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Policy Background



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A Balance Sheet of Economic Development Experience since Independence

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Introduction

Cameroon is a country blessed with tantalising potential: favourable vegetation, alluring topography, vast deposits of mineral resources, and a large, hard-working and resourceful human power. These factors suggest that the country has the ability to sustain high growth. Compared with other sub-Saharan African countries, Cameroon has one of the most diversified production and resource bases, as it produces and exports a broad range of raw material commodities including oil, coffee, cocoa, bananas, palm oil, natural rubber, timber and aluminium. It is a net exporter of oil, and although oil production has been declining steadily since 1986, it still amounted to above 37 million metric tons in 2002, representing about 13 per cent of GDP. Agriculture has remained the mainstay of the economy and employs over 70 per cent of the labour force. Industrial development has largely been rudimentary and confined to affiliates of transnational corporations. Government attempts to enter this sector through parastatal companies have been a dismal failure, to the extent that most of the companies have been privatised during Structural Adjustment Programmes. The population of the country as of 2003 was estimated at 15.5 million people with an annual growth rate estimated at 2.8 per cent, while the per capita GDP for the same year stood at \$610 with an annual growth rate of 4.5 per cent (World Bank 2005). The inflation rate, which stood at 3.9 per cent in 1997/1998, fell to 3.1 per cent in 1998/1999. It has been maintained at that level since then.

Cameroon's development efforts were managed since independence through a series of five-year Development Plans until the implementation of the Structural Adjustment Programme during the late 1980s. Six successive plans were implemented between 1961 and 1990. Economic policy

objectives as well as specific strategies that were pursued during the course of each plan fell within a general development ideology. Nevertheless, during the course of each plan, policy initiatives were undertaken and changes in strategies that were not initially envisaged in the plan as well as emergency changes were introduced. Thus, almost invariably at the National Assembly Budget Sessions on the occasion of national agricultural shows (that were held every two years), and on other occasions, the President of the Republic announced new policy initiatives.

The underlying principles of Cameroon's economic policy changed very little during the course of all six plans. Firstly, all plans continued to underscore agriculture as the priority sector in national development and emphasised the direct and indirect contributions of this sector to overall economic development. Secondly, all continued to assign the same policy objectives to this sector, and, thirdly, they all continued to identify the same basic constraints and problems limiting the sector's development. Nevertheless, in view of the complex nature of certain constraints, the interaction between them, the ineffectiveness or failure of existing strategies and the accentuation of certain problems through time, various plans pursued different approaches and adopted different solutions and strategies. Apart from a state presence via the establishment of parastatal companies in key sectors (for example, air, sea, railway and urban transport; aluminium transformation; electricity and water; cement production; paper pulp), indigenous involvement in industrial development was virtually absent. Industrial development was more or less left to free market forces dominated by transnational companies. The same is true of the commercial sector for finished goods in which local economic operators featured only as distributors (retail and wholesale) of products produced in the centre of the capitalist system. The services and financial sectors also continued to be dominated by external economic interests.

However, as expected growth in the economy was not achieved, the unfavourable international economic climate in the mid-1980s plunged the country into a devastating economic recession. This led to the institution of the World Bank and International Monetary Fund Structural Adjustment and Stabilisation Programmes (SAPs). The immediate effect of the policy was a rise in poverty and mounting debts, leading to Cameroon becoming a Highly Indebted Poor Country (HIPC). To qualify for external funding, the Cameroon government needed to establish a Poverty Reduction Strategy inspired by policies of the Bretton Woods institutions. Thus, during the period from the late 1980s to the present, development has been externally managed; initially through SAPs and, later on, through the Highly Indebted Poor Country Initiative (HIPCI) and the Poverty Reduction Strategy Papers (PRSPs).

