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## **Cameroon: Selected Issues and Statistical Appendix**

This Selected Issues and Statistical Appendix report on Cameroon was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with this member country. As such, the views expressed in this document are those of the staff team and do not necessarily reflect the views of the Government of Cameroon or the Executive Board of the IMF.

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CAMEROON

**Selected Issues and Statistical Appendix**

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Approved by the African Department

March 23, 1999

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Cameroon: Basic Data 1/

Area, population, and GDP per capita

Area	475,440 square kilometers
Population	
Total (1996/97 estimate)	14.1 million
Growth rate	2.7 percent
GDP per capita (1996/97)	SDR 460

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98 Est.
(In billions of CFA francs)							
Gross domestic product and expenditure							
GDP at current prices	3,195	3,155	3,416	4,130	4,571	4,932	5,240
Primary sector	849	861	1,322	1,617	1,836	2,018	2,159
Secondary sector	802	759	785	962	1,006	1,060	1,100
<i>Of which: oil sector</i>	219	179	314	364	334	315	288
Tertiary sector	1,463	1,463	1,234	1,448	1,600	1,716	1,829
<i>Of which: government services</i>	335	541	427	368	370	375	382
Indirect taxes net of subsidies	81	73	75	103	128	138	152
Gross domestic expenditure at current prices	3,018	3,126	3,328	3,918	4,402	4,715	5,145
Consumption	2,589	2,603	2,804	3,319	3,700	3,917	4,182
Gross capital formation	430	522	524	599	702	798	964
Net exports at current prices	177	30	88	212	169	218	24
(Index, 1984/85 = 100)							
Consumer price index in Yaoundé	114	110	132	150	156	155	161
(In billions of CFA francs)							
Central government operations							
Total revenue	502	431	344	534	654	745	848
<i>Of which: oil sector</i>	166	112	74	107	143	204	204
Total expenditure	713	630	659	668	736	793	937
Current expenditure	604	543	545	621	687	705	784
Capital expenditure	109	87	114	47	43	74	153
Overall fiscal deficit (-) on a commitments basis	-211	-199	-315	-134	-83	-48	-89
Net change in arrears	-175	203	-473	115	-273	-3	-516
Overall fiscal surplus or deficit (-) on a cash basis	-386	4	-788	-19	-356	-51	-605
Financing	386	-4	788	19	356	51	605
Foreign (net)	268	4	699	6	377	-173	486
Domestic	118	-8	89	14	-21	223	118
Banking system	15	23	56	12	-24	-4	6
Nonbank	102	-31	34	1	3	227	113

1/ Fiscal year begins in July.

Cameroon: Basic Data (concluded) 1/

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
							Est.
Monetary survey 2/	(In billions of CFA francs; end of period)						
Net foreign assets	-130	-221	-316	-289	-302	-189	-221
Net domestic assets	794	816	1,016	1,032	1,007	849	933
Claims on the public sector (net)	466	461	477	494	472	461	473
Of which: claims on government (net)	305	380	436	447	421	424	429
Claims on private sector 3/	402	384	348	361	384	319	404
Other items (net)	-74	-30	192	177	151	70	42
Money and quasi-money	664	595	700	743	705	661	713
Balance of payments	(In millions of SDRs)						
Current account balance (deficit -)	-157	-439	-234	-41	-148	-78	-163
Trade balance	665	447	298	395	379	441	364
Exports, f.o.b.	1,408	1,170	1,024	1,112	1,191	1,387	1,379
Of which: petroleum	632	552	431	389	386	525	437
Imports, f.o.b.	-744	-723	-726	-718	-812	-946	-1,015
Services (net)	-949	-873	-545	-474	-551	-581	-595
Transfers (net)	128	-13	14	38	23	61	68
Capital account (net)	-389	-215	-460	-598	-290	-258	-86
Of which: errors and omissions (net)	-94	-12	-270	-255	0	0	0
Overall balance (deficit -)	-545	-654	-694	-640	-438	-336	-249
Gross official foreign reserves	(In millions of U.S. dollars)						
Gold	10.2	11.0	11.7	11.6	11.6	10.0	...
Holdings of SDRs	12.5	12.8	0.0	0.1	0.1	0.0	...
IMF reserve position	0.3	0.4	0.5	0.6	0.5	0.5	...
Foreign exchange	42.3	20.7	1.4	0.5	1.9	0.8	...
Total	65.2	45.0	13.6	12.7	14.0	11.3	...
Effective exchange rate indices 4/	(Index, 1984/85 = 100)						
Nominal	185.8	209.1	161.6	118.7	126.4	123.3	125.1
Real	144.9	141.5	106.4	93.8	99.8	97.9	90.8
Social indicators							
Population (in millions)	12.2	12.6	13.0	13.3	13.7	14.1	14.5
Total labor force (in millions)	3.9	4.0	4.1	4.6	5.3	5.4	5.4
Life expectancy at birth (in years)	56.1	...	56.5	55.1	...	56.0	...
Infant mortality rate (percent of live births)	6.1	5.9	5.8	6.2	6.0	5.2	...
Adult illiteracy rate	46.0	...	36.6	37.9	...	37.0	...
Primary school enrollment rate	...	87.0	...	...	...	83.0	...
Daily calories supply (in calories)	...	1,981.0	...	...	...	...	...
Agricultural land (in percent of total land)	33.0	33.0	...	...	...	...	...

Sources: Cameroonian authorities; UNDP, *Human Development Report*, 1997; and staff estimates.

1/ Fiscal year begins in July.

2/ Starting in 1996/97, excluding information on two banks (Banque Méri-dien-BIAO Cameroun and Crédit Agricole du Cameroun), which were liquidated in October 1996 and June 1997, respectively; thus, there is a break in the series with respect to data for the past.

3/ Including credit to financial institutions.

4/ Based on the multilateral weights of the IMF's Information Notice System, adjusted to include Nigeria, Korea and Indonesia, with weights totaling 14 percent for these three countries, to reflect unrecorded trade with Nigeria and competition from Korea and Indonesia in Cameroon's export markets.

## I. RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS<sup>1</sup>

### A. Background

1. **Stabilization and growth.** Cameroon's economic and financial situation deteriorated sharply in the mid-1980s, when large external shocks, coupled with poor economic and financial management and an overvalued exchange rate, led to a 50 percent drop in real per capita income. After eight years of decline, economic activity began to pick up following the January 1994 devaluation of the CFA franc, the accompanying upturn in world economic activity, and favorable international commodity prices. Real GDP, which had fallen by an annual average of 4 percent since the mid-1980s, has begun to recover, with the annual growth rate stabilizing at about 5 percent in the three years to 1997/98.<sup>2</sup> As the effects of the devaluation tapered off, inflationary pressures eased, with average annual inflation falling to below 3 percent in 1997/98. Mirroring strong economic activity, total investment is estimated to have increased by 3 percentage points of GDP from 15½ percent in 1993/94 to 18½ percent in 1997/98.

2. **Adjustment performance.** In the policy area, the 1994 devaluation was accompanied by tax and trade reforms, as well as efforts to strengthen public finances. However, budgetary developments in the two years following the devaluation fell short of targets—particularly with regard to non-oil revenue—and primary expenditures (including wages) remained compressed, contributing to a weakening of domestic demand. The implementation of structural reforms, particularly privatization and bank restructuring, was also slower than envisaged. The continued weakness in the fiscal area, the lack of adequate progress in the structural reforms, and the accumulation of external and domestic arrears led to disappointing performance under the 1994 and 1995 IMF-supported adjustment programs. In an effort to remedy these slippages, the Cameroonian authorities asked the Fund to monitor the execution of their adjustment program for 1996/97. Overall, despite slippages in the first half of the year, Cameroon made good progress in improving the fiscal situation, settling external arrears and implementing structural reforms (see Chapter II). On this basis, the IMF Executive Board approved a three-year Enhanced Structural Adjustment Facility (ESAF) arrangement on August 20, 1997, in an amount of SDR 162.12 million (120 percent of quota).

### B. Economic and Financial Developments in 1997/98 and Early 1998/99

3. Economic activity remained buoyant in 1997/98, with the impact of the international crisis only beginning to be felt fully in early 1998/99. Private sector activity, in general,

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<sup>1</sup> Prepared by Graeme Justice.

<sup>2</sup> Fiscal year July 1-June 30.

benefited from the continued growth of exports to the CEMAC<sup>3</sup> countries following the trade reforms and an easing of credit conditions after the restructuring of the banking sector. Forestry activity was particularly robust, with a 9.6 percent increase in output of sawn woods in 1997/98. Also noteworthy was the strong growth in output of cotton (8.1 percent). While domestic demand picked-up, increasing to 6.9 percent in 1997/98, this has largely been driven by strong investment activity. Private sector consumption remained weak, continuing to reflect the earlier sharp compression of real incomes. Inflationary pressures have therefore remained largely contained, despite occasional increases in local prices as a result of shortages in neighboring countries (annual average inflation was 2.9 percent in 1997/98). The impact of the Asian crisis and weaker international oil and commodity prices began to have adverse effects on the Cameroon economy in early 1998/99, resulting in a sharp deterioration in the terms of trade and lower growth outlook. However, given the relative diversity of the economy, performance in the first half of 1998/99 indicates that the situation should remain manageable, although some modifications of the government's fiscal and financial policies have been necessary.

### **Fiscal developments**

4. Fiscal performance in 1997/98 was encouraging, with a primary surplus (excluding interest and restructuring expenditure) of 5.9 percent of GDP and an overall deficit of 1.7 percent. Indications are that the strong budgetary performance continued into the first half of 1998/99, despite the impact of the Asian crisis, although some weakening of the budgetary position is expected in the second half of the year. Fiscal performance in 1997/98 largely reflected higher-than-expected oil revenue—stemming from the transfer of windfall profits (from 1996/97)—and the payment of arrears by a major oil company following the settlement of a tax dispute. These factors more than offset the adverse effects of falling international petroleum prices. Fiscal performance has also benefited from strong revenue mobilization efforts, which have sought to redress the low ratio of non-oil revenues to GDP by widening the tax base and reducing exemptions (see Chapter III on fiscal sustainability). Non-oil revenues increased 1¼ percent of non-oil GDP in 1997/98, which more than offset the impact of the lowering of nonforestry export tax rates from 13.5 percent to 10 percent on July 1, 1997.<sup>4</sup> Nonforestry taxes were lowered further to 5 percent on July 1, 1998 as part of a reform of direct and indirect taxes, that aims at reducing anti-trade bias in the tax system by lowering trade taxes and increasing the weight of domestic taxes. An important aspect of this reform was the successful replacement of the turnover tax by a value-added tax (VAT) in January 1999, accompanied by the elimination of differential taxes under the old sales tax.

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<sup>3</sup> Central African Economic and Monetary Community (comprising Cameroon, the Central African Republic, Chad, Congo, Equatorial Guinea, and Gabon).

<sup>4</sup> In February 1998 the 15-25 percent discount on the taxable value of logs was also abolished and the actual updated f.o.b. values are now used as the tax base for both export duty and stumpage fee.

5. Noninterest expenditures were contained within target in 1997/98, increasing by 1 percent to 10.3 percent of GDP, owing to higher investment expenditures and increased outlays on health and education, as well as the effects of the unfreezing of salary promotions which started in February 1997. While the ratio of non-oil revenue to GDP is still low, revenue mobilization efforts have been encouraging, and the government is focusing greater attention on improving the low efficiency of public expenditures and civil service reform (see Chapter IV). As part of its poverty strategy declaration of December 1998, the government is also preparing plans to enhance targeting of education and health expenditures and improve its database on social sector indicators. The government prepared an action plan to improve public expenditure management in late 1998 with the aim of increasing transparency and strengthening budget execution.

### **Monetary and financial sector developments**

6. Monetary developments in 1997/98 and early 1998/99 were dominated by a rapid recovery of private sector credit, reflecting an easing of credit conditions after the recent restructuring of the banking system, the growth in private sector economic activity, and higher domestically financed investment (including the financing of local participation in the privatization program). However, as deposit growth was slower than the increase in private sector credit, some banks have been forced to draw on resources at the regional central bank (BEAC) and to reduce their net foreign assets. The rapid growth of private sector credit (by 30 percent in the 12 months to end-June 1998), may also have reflected the improvement in credit conditions following the restructuring of the banking system. Interest rates to banks' primary customers fell by about one-third, from 14-16 percent at end-June 1997 to about 9 percent in late 1998.

7. The initial results of the bank restructuring have generally been encouraging. In the past decade, Cameroon's banking system had experienced two episodes of serious liquidity and solvency difficulties, and is now in its fourth year of the bank restructuring that begun in 1994/95. Because of the recurrent difficulties in the domestic financial sector, the depth of financial intermediation had been seriously affected, with the broad money-to-GDP ratio falling from 22 percent in 1987/88 to 14 percent at the end of 1997/98. For all practical purposes, the restructuring of the banking system is now complete, with the rehabilitation of two banks, split (scission and liquidation) of two banks, and liquidation of two others. The last remaining bank (BICEC) in which the government has a majority share holding is to be privatized in 1999. The success of the recent banking reform effort has been reflected in a reduction in the cost of credit and a gradual, albeit slow, recovery of confidence in the domestic banking sector, with deposits increasing by 3 ½ percent in 1997/98, compared with the sharp decline experienced before the restructuring effort. Financial sector reform is now concentrating on reinforcing bank supervision and prudential requirements, and the strengthening of the cooperative and insurance sectors.

## **External sector developments**

8. Cameroon's external competitiveness improved in 1997/98 with the implementation of structural reforms; the depreciation of the CFA franc (along with the French franc) vis-à-vis the U.S. dollar also helped to offset some of the erosion of competitiveness after the devaluation of the CFA franc in January 1994. Particularly noteworthy was the reduction in some port fees as well as lower freight charges following the liberalization of maritime shipping. Non-oil export volumes increased by about 7 percent in 1997/98, led by coffee, cotton and forestry products, while import volumes rose by about 8 percent reflecting higher economic activity and the recovery of investment expenditures. The terms of trade deteriorated by about 4 percent with the onset of the impact of the international crisis and lower oil and international commodity prices. The current account deficit (including grants) widened to 2 ½ percent of GDP in 1997/98 from 1½ percent of GDP in 1996/97. The main impact of the international crisis, however, was felt in the first half of 1998/99 as international prices of nearly all Cameroon's main export products fell steeply (and exports of logs to the Asian market were sharply reduced). Progress continues to be made in external debt negotiations (see Chapter V). Following the October 1997 Paris Club rescheduling agreement, the authorities concluded bilateral agreements with most creditors, and the agreement entered into force in December 1998. Negotiations are now focusing on London Club and other commercial creditors.

## **Structural reforms**

9. Progress continues to be made in the implementation of structural reforms, particularly in the privatization area and the transport and petroleum sectors. Deregulation and infrastructure improvement has been a major focus of the policy reforms under the ESAF-supported program, with the aim of improving competitiveness, lowering costs, and increasing supply. Reforms are well advanced in the agro-industrial sector, with the privatization of the rubber company (HEVECAM) in late 1996 and, more recently, the sugar company (CAMSUCO). The privatization of the palm oil company (SOCAPALM) is also near completion. Structural reforms are now focusing on the public utilities sector and infrastructure improvement. Given the low efficiency of the public utilities (see Chapter II), rehabilitation will require substantial investment, which the government regards as being best met by the private sector. The privatization process is under way for the main utilities (telecommunications, electricity, and water), and bids have already been launched for a private cellular telephone service. In the transport sector, the privatization of the national railway network is near completion, and a number of actions are being taken to improve the management of the Port of Douala and the financing and management of the road network. These measures are also expected to have important social benefits by increasing access of farmers to local and regional markets. In the petroleum sector, particularly noteworthy has been the elimination of the national oil refinery's (SONARA) monopoly on the supply of refined petroleum products through the liberalization of competing imports, which is to be followed by the liberalization of distributor margins in 1998/99.

## II. IMPACT OF COMPETITIVENESS AND EFFICIENCY ON EXPORT GROWTH<sup>5</sup>

10. *While total non-oil exports have recovered significantly since 1993/94, the realignment of nominal and real exchange rates after the 1994 devaluation of the CFA franc has not had as major an impact on export volumes as expected, and, in constant prices, non-oil exports are estimated to be little higher in 1997/98 than in 1992/93. The performance of Cameroon's exports is explained to a large extent by factors additional to exchange rates. In particular, many Cameroonian manufacturers face a variety of infrastructure constraints and domestic price distortions which have raised the costs of getting their products to market and weakened the impact of international price signals on domestic production.*

11. This chapter looks at price and cost competitiveness as well as nonprice factors affecting exports highlighting how, within the context of the ESAF-supported program, the government is addressing the constraints restricting private sector development. The first two sections briefly take stock of price and cost developments following the 1994 devaluation, including the impact on exports (the devaluation and related issues such as the underlying equilibrium real exchange rate have been dealt with extensively in the literature and are covered only in summary form). The main focus, however, is on nonprice factors inhibiting Cameroon's competitive potential. The key nonprice factors continuing to limit export growth after the 1994 devaluation are described in Section C, as well as the reforms that are being implemented by the authorities under the ESAF arrangement to address these constraints.

12. A sharp deterioration in the terms of trade, substantial real appreciation of the currency, and continuous decline in oil production combined to reduce Cameroon's real per capita income by roughly 50 percent between 1986 and 1993. Despite some improvements in the terms of trade, Cameroon's economic situation continued to deteriorate in 1993, indicating that the internal adjustment strategy of the 1980s had failed to bring positive results in terms of competitiveness and, in many respects, had aggravated existing domestic distortions. It had become clear by 1993 that a more comprehensive approach was required, and that an adjustment of the exchange rate was an essential part of any strategy to restore the external competitiveness of the Cameroon economy. However, while the overvaluation of the real effective exchange rate was one of the reasons for Cameroon's loss of competitiveness, the cost disparity between Cameroon and many of its competitors was far greater than the overvaluation alone could explain. Rather, a host of regulatory, legal, infrastructural and institutional factors also contributed and added to the cost of doing business at every stage in Cameroon.

### A. Traditional Measures of Price and Cost Competitiveness

13. In January 1994, the CFA franc was devalued from 50 to the French franc to 100 to the French franc. It is widely agreed that the devaluation indeed changed the incentive structure, had a significant impact on export growth and was a necessary condition for the

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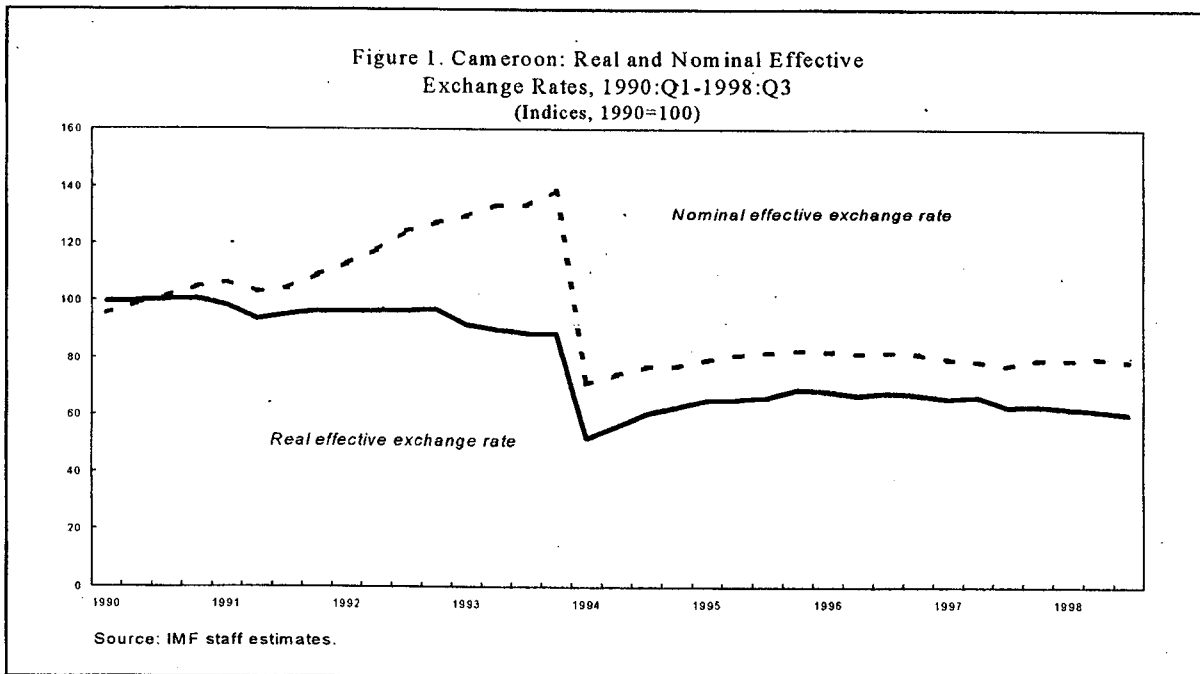
<sup>5</sup> Prepared by Graeme Justice.

revitalization of the Cameroon economy. Post devaluation price and cost developments up to and including the 1998 financial crisis are summarized briefly below.

### Impact on relative prices

14. The devaluation affected prices in the following areas:

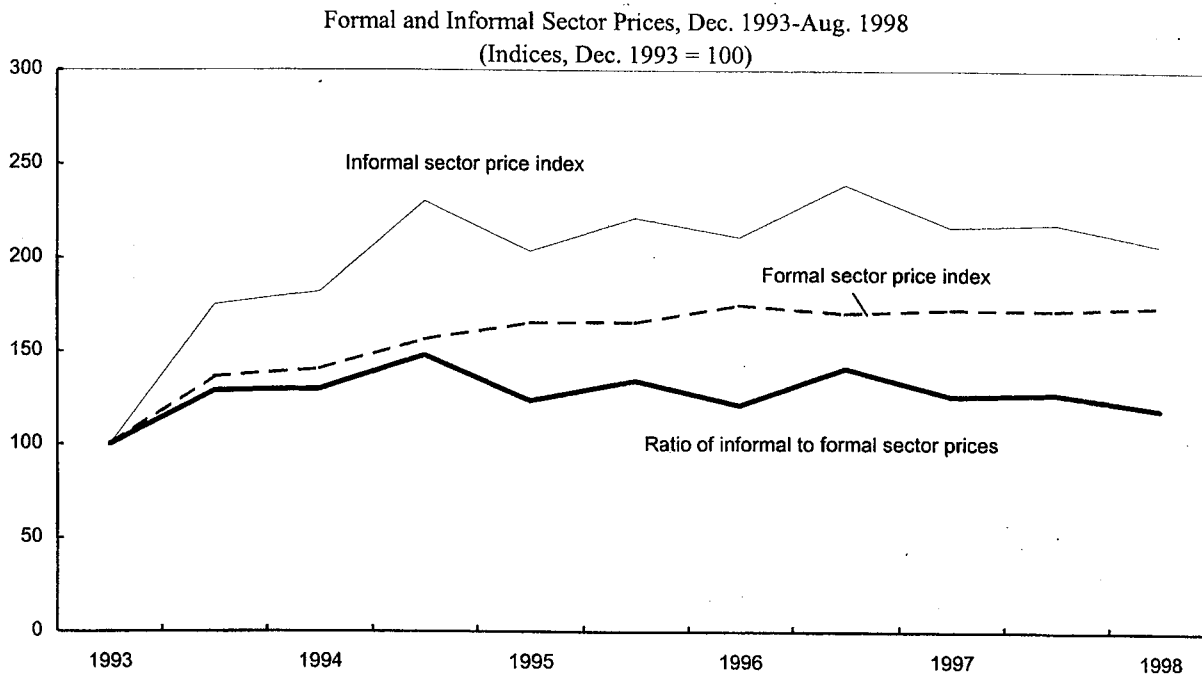
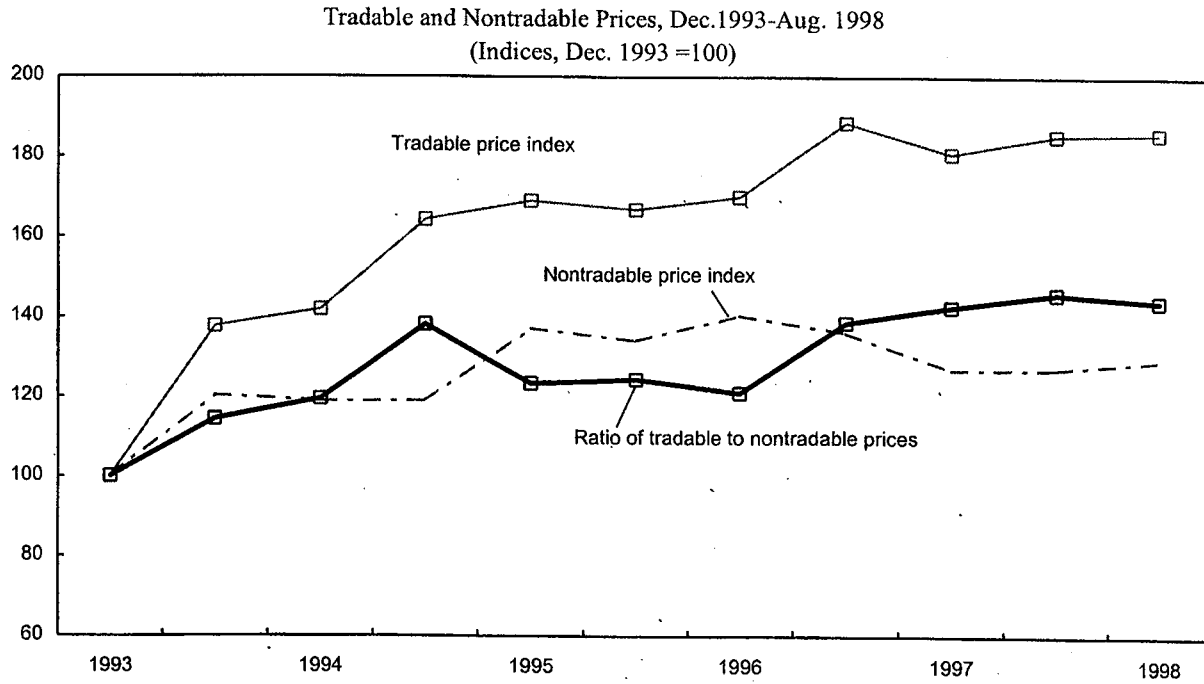
- The 50 percent nominal devaluation was partly offset by a sharp burst in domestic price inflation immediately after the devaluation, but it resulted in a cumulative real effective exchange rate depreciation of about 25 percent between 1994 and 1996. These real effective exchange rate gains were largely preserved through late 1998 despite the subsequent appreciation of the French franc against the U.S. dollar and the international financial crisis (Figure 1). Estimates of the extent of overvaluation prior to the devaluation vary (see, for example, Devarajan (1996)).<sup>6</sup>



- It is widely agreed, however, that the devaluation resulted in the desired increase in the price of tradables relative to nontradables, which, together with the pick-up in international commodity prices after 1993, should have substantially increased the incentives for domestic producers of exports and import substituting goods to expand output (Figure 2).

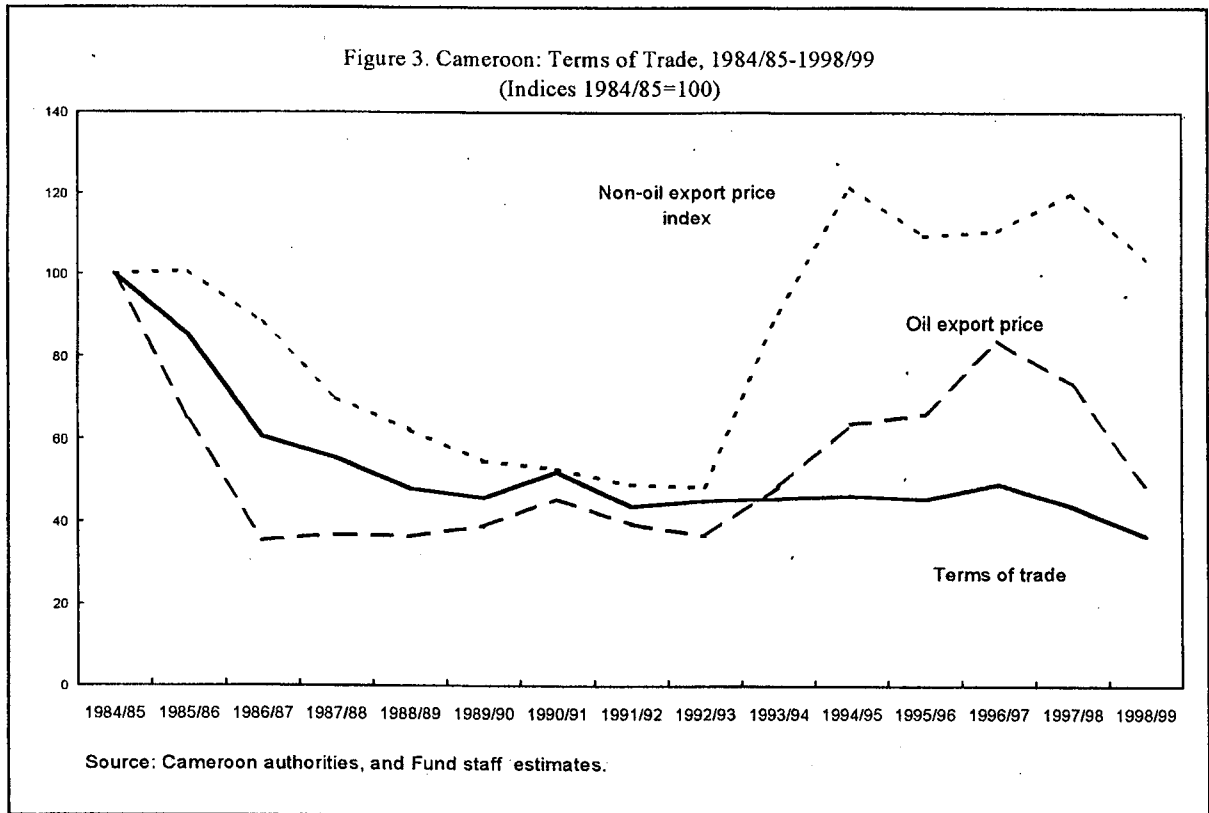
<sup>6</sup>Shatayanaa Devarajan, "How Overvalued Was the CFA Franc? Estimates of Real Exchange Rate Misalignment with a Simple General Equilibrium Model", (unpublished; Washington: World Bank 1996).

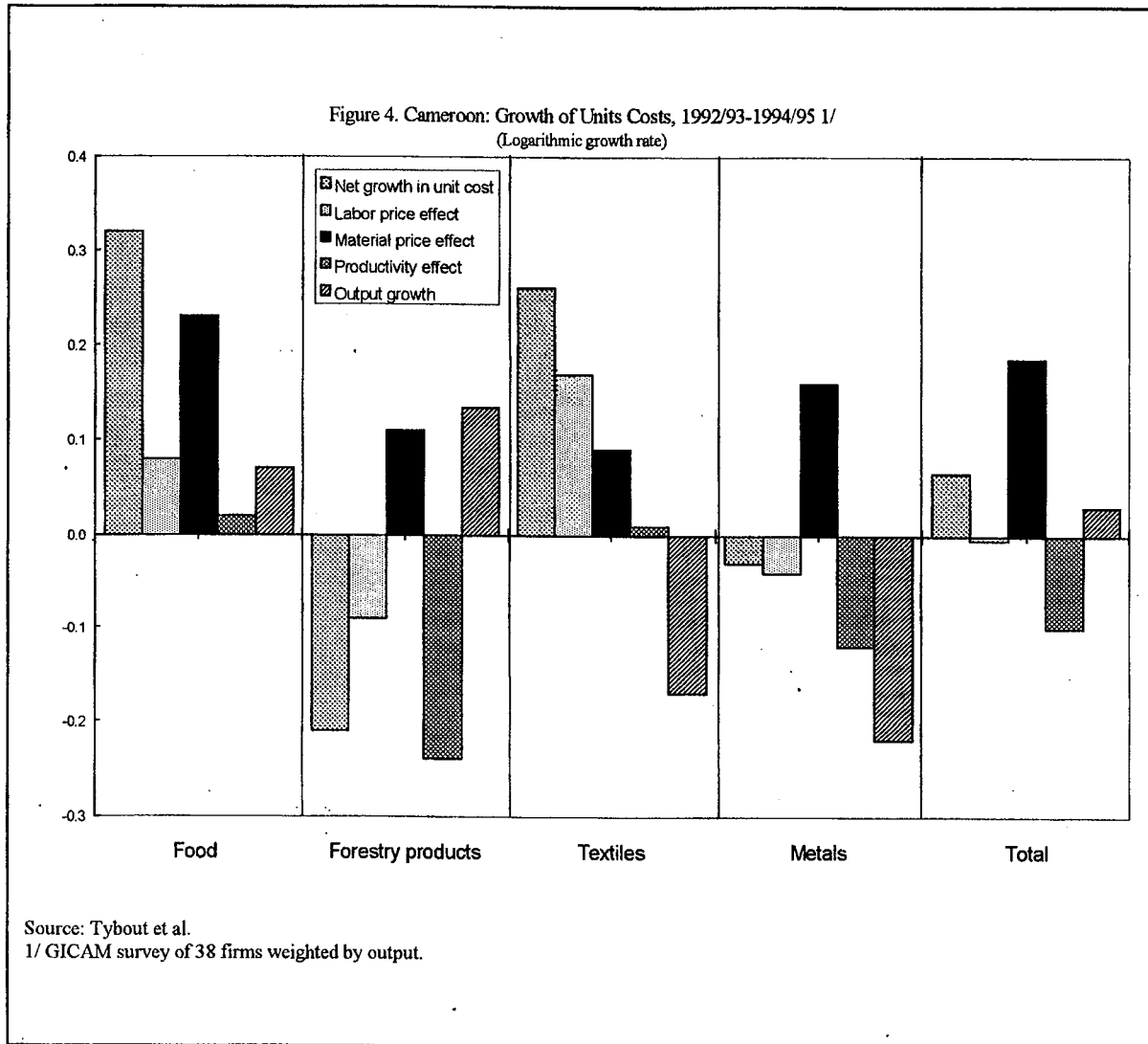
Figure 2. Cameroon: Developments in Relative Prices, Dec.1993 - Aug.1998



Sources: Cameroonian authorities; and IMF staff estimates.

- The devaluation also resulted in strong substitution effects, with a relative increase in “informal” manufacturing prices (market prices of largely lower-quality domestic products) attributed to compression in real incomes and substitution in favor of lower-cost products.
- The devaluation, surprisingly, did not lead to a noticeable increase in the price of imports relative to locally produced goods. This outcome is attributed to the strong substitution effect in favor of low-quality local products, the accompanying tariff reform that lowered the overall cost of imports, and some element of compression of importers’ profit margins.
- Overall terms of trade developments are shown in Figure 3. Despite the recent deterioration in Cameroon’s terms of trade, both oil and non-oil export prices in CFA francs remained well in excess of their predevaluation levels.





### Impact on labor and imported costs

15. Labor and cost developments following the devaluation can be summarized as follows:

- The devaluation and accompanying adjustment measures compounded the wage compression that had begun in the late 1980s, resulting not only in a substantial reduction in domestic labor costs but also a severe cut in household incomes and a weakening of wage incentives. According to data from the Cameroon manufacturers' association, SYNDUSTRICAM, unit labor costs fell by about 5 percent in real terms in the 12 months following the devaluation. The compression of domestic wages is clearly seen in the government sector, where the wage bill fell from 8.7 percent of GDP in 1992/93 to 4.7 percent in 1994/95, with a strong impact on incentives (see Chapter IV).

- Other nonlabor costs also fell in 1994/95 as most publicly controlled prices and tariffs were not adjusted to reflect the full impact of the devaluation in nominal terms (for example, electricity tariffs fell on average by 40 percent in 1994/95, gasoline prices by 35 percent, and railway freight charges by 35 percent).
- There were sharp sectoral differences in unit cost developments following the devaluation (Figure 4). Improvements were concentrated, as would be expected, in sectors where the share of labor in total costs was relatively high and the share of imported inputs was low. A study commissioned by the UDEAC<sup>7</sup> and the World Bank shows relatively large increases in unit costs in food industries, mainly because of large increases in the cost of intermediate inputs.<sup>8</sup> Textiles surprisingly also showed rapid unit cost increases (despite low material price effects), attributable to flat output prices with rising labor costs. Costs actually fell in metal products and especially in wood products. In contrast to the food and textile industries, most of the firms in these sectors were exporters with a relatively low import component.
- Data on unit labor costs are not readily available for Cameroon, but information from the private sector organization, GICAM, available from 1995/96, indicate that the cost gains resulting from the devaluation have been consolidated through 1997/98 (Table 1). Unit labor costs, defined as wage costs per unit of output, fell by 8.7 percent for the industrial sector as a whole between 1995/96 and 1997/98, with costs falling more slowly in the manufacturing sector. However, increased production has not resulted in increased employment in the formal sector, the total labor force having fallen during this period according to the GICAM data.

Table 1. Cameroon: Unit Labor Costs, 1995/96-1997/98 (Indices 1995/96=100)			
	1995/96	1996/97	1997/98
Total Industry	100.0	96.2	91.3
Manufactures	100.0	96.4	93.8
Nonmanufactures	100.0	95.1	88.2
Source: GIGAM; and Fund staff estimates.			

<sup>7</sup> Union Douanière et Economique de l'Afrique Centrale (UDEAC) which was replaced by the CEMAC.

<sup>8</sup> James Tybout et al, "Firm-Level Responses to the CFA Devaluation in Cameroon," *Journal of African Economies*, No.1, December 1997, Vol. 6, pp.3-34.

