

I. ECONOMIC ENVIRONMENT

(1) INTRODUCTION

1. Since its previous Trade Policy Review in 1995, Cameroon's economy has slowly but steadily recovered from the prolonged depression during 1985/86-93/94.¹ Relatively high economic growth rates have been achieved over the last five fiscal years (1995/96-99/00) with an average annual growth rate of 4.7%. Over the same period, inflation has been low (annual average of 3.6%) and large primary surpluses (annual average of 5.8% of GDP) have been recorded. The outlook for 2000/01 is good, including a growth rate of over 5%. Favourable external events are important factors in the improved performance. Implementation of structural reforms has also contributed to the relatively good growth outcome. Acknowledging Cameroon's good progress with its reform programme, the IMF and the World Bank agreed in the latter part of 2000 to support a comprehensive external debt reduction package for Cameroon.

2. Nevertheless, the country still suffers from widespread poverty, inadequate attention to basic health and education services, and weaknesses in governance. In 1999/00, GDP per capita had not yet reached its pre-depression level. Cameroon's health system seems to have deteriorated (Table I.1).² In the area of education, the World Bank and the IMF note that "quality and enrolment rates have significantly deteriorated over the last decade, to the point where such a decline is unique for a country that has not experienced civil war or conflict".³ Poverty affects slightly more than half of the population⁴, while HIV/AIDS has become a serious risk to the development of the economy.⁵ Moreover, corruption continues to be a major obstacle to private investment and efficiency of public expenditure.⁶ Thus, significant progress has been achieved in some areas while there has been no progress (or even deterioration) in others.

(2) RECENT ECONOMIC DEVELOPMENTS

Summary

3. At the time of the previous Review, the Cameroonian economy started to show signs of an economic recovery from its deep eight-year depression. A large decline in its terms of trade, an overvaluation of the CFA franc, and unproductive fiscal policy financed by foreign debt accumulation, had taken the economy into a depression. During this period, per capita income halved, and poverty became widespread.⁷ Investments in the social sectors and infrastructure suffered. Arrears mounted on Cameroon's large external debt. In 1994, a devaluation of the CFA franc, as well as trade and fiscal reforms implemented region-wide in the Central African Economic and Monetary Union (CEMAC), improved the external economic environment. Cameroon's efforts to turn the economy around were supported by the Bretton Woods institutions as well as bilateral donors. Reform efforts focused on macroeconomic stability, public finance, restructuring of the banking sector, privatization, economic liberalization, transportation, and forestry.

¹ Cameroon's fiscal year is from 1 July to 31 June. Real GDP had fallen in each but one year, reducing GDP per capita in 1994 to its lowest level in over 25 years (GATT, 1995).

² However, according to the World Bank and the IMF, available social-sector data are neither comprehensive nor reliable (IDA and IMF (2000)).

³ IDA and IMF (2000).

⁴ Government of Cameroon (2000a).

⁵ The HIV infection rate is estimated at 7.7% (end 1999) among adults and 11% (September 2000) among sexually active people (UNAIDS and WHO (2000), and World Bank (2001)).

⁶ See for example IDA and IMF (2000), and World Bank (2000a).

⁷ IDA and IMF (2000).

Table I.1
Cameroon at a glance, 1991-2000

Cameroon at a glance, 1991-2000

	1991	1998
Total fertility rate	5.8	5.2
Per cent of births attended by trained personnel	64	58
Per cent of children aged 12-23 months completely vaccinated	41	36
Infant mortality rate (per 1,000 live births)	65	77
Under-fives childhood mortality rate (per 1,000 live births)	126	151

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
GDP per capita (U.S. dollars)	946	616	602	665	646	600	617	645
Share of GDP (per cent):								
Primary sector ^a	28.0	30.2	31.6	32.0	31.7	32.1	32.7	30.7
Secondary sector	26.6	27.5	27.1	26.0	26.9	25.9	24.5	27.6
- mining	8.0	9.2	8.8	7.0	8.2	6.7	4.6	7.7
- manufacturing	13.4	12.8	12.9	13.5	13.4	13.7	14.0	13.6
- electricity, gas and water	1.8	1.7	1.6	1.6	1.6	1.6	1.7	1.6
- housing and public works	3.4	3.8	3.8	3.9	3.7	3.9	4.3	4.9
Tertiary sector	43.1	40.0	39.0	39.3	38.5	40.0	39.8	38.9
Indirect taxes net of subsidies	2.3	2.3	2.4	2.8	2.9	3.0	3.0	2.8
Memo: share of non-oil sector	92.0	90.8	91.2	93.0	91.8	93.3	95.5	92.6

a Including food and cash crops, livestock, hunting, fishing and forestry.