This chapter builds on the above foundation. Its main objective is to examine the balance sheet of economic development experience in Cameroon since independence. The analysis concentrates on policy changes with regard to the extent of government intervention in the economy, and the centralisation of decision-making in relation to the allocation of resources between the private

and public sectors. This perspective enables us to consider how policy affected efficiency in resource use, and thus the performance of the economy. The following are some specific objectives of the study:

- Identifying the various policies and their shortcomings;
- Assessing the performance of the economy during the period of study; and
- Making recommendations on how to target development policies in Cameroon in order to achieve any meaningful and sustainable development.

Development Policies and Economic Performance since Independence

Cameroon's development efforts were managed since independence through a series of five-year development plans until the implementation of Structural Adjustment during the late 1980s. Six successive plans were implemented between 1961 and 1990. Five phases can be identified in the evolution of economic policy in Cameroon.

The first phase, which runs roughly from independence to the end of the 1960s was marked by the continuation of French and British colonial economic policies and institutions, with rather limited government intervention in the economy. The second phase, covering the period from the late 1960s to the late 1970s, was one of institutional proliferation with the creation of an astonishingly large number of institutions with widely varying structures. The third phase, initiated roughly since the late 1970s and covering the preparation and launching of the fifth and sixth plans may be called a reflective phase because it marked the beginning of an effort to undertake major economic policy reforms that were well overdue, particularly in the face of the stagnation in the economic export sector and the poor performance of the economy. The fourth phase began during the late 1980s with the implementation of the Structural Adjustment and Stabilisation Programmes following continuous imbalances in the economy. The fifth phase runs from the late 1990s to the present, covering the Heavily Indebted Poor Countries' Initiative (HIPCI) and the Poverty Reduction Strategy (PRS).

First Phase: Prolongation of Colonial Policies

This period which extends from 1960 to the late 1960s saw continuity in the French and British policies and institutional structures, reflecting the country's dual colonial heritage. The main concern during this period was the agricultural sector, which provided a livelihood for virtually the entire population. Cameroon was ruled under a federal system until 1972, with two federated states (East and West Cameroon), each with its own Secretariat of State for Development. In the Francophone East, basic extension services continued to be carried out by the 'Sec-teurs des Modernisations' (SEM), the marketing of export crops by the Caisse de Stabilisation (Stabilisation Fund), and research largely by French institutions. In the Anglophone West, extension services continued to be provided by the Department of Agriculture, Cooperatives and Community Development, the marketing of export crops by the Marketing Board and research by the Department of Agri-

culture. To coordinate the development efforts of the two states, the Department of Agriculture and Rural Animation was created in 1964 and placed under the Federal Ministry of Planning.

The two colonial systems presented significant differences in their organisational structure. For example, the French system provided a tighter network of extension services and research than the British. Furthermore, while the Marketing Board enjoyed a monopoly over the export of products, in the case of the Caisse de Stabilisation this role was entrusted to private licensed buyers. Despite these differences, the development models of both were based on the diffusion/modernisation model. The model presented three main features. Firstly, it was centred on the peasantry as the primary agent of development. Secondly, it involved the transformation of peasants through progressive diffusion and adoption of innovations with the assistance of extension agents. Thirdly, it relied on limited government intervention through research, extension, provision of inputs at subsidised rates, and so on.

This approach was pursued to a lesser extent in the second plan (1966–1970) although government showed signs of dissatisfaction with the approach. Indeed, it was noted that, notwithstanding the satisfactory performance of the economy during this period, growth in output had come essentially from increase in the volume of inputs and not from productivity gains. Accordingly, while not completely abandoning the diffusion/modernisation approach, government envisaged experimentation with other forms of intervention structures and new forms of production aimed at inducing technical change/productivity gains in the economy.

Second Phase: State-Centred Developmentalism

This phase covered the period between the late 1960s and the late 1970s and was characterised by three main features: increased government intervention in the economy and centralisation of decision-making; the concentration of government expenditures in state corporations and the parastatal sector; and the virtual neglect of the peasant sector that was responsible for about 90 per cent of total economic activity; and the increased indirect taxation of the peasantry and small enterprises through withdrawals by the National Produce Marketing Board (in the case of peasant farmers).