## B. Cameroon's Trade Performance to 1997/98

16. The beneficial effects of the devaluation on competitiveness were helped by the recovery of world economic activity after 1994 and the strengthening of international primary commodity prices. The initial impact on overall export volumes was offset in part by declining oil production, while the full impact on non-oil exports was felt only with a long lag. The only major export sector to show an immediate response was cocoa, with the other sectors such as coffee, cotton, and forestry, showing no appreciable impact at first (Figure 5). In the case of coffee, it takes several years to prune and raise the output of even the existing tree stock. In the other sectors such as cotton, the weak pass through of international prices to producers may have contributed to the delayed export response, as export volumes picked up only in 1996/97. In the forestry sector, other factors, such as international demand and concession rights, have had a more significant impact on exports than international prices.

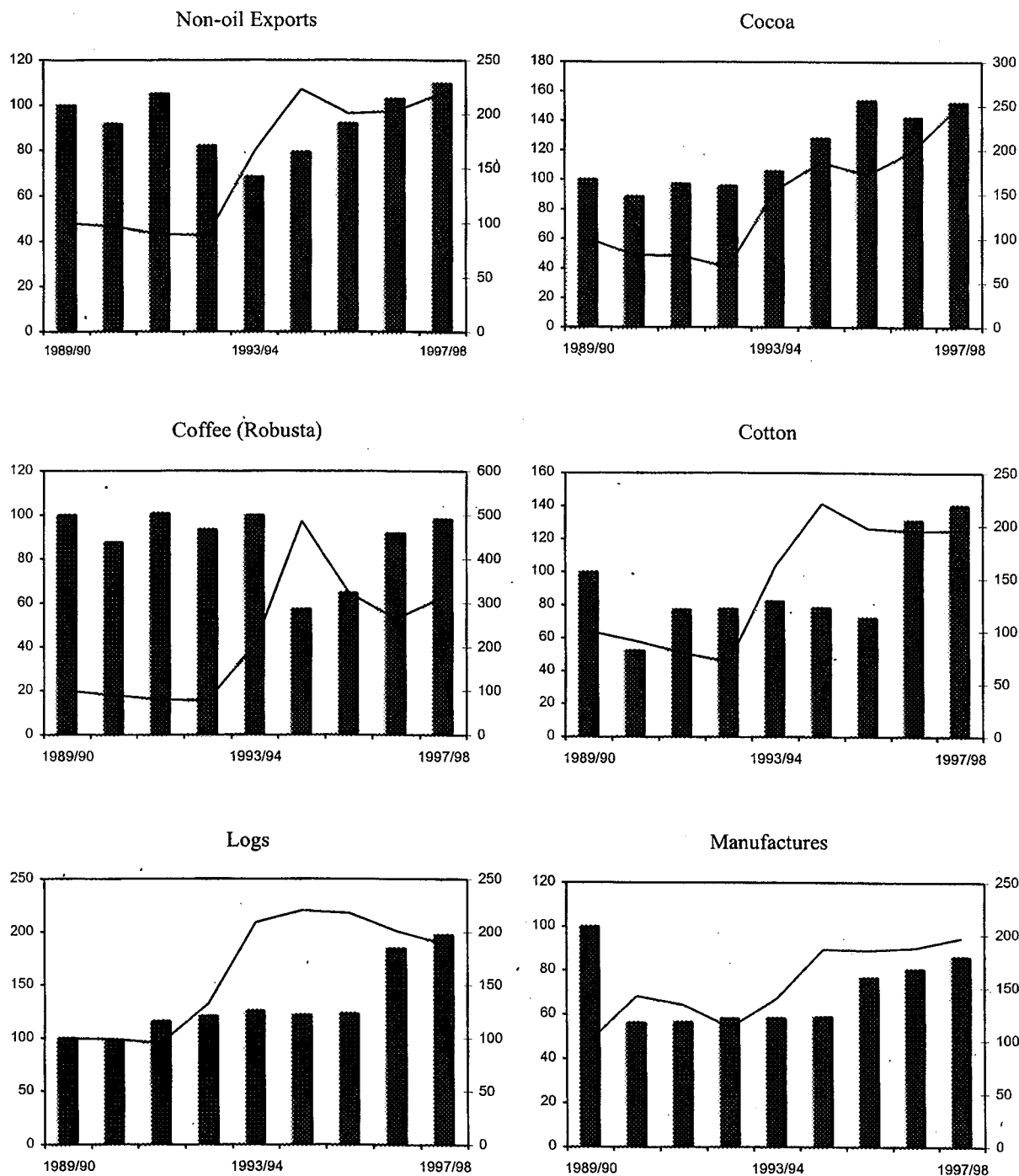
17. While non-oil exports generally appear to have grown significantly in volume terms since 1994, non-oil export volumes are estimated to have been little higher in 1997/98 than in 1991/92. The pass-through of prices to production has also been slow despite the major improvement in export prices. Given the long lags involved, overall export volumes in 1998/99 are not expected to be significantly affected by the recent deterioration in the terms of trade. The main exception is forestry where exports have been hit by a sharp fall in demand in the Asian markets (which has only been partly offset by higher exports of higher-value logs to Europe).

18. In the industrial sector, much of the subsequent growth in export volumes after 1995/96 reflects trade reforms rather than the 1994 devaluation.<sup>9</sup> One reason may be that the devaluation was insufficient to change the incentive structure decisively and that firms are still shackled by the institutional environment and infrastructure problems. Detailed information on the response of the manufacturing production is again limited, although available data from a survey of 39 manufacturing enterprises show that exports destined outside the CEMAC region increased by 10.1 percent in volume terms in 1996/97, and by 5.1 percent in 1997/98 before falling by 18.5 percent in the first quarter of 1998/99 (mainly owing to weak international prices of Cameroon's main exports, notably oil, logs, cotton, cacao, and aluminum). The growth of exports to the CEMAC countries has been more dramatic, mainly because of the impact of tariff reductions and, possibly, some trade diversion away from non-CEMAC markets. Based on the GICAM survey, exports to the CEMAC countries increased by 12.3 percent in 1996/97, 54.8 percent in 1997/98, and 29.8 percent in the first quarter of 1998/99.

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<sup>9</sup> Ibid.

Figure 5. Cameroon: Non-Oil Export Volumes and Prices, 1989/90-1997/98 1/  
 (Indices 1989/90=100; volumes (bars), left axis; prices (lines), right axis)



Sources: Cameroon authorities and Fund staff estimates.

1/ Fiscal year begins in July.

19. Studies of manufacturing behavior in Cameroon have indicated that virtually all of the export expansion in both traditional and nontraditional export sectors can be attributed to existing firms.<sup>10</sup> Sullivan et al (1996), using a model of exporting behavior that controls for unobserved heterogeneity, has shown that start-up costs play a substantial role under virtually any assumption.<sup>11</sup> That is, exporters that have already established themselves in foreign markets, set-up distribution networks, and learned to deal with port authority and customs officials, will be more inclined to export than those that have not (qualifying for free trade zone status also involves considerable effort). More generally, production in Cameroon appears to be concentrated in medium- and large-scale production facilities with little indication of growth in smaller and micro-sized firms. The dynamics of firm growth in African economies has received a good deal of attention in recent years, as small firms are regarded as a source of entrepreneurial dynamism and employment creation. Recent information on firm growth is scarce, however, although a World Bank study in 1993 showed that less than 25 percent of large firms in Cameroon (employing over 100 workers), had their origin in small firms (with less than 50 workers). This number is well below that in comparable countries, comparing with 55 percent in Kenya and 40 percent in Ghana.<sup>12</sup> Some of the constraints that may have impeded the "graduation" of small and medium-sized firms are looked at in the following section.

### **C. Export Constraints and Nonprice Competitiveness Measures**

20. While the removal of the burden of an overvalued currency constituted a major step toward macroeconomic adjustment, the authorities recognized that vigorous complementary action was needed on a whole range of issues to recapture the confidence of the private sector and enhance the competitive potential of the country. In particular, many Cameroonian enterprises have faced a variety of infrastructure constraints that hamper their international competitiveness. These constraints may have contributed to the slow response of exports to improved price competitiveness, resulting in low supply elasticities and long lags in the response of investment and output to changing price signals. An important example of infrastructure constraints is the high cost faced by Cameroonian enterprises in getting their products to market, with freight charges several times higher than those in Asia. Another element of the cost of transportation is the issue of time, with the average passage time between the receipt and loading of a container being much longer in Cameroon than even in its African rivals. These constraints have tended to mitigate the advantages of increased competitiveness stemming from the 1994 devaluation and the compression of labor costs.

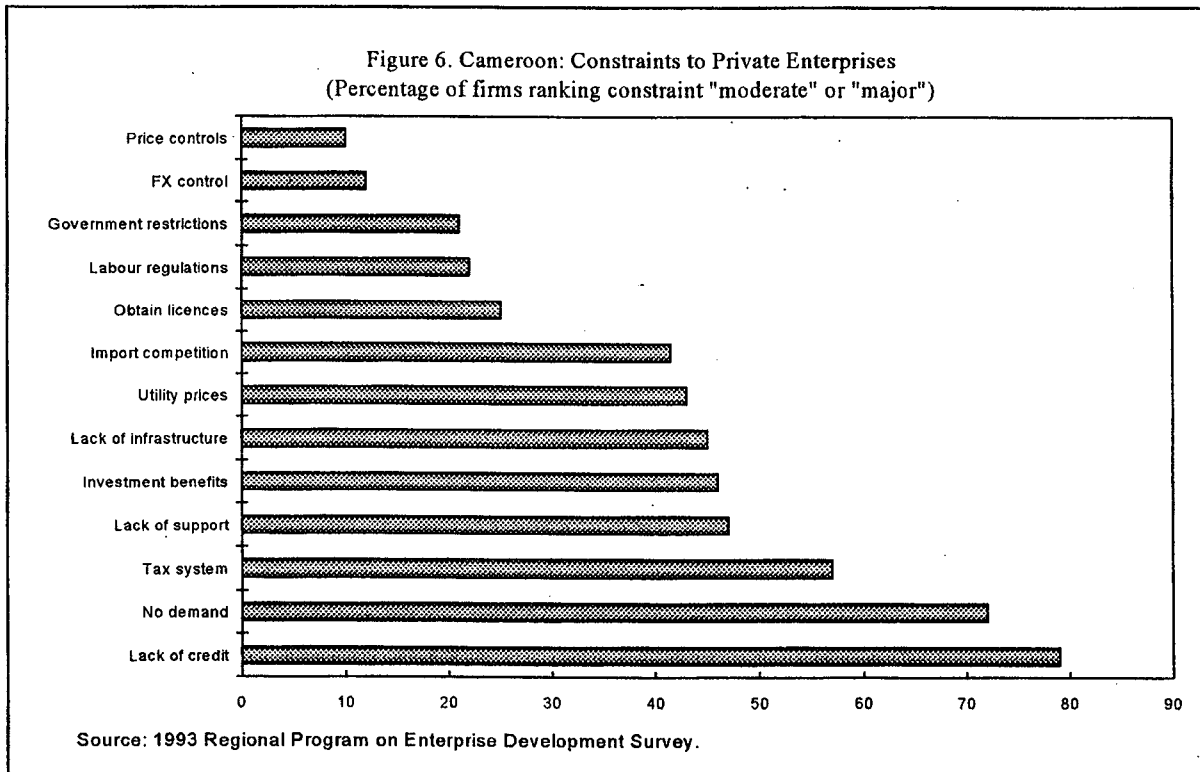
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<sup>10</sup> Ibid.

<sup>11</sup> Mark J. Roberts and James Tybout, "What Makes Export Boom?", *Directions in Development* (Washington: World Bank, 1996).

<sup>12</sup> Tyler Biggs, T. and Pradeep Srivastava, "Structural Aspects of Manufacturing in sub-Saharan Africa: Findings from a Seven Country Enterprise Survey", *World Bank Discussion Paper No. 346, Africa Technical Series*, (Washington: World Bank, 1996).

21. In this section, we look at the constraints impeding export growth following the devaluation in order to provide some perspective on the recent reforms undertaken under the 1997/98-1999/00 ESAF-supported program. Information on nonprice competitiveness is fairly limited, although a number of surveys of the constraints faced by manufacturing firms in Cameroon were carried out under the Regional Program on Enterprise Development (RPED) in 1993 and 1994, coordinated by the World Bank and financed by bilateral donors. The results of a 1993 RPED survey of 210 manufacturing enterprises immediately before the devaluation are shown in Figure 6. It should be noted that, in addition to the categories listed in the survey, governance issues were also ranked highly as an issue by firms when they were asked to indicate other factors of importance. Lack of credit, weak demand, and the tax system, were rated as the most important concerns. However, lack of infrastructure, weak government support, and utility prices (and more importantly supply) were considered to be even more important than import competition. Issues such as foreign exchange control and prices controls were not rated as major concerns.



## **Constraints facing exporters after the 1994 devaluation and core measures for recovery**

22. The survey results provide a useful summary of the constraints faced by the private sector in Cameroon prior to the recent reforms.<sup>13</sup> Based on the surveys, the private sector in Cameroon was facing severe constraints in the following key areas: (a) the **financial system**, including lack of credit and crowding out by the public sector, (b) the **legal and regulatory framework** and the application and administration of laws, (c) the **trade and tax system**, which created serious distortions in the structure of incentives, (d) **physical infrastructure**, including air and sea transport, roads, telecommunications, electricity and water; and (d) lack of **support services**, including the absence of a dialogue between the government and the private sectors. These constraints are described below as well as the measures being taken by the Cameroonian authorities to address them within the context of the current reforms. Privatization, deregulation, and infrastructure improvement have been a major focus of the policy reforms implemented by the government to improve competitiveness commencing with the Fund staff-monitored program in 1996/97 and continuing under the current ESAF arrangement.

### **The financial system and access to credit**

23. *Constraints.* Surveys of enterprises in Cameroon have shown that access to finance is viewed by firms as the major constraining factor, especially for small and medium-sized firms.<sup>14</sup> The recurrent liquidity and solvency problems in the domestic financial system in the 1990s and widespread interference and crowding out by the public sector, have severely affected the depth of financial intermediation in Cameroon, with access of private firms to credit seriously limited (while more recent survey results are not yet available, monetary data show that private sector credit as a proportion of GDP continued to fall after the devaluation and has only recently picked up following the recent reforms). In particular, financial access has tended to be a function of firm size as larger clients in some cases account for over 75 percent of individual commercial bank's business. This situation is clearly an indication of imperfections in financial markets and explains in part the lack of dynamism of enterprise growth observed in Cameroon (Table 2).

24. *Reforms.* The government has carried out a significant program of bank restructuring, with four banks restructured and two placed in liquidation. Two new banks (one local and one foreign) have since been established. With the privatization of the remained government-owned bank, BICEC, in 1999, the government will have divested itself of a controlling interest in the domestic banking system and will remain a minority shareholder in only three of the eight commercial banks operating in Cameroon. One of the beneficial effects of the restructuring of the banking sector has been a reduction in the cost of credit, as

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<sup>13</sup> World Bank, "Republic of Cameroon. The Challenge: Harnessing Unrealized Potential. A Private Sector Assessment" (June 28, 1996).

<sup>14</sup> Ibid.

	Firm Size				Average for all firms
	Micro	Small	Medium	Large	
Percent of firms receiving a bank loan	31	49	48	85	
(As a percent of sales)	17	27	25	15	22
Percent of firms with access to overdrafts	14	58	76	96	
(As a percent of sales)	8	10	8	7	9
Average maturity of bank debt by firm size (number of months)	25	36	55	60	

Source: Regional Program on Enterprise Development Survey, 1993.

banks no longer need to pass on the costs of large nonperforming portfolios. The cost of loans (before taxes) to the best customers has declined to 9 percent in early 1999, compared with 14-16 percent 18 months earlier. There are also encouraging signs that access to credit has begun to improve. With increased macroeconomic stability and the strengthening of the fiscal position, there has been a sharp increase in private sector credit in 1998/99 (private sector credit increased by 23 percent in the 12 months to end-December 1998). The further deepening of the sector will involve strengthening competition to lower the price of services and to improve their quality and availability to medium-sized and smaller customers (one of the constraints noted earlier). Two recent decrees under the ESAF-supported program are a first step in this direction; the liberalization of bank commissions in June 1998 and a decree allowing the establishment of *bureau de change* at end-December 1998. The focus of the reforms is now on the cooperative, insurance and social security sectors and the strengthening of banking supervision.

### The legal framework

25. *Constraints.* The main problems with the application and administration of laws in Cameroon are that (a) the laws are often unclear and depend heavily on the implementation decrees for their interpretation; and (b) they are often inappropriately administered by civil servants and the judiciary. The result is that private sector confidence in the country's legal institutions has been eroded. Laws regarding the formation and enforcement of contracts are sometimes well developed in theory, but in practice are difficult to enforce through the court system. Creating a company in Cameroon is a difficult and time-consuming process: it requires on average about five months to complete all the necessary steps—almost twice as long as in neighboring countries in the region. The most common form of commercial conflict results

from the late or nonpayment of invoices by clients. While about 85-90 percent of conflicts are resolved at least in part through arbitration or negotiation, surveys of enterprises indicate that only about 35 percent of conflicts with clients are resolved in a manner that is regarded as being satisfactory by the firms involved. In recent discussions with the Fund staff, representatives of the Cameroon banking sector cited problems with the judiciary system as their primary concern.

26. *Reforms.* The range of reforms that is necessary in the legal environment in Cameroon is extensive and can be realized only in the long term. An in-depth reform of the judiciary has been launched as part of the third World Bank Structural Adjustment Credit (SAC III) with the objective of ensuring greater equity in the judicial process and, in particular with regard to contract enforcement. The judiciary reform will call for (a) institutional reforms; (b) improvement in the working conditions of the judiciary staff; (c) implementation of training programs and capacity building; and (d) modernization of dissemination of laws and enforcement of judgements. A start has been made with the reopening of training sessions for court clerks and other paralegal professionals, and a commitment to recruit 140 new magistrates over the next 2 to 3 years. The signing of international agreements such as the Organisation for the Harmonization of Business Law in Africa (OHADA) and the Code of the Interafrican Conference on Insurance Markets (CIMA) aimed at harmonizing business regulations in the region also reflects the willingness of the Cameroonian authorities to improve the business environment and increase transparency.

#### **The incentive and tax system**

27. *Constraints.* Prior to the 1994 UDEAC trade and tax reform, Cameroon's tax system combined a complicated array of production and sales taxes (effective rates were as high as 300 percent) with widespread exemptions, creating distortions in the incentive framework. The pre-reform regime was characterized by lack of transparency and accountability in the petroleum sector, various special tax regimes and case-by-case tax rate negotiations between individual enterprises and the tax authorities. Complications arising from the tax system were ranked third in the 1993 RPED survey of constraints facing private enterprises.

28. *Reforms.* Cameroon initiated trade and tax reforms in 1994, as part of the UDEAC initiative to promote regional economic integration. These reforms were intended to correct antitrade biases by reducing tariffs and increasing the weight of domestic taxes. The common external tariff (CET) comprised two taxes: a customs duty and a temporary surcharge tax. The customs code classified products according to the level of transformation with the rates fixed at 5, 10, 20, and 30 percent on January 11, 1994. The single tax system on intra-zone imports was replaced by a preferential tariff, fixed initially at 20 percent of the CET and eventually phased out in January 1998. The highly fragmented indirect tax system was initially replaced by a turnover tax (TCA) with two rates (normal and reduced) on imports and local production and services. However, the actual implementation of the TCA was less than optimal, with a negative impact on manufacturing enterprises and exporters, and it has recently been replaced in January 1999 by a value-added tax (VAT) (see below). In addition,

as part of the trade reform, nearly all nontariff barriers—notably the elimination of quantitative import restrictions and export/import licenses—were eliminated immediately after the 1994 devaluation. Coffee and cocoa trade has also been completely liberalized.

29. The UDEAC reforms established the framework for a tariff and tax system that is transparent, closes many of the loopholes for tax evasion and improves the structure of incentives. This success, however, is closely linked to the management capacity of the tax administration and on further efforts to intensify the reforms. Incentive policies in the trade and tax area under the first and second annual ESAF-supported program have included:

- increasing transparency in the oil sector with regular audits of the national oil company, SNH, to ensure that revenues are transferred to the government budget;
- improving tax administration and compliance to raise the low level of non-oil tax revenues to GDP;
- replacing the turnover tax with a VAT on January 1, 1999 (at a unified rate of 18.7 percent) to neutralize the impact of internal indirect taxes on trade;
- reducing nonforestry export taxes (which were reintroduced after the reform with rates ranging from 30 percent for palm oil to 15 percent for sugar). The rates for nonforestry products were reduced to 5 percent on July 1, 1998; and
- liberalizing the petroleum sector, with the reduction of the share of the national oil refinery (SONARA) of refined petroleum products to 80 percent of the domestic market, to be followed by the liberalization of distributor margins in 1998/99.

A detailed examination of the UDEAC (later CEMAC) tariff listing also reveals distortions as some rates appear to have been chosen without regard to economic considerations; the average rate for raw materials, for example, is significantly higher than for intermediate products, which is likely to affect adversely the competitiveness of local industries.

30. Finally, price and administrative control of margins has been abolished except for a few products and services produced by public enterprises (notably, water, and electricity). These charges will be further liberalized under the privatization programs targeted at these sectors.

## Physical infrastructure

31. *Constraints.* The low efficiency of Cameroon's physical infrastructure, including electricity, telecommunications, roads and air and sea transportation, continues to cause serious problems for Cameroon's private sector, adding substantially to costs, particularly for enterprises located in the northeast which also face security problems on the roads. As reported in the 1994 RPED survey, electricity, road conditions, telephone services, and security were listed as moderate to major problems by at least 40 percent of firms. Among the larger firms, air/sea transportation and road transport were placed in this category by 71 percent and 57 percent of the firms, respectively. Road conditions, electricity, water services, waste disposal and security were all perceived to have deteriorated relative to previous surveys. Cameroon's infrastructure development, in terms of number of telephones, installed power-generating capacity, and kilometers of paved road per inhabitant, was about half that of a group of comparable African countries (Table 3). Data for the telecommunications sector in

Table 3. Africa: Comparative Infrastructure Development 1/			
	Per 000 capita		
	Telephone (number of lines)	Electricity capacity (000 kWh)	Paved roads (kilometers)
Cameroon	3	54	0.3
Cote d'Ivoire	5	100	0.4
Madagascar	3	20	0.9
Ghana	3	80	0.6
Kenya	8	30	0.3
Zimbabwe	13	210	1.3
Senegal	6	30	0.5
The Gambia	16	14	0.6
Nigeria	3	40	0.3
Average	6	80	0.6
Source: World Bank, <i>World Development Report</i> , 1994			

1997 shows little improvement with only 0.5 percent of the population having access to telephone lines. Moreover, only 43 percent were used owing to technical problems (Table 4). The Port of Douala is one of the most inefficient on the West African coast. A comparison of rates charged for ships of 55,600 cubic meters for a three day period in 1997 illustrates its lack of competitiveness (Table 5). It takes on average 21 days to unload a container in Douala, compared with less than 7 days on average for other ports on the West African coast. In the electricity sector, increased demand linked to the economic growth of the country has not been satisfied, leading to numerous power outages.

32. The deterioration in Cameroon's infrastructure is largely explained by the poor performance of the public enterprise sector. Until recently, all of the country's public utilities and transport services, as well as its agro-industrial enterprises, have been in the public sector. Weak management, widespread government interference, and poor accountability have led to substantial financial losses and the accumulation of external and domestic debts, despite large subsidies and transfers and protection from competition. An analysis of the 1994/95 financial statements of 59 public enterprises shows that all enterprises accumulated losses, with the exception of three companies that were monopolies (the oil refinery and the cement and electricity companies). The efficiency of the transport sector has been hit particularly hard because of numerous institutional weaknesses and the poor performance of the public enterprises and ministries managing the railways, air transport, commercial shipping, ports, urban transport, and road maintenance.

Table 4. Comparison of Telecommunications Indicators in African countries, 1997

	Cameroon	Cote d'Ivoire	Senegal
Utilization rate (percent)	43.2	72.7	68.5
Waiting time for installation (years)	5.5	2.5	1.2

Source: World Economic Development Report (1998).

33. *Reforms.* The privatization program implemented by the government under the ESAF-supported program seeks to improve competition and accelerate growth by attracting new investment and removing current bottlenecks, improving the availability and cost of services. The reforms have initially focused on the public utilities, transportation and agro-industry sectors. Since 1996/97, the government has engaged in a far-reaching reform of the transport sector (see Box 1), and it is currently intensifying its reforms in the port, road maintenance, and rail and air transport sectors. Reforms in the public utilities sector are also under way; bids have been launched for the establishment of a private cellular telephone service, and the launching of prequalification bids for the privatization of the public water company, SNEC (the second round has experienced some delays but is expected to take

Table 5. Comparison of Shipping Charges in 1997 (for a ship of 55,600 m3 for 3 days)

Port	In millions of CFAF
Douala	11.4
Libreville	3.7
Abidjan	3.3
Dakar	4.5

Source: World Bank staff estimates.

place at the end of June 1999 after the preparation of an audit). In the telecommunications sector, the reforms are to be accelerated with the launching of the prequalification tenders for the two newly created telecommunications companies, CAMTEL and CAMTEL-Mobile before the end of 1998/99, and with the selection of the successful bidder for the second cellular company. In the electricity sector, a new sectoral law and a new legal and regulatory framework were approved with the assistance of the IFC in December 1998, and a strategy for the privatization of the electricity company, SONEL, is being prepared, with prequalification bids to be issued before the end of the year.

**Box 1. Strengthening Physical Infrastructure:  
Reforms in the Transportation Sector**

Measures already taken by the government under the ESAF-supported program to improve performance in the transportation sector include the following:

- adoption of a restructuring plan for the port of Douala, including the reduction of certain tariffs and costs;
- adoption of an action plan to reduce delays at the port to 7 days for imports and 2 days for exports;
- elimination of national preferences and cargo sharing arrangements for marine transportation;
- selection of the successful bidder and signing of the provisional contract for the privatization, through concession, of the national railway system (CAMRAIL);
- establishment a Road Fund, with private sector participation, for financing road maintenance; and
- adoption of a more liberal regulatory framework for urban transport.

Although these measures will take time to reduce costs and improve competitiveness, the manager of the cotton company has already noted a reduction by as much as 20 percent in shipping costs after the liberalization of marine transportation.

34. Reforms are also well advanced in the **agro-industrial enterprise sector**, as the rubber company, HEVECAM was privatized in late 1996 (which resulted in a 30 percent increase in output and employment in less than a year, as well as investment that aims at almost doubling the acreage under cultivation). More recently the sugar company, CAMSUCO, was privatized. The privatization of the palm oil company, SOCAPALM, is scheduled to be completed before the end of 1998/99, and further progress is expected to be made in the preparation of the Cameroon Development Corporation (CDC) for privatization following the launching of prequalification bids in late December 1998. With these reforms, most of the agriculture sector will be in private hands, with the exception of the cotton sector, where privatization is pending the resolution of legal problems and the development of modalities to promote competition and improve the returns to farmers in the sector. (One of the reasons for the slow response of cotton exports to price signals observed in the previous section.)

**The lack of support services**

35. *Constraints.* The final area highlighted in the 1994 RPED surveys is the lack of support services, including lack of both information and an ongoing dialogue between the public and private sectors.

36. *Reforms.* The government has now intensified its dialogue with the private sector and has closely involved private sector groups in the development of its economic program. Notably, a Competitiveness Committee was created 1997/98, and a private sector representative has been included in the government's technical supervisory committee (CTS) of the ESAF-supported program.

#### **D. Challenges Ahead**

37. While the devaluation of the CFA franc and accompanying improvements in international prices appear to have influenced export supplies, the reactions of exports to relative price signals are slow, and the growth in the number of exporting firms has been modest. One reason is the high start-up costs associated with becoming an exporter in Cameroon and, in particular, the substantial costs imposed by deficient physical infrastructure. As a result, export producers must be confident that the real exchange rate will remain favorable for sufficient time to justify establishing new processing facilities or expanding existing capacity. The objective of achieving an efficient and competitive market economy will therefore depend on a wide range of factors, not least efforts by the government to further improve the business environment for small and medium-sized firms and to enhance transparency and governance in the public sector. The structural reforms being implemented by the government will go a long way toward restoring the competitiveness of the Cameroonian economy. However, these reforms are still fragile and need to be strengthened by ensuring a stable macroeconomic environment, widening and deepening the structural reforms, rebuilding the infrastructure, and creating an environment that exposes the privatized enterprises to competition.

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### III. FISCAL PERFORMANCE AND SUSTAINABILITY<sup>15</sup>

38. Because Cameroon's membership in the CFA zone constrains exchange rate and monetary policy, the budget is the main policy instrument to reduce domestic and external imbalances. It has been shown that sound fiscal policy fosters macroeconomic stability, private investment, and economic growth (Hadjimichael and others, 1995; and Ghura, 1997). This chapter analyzes Cameroon's fiscal performance and sustainability during 1980-98. Analyzing fiscal performance is essential not only to determine the impact of government operations on economic activity and stability but also to determine whether the way fiscal deficits are financed is sustainable. In Section A, the stance of fiscal policy is analyzed to assess its impact on aggregate demand by identifying the relative contributions of revenue and expenditure; the impact of the fiscal deficit on the external current account is also examined briefly. Section B includes an analysis of the sustainability of fiscal policies pursued by the government during the 1990s.

#### A. Fiscal Performance

39. After registering a comfortable fiscal position until 1985/86 (July-June), Cameroon recorded budget deficits during 1986/87-1993/94, before returning to relative stability after the 1994 devaluation (Figure 7).<sup>16</sup> The deterioration in the fiscal position during 1986/87-1993/94 reflected the steep decline in revenue (a loss of 11 percentage points of GDP), despite a reduction of 3 percentage points of GDP in total expenditure. The revenue decline resulted from lower oil and non-oil receipts of 7 and 4 percentage points of GDP, respectively. Developments in total expenditure, however, hid a strong adjustment of primary expenditure<sup>17</sup> (which declined by 9 percentage points of GDP between 1986/87 and 1993/94). Owing to the increasing burden of external debt on the budget, interest payments rose by 6 percentage points of GDP over the same period. Fiscal developments after 1994 are characterized by a recovery in government revenue, mainly in non-oil revenue (of 4½ percentage points of GDP), and a stabilization of primary expenditures facilitated by an easing in interest payments that followed Paris Club rescheduling agreements in 1994, 1995, and 1997 (see Chapter V). The primary surplus increased from about 1 percent of GDP in 1992/93-

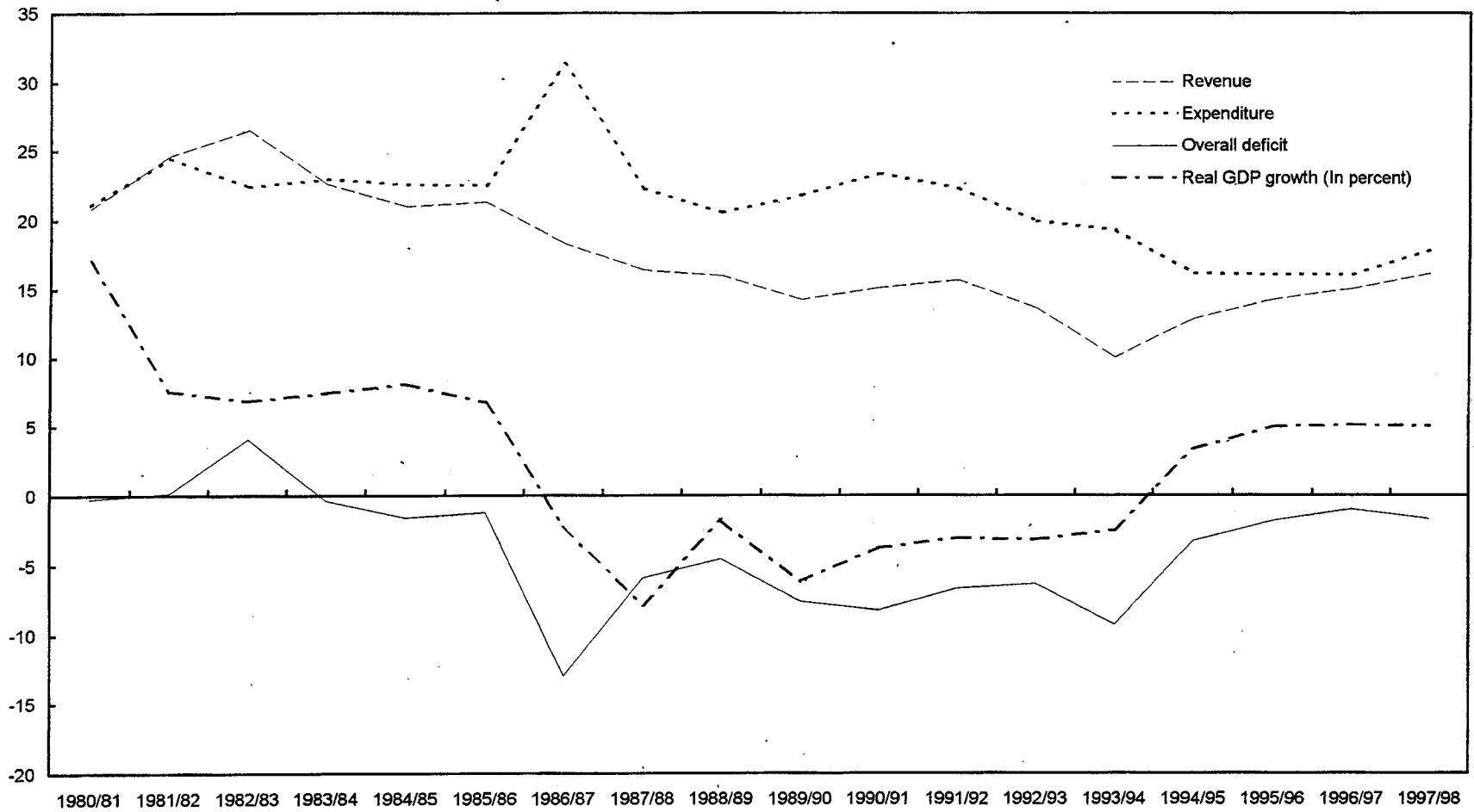
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<sup>15</sup> Prepared by Joseph Ntamatungiro.

<sup>16</sup> Only financial operations of the central government are considered. Caution is required as regards expenditure data: (a) government consumption of public utilities is largely recorded on a net basis, net of taxes; (b) expenditures are by and large recorded on a cash basis, except for interest payments; (c) the coverage of externally-financed outlays is incomplete; and (d) there are major weaknesses in expenditure management and control. An action plan to improve government expenditure was adopted in December 1998.

<sup>17</sup> Primary expenditures exclude interest payments, restructuring expenditure, and foreign financed capital outlays.

Figure 7. Cameroon: Fiscal Developments and Real Growth, 1980/81-1997/98 1/  
 (In percent of GDP, unless otherwise indicated)



1/ Fiscal year begins in July.

1993/94 to nearly 6 percent in 1996/97-1997/98. The improvement in the financial position permitted Cameroon to clear all nonreschedulable external payments arrears and to begin to normalize relations with external creditors.

40. Favorable developments in government revenue during 1994/95-1997/98 reflect: (a) tax reforms, notably the introduction of the turnover tax (TCA) in the context of the UDEAC/CEMAC tax and customs reforms launched in 1994, as well as the reform of forestry taxation; (b) improved collection of non-oil revenue following the strengthening of tax administration and the reduction in tax exemptions; and (c) enhanced collection of oil revenue owing to increased transparency in the sector. While primary expenditures were stabilized at 12 percent of GDP, there has been some increase in the share of outlays for priority expenditures: spending on education and health rose from 1.8 percent of GDP in 1995/96 to 2 ½ percent in 1997/98. However, these expenditures remained below levels reached during the 1980s. The financial crisis was associated with a degradation of basic social indicators. The quality of education deteriorated, and the gains achieved in the health sector during the 1970s and the 1980s could not be maintained. Finally, because of the freezing of promotions in 1989, the sharp cut in nominal wages in 1993, and the 1994 devaluation, real wages declined on average by some 50 percent between 1990/91 and 1995/96. The unfreezing of promotion increments was initiated in February 1997, resulting in an increase of some 30 percent in the monthly wage bill of the civil service.

41. This analysis of the budgetary position is complicated by the fact that it does not distinguish changes due to economic activity and those resulting from government policy. As shown in Figure 7, Cameroon's fiscal performance, not surprisingly, reflects periods of strong economic activity, recession, and recovery. The next section presents a framework for assessing the stance of fiscal policy through the construction of fiscal impulse indicators.

### **Fiscal impulse analysis**

42. The fiscal impulse indicator is a quantitative measure of the size of the initial fiscal stimulus to aggregate demand arising from changes in fiscal policy (Chand, 1984). The advantage of this indicator is that it eliminates cyclical factors in the budget balance, which have a transitory effect (self-correcting), and concentrates on structural changes that have a durable impact (reflecting "discretionary" policy action).<sup>18</sup> A positive (negative) sign indicates that fiscal policy has become expansionary (contractionary) relative to the previous year.<sup>19</sup> The

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<sup>18</sup> A limitation of this analysis is that it assumes that all noncyclical changes are induced by government policies. In the case of developing countries, there may be noncyclical shocks that are beyond government control, such as terms of trade deterioration, interest payments on external debt, and the availability of foreign borrowing and grants.

