are granted to certain Investment Code beneficiaries. The legislation governing contracts, incorporation, partnerships and exit from production needs to be clarified, and protection against unfair business practices should be strengthened. Institutions supporting the private sector, and in particular small and medium scale enterprises and export activities need to be profoundly restructured.

Oil Production

33. Cameroon's oil production will decline and reserves will be depleted by the end of the century unless new discoveries are made. Although the likelihood of untapped petroleum resources is considered high, new discoveries are unlikely without better incentives for oil exploration. Compared to neighboring oil-producing countries, Cameroon's legislation and taxation policy does not encourage oil companies to undertake further exploration activities and none are currently taking place. Companies are expected to bear the entire cost of exploration drilling, with the "Société Nationale des Hydrocarbures" (SNH) reimbursing 60 percent of the cost only if oil is found and as and when revenues allow. In addition, exploration contracts stipulate minimum work programs which are often excessive. Moreover, the fiscal regime applied to production is not appropriate to a period of low oil prices and declining reserves, since it taxes the net cash flow of the oil industry at 87 percent. This level of taxation is a serious disincentive to further exploration and development.

Human Resources

34. The constraints on budgetary resources, together with the existing deficiencies in education and health services, pose a serious threat to the well-being of society and the future development of the country. Without corrective action in the near future, Cameroon risks a depletion in human capital, increased health risks and increased inequity in the provision of basic socio-economic services. The Government is anxious to incorporate a social dimension in its adjustment program, but has yet to link fully the objective of poverty alleviation with the central priorities in the education and health sectors, and to formulate a coherent and financially sustainable strategy for each sector, including the protection of a minimum level of funding for basic services. At present the Government allocates the considerable funds it spends in the education and health sectors mostly on secondary and tertiary services. The rigidities in reallocating expenditures include large wage bills, an entrenched pattern of allowances for university students, a penchant for modern and expensive schools and hospitals, and a lack of cost recovery policies.

35. Education. Education development in Cameroon has focussed on expansion of the formal system but very little on quality. Even so, expansion of the system has not kept pace with school-age population growth, leading to overcrowding and inadequate provision of trained teachers and vital educational inputs. Low attainment in relation to years of education and often inappropriate qualifications characterize the educated manpower in the labor market. Persistent shortages of experienced managerial, technical, and skilled manpower seriously impede economic development. On the other hand, the informal sector plays a valuable role through its extensive apprenticeship system. There is a need to improve substantially the standards of primary and technical education, as well as the effectiveness of vocational education, and adjust the curricula and training approaches to respond to the needs of the economy.

36. Health. Poor management of the health care system coupled with inadequate and poorly allocated expenditures threaten to compromise the

gains of the past decade in reducing mortality and morbidity. An important part of past and future expenditures has been allocated to sophisticated hospitals, while insufficient resources are available to operate and maintain the existing hospitals, much less new facilities. A strategy needs to be devised to reallocate expenditure patterns towards broad-based primary health care, including maternal and child health programs, and introduce cost-recovery methods throughout the spectrum of health services. The Government's population policy is cast in terms of "responsible parenthood", but active pursuit of this policy is limited by the same inadequate attention and financing that affects primary health care.

Part II - The Structural Adjustment Program

A. Objectives and Approach

37. The Government started preparing its medium-term adjustment program in early 1988. At that time it established a working level committee comprised of directors and senior technicians from all major operational ministries. This committee was divided into subcommittees along functional lines and was charged with drawing up the Government's Statement of Development Strategy. The establishment of this working committee created for the first time in Cameroon an opportunity for the technical level of Government to put forward its own agenda for reform on a comprehensive economy-wide basis. The President added increased importance to this exercise in December 1988 by establishing an Interministerial Committee responsible for steering the preparation of the structural adjustment program and for monitoring its implementation. This Committee is assisted by two technical secretariats, one dealing with the IMF stabilization program and the other with the adjustment program developed in collaboration with the World Bank and the African Development Bank.

38. While the resulting Declaration of Development Strategy (Annex V) was developed and discussed with three joint World Bank/AfDB missions over the past nine months, the Declaration is very much regarded as the Government's own program and benefits from the wide range of technicians throughout Government who have participated in its preparation and are committed to its implementation. The Government intends to publish this Declaration to inform the Cameroonian public of the specific contents of the adjustment program, as well as to mobilize the external resources from the donor community needed to finance the program.

39. The broad objectives of the Government's adjustment program can be summarized as follows:

a) to reestablish a positive rate of per capita income growth;

b) to reduce progressively the constraints which hinder a general opening of economic opportunities, through fostering increased competition and reducing the inefficiency of domestic markets;

c) to reorient the role of the State from one of direct intervention in the production and distribution of goods and services to one of facilitating the operation of the private sector;

d) to reorient public services towards programs which improve the well-being and productivity of all Cameroonians, taking into account the social dimension of adjustment.

40. The Government aims to attain these objectives through a series of measures that will:

- stabilize and restructure public finances over the medium-term, through improved programming and budgeting of government resources, better control over government salaries, improvements in the productivity and management of the civil service, and an increase in non-oil tax revenues;

- restructure and rehabilitate the public enterprise sector;

- restructure the banking sector, including improved monetary and credit policies;

- stabilize the finances of the agricultural marketing structures for the principal export crops (coffee, cocoa and cotton), liberalize progressively trade in these crops, and create programs to increase food security and promote non-traditional agricultural exports;

- deregulate internal commerce with a view towards lowering the domestic cost structure, and rationalize external trade regulation and effective rates of protection;

- improve incentives for petroleum exploration and production;

- reorient policies in the health and education sectors, especially toward the primary level, to improve human resources development;

- establish specific action programs to reduce the social cost of adjustment.

B. The First Phase of the Adjustment Program

41. Many of the above objectives are likely to require three to five years for implementation to be completed. This is particularly the case for public enterprise reform, the banking sector and administrative reform of the civil service. Also, a sustained effort will be required over the medium-term to increase non-oil tax revenues in order to stabilize public finances and cover Cameroon's increased debt burden. The Government therefore considers its Declaration of Development Strategy as a medium-term framework within which the specific actions described below and set

out in the Matrix of Policy Actions (Annex VI) represent the first 18-24 month phase of the adjustment program.

Public Sector Resource Management

42. Under the structural adjustment program, the Government will take a series of interconnected actions to improve the mobilization and management of public sector resources. These measures aim to present a clearer and more comprehensive picture of Government finances, reestablish an equilibrium between expenditures on personnel versus goods and services, improve the management and efficiency of the civil service, and improve revenue collections while taking initial steps towards a more comprehensive rationalization of the tax system.

43. Until now annual budgets have been prepared in the absence of a clear link with the macro-economic circumstances of the country. In addition, the budget submitted to the National Assembly has not taken account of expenditures financed by sources other than tax revenues, namely, externally financed projects, and, until recently, the considerable expenditures financed by the Government's outside accounts ("comptes hors budget"). In order to present a clearer and more comprehensive account of Government resources and expenditures, the Government will prepare each year a set of medium-term macro-economic projections that will provide the broad parameters for the following year's budget. Within this context, the Government will draw up a rolling four-year public investment program that will include all sources of financing. This program will be based on a soon-to-be installed system designed to monitor the physical and financial execution of projects currently under implementation. This system will, in addition, produce quarterly monitoring reports that can be used by ministries to measure progress on all projects in a given sector, or, for example, all projects financed by a given external donor. In the first instance, this system will cover all projects in the Government's budget, but will eventually be extended to monitor the investment programs of the public enterprises, in particular, the portion financed by government guaranteed debt. Starting with the 1989/90 budget, the first year of the investment program will appear as an annex in the annual public finance law ("Loi de Finances") which will set limits on the disbursement of externally financed projects, in order to ensure execution of the budget in line with the multi-year investment program.

44. The Government has also decided to revise its procurement procedures with the aim of reducing the administrative delays that have led to considerable cost overruns. For this purpose, it has created a separate unit as part of the Presidency, the Direction Générale des Grands Travaux du Cameroun (DGTC), that will supervise the physical execution of all major capital expenditures by the Government. The first practical steps to be taken towards improving the procurement process will include standardization of bidding documents and a program to train personnel responsible for the tendering process. In addition, procurement procedures will be reviewed and revised with a view to reducing delays and assigning specific responsibility and deadlines for the various steps to the agencies involved in the procurement process. These measures will be in place by mid 1990.

45. As mentioned earlier, the Government has taken major efforts to stabilize public finances and reduce the budget deficit. A different kind of adjustment is now required to reestablish a balance among categories of expenditures. In this regard, the adjustment program envisages two major efforts: establishment of minimum levels of expenditure on key development services and better control on personnel expenditure. Regarding the former, the Government intends to increase the non-wage recurrent allocations for education, health, agricultural research and extension, and road maintenance by 53 percent, or FCFA 7.6 billion in the 1989/90 budget. This increase will nearly restore the level of expenditure of these key sectors to that of two years ago. In the medium-term, expenditure on these services will be adjusted to correspond with the results of operational audits for the respective ministries that will be carried out in connection with the Government's program of administrative reform (see below).

46. The Government has already achieved a 12 percent reduction in the wage bill during the past two years through a series of measures that have frozen nominal salaries, reduced the number of new recruits, purged non existent employees from the wage bill, enforced the age limit for retirement from the civil service, and reduced benefits and allowances for certain categories of personnel. The Government intends to consolidate this effort and carry it further by adopting a program of administrative reform aimed to reduce further the cost of the civil service while at the same time improving its efficiency. In the short term, these measures include improved management of the payroll system and the establishment of a scheme for voluntary departure from the civil service. In addition, the Government intends to review and revise the system of allowances for family allocations, housing and transportation while on leave, as well as the legislation governing retirement. Finally, the Government will begin a series of operational audits in 1989 that will review the mission of each ministry, in order to determine the appropriate structure and staffing level as well as the appropriate recurrent budget needed to accomplish the ministry's objectives. Management audits of four central ministries (Finance, Plan, Civil Service and Commerce and Industry) will be carried out by March 1990 and the process will be extended to key sectoral ministries later that year. These audits will be supported by the proposed economic management project that is being processed in parallel with the SAL. Civil servants identified by these audits as superfluous to the ministries' staffing requirements will be provided incentives to leave the civil service, including facilities to retrain for private sector activity.

47. The second major objective of the Government's program of administrative reform is to improve the efficiency of the civil service by introducing new policies for the evaluation of individual performance and the management of personnel files. This is a medium term program that will require approximately two years to complete. As a first step, the Government will review the laws and regulations concerning the civil service and will harmonize the statutes applying to different categories of employees, i.e. permanent civil servants, part-time and non-civil service employees. The compensation system will also be revised, in order to better balance salary and benefits. A new system of performance evaluation will be introduced based on individual performance plans, and promotion and remuneration will be based on the results of this system. In order to improve the long term quality of the civil service, a system of career

planning and professional training will be established. Finally, overall management of the civil service will be improved by strengthening the computerization of personnel files, including all important data concerning salaries, length of service, promotion and career development and the production of coherent statistics.

48. As discussed in Part I, due to the expected secular decline of petroleum revenues during the next decade, a sustained effort to increase domestic resource mobilization will be required over a number of years, in order to restore the contribution of non-oil tax revenue to its former level of around 14-15 percent of non-oil GDP. As a start, the Government introduced a land tax in 1988/89, and cadastral surveys will soon be undertaken to extend the land tax throughout major areas of Douala and Yaoundé. Also a number of measures have already been initiated to improve tax collection and reduce fiscal fraud. Among these is the requirement that all imports of a value higher than the equivalent of US$ 3,300 obtain a certificate of inspection by specialized agencies in the country of export; this should improve the proper declaration of content and value for the purpose of collecting customs duty. The Government will soon begin a program of negotiating duty free import quotas for all diplomatic missions, and will strictly enforce the practice of collecting import duties on all imports by Government ministries and agencies, including imports financed by external sources. The Government's intention is to reduce import duty exonerations as much as possible, which currently permit as much as 60 percent of imports to enter Cameroon duty free. This will require revision of the Investment Code and renegotiation of existing exonerations with current beneficiaries which will take a number of years and is not expected to yield significant increases in revenue in the short term.

49. Over the medium term, the Government's adjustment program envisages a restructuring of the fiscal system. First, the individual income tax system would be rationalized to reduce its complexity, broaden the tax base and perhaps lower individual rates. To this end, a study will be completed by (December 1989). A system of unique taxpayer identification numbers will be introduced for all individual and corporate tax payers. Second, the Government intends to introduce a value added tax (VAT) in 1991/92, to replace the extremely complicated current system of indirect taxes including the domestic turnover tax ("impôt sur le chiffre d'affaires intérieur"), the single tax ("taxe unique") and the tax on domestic production ("taxe intérieure à la production"). Since these last two taxes are common to the UDEAC zone, introduction of the TVA will have to be coordinated at the UDEAC level. As a first step, the Government will complete a study on introduction of the VAT by December 1989.

Public Enterprise Reform

50. The Government is well underway in addressing the severe financial problems of the public enterprise sector. For the past year, the Interministerial Commission for Public Enterprise Reform has been conducting diagnostic studies of the 75 public enterprises that represent the heaviest financial burden on public resources, including all commercial and state owned banks. Decisions have been taken to liquidate and/or privatize 22 of these enterprises. Liquidators have been appointed for four public enterprises and the Commission completed a privatization

strategy paper in mid-April. A proposed legal text governing the procedures by which public enterprises are to be privatized will be completed by August 1989.

51. Decisions have also been taken to rehabilitate 38 strategic enterprises which will remain in the Government's portfolio.1/ These include the major utilities, transport parastatals, research institutes and agricultural marketing organizations. Action plans have been prepared for these enterprises which identify the resources required for the financial restructuring of each enterprise's balance sheet (working capital and settlement of arrears) and establish plans for the technical rehabilitation of the enterprise, reduction in work force, and an appropriate medium-term investment program. A performance contract will be signed between the Government and the management of each enterprise. These contracts will set out performance objectives and timetables, establish areas of management autonomy and, within the context of minimizing financial transfers from the Government, identify specific obligations of the Government towards the enterprise in the case where the enterprise is required to carry out non-profitable activities. Performance contracts for 7 major enterprises will be signed by September 1989 and for another 9 major enterprises by April 1990. Diagnostic studies for a second group of 45 enterprises will be completed by December 1989, and decisions on the status of all remaining public enterprises will be taken by March 1990.

52. The estimated cost for rehabilitating the first group of enterprises (excluding banks) is estimated at CFAF 377 billion over five years. This includes approximately CFAF 25 billion for redundancy payments for approximately 14,000 employees that are estimated to become redundant in the first group. Before any employees are dismissed, however, a set of measures will be put in place to provide compensation for their loss of employment and to assist those who wish to enter the private sector find jobs or establish their own business. To this end facilities for retraining, and/or establishing a new business will be made available to all interested employees.

53. The Government is in the process of reviewing the results of the restructuring plans with a view to reducing the total estimated cost to a level consistent with available resources. To date, external financing has been lined up to cover about CFAF 60 billion of the total cost, and government resources could cover an additional CFAF 50 billion per annum. Additional assistance from multilateral and bilateral donors will thus be required to meet the cost of the program, and close coordination among donors and the Government is a prerequisite for its success.

54. As part of its decision making process, the Interministerial Commission also took a number of decisions concerning the institutional and macroeconomic environment in which public enterprises function. Concerning the former, the commission decided that public enterprises should function with the maximum amount of autonomy possible and that the management must

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1/ Of the 75 enterprises studied, 14 are banks and financial institutions and one is the agricultural marketing board (ONCPB), which are dealt with in the following sections.

be responsible for the performance of each enterprise. The board of directors for each enterprise will be open to members of the private sector, and members of the Government will no longer be appointed as chairman of the board. The role of the supervising ministry will thus be significantly reduced in terms of day-to-day management of the enterprise. Nevertheless, decisions concerning the investment program, hiring and firing of staff, capital structure and borrowing will still require the prior approval of the supervising ministry. Legislation concerning these points, as well as redefining the general statutes governing the organization and operation of public enterprises will be enacted by December 1989. Public enterprises are to be classified as (a) administrative entities ("Etablissement à Caractère Administratif"), (b) state-owned enterprises ("Société d'Etat"), or (c) joint-ventures ("Sociétés d'Economie Mixte"). Those in the first category - research institutes and other entities with a social purpose - will continue to receive government subsidies but will have programs designed to improve their efficiency and effectiveness. Those in the second and third categories will operate on commercial principles and will be weaned from Government subsidies. Concerning the macroeconomic environment, the Interministerial Commission adopted a series of decisions that will lead to a progressive liberalization of the commercial and trade regime. These are discussed below under the section on Industrial and Trade Reform.

55. Implementation of this extensive reform program will be monitored by the Commission, whose mandate has been extended for this purpose. The Commission is assisted by a technical Committee that has supervised the diagnostic studies and is responsible for monitoring the implementation of the action programs and maintaining a central file on performance of the public enterprise sector. A supervision committee ("Comité de Suivi") will be established for each enterprise to negotiate and monitor the performance contract and will include representatives from the concerned ministries, the Director General of the enterprise concerned and a representative of the technical committee.

Financial and Banking Sector

56. The present distress of the banking system represents a major obstacle to the resumption of normal economic activity, and its resolution is a prequisite for the success of the structural adjustment program. In collaboration with the Bank and IMF, the Government has taken initial steps to address the situation. Diagnostic studies and financial audits have been carried out or are in process for each individual bank. A comprehensive program for reforming the financial and banking sector has been formulated, which includes the following main elements:

(i) an action plan for the restructuring of distressed banks including: (a) liquidation of Cameroon Bank, a state-owned commercial bank, and of the state-owned specialized banks BCD and FONADER; (b) restructuring of the state holding company, SNI; (c) consultations with the foreign partners in jointly-owned commercial banks (including SCB, BIAOC, SGBC and BICIC) toward the formulation of specific rehabilitation proposals for these banks, comprising financial restructuring as well as organizational reforms such as branch office closings and personnel reduction (by March 1990); (d) joint preparation with the foreign partners of a plan for either restructuring on liquidating the BPPBC; (e) progressive divestiture of a significant portion of state shareholding in existing banks (upon completion of their rehabilitation) in favor of private Cameroonian or foreign investors, with as a corollary the withdrawal of Government from the management of these banks; and (f) the carrying-out of feasibility studies that would determine the viability of new banks with state shareholdings prior to their establishment;

(ii) a program of emergency measures to relieve the banking liquidity crisis, including: (a) the settlement of government arrears vis-à-vis the private sector (to be completed by September 1989); (b) the consolidation of part of government deposits with the banks; and (c) the rescheduling of a portion of outstanding debts owed to BEAC by the banks (negotiations Government-BEAC to start by June 1989);

(iii) in conjunction with BEAC, the formulation of an action plan for putting the crop credit system on a sound footing. This plan will include (a) the settlement and/or rescheduling of past unpaid crop credits refinanced by BEAC (negotiations Government-BEAC to start by June 1989); and (b) new modalities to ensure the sound provision of crop credits beginning with the 1989/90 crop season, including limiting bank financing to expected export receipts and the reinforcement of control over financed stocks;

(iv) in consultation with BEAC, appropriate steps to strengthen the control of banking institutions by the authorities, through the reinforcement (started since 1987) of the inspection unit of BEAC complemented by that of the Ministry of Finance. In addition, prudential banking ratios (e.g., capital adequacy and liquidity ratios) will be more strictly monitored and enforced, following the banking restructuring; and

(v) a set of selective policy reforms, to be formulated in consultation with BEAC, including: (a) the gradual increase in banking margins (to be subject to annual review starting in November 1990), as a first step toward their eventual liberalization; (b) the reduction in the excessive range of interest rates (from about 40 to 4, already in force) and a gradual increase in their level, prior to their eventual liberalization; (c) studies on the reduction or abolition of taxes applicable to financial transactions (by March 1990); and (d) the preparation of legislative, regulatory and administrative measures to improve the recovery of banking loans (by March 1990).

57. Apart from the immediate measures outlined in the preceding paragraph, the Government's program envisages more in-depth reforms of the financial and banking sector to address the following issues at the central bank level:

(i) the progressive phasing out of interest subsidies, starting with the merger of the preferential rediscount rate with the normal rediscount rate;

(ii) with the return to monetary equilibria, the gradual abolition of bank-by-bank credit ceilings (for which Government will initiate consultations with BEAC, IMF and IBRD by September 1989);

(iii) adjustments in the BEAC rediscount system to encourage medium- and long-term credits in relation to short-term credits;

(iv) a study (to be initiated upon completion of banking restructuring) on the establishment of a money market, which would gradually complement BEAC's rediscount system, and whose interest rates would become reference rates for the banking system; and

(v) a study on the introduction of new capital market instruments such as corporate securities, commercial paper, obligations, treasury bills, mutual funds, SICAVs, etc.

58. The financial cost of restructuring the Cameroonian banking system, that is, the amount needed to settle the losses of the banks to be liquidated as well as of those to be rehabilitated, can be determined with some degree of accuracy only upon completion and review of specific proposals for their liquidation or rehabilitation. In the meantime, on the basis of available information including the financial audits recently carried out for the major commercial banks, the overall deficit of the banking system can be roughly estimated in the range of CFAF 300-375 billion. It is impossible at this stage to estimate how the losses of jointly-owned banks will be shared between the Government and its foreign partners, particularly the five European banks holding shares in the five major Cameroonian commercial banks ranging from 35 to 49 percent, pending the outcome of ongoing bilateral negotiations between the Government and the foreign partners, as part of the preparation of rehabilitation proposals for jointly-owned commercial banks. However, the Government will most likely have to cover the bulk of these losses, as well as the losses of the state-owned banks for which the Government bears full responsibility. Actual losses will certainly differ from current estimates, depending on the success of future efforts to recover those banking credits presently considered as non-performing. Furthermore, with the expected improvements in the banking environment, it should be possible for some presently distressed banks to continue to carry on their books a moderate amount of non-performing assets and be able to gradually amortize

these over the next several years, through their future earnings. The aggregate deficit of CFAF 300-375 billion could conceivably be covered by the following combination of cash and non-cash modalities:

(a) consolidation by BEAC of banking debts for up to CFAF 200 billion including arrears on crop credits estimated at some CFAF 110 billion, over at least 10 years with 3 years of grace (preferably 15 years with 5 years of grace);

(b) consolidation of government deposits of up to CFAF 100 billion, or about two-fifths of the CFAF 250 billion of such deposits;

(c) cash contribution of up to CFAF 75 billion by the Government and other shareholders toward the financial restructuring of banks; and

(d) the issuance of Government bonds bearing medium-term maturities (7-10 years) and market-based interest rates, to cover any residual balance.

59. The implementation of the agreed reform program is expected to put the Cameroonian financial and banking sector back on a sound footing, thus providing a necessary complement to the structural adjustment program. The rehabilitation of distressed banks will restore their solvency, liquidity, profitability and operational capacity, enabling them to resume and expand financing of the productive sectors. The liquidation of some banks beyond repair will stop the drain on financial resources and remove a previous source of credit misallocation. The comprehensive set of policy, regulatory and institutional reforms (e.g., interest rates, elimination of taxation on financial transactions, agricultural crop credit, banking inspection and control) will facilitate the emergence of a new banking system with more professional standards of operation and an enhanced capacity to mobilize and allocate resources.

Agriculture and Forestry

60. The Government's development objectives for agriculture emphasize food security, promotion and diversification of exports and increasing rural incomes. To attain these objectives, the Government intends to support traditional farmers and livestock owners, promote the creation of modern medium-sized farms, and increase the use and transformation of domestic agricultural products. The reform program emphasizes both price and non-price incentives.

61. Pricing and Marketing Policies. The marketing of most foodcrops is handled by the private sector in a de facto environment. Given the competitive nature of these markets, price controls are not enforced. The Government intends to reduce its involvement in the production and marketing of the few basic commodities in which public enterprises are currently involved. For example, rice marketing has recently been liberalized, and responsibility for rice production and marketing will be

transferred gradually to the private sector in the North. Sugar production and marketing will also be privatized, and the palm oil industry is being restructured for eventual privatization. Domestic production of rice, palm oil and meat products suffer from competitive imports. In response to this situation, the Government has imposed additional tariffs on import substitutes such as rice, meat products, palm oil and sugar to offset the effect of export subsidies and dumping from surplus countries.

62. For the major export crops, the Government has already taken measures to reduce intermediary costs, in order to cut down the deficit from exporting these crops in 1988/89. However, these measures are not sufficient to eliminate the deficit or reduce it to an affordable level. For the 1989/90 season, the Government intends to implement a pricing policy that would minimize the risk of requiring a state subsidy through further reductions of the intermediary costs of both private agents and the marketing board, suspension of export taxes, and a lowering of producer prices. The Government will institute a floor producer price for coffee, cocoa and cotton, agree on the specific amount and the content of intermediary margins, and distribute the residual excess revenue, if any, afforded by the existing world price among producers, the stabilization fund and the Government in the proportion of 40-40-20 percent, respectively. The Government will also increase the price differential between superior and inferior quality arabica coffee to increase the competitiveness of this product in the world market. The new pricing system will be in effect for the 1989/90 crop season.

63. The Government also intends to liberalize the marketing system over time. As a first step, the Government intends to introduce more competition in the Northwest region where inefficient cooperatives and the marketing board currently have a monopoly over the marketing of coffee by allowing private traders to enter the market. In the 1989/90 crop season, private traders will be allowed to compete with cooperatives in the internal marketing of coffee. In the 1990/91 crop season, following a review of the marketing board's role in the region, the Government intends to allow cooperatives and private traders to compete with the marketing board in the export of coffee. Further liberalization will be extended to other regions and products depending on the results of the first step. The Government has also completed a financial and management audit of the National Produce Marketing Board (Office National de Commercialisation des Produits de Base, ONCPB), and the Cotton Development Agency (Société de Développement du Coton). A performance contract between the Government and ONCPB will be signed not later than September 1, 1989 and between the Government and SODECOTON not later than December 1, 1989. Parallel with the adjustment program, the Government is working to improve export performance through rehabilitating cocoa production and related support services and is preparing an export promotion and diversification project that will include institutional reforms and support for exporting agricultural products.

64. Institutional Reform. The Government recognizes that its excessive interference in the administration of cooperatives and in the

delivery of inputs has proven very inefficient and costly. It intends to disengage from cooperatives to enhance their autonomy and reorganize the public support agencies. The governing legislation is being revised to deregulate the cooperative movement. The role of public support agencies will be redefined to provide more effective technical support to cooperatives and to withdraw from interference in the cooperatives' administration. A reform program to privatize the distribution of inputs and to phase out input subsidies is under implementation. Fertilizer distribution has recently been privatized and subsidies will be phased out over the next three years as part of a program agreed with USAID. The extension services will be streamlined to become more cost effective, including harmonization of services between parastatals and government ministries and the adoption of the training and visit extension system on a nation-wide basis. Research institutes will be restructured and reinforced to provide better linkage with extension services. In addition, a program to privatize veterinary services has recently started.

