

PN-ABR-907



DECENTRALIZATION: FINANCE & MANAGEMENT PROJECT

Managed by
Associates in Rural Development, Inc.

In collaboration with
Syracuse University • Metropolitan Studies Program/Maxwell School of Citizenship & Public Affairs
Indiana University • Workshop in Political Theory & Policy Analysis

Sponsored by
Agency for International Development

**PROGRAM OF REFORM IN THE AGRICULTURAL
MARKETING SECTOR, PHASE I
(PRAMS I)**

**Program of Research on Market Transitions
(PROMT)**

**IMPLEMENTATION OF THE WORLD BANK'S FIRST
STRUCTURAL ADJUSTMENT LOAN IN CAMEROON:
A CASE STUDY OF PUBLIC ENTERPRISE REFORMS
AND INDUSTRIAL AND COMMERCIAL REFORMS**

**Decentralization: Finance and Management Project
Associates in Rural Development, Inc.**

Contract No. DHR-5446-Z-00-7033-00

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The United States Agency for International Development
Mission to Cameroon
Office of Economic Analysis and Policy Reform Implementation

March 1994

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FOREWORD

This report is one of a series of studies produced by the Program of Research on Market Transitions (PROMT), the research arm of USAID/Cameroon's Program for Reform of the Agricultural Marketing Sector, Phase I (PRAMS I). PROMT is one of many research programs conducted by the Decentralization: Finance and Management (DFM) project, sponsored by the Agency for International Development's Research and Development Bureau (AID/R&D). Like other DFM projects, PROMT draws on an Institutional Analysis and Design (IAD) framework to study the processes of institutional change associated with deliberate reform efforts in the developing world. DFM is managed by Associates in Rural Development, Inc. (ARD) of Burlington, Vermont. Under subcontract arrangements ARD collaborates with the Workshop in Political Theory and Policy Analysis at Indiana University and the Metropolitan Studies Program at Syracuse University.

PROMT was created to monitor and analyze the processes of market liberalization and privatization associated with various donor-assisted, policy reform programs in Cameroon, including but not limited to PRAMS I. Concerned with problems of both design and implementation, the research was focused, in particular, on two issues: (1) the relationship of sectoral reforms to cross-cutting reforms and constraints, and (2) alternative modalities for assisting the reform process as used by three donors--AID, the World Bank, and the Commission of the European Community (CEC). PROMT also examined other emerging difficulties with policy reform and further developed the IAD framework as a diagnostic tool for use in the policy reform process.

PRAMS I focused exclusively on reform and restructuring in Cameroon's arabica coffee sector. Arabica coffee is one of the country's leading agricultural exports, which also include robusta coffee, cocoa, and cotton. PRAMS I was preceded by the Fertilizer Sub-Sector Reform Program (FSSRP), USAID/Cameroon's first initiative into market-creating policy reform, and a companion program sponsored by the CEC, the Programme Spécial d'Importation d'Engrais (PSIE). These sectoral reform efforts occurred in the context of a comprehensive Structural Adjustment Program (SAP) supported by the World Bank. This set of reform activities provided the range of experience studied by PROMT researchers.

The theoretical base for PROMT research was both institutionalist and interdisciplinary, provided by the IAD framework in political science and the New Institutional Economics. The "new institutionalism" as used in PROMT was based on two key ideas:

- Goods and services exhibit differences, often subtle, that require different institutional arrangements for their effective provision, production, exchange, and use. Included are shades of difference among the great variety of private goods considered appropriate for market provision.

- Alternative institutional arrangements create very different incentives for individuals' behaviors, greatly affecting their capacity or incapacity to interact with one another in productive ways. Included among alternative institutional arrangements are alternatives within the private sector--various types of markets and industries.

This theoretical orientation leads to a pair of research hypotheses:

- The problems encountered in liberalization and privatization vary with the characteristics of the goods and services involved in emerging market relationships. Normatively, the design and implementation of policy reform programs should reflect the differences among economic goods.
- The success of policy reform depends on the institutional arrangements available for translating intentions into actions and outcomes. Normatively, the design and implementation of policy reform programs should reflect the differences among political institutions.

Methodologically, PROMT examined and compared different cases of policy reform, using programs undertaken by different donors in a single country. The period under study was roughly 1988 to early 1994. During this period the international economic situation affecting Cameroon deteriorated sharply, including a sagging world price for coffee. Toward the end of the period Cameroon's currency (along with the other Franc zone countries in West Africa) was devalued, a step long recommended by the World Bank. Also during this period Cameroon pursued political reforms, legalizing opposition parties and increasing the diversity of political expression, yet maintaining the dominance of the president and his party. Otherwise, the research design held constant the general institutional context, while varying, among the cases studied, both the goods and services involved and the design and implementation of policy reforms and accompanying programs of assistance.

The design of PRAMS I produced two major program components:

- A policy reform component that established a series of conditions precedent to the disbursement of funds, most of which were intended to liberalize the policy environment surrounding the marketing of arabica coffee, allowing for market-based pricing, private export, and competition among traders.
- A cooperative restructuring component focused on the North West Cooperative Association, a federation of 11 cooperative unions and initially 40 (now 73) cooperative marketing societies located in the North West Province.

Arabica coffee is also grown in West Province, where marketing is organized through a union of six marketing cooperatives. A collateral reform effort, one closely coordinated with a number of other donors, led to the adoption and dissemination of a new national cooperative law, affecting all cooperative organizations and similar groups in Cameroon.

The Cameroonian experience with policy reform in general and PRAMS I in particular is especially interesting due to two factors:

- The distinguishing characteristic of arabica coffee as a "hidden value" commodity and the challenge presented by this attribute to the conceptualization of an appropriate privatization program. The value of a commodity is hidden to the extent that its quality cannot be easily ascertained or measured at the point of initial purchase. This suggests the possibility that market institutions should be modified by introducing elements of nonmarket or collective decision-making. These considerations coincided, in the case of PRAMS I, with a privatization program focused largely on marketing cooperatives, not private entrepreneurs.
- The innovative approach to policy reform pursued by USAID/Cameroon during this period. Rather than introducing a policy change (e.g., a change in a regulation or the adoption of an official policy statement) and monitoring outcomes, USAID/Cameroon pursued a course of following each reform through the series of steps that lead from the initial intervention to intended (or unintended) outcomes. Instead of focusing only on the two end-points of the reform path, this approach, as used in both PRAMS I and the earlier FSSRP, involved monitoring performance along the entire path. Such close monitoring led to unforeseen donor interventions in the reform process. Monitoring the entire path of reform can also suggest ways to model the reform process. Models of policy reform, conspicuously lacking in the design of policy reform programs by major donors, could lead to better choices of initial policy interventions and better monitoring of performance.

The PROMT research effort has resulted in the following reports:

- *Institutionalism and Policy Reform.* A background paper on the IAD framework applied to policy-reform problems.
- *Organizational Approaches to Policy Reform.* A background paper on the models followed by USAID, the World Bank, and the CEC.
- *Crafting a Market: A Case Study of USAID's Fertilizer Sub-Sector Reform Program.* A case study of the Fertilizer Sub-Sector Reform Program.

- *Pitfalls of Privatization: A Case Study of the European Community's Programme Spécial d'Importation d'Engrais.* A case study of the CEC's Special Fertilizer Input Program (known by French acronym, PSIE).
- *Paths of Policy Reform.* Case studies of PRAMS I and Cooperative Law reforms.
- *Restructuring NWCA.* A case study of the cooperative restructuring component of PRAMS I in the North West Province.
- *Implementation of the World Bank's First SAL in Cameroon: A Case Study of Public Enterprise Reforms and Industrial and Commercial Sector Reforms.* A case study of selected components of the SAP in Cameroon.
- *Crosscutting Constraints and Policy Reform.* A set of four background papers dealing with investment, labor, commercial, and contract law in Cameroon.
- *The Analysis of Market Transitions.* The final report.

Copies of the reports are available from ARD, Burlington, Vermont.

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 PROMT Research Director

ACKNOWLEDGMENTS

The PROMT team was composed as follows:

- Daniel Green, Full-time Research Associate, a political scientist posted in Yaounde, Cameroon
- Paul D. Wessen, Full-time Research Associate, an agricultural economist posted in Bamenda, Cameroon
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Green and Wessen were posted in Cameroon for one year, from early 1993 to early 1994. Green had principal field responsibility for the case studies dealing with PRAMS I policy reforms and the cooperative law reform, while Wessen studied the restructuring of NWCA. Hinman wrote the background paper on "Organizational Approaches to Policy Reform" and conducted the field study of public enterprise reform within the scope of Cameroon's SAP.

Walker was responsible for the case studies of FSSRP and PSIE and assisted with project coordination. Oakerson wrote the background paper on the IAD framework and the final research report, edited the full set of reports, supervised the research team, and gave general direction to the research program. Over the past few years he has spent a total of some nine months in Cameroon.

In addition, ARD subcontracted with the Private Sector Research Institution (PRISERI) of Cameroon to prepare four background studies of cross-cutting legal constraints.

The team has a long list of people to whom we are deeply indebted for assistance. At USAID/Cameroon, two "generations" of personnel contributed to the research program. Robert Shoemaker, former Project Design and Evaluation Officer, Tham Truong, former Chief of the Office of Economic Analysis and Policy Reform Implementation (EAPRI), and

Jay Johnson, former Mission Director, were responsible for the original proposal as part of PRAMS I.

François Vézina (PRAMS I Coordinator), Kifle Negash (Chief of EAPRI), and Peter Benedict (Mission Director) provided the on-site assistance needed to bring the program to completion. Other EAPRI personnel who provided assistance to the research team include Dan Moore, Rostand Longang, and Amin Pakzad. Dr. Anthony Wawa Ngenge of the Ministry of Agriculture was helpful in many respects. At the North West Cooperative Association (NWCA), three NWCA presidents have contributed to our efforts: Simon Achidi Achu (now Prime Minister of Cameroon), Christopher Berinyuy, and Emmanuel Ndi. Among the NWCA senior staff, Dr. Robert Ghogomu Tapisi (General Manager), Paul Ngabir Bantar (Assistant General Manager), Elias Sikod, Abel Chenyi, Christopher Mbah, Samuel Mbuyah--all contributed many hours to helping the team understand the cooperative structure and the coffee business. The members of the Technical Assistance Team posted at NWCA, Lisa Matt, Tony Marsh, and Cary Raditz, were also an indispensable source of help.

Numerous other union and society officers and managers contributed to the study. Eleven Peace Corps volunteers functioned as eyes and ears of the research team around the province: Ted Johnson, Shauna Blanchard, Ellen Weinreb, Chris York, Andrew Clapham, Mike Carney, David Sablatura, Keith Sandbloom, Robin Towsley, Greg Russell, and Marissa Parente. A number of short-term consultants were helpful in various ways, including Karl Reher, Kerry Muir, Alray Sumpter, Hans Munkner, Eric Tollens, Philip Resta, and Michel Hersenes.

Among other donors, Peter Schroeder (GTZ); Alexander Soho (ILO/CUROR); Tamar Atinc, Joseph Ntangsi, and Robert Blake (World Bank); William Hanna, Didier Robert, and Vincent Dowd (Commission of the European Community); Roger Mbassa Ndine, Public Enterprise Rehabilitation Mission; and Georges Mandeng Likeng, President of Privatization Subcommission (and members of his staff) contributed insights to their organizations and their work in Cameroon. Susan Wynne, a research associate at the Workshop in Political Theory and Policy Analysis, contributed much of the early insight into the FSSRP and NWCA. The Workshop also provided facilities for carrying on many of the early discussions of the research activity and hosted a seminar for visiting NWCA staff members.

ACRONYMS AND ABBREVIATIONS

ACP	African-Caribbean-Pacific
ASSOBACAM	<i>Association Bananière du Cameroun</i>
CAMSUCO	Cameroon Sugar Company
CCCE	<i>Caisse Centrale de Coopération Economique</i>
CDC	Cameroon Development Corporation
CEC	Commission of the European Community
CELLUCAM	Cellulose du Cameroun
CF	<i>Compagnie Fruitière</i>
CFD	<i>Caisse Francaise de Développement</i>
CNPS	<i>Caisse Nationale de Prévoyance Sociale</i>
COCAM	<i>Contreplacage du Cameroun</i>
EPA	<i>Etablissement Publique du Caractère Administrative</i>
EPIC	<i>Etablissement Public du Caractère Industriel ou Commercial</i>
FSSRP	Fertilizer Sub-Sector Reform Program
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GRC	Government of the Republic of Cameroon
GTS	General Trade Schedule
GTZ	<i>Gesellschaft für Technische Zusammenarbeit</i> (German technical assistance)
HEVECAM	<i>Société de développement Hévéa-Cameroun</i>
ICS	Industrial and Commercial Sector (of the SAL)
MIDENO	<i>Mission de développement de la Province du Nord Ouest</i>
MINAGRI	Ministry of Agriculture
MINDIC/DPPM/SDP	Ministry of Industry and Commerce/Weights-Measures-Price Division/Price Subdivision
ONCC	<i>Office National du Cafe et Cacao</i>
ONCPB	<i>Office National de Commercialisation des Produits de Base</i>
PAS	<i>Programme d'Ajustement Structurel</i>
PE	Public enterprise
PERM	Public Enterprise Rehabilitation Mission
PSC	Privatization Subcommission
QR	Quantitative restriction
SAL	Structural Adjustment Loan
SBM	<i>Société des Bananeraies de M'bome</i>
SECAL	Sector Adjustment Loan
SEMRY	<i>Société d'Expansion et de Modernisation de la Riziculture de Yagoua</i>
SNI	<i>Société Nationale d'Investissement</i>
SOCAME	<i>Société Camerounaise des Engrais</i>
SOCAPALM	<i>Société Camerounaise des Palmeraies</i>

SODEBLE	<i>Société de développement de Ble</i>
SODECAO	<i>Société de développement de Cacao</i>
SODERIM	<i>Société de développement de la Riziculture dans la Plaine de Mbo</i>
SPNP	<i>Société des Plantations Nouvelles de Penja</i>
STABEX	Commodity stabilization fund of the Commission of the European Communities
TDC	Trial and Demonstration Center
TC	Technical Commission
UDEAC	<i>Union Douanière des Etats de l'Afrique Centrale</i>
UNVDA	Upper Noun Valley Development Authority
USAID	United States Agency for International Development
WADA	Wum Area Development Authority

EXECUTIVE SUMMARY

Among the economic policy tools that evolved over the decades since Cameroon's independence were: 1) import restrictions, 2) price controls, and 3) direct government participation in industry and commerce. This third element was largely manifested through the creation of numerous public enterprises. The World Bank's efforts toward policy reform in Cameroon have addressed each of these elements. This paper examines how the World Bank sought to redirect Cameroon's economic policy through specific components of the first Structural Adjustment Loan to Cameroon (SAL-1). The analysis focuses on two of the components of the broad multi-sector reform agenda incorporated in the SAL: public enterprise reform and industrial and commercial reform.

