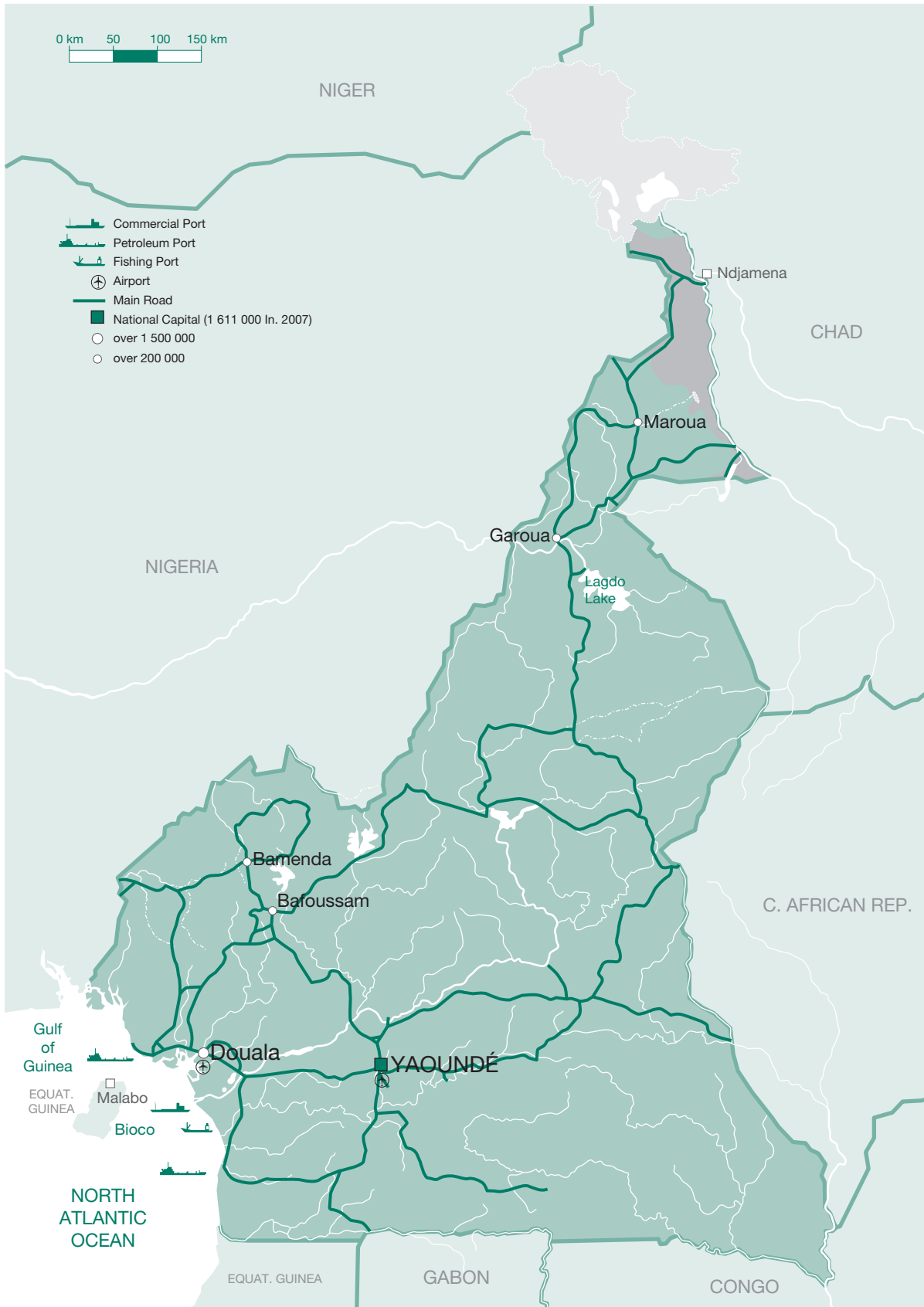


Cameroon

2011



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Cameroon

Overview

The rate of growth recorded two successive falls between 2007 and 2009. It fell from 3.3% in 2007 to 2.9% in 2008 and to 2% in 2009, before rising more than one percentage point in 2010 to stabilise at 3%. The projections for 2011 and 2012 are 3.8% and 5.3% respectively, based mainly on the strength of internal demand, notably domestic consumption. This has been driven by the benefits of financial arrangements related to the completion of infrastructure projects. Private investment in the non-oil sector should support growth by an average of 0.4 percentage points a year. At the same time, the oil sector should continue to play an important role in growth with the exploitation of reserves in the Bakassi area.

In public finance matters, the authorities have continued efforts aimed at increasing non-oil tax revenues by: *i)* simplifying tax legislation and strengthening governance; *ii)* enlarging the tax base for all economic actors; *iii)* strengthening research into budgetary policies to improve the effectiveness of policy development.

The monetary policy objective set and managed by the Bank of Central African States (BEAC) is price stability. The financial instruments the Bank uses are: the bank base rate, free market policy and compulsory reserves.

In 2010 the inflation rate fell below the community threshold of 3% to settle at 1.4% due to the relative stability of food prices and the freeze on the pump prices of petroleum products.

