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The External Debt Situation of Cameroon (1970-90) : Review and Analysis

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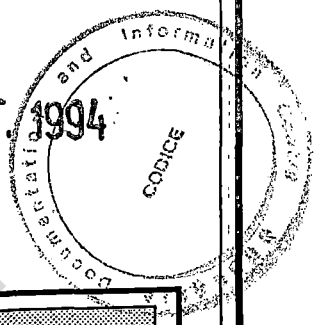

THE EXTERNAL DEBT SITUATION OF CAMEROON (1970-90): REVIEW AND ANALYSIS.

A Thesis Submitted and Publicly Defended
in Partial Fulfilment of the Requirements
for the Award of a Doctorat de 3e cycle in Economics.

by

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(CODESRIA Laureat 1993)
B.Sc Economic Analysis (Y'dé)
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Lauréat de l'Habilitation des Facultés des Sciences Economiques
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Vice-Doyen à la Faculté des Sciences Economiques et de Gestion.

Yaounde, August 1994.

".... Our urge is to grab loans and ever more loans, like a drug addict who must have more heroin to keep going. And like the heroin addict, we are craving these loans, not for sound purposes, but simply to finance our spend-thrift consumer habits and our ambitious mal-development programmes

- Chinweizu, "Debt Trap Peonage", Monthly Review 37, November 1985.

".... Solving debt problems is mostly politics not Economics, yet today, unlike in the 1920s and 1930s, the problem is made to look as if it were solely an issue of Economics".

- Prof. Rudiger Dornbusch
  MIT Professor of Economics.

DEDICATION

THIS WORK IS DEDICATED TO ALL WHO HAVE A CLAIM TO THE FAMILY NAME "MBANGA" AND TO ALL WHO COURAGEOUSLY SEEK FOR THE TRUTH IN THE WORLD, DESPITE ALL ODDS AND HURDLES.

CERTIFICATION

This is to certify that this work "**THE EXTERNAL DEBT SITUATION OF CAMEROON (1970 - 1990): REVIEW AND ANALYSIS**" was conceived and carried out by **Mbanga George Ndoh** in the Department of Economic Analysis, University of Yaounde II.

AUTHOR	***Prof. Dr. Ngongang Samuel***
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MBANGA GEORGE NDOH
UNIVERSITY OF YAOUNDE II
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ABSTRACT

The main aim of the thesis is to evaluate the implications of external debt on the economic development of Cameroon. That is, the thesis seeks to prove that the acquisition of debt (as a means to fill the resource gap) in itself is not an end to underdevelopment, but a means to this end. This is because first, the volume of external debt that Cameroon can attract is severely limited by the perception of the country's ability to service it. Second, heavy reliance on external debt is a risky strategy because it increases vulnerability to adverse external developments and their attendant development impact in the longterm. That external debt can exercise an essential beneficial role but only when it supplements and supports sound development policies.

To better analyze the inherent problematic of this thesis, the research methodology has been divided into two main parts: data collection and data analysis. Data were collected from bilateral, multilateral and private sources of debt, using questionnaires and interviews. Two forms of questionnaires were administered to bilateral and multilateral donors.

The data were analyzed using mathematical, statistical and econometric methodologies. In order to meet the principal objectives of the study, three Multiple regression models and one simple regression model were used in testing ~~the research regression model were used in testing~~ the research hypotheses. These models were specified using a theoretical framework to analyze, and interpret the outcomes of total debt and debt burden on the other macro economic variables.

The various strands of the thesis, were pulled together and the main findings were reached thus:

1) Gross domestic Investment and gross domestic savings were found to have a negative correlation with the external debt (external savings), i.e. as debt increases, the conventional growth variables did not increase, thus debt distorted the development process of Cameroon;

2) That the debt burden (debt/GNP ratio) exerted a negative impact on the unit value of exports, i.e., an increase in debt was accompanied by a decrease in the unit value of exports as more exports are used up in servicing debt;

3) Also that the principal repayments had an adverse impact

on the balance of payments of Cameroon, since there is a negative net flow of resources, when debt has to be serviced in order to attract more debt;

4) That there was a positive correlation between bilateral debt and bilateral trade deficit of Cameroon. That is, the more Cameroon borrows from a creditor country, the more trade deficit it has with that country and finally;

5) That Cameroon has lost her crediworthiness on the International arena as evidenced by the examination of the principal debt indicators.

PLAN OF WORK

The thesis has been divided basically into two main parts: part-one and part-two. The study is comprised of six chapters in all.

Chapter one seeks to introduce the work, more especially in stating the statement of the problem, the research hypotheses, the research objectives, the boundaries of the study etc.

In **PART-ONE,** first, the relevant background issues to the thesis are discussed. Specifically chapters 2 and 3 present: an overview of the external debt situation. Chapter 2 takes a look at the empirical or existing literature in the area of external debt. This chapter also analyses ~~carries~~ the research methodology of the work. Chapter III takes a look at the external debt sources of Cameroon. It examines the bilateral, multilateral and private debt sources of Cameroon. Here the major debt sources have been examined with a view to seeing the projects financed with funds from each source. This chapter also stretches out to analyze the debt profile of the country as it concerns the total debt, debt servicing, debt arrears, debt-relief, net transfers on debt etc.

PART-TWO tackles more on the debt data analysis. Chapter 4 assesses the impact of external debt and its servicing on some major macro-economic variables. This chapter on the one hand specifies and tests some theoretical models in the realm of debt burden (debt/GNP ratio, and debt service payments) and economic variables such as the unit value of exports and the balance of payments respectively. That is, an attempt to identify or quantify the impact of the debt burden on these variables. The other part of the chapter concerns itself with the specification and testing of models relating to the total external debt and the gross domestic investment and gross domestic savings. That is, this chapter uses four regression models which are confronted with Cameroonian data in an attempt to know what impact debt has on the development process of Cameroon.