This phase witnessed a multiplication of new intervention structures and new production institutions. The second plan recommended the expansion of the estate sector, rural settlement schemes or projects to move people from densely populated areas to sparsely populated areas, specialised development agencies (*sociétés de développement spécialisées*) charged with organising and supervising the production of specific activities undertaken by peasants, and integrated rural development projects stimulating production as well as providing social services. By the late 1960s, more than ten development agencies were created. During the third plan (1971–1975), fourteen more were created. The fourth plan (1976–1980) in addition to continuing the projects of the third plan, attempted a further expansion of the modern sector. Twenty new projects were enshrined in the plan, most of which were never implemented due to the lack of donor interest and support.

Despite their structural and organisational complexities, the development agencies could be broadly classified under five categories. Category one covered Integrated Rural Development (IRD) projects (such as WADA, ZAPI-Est, ZAPI-Centre, SODENKAM), which were among the earliest development agencies to be created. IRD projects reflected third world and donor wisdom at the time, and combined in one project elements to increase agricultural production, to improve health, education, infrastructure, and other social services. A second category covered large-scale plantation projects. On the basis of the positive and encouraging results obtained by some private large-scale plantations that survived from the colonial period, the government sought to establish a significant modern agricultural sector by creating large-scale state-owned estates. The Commonwealth Development Corporation (COMDEV) was thus nationalised in 1973 and its name was changed to the Cameroon Development Corporation (CDC). This body was expanded, and a number of new estates were created with the aim of diversifying agricultural production and in the long run, serving as pilot centres for associated peasant growers and therefore, as a nucleus for the spread of modern farming methods.

A third category included development agencies that operated at the national level and offered certain vital services in the form of inputs (credits, agricultural chemicals, fertilizers and small equipment) at concessionary or subsidised terms through a rural bank, the Fonds National de Développement Rural (FONADER), in the form of marketing services (MIDIVEV up to 1984), in the form of cooperative services (CENADEC in the Centre and South, UCCAO in the West, NWCA in the North West), or in the form of the development of small machinery (CENEEMA). A fourth category included specialised sectoral agencies that organised and supervised peasant activities like SODECOTON for cotton, SODECAO for Cocoa, SEMRY, UNVDA and SODERIM for rice, etc. During the fourth, fifth and sixth plans, a fifth category of development structures emerged in the form of regional or provincial development agencies. This step reflected a change from centralisation towards a regionalisation in development planning. These bodies were either newly created institutions like the Hauts Plateaux de l'Ouest, MIDENO, MEAVSB, MEAL, or existing institutions whose functions were redefined and broadened, as was the case with SODECAO.

The donor community initially endorsed the government's interventionist policy. This support explains why government was able to create such a vast number of development agencies. Donor interest could be explained by the fact that these agencies were run as parastatal enterprises (with administrative, technical, and financial autonomy and therefore potentially efficient) but also by the fact that most of the projects aimed to combine marketable output with basic peasant needs. This idea fitted very well within the basic needs approach to rural development widely adopted by donors and the international intellectual community during this period.

This second phase in the evolution of economic policy in Cameroon had three central features. Firstly, the government sought to increase productivity, particularly in agriculture, through the establishment of a sizeable modern sector. Secondly, there was increasing dissatisfaction with the diffusion/modernisation approach as a development model. Thirdly, economic policy became more interventionist.

By the mid 1970s it was evident that the interventionist approach had not produced the results expected. The attempt to create a modern sector proved to be too costly, with only a marginal impact on total output. Furthermore, the proliferation of new institutions and structures while still maintaining the old ones resulted in the widespread overlapping of institutional functions and competences. Consequently, the various bodies often worked at cross-purposes, power conflicts arose, and above all there was a general confusion among stakeholders. The situation was exacerbated by the fact that the agencies were supervised by different government ministries with little or no provision for the coordination of activities. The poor performance of this strategy led finally to donor retreat. Thus many projects proposed under the fourth plan were not financed.