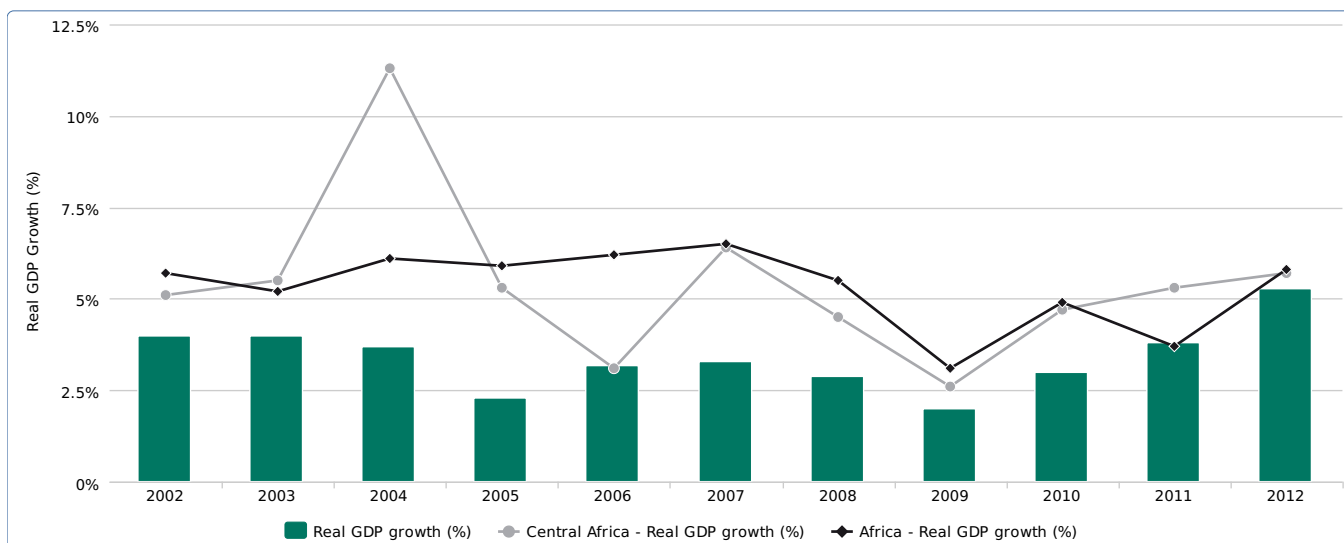
Cameroon ended 2010 with a current account deficit of 3.6% of gross domestic product (GDP), marginally higher than in 2009 (3.3%). A further deterioration is expected in 2011, with a deficit of 3.8%.

Public sector reform continued in 2010, with completion of the privatisation of certain public sector companies and the creation of a single office as part of an improvement in the business climate.

On the political front, the fight against corruption also continued in 2010. Elections Cameroon (Elecam) continued to establish its representatives throughout the country in preparation for presidential elections planned in 2011. The head of state has met the main opposition leader, Ni John Fru Ndi, for the first time since 1990.

The authorities have continued their policy of improving education and health opportunities, building a new university in Bamenda and new hospitals, and providing better care for people suffering from chronic illness with the creation and outfitting of specialist centres.

Figure 1: Real GDP growth (C)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink <http://dx.doi.org/10.1787/888932403876>

Table 1: Macroeconomic indicators

	2009	2010	2011	2012
Real GDP growth	2	3	3.8	5.3
CPI inflation	3	1.4	2.9	3
Budget balance % GDP	-0.4	-0.9	-1.3	-0.4
Current account % GDP	-3.3	-3.6	-3.8	-2.6

Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932406232>

Recent Economic Developments and Prospects

Table 2: GDP by sector (in percentage)

	2005	2009
Agriculture, forestry, fishing & hunting	20.4	23.3
Agriculture, livestock, fishery, forestry and logging	-	-
of which agriculture	-	-
of which food crops	-	-
Mining and quarrying	9.2	7.9
Mining, manufacturing and utilities	-	-
of which oil	-	-
Manufacturing	18.5	16.1
of which hydrocarbon	-	-
Electricity, gas and water	1	1
Electricity, water and sewerage	-	-
Construction	3.1	4.7
Wholesale and retail trade, hotels and restaurants	22.1	20.1
of which hotels and restaurants	-	-
Transport, storage and communication	4.4	5.2
Transport and storage, information and communication	-	-
Finance, real estate and business services	6.5	6.3
Financial intermediation, real estate services, business and other service activities	-	-
General government services	4.3	5
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	-	-
Public administration, education, health & other social & personal services	-	-
Public administration, education, health & social work, community, social & personal services	-	-
Public administration, education, health & social work, community, social services	-	-
Other community, social & personal service activities	-	-
Other services	10.4	10.3
Gross domestic product at basic prices / factor cost	100	100

Source: AfDB Statistics Department based on data from National Institute of Statistics (INS).

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932407201>

The real rate of GDP growth, while positive between 2009 and 2010, has stayed below the 7% rate necessary

to reduce poverty by half by 2015. In 2010, Cameroon's economic growth was driven by the global recovery with an upturn in certain non-oil exports, notably timber, coffee and cotton,¹ which benefited from the price and volume effect as some developed countries rebuilt their stocks. The cocoa and aluminium markets, on the other hand, performed poorly, with falling prices. Furthermore, unplanned spending linked to the participation of the national association-football team in both the African Cup of Nations and the World Cup, and preparations to celebrate the 50th anniversary of independence, a large part of which was not included in the budget, affected delivery of the budget and forced the government to prepare a mini-budget. The economy was also affected by the difficulties observed in some heavily indebted EU countries.

The forecasts for 2011 and 2012 are dependent on the scale of the world economic recovery, the dynamics of domestic demand and the growth in public investment planned as part of the Growth and Employment Strategy Paper (GESP). So the rate of investment should rise from 18.5% to at least 25% of GDP, the minimum rate to guarantee sustainable economic growth and job creation. To this end, for 2011, the budgetary framework defined by the executive relies on: *i*) growth in GDP of 3.8%, with 4.4% growth for the non-oil sector; *ii*) an oil price of USD 77.5 a barrel and production of 20.7 million barrels; *iii*) an exchange rate of XAF 524 (CFA Franc BEAC) to the dollar; *iv*) an overall fiscal balance of around -2.1% of GDP; *v*) a current account deficit limited to around 2.9% of GDP. The 2011 budget amounts to XAF 2.571 trillion, up by XAF 1 billion, or 0.04%. Implementation of the main works phase of the GESP will create employment with an impact on the jobs market.