Note: Fiscal year begins on 1 July.

Source: WTO Secretariat, based on information provided by the Cameroonian authorities; and IDA and IMF (2000), *Cameroon – Preliminary Document on the Enhanced Initiative for Heavily Indebted Poor Countries*, Table 2 (health indicators data).

4. Relatively high growth rates (annual average of close to 5%) have been recorded since 1995/96 (Table I.2). Over the same period, inflation has been brought down, to an estimated 2% in 1999/00. On the fiscal front, progress has been made towards fiscal sustainability. Although falling somewhat in 1999/00, gross domestic investment as a share of GDP has followed an upward trend, with a large part of the increase financed by increases in national savings. On the external front, exports have recovered since the devaluation, and an annual average current account deficit (including grants) of 3.3% of GDP has been maintained during 1995/96-99/00, albeit with some fluctuations.

External sector and debt management

5. The external current account position has fluctuated along with the terms of trade changes during the period under review (Table AI.1). In 1996/97, the current account deficit (including grants) improved by 1.3 percentage points to 2.8% of GDP in parallel with a terms of trade improvement of 5% (Table I.2). Two years later, the external current account deficit widened from 2.7% of GDP in 1997/98 to 4.3% in 1998/99. During the same period, the terms of trade deteriorated by 15% reflecting a large drop in international prices of nearly all of Cameroon's main export products. In addition, the financial crisis in Asia negatively affected Cameroon's exports of logs to Asia. The external current account deficit is estimated to have narrowed in 1999/00, benefiting from improved export performance related to higher oil prices. During the period under review, Cameroon's external current account deficits have been fully or substantially financed by foreign investment (see below).

Table I.2
Selected economic indicators, 1993-2000^a

	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000 ^b
Real economy				(Per cent)			
Change in real GDP	-2.5	3.3	5.0	5.1	5.0	4.4	4.2
Gross national savings/GDP	11.2	13.7	11.2	13.4	15.7	15.2	15.2
Gross domestic investments/GDP	15.3	14.5	15.4	16.2	18.4	19.5	18.0
Change in consumer prices (end of period)	20.0	13.4	4.6	7.0	2.2	2.2	2.0
Public finances				(Per cent of GDP)			
Central government budget (excluding grants) ^c	-9.2	-3.2	-1.8	-1.0	-1.7	-3.4	-0.3
Revenues	10.1	12.9	14.3	15.1	16.2	15.5	19.0
Non-oil revenues	7.9	10.3	11.2	11.0	12.3	13.0	13.5
Primary budget balance ^d	0.8	3.8	5.4	5.8	5.9	4.6	7.1
Money and interest rates				(Per cent)			
Change in broad money	..	6.1	-5.1	13.8	7.8	9.7	10.5
Interest rate ^e	..	8.8	8.0	7.5	7.5	7.5	..
External economy				(US\$ million, unless otherwise indicated)			
Merchandise trade balance/GDP (%)	5.3	7.3	4.4	5.1	4.0	2.1	3.0
Merchandise exports, f.o.b.	1,433	1,664	1,605	1,816	1,800	1,689	2,137
Merchandise exports (volume growth rate) (%)	-11.0	1.6	7.4	13.8	11.1	8.2	0.8
Merchandise imports, f.o.b.	1,017	1,074	1,201	1,347	1,452	1,498	1,608
Merchandise imports (volume growth rate) (%)	3.0	-5.7	13.2	19.5	14.5	0.8	12.8
Current account balance (including grants)	-327	-62	-375	-257	-235	-393	-243
Current account balance/GDP (including grants) (%)	-4.9	-0.8	-4.1	-2.8	-2.7	-4.3	-2.7
Capital account balance	-644	-513	-352	-358	-103	-141	-27
Direct investment, net	..	101	120	126	140	142	109
Portfolio investment, net	..	125	146	148	113	72	71
Total external public debt/GDP (per cent)	122.7	97.4	87.4	83.5	87.8	87.9	81.0
Actual external public debt service ^f	..	48.3	24.9	19.6	16.1	17.8	16.5
Gross official reserves, incl. gold	13.6	12.7	14.0	11.2	10.8	9.7	..
Change in terms of trade (per cent)	-8.6	5.1	-4.5	-15.3	32.4
Exchange rates							
Nominal exchange rate (CFA francs per U.S. dollar)	435.0	518.6	501.8	541.1	602.1	588.5	658.2
Change in real effective exchange rate (per cent) ^g	-24.8	-11.9	6.4	-1.8	-0.6	8.5	-10.8
Memo: Gross domestic product (CFA francs billion)	3,416	4,130	4,571	4,932	5,240	5,406	5,701