<sup>19</sup> See Chand (1993) for an analytical derivation of the fiscal indicator in the context of a partial income-determination model. Such an analysis has, however, a few limitations:

(continued...)

fiscal impulse indicator is based on the construction of a cyclically neutral fiscal balance (see Attachment I to this chapter). This analysis assumes that revenue increases at the same rate as actual GDP and that expenditure would increase at the same rate as potential output (such factors as automatic stabilizers (unemployment benefits, etc., which are present in industrial countries, are not considered). The argument is that linking expenditure to longer-term trends in output isolates public spending programs from disruptive short-term adjustments; short-term revenue shortfalls caused by weak economic activity would be made up by government borrowing, with repayment expected when the economy recovers. This smoothing activity of the government is based more or less on Barro's neutrality hypothesis (Barro, 1974) which states that government expenditure has the same impact on the intertemporal allocation of national consumption whether it is financed by taxes or by debt, given that economic agents discount the value of the present government debt by the equivalent future tax liabilities necessary to service the debt. This argument ignores borrowing constraints, as well as fiscal policy sustainability issues (see Section B).<sup>20</sup>

43. To calculate the fiscal impulse for Cameroon, 1979/80 was chosen as the base year. This was a period of satisfactory performance, in which actual GDP is assumed to have corresponded to potential output. There are indications that Cameroon's economy achieved broad internal and external equilibrium during the early 1980s. Growth was strong across sectors, inflation was relatively low, and the fiscal position and the external current account balance were in surplus during much of this period. However, given the constraint on exchange rate policy, it became impossible to maintain this equilibrium after 1986, when the terms of trade deteriorated sharply. After the 1994 devaluation, Cameroon's economy underwent a structural change (a change in relative prices and allocation of factors of production). The choice of a potential GDP measure is difficult and different measures could affect the results. However, given the absence of an accurate measure of capacity for the economy as a whole or a general equilibrium model, the analysis was limited to the estimation of potential output by the GDP trend. The use of an average GDP trend would be misleading in light of the structural changes observed during the period analyzed. Accordingly, potential GDP (cyclically adjusted) was estimated for three periods: 1979/80-1985/86; 1986/87-1993/94; and 1994/95-1997/98 (Figure 8).

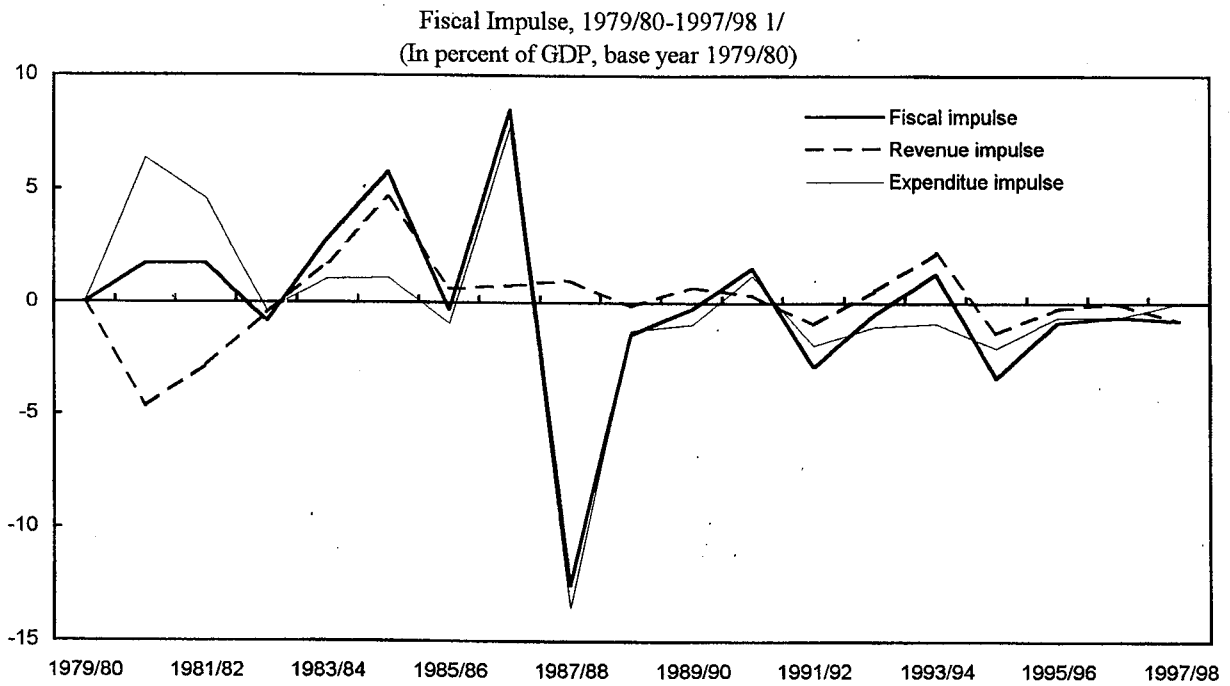
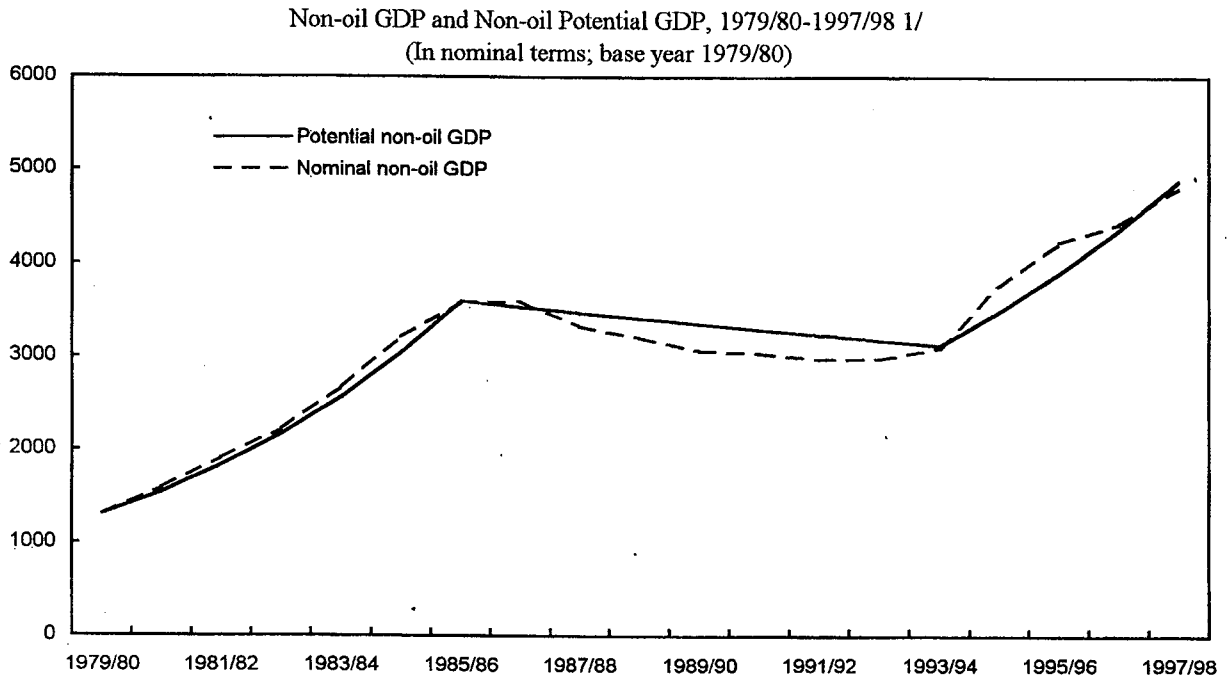
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<sup>19</sup>(...continued)

(a) government expenditure and taxes may not have an immediate impact on aggregate demand if agents are not liquidity constrained or if their consumption decisions are determined by long-term considerations (e.g., permanent income); and (b) the analysis does not consider the indirect impact of government policy on aggregate demand through interest rates, inflation, the exchange rate, or private sector expectations.

<sup>20</sup>It is difficult to determine, *ex ante*, whether a slump in economic activity is a cyclical downturn or a long recession. The determination of the path of potential output is a judgmental decision. An overestimation of the cyclical component could lead to unduly high deficits, while an underestimation of cyclical factors would lead to unnecessary deflationary policies.

Figure 8: Cameroon: Fiscal Impulse Analysis



1/ Fiscal year begins in July.

44. In computing the fiscal impulse indicator, interest payments due, oil revenues<sup>21</sup> and externally financed investments were excluded from the fiscal balance.<sup>22</sup> As shown in Table 6, the domestic fiscal balance was in deficit throughout 1979/80-1993/94, before moving into surplus in 1994/95. In the early 1980s, the government reacted to high government revenues from oil and buoyant economic activity by boosting expenditures.<sup>23</sup> When oil revenues dwindled and the economy shifted into recession, it took some time to adjust domestic expenditures to these developments. The main expenditure cuts in the context of "internal adjustment" policies were delayed until the late 1980s and early 1990s and were therefore abrupt and particularly painful.<sup>24</sup> Public investment fell sharply from the equivalent of 11 percent of non-oil GDP achieved during 1979/80-1986/87 on average to less than 1 percent of GDP over 1989/90-1992/93.<sup>25</sup> This level was insufficient to maintain, let alone expand, the country's economic and social infrastructure. Given the complementarity between

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<sup>21</sup> It could be argued that oil revenue should be included given that other variables such as export duties or income tax receipts are also, to some extent, exogenous.

<sup>22</sup> Interest payments on external debt are assumed to have no direct impact on domestic demand; similarly, since interest payments on domestic debt are paid to creditors to prevent the value of government papers eroding, they have no significant effect on domestic demand. The inclusion of interest payments in the fiscal impulse analysis would therefore be misleading, especially given their strong increase over the period analyzed, from an average of ½ of 1 percent of GDP in 1979/80-1985/86 to 6 percent of GDP on average during 1994/95-1997/98. Moreover, revenues from the oil sector were excluded from government revenue since they are determined exogenously, with the government having little control over them. Also, since the oil sector is not fully integrated in the economy, non-oil GDP was used for computing the fiscal impulse instead of total GDP. Foreign-financed investments were excluded, given their high import content. In a few cases, interest rates barely cover inflation. For example, the interest paid on zero coupon government bonds issued to nonbank creditors is fixed at 3 percent.

<sup>23</sup> Oil revenue increased from the equivalent of about 2 percent of total GDP in 1979/80-1980/81 to over 9 percent of GDP in 1984/85-1985/86 before declining to about 6 percent of GDP in 1986/87-1987/88 and 2 percent in 1993/94.

<sup>24</sup> Notable were the following wage measures: (a) the freeze of promotions in July 1989; and (b) cuts in nominal wages and salaries in January and November 1993 which had a negative impact on the morale of the civil service (see Chapter IV).

<sup>25</sup> The low level of public investments reflects not only the lack of resources, but also Cameroon's difficulties in mobilizing available external financing, owing to weak macroeconomic policies, the lack of sectoral strategies, and low management capacity. A census of external donor financing showed that undisbursed external financing had remained stable at over US\$1 billion since 1990.

Table 6. Cameroon: Fiscal Impulse Analysis, 1979/80-1997/98 1/  
(In percent of non-oil GDP, unless otherwise indicated; base year 1979/80)

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Actual budget balance, $B(t)$ 2/	-0.2	-1.4	-2.7	-1.7	-3.9	-8.8	-8.4	-16.5	-6.3	-5.5	-5.8	-7.3	-4.6	-3.8	-4.0	1.3	2.2	1.7	1.9
Cyclically neutral balance, $CNB(t)$	-0.2	0.3	0.5	0.2	0.5	0.7	-0.2	0.1	-0.9	-1.3	-1.7	-1.6	-1.6	-1.3	-0.3	1.0	1.1	0.0	-0.4
Cyclical effect of budget, $CEB(t) = -(B(t) - CNB(t))$	0.0	1.7	3.2	1.9	4.4	9.4	8.1	16.6	5.4	4.2	4.1	5.7	3.0	2.5	3.7	-0.3	-1.1	-1.7	-2.4
Fiscal impulse	0.0	1.7	1.7	-0.9	2.8	5.8	-0.3	8.5	-12.5	-1.4	-0.3	1.6	-2.9	-0.5	1.3	-3.3	-0.9	-0.6	-0.8
Revenue	0.0	-4.6	-2.8	-0.5	1.8	4.6	0.6	0.8	1.0	-0.1	0.7	0.3	-0.9	0.6	2.2	-1.3	-0.2	0.0	-0.8
Expenditure	0.0	6.4	4.6	-0.4	1.1	1.1	-0.9	7.7	-13.5	-1.3	-1.0	1.2	-1.9	-1.1	-0.9	-2.0	-0.6	-0.6	0.0
Memorandum items:																			
Non-oil revenue	16.0	20.6	22.7	22.3	19.4	14.2	13.8	13.0	11.8	11.8	10.9	10.5	11.3	10.7	8.7	11.3	12.1	12.2	13.4
Domestic expenditure	16.2	22.1	25.4	24.0	23.4	23.0	22.2	29.5	18.1	17.2	16.7	17.8	15.9	14.5	12.7	10.1	9.9	10.5	11.4
Of which: wages and salaries	5.4	6.2	6.2	6.4	6.7	6.9	6.3	7.8	8.0	9.0	9.4	9.9	9.9	9.2	6.7	5.2	4.5	4.8	5.4
domestically financed investment	4.6	8.2	11.0	10.3	8.0	10.2	10.5	15.9	4.4	1.9	1.1	0.9	0.6	0.4	2.9	0.6	0.9	1.3	1.4
Real non-oil GDP growth (in percent)	...	15.0	7.6	3.8	6.7	8.1	7.8	-1.4	-7.9	-1.6	-5.8	-2.8	-2.5	-2.0	-2.2	4.1	5.5	5.0	5.0

1/ Fiscal year begins in July.

2/ Domestic balance, excluding oil revenue, interest payments and externally-financed investments.

private and public investment, the low level of public investment and the poor quality of government services constrained private investment and growth.

45. On average, fiscal policy was expansionary during 1979/80-1985/86, with an average impulse of 1.8 percent (Figure 8). The fiscal stance became contractionary during most of the recession period, although there were episodes of expansionary fiscal policy, notably during 1986/87, 1990/91 and 1993/94. Overall, fiscal policy was modestly contractionary after the 1994 devaluation. A decomposition into revenue and expenditure impulses indicates that:

- During 1980/81-1986/87, fiscal policy was expansionary, with the expenditure impulse dominating the revenue impulse. The contractionary impact of higher revenue in the early 1980s was more than offset by the expansionary impact of government expenditure.
- During 1987/88-1994/95, the revenue impulse was expansionary for most of the period, while the expenditure impulse was contractionary, except during 1986/87 and 1990/91.<sup>26</sup> The revenue impulse reflected mainly the collapse of the tax collection system during the period of economic decline. In this period, the government, faced with falling revenue, carried out an "internal adjustment," which turned out to be pro-cyclical, prolonging the crisis. The reduction in government expenditure was detrimental to economic and social infrastructure. This is an interesting result given the high level of external borrowing during this period, suggesting that fiscal policies had become unsustainable. This issue is addressed in the following section as well as in Chapter V which deals with external debt.
- Revenue and expenditure impulses were contractionary during 1994/95, and marginally contractionary afterward. During this period, the government stepped up its efforts to collect revenue and increased the primary surplus in order to service external debt obligations, and reestablish orderly relations with creditors.

A sensitivity analysis indicated that the use of different base years did not significantly influence the analysis of fiscal impulse.

### **Fiscal performance and saving-investment balance**

46. The focus of fiscal impulse measures is on the impact on macroeconomic variables, specifically aggregate demand, inflation, and the external current account. Fiscal performance will obviously have a considerable impact on the external current account balance. If government deficits are not compensated by higher private savings, they are reflected in wider current account deficits. Government saving is defined as the difference between revenue and

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<sup>26</sup> Expenditure was particularly expansionary during 1986/87, owing to an exceptional high level of public investments.

recurrent expenditures.<sup>27</sup> Since government revenue transfers to the private sector and official grants were infrequent or insignificant for most of the period, the government's net financial position corresponds broadly to the overall fiscal deficit.

47. The net financial position of the government was negative during most of the period 1984/85-1997/98, although a substantial improvement has been observed since 1994/95 (Figure 9). During 1984/85-1988/89 and 1996/97-1997/98, the net government financial position was mainly driven by public investment, since government saving was positive (Table 7). Government saving was negative during the rest of the period (1989/90-1997/98). After recording exceptionally high levels during 1984/85-1988/89, public investment was on a declining trend during most of the following period, although there was a slight recovery during 1996/97-1997/98. The financial position of the private sector (which is defined to include public enterprises) has been on a declining trend since 1991/92. It was negative during 1995/96-1997/98, reflecting recoveries in both private consumption and private investment. The external current account was in deficit throughout the period (except in 1991/92).

48. During 1986/87-1994/95, external current account deficits were driven mainly by fiscal deficits of the central government. In this subperiod, the government reduced its saving or dissaved more than it reduced public investment, and the private sector recorded a relatively high level of saving while keeping modest levels of investment. Also, the revenue-to-GDP ratio was on a declining trend, as unpaid taxes were being saved by the private sector.<sup>28</sup> However, in face of uncertainties about current and future government policies and other structural constraints, the private sector reduced its level of investment (up to 1995/96). In particular, by reducing outlays in social and economic infrastructure, the government appears to have constrained private sector investment and economic growth.

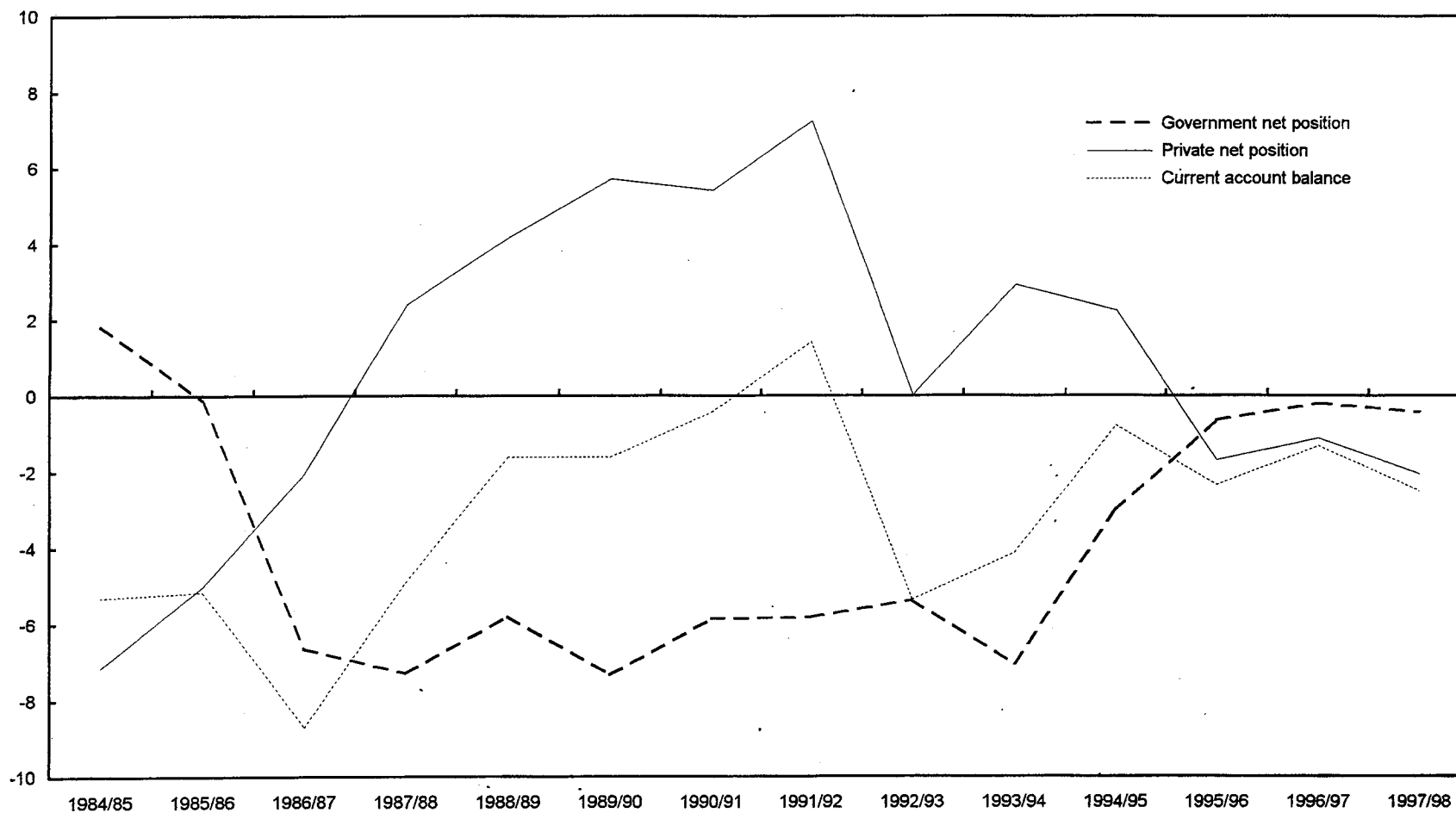
49. The private sector (including public enterprises) was the main source of current account deficits during 1984/85-1985/86 and 1995/96-1997/98 since the financial position of the government was broadly in equilibrium. The latter subperiod is especially interesting as: (a) the government financial position improved, with a slight recovery in public investment; and (b) the private sector was able to increase consumption and investment, while the overall current account deficit remained at manageable levels. These developments may reflect a gradual, if slow, return of private sector confidence, and should lay the basis for an environment conducive to sustainable growth.

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<sup>27</sup> The external current account balance is based on national saving, before adjustment for net income (mainly interest payments on external debt) and net unrequited transfers.

<sup>28</sup> The Ricardian equivalence theory appears to have applied somewhat during this period.

Figure 9. Cameroon: Fiscal Performance and the External Current Account, 1984/85-1997/98 1/  
(In percent of GDP)



1/ Fiscal year begins in July.

Table 7. Cameroon : Fiscal Deficits and the Current Account Deficit, 1984/85-1997/98 1/

(In percent of GDP)

	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Total economy	-5.3	-5.1	-8.7	-4.9	-1.6	-1.6	-0.4	1.4	-5.4	-4.1	-0.8	-2.3	-1.3	-2.5
National savings	19.6	20.4	16.0	16.0	15.5	16.2	16.2	14.9	11.2	11.2	13.7	13.0	14.9	15.9
Gross domestic investment	24.9	25.5	24.7	20.9	17.1	17.8	16.7	13.5	16.6	15.3	14.5	15.4	16.2	18.4
Private sector	-7.1	-5.0	-2.0	2.4	4.2	5.7	5.4	7.3	0.0	2.9	2.2	-1.7	-1.1	-2.1
National savings	10.0	10.1	11.3	14.1	15.1	18.1	18.1	18.0	14.7	17.0	15.6	13.2	14.0	14.3
Gross domestic investment	17.2	15.1	13.3	11.7	10.9	12.3	12.7	10.8	14.7	14.0	13.3	14.9	15.2	16.4
Central government	1.8	-0.1	-6.6	-7.3	-5.8	-7.3	-5.9	-5.8	-5.4	-7.0	-3.0	-0.7	-0.2	-0.4
National savings	9.5	10.3	4.8	1.9	0.4	-1.9	-1.9	-3.2	-3.5	-5.7	-1.9	-0.2	0.8	1.6
Gross domestic investment	7.7	10.4	11.4	9.2	6.1	5.5	4.0	2.7	1.8	1.3	1.2	0.5	1.0	2.0

1/ Fiscal year begins in July.

## B. Analysis of Fiscal Sustainability

50. Over the past decade, the overall government deficit was financed mainly by recourse to borrowing from abroad and the local market. The total (external and domestic) debt-to-GDP ratio has been in excess of 100 percent since 1990/91, reaching a peak of 174 percent in 1993/94 following the 1994 devaluation; since then, the ratio has been on a declining trend but has remained high, estimated at 113 percent at end-1997/98. The stock of domestic debt (including arrears) is provisionally estimated at some CFAF 1,400 billion, or 26 percent of GDP. The increase in domestic arrears prior to 1994, and their subsequent securitization, has had a detrimental impact on fiscal sustainability.<sup>29</sup> The cumulative budgetary deficit during 1989/90-1997/98 is estimated at some CFAF 1,610 billion; the cumulative primary balance was positive (about CFAF 330 billion).<sup>30</sup> These deficits were financed by debt-creating sources, mainly external debt, as the government reduced its domestic indebtedness, particularly since 1993/94 (Table 8).<sup>31</sup> Foreign borrowing includes project financing through official creditors and international private capital markets, and program support from official creditors and multilateral institutions. Given the lack of a domestic financial market, borrowing in the domestic market includes bank financing and the change in payments arrears.<sup>32</sup> Cameroon is a member of the African Financial Community (CFA) zone, and

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<sup>29</sup> Caution is required with the data on domestic debt pending the completion of an extensive audit of domestic payments arrears. A settlement plan is in place (cash payments for small creditors, and compensation or securitization for banks, public enterprises, and the social security fund) for domestic arrears accumulated before June 30, 1993. A census of arrears incurred between July 1, 1993 and June 30, 1997 is under way. No new domestic arrears appear to have been generated after June 30, 1997, as the delay in paying government bills is reported to have been reduced to 55 days.

<sup>30</sup>The primary balance used here only excludes interest payments (in the normal definition, restructuring expenditure and foreign-financed investment are also excluded).

<sup>31</sup> Although an efficient use of external resources may be instrumental to economic growth, resort to external borrowing to finance fiscal deficits may increase the country's vulnerability to external factors, particularly to interest and exchange rate risks. The debt service (and drawings) on external debt increased substantially following the devaluation in January 1994. For external debt issues, see Chapter V.

<sup>32</sup> The change in arrears followed a more volatile path than other financing sources. The accumulation of external payments arrears had a negative impact on the mobilization of external assistance, while domestic payments arrears had a deleterious effect on private investment and undermined seriously the financial performance of the local banking system.

Table 8. Cameroon: Financing Sources, 1989/90-1997/98 1/

(In billions of CFA francs, unless otherwise indicated)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Overall balance	-254.2	-275.0	-211.3	-199.1	-315.5	-134.3	-82.6	-47.6	-89.2
Total deficit, excluding interest payments	-183.5	-137.4	-38.8	-47.5	-74.9	129.4	222.0	251.8	210.0
Interest payments due	-70.7	-137.6	-172.5	-151.6	-240.6	-263.7	-304.6	-299.4	-299.2
Changes in debt	213.8	387.2	285.9	81.5	1963.5	-358.9	-40.0	-33.0	412.0
External debt	207.6	348.8	386.5	17.8	1957.7	-168.5	44.0	51.0	481.0
Project borrowing	150.0	104.0	67.4	45.7	23.5	25.3	13.0	28.3	88.0
Program financing	39.0	78.3	60.6	46.7	174.7	77.7	112.9	0.0	176.7
Amortization due	-74.9	-118.9	-119.3	-113.1	-209.6	-281.3	-348.2	-275.9	-282.0
Change in arrears	58.6	158.0	-65.6	162.0	-429.1	319.0	-231.6	256.3	-324.4
Other, including valuation changes	35.0	127.3	443.4	-123.5	2398.1	-309.3	498.0	42.3	822.7
Domestic debt	6.1	38.4	-100.7	63.6	5.9	-190.4	-84.0	-84.0	-69.0
Bank financing	36.4	24.9	15.5	22.5	55.6	12.0	-23.7	-4.0	5.5
Other (mainly changes in arrears)	-30.3	13.5	-116.1	41.1	-49.8	-202.4	-60.3	-80.0	-74.5
Other financing	40.4	-112.2	-74.6	117.6	-1648.0	493.2	122.7	80.6	-322.8
Other external financing	30.3	-127.3	-183.7	148.5	-1687.9	493.3	101.1	32.5	-319.1
Other domestic financing	10.1	15.1	109.0	-30.9	39.9	-0.1	21.6	48.1	-3.8
Memorandum items:									
Total debt	3,236.8	3,624.0	3,909.9	3,991.3	5,954.9	5,596.0	5,556.0	5,523.0	5,935.0
External debt	1,481.7	1,830.4	2,217.0	2,234.8	4,192.5	4,024.0	4,068.0	4,119.0	4,600.0
Domestic debt	1,755.1	1,793.6	1,692.9	1,756.5	1,762.4	1,572.0	1,488.0	1,404.0	1,335.0
Nominal GDP	3,352.8	3,340.2	3,195.3	3,155.3	3,416.3	4,130.0	4,570.7	4,932.3	5,240.0
Total debt ( in percent of GDP)	96.5	108.5	122.4	126.5	174.3	135.5	121.6	112.0	113.3
External debt	44.2	54.8	69.4	70.8	122.7	97.4	89.0	83.5	87.8
Domestic debt (before audit)	52.3	53.7	53.0	55.7	51.6	38.1	32.6	28.5	25.5

1/ Fiscal year begins in July.

financing through seigniorage is therefore limited and inflation is driven in the long-run by price developments in France.<sup>33 34</sup>

51. External debt has become a heavy burden on Cameroon's budget, and has crowded out needed spending on priority sectors, such as health, education, and the maintenance of infrastructure, that have a lasting impact on economic growth (see Ghura, 1997 and Gerson, 1998). The recourse to borrowing to finance persistent deficits has increased the debt burden and raised doubts about the government's capacity to service the debt (see Chapter V).<sup>35</sup> Such doubts could fuel expectations of future tax increases, which could have an impact on private investment plans, lead to lower-than-desired capital formation, and keep production below potential output.

### **Conceptual considerations**

52. Fiscal policy can be considered sustainable if it leads to a sustainable level of public debt, defined in terms of convergence toward a steady state debt-to-GDP ratio (Zee, 1988 and Horne, 1991). One indicator of fiscal sustainability is provided by the comparison of the actual primary balance with a theoretical primary balance that would stabilize the ratio of debt to GDP. Such an analysis determines whether the government can pursue indefinitely a given set of budgetary policies. The identified gap gives the magnitude of the additional effort (e.g., a larger primary surplus) that would be needed to avoid a buildup of debt to unsustainable levels. If this effort is not secured, the country cannot achieve fiscal sustainability and the public debt-to-GDP ratio would follow an explosive path. Blanchard, Chouragui, and Hagemana (1990) and Horne (1991) derived some useful indicators of fiscal sustainability for industrial countries. The current analysis of Cameroon's fiscal policy sustainability builds on Buiter (1997) in the context of a discrete-time framework (Attachment II of this chapter).

### **Fiscal sustainability during 1989/90-1997/98**

53. The use of a "primary gap" in the case of developing countries is more suitable than the "tax gap" in the case of OECD countries. The primary gap is an indicator of the required fiscal adjustment needed to permanently stabilize the debt-to-GDP ratio, and is defined for the purposes of fiscal sustainability analysis as the difference between the sustainable budget balance and the actual budget balance (see Attachment II). Primary gaps were defined

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<sup>33</sup> In particular, the stock of central bank financing (statutory advance) in period  $t$  should not exceed 20 percent of tax revenues collected in period  $t-1$ .

<sup>34</sup> In CFA countries, the accumulation of external arrears reflects domestic budgetary problems rather than a shortage of foreign exchange, given their access (within limits of the arrangements) to foreign exchange through the French Treasury.

<sup>35</sup> Such difficulties are epitomized by the accumulation of domestic and external arrears, which have a negative impact on domestic activity and on government credibility abroad.

accordingly for the current year (short-run gap), and a three-year forward average (medium-term gap), using implied interest rates (4.7 percent on average), nominal GDP growth rates, and ratios of outstanding debt to GDP during the period 1989/90-1997/98. Table 9 and Figure 10 indicate primary gaps during the period to 1992/93 ranging from 6½ to 11¾ percent of GDP, and primary margins from 1993/94 onward, although on a declining trend (some 5 percent of GDP in 1997/98).<sup>36</sup> The results do not appear to be altered by an increase in the nominal interest rate.

54. An alternative indicator of fiscal sustainability is based on the growth rate.<sup>37</sup> Such an indicator gives the minimum growth rate needed for a given fiscal policy to be sustainable. These growth rates were computed for the period 1989/90-1997/98 using a similar time horizon to define short-run and medium-term fiscal sustainability. It appears that, like the primary balance indicators, sustainable growth rates were above actual nominal growth rates ("growth gap") during 1989/90-1992/93 before falling below the actual rates thereafter ("growth margin"). This analysis remains valid if potential non-oil GDP growth is used instead of actual GDP growth.

55. These results indicate that fiscal policies pursued before 1993/94 were clearly unsustainable. There appears to have been some tentative progress toward sustainability in fiscal policies pursued after 1993/94, with considerable surpluses generated in the context of buoyant economic activity following the 1994 devaluation and the upturn in international commodity markets. Although the devaluation (through its impact on growth) helped to improve fiscal sustainability after 1994, the massive cut in public sector salaries in 1993, and the decision not to increase nominal wages after the devaluation, also had a major impact on the underlying fiscal balance. In addition, the compression of investment and social spending resulted in a sharp reduction in expenditures. Another important factor has been debt relief following the Paris Club reschedulings on external debt service.

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<sup>36</sup> Generally, the short-run primary gap was higher than the medium-term primary gap. However, differences between the short-run and medium-term gap indicators are not large (about 1 percent on average), except in 1993/94 when the difference increased to about 4 percent of GDP, owing to the structural change that followed the 1994 devaluation.

<sup>37</sup> From Attachment II, equation (10), it can be shown that a growth rate greater than or equal to  $g^*$  would also lead to a sustainable debt-to-GDP ratio, for any given fiscal performance:

$$g^* = (d_1 r - b) / (d_1 + b) \quad (2)$$

The numerator is the overall fiscal deficit, while the denominator is the current debt-to-GDP ratio, with the change in debt equal to the primary surplus. Positive (negative) values of  $g^* - g$  would indicate "growth gaps (margins).

Table 9. Cameroon: Analysis of Fiscal Sustainability, 1989/90-1997/98 1/

(In percent of GDP, except otherwise indicated)

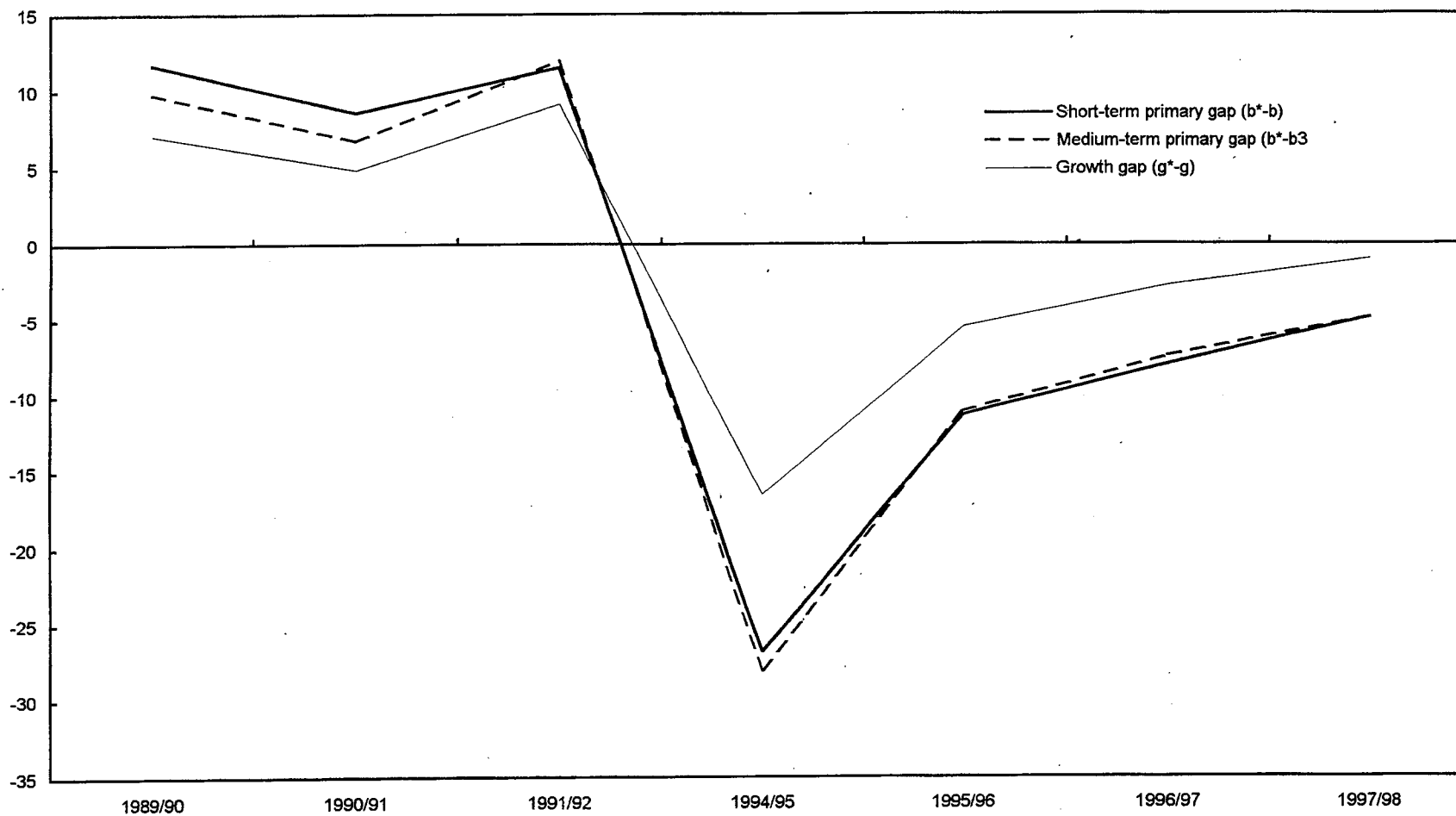
	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Debt-to-GDP ratio in <i>t-1</i>	86.1	96.5	108.5	122.4	126.5	174.3	135.5	121.6	112.0
Overall deficit, in percent of GDP	-7.6	-8.2	-6.6	-6.3	-9.2	-3.3	-1.8	-1.0	-1.7
Primary balance ( <i>b</i> )	-5.5	-4.1	-1.2	-1.5	-2.2	3.1	4.9	5.1	4.0
Primary balance, three-year average ( <i>b3</i> )	-3.6	-2.3	-1.6	-0.2	1.9	4.4	4.7	4.6	4.0
Implicit interest rate ( <i>r</i> ) (in percent)	2.3	4.3	4.8	3.9	6.0	4.4	5.4	5.4	5.4
Nominal GDP growth ( <i>g</i> ), (in percent) 2/	-4.6	-0.4	-4.3	-1.3	8.3	20.9	10.7	7.9	6.2
With implicit interest rate ( <i>r</i> )									
<i>b*</i>	6.2	4.5	10.3	6.4	-2.6	-23.7	-6.4	-2.8	-0.9
<i>b*-b</i>	11.7	8.6	11.5	7.9	-0.4	-26.9	-11.3	-7.9	-4.9
<i>b*-b3</i>	9.8	6.8	12.0	6.5	-4.6	-28.1	-11.1	-7.4	-4.9
<i>g*</i>	2.6	4.5	4.8	3.9	6.2	4.3	5.2	5.1	5.2
<i>g*-g</i>	7.1	4.9	9.2	5.2	-2.1	-16.6	-5.4	-2.8	-1.0
With <i>r</i> =10 percent									
<i>b*</i>	13.1	10.1	16.3	13.9	2.0	-15.7	-0.8	2.4	4.0
<i>b*-b</i>	18.6	14.2	17.5	15.4	4.2	-18.8	-5.7	-2.8	0.0
<i>b*-b3</i>	16.7	12.3	17.9	14.1	0.1	-20.1	-5.5	-2.2	0.0
<i>g*</i>	10.7	10.5	10.1	10.1	10.2	9.8	9.6	9.6	9.6
<i>g*-g</i>	15.3	10.9	14.5	11.4	1.9	-11.1	-1.1	1.6	3.4

1/ Fiscal year begins in July.

