

Report No. 6395-CM

Cameroon Country Economic Memorandum

February 19, 1987

Western Africa Region

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CURRENCY DEFINITIONS

Currency Unit: CFA Franc (CFAF)
Fixed Parity : 50 CFAF: 1 French Franc

Exchange Rates

<u>Fiscal Years</u>	<u>CFAF per dollar</u>
1971	277.7
1978	238.6
1979	216.6
1980	209.2
1981	235.3
1982	296.7
1983	354.7
1984	409.5
1985	471.1
1986	374.0
Projected 1987	345.0

Fiscal Year of the Government: July 1 - June 30

This report is based on the work of a mission which visited Cameroon for two weeks in February 1986 mainly to provide assistance to the Government for the preparation of the Sixth Development Plan in selected areas, and on economic and sector work carried out by Bank staff in recent years.

The mission was composed of Messrs. François Laporte (Chief), Philip Berlin, Marco Kranjec and Pedro Alba. It was supported by Messrs. de la Taille (Consultant, Agriculture) and Barry Van Waes and Harald Hansen (Transport) for the planning assistance component. Ms. Yasmin Saadat (Research Assistant) contributed to the preparation of the long-term projections.

A second mission composed of Mr. Laporte and Ms. Saadat visited Cameroon in November 1986 to review the draft report with the Government.

Abstract

The purpose of this Economic Memorandum is to take stock of the main economic and financial developments in Cameroon since 1978, assess the impact of oil production on those developments, analyze the necessary adjustment of the economy to the drop in oil revenues and for establishing the conditions for long-term growth on the eve of the Sixth Development Plan (1987-91), and elaborate an external borrowing strategy.

CAMEROON

Country Economic Memorandum

Table of Contents

	<u>Page</u>
Economic and Social Indicators	(a) - (e)
Summary and Conclusions	i - xviii
INTRODUCTION	1
I. RECENT DEVELOPMENTS	3
A. Investment Structure and Trends	3
B. Production	5
C. Resource Use and Savings	14
D. Population, Employment and Wages	17
E. Domestic Finance	20
1) Trends in Government Revenues	20
ii) Trends in Government Expenditure	23
iii) The Burden of Public Enterprises	26
iv) Money and Credit	28
F. External Finance	31
1) Introduction	31
ii) Trends in Foreign Trade	32
iii) The Balance of Payments	34
iv) External Debt Developments	37
G. Conclusions	38
II. PROSPECTS AND POLICIES FOR ADJUSTMENT	41
A. Oil Sector Prospects and Their Consequences	41
1) The Oil Sector	41
ii) Economic and Financial Prospects: the Scenario Without Adjustment	46

Table of Contents (cont.)

	<u>Page</u>
B. An Adjustment Scenario and The Underlying Economic, Fiscal and Financial Policies	54
i) An Adjustment Scenario	54
ii) Budget Policies	55
iii) Production and Trade Policies	63
iv) The Investment Incentive Framework and Financial Intermediation	73
v) Conclusions	76
III. EXTERNAL BORROWING STRATEGY	83
A. Introduction	83
B. Scenario A-1	85
C. Scenario A-2	87
D. Scenario A-3	89
E. Other simulations	92

Statistical Appendix
Map

List of Text Tables

1. Fixed Investment Trends
2. Planned and Actual Investment
3. Value Added Growth by Sectors
4. Estimated Oil Production
5. Producer and Export Prices of Main Export Crops
6. Sectoral Composition of GDP
7. Origin and Use of Resources
8. Savings Investment Balance
9. Employment by Sector
10. Growth of Salaries and Prices
11. Estimated Government Revenues from Oil
12. Government Revenues
13. Government Expenditures
14. Sectoral Distribution of Government Direct Investment
15. Indicators on Public Enterprises
16. Monetary Survey
17. Merchandise Exports
18. Imports
19. Balance of Payments - Current Account
20. Balance of Payments - Capital Account
21. Estimates of Net Foreign Exchange Earnings from Oil
22. External Debt and Debt Service
23. Sixth Development Plan - Sectoral Distribution of Investment
24. Oil Price and Production Forecasts
25. Projections of Net Revenues from Oil
26. Net Foreign Exchange Earnings and Government Oil Revenues
27. Scenario Without Adjustment - Economic Projections
28. Scenario Without Adjustment - Balance of Payments
29. Projections of Government Revenues, Expenditures and Savings
30. Adjustment Scenario - Economic Projections
31. Adjustment Scenario - Balance of Payments
32. External Borrowing Scenario - A-1
33. External Borrowing Scenario - A-2
34. External Borrowing Scenario - A-3

ECONOMIC INDICATORS

GROSS DOMESTIC PRODUCT, 1984 /a

	<u>Billion CFAF</u> <u>Current Prices</u>	<u>%</u>	<u>Annual Growth</u> <u>Rates in Volume</u>	
			<u>1972-78</u>	<u>1978-84</u>
GDP at Market Prices	3,195.0	100.0	5.4	9.9
Gross Domestic Investment	828.0	25.9	11.7	10.3
Consumption	2,083.3	65.2	3.7	5.2
Gross Domestic Savings	1,111.7	34.8	12.5	26.8
Exports of Goods and Non-Factor Services	1,040.7	32.7	5.1	19.8
Imports of Goods and Non-Factor Services	759.9	23.8	5.1	5.0

PRODUCTION BY SECTORS, 1984 /a

	<u>Value Added in</u> <u>Billion CFAF</u> <u>Current Prices</u>	<u>%</u>	<u>Annual Growth</u> <u>Rates in Volume</u>	
			<u>1972-78</u>	<u>1978-84</u>
Agriculture	702.0	23.2	3.5	2.6
Industry	586.3	19.4	7.5	15.7
Mining and Oil	520.5	17.2	3.8	63.4
Administration	212.8	7.1	6.3	7.1
Services	<u>1,000.4</u>	<u>33.1</u>	<u>4.5</u>	<u>7.5</u>
Total	3,022.0	100.0	5.4	10.3

/a Fiscal year July 1, 1983 - June 30, 1984. All years in the report refer to fiscal years.

. not applicable
 .. not available
 ... negligible
 - nil

CENTRAL GOVERNMENT (including extra budgetary accounts)

	-----in billion CFAF-----					
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Revenues	255.4	425.1	531.1	625.5	774.8	898.7
Oil	(42.8)	(148.8)	(219.2)	(272.8)	(322.5)	(406.3)
Non-Oil	(212.6)	(276.3)	(311.9)	(352.7)	(452.3)	(492.4)
Current Expenditures	151.7	217.6	260.6	358.8	446.1	506.5
Current Surplus	103.7	207.5	270.5	266.7	328.7	392.2
Capital Expenditures	73.2	226.2	233.6	247.3	274.3	307.2

	-----Percentage of GDP-----					
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Revenues	18.1	23.7	24.4	23.9	24.3	24.0
Current Expenditures	10.8	12.1	12.0	13.7	14.0	13.5
Current Surplus	2.4	11.6	12.4	10.2	10.3	10.5
Capital Expenditures	5.2	12.6	10.8	9.5	8.6	8.3

MONEY AND CREDIT

	-----in billion CFAF-----					
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Money and Quasi-Money	315.4	405.6	483.5	612.4	736.2	861.5
Credits to the Government	-52.8	-133.8	-115.7	-108.3	-71.2	-42.0
Credits to Economic Sectors	416.6	559.7	678.7	808.8	806.1	878.3
Net Foreign Assets	-4.5	43.1	-9.7	59.6	127.1	154.2

Memorandum Item:

Money and Quasi-Money as a percent of GDP	22.4	22.6	22.3	23.4	23.0	23.0
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BALANCE OF PAYMENTS
(US\$ Million)

	<u>1975</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985 /a</u>
Exports GNFS	150.2	378.0	516.2	599.2	797.2	1,040.7	1,323.1
Imports GNFS	170.8	427.1	561.9	600.0	675.4	757.9	849.1
<u>Resource Balance</u>	-20.5	-49.1	-45.7	-5.8	121.8	282.8	474.1
Factor Services (net)	-16.2	-34.2	-62.1	-93.9	-140.0	-171.8	-162.0
Current Transfers (net)	2.8	0.7	2.5	-4.7	-1.2	-2.2	-17.6
<u>Current Account</u>	-33.9	-82.6	-105.3	-104.4	-19.4	108.8	294.5
MLT Capital (net)	19.9	99.7	127.1	97.4	142.9	138.7	-46.4
ST Capital (net)	-1.1	-7.0	-14.8	43.8	34.0	3.7	30.2
Monetary Capital (net)	6.7	-12.3	0.5	23.3	13.1	-59.1	-84.9
Errors and Omissions /b (net)	20.0	26.2	-31.2	-73.7	75.1	-248.2	-177.4
<u>Overall Balance</u>	11.7	24.0	-23.7	-13.6	69.5	-56.1	16.1
<u>Memorandum:</u>							
Net Foreign Assets of the Central Banks	..	30.5	4.7	-7.7	60.3	13.5	31.6

/a Preliminary estimates.

/b Including oil-related debt service and unrecorded imports.

EXTERNAL TRADE
(US\$ Million)

	<u>1975</u>	<u>1980</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u> /a
<u>Exports (FOB)</u>						
Oil	-	398.0	1016.0	1159.0	1332.0	1531.0
Cocoa	92.6	277.3	148.1	161.0	217.2	226.8
Coffee	125.9	325.8	152.6	200.7	231.6	233.8
Other Agri- culture /b	147.9	273.1	188.9	159.1	143.5	163.0
Manufacturing	77.8	97.1	84.8	76.9	90.2	108.6
Other NEC	36.4	46.8	26.7	73.5	65.6	58.4
Total Merchandise Exports	<u>480.6</u>	<u>1418.1</u>	<u>1617.1</u>	<u>1830.2</u>	<u>2080.1</u>	<u>2321.9</u>
<u>Memoranda</u>						
(Net Foreign Exchange Earnings from Oil)	-	(210.2)	(541.5)	(577.5)	(594.5)	(670.0)
<u>Imports (FOB)</u>						
Food and Beverages	49.5	80.3	65.1	66.6	71.3	92.3
Consumer Goods	62.1	157.6	143.6	139.6	110.1	149.6
Oil Products	53.1	183.7	63.2	16.1	17.0	7.9
Intermediate Goods	257.2	649.3	650.3	600.2	571.6	456.1
Capital Goods	144.8	381.5	363.2	344.0	362.1	382.3
Total Merchandise Imports (FOB)	<u>566.7</u>	<u>1452.3</u>	<u>1285.4</u>	<u>1166.6</u>	<u>1132.0</u>	<u>1088.1</u>

/a Preliminary estimates.

/b Includes wood and wood products.

PUBLIC AND PUBLICALLY GUARANTEED EXTERNAL DEBT

US\$ million
(as of end December, 1985)

Debt Outstanding, including undisbursed: 2,854.2

Debt Outstanding & Disbursed: 1,974.6

Debt Service Ratios:

- percent of exports of goods and NFS /a 8.5
- percent of Government revenue /a 12.5

IBRD/IDA Lending, 30 September, 1986:

	<u>IBRD</u>	<u>IDA</u>
Outstanding and Disbursed	396.47	219.07
Undisbursed	<u>316.60</u>	<u>12.42</u>
Outstanding, including undisbursed	713.07	231.49

/a Debt service is on calendar year basis with exports and current revenue on fiscal year basis.

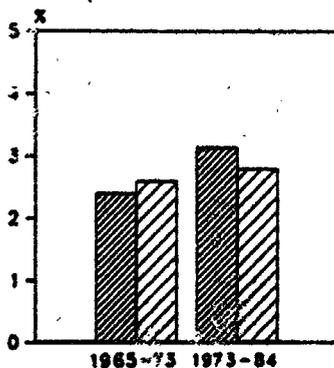
1986 SOCIAL INDICATOR DATA SHEET

CAMEROON

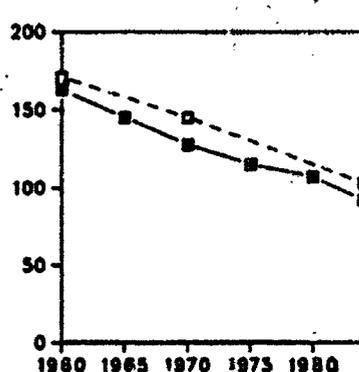
Reference Groups (MRE)

	1965	1973	Most Recent Estimate	Mid-income S-S Africa	Mid-income NA & ME
AREA					
Total land area (thou sq km)	475.4	475.4	475.4		
Agricultural (% of total)	30.7	30.4	32.1		
GNP PER CAPITA (US\$)	..	..	800.0	1025.3	1136.1
POPULATION AND VITAL STATISTICS					
Total population (thou)	5825.0	7051.0	9874.0		
Urban pop. (% of total)	16.4	23.9	40.7	33.1	49.3
Population growth rate(%):					
Total		2.4	3.1	2.8	2.8
Urban		7.3	8.2	4.8	4.1
Life expect. at birth (yrs)	45.4	50.8	54.5	51.0	59.9
Population projections:					
Pop. in 2000 (mill)			16.6		
Stationary pop. (mill)			50.9		
Population density per sq km of agricultural land	39.9	48.8	64.7	45.6	105.2
Pop. age structure (%):					
0-14 yrs	40.6	41.1	45.5	46.2	43.9
15-64 yrs	55.3	54.8	50.5	51.0	52.7
65 and above	4.1	4.1	4.0	2.8	3.4
Crude birth rate (per thou)	39.8	44.9	47.1	46.3	39.5
Crude death rate (per thou)	19.9	17.7	14.2	15.6	10.4
Total fertility rate	5.2	6.1	6.7	6.4	5.6
Infant mort. rate (per thou)	145.0	118.2	92.0	103.2	94.0
Child death rate (per thou)	34.0	29.8	10.4	17.6	12.1
Family planning:					
Acceptors, annual (thou)	..	..	..	..	..
Users (% of married women)	..	..	..	7.1	27.2
FOOD, HEALTH AND NUTRITION					
Index of food production per capita (1974-76 = 100)	80.1	94.0	81.6	88.3	89.1
Per capita supply of:					
Calories (% of requirements)	86.8	92.3	87.5	94.2	117.5
Proteins (grams per day)	45.1	49.7	49.6	50.6	76.2
Pop. per physician (thou)	29.7	31.3 a	..	11.3	4.6
Pop. per nurse (thou)	2.0	2.6 a	..	2.6	1.3
Pop. per hospital bed (thou)	0.5	0.4	..	1.4	0.7
Access to safe water (% of population):					
Total	..	26.0	..	45.8	71.3
Urban	..	35.0	..	70.5	94.9
Rural	..	22.0	..	35.0	53.6

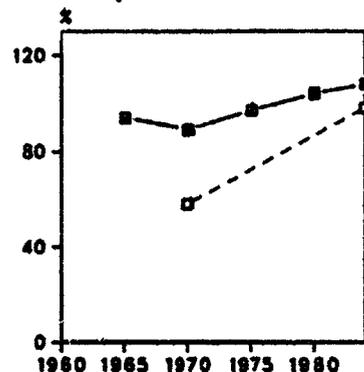
Population Growth



Infant Mortality



Primary School Enrollment



■ CAMEROON
▨ FIRST REF GROUP

■ CAMEROON
□ FIRST REF GROUP

1986 SOCIAL INDICATOR DATA SHEET

CAMEROON

	1965	1973	Most Recent Estimate	Reference Groups (MRE)	
				Mid-income S-S Africa	Mid-income NA & ME
LABOR FORCE					
Total Labor Force (thou)	2880.4	3342.5	4093.3		
Female (%)	43.1	42.7	41.6	37.5	11.4
Agriculture (%)	86.6	80.0 b	69.9	59.4	39.2
Industry (%)	4.4	6.0 b	8.2	14.8	25.7
Participation rate (%):					
Total	49.4	47.4	41.5	36.2	25.8
Male	57.7	55.5	49.2	45.8	45.3
Female	41.6	39.6	33.9	26.7	5.9
Age dependency ratio	0.8	0.8	1.0	1.0	0.9
HOUSING					
Average size of household:					
Total	..	5.2	..	..	..
Urban	..	5.0	..	..	..
Rural	..	5.2	..	..	..
Percentage of dwellings with electricity:					
Total	..	5.9	..	..	..
Urban	..	19.2	..	..	..
Rural	..	0.5	..	..	..
EDUCATION					
Enrollment rates:					
Primary: Total	94.0	89.0	108.0	98.5	93.5
Male	114.0	103.0	117.0	107.8	107.1
Female	75.0	75.0	98.0	90.7	79.7
Secondary: Total	5.0	7.0	21.0	21.0	44.7
Male	8.0	23.0	27.0	28.5	52.9
Female	2.0	4.0	16.0	16.9	35.5
Pupil-Teacher ratio:					
Primary	47.2	51.4	48.6	42.5	29.4
Secondary	19.5	23.7	29.4	27.7	19.5
Pupils reaching grade 6 (%)	..	..	..	80.8	75.9
INCOME, CONSUMPTION, AND POVERTY					
Energy consumption per cap. (kg of oil equivalent)	66.9	84.2	138.4	530.7	719.9
Percentage of private income received by:					
Highest 10% of households	..	..	..	..	..
Highest 20%	..	..	..	..	..
Lowest 20%	..	..	..	..	..
Lowest 40%	..	..	..	..	..
Est. absolute poverty income level (US\$ per capita):					
Urban	..	..	238.0 c	689.6	..
Rural	..	..	105.0 c	338.1	..
Est. pop. below absolute poverty income level (%):					
Urban	..	..	15.0 c	..	..
Rural	..	..	40.0 c	..	..
Passenger cars/thou pop.	3.0	6.4	..	36.0	10.2
Newspaper circulation (per thousand population)	3.1	2.6	3.5	7.4	35.3

EPD July 1986

.. Not available

Note: Group averages are population weighted. Country coverage depends on data availability and is not uniform. Unless otherwise noted, 1985 refers to any year between 1982 and 1988; 1973 between 1970 and 1978; and most recent estimate between 1982 and 1985.

a. Includes former South Cameroon under British. b. 1980. c. 1978.

3 Definitions of Social Indicators

The definition of a particular social indicator may vary among countries or within one country over time. For instance, different countries define "urban area" or "safe water" in different ways.

AREA (thousand square kilometers)

Total - Total surface area comprising land area and inland waters.

Agricultural (percentage of total) - Estimate of agricultural area used for crops, pastures, market and kitchen gardens or to lie fallow, as percentage of total.

GNP PER CAPITA (US\$) - GNP per capita estimates at current market prices, calculated by the conversion method used for the *World Bank Atlas, 1986*.

POPULATION AND VITAL STATISTICS

Total population - mid-year (millions)

Urban population (percentage of total) - Different countries follow different definitions of urban population. Such differences may affect comparability of data among countries.

Population growth rate (percent) - total and urban - Annual growth rates of total and of urban populations.

Life expectancy at birth (years) - Number of years a newborn infant would live if prevailing patterns of mortality for all people at the time of its birth were to stay the same throughout its life.

Population projections

Population in 2000 - The projection of population given total population by age and sex, fertility and the demographic parameters of mortality rates, and migration in the base year 1980, until the population reaches a stationary state.

Stationary population - The projected population level when zero population growth is achieved: i.e., the birth rate is constant and equal to the death rate, the age structure is stable, and the growth rate is zero.

Population density, agricultural land - Population per square kilometer (100 hectares) of agricultural area.

Population age structure (percent) - Children 0-14 years, working age 15-64 years, and people of 65 years and over as percentages of population.

Crude birth rate - Annual live births per thousand population.

Crude death rate - Annual deaths per thousand population.

Total fertility rate - The average number of children that would be born alive to a woman during her lifetime if during her childbearing years she were to bear children at each age in accordance with prevailing age-specific fertility rates.

Infant (age 0-1) mortality rate - Number of infants per thousand live births who die before reaching one year of age, in a given year.

Child (age 1-4) mortality rate - Number of deaths of children, age 1-4, per thousand children in the same age group in a given year. For most developing countries these data are derived from models using information on infant mortality rates.

Family planning - acceptors, (thousands) - Annual number of acceptors of birth-control measures received under the auspices of a national family planning program.

Family planning - users (percentage of married women) - Percentage of married women of child-bearing age who are practising, or whose husbands are practising, any form of contraception. Women of child-bearing age are generally women aged 15-49, although for some countries contraceptive usage is measured for another age group.

FOOD, HEALTH AND NUTRITION

Index of food production per capita (1974 - 76 = 100)

- Index of per capita annual production of all food commodities. Production excludes animal feed and seed for agriculture. Food commodities include primary commodities (for example, sugarcane instead of sugar) which are edible and which contain nutrients (for example, tea and coffee are excluded). Commodities include nuts, fruits, pulses, cereals, vegetables, oil seeds, sugarcane and sugar beets, livestock, and livestock products. Aggregate production of each country is based on national average producer price weights.

Per capita supply of calories (percentage of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds for use in agriculture, quantities used in food processing, and losses in distribution. Requirements were estimated for 1977 by the Food and Agriculture Organization (FAO) based on physiological needs for normal activity and health considering body weights, environmental temperature, age and sex distribution of population.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by United States Department of Agriculture provide for minimum allowances of 60 grams of total protein per day and 20 grams of animal and pulse protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, as proposed by FAO.

Population per physician - Population divided by number of practising physicians qualified from a medical school at university level.

Population per nursing person - Population divided by number of practising graduate nurses, assistant nurses, practical nurses and nursing auxiliaries.

Population per hospital bed - Population divided by number of hospital beds available in public and private, general and specialized hospitals, and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments principally providing custodial care are not included.

Access to safe water (percentage of population) - total, urban, and rural - People (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from springs, sanitary wells, and protected boreholes). In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered within reasonable access of that house. In rural areas reasonable access would imply that members of the household do not have to spend a disproportionate part of the day fetching water. Absent and incomplete responses, and large variations between countries, may affect the validity of the overall results of the country and regional comparisons. In addition, certain definitions and classifications such as urban and rural, reasonable access to safe water in rural areas, safe water sources (when they are not subject to laboratory control) vary considerably from country to country and thus affect comparability of the data.

LABOR FORCE

Total labor force (millions) - Economically active persons, including armed forces and unemployed but excluding housewives and students. Definitions in various countries are not comparable.

Female (percent) - Female labor force as a percentage of total labor force.

Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as a percentage of total labor force.

Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as a percentage of total labor force.

Participation rate (percent) - total, male, and female - Participation rates are computed as the percentage of population of all ages in the labor force. These are based on International Labour Office (ILO) data on the age-sex structure of the population.

Age dependency ratio - Ratio of population under 15, and 65 and over, to the working age population (age 15-64).

HOUSING

Average size of household (persons per household) - total, urban, and rural - A household consists of a

group of individuals who share living quarters and main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

Percentage of dwellings with electricity - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of all dwellings.

EDUCATION

Enrollment Rates

Primary School Enrollment - total, male and female - Gross enrollment of all ages at primary level as a percentage of primary school-age children. While many countries consider primary school age to be 6-11 years, others have wider age groups. Differences in country practices in the ages and duration of school are reflected in the ratios given. For some countries with universal education, gross enrollment may exceed 100 percent since some pupils are younger or older than the country's standard primary-school age.

Secondary School Enrollment - total, male and female - Computed in a similar manner, but includes pupils enrolled in vocational, or teacher training secondary schools, for pupils usually of 12 to 17 years of age.

Pupil-teacher ratio - primary, and secondary - Total students enrolled in school divided by the total number of teachers.

Percentage pupils reaching grade six - The percentage of a cohort of 1,000 pupils starting primary school that persist into grade six.

INCOME, CONSUMPTION, AND POVERTY

Energy consumption per capita (kilograms of oil equivalent) - Annual consumption of commercial primary energy (coal and lignite, petroleum, natural gas, and hydro, nuclear and geothermal electricity).

Private income distribution - Income (both in cash and kind) accruing to percentile groups of households ranked by total household income.

Passenger cars (per thousand population) - Includes motor cars seating fewer than eight persons; excludes ambulances, hearses and military vehicles.

Newspaper circulation (per thousand population) - Average circulation of "daily general interest newspaper," defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

Estimated absolute poverty income level (US\$ per capita) - urban and rural - Absolute poverty income level is that below which a minimal nutritionally adequate diet plus essential nonfood requirements are not affordable. These estimates are very approximate measures of poverty levels, and should be interpreted with considerable caution.

Estimated population below absolute poverty income level (percent) - Percentages of urban and rural populations who live in "absolute poverty."

SUMMARY AND CONCLUSIONS

1. The evolution of the Cameroonian economy has been strongly influenced by the advent of new oil resources over the last seven years (1979-85). By 1985, ^{1/} the share of oil had risen to more than 17 percent of total GDP and about 45 percent of total government revenues. Net foreign exchange earnings from oil (after deducting the foreign exchange costs associated with oil production) accounted for some 35 percent of total goods and services export receipts. During the seven-year period oil revenues permitted a substantial expansion of Cameroon's investment as well as of domestic demand, with the result that the economy enjoyed rapid growth. Gross national savings rose from 19 percent of GDP in 1978 to about 34 percent in 1985. GNP per capita rose from less than US\$500 to about US\$800, representing a real growth of some 6-7 percent a year in terms of local currency. Conscious of the temporary character of its oil resources, the Government has used them prudently and Cameroon provides an example among middle-income oil exporting countries for its low external debt and the internal and external financial stability it has succeeded in maintaining in an unstable and unfavorable international environment.

2. The subsequent upheaval on the world oil market has presented Cameroon with a challenge. The fall in crude oil prices not only directly affects oil receipts; under present conditions of production costs and revenue-sharing agreements between the Government and the oil companies the volume of economically recoverable reserves is reduced. The adjustment of Cameroon's economy to the decline in the oil sector will therefore have to be more rapid and more radical than previously expected. In addition to the adjustment required by declining oil revenues, which will probably disappear in the medium run, Cameroon faces another structural problem, that of establishing the conditions for sustained growth in the long term at a level sufficient to create enough jobs to keep pace with the rapid increase in population. The purpose of the present report is to examine the principal economic and financial developments since 1978, to assess the impact of oil production on those developments, and to analyze the adjustments to the economy which will be required to absorb the impact of the oil decline and establish the conditions for long-term growth.

3. It should be noted that there are deficiencies in the quality, coverage and currentness of the statistical data in Cameroon, which make any rigorous analysis difficult. Nor is such analysis facilitated by the secrecy surrounding critical oil-sector data, which are only partly reflected in the national accounts, the government accounts, the balance of payments and the official reserves. The mission has adjusted or re-estimated the official data to take better account of oil-related

^{1/} Unless specified otherwise, all references in this report to a given year are to Cameroon's fiscal year. For example, 1985 refers to the period July 1, 1984 to June 30, 1985.

transactions, among others. These estimates should, however, be treated with caution and used solely as indicators of orders of magnitude.

4. Subject to the above reservations, GDP growth was probably about 10 percent a year during 1978-85. Non-oil GDP is estimated to have grown by some 8 percent a year. This compares with an average annual growth of the economy of 5 percent in 1967-78, before the advent of oil. Investment, favored by rapidly increasing national savings, was an important growth factor, particularly during the three years 1979 to 1981. Gross fixed investment increased from 21 percent of GDP in 1978 (18 percent in 1976) to nearly 25 percent in 1981. From then the investment effort was maintained at around 25 percent of GDP until 1985. From 1979 to 1981, it was investment by enterprises that grew most rapidly. It was only from 1983 that government direct investment increased, in relation both to total investment and to GDP, reflecting the objectives of the Fifth Plan, which tended to favor rural development, the social sectors and administrative infrastructure. On the other hand, while the traditional sector continued to show great vitality, enterprise investment in the industrial sector slowed appreciably during that period. A matter for concern is the weakness of foreign investment since 1979-80, outside the oil sector.

5. This overall growth was accompanied by certain imbalances in the relative development of the various sectors. The highest growth rates were recorded by construction and services, including government, and to a lesser degree food crops. The growth of manufacturing was relatively high but distortions in the protection and incentives system fostered the development of highly capital-intensive industries, which were for the most part geared to the domestic market. In addition, growth in this sector conceals low efficiency and a limited contribution to savings and job creation on the part of the public enterprises, which account for a substantial part of the value added of the sector. For its part, production of cash crops remained practically stagnant as a consequence (apart from the impact of the 1983 drought), of a price policy and an institutional support system that did little to encourage the farmers. These imbalances are an illustration, though a limited one, of the "oil syndrome" which manifests itself in inflationary pressures and the skewing of production toward non-tradable goods and services. Although there was no notable acceleration of inflation during the period 1979-85 as measured by the official indices, domestic prices rose significantly faster than export prices, which would tend to indicate a differential in the growth of prices of tradable and non-tradable goods and consequently an appreciation in the real exchange rate.

6. In the area of economic and social infrastructures, progress has been mixed. Substantial investments have been made in the road and rail infrastructures, which are relatively well developed. With respect to urban development, large sums have been invested in social plant and water supply; in contrast, the urban roads systems have been neglected. Unless it is halted, the rapid urbanization of the population, together with the need to support the development of productive activities in the towns, is going to pose considerable infrastructure problems in the years to come. While school enrollment has risen rapidly at all levels of the education system, the quality and efficiency of the system are deteriorating and it

is not well geared to the growing needs of the economy for skilled labor, technicians and middle-level managers. Health indicators remain unsatisfactory.

7. Thanks to Cameroon's oil revenues and the prudent way in which they have been managed, the evolution of the public finances has been on the whole very good. The situation of the public finances was in fact already good prior to the advent of oil: between 1971 and 1979 the operating budget was regularly in surplus despite a relatively low tax ratio, global budget deficits never exceeded 2 percent of GDP and external borrowing remained limited. Since 1980 budgetized revenues have included only part of oil revenues, consisting of the royalties and the taxes on the profits of the four oil companies operating in Cameroon. The revenues that accrue to the Government from the sharing of production, which constitute the greater part of its oil earnings, have been channeled through the extra-budget accounts. They have been used to finance capital expenditures additional to those entered in the budget, as well as investment subsidies to the public enterprises and other public establishments. To prevent the oil receipts giving rise to undue expectations on the part of the population, the Government has managed them with discretion. The share of these receipts that the Presidency decides to allocate to the extra-budget accounts each year is not known in advance, even by the technical ministries concerned. During the last few years these transfers have represented on average one fourth of total government receipts. The total amount of the revenues obtained from the sharing of production is not divulged.

8. Using data of various kinds from a number of different sources, the mission has estimated the Government's total oil revenues year by year since 1979. These estimates are then used to construct integrated public finance accounts which show that between 1979 and 1985 total government receipts went up sharply from 20.6 to 24.0 percent of an increasing GDP, in spite of a reduction in the effective non-oil tax ratio. Current expenditure rose in the same proportion during that period, with a particularly sharp rise in "subsidies and transfers," made up in large part of operating subsidies to the public enterprises. Capital expenditure grew fourfold between 1978 and 1981 but then ceased to grow in real terms, the authorities having recognized the constraints on their capacity to absorb efficiently investments at these levels. In total, government current savings averaged over 13 percent of GDP from 1981 to 1985. They were used not only to finance a relatively high level of capital expenditure but also to reimburse external debts in advance and to accumulate substantial financial savings. Part of these financial savings was placed abroad (i.e., was not repatriated) while a part was maintained in the form of deposits with the domestic commercial banking system.

9. The financial situation of the banking system is by no means as good as that of the Government. The banking system would in fact be in a state of near-insolvency if its liquidity were not sustained by large deposits of the Government and the semipublic establishments. The ten banks of the system have a large volume of non-performing assets (nearly one-fourth of their total assets) in the commerce and public enterprise

sectors, which are only partly covered by bad-debt provisions. In view of the weakness of their equity positions, the banks tend to avoid risky investments, particularly in the case of the small-scale enterprises. Moreover, the structure and levels of domestic interest rates has favored the transfer of liquid funds abroad and, combined with other institutional and fiscal factors, discouraged financial intermediation in general. If the fall in oil receipts were to lead the Government to withdraw its deposits from the commercial banks, the result would be a severe liquidity crisis unless measures are taken in the interim to recapitalize the banks.

10. The sharp growth of "subsidies and transfers" within government expenditure, the size of the banks' bad debts and the high volume of government capital expenditure on account of the public enterprises testify to the difficulties of the public enterprises and the inefficiency of many of them. The poor results recorded by the 60 enterprises in all sectors in which the Government holds greater or smaller participations are due, depending on the case, to oversized initial investments, low intrinsic rates of return, overstaffing, an unwieldy administrative structure and lack of clearly defined objectives, corresponding performance criteria and management incentives. These enterprises also suffer from the customary ills of public enterprises: pursuit of social goals without direct financial compensation by the Government, politization of managements and interference by the supervisory ministries, slowness to react to market developments, and poor financial structure. Total subsidies to the public enterprises in 1984 were estimated at some CFAF 150 billion (US\$366 million), representing 50 percent of government oil receipts in that year and 18 percent of total government expenditure. Concerned about the growing burden of these enterprises on the budget and their limited contribution to economic growth, the Government recently set up a special commission to prepare the necessary reforms and has already taken a number of strong measures, including the closing of CELLUCAM (paper/pulp), which was responsible for a major part of overall losses.

11. The rapid expansion of oil exports, the gross value of which rose from some US\$12 million in 1978 to US\$1.5 billion in 1985, spectacularly transformed Cameroon's external financial situation during that period. On the basis of adjustments made by the mission to the official data on oil-sector transactions, and with the reservation that imports do not appear to have been recorded fully, Cameroon's trade balance appears to have improved from a deficit of US\$197 million in 1979 to a surplus of US\$1 billion in 1985. The current account also improved substantially, though less than the trade balance because of the rapid increase in factor-service payments related to the oil sector. Taking into account oil production costs in foreign exchange (operating costs, debt amortization and prospecting and development investments) and transfers of the oil companies' net profits, the net contribution of oil to the balance of payments would have reached US\$670 million in 1985, or 53 percent of non-oil goods and services exports. A cause for concern is the sluggish growth of non-oil exports since 1978 (about 3 percent a year in volume) owing to the quasi-stagnation, overall, of traditional agricultural exports. In contrast, the share of industrial products in non-oil exports rose from 10 percent to 20 percent between 1978 and 1985.

12. Cameroon's public and publically guaranteed debt has declined in relative value to GDP since 1981, the authorities having used the oil revenues to finance investment and repay commercial loans in advance. At the end of 1985, outstanding disbursed public and publicly guaranteed debt represented only 25 percent of GDP and its composition was very sound, with 55 percent in official loans on concessional terms and only 20 percent in commercial loans. Debt service associated with these borrowings represented only 8.5 percent of total exports of goods and non-factor services (or 12.2 percent if we count only net foreign exchange earnings from oil). Outstanding disbursed private debt, including debt relating to the oil sector, could be estimated at 17 percent of GDP at the end of 1985.

13. The reduction in, and low level of, the external debt testify to the prudence with which Cameroon has managed its oil resources. First, unlike most other oil-producing developing countries, it did not fall into the trap of mortgaging its future oil revenues. Second, it used a large part of its oil revenues to finance investment, particularly in economic and social infrastructure. However, despite the secrecy surrounding the oil sector and the discretion exercised by the authorities in repatriating oil receipts through the extra-budgetary accounts, practically the whole of these revenues has been injected into the economy. By mid-1986 cumulative non-official external public savings represented no more than 10 percent of the Government's total oil revenues, and internal savings (net claims on the banking sector) 4 percent. Currently, some 75 percent of extra-budgetary resources is used to finance capital expenditures, which in themselves represent about 50 percent of total government investment. Aside from investment, oil revenues flowing directly to the budget through royalties and income taxes have been used to increase public consumption: the number of permanent civil servants has risen by 10 percent a year, presaging a heavy burden for the future. A large part of oil revenues has also been used to finance the growing deficits, and to assume the debts, of uneconomic and mismanaged public enterprises, and the Government will find it difficult to stem the drain on resources that this subsidy represents.

14. In sum, the levels of public consumption and investment expenditures and, to a less extent, of private consumption have, with their resulting import requirements, already adjusted to oil revenue levels. This will make the adjustment to declining oil receipts more difficult than is generally believed.

15. The evolution and management of oil revenues are thus important determining factors of Cameroon's economic and financial prospects. At the current oil price level, the economically recoverable reserves remaining to be exploited were estimated by international oil analysts at about 40 million tons in April 1986. If the price of oil recovered to \$20 or more in constant 1984 dollars, or if the production sharing agreements between the Government and the oil companies were revised so as to leave a greater share to the companies, the economically recoverable reserves would rise by some 10 million tons. There are currently no indications of new oil deposits, and oil exploration activities have been greatly reduced during the last few years. The recent decision by the Cameroon authorities to revise the tax conditions governing oil exploration--which

are currently distinctly less favorable than those offered by other countries--to make them more attractive to the companies could give a new impetus to exploration. However, even if new deposits were discovered in the near future it would take about 2 to 4 years to develop them.

16. The mission has prepared two projection scenarios for oil. Scenario A corresponds to the projections made by Bank staff in April 1986 on the basis of an analysis of the long-term world market trend. In this scenario the price of oil would recover slightly in calendar years 1987 and 1988. It would remain steady in constant 1984 prices (about US\$16/barrel) until 1990 and then rise gradually. Scenario B is based on the hypothesis that the recent OPEC agreement would hold. The price of oil would rise to US\$20 in constant 1984 prices for calendar year 1987 and remain steady thereafter. This price of US\$20 is regarded as the threshold beyond which consumers are incited to use other sources of energy, which is not in the long-term interest of the oil producers.

	<u>Fiscal Years</u>							
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1994</u>	<u>1996</u>
<hr/>								
<u>Scenario A</u>								
Oil price per barrel (current US\$)	20.6	15.2	18.2	20.3	21.5	23.0	28.3	32.4
Crude oil production (million tons)	8.85	8.25	6.95	5.50	4.45	3.60	1.80	1.00
<u>Scenario B</u>								
Oil price/barrel (current US\$)	20.6	19.1	24.0	25.7	27.5	28.6	32.2	34.9
Crude oil production (million tons)	8.85	8.25	7.95	6.50	5.45	4.60	3.20	2.30

17. The future trend of production costs is an important factor in the projection of government oil receipts and of the net contribution of oil exports to Cameroon's balance of payments. It is assumed that operating costs per barrel will remain constant in real terms. As regards amortization of debt and of exploration and development investment, it has been estimated, on the basis of admittedly incomplete data, that the amount remaining to be amortized was about US\$1,200 million at the beginning of 1986 and would be amortized in decreasing annual installments over the six years 1986-91. If this figure were under or overestimated, or if the amortization schedule were different, Cameroon's external financing requirements as projected in this report would be correspondingly higher or lower for that period. The hypotheses adopted here would result in a rapid reduction in production costs after 1987 which would partly offset the fall in gross oil receipts.

18. In sum, in scenario A Cameroon will face a sharp fall in net foreign exchange revenue from oil from about US\$670 million in 1985 to about US\$120 million in 1991. These receipts would be negative thereafter, when the remaining production would be entirely absorbed by the domestic market. For their part, government oil receipts would fall from CFAF 406 billion in 1985 to about CFAF 120 billion in 1991. In scenario B, the fall in receipts would be less severe but both net foreign exchange revenue and government oil receipts would still decrease by one-half in five years. It has to be borne in mind that any projection of world oil prices is hazardous in present circumstances in view of the large number of factors, including political and psychological factors, that determine it. However, even if the hypotheses of scenario A turned out to be too optimistic and oil prices remained in the US\$10-15 range, the oil companies would probably be led to reduce production costs by rescheduling their investment and debt amortization over a longer period, which would dampen the impact of the fall in prices on net oil receipts. At all events, a less favorable evolution of oil prices than that envisaged in these projections would only strengthen the conclusions of this report.

19. The combined effect of the decreases in oil volume and prices would be to reduce sharply Cameroon's gross domestic income, import capacity and domestic savings. The mission has prepared a first scenario of economic and financial projections to illustrate the long-term impact on the balance of payments and the public finances of the reduction in oil revenues and of an evolution of the economy in accordance with the trends of the last few years without special adjustment measures. This scenario assumes that the loss of oil revenue would be offset simply by external borrowing, with the consequence of compromising Cameroon's future income levels. Despite the relatively optimistic hypotheses adopted for non-oil exports and import elasticities, the projected growth rates and investment levels would rapidly widen the resource gap (or trade balance deficit). The domestic savings rate, adjusted for the terms of trade effect, would fall from 35 percent of GDP in 1985 to less than 18 percent in 1991. The balance of payments current account would begin to show a deficit of about US\$380 million in 1987. This deficit would rise to over US\$1 billion in 1991 and would reach unsustainable levels thereafter, when Cameroon will not simply no longer export oil but will have to import it. Even assuming that the Government repatriates the rest of its external financial savings in 1987, wide recourse to commercial borrowing would be necessary from that year onward in order to hold net external reserves at a minimum level. From 1988 onward, Cameroon's external financing requirements would rise to amounts that would exceed its borrowing capacity in terms of access to commercial sources and debt-service capacity in the long term.

20. The domestic financial constraint would also be important, although less severe than the external constraint. In such a scenario without adjustment it is assumed, among other hypotheses, that in the absence of radical measures of rehabilitation and/or restructuring of the public enterprises, subsidies and current transfers would remain unchanged in real terms at CFAF 150 billion a year throughout the projection period and that government capital expenditure, including the portion of public enterprise investment that has to be borne by the Government, would continue to represent 35 percent of total fixed investment. On the other hand, it is assumed that the growth of the civil service would be slowed

to 6 percent a year. The overall surplus on government operations that has been realized practically every year since 1979 would change into a deficit of some CFAF 335 billion (7.7 percent of GDP) in 1987, rising to over CFAF 400 billion in 1991. These amounts represent net financing needs. These needs would have to be covered by supplemental loans from official sources, external commercial loans and domestic borrowing. The recurrent charges for service of these loans would sharply increase the Government's gross financing requirements, which would quickly become excessive.

21. While the financial results yielded by scenario B for oil prices and production -- the hypotheses for all the other variables of the projection remaining unchanged -- are obviously less bad, they would not be viable either in the medium term.

22. It follows from these projections that if oil prices did not improve appreciably in the months ahead (scenario A), economic adjustment measures would need to be taken quickly. Under scenario B, Cameroon would have a breathing space of about two years within which to prepare an adjustment program but the scope of this program would have to be equally as broad as in scenario A. However, unlike many countries that have had to undertake adjustment of their economy under the pressure of a crisis due to a prolonged decline in gross domestic income and excessive external indebtedness, Cameroon's low external debt and substantial domestic and external financial savings mean that it is well placed to adjust its economy without jarring shocks.

23. Cameroon faces another challenge: the need to create jobs rapidly. The population growth rate, about 2.3 percent a year during the 1970s, has accelerated during recent years and should reach 3.2 percent until the end of the century. Cameroon's population is expected to grow from the present 10 million to over 15 million by the year 2000. That means that 2 million jobs will have to be created in less than 15 years.