The negative effects of previous national economic policies in Cameroon were numerous. Firms were protected from the consequences of bad decisions. With fixed margins added onto basic costs, there was no incentive to increase a firm's efficiency or reduce prices. Price controls thus resulted in rigidities that hampered entrepreneurial activity in much of the economy. The system of price controls and trade restrictions (especially import restrictions) have effectively isolated a number of Cameroon's industries from market signals.

Industrial and commercial conditions examined in this paper of the SAL fell into three main categories: 1) import liberalization, 2) liberalization of domestic trade, and 3) broad-based legal and regulatory reforms. The main focus of import liberalization was the progressive elimination of quantitative restrictions (QRs). The recommended SAL policy action was to classify all goods subject to QRs into several categories and to eliminate the QRs in several steps tied to tranche releases. Controlled domestic prices and fixed margins were to be eliminated at a similar pace.

The degree of intensity of oversight exercised by the World Bank in implementing the SAL varied considerably according to the nature of the specific reforms. The three sets of reforms, with successively higher degrees of donor oversight, were 1) price and trade liberalization, 2) reform of the legal framework for business, and 3) public enterprise reforms.

Price and import liberalization was associated with a much lesser degree and intensity of oversight. The World Bank negotiated with the GRC about which products and services to liberalize, and in what order. Once agreements were reached, the reforms became fairly automatic, requiring relatively little staff time to monitor. Monitoring was straightforward: Bank staff reviewed price decrees and the schedule for QR elimination to see if the documents conformed to their agreement.

The Bank exercised considerable oversight over development of the Investment Code as part of their effort to reform the legal framework for business. The degree of oversight was somewhat less for development of the Labor Law and the Commercial Activity Law.

Reform of the PE sector represented more in-depth involvement by the Bank, but the degree of oversight varied by type of reform: rehabilitation, privatization, or liquidation. The majority of time and resources of both the GRC and the World Bank were devoted to the rehabilitation component and PE rehabilitation was the primary focus of the Public Enterprise Rehabilitation Mission. The Privatization Subcommittee was not created until after the PERM had been in existence for several years.

Although PE reform initiatives preceded the SAL, the negotiation and implementation of the SAL probably had a major influence on moving the process forward. A number of performance contracts for PE rehabilitation were signed after SAL implementation had begun. Also, the privatization statutes and decrees were enacted in the months after the SAL went into effect.

A major purpose of undertaking PE reform was to reduce the size of the public sector so that it would no longer seriously retard economic growth. Yet, PE deficits continue to be part of the GRC's fiscal problems. Direct subsidies have been largely replaced with indirect subsidies. Government obligations to assist in the restructuring of PEs, including the assumption of some public service functions such as the operation of schools, have generally not been carried through, mainly because of the government's ongoing fiscal crisis. The liquidation component was also intended to reduce the fiscal burden of the state but has been largely unsuccessful.

Most of the effort in PE reform was placed on use of performance contracts as a means to rehabilitate public enterprises. The privatization/divestiture component had the potential to reduce the state role in the economy, but PE involvement in particular markets has been reduced only in the banana sector, and in the markets for coffee and cocoa. Privatization has been operationalized mainly as divestiture of assets or shares and little attention has been paid to the issue of trying to link divestiture and economic liberalization through specific sectoral measures to facilitate development of competitive markets.

I. INTRODUCTION

A basic economic development objective of the Cameroonian government since the 1960s has been the promotion of agricultural production, processing, and marketing industries for the purpose of increasing exports or as an import substitution strategy. Establishing agro-processing industries was seen as one of the preferred means of achieving the import substitution objective and increasing the value-added component of the agriculture sector. Import substitution as a policy goal implies the need for protection of local industry from foreign competition.

The conventional wisdom stated by a number of observers of African economies suggests that once industries receive some protection from competition, governments often apply price controls. Price controls are frequently justified in terms of protecting consumers from monopoly pricing. However, once controls are in place, they tend to benefit certain industries and individuals, who then lobby the government to maintain the controls. A traditional distrust of merchants and the private sector in general on the part of policy-makers in many African governments facilitates the perpetuation of controls.

It is not surprising therefore that among the economic policy tools that evolved over the decades since Cameroon's independence were: (1) import restrictions, (2) price controls, and (3) direct government participation in industry and commerce. This third element was largely manifested through the creation of numerous public enterprises.

The World Bank's efforts toward policy reform in Cameroon have addressed each of these elements. This paper examines how the World Bank sought to redirect Cameroon's economic policy through specific elements of the first Structural Adjustment Loan to Cameroon (SAI -I) and related policy reform programs. The analysis focuses on two main categories of reform which were part of a broad multi-sector reform agenda incorporated in the SAL. The early part of the paper examines the influence of the World Bank on the reform of import restrictions and price controls as a means to redirect the thrust of Cameroonian economic policy. The Bank classified policy actions related to imports and domestic prices as industrial and commercial reforms. The focus then turns to public enterprise reforms, and objectives and implementation experiences are examined. The final sections analyze the World Bank approach to policy reform through evidence drawn from both sets of reforms.

II. OVERVIEW OF PRICE AND IMPORT CONTROLS

A. Price Controls

Like many African governments, the GRC has long advocated policies for price stability. The GRC has also favored measures for limiting monopoly profits when there is limited competition among producers and distributors. Systems of price controls were created, the justification for which was frequently presented in terms of protecting consumers.

A widely held view by observers of African economies is that once controls are in place in various market systems, economic agents that benefit from the controls typically seek to have the controls maintained. Price controls are frequently applied in import substitution industries, which often hold monopoly positions in markets due to government policies that protect industries or firms from competition.

In Cameroon, price controls over manufacturing firms were generally based on requiring firms to document costs of production. Firms engaging in distribution activities were often required to present evidence of the wholesale acquisition price for goods sold at retail. The mechanism involves calculating a reference price (*prix de revient*) consisting of estimated cost plus a fixed margin for profits and marketing. These trade margins were determined by the government for a wide range of goods and services. Requiring prior governmental price approval based on this method was referred to as *homologation préalable*. Decrees were issued periodically by the Ministry of Industry and Commerce (MINDIC) to indicate which products were controlled.

The negative effects of these previous national economic policies in Cameroon were numerous. Firms were protected from the consequences of bad decisions, and were not rewarded for good management decisions. With fixed margins added onto basic costs, there was no incentive to increase a firm's efficiency or reduce prices. Price controls thus resulted in rigidities that hampered entrepreneurial activity in much of the economy. The system of price controls and trade restrictions (especially import restrictions, discussed below) have effectively isolated a number of Cameroon's industries from market signals. The time and effort required of businesspeople to provide government regulators with documentation was a significant cost burden. The control systems also gave rise to corruption and rent-seeking as business people sought ways to avoid price controls, import duties, and the like.

Enforcement was also unevenly applied and incomplete. The process of changing prices could be so lengthy that new prices, once approved by the government, no longer reflected costs of production. Also, the GRC often lacked the resources to enforce the policies on all firms. One study indicated that a majority of firms could not be controlled, which in many instances penalized those firms which were in compliance.¹

¹"Country Development Strategy Statement, Cameroon, FY 1990-1994," U.S. Agency for International Development, April 1989, Appendix C, C-33.

B. Import Restrictions

Prior to the introduction of trade liberalization measures, products produced in Cameroon were generally protected against competition from imports. Many of these imports were subject to quantitative restrictions on the justification that imports should be allowed only when local production cannot meet demand. This mostly applied to consumer goods. There were also certain sensitive or strategic goods for which certain conditions were attached to importation. These included items such as cotton textiles and meat, which are produced by local industries but which may also constitute a substantial part of consumer budgets. Because of the competition-limiting effects of import controls, many of the same products are also subject to domestic price controls.

Another feature of import policy is the Price Equalization Fund (*caisse de péréquation*), which is applied to products produced locally that cannot compete with imports because of so-called production subsidies of exporting countries. The GRC policy is to impose an import tax equal to the assumed subsidy and to use the revenues to increase the price paid to local producers. The key products involved are rice, sugar, and edible oils.²

III. SAL PROVISIONS RELATED TO PRICE AND IMPORT CONTROLS

World Bank economic analysis carried out in preparation for the first Structural Adjustment Loan (SAL-I) argued that the price controls and import controls represented constraints on economic growth that should be phased out as part of a broad program of policy reform. Of the ten sectors that make up the SAL, one focused on policy actions related to price and import controls and proposed a series of steps and conditions: the Industrial and Commercial Sector reforms (ICS). As shown in Table 1, ICS conditions of the SAL of concern in this paper fall into three main categories: (1) import liberalization, (2) liberalization of domestic trading, and (3) broad-based legal and regulatory reforms. Although all three categories involve legal and regulatory reforms, those in the third category concern laws that substantially affect the overall economic environment for domestic and international trade. Other ICS conditions, such as export promotion, were beyond the scope of this paper.

²"Country Development Strategy Statement, Cameroon, FY 1990-1994," U.S.A.I.D.

A. Import Liberalization

The main focus of import liberalization was the progressive elimination of quantitative restrictions (QRs). The recommended SAL policy action was to classify all goods subject to QRs into four categories, and then to successively eliminate QRs for a first, second and third group of products. QRs for the first group were to be eliminated by the time the Loan Agreement was signed. Signing of the Loan Agreement is the action by the recipient government and the World Bank that puts a SAL into effect. Eliminating QRs in the second and third groups were conditions of the second and third tranches. The fourth group consisted of "strategic goods" for which QRs would be retained, but for which action plans would be drawn up to guide future decision-making. One government official noted that coming to agreement on which goods to de-control was the object of six months of meetings and negotiations between the public and private sector. Another feature of import liberalization was the removal of import licenses and the simplification of import procedures.

B. Domestic Trade Liberalization

The SAL incorporated several objectives and corresponding policy actions focused on domestic markets. One objective was the liberalization of prices and trade margins. The means chosen to achieve this objective was to eliminate controlled prices and margins in three steps in tandem with the elimination of QRs for the same groups of products. The whole system of fixing prices by establishing officially sanctioned trade margins was to be eliminated by legislation. Similar to the situation with QRs, this was to be done progressively for three groups of products, with controls remaining on a few "strategic goods." Elimination of price controls also applied to some services such as transportation.

Another objective was to prevent or mitigate undesirable effects of trade liberalization. Recognizing that such a substantial change in the domestic trade regime could have negative impacts on some markets and segments of the population, another SAL condition was the establishment of a statistical monitoring system for prices and competition.

Table 1. Matrix of Industrial and Commercial Policy Reform, World Bank Structural Adjustment Loan to Cameroon (SAL-I)

Area of Reform	Objective*	Proposed Policy Action-SAL-I			Additional Financing--WB or other donors ^c
		Measures (SAL conditions)	Tranche Condition ^b	Monitoring Method	
Import liberalization: Removal of QRs, licenses	II. Liberalization of Trade and Prices a. Progressive elimination of QRs in imports	i) Eliminate QRs for 1st, 2nd, 3rd group of products ii) Study QRs for strategic goods, establish action plan	1,2,3 3	Ministerial arrêtés	
Domestic Trading	IIe. Guarantee free competition b. Liberalization of prices and margins c. Prevent undesirable effects of trade liberalization	i) Liberalize prices, margins in 3 steps in tandem with QR elimination ii) Legislate elimination of trade margin control on all but a few key products iii) Prepare legislation regulating consumption, competition iv) Statistical monitoring system of prices and competition	1,2,3 1	Ministerial arrêtés	
Industrial and Commercial Sector-- Legal and Regulatory Reforms	Ia. Promote competitive industrial investments IId. Guarantee free access to all stages of trade IIe. Guarantee free competition IVa. Modernize legal framework for business IVb. Reduce regulatory restrictions on employment	i) Revise Investment Code ii) Revise Law 80/25 on commercial activity iii) Legislation to eliminate import licenses iv) Prepare legislation regulating consumption and competition v) Revise Commercial Code (leases, etc.) vi) Prepare Company Code, legislation on enterprises in difficulty, interenterprise partnerships, international trade (dumping and arbitrage) vii) Revise Labor Code	2 2 3	Review legislation and implementing decrees	WB technical assistance

*The numbers and letters correspond to the SAL objectives and conditions listed in the policy matrix in the SAL implementation documents.