2/ *b\** is the sustainable primary balance, (*b\*-b*) and (*b\*-b3*) the primary gap indicators, *g\** the sustainable nominal growth, and (*g\*-g*) the growth gap. (See Appendix II).

The growth rate calculations do not take into account capacity underutilization which gives a lower "potential" growth profile than the earlier fiscal impulse analysis.

Figure 10. Cameroon: Primary and Growth Gaps, 1989/90-1997/98 1/  
(In percent of GDP)



1/ Fiscal year begins in July.  $b^*$  is the sustainable primary balance,  $(b^*-b)$  and  $(b^*-b3)$  the primary gap indicator,  $g^*$  the sustainable nominal growth, and  $(g^*-g)$  the growth gap. (See appendix II.)

56. However, despite these improvements, the average debt-to-GDP ratio rose from 103 percent during 1989/90-1992/93 to 134 percent during 1993/94-1997/98.<sup>38</sup> In addition, there was an unsustainable compression of expenditure. This increase indicates the limitations of analyses based on the primary balance concept: (a) analyzing fiscal sustainability in terms of convergence to a steady state equilibrium does not necessarily mean that the debt-to-GDP ratio would be stabilized to an optimal or desirable level; (b) fiscal performance, interest rates, and economic growth are not necessarily independent; and (c) private sector behavior may have an impact on government solvency (e.g., the onset of speculative runs in case of perceived future monetization of deficits). In addition, the analysis is limited in that the indicator of fiscal sustainability is based on previous-year debt-to-GDP ratios. For this reason, once growth picked up after the 1994 devaluation, the measure indicated an improvement in "sustainability" irrespective of the very high debt-to-GDP ratio. This could be misleading as the debt-to-GDP ratio is still unsustainable in absolute terms, requiring action to reduce it to more supportable levels. In this respect, it would be useful to examine fiscal sustainability from the point of view of a desirable total debt-to-GDP ratio (and some light is thrown on this question in Chapter V).<sup>39</sup>

### C. Conclusions

57. Sound fiscal policy is an important determinant of sustainable growth. This chapter has analyzed Cameroon's fiscal performance over the 1980s and the 1990s. The fiscal impulse measure suggests that Cameroon's fiscal policy stance was on average procyclical during 1979/80-1993/94, with developments in the fiscal position dominated by expansionary expenditure policies during 1979/80-1985/86, and by contractionary expenditure policies (internal adjustment) for most of 1986/87-1993/94. During boom years, the authorities increased government spending, particularly on investment, to levels that could not be sustained by domestic revenue. Government spending remained high until 1986/87, the first year of the recession, pointing to its rigidity and to the inability to adjust its level in the short run (given the limits on raising revenue). Later on, the government reacted to unanticipated shocks (revenue shortfalls) by abruptly cutting expenditures. The budget situation was aggravated by the increasing external debt burden. After the 1994 devaluation, the authorities appear to have adopted a modestly restrictive fiscal policy.

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<sup>38</sup> Progress toward sustainability indicates that the achieved primary surpluses resulted in an increase in the net government equity despite the increase in the debt-to-GDP ratio that followed the devaluation.

<sup>39</sup> Further analysis could look at alternative scenarios, such as (a) How many years of primary surpluses of 5 percent of GDP would it take for Cameroon to reach a sustainable debt ratio? and (b) If a ratio of 30 percent were to be reached by a terminal date, say 2004/5, how large would the annual primary surplus have to be?

58. Fiscal policy had a negative impact on the external current account and on private investment, particularly during 1986/87-1994/95. While the government was reducing its saving or dissaving, the private sector maintained a relatively high level of saving, which could be viewed as a hedge for future consumption. At the same time, however, private investment was kept at a low level, reflecting uncertainties about government policies and other structural constraints. In particular, by reducing outlays in social and economic infrastructure, the government appears to have constrained private sector investment and economic growth. Following the relative strengthening in the government position since 1995/96, accompanied by a slight recovery in public and private investment, the external current account deficit has remained at a manageable level. This environment seems to reflect a return of private sector confidence and is conducive to sustainable growth.

59. Given the statutory limits on bank financing in the context of the CFA zone, the government resorted to external borrowing or to the accumulation of arrears to finance its deficits. Indicators of fiscal sustainability were used to assess whether domestic the fiscal policy followed by Cameroon over the last nine years could be pursued without increasing indefinitely the debt-to-GDP ratio. These indicators suggest that fiscal policy implemented before 1993/94 was not sustainable. There appears to have been a tentative shift toward fiscal sustainability after the 1994 devaluation, with the resumption of growth and improvement in economic and fiscal policies (notably the strengthening of tax administration). These results, however, ignore the compression of primary expenditures and the impact of the high debt-to-GDP ratio, which is taken up in Chapter V. In particular, fiscal sustainability, would depend crucially on enhanced revenue performance and on further donor assistance and debt relief in the context of the Paris and London Clubs.

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### Fiscal Impulse Indicators

60. From a base period in which macroeconomic imbalances are small, a cyclically neutral balance is computed for each year ( $CNB_t$ ). Revenue (expenditure) is obtained by applying the base year revenue (expenditure)-to-GDP ratio ( $t_o$  ( $g_o$ )) to that year's actual  $GDP_t$  (potential output). The cyclical effect of the budget ( $CEB_t$ ), or the fiscal stance, is the difference between the actual budget balance ( $B_t$ ) and the cyclically neutral balance ( $CNB_t$ ). The fiscal impulse ( $FI_t$ ) is the change in the cyclical effect of the budget. For each period  $t$ , these relations are summarized as follows:

$$B_t = G_t - T_t \quad (3)$$

$$CNB_t = g_o Y_{pt} - t_o Y_t \quad (4)$$

$$CEB_t = B_t - CNB_t = (G_t - g_o Y_{pt}) - (T_t - t_o Y_t) \quad (5)$$

$$FI_t = \Delta CEB_t = (\Delta G_t - g_o \Delta Y_{pt}) - (\Delta T_t - t_o \Delta Y_t) \quad (6)$$

where  $\Delta$  denotes the first-difference operator.<sup>40</sup> Following Chand (1984) and Howáth, Thacker, and Ha (1998), the fiscal impulse indicator can be decomposed into a revenue impulse ( $TI_t$ ) and an expenditure impulse ( $GI_t$ ). Relation (4) may be rearranged to derive (5) below. The impact of government revenues is neutral if revenues and actual GDP grow proportionally (unitary revenue elasticity); their impact is expansionary (contractionary) if they grow less (more) than proportionally. Similarly, the impact of government expenditures is neutral if expenditures and potential output GDP grow proportionally (unitary spending elasticity); their impact is expansionary (contractionary) if they grow more (less) than proportionally:

$$FI_t = (t_o \Delta Y_t - \Delta T_t) + (\Delta G_t - g_o \Delta Y_{pt}) \quad (7)$$

$$= \widetilde{TI}_t + \widetilde{GI}_t$$

---

<sup>40</sup> An alternative indicator of the fiscal impulse is the "Dutch budget impulse where the base year corresponds to the preceding year:

$$FI_t = (\Delta G_t - \theta^* G_{t-1}) - (\Delta T_t - \theta T_{t-1})$$

$$FI_t/Y_{t-1} = (\Delta G_t / G_{t-1} - \theta^*) g_{t-1} - (\Delta T_t / T_{t-1} - \theta) t_{t-1}$$

where  $\theta^*$  and  $\theta$  are the growth rates of potential and actual GDP, respectively.

### Measuring Fiscal Sustainability

61. From the usual financing identity, the change in nominal debt is given by the following equation:

$$\Delta D = (I-B) - E \quad (8)$$

which relates the change in government debt ( $\Delta D$ ) with interest payments ( $I$ ), the primary balance ( $B$ , assumed to be in deficit), and other financing elements ( $E$ ). The first component of the right-hand side of equation (8) is the overall budget deficit. Dividing equation (8) by GDP ( $Y$ ) and defining  $I = rD_{-1}$  where  $r$  is the nominal interest rate, and  $Y = (1+g)Y_{-1}$  where  $g$  is the nominal GDP growth rate, relation (8) gives the following dynamic equation (with  $E$  expected to cancel out in the long run):

$$\Delta d = (r-g)*d_{-1}/(1+g) - b \quad (9)$$

where  $d$  is the debt-to-GDP ratio and  $b$  the ratio of primary balance to GDP. In case  $g$  is higher than  $r$ , the system is stable and converges to a finite debt-to-GDP ratio for any given level of the primary balance (even primary deficits). The debt-to-GDP ratio would converge to  $-b(1+g)/(g-r)$ , a positive value. In case of primary surpluses, the debt-to-GDP ratio would decline steadily at the rate  $(g-r)/(1+g)$ . When the interest rate is higher than the growth rate, primary surpluses ( $b < 0$ ) would be needed to stabilize the debt-to-GDP ratio at the outstanding level ( $d_{-1}$ ).

62. Under the solvency condition, the intertemporal budget constraint is given by <sup>41</sup>

$$d_t = -\sum_{j=0}^{\infty} a^j b_{t+j} \quad (10)$$

where  $a = (1+r)/(1+g)$ .

63. Equation (10) relates the current debt-to-GDP debt ratio to discounted primary surpluses. Discounted primary balances should be large enough to exceed the outstanding stock of debt. In other words, for the government to be solvent, the present value of government spending programs should be equal to its net wealth.<sup>42</sup> From relation (9), it can be shown that, for any

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<sup>41</sup> Under the stability condition ( $r < g$ ),  $\lim_{j \rightarrow \infty} a^j d_0 \rightarrow 0$  when  $j \rightarrow \infty$  (Zee, 1998). If the interest rate were higher than the growth rate, changes in fiscal policies would be necessary, requiring persistent spending cuts or tax increases; otherwise, the government would borrow to service the ever-growing debt (continuing on an exploding debt path).

<sup>42</sup> Solvency assumes that this condition is met ex ante. The government will always meet this constraint ex post, either through fiscal adjustment, debt repudiation, the accumulation of arrears, or monetization of deficits.

(continued...)

given period  $t$ ,  $b^*$  is the surplus that would be required to stabilize the debt-to-GDP ratio at its current level:

$$b^* = d_{-1} (r-g)/(1+g). \tag{11}$$

64. The difference between the sustainable primary balance  $b^*$  and the actual primary balance  $b$  is an indicator of required fiscal adjustment that would be needed **permanently** to stabilize the debt-to-GDP ratio, defined as the primary gap:

$$v = b^* - b = d_{-1} (r-g)/(1+g) - b \tag{12}$$

65. The size of the gap depends on the outstanding debt, the nominal GDP growth, the nominal interest rate, and the actual primary balance. A positive value for  $v$  indicates the fiscal effort that the government would need to stabilize its previous-years' debt and to honor its debt obligations. A negative value would indicate that the government has amassed a "budgetary margin" in its effort to achieve solvency. The higher the level of interest rate, the larger is the primary gap. It can also be shown that the primary gap is a decreasing function of the growth rate. Finally, the amplitude of the impact depends on the debt-to-GDP ratio.

66. The composition of government spending out of public borrowing thus becomes critical. Efficient use of resources in productive government investments (for example, human resource development and economic infrastructure) may help stabilize and even reduce the debt burden, while a financing of government consumption out of external borrowing could have adverse consequences on the debt burden and lead to an explosive debt path.

67. It is also clear that equations (9) and (12) are equivalent (measuring the change in debt-to-GDP ratio), which indicates that the primary gap increases at the same rate as the debt-to-GDP ratio. Delaying the adjustment would thus imply a steeper adjustment in the future.

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<sup>42</sup>(...continued)

#### IV. CIVIL SERVICE DEVELOPMENTS AND REFORMS<sup>43</sup>

68. *By the early 1990s, Cameroon's civil service wage bill had become unsustainably large. This chapter reviews the efforts to reverse this situation, notably by lowering nominal and real salaries until 1996, downsizing employment, and attempting to improve civil service management. It analyzes the existing salary structure, which combines a compressed salary scale with a complicated system of salary supplements. One of the conclusions is that there is scope for additional departures from noncore ministries.*

##### **Introduction**

69. At the onset of the economic crisis in the mid-1980s, the civil service wage bill, at 5-6 percent of GDP, was below the average for sub-Saharan Africa. The government's initial reaction to the crisis was to limit fiscal deficits by cutting capital and extrabudgetary expenditures, rather than by reducing current outlays. Although the overall fiscal situation had clearly become unsustainable, little attempt was made to bring the wage bill into line with developments in nominal GDP. As a result, the wage bill rose rapidly in the late 1980s and peaked at nearly 9½ percent of GDP in 1992. The increase in the wage bill was much higher than in other CFA franc countries, as well as those outside the CFA region in sub-Saharan Africa (Figure 11). However, by 1993, in the face of widespread expenditure arrears and a collapse of revenues, the government had little alternative but to drastically cut current expenditures, including salaries, and to seek additional debt reschedulings (see Chapter V).

70. This chapter assesses the actions taken in the 1990s to reverse the unsupportable increase in salary outlays. Section A focuses on the progress made in downsizing staff, and includes a discussion of the departure programs begun in 1995. After analyzing the structure of salaries, Section B examines the sharp reductions in nominal salaries, especially those decided in 1993, together with the problems generated by the recent efforts to redress the accumulated wage and promotion arrears and, more generally, the low level of government salaries compared with those outside government. The inadequacies of personnel and salary management, and their related computerized information systems, are examined in the appendix to this chapter. The final section discusses orientations and options for future reforms in these areas.

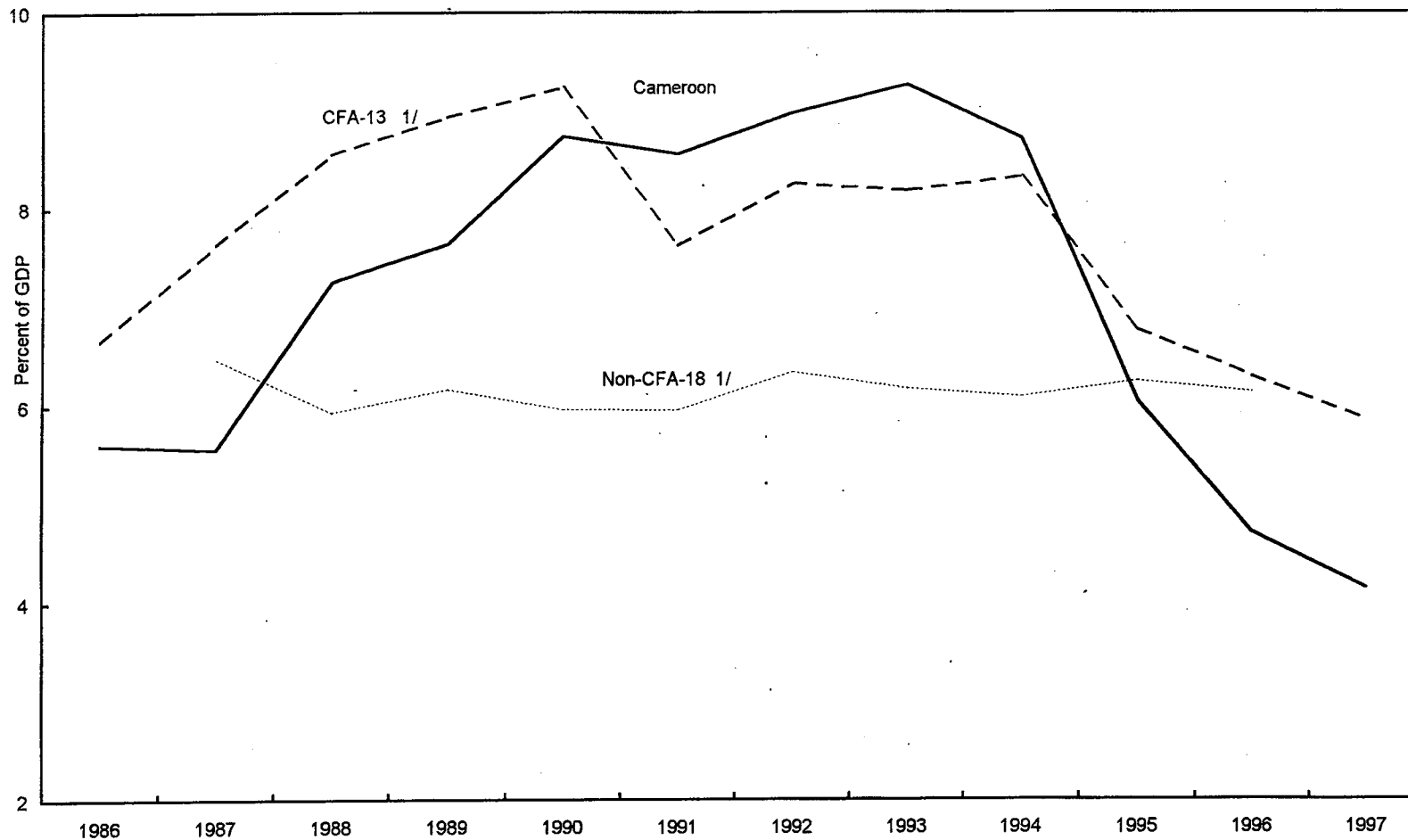
##### **A. Progress in Downsizing**

71. Since 1990, Cameroon has downsized its civil service considerably, at least when compared with most other CFA franc countries. However, the ratio of civil service employment to the overall workforce is still relatively high compared with other countries in the region.

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<sup>43</sup>Prepared by Ian Lienert.

Figure 11. Cameroon and Other Countries: Wage Bill as Percent of GDP, 1986-97



Sources: Ian Lienert and Jitendra Modi, "A Decade of Civil Service Reforms in Sub-Saharan Africa", IMF Working Paper 97/179 (Washington) International Monetary Fund 1997) and IMF, *International Financial Statistics*.

1/ CFA-13: Average of 13 countries in the CFA -Franc zone, excluding Cameroon.  
 CFA-18: Average of 18 sub-Saharan African countries outside the CFA -Franc zone.

## Evolution of employment

72. Since 1990, the government has reduced civil service employment at an average annual rate of 2 percent, which is somewhat faster than the average for CFA franc countries, (Figure 12).<sup>44</sup> Central African Republic, Côte d'Ivoire, and Congo have seen comparable falls, whereas government employment in Burkina Faso, Chad, Equatorial Guinea, Gabon, Mali, Niger, Senegal, and Togo rose during 1990-97 (although some of these countries have also seen declines since 1995). Nonetheless, government employment in Cameroon (excluding the military) still stands at 1 percent of total population, whereas the average for the ESAF-eligible CFA franc countries is well below this level. Outside the CFA franc countries, experience with downsizing has also been mixed.<sup>45</sup>

73. The fall in total employment, including the military, during 1990-97 amounted to some 27,000 people (Table 10). Data for early 1999 indicate that the government labor force, including contractuels, stood at about 161,000, of which 131,000 were civil servants. Much of this downsizing occurred prior to 1995, although over the past three years, civil service employment has continued to fall by some 8,000. In contrast, the size of the military has increased by about 12 percent.<sup>46</sup>

74. Care is needed when interpreting the available data. For example, "ghost workers" may bloat the number of civil servants. Partly for this reason, a census of employees was conducted in 1993, and some fictitious workers were discovered. However, this census was incomplete, as the military, police, Presidency, Prime Minister's Office, and Justice Department were excluded from the survey. Moreover, the 1993 census results were not used to correct all of the inconsistencies between staff working in ministries and those recorded on the civil service payroll. To correct this situation, the government is planning to complete a second census of all employees by the end of 1999, which will include all ministries and agencies.

75. The broad trends in government employment in Cameroon shown in Figure 12 can be explained by various policy actions. First, there has been a recruitment freeze since 1987 in most ministries, which has contributed to the lowering of employment. The main exception is the Ministry of Education, which has an arrangement for the automatic recruitment of graduates from specialized training institutes. The Justice Department was also excluded from the freeze in 1998. Second, the retirement ages for contractual workers were lowered by

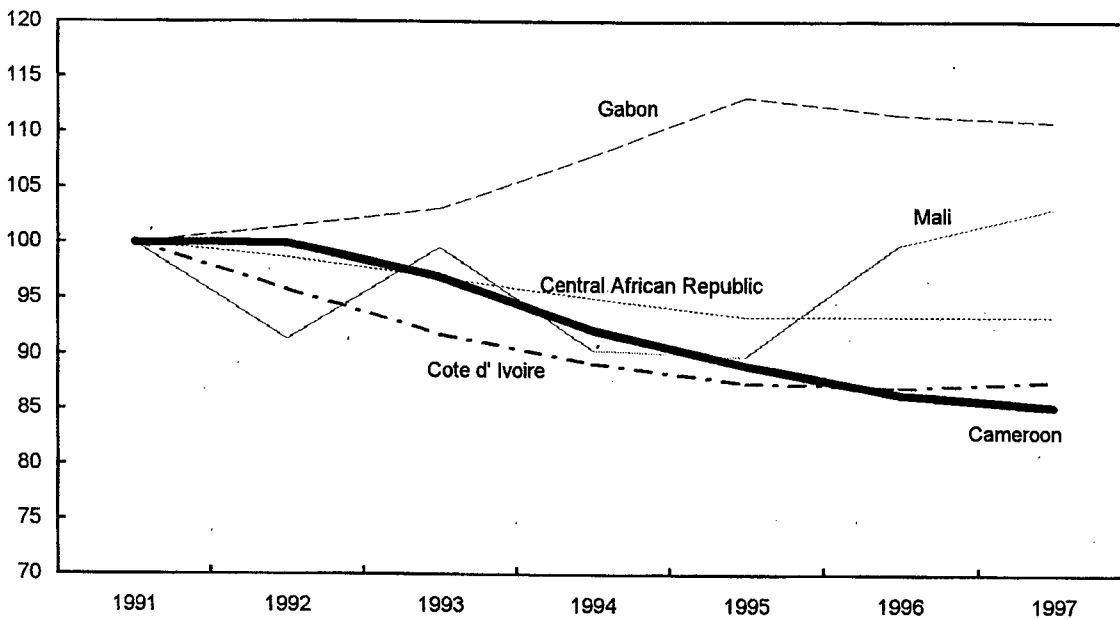
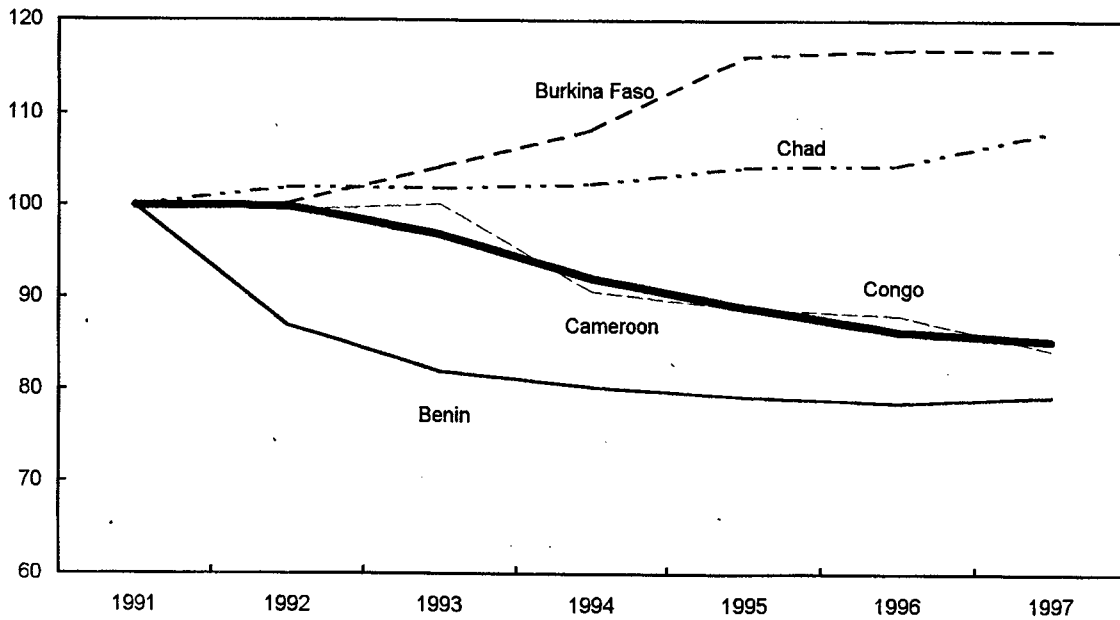
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<sup>44</sup>Care should be taken in interpreting these results because of problems related to the coverage of the employment concepts used.

<sup>45</sup>See Ian Lienert and Jitendra Modi, "A Decade of Civil Service Reforms in Sub-Saharan Africa," IMF Working Paper 97/179 (Washington: International Monetary Fund, 1997).

<sup>46</sup>Reflecting the border conflict with Nigeria.

Figure 12. Cameroon and Other Countries: Government Employment, 1991-97  
(Index 1991=100)



Source: Ian Lienert and Jitendra Modi "A Decade of Civil Service Reforms in Sub-Saharan Africa" IMF, Working Paper 97/179 (Washington, International Monetary Fund 1997).

Table 10. Cameroon: Government Employment, 1990-98 1/

	1990	1993	1995	1996	1997	1998
	(mid-year estimates 2/)					
General government services	..	..	13,685	13,631	13,003	12,919
Defense	..	..	26,753	28,049	28,021	30,091
Police and justice	..	..	14,425	13,890	13,556	13,164
Education (including tertiary)	..	..	52,099	52,351	53,128	54,468
Health	..	..	15,202	14,729	14,227	13,968
Social security	..	..	2,338	2,143	2,021	1,961
Housing and community affairs	..	..	2,419	2,329	2,250	2,118
Recreation and culture	..	..	3,378	3,364	3,175	3,114
Energy and mining	..	..	546	526	509	486
Agriculture, forestry, and fishing	..	..	12,402	12,143	11,405	10,977
Public works, transport and communications	..	..	9,061	8,839	8,568	7,645
Other ministries 3/	..	..	13,496	11,283	10,434	10,180
Total number of staff	188,040	173,255	165,804	163,277	160,297	161,091
<i>Of which: excluding defense</i>	..	..	139,051	135,228	132,276	131,000
Memorandum items:	(Share of total employment, in percent)					
Defense, police and justice	..	..	24.8	25.7	25.9	26.9
Education (including tertiary)	..	..	31.4	32.1	33.1	33.8
Health	..	..	9.2	9.0	8.9	8.7
Agriculture, forestry, and fishing	..	..	7.5	7.4	7.1	6.8

Sources: Cameroonian authorities (for employment in each ministry); and IMF staff (for reclassification).

1/ The numbers refer to those paid by the government payroll (Solde), which could be higher than the actual number of staff employed. Military personnel are included in defense. The post office is excluded.

2/ The month of June is shown for all years except 1998, where July is shown (it includes the lay offs of June 1998).

3/ Ministries of Economy and Finance, Commerce and Industry, Tourism, and Scientific Research. Ministries create in the 1990s are classified under the ministries to which the functions were previously attached.

5 years in 1993 when they were aligned with those of full-fledged civil servants.<sup>47</sup> Third, it was also decided in 1993 to lay off all workers with more than 30 years of service. The two measures reduced staff numbers by about 8,000-9,000 in 1993. Fourth, the official retirement ages of 55 (regular) or 50 (contractual) years are reported to have been enforced more strictly. A final factor, which has been important since 1995, has been the program of voluntary and compulsory departures.

### **Departure program and ministerial reviews**

76. By early 1999, nearly 8,000 civil servants had benefited from an incentive package to leave the civil service. Since the number of civil servants willing to leave voluntarily has consistently exceeded the available financing, the departure package (described in Box 2) has been more than adequate to induce departures. To date, about 60 percent of the departures have been compulsory and the remaining 40 percent voluntary. The ministries experiencing the largest number of departures were Finance (2,400), Public Works (1,100), Education (900), and Territorial Administration, Health and Agriculture (each about 500 employees).

#### **Box 2: Civil Service Departure Packages**

Civil servants have the option to volunteer to leave. They may also be required to leave if they met criteria such as repeated absenteeism and lack of motivation. Not all volunteers have been accepted, especially if they are judged to play a crucial role in attaining a ministry's objectives.

##### **The package**

##### **Part A (2-2½ years' salary) applies to departures as follows:**

- for voluntary departures, 30 months' base salary; and
- for compulsory departures, 24 months' base salary.

##### **Part B, other benefits applies to all departures as follows:**

- salary arrears from September and October 1993;
- promotion arrears from 1989;
- reimbursement of social security (CNPS) contributions (without interest).

##### **Financing**

Part A was financed by donors (France and the European Union), whereas part B was financed by the budget.

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<sup>47</sup>In particular, the retirement age of Category IX-XII contractuels was lowered from 60 to 55 years, the same as civil servants in the A1 and A2 grades; for contractuels in the VII-VIII categories, the retirement age was reduced from 55 to 50 years, the same as civil servants in the B, C, and D grades. The early retirement age of 50 years was enacted in 1990.

77. The downsizing took place in parallel with the preparation of ministerial staffing plans (POEs = *Plans d'Organisation et d'Effectifs*). Launched in 1991 under the "Global Strategy for Administrative Reform," the original aims of the POEs were to evaluate the missions and responsibilities of each administrative unit, set priorities, and decide which activities or staff positions should be discontinued. However, in practice, delays were experienced in completing the POEs. The POEs were also not directly linked with the layoffs that actually took place, which were independent of the publication of the number of staff posts in each ministry. Indeed, although full-fledged POEs have been completed for some ministries, they have not yet specified the number of posts to be budgetized for every division of key ministries such as Finance, Education, and Health.

78. Moreover, although it was initially proposed to rationalize the ministerial structure – for example, to reduce the number of rural sector ministries – the POEs have considered the existing structure as "given." At the same time, owing mainly to political considerations, three new ministries have been created, namely, the Ministries of Urban Development, Women's Affairs, and Investment. As a result of these decisions, there are now 35 ministries or agencies, with often more than one ministry covering a given function (see Table 11). Also, the Ministry of Defense, the Police, the Presidency (and services thereof), Parliament, the Prime Minister's Office, the Supreme Court, the Controle Supérieur d'Etat (the audit agency), and the Economic and Social Council, have been excluded from the POE exercise. Finally, although it was initially envisaged that the functions of the Post and Telecommunications Office (PTO would be reviewed), in 1996 it was decided not to do so, pending a government decision on its restructuring. This suggests that there is scope for further rationalization and additional departures from noncore ministries.

## **B. Structure and Evolution of Remuneration**

### **Structure of salaries and wage supplements**

79. The structure of **base salaries** is complex, with elaborate scales applying to the four main categories of employees: civil servants, contractual workers, the police, and the military. For **civil servants**, there are six main categories with 12 levels within each category. The lowest-paid civil servant earns a base salary of CFAF 34,000 per month, with the increments at higher salary levels decreasing substantially. This system has resulted in a very compressed base salary structure, with a detrimental impact on incentives. The **police and military** salary scales are based on similar principles to those of civil servants, although they also include a housing allowance (see Box 3). Finally, for **contractual employees**, there are 12 salary levels.

Table 11. Cameroon: Number of Ministries or Agencies by Function, 1998/99

Functional classification: (GFS categories)	Number of:			Budget Heading Number (1998/99 budget)
	Ministries	Agencies	Total	
General Public Services (executive, legislative, finance, external affairs, and general services)	6	6	12	01-07, 10, 19-20, 22,50
Defense	1		1	13
Police and justice	2	1	3	08-09 12
Education (primary, secondary, and tertiary)	2		2	15, 18
Health	1		1	40
Social security	3		3	41-43
Housing and community affairs	2		2	37-38
Recreation and culture	2		2	14, 16
Fuel and energy	1		1	32
Agriculture, forestry, and fishing	3		3	30,31,33
Mining and minerals; construction	1		1	36
Transportation and communications	2		2	17, 46
Other economic affairs and services (trade, tourism, labor, and other)	2		2	21, 23
Total number of ministries or agencies	28	7	35	

Sources: 1998/99 budget; and IMF staff.

### Box 3: Supplements to Base Salaries

Base salaries are augmented by near-universal allowances or by allowances specific to particular jobs. The following is a non-exhaustive list of such supplements:

- The flat supplement. All government employees, other than certain contractuels, receive CFA 2,000 per month extra.
- Housing allowance. All **civil servants** without government-provided housing receive an allowance equal to 8 percent of base salary; for the **military** it is 20 percent;
- Family benefits. These provide CFAF 1,800 per month per child under 21. For large families, this is a considerable boost. For example, for the lowest paid civil servant with six children, the total supplement would amount to over 30 percent of base salary.
- Bonuses linked to position granted to specified professionals. For example, magistrates receive CFAF 30,000-130,000 per month (depending on grade).
- Representation and responsibility bonuses. These are provided to civil servants who represent their departments on special committees and range from CFAF 10,000 to CFAF 30,000 per month.
- Technical bonus. For example, physical education teachers in the Ministry of Youth and Sport receive CFAF 12,000-15,000 per month.
- Risk bonus for particular workers, where there are risks to health, of accidents, etc. For example, prison guards receive CFAF 7,000-12,000 per month.
- Bonuses for uniformed personnel of the army, police, and customs.

80. In addition to base salaries, which are taxable, civil servants, the police and military receive **official salary complements**, which are tax exempt and can provide a substantial boost to salaries. Unlike base salaries, these complements are generally not subject to income tax (see Box 3). Some of these take the form of flat-rate benefits and could well be integrated with base salaries. Besides cash official allowances, certain senior staff are entitled to an official car, with chauffeur and a vehicle maintenance allowance. Also, some high-ranking officials are still eligible for government-supplied housing (in 1991 the number eligible was reduced to about 3,000 people from 9,000 previously). In some cases, cash allowances for telephone, electricity, and water are also provided (e.g., for magistrates). **Unofficial salary supplements** may boost salaries even further, with low salaries providing an incentive to civil servants to accept bribes.

81. One of the consequences of this complex salary structure is a lack of transparency: (a) the structure of budgeted expenditures is distorted, with the "true" wage bill considerably higher than officially recorded; and (b) although the salary structure may initially appear

compressed, salary supplements at the higher pay scales can exceed base salaries by 100 percent or more.

### **Development in nominal and real wages**

82. Nominal salaries have fallen sharply since the early 1990s, mainly as a result of the massive salary reductions in 1993. For identical grades, civil service nominal wages in early 1999 were some 50 percent lower than what they were 14 years earlier. The fall has been particularly sharp for higher-salary employees (Table 12). Prior to 1993, the government had been reluctant to adjust expenditures on salaries to any significant extent, even though total revenue was cut by one-half of one percent of GDP during 1985-93. As consequence, the wage bill rose from 25 percent of revenue in 1985 to 60 percent in 1992. No other country in sub-Saharan Africa experienced such a rapid deterioration in this ratio (Figure 13).

83. Faced with an ever-increasing fiscal deficit, the government reduced nominal salaries in January 1993 by about 15 percent on average for civil servants, but with larger cuts applied to the highest salaries (but no reduction was made of police and military personnel). The housing allowance for civil servants was also reduced, from 20 percent of base salaries to 8 percent. However, contractual wages (at the lowest level) and military salaries and allowances were not lowered at that time. Moreover, the impact of the salary reduction on the wage bill was attenuated because the government took over the responsibility for the salary payments for the salary payments for certain staff such as university professors, and public sector workers transferred from public enterprises.

84. With the revenue decline accelerating in 1993, the initial reduction in salaries proved to be inadequate. Although the government had been accumulating arrears on nonwage outlays and debt servicing for some time, by October 1993 the government was no longer able to pay civil servants. Subsequently, in a drastic action in November 1993, the government reduced the nominal civil service wage scale by 32 percent to 54 percent, depending on grade. The reduction for higher-income earners was even larger. Also, this time the government reduced military wages by 15 percent across the board.

85. Following the devaluation of the CFA franc in January 1994, domestic inflation initially accelerated to 35 percent before tapering off. In contrast to some of the other countries in the CFA franc zone, where nominal salary increases of 10-15 percent were granted, Cameroon kept nominal salaries unchanged. As a consequence, the purchasing power of civil service salaries again received another large negative shock, with the decline in real wages cumulating to 35 percent during the two years 1994-95.