24. A total of 900,000 to 1 million jobs at most could be created in industry, construction and non-government services, particularly considering the inevitable labor force reductions due to rehabilitation and/or restructuring of the public enterprises. This job creation target would imply annual employment growth of 5 percent and productivity growth of 1.26 percent (see the table below). The corresponding average annual growth of 6.3 percent assumes that the development of these sectors will be based on activities geared to export since, because of the financial constraint, domestic investment and non-food consumer demand could not grow by more than 5 percent a year during that period. To prevent a dramatic spread of unemployment to the cities, the other 1 million jobs will have to be created in farming and forestry. This is not an impossible goal, since an average growth of 3.8 percent in agricultural value added can mean a 2.2 percent growth of employment and a 1.56 percent rise in productivity. However, its achievement will call for the implementation of vigorous incentive policies, in particular to stimulate the development of export crops.

	1986	Growth rate		2001
	Jobs <u>a/</u> (millions)	Value added	Employ- ment	Jobs (millions)
Agriculture and forestry	2,800	3.8	2.2	3,875
Industry, construction, services	830	6.3 <u>b/</u>	5.0	1,725
Government	<u>150</u>	<u>2.1</u>	<u>1.3</u>	<u>180</u>
Total	3,780	5.3 <u>b/</u>	2.9	5,780

a/ Estimates based on 1984 data.

b/ Not including the oil sector.

25. The mix of actions the Government is going to undertake with respect to economic, fiscal and monetary policies will be critical for Cameroon's future income levels. Although the fall in oil receipts is more or less equal to that of gross domestic income, any action aimed at compensating for that fall will inevitably have a number of secondary effects. For example, from the moment the Government increases or decreases taxation or reduces its current or capital expenditure, variable effects will be generated on GDP growth, real wage and savings levels and the balance of trade. Similarly, increased external borrowing will generate changes in the country's present and future income and consumption levels.

26. Simply reducing capital expenditure would no longer suffice to resolve the problem of the fall in oil receipts. The level of government recurrent expenditures, including the current financing needs of the public enterprises as well as the level of private consumption and, consequently, the import needs of the economy had already adjusted to the level of oil receipts. Moreover, such reductions in capital expenditures could be dangerous. At the present time about 50 percent of government capital expenditure is financed by the extra-budget accounts and a 50-percent reduction in those expenditures would have serious consequences for the future growth of the economy.

27. Adjustment of the economy will consequently call for a package of simultaneous and coordinated measures comprising, essentially:

- (i) the implementation of active incentive policies to stimulate rapid growth of agricultural, industrial and, in the longer term, mining exports;
- (ii) a gradual and moderate reduction in the investment/GDP ratio to roughly its level prior to the advent of oil, combined with a progressive increase in the efficiency of and average return on investment;
- (iii) with respect to the public finances, reduction in government capital expenditure, slowing down of the growth of public consumption (including transfers to the public enterprises) and an increase in tax revenues;

- (iv) rehabilitation of the public enterprises and any other measures that can reduce their cost to the economy and to the budget;
- (v) stimulation of Cameroonian and foreign private investment in order to compensate for the relative decline in investment by the public sector and to widen the productive base, chiefly for export;
- (vi) increased recourse to external borrowing within a clearly defined borrowing strategy; and
- (vii) a series of monetary policy measures aimed essentially at supporting and strengthening the actions described above.

28. Rapid expansion of non-oil exports will be by far the most difficult goal; however, its achievement is a matter of survival for Cameroon's economy.

29. The mission has constructed another scenario to simulate the effects of this package of adjustment measures, using the hypotheses of scenario A for oil prices and production. The results indicate that Cameroon could absorb a rapid fall in oil revenues without jarring effects on consumption and investment while maintaining growth at the level required to create an adequate number of jobs and with only moderate recourse to external borrowing, provided that the required policies are implemented vigorously on a broad front.

30. In this scenario, non-oil GDP growth would be two points lower on average during the period 1987-91 and one point lower during 1992-96 in relation to the base scenario (without adjustment). The sector growth trends would be as follows:

	<u>Average Annual Growth Rate</u>	
	<u>1987-91</u>	<u>1992-96</u>
Agriculture	3.8	4.2
Manufacturing	8.5	7.3
Construction	-2.9	4.3
Services	5.2	5.7
Government	0.8	2.0
Non-oil GDP (factor costs)	4.4	5.8

The ratio of fixed investment to GDP would be gradually reduced to 19.0 percent in 1991 and would remain at that level until 1996. In this scenario, total fixed investment would be some CFAF 4,200 billion at 1984 prices for the Sixth Plan period, against CFAF 4,800 billion in the base scenario. A growing share of production would be exported, and consumption growth would be reduced by about two points in relation to the

base scenario. As a consequence of the combined effects of the reduction in investment, with its high import content, and the deceleration of growth, import demand would fall sharply during the period 1987-91. The domestic savings rate, adjusted for the effect of terms of trade, would fall to some 19.4 percent of GDP only in 1991, against 17.9 percent in the base scenario. The current account deficit could be held in the range US\$400-500 million a year throughout the projection period -- decreasing from its peak at 3 percent of GDP in 1989 to 2.4 percent in 1996 -- and could be financed by external borrowing without excessive indebtedness in the long term, provided that a prudent borrowing strategy is followed.

31. With regard to the public finances, it appears that the fall in oil receipts and the budget deficit could be overcome without jeopardizing the future growth of the economy through a series of appropriate fiscal and budgetary measures. It is clear that in 1987 and 1988 the Government will not only have to use its domestic and external savings but also have to increase its borrowing, both abroad and from the Central Bank, to cover its financing needs. However, those needs would decline subsequently and could then easily be covered by external and domestic borrowing.

32. The fiscal adjustment measures which have been simulated in this scenario may be summarized as follows:

- an increase in direct and, particularly, indirect taxation of goods and services and improvement in the efficiency of tax collection, thereby boosting the elasticity of growth of tax revenue (not including customs duties and taxes) with respect to growth of non-oil GDP from 1.10 for the period 1980-85 to 1.18 for 1987-91;
- a moderate increase in the taxes added to the UDEAC common tariffs on intermediate and consumer goods, as part of this tax reform (see para. 38), so as to gradually raise the ratio of customs revenue to f.o.b. value of goods imports from 26.2 percent in 1986 to 30.5 percent in 1989;
- reduction of the growth of recurrent expenditures (supplies and materials) to 2 percent a year in real terms during the period 1987-91 and maintenance of a rate of 5 percent during 1991-96, combined with improvement of cost recovery in certain sectors (such as education) and encouragement for the development of private services (health);
- stabilization of civil service staff until 1991 and, following that, an increase limited to 2 percent a year until 1996;
- stabilization of "current subsidies and transfers" at below CFAF 150 billion in current prices from 1987 onward, equivalent to a reduction of 4.5 percent a year in real terms;

- reduction of government capital expenditure, in relative terms, from 35 percent of Cameroon's total fixed investment in recent years to 33 percent in 1987 and 32 percent thereafter, equivalent to reducing the government capital expenditures/GDP ratio from 8 percent in 1985 to 6.3 percent in 1991 and 6.1 percent in 1996 (direct public investment could be maintained at the present level in real terms during the adjustment period provided other capital expenditures can be sharply reduced);
- stressing public investment projects that have a rapid and strong impact on production and exports (transportation, urban and rural infrastructure, technical education and vocational training) and rigorous appraisal of the economic return of projects; and
- strengthening of the forecasting and planning instruments by (i) programming oil receipts; (ii) taking them into account in budget and investment programming; (iii) systematically evaluating the recurrent expenses deriving from new investment projects, and (iv) preparing an analytical budget within a three-year rolling plan that integrates the entirety of receipts, operating expenses, subsidies, current savings, net proceeds of external (and domestic) loans and capital expenditures.

33. With regard to the public and parapublic sector enterprises and establishments, the Government recently established a task force to study and prepare the measures for the rehabilitation of the sector. It would be desirable not only that the task force actively propose and prepare the measures for rehabilitating and privatizing the public enterprises and improving the institutional, managerial and legal framework in which they operate, but also that it be organized subsequently to carry out the measures in question. It could then serve as the technical organ of government supervision (i) to perform monitoring and a posteriori control of the enterprises that remain in its portfolio, and (ii) to ensure that the new projects to which the Government considers it appropriate to commit itself financially, as well as projects that would be self-financed by the public enterprises, are appraised technically, economically and financially with the utmost stringency.

34. Cameroon possesses a substantial potential in natural and human resources for increasing its agricultural, industrial and services exports. In theory, stimulating the reorientation of production toward exports would necessitate a reduction of domestic prices in relation to external prices and an increase in the prices of tradables in relation to those of non-tradable goods and services. Since Cameroon's membership in the Monetary Union -- an association that in fact brings with it many advantages -- prevents it from changing the nominal exchange rate, it will have to resort to a series of measures in the areas of customs tariffs, taxation, price policy, credit policy and public finances and a package of economic and institutional incentives to secure the desired effects on the real exchange rate. The adjustment and export-orientation scenario assumes the following growth rates for the major export categories:

	Rate of Growth in Volume	
	<u>1987-91</u>	<u>1992-96</u>
Total non-oil goods and services exports	6.4	8.1
Of which: Cocoa	4.3	3.7
Coffee	5.0	3.5
Other agricultural products	5.0	5.4
Logwood and wood products	7.2	15.0
Manufactures	14.9	14.4
Non-factor services	6.0	6.6

These rates indicate in substance the export effort that would have to be made on all fronts---and that appears potentially achievable if the necessary package of incentives is put in place--to compensate simultaneously for the loss of oil revenues, sustain an adequate rate of growth of the economy, and achieve a balance of trade equilibrium within a dozen years.

35. In the case of agriculture, the main actions should include:

- raising coffee and cocoa producer prices to the highest possible level, deregulating the prices of other controlled export products (rubber, cotton, palm oil) and abolishing export taxes;
- after producer prices have been raised, abolition of input subsidies and strengthening of the role of the cooperatives and the private sector in input distribution;
- deregulation of the marketing of cash crops and reduction in the involvement of the administration in the cooperatives;
- priority in the public investment program to rural infrastructure and improvement in the living conditions of the rural population;
- establishment of contracts between the village communities and the Government for financing of works designed to improve living standards in exchange for releasing land for new plantations;
- with regard to agricultural credit, improvement of the efficiency of FONADER and increasing of the cooperatives' margins, establishment of incentives to the development of mutual credit institutions, linking of the supply of credit to the dissemination of technological advances, and active development of financial services in the rural areas; and
- in addition to the direct incentive measures, rapid implementation of other reforms or measures in the area of institutional support for agriculture, the principle of which has, in the majority of cases, already been decided on by the Government.

36. In the long term, exploitation of Cameroon's forest resources could become its chief source of foreign exchange along with coffee and cocoa. Achieving that goal would necessitate a program of in-depth actions in the institutional, legal, technical, economic and commercial areas. It should be emphasized that the development of the forestry sector would require increased participation of foreign partners, not only to take advantage of their capital and their technical and operational experience but also to gain access to external markets, particularly for wood products, under optimum conditions.

37. The growth rates projected for manufacturing exports seem high. However, given the relatively low level of exports in the base year they are quite achievable provided the necessary package of incentives is put in place. In both export and import substitution activities, the general scheme of incentives must be such as to allow market forces to play a major role in determining investment decisions and should be designed so as to promote the development of industries that enjoy a certain comparative advantage. Production for export further calls for additional incentives that enable exporters to compete on external markets on equal terms with their competitors from other countries. The decline in government financial resources and the Government's new strategy aimed at limiting direct government intervention in industrial development mean that the private sector is going to have to generate a greater share of investment. It will therefore be necessary to stimulate actively the mobilization of domestic savings and its investment in productive activities. Increased recourse to direct foreign investment would also be essential, both to make up for the inadequacy of domestic savings and to take advantage of the know-how that is indispensable to the development of efficient industrial activities and to gain access to foreign markets. In comparison to many other countries, Cameroon already possesses substantial assets for attracting foreign investment. These assets should, however, be supplemented by incentives as favorable as those offered by other countries open to foreign investment and, above all, an administrative and regulatory framework that facilitates it.

38. For industry and investment, the adjustment program would include the following principal reforms and actions:

- elimination of non-tariff protection and the introduction of surcharges that decrease over time in order to allow the existing industries to adjust themselves and improve their efficiency;
- equilization of the rates of effective protection through all branches of manufacturing while raising the average levels of protection for intermediate and consumer goods;
- deregulation of industrial prices in pace with the elimination of non-tariff protection and, where control is necessary, replacement of a priori by a posteriori control;
- installation of an efficient system of incentives for manufacturing exports;

- simplification of the regulations governing private enterprise, wages, employment and commerce so as to reduce the field of government intervention;
- strengthening of, and elimination of government management in, the agencies responsible for technical and financial assistance to the SMEs and introduction of incentives to investments specifically adapted to the conditions and constraints under which the SMEs operate;
- adjustment of the Investment Code so as to make a project's economic rate of return the chief eligibility criterion, to ensure that the fiscal advantages accorded have a neutral effect on the capital- and labor-intensiveness of proposed projects and, in the case of foreign investment, that these advantages are as attractive as those offered by other countries that compete with Cameroon to attract foreign investment;
- recapitalization of the banks;
- review of interest rate and rediscount policies;
- gradual abolition of the taxes on borrowing and lending (TDC, ICAI and TPCRM);
- creation of instruments for developing financial and capital markets.

39. The inadequacy of the country's infrastructures, particularly in the urban areas, and the shortage of skilled manpower, technicians and managers are severe constraints on industrial development. While education issues are outside the scope of this report, it must be stressed that Cameroon's future industrial development will depend in large measure on a fundamental reorientation of the education system toward vocational training, technical education and the scientific disciplines at the cost of the classical and literary disciplines. As regards infrastructure, the public investment programs will have to continue to give priority to urban development and to transportation and communications, in coordination with industrial development, and to increase the share of resources allocated to the rehabilitation and maintenance of existing plant.

40. At the time this report was proposed the mission had not yet seen the final document of the Sixth Development Plan (1987-91). The Sixth Plan, which was published in November 1986 incorporates a number of objectives and policy statements which are in line with the adjustment policies and measures discussed in this report for the various sectors. The cumulated fixed investment envisaged by the Sixth Plan for the five years 1987-91 corresponds to the level which is projected in the Adjustment Scenario of this report (Table 30). The Government has already taken certain adjustment measures during the last few months. The aim of these measures is, in particular, to rehabilitate the semipublic sector and reduce its cost, to clean up the civil service payroll, improve the collection of certain taxes and trim the growth of public expenditure, rationalize public contracting, and reform the institutional framework of support for rural development.

41. Even if Cameroon introduces the adjustment measures and export incentives discussed above, its external financing requirements will still be relatively large. The report examines several borrowing scenarios in order to identify the principles of an external borrowing strategy that will minimize the debt-service burden over the long term and limit the risks inherent in fluctuations in interest rates, export revenues and exchange rates. These principles are the following:

- Cameroon should borrow at the longest possible maturities, in any event in excess of 12 years, and should make large use of its capacity to borrow from bilateral and multilateral sources (which offer long amortization and grace periods), beginning with the years immediately ahead, in order to limit the growing borrowing needs of the 1990s accordingly.
- Cameroon should make wide use of commercial bank cofinancing for project loans where grace period and amortization terms are usually considerably more favorable than those of classical financial credits.
- Given Cameroon's potential access to both bilateral and multilateral sources and to commercial cofinancing at improved terms, the optimum composition of total public and publically guaranteed external borrowing would be:
 - 30-35 percent from bilateral sources;
 - 45-50 percent from multilateral sources;
 - 15-20 percent as commercial bank cofinancing of project loans;
 - less than 10 percent as commercial financial credits or export credits.

Multilateral loans cannot be rescheduled in the event of a crisis. However, the much sounder composition of the debt resulting from increased recourse to these loans rather than to commercial financial credits would leave a margin for maneuver that would make it possible to avoid rescheduling.

- A useful indicator is the average ratio of new commitments and disbursements to previous-year exports of goods and services. Assuming average annual export growth of approximately 10 percent a year at current prices over the long term (which is the case for the period 1991-2001 in the adjustment scenario), and given the above combination of external borrowing, analysis of the various simulations suggests a useful practical criterion for the decision-makers. In any given year no more than 26-27 percent of the previous year's export earnings should be borrowed in terms of commitments, and no more than 22-23 percent in terms of disbursements, so as to maintain the debt service ratio below 15-16 percent over the long term (the ratios of new public and publically guaranteed commitments, and of disbursements, to previous-year export earnings averaged 20 percent and 17.7 percent, respectively, over the period 1978-84).

42. On the basis of the balance of payments current account deficits and the capital account items as they emerge from the adjustment scenario (extended to the year 2001), the optimum external borrowing scenario gives the following results. The future commitments with bilateral, multilateral and commercial (improved terms) sources are projected exogenously from year to year; the model then calculates the supplemental financing needs (assumed to be commercial credits on market terms) to maintain the external foreign exchange reserves at a minimum level.

	Memoranda			
	<u>(1978-84)</u>	<u>1987-91</u>	<u>1992-96</u>	<u>1997-2001</u>
	Annual Averages			
	—(Millions of current US\$)—			
Commitments (public and publically guaranteed debt)				
Commitments from bilateral sources	(147)	215	268	326
Commitments from multilateral sources	(118)	306	463	585
Commitments from commercial sources (improved terms)	-	98	168	286
Financing requirements from commercial sources (market terms)	<u>(109)</u>	<u>48</u>	<u>10</u>	<u>12</u>
Total	(374)	667	909	1,209

	<u>1987</u>	<u>1989</u>	<u>1991</u>	<u>1994</u>	<u>1996</u>	<u>1999</u>	<u>2001</u>
	Percentages						
<u>Ratios</u>							
Debt service ^{a/} Exports	10.9	11.8	13.9	16.0	15.4	15.2	15.1
of which: Official sources ^{b/}	10.9	11.3	12.3	14.5	14.9	15.1	15.0
Commercial sources	-	0.5	1.6	1.5	0.5	0.1	0.2
Total Outstanding							
Disbursed Debt ^{a/} GDP	17.4	20.1	22.8	24.2	24.6	24.0	22.6

a/ Public and publically guaranteed debt (current and future).

b/ Including loans from commercial sources on improved terms.

These results indicate that, provided that Cameroon implements the necessary economic adjustment measures, achieves the projected rates of growth of non-oil exports and follows a prudent external borrowing strategy, it can maintain its gross external borrowing needs at levels fully compatible with its access to the various sources of financing and with a very moderate debt burden in the long term.

43. The model used for these projections does not enable strict coherence to be established between Cameroon's external financing needs in balance of payments terms and the Government's financing needs because it does not incorporate a monetary module. It appears, however, that the official external borrowing requirements (i.e., loans by or guaranteed by the Government), as indicated by the optimum external borrowing scenario, would be appreciably lower than the Government's net financing needs for the period 1991-96. This means that, unless it reduces its expenditures more than is projected, the Government will have to borrow abroad entirely for its account in the next five years and will in addition have to reduce its deposits with the commercial banks and resort to increased borrowing from the Central Bank. It would probably be difficult to raise the required volume of external resources exclusively in the form of project-linked loans, and the Government will probably have to turn to untied loans.

44. It is clearly impracticable for all the reforms and actions proposed in the report -- both those already decided on by the Government in the framework of the Fifth and Sixth Plans and those suggested as an appropriate response to the fall in oil receipts and to establish the conditions for self-sustained growth in the long term-- to be undertaken simultaneously. First, the limited administrative capacity for the design and implementation of such reforms must be taken into account. Second, care must be taken not to disrupt existing economic structures too rapidly. To prepare the adjustment measures, prepare an external borrowing strategy and establish orders of priority and an implementation timetable, it would be advisable to set up a coordination group which would comprise officials of the Ministry of Finance, the Ministry of Planning and the Ministry of Trade and Industry.

CAMEROON - Country Economic Memorandum

Introduction

0.1 An Economic Memorandum on Cameroon (Report N°2877-CM) was circulated in April 1980. It included a stocktaking of macro-economic developments during the 1970s, a summary of Cameroon's first population census (1976) and a review of issues relating to the satisfaction of basic needs. A more comprehensive internal analysis was prepared in 1982-84. It focussed on the early impact of oil production, provided an evaluation of the Fifth Development Plan (1982-86 ^{1/}) and of the planning process. It was intended to provide a framework for the Government/Bank macro-economic and sectoral dialogue and joint identification of lending priorities. The purpose of this Economic Memorandum is to take stock of the main economic and financial developments since 1978, assess the impact of oil production on those developments and analyze the necessary adjustment of the economy to the drop in oil revenues and for establishing the conditions for long-term growth on the eve of the Sixth Development Plan (1987-91).

0.2 Cameroon has a population of 10.0 million (1986) and covers an area of 475,000 km². It is one of Africa's most diverse countries, with a wide range of climatic zones, ecological conditions, natural resources, population densities, ethnic groups, and traditional cultures. In the past, the country has been heavily dependent on the rural sector, which remains the key economic sector, employing the larger part of the labor force. Cameroon became an oil producer in 1978 and produced 8.4 million metric tons of crude petroleum by 1985 (about 172,000 bbl/day). It also has some natural gas reserves. Cameroon's main opportunities for future development lie in the expansion of agricultural, livestock, and forestry production; the exploitation of hydroelectric and mineral resources; the processing of agricultural, forestry, and mineral products for export; and selected forms of manufacturing for the market of the "Union Douanière des Etats de l'Afrique Centrale" (UDEAC) (Custom Union) and other countries.

0.3 Cameroon's main economic centers are separated by large areas of low population density and the country's port facilities and transport network also serve landlocked Chad and the Central African Republic. The main north-south transport axis and the main arteries linking various parts of the country to it are now complete, although important additions to the road network are still being made. With the growth of manufacturing industry, government, transport, construction, and services,

^{1/}

The fiscal year in Cameroon runs from July 1 to June 30. In this report all references to a given year will be to the fiscal year unless specified otherwise. For instance, 1985 will refer to the period July 1, 1984 to June 30, 1985.

Cameroon is becoming increasingly urban. About 36 percent of the population now live in towns, with the heaviest concentrations in Douala, the major port and industrial center, and Yaounde, the capital.

0.4 The advent of oil production, in 1978, has deeply influenced the evolution of the Cameroonian economy. By 1985, the share of oil had increased to more than 17 percent of total GDP and to an estimated 45 percent of total Government revenues. Net foreign exchange earnings from oil represented some 35 percent of total exports of goods and non-factor services for that year. Oil revenues permitted a rapid expansion of investment that, in turn, induced a rapid growth of non-oil sectors, particularly of manufacturing industry and construction. With national savings increasing rapidly, fixed investment rose from 21 percent of GDP in 1978 to more than 25 percent in 1985. Government direct investment (excluding investments of the public enterprises) increased from about one fifth to about one fourth of total investment. These developments resulted in an increase in GNP per capita in current prices from an estimated US\$494 in 1978 to an estimated US\$800 by 1985, representing a real growth of some 6 to 7 percent per year in CFAF terms. This performance was achieved in an unstable and unfavorable international environment while maintaining internal and external financial stability. Revenues derived from oil have been prudently used. Not only did the Government resist the temptations of a too fast increase in external borrowing, but it used part of its revenues to retire debt.

0.5 It should be stressed at the outset that there are many deficiencies in the coverage and quality of statistical data in Cameroon, which make any rigorous analysis difficult: i) oil transactions are only partly reflected in the national accounts, government finance accounts, balance of payments and official reserves; ii) national accounts are not available beyond fiscal year 1984, they are at current prices only, and their coverage and reliability are dubious; iii) data on agricultural production, particularly for food crops, are sketchy and the coverage of data on industrial output is incomplete; iv) there are no data on employment outside the civil service; v) the balance of payments, based on commercial banks' financial settlements, covers only part of exports and imports and capital flows, leaving large unidentified flows as errors and omissions; vi) there is no consumer price index at the national level; and vii) detailed public finance accounts are not available, nor are data on the execution of the extra-budgetary accounts through which 50 percent of Government capital expenditure is financed. The mission has adjusted the national accounts, external trade data and the balance of payments to take better account of oil transactions and has prepared estimates of national accounts at constant prices. These estimates should be treated with caution and only as broad indicators of economic performance.

I. RECENT DEVELOPMENTS

A. Investment Structure and Trends

1.1 Fixed investment has been an important determinant of the rapid growth of the Cameroonian economy, particularly in the period 1979-81. As a result of the inflow of oil revenues, fixed investment increased to nearly 25 percent of GDP in 1981 from 21 percent in 1978 (18 percent in 1976). This implied a real growth of fixed investment of some 17 percent annually during these three years. Since then, the fixed investment effort in relation to GDP was more or less maintained at the level of 25 percent through 1985 (Table 1). The rapid growth of fixed investment during 1979-81 was mainly due to the gross capital formation of enterprises, reflecting investment for oil development, the completion of the oil refinery and the execution of several large scale public enterprise projects in industry. A large part of these investments was financed by the Government, as it is illustrated by the sharp increase in public extra-budgetary capital expenditures in 1981 (Table 13). It is only from 1983, however, that Government direct investment increased as a share of total investment and in relation to GDP.

Table 1: Fixed Investment Trends

	Percentages							/a
	1976	1978	1981	1982	1983	1984	1985	
Total Fixed Investment/GDP (at current prices)	18.1	21.1	24.6	23.3	25.0	25.3	25.4	
Total Fixed Investment	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
of which: Enterprises	36.3	44.0	51.8	52.2	49.0	43.0)	
Households and							)	75.0
Individual Enterprises	46.2	34.9	29.8	29.8	31.5	31.1)	
Government	17.5	21.1	18.4	18.0	19.5	25.9	25.0	

/a Estimates

Source: National Accounts

1.3 The Government adopted in 1981 its Fifth Five Year Development Plan (1982-86) which took account, realistically, of the temporary nature of the oil boom and the constraints on investment absorptive capacity. The planned level of investment was increased only moderately relative to savings and GDP. Following the over-emphasis of the Fourth Plan (1977-81) on directly productive activities, including the establishment of a number of large public enterprises in industry which, in several instances, proved to be unwise undertakings, the Fifth Plan investment allocations heavily favored support to agriculture, rural development and the social sectors (Table 2). The main objectives of the Fifth Plan were to (a) pursue food self-sufficiency; (b) diversify the economy through production and

processing of primary products produced locally; (c) stem rural migration and relieve pressure on urban areas; (d) reduce inter-regional development disparities; and (e) upgrade the technical and professional education of Cameroonians gradually to replace expatriate managers and technicians.

1.2 During the first three years of the Fifth Plan implementation, for which only partial data are available, the sectoral allocations of investment departed considerably from planned targets (Table 2). The only two sectors in which the initial plan allocations were exceeded were administrative equipment, mainly ministerial buildings, and manufacturing and crafts. The overall rate of investment financial execution (disbursements) was only about 50 percent. The rate of execution was only 34 percent in agriculture, 26 percent in education, and 20 percent in health. This reflects severe absorptive capacity constraints in these sectors, with respect to project identification and preparation, administration decision making and procedures, project execution management and construction enterprises capacity. Investments in services - trade, transportation, and tourism - were largely on track (execution 62 percent) while infrastructural investment was below target.

Table 2: Planned and Actual Investments

	Percentage Distribution			
	Fourth Plan 1977-1981		Fifth Plan 1982-1986	
	<u>Planned</u>	<u>Actual</u>	<u>Planned</u>	<u>Actual</u> /a
<u>Agriculture, Rural Development</u>	17.3	13.7	23.7	14.6
<u>Manufacturing, Mining, Energy</u>	30.9	44.7	16.4	25.4
- Manufacturing, Crafts, SME	n.a.	n.a.	n.a.	n.a.
- Mining and Energy	n.a.	n.a.	n.a.	n.a.
<u>Commerce, Tourism, Transportation</u>	6.7	7.9	7.7	8.5
- Commerce and Transportation	1.8	1.4	5.5	6.0
- Tourism	4.9	6.5	2.2	2.5
<u>Infrastructure</u>	21.6	22.1	21.1	18.5
<u>Education, Training</u>	5.0	2.6	8.8	4.1
<u>Youth, Sports</u>	0.4	0.4	1.4	0.2
<u>Health, Social Affairs</u>	1.7	1.1	4.0	1.4
<u>Urban, Housing</u>	12.3	2.6	11.0	7.1
<u>Other</u>	4.1	4.9	5.9	20.2
<u>TOTAL</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

/a Actual for 1982-84

Source: Ministry of Planning

B. Production

1.4 Since 1979 the country has registered a remarkable overall economic growth, although there have been unbalances in the development of the various sectors. With all due allowance for the deficiencies in official data, GDP growth has probably been around 10 percent per annum during 1979-85. This performance has been largely attributable to the rapid expansion of oil production, which, increasing up to 8.4 million tons by fiscal year 1985, provided the resources to rapidly raise the level of aggregate demand, particularly the investment demand. It is also due to the emphasis in the Fourth Plan (1977-81) on directly productive investment and the coming on stream of several large public projects in import substitution industry. Non-oil GDP is estimated to have grown by some 8 percent per annum during 1979-85. This compares with an average annual growth of the economy estimated at 5 percent for the twelve years 1967-78 before the advent of oil.

Table 3: Value Added Growth by Sectors
(based on mission's estimates of national accounts at 1980 constant prices)

	Average Growth Rates (%)		
	<u>1979-81</u>	<u>1982-85</u>	<u>1979-85</u>
Agriculture, Forestry, Livestock	12.1	0.5	5.3
Oil and Mining	120.2	18.9	54.9
Manufacturing	14.5	15.9	15.3
Electricity, Gas, Water	9.6	9.3	9.5
Construction, Public Works	24.7	7.6	14.6
Commerce, Restaurants, Hotels	5.6	8.1	7.0
Transport, Communications	3.3	5.9	4.8
Public Administration	4.6	9.5	7.4
Other Services	13.3	5.9	9.0
Import Duties	5.3	3.0	3.9
<u>Gross Domestic Product</u>	<u>13.8</u>	<u>7.6</u>	<u>10.2</u>
<u>Memorandum Item:</u>			
<u>Non-Oil GDP</u>	<u>10.4</u>	<u>6.2</u>	<u>7.9</u>

Source: Annex table 2.2

1.5 As for the rate of investment, there was a slowdown in the growth trend of the Cameroonian economy in 1982. The oil sector, whose output more than doubled each year during 1979-81 attained, by 1982, the stage of maturity, and its growth rates decelerated to more normal levels. Total GDP growth subsequently decelerated from some 14 percent to 8 percent, as

did non-oil GDP growth from 10 to 6 percent. Except for oil and manufacturing, the highest growth rates were registered in the construction sector and services, and to a lesser extent, in food crops (data on foodcrop production are shown in Annex table 9.2). Agricultural production for export, on the other hand, remained practically stagnant. This is an illustration, although limited, of the "oil syndrome" or "Dutch disease" effects of oil revenues in oil producing countries, which manifests in inflationary pressures and a distorting effect on the structure of domestic production and demand in favor of non-traded goods. Although there was no noticeable acceleration of inflation during the period 1979-85 as measured by the indices below, domestic prices increased significantly faster than export prices, which would tend to indicate a distortion in the respective growth of the prices of tradables and non tradables:

	<u>Average Annual Increases (%)</u>	
	<u>1972-78</u>	<u>1979-85</u>
Index of Consumer Prices in Yaounde	11.8	11.0
Index of Consumer Prices in Douala	9.3	9.3
Estimated GDP Deflator	11.	10.1
Minimum wages in the modern sectors	..	14.6
Non-oil export price index	..	6.2

These trends have probably resulted into a moderate appreciation of the real exchange rate, although available data do not permit to quantify it.

1. Oil and Mining

1.6 Official information on oil reserves, production and revenues is not available. When oil production began in 1978 total recoverable reserves were estimated by international oil analysts at some 100 million tons. At the present level of oil price, remaining economically recoverable reserves are estimated at some 40 million tons (March 1986). Production would reach its peak in 1986 at some 8.8 million tons and would then steadily decline until the early 1990s. Economically recoverable reserves would increase somewhat if the oil price goes back to \$20 or above in constant 1984 dollars. Exploration activity, however, has been reduced in recent years and, at present, there are no indications for further oil discoveries. Four international oil companies are operating in Cameroon forming three consortiums - Mobil/Total; Snell Pecten/Elf Serepca; Elf Serepca/Shell Pecten - to exploit the three main oil fields which are located off-shore near the coast north-west of Douala.

1.7 An autonomous public corporation, the "Société Nationale des Hydrocarbures" (SNH) was created in 1980 to ensure that hydrocarbon resources are exploited in a rational manner, and under the control of the Government. The SNH acts as the Government's holding company for participation with private foreign companies in joint ventures. Under the production arrangements, exploration expenses are divided equally between SNH and the foreign partners, as are new investment costs. With respect to

production sharing, SNH was believed to receive 60 percent of the first 15 million tons of cumulative production; then this share was gradually increased to 70 percent. SNH also participates in the national refinery (SONARA) which started operations in 1981 with a capacity of about 2.0 million tons per annum. SNH provides the refinery with crude from its production share, and the balance is sold on the spot market. The operating companies market their shares, and make contributions to the Treasury in the form of royalty payments and taxes on their net profits.

1.8 Total oil production has increased approximately as shown in Table 4. Crude oil consumption of the refinery to produce refined products for the domestic market was estimated at 1.08 million tons in 1985.

Table 4: Estimated Oil Production

	<u>million tons</u>
1978	0.12
1979	1.00
1980	1.90
1981	3.40
1982	4.70
1983	5.80
1984	7.00
1985	8.40

Source: International Oil Industry estimates.

1.9 In addition to the gas which is associated with oil and presently burnt, Cameroon possesses natural gas reserves estimated at about 110 billion cubic meters. About half the reserves is located in the north-west region and the other half in Kribi area. Because these reserves are not sufficient to justify the large investments needed for liquefaction of gas for export, as was once envisaged, the feasibility of exploiting them for the supply of the domestic market is now being studied. It would be economical also to make use of the gas associated with oil and presently burnt by transforming it into various fuels.

1.10 Cameroon has moderate amounts of various other minerals. Iron ore reserves in the Kribi region are estimated at about 300 million tons. Studies are also being conducted for the exploitation of large, good quality bauxite deposits in Minim, Martap and N'Gaoundal. In the southeast region, the existence of deposits of copper, nickel, chrome, platinum, gold, diamond and uranium in various quantities has been confirmed.

2. Agriculture

1.11 The agriculture sector covers traditional subsistence grains and other food crops, export crops - mainly coffee and cocoa - livestock, fishery and forestry. Subsistence crops account for about 40 percent of the value of agricultural production, export crops for 30 percent, livestock and fishery, about 20 percent, forestry, 8 percent, and fruits, 2 percent.

1.12 The sector is dominated by smallholder farming (90 percent of output). The remaining 10 percent of output originates from industrial plantations, mostly government-owned. The country's two main cash crops, cocoa and coffee, as well as much of the food crop sector are in smallholder hands. The main food crops are maize, millet, sorghum, rice, plantains, yams, taro-macabo and cassava. The modern sector has also been engaged in some food crops, mainly irrigated rice and maize. Its principal crops, however, are cash crops, including pineapple, tea, rubber, sugar cane, palm kernels and palm oil, tobacco, banana, and recently soya.

1.13 Partly to consolidate projects initiated in previous years, the Fifth Plan accorded the priority in agriculture to the private sector both through promotion of peasant production and strengthening of the modern private sector. This seemed justified because many public agro-industrial enterprises suffered from low productivity and financial losses while the private sector experienced a decline as a result of migration of labor to urban centers. The Plan projected that agricultural production would grow by 5 percent per annum. Growth was to be especially high for grains, vegetables, palm oil and sugar. Partly because of the severe drought during 1982/83, total agricultural production grew by only 0.5 percent per annum during 1982-85. The drought caused a drop of 20 to 30 percent in food crop output and substantially lower coffee output. With more favorable weather, output rebounded and by 1984/85 attained record levels (Annex tables 9.1 and 9.2). Cameroon has maintained its self-sufficiency in food crops and, in 1985, was able to export a significant part of food production through informal channels to neighboring countries.

1.14 Cameroon is the fifth world largest cocoa producer. Cocoa production fluctuated around a slow growth trend during 1981-85, but planted area increased by over 30 percent which augurs well for output during the Sixth Plan. After a drop in 1984 as a result of the drought, output of robusta coffee hit the record level of over 110 thousand tons in 1984/85 but new planting has decelerated. Because of the competition of food crops, however, production of arabica coffee has tended to decline since 1980, and prospects for the crop seem grim without immediate action on producer prices and other incentives. Cotton production was largely stable. Grain production, mainly of rice and maize, has also progressed and the Plan targets were largely achieved.

1.15 During the Fifth Plan period the Government concentrated its efforts on (a) productivity improvements, (b) institutional reforms to redefine the role of various agencies, (c) education and training, (d)

prices, (e) credit, and (f) supporting programs. These efforts seem to have been only partly successful. Except for the seed improvement program, other programs to increase productivity (mechanization, phytosanitary protection, fertilizers) and the programs to develop agricultural credit have not progressed beyond the study stage. The same for institutional reforms. The need to improve coordination of institutions in managing programs at the regional and national level, the operations of rural development agencies, the relevance of research and the efficiency of extension programs and of cooperatives has remained largely unresolved. Programs in education of extension agents and young agricultural producers, however, have proceeded well. Supporting programs in rural infrastructure have been implemented relatively successfully, particularly in water supply (hydraulique villageoise) in the northern region.

1.16 Prices are set by the market for most foodcrops and distribution has been left to the private sector. This has proved to be remarkably effective. Producer prices, on the other hand, are regulated by the Government for export crops (coffee, cocoa, rubber, cotton) and basic staples (palm oil, rice). Except for cotton, regulated producer prices for cash crops have tended to diminish in real terms since 1980, despite several adjustments. During 1979-84 cocoa farm gate prices averaged 44 percent of CIF prices with a peak at 61 percent in 1981. Arabica coffee producer prices averaged 38 percent of CIF prices with a peak at 49 percent in 1981. Robusta coffee producer prices averaged 40 percent of CIF prices with a peak at 51 percent in 1981 (Table 5). FOB prices have represented 93 percent of CIF prices on average, and export taxes and commercialization and internal transport costs have made up on average 20 percent of FOB prices for both cocoa and coffee during 1979-84. The balance is constituted of levies by the "Office National de Commercialisation des Produits de Base" (ONCPB), a marketing/stabilization board. These levies averaged 33 percent of the FOB price for cocoa and some 37 percent for coffee during 1979-84. The lags in the growth of producer prices behind inflation have been partly offset by the system of refunds (ristournes) of the ONCPB. These refunds, however, do not always reach all producers and blur price signals. As in other Sub-Saharan countries the rationale for this pricing policy is to generate financial surpluses to protect producer prices in case of a fall in world prices and to finance government programs in agriculture. A large share of ONCPB levies are used, however, to finance various development programs and investments in other sectors, which corresponds to a heavy taxation of agricultural production. On the other hand, there is a system of input subsidies, particularly for fertilizers, which partially compensates for low producer prices. This system, however, leads to distortions among producers and crops.

1.17 Aside from producer controlled prices, other constraints on the development of export crops include the insufficient rural infrastructure notably feeder roads, inefficiencies in the marketing system, land tenure and the urban drift of the young rural population.

Table 5: Producer and Export Prices (CIF) of Main Export Crops

	in CFA Francs per Kilogram							
	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>		1986
Cocoa /a								
Export Price	775	637	493	635	640	1019	1148	..
Producer Price (Grades I & II)	260	290	300	310	330	370	410	420
Arabica Coffee /a								
Export Price	748	896	693	885	1038	1291	..	..
Producer Price	300	330	340	350	370	410	450	475
Robusta Coffee /a								
Export Price	712	811	630	686	949	1194	1457	..
Producer Price	280	310	320	330	350	390	430	440
Cotton (Yellow and White)								
Producer Price	65	70	80	90	105	117	130	140

/a The difference between CIF prices and producer prices includes the costs of commercialization, internal transport, ONCPB levies and external transport and insurance.

Source: Annex tables 9.3 and 9.4 and estimates for 1985.

1.18 Cameroon has sizeable forestry resources estimated at about 20 million hectares, of which only 8 million hectares are currently exploited, mainly in the South and the Center, and in the coastal regions. About 50 percent of Douala's port export traffic is accounted for by forestry products. Sluggish demand for furniture in Europe and the USA resulted in a decline of wood exports by almost 28 percent between 1981 and 1984. In 1985, however, exports of logs and timber increased substantially, as a result of higher demand, and also because of the incentive measures taken by the Government. Export taxes and domestic transport taxes were eliminated, and the new Investment Code (para. 1.24) provides for incentives to forestry enterprises owned by nationals.

1.19 There is good potential for livestock production, especially in the northern part of the country. Available statistics indicate that during the three years 1982-84 the cattle herd grew from 3.7 to 4 million heads, the number of sheep and goats for 3.4 million heads to 4.8 million heads, and poultry from 10.5 million to 11 million units. Fishing comprise industrial and artisanal sea fishing, riverfishing and pisciculture. At present fish consumption is estimated at about 130,000 tons of which only 14,000 are supplied by industrial sea fishing, about 35,000 tons by artisanal sea fishing and 50,000 tons by riverfishing. The rest is imported. Fishing equipment is generally outdated and freezing capacity is insufficient. The sector also suffers from high operating costs and low controlled prices.

3. Manufacturing

1.20 Cameroon has a relatively large and varied manufacturing sector essentially oriented to the domestic market, although exports are not insignificant, particularly to UDEAC countries. Manufacturing value added (including electricity and water) accounts for more than 13 percent of GDP. The sector is dominated by a number of foreign and government-owned enterprises. The domestic private sector participates mainly in medium and small enterprises. There are about 40,000 SMEs (with less than 10 workers each) in manufacturing, construction and services, and an undetermined number of artisans. The food, beverage, tobacco and textiles industries account for about half of manufacturing value added.

1.21 Statistics on industrial production are inadequate, and their coverage is incomplete. For this reason, the estimate of output growth of 15 percent per annum during 1979-85 should be viewed with considerable reservation. An indication of the likely overestimation of output growth in manufacturing, and consequently of GDP and consumption growth during 1979-85 is the very low growth of imports, especially that of intermediate goods and raw material whose elasticity to manufacturing value-added was only 0.15 for this period. Industrial growth during the period 1979-82 was probably rapid because of the large-scale public investments made in aluminum, fertilizers, paper pulp, agro-processing industries, etc. during the Fourth Plan (1976-81) and the high domestic demand. As a result of the 1982/83 drought, however, industrial output slumped, particularly in the lines of production based on processing of domestic agricultural commodities. Since mid-1984, output recovered, and the largest gains were recorded in traditional production lines: beverages, cigarettes, sugar, soap and construction materials. SONARA, the refinery, and ALUCAM, the aluminum plant, also increased their production marginally (Annex table 8.2). There is no information on capacity utilization in the sector.