In chapter five, we attempt to calculate the debt ratios to enable us determine the creditworthiness and we also assess the costs of external debt on the economy of Cameroon.

The final chapter (ie six) attempts to bring all the various threads together by way of summary of findings (conclusions) and policy suggestions (Recommendations)

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ABBREVIATIONS AND ACRONYMS

ACP	African, Caribben and Pacific Countries
ADF	African Development Fund
AfDB	African Development Bank
AFESD	Arab Fund for Economic and Social Development
APD	L'Aide Publique au Développement
APDF	Africa Project Development Facility
BEAC	Banque des Etats de l'Afrique Centrale
BIS	Bank of International Settlements
BOP	Balance of Payments
CAA	Caisse Autonome d'Amortissement
CCCC	Cameroon - Canada Co-operation Centre
CCCE	Caisse Centrale de Coopération Economique
CFA	Communaté Financière Africiane
CDC	Cameroon Development Corporation or Common Wealth Development Corporation
CFF	Compensatory Financing Facility
CIDA	Canadian International Development Agency
COFACE	Compagnie Française d'Assurance pour le Commerce

COMPLAN	Compagnie Nationale des Equipements Complets de Chine
CMEA	Council for Mutual Economic Assistance
DAC	Development Assistance Committee
DCs	Developed Countries
Dvpt	Development
ECU	European Currency Unit
EDF	European Development Fund
EEC	European Economic Community (Commission)
EFF	Extended Fund Facility
EIB	European Investment Bank
FAC	Fond d'Aide et de Coopération
GATT	General Agreement on Tariffs and Trade
GDI	Gross Domestic Investment
GDP	Gross Domestic Product
GDS	Gross Domestic Savings
GNP	Gross National Product
GTZ	German Technical Assistance Co-operation
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	inter-American Development Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation

IMF	International Monetary Fund
JICA	Japanse International Co-operation Agency
Km	Kilometers
LDCs	Less Developed Countries
LIBOR	London InterBank Offered Rates
MFCAC	Mission Française de Coopération et d'Action Culturelle
MIDENO	Mission pour le Development du Nord Ouest
MIGA	Multilateral Insurance Guaranteed Agency
MIMIC	Moderately Indebted Medium - Income Country
MINFI	Ministry of Finance
MINPAT	Ministry of plan and Regional Development
MNCs	Multi - National Corporations
NBER	National Bureau of Economic Research
NGOs	Non- Governmental Organisations
ODA	Official Development Assistance or overseas Development Administration
ODC	Overseas Development Council
OECF	Overseas Economic Cooperation Fund
ONCPB	National Commodity Marketing Board
OPEC	Organisation of Petroleum Exporting Countries
PVOs	Private Voluntary Organisations
SAL	Structural Adjustment Loans
SAP	Structural Adjustment Program

SEE	Societé pour l'Expansion des Exportations
SIMIC	Severely Indebted Medium - Income Country
SOEs	State Owned Enterprises
SONARA	National Oil Refinery Company
UN	United Nations
UNDP	United Nations Development Program
UNCTAD	United Nations Conference on Trade and Development
UNICEF	United Nations Children Emergency Fund
USA	United States of America
USAID	United States Agency for International Development

CHAPTER ONE

INTRODUCTION, BASIC CONCEPTS AND OBJECTIVES

1.1. INTRODUCTION

"To begin with it is natural for most developing countries to borrow from the rest of the World; if they truly are developing economies, they will offer profitable investment opportunities for foreign lenders and will attract net capital flows, just as the United States did during its early development"[1]. However, borrowing of foreign funds (i.e. the saving or sacrifice of the tax-payer of the North) to finance economic development, must be backed by the ability to readily and regularly service the debt (i.e. payments of the interest and amortization). This is most possible through the putting in place of efficient and economically justified investment projects[2] with the borrowed funds. Thus, the default in the payment of the principal as well as the interest, will defeat not only the process of international borrowing from the developed North to the developing south, but also the very essence of economic development as envisaged by the American Economist, Alfred Marshall after the Second World War[3]

One of the gravest problems still facing many less developed countries (after the failure of the "Baker Plan"[4] and the "Brady Plan"[5]) is the burden of external debt. For the LDCs, the outstanding volume of such debt was about £1,300 billion and its servicing consumes more than one - third of their combined export earnings[6]. As a result, a vicious circle of over indebtedness and economic stagnation is distablizing entire economies, giving rise to social and political tensions.

The third world debt has continued to climb virtually unabated, reaching a staggering £1.3 trillion by the end of 1989[7]. For certain countries the situation is exceptionally severe, blocking any possibility for renewed economic growth. The debt has kept on rising despite increased public attention and the initiation of a variety and debt plans by financial institutions and individual creditor governments.

One condition which exhibits financial problems in debtor countries is the phenomenon called "Capital flight"[8]. The IMF estimates that £30 billion of flight capital went out of Africa between 1974 and 1985. The U.S. government estimates that the total amount of flight capital leaving Latin America is equivalent to more than half the external debt of the major Latin Nations[9]. Moreover, the burden of debt repayment has combined with the general fall-off in external financing to bring about a net transfer of financial resources out of the developing countries. This shift began in 1983 and has continued ever since. The slowdown in external financing with the heavy debt servicing burden that most developing nations must shoulder, brought about a reverse flow of resources by 1983. Every year since then the developing world has transferred to the north more financial resources than it receives. The World Bank looking only at Banking transactions, estimates that the debtor countries transferred to foreign creditors more than $ 50 billion in 1988[10]. Thus, "political stability is directly threatened. The struggle for better standards of living has now moved into the streets. Many deaths have occured in the developing countries"[11]

1.2. STATEMENT OF THE PROBLEM

In LDCs, the net flows of external capital are as a rule inward, and not outward, even in countries with large external debts and therefore relatively large capital outflows in the form of amortization payments. This has been the case in virtually all developing countries for the past three decades. A rather common feature of all LDCs, is relatively rapid accumulation of debt and increasing balance of payments deficits, frequently occuring in a five year period immediately preceding the debt-relief such as renegotiation[12]. All these countries suffer from the basic and prolonged imbalance in the demand for and the availability of resources, that is, a resource gap[13]. In an attempt to fill this gap, countries tried to increase rapidly their external borrowing even on commercial terms and often short term. In these cases, such successes, at most, were brief. If domestic fiscal and expansionary monetary policies failed to close these gaps, the gaps continued and were "closed" by inflation.