86. The salary scale remained unchanged until February 1997, when salaries were raised by 25 percent on average, with little impact on salary differentials. With the salary increase, civil servants' promotion increments were unfrozen for the first time since 1989. In the eight preceding years civil servants were regularly promoted to higher salary brackets every two

Table 12. Cameroon: Government Salary Scales, 1985-99 1/

	1985 - Jan. 1993		Jan. - Oct. 1993		Nov. 1993 - Feb. 1997		Feb. 1997 - present	
	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
	(Monthly compensation, in CFA francs) 1/							
Civil servants 2/ 3/	53,562	505,060	48,407	363,798	32,164	167,179	38,720	216,204
Contractuals 4/	35,485	266,725	35,485	213,380	23,064	104,774	30,676	133,142
Police and military	57,881	424,264	57,881	424,264	49,257	361,049	49,257	361,049
	(Percentage changes, cumulative from 1985)							
Civil servants 2/3/			-9.6	-28.0	-39.9	-66.9	-27.7	-57.2
Contractuals 4/			0.0	-20.0	-35.0	-60.7	-13.6	-50.1
Police and military			0.0	0.0	-14.9	-14.9	-14.9	-14.9
Memorandum items:			(Ratios)					
Compression ratios (highest/lowest salaries)								
Civil service maximum divided by minimum		9.4		7.5		5.2		5.6
Civil service maximum divided by contractual minimum		14.2		10.3		7.2		7.0
Police/military maximum divided by contractual minimum		12.0		12.0		15.7		11.8

Source: Cameroonian authorities.

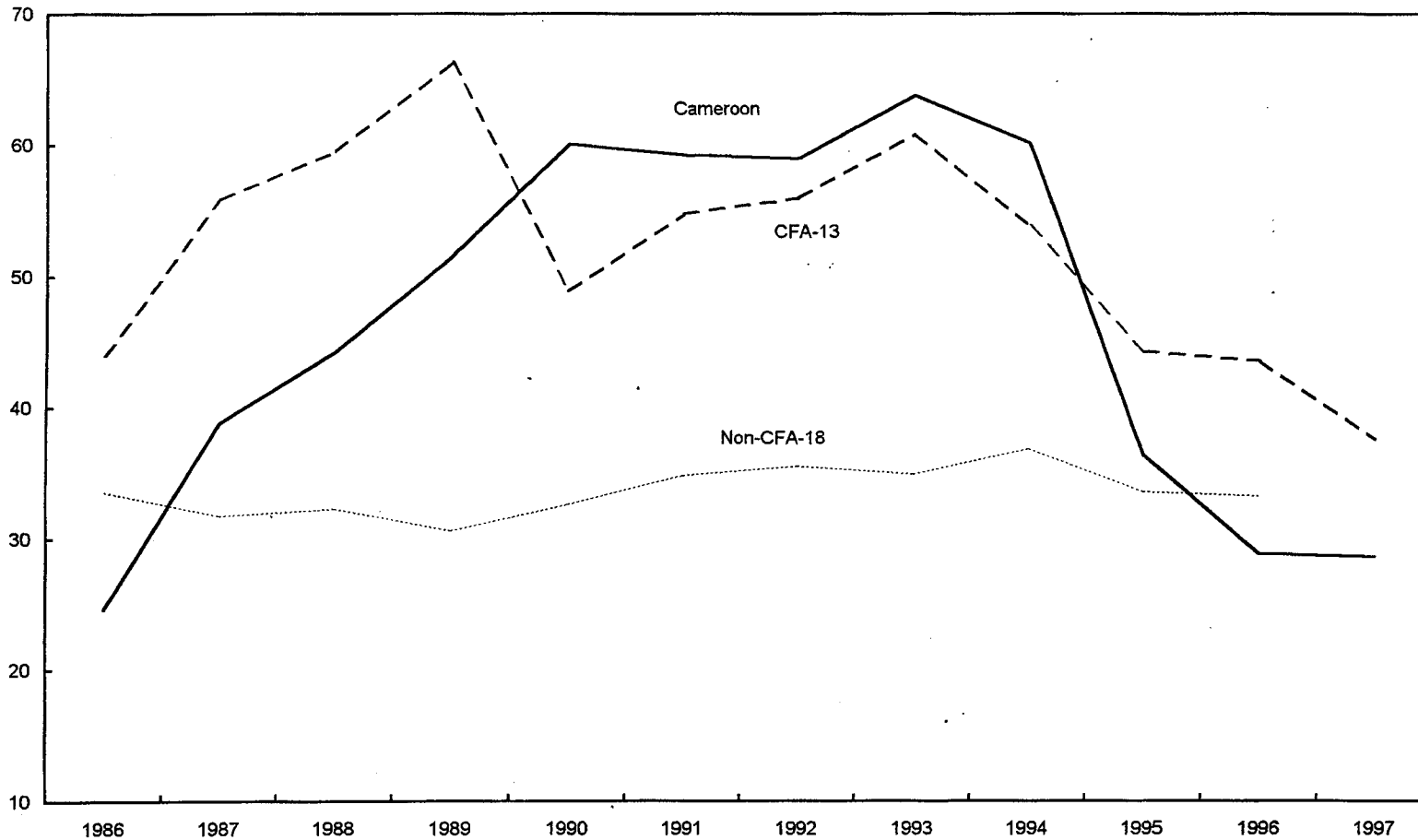
1/ The scales are inclusive of flat-rate complements and the housing allowance (which is currently 8 percent of base salary)

2/ Minimum is lowest salary of grade D; maximum is highest salary of grade A2

3/ Excluding police and military personnel.

4/ Minimum is average of 12 echelons in Category I, zone 1; maximum is average of 12 echelons of base salary in Category XII.

Figure 13. Cameroon and Other Countries: Wage Bill as Percent of Revenue, 1986-97



Sources: Ian Lienert and Jinerta Modi: "A Decade of Civil Reforms in Sub-Saharan Africa" IMF Working Paper 97/179 (Washington: International Monetary Fund 1997) and IMF, *International Financial Statistics*.

1/ CFA-13: 13 countries of CFA -Franc zone, excluding Cameroon.

CFA-18: 18 sub-Saharan African countries that are not in CFA -Franc zone.

years (*glissement catégoriel*), but the promotion increments were not paid. As a result, very large promotion payments arrears built up, amounting to about 3 percent of GDP in early 1999.<sup>48</sup> The process of regularizing civil servants' salaries is taking longer than expected, since the necessary documentation to verify the promotions claimed during 1989-97 is, in some cases, still being compiled. Also, the Ministry of Finance is paying promotion increments only to the extent allowed by the budgeted annual wage bill. More than two years since the unfreezing of promotions was announced, this salary control measure could be resulting in new promotion arrears. Besides promotion arrears, since 1996, the government has been paying salary arrears dating from 1993: by early-1999, only CFAF 19.5 billion of unpaid arrears dating from October 1993 remained.

### Relative wages

87. This section examines relative salaries from three perspectives: (a) salary differentials between different government activities; (b) civil service salaries compared with the private and parastatal sectors; and (c) international comparisons. On the first point, the average salary in different sectors varies widely. For example, although health is a priority sector, the average health worker earns only about \$140 per month, 30 percent below the average salary in education of \$200 per month (Table 13). Second, there are large gaps between government salaries and those of nongovernment sectors, comprising the private sector, the parastatals (where unofficial salary increments are also widespread), and the highly paid donor sector. Statutory civil service salary ranges have not been formally updated since 1985, at which time starting salaries outside education were typically 50-80 percent of those in the private sector. Not surprisingly, the largest differentials were at the highest skill levels. When civil service salaries were reduced substantially in 1993, there were some reductions in private sector nominal salaries, but by a lesser extent. Thus, the gap between government and nongovernment salaries widened even further.

88. The third comparison is with salary levels in neighboring countries. The evidence suggests that, within the CFA region, Cameroon's average salary in CFA francs is very low, with only Chad lower in the nine-country comparison shown in Table 14 (see also Figure 14). Similarly, Cameroon's average civil service salary is only 3¾ times that of GDP per capita; again this is among the lowest in the region.<sup>49</sup>

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<sup>48</sup>The government has announced its intention to securitize the promotion arrears incurred prior to February 1997.

<sup>49</sup>Care is required in interpreting this indicator, since the structure the GDP and population differ across countries. For example, this indicator is low in Cameroon and in Gabon because nominal GDP is boosted by the petroleum production sector (which is absent in most CFA countries).

Table 13. Cameroon: Government Employment and Average Salaries by Sector, June 1997

	Education 1	Health	Parliament 2/	Police, Min. of Defense 3/	Other Civil Service 4/	Total Civil Service	Military	Total, Includ. Military
(In units indicated)								
Monthly wage bill (billions of CFA francs)	6.2	1.2	2.2	2.0	5.1	16.7	3.0	19.7
Civil servants	5.4	1.0	2.1	2.0	3.6	14.0		14.0
Contractuals	0.8	0.2	0.1	0.0	1.5	2.7		2.7
Employment (number at June 30, 1997)	53,128	14,227	12,798	10,470	52,123	142,746	17,551	160,297
Civil servants	39,946	11,079	11,494	9,900	28,088	100,507		100,507
Contractuals	13,182	3,148	1,304	570	24,035	42,239		42,239
Average monthly wage (in thousands of CFA francs)	117	82	172	192	97	117	172	123
Civil servants	135	90	182	199	128	140		140
Contractuals	64	54	86	74	62	63		63
Average monthly wage (in U.S. dollars) 5/	201	141	295	329	167	200	295	211
Civil servants	231	155	312	341	219	240		240
Contractuals	109	93	148	127	106	108		108
Memorandum items:								
(In percent, unless otherwise indicated)								
Share of each sector in:								
Total employment	33.1	8.9	8.0	6.5	32.5	89.1	10.9	100.0
Total wage bill	31.6	5.9	11.2	10.2	25.8	84.7	15.3	100.0
Share of contractuals in employment of sector	24.8	22.1	10.2	5.4	46.1	29.6	...	26.4
Share of wage bill in GDP	1.5	0.3	0.5	0.5	1.2	3.9	0.7	4.6
Average wage divided by GDP per capita	3.8	2.7	5.6	6.2	3.2	3.8	5.6	4.0

Sources: Cameroonian authorities and staff estimates (for GDP per capita).

1/ Includes 3,475 employees in tertiary education (of which: 1,753 contractuals).

2/ Includes Parliament, the Presidency, the Prime Minister's Office, and support staff.

3/ The police (*gendarmerie*) plus 63 Ministry of Defense staff classified as civil servants.

4/ All other ministries. The Post and Telecommunications Office is excluded.

5/ Converted at June 1997 average exchange rate of CFA francs 583 per U.S. dollar.

Table 14. Cameroon and Selected countries: Average Government Salaries, 1997

Country	Average salary 1/ (CFA 1000 per annum)	Average salary divided by GDP/capita (ratio)
Cameroon	1,300	3.7
Benin	1,900	8.8
Burkina Faso	1,700	13.4
Central African Republic	1,300	7.2
Chad	1,100	11.6
Congo	1,500	3.1
Cote d'Ivoire	3,900	9.4
Gabon	5,400	2.5
Mali	1,500	11.7
Senegal	2,400	7.5
Togo	1,900	9.4

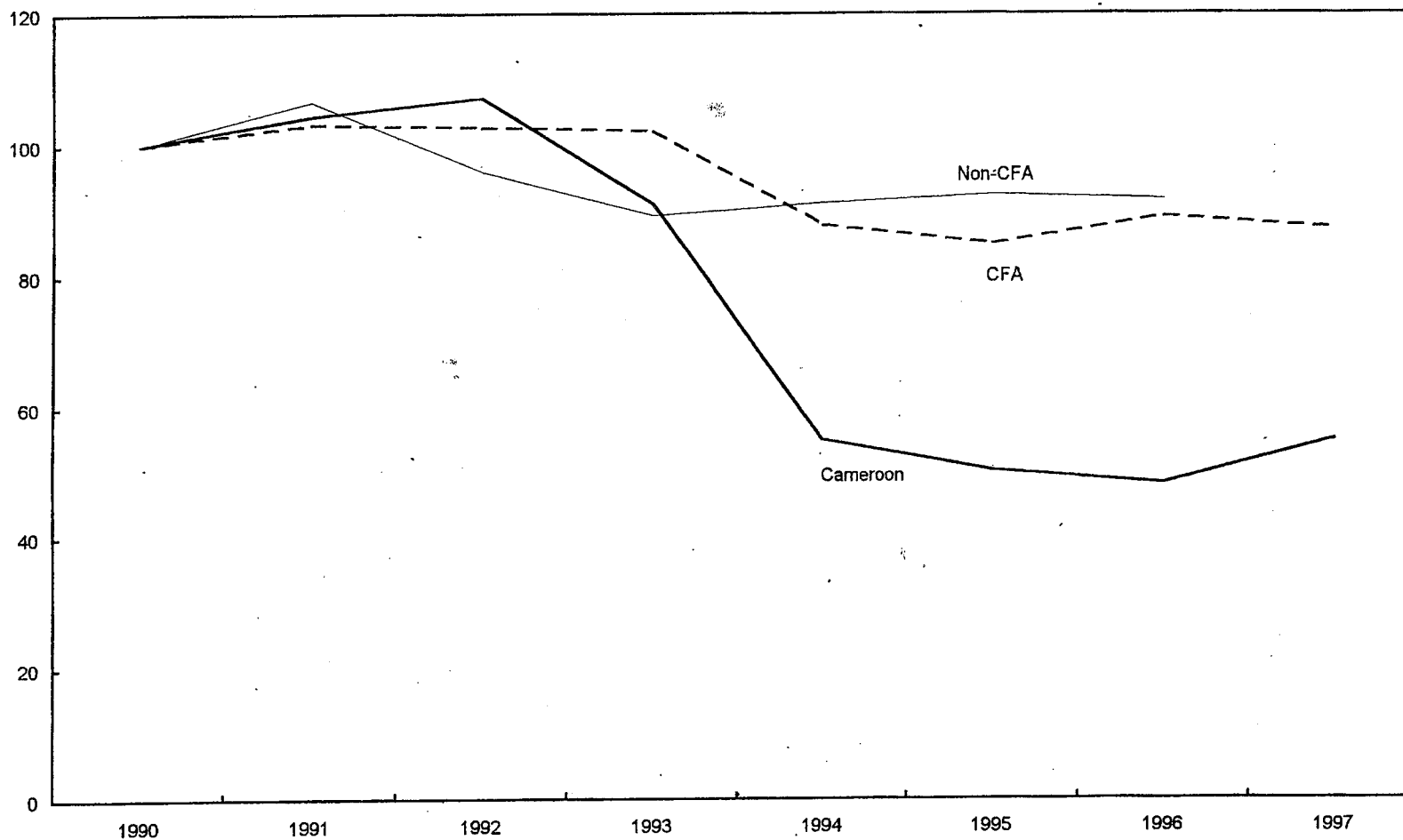
1/ Includes military. Calculated as government wage bill divided by government employment (i.e., civil service plus the military). Care should be taken in comparing the data as there may be differences of coverage.

### C. Conclusions

89. Over the past 14 years, Cameroon's wage bill rose from below the sub-Saharan Africa average in 1985 to among the highest in 1992. There has been since considerable progress in the 1990s in reducing the size of the wage bill to a more manageable level. Nominal salaries have fallen sharply and are now at levels which are affordable and government employment has been reduced by more than 25 percent. However, these achievements have not been without a cost, as they have been accompanied by a deterioration in the motivation of civil servants. The challenge ahead is to enhance the incentives to improve the quality of the civil service and rationalize the salary structure. At the same time, the size of the civil service should be reduced to a level consistent with the government's reduced role in economic activity.

90. The government's main priorities under the ESAF-supported program are to: (a) rationalize government employment further; (b) increase salary incentives; (c) rationalize all official and unofficial salary supplements by integrating them into the base salary structure to the fullest extent possible; and (d) improve personnel and salary management systems. Whatever the measures implemented, it is important that civil service reforms not only maintain macroeconomic stability, but also result in a more desirable allocation of scarce budgetary resources across sectors and that personnel resources are used in the most efficient manner.

Figure 14. Cameroon and Other Countries: Real Wage per Employee , 1990-97  
(Index 1990=100)



Sources: Ian Lienert and Jitebdra Modi " A Decade of Civil Service Reform in Sub-Saharan Africa " IMF Working Paper 97/179(Washington : International Monetary Fund 1997) .

1/ CFA: Average of Bénin, Burkina Faso, Central African Republic, Chad, Congo, Gabon, Guinea-Bissau, Mali, Senegal, Togo.

Non-CFA: Average of Burundi, Gambia, Kenya, Lesotho, Madagascar, Zambia, Zimbabwe.

## Civil Service Management and Information Systems

### Personnel management

91. To assist the Ministry of Civil Service in monitoring staff movements into and out of the civil service, as well as to improve personnel record management, the government decided to develop a computerized integrated system of personnel management (SIGEPES) in 1994, with technical support by France. A key objective was to establish a computerized interface between SIGEPES and the Ministry of Finance's computerized payroll system (ANTILOPE). In 1996 computers were installed in four pilot ministries: the Ministries of Civil Service, Finance, Education, and Health. Unfortunately, the system became only partly operational in the Ministry of Civil Service, as the planned computerization of staffing plans, training, entry exams, and disciplinary actions never took place. More important, the interface between SIGEPES and ANTILOPE was never established. The main reasons for this lack of success were poor planning, and lack of management capacity, staff training, computer maintenance, and financing.

### Salary management

92. The Payroll Unit of the Ministry of Finance is responsible for ensuring monthly salary payments to all civil servants and military staff (as well as pensions) using the ANTILOPE system, which is maintained by the central computer agency (CENADI). Because a computerized link between the Ministry of Civil Service and the Payroll Unit was never established, the ANTILOPE system has been unable to incorporate all staff movements into its system. As a result, the number of staff paid in a given ministry, as recorded by the Payroll Unit, may bear little resemblance to the actual number of staff working in a given ministry. Also, in some parts of the country, the centralized pay system does not ensure regular monthly salary payments. In some cases, salary arrears of five-six months were recorded.<sup>50</sup>

93. The existing computerized systems are either not operational or functioning only with major difficulties. The most urgent tasks are to: (a) establish and verify personnel records for every government employee (here, the 1999 census of personnel should be helpful); (b) eliminate nonexistent workers and double salary payments from the file; (c) ensure that the payroll file is kept up-to-date for every staff movement (recruitment, intraministry and interministry transfers, departures, and retirements); (d) ensure that the only supplements to base salary are indemnities to which staff members are legitimately entitled; and (e) improve security of the computer systems, so as to avoid abuse.

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<sup>50</sup> The question of whether the recruitments were foreseen in the annual budget is not addressed in this paper.

## V. CAMEROON'S DEBT BURDEN: DEBT OVERHANG AND SECONDARY MARKET PRICES<sup>51</sup>

94. *Cameroon started accumulating external debt in the late 1970s in order to finance major economic development projects, especially in the oil sector. When the country underwent a major economic crisis from 1986 to 1993 following the deterioration of the terms of trade, the authorities resorted to deficit financing through massive foreign borrowing, thereby sharply increasing the debt burden. As a result, there was an accumulation of arrears, a virtual cessation of new lending by international banks, and the appearance of a secondary market of Cameroon's sovereign debt characterized by sharp discounts. While it has proved difficult to establish empirically the effects of debt overhang on growth, it can be argued that debt overhang generally contributed to the lack of dynamism in the economy. As part of the economic recovery, the authorities have embarked on a process of normalization of relations with creditors, starting with the rescheduling agreement reached with the Paris Club in October 1997, which has been followed by agreements with other bilateral creditors. This year Cameroon expects to conclude an agreement with the London Club and other commercial creditors, that should pave the way, for greater access to international financial markets.*

95. This chapter reviews the evolution of Cameroon's external debt and assesses its impact on economic growth. It draws on Brooks *and others* (1998), broadening the coverage to include commercial debt issues. For the purpose of this chapter, commercial debt refers to public and publicly guaranteed debt contracted from commercial creditors. The first part of the chapter traces the evolution of Cameroon's external debt situation. The second part analyses the factors that contributed to the debt overhang, and discusses the effects of excessive borrowing on economic growth. The third part focuses on developments in Cameroon's secondary market prices of sovereign debt, given the key role that they play in Brady-type debt-and debt-service-restructuring (DDSR) operations.

### A. The Evolution of Cameroon's External Debt Situation

#### Indicators of Cameroon's indebtedness<sup>52</sup>

96. Cameroon's external debt situation generally remained manageable during the period up to 1986. Although overall debt stocks increased rapidly, at an average of about 29 percent

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<sup>51</sup>Prepared by Montfort Mlachila.

<sup>52</sup>In this chapter, we use only the so-called traditional debt indicators. Attempts to use concepts such as those advanced by the external ESAF review (IMF, 1998) — the real debt burden ( $(r-g)D/Y$ ) and the debt deepening index ( $(r-g)D/Y-T/Y$ ), where  $r$  = real interest rate,  $g$  = real GDP growth rate,  $D$  = overall debt stock,  $Y$  = nominal GDP, and  $T$  = current account balance — while intellectually attractive and easy to calculate, proved rather difficult to interpret, given the significant fluctuations in the indicators.

per year, during the period from 1975 to 1986, the impact on the debt burden was mitigated by the strong average growth rates of both real GDP (8 percent per year) and exports (15 percent per year).

	Total Debt	Public and Publicly Guaranteed Debt	Debt/GDP	Debt/Government Revenues	Debt/Exports of goods and services	Debt-service Ratio 1/
	(In millions of U.S. dollars)		(In Percent)			
1975	440	392	17.0	101.2	65.5	6.7
1980	2,588	2,073	41.4	202.7	140.8	15.2
1985	3,174	2,219	31.3	104.0	112.6	23.2
1986	4,157	2,831	32.7	104.2	143.4	23.3
1987	4,678	3,376	31.9	125.1	218.7	30.5
1988	4,778	3,429	39.7	173.5	231.1	32.7
1989	5,440	4,341	44.8	223.2	233.7	17.4
1990	6,679	5,368	51.1	287.8	289.5	22.6
1991	6,898	5,597	53.5	286.3	264.8	16.4
1992	7,348	6,269	63.3	343.9	307.2	16.4
1993	7,452	6,236	69.6	426.8	335.4	21.2
1994	8,254	7,304	129.2	1,135.4	365.0	17.0
1995	9,350	8,062	110.9	740.0	338.3	15.3
1996	9,515	8,001	109.0	641.2	416.6	20.9
1997	9,292	7,688	112.8	617.6	368.7	18.2

Source: World Bank, *Global Development Finance*.

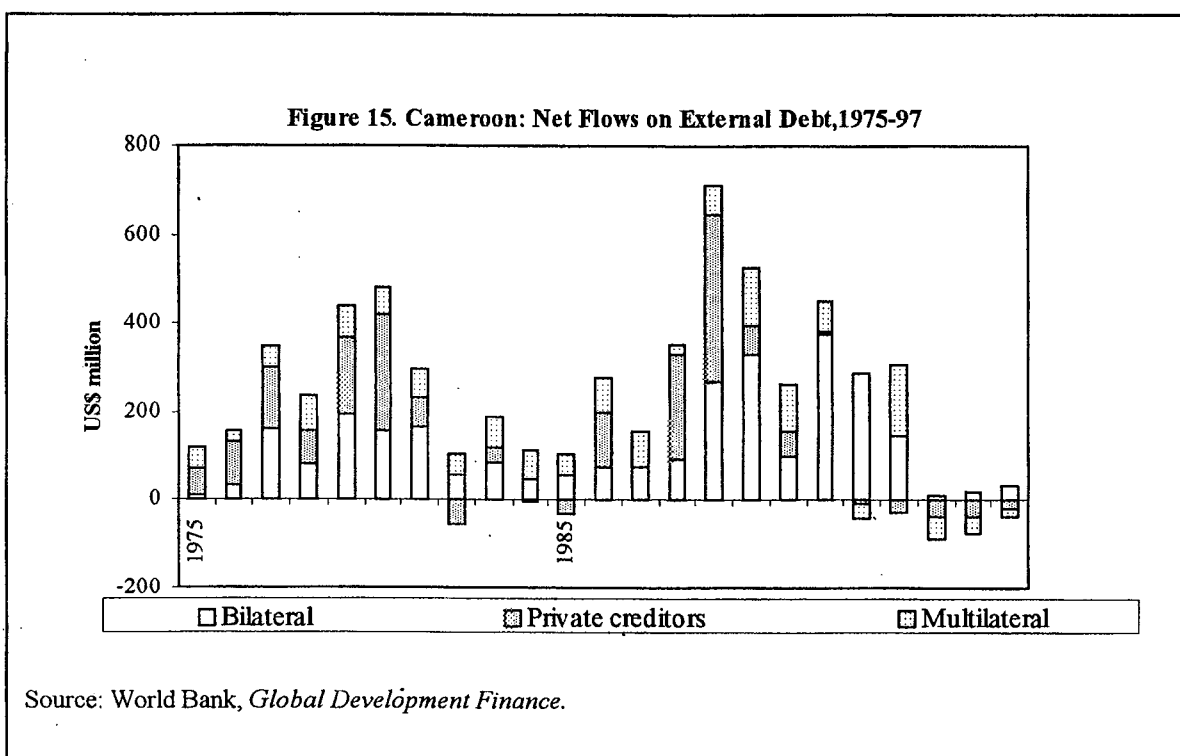
1/ Actual debt service in percent of exports of goods and services. Scheduled debt service numbers are not available on a consistent basis.

Nevertheless, the debt-to-GDP ratio increased from 17 percent to 33 percent during this period, while the debt-to-export ratio increased from 66 to 143 percent. Debt service ratios remained moderate, however, averaging 14 percent of goods and services (see Table 15).

97. The turning point came in 1986 with the sharp decline in oil and other commodity export prices. During the period from 1987 to 1997, the debt burden indicators deteriorated very rapidly. Overall, debt stocks grew on average by 17 percent a year, while export growth virtually ceased. As a result, debt-to-export and debt-to-GDP ratios rose from 219 percent and 32 percent in 1987, respectively, to 369 percent and 113 percent in 1997. More important, scheduled debt-service ratios rose dramatically from 20 percent in 1985 to over 60 percent in 1997. These increases put enormous pressure on the economy especially on government finances, at a time when economic performance was very weak,<sup>53</sup> leading to an acceleration in the accumulation of debt-service arrears (for all categories of creditors). As a

<sup>53</sup>Per capita GDP declined by about 50 percent from 1985 to 1993.

ratio of government revenues, government debt stocks rose from 104 percent in 1986, peaking at 1,135 percent in 1994 (after the CFA franc devaluation) and falling to 618 percent



in 1997. By 1996, the country was classified as a heavily indebted poor country (HIPC), with a net present value (NPV) of debt equivalent to 353 percent of exports of goods and services, a scheduled debt-service ratio of 57 percent, and a scheduled ratio of debt service to government revenue of 94 percent.

98. Commercial debt contributed significantly to the growth in the overall debt burden. During the period from 1975 to 1986, the average growth rate of commercial debt was fairly high at 27 percent per year. However, it was unevenly spread, with the early 1980s recording negative growth rates, following the tightening of lending conditions in the aftermath of the international debt crisis. It was during the period 1986-1991 that growth rates of debt accelerated, averaging 18 percent annually. As new borrowing virtually stopped in 1992 (see Figure 15), and trade credits were repaid, the amount and share of commercial debt in total debt declined sharply from a peak of 32 percent in 1988 to 8 percent in 1997. As a result, the concessionality<sup>54</sup> of overall debt increased from 27 percent in 1991 to 43 percent in 1997 (see Figure 16).

<sup>54</sup>Refers to the difference between the face value of a loan and the sum of the discounted future debt service payments to be made by the borrower (expressed as a percentage of the face value of the loan). *Global Development Finance* assumes that loans with a 25 percent grant element or more are concessional.

Table 16. Cameroon: Structure of Public and Publicly Guaranteed Debt, 1975-97

	In millions of US\$				Percent of total			
	Multilateral	Bilateral	Commercial 1/	Total	Multilateral	Bilateral	Commercial	Total
1975	144	158	90	392	36.7	40.2	23.1	100.0
1980	432	805	836	2,073	20.8	38.8	40.3	100.0
1985	697	965	557	2,219	31.4	43.5	25.1	100.0
1986	874	1,154	803	2,831	30.9	40.7	28.4	100.0
1987	1,099	1,319	958	3,376	32.5	39.1	28.4	100.0
1988	1,049	1,282	1,098	3,429	30.6	37.4	32.0	100.0
1989	1,106	1,933	1,302	4,341	25.5	44.5	30.0	100.0
1990	1,316	2,568	1,484	5,368	24.5	47.8	27.6	100.0
1991	1,440	2,625	1,532	5,597	25.7	46.9	27.4	100.0
1992	1,458	3,473	1,271	6,202	23.5	56.0	20.5	100.0
1993	1,429	3,615	1,175	6,219	23.0	58.1	18.9	100.0
1994	1,664	4,579	986	7,230	23.0	63.3	13.6	100.0
1995	1,674	5,467	919	8,060	20.8	67.8	11.4	100.0
1996	1,568	5,614	819	8,001	19.6	70.2	10.2	100.0
1997	1,465	5,644	580	7,688	19.0	73.4	7.5	100.0

Source: World Bank, *Global Development Finance*

1/ Debt to banks and other commercial creditors (mainly in the form of trade credits). Debt to banks excludes capitalized late interest.

### Factors explaining the growth in debt

99. The exploitation of petroleum reserves, following their discovery in 1978, led to a rapid accumulation of commercial debt. Annual long-term disbursements of commercial debt typically ranged from 30 percent to almost 50 percent of total disbursements (see Table 17). The financing of the construction of the national oil refinery (SONARA) and related works contributed significantly to this rapid escalation in debt stocks.

100. The 1978-1985 oil boom encouraged a rapid expansion of the public sector in three ways (see Ghura (1997)): (a) increased outlays in the government capital budget; (b) the creation of a large number of public agencies, marketing boards, and public enterprises, a number of that contracted external loans which were ultimately taken over by the government;

Table 17. Cameroon: Breakdown of the Changes in the Total Debt Stock, 1976-97

(In millions of US\$)

	Contrib.		Contrib.		Contrib.		Contrib.		Cumul. Total 1976-97	Contrib. to total Change
	1976-80	to Change	1981-85	to Change	1986-90	to Change	1991-97	to Change		
	(Percent)		(Percent)		(Percent)		(Percent)		(Percent)	
Net change in debt stock	2,148	100.0	586	100.0	3,505	100.0	2,667	100.0	8,906	100.0
Net flows on public sector debt	1,705	79.4	701	119.6	2,114	60.3	803	30.1	5,322	59.8
Multilateral (incl. IMF), net	327	15.2	277	47.2	465	13.3	-115	-4.3	953	10.7
Gross disbursements	389	18.1	387	65.9	753	21.5	815	30.6	2,344	26.3
Non-concessional	189	8.8	239	40.8	723	20.6	533	20.0	1,684	18.9
Concessional	200	9.3	147	25.1	30	0.9	282	10.6	660	7.4
Principal repayments	-63	-2.9	-110	-18.7	-288	-8.2	-930	-34.9	-1,391	-15.6
Bilateral, net	634	29.5	418	71.3	847	24.2	994	37.3	2,894	32.5
Gross disbursements	703	32.7	584	99.7	1,034	29.5	1,214	45.5	3,534	39.7
Non-concessional	142	6.6	191	32.6	468	13.4	109	4.1	911	10.2
Concessional	561	26.1	393	67.0	566	16.1	1,104	41.4	2,623	29.5
Principal repayments	-68	-3.2	-167	-28.4	-187	-5.3	-219	-8.2	-641	-7.2
Pvt. sector with govt. guarantee, net	744	34.6	7	1.2	802	22.9	-77	-2.9	1,476	16.6
Gross disbursements	913	42.5	367	62.6	1,100	31.4	97	3.6	2,477	27.8
Principal repayments	-170	-7.9	-360	-61.5	-298	-8.5	-173	-6.5	-1,001	-11.2
Net flows on private sector debt (unguaranteed by debtor government)	144	6.7	342	58.4	-263	-7.5	-64	-2.4	160	1.8
Gross disbursements	217	10.1	890	151.8	669	19.1	243	9.1	2,018	22.7
Principal repayments	-72	-3.4	-548	-93.4	-931	-26.6	-307	-11.5	-1,858	-20.9
Net flows of short term debt 1/	...	...	134	22.9	253	7.2	-127	-4.8	126	2.9
Net change in arrears 2/	...	...	...	...	59	...	-4	...	55	0.6
Interest capitalized 2/	...	...	...	...	130	...	1,290	...	1,420	15.9
Debt forgiveness or reduction 2/	...	...	...	...	-16	...	-671	...	-687	-7.7
Valuation changes 3/	1	0.1	-517	-88.2	1,035	29.5	120	4.5	640	7.2
Residual	297	13.8	-74	-12.7	193	5.5	1,321	49.5	1,737	19.5

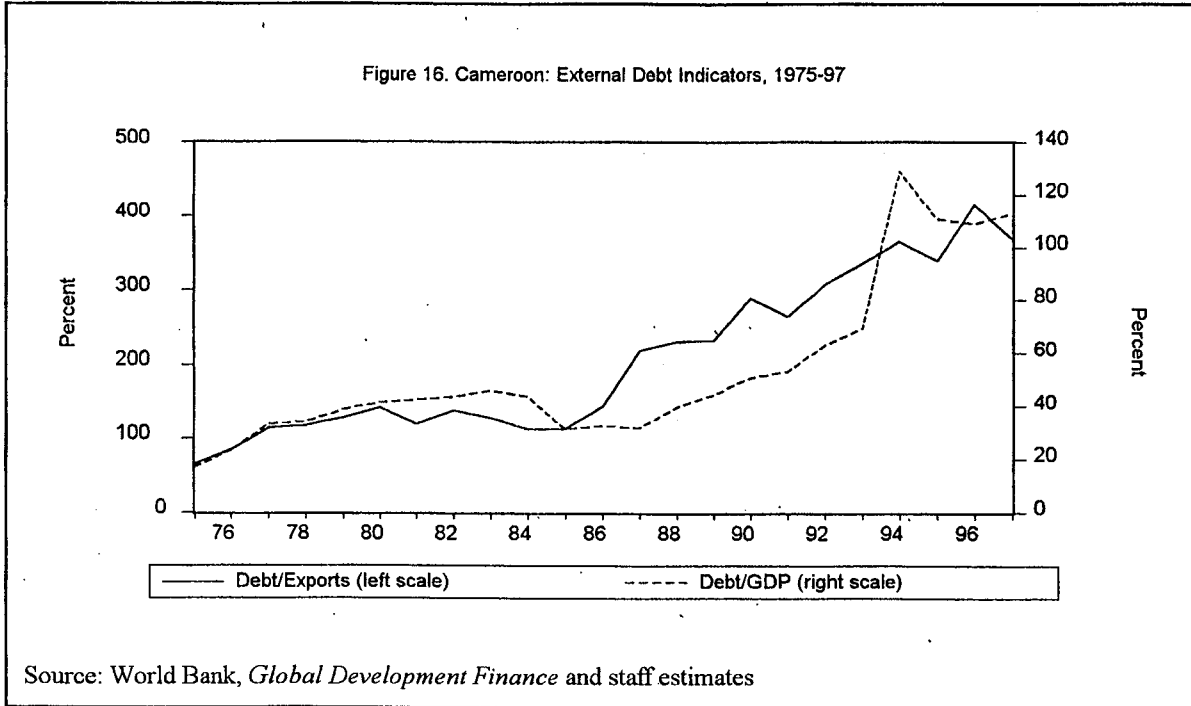
Sources: World Bank, *Global Development Finance*, 1997; and IMF staff estimates.

1/ Not available prior to 1985 in GDF; figures for 1981-85 represent 1985 only.

2/ Not available prior to 1989 in GDF; 1986-90 figures represent 1989-90 only.

3/ Staff estimates.

4/ Not available prior to 1982 in GDF; 1981-85 figure reflects changes from end-1982 to end-1985 only.



and (c) heavy investment in the transport sector by public enterprises (railways, urban transport, air travel, merchant shipping, etc.).

101. Overall, the terms of trade during the period 1986-92 fell by about 40 percent. This resulted in: (a) increased recourse to external borrowing—often on commercial terms—especially from banks; and (b) increased accumulation of domestic arrears to government employees and suppliers. The pace of new borrowing exceeded even that of the oil boom period. Most of the new borrowing from foreign banks went into infrastructure projects such as airports and roads.<sup>55</sup> A considerable amount also went into bank restructuring.<sup>56</sup>

102. As international commodity prices did not recover, the economic crisis worsened. Starting in the early 1990s, there was a substantial accumulation of external arrears and banks virtually ceased lending to Cameroon. The country rescheduled five times with the Paris Club (see Table 18), with the last three reschedulings on concessional terms. Increasingly, the

<sup>55</sup>Including the airports of Yaoundé-Nsimalen and Maroua.

<sup>56</sup>For example, almost F 600 million (US\$110 million) went into the restructuring of the ailing bank, SCB-CL.

country came to rely on concessional multilateral inflows which contributed to almost two-thirds of all new borrowing.<sup>57</sup>

Table 18. Cameroon: Overview of Rescheduling of Official Bilateral Debt, 1989-97

Number of Rescheduling	Date of Agreement	Amount Consolidated 1/ (In millions of U.S. dollars)	Consolidation Period (In months)	Terms	
				Grace (In years)	Maturity (In years)
I	5/24/89	535.0	12.0	6.0	9.5
II	1/23/92	1,080.0	9.0	8.2	14.6
III	3/25/94	1,259.0	18.0	London terms 2/	
IV	11/16/95	1,129.0		Naples terms 2/	
V	10/24/97	1,270.0		Naples terms 2/	

Source: *Official Financing for Developing Countries*, IMF, 1997 and IMF staff updates.

1/ Includes debt service formally rescheduled as well as deferred maturities.

2/ Concessional rescheduling with a 50 percent of NPV reduction. Naples terms can go up to a 67 percent reduction although Cameroon only received a 50 percent reduction in 1995 and 1997.