1.22 The incentives framework for manufacturing development has generally tended to favor capital intensive activities and production for the domestic market. Local production is protected from import competition though the tariffs provided by the common external tariff of UDEAC, various additional taxes, import licensing and other non-tariff measures, often granted on a case by case basis through the Investment Code. Tariff and tax rates are widely dispersed and are distorting the structure of effective protection. While import substituting industries enjoy considerable protection inside the UDEAC, export products are taxed and suffered from the appreciation of the real exchange rate (para. 1.5). Most industrial prices are subject to government controls on a cost-plus basis, allowing for a profit margin which is independent from the production factors used in the enterprise or the efficiency of its operations. Also, the slow and cumbersome bureaucratic machinery to establish prices and monitor compliance results in large lags in the adjustment of prices to rising costs, which often jeopardizes the profitability of enterprises. Other elements of the incentives framework include the Investment Code and the system of administered interest rates and associated credit rationing (para. 1.24 and section D).

1.23 The Government has become increasingly concerned about the largely capital intensive manufacturing sector, which has made only a moderate contribution to export, savings and employment creation, has been geographically concentrated and has not really fostered the development of Cameroonian entrepreneurship. Consequently, the Government has recently shifted its objectives for industrial development away from large import substituting industries in favor of the expansion of small and medium scale enterprises and the transformation of domestic raw materials for export.

1.24 A first step in that direction has been the revision of the Investment Code. The old investment code, which provided tax breaks on equipment goods and duty drawbacks on imported inputs to variable degrees over various periods of time according to different categories of enterprises, practically on a case-by-case basis, favored capital intensive industries and the processing of imported inputs. The new code, issued in mid-1984, specifically grants more generous tax advantages to small and medium scale enterprises and reduces the distorting provisions of the old Code in favor of the large, capital intensive industries, while providing for more automaticity in access to benefits. The Small Business Development Fund (Fonds d'Aide et de Garantie aux Petites et Moyennes Entreprises - FOGAPE) was restructured in 1984; its role was expanded and its financial resources augmented. The Fund is now to provide technical assistance, management support and credit guarantees to eligible enterprises, but it has not performed effectively yet.

1.25 While there was limited public and private investment of a significant size in manufacturing during 1982-84 apart from the completion of projects undertaken under the Fourth Plan, the investment climate seems to have improved in 1985, particularly for Government sponsored industrial projects and small and medium-scale projects in the private sector. Although several projects have been proposed in recent years by foreign investors in chemical, pharmaceutical, rubber and metal industries, those projects have not materialized and actual foreign investment outside the oil sector has remained insignificant. The informal sector has shown great vitality with more than 3,000 new enterprises created each year. A recent survey indicated that the major difficulties in setting up and maintaining a small enterprise were the lack of suitable space, the lack of financial resources and credit and market uncertainties. Few such enterprises survive more than a couple of years.

1.26 Despite the recovery in manufacturing activity during 1984-85, many parastatal enterprises have continued to face operational and financial difficulties and can operate only with government subsidies of various forms (Section E, iii). Through the Société Nationale d'Investissement (SNI), which serves as a holding company, the Government fully owns or has equity participations in 60 enterprises organized under private corporate law in all economic sectors. The Government (including SNI) has a share of at least 25 percent in 40 of these enterprises. In manufacturing industry public and mixed enterprises make up about 40 percent of total value added. The Government has become increasingly concerned with the growing burden of these enterprises on the Budget and

their limited contribution to economic growth. It has well identified the causes of the disappointing performances of many of these enterprises. These include, depending on cases, the initial overdesign of investments for the size of the market, uneconomic projects, overstaffing, an excessively bureaucratic structure, absence of management incentives, absence of clear corporate objectives and related performance criteria and of strategic planning and inadequate accounting/auditing capabilities. These enterprises also suffer from the usual diseases of public enterprises i.e. the pursuit of social objectives without clear financial compensation, the politization of management and interference of tutelle ministries in management, the lack of flexibility in responding to market circumstances and an inadequate financial structure (low equity/excessive borrowing). The Government has recently established a special commission to propose institutional reforms of the managerial environment in which the public and mixed enterprises operate, to undertake the restructuring/rehabilitation of specific enterprises and to prepare a program of privatization of viable enterprises in the competitive sectors over a period of five years. In view of the lack of investment resources and limited industrial experience of the national private sector the Government still considers it necessary to sponsor investments in the productive sectors but with the objective of transferring these investments to the private sector after a certain period of time, whenever possible. Only strategic activities, such as public utilities, hydrocarbon sectors and certain basic industries would remain under State control.

4. Other Sectors

1.27 Construction experienced a very high growth during 1979-81 (25 percent per annum) as a result of the upsurge of fixed investment during the Fourth Plan period. The sector growth decelerated to some 7-8 percent during 1982-85 reflecting the constraints on the capacity of the national construction enterprises and delays in the execution of the large program of investments in economic and social infrastructure under the Fifth Plan. In recent years many construction enterprises have also experienced financial difficulties because of the accumulation of payment arrears by the Government. The activity of the commerce, transport and communications sectors was probably higher than shown by the modest rates of growth implied by the official national accounts, although they may have been affected by the quasi-stagnation of agricultural exports during the review period. In transport it is worth noting the rapid increase in rail traffic (Annex table 10.1), reflecting the investment effort made for the renovation of infrastructure and the acquisition of rolling stock. Road transport is, however, the dominating mode of domestic transport accounting for an estimated 92 percent of passenger/km and 76 percent of ton/km. Rail passenger traffic declined significantly in 1986 following the opening of the Douala-Yaounde paved road.

1.28 The emergence of oil production and other developments in the economy in the past seven years, particularly the rapid growth of manufacturing and construction, have led to substantial changes in the structure of GDP (Table 6). The most notable changes are the rise in the

share of oil from less than one percent in 1978 to more than 17 percent of the total by 1985, the increase in the share of manufacturing from 9 to 12 percent and the drop in that of agriculture from 31 to 21 percent. Overall, with industry - including oil, mining, manufacturing, construction and utilities - and services making up each some 40 percent of GDP (excluding import duties), the structure of the Cameroonian economy has become by 1985 typical of that of a middle-income economy. If we exclude oil we see that the share of agriculture still decreased from 32 percent of the total in 1978 to 25.5 percent in 1985 while the share of industry, excluding oil, rose to more than 23 percent in 1985 from 14 percent in 1978.

Table 6: Sectoral Composition of GDP
(based on national accounts in current prices)

	Percentages					
	1978		1981		1985	
	Total GDP	Non-Oil GDP	Total GDP	Non-Oil GDP	Total GDP	Non-Oil GDP
Agriculture	31.5	31.7	27.2	30.6	21.0	25.5
Oil and Mining	0.7	-	11.2	-	17.5	-
Manufacturing	8.9	9.0	9.7	10.9	12.0	14.5
Electricity, Gas, Water	1.1	1.1	1.0	1.1	1.3	1.5
Construction	4.2	4.2	5.8	6.5	5.9	7.2
Trade, Restaurants, Hotels	16.0	16.2	12.9	14.6	12.7	15.4
Transport, Communications	7.8	7.9	5.8	6.5	4.5	5.5
Public Administration	7.7	7.7	6.1	6.9	6.6	7.9
Other Services	14.7	14.8	14.7	16.5	13.3	16.1
Import Duties	7.3	7.4	5.7	6.4	5.3	6.4
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: Annex table 2.1.

C. Resource Use and Savings

1.29 The structure of final demand changed considerably between 1978 and 1985. The sharp expansion of oil revenues since 1979 apparently had a moderate effect on private consumption, contrary to what has been observed in many oil-exporting developing countries. While private consumption grew by about 3.3 percent per annum in real terms between 1971 and 1978, its growth since 1979 is estimated at 6.2 percent per annum (Table 7). There was actually an upsurge in private consumption during the oil boom of 1979-81, followed by a quasi-stabilization in per capita terms during 1982-85. These fluctuations in private consumption, however, should be viewed with caution, since private consumption is calculated as a residual in the national accounts and the growth of import volumes may be

underestimated (para. 1.62). On the other hand, public consumption grew by an estimated 8 percent annually since 1979, reflecting a worrisome growth of 10 percent per year in the number of civil servants. Overall, the share of total consumption in GDP declined to about 65 percent in 1985, from about 83 percent in 1978, while the shares of fixed investment and exports increased substantially.

1.30 Because of oil, exports of goods and non-factor services was the most dynamic demand element during 1978-85. As the growth of recorded imports in real terms was moderate as a result of progress in import substitution in industry and of the reduction of imports of petroleum products to negligible amounts, the resource balance improved dramatically in Cameroon's favor during the review period. As imports were probably underestimated, however, the real size of the resource surplus in recent years might have been somewhat less favorable than as shown in the national accounts and the balance of payments. The effect of the fluctuations in terms of trade on available resources and capacity to import was slightly negative over the review period. The terms of trade in CFAF terms tended to deteriorate until 1983 and improved somewhat thereafter because of the rise in coffee and cocoa prices in 1984.

1.31 Gross national savings increased rapidly after 1982 under the combined effect of increased oil export volumes and the appreciation of the US dollar. By 1985, they represented about 34 percent of GDP and were 32 percent larger than investment (Table 8). Here again, however, the probable underestimation of imports may have led to an overestimation of savings.

1.32 Cameroon's savings are predominantly generated in the household and enterprise sectors although the share of these sectors declined during 1979-81 because of the rapid growth in public savings. There are no data available on the structure and origin of private savings. With respect to the latter, however, there is no indication that the relatively low interest rate structure, which has been largely negative over the past decade in real terms, has been responsible for depressing private real savings. Their comparatively healthy levels seem to be more a function of the level of per capita GDP and its distribution. In any event, however, the interest rate structure and levels as well as the institutional structure of the financial system have tended to inhibit the conversion of private real savings into a financial form, which could be readily channeled through financial institutions from savers to potential investors, and financial intermediation in general. 2/

2/
See Financial Sector Report (No. 6028-CM), dated June 2, 1986.

Table 7: Origin and Use of Resources
(based on national accounts in 1980 constant prices)

	<u>% Share in GDP</u>			<u>Growth Rate (%)</u>		
	<u>1978</u>	<u>1981</u>	<u>1985</u>	<u>1979-81</u>	<u>1982-85</u>	<u>1979-85</u>
Gross Domestic Product	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>13.8</u>	<u>7.6</u>	<u>10.2</u>
Terms of Trade Effect	<u>3.4</u>	<u>-0.7</u>	<u>0.5</u>	<u>..</u>	<u>..</u>	<u>..</u>
Gross Domestic Income	<u>103.4</u>	<u>99.3</u>	<u>100.5</u>	<u>12.2</u>	<u>8.0</u>	<u>9.8</u>
Exports of goods & nfs	<u>26.4</u>	<u>27.7</u>	<u>31.0</u>	<u>15.5</u>	<u>10.8</u>	<u>12.8</u>
Imports of goods & nfs	<u>31.3</u>	<u>30.1</u>	<u>19.9</u>	<u>12.1</u>	<u>-2.9</u>	<u>3.3</u>
Resource Gap	<u>4.9</u>	<u>2.4</u>	<u>-11.1</u>	<u>..</u>	<u>..</u>	<u>..</u>
Available Resources	<u>108.3</u>	<u>101.7</u>	<u>89.4</u>	<u>11.4</u>	<u>4.2</u>	<u>7.2</u>
<u>Consumption</u>	<u>83.1</u>	<u>76.0</u>	<u>64.7</u>	<u>10.4</u>	<u>3.4</u>	<u>6.3</u>
- Private	<u>72.0</u>	<u>67.1</u>	<u>55.4</u>	<u>11.0</u>	<u>2.6</u>	<u>6.2</u>
- Public	<u>11.1</u>	<u>8.9</u>	<u>9.3</u>	<u>6.1</u>	<u>8.6</u>	<u>7.5</u>
<u>Total Investment</u>	<u>25.2</u>	<u>25.7</u>	<u>24.7</u>	<u>14.5</u>	<u>6.6</u>	<u>9.9</u>
of which:						
Fixed Investment	<u>21.6</u>	<u>23.2</u>	<u>24.1</u>	<u>16.6</u>	<u>8.7</u>	<u>11.9</u>

Source: Annex table 2.5.

Table 8: Savings/Investment Balance
(based on national accounts at current prices)

	As % of GDP			
	1978	1979-81	1982-85	1985
Fixed Investment	21.1	22.2	24.6	25.0
Total Investment	24.7	23.9	25.5	25.5
Gross Domestic Savings	19.8	19.4	32.0	38.2
Gross National Savings	18.6	16.9	26.9	33.6
Current Account Balance	-6.1	-7.1	1.2	7.2
Memorandum Items:				
1. Structure of National Savings (%)	100.00	100.00	100.00	100.00
Public Savings	30.3	52.4	44.1	24.5
Household and Enterprise Savings	69.7	47.6	55.9	75.5
2. Savings as Percent of Investment				
GNS as % of Total Investment	75.5	70.1	105.5	131.6
Public Savings as % of Public Capital Expenditures	111.7	112.0	118.1	100.1

Source: Annex table 2.5 and mission estimates

1.33 Public savings, defined as the difference between total revenues ^{3/} and current expenditures rose to about 13 percent of GDP in 1982 as significant oil revenues came on stream, and have subsequently fallen to some 8 percent in 1985 as current expenditures rose rapidly. In spite of a four-fold increase in capital expenditures between 1980 and 1985, the Government has continued to run an overall surplus. In addition to Central Government savings, substantial public resources are generated by quasi-public institutions such as the marketing board (ONCPB) and the national savings fund. These resources, however, are separately managed and partly used to finance various development programs and certain public projects.

D. Population, Employment and Wages

1.34 Available data on population and employment are scarce and differ substantially among sources. The total population was estimated at 9,468,500 in June 1984, of which 51 percent in age brackets 15-59.

^{3/} Total revenues include here only that share of Government oil production sharing revenues which is repatriated through the extra-budgetary accounts.

Pre-school and school-age population (0 to 14 years) was estimated at 43 percent of the total, and the population older than 60 years at 6 percent (Annex table 1.1). The population growth rate was 2.3 percent in the 1970s. It is, however, accelerating and is currently projected at 3.2 percent for the rest of the century. By the year 2000, Cameroon's population is expected to rise to over 15 million from some 10 million at present.

1.35 The growth of the urban share of the population has paralleled the growth of the economy and of the largely urban-located industry, construction and services sector. Cameroon is fortunate to have a well-developed and diversified urban network with good recently paved road links between main centers. There are two large cities of over 500,000 residents each, four regional centers in the 100-150,000 size range, ten cities of 30-100,000 residents, and 24 in the 10-30,000 range. In 1976, 28% of the population lived in these cities and in towns of more than 5,000 population, constituting the "urban population". This population was growing at 5.3% per annum on average, with growth rates of individual major cities ranging from 6% for Douala to 7.5% for Yaounde and up to 9% for Garoua.

1.36 Since 1976, 65% of net population growth for the country as a whole has taken place in the urban areas and 35% in the rural areas, the reverse of the proportions observed during the previous decade. As of 1986, urban residents number about 3.6 million. Investment in urban water supply and social and educational infrastructure at all levels of the urban hierarchy has been substantial, but urban road and drainage investment and maintenance have been neglected. For this reason and because of poorly functioning land and housing credit markets, about two-thirds of residents of most major towns live in temporary structures in downtown or peripheral areas lacking paved roads and water.

1.37 At the present rate of urban growth which has now stabilized at about 5%, about half of Cameroon's population in the year 2000 would be residing in urban areas. As over the last decade, about two thirds of the net increase -- about 3.5 million out of the more than 5 million projected -- would have been absorbed by the urban areas. Thus, expanding the capacity of public services such as land registry and municipal public works departments, which are required to cope with this growth in an orderly fashion, and targetting urban infrastructure investment to maximize value added from urban-located productive sectors, are two tasks which deserve special attention.

1.38 During the four years 1980-84, the private and parapublic sectors have generated annually about 20,000 new jobs while public sector employment increased by some 8,000 per year. The informal sector may have provided about 20,000 new jobs per year (Table 9). There are no official estimates of the labor force, unemployment or underemployment.

Table 9: Employment by Sector

	<u>1980</u> (in thousands)	<u>1984</u>
Private and Parapublic Sector	282	360
Public Sector	104	135
Informal Sector	<u>..</u>	<u>400</u>
Total Employment Outside Agriculture	..	895
Active Population in Agriculture	2,591 <u>/a</u>	2,878 <u>/b</u>

/a 1981

/b 1986

Source: Mission estimates

1.39 The salary structure in the private sector is basically determined by collective agreements among the employers, trade unions and the Government. The agreements stipulate guaranteed wage rates for different levels of qualification and for the various categories within each level. The country is divided into three zones: the first one consists of the cities of Douala, Yaounde, Edea and Buea; the second one consists of smaller urban centers like Bafia, Baffoussam, Bertoua, Garoua, Ebolowa, etc.; and the third one comprises all rural areas. Each zone was originally designed to group cities with comparable cost-of-living levels but the differences among them have tended to disappear through better communications and decentralization of economic activity. The Government has consequently pursued a policy of gradual elimination of the zones. Minimum salaries in the public sector are fixed by government decree at the same time as the new collective agreement for the private sector is reached. Salaries in the public sector are slightly lower than in the private sector in urban centers.

Table 10: Growth of Salaries and Prices

	<u>Percentage increases during period</u>		
	<u>1979-81</u>	<u>1982-85</u>	<u>1979-85</u>
<u>Salaries:</u>			
<u>Private Sector</u>			
- Zones I and II	29.9	68.9	119.5
- Zone III	32.3	82.6	141.5
<u>Public Sector</u>			
- Zones I and II	21.0	70.3	106.0
- Zone III	23.1	89.8	133.6
<u>Prices:</u>			
Retail Prices (Yaounde)	29.1	60.6	107.4
Food Market Prices	29.8	47.6	91.5

Source: Annex tables 7.1 and 7.3

1.40 Judging from the limited information available, it appears that the real wages did increase during 1978-85 (Table 10), particularly in Zone III, in accordance with the Government policy to stem rural emigration and to reduce income differences between rural and urban areas. Salaries and earnings that are actually paid are not known but are believed to be, in some cases, considerably above the stipulated minima and are often augmented by benefits for housing and transportation.

E. Domestic Finance

1) Trends in Government Revenues

1.41 In order to understand the Government revenue picture and its evolution it is essential to make a distinction between oil and non-oil revenues. Since oil revenues did not begin to flow in any meaningful amounts before 1980, we will take 1979 as the year delineating the oil era from the earlier non-oil period in the following analysis. Essentially, there are two components in oil earnings: i) the revenues from production sharing and ii) the income taxes and royalty payments which the oil-producing companies pay to the Government.

1.42 The national petroleum holding company, Société Nationale des Hydrocarbures (SNH), now receives 70 percent of total production (para. 1.7) ^{4/}. Overseas earnings from this production are generally held in overseas accounts until they are repatriated, at which time they are transferred to "extra-budgetary" accounts (comptes hors budget, CHB). Overseas holdings are generally a closely-held secret, and amounts to be transferred to the budget are not communicated, even to the spending ministries, much before the middle of the budget year. Over the past five years, amounts transferred to the extra-budgetary accounts which also include some revenues from other sources have averaged one-quarter of total Government revenues. While accurate figures for transfers to these accounts exist, overall earnings from production-sharing agreements must be estimated from a variety of other sources of information. Table 11 provides a synopsis of estimates used to determine approximate government revenue earnings from this source.

Table 11: Estimated Government Revenues from Oil

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Estimated Production (mil. MT)	1.9	3.4	4.7	5.8	7.0	8.4
Estimated Price (\$/MT) /a	209.7	297.0	261.5	238.4	221.4	208.9
Estimated Gross Revenue (mil. \$)	398.4	1009.1	1228.9	1370.6	1550.1	1754.8
Estimated Costs per MT (\$) /b	86.0	83.1	80.8	84.6	92.1	90.9
Estimated Total Costs (mil. \$)	163.4	282.7	379.7	486.6	644.8	763.6
Estimated Net Revenue (mil. \$)	<u>235.0</u>	<u>726.4</u>	<u>849.2</u>	<u>884.0</u>	<u>905.3</u>	<u>991.2</u>
Govt. Net Revenue (mil. \$) /c	<u>204.5</u>	<u>632.0</u>	<u>738.8</u>	<u>769.1</u>	<u>787.6</u>	<u>862.3</u>
Companies Net Revenue (mil. \$)	30.5	94.4	110.4	114.9	117.7	128.9
Exchange Rate (CFAF/\$)	206.2	235.3	296.7	354.7	409.5	471.1
Govt. Net Revenue (bil. CFAF)	<u>42.8</u>	<u>148.8</u>	<u>219.2</u>	<u>272.8</u>	<u>322.5</u>	<u>406.3</u>
of which: Royalties	(10.6)	(30.5)	(53.5)	(77.7)	(103.0)	(123.0)
Company Taxes	(5.6)	(7.5)	(24.2)	(27.8)	(34.7)	(45.4)
Production-sharing	(26.6)	(110.8)	(141.5)	(167.3)	(184.8)	(237.9)

/a Mission estimates and IMF data.

/b Production costs include operating costs (estimated at US\$2.5 per barrel in 1985) and amortization of investments for exploration and development (about US\$9.5 per barrel in 1985).

/c Government revenue is assumed to be 87 percent of total net revenue.

4/

Although SNH receives 70 percent of total oil production, it pays only 50 percent of total costs, including exploration costs for positive wells.

1.43 Income taxes and royalty payments which the oil-producing companies pay to the Government are directly "budgetized" and, unlike the resources made available to the CHB, incorporated into overall Government expenditure planning from the very beginning. While these revenues have represented about one-quarter of budgetary revenues (i.e., those revenues excluding CHB transfers) since 1983, royalties are in effect adjusted to ensure that Government receipts from the oil sector amount to a total of 87 percent of total net oil revenues.

1.44 In the 1971-79 period total budget revenues, which averaged about 16 percent of GDP in the earlier years of the period, had risen to more than 20 percent of GDP by 1979, a sign of revenue buoyancy roughly in line with experience of the lower middle-income developing countries over the same period. ^{5/} Oil revenue flows began as a trickle in 1979 and rose to substantial levels in 1981. Total revenues, as a percentage of GDP increased to 24.0 percent in 1985, ^{6/} of which 10.9 percent of GDP came from the oil sector. Non-oil revenues fell back from 20 percent of non-oil GDP in 1979 to 16 percent of non-oil GDP in 1985, no better than the overall revenue effort in 1971. On the whole, budgetary revenues increased three-fold and total revenues four-fold from 1979 to 1985.

1.45 There are a number of noteworthy aspects with respect to the structure of taxation in Cameroon. In 1982 (a year selected because comparative data were available) taxes on income, profits and capital gains (excluding from oil) made up 18 percent of current revenue as compared with the World Development Report (1984) sample average of 38.4 percent; by contrast, taxes on international trade accounted for 26 percent of current revenues as compared with the sample average of 17.5 percent. Moreover, while agricultural taxation is high for export crops (para. 1.16), these tax collections are paid to ONCPB which uses the proceeds to support certain agricultural support programs and investments which do not appear in the budget. ONCPB has been allowed to accumulate considerable liquid balances, directly or indirectly through the Treasury, which have flowed to the banking system, and through that system, into overseas balances.

^{5/}
World Development Report (1984), Table 27.

^{6/}
About CFAF 85 billion, equal to 2.7 percent of GDP, were maintained in overseas deposits.

Table 12: Government Revenues
(Billion CFAF)

	<u>1971</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1985</u>
Tax Revenues	<u>44.7</u>	<u>152.2</u>	<u>210.6</u>	<u>279.3</u>	<u>348.9</u>	<u>598.8</u>
Income and Profit Taxes, and Royalties	7.2	34.6	50.0	88.6	151.9	274.8
of which: Oil Sector /a	-	-	(16.2)	(38.0)	(77.7)	(168.4)
Social Security Contributions	-	16.0	18.5	19.5	24.3	43.2
Property Taxes	-	4.4	6.1	8.3	9.3	15.1
Taxes on Goods and Services	13.4	32.0	41.3	50.1	56.6	109.8
Duties on Trade	22.3	61.0	88.5	107.2	101.3	148.1
Other Taxes	1.8	4.0	4.3	5.4	6.0	7.8
Non-Tax Revenues	7.3	6.5	18.3	35.2	40.2	62.0
Unclassified and Adjustments	-	63.7	1.8	-	-	-
BUDGETARY REVENUES	52.1	222.2	228.8	314.3	389.6	660.8
Oil: Revenues from Production Sharing	<u>-</u>	<u>14.0</u>	<u>26.6</u>	<u>110.8</u>	<u>141.5</u>	<u>237.9</u>
TOTAL REVENUES	52.1	236.2	255.4	425.1	531.1	898.7
- As percentage of GDP	16.2	20.6	18.1	23.7	24.4	24.0
Non-Oil Revenues as Percent- tage of Non-Oil GDP	16.2	20.0	16.3	17.3	16.3	16.0

/a Royalties and income taxes on oil companies.
Source: Annex table 5.1 and Table 11.

ii) Trends in Government Expenditures

1.46 Even before the advent of oil Cameroon's current budget was in surplus. Overall deficits were relatively limited between the years 1971-79 and in only two years, 1975 and 1976, were budget deficits more than 2 percent of GDP. Part of the reason for this was the conservatism of the capital expenditure budget, which in 1971 was only 1.5 percent of GDP; by 1979, however, it had grown to 4.7 percent of GDP, or from 10 percent to 30 percent of the total budget. Still, this growth in importance of the public investment budget was accomplished with relatively little foreign borrowing, so that the debt-service ratio was only 9.1 percent in 1979. The current budget grew about 9.0 percent a year in real terms over the 1971-79 period. However, because of the more substantial growth of the capital budget its relative importance in the overall budget declined from 90 percent to 70 percent over the period. Summarizing the results of the pre-oil era, while the overall budget grew somewhat more rapidly than GDP, this was accomplished with (a) a relatively low tax take (excepting taxes

on export crops levied via the ONCPB, for which no series exists); (b) a real growth rate of about 5 percent; and (c) low foreign indebtedness.

Table 13: Government Expenditures
(Billion CFAF)

	<u>1971</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1985</u>
<u>Total Expenditures</u>	<u>49.1</u>	<u>189.0</u>	<u>224.9</u>	<u>443.8</u>	<u>494.2</u>	<u>813.7</u>
<u>Recurrent</u>	<u>44.3</u>	<u>133.9</u>	<u>151.7</u>	<u>217.6</u>	<u>260.6</u>	<u>506.5</u>
Wages and Salaries	23.1	66.8	70.6	92.5	107.2	204.1
Subsidies and Transfers	4.2	20.6	25.1	35.6	45.2	124.5
Materials and Supplies	16.4	44.5	51.6	79.8	92.1	145.9
Interest on Public Debt	0.6	2.0	4.4	9.7	16.1	32.0
<u>Capital Expenditures</u>	<u>4.8</u>	<u>55.1</u>	<u>73.2</u>	<u>226.2</u>	<u>233.6</u>	<u>307.2</u>
Capital Budget	..	..	16.7	40.3	46.5	87.8
Foreign-financed	..	..	32.3	72.3	53.6	71.8
Extra-budget /a	-	-	24.2	113.6	133.5	147.6
<u>Total Revenues /b</u>	<u>52.1</u>	<u>236.2</u>	<u>255.4</u>	<u>425.1</u>	<u>531.1</u>	<u>898.7</u>
Surplus/Deficit (-)	3.0	47.2	30.5	-18.7	36.9	85.0
Government Savings /c	7.8	102.3	103.7	207.5	270.5	392.2
Government Savings as % of GDP	2.4	8.9	7.4	11.6	12.5	12.7

/a Financed from transfers to the comptes hors-budget.

/b Total revenues include all oil revenues, whether repatriated or not.

/c Government savings are defined here as being equal to total revenues less recurrent expenditures.

Source: Annex table 5.2

1.47 Between 1979 and 1981, total oil revenues collected by the Government went from a negligible amount to CFAF 148.8 billion, or 8.3 percent of GDP. Over the same period current expenditures rose by 60 percent, while capital expenditures shot up by 310 percent. Indeed, capital expenditures tripled in one year, from CFAF 73.2 billion in 1980 to CFAF 226.2 billion in 1981. On the other hand, recurrent expenditures grew by nearly 15 percent a year between 1981 and 1985 in real terms, some six percentage points higher than had been the case during the pre-oil era. Of this, wages and salaries and materials and supplies grew by little over 11 percent a year, while subsidies and other current transfers grew by nearly 25 percent a year in real terms. During the same period 1982-85 Government capital expenditures levelled-off and by 1985 they had fallen 12 percent in real terms from their 1981 peak.

1.48 Little consistent information on public investment expenditures is available and there is no data on capital expenditures through the extra-budgetary accounts. Table 14, which is drawn from information on expenditures out of the central budget for 1983-84, indicates that nearly one-quarter of capital expenditures are for general public services, usually government installations; one-quarter are for defense and social services, and 50 percent for economic services. Within the latter category, highways absorb nearly one-quarter, while only 8.5 percent is available to agriculture, forestry and fishing. However, certain investments in agriculture are financed via the extra-budgetary accounts as well as the resources of the stabilization fund, ONCPB. While the accounts of the ONCPB do not permit an accurate assessment of the amounts involved, if these amounts were consolidated with the central budget, the consolidation might raise the allocation going to agriculture by two to three percentage points.

Table 14: Sectoral Distribution of Government Direct Investment

	<u>1983-84</u> Percentages
General Public Services	23.1
Defense	3.3
Education	7.1
Health, Social Security and Welfare	3.6
Housing and Community Services	13.0
Economic Services	49.9
General Administration, Research	(2.9)
Agriculture, Forestry, Fishing	(8.5)
Highways	(23.1)
Other Transport	(4.4)
Other Economic Services	(11.0)

Source: Ministry of Finance.

1.49 Government savings, defined as total revenues, including all oil revenues, whether repatriated or not, less current expenditures ^{7/} have been positive at least since 1971. By 1979 they had reached 7.9 percent of GDP as compared with 2.4 percent of GDP in 1971; they averaged 13.3 percent of GDP during the main oil years of 1981-85. Indeed, over the period they have been more than sufficient to finance the totality of Government

^{7/}

Transfer payments are normally excluded from this calculation, but are here included in order to present a picture of the volume of Government resources which is available to finance public investments.

investments, and in fact have permitted not only substantial accumulations of overseas revenues but also the retirement of foreign debt. In addition, the Government's strong savings performance has permitted it to maintain a substantial net positive position with the domestic banking sector (Table 16: Claims on Government).

1.50 The policy of using discreetly the revenues from oil-production sharing to finance additional investments and various expenditures through the extra-budgetary accounts was due to the fact that the authorities rightly considered oil revenues as temporary resources. It permitted the Government to avoid excessive public expectations and was probably the key to its prudent management of oil resources and external borrowing. It is difficult, however, for the Ministry of Finance and technical ministries to perform their planning and budgeting functions if they do not know with sufficient advance notice the resources made available to them, as it is for the planners of the Ministry of Planning to do their planning work if they do not have access to data on expected oil production and exports, nor the means to analyze the impact these variables have on the economy.

iii) The Burden of Public Enterprise

1.51 The good performance of the Cameroonian economy is being badly eroded by the festering sore of the public enterprise sector. Value added for the total SNI portfolio (para. 1.26) makes up about 5 percent of GDP; state enterprises not included in the SNI portfolio, such as REGIFERCAM, the state railroad, account for about another 2 percent of GDP. Total investments of the firms in the SNI portfolio amounted to CFAF 50.7 billion in 1984, or 6.2 percent of gross fixed capital formation (1.6 percent of GDP). 8/

1.52 Few of the public enterprises substantial investments were financed from retained earnings: net operating losses amounted to CFAF 39.9 billion in 1984; in gross terms, this combined losses of CFAF 76.3 billion and profits of CFAF 36.4 billion. While these results seem to represent little improvement over the previous year, 1983, (CFAF 60 billion), they obscure the important fact that Government subsidies are recorded above the line. These were of the order of CFAF 90 billion (US\$254 million) in 1983, suggesting that total operating losses were on

8/

The fact that the latest data available as of February, 1986 were for June, 1984 provides some basis for understanding some of the difficulties of the sector.

Table 15: Indicators on Public Enterprise /a
(Portfolio of "Société Nationale d'Investissement")
(Million CFAF)

<u>Sectors</u>	<u>1982</u>		<u>1983</u>		<u>1984</u>		
	<u>Net Results</u>	<u>Divi- dends</u>	<u>Net Results</u>	<u>Divi- dends</u>	<u>Public Financial Support /b</u>	<u>Net Results</u>	<u>Divi- dends</u>
<u>Primary</u>	(34,931)	200	(52,174)	-	56,465	(40,615)	446
of which:							
CAMSUD (sugar)	(6,288)	-	(27,061)	-	8,985	(3,616)	-
CELLUCAM (wood pulp)	(23,212)	-	(29,401)	-	43,081	(34,859)	-
Sociétés de Développement /c	(3,114)	-	(6,358)	-	n.a.	(754)	-
<u>Secondary</u>	(15,174)	297	(8,822)	2,988	12,421	9,890	3,570
of which:							
ALUCAM (aluminum)	(6,449)	-	(6,327)	-	3,980	(14,010)	-
SONARA (refining)	(8,599)	-	(9,777)	-	-	3,566	-
SABC (brewing)	-	-	(3,185)	2,299	-	3,829	2,777
<u>Tertiary</u>	1,554	726	1,603	701	19,123	(9,139)	776
of which:							
SOTUC (publ. trans.)	(980)	-	(873)	-	1,453	(1,418)	-
CAMBANK (banking)	59	-	(407)	-	-	(8,140)	-
<u>TOTALS</u>	(48,551)	1,223	(59,393)	3,689	88,009	(39,864)	4,792

/a Figures shown in parentheses are negative.

/b Results for public financial support are only available for 1984; only firms where public holdings are greater than 25 percent are included.

/c Seven agricultural development corporations.

Source: Cameroon - Société Nationale d'Investissement, Annual Reports.

the order of CFAF 150-160 billion (US\$425 million) for that year 9/. Figures are unavailable for later years, but suggestions are that total subsidies may have reached as much as CFAF 150 billion (US\$366 million) in 1984; this was about 50 percent of total government oil revenues in that year and 18 percent of total government expenditures. For the previous year, where the figure is more certain, the CFAF 90 billion subsidy level amounted to one-third of the total oil revenues and 15 percent of total Government expenditures. A major portion of these poor results is due to a few companies, mainly CELLUCAM, CAMSUCO and ALUCAM.

1.53 Total "subsidies" included a variety of financial transactions, some of which involved future claims on the concerned enterprises, and some of which were straight transfers. Thus of the CFAF 90 billion in known public flows to the sector in 1983, CFAF 36 billion of these were in increased loans, for the most part to failing companies, particularly CELLUCAM. Another CFAF 8 billion were for repurchase of loans from third parties, essentially for CAMSUCO. CFAF 9.5 billion was paid to service debt guaranteed by the state, over 50 percent for CELLUCAM, and nearly CFAF 20 billion were paid in outright subsidies. Finally, CFAF 15 billion were expended to purchase equity in enterprises, largely for SONEL, the state electricity company.

1.54 Apart from the financial costs to the state in supporting the sector, the economy as a whole suffers as well, since capital and labor resources tend to be wasted in a system that provides for few incentives to good performance or sanctions for poor performance, where social and private objectives are commingled, and where such market signals as exist are often ignored (para. 1.26). The continued employment of redundant staff, particularly at CELLUCAM (CELLUCAM has been recently closed, see Chapter II) and CAMSUCO, besides being symptomatic of the problem as a whole, accounts for a substantial part of the sector's problems.

iv) Money and Credit

1.55 Cameroon's money and credit situation has been basically healthy. Over the period 1980-85, lending to the private sector, including public and mixed enterprises, increased by 16 percent a year, resulting, together with a substantial increase in net foreign assets, in a rate of growth of

9/

The CFAF 90 billion in subsidies is only for the 40 firms of the SNI portfolio where the state share is equal to or greater than 25 percent. Subsidies for the remaining twenty firms are estimated to be on the order of CFAF 5-10 billion for 1983.

the money supply of 22.3 percent a year, almost perfectly in line with the nominal GDP growth rate of 21.3 percent per annum (Table 16).

1.56 With the major exception of the commercial banks, whose liquidity is essentially supported by public deposits, the Cameroonian financial sector situation is, on the surface of things, quite healthy. Cameroon has not suffered of the weaknesses frequently found in other African countries of the franc zone where liquidity crises are common. The Government is a net lender to the domestic monetary system. Moreover, para-governmental organizations such as the social security fund (CNPS) and the export crop marketing board (ONCPB) are themselves in considerable surplus, and add substantially to the liquidity of the overall financial system. With, however, the coming decline in Government oil revenues, much of the current health of the system may be badly undermined unless measures are taken to forestall the situation.

Table 16: Monetary Survey
(Billion CFAF)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Net foreign assets	<u>-3.7</u>	<u>43.8</u>	<u>-9.1</u>	<u>60.8</u>	<u>130.2</u>	<u>154.2</u>
Domestic Credit	<u>363.0</u>	<u>425.2</u>	<u>562.1</u>	<u>699.2</u>	<u>731.9</u>	<u>836.3</u>
Claims on Government	-53.6	-134.5	-116.6	-109.5	-74.2	-42.0
Claims on Private Sector	416.6	559.7	678.7	808.7	806.1	878.3
<u>Total Counterparts</u>	359.3	469.0	553.0	760.0	862.1	990.5
Currency in circulation	78.1	101.8	107.6	127.6	134.4	145.3
Demand Deposits	130.2	157.1	190.9	249.4	276.4	278.4
Quasi-money	107.2	146.7	184.9	235.4	325.5	437.8
<u>Total Broad Money</u>	315.5	405.6	483.4	612.4	736.3	861.5
Others	43.8	63.4	69.6	147.6	125.8	129.0
<u>Memorandum Items</u>						
Rates of Growth (percents)						
M2	21.3	28.6	19.2	26.7	20.2	17.0
GDP (nominal)	23.0	27.3	21.0	20.5	22.0	15.6

Source: Annex tables 6.1 and 6.2.

1.57 The Cameroonian commercial banking sector is currently in a state of near-insolvency as a result of a number of ill-considered loans made mainly since 1980. A recent Central Bank survey shows the 10 banks of the system to be encumbered by non-performing assets (bad debts) of at least CFAF 120 billion (nearly one-fourth of the total assets of the banking system) ^{10/} as compared with bad debt reserves totalling less than CFAF 20 billion and total capitalization of CFAF 30 billion. About CFAF 60 billion of these loans were made to traders in North Cameroon and are considered largely irrecoverable; approximately another CFAF 40 billion were made to state enterprises. The situation with respect to lending to the para-statal sector is by no means desirable. There are, however, no clear signs that such loans have led to "crowding out" the private sector, particularly since they are not guaranteed by the state. However, the undesirable capital position of the banks may have had effects similar to "crowding out", particularly for loans of a more risky nature to small and medium scale enterprises.

1.58 The Government has sought to offset the decapitalization of the sector by maintaining substantial deposits with the commercial banking system. These deposits have fluctuated between CFAF 125 and 150 billion, and have played an important role in the reconstitution of commercial banking liquidity; so much so, in fact, that much of this liquidity has been channelled by the banks into overseas accounts rather than being domestically invested. Thus at end-1985 banks' foreign assets amounted to CFAF 163 billion. The international interest rate structure has to some extent encouraged this, with Paris rates being ordinarily higher than those practiced in Cameroon. To a considerable extent, however, Cameroon commercial banks have become strongly risk averse as a result of their badly weakened capital position.

1.59 If measures are not taken to put the commercial banks back on a sound capital basis, there will be a liquidity crunch when declining government oil revenues will require the Government gradually to withdraw its deposits from the commercial banks. This will, initially, stimulate an inflow from foreign accounts depending upon the interest rate structure. It will also change the nature of government deposits from the quasi-capital role which they are now meant to play as they become more like sight deposits, and so induce even greater risk-aversion vis-a-vis small or medium-scale enterprises.

1.60 Cameroon's interest rates, which are established within the framework of the BEAC, are relatively low compared with international rates. Rather than stimulating domestic investments, especially by small and medium-scale enterprises, as intended, this has led to an outflow of bank deposits to foreign accounts. Generally, the low relative interest

^{10/}
For June, 1984, the latest figure available.

rates have tended, together with other institutional taxation elements discussed in the Bank's recent work on Cameroon's financial sector, to prejudice the development of financial intermediation in the economy.

E. External Finance

1) Introduction

1.61 The main factor affecting the external position of Cameroon from 1978 to the present has been the rapid expansion of oil exports which grew in current prices from an estimated CFAF 2.7 billion (US\$11.5 million) in 1978 to an estimated CFAF 721 billion (US\$1,531 million) in 1985. They constituted for that year net foreign exchange earnings of CFAF 315 billion (US\$670 million) for the balance of payments, after deduction of production costs in foreign exchange and oil companies net incomes. Oil accounts for an important part of the spectacular improvement of the trade balance from a deficit of CFAF 90 billion (US\$197 million) in 1979 to a surplus of CFAF 474 billion (US\$1 billion) in 1985. The current account also improved, although less spectacularly than the resource balance because of the rapid increase in factor service payments related to the oil sector. The real growth in merchandise exports, however, has been mostly due to oil as the real growth of non-oil merchandise exports was relatively modest over this time period.

1.62 The statistical shortcomings of the official data make analysis of the balance of payments performance difficult. They include the under-reporting of oil export revenues, the non-recording of the corresponding Government holdings of foreign assets, foreign oil companies' profit transfers and amortization of oil-related debt, and the underrecording of imports, particularly capital and intermediate goods imports. The main sources of information for the BOP are foreign exchange records of the domestic banking system and some extra information obtained from questionnaires sent to important firms.

1.63 The proceeds of government oil revenues are held in foreign banks outside the Operations Account of the Monetary Union with the French Treasury and, therefore, are not included in official reserves. These funds are repatriated (para. 1.39) as needed to finance government expenditures and maintain an appropriate level of official reserves in the central bank (BEAC). Second, because the sale of oil is performed directly overseas in foreign currency, the profits of the foreign oil firms are not accounted for in the official BOP statistics and the extent to which operating expenses in foreign exchange are accounted for is not known. For the same reasons, the servicing of the debt contracted by the oil companies to finance oil exploration and development is also non-recorded or under-reported. On the other hand, when the Government's overseas funds are repatriated, they are normally reflected in the official BOP as these repatriations go through the domestic banking system, unless they are used directly to finance overseas procurements.