^bClassification as a tranche condition denotes whether the condition is of central importance to SAL design by the World Bank. The number refers to whether it is a condition of the first tranche (when the SAL became effective) or of the second or third tranche.

^cAdditional financing indicates whether a particular area of sector has or is intended to receive additional financing or technical assistance from the World Bank, or from another donor such as the CEC.

IV. IMPLEMENTATION OF SAL PROVISIONS RELATED TO PRICE AND IMPORT CONTROLS

The World Bank procedure for monitoring SAL implementation involved periodic supervisory missions to assess compliance in conjunction with the staff of the Resident Representative. The SAL took effect in November 1989, and the First SAP Review took place in March 1990. The purpose of the Review was an occasion to determine whether a sufficient number of conditions had been met in SAL various sectors, including the Industrial and Commercial Sector, to allow disbursement of the second tranche. The disbursement of a SAL in tranches and the accompanying review process are viewed as major incentives to carrying out agreed-upon policy reforms in a timely manner.

A. Removal of Price and Import Controls

ICS reforms were relatively easy to monitor, because the focus is put on reviewing certain decrees and the text of laws or proposed legislation. The first review mission by the World Bank helped determine that second tranche conditions related to removal of QRs had been satisfied. Part of the necessary documentation was provided by the publication of the General Trade Schedule (GTS) for the period 1989-1991: Decision No. 232/MINDIC/CAB/IG2 of 29 June 1989. The GTS included a calendar for QR liberalization as well as revised and simplified import procedures. The number of forms required to obtain permission to import was reduced from twelve to three, and the time required from a week or more to 48 hours. Forms for declaring importation were available at banks and no longer had to be submitted directly to MINDIC.³ This document satisfied the World Bank that second tranche conditions had been fulfilled for elimination of QRs and simplification of import procedures.

The Bank staff also noted during the March 1990 review process that financing was available from the Commission of the European Community (CEC) for a consulting firm to carry out a study to determine a calendar for subsequent elimination of QRs for strategic products.⁴ QR elimination for certain strategic products had not been required as part of SAL-I due to the sensitive nature of the products in the view of the Cameroonian government. The products were considered sensitive because they represented key import substitution industries and/or because they represented important parts of consumer budgets. The Bank requested that the GRC prepare a plan of action related to removal of the controls for presentation to the Bank as a third tranche condition. Policy actions that satisfy Bank

³Interviews with MINDIC officials.

⁴"Procès-verbal, Mission Banque Mondiale, Première Revue du Programme d'Ajustement Structurel, 5-16 Mars 1990," World Bank.

conditionality in some cases include the preparation of studies and plans for future policy changes rather than actual removal of controls during the life of a particular loan.

The Bank also stated that mere passage of laws and issuance of decrees was not enough to achieve policy reform goals. To get the growth needed in key economic sectors, the liberalization of domestic and international commerce must be accepted as an important goal and applied by central government and provincial authorities.⁵

Another published document provided the additional evidence for the Bank to determine that the second tranche price liberalization measures had been taken. The key document was *Arrêté* No. 007 MINDIC/DPPM of 30 January 1990. The Bank stated that the *Arrêté* (announcement) met second-tranche conditions and recommended that the information be published in the national press.

The issuance of these documents related to import and price deregulation met the conditions for release of the second tranche in advance of the March 1990 scheduled release date. The release in fact did not take place until June 1991 because a number of other provisions were not satisfied. However, it appears that attempts by MINDIC staff and others to meet the second tranche conditions in a timely manner, and to satisfy the Bank staff, contributed to successful compliance with these ICS conditions of the SAL.

Price liberalization continued with two additional decrees: Price Control Decrees of Application No. 90/1476 of 9 November 1990 and No. 1/MINDIC/DPPM/SDP of 22 January 1991. Whereas the 1990 actions had removed 105 products from price controls, this second round removed an additional 16. In addition to Decrees of Application, another type of announcement from MINDIC that allows the Bank to monitor which products remain under control are periodic announcements (*arrêtés*). For example, an announcement that explained which products and services were still controlled was *Arrêté* No.035/MINDIC/DPPM/SDP of 29 November 1991.

The evidence provided by the publication of official announcements represented important progress in the industrial and commercial sector towards meeting third tranche conditions, and again the existence of the deadlines and the monitoring by World Bank staff most likely had a considerable influence on the progress made towards implementing these aspects of liberalization. However, the third tranche has not yet been released due to other causes relating to non-compliance with SAL conditions.

An additional World Bank supervisory mission in February-March 1993 noted further progress in industrial and commercial reforms. Price liberalization had proceeded to the point where controls remained on only 14 products and 7 services. Since those controlled products and services represented a large part of the typical consumer's budget, the World Bank urged

⁵"Procès-verbal, Première Revue du PAS, 5-16 Mars 1990," World Bank.

that the list be further reduced. Further reductions were not, however, required by SAL-I conditionality. The same recommendation applied to QRs: the government should find ways to reduce further the list of approximately 40 products still subject to QRs. An admonition was added to the effect that no additional QRs should be imposed in the meantime. Price controls also remained on the products regulated through Price Equalization Funds (rice, sugar, edible oils). Since the equalization process involved tariff barriers, the Bank noted that liberalization problems should be resolved through UDEAC (customs union) reforms that were then ongoing.⁶ The UDEAC regime took effect in early 1994.

As noted above, an additional SAL condition called for development of legislation relating to dumping in international trade. The World Bank noted that the creation of the Anti-Dumping Practices Committee created in March 1992 represented progress in that area and recommended that the Committee follow GATT guidelines in developing their proposals.

Bank monitoring efforts also extended to observing other governmental regulatory measures and noting their effect on the overall process of liberalization. In particular, the Bank expressed concern in 1993 that MINDIC was preparing to introduce new import controls in the form of special stamps that had to be purchased and placed on certain classes of imported goods to show their foreign origin. This represented an attempt to re-introduce a degree of protection for locally produced products. To the Bank, this non-tariff barrier represented "policy slippage" that ran counter to the general liberalization thrust that the government was undertaking. The Bank recommended that this effort be halted, which is what subsequently occurred. A compromise position between the Bank and the GRC was reached in which the certain products could be required to have words printed on them to the effect that they were of foreign origin.

Several interviews were conducted with retailers and wholesalers to assess how some economic actors have responded to the reforms. The interviews were exploratory in nature. Comments made by two business owners provide useful insight into viewpoints of entrepreneurs regarding policy reforms. A retailer in Douala indicated that imported notebooks with lined paper were among the products that fell in this category, since there were Cameroonian paper product manufacturers who sought policies to favor local products. The retailer also noted that had the import stamp proposal gone forward, it would have represented a step backwards to the period in which there were price controls on many of the products he sold. Among the problems he faced during that period were a considerable paperwork burden and the excessive discretion exercised by government regulators in charge of enforcing price controls. He credited the World Bank with the improvement in the entrepreneurial climate that came about through the progressive removal of the price and import controls. A similar sentiment about the reduced regulatory burden was expressed by a food product wholesaler in Douala. Moreover, the food product wholesaler looked forward to changes in labor-related regulations that would hopefully come with the implementation of the

⁶"Procès-verbal, Mission Banque Mondiale, Revue du Programme d'Ajustement Structurel, février-mars 1993," World Bank.

new Labor Law. A court award to a dismissed employee had in the past cost him a considerable sum of money.

B. Legal Reforms

Another objective of the ICS reforms was to encourage the National Assembly to act on a substantial legislative agenda that would modernize the legal framework for business, encourage free competition, and guarantee free access to all stages of trade. The SAL conditions included revising several major laws that defined the domestic marketing environment and passing several new laws. Passage of a new Labor Law was a SAL condition included to reduce regulatory restrictions on employment. Passage of a new Investment Code also had important implications for industrial and commercial activity. The goal stated in the SAL policy matrix was that the Investment Code would promote competitive industrial investments.

A new Commercial Activity Law (originally passed in 1980) was recommended as a means to guarantee free competition. Key provisions of the Commercial Activity Law were: (1) lifting of the ban that prohibited industrial producers from direct marketing their products; (2) introduction of consumer protection through price and quality assurances and after-sale service; (3) promotion of competition through eliminating trade restrictions, price fixing, and quotas; and (4) creation of a Competition Committee.⁷

Passage of a Commercial Code and a Company Code were other SAL conditions. In addition to the specific laws already mentioned, the SAL also recommended other legislation, the purpose of which was less well defined, including legislation on (1) enterprises in difficulty, (2) interenterprise partnerships, and (3) international trade (dumping and arbitrage).

Cameroon's experience with three key laws that were significant parts of SAL conditionality (the Investment Code, the Commercial Activity Law, and the Labor Law) provides a useful comparison that highlights some important aspects of implementing policy reform.

1. The Investment Code

As part of the supervisory mission of March 1990, the World Bank noted with approval that the text of the Investment Code had been delivered to the Presidency and was under review. Bank staff had reviewed the text and judged that it was good enough to meet the second tranche conditions unless it was greatly modified by the application decrees. Thus the Investment Code provided an example of a policy action that apparently achieved fairly

⁷Théodore K. Ejangue, "Diagnosis of Economic Policy Reform in Cameroon," report prepared by Continental Consulting Partners for USAID/Cameroon, 1993.

rapid approval by the Cameroonian government, probably influenced by the existence of the World Bank deadline related to the scheduled release of the second tranche. The Bank accepted the proposed text, still in progress, as sufficient evidence that this particular policy condition had been achieved.

The law was not finalized for several more months. The Investment Code became law in November 1990, followed by the Decree of Application No. 91/215 of 2 May 1991. The decree apparently maintained the general goals sought by the Bank, since it did not raise further objections.

However, the Bank remains concerned about the fact that a number of application decrees issued by the GRC are at variance on certain issues that the Bank perceives as having been key points of agreement between the GRC and the Bank regarding specific laws. The large amount of administrative discretion in the issuance of application decrees for specific laws remains a thorny problem of policy reform conditionality based on the passage of legislation.⁸

2. The Commercial Activity Law

The experience with the Commercial Activity Law was somewhat different. The Bank stated that it viewed the purpose of the law as a means to stimulate competition, provide free access to all stages of commerce, and protect consumers from anti-competitive abuses.

In March 1990, as Bank staff members were voicing approval of the progress made by the GRC with various elements of the industrial and commercial reforms, they found that the current draft of the Commercial Activity Law was not acceptable. The Bank told MINDIC to continue working on the draft, and noted that MINDIC was seeking additional advice from legal experts. The Bank helped to arrange additional financing through French technical assistance to hire legal consultants. The Bank also laid out a time-line, which appears to have been more or less followed. A new proposal was to be ready by April 1990, sent to the World Bank by May, and presented to the National Assembly by June.⁹

The Bank's pressure appeared to have an impact, because by August the law was passed. Passage of the Commercial Activity Law No. 90/031 of 10 August 1990 was followed by Decree of Application No. 008/MINDIC/DPPM of 7 March 1991. However, the 1991 decree apparently addressed itself only to some aspects of the law, and another three

⁸For analysis of the issue of administrative discretion, see the PROMT research report "Cross-Cutting Constraints in Policy Reform."

⁹"Procès-verbal, Première Revue du PAS, 5-16 Mars 1990," World Bank.

years elapsed before the law was fully implemented with the Commercial Activity Decree of Application No. 93/729 of 22 November 1993.¹⁰

3. The Labor Law

Another significant element in constructing an improved business climate was revision of the former Labor Code, which was believed to be a major contributing factor in labor market rigidities. Passage of the Labor Law was a third tranche release condition. Although the Labor Law was passed in August 1990, the decree of application still has not been issued, a fact which has been noted by the Bank with some concern during several SAL reviews. However, a probable contributing factor to the delay in issuing the application decree was the sensitive nature of the employee-employer relationship in Cameroon. Various stakeholders may have voiced opposition to dismantling worker protection provisions in the former Labor Code.

One implementation problem observed by the Bank was that at one point during the development of the legislation two different government bodies were working on drafts simultaneously. The Bank recommended improved coordination of responsibilities.

A progress report by AID on various aspects of policy reform noted that provisions of the new Labor Law were expected to bring some significant changes. An important feature is additional employer flexibility and discretion in the decision to hire and fire employees. Other provisions are meant to ensure that wages are based on productivity and the nature of employment, and not on education, seniority, or geographic location. A series of other provisions formalize minimum wage and temporary employment concepts. Again, however, the problem of administrative discretion may be significant. AID observed that "the full economic impact will depend on the orientation and contents of the decree."¹¹

C. Application and Enforcement of Laws

The emphasis of World Bank policy reforms related to changes in the legal environment has been on monitoring the formal content of laws. The language of SAL conditionality focused on enactment of specific laws. Enactment of the Investment Code was a second tranche release condition, and the Bank judged that sufficient progress on preparation of the legal text had been made by March 1990 that it qualified as sufficient to meet second tranche conditionality. Of the three laws examined in this paper, the Investment Code was the law most closely followed by the staff of the World Bank Resident Representative in Cameroon.

¹⁰"Décret No. 93/270 du nov. 1993 fixant les modalités d'application de la loi No.90/031 du 10 août 1990 régissant l'activité commerciale au Cameroun," *Cameroon Tribune*, 2 December 1993.