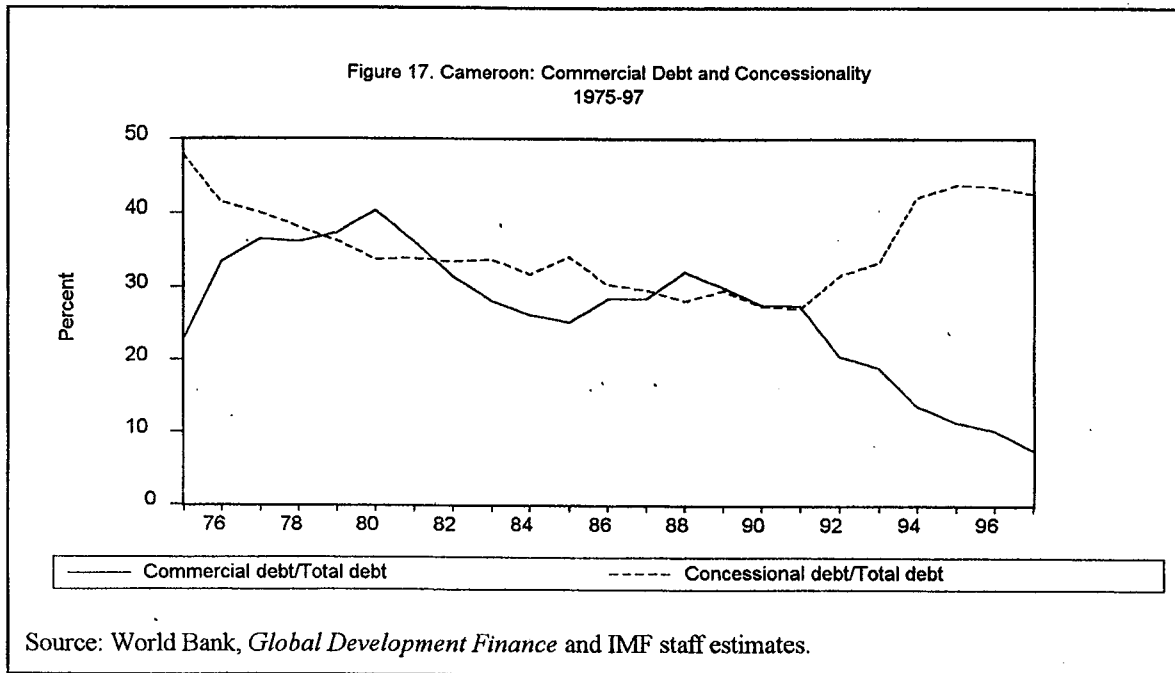
## B. Effects of the Excessive Borrowing

### Debt overhang

103. The effects of excessive borrowing on economic growth have been examined by, for example, Elbadawi, Ndulu, and Ndung'a (1997). In their study, debt overhang refers to a debt large enough to have adverse consequences for investment and growth because investors, expecting that current and future taxes will be increased to pay for debt service, are discouraged from investing. In other words, there exists a point beyond which debt, instead of stimulating growth, actually retards it. Elbadawi, Ndulu, and Ndung'a (1997) argue that for most sub-Saharan African countries the constraint imposed by the debt overhang on internal resource mobilization for debt servicing is more pronounced than the reduced availability of foreign exchange resources. They find evidence that the debt burden faced by African HIPC's has strongly and negatively affected economic growth. This burden has led to fiscal distress,

<sup>57</sup>In net terms, however, multilateral debt flows have generally been negative, leading to the decline in their share of overall debt stocks, which has benefited bilateral creditors during the 1990s (Table 14 and Figure 15).

the main symptoms of which are severely compressed development budgets and a shrinking fiscal base for essential services. This is the case in CFA franc zone countries and in Cameroon (see discussion in Chapter III on fiscal sustainability).



104. Claessens and others (1997) also advance two further arguments why the overall debt burden matters for growth. They argue that: (a) an excessive debt burden can be a disincentive to engage in meaningful reforms if policymakers perceive that foreign creditors will appropriate most of the gains through increased debt service, and (b) that a debt overhang prevents potential local investors from accessing international capital markets by increasing the level of risk associated with uncertainty in the economy. However, most authors do not adequately take into account overall aid flows when making the debt overhang argument. To the extent that the existing debt is not being fully serviced and that there are significant external aid inflows, a case can be made that debt overhang may not be a binding constraint to growth. In particular, it is difficult to reconcile such inflows with the fiscal distress scenario advanced by Elbadawi, Ndulu, and Ndung'u (1997).

105. The case of Cameroon is complex. There is a widespread perception among policymakers in Cameroon that debt overhang has been an impediment to economic recovery. The accumulation of arrears certainly entailed a complete cessation of lending by international banks to the government by 1991 and a sharp reduction in private sector access to international capital markets. It was only after growth prospects improved following the 1994 devaluation that lending by international banks to a few major export-oriented companies picked up, especially to those with close relations with European companies (often subsidiaries), mainly in the form of export credits.

106. Does empirical analysis support the debt overhang argument for Cameroon? In order to answer the question, we followed the methodology advanced by Elbadawi, Ndulu, and Ndung'u (1997), which tries to assess the impact of debt overhang on growth.<sup>58</sup> The three key channels through which debt has an impact on growth in this framework are: (a) current debt inflows which should stimulate growth; (b) past (excessive) debt accumulation, that is, debt overhang, which negatively affects growth; and (c) debt-service obligations, which reduce export earnings and therefore reduce growth. After analyzing the time-series properties of these and other control variables,<sup>59</sup> such as the investment/GDP ratio, the real effective exchange rate, inflation, the results showed that none of the three channels had any statistically significant impact on growth.<sup>60</sup> While this result is somewhat surprising, it cannot per se lead to the conclusion that the level of debt stocks and flows has no impact on growth in Cameroon. One possibility is that the main determinants of growth are elsewhere (exporters, who are affected mainly by developments in international commodity markets, continued to have access to finance throughout the period)<sup>61</sup> and that debt has interacted in more complex ways with the other explanatory variables than assumed in the simple model presented here. For example, debt may have had an impact on growth through tax rates and government capital expenditures.

### Secondary Market Prices

107. According to Krugman (1988), a debt overhang occurs in "the presence of an existing 'inherited' debt sufficiently large that creditors do not expect with confidence to be fully repaid." In other words, the expected value of the debt is less than its face value and actually declines beyond a certain point, in a Laffer-curve fashion (see Cohen (1993)). This situation

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<sup>58</sup>The general approach used by the authors and which we adopted is of the form:

$$g = f(d, d2, dsr, \{CONT\})$$

where:

g = the growth rate of GDP

d = the ratio of current stock of debt to GDP (or to government revenues)

d2 = lagged d squared to reflect debt overhang

dsr = debt service ratio

{CONT} = a collection of control variables including: investment/GDP ratio, real effective exchange rates, domestic price levels, government deficit/GDP ratio, terms of trade, etc.

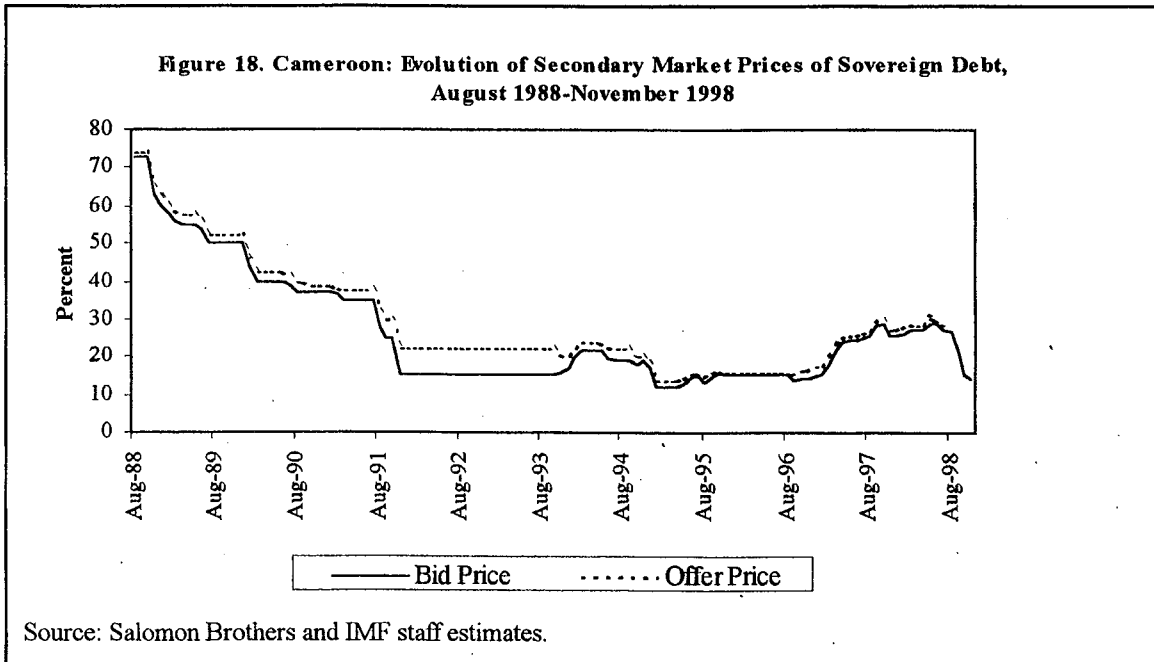
This equation was tested using OLS over the period 1975-96.

<sup>59</sup>All series were found to be non stationary and I(1).

<sup>60</sup>A similar result, using a somewhat different methodology was found by Ghura (see SM/96/246).

<sup>61</sup>For example, the 1994 devaluation has also resulted in improved growth rates.

leads to the emergence of a secondary market characterized by discounts on the face value of the debt.



The appearance of a secondary market debt characterized by sharp discounts on the face value of debt is an indication that the market views the growth of an economy and, therefore, its repayment prospects, as being insufficient for the full value of the debt to be repaid. Below is an analysis of how the secondary market price of Cameroon's debt has evolved over the past 11 years, reflecting the evolution of the market's perceptions of Cameroon.

108. Secondary market prices of sovereign loans are widely used in assessing the potential cost and the efficiency of a debt restructuring when a country undertakes a DDSR operation. Secondary market prices are assumed to reflect the market's assessment of the underlying asset value, i.e. the expected return on the asset and systemic risk factors. Traditional arbitrage price theory assumes that innovations in economic fundamentals have a significant impact on the price level. However, according to Stone (1990b), a structural model capable of explaining the price generation process does not really exist.

109. Many authors have questioned the reliability of the information content of secondary market prices.<sup>62</sup> The sovereign debt market is quite different from other normal securities markets in that it is characterized by a limited number of buyers and sellers, either trading on their own account (mainly traders in New York and London), or for various portfolio

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<sup>62</sup>See Stone (1990a) for a full presentation of the various arguments.

realignment and tax purposes (mainly financial institutions)<sup>63</sup>. Furthermore, there are important non-trading agents such as multilateral institutions and creditor governments who have limited responsiveness to market prices of debt. The most frequent presentation of the determinants of secondary market prices distinguishes two categories of factors: (a) indicators of the economic performance of the debtor, including debt burden indicators; and (b) exogenous factors. The first category consists of those factors over which a country has some control such as domestic inflation, the level of foreign exchange reserve coverage, fiscal performance, the real exchange rate, etc. The second category comprises indicators of the international economic environment such as the evolution of commodity prices, international interest rates and international economic growth. In practice, it is difficult to distinguish between systemic factors and those that affect the expected value of the asset.<sup>64</sup>

110. Data on secondary market prices can be obtained from various sources.<sup>65</sup> These data are available on weekly basis and comprises bid and offer prices. Mid-prices can be calculated as the average of bid and offer prices. In this chapter the analysis focuses on the period from August 1988 to November 1998, using monthly averages of the weekly prices. In the few cases where there were missing observations, simple linear interpolations were used.

111. Movements in Cameroon's prices for the period 1988-98 can be analyzed by dividing them into four distinct periods (see Figures 18 and 19, and Table 19). The first period, from August 1988 to October 1991, was characterized by a continuous, sharp fall in prices. The mid-price fell from about 73 cents on the dollar to 30 cents, with an average price of about 47 cents and an average spread<sup>66</sup> of 2.4 percentage points. The second period, from November 1991 to September 1996, was characterized by stability in the overall price level which averaged about 18 cents on the dollar, with a short-lived rally after the CFA franc

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<sup>63</sup>The overall volumes traded have rapidly increased with the coming into force of emerging markets. Nevertheless, for all but the major (especially Latin American) countries, the trades are fairly limited.

<sup>64</sup> A general presentation of price determination models is of the form (variables in logs):

$$P_t = \sum \alpha_i F_{it} + \sum \beta_j E_{jt} + \varepsilon_t$$

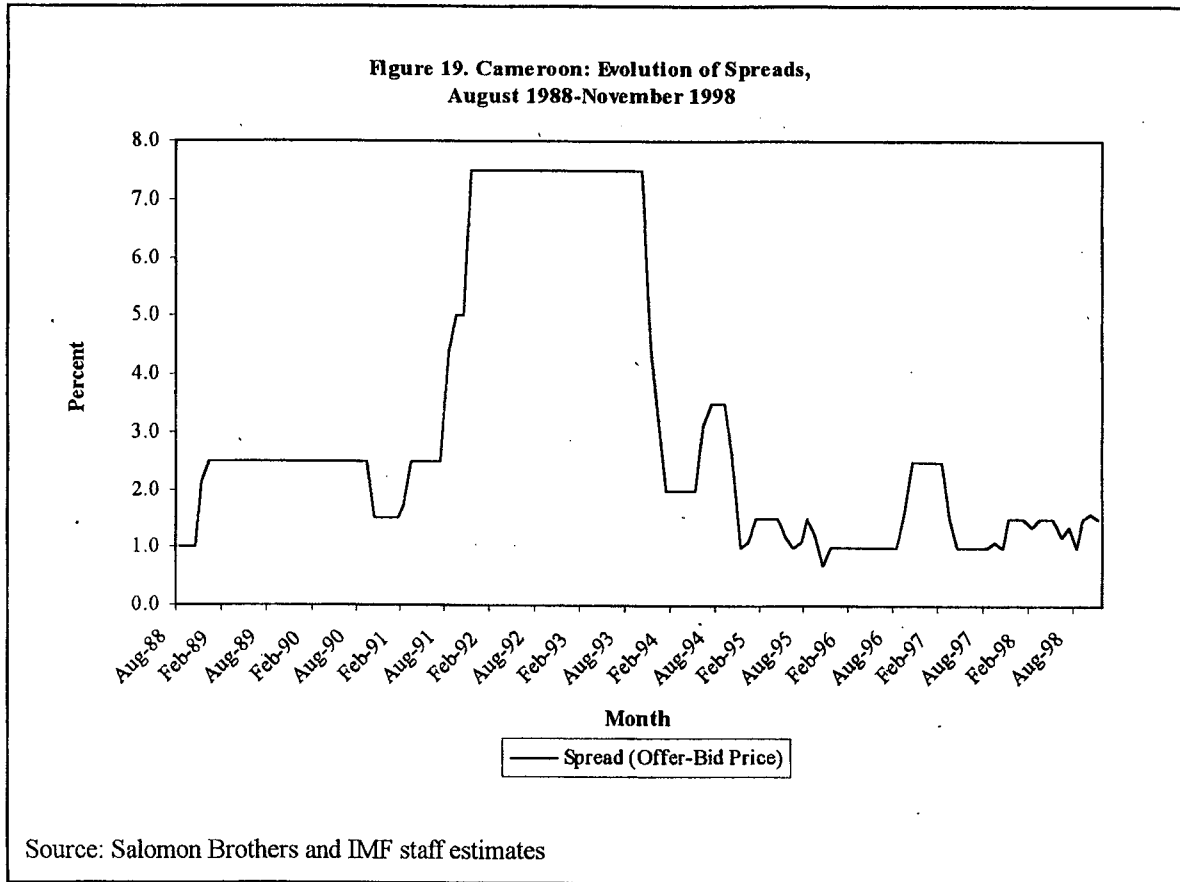
where:

- $P_t$  = secondary market (mid)-price
- $F_{it}$  = vector of domestic economic indicators
- $E_{jt}$  = vector of exogenous factors
- $\varepsilon_t$  = non systematic shocks

<sup>65</sup>In this chapter, the data used are from Salomon Brothers. The biweekly *Emerging Markets Debt* also publishes quotes for most emerging markets.

<sup>66</sup>Difference between offer and bid prices.

devaluation of January 1994. However, during this period the spreads widened significantly to a peak of 7.5 percentage points, or 40 percent of the mid-price. From October 1996 until June



1998, the prices started rising again, averaging 24 cents, with very narrow spreads of about 1.6 percentage points. From July 1998 to November 1998 the fourth period, prices followed a downward spiral to an average 23 cents, within the range of 14-27 cents. The spreads marginally narrowed.

112. An attempt was made to model the changes in prices using innovations in key macroeconomic and financial variables, along the lines of the model presented in footnote 15.<sup>67</sup> After analyzing the stationarity properties of the variables (all were found to be I(1)),

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<sup>67</sup>The variables in log form (except for interest rates) were: (a) economic performance variables—the consumer price index, real effective exchange rate, level of IMF lending, and foreign assets of the banking system; and (b) exogenous indicators—oil prices (alternatively, the index of commodity prices for Cameroon), U.S. ten-year bond rates, and the U.S.

(continued...)

Table 19. Cameroon: Descriptive statistics for secondary market prices of sovereign debt, August 1988-November 1991

	Bid price	Offer price	Mid-price	Spread	Spread 1/
<i>August 1988-October 1991</i>					
Mean	45.4	47.8	46.6	2.4	5.9
Maximum	73.0	74.0	73.5	5.0	18.2
Minimum	25.0	30.0	27.5	1.0	1.4
Std. Deviation	12.5	12.1	12.3	0.8	3.6
Coefficient of variation	0.28	0.25	0.26	0.35	0.62
<i>November 1991-September 1996</i>					
Mean	15.8	19.8	17.8	4.1	22.1
Maximum	22.0	24.0	23.0	7.5	40.0
Minimum	12.0	13.5	12.8	0.7	4.4
Std. Deviation	2.4	3.5	2.7	3.0	15.3
Coefficient of variation	0.15	0.18	0.15	0.72	0.69
<i>October 1996-June 1998</i>					
Mean	23.6	25.1	24.3	1.6	7.3
Maximum	29.0	30.5	29.8	2.5	16.4
Minimum	14.0	16.5	15.3	1.0	3.4
Std. Deviation	5.2	4.7	5.0	0.6	4.8
Coefficient of variation	0.22	0.19	0.20	0.37	0.66
<i>July 1998-November 1998</i>					
Mean	20.9	22.3	23.0	1.4	6.4
Maximum	27.3	28.6	27.9	1.6	8.8
Minimum	14.0	15.5	17.0	1.0	3.7
Std. Deviation	6.2	6.0	5.0	0.2	2.3
Coefficient of variation	0.30	0.27	0.22	0.17	0.35

Source: Salomon Brothers, and IMF staff estimates  
1/ As a percentage of the mid-price.

<sup>67</sup>(...continued)  
industrial production index.

both attempts to model prices<sup>68</sup>—using a vector error correction (VEC)—approach and a simple vector autoregression (VAR) proved of limited use as virtually all the variables turned out to be insignificant.<sup>69</sup>

113. Do these results confirm the skepticism about the information content of secondary market prices for Cameroon? Some authors have found significant links between macroeconomic variables and secondary market prices for emerging markets. For example, Dicks and Singh (1991), using the credit worthiness scoring matrix of the Bank of England, found that macroeconomic factors played a significant role, especially in the largest markets. However, it is well known that some important qualitative information plays a key role in price determination. Where the trading volumes are thin and infrequent, it is unlikely that traders will invest significant resources in looking for information, and, more importantly, keeping it updated;<sup>70</sup> they will tend to rely more on informal analysis or merely behave in a “herd” fashion by following developments in other markets. Stone (1991) shows that using qualitative information on country risk ratings from the *Institutional Investor* (based on a biannual survey of bankers), one can improve the explanatory power of the equations significantly. The main conclusion of several authors is that the weak relationship between changes in secondary market prices and macroeconomic variables is not a result of illiquidity or inaccurately reported prices. Because sovereign claims are not enforceable, unlike equity contracts, debt prices are quite sensitive to noneconomic variables, such as investor evaluations of political instability and availability of third-party financing. These factors are likely to play a significant role in Cameroon. Unfortunately, there is no credit rating information on Cameroon on a monthly basis to allow the construction of a meaningful explanatory model. The only analysis of the price movements performed here is impressionistic.

114. The first period, from 1988 to 1991, coincided with a rapid deterioration in economic conditions, as witnessed by the decline average in GDP growth of 5.5 percent per year. Debt-service arrears started accumulating very rapidly, and lending by commercial banks dried up during this period. The period of the mid-1990s saw some stabilization of the economic situation, with 1994 marking the turning point. Given Cameroon’s previous track record of frequent interruptions in implementation of Fund programs, it took some time before the markets were convinced that the economic situation had indeed changed for the better. The

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<sup>68</sup>Because the dependent variable is bound from 0 to 100, a logit transformation of the form  $P = \ln((S/100)/(1-S/100))$  is used to ensure that the residuals are normally distributed, where  $S$  is the price in cents on the dollar.

<sup>69</sup>This outcome was further confirmed by Granger causality tests, which showed that there is no causality between changes in price levels and those in any of the other variables.

<sup>70</sup>However, investment houses have invested considerably in research into emerging market conditions over the past five years, and comprehensive assessments are done for most countries.

start of the ESAF-supported program in 1997 confirmed this. Nevertheless, the improvement in prices was quite modest, and was reversed in June 1998 when it became apparent that a rapid DDSR operation with the London Club was unlikely. The deterioration accelerated when the situation of emerging markets became more unstable after the start of the Russian financial crisis in the summer of 1998.

### **C. Concluding Remarks**

115. Cameroon's heavy accumulation of commercial debt started in the late 1970s in order to finance major economic development projects, especially in the oil sector. The pace slowed in the early 1980s but accelerated when the country underwent a major economic crisis in 1986. Subsequently, as the authorities resorted to deficit financing through massive foreign borrowing, especially from banks. Since this occurred in a context of frequent policy slippages, the accumulation of debt exacerbated the government's financial problems as export growth and fiscal revenues stagnated. Arrears accumulated rapidly, foreign bank financing dried up, and the price of Cameroon's debt on the secondary market sharply declined as the market realized that the repayment prospects were dwindling.

116. Although the direct impact of debt overhang on growth is difficult to determine statistically, the weight of debt service on government finances has been considerable. Growth in the main export sectors has been dominated by developments in the international markets and other factors, such as the 1994 devaluation, the high cost of doing business in Cameroon, as shown in Chapter II, is at least in part related to reduced government expenditures on infrastructure maintenance, reflecting the strains of high debt service. More directly, the premiums that lenders charge to finance Cameroonian companies have increased, and it is likely that the impact of the debt overhang has contributed to a lack of dynamism and diversification of economic activity, particularly in the manufacturing sector. Since the Fund-monitored program in 1996/97, there has been an increasing commitment by the authorities to respect debt-service obligations and to normalize relations with all creditors. The forthcoming London Club operation, combined with the 1997 concessional debt rescheduling from the Paris Club, leading to a prospective stock-of-debt operation, should therefore complete the normalization of relations with creditors, reduce the perception of debt overhang, and pave the way for much-needed new foreign investment, especially in the context of the ongoing privatization program.

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Cameroon: Summary of Tax System  
(As of January 1, 1999)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1. Taxes on income and profits			
1.1 Taxes on companies	Levied on taxable income derived from activities of Cameroonian and foreign companies in Cameroon.	Normal business expenses, including depreciation allowances, are deductible.	35 percent plus a surcharge of 3.5 percent for local councils.
1.11 Corporate income tax ( <i>Impôt sur les sociétés</i> )	<p>Payments are made as follows:</p> <ul style="list-style-type: none"> <li>• A monthly partial payment amounts to 1 percent of total turnover plus 0.1 percent local council taxes. The down payment is withheld at source for suppliers to government and certain private enterprises.</li> <li>• The remainder (net of partial payments) is due in one payment by September 15.</li> <li>• An advance payment of 1 percent is levied on imports and purchases of goods from companies (reduced to 0.5 percent for oil stations and exporters of basic products; and increased to 5 percent for companies without taxpayer identification numbers).</li> </ul> <p>The tax regime for oil companies is governed by contractual arrangements with the government.</p>	<p>Most depreciation allowances range from 5 percent (for buildings) to 33.3 percent. Banks may deduct provisions for nonperforming loans, but must spread these over three-four years.</p>	<p>A penalty of 10 percent per month is levied on delayed payments.</p> <p>The tax rate on oil companies' net profits (which include more</p>

Cameroon: Summary of Tax System  
(As of January 1, 1999)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.12	Minimum tax on companies ( <i>Impôt minimum forfaitaire sur les sociétés</i> )	Levied on all companies subject to corporate income tax, if profits are below a defined minimum.	Minimum taxes are equal to 1 percent of previous-year turnover, plus a surcharge of 0.1 percent for local councils.
1.13	Tax on royalties and other payments abroad ( <i>Taxe spéciale sur les revenus servis à l'étranger</i> )	Levied on payments abroad for copyrights, patents, know-how, film royalties, and technical assistance; such payments can be taken as deductions against business income.	15 percent.
1.2	Taxes on individuals		
1.21	Personal income tax ( <i>Impôt sur le revenu des personnes physiques</i> )	Tax levied on annual income received by physical persons. The tax is composed of two main parts: a proportional tax, divided into several schedules; and a progressive surtax applicable to all income categories. The tax year runs from July 1 through June 30, and returns of taxable income must be filed before August 31.	Salaries of diplomats are exempted on a reciprocity basis.  See the schedules below (for 1.21a through 1.21g) for different categories of income, together with the progressive surtax <i>schédule</i> (subsection 1.22), which applies to all income categories.

Cameroon: Summary of Tax System  
(As of January 1, 1999)

Tax	Nature of Tax	Exemptions and Deductions	Rates	
1.21a	<p>Tax on industrial and commercial profits <i>(Taxe proportionnelle sur les bénéfices industriels et commerciaux)</i></p>	<p>Levied on net income from Cameroonian sources received by both residents and nonresidents and derived.</p> <p>Declarations are required for traders whose turnover exceeds CFAF 100 million, suppliers of services whose turnover exceeds CFAF 30 million, forestry firms, and liberal professions (<i>régime sur le bénéfice réel</i>).</p> <p>The simplified regime (<i>régime simplifié</i>) applies if annual turnover is CFAF 15-100 million (traders) and CFAF 5-30 million (suppliers of services). Taxable profit is defined as a percentage of turnover (5 percent or 15 percent, depending on business category).</p> <p>Small traders may pay a lump-sum tax (<i>impôt libérateur</i>), which replaces all income taxes, the business license (<i>patente</i>), and sales taxes.</p>	<p>Normal business expenses, including depreciation allowances, are deductible as in 1.11.</p> <p>Taxes range from to CFAF 12,000, up to 100,000, accounting to the type of the activities classified in four categories (A to D).</p>	<p>22 percent plus a surcharge of 2.2 percent for local councils. Minimum tax payments are set at 1 percent of annual turnover, plus a surcharge of 0.1 percent for local councils.</p>

Cameroon: Summary of Tax System  
(As of January 1, 1999)

Tax	Nature of Tax	Exemptions and Deductions	Rates	
1.21b	Tax on professional incomes ( <i>Taxe proportionnelle sur les bénéfices noncommerciaux</i> )	Levied on net income of all residents engaged in independent activities; it applies mainly to income of the self-employed professionals.	Same exemptions and deductions as in 1.11 are allowed.	20 percent plus a surcharge of 2.1 percent for local councils. The minimum rate is 1 percent of annual turnover, plus a surcharge of 0.1 percent for local councils.
1.21c	Tax on agricultural profits ( <i>Taxe proportionnelle sur les bénéfices des exploitations agricoles</i> )	Levied on net income of farmers. A lump sum ( <i>évaluation forfaitaire</i> ) is made for farmers with small and medium-sized farms.	Same exemptions and deductions as in 1.11 are allowed.	15 percent plus a surcharge of 1.5 percent for local councils. A minimum payment of 1 percent of the annual turnover plus a surcharge of 0.1 percent for local councils.
1.21d	Tax on real estate rental income ( <i>Taxe proportionnelle sur les revenus fonciers</i> )	Levied on rental income from real estate.	Same exemptions and deductions as in 1.11 are allowed.	20 percent plus a surcharge of 2 percent for local councils.
1.21e	Tax on artisanal income ( <i>Taxe proportionnelle sur les bénéfices artisanaux</i> )	Levied on artisanal income.	Same exemptions and deductions as in 1.11 are allowed.	11 percent plus a surcharge of 1.1 percent for local councils.

Cameroon: Summary of Tax System  
(As of January 1, 1999)

Tax	Nature of Tax	Exemptions and Deductions	Rates													
1.21f	Tax on wages and salaries ( <i>Taxe proportionnelle sur les traitements et salaires</i> )	<p>Levied on net income from wages, salaries, pensions, and annuities. Wage and salary earners whose monthly wages or salaries are higher than CFAF 25,000 are subject to a monthly withholding at source, with the transfer to the treasury occurring within 20 days of following month.</p> <p>Benefits in kind provided by the employer are taxed per person as follows, with an upper limit of CFAF 50,000 a month :</p> <table style="margin-left: 20px;"> <tr><td>Housing</td><td>15 percent</td></tr> <tr><td>Electricity</td><td>4 percent</td></tr> <tr><td>Water</td><td>2 percent</td></tr> <tr><td>Domestic servants</td><td>5 percent</td></tr> <tr><td>Cars</td><td>10 percent</td></tr> <tr><td>Food</td><td>25 percent</td></tr> </table>	Housing	15 percent	Electricity	4 percent	Water	2 percent	Domestic servants	5 percent	Cars	10 percent	Food	25 percent	<p>Dependency allowances, social security benefits, and lump-sum bonuses (<i>complément forfaitaire</i>) of civil servants are exempt.</p> <p>Professional expenses in cash or in kind are deductible at a rate of 20 percent of the expense.</p>	6 percent plus a surcharge of 0.6 percent for local councils.
Housing	15 percent															
Electricity	4 percent															
Water	2 percent															
Domestic servants	5 percent															
Cars	10 percent															
Food	25 percent															
1.21g	Tax on capital income ( <i>Taxe proportionnelle sur le revenu des capitaux mobiliers</i> )	Levied on dividends, profit distributions to shareholders in limited partnerships, interest, directors' fees, and other similar items received by residents.	<p>For residents: 15 percent plus a surcharge of 1.5 percent for local councils.</p> <p>For nonresidents: 22.73 percent plus a surcharge of 2.27 percent for local councils.</p>													

Cameroon: Summary of Tax System  
(As of January 1, 1999)

Tax	Nature of Tax	Exemptions and Deductions	Rates																																							
1.22	Progressive surcharge ( <i>Surtaxe progressive</i> )	Levied on net annual income received or accrued from all sources listed in 1.21a to 1.21f.	<p>Interest and pensions, tax payments, and social security payments are deductible. Personal deductions are based on the income-splitting system. Taxpayers are allowed a split for their spouse and half a split for each dependent child, with an upper limit of five splits. The rate table is applied to split income, and the resulting amount is multiplied by the number of splits. To this total, a surcharge of 10 percent is added for local councils.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center;">(In CFA francs)</th> <th style="text-align: center;">(In percent)</th> </tr> </thead> <tbody> <tr> <td>Below</td> <td style="text-align: center;">500,000</td> <td style="text-align: center;">Exempt</td> </tr> <tr> <td></td> <td style="text-align: center;">501,000-700,000</td> <td style="text-align: center;">10</td> </tr> <tr> <td></td> <td style="text-align: center;">701,000-1,000,000</td> <td style="text-align: center;">15</td> </tr> <tr> <td></td> <td style="text-align: center;">1,000,001-1,500,000</td> <td style="text-align: center;">20</td> </tr> <tr> <td></td> <td style="text-align: center;">1,500,001-2,000,000</td> <td style="text-align: center;">25</td> </tr> <tr> <td></td> <td style="text-align: center;">2,000,001-2,750,000</td> <td style="text-align: center;">30</td> </tr> <tr> <td></td> <td style="text-align: center;">2,750,001-3,500,000</td> <td style="text-align: center;">35</td> </tr> <tr> <td></td> <td style="text-align: center;">3,500,001-4,500,000</td> <td style="text-align: center;">40</td> </tr> <tr> <td></td> <td style="text-align: center;">4,500,001-5,500,000</td> <td style="text-align: center;">45</td> </tr> <tr> <td></td> <td style="text-align: center;">5,500,001-6,500,000</td> <td style="text-align: center;">50</td> </tr> <tr> <td></td> <td style="text-align: center;">6,500,001-7,500,000</td> <td style="text-align: center;">55</td> </tr> <tr> <td>Above</td> <td style="text-align: center;">7,500,001</td> <td style="text-align: center;">60</td> </tr> </tbody> </table> <p>Wage and salary earners pay a minimum of CFAF 3,000.</p>		(In CFA francs)	(In percent)	Below	500,000	Exempt		501,000-700,000	10		701,000-1,000,000	15		1,000,001-1,500,000	20		1,500,001-2,000,000	25		2,000,001-2,750,000	30		2,750,001-3,500,000	35		3,500,001-4,500,000	40		4,500,001-5,500,000	45		5,500,001-6,500,000	50		6,500,001-7,500,000	55	Above	7,500,001	60
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Above	7,500,001	60																																								
2.	Payroll tax																																									
2.1	General payroll tax ( <i>Taxe d'apprentissage</i> )	Levied on all taxpayers subject to the business fee ( <i>patente</i> ) on gross wage, salaries, and other benefits paid to their employees. Statement of taxable income must be made before September 30.	Companies with a taxable base of less than CFAF 100,000 and artisans are exempted. Expenditures on professional training, contributions to vocational schools, and payments on professional school fees are deductible.																																							
			0.30 percent of the payroll.																																							

Cameroon: Summary of Tax System  
(As of January 1, 1999)

Tax	Nature of Tax	Exemptions and Deductions	Rates
3. Taxes on property			
3.1 Property tax ( <i>Taxe foncière</i> )	Levied on the area of properties or land in urban areas.	Property outside urban areas is not taxable.	Progressive rates based on the area of the property and on whether it has buildings; and they range from CFAF 2,500 to CFAF 100,000.
3.2 Registration duties ( <i>Droits d'enregistrement</i> )	Levied on transfers of property, formation of companies, inheritance, and aid assessed on the value declared at the time that a contract or judicial act is concluded.		Rates vary from 2 percent to 15 percent depending on the nature of the activity.
3.3 Tax on cattle ( <i>Taxe sur le bétail</i> )	Paid by owners of cattle and horses; proceeds go to local budgets.	Breeding animals and those owned by the government are exempted.	CFAF 200 per head for each cow or horse.
4. Taxes on domestic goods and services			
4.1 Value added tax ( <i>Taxe sur la valeur ajoutée</i> )	Levied on value added, using the invoice method: VAT is levied on imports and domestic sales, with deductions for VAT paid on inputs to production. VAT paid on inputs to exports and large investments are reimbursed. VAT is self-assessed, with monthly returns submitted by the 15th of each month for enterprises, forestry firms, liberal professions and physical persons with monthly turnover beyond CFA 100 million ( <i>régime du réel</i> ); quarterly returns are submitted for firms with monthly turnover of CFA 60-100 million ( <i>régime du réel simplifié</i> ).	Basic commodities (milk, bread, flour, sugar, meat, fish, kerosene, etc.), medicines, agricultural inputs, water (below 10 m <sup>3</sup> per month), electricity (below 110kwh per month), operations linked with international trade, interest on loans, school and hospital fees, authorized nonprofit organizations, newspapers, diplomats and international organizations are exempted.	Single rate of 18.7 percent, applied to both imports and domestically produced goods and services (includes the 10 percent surcharge for local governments). Zero rate applied to exports.

Cameroon: Summary of Tax System  
(As of January 1, 1999)

Tax	Nature of Tax	Exemptions and Deductions	Rates
4.2 Excise tax <i>(Taxe d'accise)</i>	Levied on sales of cigarettes and tobacco, alcoholic beverages, precious stones, metals, and jewelry.		25 percent ad valorem tax.
4.3 Business fees <i>(Patentes)</i>	Levied on companies and individuals engaged in commercial, industrial, and professional activities and subject to the tax on companies or the personal income tax.	Public entities, artisans, cattle raisers, fishermen, mutual insurance companies, owners of mining concessions, savings banks, etc., are exempt.	Defined on the basis of turnover, according to seven schedules and rates varying from 0.075 percent to 0.4 percent. For transport companies, the business fee is defined as a lump sum per vehicle.
4.4 License fees on premises selling alcoholic beverages.	Levied in addition to business fees on sales of beer and other alcoholic beverages.		Fees vary according to category of beverages and tax regime of taxpayer, a multiple of business fee ranging from 0.5 to 6 times.
4.5 Special tax on petroleum products	Levied at the retail level on consumption of premium gasoline and diesel.	Kerosene and other petroleum products are exempted.	Premium gasoline: CFAF 120 per liter. Diesel: CFAF 65 per liter.
4.6 Stumpage fee <i>(Taxe d'abatage)</i>	Levied on businesses involved in exploitation of forest resources.		2.5 percent of the f.o.b. value of log exports.
4.7 Tax on firearms <i>(Taxe sur les armes à feu)</i>	Paid by owners of cattle and horses; proceeds go to local budgets.	Breeding animals and those owned by the government are exempted.	CFAF 200 per head for each cow or horse.
5. Taxes on international trade			
5.1 Taxes on imports			

Cameroon: Summary of Tax System  
(As of January 1, 1999)

Tax	Nature of Tax	Exemptions and Deductions	Rates	
5.11	Common external tariff ( <i>Tarif commun exterieur</i> )	An ad valorem tax applied to all imports from non-Central African Economic and Monetary Community (CEMAC) countries.	As specified in the CEMAC code. Imports from CEMAC countries are exempted.	Basic commodities: 5 percent. Raw materials and capital goods: 10 percent. Intermediate goods: 20 percent. Consumer goods: 30 percent.
5.12	Inspection fee	Levied on the c.i.f. value of imports and used to finance collection responsibilities of SGS.		0.95 percent.
5.13	Computer use fee ( <i>redevance informatique</i> )	Levied on the c.i.f. value of imports and used to finance activities of CENADI (national computer office)	National Naval Yard (CNIC) are Cameroon-Chad pipeline company (COTCO) are exempted.	1.5 percent.
5.2	Taxes on exports			
5.21	Export duty ( <i>Droit de sortie</i> )	Levied on exports of logs, cocoa, cotton, palm oil, coffee, rubber, sugar, and medicinal plants, and on the weight of exported bananas.  Tax base is either f.o.b value or administrative value ( <i>valeurs mercuriale</i> ) of export product.	Tax paid is deductible from taxable income, except for timber.	17.5 percent of the f.o.b. value of logs, 3 or 4 percent of log content of transformed forestry products; 5 percent for all other commodities, except bananas (CFAF 4,000 per ton.)
5.22	Progressive surtax on log exports ( <i>Surtaxe progressive</i> )	Levied when log exports exceed 30 percent of total production.		CFAF 8,000-15,000 per cubic meter, with the highest rate applying when exports of logs exceed 50 percent of output.
5.23	Inspection fee ( <i>Taxe d'inspection</i> )	Levied on the f.o.b. value of agricultural exports and used to finance SGS activities.		0.95 percent.
5.24	Sanitary inspection tax	Levied on fish, meat, and cattle.		1 percent.