1.64 The mission has incorporated in the BOP estimates of total oil export revenues, of repatriation of the net incomes of foreign oil companies and, as an outflow, of the net annual surpluses of the Government's oil revenues kept overseas. However, since it is not possible to identify how much, if any, of the servicing of the oil-related debt is already incorporated into official BOP data, there was no basis for remedying this omission. Therefore, net errors and omissions, which are determined from the changes in official reserves, would include part of this debt service.

1.65 There are various indications of under-recording of imports, especially of capital and intermediate goods. According to the mission's estimates of imports at constant prices based on official national accounts and balance of payment data, the average annual growth of commodity imports would have been less than 1 percent during 1979-85 (in current CFAF prices commodity imports grew by about 13 percent per year while the estimated import price index increased by 12 percent a year). Port traffic data (Annex table 10.1) indicate, however, that import volumes grew by nearly 10 percent per year during the same period, despite the quasi-elimination of petroleum product imports. Moreover, the value of exports to Cameroon reported by partner countries is higher than the value of imports reported by Cameroonian authorities. Finally, the ratio of capital goods imports to gross fixed investment has fallen from 38 percent in 1978 to 20 percent in 1985 and that of intermediate goods imports to gross value of manufacturing output from 37 percent to 19 percent in 1985. Such large changes during this relatively short time period cannot be easily explained by the progress in import substitution or changes in the composition of investment. This under-estimation of merchandise imports is due to the fact that some imports may be paid by foreign firms directly to foreign suppliers without the intermediation of the domestic banking system and that a large proportion of capital goods imports financed by foreign donors are not recorded. These unrecorded payments for imports would be included in the balance of payments in the outflow of monetary capital and in errors and omissions (Table 20).

ii) Trends in Foreign Trade

1.66 Exports. Non-oil exports in constant 1980 prices grew annually about 3 percent only (Table 17). The relatively modest performance of non-oil exports is due to a quasi-stagnation of exports of agricultural commodities and semi-processed goods. Coffee and cocoa, the two main traditional export crops, were negatively affected by the 1983-84 drought and by the competition with foodcrops which tended to be more profitable (para. 1.16). Exports of logs and wood products declined throughout the period except in 1985. Other agricultural commodity exports increased little in real terms and have not compensated for the slow growth of the two traditional export crops. Other exports, mainly manufacturing exports, have performed better. Leaving aside oil, the structure of Cameroon's exports has changed significantly in the last seven years. While the two traditional commodities represented approximately 66 percent of non-oil exports in 1978, this share had fallen to 58 percent by 1985. At the same

time the share of industrial goods increased from 10 percent to over 20 percent.

Table 17: Merchandise Exports

	1978		1985 /a		Average Annual Real Growth Rate <u>1978-1985</u>
	<u>CFAF Million</u>	<u>% of Total</u>	<u>CFAF Million</u>	<u>% of Total</u>	
Agricultural Commodities and Semi-Processed Goods	<u>164,468</u>	<u>87.8</u>	<u>293,837</u>	<u>78.9</u>	<u>1.2</u>
Cocoa and Products	68,869	36.8	106,850	28.7	2.1
Coffee and Products	53,954	28.8	110,130	29.6	2.7
Logs and Wood Products	23,019	12.3	36,120	9.7	-5.6
Other Agriculture, etc.	18,626	9.9	40,737	10.9	2.1
Aluminum	3,786	2.0	25,530	6.9	18.2
Manufactured Goods	15,462	8.3	51,150	13.7	10.7
Other Exports, NEC	3,629	1.9	1,993	0.5	-13.7
<u>TOTAL NON-OIL EXPORTS</u>	<u>187,345</u>	<u>100.0</u>	<u>372,510</u>	<u>100.0</u>	<u>2.9</u>
Oil	2,745	1.5	721,429	194.0	55.0
<u>TOTAL MERCHANDISE EXPORTS</u>	<u>190,090</u>	<u>101.5</u>	<u>1,093,939</u>	<u>294.0</u>	<u>14.3</u>

/a Mission estimates.

Source: Annex tables 3.4 and 3.5.

1.67 Imports. Based on official national accounts and balance of payments data, total merchandise imports in constant 1980 prices increased by less than 1 percent per annum over the seven-year period ending in 1985. Although this is partly due to a decline of approximately CFAF 40 billion in imports of petroleum products, other components have either declined or fluctuated around a constant value in real terms over this period. Non-oil merchandise imports as a percentage of non-oil GDP have decreased from 30 percent in the early 1980s to 23 percent in 1985. The year 1981 appears to mark a shift in the behavior of imports, as total imports and many of the major product groups either declined or grew at rates lower than those achieved during the late 1970s. Except for food and beverages, the import elasticities of the various import categories decreased substantially after 1981 (Table 18). Part of this decline can be explained by progress in import substitution, but it also reflects the under-recording of imports. On the other hand there was a rapid growth of imports of non-factor services during 1979-85. These represented in 1985 65 percent of commodity imports compared with 39 percent in 1978 - a trend which cannot be explained.

1.68 The growth of the oil industry, including the establishment of the SONARA refinery in 1981, has changed the structure of imports. Imports of crude and refined petroleum products fall to 1 percent only of total merchandise imports in 1985 compared with 13 percent in 1980. The major components of the merchandise import bill are now intermediate goods and raw materials and capital goods, while the share of food imports has decreased, reflecting Cameroon's food self-sufficiency.

Table 18: Imports

	1985		Real Growth			
	CFAF Million	% of Total	Elasticity Estimates			
			1979-1981	1979-1985		
Food and Beverages	43,480	5.1	-0.20 /a	0.08 /a		
Other Consumer Good Products	70,482	8.3	1.96 /a	0.98 /a		
Petroleum Products	3,721	0.4	-	-		
Raw Materials and Int. Goods	214,847	25.3	0.30 /b	0.15 /b		
Capital Goods	180,084	21.2	0.50 /c	0.20 /c		
TOTAL MERCHANDISE IMPORTS	512,612	60.4	0.80 /d	0.07 /d		
Non-factor Services	336,500	39.6	1.97 /d	0.43 /d		
TOTAL IMPORTS	849,112	100.0	1.14 /d	0.07 /d		
	<u>1978</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Imports as % of GDP	30.6	30.1	25.7	22.8	22.2	19.9
Non-oil Merchandise Imports as % of Non-oil GDP	28.3	30.6	27.8	26.3	25.8	23.2

/a To private consumption.

/b To value added of manufacturing.

/c To gross fixed capital formation.

/d To non-oil GDP.

Source: Annex tables 2.2, 2.5, and 3.9.

111) The Balance of Payments

1.69 From 1978 to 1985 there was a rapid growth in factor service payments due to increases in interest payments on the private debt and investment income outflows related to the oil sector (table 19). On the other hand, interest payments on public and publicly guaranteed debt have stabilized since 1982 as a result of a decline in new borrowing and interest rates, and retirement of debts. The current account as shown in table 19 turned from a deficit of US\$448 million in 1981 into a surplus of US\$625 million in 1985 (8 percent of GDP). However, as a large part of interest payments on the debt incurred by the oil companies for oil

exploration and development as well as part of imports are included below the current account line in errors and omissions and monetary capital (table 20), the current account deficit was larger than shown in 1978-83 and the surplus smaller than shown in 1984 and 1985.

Table 19: Current Account
(million US\$)

	<u>1978</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Resource Balance	-197.0	-194.2	-19.5	345.5	690.6	1,006.3
Merchandise Trade (net)	<u>-102.3</u>	<u>151.7</u>	<u>331.6</u>	<u>663.6</u>	<u>948.2</u>	<u>1,233.8</u>
Exports	796.7	1,763.3	1,617.1	1,830.2	2,080.1	2,321.9
Imports	-899.0	-1,611.6	-1,285.5	-1,166.4	-1,131.9	-1,088.0
Net-factor Services (net)	<u>-94.7</u>	<u>-345.9</u>	<u>-351.2</u>	<u>-320.4</u>	<u>-257.6</u>	<u>-227.5</u>
Receipts	246.4	430.5	402.4	417.4	461.3	486.7
Payments	-341.2	-776.5	-753.6	-737.7	-718.9	-714.2
Factor Service Income (net)	<u>-74.2</u>	<u>-263.9</u>	<u>-316.5</u>	<u>-394.8</u>	<u>-419.5</u>	<u>-343.9</u>
of which:						
Workers Remittances (net)	-13.8	7.6	-1.3	-5.4	-1.7	1.7
Other Factor Services	<u>-60.4</u>	<u>-271.6</u>	<u>-315.1</u>	<u>-389.4</u>	<u>-417.8</u>	<u>-345.6</u>
Receipts	15.0	24.6	13.1	12.7	46.9	41.6
Payments of which:	<u>-75.4</u>	<u>-296.2</u>	<u>-328.3</u>	<u>-402.1</u>	<u>-464.7</u>	<u>-387.2</u>
int. pub. and guar. debt	-35.6	-110.5	-120.0	-108.0	-99.9	-103.6
int. private debt	-3.8	-17.4	-22.6	-35.3	-50.8	-57.1
foreign oil earnings	-	-94.3	-110.5	-114.5	-117.7	-128.8
other payments	-36.0	-73.9	-75.2	-144.4	-196.3	-97.6
Current Transfers (net)	21.0	10.6	-15.6	-3.4	-5.4	-37.4
Current Account Balance	-250.2	-447.5	-351.9	-54.7	265.7	625.1

Source: Annex table 3.1.

1.70 In the capital account, net annual inflows of non-monetary capital have remained practically constant from 1980 to 1983 (Table 20). However, during the last two fiscal years there has been a sharp decline in this net inflow. These trends reflect (a) an increase in net direct foreign investment and net non-guaranteed foreign borrowing until 1984, relating to the development of oil which then declined sharply in 1985, (b) large outflows of official capital in 1984 and 1985 due to surpluses of oil revenues kept overseas, and (c) a steady reduction in net inflows of medium- and long-term official capital. With respect to monetary capital, there has been, especially during the last two fiscal years, large net outflows of capital which could be explained by the interest differential in favor of the overseas capital markets and the liquid position of Cameroonian commercial banks. The pattern of the developments

in the overall balance is difficult to analyze because of the fluctuations in the repatriation of oil funds and the large errors and omissions which include unrecorded imports and mainly, the servicing of part of the debt committed for oil exploration and development (para. 1.61). At the end of 1985 (June 1985), it is estimated that official Central Bank net reserves amounted to US\$67 million and commercial banks net reserves amounted to US\$297 million, the total representing about two and half months of imports of goods and non factor services. There was an even larger amount of non-official holdings of the Government in foreign banks.

Table 20: Capital Account
(million US\$)

	<u>1979</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Total Non-Monetary Capital (net)	315.6	477.3	475.9	498.9	347.7	-34.4
Private Non-monetary Capital (net)	<u>29.8</u>	<u>110.1</u>	<u>326.3</u>	<u>431.5</u>	<u>414.9</u>	<u>141.2</u>
Direct Foreign Inv. (net)	5.0	129.6	93.0	163.0	224.9	-46.1
MLT Non-Guaranteed Debt (net)	24.3	42.9	85.6	172.6	181.0	122.7
Short-term Capital (net)	0.4	-62.5	147.6	95.9	9.0	64.5
Official Capital (net)	<u>285.8</u>	<u>367.2</u>	<u>149.6</u>	<u>67.4</u>	<u>-67.2</u>	<u>-175.5</u>
MLT Public and Guar. Debt (net)	<u>285.4</u>	<u>367.6</u>	<u>149.6</u>	<u>67.4</u>	<u>73.0</u>	<u>4.9</u>
Short-term Capital (net)	0.4	-0.4	0.0	0.0	0.0	-0.4
Other Capital (net)	0.0	0.0	0.0	0.0	-140.2	-180.0
Monetary Capital (net)	-67.9	2.1	78.5	-36.7	-144.3	-180.2
Errors and Omissions (net) /a	46.1	-132.6	-248.5	-211.5	-606.1	-376.5
Overall Balance	43.6	-100.7	-46.0	196.0	-137.0	34.0

/a Includes oil-related debt service and unrecorded imports.

Source: Table 3.2.

1.71 As shown in Table 21, taking into account production costs in foreign exchange, which include part of operating costs and the amortization of, and interest on the oil related debt and investment and the net incomes of oil companies, the net contribution of oil to the balance increased from US\$210 million in 1980 to US\$670 million in 1985, representing 16.4 percent and 52.5 percent of exports of non-oil goods and non factor services, respectively 11/. In the future the proportion of net

11/

It is interesting to note that net foreign exchange earnings from oil are also equal to Government revenue (Table 11) minus domestic consumption of oil plus domestic operating costs. Thus, the latter figure can be used as
(Footnote Continued)

foreign exchange earnings from oil to gross receipts from oil exports will increase, as the servicing of the oil related debt and amortization of investment are projected to decline rapidly. This will partly compensate for the impact of the drop in oil prices and output on the balance of payments and Government revenues.

Table 21: Estimates of Net Foreign Exchange Earnings from Oil

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
	----- (US\$ million) -----					
1. Oil Exports	398.4	918.0	1016.0	1159.0	1332.0	1531.0
2. <u>Production Costs</u> of which:	<u>163.4</u>	<u>282.7</u>	<u>379.7</u>	<u>486.6</u>	<u>644.8</u>	<u>763.6</u>
3. Operating Costs:	28.5	53.6	77.6	100.0	126.0	157.5
3.a Domestic	5.7	10.6	15.6	20.0	25.0	31.5
3.b Foreign Exchange <u>/a</u>	22.8	43.0	62.0	80.0	101.0	126.0
4. Amortization and Interest on Oil Dev. Related Debt and Investment:	134.9	229.1	302.1	386.6	518.8	606.1
5. Oil Companies Net Revenues	30.5	94.4	110.4	114.9	117.7	128.9
6. Net Foreign Exchange Earnings = (1. - 3.b - 4. - 5.)	210.2	551.5	541.5	577.5	594.5	670.0

/1 Assumed to represent 80 percent of operating costs.

Source: Table 11 and International Oil Industry estimates.

iv) External Debt Developments

1.72 Cameroon's public and publicly guaranteed debt, which increased relatively rapidly until 1981, has since then declined and stabilized in both absolute and relative terms, as the authorities have relied more on oil proceeds to finance development programs and have not mortgaged future oil proceeds (Table 22). The debt burden is exceptionally small by Sub-saharan African standards. Based on the World Bank debt data, the ratio of service payments on the public and publicly guaranteed debt to exports of goods and non factor services was 8.5 percent only in 1985. Based on the balance of payments data it would be 9.3 percent. If the net foreign exchange earnings on oil only are included in exports, the debt

(Footnote Continued)

a proxy for estimating the net foreign exchange earnings from oil.

service ratio would be 12.2 percent, which is still low. Oil proceeds have also allowed the authorities to be more selective in their debt commitments and to obtain better repayment terms. The public and publicly guaranteed debt outstanding and disbursed from commercial sources has been reduced from US\$831 million in 1980 to US\$405 million in 1985 as oil revenues have allowed early repayment of the less advantageous debt, while that from official sources has remained approximately constant. In addition, the proportion of disbursed debt on concessional terms has increased from 40 percent in 1980 to 55 percent in 1985 even though Cameroon does not qualify since the early 1980s for many of the softest loans, for example, IDA. At the end of 1985 the outstanding and disbursed private non-guaranteed debt, including for the main part the unrecorded debt related to the oil sector, could be estimated at some US\$1.4 billion, representing some 17 percent of GDP.

Table 22
External Public and Publicly Guaranteed Debt and Debt Service, 1978-85
(million of US\$)

	<u>1978</u>	<u>1981</u>	<u>1984</u>	<u>1985</u>
Commitments	503.2	357.2	273.2	293.5
- Official sources	295.1	242.0	217.3	252.0
o/w: bilateral	184.9	121.8	178.3	90.6
multilateral	110.2	120.2	39.0	161.4
- Commercial sources	208.1	112.6	53.2	41.5
Total Debt outstanding at end of year:				
- disbursed and undisbursed	1,980.4	2,597.8	2,449.8	2,854.2
- disbursed only	1,184.8	2,036.3	1,737.6	1,974.6
(% of GDP) <u>/a</u>	(29.2)	(26.7)	(22.3)	(24.9)
Disbursements	319.4	332.7	181.4	182.4
Debt Service	106.8	205.7	221.7	238.0
- Principal	63.4	88.9	114.7	144.8
- Interest	43.4	116.8	107.0	93.2
- as % of exports GNFS <u>/a</u>	10.2	9.4	8.7	8.5
- as % of government revenue <u>/a</u>	14.3	11.9	12.3	12.5

/a Debt data are on calendar year basis, while GDP, exports and government revenue are on fiscal year basis.

Source: World Bank debt data; Annex tables 4.1 and 4.2.

G. Conclusions

1.73 The overall economic and financial performance of Cameroon during the past seven years has been remarkable despite a difficult international environment. The GNP per capita (some \$800 by 1985) increased substantially; external indebtedness is exceptionally low despite a

sustained investment effort; the country has reached and maintained food self sufficiency; and the government financial situation is healthy.

1.74 This overall performance hides, however, a number of structural problems which cloud the prospects for the future. Most of the growth in the non-oil economy was generated in the non-tradeables sectors -- construction, services and food crops. Overall, there has been a virtual stagnation in the production of export crops during the period 1978-85. Manufacturing growth was oriented towards the domestic market, under relatively high protection and a distorted incentive system, and through the establishment of large public enterprises, whose losses do not seem to be fully reflected in official estimates of manufacturing value added. On the whole, while import substitution efforts in industry had a noticeable impact in limiting the growth of merchandise imports, there was little increase in the volumes of non-oil merchandise exports during 1978-85. The financial sector has remained relatively under-developed and its liquidity situation is fragile. Thanks to the new investment code promulgated in mid-1984 and apparent changes in the official conception of industrial development strategy away from the development of large import substituting industries, there is increased investment activity in the sector of small and medium scale enterprises. Foreign investment, however, which would be the key to the development of natural resources and their transformation for export, has been insignificant, aside from the oil sector. Despite the high public investment effort, transport, urban development policy and infrastructure and rural infrastructure is lagging, constituting a serious impediment to the development of productive activities.

1.75 On the social front progress continued to be made in the well-being of the population. Enrollments increased considerably at all levels of the education system. The quality and efficiency of the system, however, is deteriorating and it is not geared to the growing needs of the economy for skilled labor, technicians and mid-level managers. Health related indicators have remained on the low side. Because of the accelerating population growth and the rural-urban drift of the younger population, unemployment is increasing in urban areas, while in certain rural areas there are shortages of entrepreneurs and labor for the much needed development of export crops.

1.76 The reduction and low level of external debt illustrates the prudence with which Cameroon managed its oil resources. First, it did not fall in the trap of mortgaging its future oil revenues, unlike most other oil producing developing countries. Second, it used a large portion of its oil revenues to finance investment, particularly in economic and social infrastructure. However, despite the secrecy surrounding the oil sector, which permitted the avoidance of excessive public expectations, and the wisdom in the use of oil revenues with discrete repatriations through the extra-budgetary accounts, the quasi-totality of these revenues has been injected in the economy. In mid-1986 the accumulated non-official external savings of the Government represented no more than 10 percent of its total revenues from oil since 1978 and its internal savings (net claims on the banking sector) represented another 4 percent (end of 1985 figure). At the

present time some 75 percent of extra-budgetary resources are used to finance capital expenditures, representing about 50 percent of the Government's total investment. Aside from investment, budgetary oil revenues have been partly used to increase public consumption, namely a growth of 10 percent a year in the number of permanent civil servants, which will constitute a heavy burden in the future. A significant portion of oil revenues has been also used to finance the growing deficits, and assume the debts of often uneconomic and mismanaged public enterprises and the trend in Government subsidies to these enterprises will be difficult to reverse. To sum up, the levels of investment and public consumption, and, to a lesser extent, private consumption and the resulting real import requirements of the economy have already largely adjusted to the level of oil revenues. This will make the adjustment to declining oil revenues more difficult than it is generally believed.

II. PROSPECTS AND POLICIES FOR ADJUSTMENT

A. Oil Sector Prospects and Implications

(1) The Oil Sector

2.1 Oil income trends and management are important determining factors of Cameroon's economic and financial prospects. As we saw in Chapter I, in 1985 the oil sector contributed over 17 percent of GDP and revenues from the sector accounted for some 45 percent of total government revenues. ^{1/} Excluding the share of oil revenues saved in 1985, oil still accounts for about 40 percent of the total. In 1985 the net foreign exchange revenues of the oil sector--after deducting production costs in foreign exchange--represented about 35 percent of total goods and services export earnings. During the period 1979-85 the domestic demand of the economy progressively adjusted to the incremental oil proceeds, only a small part of which was saved.

2.2 Before the changes that took place on the world oil market in early 1986 it had been projected, on the basis of Cameroon's known unexploited reserves, that oil production would reach a peak of about 9 million tons for 1986 and then decline gradually until 1995, unless new deposits were discovered in the interim. This prospect of a progressive decline in oil revenues was aggravated by the sharp drop in crude oil prices, which not only directly affects oil receipts but also, under present conditions of production costs and revenue sharing between the Government and the oil companies, reduces the volume of economically recoverable reserves.

2.3 The crude oil price projections are shown in table 24. Scenario A corresponds to the projections made by Bank staff in April 1986 on the basis of an analysis of long-term world market trends. In this scenario the price of oil would recover slightly in calendar years 1987 and 1988. It would remain steady in constant 1984 prices until 1990 and then rise gradually. Scenario B is based on the hypothesis that the recent OPEC agreement on production quotas push the price of oil up to \$20 in constant 1984 prices for calendar year 1987 and subsequent years. This price of \$20 is regarded as the threshold beyond which consumers are induced to use other sources of energy, which is not in the long-term interest of the oil producers.

2.4 For the oil price level projected in scenario A, unexploited economically recoverable reserves were estimated by international oil analysts at about 40 million tons in April 1986. Production would decline

^{1/} As in the preceding chapters, all references to a given year are to Cameroon's fiscal year. For example, 1985 refers to the period from July 1, 1984 to June 30, 1985.

until 1995 as indicated in table 24. If the price of oil recovered to \$20 or more in constant 1984 dollars, or if the production sharing agreements between the Government and the oil companies were revised to give the

Table 24: Oil Price and Production Forecasts

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1989</u>	<u>1991</u>	<u>1994</u>	<u>1996</u>
<u>SCENARIO A</u>							
Oil price per barrel:							
- in constant 1984 US\$	27.7	19.9	13.6	15.8	16.1	17.5	18.6
- in current US\$	27.9	20.6	15.2	20.3	23.0	28.3	32.4
	----- millions of tons -----						
Crude oil production	8.40	8.85	8.25	5.50	3.60	1.80	1.00
Crude oil exports /1	7.32	7.68	7.00	4.08	2.00	-	-
<u>SCENARIO B</u>							
Oil price per barrel:							
- in constant 1984 US\$	27.7	19.9	16.9	20.0	20.0	20.0	20.0
- in current US\$	27.9	20.6	19.1	25.7	28.6	32.2	34.9
	----- millions of tons -----						
Crude oil production	8.40	8.85	8.25	6.50	4.60	3.20	2.30
Crude oil exports /1	7.32	7.68	7.00	5.08	2.99	1.24	0.06

/1 Projected on the basis of domestic crude oil consumption according to the "without-adjustment" scenario (table 27).

Source: World Bank and mission forecasts.

companies a greater share, the economically recoverable reserves would rise by some 10 million tons (scenario B). There are currently no indications of new oil deposits, and oil exploration activities have been considerably reduced during the last few years. The recent decision by the Cameroon authorities to revise the tax rules governing oil exploration—which are currently distinctly less favorable than those offered by other countries --to make them more attractive to the companies could give a fresh impetus to exploration. However, even if new deposits were discovered in the near future it would take about 2-4 years to develop them. Domestic oil consumption is projected on the basis of a non-oil GDP elasticity of 1.15 (para. 2.10). In the adjustment scenario (section B), the slower growth of GDP would mean that domestic oil consumption would grow less rapidly and

oil export volume would consequently be slightly higher than projected here.

2.5 The future trend of production costs is an important factor in the projection of government oil receipts and of the net contribution of oil exports to Cameroon's balance of payments. Production costs comprise operating costs (variable costs) and amortization of oil deposit investment costs (fixed costs). It is assumed that operating costs per barrel will remain constant in real terms. This is a relatively optimistic hypothesis because the secondary recovery techniques that will have to be used when the deposits are worked out could lead to higher operating costs. However, the margin of error on this point is limited, since in 1985 operating costs accounted for only about 20 percent of production costs. As regards amortization charges, it has been estimated, that the amount remaining to be amortized was about US\$1,200 million at the beginning of 1986 and would be amortized in decreasing annual installments over the six years 1986-91. ^{2/} If this figure were under or overestimated, or if the amortization timetable were different, Cameroon's external financing requirements as projected in the sections that follow would be correspondingly higher or lower for the period. The hypotheses adopted would result in a rapid reduction in production costs after 1987 which would partly offset the fall in gross oil receipts (table 25).

Table 25: Projections of Net Oil Revenues

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1989</u>	<u>1991</u>	<u>1994</u>	<u>1996</u>
	millions of current US\$						
<u>SCENARIO A</u>							
Value of production	1,754.8	1,367.3	940.5	837.4	621.0	382.0	243.0
Cost of production	763.6	670.1	624.6	380.2	209.7	62.8	37.8
Net revenue	991.2	697.2	315.9	457.2	411.3	319.2	205.2
<u>SCENARIO B</u>							
Value of production	1,754.8	1,367.3	1,181.8	1,252.9	986.7	772.8	602.0
Cost of production	763.6	670.1	624.6	407.7	240.7	111.7	86.8
Net revenue	991.2	697.2	557.2	845.2	746.0	661.1	515.2

^{2/}

The amortization and interest charges on this amount are included partly in net private loans and partly in errors and omissions in the balance of payments projections presented in table 28.

2.6 On the basis of the above hypotheses, gross export revenues and net foreign exchange earnings from oil, as well as government oil revenues, would develop as indicated in table 26. It is assumed, purely for indicative purposes, that the exchange rate of the dollar would move from CFAF 435 in 1986 to CFAF 345 in 1987 and CFAF 333 in 1988 and would then remain unchanged for the rest of the projection period. The other factors involved in the calculations are discussed in paras. 1.42, 1.43 and 1.71. It is assumed that government oil revenues would continue to represent 87 percent of net receipts from oil production over the projection period, i.e. no account is taken of possible renegotiation of the contracts between the Government and the companies (para. 2.04).

Table 26: Net Foreign Exchange Earnings and Government Oil Revenues

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1989</u>	<u>1991</u>	<u>1994</u>	<u>1996</u>
————— millions of current US\$ —————							
<u>SCENARIO A</u>							
Oil exports	1,531.0	1,185.9	798.0	621.6	344.6	—	—
Production cost (for.ex)	732.1	630.3	584.9	350.0	187.4	50.2	30.2
Companies' net profits	128.9	90.6	41.1	59.4	53.5	41.5	26.7
Net foreign exchange earnings	670.0	465.0	172.0	212.2	103.7	-91.7	-56.9
————— billions of current CFAF —————							
Total govt. oil revenues	406.3	263.9	94.8	132.6	119.3	92.6	59.5
Of which:							
budgetized /1	170.4	109.0	39.1	54.8	49.3	38.2	24.6
————— millions of current US\$ —————							
<u>SCENARIO B</u>							
Oil exports	1,531.0	1,185.9	1,002.7	978.8	641.9	299.7	16.0
Production cost (for.ex.)	782.1	584.9	372.0	212.2	89.4	69.4	
Companies' net profits	128.9	90.6	72.4	109.9	88.9	85.9	67.0
Net foreign exchange earnings	670.0	465.0	345.4	496.9	340.8	124.4	-120.4
————— billions of current CFAF —————							
Total govt. oil revenues	406.3	263.9	167.2	245.1	216.3	191.7	149.4
Of which:							
budgetized /1	170.4	109.0	69.0	101.0	89.3	79.2	61.7

/1 Royalties and taxes collected from the oil companies.

In sum, in scenario A Cameroon would face a sharp fall in net foreign exchange earnings from oil, from about US\$670 million in 1985 to about US\$120 million in 1991. These earnings would be negative thereafter, when production would be entirely absorbed by the domestic market. In turn, government oil revenues would fall from CFAF 406 billion in 1985 to about CFAF 120 billion in 1991. In scenario B, the fall in revenues would be less severe but both net foreign exchange income and government oil revenues would still decrease by one-half in five years. It has to be borne in mind that any projection of world oil prices is hazardous in the

present circumstances in view of the large number of factors, including political and psychological factors, that determine it. However, even if the hypotheses of scenario A turned out to be too optimistic and oil prices fall again and remained in the US\$10-15 range, the oil companies would probably be led to reduce their production costs by rescheduling their investment and debt amortization over a longer period (para. 2.05), which would dampen the impact of the fall in prices on net oil revenues. At all events, if prices evolved less favorably than envisaged in these projections, the effect would only be to strengthen the conclusions of the sections that follow.

(ii) Economic and Financial Prospects: the Scenario Without Adjustment

2.7 The combined effect of the decreases in oil volume and prices would be sharp reductions in Cameroon's gross domestic income, 3/ import capacity and gross domestic savings. The mission has prepared a scenario of projections to illustrate the long-term impact on the balance of payments and the public finances of the reduction in oil revenues and of an evolution of the economy in accordance with the trends of the last few years without any special adjustment measures. This scenario assumes that the loss of oil revenue would be offset simply by increased foreign borrowing, with the consequence of compromising Cameroon's future income levels.

2.8 The model used to construct the projection scenarios presented in the following paragraphs is the "Revised Minimum Standard Model" (RMSM). 4/

3/ Gross Domestic Income is defined as GDP adjusted for terms of trade. It should be noted that the figures in table 27 underestimate the real fall in Gross Domestic Income because of the fall in the value of the dollar. Since oil exports are effected in dollars and imports largely in European currencies (Annex, table 3.9), the fall in the dollar will bring about a sharper deterioration in terms of trade than is apparent from table 27.

4/ For a set of assumptions concerning the trends of a number of economic and financial variables over a given number of years, the model ensures, through mathematical and econometrical relationships, internal coherence both within and among Cameroon's national accounts, external accounts, public finances and external debt. The model comprises 140 principal data items for the base year (FY 1985), about 100 exogenous variables and about 380 resulting variables for each year of the projection period. Although this model does not permit direct measurement of the impact of different economic policies on the economic variables, it is particularly suitable for assessing the external financing and government financing needs corresponding to given growth rates of production and export, consumption and investment and for measuring the precise impact of the terms of these financing operations on the external accounts and the public finances.

In addition, the Computable General Equilibrium (CGE) Model was used to test, in the adjustment scenario, the impact of certain economic policy variables such as farm producer prices, taxation and customs tariffs. It should be noted that the projections that follow in no way constitute a prediction of the future events but seek to show the possible evolution of the major economic and financial aggregate for a series of assumptions concerning a certain number of variables. They are therefore of purely indicative value.

2.9 The projection is based on actual data for 1984 and estimated data for 1985. Two adjustments have been made to the official statistics to avoid skewing the projections. Oil-sector value added, and consequently GDP, have been revised upward (para. 0.5) and the value of imports has been increased by 10 percent (para. 1.65) for the base year. On the gross domestic expenditure side, private consumption has been adjusted correspondingly.

2.10 The results of a simulated evolution of the economy in accordance with recent trends and without special adjustment measures, based on scenario A for oil prices and production, are summarized in tables 27 and 28. 5/ In spite of the relatively optimistic assumptions adopted for

5/ 1. The rate of growth of non-oil GDP would be of the order of 6 percent a year (7.9 percent on average over the period 1979-85 and 6.2 percent over the four years 1982-85) and would result from the following sectoral assumptions:

	<u>Average annual growth rate</u>	
	<u>1987-91</u>	<u>1992-96</u>
Agriculture	2.8	2.9
Manufacturing	11.2	9.8
Construction	3.6	3.7
Services	6.7	6.7
Government	6.0	6.0
Non-oil GDP (f.c.)	6.1	6.2

Total GDP growth would only be of the order of 3 percent for the period 1987-91 and 5 percent thereafter, because of the rapid fall in oil-sector value added. This scenario assumes that there would be no reduction in the country's investment effort. However, investment as a percentage of GDP would decline by two points by 1991 owing to the cessation of investment in oil-sector development. The

(Footnote continued)

non-oil exports and import elasticities, the projected growth and investment levels would result in a rapid rise in the resource gap (or trade balance deficit) and, concurrently, a fall in the domestic savings rate. The domestic savings rate, adjusted for terms of trade, would fall from 35 percent of GDP in 1985 to less than 18 percent in 1991 and domestic savings would then cover less than 78 percent of projected investment.

(Footnote 5/ continued)

incremental capital output ratio implied by the projection would rise to nearly 5 in the next five years as a consequence of the high proportion of economic and social infrastructure investments, whose impact on production is necessarily deferred. It would then fall below 4 for the period 1992-96.

2. The following are the projected rates of growth in volume of the major non-oil exports:

	Actual	Projections	
	1979-85	1987-91	1992-96
Cocoa	2.1	2.8	2.5
Coffee	2.7	2.5	2.3
Other agric. products	2.1	3.0	3.0
Aluminum	18.2	2.0	2.0
Wood	-5.6	3.0	3.0
Manufacturing	10.7	11.0	11.0
Non-factor services	..	4.0	5.0

3. It can be assumed that the rate of growth of cocoa exports would be slightly higher than during the period 1979-85 because of the new plantations made during the Fifth Plan period (para. 1.14). For coffee, a growth rate of 2.5 percent is projected, corresponding to the trend of the past seven years. This is, however, a somewhat optimistic assumption unless active incentive measures are taken, particularly in favor of Arabica, which the farmers currently harvest only partially because of its low profitability. A moderate recovery of wood exports is projected following the sharp fall in recent years, in view of the incentive measures introduced recently (para. 1.18). Growth of aluminum exports could be no more than marginal since the plant is producing practically at full capacity. In this scenario, exports of manufactures would rise at the same rate as during the period 1979-75. It is pointed out that the external accounts projection is obviously very sensitive in the long term to small differences in export and import volume and price growth rates. For example, a variation of 1 percent in the rate of growth of cocoa exports over the ten years of the projection period results in a difference of \$50 million in export receipts at the end of the period.

(Footnote continued)

2.11 Under the assumptions adopted for the various elements of the non-factor services and transfers account, the current account balance would begin to show a deficit of about US\$380 million in 1987. This deficit would rise to over US\$1 billion in 1991 and reach unsustainable levels thereafter, when Cameroon will not only no longer export oil but will have to import it. As regards the balance of payments, net capital movements - relating to direct investment, external loans from official sources, private loans and amortization and interest on oil-sector debt and investment - would only cover a small fraction of current account deficits. Even assuming that the Government repatriated the rest of its external financial savings in 1987, wide recourse to commercial borrowing would be necessary from that year onward in order to maintain a minimum

(Footnote 5/ continued)

4. The growth rates of the major import categories are projected by applying appropriate elasticity coefficients to investment and consumption demands and the intermediate demand of industry. Because the import statistics are unreliable, historical elasticities cannot be used. Average elasticity coefficients were therefore used which take account of Cameroon's levels of development, the structure of its economy, the expected progress in import substitution and in improving economic efficiency, and the probable composition of the investment programs and that assume that food self-sufficiency will be maintained. This gives an average imports/GDP elasticity of 0.54 for the period 1987-91. The rate would rise to over 1 during the the following period because of the oil imports that would be necessary then to keep pace with domestic consumption of oil products.
5. The external prices of Cameroon's export products and principal import categories and the world inflation rate are projected in dollars on the basis of price forecasts prepared by the Bank (April 1986). The deterioration in terms of trade would worsen in 1987 as a consequence mainly of the drop in oil prices, which is only partially offset by the recent rise in coffee prices. With the assumptions adopted in scenario A for oil, the terms of trade should then improve progressively and regain their 1985 level by 1993, essentially as a result of the reduction in the share of oil in Cameroon's foreign trade. It is assumed that the US dollar would decline from CFAF 435 in 1986 to CFAF 345 in 1987 and CFAF 333 thereafter for the entire projection period. The evolution of terms of trade in CFAF will obviously depend on the respective shares of imports and exports in US dollars.
6. Public consumption is projected in direct proportion to the growth of government employment, which would be 6 percent a year in real terms, i.e. slightly less than the 7.4 percent recorded during the period 1979-85, and of recurrent public investment costs (equipment and supplies). In this scenario it would grow in real terms by 5.4 percent a year in 1987-91 and 5.6 percent thereafter. The model calculates total consumption as a residual difference between sources and utilizations of funds.

Table 27: Scenario Without Adjustment — Economic Projections

	Billion CFAF								
	1984 prices		Average annual growth rate						
	1985	/1	1979-85 /1	1987-91	1992-96				
Non-oil GDP (p.m.)	2,975		7.9	5.6	6.0				
Total GDP (p.m.)	3,623		10.2	2.8	5.0				
Total GDY /2	3,591		9.8	3.8	5.5				
Total exports (G and NFS)	1,189		12.8	-7.8	-0.2				
Non-oil exports (G and NFS)	525		4.0	4.0	4.6				
Imports (G and NFS)	788		4.3	3.0	6.4				
Consumption	2,327		7.4	7.4	6.7				
Investment	895		9.9	1.1	4.0				
			(Billions of CFAF at 1984 prices)						
			1982-86	1987-91	1992-96				
Cumulative fixed investment for the 5 years (Plan periods)			3,908	4,816	5,509				
			Coefficients						
			1982-85	1987-91	1992-96				
ICOR			4.4	4.9	3.9				
Elasticity of imports (to non-oil GDP)			0.24	0.54	1.07				
			1985	1986	1987	1989	1991	1994	1996
			Percentages, calculated on constant 1984 prices						
Investment to GDP			24.7	24.7	24.1	23.2	22.7	22.0	21.8
Domestic Savings /3 to GDP			34.9	28.7	23.4	20.3	17.7	15.0	13.6
			Indices in US\$, base 1984 = 100						
Export price index (incl. oil)			96.2	81.3	72.5	93.8	115.8	154.7	170.4
Import price index			99.5	108.0	115.0	127.5	139.5	156.0	162.5
Terms of trade index			96.7	75.3	63.1	73.6	83.0	99.2	105.0
			Billions of CFAF at current prices						
Government oil revenues /4			406	264	95	133	119	93	60
Other budget revenues			492	558	595	756	966	1,384	1,787
Current expenditures			507	574	630	779	966	1,308	1,605
Government savings /5			392	248	60	110	119	168	242
Capital expenditures			307	361	395	461	548	718	883
Net financing needs			-85	113	335	351	429	550	641

/1 Adjusted data (para. 2.09).

/2 GDY = Gross Domestic Income = GDP adjusted for terms of trade.

/3 Adjusted for terms of trade.

/4 Including the portion of these receipts saved abroad.

/5 Total receipts minus current expenditure.

level of net external reserves. From 1988 onward, Cameroon's external financing requirements would rise to amounts that would exceed its borrowing capacity in terms of access to commercial sources and debt-service capacity in the long term. Assuming that projected gross financing needs--i.e., net requirements plus recurrent amortization and interest charges--can be covered each year up to 1991, the ratio of debt service to exports of goods and services would already reach 54 percent by 1993.

2.12 The domestic financial constraint would also be important, although less severe than the external constraint. The model incorporates a public finance projection module. The main categories of fiscal and non-fiscal revenues and of current expenditures are projected using historical elasticities and coefficients; in other words, this scenario anticipates no changes in fiscal policies. Oil revenues are projected as indicated in section II A. Current expenditure on wages, equipment and supplies is projected using the same assumption as for public consumption. This scenario assumes that, in the absence of radical measures toward the rehabilitation and/or restructuring of the public enterprises, subsidies and current transfers would remain unchanged in real terms at CFAF 150 billion a year throughout the projection period, i.e., that current expenditure would rise in step with inflation, taken to be 7 percent a year. Finally, government capital expenditure, including the portion of public enterprise investment that has to be borne by the Government, is calculated under the assumption that it would continue to represent 35 percent of Cameroon's total fixed investment. In such a scenario without adjustment, the overall surplus on government operations that has been realized practically every year since 1979 would turn into a deficit of some CFAF 335 billion (7.7 percent of GDP) in 1987, rising to over CFAF 400 billion in 1991. This represents net financing requirements. They would have to be covered by supplemental borrowings from official sources, external commercial loans and domestic borrowing. The debt service requirements involved with these borrowings would lead to a rapid increase in gross financing requirements, which would rapidly become excessive.

Table 28: Scenario Without Adjustment — Balance of Payments

	<u>1985 /1</u>	<u>1986</u>	<u>1987</u>	<u>1989</u>	<u>1991</u>	<u>1994</u>	<u>1996</u>
	— millions of US\$, at current prices						
Oil exports	1,531	1,186	798	622	345	—	—
Other exports (G and NFS)	1,278	1,427	1,571	1,844	2,212	2,917	3,502
Imports (G and NFS)	-1,914	-2,212	2,442	-2,857	-3,321	-4,294	-5,366
Trade balance	895	401	-73	-391	-764	-1,377	-1,863
Factor services — receipts	43	61	57	44	49	56	62
Factor services — payments	-387	-385	-339	-373	-386	-429	-461
of which: interest payments	(161)	(174)	(169)	(171)	(178)	(213)	(245)
Net transfers	-37	-20	-21	-24	-26	-29	-31
Current balance	514	57	-376	-744	-1,127	-1,779	-2,293
Official loans (net)	5	85	169	198	235	257	268
Private loans (net)	123	-70	-101	-69	-45	25	24
Direct investment (net)	-46	50	54	59	64	73	78
Short-term capital (net)	64	-	-	-	-	-	-
Monetary capital (net)	-180	50	-50	50	50	-	-
Public capital <u>a/</u>	-180	86	277	-	-	-	-
Errors and omissions <u>b/</u>	-265	-260	-200	-82	-18	-	-
<u>Net additional financing needs</u>	-	-	264	597	851	1,440	1,946
General balance	34	-	35	9	10	16	23
Official net external reserves <u>c/</u>	67	67	102	119	138	179	223
<u>Memorandum</u>							
Current balance/GDP (%)	6.3	0.6	-3.0	-4.6	-5.5	-6.2	-6.4

/1 Adjusted data (para. 2.09).

a/ Capital related to the oil sector.

b/ Amortization of and interest on oil debt and investments not entered elsewhere (para. 2.05).

c/ Assumed to be equal to half a month of imports.