¹¹"USAID/Embassy Cable Assessing Cameroon's Economic Policy Performance During 1992," 16 March 1993.

However, a law has an impact only as it is applied and enforced. Monitoring implementation decrees is an important additional step, and the Bank has done that to some degree. However, while the Bank found the implementing decree for the Investment Code to be satisfactory, the second of two implementing decrees for the Law on Commercial Activity was not issued until late 1993, well after the second tranche was released. The Labor Law was passed in 1990, but the implementing decree has yet to be issued. Assessing actual impacts is considerably more difficult than passing judgment on the formal content of a law.

Application of a particular law to achieved intended outcomes goes beyond even the language of implementing decrees. The Bank noted in the reports of some its SAL supervisory missions that the laws must not only be enacted, but must be accepted as a valid statement of goals and applied by provincial and central government authorities. Nevertheless, because the SAL was so ambitious in scope, Bank staff were limited in the amount of time that could be spent on monitoring the actual implementation of individual laws. Therefore the focus remained on reviewing the formal content of laws and implementing decrees.

V. PUBLIC ENTERPRISE REFORMS

A. Origins of Public Enterprises

The proliferation of PEs in many African countries, including Cameroon, was due largely to the desire by African governments to control large parts of the economy. It was widely believed in the first two decades after independence that a large public sector was a means to rapid development and public ownership of firms would generate important revenues. Many African policy makers distrusted the private sector and saw deficiencies in it as a motor for development. Political regimes also needed large public sectors to sustain themselves. Rent seeking was facilitated by heavy regulation of the economy. Public ownership and subsidies facilitated patronage.¹²

These contradictory motivations were not necessarily held by the same actors in African governments, and a key issue was whether economic or political factors would dominate. Would PEs be efficiently run and generate revenues, or would they become mainly political instruments? In Cameroon, large debts and losses in the PE sector have contributed to the economic crisis, suggesting that political factors were dominant.¹³

¹²Nicolas van de Walle, "The Politics of Public Enterprise in Cameroon," in Barbara Grosh and Rwekaza Mukandala (eds.), *State-Owned Enterprises in Africa*, Lynne Rienner Press, 1994.

¹³N. van de Walle, "The Politics of Public Enterprise in Cameroon."

Largely because President Ahidjo spent much of his time in the early years after independence consolidating his hold on power, institution building got underway slowly. Public enterprise development therefore emerged at a slower pace in Cameroon than in the other francophone states of West Africa. The first efforts focused on the financial and plantation sectors, and significant co-financing by donors began around 1967. Thereafter began a period of rapid growth in the number of PEs through the 1970s and early 1980s.¹⁴

The parastatal sector underwent phenomenal growth in the 1970s and by the mid-1980s, there were over 170 PEs with over 150,000 employees. Development policy trends in the 1960s and 1970s contributed to the view that PEs should be a major vehicle for state development policy. Donors as well as governments looked favorably on government planning and large public sectors for promoting economic development. The government continued to believe both that public enterprises would pay for themselves and that they could be used for political purposes--rewarding elites from diverse ethnic groups to build political alliances.¹⁵

Various forms of public enterprises emerged. The Development Authority (*société de développement*) was defined by law in 1968. This new type of development institution was under the tutelage (*tutelle*) of particular ministries, but with considerable autonomy. Other legal enterprise forms were the *société d'état* (with 100% state ownership), and *société d'économie mixte d'état* (an enterprise in which the state has significant equity, often in conjunction with foreign partners). These are public companies that are created by presidential decree under technical, administrative, or professional mandates. With a portion of their equity reserved for private participation, they are variously referred to as "semi-public companies," "open companies," and "semi-open public companies." All are governed by administrative councils whose members are nominated by the President of the Republic.¹⁶

Currently, PEs are classified as one of five legal forms:¹⁷

- (1) Limited liability companies, governed by private commercial law, in which the state has a majority or minority stake;
- (2) Limited liability companies which are entirely state-owned, yet like those in category (1) are commercial and profit-oriented business ventures;

¹⁴N. van de Walle, "The Politics of Public Enterprise in Cameroon."

¹⁵N. van de Walle, "The Politics of Public Enterprise in Cameroon."

¹⁶"Country Development Strategy Statement, Cameroon, FY 1990-1994," U.S.A.I.D.

¹⁷World Bank, "PE Sector Overview," draft, October 1992.

- (3) "Development corporations" or "development authorities" (*sociétés de développement*) or "development missions" (*missions de développement*), defined by the law of 11 June 1968, combine commercial activities in agriculture with delivery of public services. They are financed through an initial endowment in the form of capital stock from the government. The intent was for operating expenses to be covered by operating revenues.
- (4) Public establishments of a commercial or industrial nature (with a French acronym of EPIC), financed through an initial endowment by the State. In principle these PEs should generate revenues to cover their operating expenses. A number of these were fully owned by the GRC, including the former ONCPB. The ONCPB owned equity in all regional and agricultural development companies, and most banks, hotels, and manufacturing enterprises. It was second only to the *Société Nationale d'Investissement* (SNI) in the book value of its portfolio as a parastatal holding company.
- (5) Public establishments of an administrative character (with a French acronym of EPA); also financed through an initial endowment by the state. Research institutes are prominent examples. Operating expenses of EPAs are covered mainly by the state budget.

PEs thus operate under a variety of legal arrangements, and Table 2 shows the number of PEs classified under each of the legal forms. Except for one category of enterprise, no uniform legislation exists to regulate parastatal companies. The regional development authorities are the only category for which there is existing legislation (Law of 11 June 1968 and Decree of 15 July 1968). Most PEs were created by presidential decrees, which define their legal status and mode of operation. As will be discussed below, the wide variety of circumstances under which PEs were established has helped render somewhat murky the legal status of PEs that have been ordered dissolved or liquidated. Lacking definitive procedures, liquidation teams have proceeded in a somewhat ad hoc manner, with the result that the government has in many instances not obtained full value for the sale of its assets.

Table 2. Number of PEs by Legal Classification in Cameroon

Legal Classification	No. of Enterprises
Limited liability companies with partial state ownership	122
Limited liability companies with complete state ownership	2
Development corporations and development missions	12
Public establishments of a commercial or industrial nature	12
Public establishments of an administrative nature	23

Source: World Bank, "PE Sector Overview," draft, October 1992.

Much of the increase in public spending over the first several five-year plans was for large capital intensive projects. In the first three plans the overwhelming majority of the state investment budget went to agro-industrial complexes. These included plantations and processing complexes for three crops: oil palm (CDC, SOCAPALM), rubber (HEVECAM), and sugar (CAMSUCO, SOSUCAM). Additional factories were built for paper (CELLUCAM) and fertilizer (SOCAME).¹⁸ Willame estimated that over 60% of state investment in agriculture went into agribusiness ventures in the third, fourth, and fifth five-year plans.¹⁹

Several development authorities (*sociétés de développement*) were established to promote other capital intensive commodity industries for specific areas. Among them were one authority for wheat, SODEBLE, and several for rice, including UNVDA, SODERIM, and SEMRY. WADA was another development authority with a significant rice promotion component.

The government established the *Société Nationale d'Investissement* (SNI) to manage the state's activities in the PE sector and to seek out foreign and national partners to extend the state's role as an investor. Between 1963 and 1988, the SNI accumulated over 700 billion

¹⁸N. van de Walle, "The Politics of Public Enterprise in Cameroon."

¹⁹Jean Claude Willame, "The Practices of a Liberal Political Economy: Import and Export Substitution in Cameroon (1975-1981)," in Michael G. Schatzberg and I. William Zartman (eds.), *The Political Economy of Cameroon*, New York: Praeger, 1986, 12.

FCFA in investments in the PE sector. These investments generated as many as 43,000 jobs in some 60 firms.²⁰

B. The Need for Reform

The economic crisis that overtook Cameroon in 1986 and has continued to the present made evident the need to reform the PE sector as part of a program of national economic recovery. The initial pressure for reform came from the World Bank, which began discussion on PE reform with the government beginning in 1986. The Bank's "Country Economic Memorandum" of February 1987 pointed out that PE operating deficits were rising, causing increased reliance on state subsidies. The Bank estimated that subsidies to PEs had reached 150 billion FCFA in 1984. As loan arrears mounted, PEs became a considerable burden on the domestic banking sector.²¹

The GRC itself acknowledged that there were a number of problems with the parastatal sector, including: (1) initial overdesign of investments for the size of the market; (2) inadequate financial structure (low equity/excessive borrowing) and the pursuit of objectives without adequate financial compensation; (3) absence of clear objectives; (4) inefficient management, over-staffing, and excessive bureaucratic structure; (5) absence of performance criteria, strategic planning and financial controls; (6) governmental interference and politicization of management; and (7) absence of competition, resulting in few incentives for cost-controls and quality-controls.²²

C. Initial Moves Toward Reform

Cameroon took the first steps toward the reform of public enterprises in June 1986 with the creation by ordinance of the Public Enterprise Rehabilitation Mission (PERM). Perhaps because of a lack of sense of urgency, however, setting up operations got off to slow start. The sense of urgency was eventually forthcoming, when the budget deficit hit 502 billion FCFA in 1987 (12% of GDP).²³ PERM staff appointments were made in June 1987, and operations began around September 1987. Table 3 presents a chronology of key events in Cameroon's public enterprise reform process.

²⁰Paul John Marc Tedga, *Enterprises Publiques, Etat et Crise au Cameroun: Faillite d'un Systeme*. Paris: L'Harmattan, 1991, 61.

²¹World Bank, "Cameroon Public Enterprise Reform: An Issues Paper," n.d.

²²"Country Development Strategy Statement, Cameroon, FY 1990-94," U.S.A.I.D., App. D, D-5.

²³World Bank, "Cameroon Public Enterprise Reform."

Table 3. Chronology of Key Events in Cameroon PE Reform

1986	World Bank-GRC discussions on PE reforms
June 1986	Create Mission for Rehabilitation of Public and Parapublic Enterprises
June 1987	Appoint staff for Mission
Oct. 1987	Mission staff becomes operational; initial studies begin.
1988	Evaluation studies initiated for several PEs. Total of 172-180 PEs identified; higher priority group of 75 selected for initial work.
1988	Liquidation component begun, 59 enterprises selected
Oct. 1989	WB mission to oversee state of PE reform
Feb. 1990	Decree 90/430 (2 Feb 1990) creates structure of privatization. Legal and doctrinal framework developed
March 1990	World Bank-First Review Mission notes good effort of drawing up performance contracts, but concern over failure to implement for lack of GRC funds. GRC assigned priority to top 20 non-social PEs and took decision to disburse funds. WB offered suggestions on which PEs to privatize.
June 1990	Ord. No. 90/004 (22 Jun 1990) relates to privatization of public sector firms and parastatals
Aug. 1990	Decree 90/1257 to implement Ord. No. 90/004
Oct. 1990	Decree 90/1423 sets initial list of 15 PEs that are for sale--signals effective start of privatization program.
1990	Performance contract component begins, 28 enterprises initially selected
1990	Diagnostic studies for second group of PEs
1992	Progress in performance contracts: 24 out of 28 signed; 4 others near completion. Little actual progress, most involved violations of contracts.
March 1993	World Bank Supervision Mission. 3rd tranche conditions fulfilled--Additional progress in putting PE reforms into effect. Signatures on performance contracts for CAMAIR, MAETUR, MAGZI, REFIGERCAM, SODECOTON, CDC, SOTUC, CRTV, MIDENO; 25 signed, including all cited in Loan Agreement. Action plans for other PEs. Significant financial, institutional, legal problems noted in PE reform. Recommend change in approach to put more emphasis on privatization and liquidation.

Three main objectives were assigned to the PE reform program: "(1) reduce the burden of PEs on public finances and on the rest of the economy; (2) improve the performance of PEs maintained in the State portfolio; and (3) rationalize the government's policy of participation in the direct production of goods and services."²⁴ The approach taken was consistent with a fairly standard World Bank approach to PE reform. The first step in the standard approach is to undertake a "census" to get the broad picture and to classify each PE in one of three categories for disposition: (1) rehabilitation of PEs staying in the government portfolio, (2) divestiture (privatization), and (3) liquidation. The overall assessment, as well as a number of evaluation studies, began in 1987. By June 1988 around 180 PEs had been identified. A higher priority group of 75 were selected for initial work, including carrying out further diagnostic studies.

The operational arm of PERM is the Technical Commission, and the policy-making body is the Interministerial Committee, made up of seven key Ministers: (1) Finance, (2) Planning and Rural Development, (3) Industry and Commerce, (4) Civil Service and Administrative Reform, (5) Agriculture, (6) Labor, and (7) Coordination and Execution of the Stabilization Plan.

D. Legal Framework of Reform

The legal framework differed for each of three components of the PE reform process (rehabilitation, privatization, liquidation). Liquidation was in a sense the simplest process for the government to initiate. Since most PEs were created by decree, the liquidation process could begin with a dissolution decree from the president or a law enacted by the legislature directed to the disposition of a particular enterprise. The law or decree would include a basic outline of how liquidation was to proceed and would name a committee of liquidators. As will be discussed later, this process led to some severe problems, but the apparent simplicity of it led the government to begin the process with 59 enterprises which were selected for liquidation or dissolution in 1988.