65. Forestry and Environment. Only about 40 percent of Cameroon's forest resources is being exploited. However, forest exploitation is not efficiently controlled due to the lack of a land use plan, inappropriate policy in the granting of concessions and licenses for exploitation and exports, and poorly trained staff. The Government is conscious of forestry and environmental problems and has completed a Tropical Forest Action Plan. The Government intends to implement the recommendations of this action plan. It will reinforce the Directorate of Forestry in forest management and streamline services provided by parastatals in forest inventory and forest plantation. The reform will involve the revision of the forestry code to authorize long-term concession arrangements in order to provide incentives for the concessionaries to maintain and control access to their areas of operation, rather than to exploit the areas on a one-time basis and move on to the next tract of forest, a prime cause of environmental degradation. The taxation system and the existing quota on log exports will be revised to provide incentives for exploitation of lesser known species and for better wood transformation. Norms and standards on wood products will be introduced to enhance the marketability of wood exports. The forestry code will also be modified to provide a legal basis for promoting agro-forestry, and for integrating local populations in the protection of national parks and reserves.

Industrial Policy and Trade Reform

66. Industrial and trade policy reform is crucial to the success of the Government's adjustment program. As mentioned in the section on Public Enterprise Reform, the Interministerial Commission charged with this process has taken a number of basic decisions to liberalize and decontrol the economy and improve the incentives for production and export. Dismantling of the heavy regulatory framework should permit a significant increase in the competitiveness and efficiency of the internal distribution system, which is necessary for Cameroon to improve its international competitiveness and establish new sources of export growth.

67. Concerning external trade, the adjustment program will progressively eliminate quantitative restrictions (QRs) on the import of all controlled goods, currently 180 lines in the tariff schedule. To allow adjustment of local production, QRs will be removed in three phases by 1991 for all goods except a very short list of strategic items. A first group comprising mostly consumer goods with very limited local value-added (e.g. water, paint, chemicals, non-plastic shoes, pipes, hand-tools) will be liberalised in June 1989. A second group including key intermediate and locally produced consumer goods (e.g. metals, plastics, paper, appliances, flour, batteries) will be liberalised in February 1990. The third group covering locally produced goods with high market share (e.g. soap, milk, salt, cement, garments) will be liberalised in January 1991. Given high levels of local value-added and employment, decisions on the phasing out of the remaining QRs strategic goods (i.e. vegetable oil, rice, sugar, cotton textiles) will be made in the first quarter of 1990 after analysis of the restructuring potential for the industries concerned. Tariff protection will be adjusted as necessary and will decrease over time to allow a progressive increase in external competition and an appropriate period of adjustment for domestic industries. The elimination of QRs will be complemented by the elimination of import licenses for all products not still subject to QRs; this measure will be taken in June 1989 with the elimination of the first group of QRs, prior to effectiveness of the loan.

68. The tariff regime will be further rationalized by the establishment of a minimum import duty and the reduction of maximum cumulative duties in July 1990. This will provide a minimum amount of protection to domestic production of intermediate goods that are currently imported under low or duty free rates and will contribute to the reduction of the wide dispersion in existing effective rates of protection. Furthermore, the Government intends to support actively the process of reform of the common external tariff currently being studied by UDEAC. Finally, on the export side, all export taxes will be eliminated in July 1990 with the exception of export taxes on logs which will be reviewed in conjunction with the revision of the fiscal regime applicable to forest and wood products.

69. Concerning domestic commerce, the Government has embarked on a process of eliminating price controls for all goods and services with the exception of a short list of products of basic necessity. A first step was taken in this direction in January 1989 when the number of products and groups of products subject to price control was redefined and reduced from 87 to 35. The remaining categories are, nevertheless, extensive and include all inputs to products that remain subject to price control. The decontrol of prices will be fully effective in June 1989 with the elimination of the system of administered margins for all goods and services not remaining subject to price controls and/or QRs. This system currently determines the mark up for all products and services in the economy at both the wholesale and retail levels. The Government has now decided to eliminate the system of price controls except for a very short list of basic goods and services (mainly pharmaceuticals, flour, milk,

bread, rice salt, meat, petroleum products, passenger transportation, health services, water and electricity) and for a few other goods still under QRs. Price controls on the latter will be subsequently removed in parallel with the phase-out of QRs.

70. In addition to price decontrol, the Government intends to revise the regulatory environment governing commerce, business incorporation and partnerships, labor regulations and the Investment Code. The legislation governing commercial activity (loi 80/25) will be revised by December 1989 to permit free competition at all stages of the distribution process, while protecting the consumer from unfair business practices and excessive concentration of commercial power. Second, the legislation governing business incorporation ("Code des Sociétés") will be modernized in 1990 to facilitate incorporation and dissolution of companies. Third, the Labor Code will be revised by December 1990 to reduce labor market regidities. Last, the Investment Code will be revised by December 1989 to grant incentives based on measures of performance such as value added, employment creation, training and/or export activity, rather than providing duty exemptions on imports. Eligibility under the new code will be open to all new investments, including extensions to existing production units. As a complimentary measure to promote exports, a study will be completed by December 1989 to identify appropriate export incentives, including improvements to existing institutional facilities.

Reorientation of Sector Strategies

71. As a result of the wide participation of all major sector ministries in the development of the Government's structural adjustment program, the program includes a wide variety of measures to improve the performance of the economy in areas other than those described above. The matrix of policy actions presents the full extent of the Government's program, while the more important measures are summarized below:

(i) increases in transportation user taxes for heavy vehicles using the road network, the ports and airports;

(ii) definition of an air transport sector strategy, including a plan for rehabilitation, organization and operation of airports;

(iii) formulation of operational strategies in the health and education sectors with a view towards preventing any decline in existing levels of coverage, particularly for primary services, improving quality and pertinence and recovering costs where possible;

(iv) elaboration of a master plan for urban water supply and sewerage, and of a strategy for the participation of rural populations in the installation and maintenance of rural water supply systems;

(v) revision of the petroleum legislation to encourage exploration by the international oil industry;

(vi) revision of the mining legislation to facilitate exploration permits and to grant mining concessions based on competitive bidding; and

(vii) adoption of environmental norms and standards including regulation governing industrial wastes.

Social Dimensions of Adjustment

72. The present economic crisis has led to a sharp reduction in per capita income and private consumption during the past two years, by -24 percent and -15 percent, respectively, compared with the 1985/86 levels. In addition, in its zeal to redress the budget deficit, the Government sharply reduced expenditures on services that are crucial for the provision of basic needs of the poor, such as primary health and education.

73. The urban population has been most affected by the present crisis and will bear the brunt of the adjustment and restructuring measures included in the present program. The public enterprise reform will entail a curtailment of staff while the restructuring of government expenditures will reduce staff benefits and eventually the number of civil servants. Also, the envisaged tax increases will be borne mostly by the urban middle class.

74. On the other hand, the adjustment program contains a number of structural measures that will stimulate the urban private sector and facilitate the absorption of additional manpower. Among these are the gradual disengagement of the public sector from productive activities, the simplification of administrative regulations required to set up a private business, an improved incentive framework for SMEs, and the easing of liquidity problems in the banking sector. The liberalization of trade and commerce should also reduce the cost of many basic consumer goods that are produced locally, but are highly protected and expensive. Improved training policies would contribute to the strengthening of productive activities.

75. Until now, incomes in the rural sector have been protected from the harshness of the economic crisis by a system of price supports for major export commodities. However, this system is no longer sustainable in view of the negative effect on public sector resources, and official prices will have to be adjusted downwards next year. On the other hand, sectoral programs are being put in place to enhance the efficiency of cotton, cocoa, and coffee production and to cut processing and marketing costs. The foodcrop and livestock sectors will also benefit from better support services which will increase rural incomes.

76. The Government is extremely conscious of the effect that the decline in economic activity has already had on the poorer levels of the population and, for this reason, is both hesitant about proceeding too quickly with the envisaged liberalization of the economy and eager to put

in place mechanisms to assist the vulnerable groups mentioned above through the adjustment period. It is, therefore, in the process of drawing up an action program, to be supported by a proposed Bank financed SDA project (poverty alleviation and socio-economic participation) which is an advanced stage of preparation, to address these concerns.

77. The Government's SDA program is being elaborated by five working groups that deal respectively with population/health/social security, education/training, employment, the role of women in development, and the institutional framework including statistical measurement of social indicators. These working groups are developping action programs that involve all concerned parties, particularly non-government organizations, in a concerted effort to refocus and improve the social services currently available to the population. A particular emphasis will be placed on services aimed at primary health care, retraining of individuals who have lost their jobs, identification of labor intensive methods for carrying out public works and establishment of permanent household surveys to measure social conditions. Their work should generate important inputs and momentum into the development of human resource strategies.

PART III - ECONOMIC AND FINANCIAL IMPACT OF ADJUSTMENT

Medium-Term Prospects for Growth

78. Implementation of the Government's reform program is expected to arrest the three year decline in economic activity and restore the conditions necessary for a resumption of growth. The restructuring of the banking system and the settlement of government arrears to domestic suppliers, together with improved financial policies, should restore an acceptable level of liquidity to the economy and permit everyday transactions to occur on a normal basis. The restructuring of non-banking public enterprises will improve their efficiency, reduce the existing drain on public resources and increase their contribution to value added. The Government's program of administrative reform will improve control over personnel expenditures and enable the Government to stabilize its overall level of expenditure without further reductions that would jeopardize the economy's ability to respond to improved incentives and an improved financial environment. The program will also permit a restoration of key non-wage recurrent expenditures, as well as a minimum level of capital investment consistent with the growth potential of the economy.

79. In addition, the Government's program to liberalize trade and reduce administrative controls should result in a lowering of the cost structure throughout the economy. This will improve the incentive framework for the production of tradeable goods and the international competitiveness of the economy, thus enabling the economy to re-establish a growth path based on the exploitation and transformation of Cameroon's rich natural resource base.

80. With improved incentives and a resurgence of private investment, long-term growth of three percent per annum should be achievable, led by

the agriculture and manufacturing sectors. Non-oil GDP could grow by four percent per annum, while petroleum production is expected to decline by eight percent per annum.2/ Restoration of a positive overall rate of growth would be a significant accomplishment following the ten year cycle of boom and bust, induced by fluctuations in world commodity prices, that allowed many structural problems to imbed themselves in the economy.

81. The resumption of sustained growth will require a restoration of the domestic investment rate in both the private and public sector. The current level of 10 percent of GDP will have to rise to 14-15 percent of GDP by 1995 (compared with 19 percent of GDP over the past decade), implying a growth rate of 7 percent per annum over the next seven years. Since the Government will no longer have the resources to act as an engine of growth, private sector investment will have to grow faster than Government investment and regain to its pre-oil dominance of 80 percent of total investment in the economy. Import volumes will also have to increase for growth to occur, but given the planned changes in the incentive structure (i.e., a more uniform application of import duties and a lowering of domestic costs of production), it should be possible to reduce the relative import content of industry, investment and consumption over the next decade, and contain overall import growth to about one percent per annum.

82. The macroeconomic projections shown in Annex I and summarized below are conservative in that they do not include any new oil production and oil exports. Traditional agricultural exports of coffee and cocoa are expected to grow at 3 percent per annum or slightly faster than long-term world demand as a result of improved production efficiency, switching into production of arabica coffee, and aggressive seeking of market share in the specialized cocoa Cameroon produces. Other agricultural exports, including timber, and manufactured goods are expected to grow by 4-5 percent per annum starting in 1990, as a result of government policies to lower domestic costs through deregulation and to provide better export incentives. The growth in non-oil exports will, nevertheless, not be sufficient to compensate for the decline in oil exports over the next ten years, and the overall volume of exports of goods and non-factor services is projected to decline by 2.5 percent per annum through 1995. A positive overall growth in export volumes could occur towards the end of the next decade, however, once the negative effects of the decline in oil exports have worked themselves out of the picture.

2/ Without new oil discoveries, the decline in petroleum production over the next ten years will be equivalent to one percent of GDP per annum and result in a contraction of the sector's contribution to GDP from 17 percent today to 5 percent in the year 2000. Oil exports are expected to decline by 10 percent per annum, which would represent a cumulative loss in foreign exchange earnings of CFAF 325 billion in nominal terms between now and 1995, despite a projected increase in world petroleum prices.

Key Economic Indicators (Base Case)

Growth Rates (percent)	1987	1988	1989	1990	90-95	95-2000
GDP	-2.8	-8.6	-6.0	2.4	2.3	3.4
Domestic Income	-7.8	-10.0	-8.0	3.9	3.5	4.1
Exports	-7.3	-3.8	-1.0	-1.7	-2.6	-0.4
Imports	-9.8	-17.8	-18.0	2.3	0.3	2.0
Consumption	0.9	-10.8	-6.7	2.7	2.9	3.9
Investment	-18.8	-19.1	-29.7	12.4	6.5	4.5
Domestic Savings	-42.9	-4.7	-16.4	13.2	7.3	4.9
Other Indicators					(end of period)	
GDP per capita (1985 CFAF 000's)	393	348	318	316	305	313
Terms of Trade (1985=100)	53	50	47	49	58	68
Current Account (% of GDP)	-9.3	-6.8	-4.5	-4.7	-5.0	-4.3
Budget Surplus (% of GDP)	-12.6	-5.7	-1.5	-2.2	-0.4	0.1

83. Despite good growth in the non-oil economy, GDP per capita is expected to remain essentially constant over the next decade, as a result of population growth (2.9 percent per annum) and the decline of oil production. On the other hand, Cameroon's terms of trade are expected to improve gradually over the next decade, from its current level of one-half the 1985 index to about two-thirds the 1985 index by the year 2000. This would cause domestic income to grow more rapidly than GDP, by 0.7 percent per annum, and permit a one percent per annum increase in per capita consumption during the second half of the 1990s.

84. The Government's budgetary policy will contribute to the re-establishment of growth by maintaining a tight fiscal stance that avoids draining resources from the banking system and private investment. This implies limiting the budget deficit to a level slightly below expected disbursements of foreign financed investment projects, or about three percent of GDP during the next three years. Subsequently, the expected increase in non-oil tax revenue should be sufficient to attain basic budgetary equilibrium in the early 1990s. However, in addition to the structural deficit during the years of adjustment, the Government will have to mobilize considerable resources for the restructuring of public enterprises and banks over the next four to five years, which will increase the reliance on external borrowing. Budgetary policy will thus have to provide for a sharp increase in scheduled external debt service which has already risen from 10 percent of government revenues in 1985-87 to 27

percent this year and is expected to average 30 percent of Government revenues over the next five years. The Government's policy of administrative reform (to control and reduce wage expenditures) and revenue restructuring (to restore non-oil tax revenues to 14-15 percent of non-oil GDP) are thus key elements of the adjustment strategy.

External Capital Requirements

85. The combination of declining export volumes, import requirements needed for growth and sharply higher interest payments indicate that the current account will remain in deficit throughout the next decade. It is expected to average US$625 million per annum over the next five years, equivalent to 5 percent of GDP. Given the desirability of bringing net official reserves up to a positive level and meeting sizeable amortization payments, much of which is private non-guaranteed debt, gross capital requirements will average US$ 1150 million per annum. About one-fifth of this amount can be expected from private investors and creditors in view of large undisbursed balances from these sources. The balance, about US$ 950 million per annum, will need to come from official creditors. This will require a combination of continued project loans, quick disbursing assistance, on the order of US$ 250-300 million per annum over the four year period 1989/90 to 1992/93 and probably some debt relief. Some additional non-project assistance may be required for two to three years after this period, which indicates the long-term nature of Cameroon's financial difficulties. Rescheduling of bilateral debt with the Paris Club is expected to occur for the first time in May 1989; it would cover existing arrears as well as current maturities through the end of the existing IMF Stand-by program, i.e., March 1990. Additional reschedulings may be required during the following two years to finance the remaining gap through 1991/92 if sufficient fresh money cannot be mobilized.

Gross Capital Requirements 1988/89 - 1992/93

	1988/89	1989/90	1990/91	1991/92	1992/93
	(in million of US$)				
Current Account Deficit	452	559	655	686	625
Amortization Payments	472	462	439	412	395
Incr. in Reserves (incl.IMF)	-120	75	98	136	67
Reduction in Arrears	623	-	-	-	-
Total Requirements	1427	1096	1192	1234	1087
Resources					
Disbursements of medium and long-term loans	456	768	937	954	889
Multilateral	109	361	397	396	387
o/w IBRD	(73)	(193)	(211)	(202)	(195)
Bilateral	117	214	349	340	303
Private	229	191	191	218	199
Debt Relief	901	308	314	255	-
Other Capital (incl. GAP)	70	20	-59	25	198
Total Resources	1427	1096	1192	1234	1087

86. The likelihood of realizing the above capital flows is supported by the large amount of committed but undisbursed project loans (US$ 1.7 billion as of June 1988) which should be disbursed within the above period, even with a rephasing of the Government's investment program. Nevertheless, an increase in the amount of official commitments to Cameroon above the average rate of the past four years (i.e., from US$ 350 million per annum to US$ 450 million p.a.) will also be required. It is expected that multilateral institutions would finance a larger share (60 percent) of the non-project assistance, while bilateral donors will increase the concessionality of their assistance from the current average grant element of 18 percent to an average grant element of 35 percent (e.g., terms of 25 years maturity, 5 years grace and 5 percent interest). In total, multilateral institutions would finance about 30 percent of Cameroon's gross capital requirements and bilateral donors about 50 percent, one half in fresh money and one-half in debt relief.

87. In sum, Cameroon's macroeconomic prospects require a medium-term increase in indebtedness, in order to finance sufficient imports to stabilize production, increase investment and provide sufficient time for growth in non-oil exports to catch up with the decline in oil export earnings. The non-project borrowing contained in the above scenario would

provide sufficient resources for the Government to restore essential services, complete unfinished projects more quickly than otherwise, and finance a large share of the restructuring costs of public enterprises and banks. In later years, when the cost of public enterprise restructuring would be over and budget equilibrium restored, the Government should aim to continue borrowing on a moderate net basis from external sources, as a means of financing the country's import requirements, and use these resources to reduce its indebtedness to the central bank and to transfer resources to the private sector by accumulating balances in the domestic banking system, as was the case prior to the current crisis.

Creditworthiness and Risk

88. Cameroon's external debt ratios are rising quickly as a result of falling export values and the commitment of large loans on commercial terms during the past two years. Debt service on public and publicly guaranteed (PPG) debt has risen from 11 percent of exports three years ago to a projected 23 percent this year (1988/89) before rescheduling; it will be 9 percent after rescheduling. In the absence of debt rescheduling, the capital inflows discussed above would increase the PPG debt service ratio moderately from 23 percent today to 29 percent in 1995 and 30 percent by the year 2000. The need to reschedule debt service over the next three years will exacerbate this pattern, however, by pushing PPG debt service up to 37 percent of exports in 1995, and 34 percent by the end of the century. Total debt service, including non-guaranteed debt, repurchases from the IMF and unidentified GAP financing would similarly remain lower than otherwise during the years of rescheduling, then average about 45 percent of exports between 1995 and the year 2000. PPG debt outstanding and disbursed would rise from 30 percent of GDP this year to 49 percent in the mid-1990's, and then decline sligthly by the year 2000.

External Debt Service Ratios after Rescheduling
(percent)

	1986	1988	1989	1990	1991	1992	1995	2000
Debt Service / Exports								
Public & Publicly Guar.	11	18	9	14	17	22	37	34
Total, incl. Pvt, IMF & GAP	29	33	22	23	25	30	43	47
Debt Out. & Dsbd. / GDP								
PPG	19	19	30	37	43	48	49	45
Total	24	23	35	41	47	52	56	58

89. Under the adjustment scenario outlined above, gross capital flows from the IBRD would amount to US$ 935 million over 5 years. On a net basis, PPG debt would rise by US$ 3045 million during 1989/90 - 1993/94

after debt relief of US$ 1800 million. The Bank's net credit position would rise by US$ 680 million during this period or by 22 percent of the net capital flows. Multilateral debt outstanding and disbursed as a share of PPG DOD would rise from 27 percent in 1989 to 36 percent in 1994, as no net change in debt outstanding to commercial banks is assumed. The Bank/IDA share of PPG DOD would remain constant at 20 percent over the period; within this total, IBRD exposure would rise from 13 percent to 17 percent in 1994, while IDA's share of debt outstanding would decline from 7 percent to 3 percent. Debt service to the IBRD would remain at its current share of PPG debt service, about 19 percent, through 1994 and rise to 21 percent by year 2000. Debt service to the IBRD as a share of exports would rise from 5 percent to 7 percent by the end of the century.

90. While the Bank's exposure would rise over the period, PPG debt service would decline after 1995 as the effects of rescheduling work themselves through the system. For countries in the CFA zone, the key indicator is external debt service as a share of fiscal revenues. This is currently 27 percent and is expected to average 30 percent of revenues over much of the next decade. While this level is high, the public finance scenario envisages a sustained reduction in domestic debt throughout the next decade, as well as real increases in capital expenditures and recurrent services. There would thus be a margin to reduce other budget items to deal with an unforeseen revenue shortfall before endangering the service of external debt.

91. The risks in this scenario stem from a slower implementation of the Government's reform program than expected, or from adjustment measures that are not strong enough to elicit the envisaged increase in private investment and non-oil exports. Slippage in the reform program would be recognized by the international community and result in lower levels of quick disbursing assistance needed to finance restructuring of the banking sector and public enterprise reform. With less external SAL-type assistance at its disposal, the Government would most likely heed its instinct to balance the budget through further cuts in expenditure, as it demonstrated in 1986/87 prior to discussing a stabilization program with the IMF, which would continue the momentum of the current recession. These factors would lower overall growth by one to two percent per annum over the next decade, compared with the base case, and lead to a further decline of about 15 percent in per capita consumption and income levels by the year 2000.

92. Export revenues would also be lower, less diversified and more vulnerable to external shock. But the current account deficit would not necessarily increase, in view of continued budget austerity and the monetary discipline of the Franc Zone that strictly controls credit and borrowing by the Government from the central bank. Reserves would become increasingly negative, however, implying further drawings on the Operations Account, and debt rescheduling would be required for more years than in the base case scenario. Less debt would be outstanding, but it would be about five percentage points higher as a percent of GDP than in the base case, as would PPG debt service as a percent of exports. Debt service to the IBRD

would be lower in absolute terms, due to lower non-project disbursements, but remain about the same as a percentage of exports and total PPG debt service. Risk to the Bank would nevertheless be higher to the extent that the country grows poorer.

93. There is an upside potential to be considered in the risk analysis, however. This involves the discovery of new oil fields following an improvement in exploration incentives. A modest assumption of finding new oil reserves equivalent to 30 percent of the original fields currently under production would accelerate GDP growth by one percent per annum and export growth by five percent per annum in the second half of the 1990s. This would result in a level of GDP per capita 9 percent higher than in the base case by the year 2000. Oil production would represent 13 percent of total GDP, instead of falling to 5 percent as in the base case. Initially, the current account deficit would be slightly higher as a result of investment in oil production, but this would be fully financed by private sources, and in the second half of the decade, the average current account deficit would be only two percent of GDP instead of four percent. Lower borrowing requirements and higher government revenues, which would increase sharply starting in 1997, could reduce PPG debt outstanding by six percentage points by the year 2000. The PPG debt service ratio could then be much lower, 24 percent of exports versus 34 percent in the base case. Finally, the increase in government revenues, if unspent, could yield budget surpluses of two-three percent of GDP by the year 2000. The Government would then be in a position to reduce its external debt in absolute terms during the early part of the next century.

PART IV - THE PROPOSED LOAN

A. Loan History

94. The proposed loan was first discussed with the Government by high-level Bank missions that visited Cameroon in August 1987 and March 1988. The Government subsequently prepared an initial draft of its Declaration of Development Strategy that was discussed by a Bank appraisal mission in July 1988. Two subsequent missions visited Cameroon in November 1988 and February/March 1989. Negotiations were held in Washington, D.C. in May 1989; the Cameroonian delegation was headed by H.E. Mme Elisabeth Tankeu, Minister of Plan and Regional Development. Supplementary loan data are provided in Annex III.

B. Loan Amount and Co-financing

95. The proposed loan would support an initial 18-24 month phase of the Government's adjustment program. It would help finance the imports needed for economic recovery and growth and would be equivalent to 7 percent of Cameroon's external capital requirements over the period July 1989 to June 1991. The domestic currency generated by the loan would support the Government's overall budget and, in particular, support an

increase in key recurrent expenditures and the financial restructuring of the public enterprise and banking sectors. The proposed loan of US$ 150 million equivalent would be disbursed in three tranches of US$ 50 million each, subsequent to satisfactory progress with implementation of the program and of the specific actions described below.

96. The African Development Bank has participated in the three technical missions to appraise and discuss this loan, and it is expected that the AfDB would co-finance the proposed operation with a loan of approximately UA 100 million equivalent to US$ 125 million. This loan would be on standard AfDB terms and would be disbursed in accordance with AfDB procurement and disbursement procedures.

97. The Export-Import Bank of Japan has expressed strong interest in co-financing this operation with the Bank serving as administrator in an amount to be determined following an upcoming evaluation mission. In addition, other multilateral and bilateral donors have expressed interest in providing non-project assistance to support the Government's adjustment program. At this time, resources totalling US$ 150 million have been identified. This includes US$ 100 million of non-project assistance already committed by France and expected to be disbursed during the same period as this operation. Other potential sources of non-project assistance include the European Community (STABEX funds), Canada and Germany.

C. Monitorable Actions

Items for Negotiations

98. During negotiations it was agreed that prior to loan effectiveness the Government would undertake the following:

(a) Import licence requirements for goods which are not subject to quantitative import restrictions will be eliminated;

(b) Quantitative import restrictions for a first group of goods will be removed;

(c) Price controls ("homologation préalable") will be eliminated for most except for a limited number of basic goods and services and a few goods remaining subject to quantitative import restrictions; and

(d) The system for setting commercial margins for goods and services which are no longer subject to quantitative import restrictions or price controls will be removed.

99. Disbursement of the second tranche of US$50 million equivalent, to be disbursed not earlier than March 31, 1990, is dependent on satisfactory progress in carrying out the Structural Adjustment Program

and in particular on the following measures being taken in a manner satisfactory to the Bank:

(a) The Borrower has adopted its "Loi des Finances" 1989/1990 reflecting the public investment program, the levels of non-wage recurrent expenditures for the health, education and agriculture sectors and for road maintenance, and the levels of resources allocated to the restructuring of the banking and public enterprise sectors, as determined in agreement with the Bank.

(b) Progress has been achieved in the establishment and functioning of a system to program and monitor the rolling four-year public investment program.