.. Not available.

a Fiscal year begins on 1 July.

b Projected.

c Commitment basis.

d Excluding foreign-financed investment, privatization proceeds, and restructuring expenditure.

e Bank of Central African States (BEAC) discount rate (end of period).

f In per cent of exports of goods and non-factor services.

g (-) = depreciation.

Source: Information provided by the Cameroonian authorities; IMF (1999a), *Public Information Notice (PIN) No. 99/35*; and IMF (2000a), *Public Information Notice (PIN) No. 00/42*.

6. Cameroon's debt situation remained heavy during the period under review but its prospects have improved. Its large external debt started to accumulate during the commodity boom in the first half of the 1980s. During the depression period ending in 1993/94, Cameroon's debt service became unserviceable and arrears accumulated. A secondary market for Cameroon's sovereign debt (characterized by large discounts) was established. In 1997, the authorities reached a rescheduling agreement with the Paris Club. The agreement was followed by similar arrangements with other bilateral and commercial creditors. In October 2000, the IDA of the World Bank Group and the IMF

agreed to support a comprehensive debt reduction package for Cameroon under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative.⁸ Under the Initiative, countries with a satisfactory track record of macroeconomic and structural policy implementation and a net present value of external debt exceeding 150% of exports are eligible to receive debt relief (Box I.1).⁹ Total debt relief from all of Cameroon's creditors would be worth some US\$2 billion (in nominal terms). Linked to the HIPC Initiative is the new three year-arrangement approved under the IMF Poverty Reduction and Growth Facility (PRGF) amounting to some US\$144 million. The arrangement was approved in December 2000.¹⁰

Box I.1: HIPC Initiative

The Heavily Indebted Poor Countries (HIPC) Initiative was designed by the IMF and the World Bank in 1996 to provide exceptional assistance to eligible countries following sound economic policies to help them reduce their external debt burden to sustainable levels. In October 1999, the international community agreed to increase the number of eligible countries, raise the amount of debt relief each eligible country will receive, and speed up the process. At the same time, the links between debt relief, poverty reduction and social policies were strengthened.

The criteria for eligibility are:

- eligibility for concessional assistance from the IMF and the World Bank;
- an unsustainable debt burden, beyond available debt-relief mechanisms such as Paris Club debt rescheduling on Naples terms (where low-income countries can receive a reduction of eligible external debt of 67% in net present value (NPV) terms); and
- a track record of reform and sound policies through IMF- and World Bank-supported programmes.

The process is as follows:

- In the **first phase**, the country must adopt adjustment and reform programmes supported by the World Bank and the IMF and implement those programmes during three years.
- **Decision point.** At the end of the first phase, a debt sustainability analysis is carried out. The country qualifies for assistance if the external debt ratio on top of the traditional debt relief mechanisms is above 150% for the NPV of debt to exports. In the case of very open economies (with export-to-GDP ratios above 30%) with a high debt burden in relation to fiscal revenues, despite strong revenue collection (equivalent to more than 15% of GDP), a NPV debt-to-export target may be set below 150%.
- In the **second phase**, the country implements a poverty reduction strategy, which has been prepared with broad participation of civil society, and an agreed set of measures aimed at enhancing economic growth. During this stage, the IMF and the World Bank grant interim relief, provided that the country stays on track with its programme. Also, bilateral and commercial creditors are expected to grant debt relief on highly concessional terms.
- **Completion point.** At the end of the second phase, the IMF and the World Bank provide the remainder of the committed debt relief, while Paris Club creditors enter into a highly concessional stock-of-debt operation with the country involved. Other multilateral and bilateral creditors need to contribute to the debt relief on comparable terms.

By the end of December 2000, 22 countries had been identified as eligible under the enhanced HIPC Initiative; the great majority (18) were African countries. The package amounted to some US\$ 34 billion in debt service relief over time.