The development of a legal framework for the privatization and rehabilitation components came later and was given some impetus by the SAL, although certain SAL conditionalities related to legal reform have not been met. There were four SAL conditions related to reform of the legal environment: (1) establishment of the legal framework for privatization, (2) introduction of general regulations for PEs (passage of a general PE law), (3) revision of the statutes of the enterprises retained, and (4) adoption of legislation on government investment in enterprises. Of these, only the first has been substantially accomplished to date. The general PE law has not been passed, nor has the legislation on government investment in enterprises. For the PEs remaining in the government portfolio, few of the statutes have been rewritten.

²⁴World Bank, "Cameroon Public Enterprise Reform."

The process of setting up the legal framework for privatization (divestiture) involved a number of steps, which began at the end of 1989 and continued through October 1990. The steps were as follows:

1. Law 89/030 (29 December 1989) empowered the president to define the privatization regime by ordinance.
2. Decree 90/430 (2 February 1990) created the structure of privatization, and documents explaining the legal and doctrinal framework were issued.
3. Ordinance 90/004 (22 June 1990) further defined the legal framework.
4. Decree 90/1257 (August 1990) was issued to implement Ordinance 90/004.
5. Decree 90/1423 presented the initial list of 15 PEs to be sold. This signaled the effective start of the privatization program.

E. Administrative Machinery for Privatization and Rehabilitation

With the legal framework in place, the way was paved for the creation of the administrative machinery for privatization. The Privatization Subcommittee was created in late 1990 as an extension of the PERM, but did not begin functioning until a year later. It was housed at a separate location with its own staff.

The GRC began signing performance contracts as early as 1988.²⁵ However, the performance contract component did not get firmly underway until late 1989 and early 1990. Twenty-eight enterprises were initially selected for rehabilitation. A key element in the process establishing a monitoring committee for each enterprise. The membership of a committee typically included representatives of the World Bank, the PERM, and the ministry with supervisory authority over the PE in question (in most cases either the Ministry of Agriculture or the Ministry of Industry and Commerce).

Although PE reform activity preceded the SAL, the ongoing PE reform initiatives became part of SAL conditionality. Table 4 shows that the SAL included a number of conditions intended to reduce cost burden on the public sector. The SAL appears to have had an impact by nudging along both the privatization and rehabilitation components. The inclusion of conditions for setting up the legal framework as part of the SAL was probably influential in moving that process along. Although plans had been underway for some time, the series of decrees on privatization were issued only after the effective starting date of the SAL.

²⁵World Bank, "Cameroon Public Enterprise Reform."

Table 4. Matrix of Public Enterprise Policy Reform, World Bank Structural Adjustment Loan to Cameroon (SAL-I)

Area of Reform	Objective*	Proposed Policy Action-SAL-I			Additional Financing--WB or other donors ^c
		Measures (SAL conditions)	Tranche Condition ^b	Monitoring Method	
Public Enterprise Reform	Reform of legal and institutional environment	i) Establish legal framework for privatization of PEs ii) Introduce general regulations for PEs iii) Revise statutes of enterprises retained iv) Adopt legislation on govt investment in enterprises		Review legislation and implementing decrees	WB technical assistance
Public Enterprise Financial Performance	PF a. Reduction of cost to public sector: rehabilitation, liquidation, privatization	i) Overall strategy, restructuring plans for each enterprise through Public Enterprise Rehabilitation Mission ii) Performance contracts for Office Cerealier, SODECAO, HEVECAM, ONCPB, SOCAPALM, SONEL, SNEC iii) Performance contracts with donor participation: SODECOTON, CDC, MIDENO, CAMAIR, MAETUR, MAGZI, REGIFERCAM, SOTUC, CRTV iv) Liquidate SODEBLE, SODENKAM, MINDO, CNCE, MEAL, WADA v) Action plans for partial or complete sale of 6 enterprises vi) Negotiation of management contracts for certain enterprises to be privatized but remaining in govt portfolio vii) Monitoring and Implementation: Technical Committee to become permanent body; widen powers of Interministerial Committee & establish monitoring committee for each enterprise; establish automated system and logistic support for monitoring	1 2 2,3	Technical Committee, Interministerial Committee, Mission for Rehabilitation of PEs	CCCE and CEC-- financing for diagnostic studies, severance pay

*The numbers and letters correspond to the SAL objectives and conditions listed in the policy matrix in the SAL implementation documents.

^bClassification as a tranche condition denotes whether the condition is of central importance to SAL design by the World Bank. The number refers to whether it is a condition of the first tranche (when the SAL became effective) or of the second or third tranche.

^cAdditional financing indicates whether a particular area of sector has or is intended to receive additional financing or technical assistance from the World Bank, or from another donor such as the CEC.

Various supervisory missions from World Bank Headquarters provided an impetus and served as a means to periodically monitor progress, or the lack of it. A two-person supervisory mission came to Cameroon in October 1989 for the purpose of assessing progress on PE reform. The First Review Mission for the overall SAL (1990) noted progress in drawing of performance contracts, but showed concern over the failure to implement most of the signed contracts because of a lack of GRC funds. The GRC responded by assigning priority to 20 PEs and taking the decision to disburse funds. The World Bank team also offered suggestions on which PEs to privatize.²⁶

A World Bank mission in 1992 noted additional progress with performance contracts. Out of a total of 28 in the original group, 24 had been signed and the remaining four were near completion. However, there was little actual progress mainly because government financial obligations to PEs were generally not met.

VI. CASE STUDIES IN PUBLIC ENTERPRISE REFORM

To examine the process of reform, one or more PEs were selected from each of three reform categories.

- **Rehabilitation.** *Société de Développement de Cacao (SODECAO)*, Cameroon Development Corporation (CDC), and *Société Camerounaise des Palmeraies (SOCAPALM)*.
- **Privatization.** *Office Camerounais de la Banane (OCB)*, Cameroon Sugar Company (CAMSUCO).
- **Liquidation.** Wum Area Development Authority (WADA).

Information on all six PEs is summarized in Table 5.

All six are agriculture-related enterprises under the *tutelle* of either the Ministry of Agriculture (MINAGRI) or the Ministry of Industry and Commerce (MINDIC). With the exception of the CDC, all were created during the period of rapid PE proliferation that began with the passage of the Law of 11 June 1968. The CDC was created much earlier, under British colonial administration. CDC was nationalized immediately after independence in 1961 and it became a development authority in 1973.

²⁶"Procès-verbal, Première Revue du PAS, 5-16 mars 1990," World Bank.

Table 5. Key Characteristics of Selected Public Enterprises in Cameroon

	Type of enterprise	Date of creation	Ministry of Tutelle	Donor participation	Financing Before Reform					Reform Method Applied	Date Reform Process Initiated
					State	SNI	ONCPB	CNPS	Other		
OCB	EPIC--public establishment of commercial or industrial nature	Created by Bill No. 69/FL6 of 11 June 1968	MINDIC	--	100%	--	--	--	--	Dissolution and subsequent sale	Dissolved by Bill No.07/013 of 15 July 1987; sold on 15 Feb. 1991
CAMSUCO	Development authority	March 1975	MINDIC	--		64.8%	11.1%	15.4%	8.7% ¹	Privatization in progress	1991
SODECAO	Development authority	Decree no.74-83, 2 Feb. 1974	MINAGRI	CCCE, GTZ	21%	12%	67%	--	--	Performance contract	1991
CDC	Development authority	1 January 1947, nationalized 1 October 1961; Decree no. 73-597, 28 June 1973	MINAGRI	CCCE	100%	--	--	--	--	Performance contract	1990
SOCAPALM	Development authority	Decree no. 68/DF451 of 23 Nov. 1968 and no. 72/DF4 of 3 Jan. 1972	MINAGRI	CCCE, EC, WB	73%	4.4%	22.6%	--	--	Performance contract	PC signed 20 June 1989
WADA	Development authority	1973	MINAGRI	GTZ, other	100%	--	--	--	--	Liquidation	1987

¹CGPF, 5.4%; SOMDIAA, 2.9%; Cameroon private interests, 0.5%.

The capital ownership of five of the six firms was entirely in the hands of the state, either through the ministries of *tutelle*, or through other specialized entities, the most important of which were the *Société Nationale d'Investissement (SNI)* and the *Office National de Commercialisation des Produits de Base (ONCPB)*. The lone exception is CAMSUCO. Organized as a *société d'économie mixte*, a small portion of the equity is held by private investors.

Even though major donors were later to urge reform (in some cases liquidation or divestiture), all six PEs benefited from development assistance in earlier times, when aiding large enterprises was more in vogue among donors. Among the donors were the French, the Commission of the European Community (CEC) and the World Bank. These same donors also subsequently participated in funding different aspects of PE reforms.

A. Cost-Plus Pricing

An important element of economic policy in Cameroon has been the pervasiveness of cost-plus pricing. One consequence of the ideology of distrust of the private sector has been the tendency to fix prices and/or margins through government regulation. Price fixing was applied to commodities such as cocoa, coffee, palm oil, and sugar, as well as to the retail prices of a number of consumer products. The method often involved surveying or measuring transport and assembly costs at various stages in the marketing chain, and then establishing trade margins at those cost levels. For plantation crops such as palm oil, agricultural production costs are measured to determine the breakeven price. This practice continued to have important implications for PE reform. In developing the performance contracts for CDC and SOCAPALM, the GRC committed itself to continue to protect the market for palm oil.

Another key element that played a major role in reforms was the privileged trading relationship between Cameroon and France, as well as the status enjoyed by Cameroon as an ACP²⁷ country with special access to markets of European Community nations. This relationship facilitated palm oil and banana exports, which would affect the course of PE reform.

B. Purposes and Functions of Public Enterprises in Cameroon

In creating the development corporations, the government employed a development model in which enterprises combined commercial activities and provision of public services. The multiple functions of all six public enterprises are shown in Table 6.

²⁷ACP stands for Africa-Caribbean-Pacific, a grouping of developing countries consisting of former colonies of European Community member nations that enjoy a privileged trading status with the EC.

Table 6. Government-Mandated Purposes and Functions of Selected Public Enterprises in Cameroon						
	OCB	CAM-SUCO	SODE-CAO	CDC	SOCAPALM	WADA
Major agricultural product	bananas	sugar	cocoa	rubber, palm oil, bananas, tea, pepper	palm oil	rice
Purposes/Functions:						
Create plantations	x	x		x	x	
Assist smallholder agriculture	x	x	x	x	x	x
Processing of ag products	x	x		x	x	x
Marketing of ag products	x	x		x	x	x
Livestock development				x		x
Extension/farmer training			x	x		x
Produce seed			x			x
Planter input supply			x	x		x
Phytosanitary production			x	x		
Construct/maintain roads	x	x	x	x	x	x
Production research (TDC, etc.)			x			x
Manage integrated RD projects			x			
Encourage artisanal development						x
Cooperative development						x
Operate schools				x		
Operate health facilities				x		

Four of the enterprises were designed to promote the production and marketing of a particular agricultural product: OCB, bananas; CAMSUCO, sugar; SODECAO, cocoa; and SOCAPALM, palm oil. CDC produced five products: palm oil, rubber, bananas, tea, and pepper. WADA's functions included promotion of rice, coffee, livestock and a number of other agricultural products. A major function of these firms involved playing a direct role in production, marketing, and in some cases processing. The broad mandate of these firms went beyond these core functions, however.

SODECAO served mainly to promote the production of smallholder cocoa production through training and extension, supplying seed and other inputs, phytosanitary production, and research to improve yields. Marketing functions were handled separately by a network of cooperatives, with whom SODECAO was intended to interact. WADA had no plantations, but engaged in a considerable amount of training and extension, and was involved in rice processing. OCB, CAMSUCO, CDC, and SOCAPALM all created and managed plantations to produce a substantial proportion of the raw product that the enterprises subsequently processed and/or marketed. They were also involved in assisting smallholder production of those same crops, plus promoting other crops such as vegetables and tubers. Since infrastructure development was of concern to the government, the construction of farm-to-market and feeder roads became another priority task assigned to all six PEs. In addition, the CDC had a large social role to play through the operation of schools and the provision of housing facilities. The extent to which these functions were actually carried out varied considerably among the firms and over time for each of the firms. Nevertheless, it is evident that the multi-purpose nature of these PEs posed a substantial challenge for reform. The regional development and public-service provision roles played by CDC, SOCAPALM, and SODECAO were significant in the decision to maintain all three in the government portfolio and to focus on rehabilitation as the preferred reform mechanism.

C. Performance Contracts and PE Rehabilitation

Out of the first set of 75 PEs selected by the PERM for reform, the decision was made to retain 28 in the government portfolio. Rehabilitation and restructuring were to be accomplished through performance contracting between the PEs and the GRC. Although the process got underway before the SAL, performance contracts for specific PEs became SAL conditionalities, which undoubtedly had an influence on moving the process forward. Only a few performance contracts were signed before the SAL was implemented, but a number came in succession after the signing of the SAL. The signing of performance contracts for CDC, SOCAPALM, and SODECAO were SAL conditions. Contracts for the first two were signed in 1989, and SODECAO's contract came into effect in 1991.

Certain main objectives were stated in most of the PE performance contracts: profitability, effectiveness, productivity, and competitiveness. A key challenge was to develop performance indicators to measure these objectives. Profitability was measured by positive net income on income statements. Effectiveness in the delivery of public services was more difficult to measure, though there were attempts to quantify some aspects such the number of hectares protected by fungicide applications or other phytosanitary programs. Productivity was measured in part through norms and standards related to agricultural production and processing. Norms such as the number of workers per hectare were developed and achievement of those norms became part of the performance contract conditionality. Competitiveness was generally considered in terms of cost of production or break-even price of the agricultural product. The break-even price could be compared to prices from alternative sources or previous prior levels. Indeed, a major goal for a number of PEs was to

compress production costs so that breakeven prices could be reduced. Thus, the PE's obligation was to produce specified results. The state's obligation was to provide the means to do so, chiefly financial means. In many cases, finance from the donors was needed to supplement government financing.