However the main factors that could jeopardise the forecasts for 2011 and 2012 are uncertainties in the still-recovering world economy, and especially possible overspending due to the presidential elections.

The primary sector accounts for almost 26.8% of GDP (13.6% for agricultural activities). Its growth rate rose from 2.9% in 2009 to 5.4% in 2010. This revival in activity is explained mainly by the beginning of the end of the forestry crisis (+30%) following the drop in 2009 (-37.9%). Primary sector productivity remains weak, notably because of the rudimentary character of agricultural techniques, rising agricultural input prices and the absence of appropriate funding.

The secondary sector accounts for 20.3% of GDP. Its growth rate was -2.5% in 2009 against +1.2% in 2008, and it settled at -1.2% at the end of 2010. This poor performance can be explained by the low level of industrialisation of the economy and low inputs, especially energy, associated with the drop in oil production since 2007 with the depletion of the main wells. The energy ministry recorded a drop of 1.1% in electricity production in 2009 compared with 2008, but production rose by 3.5% in 2010 owing to renovation and restoration of the Edéa hydroelectric power station. Water production also rose by 3% in 2009, although this growth was uneven over the year. In 2010 production rose by 5% as a result of improvements in infrastructure and the distribution network, with the construction of treatment stations in Ayatto and Mefeu with a capacity of 50 000 m³ per day.

The tertiary sector, which accounts for almost 45% of GDP, remains the most dynamic sector. Its average growth rate since 2007 is 4.7%, thanks to good performance in business and telecommunications, but also the recovery of the construction sector, which is reflected in transport. This growth slowed down in 2008 (1.8%) before recovering in 2009 (3.5%) and 2010 (4.2%). The trade sub-sector, which accounts for over 30% of sector GDP, relies mainly on the marketing of imported products and on smuggling.

Domestic demand remains the growth driver. It rose from 10.8% in 2010, consistent with the 4.4% level of growth in GDP. This trend should continue in 2011, with an expected rise of 2.9% to contribute 3%. The contribution of net external demand to growth should improve, thanks to sustained non-oil and service exports. Overall consumption, at 85.9% of GDP in 2008, accounted for 86.5% in 2009. The weight of investment also improved, rising from 17.6% to 18.5%.

Table 3: Demand composition

	Percentage of GDP (current price)		Percentage changes, volume			Contribution to real GDP growth		
	2002	2009	2010	2011	2012	2010	2011	2012
Gross capital formation	19.8	18.5	7.4	6.3	8.1	1.5	1.3	1.8
Public	2.3	2.2	10	1.5	0	0.2	0	0
Private	17.5	16.3	7	7	9.2	1.2	1.3	1.8
Consumption	81	86.5	3.4	3.9	3.8	2.9	3.4	3.4
Public	10.2	11.3	3	2.8	-1.2	0.3	0.3	-0.1
Private	70.8	75.2	3.4	4.1	4.6	2.6	3.1	3.5
External sector	-0.8	-5	-	-	-	-1.4	-1	0.2
Exports	19.9	22.6	-4.1	0.6	8.2	-0.9	0.1	1.6
Imports	-20.7	-27.6	1.7	3.8	5	-0.5	-1.1	-1.4
Real GDP growth rate	-	-	-	-	-	3	3.8	5.3

Source: AfDB Statistics Department based on data from National Institute of Statistics (INS); estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932408170>

Macroeconomic Policy

The authorities took measures in 2009 to confront the economic and financial crisis and support the sectors affected, notably forestry and export commodities.

Fiscal Policy

The authorities have applied an anti-cyclic budgetary policy, with the support of funders. Furthermore, measures to tackle the high cost of living or to support activities in difficulty were maintained in 2010 to consolidate the recovery. To finance its budget, the government resorted for the first time to a compulsory loan of XAF 200 billion. The application of budgetary policy is constrained by monitoring criteria defined by the Economic and Monetary Community of Central Africa (CEMAC). The ratio of public debt to nominal GDP is close to 13%, that of public sector wages to tax revenues near 49% and the rate of inflation below 2%. All these indicators are within the CEMAC limits.

The new development policy is based on the medium-term expenditure frameworks (MTEFs) drawn up at sectoral and central levels.

Beyond the narrowness of the tax base, the mobilisation of tax revenues depends first and foremost on the economic situation. In 2009 tax revenues represented 17.1% of GDP, almost 4 points down on the year before. This drop, caused by the contraction of global demand following the international financial crisis, affected economic growth. Revenues rose slightly in 2010 to reach 17.3%. Forecasts for 2011 and 2012 predict a small rise based on the favourable expectations for economic growth. Tax revenue remains very dependent on the exploitation of raw materials, including oil. For example, at the end of July 2010, oil revenue amounted to XAF 289.4 billion (71.1% of the projected revenue), down XAF 2.4 billion on 2009. Cameroon, as both an importer and exporter of oil, is exposed to fluctuations in the price of the barrel and of the dollar. Furthermore, since growth in national production is structurally negative despite the discovery of new reserves, only the high prices explain the growth in tax revenues. A stabilisation mechanism managed by the CSPF stabilisation fund (*Caisse de stabilisation des prix des hydrocarbures*) in collaboration with the national oil refinery company SONARA and the Ministry of Finance provides stability in oil and gas prices. Total spending has grown unevenly. Additional resources from debt reduction and stable oil prices have enabled the state to meet its responsibilities.

The level of capital spending remains low compared with revenue spending. This is added to by difficulties in implementing the investment budget, taking account of the nature, maturity and costs of the projects in the state budget as well as human capital weaknesses in delivering them. Since 2004, the delivery rate of the investment budget has stayed below 70%.

Having been positive up to and including 2008, the primary balance became negative in 2009 and the deficit increased in 2010. The balance will stay negative in 2011 and 2012, despite a slight improvement.