In Cameroon as well as any other sub-Saharan African country, external debt from multilateral donor organisations and bilateral donors, has over the past three decades remained the sine-quo-non for the filling of this resource gap. This resource gap is three fold: the domestic saving gap (since independence the marginal and average rates of savings have remained low); the foreign exchange gaps[14], and the fiscal gap resulting from budget deficits. In the savings - constrained estimates, external finance is necessary to finance increased investment that otherwise would not be possible

because of the drain of external interest payments. The Horrod - Domar Model is useful in determining the amount of foreign resources that will be necessary to realise the targeted growth rate in case domestic savings are inadequate in the developing countries like Cameroon[15].

The necessity of external financing in the filling of the fiscal gap of Cameroon can be clearly seen in the various five years socio-economic Development Plans[16]. For example, in the first plan (1960-65), external financing made up about 72 percent (38.232 million FCFA) of the total investment of 53.100 million FCFA[17]. In the second plan (1966-71), it represented about 37 percent (61.000 M FCFA) - 29.000M FCFA in the form of loans and 32.000M FCFA in the form of direct grants) of the total investment of 165.176 million FCFA[18]. Under the third plan (1971-76), a balance of 70.900 million FCFA (25%) come from external public sources - made up of grants (26.900 M FCFA), loans from foreign governments (24.050 M FCFA) and loans from international organisations (19.800 M FCFA)[19]. Under the fourth plan (1976-81), foreign sources of finance were such as loans (140.000 M FCFA) and foreign grants (28.000M FCFA)[20]. The fifth plan (1981-86) maintained almost the same characteristics of the fourth plan with external public loans at 107 billion (4.7%)[21]. Despite its strong growth rate of 9.8 percent in the course of the sixth plan (1986-91), the external debt remained below a reasonable level. The liquidity ratio increased from 18 percent to 22 percent by the final year of the plan as a result of credit flows into the economy. To complete local public services, an external

contribution of financing was: external public financing of 677.8 billion FCFA (16.3%), loans 639 billion FCFA (15.4%), subventions 37.3 billion FCFA (34.7%)[22].

Given the above analysis and let alone the shift in the international transactions at the disfavour of Cameroon and other LDCs, they tend to view the process and exercise of international funding (through external debts mainly) the status quo for bridging the gap between poverty and economic development.

"But what is critically important from the view point of external debt analysis is that no level of external debt - even a very low level can be serviced without difficulty by a developing country"[23]. It can not be expected to have an external surplus unless borrowed funds are included in making up the surplus. It starts with a deficit, yet it must have the flow of resources. Despite the out flows needed to meet debt-service payments, it must also pay for essential imports for consumption, production and investment.

Furthermore, the dark side of the coin, in the borrowing process comes when debt servicing difficulties arise. That is, if it is normal for a developing country to borrow funds externally for development, how comes it that it should encounter debt service problems, as it is the case with Cameroon now? Moreso, these difficulties usually do not originate in changes in external financial markets, but rather unfavourable domestic or balance of payments conditions. International inflation, overvalued exchange rates, large fiscal deficits (as already mentioned above), or over

expansionary monetary policies are likely to be the cause of debt servicing difficulties. Meanwhile, the fact that the public external debt is concentrated in the public sector has had profound implications for adjustment on Cameroon. The country has two profound problems to overcome. The first and widely recognized is that of transferring National Income (via trade surplus) to the foreign creditors. The second problem which is perhaps, as difficult is that of transferring income from the private to the public sector so that the public sector may service its debt (thus the heavy internal public debt profile too).

Thus, the major questions to be tackled by this study are as follows: what is the magnitude of Cameroon's external indebtedness? How rapidly is it growing? What are the likely consequences of this on the balance of payments of Cameroon? What is the liaison between the total external debt and the gross domestic investment (GDI) of Cameroon? What is the creditworthiness of Cameroon on the International arena, compared to the highly indebted Latin American countries (such as Brazil, Argentina, Mexico, Venezuela, Chile etc)? If the rise in Cameroon's indebtedness must be slowed or stopped, how can the task best be accomplished?

1.3 BOUNDARIES OF THE STUDY

The study would have involved analysis on all aspects of the external debt of Cameroon. That is, this would have examined aspects as the debt menu approach to debt reduction, terms of settlement, secondary market prices for Cameroon's loans, analysis

of buy-backs, econometric models of creditworthiness etc. But the inherent data difficulties precluded any further effort in this direction.

Following the importance of external debt as a means of funding development, we decided to investigate the impact of debt on macro-economic variables like the Balance of Payments, GNP, Gross domestic Investment, domestic savings, the unit value of exports (such as petroleum products with relative supply elasticity), etc. This was also because data were readily available, mostly from world Bank Reports.

Further simplification was made by limiting the period of analysis between 1970 and 1990. This was to reflect the availability of data of the main economic variables in World Bank Tables. Thus, the data fitted in the models have stretched from 1970 to 1990.

In fact, the debt ratios (such as debt/Export ratio, debt service/Export ratio, debt/GNP ratio etc) and the major economic variables (such as b.o.p., unit value of exports, GDI, GDS etc) were chosen because:

1) The debt ratios are those used by the World Bank in analyzing the debt situation of countries and consequently the classification of Countries as less indebted, moderately indebted and severely indebted.

2) The economic variables are used in measuring the level of development of a debtor country and its ability to service or support the burden of external debt.