Cameroon: Summary of Tax System  
(As of January 1, 1999)

Tax	Nature of Tax	Exemptions and Deductions	Rates
5.25 Port charges	Embarkment fee levied on f.o.b. value of exports and port authority fee.		Embarkment fee = 0.25 percent. ONCC fee is flat rate, varying according to product exported.
6. Other taxes			
6.1 Stamp duties	Levied on specified documents used in commercial transactions.		Rates may be flat ranging from CFAF 100 to CFAF 300.000 or proportional (0.25 percent or 1 percent.)
6.2 Forestry area tax ( <i>Redevance forestière</i> )	Levied on the area covered in the concession or license granted to exploiters of forest resources.		CFAF 2,500 per hectare per year for small areas ( <i>ventes de coupe</i> ) and licenses; a minimum of CFAF 1,500 per hectare per year for concessions.

Sources: Code des Impôts; Loi de Finances; and Customs Code.

Table 20. Cameroon: Gross Domestic Product and Expenditure at Current Prices, 1993/94-1997/98 1/

	1993/94	1994/95	1995/96	1996/97	1997/98 Est.
(In billions of CFA francs)					
Domestic demand	3,328.3	3,917.8	4,401.6	4,714.6	5,145.3
Consumption	2,804.3	3,318.8	3,699.6	3,916.6	4,181.7
Private sector	2,464.0	2,962.8	3,313.6	3,510.8	3,701.3
Central government	340.3	356.0	386.0	405.8	480.4
Investment	524.0	599.0	702.0	798.0	963.6
Gross fixed investment	524.0	599.0	702.0	798.0	963.6
Private sector	479.4	551.1	679.0	747.5	857.5
Central government	44.7	48.0	23.0	50.6	106.1
Change in stocks	0.0	0.0	0.0	0.0	0.0
Net foreign balance	88.0	212.2	169.1	217.7	94.8
Exports of goods and nonfactor services	754.0	1,065.4	1,106.0	1,322.1	1,405.3
Imports of goods and nonfactor services	666.0	853.1	937.0	1,104.4	1,310.6
GDP at current market prices	3,416.3	4,130.0	4,570.7	4,932.3	5,240.0
Net factor payments abroad	-237.6	-273.8	-293.6	-329.6	-282.6
Gross national product	3,178.7	3,856.2	4,277.0	4,602.7	4,957.5
Unrequited transfers (net)	8.6	29.6	17.2	46.8	55.2
Gross national income	3,187.2	3,885.8	4,294.3	4,649.5	5,012.6
(In percent of GDP at market prices)					
GDP at current market prices	100.0	100.0	100.0	100.0	100.0
Consumption	82.1	80.4	80.9	79.4	79.8
Private sector	72.1	71.7	72.5	71.2	70.6
Central government	10.0	8.6	8.4	8.2	9.2
Investment	15.3	14.5	15.4	16.2	18.4
Gross fixed investment	15.3	14.5	15.4	16.2	18.4
Private sector	14.0	13.3	14.9	15.2	16.4
Central government	1.3	1.2	0.5	1.0	2.0
Change in stocks	0.0	0.0	0.0	0.0	0.0
Net foreign balance	2.6	5.1	3.7	4.4	1.8
Exports of goods and nonfactor services	22.1	25.8	24.2	26.8	26.8
Imports of goods and nonfactor services	19.5	20.7	20.5	22.4	25.0
Gross national product	93.0	93.4	93.6	93.3	94.6
Gross national income	93.3	94.1	94.0	94.3	95.7

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

Table 21. Cameroon: Gross Domestic Product and Expenditure at Constant 1989/90 Prices, 1993/94-1997/98 1/

	1993/94	1994/95	1995/96	1996/97	1997/98 Est.
(In billions of CFA francs)					
Domestic demand	2,838.9	2,915.6	3,092.1	3,293.0	3,519.0
Consumption	2,398.5	2,504.5	2,646.3	2,805.1	2,943.9
Private sector	2,055.5	2,158.5	2,235.8	2,457.9	2,540.9
Central government	343.0	346.0	410.5	347.2	403.0
Investment	440.4	411.1	445.8	487.9	575.2
Gross fixed investment	440.4	411.1	445.8	487.9	575.2
Change in stocks	0.0	0.0	0.0	0.0	0.0
Net foreign balance	114.9	135.8	112.0	74.4	18.4
Exports of goods and nonfactor services	684.7	711.7	773.8	845.3	891.1
Imports of goods and nonfactor services	569.8	575.9	661.9	770.8	872.7
GDP at constant market prices	2,953.8	3,051.4	3,204.0	3,367.4	3,537.5
(Annual percentage changes)					
Domestic demand	-1.0	2.7	6.1	6.5	6.9
Consumption	3.9	4.4	5.7	6.0	4.9
Private sector	3.8	5.0	3.6	9.9	3.4
Central government	4.3	0.9	18.6	-15.4	16.1
Investment	-21.1	-6.6	8.4	9.5	17.9
Net foreign balance	-7.1	2.9	-6.2	-7.2	-7.8
Exports of goods and nonfactor services	-4.9	3.9	8.7	9.2	5.4
Imports of goods and nonfactor services	2.2	1.1	14.9	16.5	13.2
GDP at constant market prices	-2.5	3.3	5.0	5.1	5.0

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

Table 22. Cameroon: Gross Domestic Product by Sector of Origin at Current Market Prices, 1993/94-1997/98 1/

	1993/94	1994/95	1995/96	1996/97	1997/98 Est.
(In billions of CFA francs)					
GDP at current market prices	3,416.3	4,130.0	4,570.7	4,932.3	5,240.0
Primary sector	1,322.0	1,617.0	1,835.9	2,018.0	2,158.9
Food crops	629.0	754.0	845.1	938.5	1,011.2
Cash crops	256.0	326.0	374.6	411.4	429.7
Livestock and hunting	157.0	178.0	191.7	217.5	236.1
Fishing	7.0	8.0	8.8	9.8	10.6
Forestry	273.0	351.0	415.7	440.8	471.3
Secondary sector	785.0	962.0	1,006.5	1,059.9	1,100.3
Mining	314.0	364.0	333.5	315.4	288.4
Manufacturing	331.0	412.0	452.9	506.5	544.8
Electricity, gas, and water	58.0	66.0	73.4	75.4	78.4
Housing and public works	82.0	120.0	146.7	162.6	188.7
Tertiary sector	1,234.3	1,448.0	1,600.2	1,716.3	1,828.9
Indirect taxes net of subsidies	75.0	103.0	128.1	138.1	151.9
(In percent of GDP at market prices)					
GDP at current market prices	100.0	100.0	100.0	100.0	100.0
<i>Of which:</i> non-oil sector	90.8	91.2	92.7	93.6	94.5
Primary sector	38.7	39.2	40.2	40.9	41.2
Secondary sector	23.0	23.3	22.0	21.5	21.0
<i>Of which:</i> oil sector	9.2	8.8	7.3	6.4	5.5
Tertiary sector	36.1	35.1	35.0	34.8	34.9
Indirect taxes net of subsidies	2.2	2.5	2.8	2.8	2.9

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

Table 23. Cameroon: Gross Domestic Product by Sector of Origin at Constant 1989/90 Prices, 1993/94-1997/98 1/

	1993/94	1994/95	1995/96	1996/97	1997/98 Est.
(In billions of CFA francs)					
GDP at constant market prices	2,953.8	3,051.4	3,204.0	3,367.4	3,537.5
Primary sector	854.7	929.3	998.2	1,073.6	1,146.4
Food crops	398.9	431.7	462.3	493.5	527.0
Cash crops	179.6	208.3	229.5	250.5	268.3
Livestock and hunting	142.9	138.1	141.6	148.9	157.4
Fishing	6.3	6.6	7.0	7.3	7.7
Forestry	126.9	144.6	157.9	173.4	185.9
Secondary sector	661.4	645.4	674.6	726.3	781.9
Mining	166.8	149.7	142.0	151.5	161.5
Manufacturing	362.1	357.2	385.6	416.6	450.1
Electricity, gas, and water	56.3	58.1	61.1	66.1	71.6
Housing and public works	76.3	80.4	85.9	92.0	98.6
Tertiary sector	1,370.5	1,418.5	1,449.5	1,475.5	1,609.1
Indirect taxes net of subsidies	67.2	58.3	81.6	92.0	103.2
(Annual percentage changes)					
GDP at constant market prices	-2.5	3.3	5.0	5.1	5.0
<i>Of which: non-oil sector</i>	-2.2	4.1	5.5	5.0	5.0
Primary sector	3.1	8.7	7.4	7.6	6.8
Secondary sector	-14.4	-2.4	4.5	7.7	7.7
<i>Of which: oil sector</i>	-7.6	-10.3	-5.1	6.6	6.7
Tertiary sector	3.1	3.5	2.2	1.8	9.1
Indirect taxes net of subsidies	-32.1	-13.2	40.0	12.8	12.2

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

Table 24. Cameroon: Income, Savings, and Net Financial Balances, 1993/94-1997/98 1/

	1993/94	1994/95	1995/96	1996/97	1997/98 Est.
(In billions of CFA francs)					
GDP at market prices	3,416.3	4,130.0	4,570.7	4,932.3	5,240.0
Factor services (net)	-237.6	-273.8	-293.6	-329.6	-282.6
Gross national product	3,178.7	3,856.2	4,277.0	4,602.7	4,957.5
Unrequited transfers (net)	8.6	29.6	17.2	46.8	55.2
Gross disposable national income	3,187.2	3,885.8	4,294.3	4,649.5	5,012.6
Total consumption	2,804.3	3,318.8	3,699.6	3,916.6	4,181.7
Private	2,464.0	2,962.8	3,313.6	3,510.8	3,701.3
Central government 2/	340.3	356.0	386.0	405.8	480.4
Gross national savings 3/	383.0	567.0	594.7	732.9	830.9
Private	579.1	643.9	601.7	692.7	747.9
Non-oil sector	398.0	436.9	407.2	405.2	473.6
Oil sector	181.1	207.1	194.5	287.4	274.3
Central government 4/	-196.2	-76.9	-7.0	40.2	83.1
Gross domestic savings 5/	612.0	811.2	871.1	1,015.7	1,058.4
Private	599.7	664.2	640.1	702.6	720.4
Non-oil sector	390.8	425.6	413.6	359.6	434.3
Oil sector	208.9	238.6	226.5	343.0	286.0
Central government	12.3	147.1	231.0	313.1	338.0
(Net financial balances, in percent of GDP)					
Total economy	-4.1	-0.8	-2.3	-1.3	-2.5
Gross national savings	11.2	13.7	13.0	14.9	15.9
Of which: domestic savings	17.9	19.6	19.1	20.6	20.2
Gross domestic investment	15.3	14.5	15.4	16.2	18.4
Private sector	2.9	2.2	-1.7	-1.1	-2.1
Gross national savings	17.0	15.6	13.2	14.0	14.3
Of which: domestic savings	17.6	16.1	14.0	14.2	13.7
Gross domestic investment	14.0	13.3	14.9	15.2	16.4
Non-oil private sector	-1.1	-1.2	-4.4	-5.8	-6.0
Gross national savings	11.6	10.6	8.9	8.2	9.0
Of which: domestic savings	11.4	10.3	9.0	7.3	8.3
Gross domestic investment	12.7	11.8	13.4	14.0	15.0
Oil sector	4.0	3.5	2.8	4.7	3.9
Gross national savings	5.3	5.0	4.3	5.8	5.2
Of which: domestic savings	6.1	5.8	5.0	7.0	5.5
Gross domestic investment	1.3	1.5	1.5	1.2	1.4
Central government	-7.0	-3.0	-0.7	-0.2	-0.4
Gross national savings	-5.7	-1.9	-0.2	0.8	1.6
Of which: domestic savings	0.4	3.6	5.1	6.3	6.4
Gross domestic investment	1.3	1.2	0.5	1.0	2.0
Memorandum items:	(In percent of GDP)				
Gross disposable national income	93.3	94.1	94.0	94.3	95.7
Total consumption	82.1	80.4	80.9	79.4	79.8
Private	72.1	71.7	72.5	71.2	70.6
Central government	10.0	8.6	8.4	8.2	9.2

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

2/ Central government current expenditure minus domestic subsidies and transfers minus domestic and foreign interest payments.

3/ Gross disposable national income minus total consumption.

4/ Central government total revenue minus current expenditure and restructuring expenditure.

5/ GDP at market prices minus total consumption.

Table 25. Cameroon: Production of Principal Food Crops, 1993/94-1997/98 1/

	1993/94	1994/95	1995/96	1996/97	1997/98 Est.
	(In thousands of metric tons)				
Millet and sorghum	282	325	350	371	371
Maize	618	750	750	760	789
Rice (paddy) 2/	25	25	25	21	23
Sugarcane	53	55	55	55	55
Groundnuts (shelled)	99	118	118	118	118
Tubers 3/	2,188	2,616	2,631	2,684	2,711
Potatoes	38	41	35	39	49
Plantains	1,120	1,211	1,250	1,290	1,326
Palm oil 2/	102	100	100	100	76

Source: Cameroonian authorities.

1/ Fiscal year begins in July.

2/ Modern sector.

3/ Includes macabos, taros, cassavas, yams, and sweet potatoes.

Table 26. Cameroon: Production of Main Cash Commodities, 1993/94-1997/98 1/

	1993/94	1994/95	1995/96	1996/97	1997/98 Est.
In thousands of metric tons, unless otherwise indicated					
Banana	217	187	230	250	250
Cocoa butter	2	4	6	6	5
Logs (thousands of cubic meters)	2,430	2,520	2,803	3,500	3,600
Sawn wood (thousands of cubic meters)	1,004	904	1,187	1,530	1,678
Cocoa beans	98	109	136	126	127
Cocoa meal	7	7	11	10	16
Coffee beans	72	57	74	90	93
Cotton	126	166	195	218	237

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

Table 27. Cameroon: Industrial Production Index by Type of Activity, 1993/94-1997/98 1/

(Index, 1990/91=100)

Activity	Weights (In percent)	1993/94	1994/95	1995/96	1996/97	1997/98
Transformation of grains and flour production	1.0	91.5	150.4	145.5	130.6	173.5
Transformation of agricultural products	3.9	101.6	109.5	99.7	101.9	109.1
Bread and pastries	0.7	105.4	92.5	113.0	221.9	207.8
Other food industries	7.6	109.5	75.3	131.1	127.5	132.9
Beverages	22.3	81.3	62.6	72.7	81.6	87.4
Tobacco	1.3	78.4	42.0	27.1	34.6	40.7
Textiles and garments	4.5	93.3	143.8	218.2	269.7	257.8
Shoe and leather factories	0.5	80.7	87.0	27.7	32.9	33.9
Sawn wood and furniture	8.4	138.0	179.4	166.6	173.4	195.3
Paper industry, printing, and publication	1.7	82.7	70.0	74.3	126.6	100.6
Production of chemical goods	4.7	84.4	76.7	65.0	75.7	85.2
Oil refineries	7.1	113.0	158.3	142.8	174.1	187.2
Rubber and plastic	5.4	73.6	67.5	72.0	81.7	95.2
Building materials	3.2	84.6	83.3	96.9	110.9	98.7
Basic metal industries	4.6	92.1	91.2	87.1	98.3	102.7
Mechanical, electrical, and metal machinery	1.4	79.5	62.1	72.8	65.2	42.6
Transport materials	0.2	49.4	50.9	34.7	36.1	38.0
Other manufacturing	0.7	42.9	70.3	112.2	131.4	133.0
Electricity, gas, and water	21.0	110.0	108.8	109.2	123.6	124.5
Total	100.0	98.5	99.4	106.7	124.5	126.0

Source: Cameroonian authorities.

1/ Fiscal year begins in July.

Table 28. Cameroon: Capacity Utilization in the Industrial Sector, 1995/96:Q1-1998/99:Q2 1/

(In percent)

Activity	1995/96				1996/97				1997/98				1998/99	
	July-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-June	July-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-June	July-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-June	July-Sep.	Oct.-Dec.
Food and beverages	71.0	77.0	76.8	57.7	58.0	50.3	50.3	50.1	63.3	68.0	73.2	78.5	83.7	84.0
Textiles and leather	41.0	77.0	76.7	73.8	49.0	78.1	77.7	88.8	78.3	64.0			68.9	67.7
Paper, printing, and publication	68.0	81.0	70.1	72.4	82.0	82.5	84.6	68.7	48.0	74.0	65.4	56.9	48.3	46.6
Chemical products	68.0	81.0	70.1	72.4	82.0	82.3	82.9	74.0	79.7	79.0	79.1	79.3	79.4	79.3
Intermediary goods	77.0	79.0	72.0	84.0	85.0	77.9	77.9	80.5	79.2	87.0	84.8	82.6	80.4	80.4
Electricity, gas, and water	55.0	55.0	66.4	65.0	65.0	73.5	73.6	63.4	74.0	70.0	77.3	84.7	92.0	88.3
Total 2/	68.0	72.0	71.5	69.2	69.0	70.0	70.2	70.6	73.6	71.0	75.6	80.1	84.7	83.4

Source: Cameroonian authorities; and staff estimates.

1/ Capacity utilization defined as the ratio of actual to potential output; fiscal year begins in July.

2/ Calculated on the basis of weights shown in Table 27.

Table 29. Cameroon: Domestic Consumption of Petroleum Products, 1993/94-1997/98 1/

(In millions of liters)

	1993/94	1994/95	1995/96	1996/97	1997/98
Gasoline	347	336	320	322	333
Kerosene	139	144	125	135	137
Diesel	232	263	265	315	292
Jet fuels	50	70	70	70	81
Heavy fuel (1,500)	50	45	55	53	50
Total	818	858	835	895	893
Annual percentage change	8	5	-3	7	0

Source: Cameroonian authorities.

1/ Includes sales to other Central African Economic and Monetary Community (CEMAC) members; fiscal year begins in July.

Table 30. Cameroon: Consumer Price Developments, December 1993-December 1998 1/

	1993	1994		1995		1996		1997		1998	
	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.
	(Indices, December 1993 = 100)										
Aggregate index	100.0	132.0	148.4	149.7	158.7	156.3	160.5	155.0	157.8	161.1	169.3
Food	100.0	136.4	164.8	162.1	175.3	166.6	168.5	178.0	179.0	185.9	197.2
Beverages and tobacco	100.0	131.4	147.7	148.3	156.0	152.5	161.1	154.2	164.0	166.2	160.5
Housing	100.0	116.0	122.8	123.8	132.9	144.7	146.9	128.2	133.0	136.1	137.2
Clothing	100.0	127.0	136.3	139.1	149.0	135.1	156.6	143.9	144.1	149.9	186.9
Transportation	100.0	128.9	131.4	134.4	142.1	153.9	156.3	149.4	151.0	147.3	145.7
Health	100.0	159.3	172.9	192.0	176.4	161.6	165.7	125.9	134.8	132.6	129.7
Leisure	100.0	112.4	115.7	112.9	140.5	136.5	136.5	154.7	156.7	157.3	164.1
Analytical categories											
Market items	100.0	137.0	167.0	164.4	175.7	163.1	165.4	175.7	176.7	185.2	191.3
Store items	100.0	144.0	157.1	162.9	171.3	172.6	181.5	162.2	166.5	167.3	178.8
Services and other	100.0	109.4	113.2	113.2	120.2	125.3	125.4	122.9	126.4	126.5	132.3
Nontradable goods and services	100.0	120.3	129.9	118.9	137.0	134.1	140.4	133.2	126.4	126.7	132.4
Tradable goods	100.0	137.6	157.1	164.2	168.9	166.7	169.9	165.2	169.3	173.6	182.8
Locally produced items	100.0	129.0	148.6	150.2	156.6	156.4	163.1	153.4	156.3	159.9	166.7
Imported items	100.0	141.2	147.9	148.2	165.0	156.0	152.4	160.3	161.1	163.5	175.1
Food crops	100.0	135.9	162.1	152.2	175.1	154.3	159.2	169.3	170.1	184.0	188.0
Manufactures (informal sector)	100.0	174.8	188.4	230.3	203.6	221.3	211.2	187.4	187.4	188.8	193.4
Manufactures (formal sector)	100.0	136.0	155.2	156.1	165.0	165.2	174.6	165.5	166.8	166.5	178.8
Services	100.0	109.6	113.5	113.5	120.5	125.2	124.5	122.9	126.4	126.5	132.3

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July. New series for Yaounde based on the 1983/84 consumer expenditure survey.

Table 31. Cameroon: Selected Producer Prices, 1993/94-1997/98 1/

(In CFA francs per kilogram)

	1993/94	1994/95	1995/96	1996/97	1997/98
Producer prices 2/					
Cocoa					
Grade I	300	380-550	280-480	350-520	600-700
Grade II	300	...	...	...	...
Coffee					
Robusta	270	350-980	350-780	300-700	400-600
Arabica	550	700-1,200	450-850	400-1,100	500
Cotton					
Grade I	107	135	160	160	170
Grade II	102	125	150	150	160

Source: Cameroon authorities.

1/ Fiscal year begins in July.

2/ Since the liberalization of the market in 1994/95, producer prices have been negotiated between the purchaser and the producer.

Table 32. Cameroon: Petroleum Product Price Structure, 1995-98

(In CFA francs per liter)

	1995-96 1/			1996 2/			1996-97 3/			1997-98 4/		
	Premium gasoline	Kerosene	Diesel	Premium gasoline	Kerosene	Diesel	Premium gasoline	Kerosene	Diesel	Premium gasoline	Kerosene	Diesel
Ex refinery price	97.62	94.16	98.22	100.62	98.16	100.72	117.20	113.37	117.30	131.20	123.37	131.30
Toll and harbor user tax	2.68	1.99	2.11	2.68	1.99	2.11	2.64	1.95	2.07	2.64	1.95	2.07
Storage (SCDP) user fee	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41
Transport	2.55	2.55	2.55	2.55	2.55	2.55	2.55	2.55	2.55	2.55	2.55	2.55
Storage losses	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
Equalization fund ( <i>péréquation</i> )	22.90	-3.70	12.88	28.11	1.38	18.64	25.84	-3.78	16.38	25.74	-3.78	16.38
Stabilization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other items	0.00	0.50	0.00	0.00	0.76	0.00	0.00	0.76	0.00	0.27	0.76	0.16
Total storage, transport, and stabilization costs	35.40	8.61	24.81	40.61	13.95	30.57	38.30	8.75	28.27	38.47	8.75	28.43
Customs duties on petroleum	13.86	0.00	13.95	14.31	0.00	14.33	16.80	0.00	16.82	18.90	0.00	18.92
Turnover tax on petroleum	18.07	0.00	18.19	18.65	0.00	18.67	21.90	0.00	21.92	24.63	0.00	24.65
Special tax on petroleum	120.00	0.00	65.00	120.00	0.00	65.00	120.00	0.00	65.00	120.00	0.00	65.00
Turnover tax on storage user fee	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Turnover tax on transport	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
Total taxes	153.61	1.68	98.82	154.64	1.68	99.68	160.38	1.68	105.42	165.21	1.68	110.25
Interest charges	1.29	1.01	0.72	2.05	1.67	1.60	2.05	1.67	1.60	2.05	1.67	1.60
Remuneration of the distribution company	29.12	16.08	14.72	29.12	16.08	14.72	29.12	16.08	14.72	30.12	16.08	15.72
<i>Of which:</i> Operating costs	16.43	10.49	6.29	16.43	10.49	6.29	16.43	10.49	6.29	16.43	10.49	6.29
Profits	8.19	2.06	6.19	8.19	2.06	6.19	8.19	2.06	6.19	8.19	2.06	6.19
Amortization and maintenance	4.50	3.53	2.24	4.50	3.53	2.24	4.50	3.53	2.24	5.50	3.53	3.24
Retail remuneration	12.96	8.46	7.71	12.96	8.46	7.71	12.96	8.46	7.71	12.96	8.46	7.71
Total distribution costs	43.37	25.55	23.15	44.13	26.21	24.03	44.13	26.21	24.03	45.13	26.21	25.03
Retail price	330.00	130.00	245.00	340.00	140.00	255.00	360.00	150.00	275.00	380.00	160.00	295.00

Source: Cameroonian authorities.

1/ From July 1995 to February 1996.

2/ From February 1996 to September 1996.

3/ From September 1996 to June 1997.

4/ From July 1997 to July 1998.

5/ Beginning in July 1998.

Table 33. Cameroon: Retail Prices of Petroleum Products, 1995-98

	<u>1995</u>	<u>1995-96</u>	<u>1996</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998</u>
	Jan. 20 - July 3	July 4 - Feb. 7	Feb. 8 - Sep. 1	Sep. 1 - June 30	July 1 - June 30	Beginning July 1
(In CFA francs per liter; effective at beginning of period)						
Gasoline	285	330	340	360	380	367
Kerosene	110	130	140	150	160	135
Diesel	206	245	255	275	295	270
(Percentage change at beginning of period)						
Gasoline	13.5	15.8	3.0	5.9	5.6	-3.4
Kerosene	10.0	18.2	7.7	7.1	6.7	-15.6
Diesel	14.4	18.9	4.1	7.8	7.3	-8.5
Memorandum items:	(In U.S. dollars per liter; end of period)					
Gasoline	0.57	0.64	0.66	0.70	0.63	
Kerosene	0.22	0.25	0.27	0.29	0.27	
Diesel	0.41	0.48	0.49	0.53	0.49	

Sources: Cameroonian authorities; and staff estimates.

Table 34. Cameroon: Prices of Major Utilities, 1997/98 1/

Water		Electricity		Telecommunications	
<b>Consumption by corporations</b>		<b>Consumption by corporations</b>		<b>Local calls</b>	
<u>cubic meters</u>	<u>CFAF</u>		<u>CFAF/kwh</u>	<b>CFAF 40 per 6 minutes</b>	
		<b>Middle tension</b>		<b>Long distance (Interurban) calls</b>	
1-10,000	354	Fixed cost	8,690	<u>Distance (d) in km</u> <u>CFAF per minute</u>	
10,001-50,000	339	Variable cost		d<100	80
50,001-100,000	324	0-200 hours	38.5	100<d<300	160
100,001-250,000	312	201-325 hours	35.2	d>300	240
		326-450 hours	31.9		
		Over 450 hours	29.7		
		<b>High tension</b>		<b>International calls</b>	
<b>Consumption by households</b>		Fixed cost		<u>Representative country</u> <u>CFAF per minute</u>	
		0-3,900 hours	14,869	Africa	
Less than 10 cubic meters	271	3,901-5,400 hours	10,353	Gabon	
More than 10 cubic meters	337	5,401-6,600 hours	5,178	Tunisia	
		Over 6,600 hours	None	South Africa	
Government	354	Variable cost		Libya	
		0-200 hours	25.9	Tanzania	
Water company staff	0-271	201-325 hours	23.3	Europe	
		326-450 hours	18.1	France	
		Over 450 hours	13.2	Sweden, Belgium, Switzerland	
				Russia	
				Western Hemisphere	
		<b>Consumption by households</b>		United States	
		Lower than 90 kwh	50	Mexico, Cuba	
		90 kwh	50	Brazil	
		Over 90 kwh	58	Canada	
				Middle East	
		Government	32	Dubai, Qatar, Yemen	
				Saudi Arabia, Oman	
		Employees of the		Asia	
		electricity company	5-58	Singapore, Thailand	
				Korea (Rep. of and	
				Dem. People's Rep. of)	
				Philippines	

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

Table 35. Cameroon: Central Government Operations, 1993/94-1997/98 1/

	1993/94	1994/95	1995/96	1996/97	1997/98
(In billions of CFA francs)					
Total revenue 2/	343.9	533.8	653.5	745.4	847.7
Oil revenue	74.1	107.4	142.8	204.3	204.4
Non-oil revenue	269.8	426.4	510.7	541.1	643.3
Total expenditure	659.4	668.1	736.2	793.0	936.9
Current expenditure 3/	545.1	620.7	692.7	718.6	783.6
Wages and salaries	206.8	194.3	188.4	213.2	259.2
Interest due on public debt	240.6	263.7	304.6	299.4	299.2
Other	97.7	162.6	199.7	206.0	225.1
Capital expenditure	114.2	47.4	43.5	74.4	153.3
Foreign-financed investment	23.5	25.3	13.0	28.3	88.0
Domestically financed investment	11.6	19.0	17.8	39.1	53.4
Restructuring expenditure	79.2	3.1	12.7	7.0	11.9
Overall deficit (-), commitments basis	-315.5	-134.3	-82.6	-47.6	-89.2
Net change in arrears (reduction -)	-472.8	115.0	-273.3	-3.0	-515.5
Overall deficit (-), cash basis	-788.3	-19.3	-356.0	-50.5	-604.7
Financing	788.3	19.2	356.0	50.5	604.7
External financing (net)	698.8	5.7	376.7	-172.8	486.3
Amortization due (excluding IMF)	-209.6	-281.3	-348.2	-275.9	-282.0
Drawings	908.4	287.0	724.9	103.1	768.3
Project financing (including grants)	23.5	25.3	13.0	28.3	88.0
Program financing (including grants)	174.7	77.7	112.9	0.0	176.7
Debt cancellation	83.4	31.3	0.0	0.0	0.0
Debt rescheduling	626.8	152.7	599.0	74.8	503.6
Domestic financing (net)	89.5	13.5	-20.6	223.3	118.4
Banking system (including IMF)	55.6	12.0	-23.7	-4.0	5.5
Other (including securitization)	33.9	1.5	3.0	227.4	112.8
Memorandum item:					
Primary budget balance 4/	27.8	157.8	247.7	287.1	309.9
(In percent of GDP)					
Total revenue 2/	10.1	12.9	14.3	15.1	16.2
Oil revenue	2.2	2.6	3.1	4.1	3.9
Non-oil revenue	7.9	10.3	11.2	11.0	12.3
Total expenditure	19.3	16.2	16.1	16.1	17.9
Current expenditure 3/	16.0	15.0	15.2	14.6	15.0
Capital expenditure	3.3	1.1	1.0	1.5	2.9
Primary budget balance 4/	0.8	3.8	5.4	5.8	5.9
Overall deficit (-), commitments basis	-9.2	-3.3	-1.8	-1.0	-1.7
Overall deficit (-), cash basis	-23.1	-0.5	-7.8	-1.0	-11.5

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

2/ Excluding privatization proceeds.

3/ Including all unclassified expenditures.

4/ Excluding interest, foreign-financed investments, and restructuring expenditure.

Table 36. Cameroon: Central Government Revenue, 1993/94-1997/98 1/

	1993/94	1994/95	1995/96	1996/97	1997/98
(In billions of CFA francs)					
Total revenue 2/	343.9	534.3	655.0	768.1	834.8
Oil revenue	74.1	107.4	142.8	204.3	204.4
National oil company's contributions	53.1	83.1	108.9	187.3	165.8
Profit taxes	21.0	24.3	33.9	17.0	38.6
Non-oil revenue 2/	269.8	426.9	512.2	563.8	630.4
Tax revenue	244.3	383.3	450.1	486.7	563.8
Taxes on income and profits	42.6	58.2	65.1	101.2	114.6
Individual income taxes	28.9	35.8	35.5	35.0	44.3
Wages and salaries	15.3	15.3	18.4	17.6	22.7
Progressive surcharge	13.6	20.5	17.1	17.4	21.6
Profit taxes	13.7	22.4	29.5	35.0	44.7
Other direct taxes	0.0	0.0	0.0	31.2	25.6
Taxes on goods and services	104.0	193.0	209.0	200.0	248.0
Domestic taxes	52.1	120.4	128.5	100.1	144.0
Turnover taxes	22.5	83.6	90.4	83.5	96.7
Excises taxes	12.4	17.9	17.6	16.6	21.7
Other	17.2	18.9	20.5	0.0	25.6
Taxes collected by customs	51.9	72.6	80.5	99.9	104.0
Turnover taxes	10.9	48.2	63.5	73.4	102.8
Excises taxes	0.0	0.5	1.4	1.2	1.2
Other	41.0	24.0	15.7	25.3	0.0
Excise taxes on petroleum products	35.7	28.0	50.0	58.1	58.4
Taxes on international trade	62.1	104.1	126.0	127.4	142.8
Import duties	54.5	61.9	72.1	75.1	94.4
Export duties	7.6	42.2	51.2	47.6	43.1
Other	0.0	0.0	2.7	4.7	5.3
Other tax revenue	25.0	114.0	132.0	0.0	0.0
Nontax revenue 2/	25.5	43.6	62.1	77.1	66.6
Of which: privatization	0.0	0.0	1.4	22.4	1.0
(In percent of total revenue)					
Total revenue 2/	100.0	100.0	100.0	100.0	100.0
Oil revenue	21.5	20.1	21.8	26.6	24.5
Non-oil revenue 2/	78.5	79.9	78.2	73.4	75.5
Tax revenue	71.1	71.7	68.7	63.4	67.5
Taxes on income and profits	12.4	10.9	9.9	13.2	13.7
Taxes on goods and services	30.2	36.1	31.9	26.0	29.7
Excise taxes on petroleum products	10.4	5.2	7.6	7.6	7.0
Taxes on international trade	18.1	19.5	19.2	16.6	17.1
Nontax revenue 2/	7.4	8.2	9.5	10.0	8.0
Of which: privatization	0.0	0.0	0.2	2.9	0.1
(In percent of GDP)					
Total revenue 2/	10.1	12.9	14.3	15.6	15.9
Oil revenue	2.2	2.6	3.1	4.1	3.9
Non-oil revenue 2/	7.9	10.3	11.2	11.4	12.0
Tax revenue	7.2	9.3	9.8	9.9	10.8
Taxes on income and profits	1.2	1.4	1.4	2.1	2.2
Taxes on goods and services	3.0	4.7	4.6	4.1	4.7
Excise taxes on petroleum products	1.0	0.7	1.1	1.2	1.1
Taxes on international trade	1.8	2.5	2.8	2.6	2.7
Nontax revenue 2/	0.7	1.1	1.4	1.6	1.3
Of which: privatization	0.0	0.0	0.0	0.5	0.0

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

2/ Including privatization proceeds.

Table 37. Cameroon: Economic Classification of Government Expenditure, 1993/94-1997/98 1/

	1993/94	1994/95	1995/96	1996/97	1997/98
(In billions of CFA francs)					
Total expenditure	659.4	668.1	736.2	793.0	936.9
Current expenditure	545.1	620.7	692.7	718.6	783.6
Wages and salaries	206.8	194.3	188.4	213.2	259.2
Goods and services 2/	49.6	105.8	123.1	143.3	140.0
Interest on public debt	240.6	263.7	304.6	299.4	299.2
On external debt	213.5	231.8	260.5	272.9	269.9
On domestic debt	27.1	31.9	44.1	26.5	29.3
Subsidies and transfers	48.0	56.9	76.6	62.7	85.1
Capital expenditure	114.2	47.4	43.5	74.4	153.3
Foreign-financed investment	23.5	25.3	13.0	28.3	88.0
Domestically financed investment	11.6	19.0	17.8	39.1	53.4
Restructuring expenditure	79.2	3.1	12.7	7.0	11.9
Memorandum items:					
Expenditure on defense	50.0	65.0	59.0	0.0	0.0
(In percent of total expenditure)					
Total expenditure	100.0	100.0	100.0	100.0	100.0
Current expenditure 2/	82.7	92.9	94.1	90.6	83.6
Wages and salaries	31.4	29.1	25.6	26.9	27.7
Goods and services	7.5	15.8	16.7	18.1	14.9
Interest on public debt	36.5	39.5	41.4	37.8	31.9
Subsidies and transfers	7.3	8.5	10.4	7.9	9.1
Capital expenditure	17.3	7.1	5.9	9.4	16.4
Foreign-financed investment	3.6	3.8	1.8	3.6	9.4
Domestically financed investment	1.8	2.8	2.4	4.9	5.7
Restructuring expenditure	12.0	0.5	1.7	0.9	1.3
(In percent of GDP)					
Total expenditure	19.3	16.2	16.1	16.1	17.9
Current expenditure	16.0	15.0	15.2	14.6	15.0
Wages and salaries	6.1	4.7	4.1	4.3	4.9
Goods and services 2/	1.5	2.6	2.7	2.9	2.7
Interest on public debt	7.0	6.4	6.7	6.1	5.7
Subsidies and transfers	1.4	1.4	1.7	1.3	1.6
Capital expenditure	3.3	1.1	1.0	1.5	2.9
Foreign-financed investment	0.7	0.6	0.3	0.6	1.7
Domestically-financed investment	0.3	0.5	0.4	0.8	1.0
Restructuring expenditure	2.3	0.1	0.3	0.1	0.2

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

2/ Including all unclassified expenditures.