Table 4: Public finances (percentage of GDP)

	2002	2007	2008	2009	2010	2011	2012
Total revenue and grants	18.2	20	21.2	17.1	17.4	17.4	17.4
Tax revenue	11.2	10.9	11.1	10.3	10.6	10.8	10.7
Oil revenue	4.9	6.4	7.8	4.6	4.6	4.4	4.8
Grants	-	-	-	-	-	-	-
Other revenues	1.8	1.6	1.5	1.4	1.4	1.4	1.4
Total expenditure and net lending (a)	16	15.7	19	17.5	18.3	18.7	17.8
Current expenditure	13.3	11.7	13.4	13.5	13.9	14.3	13.6
Excluding interest	10.7	11.2	13	13.2	13.6	13.9	13.4
Wages and salaries	5.1	4.4	5.4	5.7	5.8	5.9	5.8
Goods and services	4	4.5	4.9	4.9	5.1	5.3	5
Interest	2.6	0.5	0.4	0.3	0.3	0.4	0.2
Capital expenditure	2.5	4	5.6	4	4.3	4.4	4.2
Primary balance	4.8	4.8	2.6	-0.1	-0.6	-0.9	-0.1
Overall balance	2.2	4.3	2.2	-0.4	-0.9	-1.3	-0.4

a. Only major items are reported.

Source: AfDB Statistics Department based on data from Ministry of Economy and Finance; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932409139>

Monetary Policy

Cameroon is a member of the Franc Zone, which is a monetary union of six Central African² and eight West African³ countries. Cameroon's monetary policy is defined and managed by the BEAC, the common central bank of the six member countries. Since the monetary reforms taken in the mid-1990s, the aim of monetary policy has been to ensure internal and external price stability. To achieve this aim, since 1990 the BEAC has a new instrument: a free-market policy. With the liberalisation of interest rate policy, monetary policy action is increasingly effective at the quantitative level through the modification of the level of compulsory reserves. In effect, taking account of the context of over-liquidity, very few banks have recourse to BEAC refinancing. In practice, because of the imported nature of inflation, the central bank has very little influence on changes in prices; the state plays this role better.

With the freeze on pump prices and the tax exemption on consumer staples, the inflation rate was contained at 3% in 2009. In 2010, year-on-year inflation was estimated at around 1.4% with 2.9% forecast in 2011. This deceleration of inflationary pressures is a reflection of improved food supply as well as the fair and reasonable operation of food price-fixing mechanisms. The stabilisation of inflation in the principal trade partner countries also plays a part.

The money supply has stayed on average under 22% of GDP, which indicates a weak monetisation of the economy. Similarly, the coverage rate of the currency has remained well above the minimum level of 20%. It settled at 100.1% in 2009 and at 100.6% in 2010. This trend should remain stable in 2011.

The BEAC's tax policy aims at better control of financial resources within the member states. Thus, since July 2008, the BEAC has changed its intervention rates five times. Regarding compulsory reserves, the growth of investments in the money markets shows stagnation, and even a small contraction of bank liquidity between

April and June 2010, even though the level remains comfortable.

External Position

Analysis of the structure of foreign trade shows: *i)* a preponderance of primary product exports to the detriment of manufactured products; *ii)* a high level of domestic consumer goods imports reflecting a strong dependence on food; *iii)* a structural deficit on trade in services; *iv)* a weak contribution of foreign direct investment (FDI) and of transfers from the diaspora. The overall trade balance was in deficit in 2009 because of the rise in crude oil imports. The non-oil trade balance has been in deficit since 1996; this deficit rose from XAF 41 billion in 1996 to XAF 876.5 billion in 2010. The European Union (EU) remains Cameroon's main business partner, followed in order by East Asia, West Africa, North America, CEMAC and Latin America.

The balance of services is structurally negative, with a trend in 2011 towards a deepening deficit due to the rise in transport costs as a result of soaring oil prices.

In Cameroon, competitiveness is reflected in two indicators: the real effective exchange rate and the business environment. In 2009 the exchange rate rose by 1.5%, reflecting a loss of competitiveness in the economy. This situation hardly changed in 2010 despite efforts by the authorities to improve the country's attractiveness through tax incentives, a better judicial framework and stronger investment guarantees.

Cameroon is one of the countries that has signed interim agreements as part of the economic partnership agreements (EPAs) with Europe, but it has not yet started the progressive dismantling of barriers and trade quotas with the EU. Negotiations suspended for several months have restarted with the arrival of a new EU representative.

Current transfers are being consolidated, thanks to transfers sent by the diaspora and the fall in external debt servicing. Only the extractive industries, notably the oil industries, have registered a flow of FDI, even though the FDI has been rather erratic since 2006. Capital movements are still influenced by reductions in external public debt.

Since reaching the completion point of the Heavily Indebted Poor Countries (HIPC) Initiative in 2006, the amount of Cameroon's public debt has been brought to a sustainable level. In 2009, this accounted for almost 13% of GDP, of which 9% was for total external debt. However there was a reduction of the bilateral part of the debt to the benefit of multilateral debt, which itself grew by 25%. In June 2010, debt grew very little and is now at 13.2% of GDP. Despite the sustained rate of repayments,⁴ the percentage may grow over the coming years with new loans.