Third Phase: Revision of State-Centred Policies

The third phase comprised the period from the late 1970s to the mid-1980s. The fragmented institutional situation, the high cost and rather marginal impact on the economy, the neglect of the peasant sector in favour of the estate sector, and above all, the generally poor performance of the economy during the 1970s as compared to the 1960s, resulted in the need for an in-depth review of policies. This phase was a time for reflection in which new solutions and new dimensions in economic policy were sought.

The need for an overall policy review became clear following the steady decline in general economic performance, although Cameroon was frequently cited as one of the few countries in sub-Saharan Africa to have achieved satisfactory economic growth because of its agricultural potential, and one of the few to have attained virtual food self-sufficiency.

The decline in economic performance necessitated a search for new directions in economic policy orientation. However, because of the discovery of oil, which became a major economic activity providing enormous funds to the government in the late 1970s, reform was delayed. As in many oil producing countries, the 'Dutch disease syndrome' set in. All attention was shifted to oil production, but the revenue allowed government to postpone necessary reforms. Government policy continued to expand the public service with resulting increases in expenditure on the civil service, subsidies to inefficient public enterprises and parastatal companies, and a low return on capital-intensive investment. This only contributed to the deterioration of the economy which completely collapsed during the mid 1980s when international market conditions were unfavourable. Thus, the third phase was virtually that of reflection with no particular policy initiative being put

in place except the continuation of the five-year development plans. The change in leadership in 1982, when Paul Biya took over from Ahmadou Ahidjo, contributed to the stagnation in reform and aggravated the decline of the economy.

Fourth Phase: Crisis and Structural Adjustment

The fourth phase covered the period from the mid-1980s to the early 1990s. During the mid-1980s, the drop in the dollar prices of Cameroon's major exports (oil and agricultural products) and the depreciation in the dollar itself exposed major structural weaknesses, plunging the country into a deep crisis. The government responded by launching the IMF/World Bank austerity and structural adjustment programmes. These programmes were instituted by the Bretton Woods institutions as recovery measures for countries that were not able to service their debts in a sustainable manner. Hence, economic policy making during this phase was externally propelled.

The Cameroon government embarked on these programmes by reducing salaries and cutting subsidies in order to bring down government budgetary deficits in the short-run. Public enterprises and parastatals were restructured and rationalised. The government undertook to liberalise its external trade policies while improving the exchange rate and providing incentives for the export sector. These policy objectives and instruments were accompanied by a number of immediate social and long-term economic costs. These costs included a reduced expenditure on social infrastructure and services (public utilities, health, and education), increased unemployment, the deterioration in real per capita incomes, and an inequitable distribution of income.

Between late 1988 and early 1994, economic policy was directed primarily towards the objective of internal adjustment by internal measures. This implied forcing down wages through fiscal policies of austerity, while at the same time seeking to raise productivity through structural reforms. For an economy that had been dominated by the public sector since independence, the choice of an internal adjustment strategy and the way it was implemented resulted in increased poverty and its unpalatable consequences.

The first point to note about the poverty impact of this strategy was that it failed in its main economic objective of restoring competitiveness. Agricultural export markets continued to be lost while domestic food crops and industrial goods systematically rose in price relative to import competition. The loss of product markets was reflected in the lower demand for labour. This limited the employment and income possibilities of Cameroonians.

The second point was that internal measures consisted of a combination of demand compression and fiscal austerity to reduce inflation, coupled with structural measures to lower production costs. The effort to compress wages and prices sufficiently to make up the gap in competitiveness resulted in a protracted deep recession. The austere monetary policy including tight ceilings on aggregate

credit from the banking system led to the contraction of domestic credit from around 900 billion FCFA to less than 750 billion between 1985 and 1993 (World Bank 1994). The combined effects of these policies weighed heavily on the poor through the trickle-down effect of reduced economic activity and unemployment. These programmes continued to be unpopular in almost all countries that implemented them in sub-Saharan Africa. In Cameroon, the efficiency of government services was lowered as reduced circumstances led to demoralisation among civil servants. In general, SAPs failed in Africa as a whole and in Cameroon in particular, and the process has been perceived to be all pain with no gain.