Table 38. Cameroon: Conventional Domestic Debt and Domestic Arrears, 1998

(In billions of CFA francs)

Category of Debt	Stock of Debt and Pre-July 1993 Arrears			Total debt	
	June 1998	Changes	Aug. 1998	New arrears 1/	Aug. 1998 Est.
Conventional debt	904.1	-18.8	885.3		885.3
Insurance companies (ASAC)	5.3	0.0	5.3	0.0	5.3
Debt related to investments 2/	66.6	12.9	79.5	0.0	79.5
Public works debt (BTP debt)	103.4	4.8	108.2	0.0	108.2
Deferred BTP debt 3/	89.0	4.8	93.8	0.0	93.8
Non-deferred BTP debt	1.5	0.0	1.5	0.0	1.5
BTP debt (Reynolds)	13.0	0.0	13.0	0.0	13.0
Major banks	178.0	-11.8	166.2	0.0	166.2
SGBG	29.1	0.0	29.1	0.0	29.1
SCB-CL	45.4	0.0	45.4	0.0	45.4
CCEI	0.5	0.0	0.5	0.0	0.5
Standard Chartered	27.8	0.0	27.8	0.0	27.8
BICEC 4/	61.2	-2.0	59.2	0.0	59.2
BMBC/CAMCUL 5/	14.0	-9.8	4.2	0.0	4.2
Cross arrears (public enterprises)	253.3	1.5	254.8	0.0	254.8
BEAC (Central bank)	297.5	-26.3	271.2	0.0	271.2
Advances	106.9	-2.4	104.5	0.0	104.5
Consolidated debt	190.6	-23.8	166.8	0.0	166.8
Nonconventional debt	369.8	19.2	389.0	86.7	475.7
Unpaid rents	28.8	-0.8	28.0	0.0	28.0
Commercial debt	10.8	0.0	10.8	13.0	23.7
Intelcam	35.1	0.0	35.1	0.0	35.1
Frozen promotions	169.8	0.0	169.8	0.0	169.8
Wage arrears (Sep.-Oct. 1989) 6/	32.3	-6.5	25.8	0.0	25.8
Other 7/	93.0	26.5	119.5	73.7	193.2
Total	1,273.9	0.4	1,274.3	86.7	1,361.0

Sources: Caisse Autonome d'Amortissement; and staff estimates.

1/ Post-June 1993 arrears (unaudited) following the survey.

2/ Rescheduled debt related to investments (contracted at the end of the 1980s). Changes include unpaid interest.

3/ Changes include interest arrears.

4/ Cash payment in the context of the restructuring of the bank.

5/ Debt previously owed to BMBC (liquidated) amounting to CFAF 14 billion taken over by CAMCUL.

6/ Changes include cash payment of part of arrears of the September 1989 salary.

7/ Including arrears related to road maintenance.

Table 39. Cameroon: Oil Sector Contribution to the Government Budget, 1993/94-1997/98 1/

(In billions of CFA francs, unless otherwise indicated)

	1993/94	1994/95	1995/96	1996/97	1997/98
<b>Production, uses, and exports</b>					
Production and uses (in millions of barrels)					
Production	44.5	38.9	36.9	39.3	41.9
Percentage change			-5.1	6.6	6.7
Uses	44.5	38.9	36.9	40.3	41.4
Exports	42.5	37.2	34.1	37.8	38.3
By SNH 2/	28.4	24.6	22.9	24.0	22.9
By petroleum companies	14.1	12.5	11.2	13.8	15.3
Sale of Kole to SONARA 2/	2.0	1.7	2.8	2.5	3.1
Value of uses	274.6	311.7	309.3	428.9	384.8
Exports	262.5	301.0	286.1	401.9	356.3
By SNH	175.2	199.4	192.8	256.0	209.9
By petroleum companies	87.3	101.6	93.3	145.9	146.3
Sale of Kole to SONARA	12.1	10.7	23.1	27.0	28.5
<b>SNH accounts 3/</b>					
Revenue	225.9	257.9	279.3	308.2	260.4
Of which: export receipts	175.2	199.4	192.8	256.0	209.9
Expenditure	-158.7	-160.5	-152.3	-108.4	-141.8
Brass imports	-40.9	-55.3	-63.1	-24.9	-21.6
Cost sharing of 50 percent with oil companies	-56.7	-55.2	-55.3	-56.8	-101.2
Other expenses	-48.6	-41.4	-24.4	-6.1	-8.8
Payments to oil companies by government to ensure minimum 13 percent profit margin	-12.5	-8.6	-9.6	-20.6	-10.2
Disposable income	67.2	97.4	127.0	199.8	118.6
<b>Oil companies' accounts</b>					
Export receipts	87.3	101.6	93.3	145.9	146.3
Expenditure	-70.3	-77.5	-76.3	-75.2	-127.7
Cost sharing of 50 percent with government	-56.7	-55.2	-55.3	-56.8	-101.2
Theoretical tax obligations 4/	-26.2	-31.0	-30.6	-39.0	-36.7
Payments to oil companies by government to ensure minimum 13 percent profit margin	12.5	8.6	9.6	20.6	10.2
<b>Contribution to government budget</b>					
Actual (accrual basis)	64.3	107.4	142.8	226.7	179.3
SNH's contribution	43.3	83.1	109.0	209.7	140.7
Of which: SONARA arrears repayments	...	...	...	8.2	18.1
Oil companies' profit tax	21.0	24.3	33.7	17.0	38.6
Actual (cash basis) 5/	64.3	107.4	142.8	204.3	192.1
SNH's contribution	43.3	83.1	109.0	187.3	153.5
Regular	43.3	83.1	109.0	109.2	135.0
Windfall	0.0	0.0	0.0	78.1	18.5
Oil companies' profit tax 6/	21.0	24.3	33.7	17.0	38.6
<b>Memorandum items:</b>					
Oil price (U.S. dollars per barrel)					
World Economic Outlook series	14.8	17.0	17.8	20.8	16.2
Discount for lower quality of Cameroon's crude	0.6	1.4	1.0	1.0	0.8
Price for Cameroon's crude	14.2	15.6	16.8	19.9	15.4
Exchange rate (CFA francs per U.S. dollar, average)	435.0	518.6	501.8	541.1	602.1

Sources: Cameroonian authorities; and Fund staff estimates.

1/ Fiscal year begins in July.

2/ SONARA (Société Nationale de Raffinage).

3/ SNH (Société Nationale des Hydrocarbures).

4/ As reported by the SNH.

5/ As reported in the government's fiscal reporting system (*tableau de bord*).

6/ Includes CFAF 10 billion of profits tax arrears paid by one oil company in Q4 1997/98.

Table 40. Cameroon: Structure of Interest Rates, 1994-98

(In percent a year)

	1994				1995								1996					1996-97	1997-98	1998					
	Jan. 14- June 19	June 20- June 30	July 1- July 24	July 25- Sep. 11	Sep. 12- Oct. 23	Oct. 24- Nov. 14	Nov. 15- Dec. 8	Dec. 9- Mar. 12	Mar. 13- June 28	June 29- Jul. 4	Jul. 5- Sep. 24	Sep. 25- Dec. 6	Dec. 7- Dec. 31	Jan. 1- Feb. 7	Feb. 8- Mar. 11	Mar. 12- April 14	April 15- May 5	May 6- June 3	June 4- July 28	July 29- Oct. 15	Oct. 16- Nov. 20	Nov. 21- May 22	May 23- Dec. 6	From Dec. 7	
<b>Central bank interest rates</b>																									
Base discount rate	14.00	12.50	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Penalty rate	22.00	20.00	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
<b>Lending rates to treasury</b>																									
Within statutory ceiling	11.00	11.00	11.00	11.00	10.50	9.50	8.50	7.75	7.75	7.75	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	7.75	7.50	7.00	
Outside statutory ceiling	12.00	12.00	12.00	12.00	12.00	11.00	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.25	10.25	10.50	
<b>Special deposit rates</b>																									
For treasury	6.00	6.00	6.50	5.50	5.00	4.50	3.50	4.00	4.20	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.00	3.90	3.60	3.30	3.00	3.00	3.00	2.75	
For banks	9.75	9.75	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
<b>Money market interest rates 1/</b>																									
Money market auction (TIAO)	...	...	12.50	11.00	10.50	9.50	8.50	7.75	8.00	8.75	8.75	8.00	8.60	8.60	8.60	8.60	8.20	8.00	8.00	8.00	7.75	7.75	7.50	7.00	
Repurchase agreement (TIPP)	...	...	14.00	12.50	12.00	11.00	10.50	9.25	10.00	10.50	10.50	10.00	10.75	10.75	10.75	10.75	10.20	10.00	10.00	10.00	9.75	9.75	9.50	9.00	
Penalty rate	...	...	20.00	20.00	20.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	
Special deposit rate	...	...	6.50	5.50	5.50	4.50	3.50	4.00	4.20	4.50	4.50	4.50	4.50	4.50	...	...	...	...	...	...	...	...	...	...	
Central bank bills, 7-day 2/	...	...	...	...	...	...	...	...	...	...	...	...	...	...	4.50	4.00	4.00	3.90	3.60	3.30	3.00	3.00	3.00	2.75	
Central bank bills, 28-day 2/	...	...	...	...	...	...	...	...	...	...	...	...	...	...	4.75	4.56	4.06	3.93	3.67	3.36	3.06	3.06	3.06	2.81	
Central bank bills, 84-day 2/	...	...	...	...	...	...	...	...	...	...	...	...	...	...	4.63	4.13	4.03	3.73	3.43	3.13	3.13	3.13	3.13	2.88	
<b>Bank rates</b>																									
Maximum lending rate	19.00	17.00	17.00	17.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	
Minimum deposit rate	9.00	8.00	8.00	8.00	7.50	7.50	7.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	4.75	

Source: Bank of Central African States.

- 1/ The money market was introduced on July 1, 1994.  
2/ Central bank bills were introduced on February 6, 1996.

Table 41. Cameroon: Distribution of Credit by Principal Economic Activity,  
June 1993-June 1998 1/

(In billions of CFA francs; end of period)

	1993		1994		1995		1996		1997		1998 June
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.	
Short term	778.9	739.5	720.7	736.0	722.3	751.7	739.8	757.1	729.3	776.6	807.1
Agriculture, forestry, and fisheries	63.8	59.7	55.0	56.2	60.6	58.3	58.4	42.2	48.2	47.9	56.5
Petroleum sector	8.3	0.5	1.8	1.8	1.9	6.0	6.6	3.1	1.9	2.9	10.1
Other mining	1.3	1.3	1.0	1.0	1.3	1.0	0.9	0.7	0.7	1.0	0.9
Manufacturing	133.4	131.7	131.3	134.1	137.9	148.1	135.3	139.4	130.6	146.1	150.9
Water and electricity	7.2	8.3	3.3	3.4	4.6	4.8	5.9	5.7	5.6	8.9	11.2
Construction and public works	49.3	49.3	48.5	49.5	47.6	48.4	47.5	52.7	50.3	50.7	52.9
Commerce	269.6	270.6	258.8	264.6	264.6	270.6	272.8	281.3	272.7	285.0	294.5
Export trade	58.2	42.3	41.8	42.7	34.2	35.3	33.6	37.9	37.3	43.3	39.3
Transportation	22.0	20.9	16.6	16.9	17.9	16.5	17.0	17.8	17.9	18.6	21.1
Services	78.5	76.4	79.1	80.8	74.6	81.5	80.7	83.4	79.8	84.6	84.8
Loans to individuals	44.2	44.5	44.0	44.9	44.2	44.8	44.4	49.3	45.6	46.2	45.8
Unclassified	43.1	34.1	39.3	40.1	32.9	36.4	36.7	43.6	38.7	41.5	39.2
Medium and long term	197.5	188.0	291.4	312.5	329.8	345.0	359.3	239.9	239.1	252.5	252.5
Agriculture, forestry, and fisheries	26.8	19.7	10.5	11.3	11.3	11.8	14.0	25.7	26.7	30.0	33.0
Petroleum sector	1.4	1.3	1.8	1.9	1.5	1.4	8.2	7.6	6.5	5.8	3.5
Other mining	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Manufacturing	42.7	39.1	41.3	44.3	38.1	37.0	40.3	52.2	52.0	51.2	51.6
Water and electricity	2.4	1.6	2.8	3.0	2.4	2.2	2.0	1.5	1.3	3.3	0.7
Construction and public works	4.0	4.1	3.4	3.6	4.9	5.2	5.3	5.2	4.7	4.7	3.5
Commerce	28.6	35.2	34.1	36.6	33.6	32.8	34.8	43.8	48.1	50.7	58.8
Export trade	6.2	4.6	4.4	4.7	3.9	3.6	3.3	3.4	2.3	2.2	2.5
Transportation	5.5	7.1	7.9	8.5	6.1	7.2	6.2	5.9	6.4	6.9	7.0
Services 2/	30.9	32.8	145.8	156.4	188.6	205.0	206.6	58.4	57.3	64.1	59.9
Loans to individuals	35.5	34.1	33.0	35.4	31.9	31.0	30.4	29.8	27.9	26.9	26.3
Unclassified	13.5	8.3	6.2	6.7	7.3	7.6	8.0	6.2	5.7	6.6	5.6
Total	976.5	927.5	1,012.1	1,048.5	1,052.1	1,096.7	1,099.1	997.0	968.4	1,029.1	1,059.7

Source: Bank of Central African States.

1/ The distribution is based on loans reported to the *Centrale des Risques*.

2/ This category also includes some previously undeclared bank claims on the treasury for the period June 1994-June 1996.

Table 42. Cameroon: Monetary Survey, June 1993-December 1998

(In billions of CFA francs; end of period)

	1993		1994		1995		1996		1997		1998	
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June 1/	Dec.	June	Dec.
Net foreign assets	-220.5	-223.7	-316.0	-293.8	-288.7	-320.2	-301.7	-278.8	-188.5	-179.1	-220.5	-170.5
BEAC	-211.3	-212.7	-352.6	-339.5	-345.8	-344.3	-305.1	-288.3	-228.0	-204.7	-251.3	-191.3
Commercial banks	-9.2	-11.0	36.6	45.7	57.1	24.1	3.4	9.5	39.5	25.6	30.8	20.7
Net domestic assets	815.8	818.8	1,016.5	1,056.8	1,031.9	1,029.0	1,006.9	989.6	849.3	887.1	933.0	930.5
Domestic credit	845.4	855.5	824.7	871.7	854.8	867.0	855.4	869.1	779.8	832.4	891.3	905.8
Net claims on public sector	461.4	483.6	476.6	497.7	494.0	486.6	471.5	450.2	461.1	472.2	472.9	462.2
Net credit to central government	380.2	424.0	435.8	445.8	447.3	433.8	421.0	400.3	423.9	423.5	429.4	398.6
Claims	431.0	466.3	508.2	513.8	515.2	515.1	528.9	520.0	507.1	498.3	514.6	522.5
Deposits	-50.8	-42.2	-72.4	-68.0	-67.9	-81.3	-107.9	-119.7	-83.3	-74.8	-85.2	-123.9
Credit to autonomous agencies	11.2	6.9	11.6	12.5	10.0	10.8	10.5	9.4	9.2	9.0	10.0	9.7
Credit to public enterprises	69.9	52.7	29.1	39.4	36.6	42.1	40.1	40.4	28.0	39.8	33.5	53.9
Credit to financial institutions	2.7	3.1	3.6	4.4	4.6	9.0	9.9	9.3	8.5	12.0	14.3	14.8
Credit to private sector	381.4	368.8	344.6	369.5	356.2	371.4	374.0	409.7	310.2	348.1	404.1	428.8
Other items (net)	-29.6	-36.7	191.7	185.2	177.1	161.9	151.5	120.5	69.6	54.7	41.8	24.7
Money and quasi money	595.3	595.1	700.5	763.1	743.2	708.8	705.0	710.8	660.8	708.0	712.5	760.1
Currency outside banks	116.6	116.1	109.6	136.3	106.5	102.3	90.8	94.5	137.4	180.3	169.8	205.8
Deposits	478.8	479.0	590.9	626.8	636.7	606.5	614.2	616.3	523.4	527.7	542.7	554.3

Sources: Bank of Central African States (BEAC); and staff estimates.

1/ Excluding information on two banks (Banque Méridien-BIAO Cameroun and Crédit Agricole du Cameroun), which were liquidated in October 1996 and June 1997, respectively; thus, there is a break in the series with respect to data for the past.

Table 43. Cameroon: Central Bank Balance Sheet, June 1993-December 1998

(In billions of CFA francs; end of period)

	1993		1994		1995		1996		1997		1998	
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June 1/	Dec.	June	Dec.
Net foreign assets	-211.3	-212.7	-352.6	-339.5	-345.8	-344.3	-305.1	-288.3	-228.0	-204.7	-251.3	-191.3
Foreign assets	12.8	4.2	7.4	7.4	6.2	7.5	7.0	7.2	6.7	5.7	6.1	5.6
Foreign liabilities	-224.2	-216.9	-360.0	-346.9	-352.0	-351.8	-312.2	-295.6	-234.7	-210.4	-257.4	-196.8
IMF credit	-13.2	-4.8	-23.7	-23.3	-21.2	-25.1	-38.8	-37.7	-40.9	-55.7	-73.7	-87.4
Liabilities to French treasury	-210.0	-211.4	-335.6	-323.3	-329.4	-323.4	-272.4	-257.0	-192.8	-152.6	-182.6	-107.9
Other foreign liabilities	-1.0	-0.7	-0.7	-0.2	-1.3	-3.3	-1.0	-0.8	-1.0	-2.1	-1.1	-1.5
Net domestic assets	327.9	328.9	462.2	475.8	452.4	446.5	396.2	382.8	365.4	384.9	421.1	397.0
Net domestic credit	337.2	343.9	257.8	280.2	253.1	271.6	212.3	216.3	192.6	226.8	260.7	241.3
Net credit to central government	304.3	304.3	292.9	295.7	291.5	287.7	297.1	293.4	310.8	293.3	317.4	296.4
Credit to central government	327.5	319.1	340.9	340.5	338.4	338.2	351.9	340.6	344.6	335.7	352.2	358.6
Credit under statutory ceiling	111.7	111.7	111.7	111.7	111.7	107.7	107.7	107.7	114.9	100.5	108.5	110.9
Credit for bank restructuring	202.6	202.6	205.5	205.5	205.5	205.5	205.5	195.2	188.8	179.6	170.0	160.3
Counterpart of IMF credit	13.2	4.8	23.7	23.3	21.2	25.1	38.8	37.7	40.9	55.7	73.7	87.4
Deposits of central government	-23.2	-14.8	-48.0	-44.8	-46.9	-50.5	-54.8	-47.2	-33.7	-42.5	-34.7	-62.2
Net claims on banks	32.9	39.7	-35.1	-15.5	-38.4	-16.1	-84.8	-77.1	-118.3	-66.5	-56.7	-55.1
Claims on banks	50.8	52.1	19.7	27.1	21.7	21.4	8.1	6.2	4.5	4.1	5.0	13.5
Bank reserves	-17.9	-12.4	-54.8	-42.6	-60.2	-37.5	-92.9	-83.3	-122.8	-70.6	-61.8	-68.6
Other items (net)	-9.3	-15.1	204.4	195.7	199.3	174.9	183.9	166.6	172.8	158.2	160.5	155.7
Currency outside banks	116.6	116.1	109.6	136.3	106.5	102.3	90.8	94.5	137.4	180.3	169.8	205.8
Memorandum item:												
Reserve money	134.4	128.5	164.4	178.9	166.7	139.8	183.7	177.8	260.2	250.8	231.6	274.4

Sources: Bank of Central African States (BEAC); and staff estimates.

1/ Excluding information on two banks (Banque Méridien-BIAO Cameroun and Crédit Agricole du Cameroun), which were liquidated in October 1996 and June 1997, respectively; thus, there is a break in the series with respect to data for the past.

Table 44. Cameroon: Commercial Banks' Consolidated Balance Sheet, June 1993-December 1998

(In billions of CFA francs; end of period)

	1993		1994		1995		1996		1997		1998	
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June 1/	Dec.	June	Dec.
Net foreign assets	-9.2	-11.0	36.6	45.7	57.1	24.1	3.4	9.5	39.5	25.6	30.8	20.7
Deposit banks	-6.7	-8.5	41.5	50.7	62.1	29.0	8.3	14.4	44.5	30.5	35.7	25.7
Postal debt	-2.5	-2.5	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9
Net domestic assets	487.9	489.9	554.3	581.0	579.6	582.4	610.8	606.8	483.9	502.2	511.9	533.5
Domestic credit	541.1	551.2	531.8	576.0	563.3	579.3	558.3	575.7	468.9	539.1	573.9	609.4
Public sector	157.1	179.3	183.7	202.1	202.5	198.9	174.4	156.8	150.3	179.0	155.5	165.8
Net credit to central government	75.9	119.8	143.0	150.1	155.8	146.1	123.9	106.9	113.1	130.2	112.0	102.2
Banks' claims on treasury	103.5	147.2	167.4	173.3	176.8	176.9	176.9	179.4	162.6	162.6	162.4	163.9
Deposits of treasury	-27.6	-27.4	-24.4	-23.1	-21.0	-30.8	-53.1	-72.5	-49.5	-32.4	-50.4	-61.7
Credit to autonomous agencies	11.2	6.9	11.6	12.5	10.0	10.8	10.5	9.4	9.2	9.0	10.0	9.7
Credit to public enterprises	69.9	52.7	29.1	39.4	36.6	42.1	40.1	40.4	28.0	39.8	33.5	53.9
Credit to other financial institutions	2.7	3.1	3.6	4.4	4.6	9.0	9.9	9.3	8.5	12.0	14.3	14.8
Credit to the private sector	381.4	368.8	344.6	369.5	356.2	371.4	374.0	409.7	310.2	348.1	404.1	428.8
Net claims on BEAC	-32.9	-39.7	35.1	15.5	38.4	16.1	84.8	77.1	118.3	66.5	56.7	55.1
BEAC rediscount	-50.8	-52.1	-19.7	-27.1	-21.7	-21.4	-8.1	-6.2	-4.5	-4.1	-5.0	-13.5
Bank reserves	17.9	12.4	54.8	42.6	60.2	37.5	92.9	83.3	122.8	70.6	61.8	68.6
Other items (net)	-20.3	-21.6	-12.7	-10.5	-22.2	-13.0	-32.4	-46.1	-103.3	-103.5	-118.7	-131.0
Total deposits	478.8	479.0	590.9	626.8	636.7	606.5	614.2	616.3	523.4	527.7	542.7	554.3
Autonomous agencies	50.1	50.3	69.2	73.9	77.7	63.2	56.4	47.8	27.7	23.1	33.2	23.5
Public enterprises	54.3	49.5	64.4	52.7	54.8	43.8	45.6	43.7	38.7	36.5	30.9	40.6
Private sector	374.4	379.2	457.3	500.2	504.2	499.5	512.2	524.8	457.0	468.1	478.6	490.2

Sources: Bank of Central African States (BEAC); and staff estimates.

1/ Excluding information on two banks (Banque Méridien-BIAO Cameroun and Crédit Agricole du Cameroun), which were liquidated in October 1996 and June 1997, respectively; thus, there is a break in the series with respect to data for the past.

Table 45. Cameroon: Balance of Payments, 1993/94-1997/98 1/

	1993/94	1994/95	1995/96	1996/97	1997/98 Est.
(In billions of CFA francs)					
Current account balance	-142.3	-32.0	-109.8	-65.1	-132.6
Trade balance	181.2	306.3	281.3	336.1	297.0
Exports, f.o.b.	623.4	863.1	883.8	1,065.0	1,124.4
Oil and oil products	262.5	301.5	286.4	401.9	356.3
Other	360.9	561.5	597.4	663.1	768.1
Imports, f.o.b.	-442.2	-556.8	-602.4	-729.0	-827.4
Services (net)	-332.1	-367.9	-408.4	-448.0	-484.8
Interest due on public debt	-213.5	-231.8	-260.5	-272.9	-269.9
Other	-118.5	-136.1	-147.9	-175.1	-214.9
Transfers (net)	8.6	29.6	17.2	46.8	55.2
Capital account balance	-280.1	-464.3	-216.5	-188.9	-70.3
Long-term capital	-37.7	-187.3	-217.6	-191.3	-27.3
Public debt	-16.5	-186.1	-244.9	-247.6	-31.3
Disbursements	193.1	95.1	103.4	28.3	250.7
Amortization	-209.6	-281.3	-348.2	-275.9	-282.0
Private sector (net)	-21.3	-1.1	27.2	56.3	3.9
Short-term capital	-78.1	-78.8	0.3	-3.2	-42.9
Of which: oil sector	-61.1	-42.0	-26.1	-42.8	-35.0
Errors and omissions (net)	-164.2	-198.2	0.9	5.6	0.0
Overall balance	-422.4	-496.3	-326.3	-254.0	203.0
Financing	422.4	496.3	326.3	254.0	-203.0
Change in net official reserves (increase -)	141.3	-6.8	-40.7	-77.1	23.0
Debt rescheduling	626.8	152.7	598.6	74.8	504.0
Debt cancellation	83.4	31.3	0.0	0.0	0.0
Net change in arrears	-429.1	319.0	-231.6	256.3	-324.0
(In percent, except where otherwise specified)					
Memorandum items:					
Current account balance (excluding official grants) / GDP	-4.9	-1.8	-2.7	-1.3	-2.8
Overall balance / GDP	-12.4	-12.0	-7.1	-5.1	-3.9
Export volume growth	-11.0	2.0	5.9	11.5	4.7
Import volume growth	3.0	-5.7	13.2	19.5	8.3
Change in terms of trade	0.9	1.7	-0.1	8.1	-3.8
Average exchange rate CFA francs per U.S. dollar	435.0	518.6	501.8	541.1	602.1

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July. The balance of payments has been revised to reflect government data for the period up to 1995/96.

Table 46. Cameroon: Principal Exports, f.o.b., 1993/94-1997/98 1/

	1993/94	1994/95	1995/96	1996/97	1997/98 Est.
(In billions of CFA francs)					
Total	623.4	862.9	883.5	1,064.6	1,124.4
Petroleum and petroleum products	262.5	301.5	286.4	401.9	356.3
Cocoa beans	64.6	93.4	103.5	111.0	150.2
Cocoa products	11.6	18.3	20.5	21.8	29.4
Coffee (robusta)	69.6	93.8	81.5	81.6	104.2
Coffee (arabica)	9.2	15.0	13.3	20.5	24.2
Coffee (roasted)	0.1	0.3	0.2	0.3	0.3
Raw cotton	37.7	49.1	40.4	72.5	78.0
Lumber	89.3	91.3	91.3	125.9	126.6
Aluminum	41.9	71.1	69.8	70.9	80.8
Other 2/	36.7	129.0	176.7	158.4	174.5
(In thousands of tons)					
Petroleum and petroleum products	42.5	37.2	34.1	37.8	38.3
Cocoa beans	102.0	123.4	148.5	137.4	147.0
Cocoa products	11.4	13.8	16.6	15.4	16.5
Coffee (robusta)	106.6	61.1	79.5	97.7	104.6
Coffee (arabica)	11.0	8.1	10.8	11.8	12.6
Raw cotton	49.0	46.6	42.9	78.0	83.5
Lumber	617.3	598.8	605.9	906.5	969.9
Aluminum	71.1	71.0	76.3	79.2	80.8
Other 2/	538.0	473.0	633.3	587.8	647.7
(Annual percentage change in volume)					
Petroleum and petroleum products	-4.2	-12.6	-8.2	10.9	1.2
Cocoa beans	10.4	21.0	20.3	-7.5	7.0
Cocoa products	10.0	21.0	20.3	-7.5	7.0
Coffee (robusta)	7.1	-42.7	30.1	23.0	7.0
Coffee (arabica)	6.8	-25.9	33.2	9.1	7.0
Raw cotton	5.9	-4.9	-7.8	81.7	7.0
Lumber	4.1	-3.0	1.2	49.6	7.0
Aluminum	9.9	-0.1	7.4	3.9	2.0
Other 2/	6.7	-12.1	33.9	-7.2	10.2

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

2/ Includes estimates for unrecorded exports.

Table 47. Cameroon: Principal Imports, 1993/94-1997/98 1/

	1993/94	1994/95	1995/96	1996/97	1997/98 Est.
(In billions of CFA francs)					
Total (balance of payments) 2/	442.0	557.0	602.0	729.0	827.4
Total (Customs Department) 3/	312.3	438.1	564.6	708.3	805.5
Food, drink, and tobacco	50.4	60.4	52.4	64.2	79.9
Energy and lubricants	4.4	6.7	6.5	13.8	11.0
Animal and vegetable raw materials	8.1	22.0	20.4	23.9	35.4
Mineral and other raw materials	25.9	3.7	60.8	111.0	108.7
Semifinished goods	52.8	83.3	103.5	117.9	123.5
Transportation equipment	27.4	47.0	50.1	77.3	116.0
Agricultural equipment	0.8	1.0	1.5	1.4	1.6
Industrial equipment	29.4	54.0	74.5	91.8	99.3
Household consumption	39.6	57.9	69.1	74.4	87.7
Enterprise consumption	73.6	102.1	125.8	132.6	142.4
Unrecorded trade 4/	129.7	118.9	37.4	20.7	21.9
(In thousands of metric tons)					
Food, drink, and tobacco	421.8	305.5	188.4	227.2	282.8
Energy and lubricants	21.0	29.5	25.7	51.9	37.0
Animal and vegetable raw materials	112.9	129.5	94.0	96.4	177.9
Mineral and other raw materials	220.4	90.0	840.7	1,184.9	1,466.8
Semifinished goods	544.1	659.0	691.0	701.8	735.1
Transportation equipment	11.8	16.6	22.7	36.0	54.1
Agricultural equipment	0.5	0.5	0.9	0.8	0.9
Industrial equipment	10.0	17.6	28.9	49.2	35.3
Household consumption	36.2	45.3	58.4	55.6	65.8
Enterprise consumption	74.3	102.5	121.5	130.6	140.3

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

2/ As reported in the balance of payments, using data provided by the Direction des Contrôles Economiques and those estimated by Fund staff.

3/ As reported by the Customs Department.

4/ Estimated by the Direction des Contrôles Economiques and Fund staff.

Table 48. Cameroon: External Public Debt Stock, 1993/94-1997/98 1/

	1993/94	1994/95	1995/96	1996/97	1997/98 Revised 2/
(In billions of CFA francs; end of period)					
Total external debt	4,192.5	4,024	4,068	4,119	4,600
External debt (excluding arrears)	3,721.7	3,250	3,524	3,272	4,060
Multilateral	856.4	802	764	700	870
Of which: IMF	23.7	21	39	38	73
Bilateral Official	2,659.1	2,288	2,605	2,465	3,074
Pre-cutoff-date debt	2,267.3	1,783	2,146	2,024	2,543
Previously rescheduled debt	1,251.4	1,129	1,563	1,520	2,161
First Paris Club agreement	263.8	191	147	91	1
Second Paris Club agreement	407.7	500	500	500	458
Third Paris Club agreement	579.9	438	430	426	533
Fourth Paris Club agreement	0.0	0	486	502	407
Fifth Paris Club agreement	0.0	0	0	0	761
Unrescheduled pre-cutoff date debt	1,015.9	654	584	504	382
Paris Club	950.4	610	533	460	344
Nonparticipants	65.5	44	50	44	38
Post-cutoff-date debt	391.8	505	459	441	531
Banks	121.1	74	81	57	25
Of which: World Bank cofinancing	43.6	31	20	10	5
Short-term and other debt 1/	85.1	85	74	0	92
Arrears 3/ 4/	470.7	775	544	846	540
Multilateral	51.9	53	39	6	0
Bilateral official	46.6	224	80	287	60
Pre-cutoff-date debt	27.2	187	58	287	60
Previously rescheduled debt	8.3	81	22	165	0
First Paris Club agreement	4.2	24	0	34	0
Second Paris Club agreement	4.1	21	0	30	0
Third Paris Club agreement	0.0	36	0	26	0
Fourth Paris Club agreement	0.0	0	22	75	0
Fifth Paris Club agreement	0.0	0	0	0	0
Unrescheduled pre-cutoff date debt	18.9	106	36	123	60
Paris Club	11.5	63	0	75	0
Nonparticipants	7.5	42	36	48	60
Post-cutoff-date debt 5/	19.4	37	22	0	0
Banks 6/	336.4	346	392	440	480
Short-term and other debt 7/	35.7	151	33	113	0
(In percent of total debt, unless otherwise indicated)					
Memorandum items:					
Total debt / GDP	122.7	97.4	89.0	83.5	87.8
Of which: total arrears / GDP (in percent)	13.8	18.8	11.9	17.2	10.3
Nonschedulable debt	35.4	21.3	34.7	30.8	32.5
Multilateral debt	21.7	13.5	19.7	17.2	18.9
Post cut-off date debt	9.8	0.8	11.8	10.7	11.5
World Bank cofinancing	1.0	5.6	0.5	0.2	0.1
Other nonschedulable debt	2.9	10.5	2.6	2.8	2.0
Bank debt	10.9	28.1	11.6	12.1	11.0
Rescheduled debt	29.8	0	50.4	49.1	55.8

Sources: Caisse Autonome d'Amortissement; and staff estimates.

1/ Fiscal year begins in July.

2/ External debt stocks at the end of 1997/98 revised to reflect new drawings and Fifth Paris Club agreement.

3/ Includes arrears on interest and principal, as well as accumulated late interest.

4/ Discrepancies between stocks and flows of arrears stem largely from fluctuations in exchange rates.

5/ Excluding the deferral of arrears stemming from the Second, Third, Fourth, and Fifth Paris Club agreements.

6/ Until an agreement on the restructuring of commercial debt is concluded, it is assumed that arrears are not cleared.

7/ Including the deferral of arrears stemming from the Second, Third and Fourth Paris Club agreements.

Table 49. Cameroon: External Debt Service Due, 1993/94-1997/98 1/

(In billions of CFA francs)

	1993/94			1994/95			1995/96			1996/97			1997/98		
	Princip	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Total external public debt service	217.8	213.4	440.8	282.8	231.8	514.7	351.2	260.6	611.8	279.6	270.1	549.7	164.1	119.3	285.1
Multilateral	44.6	46.5	91.2	63.4	45.9	109.4	65.9	61.5	127.4	66.2	47.5	113.7	82.2	47.1	129.3
<i>Of which: IMF</i>	8.2	1.3	9.5	1.6	2.1	3.7	3.0	2.3	5.2	3.6	2.5	6.1	8.9	2.7	11.6
Official bilateral	106.6	134.5	241.1	110.0	129.7	239.7	181.3	143.3	324.5	157.6	182.0	339.7	34.6	25.5	61.8
Paris Club	102.7	131.5	234.2	105.0	126.1	231.1	177.4	139.1	316.5	151.3	177.2	328.5	29.3	23.5	54.5
Pre-cutoff	94.7	110.3	205.0	94.2	90.0	184.2	131.2	110.7	241.9	133.1	154.8	287.8	0.0	0.0	1.7
Previously rescheduled	15.6	63.3	78.9	26.2	55.3	81.5	55.0	83.0	138.0	59.9	129.1	189.0	0.0	0.0	1.7
First accord	15.6	23.3	38.9	26.2	22.1	48.3	44.2	13.8	58.1	55.8	11.5	67.3	0.0	0.0	0.0
Second accord	0.0	35.2	35.2	0.0	18.9	18.9	0.0	37.2	37.2	0.0	35.4	35.4	0.0	0.0	0.0
Third accord	0.0	4.8	4.8	0.0	14.3	14.3	7.5	23.8	31.3	4.1	28.9	33.0	0.0	0.0	0.0
Fourth accord	0.0	0.0	0.0	0.0	0.0	0.0	3.3	8.2	11.4	0.0	53.2	53.2	0.0	0.0	0.0
Fifth accord	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	1.7
Not previously rescheduled	79.1	47.0	126.1	68.0	34.7	102.7	76.2	27.7	103.9	73.1	25.7	98.8	0.0	0.0	0.0
Post-cutoff 3/	8.0	21.2	29.2	10.8	36.1	46.9	46.2	28.4	74.6	18.3	22.4	40.7	29.3	23.5	52.8
Non Paris Club	3.9	3.0	6.9	5.0	3.6	8.6	3.8	4.2	8.0	6.3	4.9	11.1	5.3	2.0	7.3
Commercial banks	27.7	29.2	56.9	27.3	36.8	64.1	27.6	40.7	68.3	23.2	32.9	56.1	9.3	22.2	31.5
<i>Of which: World Bank cofinancing</i>	8.2	4.5	12.7	11.2	5.8	17.0	10.7	2.3	12.9	10.7	1.2	11.9	4.8	1.9	6.6
Short term and Paris Club differed	38.9	3.2	51.6	82.1	19.4	101.5	76.5	15.1	91.5	32.6	7.7	40.3	7.9	9.1	17.0
Other	...	...	...	...	...	...	...	...	...	...	...	...	0.0	15.5	15.5
<b>Debt service on new loans</b>	...	...	...	...	...	...	...	...	...	...	...	...	30.0	0.0	30.0

Sources: Data provided by the Caisse Autonome d'Amortissement; and staff estimates

1/ Fiscal year begins in July.

2/ To account for the impact of the 5th Paris Club agreement in this table, we assume for simplicity that it took effect as at July 1, 1997, instead of October 1, 1997.

3/ Excluding service on arrears deferred in Second, Third, Fourth and Fifth Paris Club agreements.