Table 5: Current account (percentage of GDP)

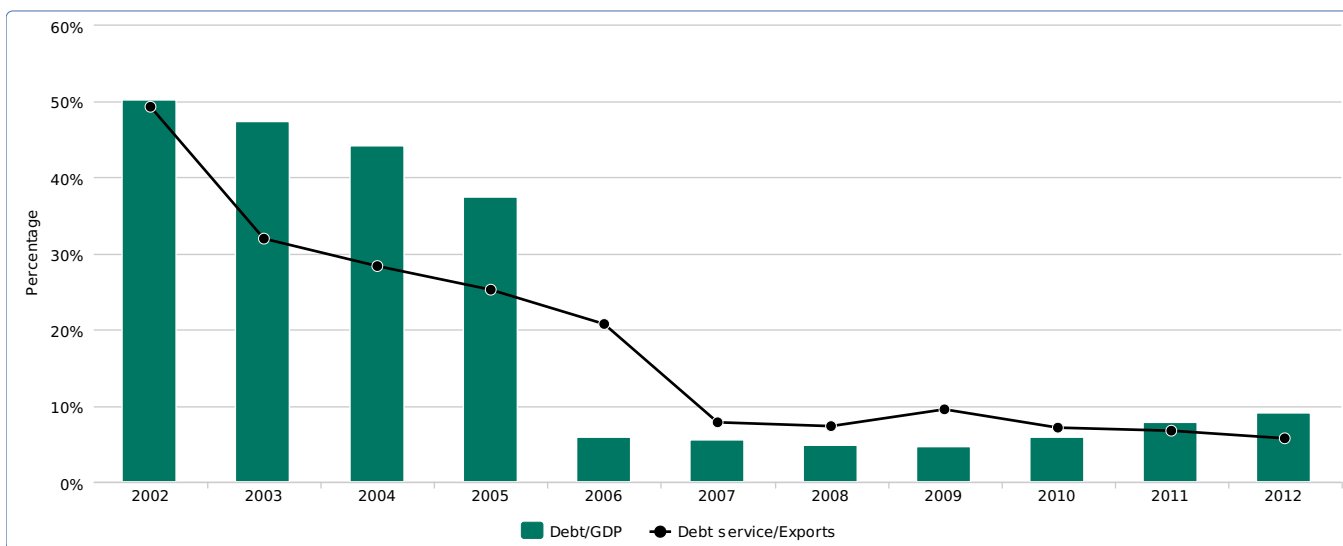
	2002	2007	2008	2009	2010	2011	2012
Trade balance	1.4	3.6	2	-1.1	-2.7	-4.9	-3.6
Exports of goods (f.o.b.)	18.1	24.3	25.3	17.3	17.3	17	18
Imports of goods (f.o.b.)	16.7	20.7	23.3	18.4	20	21.9	21.6
Services	-2.6	-1.9	-5	-4	-3.8	-1.8	-1.6
Factor income	-3.5	-2.4	-1.4	-0.6	-0.5	-0.3	-0.3
Current transfers	0.5	2.2	2.6	2.3	3.4	3.2	2.9
Current account balance	-4.2	1.4	-1.9	-3.3	-3.6	-3.8	-2.6

Source: AfDB Statistics Department based on data from Bank central (BEAC); estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932410108>

Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932403876>

Structural Issues

Private Sector Development

Cameroon's private sector is one of the most developed in Central Africa, with 93 969 active businesses in 2009. The cities of Douala and Yaoundé have almost two-thirds of all businesses, which generate nearly three-quarters of total turnover. Two-thirds of businesses employ no more than five people and operate essentially in the tertiary sector. Nine out of ten are sole traders.

Use of new information and communication technology (NICT) is still modest, with barely one business in two connected to the Internet, and an even smaller proportion (one in four) with an intranet. Very few businesses invest significantly in new technology.

Traders deplore a business climate unfavourable to the development of their activities at the administrative, judicial and financial levels. The most frequently cited obstacles in order of importance are: tax, corruption, access to credit, administrative systems, unfair competition, infrastructure and the cost of financing. The other big obstacles mentioned are insufficient dialogue between the public and private sectors, power cuts, transport and justice.

Confronted by these problems, the authorities have committed to a programme of structural and institutional reforms aimed at improving the business environment and the overall competitiveness of the economy. These measures are based on: *i*) restructuring and privatisation of public enterprises; *ii*) promotion of transparency and improvements in governance; *iii*) reform of the financial sector and the civil service and consolidation of public finances. A new penal code of procedure was also introduced in 2007. The national financial investigation agency (ANIF) and the national anti-corruption agency (CONAC) are up and running. The government regularly publishes: *i*) quarterly reports on state budget implementation; *ii*) quarterly operating accounts of the state oil company (SNH); and *iii*) financial aggregates of the main public enterprises. It has furthermore signed up to the Extractive Industries Transparency Initiative (EITI) and satisfactorily implemented the initiative's main edicts. Despite these efforts, Cameroon has fallen 19 places in the World Bank's 2010 *Doing Business* report, from 152nd to 171st out of 183 countries evaluated.

Financial system development

Cameroon's banking system is generally healthy and benefits from the trust of its depositors. It is composed of commercial banks, financial institutions, insurance companies, microfinance organisations and a stock market, the Douala Stock Exchange, on which three companies have been listed since the end of 2009: SEMC, (mineral water company), SAFACAM (African forestry and agricultural company) and SOCAPALM (Cameroon palm company). The market capitalisation of these three companies fell by XAF 8 billion between January and August 2010 to XAF 74.8 billion. During the same period SEMC stock rose by 46.2%, while that of SOCAPALM fell and that of SAFACAM remained stable. After restructuring, employment in banking has risen, reaching about 3 000 employees. However the rate of banking is still very low, at between 2% and 3% of the active population.

Funding of the Cameroon economy is still a major worry. It is still affected by: *i*) a credit structure unfavourable to funding sustainable growth; *ii*) a low level of long-term loans, mainly aimed at oil and mobile-phone companies; *iii*) a weak valuation of the financial and non-banking sectors' potential, notably in the area of financial intermediation; *iv*) low appeal of foreign savings; and *v*) low diversification of financial institutions and instruments. Analysis of the structure of credit to non-financial private-sector businesses shows a predominance of short-term loans, at 61.8% of the total, while long-term loans still account for less than 3%. The contribution of the non-banking financial sector to funding the economy is still marginal compared with that of the banking sector. The financial market has however become more attractive with the hosting of a significant proportion of the bond issue launched in the CEMAC states by the International Finance Corporation (IFC) - entitled "Moabi IFC 4.25% 2009-2014" - alongside the stock exchanges of central Africa (BVMAC), for a total sum of XAF 29 billion. Also of note was a XAF 200 billion bond issue by the Cameroon government entitled "ECMR 5.6% net 2010-2015" and a XAF 30 billion issue by the Central African States Development Bank (CASDB) entitled "Bdeac 5.5% net 2010-2017", the aim of which was to fund integration projects.