2.13 While the financial results implied by scenario B assumptions with respect to oil prices and production -- the hypotheses for all the other variables of the projection remaining unchanged -- are obviously less poor, they would not be viable either in the medium term. The following table compares the principal domestic and external deficits with those of scenario A:

	<u>1987</u>	<u>1989</u>	<u>1991</u>	<u>1994</u>	<u>1996</u>
	US\$ million				
<hr/>					
<u>Trade balance</u>					
Scenario B	130	-73	-509	-1,108	-1,161
Scenario A	-73	-391	-764	-1,377	-1,863
<u>Current balance</u>					
Scenario B	-204	-477	-915	-1,554	-2,081
Scenario A	-376	-744	-1,127	-1,779	-2,293
<u>Net financing needs /1</u>					
Scenario B	92	329	639	1,215	1,728
Scenario A	264	597	851	1,440	1,946
	-----billions of CFAF-----				
<u>Government savings /2</u>					
Scenario B	133	226	221	271	312
Scenario A	61	110	119	168	242
<u>Overall balance of govt. opns.</u>					
Scenario B	-262	-245	-339	-464	-589
Scenario A	-335	-351	-429	-550	-641

/1 In addition to net proceeds of official loans projected according to past trends.

/2 Total receipts minus total current expenditure.

2.14 These scenarios illustrate the magnitude of the domestic and, more seriously, external financial constraints that Cameroon will face from 1987 onward as a result of the fall in oil revenues and bring out the necessity for early economic adjustment measures. If oil prices remained as projected in scenario A, or dropped at lower levels, economic adjustment measures will need to be taken soon. Under the oil prices and production assumptions of scenario B, Cameroon would have a breathing space of about two years within which to prepare an adjustment program but the scope of this program would have to be equally as far-reaching as in the first case. However, unlike many countries that have been obliged to introduce stringent adjustment measures, under the pressure of a combined drop in domestic income and excessive external indebtedness, Cameroon's low debt volume and substantial domestic and external financial savings mean that it is well placed to adjust its economy without excessive discomfiture.

B. An Adjustment Scenario and the Underlying Economic, Fiscal and Financial Policies

(1) An adjustment scenario

2.15 Since Cameroon's oil resources have been entirely government-managed, it is essentially up to the Government to introduce institute measures in response to the decline of the oil sector. As we saw in the previous sections, the adjustments required are not going to be easy, and the mix of actions that the Government takes in the economic, fiscal and monetary sectors will be critical for Cameroon's future income levels. Although the fall in oil revenues is more or less equal to that in gross domestic income, any action aimed at compensating for that fall will inevitably have a number of secondary effects. For example, from the moment that the Government increases or decreases taxation or reduces its current or capital expenditure, variable effects will be generated on GDP growth, real wage and savings levels, as well as on the balance of trade. Similarly, increased external borrowing will generate changes in the country's present and future income and consumption levels.

2.16 Conscious of the temporary nature of Cameroon's oil resources, the Government had sought to protect itself through the mechanism of extra-budgetary accounts in order to use its oil revenues to finance capital expenditures (para. 1.42) supplemental to those normally budgeted. However, simply reducing capital expenditure can no longer suffice to resolve the problem of the fall in oil revenues. As shown by the analysis in chapter I, the level of public consumption - including the current financing needs of public enterprises - and to a lesser degree private consumption, and consequently Cameroon's import requirements, have already adjusted to the level of oil revenues. Moreover, such action would be dangerous. With about 50 percent of government capital expenditure currently being financed by the extra-budget accounts, a 50-percent reduction in those expenditures would have serious consequences for the future growth of the economy. Finally, a not inconsiderable part of the oil revenues (oil-company royalties and profits tax) has been regularly entered in the budget to finance rapidly increasing current expenditure.

2.17 Adjustment of the economy will call for a package of simultaneous and coordinated measures comprising, essentially:

- (i) the implementation of active incentive policies to stimulate rapid growth of agricultural, industrial and, in the longer term, mining exports;
- (ii) a gradual and moderate reduction in the investment/GDP rate to more or less its level prior to the advent of oil, combined with a progressive increase in the efficiency of, and average return on investments;

- (iii) with respect to the public finances, a reduction in government capital expenditure, which would be obtained through simultaneous reduction in the country's investment rate and in the contribution of Government to the country's investment, slowing down of the growth of public consumption (including transfers to the public enterprises), and an increase in tax revenues;
- (iv) rehabilitation or liquidation of the public enterprises;
- (v) stimulation of Cameroonian and foreign private investment in order to compensate for the relative decline in investment by the public sector and to widen the productive base, mainly for export;
- (vi) increased recourse to external borrowing within a clearly defined borrowing strategy; and
- (vii) a series of monetary policy measures aimed essentially at supporting and strengthening the actions described above.

2.18 This package of measures should work to slow the growth of non-oil GDP and consumption over the course of an adjustment period of several years, boost the share of exports in aggregate demand, and reduce the import needs of the economy. Rapid expansion of non-oil exports will be by far the most difficult goal; however, its achievement is a matter of survival for Cameroon's economy.

2.19 At the time this report was prepared the mission had not yet seen the final document of the Sixth Development Plan (1987-91). The Sixth Plan, which was published in November 1986, incorporates a number of objectives and policy statements which are in line with the adjustment policies and measures discussed in this chapter for the various sectors. The cumulated fixed investment envisaged by the Sixth Plan for the five years 1987-91 corresponds to the level which is projected in the Adjustment Scenario of this report (Table 30). The Government has already taken certain adjustment measures during the last few months. The aim of these measures is, in particular, to rehabilitate the parastatal sector and reduce its cost, to clean up the civil service payroll, improve the collection of certain taxes and trim the growth of public expenditure, rationalize public contracting, and reform the institutional framework of support for rural development.

(11) Budget policies

2.20 The primary purpose of fiscal adjustment measures will be to increase non-oil receipts and reduce government expenditure or at least slow its growth. However, these measures will also have the desired direct and indirect effects on the external accounts and the real exchange rate. For example, an increase in indirect taxation of consumer goods will slow the growth of private consumption and consequently bring down imports. Provided this measure is supported by suitable export incentives, it should

also boost exports in certain sectors by reducing the domestic demand for exportable goods. 6/ Similarly, an increase in direct taxation of income would reduce net income and thereby consumer demand.

2.21 Reducing government current and capital expenditures, in relative terms, would have an even greater impact on the balance of payments than increasing taxation. 7/ Restraining civil service pay would slow the growth of private consumption, with the same effects on the balance of payments as described above. It would moreover tend to reduce real wages, by depressing the demand for civil service employment, and thereby to lower the real exchange rate and stimulate exports. The impact on the external accounts of a reduction in government recurrent expenditures on equipment and supplies is more difficult to assess, since the foreign exchange share of those expenses is not known, but it would undoubtedly be substantial. Reducing current subsidies and transfers to the public enterprises and other semipublic institutions would have an impact on the external accounts similar to that of reducing civil service pay, to the extent that a substantial part of those subsidies and transfers goes to pay wages and salaries.

2.22 Reducing public investment expenditure would have a very positive effect on the external accounts because of the high import content of investment. It would also help correct the "Dutch disease" effect that the sharp increase in government capital expenditure since 1979 onward has tended to have, particularly in the construction and public administration sectors. It would boost the prices of tradable relative to non-tradable goods and services and thereby have a positive secondary impact on the trade balance by encouraging producers to export more.

2.23 The figures for the pre-oil period can be helpful in assessing the order of magnitude of the budgetary measures that need to be taken. Budget revenues averaged 16 percent of GDP over the period 1971-79, rising to 20 percent of GDP in 1979. Oil revenues began to be important in 1980, when total government revenues rose to 24 percent of total GDP in 1985, of which 10.9 percent was supplied by the oil sector. At the same time, however, non-oil budget revenues fell from 20 percent of non-oil GDP in

6/ The Computable General Equilibrium Model (CGE) indicates that the combined effect of raising import duties on consumer goods from 38.2 to 50 percent and indirect taxes on the same goods from 12.3 to 40 percent would be to reduce the balance of payments current account deficit by about US\$270 million after two years.

7/ The CGE indicates that reducing the current expenditure/GDP ratio by 20 percent over the period 1987-91 would cut the current external deficit by about US\$160 million.

1979 to under 16 percent in 1985, i.e., roughly their 1971 level. This rate compares unfavorably with the average rate of 21.7 percent of GDP recorded in 1981 for the middle-income group of developing countries. ^{8/} In parallel, current budget expenditure rose rapidly, from 12.0 percent of non-oil GDP in 1979 to 16.3 percent in 1985, with a somewhat stronger growth of current subsidies and transfers than of wages, equipment and supplies. This indicates that the Government enjoys considerable leeway for increasing its non-oil tax revenues and, in particular, reducing its current expenditures relative to non-oil GDP. However, this can only be done gradually and the margin of action is constrained by the recurrent expenditures generated by the large public investments of the years 1979-86. Expenditures on equipment, supplies and current subsidies can no longer be reduced to their 1979 relative level except at the risk of impairing the sound operation of the public services and capital infrastructure. It is therefore in the area of civil service salaries and staffing that any substantial savings will have to be sought.

2.24 On the revenues side, the increases in question will have to take place chiefly in direct taxation and indirect taxation of goods and services. However, there is only limited room for raising revenue from direct taxation of corporations in view of the need to increase the tax incentives to private investment and exports. The major increase could be made with respect to indirect taxation of goods and services while taking into account the need to abolish certain taxes that have a negative impact on the economy (section (iv)). In that connection, this could be an appropriate time to consider reforming indirect taxation and instituting a value added tax. Other taxes and non-fiscal revenues could also be increased moderately. Customs tariffs, or at least the taxes that are added to the UDEAC common tariffs, could be raised moderately on intermediate and consumer goods, even though they are already relatively high. However, that should be done as part of the tariff reform discussed later on (section (iii)). Moreover, an increase in average tariffs would compensate only partially for the inevitable sharp slowdown in import growth arising from the adjustment program and the necessary abolition of all export taxes. In addition to increasing the relative tax burden, there is substantial room to improve the efficiency of tax collection and the Government has recently taken important steps in that direction. In sum, the elasticities of the major fiscal and non-fiscal revenues categories with respect to growth of non-oil GDP at current prices, compared with the period 1980-85, could be as follows:

^{8/}
World Development Report, 1984.

	<u>1980-85</u>	<u>1987-91</u>	<u>1992-96</u>
Income taxes (individuals and corporations)	1.09	1.15	1.10
Indirect taxes on goods and services	1.23	1.35	1.14
Other taxes and fiscal revenues	1.00	1.07	1.05
Total (not incl. customs duties and taxes)	1.10	1.18	1.10

The result would be an average elasticity of revenues (excluding customs duties and taxes) to non-oil GDP, of 1.18 for the period 1987-91. Comparison of this elasticity rate with those recorded in the periods 1971-79 (1.12) and 1980-85 (1.10) gives an indication of the tax effort that can be undertaken without compromising growth or narrowing the tax base.

2.25 It is assumed that revenue from customs duties and taxes would rise gradually, from 26.2 percent of current f.o.b. value of goods imports in 1986 to 30.5 percent in 1989 and remain steady thereafter. However, because of the low growth projected for imports, customs revenue would rise appreciably less rapidly than GDP. Overall, the increase in taxation would not support a gradual rise in the ratio of government receipts to non-oil GDP until 1988 (table 29).

2.26 On the current expenditures side, it does not appear advisable to reduce the growth of recurrent expenditure (equipment and supplies) to below 2 percent a year in real terms during the period 1987-91, even if, at best, public investment expenditure remains constant in real terms during that period (para. 2.33). Indeed, expenditures on equipment and supplies rose by only 4.3 percent a year in real terms from 1981 to 1985, and sectoral analyses indicate that a number of ministerial departments -- health, education and agriculture, in particular -- do not receive adequate operating resources to maintain capital infrastructure and provide efficient services. Appreciable savings could undoubtedly be made by improving cost recovery and reducing costs in several sectors or by encouraging the development of private services (health). However, those savings would at best permit intersectoral restructuring of current budgets; moreover, account has to be taken of the large arrears to the enterprises that the Government will have to settle in order to alleviate the liquidity problems that the slowdown of growth and investment will inevitably create in sectors such as construction. For the period 1992-96 a real growth of recurrent expenditures is projected at 5 percent a year, which would be slightly higher than the growth of public investment during that period.

2.27 The main focus of the effort to put the budget deficit under control will have to be on personnel expenses, in addition to capital expenditure. The civil service grew by over 9 percent a year from 1981 to 1985 and personnel expenditures accounted for 40 percent of the Government's current expenditure in 1985. The adjustment scenario assumes that civil service employment levels will be frozen up to 1991--meaning that civil servants will be recruited only to compensate for attrition--and will rise only at the moderate rate of 2 percent a year up to 1996. This compares with the rate of 6 percent adopted for the entire projection period in the "without adjustment" scenario, which already represents a slowdown in relation to recent years. This policy of stabilizing the civil service will of course have to be supported by reassignment of civil service staff among sectors and departments on the basis of need, including appropriate retraining courses: some ministerial departments and agencies have excessively large staffs while others are undermanned.

2.28 It would be essential also to slow the growth of, and then reduce, the heavy drain on resources represented by current subsidies and transfers, which grew sixfold from 1979 to 1985, from 15.7 percent of government current expenditure to nearly 25 percent. The precise destination of these subsidies and transfers is not known, but the public enterprises probably account for a very large share of them (paras. 1.52-1.54).

2.29 The Government recently established a task force for the rehabilitation of public and semipublic enterprises. This task force comprises a five-member technical committee and an interministerial committee of five ministers. The detailed terms of reference for the task force are not yet known. However, the Government is expected to assign the following tasks to it:

- (1) to propose a policy of government participation in the economic sectors and, on the basis of that policy and of economic and financial studies to be carried out by appropriate departments or consultants, to classify the public enterprises according to the following categories:
 - those to be privatized, wholly or partly, in their present condition;
 - those to be privatized after rehabilitation/restructuring;
 - those whose operation would be entrusted to a private group under a management contract;
 - those which would be rehabilitated and/or restructured and retained in the Government's portfolio; and
 - those to be liquidated;

- (ii) to standardize the legislation governing the public and semipublic enterprises;
- (iii) to redefine the objectives of each enterprise, specifying social objectives whose cost would be borne by subsidies, and to revise the statutes of the enterprises accordingly;
- (iv) to clarify the various directive levels--tutelle authority, board of directors, management--and also the role of the SNI, and to redefine the statutory relationships between them, strictly delimiting the shareholder, strategy and management functions, with the object of giving the enterprises management autonomy within a framework of agreed objectives and a posteriori control;
- (v) to strengthen the accountability of the managements of the enterprises by instituting performance criteria related to objectives, financial goals, a system of incentives and sanctions and procedures for a posteriori control by supervisory authorities;
- (vi) to introduce strategic planning and multiannual investment planning in the enterprises;
- (vii) to introduce the concept of the contrat plan between an enterprise and its tutelle. The purpose of the contrat plan is to provide a frame of reference through which the enterprises can enjoy management autonomy with a posteriori control by the supervisory authority 9/;
- (viii) to propose measures to improve the procedures and methods of financial audit of the enterprises and, where appropriate, to standardize their accounts; and

9/

The contrat de plan is a document that recapitulates an enterprise's objectives, social constraints, strategy and investment program and the corresponding commitments (financing and other) by the Government toward the enterprise and sets forth performance criteria and financial goals. Contrats de plan are usually entered into with enterprises that have been rehabilitated and are running smoothly. They can, however, be used to recapitulate the main points and stages of a rehabilitation and/or restructuring program that is to be implemented by an enterprise. They are usually prepared for periods of three to five years and updated and renegotiated each year. They are normally more detailed and more restrictive for monopoly enterprises than for those in the competitive sectors.

- (ix) to propose and organize the preparation of rehabilitation and/or reorganization programs and to participate in the ad hoc task force that will have to be set up in each case to implement them. Such programs, however, must be implemented essentially by the boards of directors and management teams of the enterprises concerned.

2.30 Experience in other countries has shown that rehabilitation of public enterprises is a long-term exercise which has to be supported by the necessary reforms to create a market-oriented environment in which the enterprises can operate on sound economic, financial and monetary bases. This means that the reforms, discussed in part in the next section, in the areas of price, wage, employment, foreign trade, investment incentive and credit policies will be crucial to the success of the Government's measures concerning the public enterprises. Also, the task force set up by the Government should not only be able to propose and prepare the measures for rehabilitating and/or privatizing the enterprises and improving the institutional framework but should also be organized subsequently so that it can carry out these measures and, if appropriate, then serve as the technical organ of government tutelle for the monitoring and a posteriori control of the public enterprises.

2.31 Many of the problems of the public enterprises are due to unprofitable investments or initial over-dimensioning of their projects. To prevent that happening again and to optimize the allocation of increasingly scarce investment resources in the years to come, it is essential that the new projects in which the Government decides to participate financially, either directly or through its guarantee, as well as projects self-financed by the public enterprises, be appraised technically, economically and financially with the utmost stringency and the strictest independence. In that connection the Project Appraisal Division (DEP) that has been set up within the Ministry of Planning has a crucial role to play. One can imagine also that, if the task force recently set up is to become the Government's technical arm for monitoring the public enterprises, it should be empowered to use qualified consultants in appraising future projects.

2.32 The ultimate impact of the measures for sectoral rehabilitation on Government subsidy payments will not, of course, be felt immediately. Purely by way of illustration, the adjustment scenario assumes that the current government subsidies and transfers would be contained at CFAF 150 billion a year in constant prices from 1987 onward, meaning that they would decline in real terms by 4.5 percent a year. By 1991 they would represent only about 20 percent of government current expenditure, against 25 percent in 1985 (the "without adjustment" scenario assumes that these subsidies would continue to rise in step with inflation). This hypothesis could conceivably be adopted as a goal, with subsidiary goals for each public enterprise, in order to put pressure on the enterprises to speed up their rehabilitation and improve their efficiency. The rehabilitation of the public enterprises should eventually also enable them to finance a growing share of their expansion and renewal investments and to resume service of

their loans, currently borne partly by the Government, thereby lightening the latter's capital expenditure budget.

2.33 Government capital expenditure accounted for 35 percent of Cameroon's total fixed investment in 1985, of which 25 percent related to direct public investment, according to national accounts and budget data. The adjustment scenario assumes that this ratio would be reduced to 33 percent in 1987 and 32 percent thereafter. As a result, the ratio of government capital expenditure to total GDP would decline gradually, from 8 percent in 1985 to 6.3 percent in 1991 and 6.1 percent in 1996. Extension of the projection to the year 2001 (chapter III) indicates that this ratio could subsequently rise again, to about 6.5-7.0 percent of GDP without compromising domestic and external financial equilibria, provided the other economic and financial variables behave in accordance as projected. This assumption of a relative reduction in government capital expenditure does not imply that public investment would need to be reduced in real terms during the adjustment period, provided the other capital expenditures, particularly those related to financing of the public enterprises, can be reduced. However, difficult choices will have to be made in the Sixth Plan investment program. Social projects that take a very long time to yield a return and that lead to increase future consumption will have to be delayed. On the other hand, priority will have to be given to public projects that have a strong and rapid impact on production and exports, particularly in the transportation, urban and rural infrastructure and technical education and vocational training sectors. Generally speaking, the authorities will have to consider the size of the projects very carefully and assess their economic return very strictly in order to optimize public resources allocation.

2.34 The main results of the fiscal adjustment scenario, under the assumptions discussed in the foregoing paragraphs, are summarized in table 29. The essential purpose of this scenario is to indicate in a coherent manner the conditions under which Cameroon could absorb the fall in oil revenues and deal with the budget deficit without compromising the future growth of the economy. The Government's net financing needs would still be very high as soon as 1987. To meet these needs in 1987 and 1988, the Government will clearly have not just to draw on its domestic and external savings but also to step up its external and domestic borrowing. These needs would decline subsequently and could normally be met by external borrowing. It must be emphasized, however, that these are net financing needs. The interest expense included in projected current expenditure relates only to past and future loans from official sources (future loans being projected based on historical trends). Meeting the Government's net financing needs will call for external commitments in growing, but reasonable, amounts (in addition to those already taken into account in the projection) to cover also recurrent amortization and interest charges (see chapter III). A (limited) number of alternatives to the scenario described above are obviously available to the Government. It could for example raise taxes more than projected in order to slow the growth of its current expenditure less sharply than envisaged here. It could also cut back the civil service instead of merely stabilizing it and maintain the relative

level of capital expenditure unchanged. However, quite apart from their political implications, these alternatives would have numerous induced effects, immediate or deferred (paras. 2.20-2.22), which need to be carefully assessed before any choices are made.

2.35 It will therefore be necessary to strengthen Cameroon's institutional capacities and forecasting and planning instruments for the tasks of designing, implementing and monitoring the fiscal adjustment measures. The secrecy surrounding oil revenues was perhaps justified in the past, although it made the planners' work more difficult (paras. 1.42 and 1.50). It is no longer justified now that these revenues are decreasing, and the absence of any mention of these problems from the Sixth Plan is somewhat surprising. To be able to optimize the use of falling oil revenues and prepare the necessary adjustment measures it is first of all necessary to be able to program these revenues as part of the budget preparation and planning processes. In the case of the budget, the programming of oil revenues would make for better investment programming. More rigorous programming of recurrent expenses deriving from investments would also be necessary. This could be done as part of an analytical budgeting process without altering the presentation of the budget or the official budget procedures (budget and extra-budgetary accounts). This analytical budget, like the analysis of the public finances presented in this report, would group together all revenues, including those from oil, current expenditures, current savings, net proceeds of external (and domestic) loans and capital expenditures. The analytical budget could be prepared within the framework of a three-year rolling plan which would indicate the total expenditure ceiling within which capital and current expenditures would be programmed. Capital expenditure would be determined on the basis of current savings after taking account of required current expenditure (itself derived in part from the capital expenditures of the previous year), and of net proceeds of borrowing. This type of three-year rolling investment programming is already the practice in certain West African countries such as Côte d'Ivoire and Senegal and has proved to be very efficient in improving public investment selection and programming. It would be compatible with the traditional five-year planning, since it would consist of programming firmly, on the basis of available financial resources and detailed evaluation, projects which were ascribed in the five-year plan.

(iii) Production and trade policies

2.36 A rapid increase in non-oil, agricultural and industrial exports will be vital in order to make up for the fall in oil revenues in the medium term. Export-orientation of the economy is essential also in order to create jobs and fuel development in the long term. Cameroon's population will grow from the present 10 million to over 15 million by the year 2000 (para. 1.34). If present trends continue, the largest part of this increase will take place in urban areas (para. 1.37). To avoid a dramatic spread of unemployment to the cities, 2 million non-farm jobs would have to be created in less than 15 years, in addition to the existing 830,000 or so jobs in industry, construction and services (including some

Table 29: Fiscal Adjustment Scenario (A)
(millions of CFAF at current prices)

	<u>1979</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1989</u>	<u>1991</u>	<u>1994</u>	<u>1996</u>
<u>GOVERNMENT REVENUES</u>	236	899	822	674	834	957	1,210	1,432
Total oil revenues /1	14	407	264	95	133	119	93	60
Other budget revenues	222	492	558	579	701	838	1,117	1,372
As % of non-oil GDP	(20.0)	(15.8)	(15.5)	(14.8)	(15.3)	(15.4)	(15.6)	(16.0)
Of which:								
Income taxes	35	106	123	136	163	198	268	326
Customs duties and taxes	61	148	158	137	167	184	235	300
Indirect taxes	32	110	128	143	177	223	304	372
Other taxes and non-tax revenues	94	128	149	163	194	233	310	374
<u>CURRENT EXPENDITURE</u>	134	507	574	605	657	721	859	970
As % of non-oil GDP	(12.0)	(16.2)	(16.0)	(15.5)	(14.3)	(13.2)	(12.0)	(11.3)
Of which:								
Wages and salaries	67	204	231	247	269	300	358	402
Equipment and supplies	44	146	173	184	210	238	310	370
Current subsidies and transfers	21	125	140	150	150	150	150	150
Interest on public debt	2	32	30	24	28	33	41	48
<u>GOVERNMENT SAVINGS</u>	102	392	248	69	177	237	351	461
As % of GDP	(8.9)	(10.2)	(6.1)	(1.6)	(3.7)	(4.2)	(4.8)	(5.3)
<u>CAPITAL EXPENDITURE</u>	55	307	351	350	345	354	449	528
As % of GDP	(4.8)	(8.0)	(8.6)	(8.4)	(7.1)	(6.3)	(6.2)	(6.1)
<u>NET FINANCING REQUIREMENT</u>	-47	-85	103	281	168	117	98	67
(in millions of US\$)	(-217)	(-180)	(237)	(815)	(504)	(351)	(294)	(201)
<u>Memorandum</u>								
Total GDP, current prices /3	1,146	3,826	4,099	4,183	4,827	5,624	7,273	8,631
Non-oil GDP, current prices /3	1,113	3,121	3,591	3,907	4,589	5,448	7,165	8,562

/1 See table 26, scenario A.

/2 Total receipts minus current expenditure.

/3 Corresponds to the projections of the adjustment scenario, table 30.

400,000 in the informal sector) and 150,000 in government. With the assumptions adopted in the adjustment scenario, 900,000-1 million jobs at most could be created in industry and non-government services, particularly considering the inevitable labor force reductions that will result from rehabilitation and/or restructuring of public enterprises and the decline of the oil sector. This job creation target would imply annual employment growth of 5 percent and productivity growth of 1.2 percent (see the table below). If the reforms proposed later in this report to improve industrial efficiency bear fruit, productivity would undoubtedly develop faster and employment creation would be smaller, even given the development of highly labor-intensive activities. The average annual growth of 6.3 percent over the 15 years 1987-2001 projected for industry, construction and services assumes that the development of these sectors will be based on activities geared to export since domestic non-food investment and consumer demand would grow by only 5.1 percent a year during that period.

2.37 The other 1 million jobs will thus have to be created in agriculture and forestry in order to slow down rural outmigration. This is not an impossible goal, since an average growth of 3.8 percent in agricultural value added can mean a 2.2 percent growth of employment and a 1.5 percent rise in productivity. Since rural population growth is currently estimated at only about 1 percent a year, owing to the migration to the cities of the more dynamic elements of the labor force, achievement of the rate of growth of agricultural employment proposed in this scenario would not only slow rural migration but would also stimulate a return to the land. Under the sectoral growth assumptions adopted in the adjustment scenario, employment could develop, in very global terms, as follows:

	1986	Growth rates		2001
	Jobs ^{/1} (millions)	Value added	Employt.	Jobs (millions)
Agriculture and forestry	2,800	3.8	2.2	3,875
Industry, construction, services	830	6.8 ^{/2}	5.0	1,725
Government	150	2.1	1.3	180
Total	3,780	5.3 ^{/2}	2.9	5,780

^{/1} Estimates based on 1984 data.

^{/2} Not including the oil sector.

2.38 In theory, stimulating a reorientation of production toward exports would necessitate reducing domestic prices in relation to external prices and increasing the prices of tradables in relation to those of non-tradeables goods and services. Since Cameroon's membership of the Monetary Union -- a union that in fact brings with it many advantages -- prevents it from changing the nominal exchange rate, it will have to resort to a package of measures in the areas of customs tariffs, taxation, price

policy, credit policy and public finances and a package of economic and financial incentives to secure the desired impact on the real exchange rate.

2.39 Cameroon possesses a substantial base of potential resources for increasing its exports. Its agricultural potential is rich and varied and only 16 percent of its land is currently used for agricultural purposes. In addition to cocoa and coffee, which are the two dominant export products and which have prospects of growth, some potential exists for increasing rubber, banana, palm oil, citrus, tea and soybean exports. The market prospects for some of these crops (palm oil, bananas, soybeans) are not favorable at present; however, since the current volume of their exports is relatively modest Cameroon should be able to acquire a larger share of the market by stimulating productivity and quality improvements through suitable incentives. Good possibilities also exist for expanding exports of food products and of livestock products to neighboring countries. Other products, such as cotton, whose export prospects are currently poor, constitute resources to be developed for domestic industrial processing in Cameroon. In the long term, Cameroon's forests should constitute one of its most important export resources. Cameroon possesses the third largest area of forestland in Africa, after Zaire and Gabon, with valuable and varied tree species.

2.40 Cameroon's industrial exports are currently modest -- about US\$110 million in 1985, or less than 14 percent of total non-oil exports. Many possibilities exist for expansion, particularly for industries based on local resources (agro-industries and food products, wood and aluminum products), highly labor-intensive industries such as textiles and clothing, and certain mechanical and electrical engineering industries such as farm machinery and spare parts manufacture. Possibilities also exist for developing industries to produce construction equipment and materials for the UDEAC market. Looking to the longer term, Cameroon possesses substantial mineral resources -- chiefly bauxite and iron -- which it should be able to exploit if that proves to be economically feasible. Finally, thanks to its geographic location and its infrastructure level, relatively high for the countries of the region, Cameroon could play an important role in services, commercial and transportation activities for the equatorial region of Africa.

2.41 The adjustment and export-orientation scenario assumes the following growth rates for the major export categories (the trend rates for the basic scenario are shown in parentheses for comparison):

	Value of exports 1985 (millions of US\$)	Rate of growth of export volume			
		1987-91		1992-96	
Cocoa	227	(2.8)	4.3	(2.5)	3.7
Coffee	234	(2.5)	5.0	(2.3)	3.5
Other agricultural products	87	(3.0)	5.0	(3.0)	5.4
Logwood and wood products	77	(3.0)	7.2	(3.0)	15.0
Aluminum	54	(2.0)	2.0	(2.0)	2.0
Manufactures	108	(11.0)	14.9	(11.0)	14.4
Mining products	5	(2.0)	10.0	(2.0)	70.0
Non-factor services	<u>487</u>	(4.0)	<u>6.0</u>	(5.0)	<u>6.6</u>
Total	1,279	(4.3)	6.4	(5.0)	8.1

These rates indicate in substance the export effort that would have to be undertaken on all fronts to compensate for the loss of oil revenues, sustain an adequate rate of growth of the economy and achieve balance of trade equilibrium within 12 years, in coherence with the other economic and financial variables; they also reflect what appears to be potentially achievable in each sector provided the necessary package of incentives is put in place. A supply response could be obtained relatively quickly in agriculture and manufacturing. On the other hand, achieving a substantial increase in wood exports and developing mining resources would take several years because of the infrastructure and other investments this would require. 10/

Agriculture

2.42 In seeking to restore coffee and cocoa production, an essential measure would be to set producer prices at the maximum levels consistent with world prices, both to stimulate annual production and to encourage a substantially increased planting rate. Experience in Cameroon and other countries, such as Cote d'Ivoire, has demonstrated beyond all doubt that production and planting rates are highly sensitive to price incentives. In view of Cameroon's urgent need to expand its exports and create jobs in agriculture, this calls for a radical change of philosophy: export crops must no longer be regarded as a source of revenue to the Government but as priority economic activities that must be encouraged by every available means. The price stabilization role assigned to ONCPB, which it has never

10/

The rate of 70 percent a year for mining products during the period 1992-96, which is applied to a very low base, is purely notional.

so far fulfilled, should be re-affirmed. As a transitory measure, a formula should be instituted through which the growers' share of the f.o.b. price (para. 2.16), after deducting transportation and marketing expenses, could be raised within a space of two or three years to a level that leaves to ONCPB a reasonable spread to fulfill its stabilization role in case of fall in world prices. The formula would have to be simple enough to allow a producer to predict his income for a given world price. The drawback system does not provide this clarity and is administratively cumbersome and expensive. The prices of other exportable products where controlled (such as for rubber, cotton and palm oil) should be deregulated. At the same time it would obviously be appropriate to abolish all export taxes. In a second phase, it would perhaps be advisable to study the introduction of export subsidies for certain cash crops other than coffee and cocoa, so as to compensate for possible overvaluation of the real exchange rate, when this proves to be necessary in order to stimulate the exploitation of a long term comparative advantage and to give the farmers the same level of effective protection that is afforded to industry (para. 2.54).

2.43 Once producer prices have been raised, the authorities should abolish most of the input subsidies, which are sources of shortages and waste, leaving the producers to manage the utilization of inputs. At the same time the authorities should speed up implementation of the recommendations of the Fifth and Sixth Plans for strengthening the role of the cooperatives and the private sector in input distribution.

2.44 Following the example of the food-crops subsector, in which marketing by the private sector had proved to be very efficient, it would be necessary to deregulate the marketing of cash crops and to give the private sector and the cooperatives a very wide role in it. This would also be an appropriate time to apply the proposals of the Fifth Plan with respect to reducing the involvement of the administration in, and increasing management autonomy of the cooperatives, creating cooperative unions and, concurrently, strengthening the training of cooperative members and the a posteriori follow-up capacity of the Ministry's Directorate of Cooperatives and Mutuality.

2.45 In addition to price incentives and freedom of enterprise, rural infrastructure development (rural roads, water and energy supply, telecommunications, storage facilities and social plant) and improvement of rural living conditions will be decisive factors in getting the rural population, particularly young people, to remain in the rural areas, attracting young agricultural engineers or trained agricultural technicians to farming, and sustaining production and marketing. In this respect, the Sixth Development Plan provides for an ambitious program for the development of medium-size farms in several regions. Rural infrastructure, including the secondary cities and villages that serve the rural areas, will have to receive high priority within the public investment program. A strategy should be devised for increasing the operational capacity of the technical and financial services of the communes as the basis not only for rational urban planning (para. 1.37) but also for support for rural economic life. Improvement of living conditions in the villages should be

promoted through a package of fiscal measures and through government financial contributions under contracts with farmers' groups, which would establish plantations, or with village communities. Government financing of capital infrastructure for improving living standards agreed upon with the traditional holders of land could moreover offer an efficient means for resolving the land tenure problems raised by the release of these lands for new plantations.

2.46 In that connection, the Sixth Plan makes references to resolving land tenure problems and facilitating access to credit. Translating these proposals into actions has now become imperative. With regard to agricultural credit, the Financial Sector Report and ongoing studies point to the need to improve the efficiency of FONADER and increase cooperatives' margins, to promote development of the mutual credit institutions and people's banks, where necessary through technical assistance, to link the supply of credit to the dissemination of technological advances, and above all to develop the financial services infrastructure in the rural areas. However, agricultural credit will always be difficult and expensive and it is more through a policy of remunerative producer prices than through subsidized credit that it will be possible to increase the resources of the agricultural sector.

2.47 In addition to these direct incentive measures, there is an urgent need for other reforms or actions in the area of institutional support for agriculture the principle of which, in the majority of cases, has already been decided on by the Government. These include, in particular: (i) the establishment of a regional institutional framework to decentralize decision-making, make better use of financial and human resources, increase intersectoral coordination at the provincial level, and broaden participation by the farmers; (ii) the internal reorganization of the Ministry of Agriculture in order to strengthen the design and dissemination of economically viable technical packages and the programming of agronomic research; (iii) the reorganization of the agencies responsible for mechanization (CENEEMA) and agricultural credit (FONADER); (iv) the creation of pre-extension structures and revision of the agronomic research programs so as to better meet the needs of the agricultural sector, in particular with respect to technological progress and quality improvement; (v) rationalization of ministerial tutelle over the agriculture development offices and the state operating companies; (vi) the improvement of budget procedures and establishment of a rolling plan for agriculture sector investments; and (vii) overhaul of the extension system.

2.48 In the long term, exploitation of Cameroon's forest resources could become its main source of foreign exchange with coffee and cocoa. Achieving that goal would necessitate a program of in-depth actions in the institutional, legal, technical, economic and commercial areas. The main actions would consist in: (i) substantially strengthening the sector analysis and management capacity within the Ministry of Agriculture and in the field; (ii) rationalizing the forestry and concessions legislation by implementing the proposals that have been made by a team of consultants; (iii) preparing an inventory of concessions and transportation facilities

and a master plan of the infrastructures to be installed; (iv) re-examining price policy at the primary production and processing stages (as for the whole of industry); (v) improving the efficiency of the procedures for distributing operating permits; (vi) arranging for market studies to be conducted by specialized consultants and disseminating their results to potential investors; (vii) finding foreign partners and setting up a single organization to negotiate with them; (viii) offering these partners effective tax incentives that encourage local processing of wood; (ix) defining a reforestation policy to be implemented by the Forestry Directorate and ONAREF; and (x) arranging for local authorities to participate in forest resource management and promoting the creation of community forestry and agroforestry activities. It should be stressed that recourse to foreign partners would be essential, in order not only to take advantage of their resources and their technical and operational experience but also to gain access to external markets under optimum conditions.

Industry

2.49 The growth rates projected for manufacturing exports seem high. However, given the relatively low level of exports in the base year they should be achievable if the necessary package of incentives is put in place. They imply an increase in the exported share of manufacturing production from 5 percent (excluding aluminum) in 1985 to 9 percent in 1996, which is modest. The adjustment-scenario projections also assume that development of the manufacturing industry will continue to be based in part on import substitution. This would have equally positive effects on the balance of payments, provided these activities are efficient (i.e. that their cost in domestic resources is lower than their net foreign exchange earnings). In export as well as import substitution activities, the incentives framework must aim at promoting industries that are efficient and competitive and that proven a certain comparative advantage. Production for export further calls for additional incentives that enable exporters to compete on external markets on equal terms with their competitors from other countries.

2.50 According to the Sixth Plan the Government intends henceforth to limit its direct intervention in industrial development and to leave it to the market forces to stimulate and orient private-sector investment choices. The Government would intervene directly only on a very selective basis by committing its resources temporarily when the private sector does not come forward to exploit confirmed investment opportunities. In line with this policy, the job of the Ministry of Industry and Trade's Industry Directorate needs to be redefined so that it will focus on preparation of the necessary reforms and their implementation, activities of direct support for and promotion of industry and exclusive preparation of projects involving government participation.

2.51 A system of incentives that allows existing industries to enhance their efficiency and fosters investment in new activities that enjoy a comparative advantage and are oriented toward export would call for reforms in the areas of protection, price policy, taxation, investment conditions,

credit policy and institutional support. With respect to protection, the authorities should progressively abolish non-tariff barriers (e.g., import licensing) which, by affording excessive, if not absolute, protection to certain enterprises, has encouraged the development of inefficient industries. This non-tariff protection could be replaced, where appropriate, by surcharges decreasing over time to permit the existing industries to adjust themselves and increase their efficiency. Generally speaking, direct import restrictions prevent prices from playing their proper motor role in resource allocation. When temporary protection is deemed necessary, for example in the case of an infant industry, it is preferable to grant it by means of an adjustable ad valorem import duty than by quantitative restrictions.

2.52 The tariff protection rates, which are based on import duties common to UDEAC and include domestic supplemental taxes, vary widely from product to product. To ensure the development of efficient industries, action must be taken to harmonize the rates of effective protection (protection calculated on value added and taking into account the real exchange rate) for all branches of manufacturing. Here again it would of course be necessary to proceed gradually and by stages in order not to expose existing industry to jarring shocks. Harmonizing effective protection rates would not necessarily imply reducing the average degree of protection. It would even be desirable to raise average effective protection on certain categories of goods (intermediate goods and consumer goods) (para. 2.24).

2.53 In conjunction with tariff reform it would be essential to free domestic prices. As designed, the existing system of price controls completely distorts the economic role of prices and creates complications that constitute a disincentive to production and investment and reduced costs. By according identical profit margins on sales, no matter what the activity, the current system represents a disincentive to increased efficiency and fails to take into account whether production is relatively labor- or capital-intensive. It also gives rise to unwieldy and complicated administrative procedures that substantially delay the adjustment of prices to changes in production costs and are the source of frustration and incremental expenses. Price deregulation will have to take place in stages in light of the interplay of domestic competition or that of imports permitted under the tariff reform. In the rare cases in which price control would have to be retained for monopoly activities in view of the natural protection they enjoy, for example because of high transportation costs, this control should be applied a posteriori and not a priori. With respect to fiscal policy, action should be taken to speed up the studies on the introduction of a value added tax (VAT), replacing the production tax. The administration of a value added tax is obviously more complex because it requires the enterprises to keep good accounts, but VAT has the advantage that it is equitable as well as neutral to protection.

2.54 Following the example of the countries that have adopted active export policies, an effective scheme of incentives to manufacturing exports would be essential. As a first step, any remaining export taxes would have

to be abolished. Exporters should -- as is the common practice -- be exempt from customs duties and supplemental taxes on the portion of their imports of intermediate goods that is processed for export. However, such exemptions are complicated to administer. Consideration could therefore be given to replacing them by a direct export subsidy (see below), particularly in the case of small and medium enterprises that lack good cost accounting systems. Other benefits should also be introduced, such as total or partial exemption from the tax on export profits. In all cases, however, these benefits would have to be geared to the export value added (net foreign exchange earnings after deducting imported intermediate goods and amortization of imported equipment) so as to encourage enterprises that contribute substantially to the balance of payments, particularly those whose activity is based on intermediate goods produced in Cameroon or is highly labor intensive. It would be preferable, however, to consider introducing a single benefit, consisting of direct export subsidies calculated in such a way as to compensate for effective protection. The cost to the budget of these subsidies would be largely offset by the exporters' positive balance of payments contribution and the increase in economic activity, and therefore in the tax base, that they would generate, directly and indirectly. Finally, whatever the precise nature of the tax incentives adopted, they must be uniform for all exporters and entitlement to them must be automatic.

2.55 On the institutional side, it would be necessary to strengthen the National Office of External Trade with the participation of the private sector, for forging relationships with foreign partners, making Cameroonian products known at international fairs and carrying out regulatory studies in client countries and market studies and disseminating their results. It would be necessary also to set up a quality and standards control office and, at the appropriate time, to institute an export credit insurance scheme. However, given their financial resources, know-how and access to foreign markets, it is likely that foreign direct investment will be the key to any export-oriented expansion.

Transportation

2.56 Substantial resources have been applied to expanding the transportation infrastructure during the last ten years. Priority should now be given more to rehabilitating and maintaining existing infrastructure and implementing an operating and maintenance policy designed to reduce transportation costs in the long term and minimize the cost of periodical maintenance and rehabilitation. At the same time, special attention should be given to cutting the foreign exchange costs of maintaining and developing the transportation infrastructure.

2.57 A number of measures would have to be taken to achieve these goals. First of all, the share of total transportation infrastructure investment resources allocated to rehabilitation and maintenance of the road network, which is Cameroon's most important mode of transportation, should be increased. In particular, it would be essential to improve maintenance of the network of feeder roads and secondary roads in order to

support rural development and expansion of the farming and forestry sectors, by making wider use of the capacity of private firms. In the case of rail and air transportation, it would be important to improve the profitability of the public enterprises to enable them to self-finance an increased share of their future investments and reduce the costs to be borne by the Government accordingly. These enterprises should therefore be examined by the public enterprises rehabilitation task force. With regard to intermodal coordination, the tax system should be reformed to make it equitable between the different transportation modes. Finally, to reduce the foreign exchange cost of developing and maintaining the transportation infrastructure, it would be necessary to diversify execution capacities and encourage the development of Cameroonian contractors and consulting firms.