Indeed, one area in which the failure of SAPs has gravely affected the Cameroonian economy is the aggravation of the poverty burden. There are more poor people in Cameroon today than in 1985. Since the adoption of SAPs necessitated the retrenchment of workers, the removal of subsidies, salary cuts, currency devaluation, trade liberalisation, and the privatisation of public utilities, the burden of poverty was greatly aggravated. SAPs, which were intended to increase economic growth and to lead to a trickle down of income to lower income groups, instead led to a trickle up effect, through which most of the resources intended for the poor actually benefited the small middle-class and the very rich.

Thus, poverty has manifested itself in many ways, including high rates of infant mortality, low levels of literacy, the reduction in life expectancy, limited access to medical facilities and the propagation of the deadly HIV/AIDS. The burden of poverty has increased over the years because more than 73 per cent of internal fiscal revenue was oriented towards external debt servicing, thus drawing investment away from the social sector.

The immediate results of SAPs were that during the period 1987 to the late 1990s, Cameroon's debt burden indicators deteriorated very rapidly. Overall, the stock of debt grew on average by about 17 per cent per year while export growth virtually stopped. As a result, debt-to-export and debt-to-GDP ratios rose from 219 per cent and 32 percent in 1987 to 369 per cent and 113 per cent in 1997 respectively. By 1996, the country was classified as a heavily indebted poor country (HIPC), with a net present value (NPV) of debt equivalent to 353 per cent of exports of goods and services.

Fifth Phase: Heavily Indebted Poor Country Initiative (HIPCI) and the Poverty Reduction Strategy (PRS)

The fifth phase saw the introduction of the Heavily Indebted Poor Country Initiative (HIPCI) and the Poverty Reduction Strategy (PRS). These measures correspond to the period after the mid 1990s. Development policy during this period in Cameroon was likewise externally managed as in the fourth phase, since the end result was virtually the continuation of structural adjustment. The main difference, however, was that policies were more focussed on short and medium

term poverty alleviation as more emphasis was placed on the social sector programmes, particularly education, health and basic infrastructure.

The HIPC was proposed by the World Bank and the IMF to governments around the world in 1996 as the first comprehensive approach to reducing the external debt of the world's poorest, most indebted countries, and represented an important step in placing debt relief within an overall framework of poverty reduction. While the initiative yielded significant early progress, multilateral organisations, bilateral creditors, HIPC governments, and civil society have engaged in intense dialogue on the strengths and weaknesses of the new programme. A major review in 1999 resulted in a significant enhancement of the original framework, and produced a HIPC which entails deeper, broader and faster debt relief. It also focuses on strengthening the links between debt relief, poverty reduction and social policies. It is central to the enhanced HIPC that countries continue to show commitment to macroeconomic adjustment and structural and social policy reforms. But it does mean that there is higher spending on social sector programmes like basic health care, education and infrastructure.

Indeed, there has been a general consensus among creditors, debtors and the civil society that the HIPC initiative is, for now, the only way out of the debt problem. This is because, unlike the other debt relief strategies, it engages both bilateral and multilateral debt cancellation. With a net present value (NPV) of debt of 353 per cent of export of goods and services, a scheduled debt ratio of debt-service to government revenue of 94 per cent, Cameroon gained admission into the HIPC-2 alongside many other African countries. If the country reached the 'decision point' it was to benefit from debt cancellation of up to about 90 percent of its debts. The effect of the HIPC Initiative in Cameroon on poverty alleviation at present is rather ambiguous. If the funds saved through this initiative are well used in the social sector, poverty will be significantly reduced. On the other hand, if the funds end up in the pockets of the small middle-class or the very rich, then the poverty burden will even be heavier. Cameroon has embarked on a Poverty Reduction Strategy (PRS), which is described by the World Bank and the IMF as one of the best in the world, but the real effect on poverty reduction is still controversial. Although highly rated by the World Bank and the IMF, Cameroon's PRS displays some weaknesses which if not adjusted will fail to bring about poverty alleviation in the country even if the 'completion point' is reached.