Source: IMF (2000d), *Debt Initiative for Heavily Indebted Poor Countries (HIPC)*; IMF (2000b), *Press Release No. 00/56*; and the HIPC website of the World Bank (<http://www.worldbank.org/hipc/>) [26 January 2001].

⁸ IMF (2000b).

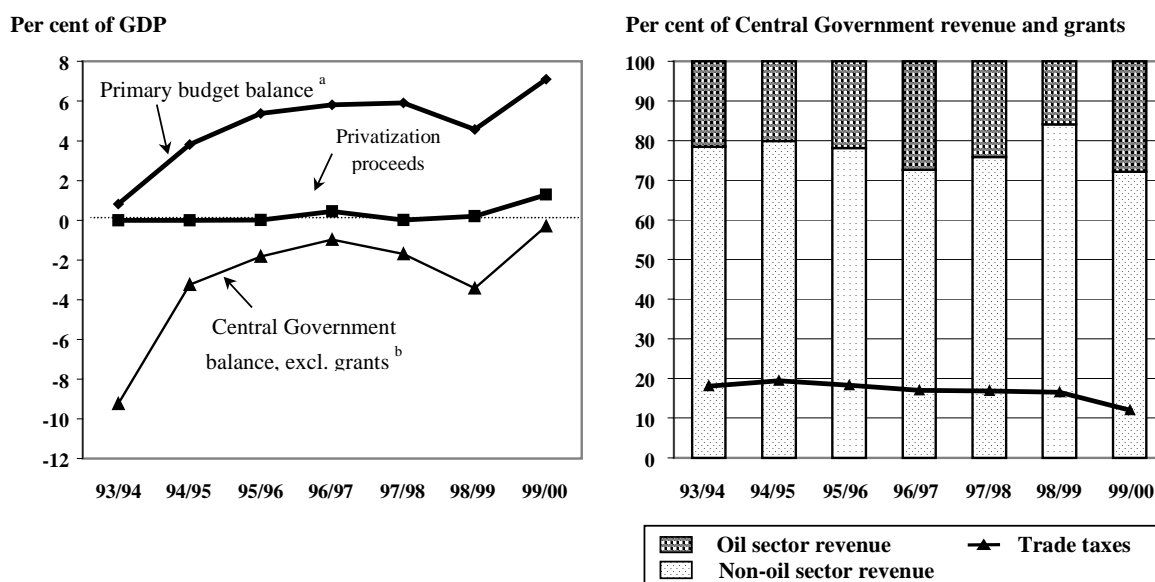
⁹ Net present value of debt is defined as the sum of all future debt-service obligations (i.e. interest and principal) on existing debt, discounted, under the enhanced HIPC Initiative, at the market interest rate.

¹⁰ IMF (2000c).

The fiscal stance

7. Overall, progress has been achieved towards fiscal adjustment during the period under review (Chart I.1). A deviation from the trend was recorded in 1997/98-98/99, when the central government deficit (excluding grants) deteriorated from 1.7% of GDP to 3.4% of GDP in parallel with a slowdown in the economy. However, in the following year the central government budget (excluding grants) was estimated to have been close to zero while the primary surplus (net of interest obligations as well as foreign-financed investment, restructuring expenditure and privatization proceeds) to have improved to 7.1% of GDP. The fiscal situation improved in 1999/00 as a result of a jump in oil revenue as well as privatization proceeds.

Chart I.1
Fiscal adjustment, 1993/94 - 1999/2000



a Excluding foreign-financed investment, privatization proceeds and restructuring expenditure.

b Commitment basis.

Source: Cameroonian authorities; and IMF (2000e), *IMF Staff Country Report* No. 00/81.

8. The focus of fiscal policy in recent years has been to raise the relatively low ratio of non-oil revenue to GDP by widening the tax base and reducing exemptions. Measures have also been taken to improve customs and tax administration efficiency.¹¹ The result has been encouraging with a strong performance in non-oil revenue. Non-oil revenue to GDP increased by 0.7 percentage points to 13% between 1997/98 and 1998/99, and was estimated to have increased by a further 0.5 percentage points in 1999/00 (Table I.2). Other important fiscal-related reforms include the reduction in the implicit anti-trade bias in the tax system through a successive phasing out of the non-forestry export tax from 13.5% in July 1997 to 0% two years later, and an increase in the weight of domestic taxes. In addition, the reliance on trade taxes as a revenue source decreased, from 17% of total revenue in 1996/97 to 16.5% in 1998/99. Also part of the fiscal reform programme was the replacement of the