The number of microfinance organisations is constantly falling, dropping from 655 in 2000 to 490 in 2006. The level of outstanding loans, meanwhile, has reached 11.6% of banking sector loans. The insurance market has remained dynamic. Insurance companies are involved in funding the economy through regulated commitments, the amount of which, according to available figures, reached XAF 173 billion in 2008. Ultimately, it seems that banking sector reforms have had positive impacts. The state now accounts for only around 10% of the social capital of the banks, while the private sector accounts for 90% (33% for national agents and 57% for foreign agents).

Other Recent Developments

Regarding public enterprises, the privatisation of the national water company (SNEC) is complete. This has enabled the creation of a publicly owned company, Camwater, and a service company, CDE, which is majority owned by the Moroccan national office for drinking water, ONEP. Cameroon Airlines (Camair) operations were suspended in February 2008. The creation and privatisation of the new airline company, the Cameroon Airlines Corporation, (Camair Co) is under way. Camtel (Cameroon Telecommunications), Sodecoton (cotton development company), CDC (Cameroon Development Corporation), SCDP (Cameroon oil deposits company) and Camtainer (national transport and transit company) remain on the list of companies eligible for privatisation. The restructuring of Campost (Cameroon Postal Service) is under way, with the objective of: *i*) safeguarding the deposits of savers; *ii*) improving the quality of the postal service; *iii*) funding an investment plan for Campost; and *iv*) paying Campost's state debt. An audit of the national oil refinery company SONARA was undertaken enabling the evaluation of the overall costs of the refinery. Renovation and resizing works have started and aim to guarantee the financial viability of the business, with knock-on effects on the pump price of oil products and less dependence on fluctuations in international crude oil prices. An appropriate tax and duty regime is being developed.

The decentralisation process appears to be irreversible in Cameroon. Decisive action is aimed at deepening it while respecting the principles of progressivity, complementarity and subsidiarity set out in the collection of laws passed to that effect. Since 2004, numerous studies and other reforms have been undertaken in preparation for the government: *i*) to have an accurate picture of the state of affairs of the administration and the urban agglomerations; *ii*) to engage in reforms and to have an appropriate legal and institutional framework for the new environment; *iii*) to start the transfer of the first powers to the urban agglomerations in 2010. Decree no 2010/0240/PM of 26 February 2010 set the modalities of exercising certain responsibilities transferred by the state to these local authorities in the areas of creating and maintaining unclassified rural roads, as well as the construction and management of ferry crossings. Budget allocations of around XAF 23 billion have been made available to the local authorities to finance the transferred activities.

Infrastructure

Infrastructure development is a constant concern, because it is part of the fight against poverty. Since the turn of the century, the authorities have committed to large projects in the transport, health, education and other sectors. These efforts can be seen in the construction sector. Raising the production capacity of cement as well as increasing import quotas have enabled improved availability of inputs. Road infrastructure construction and public works have been boosted, notably the Nlongkak junction and the Mfoundi channel. Ongoing construction works on the Lom Pangar dam and the port of Kribi offer prospects of positive growth in the coming years. Even though road transport represents close to 70% of overall transport activity, road maintenance is inadequate despite the privatisation process, as much for asphalted and non-asphalted roads (10.2% of surfaced roads are in good condition, 31.9% in normal condition, and 37.9% in mediocre or poor condition). This is a more painful state of affairs given that the funding allocated to maintaining the national road network has grown over the same period. Other modes of transport are experiencing variable growth. Maritime transport rose in 2009 with a growth of 12.3% in the tonnage of imported goods. In 2010, activity in this sector remained stable. In 2009, air transport suffered from the international economic situation but recovered in 2010. At the regional level, the Consensual Transport Master Plan for Central Africa (PDCT-AC), which aimed to link all the capital cities by surfaced roads, is at the fundraising phase.

Management of natural environmental resources

The forestry sector accounted for 11.5% of export revenues in 2008, second only to oil. In 2009, it was relegated to third place mainly because of cancelled orders and the withdrawal of several operators during the crisis. Export revenues thus dropped by 38.4% in 2009. The authorities have adopted several measures: *i*) widening the range of species to export in log form; *ii*) lightening the tax burden through factory gate tax exemptions for 2nd and 3rd transformations; *iii*) simplifying the procedures of allocation and management of community forests. These reforms, continued in 2010, have enabled the supply chain network to redeploy its potential and take advantage of the upturn in world demand. In the area of replanting and regeneration, 2 225 167 trees were planted in 2009. In 2010, control of 70% of forestry production was achieved under the forestry and environment sector programme. As part of the decentralisation, reforestation was transferred to the municipalities with a budget of XAF 1 billion. The policies applied take into account the constraints related to achieving the Millennium Development Goals (MDGs).

Agricultural reform

The agricultural sector remains strategic in Cameroon's development. The budget allocated to this sector is constantly rising. The directives of a major agricultural policy were reaffirmed by the head of state at the

opening of the agricultural show “Comice Agropastoral” in January 2011. They are: *i*) to establish a fertiliser production unit; *ii*) to set up an assembly plant for agricultural machinery at Ebolowa; *iii*) to improve seed farms; *iv*) to prepare land reform to adapt to the needs of second-generation agriculture; *v*) to strengthen the system of rural finance by opening the Agricultural Bank and a bank for small and medium-sized enterprises and industries (SMEs/SMIs).

Emerging Economic Partnerships

Co-operation with emerging countries is an important alternative in Cameroon's development funding. Also, the government is committed to increasing co-operation with emerging countries, based on mutual respect and with a leitmotiv of a "win-win" partnership. as part of the implementation of the GESP and the development strategy for 2035.