(c) Progress has been achieved on measures to reform the public enterprise sector, including: (i) the signature of performance contracts between the Government and key public enterprises, namely SODECAO, HEVECAM, ONCPB, SONEL, SNEC, SOCAPALM and Office Céréalier; and (ii) the completion of negotiations of performance contracts between the Borrower and the following public enterprises: CAMAIR, REGIFERCAM, and SODECOTON.

(d) Action plans have been adopted to liquidate CAMBANK, BCD and FONADER and to restructure key commercial banks, including SCB.

(e) For the primary export crops, (i) floor producer prices for coffee, cotton and cocoa and price schedules ("barèmes") for coffee and cocoa, for the crop season 1989-1990, have been published at a level consistent with minimizing the risk of requiring State support; and (ii) a system for sharing residual marketing surpluses (export receipts, less producer prices and marketing margins) has been established.

(f) Progress has been achieved in the implementation of measures to liberalize trade and prices and to improve the incentive framework for production and export, including: (i) the removal of quantitative import restrictions (together with import license requirements) for a second group of goods; (ii) the elimination of price controls ("homologation préalable") and of the system for setting commercial margins for a second group of goods; (iii) the revision of Law No. 80/25 portant orientation de l'activité commerciale permitting free access to trade at all stages of distribution and eliminating monopoly privileges; (iv) the promulgation of a revised Investment Code; and (v) the completion of a study on export incentives.

(g) The Borrower has taken all steps within its power, both in internally and externally, to provide adequate funding for the execution of the Program.

100. <u>Disbursement of the third tranche</u> of US$50 million equivalent, not earlier than December 31, 1990, would be dependent on continued satisfactory progress in carrying out the Structural Adjustment Program and in particular on the following measures being taken in a manner satisfactory to the Bank:

(a) The Borrower has adopted its "<u>Loi de Finances</u>" 1990/1991 reflecting the public investment program, the levels of non-wage recurrent expenditures for the health, education and agriculture sectors and for road maintenance, and the levels of resources allocated to the restructuring of the banking and public enterprise sectors, as determined in agreement with the Bank.

(b) For the civil service: (i) the system of personnel benefits and allowances (family, housing and travel allowances) has been revised; (ii) decisions have been taken on organizational and personnel structure plans for the ministries responsible for finance, planning, civil service and industry and commerce; and (iii) studies on organizational and personnel structure plans for three other ministries have started.

(c) Further progress has been achieved on measures to reform the public enterprise sector, including the signature of performance contracts between the Government and selected public enterprises, i.e., CAMAIR, MAETUR, MAGZI, REGIFERCAM, SODECOTON, CDC, SOTUC, CRTZ and MIDENO, and action plans for other public enterprises determined in agreement with the Bank have been prepared.

(d) Progress has been achieved in the restructuring of the banking sector, including: (i) the implementation of the action plans to liquidate CAMBANK, BCD and FONADER and to restructure SCB; (ii) the adoption of an action plan to restructure SNI; and (iii) the adoption of an action plan to restructure or liquidate BPPBC.

(e) The role of the National Produce Marketing Board has been redefined in order to permit the private sector to assume progressively responsibilities for internal and external marketing of export crops.

(f) The forestry tax regime has been modified and a revised Forestry Code has been promulgated to promote rational exploitation and long-term conservation of forestry resources.

(g) Further progress has been achieved in the implementation of measures to liberalize trade and prices and improve the incentive framework for production and export, including: (i) the removal of remaining quantitative import restrictions (together with import license requirements), except for a limited number of strategic goods to be determined in agreement with the Bank, following the results of a complementary study on said goods, for a third group of goods; (ii) the eliminations of price controls ("homologation préalable") and of the system for setting commercial margins for a third group of goods; and (iii) the promulgation of a revised labor Code reducing regulatory constraints resulting in labor maket rigidity.

(h) The Borrower has taken all steps within its powers, both internally and externally, to provide adequate funding for the execution of the Program.

D. Program Management and Monitoring

101. The Interministerial Committee established by the President to prepare and execute the structural adjustment program in collaboration with the international financial institutions, notably the IMF, the Bank and the African Development Bank will:

- supervise the formulation and execution of the Government's economic policy and sectoral objectives;
- coordinate the respective interventions of the various government departments; and
- ensure the follow up of the relevant action plans drawn up by the Government.

The Interministerial Committee is chaired by the Secretary General of the Presidency and includes the Ministers of Finance, Plan, Industrial Development and Commerce, Agriculture, Civil Service and the National Director of BEAC. It will meet whenever necessary but no less than once every three months.

102. To assist the Interministerial Committee, the President also established a technical committee responsible for finishing preparation of the Declaration of Development Strategy and for monitoring implementation of the adjustment program. The committee is headed by a full time senior civil servant and includes high level, competent officials from key ministries, most of whom already were part of the working committee referred to above. The committee has proven extremely cooperative and effective during the final appraisal and is considered an appropriate instrument for the monitoring of the adjustment program. To further enhance its role, the proposed economic management project will provide logistical support.

103. Following the disbursement of each tranche of the proposed loan, the Committee will submit to the Bank a report evaluating progress made in implementation. This report will serve as a basis for the release of the next tranche. The Committee will submit to the Bank a final report on the program's implementation upon full disbursement of the loan.

E. Procurement, Disbursement and Auditing

104. Both private and public sector imports would be eligible for financing and subject to simplified ICB procedures for amounts exceeding US$ 5.0 million equivalent. For lesser amounts, (i) imports by private entities would follow normal commercial practices; wherever possible bids would be obtained from at least two countries eligible under Bank guidelines; (ii) imports by the public sector would be in accordance with normal Government procedures which will be improved as part of the structural adjustment program and bids would be obtained from at least three suppliers. Imports would be verified by inspection agencies as part of the Government's efforts to improve customs collections.

105. The loan will reimburse the foreign exchange cost of eligible imports (excluding luxury goods and defense items). Disbursement would be facilitated by the establishment of a US$ 20 million equivalent Special Account in the central bank (BEAC). Bank financing of imports of foodstuffs will be limited to an aggregate amount equivalent to no more than US$ 30 million. The Ministry of Finance will be responsible for collecting the supporting documentation (copies of the invoices and evidence of shipment and of payment) and for preparing withdrawal applications. Disbursements would be against Statement of Expenditures (SOEs) for eligible contracts valued at US$ 5.0 million, or less. The supporting documentation for these would be retained by the Ministry of Finance and would be made available to Bank staff during supervision and audited annually by independent auditors. The nature and origin of the goods as well as the payment date would be indicated on the SOEs. Expenditures for goods procured under invoices for US$ 20,000 equivalent or less would not be eligible for financing out of the loan proceeds. All other disbursements would be made against full documentation submitted to the Bank. The minimum withdrawal application size would be US$1 million equivalent. In order to enable the Government meet urgent foreign exchange needs, the Bank would disburse up to 10 percent of the loan for eligible imports which were paid for and entered the country after March 31, 1989. An audit report, comforming to internationally accepted standards and prepared by auditors aprpoved by the Bank, will be submitted within six months after the close of each fiscal year.

PART IV - BANK GROUP OPERATIONS AND STRATEGY

Past Assistance Strategy

106. Bank and IDA commitments to Cameroon as of March 31, 1989 amounted to US$ 1,282 million equivalent, of which, US$ 494 million remained undisbursed, and covered 52 projects: 25 in agriculture, 15 in transportation, four in education, three in public utilities, one small-medium scale enterprise project, two technical assistance projects and two urban projects. Transport and agriculture account respectively for about 50 percent and 38 percent of these commitments. IFC had invested in 11 enterprises, with total net loan/equity commitments of US$ 20.6 million.

107. Until 1975, the Bank's investment strategy in Cameroon was to support the Government's development efforts in three main directions: (a) strengthening and extending the road and rail trunk systems and improving the port of Douala; (b) raising agricultural output and exports; and (c) improving education. Since 1975, however Bank lending has diversified into forestry, small- and medium-scale industry, urban development, telecommunications and a technical assistance project. In the past year, the Bank has accommodated the country's difficult financial situation by restructuring ongoing projects to cut out lower priority expenditures and reduce the burden on the Government's budget. The main objective, however, has been to help redefine sectoral priorities in light of the current financial situation, and pursue a goal of comprehensive economic reform. Discussions leading to the proposed SAL greatly contributed in reaching basic understandings on a new course of action.

108. During past years, project implementation has been exceptionally slow due to delays in project processing and cumbersome procurement procedures. Fragmentation of responsibilities, lack of coordination among various ministries/agencies, and bottlenecks in the central procurement agency have caused these delays. These problems have worsened as a result of the country's financial problems, the Government's lack of counterpart funds, and cost overruns caused by appreciation of the CFAF vis-a-vis the US dollar. In recent months, however, a noticeable speed-up in awarding contracts has occured, as a result of the Government's reorganization of procurement responsibilities. Improved procedures are expected as part of the adjustment program.

<u>Lending Program</u>

109. The centerpiece of Bank assistance to Cameroon over the next few years should be structural and sectoral adjustment lending in support of the Government's policy reforms, providing fast disbursing resources to meet the economy's balance of payments financing needs. This would be complimented with selected investment projects to support economic growth. The adjustment being pursued by Cameroon will necessarily take a number of years to accomplish. Accordingly, the first SAL, described in this report, is likely to be followed by others that will assist the Government to consolidate and build on the achievements of the first phase. The design and implementation of action programs for the policy reforms would be assisted through a proposed Economic Management Project which is being processed in parallel with the SAL. Also, to respond to the legitimate concerns of the Government as to the social impact that a number of the reform measures included under the adjustment program will necessarily have upon certain segments of the population, a proposed poverty alleviation and participation project is currently being prepared.

110. In agriculture, the Bank lending strategy would support the Government's objectives in assuring food security for a growing population, and increasing export revenues. The proposed lending program would deepen the policy dialogue initiated under the SAL program and finance investments

that would enhance the impact of the policy reforms. This includes a recently approved livestock project to increase meat and milk production by strengthening the role of the private sector in the provision of services and improving the reduced role of the Government in the subsector. A national extension and training project and a food security project would enhance the role of smallholders in food production and marketing and target assistance to disadvantaged groups, including women, to raise incomes and improve their accessibility to food. A forestry environment project would address the management and rational exploitation of Cameroon's rich forestry resources, as well as conservation of the ecosystem. An export promotion and diversification project would increase traditional exports and diversify the export base through policy, investment and institutional measures for increasing production and promoting new products in new markets.

111. In transportation, priority must be given to improving the efficiency of parastatals and to the maintenance of existing infrastructure. New investments would be fully integrated with development of the productive sectors such as forestry or agriculture. The lending program includes a feeder roads project designed to ease the transport constraint on production and marketing in the rural areas; and hybrid sector project combining financial restructuration of transport parastatals, sector policy improvements and a program of sector wide expenditures for maintenance and rehabilitation of infrastructure as well as selective capacity investments.

112. In the urban sector, the strategy aims to improve delivery or urban services and transfer responsibility from central government to municipalities and from the public to the private sector. This strategy relies on a three-pronged approach of improving resource mobilization, strengthening urban institutions and upgrading key infrastructure to support the development of economic activities and improve the living and working environment, in particular, in the poorest areas of cities. A Second Urban Project was recently approved and a third is programmed in a few years.

113. The Bank is encouraging the Government to formulate pertinent and sustainable strategies in the human resources sector (education/training and health) which could be supported by sector reform operations.

PART VI - COLLABORATION WITH IMF AND OTHER DONORS

Relations with the IMF

114. The structural adjustment program has been developed in close collaboration with the IMF and is consistent with continued implementation of the existing Stand-by arrangement. The need to restore non-wage recurrent expenditures in key sectors, maintain a minimum level of government capital expenditures and provide in the budget for the restructuring of the banking and public enterprise sectors has been

discussed with the Fund staff, and there is agreement in principle that allowance for these features of the adjustment program will be incorporated in future performance cirteria. Both institutions are keenly interested in the reestablishment of a viable banking sector, and both see the need for a significant increase in non-oil tax revenue over the medium-term.

Aid Coordination

115. Given Cameroon's fairly comfortable economic and financial position through 1985, concessionary aid flows have been negligible. On the other hand, it had ready access to borrowing from commercial, bilateral and multilateral sources. With the onset of the 1986 crisis, however, a number of bilateral donors have agreed to soften substantially their lending terms, in certain instances even extending IDA type conditions. Much of the aid Cameroon has received to date was obtained on an ad hoc basis and very little donor coordination took place. With the decision to embark on a structural adjustment program, which entails a detailed review of the public investment program and an assessment of ongoing and future aid flows, the Government has become aware of a greater need for aid coordination. The Government is thus considering the possibility of holding a donors' meeting, either locally or as a Consultative Group, for the purpose of coordinating future aid to ensure its use for high priority projects and presenting a case for increasing the level of concessionality in official lending to Cameroon. It is also looking towards the Bank to approach additional donors, other than the African Development Bank, to support the adjustment program. Indications are that Japan, Canada and possibly the European Community and Germany will participate in this or future SALs. The Bank has actively associated these donors as well as France, which has already approved structural adjustment type financing to Cameroon, with the preparation of the ongoing reform program. Now that the Government has finalized its Declaration of Development Strategy, it plans to present this document to the donor community as the basis for mobilizing additional resources.

PART VII - RECOMMENDATION

116. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank and I recommend that the Executive Directors approve the proposed loan

Barber B. Conable
President

by Moeen A. Qureshi

May 16, 1989
Washington, D.C.

18-May-89
NATIONAL ACCOUNTS

1987 Per Capita GNP in US$: 985
Mid-1987 Population (Mill): 10.9

Annee Fiscale 1985 = 1984/1985

A. National Accounts Indicators

	Shares of GDP (%) Curr.Prices				Shares of Gross Domestic Product (GDP) in Constant 1985 Prices						
	1965	1973	1980	1985	1986	1987	1988	1989	1990	1995	2000
Gross Domestic Product m.p.	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Net Indirect Taxes				3.0	3.5	4.6	4.4	4.2	4.9	6.4	6.7
Agriculture	32.7	30.8	27.9	21.4	21.2	22.5	24.8	26.9	27.1	29.4	31.1
Industry	20.3	18.6	25.9	40.6	38.0	36.5	36.0	33.9	33.1	28.6	27.1
(of which Manufacturing)	9.5	10.2	7.9	14.7	14.2	13.9	13.9	12.6	12.8	14.6	16.6
(of which Oil)	..	..	8.2	18.7	17.0	16.9	17.1	17.5	16.2	9.0	5.1
Services	47.0	50.6	46.3	35.0	37.4	36.3	34.8	35.0	34.9	35.4	35.0
Resource Balance	24.9	3.3	3.1	-10.6	-7.5	-7.6	-11.2	-15.1	-13.9	-8.5	-5.4
Exports of GNFS	23.8	20.7	24.1	33.0	29.6	28.2	29.7	31.3	30.0	23.2	19.3
Imports of GNFS	24.3	24.0	27.2	22.4	22.2	20.6	18.5	16.2	16.1	14.7	13.9
Total Expenditures	100.5	103.3	103.1	89.4	92.5	92.4	88.8	84.9	86.1	91.5	94.6
Total Consumption	88.0	83.4	84.3	69.8	74.2	77.3	75.2	74.7	75.0	77.4	79.7
Private Consumption	74.9	71.8	75.5	57.8	62.2	63.1	64.0	63.9	64.3	66.7	68.8
Central Government	13.0	11.6	8.7	12.1	12.0	14.0	11.3	10.8	10.6	10.7	10.9
Gross Domestic Investment	12.5	19.9	18.9	19.5	18.3	15.3	13.6	10.2	11.2	14.1	14.9
Private (incl. Pub.Entr.)	..	..	..	12.1	11.1	8.8	10.0	7.9	8.9	11.2	12.
Central Government	..	..	..	7.5	7.2	6.5	3.5	2.2	2.2	2.9	2.8
Capacity to Import	..	..	..	32.9	22.3	16.1	16.3	16.1	16.1	14.9	14.4
Terms of Trade Adjustment	..	..	..	-0.1	-7.3	-12.1	-13.4	-15.2	-13.9	-8.3	-4.9
Gross Domestic Income	..	..	..	99.9	92.7	87.9	86.6	84.8	86.1	91.7	95.1
Gross National Income	..	..	..	93.6	87.8	84.4	83.2	82.8	83.3	88.0	91.6
Gross National Product	..	..	..	93.9	95.1	96.5	96.7	98.0	97.2	96.3	96.8
Gross Domestic Saving	12.0	16.6	15.7	30.2	18.5	10.9	11.3	10.1	11.2	14.3	15.4
Net Factor Income	-6.7	-7.8	-9.0	-6.4	-4.9	-3.5	-3.3	-2.0	-2.6	-3.7	-3.2
Net Current Transfers	0.0	-1.3	-1.4	-0.4	-0.5	-0.9	-1.1	-0.6	-0.6	-0.5	-0.5
Gross National Saving	5.8	7.5	5.4	23.4	13.1	6.4	6.9	7.5	7.7	10.1	11.6

B. National Accounts Growth Rates (%) at 1985 Constant Prices:

	Actual			Preliminary			Projections			
	1965-73	1973-80	1980-85	1986	1987	1988	1989	1990	1990-95	95-2000
Gross Domestic Product m.p.	2.3	9.3	7.4	9.2	-2.8	-6.6	-6.0	2.4	2.3	3.4
Net Indirect Taxes				24.7	29.0	-13.1	-9.6	18.5	7.6	4.3
Agriculture	4.6	5.0	1.9	8.1	3.4	0.5	2.0	3.0	3.9	4.6
Industry	4.4	16.7	15.8	3.3	-6.5	-9.9	-11.7	0.2	-0.4	2.1
(of which Manufacturing)	6.4	6.2	13.2	5.7	-4.7	-6.9	-15.0	4.0	5.0	6.0
(of which Oil)	..	..	24.8	1.8	-3.1	-7.6	-3.7	-5.2	-8.5	-8.0
Services	0.2	9.2	4.6	16.6	-5.4	-12.5	-5.5	2.0	2.5	3.2
Exports of GNFS	3.7	10.6	16.0	-2.1	-7.5	-3.8	-1.0	-1.7	-2.6	-0.4
Imports of GNFS	3.5	8.2	3.9	6.1	-9.8	-17.8	-17.9	2.3	0.8	2.0
Total Expenditures	2.3	8.7	4.0	13.0	-3.0	-12.2	-10.2	3.9	3.4	4.0
Total Consumption	1.5	8.2	3.3	16.0	0.9	-10.8	-6.7	2.7	2.9	4.0
Private Consumption	1.0	8.6	2.7	17.5	-1.4	-7.3	-6.1	3.0	3.1	4.0
Central Government	5.2	4.6	7.7	8.8	12.9	-26.4	-9.8	0.9	1.7	3.8
Gross Domestic Investment	8.6	11.5	7.1	2.4	-18.8	-19.1	-29.7	12.4	6.5	4.5
Private (incl. Pub. Entr.)	..	..	..	0.3	-22.7	4.1	-26.6	15.1	7.0	5.0
Central Government	..	..	..	5.8	-12.7	-50.5	-40.6	3.0	4.8	2.3
Gross Domestic Income	1.9	8.8	7.9	1.3	-7.8	-10.0	-8.0	3.9	3.5	4.1
Gross National Income	1.6	6.6	6.7	2.1	-6.5	-9.9	-6.5	2.9	3.3	4.2
Gross National Product	2.0	9.2	6.1	10.5	-1.3	-6.5	-4.7	1.5	2.1	3.5
Gross Domestic Saving	5.5	13.2	24.1	-32.8	-42.9	-4.7	-16.4	13.2	7.3	4.9
Net Factor Income	7.2	9.7	-0.4	-10.7	-30.4	-12.6	-39.6	47.8	-13.8	-5.5
Net Current Transfers	..	..	1.3	14.6	74.4	7.5	-47.0	6.5	-1.7	-10.7
Gross National Saving	-1.8	19.0	24.1	-39.8	-52.0	-1.9	2.0	5.4	7.2	6.4

CAMEROON - NATIONAL ACCOUNTS (continued)

16-May-89

Annee Fiscale 1985 = 1984/1985

C. Price Indices (1985=100):	1980	1985	1986	1987	1988	1990	1995	2000	1965-73	1973-80	1980-87	1990-95	95-2000
	Actual		Preliminary			Projections			Growth Rates (% p.a)				
Consumer Prices (1985=100)	59.3	100.0	112.4	125.0	121.2	123.0	120.2	149.6	7.5	11.6	8.2	-0.4	4.4
Implicit GDP Deflator(1985=100)	57.6	100.0	95.6	94.9	97.9	98.2	102.2	121.0	7.4	10.3	7.3	0.8	3.4
Implicit Expend. Deflator	59.4	100.0	102.7	104.8					7.7	10.9	8.5		
Deflators for Sector VA:													
Agricultural Sector	57.9	100.0	100.3	100.5					4.2	13.2	8.2		
Industrial Sector	53.2	100.0	86.3	77.8					4.1	8.3	5.6		
Services Sector	62.9	100.0	105.2	109.4					10.7	9.0	8.2		

D. Other Indicators (% p.a.)	1965-73	1973-80	1980-85	1985-90	1990-95	95-2000
Non Oil GDP				-2.5	3.0	4.3
Population			2.9	2.9	2.9	2.9
Labor Force				4.0	4.0	4.0
Gross Dom. Income p.c.				-3.3	0.6	1.1
Private Consumption p.c.				-3.6	0.2	1.0
Import Elasticity:						
Imports (G+NFS)/GDP(mp)	1.50	0.67	0.53	3.60	0.13	0.61
Marginal Savings Rates:						
Gross National Savings	-0.04	0.09	0.60	1.01	0.24	0.18
Gross Domestic Savings	0.33	0.22	0.68	5.97	0.47	0.21
ICOR (period averages)	5.5	1.6	2.7	-11.6	5.7	4.2
Non Oil ICOR				-21.3	5.7	3.6

Share of Total Labor Force in:	1965	1973	1980	1985
Agriculture				79.3
Industry				6.7
Services				14.0
Total				100.0

E. National Accounts (billions of CFA at 1985 Prices):	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	2000
	Actual		Preliminary			Projections							
Gross Domestic Product m.p.	2710	3992	4388	4237	3871	3637	3723	3766	3829	3927	4053	4182	4906
Net Indirect Taxes	145	121	151	195	169	153	181	205	220	240	253	266	331
Agriculture	754	854	923	954	950	978	1006	1038	1080	1125	1171	1210	1526
Industry	764	1803	1656	1548	1395	1232	1234	1190	1166	1170	1190	1197	1331
(of which Manufacturing)	221	586	620	590	538	457	475	490	524	550	578	607	812
(of which Oil)	..	727	740	717	662	636	604	513	456	431	414	373	248
Services	1046	1396	1628	1540	1347	1274	1300	1333	1363	1392	1430	1469	1718
Resource Balance	-5	-424	-325	-323	-433	-550	-517	-422	-378	-378	-363	-352	-267
Exports of GNFS	624	1318	1291	1194	1149	1137	1118	1038	991	983	985	962	949
Imports of GNFS	629	894	966	871	716	588	601	613	612	605	622	610	681
Total Expenditures	2724	3568	4033	3914	3438	3067	3206	3344	3450	3549	3690	3800	4639
Total Consumption	2227	2787	3234	3265	2912	2718	2791	2865	2950	3039	3133	3213	3909
Private Consumption	1991	2306	2710	2673	2477	2325	2395	2441	2529	2627	2703	2770	3374
Central Government	236	482	524	592	435	393	396	424	422	412	430	443	535
Gross Domestic Investment	497	780	799	649	525	370	415	479	500	509	557	586	730
Private (incl. Pub. Entr.)	..	482	484	374	389	289	332	355	380	406	435	465	594
Central Government	..	298	316	275	136	81	84	124	120	103	122	121	136
Capacity to Import	556	1315	974	683	630	585	601	600	605	622	633	619	706
Terms of Trade Adjustment	-67	-3	-317	-512	-519	-552	-516	-435	-385	-361	-352	-343	-243
Gross Domestic Income	2643	3989	4041	3725	3351	3084	3206	3331	3443	3566	3701	3809	4663
Gross National Income	2405	3746	3826	3577	3222	3012	3101	3211	3307	3404	3540	3654	4504
Gross National Product	2472	3749	4143	4089	3742	3584	3617	3646	3692	3765	3892	3996	4747
Gross Domestic Saving	416	1201	807	461	439	367	415	466	493	526	568	595	754
Net Factor Income	-259	-243	-215	-148	-129	-73	-108	-120	-137	-162	-161	-155	-159
Net Current Transfers	-19	-20	-23	-39	-42	-21	-22	-23	-23	-21	-22	-21	-26
Gross National Saving	150	939	569	273	268	273	288	323	334	343	385	419	569
Memorandum Items :													
GDP (billions of current CFA)	1569	3992	4166	4022	3788	3560	3656	3667	3746	3854	4054	4242	5935
GDP p.c. Constant (thousands CFA)		392	415	393	346	318	316	311	307	306	307	305	313

CAMEROON - EXTERNAL TRADE

Annee Fiscale 1985 = 1984/1985

A. Volume, Value and Prices	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	2000
	Actual		Preliminary			Projections							
Merchandise Exports	Volume Index 1985 =100												
Coffee	107	100	108	86	101	104	106	109	112	115	118	122	141
Cocoa	68	100	89	109	108	111	113	116	119	123	126	130	151
Oth. Agric.	..	100	94	84	88	89	92	96	100	106	109	115	146
Oil	27	100	100	99	90	86	81	67	58	54	52	45	24
Manufactures	..	100	123	130	135	141	146	152	158	164	171	178	216
Aluminium	..	100	88	58	58	57	59	61	65	68	73	77	103
Total Merch. Exports FOB	..	100	100	98	94	92	90	82	78	77	78	73	69
Merchandise Exports	Value-Current Prices (billion CFA)												
Coffee	87	110	112	84	58	65	70	73	77	81	86	90	133
Cocoa	74	107	98	88	55	56	58	62	68	71	75	80	126
Oth. Agric	..	69	70	58	63	67	73	80	87	95	104	114	180
Oil	106	722	419	255	234	205	213	190	177	177	181	169	151
Manufactures	32	59	48	42	45	50	53	54	57	61	66	73	110
Aluminium	..	34	26	18	23	25	23	23	25	29	33	37	61
Total Merch. Exports FOB	378	1101	772	545	470	468	490	482	490	514	544	563	761
Merchandise Imports	Volume Index 1985 = 100												
Food	73	100	162	219	211	165	160	158	140	143	137	132	104
POL and Other Energy	4000	100	187	226	127	119	122	124	126	129	134	138	160
Other Imports		100	109	104	80	68	68	71	71	72	75	76	86
Other Consumer Goods	88	100	121	122	103	81	82	82	82	83	83	84	87
Intermediate Goods	..	100	116	113	82	74	74	72	71	71	73	73	79
Capital Goods	84	100	96	85	69	51	56	64	67	68	73	77	94
Total Merch. Imports FOB	..	100	114	114	92	75	77	78	78	78	80	79	88
Merchandise Imports	Value-Current Prices (billion CFA)												
Food	23	43	56	59	50	41	40	40	39	38	37	37	34
POL and Other Energy	54	4	4	3	2	1	2	2	2	2	2	3	5
Other Imports	350	465	512	491	381	337	354	362	369	381	418	446	628
Other Consumer Goods	47	70	86	87	74	62	64	64	65	67	70	74	96
Intermediate Goods	191	215	251	248	180	174	178	171	170	175	187	197	267
Capital Goods	112	180	175	156.	127	100	113	127	134	139	158	175	265
Total Merch. Imports FOB	427	513	571	553	433	379	396	403	410	421	454	485	667
Country Indices	Price Indices 1985 = 100												
Merchandise Exports		100	70	50	46	46	49	53	57	61	65	70	101
Merchandise Imports		100	98	94	92	99	101	101	102	105	110	120	148
Merch. Terms of Trade		100	72	53	50	47	46	53	56	58	59	58	68