¹¹ Government of Cameroon (2000b).

turnover tax by a value-added tax (VAT) in January 1999, accompanied by the elimination of differential taxes under the old sales-tax system.¹²

9. Financing of the fiscal deficits has, to a large extent, been through borrowing from abroad and the local market. As a result of its membership in the African Financial Community (CFA) zone, deficit financing through seigniorage is limited for Cameroon. Borrowing in the foreign markets includes project financing through official creditors and international private capital markets, as well as support from official creditors and multilateral institutions. Domestic borrowing includes bank financing and the change in payments arrears.

Monetary policies and exchange rate arrangements

10. Cameroon's monetary policy continues to be administered by the regional central bank, Banque des Etats de l'Afrique Centrale (BEAC). During 1997/98-98/99, monetary developments were dominated by a rapid recovery in private sector credit, reflecting strong economic growth and investments. As deposit growth has not kept pace with credit growth, some banks have had to finance expanded lending activity by drawing on BEAC and reducing their net foreign assets.¹³ Another factor influencing the growth of credit was the reduction in interest rates. BEAC eased monetary policy by lowering its discount rate in several phases, a policy it continued to follow in 1999/00.¹⁴

11. As noted above, Cameroon is a member of the CFA franc zone, a monetary union with a fixed exchange rate system. The zone consists of two groups of West and Central African countries, which have, since 1948, maintained a common currency pegged to the French franc (the euro since January 1999). An important feature of the CFA franc zone is the guarantee of convertibility by France, through the establishment by each regional central bank of an operations account with the French Treasury.¹⁵ It provides for free capital mobility between the two regions and France. Also, there is a pooling of foreign exchange reserves of each regional monetary area. After more than 40 years of stability, the CFA franc was devalued in January 1994, by 50%.¹⁶

12. The Central African states of the CFA franc monetary union have undertaken steps to become a common market. To this end, Cameroon signed the Treaty of the Central African Economic and Monetary Union (CEMAC), in March 1994, comprising two conventions on the Central African Economic Union (UEAC) and the Central African Monetary Union (UMAC). In this context, efforts are under way to prepare the ground for free movement of goods, services, capital, and persons. Steps to coordinate macroeconomic policies have also been taken. In September 2000, the CEMAC adopted a regional policy package to promote macroeconomic policy convergence, fiscal discipline, and economic cooperation.¹⁷

¹² IMF (1999a).

¹³ IMF (1999a).

¹⁴ EIU (2000a).

¹⁵ All signatories are obliged to hold a minimum of 65% of their foreign reserves in an account that is supervised and managed by the French Treasury. This is the principal means by which France guarantees the convertibility. France was authorized by the European Community to continue beyond December 1998 to guarantee the convertibility of the CFA franc (Council Decision 1998/683/EC).

¹⁶ In parallel with the French currency reform of 1968, the CFA franc rate remained unchanged relative to the old franc, but rose to CFAF 50 against the new French franc (Hadjimichael and Galy, 1997).

¹⁷ See WTO (2001) for details.

(3) TRADE AND FOREIGN INVESTMENT PERFORMANCE**(i) Trade patterns***Geographic pattern of merchandise trade*

13. The geographic pattern of Cameroon's trade has remained more or less the same during the period under review (Tables I.3 and I.4). The European Union (EU) continues to be the dominant market for Cameroon's exports (66% of merchandise exports in 1999/00) and principal source of imports (50%). France is Cameroon's single largest source of imports, accounting for about one-quarter of total merchandise imports. On the export side, France has been surpassed by Italy as Cameroon's largest single export destination during the period under review. The long-standing trade preferences extended by the EU to Cameroon's exports have contributed to the heavy concentration on the EU as a trading partner. Non-reciprocal trade preferences are extended by the EU to Cameroonian products under the Partnership Agreement (successor to the Fourth Lomé Convention) as well as the Generalized System of Preferences (GSP) (Chapter II(3)).