Of all the countries identified as emerging countries, only three maintain significant co-operative relations with Cameroon and funding projects. They are China, India and Korea. The projects that have benefited contribute to the development of communication and production infrastructure.

The milestones of Sino-Cameroonian co-operation were set out in 1971. This co-operation has developed in important sectors such as health (medical help and health training), support for rural areas, professional training, water and energy infrastructure, culture and sport, and telecommunications. During the past few years, Sino-Cameroonian co-operation has extended to the private sector through the signing of the accord for the mutual protection and promotion of investment in 1997 and the accord for economic and business co-operation in 2002.

Overall, China's economic and financial assistance to Cameroon's development is rising. It is estimated today at nearly XAF 200 billion. With the international financial crisis, China appears today to be the funder offering the most secure access to financial resources and without political conditions. Furthermore, the costs are low and the timescales short. Since 2009, funding agreements have been signed between China and Cameroon for an amount of almost XAF 120 billion for the following projects: *i)* a fibre-optic network; *ii)* the construction of stadiums at Bafoussam and Limbé; *iii)* the construction of the paediatric gynaeco-obstetric hospital at Douala; *iv)* the improvement of the water supply network for Douala (phase 2); and *v)* the construction of the Mékin hydroelectric power station.

At the end of the fourth Forum on Sino-African co-operation held on 8 and 9 November 2009 at Sharm el-Sheikh in Egypt, China committed to raising its financial and technical assistance to African countries, cancelling or further reducing countries' debt and opening up its markets to African countries. Cameroon expects to benefit from this new opportunity to deliver important programmes to which the Chinese government has already committed. Discussions and negotiations are under way, notably on: *i)* construction of the deepwater port in Kribi; *ii)* construction of the Memve'ele dam; *iii)* construction of a motorway linking Yaoundé to Douala; *iv)* construction of 1 500 social homes; *v)* rehabilitation of the Lagdo hydroelectric dam; *vi)* construction of a second bridge over the Wouri; *vii)* promotion of agricultural mechanisation.

The volume of funding sought by Cameroon to achieve these projects cannot be supported only through Eximbank-China. The Chinese government has therefore also offered the country commercial loans. Eximbank requires special guarantees such as contracts for the sale of raw materials, loan guarantees and the opening of escrow accounts with Eximbank-China. Cameroon has given its approval in principle to these new forms of guarantee, and a memorandum of agreement was concluded between the two parties on 24 March 2010. Furthermore, based on the accords for mutual protection and promotion of investments and of economic and business co-operation concluded between the two countries, talks are under way with Chinese private companies on direct private investment in Cameroon (such as a project to build a vehicle assembly plant in the country).

During a visit from 23 to 25 March 2010 by Jia Qinglin, the Chairman of the Chinese People's Political Consultative Conference in China, several accords were signed for a total sum of XAF 12.645 billion for: *i)* a loan of around XAF 6.245 billion for a refurbishment project and provision of materials to Matgenie (national civil engineering equipment park); *ii)* an interest-free loan of XAF 3.2 billion for economic and technical co-operation projects to be agreed between the two governments; *iii)* a gift of XAF 3.2 billion, also for economic and technical co-operation projects to be agreed between the two governments.

Co-operation with India is recent but very promising, given the significant level of resources already committed on the Indian side. Cameroon benefited from a gift of 60 tractors in 2005. India gave agricultural training grants in 2010. Even more important, a project to set up an assembly plant for tractors and other agricultural equipment will be funded to a level of XAF 18.825 billion. An accord has been signed between the minister of energy and water and the Indian company Angelique International Ltd, with a view to establishing a line of credit of USD 25 million for development of the energy and water sector; this funding is under negotiation. Also, in the health sector, a telemedicine project at the Faculty of Medicine in the University of Yaoundé I is currently being set up.

Co-operation between Cameroon and Korea is in economic and technical fields and is intensifying over the years. The main agents are: Eximbank of Korea for the Economic Cooperation Development Fund (ECDF), and the Korean International Cooperation Agency (KOICA) for technical co-operation and donations. Economic co-operation is expressed in the construction and equipping of training centres for professional excellence, for

which ECDF funds provide USD 35 million out of a total cost of USD 48.4 million, and in the funding of a flagship hospital at Garoua. As part of the technical co-operation, the Korean government is helping Cameroon improve the skills of its executives in various economic sectors through training courses and vehicle donations.

A comprehensive co-operation strategy is being developed with other emerging countries, taking account of GESP priorities. The first phase involves 12 countries. These potential partnerships, organised in sub-regional poles, should mature and eventually result in the setting up of permanent economic missions.

The most important sectors - agriculture, telecommunications, energy and transport - should be prioritised with partnership countries to encourage their businesses to fund and invest in the exploitation or processing of local raw materials. To get the most out of this co-operation, the Cameroonian authorities envisage an evaluation of the countries' strengths and weaknesses.

Political Context

The political context in Cameroon is calming down. Following the creation of Elecam (Elections Cameroon), the organisation now in charge of organising, managing and supervising the whole electoral and referendum process, President Paul Biya appointed several key figures from the RDPC, the governing party, prompting a challenge by the opposition. Since then, Elecam has continued to recruit and post its staff across the whole country. Elecam's current challenge is to record all Cameroonians of voting age on the electoral registers. The domestic political event of 2010 was the series of meetings between Paul Biya and Ni John Fru Ndi, the chairman of the main opposition party, the Social Democratic Front (SDF). These meetings, the first since the beginning of the 1990s, should help calm political life in Cameroon. The two key figures tackled the improvements to be made to Elecam in order to ensure the smooth conduct of elections.

On the subject of security, the President of the Republic has replaced the heads of the various security services and appointed a new permanent secretary of the National Security Council. The heads of the general delegation for national security (DGSN) and the foreign research branch (DGRE), dedicated to counter-espionage, were replaced by the same decree. The new head of the DGSN, who also held the post at the start of the 1980s, committed himself to cleaning up the corrupt police force.