	B. Share of Total X or M (%) at current prices							C. Growth Rates (%) at constant prices					
	Actual				Projections			Actual			Projections		
	1965	1973	1980	1985	1990	1995	2000	1965-73	1973-80	1980-85	1985-90	1990-95	95-2000
Merchandise Exports													
Coffee	..	..	23.0	10.0	15.7	16.0	17.5				1.3	2.8	3.0
Cocoa	..	..	19.6	9.7	13.6	14.3	16.5				3.7	2.8	3.0
Oth. Agric	..	..	..	6.3	19.1	20.2	23.7				0.9	4.9	5.5
Oil	..	..	28.1	65.6	33.2	30.0	19.8				-4.5	-10.3	-12.5
Manufactures	..	..	8.4	5.4	12.2	12.9	14.5				6.9	4.0	4.0
Aluminium	..	..	..	3.1	6.0	6.6	8.1				-10.4	5.6	6.0
Total Merch. Exports FOB	..	..		100.0	100.0	100.0	100.0				-2.2	-3.6	-1.6
Merchandise Imports													
Food	..	..	5.5	8.5	8.2	7.5	5.1				7.1	-3.9	-4.6
POL & Other Energy	..	..	12.6	0.7	0.5	0.5	0.8				-2.6	2.5	3.0
Other Imports	..	..	81.9	90.8	91.3	91.9	94.2				-9.9	2.0	2.5
Other Consumer Goods	..	..	10.9	13.7	15.5	15.4	14.5				-6.6	0.6	0.8
Intermediate Goods	...	..	44.7	41.9	41.1	40.6	40.0				-8.6	-0.3	1.7
Capital Goods	..	..	26.3	35.1	28.4	36.0	39.7				-13.3	5.8	4.0
Total Merch. Imports CIF				100.0	100.0	100.0	100.0				-7.7	0.6	2.0

16-May-89 02:28 PM

CAMEROON - BALANCE OF PAYMENTS

(US$ millions at Current Prices)
Anee Fiscale 1985 = 1984/1985

	Actual		Preliminary			Projections							
	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	2000
A. Exports of Goods & NFS	1808	2787	2494	2073	2043	1943	2057	2042	2094	2206	2253	2475	3487
1. Merchandise (FOB)	1419	2337	1997	1700	1639	1518	1605	1579	1605	1683	1782	1845	2493
2. Non-Factor Services	389	461	497	384	404	425	452	464	489	523	571	630	995
	0												
B. Imports of Goods & NFS	2043	1902	2474	2645	2324	1952	2057	2086	2118	2145	2310	2439	3367
1. Merchandise (FOB)	1453	1088	1477	1734	1484	1229	1298	1319	1342	1380	1488	1588	2183
2. Non-Factor Services	590	814	997	911	840	723	759	766	776	765	822	851	1184
	0												
C. Resource Balance	-235	898	20	-572	-280	-9	0	-43	-24	61	43	36	121
	0												
D. Net Factor Income	-164	-518	-561	-474	-452	-369	-430	-529	-579	-607	-630	-640	-818
1. Factor Receipts	21	23	57	44	62	-15	-23	-18	-11	-2	3	6	6
2. Factor Payments	185	539	618	518	514	355	458	511	568	606	633	646	823
(interest payments)	119	292	275	255	238	115	311	366	421	452	473	488	620
	0												
E. Net Current Transfers	3	-43	-59	-126	-147	-74	-80	-82	-83	-78	-86	-86	-133
1. Current Receipts	125	104	128	94	103	104	107	106	107	110	115	121	151
a. workers' remittances	12	1	2	3	3	3	3	3	3	3	4	4	5
b. other current trans.	0	102	126	91	100	101	104	103	104	107	111	118	146
2. Current Payments	122	148	188	219	251	178	187	188	191	188	201	208	284
	0												
F. Current Account Balance	-395	337	-601	-1171	-880	-452	-559	-655	-686	-625	-673	-690	-830
	0												
G. Long-Term Capital Inflow	616	240	36	207	233	17	339	531	575	557	562	567	719
1. Direct Investment	105	21	0	31	34	32	33	33	33	63	80	97	156
2. Official Capital Grants	0												
3. Net LT Loans (DRS data) Tot.	510	18	-59	92	100	-18	306	498	543	494	482	470	563
a. Disbursements	624	347	398	518	550	456	768	937	954	889	917	1022	1430
b. Repayments	114	334	457	426	451	472	462	439	412	395	434	552	865
4. Other LT Inflows (net)	1												
	0												
H. Total Other Items (net)	-75	-539	742	270	329	37	-11	-92	-8	135	149	127	111
1. Net Short Term Capital	-230	-526	579	467	-144	32	-115	-16	-16	33	33	33	33
2. Capital Flows N.E.I.+ Net Gap	0	0	0	0	0	4	104	-75	8	103	116	94	78
3. Errors and Omissions	155	-13	163	-186	473	0	0	0	0	0	0	0	0
I. Global Balance	145	38	178	-685	-318	-399	-231	-215	-119	67	37	4	0
J. Financing													
Changes in Net Reserves	-145	-38	-178	518	48	120	-78	-98	-136	-67	-37	-4	0
1. Net Credit from IMF	-17	0	0	0	0	120	23	0	-37	-67	-37	-4	0
2. Other Reserve changes	-128	-38	-178	518	48	0	-98	-98	-98				
Gap				-168	-270	-279	-307	-314	-255				
Rescheduling (arrears)						623							
Arrears				168	270	-623							
Debt Relief						279	308	314	255				
o/w Principal						167	218	219	177				
Shares of GDP (Current CFA):													
1. Resource Balance	-3.1	10.6	0.2	-4.5	-2.2	-0.1	0.0	-0.4	-0.2	0.5	0.3	0.3	0.6
2. Total Interest Payments	1.6	3.4	2.6	2.0	1.8	1.0	2.6	3.0	3.4	3.6	3.6	3.5	3.2
3. Current Account Balance	-5.3	4.0	-5.6	-9.3	-6.8	-3.9	-4.7	-5.5	-5.6	-5.0	-5.1	-5.0	-4.3
4. LT Capital Inflow (line G)	8.2	2.8	0.3	1.6	1.8	0.1	2.8	4.4	4.7	4.4	4.2	4.1	3.7
5. Net Credit from the IMF	-0.2	0.0	0.0	0.0	0.0	1.0	0.2	0.0	-0.3	-0.5	-0.3	0.0	0.0
	0.0												
Memorandum Item:	0.0												
GDP (millions of Curr. US$)	7409.0	8473	10777	12618	12986	11545	11972	12009	12268	12521	13279	13893	19438
Foreign Exchange Reserves:													
1. Int'l. Reserves (Net Official)		96	295	-160	-223	-331	-259	-160	-25	43	80	84	84
2. Gold (end yr London price)		0	0	0	0	0	0	0	0	0	0	0	0
3. Gross Reserves incl. Gold		96	295	-160	-223	-331	-259	-160	-25	43	80	84	84
4. Gross Res. in Months Imports		0.5	1.1	-0.6	-0.9	-1.8	-1.3	-0.8	-0.1	0.2	0.3	0.3	0.2
Exchange Rates (LCU/US$):													
1. Nom. Off. X-Rate	209	471	367	319	292	308	305	305	305	305	305	305	305
2. Real Eff. X-Rate (1988=100)		48	86	88	100	84	82	80	78	75	73	71	71

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CAMEROON - EXTERNAL CAPITAL AND DEBT

(US$ millions at Current Prices)
Annee Fiscale 1985 = 1984/1985

	Actual		Preliminary			Projections							
A. Disbursements	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	2000
1. Public & Publicly Guar.LT	574	181	236	281	408	390	685	859	876	788	749	790	1142
Official Creditors	260	159	196	241	240	227	576	746	736	690	640	661	873
Multilateral	82	80	95	115	92	109	361	397	396	387	241	308	331
of which IBRD	28	48	56	69	62	73	193	211	202	193	132	201	211
of which IDA	19	4	4	6	2	1	1	0	0	0	0	0	0
Bilateral	178	79	103	126	148	117	214	349	340	303	398	354	542
Private Creditors	314	22	40	40	167	163	109	113	140	98	110	129	268
Suppliers													
Financial Markets													
2. Private Non-Guar. LT	50	166	160	237	143	66	82	78	78	101	168	232	289
3. Total LT Disbursements	624	347	396	518	550	456	768	937	954	889	917	1022	1430
4. IMF Purchases	0	0	0	0	0	120	23	0	0	0	0	0	0
5. Net Short-Term Capital	0	-526	579	467	-144	32	-115	-16	-16	33	33	33	33
6. Total incl. IMF & Net ST	624	-179	975	985	406	608	676	921	938	922	950	1055	1463
B. Repayments													
1. Public & Publicly Guar. LT	82	126	166	190	237	283	326	352	356	348	371	471	657
Official Creditors	28	61	84	106	136	174	213	220	237	232	268	374	518
Multilateral	10	26	34	45	63	72	71	75	80	80	102	141	224
of which IBRD	4	13	17	24	35	30	39	46	51	53	65	67	131
of which IDA	1	1	1	1	2	2	3	3	3	3	4	4	6
Bilateral	18	35	50	61	73	101	143	154	157	152	166	233	294
Private Creditors	54	65	76	81	91	97	102	113	114	111	101	96	139
Suppliers	7	0	0	0	0	0	0	0	0	0	0	0	0
Financial Markets	48	0	0	0	0	0	0	0	0	0	0	0	0
2. Private Non-Guar. LT	32	209	291	236	213	189	137	88	57	50	64	82	210
3. Total LT Repayments	114	334	457	426	451	472	463	440	412	395	435	552	867
4. IMF Repurchases	17	0	0	0	0	0	0	0	37	67	37	4	0
5. Tot. Incl IMF	131	334	457	426	451	472	463	440	450	463	472	557	867
C. Interest													
1. Public & Publicly Guar. LT	104	98	106	125	142	163	258	315	369	415	436	442	515
Official Creditors	41	62	75	93	114	134	224	278	332	379	401	408	439
Multilateral	18	27	34	47	60	69	72	92	114	136	157	166	207
of which IBRD	13	18	25	36	46	52	53	61	71	80	89	92	117
of which IDA	1	2	2	2	2	2	2	2	2	2	2	2	1
Bilateral	23	35	41	46	53	65	152	186	218	242	243	242	232
Private Creditors	63	36	31	32	28	28	34	37	37	37	35	33	76
Suppliers	8	0	0	0	0	0	0	0	0	0	0	0	0
Financial Markets	55	0	0	0	0	0	0	0	0	0	0	0	0
2. Private Non-Guar. LT	15	194	168	130	94	58	44	42	43	31	36	46	105
3. Total LT Interest	119	292	275	255	236	221	303	357	412	446	472	488	620
4. IMF Service Charges	2	0	0	0	0	5	9	9	9	6	2	0	0
5. Interest on ST Debt		0	0	0	0	0	0	0	0	0	0	0	0
6. Total incl. IMF & Net ST	121	292	275	255	236	226	311	366	421	452	473	488	620

(continued on next page)

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CAMEROON - EXTERNAL CAPITAL AND DEBT

(US$ millions at Current Prices)
Annee Fiscale 1985 = 1984/1985

	Actual		Preliminary			Projections							
D. External Debt (DOD)	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	2000
1. Public & Publicly Guar. LT	2050	1770	2044	2381	2492	3491	4382	5196	5907	6314	6536	6755	8719
Official Creditors	1220	1379	1610	1909	2025	2983	3826	4642	5355	5777	6040	6274	7776
Multilateral	466	592	677	834	911	947	1247	1568	1884	2190	2329	2494	3031
of which IBRD	152	191	227	322	394	444	602	767	917	1059	1126	1239	1614
of which IDA	146	228	231	238	236	231	231	229	226	222	218	214	188
Bilateral	754	787	933	1075	1114	2037	2579	3073	3471	3587	3711	3779	4745
Private Creditors	830	391	433	473	468	508	556	555	551	537	497	481	943
Suppliers	141	0	0	0	0	0	0	0	0	0	0	0	0
Financial Markets	689	0	0	0	0	0	0	0	0	0	0	0	0
2. Private Non-Guar. LT	178	534	484	579	510	382	331	321	342	393	497	647	1186
3. Total Long-Term DOD	2228	2304	2528	2961	3003	3874	4713	5517	6249	6707	7033	7402	9906
	0	0	0	0	0	0	0	0	0	0	0	0	0
4. IMF Credit	15	0	0	0	0	120	144	144	107	39	2	-2	-2
5. Short-Term Debt	271	0	0	0	0	0	0	0	0	0	0	0	0
6. Total incl. IMF & Net ST	2514	2304	2528	2961	3003	3993	4857	5661	6355	6746	7035	7399	9902
E. Bank and IDA Ratios	-----	-----	-----	-----	-----	-----	in percent	-----	-----	-----	-----	-----	-----
Share of Total PPG DOD (D.1)													
1. IBRD	7.4	10.8	11.1	13.5	15.8	12.7	13.7	14.8	15.5	16.8	17.2	18.3	18.5
2. IDA	7.1	12.8	11.3	10.0	9.5	6.6	5.3	4.4	3.8	3.5	3.3	3.2	2.2
3. IBRD+IDA	14.5	23.6	22.4	23.5	25.3	19.3	19.0	19.1	19.3	20.3	20.6	21.5	20.7
4. MULTILATERAL	22.7	33.4	33.1	35.0	36.6	27.1	28.5	30.2	31.9	34.7	35.6	36.9	34.8
Share of PPG Debt Serv (B.1+C.1)													
1. IBRD	7.2	12.3	14.1	17.2	19.7	19.0	14.9	15.5	16.3	17.0	18.8	19.4	21.4
2. IDA	0.7	1.2	1.0	0.9	0.9	0.8	0.7	0.7	0.7	0.7	0.7	0.6	0.6
3. IBRD+IDA	7.9	13.5	15.1	18.1	20.6	19.8	15.6	16.2	17.0	17.7	19.5	20.0	22.0
4. MULTILATERAL	14.9	23.6	25.3	29.0	32.6	31.8	24.4	25.1	26.8	28.4	32.2	33.6	36.8
Debt Serv to IBRD/Exports	0.9	1.1	1.7	2.8	3.9	4.7	4.5	5.3	5.9	6.0	6.5	7.2	7.1
F. DOD-to-Exports Ratios (a)													
1. Public & Publicly Guar. LT	112.7	62.7	80.1	112.3	118.2	180.6	215.1	256.3	283.1	286.0	277.0	271.9	249.2
2. Non Guaranteed Private	9.8	18.9	19.0	27.3	24.2	19.8	16.3	15.8	16.4	17.8	21.0	26.0	33.9
3. Total Long Term	122.4	81.7	99.0	139.7	142.4	200.6	231.4	272.1	299.5	303.6	298.1	297.9	283.1
4. IMF Credit/Exports	0.8	0.0	0.0	0.0	0.0	6.2	7.1	7.1	5.1	1.8	0.1	-0.1	-0.1
5. Short-Term Debt/Exports	14.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. LT+IMF+ST DOD/Exports	138.2	81.7	99.0	139.7	142.4	206.8	238.5	279.2	304.6	305.6	298.1	297.8	283.1
G. DOD-to-GDP Ratios													
1. Public & Publicly Guar. LT	27.3	20.9	19.0	18.9	19.2	30.2	36.8	43.3	48.1	50.0	49.2	48.6	44.9
2. Non Guaranteed Private	2.4	6.3	4.5	4.6	3.9	3.3	2.8	2.7	2.8	3.1	3.7	4.7	6.1
3. Total Long Term	29.7	27.2	23.5	23.5	23.1	33.6	39.4	45.9	50.9	53.1	53.0	53.3	51.0
4. IMF Credit/GDP	0.2	0.0	0.0	0.0	0.0	1.0	1.2	1.2	0.9	0.3	0.0	0.0	0.0
5. Short-Term Debt/GDP	3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. LT+IMF+ST DOD/GDP	33.5	27.2	23.5	23.5	23.1	34.6	40.6	47.1	51.8	53.5	53.0	53.3	50.9
(DOD Gap)	0	0.0	0.0	0.0	0.0	0.0	0.9	0.3	0.4	1.5	2.1	2.9	7.4
H. Debt Service/Exports (a)													
1a. Public & Pub.Guar.LT bef.Resch	10.2	7.9	10.7	14.9	18.0	23.0	27.8	30.9	31.8	30.8	28.9	29.4	29.9
1b. Public & Pub.Guar.LT aft.Resch	10.2	7.9	10.7	14.9	18.0	8.6	13.5	17.3	22.4	34.4	34.1	36.7	33.5
2. Private Non-Guar. LT	2.6	14.3	18.0	17.2	14.6	12.8	8.8	6.4	4.8	3.7	4.2	5.1	9.0
3a. Total LT debt bef. Resch.	12.8	22.2	28.7	32.1	32.5	35.8	36.7	37.3	36.5	34.5	33.1	34.5	38.9
3b. Total LT debt aft. Resch.	12.8	22.2	28.7	32.1	32.5	21.4	22.4	23.7	27.2	38.0	38.3	41.8	42.4
4. IMF Repurchases+Serv.Chgs.	1.0	0.0	0.0	0.0	0.0	0.3	0.4	0.5	2.2	3.3	1.7	0.2	0.0
5. Interest only on ST Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6a. Total (LT+IMF+ST Int.) bef.res	13.9	22.2	28.7	32.1	32.5	36.1	37.1	37.8	38.8	37.8	34.7	34.6	38.9
6b. Total (LT+IMF+ST Int.) aft.res	13.8	22.2	28.7	32.1	32.5	21.7	22.8	24.2	29.4	41.3	40.0	41.9	42.4
(GAPDSX)	..	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.2	0.6	0.6	1.0	4.2
I. Interest Burden Ratios (aft. Resch.)													
1. Total Interest/GDP													
2. Total Interest/Exports (a)													
Memorandum Item :													
Exports + services (in mill. of US	1840	2823	2555	2123	2112	1934	2040	2031	2090	2211	2363	2488	3503

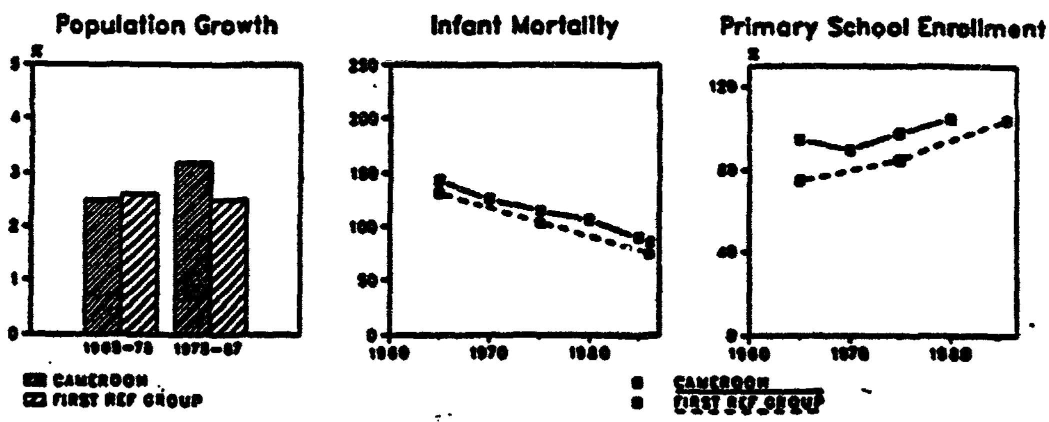
FISCAL OPERATIONS

	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000
Total Rev & Grants	808	877	721	599	547	600	683	684	718	764	797	855	904	951	1021	1080
Oil sector	350	362	252	207	176	170	149	145	154	159	149	146	125	131	146	142
Tax Receipts	439	484	406	366	324	385	483	486	510	548	589	647	705	753	805	866
Non-tax Receipts & Grants	19	31	63	26	47	45	51	53	55	57	59	62	64	67	70	72
Total Exp and net lending	868	926	1229	814	600	679	768	761	729	784	818	862	909	968	1025	1085
Current Exp	440	455	534	475	452	524	540	537	533	547	565	596	624	658	692	729
Personnel	220	224	280	265	247	247	247	247	247	251	260	277	292	307	323	339
Goods & Services	134	136	149	91	93	95	97	98	98	106	117	132	148	164	182	201
Material			103	72	58	65	67	69	72	79	89	103	117	133	149	167
Subsidies & Transfers	53	57	61	45	43	43	46	45	45	46	45	47	48	49	50	51
Interest Payments	33	38	44	73	69	139	150	147	143	146	143	140	137	138	138	137
Domestic	3	4	4	5	4	34	33	30	27	24	20	17	12	11	9	9
Existing	3	4	4	5	0	13	13	12	11	10	9	8	7	7	6	5
New _ T-bills	0	0	0	0	4	21	20	18	16	14	11	9	5	4	4	3
Gap	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Foreign	30	34	40	68	65	105	117	117	116	122	123	123	125	127	129	128
Capital Expenditures	428	471	445	233	148	155	228	224	196	243	255	273	291	310	332	356
External Fin.	99	93	159	193	93	100	164	163	133	194	197	202	216	231	200	214
Invest. Budget	327	378	286	40	55	55	64	61	63	50	57	71	76	79	132	142
unbudgeted expenditures			250	50												
Non classified expend.				56												
Surplus/Deficit Comit.	-59	-49	-508	-215	-53	-79	-185	-97	-11	-21	-18	-7	-5	-17	-4	-5
Changes in Arrears		-20	250	90	-359	-9	-9	-9	-6	-6	-6	-6	-6	0	0	0
Publ.Entrepr. Restr.						50	50	50	50							
Bankig Sector Restr.						35	15									
Surplus/Deficit Cash	-59	-69	-258	-125	-412	-173	-209	-156	-68	-27	-23	-14	-12	-17	-4	-5
Financing	60	69	258	124	402	197	204	171	53	37	22	11	12	28	0	9
Domestic Financing, net	-9	21	141	-37	179	-10	-47	-58	-68	-58	-48	-47	-47	-27	-27	-27
Disbursements	-9	21	141	-37	179	-10	0	-11	-21	-11	-1	0	0	0	0	0
BEAC	64	5	-5	-31	-49	-10	0	-11	-21	-11	-1	0	0	0	0	0
Avances Stat.						-20										
New, Inc. IMF					37	10	0	-11	-21	-11	-1					
Drawdown on Deposits	64	5	-5	-31	-86											
Reach. of Domest. Arrears					203											
Other Net(bank&non-bank)	-72	16	146	-6	25											
Amortizations	0	0	0	0	0	0	47	47	47	47	47	47	47	27	27	27
Amortization - T-bills	0	0	0	0	0	0	36	36	36	36	36	36	36	17	17	17
Amortization - Gap	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Existing Debt					0	0	10	10	10	10	10	10	10	10	10	10
Foreign Financing, Net	69	48	117	161	224	207	251	229	121	95	69	57	59	53	27	37
Disbursements	99	93	159	193	103	198	241	240	210	194	197	202	216	231	200	214
Projects					93	100	164	163	133	194	197	202	216	231	200	214
Non-Projects					10	98	77	77	77	0	0	0	0	0	0	0
Stabex					2	8	14	10	10							
Rescheduling (Arr. + Debt Relief)					207	94	96	78								
Amortizations(+ eval.)	30	45	42	32	88	93	88	89	89	99	128	145	157	178	173	177
Gap(- = surplus)	-1	0	0	0	10	-23	5	-15	14	-10	1	3	-1	-9	4	-5

1988 SOCIAL INDICATOR DATA SHEET

CAMEROON

	1965	1975	Most Recent Estimate	Reference Groups (MRE) Lower mid income	Upper mid income
AREA					
Total land area (thou sq km)	475.4	475.4	475.4		
Agricultural (% of total)	30.7	30.9	32.1		
GNP PER CAPITA (current US$)	130	310	960	730	2.510
POPULATION AND VITAL STATISTICS					
Total population (thou)	5.825	7.439	10.927		
Urban pop. (% of total)	17	27	44	38	64
Population growth rate(%):					
Total		2.5	3.2	2.5	2.0
Urban		7.3	7.9	4.2	3.2
Life expect. at birth (yrs)	46	52	56	59	67
Population projections:					
Pop. in 2000 (thou)			16.702		
Stationary pop. (thou)			50.871		
Population density per sq km of agricultural land	40	51	65	404	775
Pop. age structure (%):					
0-14 yrs	41	41	46	42	36
15-64 yrs	55	55	50	55	59
65 and above	4	4	4	3	5
Crude birth rate (per thou)	40	47	48	35	27
Crude death rate (per thou)	20	17	13	10	8
Total fertility rate	5.2	6.3	6.9	4.7	3.5
Infant mort. rate (per thou)	143	114	85	76	43
Child death rate (per thou)	34	23	10	11	5
Family planning:					
Acceptors, annual (thou)	..	0	..	..	..
Users (% of married women)	..	3	..	..	..
FOOD, HEALTH AND NUTRITION					
Index of food production per capita (1979-81 = 100)	89	116	94	106	101
Per capita supply of:					
Calories (per day)	2,043	2.328	2,080	2.507	2.964
Proteins (grams per day)	46	56	46	56	76
Pop. per physician (thou)	26.7	13.7	..	7.5	1.3
Pop. per nurse (thou)	5.8	13.7	..	..	0.9
Pop. per hospital bed (thou)	..	0.4	..	1.1	..
Access to safe water (% of population): Total	..	26	36	..	..
Urban	..	35	46	..	..
Rural	..	22	30	..	..