(iv) The Investment Incentive Framework and Financial Intermediation

2.58 The decline in government financial resources means that the private sector will have to generate a greater share of Cameroon's investment. Action will therefore be necessary to stimulate the mobilization of domestic savings and its investment in productive activities, particularly in agriculture and small and medium enterprise. Increased recourse to direct foreign investment will also be essential, both to make up for the inadequacy of domestic savings and to take advantage of the know-how that is indispensable to the development of efficient industrial activities. In comparison to many other countries, Cameroon already possesses substantial assets for attracting foreign investment: an industrious people, a good reputation earned by prudent economic and financial management, membership of a monetary union that gives its currency relative stability coupled with free convertibility, access to the sea and a substantial port infrastructure, and a legal code favorable to the creation of enterprises and to commercial transactions. All that is needed is to complete these assets by incentives as favorable as those offered by the other countries that are open to foreign investment and, above all, an administrative and regulatory framework that facilitates it.

2.59 In that connection, it is generally recognized that Cameroon's administrative and tax regulations are very restrictive of enterprise and its administrative procedures particularly cumbersome. Mention has been made of price control (para. 2.53), which certainly does nothing to stimulate even the most highly motivated investors. To stimulate private investment, both domestic and foreign, it is essential that the Government review the body of the regulations governing enterprise, wages, employment, domestic and foreign trade, etc. with the object of reducing and simplifying them so as to facilitate economic activity to the maximum possible degree and avoid enterprises being hamstrung by administrative delays in reaching decisions, as often happens now.

2.60 The Investment Code was revised in 1984 (para. 1.24). It should be re-examined to see whether its provisions are not to distort resource allocation, whether the tax advantages accorded are as attractive as those offered by other countries that compete with Cameroon to attract foreign

investment, and whether eligibility for these advantages is automatic, which is essential. In particular, the main criterion of eligibility for the benefits of the Code should be the economic return on the project, not the size of the investment. The tax benefits should apply more to profits tax and the other taxes associated with value added than to customs duties on imported equipment, so as to ensure that they have a neutral effect on the relative capital- and labor-intensiveness of the proposed projects. The benefits should not be granted for excessively long periods, and they should not discriminate in favor of large projects. Finally, the possibility could be considered of including in the Code the specific advantages that would be accorded to export industries (para. 2.54).

2.61 With regard to investment promotion, it would be appropriate to entrust the promotional functions, as is done in many other countries, to an autonomous agency, possibly the Chamber of Commerce, which could be of mixed composition (public and private participation) but would be run as a private enterprise. This agency could take over part of the promotional responsibilities of the Ministry of Industry and Trade, particularly subsector and market studies. It would be equipped to provide technical assistance to enterprises and project promoters and would serve as an intermediary in establishing contacts between Cameroonian investors and foreign partners. It would help investors with the administrative formalities.

2.62 The Government has decided to implement an active policy of support for the development of small and medium enterprises (paras. 1.23-1.24), in view of their importance to expansion of the industrial base and employment creation. The SMEs' contribution to manufacturing exports is currently minimal but could become substantial. Many SMEs face difficulties because their managers lack experience in the areas of technology, production management, financial management and marketing. It would be advisable to assign the SME Technical Assistance Center (CAPME) to the responsibility of the private sector. It should also be strengthened by the employment of engineers and managers with long experience of private enterprise. This would enable it to expand its existing activities, presently consisting in facilitating access by enterprises to credit and to the Investment Code and to carry out training programs, by furnishing direct management assistance to SMEs that request it and helping new entrepreneurs to prepare and execute their projects. After it has been converted CAPME could usefully be integrated into the investment promotion agency (para. 2.61). At the same time, the SME unit in the Ministry of Industry and Trade could undertake a systematic study of the existing regulations (such as those governing public procurement) and incentives to see to what extent they militate against the SMEs. In that connection it would be advisable to examine whether the benefits of the new Investment Code in favor of the SMEs offer sufficient incentive. The problems and operating conditions of small industries are very different from those of large enterprises, and special incentives might be found to be necessary, such as subsidies for basic and refresher training and for export transportation costs. Finally, action should be taken to improve the efficiency of FOGAPE (para. 1.24) and to sharply define the respective

roles of the SME assistance agency and FOGAPE to have the latter focus on SME credit and financing questions. The success of FOGAPE will depend, however, on improvement of the entire financial system (para. 2.64).

2.63 The inadequacy of infrastructure and the shortage of skilled manpower, technicians and managers are severe constraints on industrial development. While education problems are outside the scope of this report, it must be stressed that Cameroon's future industrial development will depend in large measure on the fundamental reorientation of the education system toward vocational training, technical education and the scientific disciplines at the cost of the classical and literary disciplines. With regard to infrastructure, the public investment programs will have to continue to give priority to urban development and transportation and communications, in coordination with industrial development, with respect both to new projects and to the rehabilitation and maintenance of existing plant.

2.64 The development of financial intermediation and strengthening of the financial sector will be decisive factors in increasing the mobilization of domestic savings and channeling them to the financing of productive activities and in improving the financing of the economy in general. The Financial Sector Report (Report no. 6028-CM of June 2, 1986) presents an in-depth analysis of the sector which leads to the following recommendations, among others:

- (i) Bank recapitalization. The Government has taken steps to promote recapitalization of the commercial banks, in which it has an average holding of 30%. It should proceed on the basis of independent audits by auditing firms of international standing. In negotiating recapitalization of the banks with their parent organizations the Government should make clear its intentions with respect to future reforms, for example concerning the taxation of financial instruments. This would greatly facilitate the negotiations.
- (ii) Interest rate and credit policy. The most important measures would be to: (a) align the interest rate structure and levels on world rates; (b) abolish the distinction made by the BEAC between rediscountable and non-rediscountable loans and institute a system of credit ceilings; (c) enforce the compulsory reserve ratio, which was adopted in principle in 1977 but has not yet been applied, in a manner consistent with the credit ceiling system, and (d) gradually abolish the taxes on financial instruments (TDC, ICAI and TPCRM), which represent a hindrance to financial intermediation.
- (iii) Development of the financial market. The creation should be studied of instruments such as Treasury Bonds (Bons du Tresor), bond issues by the banks and the large enterprises and the sale of public shares of the public enterprises. In this respect the creation of mutual funds is being studied by the Government. The

report also suggests the establishment of a National Savings Management Fund (Fonds de Gestion de l'Epargne Nationale). This would be a multipurpose non-bank financial intermediary which could be run by a board of directors including the Ministers of Finance and Planning and the Governor of the BEAC. The Fund would use the financial resources of the public agencies with surplus liquidity, such as ONCPB and CNPS, as well as those of certain private institutions such as the insurance companies, and convert them into term resources through long-term lending to the commercial banks. It would also function as a secondary market, particularly for SNI-centered operations.

(v) Conclusions

2.65 The results of the adjustment scenario constructed on the assumptions discussed in the foregoing sections are summarized in tables 30 and 31. They indicate that Cameroon could absorb a rapid fall in oil revenues without unforward effects on consumption and investment while maintaining growth at the level required to create an adequate number of jobs and with only moderate recourse to external borrowing, provided the required policies are implemented actively.

2.66 In this scenario, non-oil GDP growth would be two points lower on average during the period 1987-91 and one point lower during 1992-96 in relation to the base scenario. The sector growth trends would be as follows:

	<u>Average Annual Growth rate</u>	
	<u>1987-91</u>	<u>1992-96</u>
Agriculture	3.8	4.2
Manufacturing	8.5	7.3
Construction	-2.9	4.3
Services	5.2	5.7
Government	0.8	2.0
Non-oil GDP (factor costs)	4.4	5.8

The ratio of fixed investment to GDP would be gradually reduced to 19.0 percent in 1991 and would remain at that level until 1996. This rate compares with the average rate of 18.9 percent recorded in 1973-78, before the advent of oil. Despite the decline in the fixed investment rate, the incremental capital output ratio implied by the projection would be higher than in the base scenario for the period 1987-91 because of the marked deceleration of growth. In this scenario total fixed investment would be some CFAF 4,200 billion at 1984 prices for the Sixth Plan period, against CFAF 4,800 billion in the base scenario.

2.67 A growing share of production would be exported, and the growth of consumption would be reduced by about two points in relation to the base scenario. As a consequence of the combined effects of the reduction in

investment, with its high import content, and the deceleration of growth, import demand would be sharply reduced during the period 1987-91 for the same sectoral elasticity assumptions as in the basic scenario. The global elasticity of imports to GDP would be only 0.15 during the adjustment period, as a result of the reduction in investment. It would then rise again to 1.08 reflecting the recovery of investment and the need to import growing quantities of oil to cover domestic consumption from 1994-95 onward. The domestic savings rate, adjusted for terms of trade, would fall only to some 19.4 percent of GDP in 1991, against 17.9 in the basic scenario. With investments being lower they could be covered by up 98 percent on average by domestic savings over the five years 1987-91. The current account deficit could be maintained between US\$400 and 500 million a year throughout the projection period -- falling from a peak of 3 percent of GDP in 1989 to 2.4 percent in 1996 -- 11/ and could be financed by external borrowing without excessive indebtedness in the long term, provided that a prudent borrowing strategy is followed (chapter III).

11/ In relation to the basic scenario, the project GDP deflator has been reduced from 7.0 to 4.5 percent a year, which would be below the projected world inflation rate and would reflect the expected depreciation of the real exchange rate.

Table 30: Adjustment Scenario — Economic Projections (A)

	Billion CFAF							
	1984 prices	Average annual growth rate						
	1985 /1	1979-85 /1	1987-91	1992-96				
Non-oil GDP (market prices)	2,975	7.9	4.0	5.2				
Total GDP (market prices)	3,623	10.2	1.3	4.1				
Total GDY /2	3,591	9.8	2.3	4.8				
Total exports (G and NFS)	1,189	12.8	-6.0	5.0				
Non-oil exports (G and NFS)	525	4.0	6.4	8.1				
Imports (G and NFS)	788	4.3	0.6	5.6				
Consumption	2,327	7.4	5.3	5.0				
Investment	895	9.9	-2.7	3.5				
		(Billion CFAF at 1984 prices)						
		1982-86	1987-91	1992-96				
Cumulative fixed investment for the 5 years (Plan periods)		3,908	4,227	4,472				
		Coefficients						
		1982-86	1987-91	1992-96				
ICOR		4.4	6.5	3.9				
Elasticity of imports (to non-oil GDP)		0.24	0.15	1.08				
		1985	1986	1987	1989	1991	1994	1996
		Percentages, calculated on constant 1984 prices						
Investment GDP		24.7	24.7	23.6	21.4	20.2	19.6	19.6
Domestic Savings /3 GDP		34.9	28.7	23.8	20.9	19.4	19.1	19.6
		Indices in US\$, base 1984 = 100						
Export price index (incl. oil)		96.2	81.3	72.7	94.4	116.6	155.3	171.4
Import price index		99.5	108.0	115.0	127.4	139.4	157.1	162.9
Terms of trade index		96.7	75.3	63.3	74.1	83.7	98.9	105.2

/1 Adjusted data (para. 2.09).

/2 GDY = Gross Domestic Income = GDP adjusted for terms of trade.

/3 Adjusted for terms of trade.

2.68 With regard to the capital account, bilateral and multilateral official loan commitments have been projected at the same relatively conservative level as in the base scenario. However, certain other variables have been modified to simulate the effect of the various measures discussed above. In relation to the base scenario, private loan commitments and capital flows related to direct investment have been increased, assuming an increase in foreign investment, as have monetary capital flows, in response to the changes that would be made in interest rate policy. Under these hypotheses, Cameroon's additional net external financing needs would rise to about US\$220 million in 1991 and decline thereafter.

2.69 It should be emphasized that this projection constitutes only a simulation, for given external variables, of the effects of a package of policies aimed at reducing financial constraints to a tolerable level without compromising the country's development and employment-creation in the long term and without reducing consumption to socially undesirable levels. Such a projection is obviously very sensitive to the hypotheses adopted for world price and inflation trends. If world market conditions and the prices of the raw materials exported by Cameroon, particularly cocoa and coffee, developed less favorably than projected here, the result would be external deficits larger than those projected in this scenario, making it necessary to strengthen or modify the adjustment policies. Similar results could be achieved by different ways, for example by reducing the growth of public and private consumption more than projected here and less than that of investment. There are, however, physical limits on export growth, even with optimum incentive policies, as well as social constraints on consumption and investment levels that will closely limit the authorities' room for maneuver in this adjustment period.

Table 31: Adjustment Scenario — Balance of Payments (A)

	<u>1985</u> / <u>1</u>	<u>1986</u>	<u>1987</u>	<u>1989</u>	<u>1991</u>	<u>1994</u>	<u>1996</u>
	millions of US\$, at current prices						
Oil exports	1,531	1,186	800	634	367	9	-
Other exports (G and NFS)	1,278	1,427	1,600	1,961	2,472	3,658	4,608
Imports (G and NFS)	<u>-1,914</u>	<u>-2,212</u>	<u>-2,386</u>	<u>-2,655</u>	<u>-2,957</u>	<u>-3,747</u>	<u>4,620</u>
Trade balance	895	401	14	-60	-118	-80	-12
Factor services— receipts	43	61	57	44	48	55	61
Factor services— payments	-387	-385	-339	-377	-394	443	477
of which: interest payments	(161)	(174)	(169)	(175)	(186)	(227)	(261)
Net transfers	<u>-37</u>	<u>-20</u>	<u>-21</u>	<u>-24</u>	<u>-26</u>	<u>-29</u>	<u>-31</u>
Current balance	514	57	-289	-417	-490	-497	-459
Official loans (net)	5	85	169	198	235	257	268
Private loans (net)	123	-70	-81	-43	-20	40	30
Direct investment (net)	-46	50	64	71	77	87	94
Short-term capital (net)	64	-	-	-	-	-	-
Monetary capital (net)	-180	50	50	90	-	-	-
Public capital <u>a/</u>	-180	86	277	-	-	-	-
Errors and omissions <u>b/</u>	-265	-260	-200	-82	-18	-	-
<u>Net additional financing needs</u>	-	-	<u>42</u>	<u>189</u>	<u>222</u>	<u>125</u>	<u>86</u>
General balance	34	-	32	6	7	12	19
Official net external reserves <u>c/</u>	67	67	99	111	123	156	193
<u>Memorandum</u>							
Current balance/GDP (%)	6.3	0.6	-2.4	-2.9	-2.9	-2.3	-1.8

/1 Adjusted data (para. 2.09).

a/ Capital related to the oil sector.

b/ Amortization of and interest on oil debt and investments not entered elsewhere.

c/ Assumed to be equal to imports for half a month.

2.70 It is clearly impracticable for all the reforms and actions enumerated in this chapter -- both those already decided on by the Government under the Fifth and Sixth Plans and those proposed in response to the fall in oil receipts -- to be undertaken at the same time. First, account has to be taken of the relatively limited design and implementation capacities at the ministerial services. Second, care must be taken to avoid excessive shock to the economic system. It is difficult to establish a priority ranking and timetable. However, it seems that the most urgent reforms and actions would be the following:

- the fiscal policy measures (paras. 2.24-2.27, 2.33 and 2.35) and the actions to strengthen planning (paras. 2.71 and 2.72);
- recapitalizing of the banks and review of interest rate and credit policy (including review of credit taxation);
- initiation of the public enterprises rehabilitation program (para. 2.29);
- reform of the export crop incentives scheme (paras. 2.42-2.44);
- the forestry sector development actions (para. 2.48).

The actions pertaining to industry and investment should be taken in the following sequence:

- replacement of a priori by a posteriori price control (para. 2.53);
- introduction of export incentives (para. 2.54);
- strengthening of the investment incentives structure (paras. 2.59-2.61);
- abolition of non-tariff protection and gradual elimination of price control (paras. 2.51 and 2.53);
- reform of the customs tariffs and supplementary taxes so as to equalize effective protection across industrial sub-sectors (para. 2.52).

2.71 To prepare for the adjustment measures, particularly those concerning the public finances, the financial sector and the industry and investment incentives, a coordination group should be set up comprising officials of the ministries of Finance, Planning, and Trade and Industry. This would make it possible to reconcile the financial constraints and the economic goals. The Computable General Equilibrium Model (CGE) which has been made available to the Ministry of Planning could be used to test some of the proposed measures.

2.72 Finally, in the area of planning, the preparation and monitoring of an adjustment program would necessitate a series of actions including, in particular:

- (i) improvement of the statistical base and speeding up of the production of statistics and national accounts;
- (ii) better evaluation of oil-sector data and their complete integration into the national accounts and external accounts;
- (iii) taking oil-sector forecasts into account when preparing medium-term economic and financial forecasts and determining total investment budgets;
- (iv) utilization (in addition to the CGE model) of simple models, such as the RMSM (para. 2.08) in order to evaluate, among other variables, the levels of investment compatible with the external and domestic financial constraints, to program the global external borrowing needs from the standpoint of the balance of payments and the public finances, and to formulate an external borrowing strategy;
- (v) strengthening of the investment program by establishing priority rankings in public projects programs, including rehabilitation and renewal projects, on the basis of criteria such as the economic return, intersectoral coordination and degree of preparation of projects; this could be done in the framework of a three-year rolling investment program (para. 2.35); and
- (vi) systematic assessment of recurrent project costs.

III. EXTERNAL BORROWING STRATEGY

A. Introduction

3.1 Even if Cameroon introduces the adjustment measures and export incentives discussed in chapter II, its external financing needs will still be relatively large. The purpose of the following analysis is to identify the principles of an external borrowing strategy that will reduce debt service commitments to a minimum over the long term and limit the risks inherent to fluctuations in interest rates, export revenues and exchange rates. Cameroon can borrow from bilateral sources, multilateral sources and commercial banks, either directly or in the form of export credits. ^{1/} Taking the adjustment scenario A as the starting point, the model (para. 2.08) was used to ascertain how various combinations of borrowing from different sources and on different terms would affect: (i) the recurrent borrowings needed to finance a given external deficit and cover the servicing of previous debts; and (ii) the debt service burden that this borrowing would represent in the future. The present analysis is confined to the financial aspects of external borrowing; its legal aspects and any non-financial advantages and disadvantages associated with the different sources of financing are not considered.

3.2 The projections extend over a 16-year period (to 2001) so that the debt service requirements entailed by each different external borrowing combination can be evaluated over a period long enough to take into account its grace (deferred amortization), disbursement and repayment periods. In extending the adjustment scenario beyond 1996 it is assumed that, in view of the expected relaxation of the external financial constraint: (i) GDP growth could be maintained at approximately 6 percent a year; (ii) export growth would fall to normal levels after the high rates expected for 1988-96; (iii) public and private investment rates would rise moderately; (iv) the elasticities of the various categories of tax receipts to GDP would decline following the tax effort undertaken during the adjustment period (elasticity with respect to GDP of non-oil revenues will average 1.08); and (v) the civil service wage bill would increase by 3.5 percent a

^{1/}

Over the seven-year period 1978-84 Cameroon borrowed a total of US\$1,028 million from the following countries: Belgium, Canada, Denmark, France, Federal Republic of Germany, Italy, Japan, Kuwait, Netherlands, Qatar, Saudi Arabia, Switzerland, United Arab Emirates, United Kingdom; a total of US\$827 million from the following multilateral institutions: African Development Bank, African Development Bank, Arab Bank for Economic Development in Africa, European Development Fund, European Investment Bank, International Fund for Agricultural Development, Islamic Development Bank, OPEC Special Fund, World Bank; and a total of US\$763 million from commercial banks in Europe and the United States (not including private-sector borrowing without the Government's guarantee).

year in real terms. The major economic indicators would develop as follows:

	<u>1987-91</u>	<u>1992-96</u>	<u>1997-2001</u>
	-----Average annual growth rate-----		
Total GDP	1.3	4.1	5.9
Exports (goods and NFS)	-6.0	5.0	6.6
Non-oil exports	6.4	8.1	6.6
Imports (goods and NFS)	0.6	5.6	6.6
Consumption	5.3	5.0	5.6
Investment	-2.7	3.5	7.1

	-----Coefficients-----		
Incremental capital output ratio	6.5	3.9	3.3
Import elasticity	0.15	1.08	1.12

	<u>1986</u>	<u>1991</u>	<u>1997</u>	<u>1999</u>	<u>2001</u>
	-----Percentages-----				
Investment/GDP	24.7	20.2	19.7	20.3	20.7
Domestic savings/GDP	28.7	19.4	19.0	20.2	21.0

	-----Indexes (1984 = 100)-----				
Export price index	81.3	116.6	178.4	193.1	209.1
Import price index	108.0	139.4	163.3	176.3	190.3
Terms of trade index	75.3	83.7	109.3	109.6	109.9

	-----Billions of CFAF at current prices-----				
Government revenues	822	957	1,539	1,885	2,316
Government expenditures	925	1,075	1,622	1,932	2,317

Under these hypotheses, the balance of trade will even out after 1998. The current account deficit would, however, still be large (US\$600-700 million a year in borrowing scenario A-1), owing mainly to interest charges on earlier borrowing.

B. Scenario A-1

3.3 In this scenario (that of the balance of payments projections shown in table 30) future bilateral and multilateral source commitments are projected -- with allowance for future inflation -- according to past trends (1978-84), although a slight increase in real terms in the case of multilateral sources is assumed. The model then calculates, year by year, the supplemental financing needs to maintain the country's external foreign exchange reserves at a minimum level. It is assumed that these needs would be covered by commercial bank financial credits. The average terms used in the projection for such credits are: maturity, seven years; grace period, two years; interest rate (variable), 9 percent; disbursement period, one year. Given the relatively short repayment and grace periods of these credits and the cumulative effect of the amortization obligations they entail, they would represent a total requirement of over US\$1 billion a year after 1996 and would result for a proportion of 60 percent of amortization of existing commercial loans (table 32). They would far exceed Cameroon's borrowing capacity in terms of its access to external financial markets in the present circumstances.

3.4 The debt service ratio would increase from about 15.6 percent in 1991 to around 21.2 percent in 1996 and 22.2 percent in 2001. a/ The debt service/total government receipts ratio would rise to nearly 25 percent in 2001. 2/ The disbursed debt/GDP ratio would be only 23.1 percent in 2001, after reaching a peak of nearly 25 percent in 1997, owing to the rapid rate of repayment of commercial loans. However, the composition of outstanding disbursed debt would be distinctly unhealthy, with 58 percent due to official bilateral and multilateral sources and 42 percent due to commercial financial institutions with short repayment periods.

a/ These projections were made based on the external debt data as of end 1984 and preliminary estimates for 1985. External debt data as of end 1985 have been issued just before this report was finalized (Tables 4.1 and 4.2 of the statistical annex). They indicate larger principal repayments due for 1986 than those estimated earlier. Projected external capital requirements would thus be somewhat larger than shown in table 32 as would subsequent debt service ratios. Scenario A-1 was rerun based on the updated debt data. The projected debt service to exports ratios would be as follows:

<u>Scenario A-1</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1989</u>	<u>1991</u>	<u>1994</u>	<u>1996</u>	<u>1999</u>	<u>2001</u>
Old Debt Report	10.3	11.7	10.9	12.0	15.6	20.9	21.2	21.9	22.2
Updated Debt Report	8.5	15.9	12.6	16.2	20.4	24.7	25.0	25.5	25.4

As differences above do not affect the assessment of Cameroon's creditworthiness and do not alter the conclusions brought about by the following analysis, it was not deemed necessary to revise the seven projections scenarios which are discussed in this chapter.

2/ This ratio is a reference figure only. In principle (except in cases of default), government-owned enterprises and other agencies whose external loans are guaranteed by the Government service their own debt.

Table 32: External Borrowing Scenario A-1

<u>Commitments</u> (public and publicly guaranteed debt)	<u>Memoranda</u>						
	<u>(1978-84)</u>	<u>1987-91</u>	<u>1992-96</u>	<u>1997-2001</u>			
	<u>Annual averages, millions of current US\$</u>						
Commitments from bilateral sources	(147)	190	233	283			
Commitments from multilateral sources	(118)	189	254	321			
Commitments from commercial sources (improved terms)	-	-	-	-			
Financing requirements from commercial sources (market terms)	<u>(109)</u>	<u>213</u>	<u>514</u>	<u>1,012</u>			
Total	<u>(374)</u>	<u>592</u>	<u>1,001</u>	<u>1,616</u>			
	<u>1987</u>	<u>1989</u>	<u>1991</u>	<u>1994</u>	<u>1996</u>	<u>1999</u>	<u>2001</u>
	<u>Millions of current US\$</u>						
Resource balance <u>a/</u>	14	-60	-118	-80	-12	-25	98
Factor services and net transfers	-303	-377	-429	-535	-608	-739	-835
Of which: interest payments <u>d/</u>	(-100)	(-140)	(-196)	(-295)	(-365)	(-500)	(-596)
Current balance	-289	-437	-547	-615	-620	-764	-736
Concessional loans, disbursements	331	362	395	445	489	556	606
Concessional loans, repayment	-162	-163	-160	-188	-221	-275	-320
Other capital (net) <u>b/</u>	-111	36	41	127	124	112	106
Commercial loans, disbursements <u>c/</u>	41	217	366	526	640	1,004	1,178
Commercial loans, repayment <u>c/</u>	-	-8	-88	-282	-393	-610	-805
General balance	32	6	7	12	19	23	28
<u>Ratios</u> *	<u>Percentages</u>						
Debt service <u>d/</u> to Exports	<u>10.9</u>	<u>12.0</u>	<u>15.6</u>	<u>20.9</u>	<u>21.2</u>	<u>21.9</u>	<u>22.2</u>
Of which: Official sources	10.9	10.9	10.6	9.9	9.2	8.3	7.7
Commercial sources	-	1.1	5.1	11.0	12.0	13.6	14.5
Debt service <u>d/</u> to Total govt. revenues	13.4	12.5	15.5	21.1	22.8	24.5	24.8
Total Outstanding Disbursed Debt <u>d/</u> to GDP	17.4	20.2	22.9	24.4	24.5	24.4	23.1
	<u>Memoranda</u>						
	<u>(1978-84)</u>	<u>1987-91</u>	<u>1992-96</u>	<u>1997-2001</u>			
	<u>Percentages</u>						
Total average annual commitments/ Previous-year exports (GNFS)	(20.0)	23.1	29.3	28.1			

a/ See table 31.

b/ Including net direct investment, net private loans, net short-term capital, net monetary capital, public capital related to the oil sector, and errors and omissions. For detail, see table 31.

c/ Disbursements and repayments against commercial loans committed before 1985 are included in concessional loans above.

d/ Public and publicly guaranteed debt.

* See footnote to para. 3.4.

C. Scenario A-2

3.5 In view the volume of financing available to countries of comparable size and income, it is clear that Cameroon has ample room within which to increase its borrowing from multilateral and, to a less extent, bilateral sources. Scenario A-2 assumes that Cameroon would make wider use of its opportunities to borrow from official, particularly multilateral, sources.

<u>Commitments, official sources</u>	<u>1978-84</u>	<u>1987-91</u>	<u>1992-96</u>	<u>1997-2001</u>
	--Annual averages in millions of current US\$--			

Bilateral sources

Scenario A-1	147	190	233	283
Scenario A-2	147	215	268	326

Multilateral sources

Scenario A-1	118	189	254	321
Scenario A-2	118	306	463	585

The need for supplementary financing from commercial sources would then be reduced considerably:

<u>Financing required from commercial sources</u>	<u>1987-91</u>	<u>1992-96</u>	<u>1997-2001</u>
	Annual averages in millions of current US\$		

Scenario A-1	213	-	514	1,012
Scenario A-2	116		206	370

However, total borrowing in 1987-91 would be somewhat higher in scenario A-2 (US\$637 million a year) than scenario A-1 (US\$592 million) since loans from official sources, which are generally tied to projects with an average disbursement period of five years, should be committed in anticipation of balance of payments financing requirements.

Table 33: External Borrowing Scenario A-2

<u>Commitments (public and publicly guaranteed debt)</u>	Memoranda						
	<u>(1978-84)</u>	<u>1987-91</u>	<u>1992-96</u>	<u>1997-2001</u>			
	Annual averages, millions of current US\$						
Commitments from bilateral sources	(147)	215	268	326			
Commitments from multilateral sources	(118)	306	463	585			
Commitments from commercial sources (improved terms)	-	-	-	-			
Financing requirements from commercial sources (market terms)	<u>(109)</u>	<u>116</u>	<u>206</u>	<u>370</u>			
Total	(374)	637	937	1,281			
<u>Balance of Payments</u>	<u>1987</u>	<u>1989</u>	<u>1991</u>	<u>1994</u>	<u>1996</u>	<u>1999</u>	<u>2001</u>
	Millions of current US\$						
Current balance	-289	-436	-542	-605	-604	-735	-699
Of which: interest payments <u>a/</u>	(-100)	(-139)	(-192)	(-284)	(-348)	(-471)	(-558)
Concessional loans, disbursements	346	453	542	622	738	886	956
Concessional loans, repayment	-162	-163	-161	-214	-265	-359	-442
Commercial loans, disbursements <u>b/</u>	27	122	186	230	204	360	407
Commercial loans, repayment <u>b/</u>	-	-5	-57	-147	-178	-241	-299
	Percentages						
Debt service <u>a/</u> to Exports	<u>10.9</u>	<u>11.9</u>	<u>14.5</u>	<u>17.6</u>	<u>17.2</u>	<u>16.9</u>	<u>16.8</u>
Of which: Official sources	10.9	11.1	11.4	12.1	11.8	11.6	11.5
Commercial sources	-	0.8	3.1	5.5	5.4	5.3	5.3
Debt service <u>a/</u> to Total govt. revenues	13.4	12.3	14.3	17.8	18.4	18.9	18.7
Total Outstanding Disbursed Debt <u>a/</u> to GDP	17.4	20.1	22.8	24.2	24.3	24.0	22.6
	Memoranda						
	<u>(1978-84)</u>	<u>1987-91</u>	<u>1992-96</u>	<u>1997-2001</u>			
	Percentages						
Total average annual commitments/ Previous-year exports (GNFS)	(20.0)	24.8	27.4	23.3			

a/ Public and publicly guaranteed debt.

b/ Disbursements and repayments against commercial loans committed before 1985 are included in concessional loans above.

3.6 Mainly because of the much longer maturity and grace periods of loans from official sources, this scenario would reduce the debt service/export and debt service/government revenues ratios appreciably, to about 16.8 percent and 18.7 percent in 2001 compared to 22.2 percent and 24.8 percent, respectively, in scenario A-1 (table 33).

3.7 A disadvantage of greater reliance on multilateral loans is that they cannot be rescheduled in a crisis. However, the much healthier debt structure resulting from increased recourse to this type of borrowing would leave Cameroon with enough leeway to preclude its having to reschedule under the pressure of events.

D. Scenario A-3

3.8 Scenario A-3 assumes use of a new type of borrowing similar to B-loan cofinancing arrangements with the World Bank, namely commercial bank project loans on more favorable terms. The amounts borrowed from bilateral and multilateral sources would be the same as in scenario A-2. The average terms and conditions assumed in projecting these more favorable commercial loans would be as follows (compared with conventional financial credits):

	<u>Duration</u>	<u>Grace Period</u>	<u>Disbursement Period</u>	<u>Interest Rate</u>
Commercially cofinanced project loans	13 years	4 years	4 years	8.75% <u>1/</u>
Conventional commercial financial credits	7 years	2 years	1 year	9.00% <u>2/</u>

1/ Assumed to be LIBOR plus 0.75 point.

2/ Assumed to be LIBOR plus 1 point. This 1-point margin would obviously be increased if Cameroon's debt became too heavy or its credit rating deteriorated.

Total loan commitments for the periods 1987-91 and 1992-96 would be slightly higher than in scenario A-2 because of the longer disbursement period of project loans: four years instead of the one year for financial credits. On the other hand, given the longer grace and repayment periods allowed on these commercial bank cofinanced project loans, total financing needs would be appreciably lower than in scenario A-2 for 1997-2001 (table 34). The balance remaining to be financed from commercial sources would become negligible after 1992. Total commercial borrowing requirements (cofinancing loans and loans on market terms) would average only US\$150 million a year for 1987-91, US\$180 million for 1992-96 and US\$300 million for 1997-2001, amounts which it should be easy to raise on financial markets. In 2001, the total debt service ratio would be nearly two points lower again than in scenario A-2, representing only about 15 percent of export revenues.

Table 34: External Borrowing Scenario A-3

<u>Commitments (public and publicly guaranteed debt)</u>	<u>Memoranda</u>						
	<u>(1978-84)</u>	<u>1987-91</u>	<u>1992-96</u>	<u>1997-2001</u>			
	<u>Annual averages, millions of current US\$</u>						
Commitments from bilateral sources	(147)	215	268	326			
Commitments from multilateral sources	(118)	306	463	585			
Commitments from commercial sources (improved terms)	-	98	168	286			
Financing requirements from commercial sources (market terms)	<u>(109)</u>	<u>48</u>	<u>10</u>	<u>12</u>			
Total	(374)	667	909	1,209			
<u>Balance of Payments</u>	<u>1987</u>	<u>1989</u>	<u>1991</u>	<u>1994</u>	<u>1996</u>	<u>1999</u>	<u>2001</u>
	<u>Millions of current US\$</u>						
Current balance	-289	-436	-542	-605	-604	-734	-698
Of which: interest payments <u>a/</u>	(-100)	(-139)	(-193)	(-284)	(-349)	(-470)	(-558)
Concessional loans, disbursements <u>b/</u>	361	519	653	779	911	1,136	1,203
Concessional loans, repayments <u>b/</u>	-162	-163	-168	-256	-338	-489	-608
Commercial loans, disbursements <u>c/</u>	12	53	56	11	-	3	20
Commercial loans, repayments <u>c/</u>	-	-9	-32	-48	-21	-4	-7
<u>Ratios</u>	<u>Percentages</u>						
Debt service <u>a/</u> to Exports *	<u>10.9</u>	<u>11.8</u>	<u>13.9</u>	<u>16.0</u>	<u>15.4</u>	<u>15.2</u>	<u>15.1</u>
Of which: Official sources <u>b/</u>	<u>10.9</u>	<u>11.3</u>	<u>12.3</u>	<u>14.5</u>	<u>14.9</u>	<u>15.1</u>	<u>15.0</u>
Commercial sources	-	0.5	1.6	1.5	0.5	0.1	0.2
Debt service <u>a/</u> to Total govt. revenues	13.4	12.2	13.6	16.2	16.5	17.0	16.9
Total Outstanding Disbursed Debt <u>a/</u> to GDP	17.4	20.1	22.8	24.2	24.6	24.0	22.6
	<u>Memoranda</u>						
	<u>(1978-84)</u>	<u>1987-91</u>	<u>1992-96</u>	<u>1997-2001</u>			
	<u>Percentages</u>						
Total average annual commitments/ Previous-year exports (GNFS)	(20.0)	26.0	26.7	21.0			

a/ Public and publicly guaranteed debt.

b/ Including loans commercial loans on improved terms.

c/ Disbursements and repayments against commercial loans committed before 1985 are included in concessional loans above.

* Using the most recent external debt data these ratios would be 2 to 3 points higher throughout the projections period (see footnote para. 3.4).

3.9 As regards the ratio of outstanding disbursed debt to GDP, there is no appreciable difference from one scenario to another. At the end of 1996, for instance, it would be around 24.5% in each scenario. However, the structure of the debt would be much sounder in scenario A-3 and so better able to withstand any surge in interest rates or any domestic or external crisis affecting export receipts (paras. 3.12-3.15).

	-----1996-----		
	Structure of outstanding disbursed debt (%)		
	<u>Scenario A-1</u>	<u>Scenario A-2</u>	<u>Scenario A-3</u>
Bilateral official loans	34.4	38.3	37.9
Multilateral official loans	31.9	48.3	47.8
Commercially cofinanced loans	-	-	13.6
Commercial financial credits	<u>33.7</u>	<u>13.4</u>	<u>0.7</u>
Outstanding disbursed debt	100.0	100.0	100.0
- in millions of current US\$	6,356	6,294	6,359
- as percentage of GDP	24.5	24.3	24.6

3.10 Given Cameroon's possibilities of access to both bilateral and multilateral sources and to commercially cofinanced project loans on improved terms, this scenario indicates that from a strictly financial standpoint the optimum composition of total public and publicly guaranteed external borrowing would be:

- 30-35 percent from bilateral sources;
- 45-50 percent from multilateral sources;
- 15-20 percent as project loan cofinancing from commercial banks;
- less than 10 percent as commercial financial credits or export credits.

3.11 Since the model used for these projections does not incorporate a monetary module, it does not provide strict consistency between external financing needs from the balance of payments standpoint and government financing needs. Nevertheless, net official external borrowing needs -- that is, borrowing by, or with the guarantee of the Government -- as projected in this optimum scenario (A-3) would be appreciably less than net government financing needs (table 29) for the period 1987-91, the same for 1997-2001, and higher for 1997-2001. This means that the Government, unless it can reduce its expenditure by more than projected, will have to borrow abroad entirely for its own account in the next five years while also reducing its deposits with commercial banks (see chapter I, section E (iv)) and relying on Central Bank financing. If government fixed investment is maintained over the period 1987-91 at the same level as in 1986, in real terms, the external borrowing projected in scenario A-3 will, in terms of disbursements, represent 73 percent of government investment.

Mobilizing such a volume of external resources solely through project-tied loans would probably be difficult, and the Government will probably have to resort to untied borrowing. The projections indicate that after this adjustment period the Government will have to borrow abroad more than is necessary for the equilibrium of public finances and resume its 1980-85 role of generating financial savings to finance the economic sectors through the banks.

E. Other Simulations

3.12 In order to examine the impact of interest rate fluctuations on the debt-service burden, a moderate interest rate "crisis" during the period 1990-93 was simulated in scenarios A-1 and A-3:

- The interest rates on commercial cofinancing loans and financial credits would increase from 8.7 to 13 percent and from 9 to 13.25 percent, respectively, over the four years 1990-93. Since these are variable-rate loans, the increases would affect the total amount disbursed and outstanding on these loans only during the period 1990-93.
- A general rise in interest rates would lead, after a time lag, to an increase in the rates charged by the multilateral sources, which generally compute them on the cost of their own long-term borrowings. The scenario assumes that the multilateral rates would increase by three points over the course of the four years 1992-95. In the interests of consistency, it is also assumed that the average interest charged by the bilateral sources would rise two points. The rates applied by the official bilateral and multilateral sources (other than the World Bank) are usually fixed for the duration of the loan, so that the increase would affect all loans entered into during the period 1992-95 throughout their entire life. In the case of the World Bank, whose rates are variable, the increase would affect the total amount disbursed and outstanding on loans committed since the introduction of the variable rate only during the period 1992-95.

This simulation is purely theoretical, since a surge in interest rates would probably follow upon fluctuations in inflation and growth rates in the industrialized countries and in world commodity prices, movements which in their turn would have various effects on the economic variables in the projection. In particular, an increase in domestic savings might well result.

3.13 The impact of such a rise in interest rates on debt-service would be comparatively limited and virtually identical in the two scenarios:

<u>Scenario A-1</u>	<u>1991</u>	<u>Debt-Service/Export Ratio (%)</u>				<u>2001</u>
		<u>1993</u>	<u>1995</u>	<u>1997</u>	<u>1999</u>	
Base	15.6	19.2	21.1	21.3	21.9	22.2
Increased interest rate	16.8	22.3	24.0	24.4	25.0	25.3
 <u>Scenario A-3</u>						
Base	13.8	15.4	15.6	15.4	15.2	15.1
Increased interest rate	14.6	18.0	18.6	18.2	18.4	18.2

This simulation illustrates the well-known fact that, unless there are excessively high or low fluctuations in interest rates, loan repayment periods have a much greater impact than lending rates on the associated debt-service obligations.

3.14 In order to examine the impact of a temporary drop in exports on financing needs and debt-service capacity, scenario A-3 was used to simulate stagnation (zero growth) in all export categories in 1997 and 1998, something that can always happen in the wake of adverse domestic or external circumstances. There would of course be a slackening of growth in both GDP and consumption, and consequently in import demand--all of them events allowed for in the simulation. Exports would rise again in 1999 at the initially projected rate, but from a weaker 1998 base. The total value of exports of goods and non-factor services at current prices would now be only US\$6,750 million in 2001 compared to the US\$7,750 million shown in the scenario as initially constructed.

3.15 In this case, unless Cameroon's investment rate fell below the figure assumed in the projection -- something to be avoided, since it would jeopardize the growth of the economy in subsequent years -- and unless imports were reduced, the resource gap (trade deficit) would average US\$256 million a year at current prices in 1997-2001, compared to US\$25 million in scenario A-3. Allowing for the cumulative effect of principal and interest payment obligations, the commercial financial credits required for 1997-2001 would amount to US\$312 million a year, against US\$12 million in scenario A-3. Assuming that the country's access to lending institutions enabled it to cover these additional needs, the debt service/export ratio (exports being lower than in the original A-3 scenario) would reach 20.3 percent in 2001 as against 15.1 percent in the original scenario. The ratio of mobilized and outstanding debt to GDP would be 28.6 percent, against 22.6 percent in scenario A-3. Although high, such ratios would be manageable.

3.16 In view of the serious financial constraint Cameroon will face when it not only ceases to export oil but must import it to meet the domestic demand for petroleum products, it is advisable to look at what advantages there might be in lowering the country's rate of oil production, provided this is technically feasible and the contracts with the production companies allow it. The aim of such a conservation policy would be to meet

the domestic demand for oil products for as long as possible so as to give the economy time to develop exports to levels high enough to make up for the loss of oil revenues and finance necessary oil imports. Obviously, this strategy would be viable only if oil prices can be expected to rise in real terms during the 1990s; this is generally considered likely by specialists and is assumed for the oil revenue projections of scenario A. In this scenario, the price of oil in constant 1984 dollars would be US\$15-16 a barrel from 1998 to 1990 (US\$13.6 in 1987) and would rise by 2.9 percent a year thereafter (table 24).

3.17 Taking scenario A-3 as a starting point, oil production and export figures are reduced by 1.5 million tons each year over the period 1987-90, the other economic variables remaining unchanged. The 6 million tons thus saved would be extracted at a rate of 1 million tons a year over the six years from 1994 to 1999. External financing needs would of course be greater in 1987-91 in this scenario (an additional US\$160 million a year on average). The debt-service ratio would rise to a peak of about 22 percent in 1993, against 15.4 percent in scenario A-3. It would then drop gradually to reach the same level as in scenario A-3 in 2001, external financing needs being lower by then. For the present assumptions regarding future oil price developments, such a conservation policy would not appear to be justified.

3.18 Since a country's external borrowing capacity depends on its future export earnings and government revenues, it is by definition impossible to quantify this capacity accurately for a given year or period. However, a useful indicator is available, the ratios of new commitments and disbursements to exports of goods and services of the previous year. Provided that average export growth of approximately 10 percent a year at current prices can be expected over the long term (which is the case for 1991-2001 in the economic projections scenario), and given the optimum pattern of borrowing from the various sources proposed in scenario A-3, examination of the various simulations suggests a practical criterion for decision-makers, namely that in any given year borrowing should be limited to 26-27 percent of previous-year export earnings in commitment terms and 22-23 percent in disbursement terms so as to keep the debt service ratio at 15-16 percent over the long term. By comparison, the ratios of new commitments in public and publicly guaranteed loans, and of disbursements, to previous-year export earnings averaged 20 percent and 17.7 percent, respectively, over the period 1978-84.