Table 7 arrays the terms of the performance contracts signed by the GRC and SOCAPALM, CDC, and SODECAO. For both SOCAPALM and CDC, the core function is large-scale commercial agricultural production. Although CDC produces a number of crops, the focus in this paper is on CDC's palm oil production. SODECAO does not engage in agricultural production or other commercial activity, and its contract terms reflect the fact that it is mainly an entity for delivering public services to the agricultural sector, especially for cocoa.

Since the overall goals of performance contracts for PEs engaging in commercial activities were to become more competitive and increase profitability, a series of cost and finance-related obligations were assigned to SOCAPALM and CDC. Because the domestic price of palm oil is established through "cost-plus" pricing, a government priority was to reduce the costs of both producing and processing palm oil, so that the domestic price could be lowered. Targets were set for reducing costs of agricultural production and for reductions in the number of staff and workers. Norms in the range of 5 to 6 persons per hectare were established as goals. Recognizing that cost-cutting could contribute to the deterioration of the plantations, other terms were added to the effect the PE must assure continued maintenance of the palm trees. Requiring the upgrading of plant and equipment was seen as a means to increase the efficiency of processing. Donors agreed to play key financing roles in purchasing new equipment. Crop production was to be expanded both through improved crop yields and additional plantings. Sales were to be increased through additional marketing efforts.

Organizational restructuring was also required of the PEs. Outside consultants and the PERM itself played roles in recommending improved organizational structures and management systems. Since PE debt to the banking system (as well as to other PEs) was a contributing factor in Cameroon's overall economic problems, regular debt service was made a condition of most PE performance contracts. In many cases this involved financial restructuring, during which the assistance of the Cameroon government was essential.

1. Governmental Obligations in Performance Contracts

A major feature of the government's obligation in performance contracts was financial assistance to PEs carrying out their reforms (see Table 7). Two forms of indirect subsidy were continued. First, the government agreed to write off the fiscal debt incurred before a specified point in time, generally a date close to when the government and the PE reached agreement on contract conditions. Much of the fiscal debt represented taxes collected from workers but never passed on to the Treasury. Second, the PEs continued to be exempt from a variety of business taxes and custom duties. The government also agreed in some cases to contribute additional operating funds. As a counterpart to the CDC's obligation to service its debt, the government agreed to assist in consolidating its bank debt and in converting a substantial bank overdraft into a medium term loan.

Table 7. Performance Contract Terms of Selected Public Enterprises in Cameroon

	SOCA-PALM	CDC	SODE-CAO
PUBLIC ENTERPRISE OBLIGATIONS:			
Reduce cost of agricultural production	x	x	
Assure maintenance of plantation	x	x	
Reduce numbers of staff and workers	x	x	x
Undertake organizational reform	x	x	x
Increase sales	x	x	
Expand agricultural production (yields, new planting)	x	x	
Upgrade processing plant and equipment	x	x	
Financial restructuring, service debt	x	x	x
Retraining, placement of laid-off workers			x
Build roads			x
Extension			x
Promote farmer groups, transfer road & extension			x
Phytosanitary protection			x
Promote food crops			x
Disseminate seed, nursery stock			x
Demonstration plots			x
Research agreements with IRA, etc.			x
GOVERNMENT FINANCIAL OBLIGATIONS:			
Provide capital assistance	x	x	x
Convert overdrafts to loans		x	
Write off fiscal debt prior to PC	x	x	
Continue exemption from taxes, import duties	x	x	x
Consolidate bank debt		x	
OTHER GOVERNMENT OBLIGATIONS:			
Assume public services (schools, health)		x	
Continue market protection	x	x	
DONOR ASSISTANCE	CFD, EC	CFD, EC	CFD, GTZ

Another feature of the government's obligation, one that affected directly both SOCAPALM and CDC's palm oil operations, was the agreement to continue protectionism in the form of fixed domestic palm oil prices. The price-fixing system was based on a "cost-plus" formula. Because the performance contract encouraged PEs to bring down their production costs, the government agreed to fix prices that would cover costs whether or not cost reductions were achieved.

Recognizing that there was an inherent conflict between the public-service roles assigned to some PEs and the goal of financial viability, the government agreed in principle to assume some of the public-service roles. Of key importance was the agreement to take over schools and housing facilities run by the CDC and assign those functions to the relevant ministries. However, due largely to the fiscal crisis facing the entire government, this agreement, like many other terms of the performance contracts, was not honored by the GRC.

Because SODECAO was not directly involved in commercial production and marketing activities, it focused on providing services to farmers and other public service in the cocoa-growing regions. The contract terms required of SODECAO reflected the more purely service-oriented nature of the organization. Two key SODECAO contract stipulations similar to CDC and SOCAPALM were (1) undertaking organizational reform and (2) reducing the size of the staff and number of workers. However, the SODECAO contract also represented a much greater degree of change than was envisioned for CDC and SOCAPALM. To create the "new SODECAO," a number of the organization's functions were to be eliminated or transferred to grower groups, reducing the number of employees from around 3000 to 500-600, and retraining and/or relocating some of those workers to farms or other jobs. A number of farmer groups were to be created to assume responsibility for several functions previously taken care of by SODECAO, notably road maintenance, although some road maintenance and extension activities were to be retained by SODECAO. Other functions were to continue to be carried out by SODECAO until its planned dissolution. The date for dissolution has been changed a number of times, but 1995 is the current expectation. Some of the other public service functions to be continued included phytosanitary protection activities for cocoa and robusta coffee, promotion of food crops, dissemination of seed, creation of demonstration plots, and carrying out production research in cooperation with government research institutes.

2. Implementation Problems of Performance Contracts

The prevailing judgment by a number of observers is that the performance contracts have not worked to rehabilitate public enterprises.²⁸ The causes for failure are numerous, but the one most frequently cited is the government's failure to meet its obligations. Some stated goals and targets have been achieved, but the drain on the Cameroon treasury continues. PEs continue to receive subsidies, though the nature of the subsidies has changed.

²⁸Interviews with GRC and World Bank officials.

Financial and Fiscal Problems with Performance Contracts

Direct subsidies to PEs soared to 150 billion FCFA in 1984, but then dropped rapidly with the arrival of the economic crisis in 1986. The subsidies fell to 34 billion in 1987 and 12 billion in 1991. The subsidies were, nevertheless, a key reason for undertaking PE reform. Although direct subsidies from the state have declined, they have been replaced with inirect or implicit subsidies. The indirect subsidies have come about in a variety of ways.²⁹

Exemption from certain taxes and duties. One government obligation to CDC and SOCAPALM that was honored was to continue tax and import duty exemptions granted by the Ministry of Finance. However, a number of other PEs that are not officially exempt have not paid either and do not count these taxes and duties as debts to the government. This practice continues to add to the fiscal crisis faced by the government.

Fiscal debt. Among the government obligations in the CDC performance contract was cancellation of CDC's fiscal debt. In 1990 the government cancelled 3.2 billion FCFA in unpaid taxes. To comply with provisions of its contract, SOCAPALM was asked to draw up plans to resolve its fiscal debt situation. Other PEs have persistently understated their fiscal debts in their financial accounts. The Ministry of Finance has frequently had to cancel fiscal debt when it was clear that certain PEs could not pay.

Non-payment of collected employee taxes and social insurance. Retained taxes on salaries and stamp duties collected by many PEs have still not been turned over to the state. Many PEs also have not turned over the social insurance contributions of their workers to the *Caisse Nationale de Prevoyance Sociale* (CNPS). This has contributed to the financial crisis of the CNPS.

Bank overdrafts. As part of its rehabilitation process, the CDC was able, with the assistance of the government in late 1993, to convert an overdraft of around 5 billion FCFA to a medium-term bank loan. This completed a performance contract obligation which has helped the financial situation of the CDC. It also contributed to improving the solvency of the banking system by allowing the bank involved to show the 5 billion as an asset rather than an unpaid overdraft. However, non-payment of bank overdrafts have become a permanent source of financing for many other PEs, resulting in accumulation of substantial arrears to the banking system.

Non-servicing of external debt. PEs tend not to service their external debt, and the state has assumed a significant proportion, including 4.1 billion FCFA for SOCAPALM and 18.3 billion FCFA for the CDC.

²⁹World Bank, "Cameroon Public Enterprise Reform."

Non-payment of other PEs. PEs often fail to pay for goods and services received from other PEs. Many PEs, for example, ignore their obligations to pay for electricity and water.

Other Implementation Problems with Performance Contracts

In carrying out their supervisory duties regarding SOCAPALM, the Technical Commission of the PERM and the monitoring committee for SOCAPALM have urged that management and organizational changes be implemented along the lines of recommendations from studies completed for that purpose, but this has not yet been accomplished.

The size of the workforces at both SOCAPALM and CDC have been somewhat reduced in accordance with performance contract terms, with the intent of lowering overall PE costs. As mentioned above, the SODECAO workforce shrank to about one-sixth of its pre-reform size. The CEC played a role in facilitating this process by paying salary arrears to a number of laid-off employees for SODECAO and SOCAPALM. However, demonstrations and unrest from a number of laid-off workers disrupted SODECAO operations in Yaounde for many months.

The goal of upgrading and modernizing processing plants, established as a means of lowering costs and increasing output, moved forward with the help of donor assistance. France offered to fund the purchase of processing machinery for CDC and also offered assistance to SOCAPALM and SODECAO through the *Caisse Francaise de Développement* (CFD). However, when at one point the CFD cut off SODECAO funding, SODECAO's operational problems became increasingly evident. As a means to supplement operating funds, SODECAO resorted to retaining proceeds from the sale of fertilizer that had been provided at no cost as a farmer subsidy. Fertilizer sales were intended to be a pass-through operation, in which the sales proceeds are returned to the GRC treasury. The monitoring committee noted that this use of fertilizer money was a direct violation of the performance contract.³⁰

The price of palm oil and protection of the domestic palm oil market has been another issue. The Technical Commission of the PERM noted that progress was made in reducing the break-even price to 143 FCFA/kg by 1990, but that it subsequently rose back to 180 FCFA/kg. The government has retained the 180 FCFA/kg price for all palm oil sold in the domestic Cameroonian market. However, the government's ability to maintain a stable palm oil price has waxed and waned. In 1990 and 1991, CDC and SOCAPALM competed for limited domestic and export sales by offering a variety of "hidden" discounts that cut the effective sales price while maintaining the fiction of a fixed cost-plus price. A truce in this price war was attempted by setting up a joint sales pool through establishment of a Union of Oil Producers in May 1991, in which CDC and SOCAPALM would accept all of the palm oil

³⁰"Compte-rendu de la Seconde Réunion du Comité de Suivi du Contrat de Performances de la SodECAO," Public Enterprise Rehabilitation Mission, 1 July 1993.

in the country from all of the other producers and sell it at a fixed price. CDC and SOCAPALM together represent about 80% of total refined palm oil production. Sales under this arrangement were carried on for a period of time, but this arrangement is currently not considered to be effective.

The CDC renegotiated its performance contract in 1990 to account for the fact that lower-than-expected palm oil prices were going to prevent CDC from meeting its financial targets.

D. Selected Indicators as Evidence of PE Performance

The monitoring committees for each of the three enterprises have produced periodic evaluation reports to indicate the performance of the PEs. Labor force reduction was a goal of all PE performance contracts. SOCAPALM's contract called for the enterprise to reduce its work force from 4700 to 4200. SOCAPALM actually exceeded that target with a reduction to 3800 workers. The PERM also noted that there had been some processing plant modernization and improvements in plant maintenance. General administrative expenses declined, but are still apparently too high. One indicator of this is that their estimated breakeven cost went from 143 FCFA/kg in the 1989/90 season to 180 FCFA/kg. Gross sales increased, though they are below the levels forecast in the performance contract. Net sales of palm oil (gross sales minus production and processing costs) were higher in the two years after signing the performance contract than the two years prior, rising from around 2.2 billion FCFA to 2.7 billion. However, much of this is apparently attributable to increases in the price of palm oil between those periods.

The CDC's performance contract envisioned reductions in personnel cuts and increases in production to improve its profitability. The CDC responded by cutting staff levels and pushing through an across-the-board worker pay cut of 30%. However, the agricultural production results have not helped the financial situation. Palm oil yields and production have dropped in recent years. In 1992/93, for example, palm oil production of 23,000 tons was about 94% of the production level foreseen in the performance contract (24,500 tons). This shortfall was attributed to problems at various mills that led to deterioration of the harvested crop while large quantities waited to be processed. The cost of palm oil production was about 28% higher than expected, due to unforeseen expenses related to cultivation and infrastructure (roads and buildings on the estate). Despite these problems, net income from palm oil actually rose during the period after the performance contract came into effect. In 1990 and 1991, net income from palm oil sales was in the range of 1.5 to 2.0 billion FCFA, compared to 300-400 million FCFA in the two previous years. As with SOCAPALM, the protected market and palm oil price increases account for the increase in revenue. Prices received for palm oil by CDC rose from the 175-180 FCFA/kg range to around 195-200 FCFA/kg. The protected market contributed to making palm oil the only remunerative production and marketing activity in which the CDC is involved. CDC banana operations also yield income through a management contract arrangement through which Del Monte

markets CDC bananas in France. However, the other activities of CDC are all operated at a loss. CDC's overall losses have averaged around 2 billion FCFA in recent years.³¹

Performance is measured quite differently for SODECAO, since it does not engage in commercial activity. A key step taken to establish the "new SODECAO" was laying off the entire 3000-person workforce and then hiring back around 500 workers. The EC assisted in this process by using STABEX funds for the severance pay for the contract personnel. Even with the reduction in personnel, large salary arrears accumulated, and the Ministry of Finance agreed to pay 252 million FCFA in several installments. Only 100 million FCFA has been paid to date.