1988 SOCIAL INDICATOR DATA SHEET

CAMEROON

	1965	1975	Most Recent Estimate	Reference Groups (MRE) Lower mid income	Upper mid income
LABOR FORCE					
Total Labor Force (thou)	2,829	3,345	4,039		
Female (%)	38	37	34	29	30
Agriculture (%)	86	77	70	55	30
Industry (%)	4	7	8	16	30
Participation rate (%):					
Total	47	44	40	37	37
Male	59	57	53	51	51
Female	35	32	27	23	23
Age dependency (%)	80.8	83.1	99.7	82.7	71.8
HOUSING					
Average size of household:					
Total	..	5	..	..	..
Urban	..	5	..	..	..
Rural	..	5	..	..	..
Percentage of dwellings with electricity:					
Total	..	6	..	..	..
Urban	..	19	..	..	..
Rural	..	1	..	..	..
EDUCATION					
Enrollment rates:					
Primary: Total	94	97	107	104	105
Male	114	108	116	109	108
Female	75	87	97	99	102
Secondary: Total	5	13	23	42	57
Male	8	17	29	47	57
Female	2	8	18	36	56
Pupil-Teacher ratio:					
Primary	47	51	51	31	25
Secondary	..	30	26	23	18
Pupils reaching grade 6 (%)	..	83	57	72	85
INCOME, CONSUMPTION, AND POVERTY					
Energy consumption per cap. (kg of oil equivalent)	..	90	145	351	1,313
Percentage of private income received by:					
Highest 10% of households	..	..	..		
Highest 20%	..	..	..		
Lowest 20%	..	..	..		
Lowest 40%	..	..	..		
Est. absolute poverty income level (US$ per capita):					
Urban	..	238	..		
Rural	..	105	..		
Est. pop. below absolute poverty income level (%)					
Urban	..	15	..		
Rural	..	40	..		
Passenger cars/thou pop.	3.0	7.2	..	..	..
Newspaper circulation (per thousand population)	3.1	3.4	3.5	43.5	108.2

IECSE August 1988

.. Not available. Note: Most recent estimates of population and GNP per capita are for 1987 unless otherwise noted.
Group averages are population weighted. Country coverage depends on data availability and is not uniform. Unless otherwise noted, 1965 refers to any year between 1962 and 1966; 1975 between 1973 and 1977; and most recent estimate between 1980 and 1986.

REPUBLIC OF CAMEROON

STRUCTURAL ADJUSTMENT LOAN

Supplementary Loan Data Sheet

Section I: Timetable of Key Events

(a)	Date of first presentation to Bank	June 1988
(b)	Appraisal mission	July 1988
(c)	Post-appraisal mission I	November 1988
(d)	Post-appraisal mission II	February/March 1989
(e)	Completion of Negotiations	May 1989
(f)	Planned date of effectiveness	July 1989

Section II: Special Bank Implementation Action

none

Section III: Special conditions

Effectiveness Conditions

(a) Import license requirements for goods which are not subject to quantitative import restrictions have been eliminated;

(b) Quantitative import restrictions for a first group of goods determined in agreement with the Bank have been removed;

(c) Price controls ("homologation préalable") for goods and services have been eliminated except for a limited number of basic goods and services and certain goods remaining subject to quantitative import restrictions, as determined in agreement with the Bank; and

(d) The system for setting comercial margins for goods and services which are no longer subject to quantitative import restrictions or price controls have been removed.

Disbursement of the Second Tranche of US$50 million equivalent, not earlier than March 31, 1990, would be dependent on satisfactory progress in carrying out the Structural Adjustment Program and in particular on the following measures being taken in a manner satisfactory to the Bank:

(a) The Borrower has adopted its "Loi des Finances" 1989/1990 reflecting the public investment program, the levels of non-wage recurrent expenditures for the health, education and agriculture sectors and for road maintenance, and the levels of resources allocated to the restructuring of the banking and public enterprise sectors, as determined in agreement with the Bank.

(b) Progress has been achieved in the establishment and functioning of a system to program and monitor the rolling four-year public investment program.

(c) Progress has been achieved on measures to reform the public enterprise (PE) sector, including: (i) the signature of performance contracts between the Borrower and key PEs, namely SODECAO, HEVECAM, ONCPB, SONEL, SNEC, SOCAPALM and Office Céréalier; and (ii) the completion of negotiations of performance contracts between the Borrower and the following PEs: CAMAIR, REGIFERCAM, and SODECOTON.

(d) Action plans have been adopted to liquidate CAMBANK, BCD and FONADER and to restructure key commercial banks, including SCB.

(e) For the primary export crops, (i) floor producer prices for coffee, cotton and cocoa and price schedules ("barèmes") for coffee and cocoa, for the crop season 1989-1990, have been published at a level consistent with minimizing the risk of requiring State support; and (ii) a system for sharing residual marketing surpluses (export receipts, less producer prices and marketing margins) has been established.

(f) Progress has been achieved in the implementation of measures to liberalize trade and prices and to improve the incentive framework for production and export, including: (i) the removal of quantitative import restrictions (together with import license requirements) for a second group of goods; (ii) the elimination of price controls ("homologation préalable") and of the system for setting commercial margins for a second group of goods; (iii) the revision of Law No. 80/25 portant orientation de l'activité commerciale permitting free access to trade at all stages and eliminating monopoly privileges; (iv) the promulgation of a revised Investment Code; and (v) the completion of a study on export incentives.

(g) The Borrower has taken all steps within its powers, both in internally and externally, to provide adequate funding for the execution of the Program.

Disbursement of the Third Tranche of US$50 million equivalent, not earlier than December 31, 1990, would be dependent on continued satisfactory progress in carrying out the Structural Adjustment Program and in particular on the following measures being taken in a manner satisfactory to the Bank:

(a) The Borrower has adopted its "Loi de Finances" 1990-1991 reflecting the public investment program, the levels of non-wage recurrent expenditures for the health, education and agriculture sectors and for road maintenance, and the levels of resources allocated to the restructuring of the banking and public enterprise sectors, as determined in agreement with the Bank.

(b) For the civil service: (i) the system of personnel benefits and allowances (family, housing and travel allowances) has been revised; (ii) decisions have been taken on organizational and personnel structure plans for the ministries responsible for finance, planning, civil service and industry and commerce; and (iii) studies on organizational and personnel structure plans for three other ministries have started.

(c) Further progress has been achieved on measures to reform the public enterprise (PE) sector, including the signature of performance contracts between the Borrower and selected PEs, i.e., CAMAIR, MAETUR, MAGZI, REGIFERCAM, SODECOTON, CDC, SOTUC, CRTY and MIDENO, and action plans for other PEs determined in agreement with the Bank have been prepared.

(d) Progress has been achieved in the restructuring of the banking sector, including: (i) the implementation of the action plans to liquidate CAMBANK, BCD and FONADER and to restructure SCB; (ii) the adoption of an action plan to restructure SNI; and (iii) the adoption of an action plan to restructure or liquidate BPPBC.

(e) The role of the National Produce Marketing Board has been redefined in order to permit the private sector to assume progressively responsibilities for internal and external marketing of export crops.

(f) The forestry tax regime has been modified and a revised Forestry Code has been promulgated to promote rational exploitation and long-term conservation of forestry resources.

(g) Further progress has been achieved in the implementation of measures to liberalize trade and prices and improve the incentive framework for production and export, including: (i) the removal of remaining quantitative import restrictions (together with import license requirements), except for a limited number of strategic goods to be determined in agreement with the Bank following the results of a complementary study on said goods; (ii) the eliminations of price controls ("homologation préalable") and of the system for setting commercial margins for a third group of goods; and (iii) the promulgation of a revised labor Code reducing regulatory constraints resulting in labor maket rigidity.

(h) The Borrower has taken all steps, within its powers, both internally and externally, to provide adequate funding for the execution of the Program.

Annex IV

STATUS OF BANK GROUP OPERATIONS IN CAMEROON
SUMMARY STATEMENT OF LOANS AND CREDITS
AS OF MARCH 29 1989

Loan or Credit No.	Fiscal Year	Borrower	Purpose	Amount in US$ million (less cancellations) Bank	IDA	Undis-bursed	Closing Date
Credits							
28 Credits closed					243.22		
C11680-CAM	1981	Cameroon	Technical Cooperation		10.00	.88	12/31/88(R)
Total number Credits = 1					10.00	.88	
Loans							
28 Loans closed)				346.24			
L20920-CAM	1982	Cameroon	Forestry	7.00		1.95	12/31/88(R)
L21600-CAM	1982	Cameroon	Oil Palm/Rubber Cons	50.80		15.98	06/30/88
L21800-CAM	1982	Cameroon	Roads V	70.00			06/30/89(R)
L22590-CAM	1983	Cameroon	Port III	22.50		10.21	06/30/89
L24060-CAM	1984	Cameroon	Western Province RDP	21.50		16.41	12/31/90
L24850-CAM	1985	Cameroon	Hevecam Rubber	8.30		2.60	06/30/90
L25670-CAM	1985	Cameroom	FSAR II	25.50		21.76	12/31/91
L25840-CAM	1985	Cameroon	Roads VI	125.00		99.09	06/30/91
L26830-CAM	1986	Cameroom	Educ. & Voc. Train.	30.10		24.71	06/30/93
L80180-CAM	1987	Cameroon	Roads VI	20.00			06/30/91
L27660-CAM	1987	Cameroon	Agric. Research	17.80		16.66	06/30/93
L29120-CAM	1988	Cameroom	Cocoa Rehab	103.00		103.00	21/31/94
L29990-CAM*	1989	Cameroom	Urban II	146.00		146.00	06/30/94
L80140-CAM*	1989	Cameroom	Livestock Sector Dev.	34.60		34.60	06/30/95
TOTAL number loans = 14				682.10		492.95	
TOTAL **				1,028.34	253.22		
of which repaid				130.31	13.49		
TOTAL held by Bank & IDA				898.03	239.72		
Amount Sold 13.45							
Of which repaid 8.45							
TOTAL undisbursed						493.86	

Notes:

* Not yet effective
** Total Approved, Repayments, and Outstanding balance represent both active and inactive Loans
(R) Indicates formally revised Closing Date.

The Signing, Effective and Closing dates are based upon Loan Department official data

ANNEX V

REPUBLIC OF CAMEROON

PEACE - WORK - FATHERLAND

STATEMENT OF DEVELOPMENT STRATEGY

AND ECONOMIC RECOVERY

YAOUNDE, MAY 1989

TABLE OF CONTENTS

This STATEMENT OF DEVELOPMENT STRATEGY presents an outline of the critical situation of the Cameroonian economy and shows Government efforts to preserve achievements of the past and to encourage the balanced development of the country in the future.

PART ONE

PRESENT SITUATION AND PROSPECTS

The present situation is characterized by an acute economic crisis, offering bleak economic prospects in the short and medium term in the absence of an adjustment policy.

A. EXISTENCE OF THE CRISIS

Between 1980/81 and 1985/86, the Cameroonian economy recorded a high growth rate (nearly 8% in real terms) due mainly to the development of the oil sector. This performance resulted from high annual growth rates in investment (7%), exports (16%) and consumption (3.3%).

This trend followed a period of intense development efforts during which the country's credibility and credit-worthiness abroad were maintained while the economic indicators were nearly all favourable, attesting to sustained development.

However, since 1986/87, the economy has contracted considerably (2.8% in 1986/87 and 8.6% in 1987/88 in real terms) and progress toward improving the welfare of the population and more effectively meeting its basic needs has been compromised. This decline is likely to persist during the current year.

a. Origin of the crisis

The economic crisis which the country has been experiencing since 1985/86 has completely reversed the positive trends registered until then. This crisis is due essentially to the fall, on the world market, of the prices of our major exports (oil, coffee and cocoa), generating a decline in our terms of trade of nearly 45% over the last three years. Coupled with the depreciation of nearly 40% of the US dollar vis-à-vis the CFA franc, the currency in which our main export products are denominated, this led to a sharp fall in the value of exported goods and services with adverse repercussions on Government revenues and households and enterprise earnings.

On the domestic front, the deficits recorded by public and para-public enterprises on account of their poor performance were financed through resort to substantial financial assistance from public resources, comprising:

i) various subsidies;

ii) additional contribution to capital through the investment budget;

iii) loan guarantees and assumption of debt service obligations by the Government.

Additionally, the inadequacy and limitations of certain policies that were implemented until that time tended to aggravate the adverse effects of the above factors on all sectors of the economy.

b. Impact of the crisis

i) Impact on macroeconomic aggregates

As a result of the poor performances of the oil, building and public works sectors, gross domestic product in 1987/88 fell by more than 11% in real terms from its level in 1985/86. This led to a sharp contraction in all sectors of the economy excluding agriculture (+ 4%).

Total investment decreased by 38% over the last two years (26% for private investments as against 52% for public investments) from 18.3% of the GDP in 1985/86 to 13.6% in 1987/88. Total consumption, on the other hand, fell by 9% over the same period (private consumption: 8% and public consumption: 11%). This fall in domestic demand led to a 23% decline in the volume of imports.

The general decline in economic activity also characterized the 1988/89 financial year. Based on preliminary macroeconomic data, GDP is expected to fall by close to 5% in 1988/89, due mainly to the projected sharp drop in industrial production as a result of the continued reduction in investment expenditure and oil production. The sharp reduction in public investment (42%) and consumption (7%) expenditures, consistent with strict budgetary discipline and control, as well as the fall in private expenditure resulting from the decrease in economic activities will contribute to a drop of close to 9% in overall domestic demand. The reduction in aggregate demand is expected to result in a decrease of about 16% in imports while the volume of exports is also projected to fall short of its 1987/88 level.

ii) Impact on the balance of payments

Despite the fall in imports, the sharp drop in export earnings, due to the deterioration of the terms of trade, the depreciation of the US dollar and the fall in the volume of oil exports, led to a sharp decline in the trade surplus from 201 billion CFA francs in 1985/86 to only 45 billion in 1987/88.

At the same time, the deficit on service-related transactions (260 billion CFA francs in 1987/88 as against 411 billion in 1985/86) remains substantial as a result of the repatriation of company profits that were not re-invested, and the payment of interest on external debts and other returns on capital. Also, deficits resulting from transfer operations became increasingly important (23 billion CFA francs in 1985/86, 40 billion in 1986/87 and 43 billion in 1987/88) due mostly to the transfer by expatriates of savings from their salaries.

The above situation led to a continuous and considerable current account deficit (232 billion CFA francs in 1985/86, 373 billion in 1986/87 and 257 billion in 1987/88). Thus, during the last three years, the current account balance registered an average deficit of 7.4% of GDP as against a surplus of 4% of GDP in 1984/85.

Lastly, the combination of heavy reimbursements of public and private loans and the reduction in new loans and foreign investments account for the pronounced decline in the capital account surplus which fell from 113 billion CFA francs in 1984/85 to 68 billion in 1987/88 after reaching a minimum of 14,000 million in 1985/86.

In the face of this critical situation, which led to a substantial deficit in the overall balance of 218 billion CFA francs in 1986/87 and 94 billion in 1987/88, the monetary authorities had to draw down on foreign reserves and increase their external liabilities.

iii) Impact on public finances

The decline in economic activities in general and the shortfall in oil revenues in particular led to a drop in budgetary revenues of 16% in 1986/87 and 18% in 1987/88.

This resulted in an unprecedented budget deficit of 508 billion CFA francs (11.8% of GDP) in 1986/87, which was reduced to 214 billion (6.5% of GDP) in 1987/88 through substantial cuts in public recurrent and investment expenditure. These deficits were financed in large part through a significant accumulation of domestic arrears (250 billion CFA francs in 1986/87 and 90 billion in 1987/88), greater reliance on drawings from the Central Bank and Treasury correspondents, and an increase in the postal and hospital debts by 40 billion CFA francs.

iv) Impact on the monetary and banking situation

The deterioration of the financial situation of 150 public enterprises, in spite of the substantial subsidies granted to ensure their survival, necessitated sizeable withdrawals from their deposits in local banks. At the same time, financial difficulties of the Government led to a substantial decline in foreign reserves.

These two factors compounded the banking system's liquidity crisis.

This situation resulted in a decrease of about 12% in the money supply between June 1986 and June 1988 in spite of an 8% increase in credits to the economy (1,019 billion CFA francs on 30 June 1988 as against 943 billion on 30 June 1986), and a decline of net foreign assets by 164,000 million in two years (falling from 128 billion CFA francs in June 1986 to - 36 billion in June 1988).

In addition to the withdrawal of public sector deposits, the liquidity of the banking system was aggravated by:

i) massive transfers by foreign enterprises operating in the country

ii) the under-capitalization of banks and the increasing amount of bad debts (about 150 billion CFA francs)

iii) the absence of an appropriate mechanism for recycling the savings generated by non-bank financial institutions through the domestic banking system.

B. SECTORAL ANALYSIS

The economic crisis has affected the various sectors in different ways and since, on the whole, the sectors operated without interaction, they felt the effects of the crisis individually.

If adjustment and economic recovery measures are not implemented, this situation could lead to further stagnation, decline of activities and poor economic performance.

a. Rural Development

i) Agriculture

Cameroon is endowed with a variety of natural resources, some of which are unique. These resources are subjected to enormous pressure and their gradual deterioration is characterized, in particular, by the encroachment of the desert in the North, the erosion and the dwindling of forest cover in the West, and the degradation of the fauna and flora of the dense tropical forests of the Centre and South. The protection of these resources must become a priority in future development efforts.

The agricultural sector was and remains the priority sector of our development strategy.

Agriculture ensures the country's food self-sufficiency and the livelihood for nearly 75% of the working population. The sector also accounts for about 45% of foreign exchange earnings and 15% of budgetary revenues. Moreover, it is the economic activity with the greatest influence over the other sectors.

Cameroon's agriculture enjoys the advantages of a fertile soil and a diversity of climate and crops. In spite of these advantages, agricultural production is subject to serious constraints due to the decline in world prices for the country's major commodities and the depreciation of the currency in which these exports are denominated.

The aging of plantations and farmers themselves as well as the massive rural-urban migration are among the major problems facing this sector.

The important challenges in this sector in the short term remain the maintenance and improvement of the productive potential, including the efficiency of the marketing system for the major agricultural products.

ii) Livestock and Fisheries

In the livestock and fisheries sub-sector, the flooding of the market with fraudulently imported frozen products sold at very low prices has seriously discouraged local initiatives. This external factor, however, has only aggravated the already existing problems such as the inadequacy of animal protection facilities (vaccines and veterinary infrastructure), lack of advisory services for livestock farmers, the scarcity of financial resources and poor knowledge of this sub-sector.

iii) Forestry

The present situation is characterized by the availability of substantial forestry resources, including:

- 20 million ha of forest;
- 300 available species, less than 15 of which are currently being exploited;
- large quantities of high grade species found mostly in the remote regions of the South and the East.

This potential is not, however, being exploited effectively, thereby limiting the sub-sector's contribution to economic development. The constraints facing the sector include:

- the absence of communications infrastructure in the South-East and East of the country;
- the inadequacy of the capital available to exploiters, especially Cameroonians;
- inadequate technical and managerial know-how resulting in considerable waste;
- lack of standardization for processed timber;
- the existence of a rigid price system distorting market signals;

- the absence of dynamic promotion for secondary species and wood transformation facilities;

- the limited size of the local market, making timber-processing an unprofitable venture.

b. Trade and Industry

An analysis of the performance of the industrial sector reveals that the relative stability of this secondary sector was due mainly to the substantial contribution of the oil sector.

Despite the substantial domestic demand generated by the oil sector, the elaborate system of tariff and non-tariff protection (quantitative restrictions, very high import duties, the Investment Code, price control, etc.) did not produce favourable results for industrial sector performance. On the contrary, the system led to very high costs and prices to the detriment of competitiveness, Government revenues and the consumer. The manufacturing sector remained restricted to the domestic market and handicapped with respect to exports.

More specifically, the strategy based on giving priority to import substitution activities had only limited success because of:

i) the small size of the Cameroonian market and

ii) a highly protective system with uneven levels of protection as between enterprises, which discouraged exports and made the import of similar products very attractive.

The system of incentives causes numerous distortions:

- quantitative import restrictions prevented competition in price or quality. The restrictions contributed to increased delays in supplies and led to increased gains from the scarcity of products, thus resulting in very high prices for the consumer;

- high import tariffs led to fiscal erosion which was contrary to the initial objectives of protection. In addition, the rate differential between substitutes or among products processed to varying degrees did not allow for spontaneous, competitive development of productive activities;

- the Investment Code, which requires long procedures and is based on complex criteria, encouraged capital-intensive investments ill-suited to the Cameroonian context where jobs could be generated through small and medium scale enterprises (SMEs). Exemption from payment of duty on imported goods discouraged local production of intermediate products thus making any integration difficult;

- price regulation proved fairly rigid, thus reducing the need for enterprises to adjust to market conditions in cost and quality.

The mechanism of fixed profit margins based on the cost price of the product (local or imported) tended to give preference to commerce over industry and contributed to inflation and downward price rigidities;

- substantial variations in indirect taxation depending on the nature, origin and destination of products led to considerable distortions in competition;

- the proliferation of special, tailor-made benefits made possible by the above instruments contributed to an inefficient allocation of resources among sectors and resulted in a significant loss of tax revenue;

- furthermore, the cost of labor in the industrial sector which followed salary increases granted in the public sector now represents a major obstacle to the competitiveness of Cameroon's industrial activities;

- lastly, certain institutional and regulatory constraints weigh heavily on the activities of enterprises, in particular due to the absence of a company code, labour legislation, means of financing and export facilities.

c. Water, Power and Mining

Cameroon has substantial mineral and energy resources which are yet unexploited, except for oil and water.

i) Water and Sanitation

In the water and sanitation sector, the Government has made considerable efforts in the rural areas. In the urban centres, the numerous water supply projects undertaken are being operated by the National Water Corporation (SNEC). But because of the build-up of internal payment arrears (State, local councils, private individuals), SNEC is experiencing some structural financial difficulties; the study conducted with a view to its rehabilitation has been completed.

ii) Electricity

The National Electricity Corporation (SONEL) is experiencing structural financial problems because of the build-up of internal payment arrears (State, local councils, and private individuals), the unreliability of its information and management system (customer management in particular) and the imbalance between the objectives assigned to the enterprise and the means placed at its disposal particularly through an inadequate tariff structure. The broad outline of its restructuring has been established.

iii) Oil sector

The steep decline in operating revenues, caused by the fall of oil prices on the world market and the drop in the value of the U.S. dollar, has slowed down activities considerably. Consequently, the mining area was reduced by 55 % between 1980 and 1986; i.e. from 40,000 km2 to 18,000 km2. During the same period, the number of prospecting permits fell from 17 to 14 and only three operators are currently prospecting. Investment in prospecting declined from 30 billion CFAF in 1980 to less than 9 billion CFAF in 1985 and since then no new investment has been made.

The inadequacy of the incentives provided for petroleum exploration accounts for the decline in such investments.

d. Infrastructure and Services

Despite considerable Government efforts to develop communication and urban infrastructure, the dominant trends show certain weaknesses in these sectors; the root causes of the situation are as follows:

- inadequate coordination of investments;
- maintenance problems;
- the multiplicity of actors involved in the same operation;
- the absence of a contract which clearly stipulates the relations between the Government and parastatals of the sector;
- failure to control project costs; and lastly,
- the overstaffing of public enterprises.

The improvement of infrastructure remains a constant preoccupation of the Government since it conditions all development efforts; this especially applies to roads in the rural areas. However, the construction and improvement of such roads is hampered by their high investment costs, their failure to withstand local conditions and by the difficulties encountered in maintaining them.

As concerns services, action should be envisaged rapidly to reverse the deterioration in quality and quantity which has characterized this sector since 1986/87.

C. MACRO-ECONOMIC PROSPECTS

a. Growth Prospects

For the past few years, oil production has been an important factor in the development of the national economy. This sector accounted, on the average, for nearly 15% of GDP and 35% of export earnings.

The projected annual drop in oil production of about 10% during the next few years constitutes a serious impediment to economic growth and balance of payments equilibrium. This decline in production will correspond to an annual loss of about 1% in real GDP and a cumulative loss of export earnings from oil of about 300 billion CFAF at constant prices by 1995. This prospect highlights the need to develop new exports and to institute appropriate structural measures for the agricultural, mining and industrial sectors.

To this end, the Government intends to reorient the country's development strategy towards export promotion. In order to do so, it will be necessary to restore agricultural productivity and to provide a competitive environment conducive to private investment. In particular, the gradual liberalization of the economy and the revampire of the regulatory framework should bring about increased productivity and a reduction of costs and prices.

Enhancing the competitiveness of the economy will also require improvements in labor productivity and particular attention to controlling labor costs, especially in the public sector.

In the context of this new development strategy, the GDP growth rate could reach 3% per annum during the next five years. This increase would be principally attributable to agriculture (4% per annum) and to the manufacturing sector (6% per annum). With a slight improvement in the terms of trade, per capita income could increase by about 1% per annum.

b. Investment prospects

Faced with the expected stagnation of export earnings and the need to eliminate the financial bottlenecks which impede economic activities (Government arrears, banking sector rehabilitation), the Government will reduce its recurrent expenditures in order to be able to finance a minimum investment program and the cost of restructuring the public entreprise sector, while maintaining external borrowing at a sustainable level.

In line with the new emphasis on private sector development, private investments will henceforth constitute the key determinants of growth and efficiency. Public authorities will limit their action to furnishing vital services and providing the necessary infrastructure for increasing the absorptive capacity of the economy.

As part of this strategy and during the next four years, the Government intends to limit its capital expenditures to 200 billion CFAF per annum. This amount takes into account the minimum investment level necessary to revive economic activities, on the one hand, and the extraordinary amounts needed to clear Government arrears (450 billion CFAF in total, including 100 billion in external arrears) and to finance the Government's contribution to the financial restructuring of public enterprises and banks (provisionally estimated at 275 billion CFA francs).

The stagnation of public investments (200 billion CFA francs per year) notwithstanding, the global volume of investments will increase gradually to reach by 1995 its 1987 level, that is, nearly 15% of the GDP after attaining 10.4% in 1989 and 11.7% in 1990, thanks to the upsurge of private initiative and the implementation of an investment program to rehabilitate public enterprises.

c. Balance of payments

In view of the foreign exchange constraints which the Cameroonian economy will have to face during the next decade, action will be centred on the promotion of exports while an effort will be made to reduce imports to levels that will enable the country to avoid excessive indebtedness.

Policies in the agriculture sector will aim to increase the volume of non-traditional agricultural exports by 4 to 5% per annum while reducing food imports considerably, and to ensure an increased supply of inputs to local industries.

Similarly, the manufacturing sector will have to produce not only for the domestic market but especially for export. Consequently, an annual increase of 4% is expected in the export of manufactured products.

Nevertheless, with rapidly increasing interest payments on external debt, the negative balance for services and transfers will lead to a deficit in the current account of the balance of payments of about 125 to 140 billion CFA francs annually until 1992, representing on the average 3.5% of GDP. After debt amortization and a build-up of reserves, the country's gross external financing needs will increase to about 300 billion CFA francs annually until 1992.