3.19 In order to limit the effect of the foreign exchange risk on external debt service obligations, a country should borrow in the currencies earned by its exports. At present, 80 percent of Cameroon's non-oil exports go to Europe, and although statistical data on this point are not available, its oil export transactions are probably denominated in dollars. With the expected decline in Cameroon's oil exports, the following changes are likely to take place in export destination:

	<u>Percentage Composition</u>		
	<u>1985</u>	<u>1991</u>	<u>1996</u>
UDEAC and other countries	7	18	24
Europe	27	62	76
Oil in dollars	<u>66</u>	<u>20</u>	<u>-</u>
	100	100	100

The conclusion is that from 1987 onward Cameroon would be well advised to borrow mainly in ECUs whenever possible. The advantage of the ECU, besides being well in line with the mix of Cameroon's export currencies, is that it is based on a basket of currencies and so cushions the impact of any fluctuations in one or more of them.

STATISTICAL APPENDIX

1. POPULATION AND EMPLOYMENT

- 1.1 Basic Population Statistics, 1984
- 1.2 Public Service Employment, 1974/75-1984
- 1.3 Public Sector Employment, 1984

2. NATIONAL ACCOUNTS

- 2.1 Gross Domestic Product by Industrial Origin at Current Market Prices; 1978-1985
- 2.2 Gross Domestic Product by Industrial Origin at Constant 1979/80 Prices; 1978-1985
- 2.3 Implicit Price Deflators; 1978-1985
- 2.4 Origin and Use of Resources; 1978-1985
- 2.5 Origin and Use of Resources; at constant 1979/80 prices; 1978-1985
- 2.6 Implicit Price Deflators for Use of Resources; 1978-1985

3. EXTERNAL ACCOUNTS

- 3.1 Balance of Payments (Current Account); 1978-1985
- 3.2 Balance of Payments (Capital Account); 1978-1985
- 3.3 Volume of Exports by Type of Product; 1978-1985
- 3.4 Value of Exports by Type of Product; 1978-1985
- 3.5 Implicit Price Index of Exports by Type of Product (1980 = 100); 1978-1985
- 3.6 Value of Imports by Product Group; 1978-1985
- 3.7 Implicit Index of Imports by Product Group (1980 = 100); 1978-1985
- 3.8 Direction of Trade - Non-Oil Exports (%); 1978-1984
- 3.9 Direction of Trade - Imports (%); 1978-1984

4. EXTERNAL PUBLIC DEBT

- 4.1 Outstanding Public and Publicly Guaranteed External Debt, including undisbursed as of December 31, 1985
- 4.2 Service Payments, Commitments, Disbursements and Outstanding Amounts of External Public Debt; December 1985

5. PUBLIC FINANCE

- 5.1 Budgetary Revenue; 1978-1985
- 5.2 Budgetary Expenditure; 1978-1985
- 5.3 Functional Classification of Current Budgetary Expenditures; 1980-1985

6. MONETARY STATISTICS

- 6.1 Monetary Survey - Liabilities; 1978-1985
- 6.2 Monetary Survey - Assets; 1978-1985
- 6.3 Credit to the Economy; 1978-1985
- 6.4 Sectoral Distribution of Credits to the Economy; 1978-1985

7. WAGES AND PRICES

- 7.1 Index of Consumer Prices in Yaounde; 1975-1985
- 7.2 Index of Consumer Prices in Douala; 1975-1985
- 7.3 Structure of Minimum Salaries; 1978-1985

8. INDUSTRY

- 8.1 Industrial Production; 1980-1985
- 8.2 Index of Industrial Production (1974/75 = 100); 1978-1985

9. AGRICULTURE

- 9.1 Production and Surfaces of Major Cash Crops; 1979-1985
- 9.2 Production of Main Food Crops in the Traditional Sector;
1979-1985
- 9.3 Producer Prices; 1970-1985
- 9.4 Export Prices of Main Products; 1978-1985

10. OTHER SECTORS

- 10.1 Selected Transport Data; 1977-1985

Table 1.1.: BASIC POPULATION STATISTICS, 1984

Tableau 1.1: STATISTIQUES DEMOGRAPHIQUES, 1984

<u>1. Population by Age Group</u> (June 30, 1984)			<u>Percent</u>	<u>1. Population par groupe d'âge</u> (30 juin 1984)		
0 - 14	4,062,000	42.9		0 - 14		
15 - 59	4,838,400	51.1		15 - 59		
60 and over	<u>568,100</u>	<u>6.0</u>		60 et plus		
TOTAL	9,468,500	100.0		TOTAL		
 <u>2. Population by Sex</u> (June 30, 1984)				 <u>2. Population par sexe</u> (30 juin 1984)		
Male	4,656,400	49.1		Masculine		
Female	<u>4,812,100</u>	<u>50.9</u>		Féminine		
TOTAL	9,468,500	100.0		TOTAL		
 <u>3. Rural and Urban Population</u> (June 30, 1984)				 <u>3. Population rurale et urbaine</u> (30 juin 1984)		
Urban	3,351,900	35.4		Urbaine		
Rural	<u>6,116,600</u>	<u>64.6</u>		Rurale		
TOTAL	9,468,500	100.0		TOTAL		

Source: Direct communication to the World Bank and estimates.

Table 1.2: PUBLIC SERVICE EMPLOYMENT, 1974/75-1984 /a
 Tableau 1.2: EFFECTIFS DE LA FONCTION PUBLIQUE, 1974/75-1984 /a

	1974/75	1975/76	1976/77	1977/78	1978/79	1981	1982	1983	1984	
Established Personnel (1)	19672.0	22342.0	24193.0	25514.0	30064.0	36919.0	40200.0	43903.0	48883.0	Fonctionnaires (1)
Category A	2732.0	7295.0	8163.0	8844.0	9894.0	5279.0	6002.0	6948.0	7813.0	Catégorie A
Category B	4362.0	..	..	..	6302.0	7973.0	9125.0	10641.0	11954.0	Catégorie B
Category C	6124.0	7258.0	8048.0	8600.0	10770.0	13324.0	14403.0	15070.0	16542.0	Catégorie C
Category D	6914.0	7789.0	7982.0	8070.0	9108.0	10343.0	10670.0	11344.0	12574.0	Catégorie D
Contractual Employees (2)	3444.0	3436.0	4452.0	4905.0	5854.0	7088.0	7704.0	8902.0	9847.0	Contractuels (2)
Employees Recruited by Decisions and Auxiliary Employees	37980.0	..	50200.0	..	58488.0	61900.0	66730.0	71558.0	76387.0	Employés Recrutés sur décisions et Auxiliaires
Local Council Employees	11385.0	n.a	7300.0	n.a	6700.0	n.a	n.a	n.a	n.a	Agents de Collectivités Locales
TOTAL (3)	72481.0	n.a	86145.0	n.a	101106.0	105907.0	114634.0	124363.0	135117.0	TOTAL (3)

Source: Cameroon Fifth Development Plan, Vol. 5; direct communication to the World Bank.

(a) from 1981 to 1984: end-of-year figures.

(a) de 1981 à 1984: fin de la période.

(1) Civil Service jobs are ranked by degree of responsibility:

(1) Les effectifs de la fonction publique sont classés selon leurs responsabilités:

- A - Management, policy-making and control duties
- B - Organization and execution duties
- C - Specialized functional duties
- D - Routine functional duties

- A - Formulation de politique, gestion et contrôle
- B - Organisation et exécution
- C - Fonctions spécialisées
- D - Fonctions ordinaires

(2) Contractual employees are hired on fixed-term contract. Most are subsequently absorbed into permanent grades.

(2) Les contractuels sont employés pour une durée fixe. La majorité d'entre eux deviennent des employés permanents.

(3) Estimates.

(3) Estimations.

Table 1.3: PUBLIC SECTOR EMPLOYMENT 1984

Tableau 1.3: EMPLOI DANS LA FONCTION PUBLIQUE, 1984

	Number/ Nombre	Percent/ Pourcentage	
Presidency	1183	0.9	Presidence
National Security	1619	8.6	Sécurité Nationale
Education	42150	31.2	Éducation
Health	16117	11.9	Santé
Territorial Management	10563	7.8	Aménagement du Territoire
Finances	10312	7.6	Finances
Agriculture	9430	7.0	Agriculture
Equipment	6829	5.1	Équipement
Posts & Telecommunications	4957	3.7	Postes et télécommun.
Justice	2783	2.1	Justice
Youth & Sports	2492	1.8	Jeunesse et sports
Urbanism & Housing	2347	1.7	Urbanisme et habitat
Livestock & Fisheries	2116	1.6	Élevage, pêche
Information & Culture	1492	1.1	Information, culture
Planning	1290	0.9	Plan
Defense	1093	0.8	Défense
Public Works	1014	0.7	Travaux publics
Trade & Industry	939	0.7	Commerce et Industrie
Other <u>1/</u>	<u>6436</u>	<u>4.8</u>	Autres <u>1/</u>
TOTAL	135117	100.0	TOTAL

1. Foreign affairs, higher education, social affairs, tourism, transport, women's affairs and social and economic council.

1. Affaires étrangères, éducation supérieure, affaires sociales, tourisme, transportation, questions féminines, conseil économique et social.

Source: Ministry of Planning

Table 2.1: GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN
(current market prices: in billion of CFA Francs)

Tableau 2.1 : PRODUIT INTERIEUR BRUT PAR BRANCHE D'ACTIVITE
(aux prix courants du marche: en milliards de francs CFA)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85 1)
Agriculture, Fisheries, Forestry	305.30	359.20	404.40	488.10	586.70	607.10	702.00	785.34
Mining and Oil	7.20	33.20	105.80	201.50	263.10	400.50	520.50	654.29
Manufacturing	86.70	101.90	124.10	173.70	247.00	290.90	358.50	448.46
Electricity, Gas, Water	11.00	14.30	16.80	17.50	22.20	30.10	35.20	46.66
Construction	40.70	68.00	84.40	103.30	125.00	145.80	192.60	220.71
Trade, Restaurants, Hotels	154.60	183.50	202.30	232.30	249.30	310.70	414.90	476.06
Transport and Communications	75.60	77.60	90.00	103.60	119.30	128.80	147.30	169.64
Public Administration	74.30	84.90	99.80	110.30	135.30	171.80	212.80	244.98
Other Services	141.90	159.00	206.10	263.40	298.60	385.50	438.20	495.9
Import Duties	70.80	64.40	76.50	102.60	126.40	146.80	173.00	197.08
Gross Domestic Product	968.10	1146.00	1410.20	1796.30	2172.90	2618.00	3195.00	3739.12
<u>Memorandum Item:</u>								
Non-Oil GDP	960.90	1112.80	1304.40	1594.80	1909.80	2217.50	2674.50	..

1) Estimates

Source: National Accounts and Mission estimates.

1) Estimations

Pour memoire:

PIB non-petrolier

Table 2.2: GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN
(at constant 1979/80 prices: in billion CFAF)

Tableau 2.2 : PRODUIT INTERIEUR BRUT PAR BRANCHE D'ACTIVITE
(aux prix constants 1979/80: en milliards de CFCF)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85 1)	
Agriculture, Fisheries, Forestry	326.87	375.69	404.40	460.47	478.16	441.85	427.27	469.70	Agriculture, pêche et forêts
Mining and Oil	14.93	52.58	105.80	159.30	170.42	247.65	284.57	318.70	Industries extractives et pétrole
Manufacturing	109.36	113.31	124.10	164.50	221.47	236.18	269.65	296.60	Industries manufacturières
Electricity, Gas, Water	12.87	16.16	16.80	16.96	22.38	20.05	22.29	24.20	Electricité, gaz, eau
Construction	46.67	70.61	84.40	90.53	98.04	102.75	113.23	121.20	Bâtiments et travaux publics
Trade, Restaurants, Hotels	178.91	196.36	202.30	210.70	199.54	220.70	267.94	288.00	Commerce, hôtels, restaurants
Transport and Communications	86.70	83.62	90.00	95.57	106.04	107.33	111.59	120.40	Transports et communications
Public Administration	88.45	94.54	99.80	101.19	111.22	123.56	133.75	145.30	Administration
Other Services	164.22	170.14	206.10	238.91	238.99	273.83	282.98	300.00	Autres services
Import Duties	76.55	59.76	76.50	89.33	87.78	85.74	97.60	100.50	Droits et taxes à l'importation
Gross Domestic Product	1105.53	1232.77	1410.20	1627.47	1734.04	1859.65	2010.87	2184.60	Produit intérieur brut
<u>Memorandum:</u>									
Non-Oil GDP	1090.60	1180.20	1304.20	1468.17	1563.61	1612.00	1726.30	1865.90	Produit intérieur brut - non pétrolier

1) Mission estimates based on production data in selected sectors

Source: National Accounts and mission estimates.

Table 2.3 : IMPLICIT PRICE DEFLATORS
 Tableau 2.3 : INDICES DE DEFLETEURS DES PRIX
 (1979/80 = 100)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	
Agriculture, Fishing & Forestry	93.4	95.6	100.0	106.0	122.7	137.4	164.3	167.2	Agriculture
Mining & Oil	48.2	63.1	100.0	126.5	154.4	161.7	182.9	205.3	Industries extractives et pétrole
Manufacturing	79.3	89.9	100.0	105.6	111.5	123.2	133.0	151.2	Industries manufacturières
Electricity, Gas & Water	85.5	88.5	100.0	103.2	99.2	150.1	157.9	192.8	Electricité, gaz, eau
Construction	87.2	96.3	100.0	114.1	127.5	141.9	170.1	182.1	Bâtiments/travaux publics
Trade & Restaurant	86.4	93.5	100.0	110.3	124.9	140.8	154.9	165.3	Commerce/restaurants
Transport & Communication	87.2	92.8	100.0	108.4	112.5	120.0	132.0	140.9	Transport/communications
Public Administration	84.0	89.8	100.0	109.0	121.7	139.0	159.1	168.6	Administration publique
Other Services	86.4	93.5	100.0	110.3	124.9	140.8	154.9	165.3	Autres services
Import Duties	92.5	107.8	100.0	114.9	144.0	171.2	177.3	196.1	Droits et taxes à l'importation
Gross Domestic Product	87.6	93.0	100.0	110.4	125.3	140.8	158.9	171.2	Produit intérieur brut

Source: National accounts and mission estimates.

Table 2.4: ORIGIN AND USE OF RESOURCES
(current prices; in CFAP billion)

Tableau 2.4; ORIGINE ET EMPLOI DES RESSOURCES
(aux prix courants: en milliards de FCFAF)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	
GDP	968.10	1146.00	1410.20	1796.30	2172.90	2618.00	3195.00	Produit intérieur brut
Imports of goods	214.50	256.20	303.80	379.20	381.40	413.60	463.50	Importations de biens
Imports of nonfactor services	81.40	99.40	123.30	182.70	223.60	261.60	294.40	Importations de services non facteurs
Total resources	<u>1264.00</u>	<u>1501.60</u>	<u>1837.30</u>	<u>2358.20</u>	<u>2777.90</u>	<u>3293.20</u>	<u>3952.90</u>	Total des ressources
Private consumption	673.50	847.30	1026.60	1194.50	1448.10	1567.40	1776.90	Consommation privée
Public consumption	102.80	116.30	136.80	159.10	191.90	248.70	306.40	Consommation publique
Gross fixed investment	204.70	251.70	282.40	441.40	507.20	654.50	809.50	Formation brute du capital fixe
Change in stocks	34.10	20.90	13.50	47.00	31.50	25.60	19.40	Variation des stocks
Exports of goods	190.10	198.90	296.70	414.90	479.80	649.00	851.80	Exportations de biens
Exports of nonfactor services	58.80	66.50	81.30	101.30	119.40	148.00	188.90	Exportations de services non facteurs
Total uses	<u>1264.00</u>	<u>1501.60</u>	<u>1837.30</u>	<u>2358.20</u>	<u>2777.90</u>	<u>3292.20</u>	<u>3952.90</u>	Total des emplois

Source: National accounts and mission estimates.

Table 2.5 : ORIGIN AND USE OF RESOURCES
(et constant 1979-80 prices : in CFAF billion)

Tableau 2.5 : ORIGINE ET EMPLOI DES RESSOURCES
(aux prix constants 1979-80 : en milliards de CFAF)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85 (1)	
Gross Domestic Product	1105.53	1232.77	1410.20	1627.46	1734.04	1859.64	2010.87	2184.60	Produit intérieur brut
Terms of Trade Effect	37.60	-12.90	0.00	-12.22	0.75	-27.75	24.61	10.98	Effet des termes de l'échange
Gross Domestic Income	<u>1143.13</u>	<u>1219.87</u>	<u>1410.20</u>	<u>1615.24</u>	<u>1734.79</u>	<u>1831.89</u>	<u>2035.48</u>	<u>2195.58</u>	Revenu intérieur brut
Resource Gap	55.04	97.88	49.10	39.79	4.27	-76.65	-166.92	-242.62	Déficit en ressources
Imports of Goods & non Factor Services	346.49	385.89	427.10	489.29	445.64	424.89	447.35	434.52	Importations
Exports of Goods & non Factor Services	253.77	300.90	378.00	461.72	440.62	529.29	589.65	666.17	Exportations
Capacity to Import	291.45	288.01	378.00	449.49	441.37	501.54	614.27	677.14	Capacité à importer
Available Resources	<u>1198.23</u>	<u>1317.77</u>	<u>1459.30</u>	<u>1655.10</u>	<u>1739.04</u>	<u>1755.25</u>	<u>1868.51</u>	<u>1952.96</u>	Ressources disponibles
Private Consumption	797.70	921.38	1026.60	1091.37	1155.52	1121.41	1176.91	1211.19	Consommation privée
Public Consumption	122.38	129.51	136.80	145.96	157.75	178.87	192.58	203.20	Consommation publique
Total Consumption	920.08	1050.89	1163.40	1237.33	1313.27	1300.27	1369.49	1369.49	Consommation totale
Gross Fixed Investment	238.47	246.02	282.40	377.52	400.92	437.88	487.79	526.50	Formation brute de capital fixe
Change in Stocks	39.73	20.43	13.50	40.20	24.90	17.13	12.48	12.06	Variation des stocks
Total Investment	278.19	266.45	295.90	417.72	425.82	455.01	500.27	538.56	Investissement total
Total Uses	<u>1198.28</u>	<u>1317.34</u>	<u>1459.30</u>	<u>1655.05</u>	<u>1739.09</u>	<u>1755.29</u>	<u>1869.76</u>	<u>1952.95</u>	Investissement total

(1) Mission estimates.

Source: National accounts and mission estimates.

Table 2.6: IMPLICIT PRICE DEFLATORS FOR USE OF GROSS DOMESTIC PRODUCT
 Tableau 2.6: INDICES IMPLICITES DE DEFLATION DES PRIX POUR LES EMPLOIS DU PRODUIT INTERIEUR BRUT

(1979/80 = 100)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	
Gross Domestic Product	87.6	93.0	100.00	110.4	125.3	146.8	158.9	171.2	Produit Intérieur Brut
Import	85.4	92.2	100.00	114.8	135.8	158.9	169.4	195.4	Importations
Private Consumption	84.4	92.0	100.00	109.5	125.3	139.8	151.0	162.4	Consommation Privée
Public Consumption	84.0	89.8	100.00	109.0	121.7	139.0	159.1	168.6	Consommation Publique
Gross Fixed Investment	85.8	102.3	100.00	116.9	126.5	149.5	166.0	165.8	Formation Brute de Capital Fixe
Export Price	98.1	88.2	100.00	111.8	136.0	150.6	176.5	198.6	Exportations de Biens et Services
Construction Cost	87.2	96.3	100.00	114.1	127.5	141.9	170.1	182.1	Construction
Equipment Import	84.4	109.9	100.00	119.8	125.6	157.7	161.1	178.2	Equipements Importés
Terms of Trade	114.9	95.7	100.00	97.4	100.1	94.8	104.2	101.6	Termes de l'Echange

Source: National accounts and mission estimates.

Table 3.1: BALANCE OF PAYMENTS

Tableau 3.1: BALANCE DES PAIEMENTS (COMPTE COURANT)

(billion CFAF/milliards CFA)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
RESOURCE BALANCE	-47.00	-90.16	-49.16	-45.71	-5.78	121.70	282.78	474.13
Merchandise Trade (net)	-24.40	-57.26	-7.16	35.69	98.42	235.30	388.28	581.33
Exports (F.O.B)	190.09	198.91	296.66	414.86	479.79	648.97	851.87	1093.94
Imports (F.O.B)	214.49	256.17	303.82	379.17	381.37	413.67	463.54	512.61
Non-Factor Services (net)	-22.60	-32.90	-42.00	-81.40	-104.20	-113.60	-105.50	-107.20
Receipts	58.80	66.50	81.30	101.30	119.40	148.00	188.90	229.30
Payments	81.40	99.40	123.30	182.70	223.60	261.60	294.40	336.50
Factor Service Income (net)	-17.70	-20.60	-34.20	-62.10	-93.90	-140.00	-171.80	-162.00
Worker's Remittances (net)	-3.30	-1.70	-2.30	1.80	-0.40	-1.90	-0.70	0.80
Investment Income (net)	-14.40	-18.90	-31.90	-63.90	-93.50	-138.10	-171.10	-162.80
Receipts	3.60	3.20	4.40	5.80	3.90	4.50	19.20	19.60
Payments	-18.00	-22.10	-36.30	-69.70	-97.40	-142.60	-190.30	-182.40
Interest on Public Debt	-8.50	-11.30	-17.30	-26.00	-35.60	-38.30	-40.90	-48.80
Interest on Private Debt	-0.90	-1.60	-2.60	-4.10	-6.70	-12.50	-20.80	-26.90
Foreign Oil Earnings	0.00	-0.80	-6.70	-22.20	-32.80	-40.60	-48.20	-60.70
Other Payments	-8.60	-8.40	-9.70	-17.40	-22.30	-51.20	-80.40	-46.00
Current Transfer (net)	5.00	3.00	0.70	2.50	-4.70	-1.20	-2.20	-17.60
CURRENT ACCOUNT BALANCE	-59.70	-107.76	-82.66	-105.31	-104.38	-19.50	108.78	294.53
BALANCE EN RESSOURCES								
Balance Commerciale								
Exportation (FOB)								
Importation (FOB)								
Services Nets Non-Facteurs								
Recettes								
Paievements								
Revenus Nets des Services Facteurs								
Transferts Nets des Salaires								
Revenus Nets de l'Investissement								
Recettes								
Paievements								
Dont: Int. Dette Pub.et Car.								
Int. Dette Privée								
Transf. des Comptes Pét.								
Autres Paievements								
Transferts Courants Nets								
BALANCE COURANTE								

Sources: Data supplied by the Ministry of Finance.

National Accounts.

World Bank Debt Data.

Mission Estimates.

Table 3.2: BALANCE OF PAYMENTS (CAPITAL ACCOUNT)
 Tableau 3.2: BALANCE DES PAIEMENTS (COMPTE DES CAPITAUX)
 (Billion CFAF/Billiards FCFA)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
Total Non-monetary Capital (net)	75.3	82.2	92.7	112.3	141.2	176.9	142.4	-16.2
Private Non-monetary Capital (net)	7.1	12.7	23.7	25.9	96.8	153.0	169.9	66.5
Direct Foreign Investment (net)	1.2	10.0	22.0	30.5	27.6	92.1	92.1	-21.7
Credit	9.8	13.8	24.4	38.2	38.1	72.8	102.4	50.5
Debit	-8.6	-3.8	-2.4	-5.7	-10.5	-15.0	-10.3	-72.2
MLT Non-Guaranteed Debt (net)	5.8	12.4	8.9	10.1	25.4	61.2	74.1	57.8
Disbursements	7.7	15.2	13.8	17.8	37.8	79.6	102.5	96.7
Amortization	-1.9	-2.8	-4.9	-7.7	-12.4	-18.4	-28.4	-38.9
Short Term Capital (net)	0.1	-9.7	-7.2	-14.7	43.8	34.0	3.7	30.4
Credit	10.0	5.7	12.1	23.2	65.2	80.5	107.8	112.5
Debit	-9.9	-15.4	-19.3	-43.9	-21.4	-46.5	-104.1	-82.1
Official Capital (net)	68.2	69.5	69.0	86.4	44.4	23.9	-27.5	-82.7
MLT Public and Guaranteed Debt (net)	68.1	76.1	97.8	86.5	44.4	23.9	29.9	2.3
Disbursements	79.1	91.0	114.1	106.6	79.1	69.3	76.1	76.0
Amortization	-11.0	-14.9	-16.3	-20.1	-34.7	-45.4	-46.2	-73.7
Short-term Capital (net)	0.1	-0.9	0.2	-0.1	0.0	0.0	0.0	-0.2
Credit	0.4	0.1	0.3	0.0	0.0	0.0	0.0	0.0
Debit	-0.3	-1.0	-0.1	-0.1	0.0	0.0	0.0	-0.2
Other Capital (net)	0.0	-5.7	-29.0	0.0	0.0	0.0	-57.4	-84.8
Monetary Capital (net)	-16.2	12.9	-12.3	0.5	23.3	-13.0	-59.1	-84.9
Credit	0.1	13.3	0.0	5.2	49.4	10.3	5.6	5.6
Debit	-16.3	-0.4	-12.3	-4.7	-26.1	-23.3	-64.7	-90.5
Errors & Omissions (net) ^{a/}	11.0	4.6	26.2	-31.2	-75.2	-70.9	-242.2	-176.3
Overall Balance	10.4	-8.1	24.0	-23.7	-15.1	73.6	-50.1	17.1
Memorandum items:								
Net foreign reserves	14.9	-9.3	22.8	10.0	-28.2	59.3	-0.6	

^{a/} Including oil sector capital flows

Sources: Data supplied by the Ministry of Finance.
 World Bank Debt Data.
 Mission estimates.

^{a/} y compris mouvements de capitaux du secteur pétrolier.

Table 3.3: VOLUME OF EXPORTS BY TYPE OF PRODUCT
 Tableau 3.3: VOLUME DES EXPORTATIONS PAR TYPE DE PRODUITS
 (metric tons)/(en tonnes metriques)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1983/84	1985/86
Cocoa Total	85,901	84,674	87,289	108,913	80,179	107,331	102,104	107,781	96,681
Cocoa Beans	64,851	66,865	65,942	91,230	69,237	95,038	89,675	97,346	..
Cocoa Butter	7,630	6,327	5,700	4,213	3,539	4,437	4,879	2,794	..
Cocoa Cake	13,620	11,482	15,647	13,470	7,403	7,856	7,550	7,641	..
Total Coffee	69,895	81,846	99,788	102,125	72,502	99,944	95,616	95,420	100,427
Arabica	15,083	18,275	28,779	27,985	27,083	22,009	28,371	21,590	..
Robusta	54,278	62,120	69,639	73,743	45,416	77,600	66,372	72,252	..
Roasted	554	1,451	1,370	417	3	335	873	1,578	..
Logs & Wood Products	583,372	517,910	662,387	541,058	444,118	384,372	332,866	653,460	452,519
Logs	488,501	400,239	522,706	417,441	337,242	299,708	261,703	531,237	..
Wood Products	96,870	117,671	139,681	123,617	111,876	84,664	71,163	102,203	..
Tobacco	2,407	2,259	1,900	1,310	1,672	1,224	1,167	1,281	1,387
Cotton	13,296	15,558	24,674	29,698	27,564	27,550	22,534	21,387	23,256
Natural Rubber	10,585	4,513	5,672	4,238	3,717	13,637	12,752	19,135	15,869
Natural Bananas	76,813	75,559	73,400	55,439	53,677	52,330	52,321	54,016	55,764
Palm Oil and Palm Kernels	10,537	18,979	17,551	15,068	13,218	10,836	12,133	23,963	11,794
Other Agricultural Goods	4,405	4,402	4,168	14,026	7,109	11,481	12,998	..	..
Oil	121,733	993,059	1,905,045	3400,000	4,000,000	4,940,000	6,070,000	7,330,000	..
Aluminium	16,550	19,613	20,126	10,361	13,165	71,964	57,141	66,230	..
Metal Products	16,141	8,315	14,859	19,096	26,390	18,106	19,506	..	..
Chemical Products	8,411	6,220	11,655	9,227	11,947	10,656	17,527	..	..
Electrical & Mechanical Equipment	4,740	2,557	3,513	4,497	2,778	5,332	20,020	..	..
Textiles	3,118	4,118	3,321	3,939	4,633	3,114	4,066	..	..
Transport Equipment	350	224	609	768	598	528	712	..	..
Other Manufactured Goods	13,326	22,720	6,132	5,941	7,026	7,323	11,974	..	..

Sources: Annual Statistical Note.
 National Accounts.
 Mission estimates.

Table 3.4: VALUE OF EXPORTS BY TYPE OF PRODUCT

Tableau 3.4: VALEUR DES EXPORTS PAR TYPE DE PRODUITS
(CFAF millions/millions FCAF)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
Agricultural Products and Semi-Processed Goods									
Total Cocoa	68,869	60,831	58,003	53,645	43,931	57,086	88,959	106,517	95,712
Cocoa Beans	47,522	45,221	40,333	42,388	36,926	48,109	74,655	94,713	
Cocoa Butter	7,727	5,854	6,692	5,279	4,123	5,807	8,285	5,663	
Cocoa Cake	13,620	9,756	10,978	5,978	2,882	3,170	6,019	6,141	
Total Coffee	53,954	49,994	68,167	60,111	45,283	71,183	94,830	111,201	112,949
Arabica	14,552	11,646	21,310	16,956	17,996	18,744	30,393	28,865	
Robusta	39,044	37,587	46,100	42,896	27,283	52,225	63,844	81,268	
Roasted	358	761	757	259	4	214	593	1,068	
Logs & Wood Products	23,019	21,972	33,132	28,518	25,365	22,359	17,227	36,118	32,780
Logs	17,258	14,582	22,335	17,839	14,878	13,076	10,272	24,914	
Wood Products	5,761	7,390	10,797	10,679	10,487	9,283	6,955	11,204	
Other Major Commodities	17,307	17,758	22,726	22,192	29,557	32,725	37,893	37,948	29,384
Tobacco	3,600	2,242	3,270	3,399	3,322	3,032	3,702	5,356	4,429
Cotton	5,551	6,409	10,724	14,339	16,753	18,120	19,992	12,983	12,403
Natural Rubber	2,318	1,003	1,621	1,178	964	3,827	5,082	6,878	4,461
Bananas	5,150	6,021	5,350	1,871	6,676	6,707	8,092	10,819	6,978
Palm Oil & Palm Kernels	888	2,083	1,761	1,405	1,842	1,039	1,025	2,012	1,113
Other Agricultural Goods	1,319	938	1,264	2,320	1,116	1,390	2,562	2,585	
Mineral Commodities	6,531	28,041	87,793	219,727	306,197	434,008	570,463	746,959	
Oil	2,745	23,180	85,286	216,005	301,847	410,981	543,456	721,829	
Aluminium	3,786	4,861	4,527	3,722	4,750	28,328	31,792	32,462	
Manufactured Goods	15,462	15,863	20,312	20,965	25,165	27,277	36,944	51,150	
Metal Products	4,852	3,143	5,944	6,132	6,096	5,776	7,552	..	
Chemical Products	2,370	2,234	4,246	4,487	4,179	5,427	7,407	..	
Electrical & Mechanical Equipment	2,864	1,957	2,748	3,457	3,489	5,940	10,294	..	
Textiles	3,268	5,277	4,577	3,800	7,376	6,178	8,390	..	
Transport Equipment	3,354	351	1,090	1,074	1,064	1,102	8,582	..	
Other Manufactured Goods	1,754	2,899	1,707	2,015	2,961	2,854	2,719	..	
Other Merchandise Exports NEC	3,629	3,516	5,267	7,385	3,172	3,062	1,828	1,993	
TOTAL NON-OIL EXPORTS	187,345	175,733	213,398	198,858	178,339	238,109	305,252	373,042	
TOTAL EXPORTS	190,090	198,913	296,664	414,863	479,786	649,090	850,706	1,094,471	
Produits Agricoles et Produits Semi-Traités									
Total Cacao									
Cacao en fèves									
Beurre de Cacao									
Tourteaux de Cacao									
Total Café									
Arabica									
Robusta									
Café Torréfié									
Produits Forestiers									
Grumes									
Bois									
Autres Produits Principaux									
Tabac									
Coton									
Caoutchouc Naturel									
Bananes									
Huile de Palme et Noix de Palmiste ¹									
Autres Produits Agricoles									
Produits Minéraux									
Pétrole									
Aluminium									
Produits Manufacturés									
Produits Métalliques									
Produits Chimiques									
Équipement Électrique et Mécanique									
Textiles									
Équipement de Transport									
Autres Produits Manufacturés									
Autres Exportations de Marchandises NCA									
TOTAL DES EXPORTATIONS NON-PÉTRIOLIÈRES									
TOTAL DES EXPORTATIONS									

Sources: Annual Statistical Note.
National Accounts.
Mission estimates.

Table 3.5: IMPLICIT PRICE INDEX OF EXPORTS BY TYPE OF PRODUCT
 Tableau 3.5: INDICES IMPLICITES DES PRIX DES EXPORTATIONS PAR TYPE DE PRODUITS
 (1980 = 100)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	
Agricultural Commodities and Semi-Processed Goods									Produits Agricoles et Produits Semi-Traités
Cocoa Total	106.30	95.50	100.00	86.20	98.20	101.30	140.10	153.70	Total Cacao
Cocoa Beans	118.60	107.90	100.00	76.40	85.00	82.90	135.00	156.20	Cacao en fèves
Cocoa Beans	120.20	110.60	100.00	76.00	87.20	82.80	136.10	159.10	Beurre de Cacao
Cocoa Butter	86.30	78.80	100.00	106.70	99.20	111.50	144.60	172.60	Tourteau de Cacao
Cocoa Cake	142.50	121.10	100.00	63.30	55.50	57.50	113.60	114.60	
Coffee	113.80	90.20	100.00	86.20	90.30	104.90	144.90	171.90	Café
Arabica	130.50	86.10	100.00	81.90	89.70	115.00	144.70	180.60	Arabica
Robusta	108.70	91.40	100.00	87.90	90.70	101.70	145.30	169.90	Robusta
Roasted Coffee	116.90	94.90	100.00	112.40	261.30	115.60	122.90	122.50	Café Torréfié
Logs and Wood Products	81.20	83.90	100.00	104.10	111.00	115.50	103.30	114.80	Produits Forestiers
Logs	83.40	85.30	100.00	100.00	104.80	102.10	91.90	105.80	Grumes
Wood Products	75.40	81.20	100.00	111.80	121.30	141.80	126.40	141.80	Bois
Other Major Commodities	88.30	91.80	100.00	101.20	140.00	143.20	185.10	162.80	Autres Produits Principaux
Tobacco	86.90	57.70	100.00	150.80	115.40	143.90	184.30	238.40	Tabac
Cotton	96.10	94.80	100.00	111.10	139.80	151.30	204.20	139.70	Coton
Natural Rubber	70.00	77.80	100.00	97.30	90.70	98.50	139.40	125.80	Caoutchouc Naturel
Benanes	92.00	109.30	100.00	66.30	172.60	175.80	212.20	274.80	Bananes
Palm Oil and Palm Kernels	84.00	109.40	100.00	92.90	138.90	95.60	84.20	83.70	Huile de Palme et Huile d'Amende
Other Agricultural Goods	98.70	70.30	100.00	54.50	51.80	39.90	65.00	65.60	Autres Produits Agricoles
Mineral Commodities	72.20	58.60	100.00	145.60	172.20	187.00	205.00	222.80	Produits Minéraux
Oil	51.60	53.40	100.00	145.40	172.40	190.30	205.60	225.20	Pétrole
Aluminium	101.70	110.20	100.00	159.70	160.40	175.00	247.40	217.90	Aluminium
Manufactured Goods	70.70	79.30	100.00	91.30	95.00	120.80	92.20	105.80	Produits Manufacturés
Metal Products	75.10	94.60	100.00	80.30	57.70	79.70	96.80	0.00	Produits Métalliques
Chemical Products	77.30	98.60	100.00	133.50	96.00	139.80	116.00	0.00	Produits Chimiques
Electrical & Mechanical Equipment	77.20	97.80	100.00	98.30	160.60	142.40	65.70	0.00	Équipement Électrique et Mécanique
Textiles	76.00	93.00	100.00	70.00	115.50	144.00	149.70	0.00	Textiles
Transport Equipment	56.50	87.50	100.00	78.10	99.40	116.60	45.70	0.00	Équipement de Transport
Other Manufactured Goods	47.30	45.80	100.00	121.80	151.40	140.00	81.60	0.00	Autres Produits Manufacturés
Other Merchandise Exports NEC	89.10	87.90	100.00	142.40	90.80	83.00	126.60	139.00	Autres Exportations de Merchandises NCA
TOTAL NON-OIL EXPORTS	101.60	93.90	100.00	89.00	98.60	105.90	134.60	145.60	TOTAL DES EXPORTATIONS NON-PETR.
TOTAL EXPORTS	100.20	86.30	100.00	111.50	134.90	147.90	172.90	189.80	TOTAL DES EXPORTATIONS

Source: Derived from Tables 3.3, 3.4.

Table 3.6: VALUE OF IMPORTS BY PRODUCT GROUP 1/
 Tableau 3.6: VALEUR DES INFORMATIONS PAR GROUPE DE PRODUITS 1/
 (FCAF million/millions FCAF)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	
Consumption Goods	35,502	43,592	49,763	56,961	61,941	73,137	74,253	113,961	Biens de Consommation
Food, Beverages and Tobacco	13,781	17,358	16,803	18,434	19,325	23,630	29,187	43,479	Alimentation, Boissons, Tabac
Other Consumer Goods	21,721	26,233	32,959	38,527	42,616	49,506	45,066	70,481	Autres Biens de Consommation
Petroleum Products	22,169	22,597	38,420	56,114	18,747	5,722	6,961	3,720	Produits Pétroliers
Raw Materials	8,286	9,670	11,367	13,920	23,693	24,912	32,002	25,513	Matières Premières
Of Animal and Vegetable Origin	5,003	5,145	5,484	6,778	6,607	8,974	11,939	5,528	d'Origine Végétale et Animale
Of Mineral Origin	3,283	4,524	5,883	7,142	17,085	15,938	20,062	19,985	d'Origine Minérale
Intermediate Goods	81,145	99,803	124,471	142,318	169,237	187,925	202,065	189,332	Biens Intermédiaires
Semi-finished Goods	33,242	42,658	55,956	64,286	79,509	86,238	100,632	80,687	Produits Semi-Finis
Finished Goods	47,902	57,144	68,515	78,032	89,728	101,687	101,432	108,645	Produits Finis
Capital Goods	67,388	80,509	79,800	109,858	107,748	121,971	148,260	180,084	Biens d'Équipement
Agricultural Equipment	1,518	1,488	1,485	1,612	1,821	2,092	3,178	2,870	Équipement Agricole
Industrial Equipment	36,525	53,253	54,910	67,609	69,974	81,587	100,948	122,146	Équipement Industriel
Transport Equipment	29,345	25,767	23,404	40,635	35,952	38,292	44,134	55,067	Équipement de Transport
TOTAL IMPORTS	214,491	256,173	303,824	379,172	381,369	413,670	463,564	512,612	TOTAL DES INFORMATIONS

1/ Total import bill based on Ministry of Finance data.
 Distribution across product group based on National Accounts data.

Sources: National Accounts.
 Data from the Ministry of Finance.
 Mission estimates based on data for FY 1985 provided by the Ministry of Plan, National Accounts Division.

Table 3.7: IMPLICIT PRICE INDEX OF IMPORTS BY PRODUCT GROUP
 Tableau 3.7: INDICES IMPLICITES DES PRIX DES IMPORTATIONS PAR GROUPE DE PRODUITS 2/
 (1980 = 100)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	
Consumption Goods	93.3	94.6	100.0	97.6	139.2	154.2	165.8	187.9	Biens de Consommation
Food, Beverages and Tobacco	94.8	82.4	100.0	136.1	139.1	193.7	169.9	188.9	Alimentation, Boissons, Tabac
Other Consumer Goods	92.4	104.9	100.0	86.0	139.3	140.5	163.3	187.3	Autres Biens de Consommation
Petroleum Products	72.2	70.6	100.0	140.4	177.3	335.4	343.0	385.1	Produits Pétroliers
Raw Materials	91.5	84.3	100.0	113.7	151.9	188.3	176.2	199.0	Matières Premières
Of Animal and Vegetable Origin	94.0	85.6	100.0	107.3	144.8	165.0	152.5	166.7	d'origine Végétale et Animale
Of Mineral Origin	88.0	82.8	100.0	120.5	154.8	204.6	194.2	210.2	d'origine Minérale
Intermediate Goods	80.5	87.3	100.0	119.3	125.9	148.1	149.7	173.6	Produits Intermédiaires
Semi-finished Goods	77.1	85.7	100.0	118.5	126.5	148.0	139.4	159.9	Produits Semi-Finis
Finished Goods	83.1	88.6	100.0	120.0	125.5	148.2	161.5	185.4	Produits Finis
Capital Goods	85.0	104.9	100.0	112.3	132.1	161.0	164.8	188.8	Biens d'Équipement
Agricultural Equipment	93.6	87.1	100.0	27.6	139.5	172.7	184.7	211.9	Équipement Agricole
Industrial Equipment	96.0	98.4	100.0	112.2	158.0	167.1	169.8	194.8	Équipement Industriel
Transport Equipment	74.1	123.1	100.0	128.3	99.9	148.9	153.3	175.9	Équipement de Transport
TOTAL IMPORTS	83.2	91.3	100.0	115.7	133.1	156.1	159.9	183.8	TOTAL DES IMPORTATIONS

Sources: Derived from National Accounts, 1977/1978-1983/1984 and from Tables 3.7 and 3.9.
 Deflators for FY 1985 derived from World Bank commodity price data.

Table 3.8: DIRECTION OF TRADE - NON-OIL EXPORTS /1

Tableau 3.8: REPARTITION GEOGRAPHIQUE DU COMMERCE EXTERIEUR - EXPORTATIONS NON-PETROLIERES /1 (%)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
Africa	8.4	8.2	8.3	11.3	15.0	13.9	11.8	11.5
UDEAC	5.1	5.1	5.0	6.8	7.7	6.3	5.6	5.5
OTHER	3.3	3.1	3.3	4.4	7.3	7.6	6.2	6.0
Europe	82.8	83.6	79.7	75.4	74.0	76.3	80.1	82.8
Benelux	2.6	2.3	1.9	1.9	1.2	0.7	0.9	1.4
France	30.3	30.3	28.5	24.6	26.5	27.8	29.1	24.9
Germany	8.6	5.4	7.1	8.5	8.2	7.2	7.7	9.4
Italy	6.6	7.9	9.8	8.7	7.1	6.7	6.9	9.4
Netherlands	27.6	27.8	25.0	24.0	25.2	27.2	30.0	30.2
Spain	1.5	1.7	2.1	3.0	1.9	2.8	2.7	3.4
United Kingdom	2.0	2.5	2.1	1.4	1.1	1.0	1.2	1.0
Other	3.4	5.8	3.2	3.2	2.9	2.8	1.4	3.1
Japan	2.8	3.3	3.7	4.3	2.2	3.0	2.5	1.7
United States	4.3	3.8	6.8	6.0	6.2	3.0	2.5	2.2
Other	1.8	1.0	1.5	3.0	2.5	3.7	3.1	1.7
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

/1 Cameroon's principal clients for oil are the U.S.A. and France/

Les Etats-Unis et la France sont les principaux pays importateurs de pétrole provenant de Cameroun.