As of June 1993, SODECAO's fiscal debt had risen to 57 million FCFA, mostly from workers' taxes collected but not transferred to the central government. As mentioned earlier, this failure to transfer tax money has been a common method used by Cameroonian PEs to meet current operating expenses.

Other performance indicators were related to accomplishment of SODECAO's public service functions. Planter groups were supposed to take over key SODECAO functions such as road maintenance and extension. One indicator of problems in implementing this change is that by 1991 there were 443 such groups operating out of an expected 1068, a success rate of 41%.

SODECAO was also slated to make arrangements to "reinsert" 2000 laid-off workers into agricultural or other kinds of work. A recent audit indicated that 716 applications were received but only about 209 were accepted, mostly for agriculture and livestock projects. Another function was distribution of fungicide. Distribution levels were below forecasts, and the estimated number of hectares protected reached 99,000 by 1993 out of a projected 130,000. Accomplishments related to road building, vegetable production, seed distribution, demonstration plots, and production research all fell well below expectations.³²

The Technical Commission has produced periodic audit reports to summarize the status of particular PEs undergoing reform through performance contracting. The Commission has noted problems with performance contracts as tools of reform. Performance indicators, such as reductions in costs or increases in production, were in many cases established in an ad-hoc manner. The Commission recommends establishing more realistic performance indicators and financial ratios and establishing clearer objectives for each enterprise.

³¹"Seventh Follow-up Meeting of the Performance Contract State/CDC, 12 October 1993," Public Enterprise Rehabilitation Mission.

³²"Compte-rendu de la Seconde Réunion du Comité de Suivi du Contrat de Performances de la Sodécao," Public Enterprise Rehabilitation Mission, 1 July 1993.

The government has not met its obligation to relieve PEs of social service obligations. The Ministry of Education has made little or no progress toward taking over operation of schools currently operated by the CDC, for example. Such expenditures continue to affect PE financial viability. However, the government has attempted to arrange for some relief. For example, the CFD provided SOCAPALM with 200 million FCFA to finance public services for the 1992/1993 season.

The Technical Commission has also addressed the broad issue of conflicting goals. It has pointed out that the immediate objectives of the performance contracts, such as reduction of costs and increasing profitability in commercial operations, are difficult to reconcile with the social responsibilities assigned to the PEs. One Technical Commission report questions how a PE is supposed to reconcile financial profitability on the commercial side with the goal of socioeconomic development of an underdeveloped region. Should evaluation focus on profitability of investments or a benefit-cost analysis of development activities? The answer to this question remains elusive.

E. Privatization of the Banana Sector

The banana sector in Cameroon previously consisted mainly of two public enterprises, with some smaller private producers. One was the banana operations of the Cameroon Development Corporation. The other was the OCB parastatal. Although the privatization of PEs has overall proven to be quite a difficult process, the banana sector has become the most successful example of PE privatization in Cameroon.

The restructuring of Cameroon's banana industry began in 1987. In that year the Del Monte corporation made an agreement to buy CDC's bananas and market them in France. The CDC obligation was to deliver all the bananas from its plantation and receive an agreed-upon price f.o.b. Douala. Del Monte agreed to provide technical and financial assistance. The arrangement is a type of management contract in which the Del Monte role in management is restricted to shipping and marketing, and the agricultural production, management, and ownership of the plantations remains in the hands of the CDC. The agreement between Del Monte and CDC (*convention d'établissement*) was first signed in 1987 and then renewed in 1990. The second agreement included the necessary changes for the arrangement to be in compliance with the new Cameroonian investment code which had been passed by that time.

The second step in the banana sector restructuring process was the purchase of a private company, the *Société des Plantations de Penja et Nyombe* (SPNP), by a private French concern, *Compagnie Fruitière* (CF). The SPNP acronym was retained, but the firm was renamed the *Société des Plantations Nouvelles de Penja*. The SPNP had gone bankrupt, owing the government money.

The third step was the transformation of the OCB into the *Société des Bananeraies de M'bome* (SBM). The OCB was dissolved by Presidential Decree in 1987, an action that placed the firm in liquidation status with all of its attendant problems. Some of these problems are described in the liquidation section below. Sale of the firm was not to come for another two years. In the meantime the PE reform machinery was getting established. It was not until 1990, well after the creation of the Public Enterprise Reform Mission, that the legal framework for privatization was finally established and the Privatization Subcommittee (PSC) came into being as a subunit of the PERM. This paved the way for privatization of the OCB.

The PSC followed what they called the "traditional scenario" in carrying out the OCB divestiture as part of their first (and as yet only) round of privatizations. The four-step procedure included evaluation, invitation for tenders, negotiations, and signature of protocol agreement and sale covenant.

Three different accounting firms conducted independent evaluations during the 1988-1989 period. The invitation for tenders was issued nationally and internationally in October 1990 and three responses were received. The tenders were evaluated on the basis of price offered, projected level of investment, number of jobs to be safeguarded, and requested accompanying measures. The Interministerial Committee selected the *Compagnie Fruitière* Group, the buyer of SPNP, for further negotiations. The sales price agreed upon for the OCB plantation, stocks, buildings, and equipment was 2.8 billion FCFA. *Compagnie Fruitière* agreed to pay all suppliers, cover employee salary arrears, and compensate landowners. Rent had not been paid for many years to owners of the land on which some of the banana plantations stood.³³

A protocol agreement was signed in December 1990 and the final bill of sale issued in February 1991, just four months after the invitation for tenders and only one year after the privatization framework had been established.

The swiftness with which the entire process was consummated stands in sharp contrast to what transpired with the fourteen other firms slated for privatization, as discussed below. Observers of Cameroon's privatization process have noted various causes for why this may have occurred. One is that the *Compagnie Fruitière* was a known quantity and already had a good reputation from the purchase of SPNP and subsequent management of those banana operations. However, it is also widely believed that high-ranking officials in both the French and Cameroonian governments stood to benefit and thus brought pressure to bear on moving the process along.

³³"Progress Report on the First Privatization Program," Sub-commission in Charge of Privatization, Public Enterprise Rehabilitation Mission, n.d.

The capital structure as of June 1993 was *Compagnie Fruitière*, 60%, Cameroonian private interests, 30%, and Proparco, 10%. The International Finance Corporation previously owned some shares, but sold them to the remaining shareholders. The Cameroonian share is expected to grow to 40%.

Staff reductions occurred mainly at the former OCB head office in Douala, where the port handling operation now employs less than 30 people compared to more than 80 under OCB management. A key performance measure of the success of the newly privatized banana sector is the quantity of bananas exported, which grew from 18,000 tons produced on 2300 hectares to a current level of exports of over 40,000 tons annually from the same land.

This entire arrangement was made possible by the trading privileges that Cameroon enjoys in the French market by virtue of the CEC-ACP arrangement through the Lome Conventions. Cameroon is guaranteed a quota and a fixed sale price at the French port of Marseille, well above the cost of alternative supplies from Latin America. Just as palm oil price protection and cost-plus pricing makes possible the continued remunerative production of palm oil by the CDC and SOCAPALM, the privileged trading relationship with the Cameroonian banana sector in France facilitated this privatization process. With banana production expected to continue rising, the Association of Banana Producers of Cameroon (ASSOBACAM) is in the process of requesting an increase in the quota allotted to Cameroon. ASSOBACAM has around 6 members, including SPNP, SBM, and CDC-Del Monte operations.

F. Privatization Problems

The other firms in the First Privatization Program undertaken by the Privatization Subcommittee have not progressed nearly as far as the OCB divestiture. The effective start of the privatization process was the issuance in October 1990 of Decree No. 90/1423 listing 15 firms for sale. The OCB process got underway immediately as described above. However, since then only three additional firms have been effectively privatized, and two of those involved mainly the sale of shares, a simpler process than occurred with OCB. A wood processing firm (COCAM) was sold, but the sale was challenged after the fact, which effectively halted the process, at least temporarily. A perplexing element is that two of the 15 on the original list were already under liquidation at the time the decree was issued, and thus were no longer in the pool of firms for sale. This suggests some possible miscommunication between different agencies of the government involved in the PE reform process.

CAMSUCO represents a case of a privatization process gone awry. It was put on sale through invitation for tenders several years ago. However, the sale of that firm has become less and less likely. CAMSUCO has continued to operate at a loss since that time. Debts and arrears have accumulated, plantation and equipment have been allowed to deteriorate from lack of maintenance, and yields and production have dropped sharply. The result is that CAMSUCO is no longer an attractive business. This illustrates a key problem that casts

doubt on the future progress of privatization. As long as a particular PE appears to be making positive net revenue, strong resistance to its sale of the PE is likely to be manifested by key stakeholders, often including the ministry with supervisory authority over a particular PE. Once losses accumulate, those interests that resisted sale of the PE eventually accept privatization as an option, but by that time potential buyers tend no longer to be interested.³⁴

G. Liquidation of the Wum Area Development Authority

Table 6 indicates the broad nature of WADA's regional development mandate. Originally started as a training and resettlement center with German technical and financial assistance, its status was changed to that of regional development authority in 1973, during the peak period of the creation of such entities. Their task was to accelerate socioeconomic development and improve the living standards of the rural population in the area surrounding Wum in the North West Province. Substantial government and donor investments were made over the years to promote crop and livestock production, open roads, operate a woodworking and furniture shop, and engage in a number of other activities. The enterprise acquired a rice huller to promote rice production in the area. Through an ambitious program called "block extension" WADA attempted to develop specific cropping patterns for organized groups of 20-25 farmers.

WADA underwent a period of ineffective management in the 1980s during which time losses of 400-500 million FCFA were posted, requiring government subsidies in the range of 300-400 million FCFA per year.³⁵ By 1986, the government expressed concern expressed with the size of the losses and cut the work force of 300 persons nearly in half. WADA continued to operate on a reduced scale for several more years. In 1989, WADA staff were apparently caught by surprise by the announcement of WADA's liquidation. The province-wide development authority known as MIDENO was assigned to take over some functions, including farmer extension, input supply, and infrastructure.

The liquidation process for WADA has proved to be a drawn-out and confusing affair, with unclear accountability, as has been the case with many PE liquidation exercises in Cameroon. The typical process is for a presidential decree to appoint a liquidation team some time after the dissolution decree. The slowness of this process can put the affected enterprise in a vulnerable position for a period of time during which assets such as vehicles and machinery can disappear. When the liquidation team arrives, they have the challenging job of inventorying the large number of remaining assets and attempting to sell them. The job of the WADA liquidation team was complicated by various actions that left the status of the WADA site and assets unclear. MIDENO's assumption of WADA functions presumably

³⁴Interviews with GRC Ministry of Agriculture and World Bank officials.

³⁵"Secteur Agricole, Rapport Final," Public Enterprise Rehabilitation Mission, World Bank/UNDP/AGRER, May 1988.

gave MIDENO rights to certain assets, but the distribution was unclear. In addition, portions of the provincial office of the Ministry of Agriculture were ordered to take up residence on the WADA site. Actions such as these left WADA's status even murkier.

Liquidation teams in general have operated with only minimal guidelines, and teams have often had to develop their own methods. The whole process is rather ad hoc, with typically little interaction between liquidation teams and no overall authority guiding them. The Public Enterprise Rehabilitation Mission has no direct authority over them.

In an audit report commissioned by the PERM in December 1992, the recommendation was made to appoint a new liquidation team for WADA. The report found certain deficiencies in the work of the first team. Three years had elapsed since the liquidation was ordered.

Other recommendations from the audit report are indicative of the problems that bedevil the liquidation process. One recommendation is that the new liquidation team be given a free hand to sell off the remaining assets without any interference from the Ministry of Agriculture. Moreover, one additional recommendation was that the Minister in Charge of the Stabilization Plan should set a specific timetable for completion of the team's work and should appoint a separate Inspection Committee to monitor the work of the liquidators and report any instances of deviating from the terms of reference for their work. The perceived need for oversight indicates that the behavior of some liquidation teams has contributed to creating a climate of distrust. The PERM also recommended that MIDENO return all machinery and equipment to the new liquidators.³⁶

Delays of the length experienced by WADA leave PEs in a murky legal and financial situation for extended periods. This has been common in the Cameroon PE reform process. Although over 50 liquidations have been ordered, only five have been completed.³⁷

Some observers of the process contend that a number of liquidators are dishonest, selling valuable assets at a fraction of their value and personally benefiting through other non-transparent exchanges. One person who headed a liquidation commission indicated that the incentive structure surrounding the process does not reward people attempting to take positive steps to preserve and sell assets to return the maximum possible revenue to the government. One strategy employed by liquidation teams in such conditions is to quickly transfer assets of particular PEs from the control of the liquidation team directly to the central government (i.e., the Ministry of Agriculture or MINDIC). This shifting of responsibility of the assets does

³⁶"Audit of the Liquidation of WADA, Covering January 1989-September 1992, Work to be Accomplished to End the Liquidation (Final Report)," report prepared by Management Consultants, Inc., for the Public Enterprise Rehabilitation Mission, December 1992.