The fight against corruption has led to several arrests; the former deputy head of Camair was imprisoned in Yaoundé.

Social Context and Human Resource Development

Low growth since 2000 leaves Cameroon's achievement of the MDGs by 2015 hanging in the balance.

According to the Cameroonian household survey (ECAM), poverty still affected 39.2% of the population in 2007 (ECAM III), having dropped by almost 13 points between 1996 and 2001, from 53.2% (ECAM I) to 40.2% (ECAM II).

In the field of education, the primary education completion rate rose from 52.6% in 2000/01 to 72.6% in 2008/09, a rise of 20 points in ten years. This improvement is mainly due to the implementation of a sector strategy defining new education policies in 2006. The authorities have adopted measures to increase the supply of and stimulate demand for education, such as providing free primary education, increasing the education budget, providing core textbooks, opening new schools, building new classrooms, and providing contracts for more than 35 000 teachers, who represent 47% of the employees of the Ministry of Basic Education (Minedub) (2010).

The school attendance rate for young people under 15 improved to 79.8% in 2007 compared with 78.8% in 2001; likewise, the literacy rate for people over 15 reached 70.6% in 2007 compared with 67.9% in 2001, and the completion rate in the final year of primary education rose to 71.5% in 2007 from 57% in 2004. However, the primary-school attendance rate for children aged 6 to 11 years remained more or less stable between 2001 (75.2%) and 2007 (75.5%). The literacy rate for the 15-24 age group has settled at 80%, and the primary education gender parity index is 0.95. This index is 0.80 in the general secondary sector and 0.63 in technical education. The transition rate from primary to secondary level is 44.4% in general secondary education and 12.6% in technical education.

Inequalities persisted between 2001 and 2007 according to place of residence. More urban than rural residents are unable to read or write in one of the two official languages (English and French). In 2007, in the northern regions such as Adamaoua (59.5%) and the North (58.4%), almost three in five people were illiterate. In the Far North Region (47.5% illiteracy), meanwhile, the situation remains worrying, with more than half the population aged 15 to 24 unable to read or write.

In higher education, a new state university was created in December 2010 in Bamenda (north-west). Private education is developing across the whole range from primary to higher levels. Primary and secondary private education receive state grants estimated at just over XAF 5 billion. Cameroon is also committed for at least four years to adopting the bachelor-master-doctorate system.

In the health sector, because of the intensification and regularity of vaccination and the distribution of insecticide-treated mosquito nets, the prevalence of malaria fell by 25 points between 2004 (40%) and 2005 (15%). On the other hand, infant mortality has stagnated for more than two decades. It is estimated at 144 per every 1 000 live births (2004). And 74 children per 1 000 die before reaching their first birthday (29 per thousand between 0 and 1 month, and 45 per thousand between 1 and 12 months). Large disparities exist between the country's different regions. Maternal mortality also rose between 1998 and 2004, from 430 to 669 per 100 000 live births respectively. It may have reached 1 000 deaths per 100 000 live births in 2008. The lack of qualified health staff, the emergence of numerous illnesses such as HIV/Aids and the state of poverty are put forward to explain the situation.

The level of HIV/Aids in the school population is unknown, because there is no recent study on the rate of prevalence in young people in school. The most recent report, undertaken by UNESCO, covers the period 2003-05. Its results were confirmed by the ECAM II and ECAM III studies, which put the rate of prevalence among sexually active young people at around 11%.

Access to clean drinking water and electricity improved overall between 2001 and 2007 in urban areas, but declined in rural areas. The proportion of urban homes with electricity rose from 88.2% in 2001 to 90.4% in 2007, and those with access to clean drinking water from 61.5% to 75.1%. In rural areas, the proportion dropped from 24.6% in 2001 to 23.4% in 2007 for electricity, and from 29.3% to 27.7% for drinking water. The situation remains even more worrying in the northern regions, where more than half the population has to walk at least 30 minutes to reach a spring. The authorities are planning large water supply and electrification projects. In December 2010, the authorities signed an important accord with a Chinese company to supply water to Yaoundé and its surrounding areas from the River Sanaga.

In the area of housing, 53% of households own their own homes, 30% are tenants and 11% are accommodated free of charge. A third of households are equipped with adequate toilets, 30% have walls, 77.5% have proper roofs, and 50.6% have tiled or cement floors. A XAF 3 billion loan was made by Afriland First Bank to create social housing in Yaoundé. Similar projects exist for other towns in Cameroon, notably Douala.

While the unemployment rate in the strict sense as defined by the International Labour Organization (ILO) remains low (4.4%), youth unemployment remains worrying (13.7% in 2007). Most of their participation (92%) is in the informal economy, in jobs that are insecure and low-skilled. Underemployment remains very high (76%), and many of those are young people who state that they are only doing their current job to survive until they find something better. In 2010, the government launched a huge recruitment drive to deal with the shortfall of civil servants in the administration. This is undertaken through direct competition or contractualisation. In this way, 7 261 teachers were put under contract and 1 304 graduates were recruited in different sectors. In 2008, in conjunction with the ILO, Cameroon published a national report on child labour. Of around 6 million children aged between 5 and 17, almost four out of ten children are economically active. This percentage is broadly the same for girls as for boys. But large disparities can be seen depending on the type of residence, the region surveyed and the age of the child. Many more children are economically active in rural areas (51.1%) than in urban areas (17.9%), unpaid in most cases.

Notes

1. The fall in world cotton production, due to unfavourable climatic and meteorological conditions, with the immediate result of falling world stocks, also explains the rising trend of the price of cotton. A fall of more than 10% in world production was recorded in July 2010.
2. Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon.
3. Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo.
4. With an implementation rate of 51% for external debt and a completion rate of 54.8% for domestic debt.