3) The above two components to the best of our knowledge, no previous analysis of a similar type have taken care of them

The period of analysis was chosen between 1970 and 1990 because:

1) This period marked the era during which there were oil crisis and restrictive monetary policies in LDCs (between 1970 and 1975).
2) This period also marked relatively high interest rates from private sources and when the Latin American Countries experienced debt crisis (between 1976 and 1985) and
3) This period was characterized by economic crisis and a general recession in the World economy, where lending to LDCs was backed by SAPs to meet the conditionality of World Bank and IMF (between 1986 and 1990)

1.4. IMPORTANCE OF THE STUDY

Some of the major importance of this study include the following:

1) The study has been designed to meet the statistical, analytical and operational needs of a variety of users within or outside the government with responsibility for different aspects of debt management and internal financial planning.
2) Another main reason for this study is that it will strengthen the technical capacity to monitor external

resources and debt - servicing operations, to integrate debt management into the management of public sector finance; to relate scheduled debt - service payments to a comprehensive projection system for the external sector; and to improve the capacity to select appropriate external borrowing strategies.

3) It will provide an assistance to debt analysis in studying the impact of new loans on the aggregate debt profile; in analyzing the effect of new loans on the balance of payments. That is, the study will help to extract the causal relationship between the debt burden (debt service obligations) and the trends in the balance of payments account of Cameroon.

4) Also of major importance is the fact that, the study will establish a link between the total outstanding external debt and the gross domestic investment (GDI) of Cameroon. This will help to show if the borrowed funds (hard currency[24]) have over the years been used for productive investment[25] (such as roads, ports, hospitals, schools, Hydro Electricity power etc) or for consumption[26].

5) This study will also try to be a useful treatise on international lending, external debt, and the management of the debt of Cameroon, in order to provide a better basis for evaluating current trends and the statements and opinion of others. On this score, perhaps this study will help focus on facts, analyses, and views to faster

the needed debate on the dilemma confronting not only Cameroon but also other African countries, south of the Sahara. Since, as said above, the country's external debt is heavily concentrated in the public sector and this has profound implications on its adjustment.

6) Another important feature of this study, is that it tries to examine whether there is any rise in export volume of Cameroon as well as a corresponding fall in their unit values and terms of trade due to increase total debt stock. This provides the basis to understand whether under debt pressure, the export volume is expanded. Similarly, the study shows a clear picture of the situation between the gross domestic savings and the external savings of the country.

7) Multilateral institutions and their publications now analyze issues and provide recommendation for policy on various aspects of the debt crisis of Latin American countries and sub-Saharan Africa, but none does so with a specific focus on the debt situation of Cameroon. We believe that a wealth of importance and potentially useful analyses in this study may be useful to the policy makers in Cameroon, since over the years only a small fraction of valuable information on the debt situation of Cameroon has been available to those who need it at the appropriate time.

8) International lending to LDCs is still novel for most

creditor countries and private lenders. It is likely to become even more important than it is now. The hope of this study is to contribute to the knowledge and experience of lenders and Cameroon (the borrower) and to examine whether external borrowing will be a stand-by solution of the serious financial difficulties now being experienced throughout the country.

9) Finally, like any other research work, we hope the conclusions and policy recommendations that have been provided at the end of this study may help to foster further research and action in this area.

1.5. RESEARCH HYPOTHESES OF THE STUDY

The analyses of this study will be guided by four principal hypotheses. The first hypothesis will have to do with the relationship between the debt burden and the export unit values of Cameroon. The second, with the liaison between the servicing of debt and the balance of payments. The third, with the relationship that exists between the external debt and the gross domestic investment. And finally, the fourth hypothesis of this study deals with the link between the external savings and domestic savings of Cameroon. These hypotheses are:

1) That a higher debt burden (debt/GNP ratio) of Cameroon is associated with a higher rate of decline in export unit values.

2) That the relationship between the balance of payments (BOP) and debt service payments of Cameroon is negative.

3) That the causal link between the total external debt and the gross domestic investment (GDI) of Cameroon is negative.

4) There exists an inverse correlation between the external savings (foreign debt) and the gross domestic savings of Cameroon.

1.6. RESEARCH OBJECTIVES OF THE STUDY

The general objectives of this study have been:

1) To assess the impact of the increase in the total external debt on the export unit values of Cameroon between 1979 and 1990.

2) To quantify the impact of debt service payments (i.e. principal repayments and interest payments) on the balance of payments of Cameroon between 1970 and 1990.

3) To measure or establish the relationship that exists between the total external debt and the gross domestic investment of Cameroon between 1970 -80 and 1981-90.

4) To evaluate the effect of the external savings on the gross domestic savings of the country between 1970 and 1990.

The specific objectives of the study have been:

1) To assess the creditworthiness of Cameroon and to measure the growth rate of external debt, making a comparative analysis with the Latin American and Sub-Saharan debtor countries such a Mexico[27], Venezuela, Nigeria, Zaire etc which are considered as highly indebted countries.

2) To examine the costs of external debt on the economy of Cameroon such as increased unemployment, inflation and other social ills arising from the structural adjustment programmes (SAP) prescribed by the World Bank and IMF as a conditionality for further lending.

3) To measure the trends in the debt ratios of Cameroon and compare them with those of the past years and those of other highly indebted countries (HIC) such as Côte d'Ivoire, Sudan etc.