TABLE 1

Balance of payments 1988/89-1991/92

(billions of CFAF)

	88/89	89/90	90/91	91/92
Trade balance	90	66	99	195
Services and net transfers (including interest)	-215 (68)	-203 (71)	-234 (82)	-234 (94)
Current account	-125	-137	-133	-138
Amortization	143	133	127	120
Other Capital Payments	33	15	15	15
Increase in reserves	1	21	20	19
Cross Capital Requirements	302	306	295	292

In spite of a substantial inflow of direct private external investments, the coverage of most of these needs (to the tune of 90%) will require gross borrowing from abroad of about 1,065 billion CFAF, including one-third of this amount in the form of structural adjustment loans.

In the event that the funds mobilized fall start of the above amount, the Government could initiate appropriate negotiations to restructure its external debt.

The contracting of these loans will lead to a significant but tolerable increase in the stock of public debt which will represent nearly 36.2% of GDP in 1992 while the ratio of public debt service to exports will increase from the present 17% to about 28% in 1992.

This radically new situation as compared to previous years when debt service represented only 10% of exports calls for an extremely prudent external debt policy.

d. External borrowing strategy

In the years ahead, Cameroon will have to face relatively substantial external financing needs which will step up its indebtedness ratios. It is therefore necessary to outline the principles of an external debt strategy which will make it possible to minimize the debt servicing burden in the long term and limit risks related to the fluctuations of interest rates, export earnings and exchange rates.

As from 1989, Cameroon intends to make more extensive use of its borrowing capacity vis-a-vis bilateral and multilateral sources to maintain a sound debt structure. The country will take advantage of its current easy access to money markets to borrow on concessional terms. In this context, the authorities will increasingly resort to project loans with favorable conditions to finance highly profitable economic projects; the Caisse Autonome d'Amortissement (CAA) set up for this purpose will have an important role to play.

As concerns new loans in particular, the country will try to negotiate loans with the longest possible maturities.

Commitments and disbursements relating to public debt will be limited to a level such that the ratio of debt service due on public or publicly guaranteed debt to exports will not exceed 30% in the long term.

Lastly, in order to limit the risks of exchange rate fluctuations on debt-servicing, Cameroon will strive as much as possible to borrow in the currencies of its exports.

PART TWO

STABILIZATION, ADJUSTMENT AND ECONOMIC RECOVERY STRAGEGY

Medium-term macro-economic projections indicate continuous deterioration in the country's economic situation if efforts are not deployed promptly toward stabilization and adjustments in costs and structures with a view to ensuring a more efficient and competitive economic development.

Given this urgent need, the Government has adopted a set of measures that has been implemented since 1987/88. The purpose of the measures is, inter alia, to:

- re-establish a positive growth rate in the medium term;
- improve the most essential social indicators as well as the living conditions of Cameroonians.

Fundamental principles

To ensure the success of such a strategy, three fundamental principles must underline the various components of the program, namely:

- the gradual elimination of impediments to economic activity (competitive and efficient market mechanism);
- the re-orientation of the role of the State to make it an intermediary which facilitates private sector operations and particularly SME's while minimizing its direct control over the production and distribution network;
- reorientation of public services towards programs which improve the well-being and productivity of Cameroonians while taking into account the social dimensions of the adjustment.

Major components of the program

The major components of the stabilization, adjustment and economic recovery program are:

- stabilizing public finances in the medium term;
- improving the programming, budgeting and monitoring of public investment programs taking into account recurrent expenditures and financing terms;
- increasing productivity in the civil service;
- rationalizing the management of public enterprises;

- revitalizing and boosting the financial sector as well as technical and financial cooperation; lastly,

- fostering institutional reforms necessary for the revival of economic activity.

A. STABILIZATION OF PUBLIC FINANCES

All the measures taken or envisaged are aimed, in the medium term, at:

- controlling Government expenditure,

- restructuring budgetary expenditure,

- rationalizing the choice of public investment projects,

- restructuring and increasing revenues,

- settling the Government's domestic arrears.

a. Controlling Government expenditure

The Authorities have set up a unit responsible for drawing up monthly economic indicators in order to monitor the overall situation of public finances, including expenditures financed from external loans.

Such indicators will reinforce further monitoring of budget execution during the year and strengthen the analysis of the overall impact of public finances on the economy. Starting in July 1989, these indicators will be supplemented by quarterly reports on the physical execution of priority investment projects.

Owing to the constant changes in the external environment, the Government will, each year, starting in 1989/90, prepare macroeconomic projections which will serve as a guideline in determining the overall budgetary allocations.

Projections for budgetary revenues and expenditures will be made in the context of a rolling multi-annual macroeconomic framework consistent with the policies espoused in the Statement of Development Strategy.

In order to curtail public spending, the following measures have already been taken:

- reduction of expenditure on goods;

- rationalization of the use of telephones and the functioning of imprests;

- sale of Government vehicles and reduction and/or elimination of funds allocated for their maintenance;

- review of the policy of free water, telephone and electricity;

- elimination of all unjustified expenses;

- promotion of a housing policy that fosters property ownership and limits renting by the Government.

In the housing sector, the Government will adopt a rational policy of promoting savings for house purchase, leasing-purchase and loans to encourage private ownership of property. Also the management of houses belonging to the Government will be privatized.

The 1987/88 Finance Law was an initial step towards this budgetary austerity. The overall budget for that financial year was lower than the previous years by 18.8% (13% for recurrent expenditure and 26.5% for investment). This trend continued in the 1988/89 Finance Law: 7.7% drop in the overall budget (6.3% for recurrent expenditure and 10% for investment). The global deficit was thus reduced by 65.8% from 214,000 million CFA francs in 1987/88 to a projected 73 billion in 1988/89.

To reduce personnel expenditures, the Government has:

- frozen salaries and suspended salary increases due upon promotions;

- restructured the components of the remuneration of public and para-public sector employees;

- reorganized the Civil Service, developed a system to control the number of civil servants through Operation ANTILOPE (the National Data and Logistic Processing of State Personnel), and reduced the number of students in administrative training schools;

- reduced Embassy staff and closed down Economic Missions abroad that are costly and unprofitable;

- systematically retired persons who have reached the age limit (Operation ANTILOPE);

- curtailed travel allowances through reduction of the mobility of personnel in categories B, C and D.

As a result of these measures, the total wage bill was reduced by 12% from 280 billion CFA francs in 1986/87 to 247 billion CFA francs in 1988/89.

b. Restructuring of budgetary expenditure

The restructuring of budgetary expenditure will be aimed at controlling the wage bill while permitting a better allocation of expenditures which takes into account the financing needs of essential services.

In order to reduce capital expenditures in the future, the budget for the maintenance of public buildings will be determined starting in 1989/90, as a function of their condition.

To ensure efficiency in the technical services most closely involved in development, in particular, agricultural research and extension, primary and preventive health care, primary and secondary education and road maintenance, the budgetary allocations for expenditure on goods and services will be set at a level consistent with the size of the personnel and the value of the existing capital stock.

c. Rationalization of the choice of public investment projects

To improve the programming, budgeting and monitoring of public investment and rationalize its financing, the Government has decided to consolidate public investment projects financed from external resources with those financed from the budget.

The Government will adopt a four-year rolling program for public investments, each year, beginning with the 1988/89 - 1992/93 period. The program will be disseminated widely. The investments planned for the first year of the program will be incorporated in the Annex to the Finance Law and the projects will be broken down into their domestic and external sources of financing.

Initially, the program will cover only Government investments. Subsequently, it will be extended to include investments by public enterprises which are financed through loans guaranteed or onlent by the Government.

In keeping with these principles, the preparation of the first four-year public investment program will lead to a reprogramming of ongoing and new investments on the basis of the following criteria:

- priority to the maintenance of existing capital;
- priority to the gradual completion of ongoing projects beginning with those that have reached an advanced stage and which are economically, strategically and/or socially justified;
- investments consistent with development needs, Government objectives and sectoral policies;
- priority to the economically most profitable projects;

- State withdrawal from activities which can be taken over by the private sector or local communities.

The procedures and mechanisms for the preparation, selection and programming of investment projects will be improved. An economic appraisal will be made for each project costing at least 500 million CFA francs and recurrent expenditures will be taken into account in the selection of projects. Furthermore, a data sheet (fiche de projet) will be drawn up for each project and a computerized unit for projects will be set up. The execution of the investment budget, irrespective of the source of financing will be strictly monitored.

Increased efficiency of public investments also requires improvements in procedures covering procurement and monitoring of public contracts by the Directorate General for Major Projects (DGCT). Such improvement of procedures, which should result in reducing project costs, will be brought through the standardization of documents and methods, the training of personnel and the adaptation of regulations.

d. Restructuring and increase of revenues

The restructuring and increase of revenues requires revitalizing the fiscal machinery and enlarging the tax base.

Measures already taken to increase Government revenues are:

- the setting up of special missions to collect customs, fiscal and service revenues;

- reinforcement of mechanisms to control budgetary revenues and to recover tax arrears;

- increase of the special tax on oil products and the tax on alcohol, wines, beers and non-alcoholic beverages;

- the institution of a property tax;

- the increase in registration and stamp duty fees and the minimum payable company tax (15%).

To raise the level of non-oil fiscal revenue to 17% of non-oil GDP in the medium term, the Government plans to increase the above ratio by 1% per year by providing Cameroon with fiscal and customs instruments that are easy to administer and better adapted to its economic situation. To that end, reforms will be made in the following areas:

Customs duties and taxes

- support for the review of the common external tariff applicable to imports into UDEAC countries;

- institution of a minimum import tariff and reduction of the maximum rates through adjustments in the supplementary tax;

- reduction of the volume of exemptions which currently affect a large number of imports, and strengthening of customs control;

- application of the principle according to which imports under public tenders must be subject to the normal import duties and taxes even if the contracts are financed from external resources;

- subjection of imports by Embassies to quotas negotiated between the Ministry of External Affairs and Heads of Diplomatic Missions;

- implementation of the decision that all major imports must have been certified by the exporting country.

Value added tax (VAT)

The VAT will be introduced in 1991/92 and will harmonize the internal turnover tax with the import tax and replace, in particular, the single tax and the internal tax on production.

Income tax

To address the present inadequacies of this tax, the following measures are envisaged:

- the setting up of a single registration system during the 1989/90 financial year;

- the computerization of duties and taxes (Operation TRINITE will soon be operational in Yaounde and will be extended to Douala in 1989/90).

In the medium term, a study of all income taxes will be launched in order to:

- simplify the income tax system;

- extend the tax base;

- tax different sources of income in a more equitable manner.

Registration

The introduction of the real estate tax in the 1988/89 budget is a first step towards effective taxation of all landed property in urban areas. Its scope of application is, however, limited by the poor surveying methods. In order to revitalize this sector, the Government will, under the second urban project, take all the steps necessary for the survey to become quickly operational. This survey will permit extending the scope of application of the real estate tax and improve collection of registration fees and taxes on rental income.

Other envisaged measures

- the launching of studies to determine the impact of the various fiscal measures on production, consumption and revenues;
- introduction of a port and airport tax;
- improvement of the collection of service charges for public services.

e. Settlement of the Government's domestic arrears

Concerned about resolving the liquidity crisis of the banking system and fostering the revival of the private sector, the Authorities have decided to clear, as quickly as possible, all outstanding domestic arrears.

The claims presented by the enterprises and evaluated by the *ad-hoc* commission assisted by a foreign auditing firm will be repaid as follows: 100% before 31 December 1989 for those below 100 million CFA francs; 15% cash and 85% in 14 semi-annual installments with a one-year grace period and at the ordinary BEAC discount rate for the rest.

Externally guaranteed commercial arrears will be handled either through additional negotiations with the suppliers concerned or within a multilateral framework.

Administrative arrears will be settled as follows:

- rent arrears: over a three-year period;
- salary arrears: over a five-year period;
- arrears owed to public entities will be consolidated over a ten-year period;
- arrears due to public enterprises will be treated within the framework of their restructuring and the modalities of settlement defined in performance contracts.

Finally, a request has been made to the French Government to reschedule the postal and hospital debts.

B. RATIONALIZATION OF THE MANAGEMENT OF THE PUBLIC AND PARA-PUBLIC SECTOR

a. Reform of the Civil Service

The primary objective of this reform will be to redefine the role of the State and to improve personnel management. This objective, which will result in improved control of the wage bill, will be achieved through:

- a recruitment policy limiting entry into the Civil Service, in particular, from vocational and administrative training schools;

- an early retirement scheme and the strict application of retirement regulations;

- the consolidation of existing systems of payroll management;

- the curtailment of travel allowances, in particular, by reducing the movement of personnel;

- the review of the policy of social benefits (family allowances, housing allowances, Government houses, etc...);

- the review of the organizational structures of Ministries and the setting up of Organization and Personnel Plans defining clearly the roles of each Ministry, taking care to avoid duplication of responsibilities. The review will define the exact staffing needs of the Ministries and, where appropriate, identify existence of overstaffing. This should, in turn, enable the determination of operating budgets based on the mission and identified needs of each Ministry;

- a policy of reduction of civil servants based, in particular, on voluntary departures and redeployment in the private sector.

The second objective concerns increasing efficiency in the Civil Service through:

- the review of the legal and statutory framework of the Civil Service (general staff regulations, special rules and regulations, etc...) to define a Civil Service policy based on enhancing career development and on increasing the motivation and duty consciousness of Government employees; and particularly:

  - an inventory of skilled personnel in the administration, by level;

  - a new remuneration policy in the Civil Service which links the review of salaries, subsidiary allowances and benefits to the evaluation of individual performances;

  - the improvement and institutional reinforcement of personnel management in the Ministry of Public Service, Ministry of Finance and in the technical ministries: administrative management (careers) and financial management (salaries), and the strenghtening of institutional relations between ministries;

- a vocational and continuing education policy adapted to the needs of the Civil Service.

A Civil Service Commission will be set up to ensure that the above-mentioned objectives are achieved.

b. Rehabilitation of public enterprises

i) Basic principles

A commission for Public Enterprise Rehabilitation, reporting to an interministerial committee and assisted by a technical committee, has been operational for some time now. Its mandate is to:

- Identify enterprises:

  to be maintained in the Government's portfolio (public utility or service enterprises and strategic enterprises);

  to be privatized (enterprises which, though potentially viable, need not be in the public domain);

  to be liquidated.

- Define the reforms necessary to rationalize macroeconomic policy and the institutional environment so as to improve the performance of the rehabilitated public enterprises;

- Propose a policy for Government equity investments;

- Analyze the monopoly rights and other privileges enjoyed by each enterprise and recommend measures to be taken.

Actions to be taken within the context of this public enterprise rehabilitation program are in line with the following considerations:

- encouragement of competition and reduction of monopolies which may hamper the efficient allocation of resources;

- the granting of maximum autonomy to public enterprises so as to improve their management. The Government should exercise its authority only by establishing major sectoral guidelines and, *a posteriori*, by evaluating results. However, decisions having financial implications (investments, recruitment and dismissal of staff, increase in equity capital and loans) must receive the prior approval of the supervisory authority;

- review of the management of public enterprises so that they can achieve their objectives in the most efficient manner;

- systematic negotiation of agreements to onlend obligations contracted by the Government on behalf of public enterprises;

- establishment of a performance contract with each enterprise remaining in the public portfolio. Performance contracts must specify the respective obligations of the Government and the enterprises, including the objectives to be attained and performance criteria. Each performance contract should include a financing, investment, technical and commercial management, personnel and organizational plan for each enterprise with an implementation schedule. The contracts should also specify the Government's responsibilities, such as the settlement of arrears, increases in capital, the payment of its bills and reimbursement for work done for the Government. They should also specify obligations that may be delegated to enterprise management, such as the streamlining of management, commitments relating to financial restructuring, price fixing and the recruitment and dismissal of personnel;

- economic and financial analysis of all investments carried out by public enterprises, ensuring that each enterprise can meet its debt service obligations. These investments must be periodically reviewed as part of the activities of the Monitoring Committee in charge of supervising performance contracts;

- minimizing the social impact of public enterprise restructuring by adopting compensatory and reconversion measures;

- minimizing budgetary transfers to enterprises from which the Government is divesting by:

  . abolishing Government subsidies and guarantees;

  . eliminating monopoly rights and tax exemptions and privileges outside the provisions of the Investment Code;

- provision of sufficient resources in the Government budget to pay:

  . Government arrears to public enterprises;

  . arrears of public enterprises;

- operating subsidies;
- severance pay

as specified in the performance contracts and in the liquidation and privatization decisions.

ii) Measures taken

Among the 150 public enterprises in the Government's portfolio, diagnostic studies were carried out on 75 (emergency group). On this basis, decisions were taken to privatize 6 enterprises, to liquidate 12 others (5 have already been dissolved), to rehabilitate 38 and to merge 4 enterprises into 2 entities. The decisions concerning 14 enterprises of the financial and banking sector and the National Produce Marketing Board (NPMB) shall be taken on the basis of individual audits currently underway (cf. Banking Section).

Final reports on the restructuring plans of each enterprise will be submitted to the Interministerial Committee upon their completion.

A similar procedure (diagnosis, Interministerial Committee decision, action plan, performance contract) will begin in 1989 for the remaining enterprises.

In order to avoid the recurrence of the problems which led to the present situation, studies on the institutional and macroeconomic environment were conducted. Laws and regulations will be drafted in accordance with the conclusions of these studies.

Among the measures envisaged in this context, the following legislative or regulatory instruments concern directly the public enterprise sector:

- regulations governing the activities and the organization of public enterprises and entities;
- legislation on privatization;
- redrafting of the statutes for the public enterprises retained in the public portfolio;
- drafting of performance contracts between the Government and the enterprises retained in the public portfolio.

In addition, studies are underway to facilitate the implementation of rehabilitation plans. These studies are aimed at:

- defining the methods for the implementation of the privatization program;

- defining a rational policy for Government equity participation in enterprises;

- evaluating the social, human and financial consequences of the program of public enterprise reorganization and liquidation.

iii) Monitoring the implementation of the rehabilitation measures

The Commission for Public Enterprise Rehabilitation is responsible for the follow-up and application of the decisions taken by the Head of State. In this respect, its duties were extended to include:

- the preparation of plans to restructure enterprises retained in the public portfolio;

- the preparation of necessary accompanying measures;

- the monitoring of the implementation of plans and measures;

- the monitoring and implementation of the privatization and liquidation program.

To ensure the sustainability of progress already achieved, the Public Enterprise Commission should be transformed into a permanent body and full-term staff should be attached to its Technical Committee.

In addition, a Committee to monitor the implementation of performance contracts, by entreprise, will be set up. It will comprise:

- a representative of the supervisory Ministry;

- a representative of the Ministry of Plan and Regional Development (MINPAT);

- a representative of the Ministry of Industrial and Commercial Development (MINDIC);

- a representative of the Ministry of Finance (MINFI);

- the General Manager of the enterprise. He shall be responsible for meeting the secretarial needs of the Committee;

- the Technical Rehabilitaticn Committee.

Any person or legal entity may be invited to participate in the deliberations of the Committee by virtue of his or its competence.

The monitoring of the performance contract entails assessing the implementation of the contract and overseeing its periodic revision.

iv) Financial and technical rehabilitation of public enterprises

The principles which will guide financial and technical rehabilitation of enterprises to be maintained in the Government's portfolio are as follows:

- the financial and technical rehabilitation will take into account the liabilities of the enterprises and their working capital needs;
- arrears and overdrafts owed to local banks: rescheduling to be negotiated by the parties under the auspices of the Government;
- arrears owed to local suppliers: rescheduling of debts owed to the major suppliers, immediate payment of debts owed to small-scale suppliers;
- arrears owed to foreign banks and suppliers: rescheduling negotiated by the Government, if possible, on a case-by-case basis;
- arrears owed to other public enterprises, including CNPS: rescheduling over a four year period;
- fiscal arrears: forgiven, on a case-by-case basis;
- assumption of medium and long-term debt service by the Government: case-by-case examination within the framework of the performance contracts;
- the technical rehabilitation will be carried out on the basis of a minimum investment programme.

At this stage of the public enterprise restructuring process (May 1989), preliminary estimates of the cost of rehabilitating enterprises remaining within the Government's portfolio and included within the priority group amounts to CFAF 220 billion (not including the banking and financial sector), including the social costs.

Donors will be contacted to mobilize financial resources for the Government and the enterprises.

C. REHABILITATION OF THE BANKING AND FINANCIAL SYSTEM

The Cameroonian banking system has been facing difficulties for several years. Various deficiencies have been identified by the Government, including:

- shortage of liquidity
- inadequacy of equity capital
- the magnitude of non-performing credits
- declining profitability
- weak management.

Given the vital importance of an effective banking system for the success of the structural adjustment program, reforms undertaken by the Government to redress the financial sector and the banking system will comprise the following elements during the time frame of the program:

(i) A plan of action to restructure the banking system, including:

- the liquidation of distressed banks, including CAMBANK, the Cameroon Development Bank (BCD) and FONADER (the National Fund for Rural Development);
- consultation with the foreign partners in all jointly-owned commercial banks for the preparation of plans for their restructuring or liquidation;
- examination of options for the restructuring of the National Investment Corporation (SNI);
- setting up an appropriate structure to coordinate the measures taken by the Government to restructure the banking system;
- divestiture or gradual transfer to private Cameroonians or foreigners of Government shares in commercial banks, while redefining the conditions of Government involvement in the management of these banks;
- subjecting the setting up of new banks with Government participation to in-depth feasibility studies that would determine the prospects and conditions for their future viable operation. In this context, the establishment of the Agricultural Credit Bank and the Industrial and Commercial Credit Bank of Cameroon will be subjected to the determination of viable operating conditions.

(ii) Emergency measures will be taken to relieve the liquidity crisis of the banking system, including:

- the settlement of Government arrears vis-à-vis the private sector;
- the abandonment of some deposits held by the Government and public administrations in banking institutions;
- the consolidation of some banking debts by BEAC.

On the basis of currently available data and information, the cost of restructuring the banking system (including the liquidation of some distressed banks) is estimated between 300 to 375 billion CFA francs.

The adoption and implementation of the restructuring plan requires the joint efforts of the Government, the shareholders, the BEAC and the multilateral and bilateral donors.

The financing of such a restructuring plan would have to come from a combination of resources including:

- those listed in (ii) above as means for relieving the banking liquidity crisis;
- contributions in fresh money;
- the eventual issuance of Treasury bonds.

The Government will initiate discussions with the BEAC with a view to seeking the consolidation of outstanding banking debts as well as exploring the possibility of other financial assistance by BEAC toward banking restructuring.

(iii) In conjunction with BEAC, the Government will formulate an action plan to reform the system of crop credits. This plan will comprise, on the one hand, measures to settle the arrears of the previous crop seasons, part of which would require rescheduling by BEAC, and on the other hand, new measures to put the financing of future campaigns on a sound footing. In particular, the Government will ensure the strict application of decisions taken by BEAC to limit bank financing of crop credit to expected export revenues. Furthermore, the decision-making authorities in BEAC will ensure the strict application of regulations governing the granting of discount facilities by BEAC.

(iv) In agreement with BEAC, appropriate measures will be taken to strengthen the inspection of banks by the monetary authorities by reinforcing the BEAC inspection unit with that of the Ministry of Finance. Furthermore, the supervisory authorities will ensure that the prudential basic banking ratios (liquidity ratio, ratio of capital adequacy) will be strictly monitored and enforced, following the restructuring of the banking sector.

(v) Within the framework of prevailing banking regulations and in conjunction with BEAC, selective banking policy reforms will be formulated, including:

- the reduction of the range of deposit and lending interest rates to make them more flexible and adapted;
- the gradual and selective widening of banking margins as one of the means to ensure sufficient remuneration for the banks;
- the adjustment of interest rates to discourage capital flight and to attract capital flows required to promote the priority sectors of the economy;
- the adaptation of tax regulations to the specificity of banking and financial sector activities, including measures to encourage the constitution of provisions for bad debts. In this respect, studies will be carried out on certain taxes levied on banking transactions (tax on the distribution of credit, internal turnover tax, tax on real estate income) with a view to reducing or abolishing them;
- the preparation and implementation of laws and regulations to improve loan recovery by the banking system.

(vi) Apart from the immediate measures outlined above and which form part of the structural adjustment program, more in-depth reforms of the financial and banking system will be envisaged. In this respect, the Government will initiate a dialogue with BEAC to prepare a program for reforms in the following areas:

- gradual abolition of interest subsidies, beginning with the merging of the preferential rediscount rate with the normal rediscount rate;
- with the return to monetary equilibrium, the abandonment of credit control in the form of bank-by-bank credit ceilings;
- adjustment in the rediscount system by measures aimed at encouraging medium- and long-term credit in relation to short-term credit;
- establishment of a money market in Cameroon, following appropriate studies. This money market should gradually supplement the BEAC rediscount system and

its interest rate should become the reference rate for the banking system;

- setting up, after undertaking studies, of a capital market with the introduction of new financial instruments (corporate securities, commercial paper, bonds, Treasury bills, mutual funds, Investment Unit Trust, etc.)

D. RECOVERY OF ECONOMIC ACTIVITY

The strategy to revive production has the following priority objectives:

- increasing rural sector output by improving agricultural productivity and harnessing the existing production potential;
- restructuring the industrial fabric and creating a competitive incentives environment that would promote private initiative and exports.

As the inevitable link between production and consumption, communications and transport networks will be rehabilitated and better maintained.

a. Rural Development

Within the context of preserving and managing our natural resources to assure their sustainability, the objectives retained for this sector concern:

- ensuring food security;
- promoting and diversifying exports;
- increasing revenue in rural areas.

To attain these objectives it will be necessary to:

- improve agricultural support services provided to the rural population;
- maintain and upgrade assistance to traditional smallholders;
- promote the creation of medium sized farms;
- increase the productivity and value added of the agricultural sector.

i) Food Security

Government action is geared towards:

- improving and strengthening the necessary link between production, processing, distribution and marketing by reducing gradually the role of the public sector while increasingly calling upon the private sector to set up facilities for the storage, preservation and processing of agricultural products. A program for the construction and improvement of feeder roads is also underway for this purpose;

- instituting an early warning system against drought and a program for the mobilization of food products in case of need;

- strengthening the system of gathering and processing production and marketing data.

ii) Recovery and diversification of agricultural exports

Recovery and diversification of agricultural exports requires improving farming techniques to increase productivity.

To this end, there is a need to bring yields to levels which will ensure a minimum of profitability, to reinforce applied research and disseminate findings, to increase the timely use of fertilizers and pesticides and, finally, to pursue the promotion of animal traction, motorization and mechanization. As far as cocoa is concerned, emphasis will be placed on regeneration and pest control. Regarding coffee, improvements in arabica farming methods and in the quality of the product will be the prime concern. Cotton production will be increased by opening new plantations in the south. As for oil palm and rubber, marginal plantations will be abandoned and new ones created in high yield areas.

Studies are necessary to determine the possibility of exporting non traditional products like vegetables and to identify potential regional and sub-regional markets.

iii) Pricing and marketing policies for agricultural products

Prices of inputs

The policy is to eliminate fertilizer subsidies within a period of 3 years, to reduce subsidies for phytosanitary products by 50% within 5 years and to privatize their distribution. This policy is already being implemented in the case of fertilizers.

