0404

August 7, 1992

To: Members of the Executive Board

From: The Secretary

Subject: Final Minutes of Executive Board Meeting 91/171

The following corrections have been made in the final minutes of EBM/91/171 (12/20/91):

Page 50: for item "3" read "4"

Page 51: for item "4" read "5"

Corrected pages are attached.

Att: (2)

Other Distribution:
Department Heads

order to ensure a durable strengthening of the external position, boost the growth in output, and sustain public support of the adjustment policies.

In this context, further progress in the implementation of structural and institutional reforms, particularly in the area of state enterprises and the domestic banking system, is essential for stimulating a stronger response by the private sector. Many of the staff's policy recommendations go in this direction. Nevertheless, I note the reliance on the liberalization of external trade to stimulate new initiatives and wonder whether, in view of the fragile balance of payments position, this approach could be prolonged. I would also welcome staff elaboration on whether there is any definite plan to reorient the manufacturing sector, which is largely geared to import substitution, more toward exports and on the policies needed to induce the promotion of this strategy.

Cameroon will have to continue to rely on creditors' support to fill the sizable financing gap. It is crucial that every effort be made to ensure that these financing needs are met adequately and in a timely manner. Any shortfall in foreign financing will place the economy in a precarious position. I wish the authorities well for a successful negotiation and normalization of relations with their external creditors.

Mr. Aderibigbe remarked that it was evident from the staff report and from the comments of previous speakers that Cameroon's financial imbalances had become urgent as domestic and external arrears had continued to rise while real output had declined. Earlier efforts to arrest further deterioration had fallen short of expectations. Hence, the Cameroonian authorities deserved encouragement for embarking on a strong stabilization program, despite the apparent uncertainty resulting from the process of political reform. Indeed, the program and the accompanying financial support on which it was so heavily dependent should not be delayed nor await the removal of those uncertainties. Political reform would be well complemented by the successful implementation of the program. Happily, Mr. Santos had indicated that those uncertainties had been removed.

He fully endorsed the strategy adopted by the authorities, which sought to consolidate structural reforms already underway and achieve early financial stabilization through, in particular, the implementation of a strong fiscal program, Mr. Aderibigbe commented. The latter was, perhaps, the most direct way of influencing the economic outturn in the short run, since monetary and exchange rate instruments were somewhat constrained by Cameroon's membership in the regional monetary organization. The reinforcement of structural reforms, especially in the banking sector and the parastatals, should increase the degree of freedom in conducting economic policy and, in turn, establish the macroeconomic framework in which growth-oriented policies could be most effectively implemented.

Given the weight assigned to fiscal performance under the program and the point emphasized in the staff appraisal that the authorities did not have room for any slippages, perhaps contingency measures should also have been specified, Mr. Aderibigbe stated. He wondered whether revenue developments in the first three months reflected the depressed level of economic activity that might persist during the remainder of the program. If so, the authorities might be well advised to review their options in terms of further policy action.

The delays experienced by the authorities in privatizing and restructuring public sector enterprises was not unique to the case of Cameroon, Mr. Aderibigbe observed. Even with the best of intentions, both foreign and domestic private investors often had not been as forthcoming as might have been desired under the program. That reflected a multiplicity of factors and should not necessarily be interpreted as a weakness in program implementation. The authorities, in close consultation with the staffs of the World Bank and the Fund, should review those restructuring programs with the aim of developing a more realistic timetable. Perhaps the staff could elaborate on the progress being made on the development of a public enterprise code and how that would accelerate the restructuring and privatization process.

Based on the strength of the adjustment effort, he could fully support Cameroon's request for the proposed stand-by arrangement, Mr. Aderibigbe stated. He supported the proposed decision.

The Executive Directors agreed to continue their discussion in the afternoon.

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/91/170 (12/18/91) and EBM/91/171 (12/20/91).

4. U.S.S.R. - TECHNICAL COOPERATION AGREEMENTS WITH REPUBLICS

The Executive Board decides that, for the application of paragraph A6 of the Special Association Agreement with the U.S.S.R., the Managing Director is authorized to agree, on behalf of the Fund, to requests from Union Republics for all or part of the services referred to in paragraphs A1 to A5 of the Special Association Agreement. (SM/91/242, 12/16/91)

Decision No. 9884-(91/171), adopted
December 20, 1991

5. EXECUTIVE BOARD TRAVEL

Travel by an Executive Director as set forth in EBAP/91/299 (12/17/91) is approved.

APPROVED: July 8, 1992

LEO VAN HOUTVEN
Secretary