Table I.3
Exports by destination, 1994 -2000
 (CFAF billion and per cent)

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000
Total exports (CFAF billion)						
- Balance-of-payments data	858	806	983	1,084	994	..
- Direction-of-trade statistics and national accounts data	805	804	982	1,084	940	1,092
	(Per cent of total)					
Advanced economies	82.3	83.9	84.1	81.5	76.8	..
European Union	73.3	79.2	76.7	75.6	71.5	65.8
Italy	14.1	17.6	25.4	24.8	22.4	25.1
France	25.5	24.8	16.1	16.0	16.9	15.8
Spain	14.5	18.1	20.4	15.3	12.6	9.1
Netherlands	11.5	10.7	7.1	9.2	9.4	7.5
Portugal	1.7	1.7	1.3	3.0	3.3	1.8
United Kingdom	1.4	1.7	1.5	2.2	2.1	1.8
Germany	2.2	2.2	2.1	1.8	1.9	1.8
United States	2.3	0.7	2.2	0.9	1.2	3.1
Korea, Rep. of	3.5	0.6	2.1	0.6	1.3	1.6
Developing countries	10.3	13.9	14.4	16.5	14.0	..
Chad	0.5	0.5	0.3	1.1	2.1	3.9
China	0.9	2.1	2.7	2.8	2.0	1.0
Gabon	1.2	2.0	1.6	2.9	1.8	..
Other	1.3	2.0	1.0	2.0	2.7	..
Unclassified^a	6.2	0.2	0.4	0.0	6.5	..

.. Not available.

a Difference between the data reported in the balance-of-payments and the direction-of-trade statistics.

Note: Fiscal year begins on 1 July.

Source: WTO Secretariat, based on information provided by the Cameroonian authorities; and IMF (2000e), *IMF Staff Country Report* No. 00/81.

14. Developing countries as a group accounted for only 14% of Cameroon's total exports in 1998/99, with Chad being the largest single developing country. On the import side, the share of developing countries is somewhat higher (23% in 1989/99). Nigeria is the largest single developing country source for Cameroon's imports; it supplies mainly petroleum and petroleum products.

Table I.4
Imports by origin, 1994-2000
(CFAF billion and per cent)

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000
Total imports (CFAF billion)						
- Balance-of-payments data	557	602	729	875	882	..
- Direction-of-trade statistics and national accounts data	450	557	704	875	816	906
	(Per cent of total)					
Advanced economies	50.4	51.5	48.3	50.2	49.8	50.5
European Union	50.4	51.5	48.3	50.2	49.8	50.5
France	28.7	27.1	24.3	25.8	25.6	25.7
Belgium-Luxembourg	4.1	4.8	4.7	4.5	4.8	5.2
Germany	5.9	7.0	6.4	6.6	6.5	4.7
Italy	2.9	3.7	3.7	3.9	4.3	3.6
Netherlands	3.1	2.7	2.7	2.6	2.6	2.9
United Kingdom	2.7	2.7	2.9	2.7	2.6	2.4
Spain	1.3	1.7	1.8	1.8	1.6	1.2
Japan	4.1	5.3	4.7	5.7	5.0	5.5
United States	6.6	6.8	8.2	9.0	5.7	4.4
Canada	1.4	1.3	0.5	1.0	1.7	1.6
Developing countries	14.0	23.3	28.5	26.6	22.7	..
Nigeria	0.2	6.8	8.2	7.8	7.4	15.6
Guinea	2.7	2.7	2.7	3.0	2.2	2.5
China	0.7	1.2	1.4	1.8	2.0	3.1
Other	3.9	2.3	4.4	6.1	5.9	..
Unclassified^a	19.0	7.5	3.4	0.0	7.5	..

.. Not available.

a Difference between the data reported in the balance-of-payments and the direction-of-trade statistics.

Note: Fiscal year begins in July.

Source: WTO Secretariat based on information provided by the Cameroonian authorities; and IMF (2000e), *IMF Staff Country Report* No. 00/81.

Commodity pattern of merchandise trade

15. Petroleum and petroleum products accounted for some 44% of Cameroon's merchandise exports in 1990/00 (Table I.5). Other important export items include cocoa (notably beans), coffee, and aluminium.

Table I.5
Principal exports by group of products, 1993-2000
(CFAF billion and per cent)

	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000
Total exports (CFAF billion)	623	858	804	982	1,084	940	1,092
	(Per cent of total)						
Petroleum and petroleum products	42	35	36	42	36	29	44
Cocoa beans and products	12	10	10	9	11	12	8
- cocoa beans	10	8	9	7	9	9	6
Coffee (arabica and robusta)	13	10	9	7	6	6	7
Aluminium	7	7	7	5	5	5	6
Lumber	14	16	9	11	16	13	5
Raw cotton	6	6	5	7	5	5	4
Other ^a	6	15	24	19	18	21	26

a Includes estimates for unrecorded exports.