Producer prices

In view of the downward trend in world prices for primary products, the Government will set up a pricing system which takes into account world price fluctuations and incentives for production so as to restore the financial balance for the crops in question. In this regard, the Government will institute a system of floor prices for the producer and strive to reduce marketing costs as well as operating expenses of the National Produce Marketing Board (ONCPB/NPMB) and SODECOTON. A system will be set up to share the surplus among the farmer, the Government and the Stabilization Fund (managed by ONCPB) if the sale price is higher than the cost price.

Marketing

The Government will gradually liberalize the internal and external marketing of primary commodities with a view to enhancing their competitiveness. To this end, the modalities for granting licenses to exporters will be revised in order to increase marketing efficiency. On a case-by-case basis, marketing monopolies, heretofore granted to certain exporters in certain regions, will be eliminated. The role of the National Produce Marketing Board (NPMB) will be redefined to permit the private sector to progressively take charge of internal and external marketing of export crops.

Taxation

- The export tax on primary products will be abolished. A progressive taxation system will be a component of the flexible pricing system;

- price equalization funds for rice, cooking oil and sugar have already been set up. Their impact on local production and retail prices will be closely monitored.

Institutional support

Government objectives in this area are:

- strengthening of research and extension services, including for livestock, mainly by setting up on-farm demonstrations and reorganizing extension services at the national level. The pilot phase of this action has already been started in the North, East, South and North-West Provinces;

- according greater importance to cooperatives mainly by:

    . granting them greater autonomy;

    . clearly defining the intervention of Government services in cooperatives;

    . reviewing legislation governing cooperatives;

- assisting village communities in the realization of small-scale community projects;

- strengthening the Chamber of Agriculture to enable it to fully play its role in promoting agricultural products; and

- improving the management of agro-industries to increase profitability and redefining the role of development agencies and other state enterprises (related work is underway within the context of the Commission for Public Enterprise Rehabilitation).

iv) Recovery of the Forestry Sector

The forestry sector has considerable medium and long term potential. Like coffee and cocoa it is an important source of foreign exchange. In this light, an action plan involving institutional, legal, technical and commercial aspects has been prepared within the framework of the Tropical Forest Action Plan.

The objective of this plan is to institute a forestry policy framework for the rational exploitation of timber and at the same time to ensure the conservation of existing ecosystems (flora and fauna).

This plan is supported by:

- the revision of the Forestry Code, notably in:

  . granting longer term exploitation licenses based on forest development plans through competitive bidding;

  . introducing new forestry regulations concerning the controlled exploitation of fragile ecological zones and associating exploiters to forest protection activities;

  . reviewing taxes in the forestry sector and modifying them to encourage the exploitation of secondary species and the development of processing activity within the country;

- the management of a national system for standardizing processed wood;

- the management and the increase of Permanent State Forest within the framework of the global development of rural areas;

- the strengthening of the capacity of the Forestry Department in the area of forest management by setting up a planning and regulatory unit, and redefining its attributions;

- the preparation of an infrastructure and transport support plan with due attention to its environmental impact;

- the preservation of existing and future parks and reserves by setting up buffer zones;
- the implementation of a sylvicultural program in concessionary leasing so as to promote the development and exploitation of future crops;
- the pursuit of the on-going reforestation program and intensification of applied forestry research activities;
- the rationalization of the exploitation of forest resources within the framework of the natural resources management policy (reforestation and regeneration);
- the establishment of national SMEs in the sector;
- the increased utilization of wood pulp in construction and equipment projects (notably by the public sector).

v) Recovery of the Livestock and Fisheries Sector

* Livestock

Government intends to:

- institute a policy that calls on livestock owners to participate in their own development by gradually transferring on to them most development expenses hitherto borne by the State;
- encourage and promote private sector participation in the supply of inputs and services;
- meet domestic protein requirements with domestic production.

Specific areas in which Government intends to carry out substantial policy reforms are as follows:

- Cost Recovery

The Government will set up mechanisms that will ensure cost recovery for clinical services and vaccinations as well as pharmaceutical products mainly by phasing out the distribution of free veterinary products.

As concerns the preservation of tse-tse fly-free zones, Government will set up a financing system that will require livestock farmers to participate either financially or in kind.

Such revenue will, as a matter of priority, be used to meet the operating costs (excluding salaries) of livestock services. The revenue thus collected will be paid either into a special treasury account opened for such purposes or into the livestock development funds that already exist in each province.

- <u>Developing private veterinary services</u>

The Government will encourage the development of veterinary services by the private sector. This should ease the work load of Government services and stimulate the creation of jobs in the private sector.

This policy will be implemented according to the following guidelines:

- gradually providing private veterinary clinics exclusive rights to furnish veterinary services and to distribute veterinary products;

- when possible, subcontracting to private persons activities that are public in nature such as vaccination, the inspection of animal products, etc...

- <u>Intensifying protection programs</u>

Government intends to intensify animal health protection programs by emphasizing prevention in order to limit the contraction and spread of animal diseases.

In this context, the range of vaccines manufactured by the National Veterinary Laboratory (LAVANET) has to be broadened.

- <u>Training and support services</u>

Government action will be geared towards:

- providing special selected breeds and inputs to livestock farmers;

- increasing the provision of technical advice to livestock farmers.

- <u>Institutional Support</u>

The Veterinary Pharmaceutical Office will be reorganized in order to improve gradually its performance and the quality of the services it provides. The reorganization should enable it to operate without state subsidies in two years time. Similarly, the Livestock Development Corporation (SODEPA) will be restructured in the framework of the reform of the para-public sector.

* <u>Fisheries</u>

Government objectives in the area of fisheries is to promote national fish production so as to reduce imports of fish products to the minimum. Government action in the various related areas will be as follows:

- In the area of industrial sea fishing: negotiating fishing agreements with neighbouring countries with a view to obtaining access for Cameroonian fishing vessels to their more resource-rich territorial waters, and extending our territorial waters in accordance with the new provisions of the Convention on the Law of the Sea.

- In the area of small-scale fishing (sea and inland): providing small-scale fishermen with the necessary financial means by making lines of credit available through sound financial institutions and organizing small-scale fishermen into cooperatives to facilitate the provision of extension advice. Furthermore, the system for preserving and marketing fresh fish will be improved.

- In the area of fish farming: fish farming stations will be equipped for more intensive production of a large number and variety of fry, while ensuring distribution to fish farmers. The production and distribution of fish feed will be pursued.

In the area of strengthening existing structures, the Development Authority for Small Craft Sea Fishing (MIDEPECAM) will be restructured in order to increase its capacity and efficiency to provide technical advice and access to loans. The National Zootechnical and Veterinary Training Centre (fishery section) in Foumban will also be reinforced in order to train a sufficient number of technical and extension staff.

vi) Financing the Rural Sector

The Government intends to accelerate the opening of the Agricultural Credit Bank of Cameroon whose management will comply with the principles of sound bank management and whose main objective will be to meet the financing needs of existing farms and the newly created medium-scale farms. In the absence of the Agricultural Credit Bank, lines of credit will be made available by viable intermediaries for the financing of agricultural, livestock and fishery ventures initiated by private individuals.

Furthermore, special attention will be paid to the development of savings and loans institutions for smallholders and village communities.

b. Trade and Industry

The industrial and commercial development strategy aims at promoting private sector initiative and competitiveness through more neutral incentives and increased competition. The main objectives in this area will therefore be to:

neutral incentives and increased competition. The main objectives in this area will therefore be to:

- progressively liberalize the economy to stimulate competition and reduce domestic prices and costs;

- modernize the existing legal framework;

- eliminate existing distortions in incentives and harmonize effective protection across sectors while ensuring minimum protection to local industries primarily through import tariffs.

To attain these objectives, the Government defined its strategy around four major components:

- the industrial strategy;

- the liberalization of trade and prices;

- the rationalization of tax incentives;

- the reform of the institutional framework.

b. i) Industrial Strategy

Confronted with the limited integration of the industrial sector, the inoperative nature of the present incentives system and the inefficiency of banks as financial intermediaries for industries, the Government intends to take the following corrective measures in the near term:

- intensify the use of local raw materials;

- restructure industries, improve the quantitative and qualitative performance of industrial public enterprises through stricter performance contracts and coordinate information necessary for the development of national resources;

- revise the Investment Code with a view to simplifying it and adapting it to the Government's economic policy objectives. To this effect, eligibility to the benefits of the Code will be non-discriminatory and open to all investors, whether for new investments or extensions of existing ones. Fiscal benefits will be based on performance criteria such as value added, employment generation, training and exports. Such benefits will be reduced over time and granted over a limited, non-renewable period. Customs duty exemptions will be granted only to industrial equipment necessary for initial investments or extension projects and for a very limited, non-renewable period.

ii) Liberalization of trade and prices

Trade liberalization

Trade liberalization aims at:

- regularly supplying the domestic market with domestically produced and imported goods;
- promoting the export of both traditional commodities and industrial products;
- stimulating competition on the domestic market and enhancing the competitiveness of local industries at the international level.

The adjustment measures include, inter alia:

- revision of the legislation governing commercial activity to allow free access to all stages of trade, protect the consumer and provide a regulatory framework against unfair competition;
- gradual elimination of quantitative restrictions (QRs) on imports and their replacement by tariff protection which takes into account local industrial production;
- streamlining of import procedures with the abolition of import licenses for goods not included in the Programme General des Echanges;
- anti-dumping legislation so as to counteract possible negative impact of trade liberalization.

Price liberalization

Price liberalization is part of the series of reforms designed to revamp investment incentives and promote freer competition to the benefit of consumers at large.

The current system of price control and administered profit margins will be substantially modified with the following steps:

- gradual liberalization of prices and profit margins of all goods and services except for a limited number of essential ones;
- elimination of control over profit margins for all goods and services that are not subject to QRs or price controls (homologation préalable);
- updating of texts defining the components of the cost and the profit margins for goods and services;

- simplification of price approval (homologation) procedures and increased flexibility in price administration.

A monitoring system will be put in place to evaluate the impact of trade liberalization on the economy as well as to prevent and correct undesirable results.

iii) Rationalization of fiscal incentives

The distorsions resulting from the system of indirect taxes will be corrected through, in particular:

- the abolition of export taxes on all goods excluding timber, pending the modification of forestry taxes;
- the introduction of a value-added tax (VAT) in replacement of the turnover taxes on domestically produced goods and on imports, the single tax (TU) and the interior tax on production (TIP). This measure will be introduced in close collaboration with the Customs and Economic Union of Central Africa (UDEAC);
- the rationalization of import taxes including the simplification of the rate structure, and the reduction of the average rate and dispersion of duties.

Furthermore, the Government will continue to lend support to the ongoing UDEAC reform of Common External Tariffs (CET).

The benefits granted under the Investment Code and corporate taxation will also be rationalized.

iv) Reform of the institutional framework

To support the adjustment process, the institutional environment for economic activities will be revamped.

Measures to be taken include:

- setting up an investment information and promotion agency;
- setting up an export promotion scheme on the basis of studies to be undertaken;
- improving the performance and efficiency of assistance to SME's and SMIs;
- amending labor regulations in order to reduce labor market rigidities;
- establishing a Commercial Code and a Company Code with a special emphasis on laws and regulations governing bankruptcy and inter-enterprise partnerships;

- designing a system of national standards and ultimately setting up a National Standardization Institute.

c. Water, power and mining

The recovery of these sectors depends largely on international economic conditions and the growth of domestic consumption, whence the need to acquire adequate knowledge on all the relevant economic and social parameters. The quality of technical staff and the mastery of information are also important indicators of success in this sector.

i) Water and Sanitation

Emphasis will be placed on improving the living conditions and general health of the population - factors which are indispensable to the country's economic and social development.

The Government intends to pursue its efforts to:

- provide towns with drinking water while ensuring that such projects are profitable for the Cameroon National Water Corporation, in accordance with the performance contract signed between the Government and this enterprise;

- supply drinking water to rural areas by adopting technology suited to the local culture and to the specific investment and maintenance requirements of the region;

- revive activities in the sanitation sub-sector through appropriate institutional and legal measures.

ii) Power

A National Power Plan which will define the Government's medium and long term strategy is being drawn up.

In the area of electricity, the Government's objectives are to:

- carry out a minimal program in the areas of production, transportation and distribution of electricity with a view to facilitating at minimum costs the expansion and redeployment of industry, expanding coverage in towns already electrified, developing agriculture and improving living conditions in rural areas;

- adopt measures aimed at reaching a balance between the objectives and the means put at the disposal of the National Electricity Corporation (SONEL) through appropriate tariff rates and a management system, as defined in the performance contract;

<u>In the area of hydrocarbons</u>, the Government will promote oil exploration activities by providing appropriate incentives, redefining the oil policy and updating the Mining Law.

The National Gas Plan being drawn up will promote the development of gas-related industries (ammonia, urea, methanol and by-products, etc.). In addition, the Government intends to pursue its policy of diversifying sources of energy, especially by replacing firewood with cooking gas.

iii) <u>Mining</u>

The Government's new mining concession policy will require that exploitation rights be granted through tenders. This will lead to the development and exploitation by the private sector of the already discovered minerals reserves, in particular iron, bauxite, rutile, tin and gold, while ensuring that the Government earns royalties.

d. <u>Communications, transport, urban planning and housing infrastructure</u>

In order to put an end to the situation prevailing in this sector, the following institutional measures will be taken:

- improvement in the programming and monitoring of projects;
- clear definition of each ministry's field of action and responsibility: for example, urban roads, feeder roads, etc.;
- giving priority to projects which are profitable and create jobs;
- privatizing or rationalizing activities which are industrial or commercial in nature (Post and Telecommunications, transport enterprises, etc.);
- infrastructure cost recovery on similar bases for all types of transport - Air, Road, Railway and sea - by making users bear the recurrent costs of maintaining and renewing such transport infrastructure;
- drawing up performance contracts between the Government and the public enterprises retained in the public portfolio, including the nature of investments and their financing, remuneration for unprofitable public services that are imposed on the enterprise and performance objectives, etc.;
- staff reduction and redeployment of extra staff in the other productive activities of the sector: management of motor parks, parcels and passenger services, urban and inter-city transport, hire-purchase of vehicles, car maintenance and the manufacture of spare parts.

parcels and passenger services, urban and inter-city transport, hire-purchase of vehicles, car maintenance and the manufacture of spare parts.

i) Roads

Currently, roads handle 85% of passenger and freight transport. The classified network of 33,000 km has only 3,500 km of paved roads.

Action will be taken to reduce the already very high cost of road construction and transport. It is also important to allocate sufficient funds for road maintenance, including for rural roads. In this respect, it will be advisable to:

- study the possibility of setting up a road fund;
- maintain the existing road network and determine potential new road portions;
- promote SMEs in the public works sector which use local materials, in particular through associating them to works related to road maintenance;
- build new feeder roads.

ii) Railway

The National Railway Authority is facing serious financial difficulties in part due to keen competition from the other major means of transport.

In the context of a performance contract, a rehabilitation and reorganization plan will be implemented in this sector in order to increase the revenues of the enterprise and to enhance its efficiency.

iii) Sea

The port rates charged by the National Ports Authority are incompatible with the volume of investments undertaken. These rates will be raised and updated on a regular basis, and their structure will be adjusted to the services rendered by the Authority.

In developing the country's ports, priority will be given to the optimal use and possible improvement of the existing facilities. The development or eventual building of new port facilities in other parts of the country (Kribi, Limbe) will be coordinated with the development of the mining, fisheries and forestry sectors in these regions.

iv) Air

Over the last decade, the development of airport facilities proceeded at a rapid pace without, however, benefitting from careful planning. The activities in this sector will be rationalized.

The recurrent costs of equipment and navigation will be borne by users who will be called upon to contribute significantly to the purchase of new equipment through appropriate charges.

The maintenance and level of operation of the existing facilities and the programming of new ones will be adapted to the real needs in air traffic.

The magnitude of investments in airport facilities will be commensurate with realistic air traffic estimates. Project choices will also be governed by concerns to limit initial investments and operating costs to levels compatible with probable revenues.

The airports will be managed as commercial operations by setting up one or more companies which have the skills required for operating airport platforms. The Cameroon Airlines (CAMAIR) will be restructured.

In order to minimize recurrent expenditures and increase the profitability of the sector, airports with little passenger traffic will increasingly be served by 3rd class airline companies.

v) Post and Telecommunications

The current management of this sector, incompatible with its industrial and commercial nature, has been partly improved by the adoption of a supplementary budget.

Management will be further improved by computerizing operations and adjusting the level and structure of tariffs, including international ones.

The number of post offices and telephone exchanges will be increased on the basis of demand and the financial situation of Post and Telecommunications services.

vi) Urban planning and housing

The major objectives of the urban planning and housing policy are to stimulate public and private sector participation in creating a proper environment for harmonious social and economic development. In this respect, the Government intends to take the following measures:

(a) improve the functioning of the real estate market and the management of the State's properties by streamlining administrative procedures, demarcating and identifying public property and setting up a multi-purpose survey system;

(b) reinforce the technical and financial means of municipalities by adopting a plan of action aimed at mobilizing local resources;

(c) encourage the private sector to play a greater role in building houses and equipping lands by reorienting the activities of the public enterprises in this sector (Cameroon Real Estate Corporation (SIC), the Urban and Rural Lands Development and Equipment Authority (MAETUR), Cameroon Housing Loans Fund).

vii) Urban and Inter-city Transport

The financial and physical asset situation of the Cameroon Urban Transport Corporation is a very serious cause for concern. A reorganization and rehabilitation program will be drawn up. The private sector will be encouraged and organized to make a greater contribution to inter-city and urban transport while taking into account the protection of the rural environment.

viii) Tourism

Cameroon has large and diversified potential for tourism. In order to activate this sector, which has so far been inadequately exploited, the following measures will be taken:

- improve the management and maintenance of national parks;

- reinforce the quality of national tourist products, in particular by intensifying promotional activities;

- facilitate obtaining entry visas;

- develop reception and lodging facilities, in particular by encouraging the private sector.

e. Human resources

The Government reaffirms its willingness to preserve what Cameroon has achieved in the field of human resources and to undertake the following:

- examine the structural and financial situation of the education/training and health sectors;

- define the essential components of the Government's program in accordance with the vital socio-economic objectives of the country;

- propose a strategy which takes into account the resources required to achieve the country's vital objectives, on the one hand, and the appropriate budgetary allocations and borrowing policy on the other.

The above development strategy should help ensure that the process of structural adjustment does not result in the deterioration of the most essential social indicators.

i) Education/training

The main lines of action will be the following:

- prevent any decline in the current school attendance rate at the primary school level;
- gradually improve the intrinsic quality of teaching at all levels;
- strengthen training activities which are closely linked to the effective demand in the labor markets;
- review the objectives of higher education in the light of the above and, within this context, revise the scholarship award system in order to make it more efficient and better adapted to the new socio-economic conditions.

ii) Health

The main lines of the strategy should:

- reflect priorities based on a re-examination of the epidemiological situation and national objectives such as the promotion of mother and child care and responsible parenthood;
- promote preventive and primary health care in rural areas;
- improve the quality of health personnel through training and re-training;
- in hospitals, emphasize measures designed to rationalize the system, including the improvement of staff management and output, and above all, the ability of hospitals to play their role as referral institutions.

E. INTEGRATION OF THE SOCIAL DIMENSIONS OF ADJUSTMENT

The central objective of the Development Strategy adopted by the Government is to reestablish sustainable growth with equity over the medium-term. But growth is not by itself a sufficient condition to reduce poverty and to improve the living conditions of households. Therefore the

Government intends to implement, at the heart of its Structural Adjustment Program, a Social Dimensions component with the following objectives:

(a) In the short- and medium-term, to protect the most vulnerable groups of the population in the course of the adjustment program, as well as groups that are directly affected by adjustment measures;

(b) In the medium- and long-term, to promote the participation of the poorest groups of the population in the economic recovery process.

The implementation of this component hinges on the design and implementation of five complementary action programs in the following sectors: population and health, education and training, employment, role of women, and institutional framework. In this context, the Government intends to:

- define a new national population policy, and mobilize the necessary resources to implement it;

- define a new national health policy, aimed in particular at strengthening and broadening the national primary health care program, including the introduction of a family planning component, and implement the Bamako Initiative, in particular an emergency program of acquisition and distribution of basic supplies and essential drugs for the primary health care system;

- reorient the national policy for education and human resource mobilization, and design and implement the corresponding reforms and operational strategies, in particular: (i) acceleration and improvement of training of trainers for technical schools; (ii) redynamisation of professional training as a function of market needs; and (iii) implementation of an emergency program of acquisition of basic supplies for primary and technical schools;

- establish program-budgets in all social sectors based on planning by objective, including a core social expenditure program for the poorest groups in the population;

- design and implement a series of actions aimed at promoting self-created employment and the reinsertion into the private sector of laid-off civil servants and public enterprise employees, in particular through (i) technical and financial support for the creation of micro-enterprises; (ii) on-the-job training and short-cycle professional training, and support the implementation of these actions through setting up a fund for employment;

- design and implement the reforms and operational strategies corresponding to the national policy for the promotion of women, including (i) the revitalization of the urban women, including (i) the revitalization of the urban structures of MINASCOF; (ii) a special support for women in the framework of the micro-enterprise creation program; and (iii) a program aimed at improving the productivity of women in rural areas.

In order to achieve these objectives, the Government intends to:

- reinforce the planning and coordination of socio-economic policy by (i) integrating distribution and employment components in the design of macroeconomic strategies; (ii) reinforcing planning and coordination capacities of the Ministry of Plan, in particular for integrating human resource strategies in the overall development strategy; (iii) reinforcing planning and programming capacities in all ministries in charge of the social dimensions of adjustment, in particular for the design and implementation of program-budgets;

- improve the follow-up of the evolution of socio-economic conditions of the various population groups, through the implementation of a permanent household survey, and through the processing of available socio-economic statistics;

- reinforce the process of participation of grass-roots organizations in socio-economic development, in particular through the establishment of a fund for community development.

F. MONITORING THE STRUCTURAL ADJUSTMENT PROGRAMME

To guarantee the success of the Structural Adjustment Program (SAP), the Government has set up two structures: the Interministerial Council for the Supervision of the Structural Adjustment Program and the Technical Committee for the Preparation and Follow-up of this Program.

a. The Interministerial Supervisory Council

Under the authority of the Secretary-General of the Presidency of the Republic, the Interministerial Supervisory Council is responsible for implementing and supervising the implementation of SAP with International Organizations. The Council deals with all matters which relate directly or indirectly to programs negotiated with the International Monetary Fund (IMF), the World Bank and the African Development Bank.

To that end, the Council follows up the implementation of government economic policy objectives and sectoral strategies. It initiates the necessary studies and programs of action. It coordinates the activities of various Ministries and follows up the implementation of the Government's plans of action.

The Interministerial Supervisory Council works in close collaboration with the Commission for Public Enterprise

Rehabilitation, set up earlier and also placed under the authority of the Secretary-General of the Presidency.

b. <u>The Technical Committee for the Preparation and Follow-up of SAP</u>

The Technical Committee for the Preparation and Follow-up of SAP is responsible for the technical preparation, supervision and follow-up of SAP. It is also responsible for the supervision, preparation and implementation of the Social Dimensions of Adjustment (SDA) and the Economic Management Support (EMSP) projects. To that end, the Committee works in collaboration with the competent government services in preparing sectoral meetings. It is also responsible for preparing periodic supervision reports for submission to the Interministerial Council for the supervision of SAP. Finally, the Committee is in charge of establishing summary tables incorporating the evolution of economic indicators.

The Technical Committee of SAP works in close collaboration with already existing structures such as the Technical Committee of the Commission for Public Enterprise Rehabilitation, the Technical Committee on Government arrears and the Technical Committee for the Review of the Program with IMF.

c. <u>Financial and Logistical Support</u>

The reforms the Government is carrying out require considerable financial and logistical support.

As such, the Economic Management Support Project is intended to back-up Government services more directly involved in the preparation, implementation and follow-up of SAP.

The first phase of this project deals with the following areas:

- the preparation and monitoring of the Public Investment Program;
- the reform of the national statistics system;
- the management of the debt; and
- the reform of the Civil Service.

Furthermore, this project will make it possible to finance SAP - related studies and projects identified in the course of implementing reforms.

CONCLUSION

In conclusion, stabilization, adjustment and revival are the basic components of the Development Strategy the Government intends to implement in the short and medium term.

To this end, the reform program adopted within the context of this strategy aims especially at increasing production and expanding exports by improving the economic climate and the ability of the national economy to adjust to the international economic situation. Thus, particular attention is paid to such areas as agricultural production, the industrial processing of local raw materials, the development of infrastructures, the development of entrepreneurial skills and human resources.

The forseeable impact of this vast program on the most vulnerable population groups (and the poorest) has led the Government to introduce a series of measures to take into account the social dimensions of the adjustment process.

The financing of this Structural Adjustment Programme should be quantitatively and qualitatively satisfactory over a sufficiently long period, externally-generated funds being complemented by an increased mobilization of internal resources.

Finally, it is important to emphasize that the conception and implementation of these strict but hope-inspiring measures will be achieved by maintaining the national consensus essential for the success of SAP. To that effect, the Government intends to sensitize the people, businessmen and the international community so that everyone may willingly and knowingly participate in Cameroon's recovery effort.