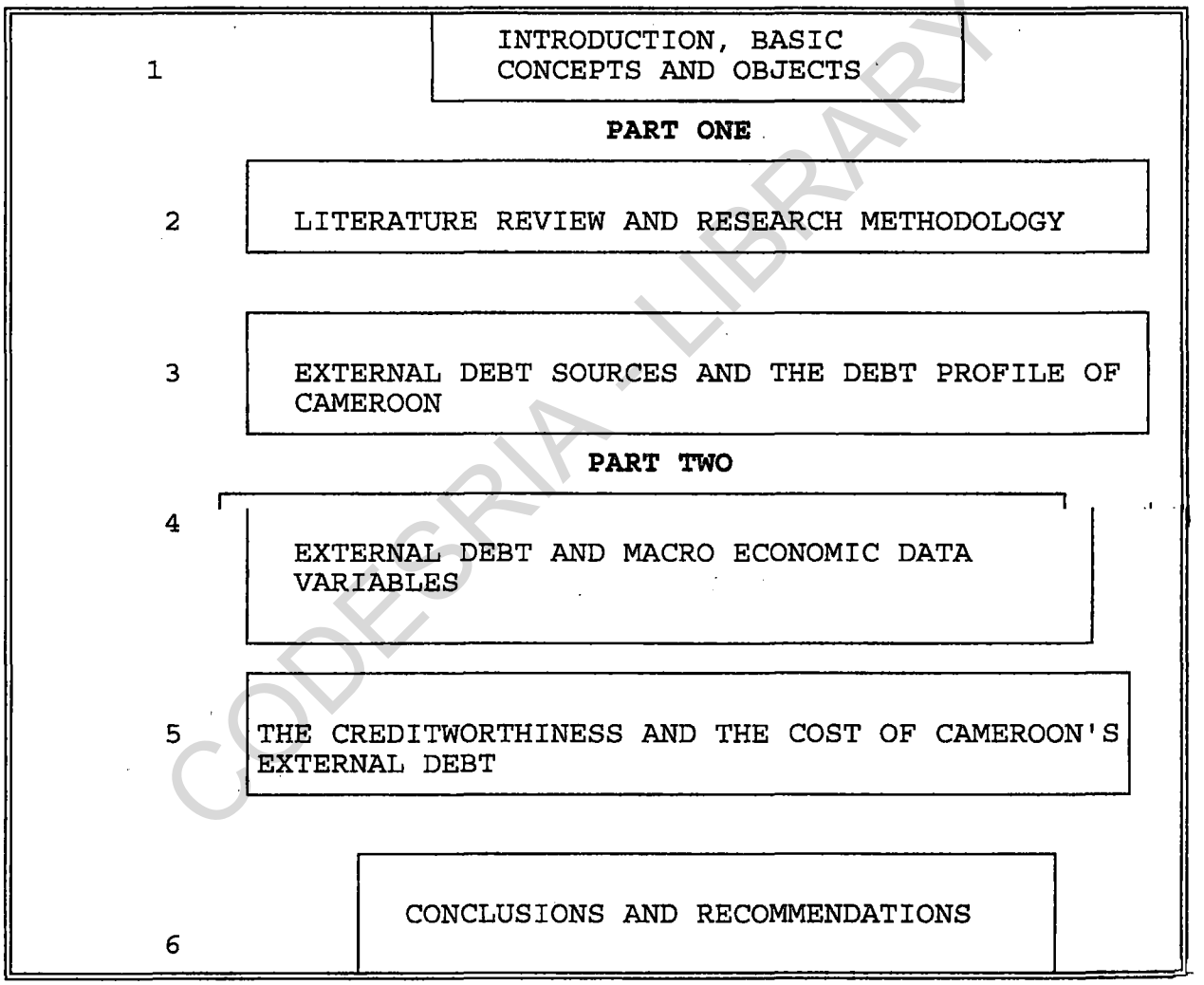
1.7. METHODOLOGY

The procedure or methodology of this work is presented in details in chapter two of part one of this thesis. The methodology was divided into two parts. The first part of the methodology concerned itself with the data collection techniques. That is, this part explained how and where the data were collected. It is important to add here, that although some of the statistical data were obtained from internal sources (such as Caisse Autonome d'Amortissement), most of the time series data came from external sources - such as the World Bank, AFDB EEC and IMF.

The second part of the methodology was concentrated with data analysis using econometric methodologies. All the models of chapter four were estimated using regression analysis - multiple and simple regressions.

1.8. ORGANISATION OF THE THESIS

The entire structure of the thesis is systematicall outlined in the Table of contents. The flow diagram presented below recaps the main rubies.



NOTES

1. Norman S. Fieleke. The International Economy under stress 1988. PP. 76-77.

2. Economically justified investment projects are those whose marginal rate of returns is high. This is, the analysis of the project must reveal the marginal rate of returns being equal or greater than the interest rate (cost of capital). A project will be profitable to society if the social benefits of the project exceed the social costs, or to put in another way, if the net present value of the project to society is greater than zero. The net present value to society may be formally defined as $N.P.V = \sum_{t=1}^{T} (Bt/(1 + r)^t - K$. Where B is a measure of net social benefits using present consumption as the unit of account, K is the social cost of the investment, r is the social rate of discount, t is time and T is the life of the project.

3. The Marshal plan had as one of its major ambitions the development of political, as well as economic stability in Europe after World War II. One of the key aspects of the Marshal plan was that the European nations were required to work out a recovery plan on their own and then submit that plan to the United States for review and financing. The history of economic thought on foreign aid is somewhat peculiar. The phenomena success of the Marshal plan in the late 1940s and 1950s led many to belief that similar transfers to LDCs would permit their comparably spectacular transformation.

4. The threat of a break down in continued debt servicing led U.S. Treasury Secretary James Baker III to propose the "Baker plan" in October 1985, which called for increased inflows of private and official capital into the debtor countries in return for internationally, supervised policy adjustment in those countries. Following the announcement of the Baker plan the U.S. approved a $75 billion in the World Bank's authorized capital, agreed to severe, blocking any possibility for renewed economic growth fund a new World Bank agency, the MIGA, to insure foreign direct capital in LDCs (for more see, Martin Feldtein 1990 pp 236).