After Cameroon's debt has been reduced under the framework of the HIPC Initiative, the country will have much less debt service (interest and repayments) owed to its creditors. The prognoses of the World Bank and the International Monetary Fund envisage that Cameroon will pay its creditors between 70 and 150 million US dollars less than before the Initiative. About 30 per cent of the money thus saved is to be paid into a poverty alleviation fund. Debt relief is conditional on the Cameroon government's adoption of a Poverty Reduction Strategy Paper (PRSP). The World Bank stipulates that the PRSP be prepared and implemented through a broad-based participatory process. This was hardly the

case in the past, as the government had little interest in the participation of civil society organisations, who in turn expected nothing positive from a fund administered by the government.

The IMF must be criticised for its negative effect in the past on the self-determination of indebted countries. Due to the required adoption of IMF economic reform or stabilisation programmes, governments must take steps which are partly contrary to their national economic interests. Many see a failure in local 'ownership' of the measures, with policies for the most part developed externally. With the new concept of allowing indebted countries to develop their own poverty reduction strategies, these countries are, at least theoretically, given more freedom to decide on the pace and quality of reforms.

The Cameroon government has been reluctant to embrace cooperation with NGOs, and the latter's proposals for poverty reduction strategies have not received proper attention. There was, as part of the PRSP process, a consultation, or rather a survey, on the subject of poverty and poverty reduction, but one can hardly speak of meaningful participation. NGOs lack extended networks and thus cannot easily unite in order to wield more influence. But as it becomes clearer that civil society must be able to speak with one voice, the beginnings of at least sectoral networks have sprung up.

Despite the above named difficulties, the participation of NGOs is important, not only for reasons of democratisation. Many NGOs have extensive knowledge of the circumstances and the problems of the poor. Daily work with grass-roots groups has strengthened NGOs in poor communities. Their ability to communicate in the language of the target groups has caused a strong identification of many people with the work of the NGOs. Since most NGOs in Cameroon see fighting poverty as the central priority of their work, they have, through different activities and projects, earned a certain competency in problem solving, particularly at the local level.

The three largest religious movements (Protestant and Catholic denominations of Christianity, and Islam) have played the most important role in the participatory process. As a large percentage of the population belongs to one of these faiths, they have true democratic legitimacy and are well suited to represent popular interests. They have at this point in time, however, barely been a part of the PRSP process. Only now are the first steps being taken in the health and education sectors to get all denominations working together to strengthen their hand and win influence in the participatory process for the development of a PRS. Thus, the fifth phase is characterised by a drastic change in development ideology with NGOs and civil society intended to play very vital roles in government-related economic policy issues.

Conclusion

From the above discussion, a number of conclusions are discernable. Firstly, development efforts in Cameroon have been characterised by a number of

significant policy changes, although with very few achievements in real terms. Efforts to improve productivity and sustainability have lacked real commitment and political will, and thus have had a negligible impact. Secondly, economic development today in Cameroon continues to face the same problems as in the past with poor governance, weak institutions, and poor infrastructure topping the list. Thirdly, macroeconomic stability and a predictable policy direction remain essential to any attempt to foster sustainable development. Fourthly, productivity improvements cannot persist without the type of generalised capital accumulation associated with broad-based improvements in health, education, food security, and institutions that sustain social stability. Fifthly, a major stimulus to both productivity and sustained growth could be achieved relatively rapidly through concerted efforts to reduce waste and inefficiency. An obvious place to start is the government's own operations. Finally, there needs to be a renewed focus on improving management at all levels.

We have argued that in the present situation the government needs to work together with all components of the civil society (labour unions, religious organisations, federations of associations, consumer associations, students, farmers' movements, women's groups, professional associations, intellectuals, producer unions and the media) in seeking solutions to the problems that undermine development. It is significant that civil society has already been involved within the scope of the IMF-inspired reforms, albeit timidly or only as a token. Should this path be pursued in the spirit of fairness and with consensus on the common good, there is some possibility that it will lead to a significant improvement in the direction that development will take.

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