Note: Fiscal year begins on 1 July.

Source: WTO Secretariat, based on information provided by the Cameroonian authorities; and IMF (2000e), *IMF Staff Country Report* No. 00/81.

16. Data on Cameroon's imports do not provide a comprehensive picture. According to the IMF, imports by private and public enterprises accounted for some 17% of total merchandise imports in 1999/00 (Table I.6).¹⁸ However, this category is not available by group of products. "Non-enterprise" imports are dominated by equipment (industrial and transportation). Imports of equipment increased steadily along with the economic recovery, from 13% of total merchandise imports in 1993/94 to 27% in 1997/98. Thereafter they again dropped somewhat along with a slowdown in economic activity.

Table I.6
Imports by group of products, 1993-2000
(CFAF billion and per cent)

	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000
Total imports (CFAF billion)							
- Balance-of-payments data	442	557	602	729	875	882	..
- Customs Department data	312	438	565	708	875	832	906
	(Per cent of total)						
Enterprise consumption ^a	17	18	21	18	17	17	17
Industrial and transportation equipment	13	18	20	24	27	23	22
- transportation equipment	6	8	8	11	13	10	10
Semi-finished goods	12	15	17	16	16	16	16
Mineral and other raw materials	6	1	10	15	12	11	17
Food, drink, and tobacco	11	11	9	9	11	11	12
Household consumption ^b	9	10	11	10	10	10	10
Animal and vegetable raw materials	2	4	3	3	4	5	5
Energy and lubricants	1	1	1	2	1	1	2
Unrecorded trade	29	21	6	3	0	6	..

.. Not available.

a Public and private enterprise consumption covers final goods for consumption or goods used in the production process.

b Household consumption covers final goods.

Note: Fiscal year begins on 1 July.

Source: WTO Secretariat, based on information provided by the Cameroonian authorities; and IMF (2000e), *IMF Staff Country Report* No. 00/81, Washington D.C., July.

17. Data from UNSD, Comtrade, which is available up to 1996, show that manufactured products dominate Cameroon's imports (Table AI.2).¹⁹ However, these imports, which accounted for about three quarters of total merchandise imports during the past two decades, dropped in 1996 to some 67% of the total. The decrease reflected lower imports in value terms of a wide range of items. In addition, the sharp increase in value terms of fuels (mainly crude petroleum) recorded in 1996, also brought down the relative size of manufacturing imports. In 1996, fuels amounted to 16% of imports, up from a mere 2% in the previous year. In 1996, agricultural products accounted for 16% of merchandise imports.

(ii) Investment performance

18. Foreign investment plays an important role in the Cameroonian economy. It has assisted Cameroon in financing pressing investment needs, and, at the same time, has introduced modern technology and management techniques. Foreign investment (net) reached its peak in 1996/97, but has since tapered off somewhat. Nevertheless, in 1999/00, foreign investment (direct and portfolio) amounted to US\$180 million or 2.2% of GDP (Table I.7). During the period under review, foreign

¹⁸ IMF (2000e).

¹⁹ UNSD, Comtrade database provides import data on a calendar year.

investment has fully financed or financed a substantial part of Cameroon's external current account deficits.

Table I.7
Foreign investment, 1994-2000
(US\$ million and per cent)

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000
Total foreign investment, net (US\$ million)	226	246	274	253	214	180
- foreign direct investment, net	101	120	126	140	142	109
- portfolio investment, net	125	146	148	113	72	71
Foreign investment, net/GDP (per cent)	2.8	2.7	3.0	2.9	2.3	2.2
Foreign investment, net/current account deficit ^a (per cent)	364	66	107	108	54	74

a Including grants.

Note: Fiscal year begins on 1 July.

Source: WTO Secretariat, based on information provided by the Cameroonian authorities; and IMF (2000a), *Public Information Notice (PIN)* No. 00/42.

19. Disaggregated data on foreign investment are not available by country of origin or by activity. However, it has been reported that French companies are the major investors in Cameroon.²⁰ Other major investors include companies from Belgium, Italy, and South-East Asia.