5. Brady was the u.S. Treasury Secretary in George Bush's government from 1988 to 1992. An important shift in debt strategy occured in early 1989 with his proposal for support of these operations by IMF and World Bank. Operationally, this shift has taken the form of more concessional rescheduling terms for official bill after all debt and the provision of official resources to facilitate market - based debt and debt-service reduction for commercial bank claims.

These operations, taken in support of debtor countries adjustment efforts, seek to rearrange the time profile of debt servicing obligations; at the same time, and when this is necessary, when fundamentally restructure the debt stock through a combination of eliminating some claims and reducing the effective interest rate.

6. See the UNCTAD Bulletin. January - April 1992. Number 13.

7. See U.N. DEBT. A crisis for Development published by the U.N. Department of public information. March 1990 pp. 3.

8. Capital flight occurs, when individuals within a country move their Wealth to another country, draining money out of the country which could have been used for investment and development. see more on this in chapter 5.

9. For more see, UNITED NATIONS, DEBT. A crisis for Development published by the U.N. Department of public information. March 1990 p. 17.

10. Ibid. p. 18.

11. U.N. Secretary General Janvier Pérez de Cuelled stated in a 27 April 1989 speech on the debt.

12. Friedman Irving. The World debt Dilemma, managing country risk. council for international Banking studies Washington D.C. 1983 p. 102.

13. The resource gap is the gap which exists between the actual resources and resources required for economic development. Recent estimates of capital requirements for sub-saharan Africa made on modest assumptions show financing short feeds during 1986-90 of the order of $2.5 billion in concessional finance by the World Bank. For more on this see, U.N. Doubling Development Finance 1988. p. 25

14. In an open economy domestic savings can be supplemented by many kinds of external assistance. An import surplus financed by foreign borrowing can supplement domestic savings directly or indirectly by providing foreign exchange to buy imports which could be capitals of substitutes for domestically produced consumer goods. In accounting terms the amount of foreign borrowing required to supplement domestic savings is the same whether the need is just for more resources for capital formation or for imports as well. The identity between the two gaps, the savings - investment (S-I) gap and the export-import (X-M) gap follows from the nature of the accounting procedures. It is a matter of arithmetic that if a country tries to invest more it saves, a balance of payments deficit will result.

15. The Harrod - Domar Model assumes that limited savings and investment constitute the major constraints on aggregate economic growth. In the simplest form, the model can be set out as follows:

1) St = It
2) It = Kt-1-Kt
3) St = sYt
4) Kt = vYt-1

Where S is savings, I is investment, K = capital goods, Y = Net National Income or GDP, V = Capital - output ratio, S = propensity to save out of income. Making the necessary substitutions from (1), (2), (3) and (4) yields,
Y t-Yt-1/Yt-1 = S/V but S/V represents the growth in income g,

$$g = s/v$$

16. Whatever a country's political ideology, a development plan is an ideal way for a government to set out its development objectives to demonstrate initiative in talking the country's development problems. A development plan serves as a stimulate to efforts through out the country and also as a catalyst for foreign investment and agency capital from international institutions.

17. MINPAT. First five - year plan of Economic and Social Development. 1960 - 65. Yaounde June 1960

18. Ibid. Second five - year plan of Economic and Social Development 1966 - 71. Yaounde June 1966.

19. Ibid. Third five - year plan of Economic and Social development. 1971 - 76 p. 25

20. Ibid. Fourth five - year plan of Economic and Social Development. 1976 - 81

21. Ibid. Fifty five - year plan. 1981 - 86

22. Ibid. Sixth five - year plan 1986 - 91 p. 322

23. O.P. Cit p. 77

24. In some cases, the borrowed funds are also called "new money".

25. For the definition of productive investment see note no. 2 of this chapter, also called Economically justified projects.

26. That is, used for the importation of consumer goods and services from the creditor countries.

27. The trigger for the debt crisis was Mexico's announcement in August 1982 of its inability to service its foreign debt. Mexico's ambitious growth policies had resulted in an over heated and increasingly inflationary economy and surging budget deficits. The weakening World oil market reduced the value of Mexico's oil exports, which comprised three-quarters of its total export earnings; higher interest rates and growing debt drove up the annual cost of debt service; the greatly overvalued peso led to a surge in Mexico's imports and the situation was aggravated by capital flight.

PART - ONE

THEORETICAL FRAMEWORK AND DEBT PROFILE

CHAPTER TWO

LITERATURE REVIEW AND METHODOLOGY

2.1. LITERATURE REVIEW

The literature on the indebtedness of the Less Developed Countries (especially those Latin American Highly Indebted Countries such as Argentina, Brazil, Chile, Mexico, Venezuela etc) is readily available in every modern library in yaounde and elsewhere, let alone those of multilateral donor institutions such as the World Bank, E.E.C. etc. But the literature on the external indebtedness of Cameroon is unfortunately scarced or limited. Despite the publications of some authors such as: Touna Mama, Bekolo-Ebe, Wilfred Ndongko etc, the writings on the debt situation of Cameroon remain regrettably dried. One can as a result, turn to belief Cameroon does not borrow from abroad, or more still, that even she borrows, her level of indebtedness does not pose a problem as to merit the attention of researchers.

Thus, the literature that is reviewed here pays little attention on the external indebtedness of Cameroon, but concentrates on the literature of other indebted countries that faced similar debt servicing problems as Cameroon.

According to Friedman (1983), "what is critically important from the viewpoint of external debt analysis is that no level of external debt even a very low level - can be serviced without difficulty by a developing country". He further adds that "... the question whether Third World countries have borrowed

excessively can not be answered generally. Each borrowing country's performance must be examined carefully and by separately assessing each of the borrowing entities within a country"[1]. Friedman goes on to say that "a judgement on whether LDCs have borrowed excessively in the past depends on the use to which their external debt has been put"[2].

The unfortunate point with the above analysis of Friedman is that, he does not foresee when these LDCs can run into debt crisis as it has proveneed to be the case. Thus, as a solution to this gap in the work of Friedman, Avramovic et al (1964) have attempted an answer in their work entitled "The Debt - Cycle Hypothesis"[3].