³⁷Interviews with World Bank officials.

not guarantee that the assets will be managed for maximum benefit to society, but is rather an action that protects some liquidators from future liability for assets that disappear.

VII. DESIGN AND IMPLEMENTATION OF SAL-I: AN ANALYSIS

Two key elements of policy reform are important in the analysis of SAL-I: (1) the degree and intensity of donor oversight during the entire process of reform and (2) the linkage between public enterprise reforms and market liberalization in the policy reform program.

A. Degree and Intensity of Oversight

The degree and intensity of oversight exercised by the World Bank in implementing the SAL varied considerably according to the nature of the specific reforms. The three sets of reforms, with successively higher degrees of donor oversight, are (1) price and import liberalization, (2) reform of the legal framework for business, and (3) public enterprise reforms.

1. Price and Import Liberalization

Price and import liberalization was associated with a much lesser degree and intensity of oversight. The World Bank negotiated with MINDIC about which products and services to liberalize, in what order they should be liberalized, and the means by which the information would be disseminated to ensure that the reforms had the intended effect. Once agreements were reached, the reforms became fairly automatic, requiring relatively little staff time to monitor. Monitoring was straightforward: Bank staff reviewed MINDIC price decrees and the schedule for QR elimination to see if the documents conformed to their agreement.

Although the Bank favors eliminating price controls in general, the Bank's SAL designers were apparently sensitive to the potential internal political opposition that could be generated if all price controls and subsidies were removed. The Bank agreed not to insist on liberalization of the so-called "strategic" goods, such as rice and palm oil, which were high-cost and needed protection if there was to be any local production. However, the Bank's desire to see movement toward liberalization for even the strategic goods was evident from other SAL conditions, such as requiring studies and action plans related to those goods. Periodic references made in Bank supervisory missions indicated that the Bank still wanted to see the markets for the strategic products eventually liberalized.

The elimination of import licenses was a condition that ran into some opposition and delay on the part of the government during the implementation of the SAL. Bank staff insisted on compliance with this condition, and it was eventually achieved.

2. *Legal Reforms*

An important premise of the PRAMS I design was that "vertical slice" reforms (e.g., within the arabica coffee sector in Cameroon), should be complemented by "cross-cutting" reforms, including a new cooperative law to give all cooperatives in Cameroon autonomy to operate as independent businesses, no longer under the control of the government. Increased autonomy was needed to allow the cooperative structure to adapt to the competitive environment and develop the ability to compete alongside private traders in the purchase of coffee from farmers. A key motivation for USAID/Cameroon's decision to devote considerable resources to the passage and implementation of the cooperative law was to help create the appropriate environment for institutional reform within the arabica coffee sector. For this to happen, the North West cooperatives needed considerably greater autonomy from the government. The fact that the relationship of the government to all cooperatives would change at the same time was a welcome additional benefit that would help pave the way for future reform programs in other sectors, such as cocoa and robusta coffee.

The World Bank's SAL conditions are cross-cutting reforms. The desire to modernize the legal framework for business was motivated not by the intent to restructure any one sector, but rather to reform the whole economy. For that reason, the World Bank's policy reform program included an ambitious legislative agenda for economic reforms to improve the legal environment in which business would operate, including the Investment Code, the Law on Commercial Activity, and the Labor Law. As part of the monitoring process, Bank staff reviewed drafts of legal texts, suggested improvements, and recommended deadlines for specific actions to keep the process moving. There appeared to be no sanctions specified for missing deadlines (other than deadlines established through the timing of SAL tranche-release conditions), but delays in meeting conditions may have affected the general view of overall compliance with the SAL held by the Bank staff at a given point in time.

The Bank exercised considerable oversight over development of the Investment Code. The Resident Economist managed the overall effort, participated in workshops, and was involved every step of the way. The workshops involved Bank staff, ministry officials, and private sector representatives. After the laws were passed, Bank staff followed closely the issuance of the implementing decrees to ensure that the intent of the law was followed.

The degree of oversight was somewhat less for development of the Labor Law, but was nevertheless substantial. There was less direct involvement of Bank staff and more hiring of outside consultants, such as experts in Francophone labor law. Several seminars were held to inform key policy-makers and to facilitate the exchange of information among the interested parties.

3. *Public Enterprise Reforms*

Reform of the PE sector represented more in-depth involvement by the World Bank than was the case with industrial and commercial reforms. However, the degree of oversight varied by type of reform: rehabilitation, privatization, or liquidation. As mentioned above, the majority of time and resources of both the GRC and the World Bank were devoted to the rehabilitation component and PE rehabilitation was the primary focus of the PERM. The Privatization Subcommittee was not created until after the PERM had been in existence for several years.

The creation of the PERM itself represented a considerable amount of effort on the part of the Bank. Bank staff followed closely the creation of the Interministerial Committee and the Technical Commission, and observed the administrative process taking shape. They studied the GRC budget process to ensure that a sufficiently large budget was provided for the PERM to do the job that it was assigned to do.

Rehabilitation

Several SAL conditions related specifically to the administrative mechanism for rehabilitation. One tranche release condition for the first tranche stated that the overall strategy and restructuring plan for each enterprise named in the SAL were to be carried out through the PERM. Additional conditions relating to monitoring and implementation were that (1) the Technical Committee should become a permanent body, (2) the powers of the Interministerial Committee should be widened, (3) monitoring committees should be established for all PEs signing performance contracts, and (4) the PERM should establish an automated system for data collection and logistic support for PE reform monitoring. Each of these administrative actions was subsequently completed.

The Bank's in-country staff played a major role in this process. A substantial portion of the time of one member of the Resident Representative's staff has been devoted to PE reform issues. The staff member sits on a number of the monitoring committees that oversee PE performance contracts. One of the Resident Economists also devoted time to certain aspects of PE reform, especially relating to agricultural PEs.

Another aspect of PE reform implementation is the Bank's efforts to involve other donors. Various studies financed by other donors have been completed relating to management reorganization, factory rehabilitation, pricing policies. Other donors, including the French and the CEC, have financed studies relating to preparing PEs for privatization.

Privatization

The only specific conditions related to privatization (divestiture) appearing in the SAL policy matrix are to (1) establish the legal framework and (2) develop action plans for the partial or complete sale of six enterprises. Initial steps toward developing the legal framework for undertaking the overall public enterprise reform process preceded the SAL. However, some of the major necessary legal steps that were not completed by the time the SAL was put into effect, including the privatization legal framework, were included as SAL conditions. There was a considerable delay between the creation of the PERM and the establishment of the Privatization Subcommittee and the laws regulating the sale of PEs.

The initial implementation of the SAL probably had an influence on moving that process forward. The SAL took effect in November 1989, and the privatization statute was passed in February 1990. Creation of the statutes and decrees to initiate the privatization process were an important part of the legal framework, and there was considerable World Bank pressure to enact the legal framework. During supervisory missions Bank staff also recommended specific PEs for privatization.

Liquidation

Liquidation was the area with the least amount of Bank oversight of the three PE reform components. The only specific reference to liquidation was that six PEs should be liquidated, including the Wum Area Development Authority (discussed above). There were no specific recommendations to reform the legal framework surrounding the liquidation process, and material presented above indicated that the legal murkiness has contributed to confusion and lengthy delays in the process.

B. Linkage of PE Reforms and Market Liberalization

SAL-I shared with other policy reform programs a concern with reducing the role of the state in commercial activities. In fact, however, the SAL I approach to PE reform was heavily focused on the restructuring of enterprises that were retained in the government portfolio. The orientation of both the rehabilitation and liquidation components of public enterprise reform was to reduce the drain on the national treasury and or to increase revenue, not necessarily to change the structure of particular markets to make them more competitive.

The liquidation component was a means to settle the disposition of assets and to reduce deterioration of the assets in order to gain government revenue or reduce losses. It was chiefly a fiscal issue, though it had the impact of confirming that the government was out of the particular businesses liquidated, thus reducing the role of the state.

The most explicit effort to reduce the role of the state through PE reform was the privatization (divestiture) component, which has experienced considerable resistance and slow

progress. In addition, the privatization component has been operationalized as primarily a method of selling assets or shares to private investors or entrepreneurs. Design of the privatization component was not accompanied by analysis of the structure of the private markets into which the former parastatals would be sold. Nor were there specific measures proposed to nurture the growth of nascent or nonexistent markets for particular goods.

In contrast, the design of the FSSRP and PRAMS I by USAID/Cameroon were predicated on the notion that emergence of entrepreneurship and the growth of private firms in particular sectors requires institutional arrangements explicitly designed to nurture development of the private sector. While USAID's approach in PRAMS I was to focus on institutional changes in the arabica coffee sector, the Bank's approach was to look at the national regulatory and business climate as a whole and to establish SAL conditions, mainly legal reforms, that would improve the entire national business environment.

The sole instance in which PE reforms were explicitly linked to market reforms in particular sectors was in the SAL conditionality related to dissolution of the ONCPB and its reconstitution as the National Cocoa and Coffee Office (ONCC). This was done with the explicit intent of contributing to the restructuring of the cocoa and coffee sectors. However, even in this instance, there were few other explicit measures in the SAL to bring about market-oriented changes specifically in the affected sectors. Since the SAL had few market liberalization efforts specifically oriented to the coffee sector, these efforts were undertaken instead by USAID/Cameroon in the design of the Program of Reform of the Agricultural Marketing System, Phase I (PRAMS I), and by the *Caisse Francaise de Coopération Economique* (CCCE).³⁸

In some respects, the role of other donors affects the degree of oversight exercised by the World Bank. Export market liberalization and the dissolution of the ONCPB were areas that saw significant donor coordination in policy reform. Thus, the Bank's specific oversight role was in part delegated to other donors who expressed interest in taking the lead in specific policy areas.

The separation of market reforms and PE reforms in the SAL in part reflects the Bank's internal organization. SAL components are designed by different organizational units. Public enterprise reforms are designed in part by one of the subunits of the Country Economics Department, Public Sector Management and Private Sector Development, which includes public enterprise specialists on its staff. Industrial and Commercial reforms were designed by the head of Country Operations and the Lead Economist with input from the Economics and Finance Division and the Industry and Energy Division of the Africa Technical Department.

³⁸The CCCE is now called the *Caisse Francaise de Développement* (CFD).

VIII. CONCLUSIONS

The objective of this case study was to analyze the policy reform approach of the World Bank through the example of the first Structural Adjustment Loan to Cameroon as a basis for comparison to USAID/Cameroon. Policy reform carried through the structural adjustment program was broad-based and multi-sectoral. Two of the ten sectoral components of the SAL, those that most closely resembled USAID/Cameroon's approach in substance, were chosen to represent the World Bank approach: public enterprise reforms and industrial and commercial reforms.

The degree and intensity of World Bank oversight varied considerably by type of reform. A key aspect of industrial and commercial reforms, the removal of price controls and QRs, was accomplished with only limited monitoring and oversight by the Bank once the parameters of reform had been established. Public enterprise reform, in contrast, was characterized by a substantial amount of World Bank involvement, especially in establishing the administrative machinery and in maintaining an ongoing role in monitoring implementation of performance contracts as part of the rehabilitation process.

A higher degree of oversight does not necessarily yield improved policy reform performance. An area of reform that was subjected to considerable donor oversight, public enterprises, has largely failed. A major purpose of undertaking PE reform was to reduce the size of the public sector so that it would act as less of a drag on the economy. PE deficits have continued to be part of the state's fiscal problems. Direct subsidies have been largely replaced with indirect subsidies. Government obligations to assist in the restructuring of PEs, including the assumption of some public service functions such as the operation of schools, have generally not been carried through, mainly because of the government's ongoing fiscal crisis. The liquidation component was also intended to reduce the fiscal burden of the state but has been largely unsuccessful.

By agreeing to SAL conditions, the CRC stated its intent to embark on a path of economic liberalization. A series of measures were undertaken, both in the area of economic policy and in legislation. The state's role in the economy was reduced by progressive removal of domestic price controls and the system of fixed trade margins, along with the elimination of quantitative restrictions on most imports. While the USAID approach explicitly linked privatization and market liberalization, those functions were conceptualized and carried out separately in the SAL. The Bank also sought institutional changes at several levels (price liberalization, legislative reforms, privatization) but the focus was on reforms on an economy-wide, multi-sectoral basis rather than on individual sectors. As a result, the liberalization and privatization activities of the Bank are not as mutually reinforcing as they could be.

The evidence to date suggests that the methods chosen for PE reform in Cameroon are not an effective means to achieve economic liberalization. This was mainly because most of the effort in PE reform was placed on use of performance contracts as a means to rehabilitate public enterprises. Continued protection of domestic markets for palm oil and sugar have been integral parts of the PE reform strategy for the rehabilitation of CDC and SOCAPALM and for the privatization of CAMSUCO. The privatization/divestiture component had the potential to reduce the state role in the economy, but PE involvement in particular markets has been reduced in only two instances. One was in the banana sector, through sale of the OCB. The other was in the markets for coffee and cocoa, through dissolution of the ONCPB and its reconstitution as a much smaller body, the ONCC. Privatization has been operationalized mainly as divestiture of assets or shares and little attention has been paid to the issue of trying to link divestiture and economic liberalization through specific sectoral measures to facilitate development of competitive markets.

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