(4) STRUCTURAL REFORMS – PAST AND FUTURE

20. Several important structural issues have been tackled by the authorities during the period under review. In the financial sector, reforms include the restructuring of the banking sub sector in 1996-99 and the elimination, in 1997, of the legal requirement that at least one third of commercial bank capital be held by nationals. The privatization process is also well under way for the main utilities - telecommunications, electricity and water - as well as for banking (including the privatization of a restructured bank in January 2000). In the transport sector, maritime transport was liberalized in 1998 through the elimination of cargo sharing rules and national preferences; and measures have been taken to improve the competitiveness of ports such as the Single Window Facility at Douala. Concessions for the national railway activities were granted to the private sector in 1999, and a number of reforms have been undertaken since 1998 to improve the management of the national road network. The national oil refinery's monopoly on the supply of refined petroleum products was eliminated in 1998 through the liberalization of competing imports. Other reforms pertinent to the energy sector include the liberalization of distribution margins in the price formula for refined petroleum products in 1999. In forestry, the criteria for the adjudication of concessions and cutting rights was revised in 1999, and a reform of the incentives and tax system has begun (1997-98). As noted above, important public-finance-related reforms have also been implemented.

21. Notwithstanding these achievements, some crucial challenges remain, including attacking poverty, reforms of education and health sectors, and addressing governance issues (Box I.2). In addition, the development of the infrastructure needs to be tackled.

²⁰ Strategis (1998).

Box I.2: Poverty in Cameroon

The most recent household-consumption survey in Cameroon, which was conducted in 1996, showed that:

- some 51% of the population were unable to meet a minimum consumption basket (poverty line), and 23% were unable to meet even the food component of this basket (extreme poverty line). The definition of poverty used by the authorities was CFAF 148,000 (about US\$290), with adjustments for regional price differences;
- poverty was predominately a rural phenomenon with 86% of the poor living in rural areas and 61% of rural residents being poor;
- different measures for living standards showed a marked disadvantage for women;
- the gross school enrolment ratio for children aged 6-14 years was 73.2% in 1996 and 80.7% in 1998, with rates averaging some 7 percentage points lower among girls than among boys. Enrolment rates differed among regions with rates above 90% in urban areas;
- the population per hospital bed varied, ranging from 287 in the west to 1,465 in the north;
- on average, some 44% of households had access to safe drinking water. In the main cities, seven households in ten had access to potable water, compared with only two in the rural areas; and
- the growth in labour demand had not kept pace with the rapid growth in labour supply.

Source: IDA and IMF (2000), *Cameroon – Preliminary Document on the Enhanced Initiative for Heavily Indebted Poor Countries*.

Pillars of the poverty reduction and growth strategy

22. To respond to these challenges, the authorities have prepared an interim Poverty Reduction Strategy Paper (PRSP), which is to be implemented within the framework of the HIPC Initiative (Box I.1).²¹ The strategy has been prepared on the basis of lessons learned from the participatory consultations conducted throughout Cameroon. The PRSP consists of a programme of reform measures designed to: (i) promote sustainable and vigorous growth, (ii) introduce sectoral and targeted poverty reduction policies, and (iii) strengthen good governance in order to maximize the potential impact of growth on poverty. During the initial phase of participatory consultations, the following areas were singled out as the most effective areas of action in the fight against poverty: (a) strengthen the delivery of essential social services in the areas of education and health, (b) improve access to potable water, and (c) rehabilitate road infrastructure.

23. It has also been recognized that the success of the poverty reduction programme will depend on the efforts to promote good governance and combat corruption. Towards this end, the authorities are developing a comprehensive strategy to improve governance and reduce corruption. The cornerstone of this strategy is the National Governance Programme, which was developed by the authorities with assistance from the UNDP. In the context of the programme, the authorities will focus on strengthening transparency and accountability and on improving the supply of basic social services (Chapter II(1)(iv)).

(5) OUTLOOK

24. The Cameroonian authorities have formulated a comprehensive and ambitious reform agenda. Several steps have already been taken in this direction. Its implementation will require strong and concerted efforts, in particular in the areas of governance and corruption, involving some hard political decisions. Over the medium-term, the external environment will continue to be another important factor influencing Cameroon's economic growth prospects: an unfavourable external environment, such as falling prices of its key export products, would inhibit the prospects for growth and poverty alleviation.

²¹ Details of the programme can be found in Government of Cameroon (2000c).