Source: Mission estimates based on Statistical Note.

Table 3.9: DIRECTION OF TRADE - IMPORTS
 Tableau 3.9: REPARTITION GEOGRAPHIQUE DE COMMERCE EXTERIEUR - IMPORTATIONS
 (%)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
African Countries	7.0	7.7	8.3	8.2	7.8	6.9	7.0	8.5
UDEAC	4.2	4.5	3.7	4.2	1.6	2.0	1.2	1.8
Other	2.8	3.2	4.6	4.0	6.2	4.9	5.8	6.7
Europe	72.7	73.0	71.8	68.7	70.0	71.4	72.9	67.0
Benelux	1.9	2.5	2.1	2.2	2.3	2.7	3.1	2.6
France	42.9	43.5	44.6	40.2	43.5	45.5	46.3	40.0
Germany	8.0	7.6	7.0	7.2	6.1	7.0	6.6	6.5
Italy	5.9	4.2	6.2	4.8	4.4	3.6	3.6	5.5
Netherlands	2.2	2.7	3.9	4.2	2.6	2.0	2.0	1.8
Spain	1.6	1.7	1.8	1.9	2.1	4.3	3.1	3.1
United Kingdom	4.9	3.6	2.8	3.2	3.5	3.1	3.7	2.4
Other	5.3	7.2	3.4	5.0	5.5	3.2	4.5	5.1
Japan	6.2	4.4	4.3	6.4	5.4	6.0	6.8	7.6
United States	5.7	5.3	5.1	5.8	7.5	7.5	7.5	10.7
Other	8.4	9.6	10.5	10.9	9.3	8.2	5.8	6.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Annual Statistical Note.

Table 4.1
EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC 31, 1985
INCLUDES ONLY DEBT COMMITTED 000000 - DEC 31, 1985
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)

CREDITOR TYPE	D E B T O U T S T A N D I N G		I N A R R E A R S	
	DISBURSED	UNDISBURSED	TOTAL	PRINCIPAL : INTEREST
SUPPLIERS CREDITS				
AUSTRIA	95,389	-	95,389	365
FRANCE	1,648	-	1,648	-
GERMAN DEM. REP.	3,031	-	3,031	-
ITALY	134	-	134	-
PORTUGAL	1,140	-	1,140	-
TOTAL SUPPLIERS CREDITS	101,342	-	101,342	365
FINANCIAL INSTITUTIONS				
BELGIUM	5,905	163	6,068	-
FRANCE	193,692	45,730	239,422	9,968
ITALY	10,778	7,139	17,917	-
MULTIPLE LENDERS	15,372	25,962	41,334	-
NETHERLANDS	29,787	-	29,787	-
SWITZERLAND	3,400	6,231	9,631	-
UNITED KINGDOM	39,517	2,925	42,442	4,407
UNITED STATES	5,161	-	5,161	-
TOTAL FINANCIAL INSTITUTIONS	303,612	88,150	391,762	14,375
MULTILATERAL LOANS				
AFRICAN DEV. BANK	42,172	51,970	94,142	-
AFRICAN DEV. FUND	25	18,527	18,552	-
BADEA/ABEDA	24,180	-	24,180	-
BK OF CEN. AFR STATE	2,393	-	2,393	-
EUROPEAN DEV. FUND	30,968	-	30,968	-
EUROPEAN INVEST BANK	44,900	23,825	68,725	-
IBRD	283,085	346,764	629,849	-
IDA	226,531	15,313	241,844	-
IMF TRUST FUND	27,403	-	27,403	-
INTL FUND ARG(IFAD)	9,996	-	9,996	-
ISLAMIC DEV. BANK	6,247	8,964	15,211	-
OPEC SPECIAL FUND	8,458	-	8,458	-
WEST AFR DEV BANK	578	-	578	-
TOTAL MULTILATERAL LOANS	708,936	465,363	1,174,299	-
BILATERAL LOANS				
ALGERIA	2,565	-	2,565	-
BELGIUM	-	4,468	4,468	-
CANADA	158,553	48,260	206,813	-
CHINA	46,852	-	46,852	-
DENMARK	15,946	2,167	18,113	-

NOTES: (1) ONLY DEBTS WITH AN ORIGINAL OR EXTENDED MATURITY OF OVER ONE YEAR ARE INCLUDED IN THIS TABLE.
(2) DEBT OUTSTANDING INCLUDES PRINCIPAL IN ARREARS BUT EXCLUDES INTEREST IN ARREARS

EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC 31, 1985

INCLUDES ONLY DEBT COMMITTED 000000 - DEC 31, 1985
 DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
 (IN THOUSANDS OF U.S. DOLLARS)

CREDITOR TYPE	D E B T O U T S T A N D I N G		I N A R R E A R S	
	DISBURSED	UNDISBURSED	TOTAL	PRINCIPAL : INTEREST
: B I L A T E R A L L O A N S				
FRANCE	302,191	97,666	399,857	661
GERMANY, FED. REP. OF	147,684	41,648	189,332	-
ITALY	11,326	6,412	17,738	-
JAPAN	-	17,897	17,897	-
KUWAIT	33,608	7,612	41,220	-
NETHERLANDS	902	1,623	2,525	-
QATAR	2,475	-	2,475	-
SAUDI ARABIA	34,136	22,238	56,374	-
SWITZERLAND	3,853	29,858	33,711	-
UNITED ARAB EMIRATES	574	3,785	4,359	-
UNITED KINGDOM	36,549	18,429	54,978	399
UNITED STATES	63,492	24,071	87,563	-
TOTAL BILATERAL LOANS	860,706	326,134	1,186,840	1,060

NOTES: (1) ONLY DEBTS WITH AN ORIGINAL OR EXTENDED MATURITY OF OVER ONE YEAR ARE INCLUDED IN THIS TABLE.
 (2) DEBT OUTSTANDING INCLUDES PRINCIPAL IN ARREARS BUT EXCLUDES INTEREST IN ARREARS

EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC 31, 1985

INCLUDES ONLY DEBT COMMITTED 000000 - DEC 31, 1985
 DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
 (IN THOUSANDS OF U.S. DOLLARS)

	D E B T O U T S T A N D I N G		I N A R R E A R S	
	DISBURSED	UNDISBURSED	TOTAL	PRINCIPAL : INTEREST
SUPPLIERS CREDITS	101,342	-	101,342	365 2,344
FINANCIAL INSTITUTIONS	303,612	88,150	391,762	14,375 11,379
MULTILATERAL LOANS	708,936	485,363	1,174,299	- -
BILATERAL LOANS	860,706	326,134	1,186,840	1,060 -
TOTAL EXTERNAL DEBT	1,974,596	879,647	2,854,243	15,800 13,723

NOTES: (1) ONLY DEBTS WITH AN ORIGINAL OR EXTENDED MATURITY OF OVER ONE YEAR ARE INCLUDED IN THIS TABLE.
 (2) DEBT OUTSTANDING INCLUDES PRINCIPAL IN ARREARS BUT EXCLUDES INTEREST IN ARREARS

Table 4.2

SERVICE PAYMENTS, COMMITMENTS, DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL P DEBT PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC 31, 1985
 INCLUDES ONLY DEBT COMMITTED 00000 - 1985:12
 DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
 (IN THOUSANDS OF U.S. DOLLARS)

DATE	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD						OTHER CHANGES	
	DISBURSED ONLY (1)	INCLUDING UNDISBURSED (2)	COMMITMENTS (3)	DISBURSEMENTS (4)	PRINCIPAL (\$)	SERVICE PAYMENTS INTEREST (6)	TOTAL (7)	CANCELATIONS (8)	ADJUSTMENT ** (9)	
198012	2,048,557	2,639,907	356,086	573,483	82,016	104,106	186,122	1,961		
198112	2,036,377	2,597,768	357,163	332,744	88,939	116,824	205,763	11,482	-298,881	
198212	1,945,308	2,642,011	367,611	200,429	145,777	123,505	269,282	1,608	-175,983	
198312	1,829,088	2,506,721	212,136	191,870	111,000	92,898	203,898	1,037	-235,389	
198412	1,737,650	2,449,831	273,209	181,368	114,739	107,143	221,882	22,634	-192,726	
198512	1,974,596	2,854,243	293,494	182,378	144,802	93,176	237,978	15,489	271,209	
*** THE FOLLOWING FIGURES ARE PROJECTED ***										
198612	1,963,573	2,628,841	-	226,714	301,242	114,409	415,651	13,139	88,979	
198712	1,991,374	2,426,631	-	230,036	202,220	114,367	316,587	-	10	
198812	1,954,542	2,218,819	-	170,984	207,824	112,992	320,816	-	12	
198912	1,869,370	2,019,944	-	113,705	198,875	108,847	307,722	-	-	
199012	1,753,306	1,837,059	-	66,825	182,903	101,287	284,190	-	18	
199112	1,612,367	1,659,439	-	36,677	177,621	90,634	268,255	-	1	
199212	1,471,234	1,497,663	-	20,647	161,790	79,903	241,693	-	14	
199312	1,340,985	1,350,067	-	17,358	147,601	70,069	217,670	-	5	
199412	1,212,055	1,212,072	-	9,054	138,001	60,982	198,983	-	6	
199512	1,082,295	1,082,312	-	-	129,766	53,397	183,163	-	6	
199612	962,574	962,591	-	-	119,733	44,792	164,525	-	12	
199712	854,080	854,097	-	-	108,498	37,059	145,557	-	4	
199812	753,363	753,378	-	-	100,723	30,022	130,745	-	4	
199912	665,399	665,414	-	-	87,971	23,777	111,748	-	7	
200012	590,527	590,540	-	-	74,880	18,444	93,324	-	6	

* PROJECTED AMOUNTS IN THIS COLUMN ARE AMOUNTS EXCLUDED FROM PROJECTIONS BECAUSE OF UNKNOWN TERMS.
 ** THIS COLUMN SHOWS THE AMOUNT OF ARITHMETIC IMBALANCE IN THE AMOUNT OUTSTANDING INCLUDING UNDISBURSED FROM ONE PERIOD TO THE NEXT. THE MOST COMMON CAUSES OF IMBALANCES ARE CHANGES IN EXCHANGE RATES AND TRANSFERS OF DEBTS FROM ONE CATEGORY TO ANOTHER IN THE TABLE.

Table 5.1: BUDGETARY REVENUE

Tableau 5.1 : RECETTES BUDGETAIRES
(In billions of CFA Francs/En milliards de francs CFA)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	
TAX REVENUE	164.10	152.20	210.60	279.30	348.90	416.20	532.20	598.80	RECETTES FISCALES
Income taxes:	25.20	34.60	50.00	88.60	151.90	188.90	240.50	274.80	Impôts sur les revenus :
Companies of which: royalties (oil) taxes (oil)	9.40	12.90	21.80 (10.6) (5.6)	45.60 (30.50) (7.5)	101.80 (53.5) (24.2)	133.30 (77.7) (27.8)	172.30 (102.90) (34.7)	205.60 (123.0) (47.4)	Sociétés, dont : redevances pétrolières impôts des sociétés pétrolières
Individuals	15.80	21.70	28.20	43.00	50.10	55.50	68.15	69.19	Personnes physiques
Social Security contributions	15.70	16.00	18.50	19.50	24.30	28.90	37.70	43.21	Contributions à la Sécurité Sociale
Taxes on Property	3.70	4.40	6.10	8.30	9.30	12.00	12.90	15.10	Impôts sur la propriété
Taxes on goods & services	28.40	32.00	41.30	50.10	56.60	69.11	98.85	109.80	Impôts sur biens et services
Turnover tax	10.80	12.40	14.40	19.60	26.60	28.35	53.25	61.40	Impôts sur le chiffre d'affaire
Excises	13.10	15.30	21.80	26.10	23.60	33.60	36.20	38.00	Impôts indirects
Taxes on Services	2.90	3.60	4.00	4.40	6.30	7.06	8.50	9.50	Impôts sur les services
Taxes on permits to use goods	0.70	0.90	1.10	-	0.10	0.10	0.90	0.90	Patentes et licences
Other	0.90	1.10	3.00	-	0.10	-	-	-	Autres
Taxes on international trade	83.00	61.00	88.50	107.20	101.30	108.04	135.50	148.10	Taxes sur le commerce international
Import duties	75.30	57.10	65.20	77.20	84.30	89.80	116.40	130.20	Taxes à l'importation
Export taxes	7.30	3.60	22.50	30.00	16.70	16.60	16.90	16.00	Taxes à l'exportation
Other	0.40	0.30	0.80	-	-	1.70	1.90	1.90	Autres
Other Taxes	8.10	4.00	4.30	5.40	6.00	8.30	7.20	7.80	Autres Taxes
Stamp duties	3.60	4.00	4.30	5.40	6.00	6.20	7.10	7.60	Droits de timbre
Other	4.50	-	-	-	-	2.10	0.14	0.20	Autres
NON-TAX REVENUE	9.30	6.50	18.30	35.20	40.20	43.02	57.20	62.00	RECETTES NON FISCALES
Service charges & fees	4.90	1.70	8.50	12.10	13.20	21.10	24.40	26.60	Commissions et honoraires
Other	4.40	4.80	9.80	23.10	27.00	21.90	32.80	35.40	Autres
Unclassified & Adjustment Items	3.40	63.70	1.80	-	-	-	-	-	Ajustements et non classifiés
BUDGETARY REVENUES	<u>178.80</u>	<u>222.40</u>	<u>230.70</u>	<u>314.50</u>	<u>389.10</u>	<u>459.20</u>	<u>589.40</u>	<u>660.80</u>	RECETTES BUDGETAIRES
Transfers from Oil sector	-	-	-	132.50	146.00	246.70	127.50	153.10	Transferts du secteur pétrolier
TOTAL REVENUE	<u>178.80</u>	<u>222.40</u>	<u>230.70</u>	<u>447.00</u>	<u>535.10</u>	<u>705.90</u>	<u>716.90</u>	<u>813.90</u>	TOTAL DES RECETTES

Source: Ministry of Finance and Mission Estimates.

Table 5.2: BUDGETARY EXPENDITURE

Tableau 5.2 : DEPENSES BUDGETAIRES
(In billions of CFA Francs/En milliards de francs CFA)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
TOTAL EXPENDITURE of which:	173.2	189.0	224.9	443.7	494.3	606.2	720.4	813.7
CURRENT EXPENDITURE of which:	124.3	133.9	151.7	217.4	260.6	358.5	446.1	506.5 (1)
Wages and salaries	60.4	66.8	70.7	92.5	107.2	134.6	172.6	204.1
Materials and supplies	41.7	44.5	51.5	79.8	92.1	113.7	131.5	145.9
Interest charges on public debt	4.8	2.0	4.4	9.7	16.1	17.6	28.3	32.0
Subsidies & other current transfers	17.5	20.6	25.1	35.6	45.2	92.6	113.9	124.5
CAPITAL EXPENDITURE of which:	48.8	55.1	73.2	226.2	233.6	247.7	274.3	307.2
Domestically Financed of which:	..	..	40.9	153.9	180.0	204.9	213.6	235.4
Public Investment Budget	..	..	16.7	40.3	46.5	65.2	98.7	87.8
Comptes Hors Budget	..	..	24.2	113.6	133.5	139.7	114.9	147.6 (2)
Externally Financed	..	..	32.3	72.3	53.6	42.8	60.6	71.8
DEPENSES TOTALES dont :								
DEPENSES COURANTES dont :								
Traitement et salaires								
Matériels et fournitures								
Intérêts sur la dette publique								
Subventions et autres transferts courants								
DEPENSES EN CAPITAL dont :								
Financées sur ressources propres								
dont :								
Budget d'investissement public								
Comptes hors-budget								
Financées sur ressources extérieures								

Source: Ministry of Finance and Mission Estimates.

(1) Expenditure breakdown estimated

(2) Expenditure authorized in Decree 110 of February, 1986.

(1) Ventilation estimée

(2) Dépenses Autorisées sur Décret 110 / Février, 1986

Table 5.3: FUNCTIONAL CLASSIFICATION OF CURRENT BUDGETARY EXPENDITURES

Tableau 5.3: CLASSIFICATIONS FONCTIONNELLES DES DEPENSES BUDGETAIRES COURANTES
(In billions of CFA francs/En milliards de francs CFA)

	1980/81	1981/82	1982/83	1983/84	1984/85	DEPENSES TOTALES (1)
TOTAL EXPENDITURE (1)	<u>120.96</u>	<u>143.03</u>	<u>186.40</u>	<u>235.49</u>	<u>296.31</u>	
General public services	26.10	31.89	39.32	49.46	59.91	Services Publics Généraux
Defense	19.23	22.90	27.80	34.91	45.84	Défense
Education	23.58	28.90	40.47	51.38	65.61	Education
Health	9.04	10.21	13.83	17.46	23.02	Santé
Social affairs	5.47	6.60	9.76	12.26	15.65	Affaires sociales
Housing	5.53	6.22	8.53	9.71	12.05	Logement
Economic services	32.01	36.31	46.69	60.31	74.23	Services Economiques
General administration	9.75	11.29	13.80	18.25	25.62	Administration générale
Agriculture, forestry, animal husbandry, fishery	6.43	7.37	10.07	12.22	14.95	Agriculture, sylviculture, Elevage et pêche
Mining & energy	0.67	0.78	1.02	1.19	1.41	Mines et Energie
Transportation	15.16	16.87	21.80	28.65	32.25	Transports

Source: Cameroonian authorities; IMF; Bank staff estimates.

(1) Excludes interest payments and subsidies and other current transfers (1) Ne comprend ni les intérêts sur la dette publique, ni les subventions ou les transferts courants

Table 6.1: MONETARY SURVEY (1)

Tableau 6.1 : SITUATION MONETAIRE - PASSIF (1)
(In billions of CFA francs/En milliards de francs CFA)

	1978	1979	1980	1981	1982	1983	1984	1985	
Currency	58.5	68.2	78.1	101.9	107.6	127.6	134.4	145.3	Monnaie Fiduciaire
Demand Deposits	88.5	116.0	130.1	157.1	190.9	249.4	276.3	278.4	Monnaie Scripturale
Banks	87.5	115.1	129.2	155.9	189.4	247.9	274.9	277.3	Banques
C.C.P.	1.0	0.9	0.9	1.2	1.5	1.5	1.5	0.1	C.C.P.
Money	146.9	184.3	208.2	258.9	298.5	377.1	410.8	433.7	Masse Monétaire
Quasi Money	65.4	75.8	107.2	146.7	184.9	235.4	325.5	437.8	Quasi Monnaie
Money and Quasi Money	212.3	260.1	315.4	405.6	483.4	612.4	736.2	861.5	Masse Monétaire et Quasi Monnaie
External Borrowings: Medium & Long Term	2.1	14.3	28.4	40.7	64.8	44.6	60.9	51.3	Emprunts Extérieurs : à Moyen & Long Terme
Capital Account	17.5	24.4	30.6	45.4	53.6	67.0	50.1	67.8	Capitaux propres
S.D.R. Allocations	2.9	4.2	5.5	7.7	8.4	9.7	11.5	10.1	Allocation de D.T.S.
Other Items (Net)	-1.5	-8.2	-20.6	-30.4	-57.3	26.2	2.4	-0.4	Autres Postes (nets)
TOTAL LIABILITIES	233.3	294.8	359.4	469.0	553.0	760.0	862.1	990.4	PASSIF TOTAL

Source: B.E.A.C.

(1) On calendar year basis

(1) Sur la base de l'année calendaire

Table 6.2: MONETARY SURVEY - ASSETS (1)

Tableau 6.2 : SITUATION MONETAIRE - ACTIF (1)
(In billions of CFA francs/En milliards de francs CFA)

	1978	1979	1980	1981	1982	1983	1984	1985	
Net Foreign Assets (2)	-16.2	9.4	-3.7	43.8	-9.1	60.8	130.2	154.2	Avoirs Extérieurs Nets (2)
Domestic Credit	249.5	285.4	363.0	425.2	562.1	699.2	731.9	836.3	Crédit Intérieur
Claims on Govt (net)	-17.3	-38.3	-53.6	-134.5	-116.6	-109.5	-74.3	-42.0	Créances nettes sur l'Etat
Claims by BEAC	-7.8	-6.9	-19.2	-7.9	-20.3	-57.3	-19.6	-8.9	B.E.A.C.
Claims by comm. banks	-27.4	-45.6	-49.6	-140.3	-113.7	-73.0	-72.4	-65.8	Banques commerciales
Claims by other institutions	17.9	16.2	15.2	13.7	18.4	21.1	17.7	14.9	Autres Institutions
Claims on private sector	266.8	323.8	416.6	559.7	678.7	808.8	806.1	878.3	Crédits à l'économie
TOTAL ASSETS	233.3	294.8	359.4	469.0	553.0	760.0	862.1	990.4	ACTIF TOTAL

Source: B.E.A.C.

(1) On calendar year basis

(2) Central Bank, commercial banks and CCP

(1) Sur la base de l'année calendaire

(2) Banque Centrale, banques commerciales, et CCP.

Table 6.3: CREDITS TO THE ECONOMY (1)
 Tableau 6.3 : CREDITS A L'ECONOMIE (1)
 (In billions of CFA Francs/En milliards de francs CFA)

	1978	1979	1980	1981	1982	1983	1984	1985
Credit by Commercial Banks	<u>243.9</u>	<u>292.7</u>	<u>386.4</u>	<u>519.0</u>	<u>640.9</u>	<u>766.0</u>	<u>763.4</u>	<u>835.5</u>
short term	187.4	202.9	263.7	304.1	448.0	570.3	561.7	639.8
medium term	49.5	75.2	99.2	152.7	160.2	187.1	195.0	189.2
long term	-	0.6	7.4	8.4	8.1	8.6	6.7	6.5
other	7.0	14.0	16.1	17.8	24.6	-	-	-
Credit by Development Banks	<u>22.9</u>	<u>31.1</u>	<u>30.2</u>	<u>40.7</u>	<u>37.8</u>	<u>42.7</u>	<u>42.7</u>	<u>42.7</u>
short term	6.3	10.6	10.2	15.5	9.5	15.1	15.1	15.1
medium term	13.8	17.7	17.0	22.0	25.3	24.6	24.6	24.6
long term	2.6	2.6	3.0	3.0	3.0	3.1	3.0	3.0
other	0.2	0.2	0.1	0.2	0.1	-	-	-
TOTAL CREDIT TO THE ECONOMY	<u>266.8</u>	<u>323.8</u>	<u>416.6</u>	<u>599.7</u>	<u>678.7</u>	<u>808.8</u>	<u>806.1</u>	<u>878.2</u>
Memo item: BEAC Rediscouinting								
short term	37.4	28.8	34.7	50.6	61.7	80.9	88.2	64.1
medium term	28.4	35.6	36.4	60.1	70.3	81.8	70.1	65.9
Prêts des Banques Commerciales								
à court terme								
à moyen terme								
à long terme								
autres								
Prêts des Banques de Développement								
à court terme								
à moyen terme								
à long terme								
autres								
CREDIT TOTAL A L'ECONOMIE								
Memo : Réescompte de la B.E.A.C.								
à court terme								
à moyen terme								

Source: BEAC

(1) On calendar year basis

(1) Sur la base de l'année calendaire

Table 6.4: CAMEROON: SECTORAL DISTRIBUTION OF CREDITS TO THE ECONOMY (1)
 Tableau 6.4: CAMEROON : REPARTITION SECTORIELLE DES CREDITS A L'ECONOMIE (1)
 (In billions of CFA francs/En milliards de francs CFA)

SECTOR	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
SHORT TERM								
Agriculture	8.0	8.4	12.4	11.9	17.7	20.4	22.3	17.6
Mining and Petroleum	0.6	0.6	1.1	7.4	15.4	36.4	20.5	6.8
Processing Industries	38.8	52.1	60.3	66.2	82.2	91.4	96.7	108.6
Construction	10.1	12.0	14.7	19.4	33.3	49.4	52.7	65.5
Retail Trade	48.1	56.1	66.3	82.4	117.8	140.1	159.3	174.7
Export Trade	19.6	16.0	21.6	21.3	31.8	53.0	43.4	25.3
Services	16.8	11.8	19.1	22.1	33.4	49.2	55.1	59.9
Individuals	2.7	4.8	7.7	6.7	9.4	12.3	15.4	17.8
Non Classified	1.9	2.3	4.1	5.4	18.9	21.0	17.0	23.1
Sub Total	146.7	164.1	207.2	242.7	359.9	473.2	482.4	499.4
MEDIUM AND LONG TERM								
Agriculture	3.9	3.9	4.5	5.8	6.9	7.7	6.5	10.0
Mining and Petroleum	1.2	8.8	16.4	28.6	3.9	50.5	63.4	54.5
Processing Industries	12.2	18.3	26.0	35.0	43.3	49.7	45.6	51.1
Construction	4.1	5.2	7.2	10.7	13.7	15.3	14.5	18.6
Retail Trade	3.3	5.4	8.4	1.4	18.3	24.5	17.3	22.7
Export Trade	0.5	0.9	0.8	1.0	2.7	3.2	2.5	2.9
Services	5.5	6.5	7.6	9.8	15.3	20.7	23.0	26.4
Individuals	12.1	16.0	19.6	20.6	23.2	27.9	27.1	30.3
Non Classified	1.7	1.4	1.1	1.5	2.6	4.4	5.4	7.6
Sub Total	44.5	66.3	91.5	126.8	166.6	203.9	205.3	224.2
TOTAL	191.2	230.5	298.8	369.5	526.4	677.1	687.7	723.6

Source: BEAC

(1) Distribution is based on loans reported to the "Centrale des Risques".

(1) Répartition basée sur les emprunts enregistrés à la Centrale des risques.

Table 7.1: INDEX OF CONSUMER PRICES IN YAOUNDE
(Moderate income Cameroonian families)

Tableau 7.1 : INDICE DES PRIX A LA CONSOMMATION A YAOUNDE
(Familles Camerounaises à revenu moyen)

(1968 = 100)

	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
Foodstuffs	177.2	199.5	232.0	275.1	296.4	311.3	348.8	408.4	473.0	537.2	517.6
Beverages and Tobacco	136.9	142.4	147.5	157.7	164.9	181.3	196.1	205.8	224.3	263.1	267.1
Household Expenses	152.6	167.3	178.7	199.1	208.5	243.6	271.9	301.3	340.7	366.6	425.2
Clothing	148.5	163.4	197.3	215.6	264.4	292.5	323.3	358.3	391.1	500.9	684.6
Transportation	247.5	257.4	275.2	320.8	334.4	347.7	355.7	470.9	487.1	471.6	512.2
Health	148.0	163.2	160.5	166.8	177.9	192.9	213.4	233.9	256.3	290.3	318.5
Recreation	144.8	157.4	172.0	227.7	276.2	297.3	326.9	358.5	376.6	424.8	499.1
Education & Other Services	164.5	194.0	211.6	236.4	230.6	245.5	260.7	303.8	322.7	370.3	497.7
GENERAL INDEX	168.5	185.0	206.8	237.4	259.1	279.1	306.6	346.9	393.8	445.4	492.3
Imported Products	156.3	169.7	187.7	204.9	226.3	243.9	263.4	294.9	324.3	385.2	478.0
Local Products	168.7	192.7	225.8	278.9	298.4	312.2	356.7	414.9	475.8	541.7	526.5
Services and Others	201.2	213.1	226.5	267.3	284.1	318.7	339.5	373.4	444.0	445.9	674.0
Produits alimentaires											
Boissons et tabac											
Dépenses de maison											
Habillemeent											
Transports											
Hygiène et santé											
Loisirs											
Scolarité et divers											
INDICE GENERAL											
Articles importés											
Articles locaux											
Services et divers											

Source: Note annuelle de statistique.

Table 7.3: STRUCTURE OF MINIMUM SALARIES, 1979-85 ^{1/}
(in CFA francs per month: effective beginning of period)

Tableau 7.3: STRUCTURE DES SALAIRES MINIMUMS, 1978-85 ^{1/}
(en francs CFA par mois, à partir du début de l'exercice)

	July 1978 juillet	December 1979 décembre	February 1981 février	December 1982 décembre	November 1983 novembre	July 1985 juillet
Public Sector						
Zone I	10,605	11,665	12,831	17,115	19,683	21,847
Zone II	8,730	9,603	10,563	14,090	16,204	17,985
Zone III	7,319	8,197	9,010	12,234	14,069	17,099
Private Sector						
Zone I						
Primary	10,970	12,505	14,255	18,690	21,005	24,075
Secondary and Tertiary I	12,975	14,790	16,860	22,105	25,200	28,475
Tertiary II	14,975	17,070	19,460	22,515	29,085	32,865
Zone II						
Primary	9,380	10,695	12,190	15,980	18,215	20,580
Secondary and Tertiary I	10,585	12,065	13,765	18,030	20,055	23,225
Tertiary II	12,200	13,910	15,855	20,785	23,695	26,775
Zone III						
Primary	8,200	9,430	10,845	14,715	17,070	19,800
Secondary and Tertiary I	9,170	10,545	12,125	16,455	19,250	22,330
Tertiary II	10,509	12,170	13,995	18,993	22,225	25,780

Source: Ministry of Labor.

(1) For wage regulation purposes, Cameroon is divided into three zones each having a different cost-of-living level :

- Zone I: Douala, Yaounde, Edéa, Buea
- Zone II: The Houré Region and some nearby towns
- Zone III: Rest of country

(1) En vue des règlements sur les salaires, le Cameroun est divisé en trois zones, chacune ayant son propre niveau de coût de la vie :

- Zone I: Douala, Yaounde, Edéa, Buea
- Zone II: Région de Houré et environs
- Zone III: Reste du pays.

Table 8.1 : INDUSTRIAL PRODUCTION

Tableau 8.1 : PRODUCTION INDUSTRIELLE

	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	
Palm Oil (000 T)	70.3	70.7	72.5	64.6	76.9	91.0	Huile de Palme (000 T)
Rubber (000 T)	18.0	17.6	16.0	16.4	18.5	18.5	Caoutchouc (000 T)
Processed Wood (000 T)	111.9	103.0	105.9	95.4	121.5	-	Placages (000 T)
Beer (000 Hl)	2,345.0	2,953.8	3,255.1	3,577.9	4,173.6	-	Bière (000 Hl)
Cigarettes (T)	1,812.0	2,365.0	2,483.0	2,795.0	2,971.0	-	Cigarettes (T)
Soap (000 T)	19.0	22.0	22.9	27.4	25.8	-	Savon (000 T)
Sugar (000 T)	59.9	65.9	67.9	58.7	73.7	75.0	Sucre (000 T)
Cotton Oil (000 Hl)	75.7	57.8	62.6	70.4	66.6	-	Huile de Coton (000 Hl)
Cement (000 T)	489.7	518.7	572.2	656.5	753.5	-	Ciment (000 T)

Source: Centre Nationale de la Statistique et de Comptabilité Nationale.

Table 8.2: CAMEROON - INDEX OF INDUSTRIAL PRODUCTION
(1974/75 = 100)

Tableau 8.2: CAMEROON - INDICE DE LA PRODUCTION INDUSTRIELLE
(1974/75 = 100)

Sub-Sector	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	Sous-Secteur
Agriculture for Industry and Export	111.5	105.6	172.3	192.9	204.3	203.4	199.0	222.5	Agriculture pour l'Industrie et l'Exportation
Fishery	111.7	108.7	90.1	73.0	71.2	53.9	61.3	54.5	Pêche
Forestry	191.2	180.2	203.1	171.4	189.1	173.1	194.2	226.8	Sylviculture et Exploitation Forestière
Processing of Grains, Vegetables, Flour	167.8	162.0	161.7	167.8	174.6	222.9	239.7	207.7	Traitement des Grains, Légumes et Production de Farine
Transformation of Agricultural Products	134.1	154.6	133.2	267.4	308.4	208.0	197.2	228.9	Transformation des Produits d'Origine Agricole
Bakery and Pastry Production	113.9	123.8	129.9	120.8	140.2	136.7	149.9	146.2	Boulangerie et Pâtisserie
Other Food Industries	354.2	311.0	492.3	650.1	1104.8	1323.0	1723.5	1874.5	Autres Industries Alimentaires
Manufacturing of Beverages and Tobacco	148.9	190.1	194.8	206.7	238.8	230.6	250.9	302.3	Fabrication de Boissons et Tabacs
Textile and Clothing Industries	125.4	131.1	199.1	196.7	202.3	171.3	173.4	181.5	Industries des Textiles et de la Confection
Leather and Shoe Industries	105.4	96.3	109.2	110.5	123.6	112.5	95.8	91.0	Industries du Cuir et Chaussures
Wood Industry	163.9	175.2	77.0	76.8	114.3	147.4	135.2	153.3	Industries du Bois
Paper Industry	150.1	156.6	138.3	153.7	226.8	196.6	241.9	272.2	Industries du Papier
Chemical Industry	139.2	140.5	150.6	156.8	168.7	180.1	234.4	258.6	Industries Chimiques
Rubber and Plastic Industries	157.7	157.4	170.7	201.3	227.3	229.9	200.8	222.6	Matériaux de Construction
Metallurgy	93.6	93.5	93.8	101.6	144.5	141.8	198.7	152.5	Industrie Métallurgique
Mechanical, Electronic, Metallic Industries	124.1	135.0	193.3	266.4	174.2	185.8	212.2	172.7	Industries Mécaniques, Electroniques et Métalliques
Transport Equipment	142.0	97.7	96.2	177.7	180.3	121.5	132.5	169.5	Matériel de Transports
Manufacturing Industries	190.3	328.3	388.1	510.9	626.3	698.6	668.4	562.0	Industries Manufacturières
Water, Gas, Electricity	140.9	125.5	127.0	126.4	177.5	192.3	197.3	214.2	Eau, Gaz, Electricité
GENERAL INDEX	140.8	152.6	167.6	188.7	214.7	202.1	215.8	238.6	INDEX GENERAL

Source: Note Annuelle de Statistique.

Table 9.2: PRODUCTION OF MAIN FOOD CROPS IN THE TRADITIONAL SECTOR

Tableau 9.2: PRODUCTION DES PRINCIPALES CULTURES VIVRIERES DU SECTEUR TRADITIONNEL

(In tons/en tonnes)

	1979/80	1980/81	1981/82	1982/83	1983/84 a/	1984/85	1985/86	
Millet & Sorghum	..	440,665	351,000	379,557	207,270	..	..	Mil et Sorgho
Maize	407,638	410,684	424,995	490,972	408,740	..	..	Maïs
Rice (paddy)	15,006	45,576	50,608	95,259	50,530	94,707 b/	107,399 b/	Riz (paddy)
Shelled Groundnuts	108,490	84,264	86,850	94,633	99,630	..	..	Arachide
Plantain	240,641	2,388,205	2,457,980	1,798,600	986,100	..	..	Plantain
Cassava	642,934	625,000	638,290	518,652	1,385,300	..	..	Manioc
Yams	425,328	421,160	401,560	354,852	109,420	..	..	Igname
Sweet Bananas	748,064	602,829	770,150	571,354	680,400	..	..	Banane Douce
Potato	..	..	..	145,120	41,980	..	..	Pomme de terre
Taro/Macabo	..	..	..	..	191,900	..	..	Taro/Macabo

Source: Ministry of Agriculture.

a/ Figures are from Cameroon Agricultural Census (USAID), 1984.

b/ Modern sector only.

Table 9.3: PRODUCER PRICES

Tableau 9.3: PRIX AU PRODUCTEUR

(in CFAF per kilo/en FCFA par kilo)

	1970/71	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
<u>Cocoa</u>												
Grade I	85	130	150	220	260	290	300	310	330	370	410	420
Grade II	85	120	150	220	260	290	300	310	330	370	410	420
Substandard	70	90	90	90	90	100	100	100	100	130	250	310
<u>Coffee</u>												
Robusta	125	145	195	250	280	310	320	330	350	390	430	440
Arabica	155	245	275	275	300	330	340	350	370	410	450	475
<u>Cotton</u>												
(yellow and white)	..	..	..	65	65	70	80	90	105	115	130	140
<u>Rice</u>												
Rice (paddy)									145	145	145	153
<u>Palm Oil</u>												
Butile de Palme									62	62	78	78
										176	323	323

Source: Note Annuelle de Statistique.

Table 9.4: CAMEROON: EXPORT PRICES OF MAIN PRODUCTS
(in CFAF/kg)

Tableau 9.4 : CAMEROON: EVOLUTION DES COURS DES PRINCIPAUX PRODUITS D'EXPORTATION 1/
(en FCFA/kg)

Products	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	Produits
Cocoa	775	637	493	635	640	1019	1064	Cacao
Coffee-Arabica	748	896	693	885	1053	1291	1484	Cafe Arabica
Coffee-Robusta	712	811	630	686	954	1194	1326	Cafe Robusta
Cotton	325	348	417	439	542	742	701	Coton
Sapelli Log (CFA/m3)	44,403	49,187	56,146	57,500	57,500	70,312	77,500	Bois Sapelli
Bibolo Log (CFA/m3)	30,055	32,979	38,081	38,500	43,055	45,031	47,000	Bois Bibolo
Bananas			152	171	201	217	241	Bananes Vertes

Source: Note Annuelle de Statistique.

Table 10.1: SELECTED TRANSPORT DATA, 1977/78 - 1984/85

Tableau 10.1: STATISTIQUES DE TRANSPORT, 1977/78 - 1984/85

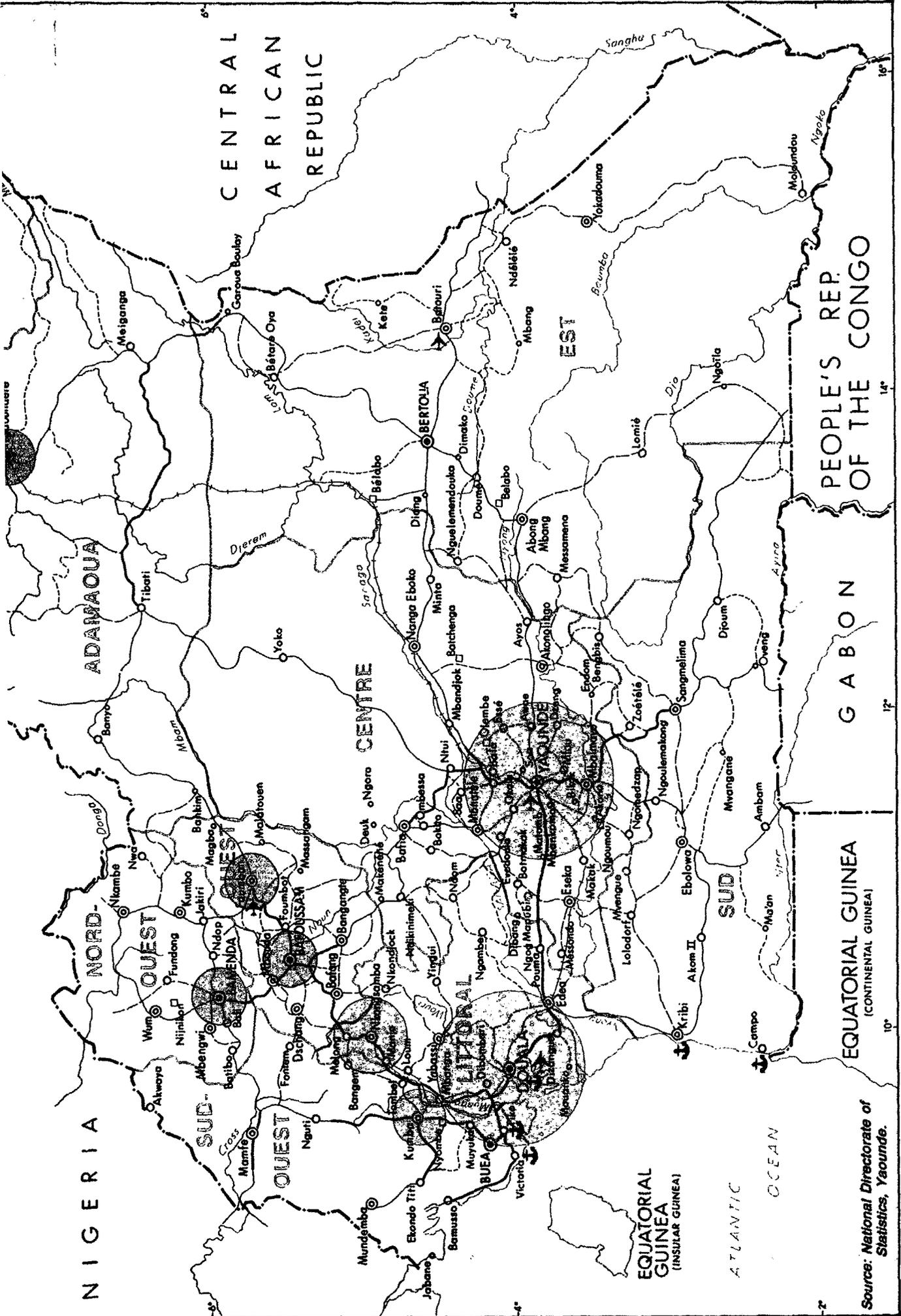
	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
A. Rail Traffic								
1. Merchandises								
(in thousands tons)	1,403	1,351	1,413	1,521	1,754	1,792	1,840	1,981
(in million tons/km)	479	554	579	670	782	827	838	971
2. Passengers								
(in thousands)	1,718	1,421	1,339	1,227	1,578	1,867	2,218	2,179
(in million passengers/km)	257	240	247	235	322	391	444	438
B. Port Traffic (a)								
Total Merchandise								
(in thousands tons)	3,046	3,317	..	3,645	3,895	4,092	4,171	4,476
Imports								
	2,025	2,232	..	2,470	2,768	2,999	3,003	3,276
Exports								
	1,021	1,085	..	1,175	1,127	1,093	1,168	1,200
C. Air Traffic								
1. Merchandise								
(in thousands tons)	29	26	27	27	27	29	15	15
2. Passengers								
(in thousands)	813	954	1,138	1,290	1,399	1,510	0	0

Source: Note Annuelle de Statistique.

(a) Ports of Douala, Kribi, Limbe, and Garoua.

NOTES

MAP SECTION



Source: National Directorate of Statistics, Yaoundé.