Avramovic et al (1964) proposed that as it undergoes economic development, each nation typically goes through a debt cycle spanning thirty - six years. During twenty five of these years a nation would face growing indebtedness. The Avramovic Cycle was advanced as the stylized characterization of debt and growth, paralleling Simon Kuznet's[4] characterization of a general pattern of income distribution and economic growth, and Raymon Goldsmith's characterization of a general relationship between financial layering and Economic growth. Summarized in the World Bank Development Report for 1985, the debt Cycle hypothesis Proposes, that growing nations pass through five stages, three of which encompass Avramovic's stylized thirty - six years.

The debt - cycle hypothesis treats nations as biological entities that pass through stages. First, a nation is a "young debtor" as its growth process begins facing a trade deficit,

incuring a net outflow of interest payments, receiving a net flow of "capital" and experiencing increasing debt. Here, the debt - export ratio presumably is rising perhaps dramatically. In the second stage, it becomes a "mature debtor". Its trade deficit declines and a surplus emerges on current account in this stage, and it continues to have a net outflow of interest payments while "capital" inflow continues to be positive although at a declining rate. Similarly its debt continues to grow (as does its debt - export ratio), but also at a declining rate. In stage three, it moves into the final eleven years of Avramovic's thirty - six year cycle where it becomes a "debt reducer". Now the country's trade surplus grows, the outflow of interest payments drops, it becomes an exporter of "capital" and its net foreign debt (and debt - export ratio) falls.

The final two stages - the "young creditor" stages - lie beyond the thirty - six years of Avramovic's cycle. The World Bank Development Report for 1985 displays more confidence in the board validity of the cycle than the exact Avramovic time frame, indicating that "the debt cycle model does not predict reliably how long a country may remain in any given stage of the debt cycle". There may be infact, some friction in passing on to the next (higher) stage, requiring that all nations at least those that have a capitalistic - develop in this fashion, the current debt problems of various LDCs are nothing more than "growing pains". A dramatic increase in the debt - export ratio is no more than a signal that a country is truly on the way to sustained real economic growth via

foreign borrowing.

Of course, Dornbusch and Fischer (1988) observation that the current wave of loans has not been used "productively" is problematic for the applicability of the hypothesis. One also might wonder what type of cycle the Latin American borrowers have since their debt - export ratios rose sharply in the 1920s and 1930s and then fell to relatively low levels for three decades, only to rise again in the 1970s and 1980s. Avramovic himself can have little to say about his own hypothesis today. Moreso, Avramovic's hypothesis has been too simplistic in the use of macro-economic variables within a developing nation. Infact, the first two stages seem to have reflected to some extent the situation existing in the LDCs, but the third and last stage does not reflect in anyway their economies. Furthermore, the hypothesis, fails to say anything on how these borrowed funds are used, why they should be put to use, and on what they should be used for, to leave from the "young debtor" to a "mature debtor".

It is for this reason that the work of William DARITY and Bobbie HORN causes attention. Darity and Horn in their 1988 publication entitled, "The loan pushers, The role of commercial Banks in the International Debt Crisis" have remarked that the objectives of public borrowing in a developing country is primarily to build infrastructure, which usually has a high import content and takes years or decades to produce the fruits of the investment[6]. They added "that all borrowing by the public sector in international capital markets provide budgetary and balance of

payments support for the developing country, since net inflows may also finance such social investment as education and health, where the balance of payments gains are only realized after many years of decades. Social expenditures, however, are indispensable in a developing country". Darity and Horn stress that, "the export receipts of LDCs may ordinarily be expected to cover 80 to 90 percent of imports and other foreign exchange expenditures. The export - to - import ratio may be even higher in some cases". To them, "capital inflow is essential for financing imports of goods and services needed for the country's economic development. When the balance of payments is in difficulties, imports for productive purposes are likely to be among the scarified imports".

On page 101 of their work, they stress that capital must presumably be used to increase productive capacity in the short or long run. This increased productive capacity is presumably greater than the initial investment. That the borrowing country must increase physical capacity, which directly or indirectly translates over time into increased domestic output and an improved balance of payments. They proceed further that "well-used debt in one sense raises little concern about amortization payments and as for interest payments, there are always costly. When used to increased output, interest is financed by the earnings of the increased output". They conclude that, "Care must be taken to avoid the use of borrowed funds in such a manner that the total stream of benefits overtime does fail to cover at least the stream of interest payments. These debt-servicing problems arise from

differences in the time profiles of borrowing and usage which are dependent on the structural character of the borrowing nation". This conclusion thus reveals that long-run problems can arise from persistently inadequate domestic policies, like a country allocating continuously a substantial portion of its net external capital to consumption, unproductive investment, or too much investment will require a much longer period for realization of benefits than the scheduled servicing of the external debt incured to make the investment.

The above analysis put forth by the two authors, has failed to take cognisance of the relationship existing between the borrowed funds and other macro-economic variables such as savings, income, exports etc, which economists have always attempted to establish. Several studies have nonetheless attempted to estimate this. That which is of immediate attention is that of Weisskopf (1972)[7] even though it reached the most negative conclusion. He posits an ex-ante relationship between savings, income, all inflows of foreign capital (including debt) and exports of the form $S = f(Y,F,E)$, where S is ex-ante savings, Y income (regarded as exogenous), F the foreign capital inflows (also regarded as exogenous and defined as the trade account deficit in the balance of payments), and E total exports. Weisskopf pooled time series and cross section data on seventeen countries, found a highly significant impact of capital inflow on savings and estimates that about 23 percent of foreign inflows were offset by declines in domestic savings. Other authors including Bhagwati and Srinivasan (1976), Gupta (1990) and papanek

(1972) have shown different results, generally suggesting a positive marginal propensity to save, so that a part of the aid might be off set by extra consumption.