PUBLIC FINANCE

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
I. PLANNING, PROGRAMMING AND BUDGETING			
a. Strengthening of the links between establishment of the Government budget and medium-term macroeconomic prospects		- Preparation each year of medium-term macroeconomic projections including the Government's financial program, taking into account the expenditures financed by external resources	In January of each year, starting in 1990
b. Fuller analysis of the public sector's impact on the economy, taking into account investment, borrowing and other activities by public enterprises.		- Determination of data needs	March 1989
		- Sensitization of public enterprises and setting up of a data-gathering system	September 1989
		- Production of quarterly summary monitoring tables	Quarterly starting in January 1990
c. Strengthening of the project planning and budgeting cycle to ensure more systematic use of selection criteria and more flexible medium-term planning		- Preparation of project briefs, stating economic justification, sources of financing, duration and implementation plan	July 1989
		- Preparation of a rolling four-year investment plan compatible with available resources and debt and development strategies	Yearly in July
		- Inclusion as an annex to the Finance Law of the investments for the first year of the four-year program broken down by project and by domestic and external resources	Yearly in July starting in 1989

PUBLIC FINANCE

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
d. Improvement of monitoring of the execution of the Government budget in the course of the year	Monthly summary tables	- Design and implementation of a system for the quarterly monitoring of the financial and physical progress of all investment projects	September 1989
e. Improvement of the management of the public debt	Establishment of the Caisse Autonome d'Amortissements (CAA) and appointment of its Board Chairman and Director General	- Effective startup of CAA's activities	July 1989
f. Establishment of a structure and adoption of improved contract award procedures aimed at reducing administrative delays and the resulting costs	Establishment and start-up of Direction des Grands Travaux du Cameroun - DGTC (Directorate of Major Works)	- Preparation of standardized documents for public procurement	March 1990
		- Establishment of a training program for the personnel involved in procurement	Starting April 1990
		- Review of legislation regulating public procurement procedures	September 1990
II. RESTORATION OF EQUILIBRIUM IN BUDGET ACCOUNTS			
a. Reorientation of current expenditures in order to reestablish equilibrium between the wage bill and expenditures on goods and services	Adoption of recurrent non-wage expenditures levels for the main economic and social services, and for infrastructure maintenance See Control of Wage Bill	- Incorporation of these levels in the 1989/90 budget	July 1989
b. Settlement of significant arrears and debts due to public and private enterprises	Study of cross debts between State and public enterprises underway	- Completion of study and devising of plan for settlement of cross debts	December 1989

PUBLIC FINANCE

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
		- Settlement of arrears due to public and parapublic enterprises upon signature of performance contracts	See public enterprise schedule
		- Consolidation of arrears of principal and interest due to public agencies (CNPS, Credit Foncier, etc.) over ten years	June 1989
		- Annual inclusion of sufficient funds in State Budget to eliminate administrative arrears:	Finance Law for 1989/90 and subsequent years
		* rent over 3 years (1/3 per year)	Starting in 1989/90
		* arrears over 5 years (1/5 per year)	Starting in 1992/93
		- Annual inclusion of sufficient funds in the Government budget to pay for the services of public agencies and to cover contributions to CNPS	Yearly in July starting in 1989
	Elimination of commercial arrears to private sector:	- Signature of agreements for remaining undisputed arrears due to suppliers	June 1989
	* settlement in progress for claims of less than CFAF 100 million	- Agreement on settlement of externally guaranteed debt	December 1989
	* signature of agreements and negotiations in progress for the rest (15% cash, 85% over 5 years)		

PUBLIC FINANCE

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
c. Improvement of domestic resource mobilization	Set of fiscal measures (see DSD, section on Restructuring of Revenue)	- Completion of study for introduction of VAT	December 1989
	Introduction of land tax in budget for 1988/89	- Completion of a joint study with the World Bank on the incentive effects of the fiscal regime with a view to its rationalization over the medium term	March 1990
	Starting in April 1989, inspection of all imports over CFAF 1 million by specialized companies to reduce customs fraud	- Establishment of plan of action for the introduction of VAT	June 1990
		- Establishment of a plan of action for introduction of a simplified system of personal taxation	June 1990
		- Establishment of a single taxpayer ID number for all transactions with the Tax Department	June 1990
		- Completion of Operation TRINITE in Yaounde and Douala	June 1990
		- Negotiation of import quotas with each diplomatic mission	as of July 1989

CIVIL SERVICE REFORM

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
I. CONTROL OF WAGE BILL			
	- Freezing of wage/salaries and of financial effects of promotion	- Consolidation of payroll control system (Antilope)	December 1989
	- Reduction of hiring	- Effective transfer of application of Antilope to Payroll Directorate	June 1990
	- Purging of nonexistent employees from payroll (Antilope)	- Periodic purging and updating of payroll	Every two years starting in June 1989
	- Reduction of embassy personnel and closing of nonessential economic and trade delegations	- Revision of regulations on early retirement	March 1990
	- Strict application of the rules governing retirement	- Revision and harmonization of the statutes of vocational training schools with a view to limiting direct access to the Civil Service	March 1990
	- Reduction of severance allowances for personnel in categories B, C, and D	- Revision of family allowance system	December 1989
		- Formulation of a new housing policy for public employees	December 1989
		- Reform of the system for travel and moving allowances	June 1989
		- Formulation of a general strategy for the organization of ministries	September 1989

CIVIL SERVICE REFORM

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
		- Formulation and implementation of Reorganization and Staffing Plans by ministry, including in particular determination of a balanced operating budget	
		* 1st stage: the four ministries most closely involved in the implementation of the Program (MINPAT, MINFI, MINFOPCE, MINDIC)	March 1990
		* 2nd stage: other ministries, by groups of three	December 1990
		- Definition and study of financial incentives for voluntary departure from public service	June 1989
		- Establishment of management structures and appropriate resources	September 1989
		- Design and implementation of a support program for reinsertion in the private sector of personnel leaving the public sector: * Establishment of an Information Center * Methodology of operation * Management software * Inventory of potential economic activities * Regulatory legislation	To be specified according to the calendar of the SDA project

CIVIL SERVICE REFORM

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
II. CIVIL SERVICE POLICY			
Enhancement of the efficiency of the Civil Service by implementation of a new personnel policy based on evaluation of individual performance and improvement of personnel management	- Establishment of a Higher Institute of Public Management - Computerization of certain management functions	- Review of the legal and regulatory framework of the Civil Service:	
		* Harmonization of general and special Staff Regulations	June 1990
		* Study and implementation of a new remuneration policy based on revision of pay scales, allowances, bonuses and benefits in kind linked to individual performances	December 1990
		* Definition of career plans	December 1990
		* Establishment of a promotion system based on career development plans and on better definition of professional responsibilities	December 1990
		- Inventory of national capabilities by level (file)	December 1990
		- Revitalization of the professional training program connected with career development: * Training institutes * Training programs * Planning of training abroad	December 1990

CIVIL SERVICE REFORM

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
		- Reform and computerization of personnel management (Payroll Directorate and Treasury, MINFI, Personnel Directorate MINFOPCE, DAG of sector ministries): • Evaluation of present structures and procedures • Establishment of new management systems • Strengthening of institutional relationships between MINFI/MINFOPCE and the sector ministries • Training of management staff	December 1990

PUBLIC ENTERPRISE REFORM

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
a. Reduction of the cost of the sector for public finances	- Establishment of the Mission for Public Enterprise Rehabilitation	- Preparation of rehabilitation plans and draft performance contracts for each enterprise	Under way
	- Study of cross debts	- Signature of performance contracts between the State and the Office Cerealier, SODECAO, HEVECAM, ONCPB, SONEL, SNEC, SOCAPALM	September 1989
	- Diagnostic study of 75 enterprises constituting the heaviest burden on public finances (priority group)	- Completion of negotiation of performance contracts with donor participation for CAMAIR, MAETUR, MAGZI, REGIFERCAM, SODECOTON, CDC, SOTUC, CRTV and MIDENO	December 1989
	Decisions to be taken: * 16 to be liquidated * 6 to be privatized * 38 to be rehabilitated	- Signature of performance contracts for the enterprises listed above	April 1990
		ENTERPRISES TO BE LIQUIDATED:	
	Appointment of liquidators for SODEBLE, SODENKAM, MINDO, CNCE	- Appointment of liquidators for MEAL and WADA	September 1989
		ENTERPRISES TO BE PRIVATIZED:	
	Commencement of a study on a privatization strategy	- Establishment of a legal framework for privatization	December 1989
		- Preparation of action plans for the partial or complete sale of the six enterprises to be privatized	March 1990
		- Preparation of an action plan and schedules for negotiation of management contracts for certain enterprises remaining in the Government's portfolio	December 1989

PUBLIC ENTERPRISE REFORM

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
		ENTERPRISES NOT INCLUDED IN THE PRIORITY GROUP;	
		- Preparation of diagnosic studies for about 60 enterprises	December 1989
		- Classification by the Interministerial Committee	March 1990
		- Preparation of rehabilitation plans	June 1990
b. Minimization of social impact	Commencement of a study on the social, human and financial impact of PE restructuring plans and liquidation	- Establishment of compensatory measures (severance allowances)	January 1990
		- Establishment of retraining measures or steps designed to provide alternative sources of employment or income	January 1990
		- Start of implementation of these measures	January 1990
c. Improvement of the performance of enterprises remaining in the Government portfolio	REFORM OF THE LEGAL AND INSTITUTIONAL ENVIRONMENT		
	- Study of legal and institutional environment concerning Government/public enterprise relations	- Introduction of general regulations regulating and organizing public sector enterprises and establishments	December 1989
		- Revision of statutes of enterprises retained in the Government's portfolio	March 1990
	- Start of a study on the formulation of a rational policy on government investment in enterprises	- Adoption of legislation on government investment in enterprises	December 1989

PUBLIC ENTERPRISE REFORM

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
	MONITORING AND IMPLEMENTATION OF THE REHABILITATION PROGRAM		
	Agreement on an institutional mechanism for implementing and monitoring the reform:	- Transform the Technical Committee into a permanent body and provide it with a full-time staff	September 1989
	* Widening the powers of the Interministerial Committee to include monitoring the rehabilitation, privatization and liquidation of public enterprises	- Establishment of a Monitoring Committee for each enterprise	As agreements are signed
		- Establishment of an automated system and logistic support needed to monitor the performance criteria	September 1989
	* Monitoring Committee for each enterprise		

FINANCIAL AND BANKING SECTOR

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
a. Restructuring of distressed banks to restore their financial and operational viability; liquidation of others to stop their losses and rationalize the structure of the banking system	- Completion by consultants (CIFPB) of diagnostic study, containing certain recommendations on the banking system	- Appointment of Administrateur Provisoire for Cambank, BCD and FONADER	September 1989
		- Preparation and adoption of liquidation plans for above three banks	March 1990
	- Audit of mixed banks	- Preparation of restructuring plan for SNI	December 1990
	- Decisions taken: * to liquidate Cambank, BCD and FONADER * to restructure some mixed banks	- Joint preparation with foreign partners and adoption of restructuring plans for mixed banks (SCB, BIAOC, SGBC, BICIC, etc.)	March 1990
		- Joint preparation with foreign partners of a plan for restructuring or liquidating BPPBC	December 1990
		- Implementation of restructuring or liquidation plans for banks	December 1990
b. Resolving the liquidity crisis of the banking system	- Negotiation and signature of protocols of agreement with the majority of the Government's main creditors	- Signature of settlement conventions with remaining enterprises/creditors	September 1989
	- Signature of settlement agreements in progress	- Negotiations with BEAC for the consolidation of some banking debts, including arrears on crop credit	March 1990
		- Initiation of negotiations with BEAC to explore possibility of financial assistance for banking restructuring	June 1989

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
c. Reform of the crop credit system		- Formulation of a comprehensive financing scheme covering each crop (filiere), taking into account BEAC's decision to limit the provision of crop credit to expected export receipts	Starting with 89/90 campaign
		- Deficit of the 88/89 campaign to be covered by:	As the campaign winds up
		* ONCPB on account of guaranteed producer prices (coffee, cocoa)	
		* the State on account of credits guaranteed by it (cotton)	
d. Strengthening of banking control by the supervisory authorities	- Strengthening of the BEAC inspection unit underway since 1987. More frequent inspection visits to primary banks with collaboration of Finance Ministry inspectors	- Greater emphasis on reliability and timeliness of financial reporting by the banks	Annual review starting November 1989
		- Intensification of controls and inspection missions by BEAC and Finance Ministry	Annual review starting November 1989
		- Institution of a system of appropriate penalties for irregularities or violations	Annual review starting November 1989
		- Strict application of banking prudential ratios (liquidity and capital adequacy)	Following banking restructuring
		- Systematization of internal checks organized by the primary banks	Permanent

FINANCIAL AND BANKING SECTOR

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
e. Improvement of loan recovery		- Strengthening and implementation of legislative, regulatory and administrative measures to improve bank loan recovery	To initiate before December 1989
f. Adaptation of tax system to specific circumstances of the banking sector		- Studies with a view to eliminate or reduce certain taxes applicable to banking operations (TDC, ICAI, TPCRM)	March 1990
		- Fiscal and administrative measures to facilitate provisions for bad debt	March 1990
g. Improvement of profitability of financial institutions to increase their self-financing capability	Ministerial Decree of April 1989 setting new banking conditions	- Gradual and selective increase in banking margins	Annual review starting November 1990
		- Eventual liberalization of interest rates and banking margins taking into account financing needs of the economy	Annual review starting November 1990
MEDIUM AND LONG TERM			
h. Progressive elimination of credit ceilings		- Consultations with BEAC, IMF, IBRD and ADB with a view to gradual elimination of credit ceilings	November 1989
i. Establishment of a financial and money market to deepen financial intermediation and provide a supplementary source of financing to BEAC rediscounting		- In consultation with BEAC, IMF, IBRD and ADB, review of studies on setting up of a money market in Cameroon	Following the restructuring of banks
		- Initiation of a study on setting up a financial market	Following the restructuring of banks

RURAL SECTOR

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
I. REHABILITATION OF PRODUCTION			
a. Improvement of agricultural extension system	- Start of a pilot operation in four provinces	- Establishment of a national extension system	March 1990
b. Improvement of efficiency of agricultural research		- Restructuring of agricultural research institutes (IRA, IRZ) and signature of performance contracts	December 1989
c. Improvement of input supply and distribution	- Privatization of system for fertilizer	- Progressive elimination of subsidies for:	
		* fertilizer	Over 3 years
		* phytosanitary products (50% reduction)	Over 5 years
II. PRICE POLICY FOR PRIMARY EXPORT PRODUCTS			
a. Establishment of a price system taking into account farmer incomes, world price and exchange rate fluctuations and impact on Government budget	- Reduction of coffee and cocoa direct marketing costs (24% and 27%) in 1988/89 - 50% reduction of cocoa and coffee refunds	- Establishment of a floor price for producers for cotton, cocoa and coffee at a level entailing a minimum risk of requiring budgetary support while taking into account rural minimum wages, cost of unsubsidized inputs and world prices	September 1989
	- Elimination of cotton refund - Reduction in ONCPB operating costs by 30%	- Suspension of export duties and of parafiscal charges for the three products for 1989/90	July 1989 (Finance Law)
		- Redefinition of structure and reduction of indirect marketing costs (hors-bareme)	September 1989

RURAL SECTOR

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
		- Reduction of direct marketing costs fixed by price schedule (bareme)	September 1989
		- Establishment of a system for distributing surpluses on basis of 40% for producer, 40% for Stabilization Fund and 20% for the Government	September 1989
b. Improvement of Arabica coffee quality		- Increasing of price differencial between washed and unwashed coffee	September 1989
III. MARKETING OF PRIMARY EXPORT PRODUCTS			
a. Improvement of domestic and external marketing to increase competitiveness of exports		- Revision of procedures for licensing exporters	September 1989
		- Authorizing private traders to purchase coffee in the Northwest region	December 1989
		- Redefine the role of NPMB to permit the private sector to take charge progressively of internal and external marketing of export crops	December 1990
		- Study possibility of extending liberalization to other marketing areas	During 1989/90
		- Study of a support program for exporters	January 1990
b. Improvement of management and efficiency of ONCPB and SODECOTON	- Financial and management audit of ONCPB and SODECOTON	- Establishment of restructuring plans: * ONCPB * SODECOTON	 July 1989 September 1989
	- Diagnostic reports	- Signature of performance contracts: * ONCPB * SODECOTON	 September 1989 December 1989

RURAL SECTOR

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
c. Revision of policy on development of cooperatives	The Government has begun the audit of the cooperatives. Steps to revise the policy and sensitize the authorities concerned were detailed at the July 1988 seminar	- Revision of legislation on cooperatives to liberalize their operation	September 1989
		- Redefinition of roles regarding COOP/MUT and CENADEC	September 1989
IV. FORESTRY AND ENVIRONMENT			
a. Improvement of institutional and legislative framework	- Merger of public enterprises underway (CENADERFOR, ONAREF)	- Creation of a new structure and redefinition of the role of the public enterprises in the forestry sector	September 1989
	- Rationalization of work of Forestry Directorate	- Rationalization of forestry legislation:	June 1990
		* Revision and simplification of the present system of forestry taxation	
		* Redefinition of current forestry legislation and their application, with preference for issuance of long-term permits	
		* Formulation of legal basis for promotion of rural forestry and involvement of the rural population in agrosylvopastoral actions	
b. Promotion of secondary species and of wood processing		- Revision of forestry taxation and export quotas	June 1990
		* Study * Implementation of reforms	
		- Establishment of a national system for standardization of processing wood	June 1990

INDUSTRIAL AND COMMERCIAL SECTOR

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
I. INVESTMENT AND EXPORT PROMOTION			
a. Promotion of competitive industrial investments		- Revision of the Investment Code according to the SAP strategy	December 1990
b. Improvement of export incentives		- Elimination of export taxes on all products except logs	July 1990 Finance Law 1990/91
		- Finalization of terms of reference and financing for study of export incentives and potential	July 1989
		- Formulation of an action program on basis of the above study	November 1989
II. LIBERALIZATION OF TRADE AND PRICES			
a. Progressive elimination of quantitative restrictions on imports	Study on the system of tariff and non-tariff protection	- Elimination of QRs for an initial group of products	June 1989 (PGE 89)
	Establishment of a schedule for QR elimination	- Legislation eliminating import licenses for products not subject to QRs	June 1989 (PGE 89)
		- Elimination of QRs for a second group of products	February 1990 (PGE 90)
		- Supplementary study on QRs for strategic goods (agro-industry, textiles)	
		* Completion of study	November 1989
		* Establishment of action plan	January 1990
		- Elimination of QRs for a third group of products	January 1991 (PGE 1991)

INDUSTRIAL AND COMMERCIAL SECTOR

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
b. Liberalization of prices and margins	Reduction of number of products or groups of products subject to prior approval from 87 to 35 in January 1989	- Limitation of price control to a very short list of goods and services, including some goods subject to QRs.	June 1989
	Easing of approval procedure by dropping ministerial approval requirement	- Legislation eliminating system of trade margin control for all goods and services not subject to QRs or apriori price approval	June 1989
	Establishment of a schedule for liberalization of prices and margins on all goods and services except for a short list of basic goods	- Liberalization of prices and margins for a second group of goods in tandem with QR elimination	February 1990
		- Liberalization of prices and margins for a third group of goods in tandem with QR elimination	January 1991
c. Prevention of possible undesirable effects of trade liberalization		- Institution of a statistical monitoring system of prices and competition	June 1989
		- Quarterly review	starting October 1989
d. Guarantee of free access to all stages of trade		- Revision of Law 80/25 o' commercial activity	December 1989
e. Guarantee of free competition to consumers' advantage	Study of competition and marketing channels	- Preparation of legislation regulating consumption and competition	March 1990
		- Revision of Commercial Code (including commercial leases, leasing, etc.)	
		* Start of work	September 1989
		* Preliminary version	June 1990
		* Final text	March 1991
		* Adoption	December 1991

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
III. RATIONALIZATION OF TAX INCENTIVES			
a. Establishment of a system of tariff protection with moderate rates and dispersion		- Establishment through the TCI of a minimum import tariff	July 1990 1990/91 Finance Law
		- Reduction through the TCI of the maximum cumulative import tariff rate	July 1990 1990/91 Finance Law
		- Support for reform process under way in UDEAC regarding TEC and indirect taxation	In progress
b. Simplification and harmonization of the fiscal regime		- Abolition of the TCAI, TU and TIP linked to introduction of VAT as part of Community-wide taxation (UDEAC)	1991/92
IV. REGULATORY ENVIRONMENT			
a. Modernization of legal framework for business	Start of work on the drafting of a Company Code	- Preparation of Company Code	
		* Preliminary version	September 1989
		* Adoption	December 1990
		- Legislation on enterprises in difficulty	December 1989
		- Legislation on interenterprise partnerships (public and private)	December 1989
		- Legislation on international trade: dumping and arbitrage	June 1990
b. Reduction of regulatory restrictions on employment	Start of work	- Revision of labor legislation (Labor Code)	December 1990

TRANSPORT AND INFRASTRUCTURE

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
a. Improvement of cost recovery		- Raising of road taxes for heavy vehicles and port and airport taxes	Finance Law (July 1989)
b. Maintenance of present infrastructure	Establishment of Road Maintenance Directorate in Ministry of Public Works and Transport	- Increasing of budgetary appropriations for road maintenance	Finance Law (July 1989)
c. Improvement of performance of air sector by increasing the return on new investments		- Study on completion of Yaounde-Nsimalen airport to limit investment expenditures and minimize recurrent costs	
		- General study (rehabilitation, finances, organization and management) of the airport and air navigation sector	July-Dec 1989
		- Study of creation of autonomous airport management companies, and discussion of study with parties concerned	Jan-June 1990

URBAN SECTOR

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
I. IMPROVEMENT OF INSTITUTIONAL, FINANCIAL AND LEGAL FRAMEWORK OF URBAN SECTOR			
a. Improvement of integration of urban operations with the economic development of the country	Creation of a Coordination Committee to supervise the implementation of the urban strategy and coordinate the work of the different parties involved	- Undertaking of studies on the economic development of the main regional centers - Identification of priority investments with a view to strengthening the economic role of these centers - Preparation of a rolling investment program for the urban sector	In accordance with the calendar established under the Second Urban Project
b. Improvement of resource mobilization and strengthening of municipalities' financial and technical capacities	Study underway for improving municipal finances Starting of a feasibility study on establishment of a real estate tax	- Approval and implementation of the action plans recommended in the study on municipal finances - Production of multipurpose maps with a view to establishing a tax cadastre - Start of application of recommendations of study on real estate tax	
c. Improvement of functioning of real estate market and of management of State lands	Rationalization of land registration	- Strengthening of capacity of Property Directorate regarding issue and registration of real estate property titles	

URBAN SECTOR

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
		- Inventory and delimitation of State lands	
		- Establishment and implementation of measures to obtain the best return from State lands	
d. Development of role of private sector and municipalities in site development and housing construction	Progressive elimination of subsidies to public enterprises in the housing and real estate development sectors	- Guarantee sector operators access to the land needed for their development programs	
		- Establishment of regulatory (specifications) and financial (cost recovery) mechanisms that would enable the private sector and municipalities to carry out development operations	
		- Establishment of mechanisms designed to expand CFC's clientele to include municipalities and private operators	

WATER, ENERGY AND MINING SECTORS

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
I. WATER AND SANITATION			
URBAN			
a. Ensure adequate drinking water supply while safeguarding SNEC's financial viability	- Rehabilitation Plan for SNEC completed	- Signature of a performance contract between the Government and SNEC	September 1989
	- About 100 urban centers supplied with drinking water	- Adoption of legal texts for application of the water laws, including a Water Code	January 1990
	- National Water Committee (CNE) set up	- Drawing up and application of a Water Supply Master Plan	June 1990
		- Effective start up of the National Water Committee	October 1989
b. Establishment of an adequate system of sanitation (sewage and rain water)		- Drawing up of a National Sanitation Plan	June 1990
		- Study on the establishment of appropriate structures for the management, operation and financing of sanitation programs	June 1990
RURAL			
Supply drinking water to village communities		- Establishment of policy to encourage participation by the rural population in the construction, operation and maintenance of drinking water supply facilities	December 1989
		- Studies aimed at the standardization of equipment and the adaptation of technology to the socio-economic setting	December 1989

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
II. ENERGY AND THE ENVIRONMENT			
a. Exploration and optimal utilization of various national energy resources			
* Energy planning	- Drawing up of a Rehabilitation Plan for SONEL - Establishment of an energy planning unit	- Restructuring of SONEL to improve its management and better adapt its objectives to its financial resources within the framework of a performance contract	September 1989
		- Complete Phase 1 of energy planning studies	December 1989
* Energy conservation	- Preliminary studies on energy conservation	- Adoption of energy conservation measures	January 1990
* Diversification of energy sources	- Studies of new and renewable energy sources (biogas, charcoal, solar and wind)	- Development of new and renewable energy sources in areas without traditional energy supplies	January 1990
* Improvement in the present GPL distribution system	- Technical/economic studies of an improved system of domestic gas distribution	- Establishment of an integrated GPL distribution network	January 1991
b. Normalization and monitoring of the electricity and petroleum products subsectors	- Regulation and general studies	- Establishment of an effective monitoring structure	June 1990
c. Revitalization of hydrocarbons sector	- Drawing up of a National Gas Plan	- Adoption of the National Gas Plan	September 1990
	- Negotiations for resuming petroleum exploration	- Updating of mining legislation, redefinition of petroleum policy and at offering incentives to exploration, in particular through improvement in the terms offered to the petroleum companies	December 1989

WATER, ENERGY AND MINING SECTORS

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
d. Normalization and monitoring aimed at environmental protection	- Study of the establishment of a pollution control laboratory	- Adoption of normative environmental standards	December 1989
		- Adoption of legislation on industrial waste	June 1990
III. MINING			
a. Development of solid mineral reserves	- Study on iron and bauxite mines and on rehabilitation of the cassiferite mine	- Review of legal texts governing the granting of exploration permits and of mining concessions for solid minerals (iron, bauxite, gold, rutile)	March 1990
	- Setting up of pilot gold and rutile production units	- Studies on facilitating certain mining operations (chalk, gold, cobalt, nickel, diamonds)	November 1989
b. Upgrading of geological and mining information	- Partial inventory of national territory	- Preparation of geological maps	June 1990

HUMAN RESOURCES DEVELOPMENT

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
a. Definition of new Education-Training and Population-Health policies and eloboration of operational strategies with greater emphasis on improved quality with a view to better respond to the country's future development needs		- Promulgation of policy documents	To be defined upon the completion of the SDA appraisal mission scheduled for June 1989
		- Elaboration and assessment of strategies in the Education-Training and Health-Population areas	
b. Choice of investments in accordance with the priorities set in the Health and Education sector strategies		- Multi-year rolling investment programs (budget-program framework)	July 1989
c. Ensure the provision of basic services in the Education and Health sectors		- Increasing budgetary allocations for basic equipment in these sectors	July 1989 (Finance Law)
		- Improvement in cost recovery	To be defined upon the completion of the SDA appraisal mission scheduled for June 1989

SOCIAL DIMENSIONS OF ADJUSTMENT

OBJECTIVES	ACTIONS TAKEN	PROPOSED MEASURES	CALENDAR
a. Protection of vulnerable groups and assistance to redundant workers affected by economic reforms measures	Setting up of five working groups: Health-Population-Social Security; Employment; Education; Women in Development and Institutional Development for the preparation and appraisal of the SDA project Establishment of an SDA Fund to provide operational support to the five working groups Establishment of a Project Preparation Facility to finance studies and community level pilot projects	- Establishing and implementing an emergency program to provide basic material assistance and equipment to the health and education sectors - Search for appropriate policies and measures for the implementation of the new population policy - Implementing a series of priority actions to encourage income generating activities and to assist the reinsertion of redundant public and parastatal agents into the private sector	To be defined upon the completion of the SDA appraisal mission scheduled for June 1989
b. Supporting and strengthening the participation of the poor in future growth		- Development and implementation of strategies to enhance the role of Women in Development - Establishing a Fund for Employment and a Fund for Community Development	
c. Improving the planning and coordination of socio-economic policy		- Incorporation of the social dimensions in the development of macro-economic programs and strategies - Improved monitoring of household living conditions and basic socio-economic indicators	