The dark side of the coin with Weisskopf's analysis is that given the variety of Macro-economic policies and objectives of developing countries (not to mention levels of income and other difficulties), it would be surprising if the impact of aid on domestic savings were the same in all cases. Furthermore, this analysis lack basic variables such as the interest rate, imports, debt - export ratio etc. But Graham Bird in his work entitled "Third World Debt", published in 1989 in Great Britain, has provided some sound analysis to fill this gap. To him, "the taking on of debt is an entirely rational and welfare enhancing activity representing an inter-temporary redistribution of living standards, provided that the rate of discount exceeds the interest rate, the welfare will be raised by borrowing now and repaying later". The underlying logic of debt acquisition in his analysis, is reinforced by theories of life - cycle consumption where an individual or household may maximise the welfare derived from a given life income by going into debt at certain stages in the life-cycle, it is much the same for LDCs.

To Graham, like Friedman, "Borrowing increases the financial and real resources currently available to the borrower. Whether it leads to problems depends largely on how this additional resources are used. Basically, where the increase in current resources is used to enhance the availability of resources in the future, the

acquisition of debt should be manageable and should not lead to problems in the sense of an inability to service the debt and to meet outstanding debt obligations"[8]. In determining whether a debtor nation will be able to service its debt, Graham centres on three considerations. The first, relates to the relationship between the marginal product of the resources borrowed and the rate of interest on the loan. "As long as the marginal product exceeds the interest rate, the loan may be serviced and some contribution made towards repaying the principal. Where however, the interest rate on the loan exceeds the marginal product, the debtor may be forced to try to take on extra debt to meet existing obligation",[9] he stresses.

The second consideration relates to the domestic living. Borrowing may be viewed as a way of closing a domestic gap i.e. the gap between the savings required to financed the investment which is itself needed to achieve a targeted growth rate, and the actual amount of domestic savings. If borrowing is necessitated by a deficiency of domestic savings, it follows that, to service and repay debt, there will have to be an excess of domestic saving over and above that needed for financing domestic investment. A crucial factor here will be what is happening to the domestic savings ratio. If the marginal propensity to save exceeds the average propensity to save, the savings ratio will rise. Following economic theories, it implies that a rising savings ratio will offer a better prospect that the debtor will be able to meet its obligation than if the ratio were falling.

The third important consideration is therefore what is happening, and what is likely to happen to export earnings and import payments. Graham argues, "where a debtor faces deteriorating income terms of trade, it is more likely to encounter debt problems than where its terms of trade are improved". To measure the link between the export performance and changes in the interest rate, Graham, uses simple debt models. He assumes that current account dificits are financed by taking an extra debt such that $M-X-rD=\Delta D$ where M is imports, X is exports, r is the rate of interest and D is external debt. Allowing K to stand for the debt - export ratio (D/X), $\dot{x}$ for the growth of exports and $\dot{K}$ for the change in the debt-export ratio, it follows that $(M-X)/X = K(\dot{x}+\dot{K}-r)$.

This formular suggests that where the interest rate is higher than the growth rate of exports, a trade surplus will be required if the debt-export ratio is to be prevented from increasing. "At the same time with exports growth rate greater than the interest rate, a constant proportionate trade deficit will not raise the debt-export ratio and in these circumstances a potential borrower will be encouraged to continue to acquire debt", Graham writes. The problems for the management of debts are aptly illustrated by the above formular in as much as X and r are unlikely to be invariant overtime, and changes in them cannot be perfectly predicted.

The analysis of Graham, some sort of reflect the real world situation because it also integrates the time factor. Timing

indeed constitutes another aspect of potential debt difficulties. For while in the long-run a country may be solvent in the sense of being able to meet all its debt-obligations, it may be unable to do so in the short-run or at any particular moment in time. The time pattern of export earnings may for example fail to match the time pattern of debt obligations. The debtor country may then face a liquidity problem rather than a solvency one.

Albert Fishlow (1987) has argued that the liquidity - solvency distinction is inappropriate for nations. The distinction is drawn from an analogy with assessments of the status of business enterprises. Fishlow contends that, "..... it is not entirely adequate to speak of countries as if they were firms"[10]. Fishlow advocates a focus on the size of prevailing external debt relative to the general interest rate on the debt and the export growth rate. A country with balanced trade in a given year will have to borrow to finance its existing interest obligations. The rate of increase of its stock of external debt will equal the annual interest rate. The rate of export growth versus that of interest determines whether or not the debt - export ratio can be contained only by the euphemistically titled tactic of "import compression"[11]. Restraining imports permits the country to run a trade surplus. But success in achieving a trade surplus in this fashion appears no more attractive a prospect to Fishlow. A trade surplus accomplished by "import compression", Fishlow argues, "is not a good index of solvency", since it merely indicates that "developing countries pay more in interest than they receive in new loans.

Restraint on imports typically entails the pleasant adoption of austerity measures in the countries involved".

Thus, Fishlow dismisses as impractical efforts to determined whether countries are illiquid or insolvent. Their long-term capacity to service debt depends on interest rates and export growth rates. His criterion for country creditworthiness amounts to the equivalent of the simonsen's rule[12].

Kindleberger (1978) for one, has a far less agreeable view of the use of funds by LDCs borrowers, contending that the historical record reveals that "..... productive loans in the LDCs are not very productive and do not stay long out of default"[13]. One indeed, wonders why the ground for optimism concerning the relative potential for economic development in Argentina in the 1970s ought to have been any thing greater than it was in the 1920s. "Development" loans do not have an impressive history of success. They rarely have produced any semblance of economic development and have often produced default. Metais contends that the 1970s constitutes the fifth wave of lending to the "backward" regions. He identifies the periods 1817 - 25, 1870 -76, 1900 - 14 and the 1920s as the four previous waves. Unfortunately, Metais concludes, "they all ended in widespread defaults". Some of the same countries were involved in the lending booms in the latter three waves - 1990 - 14, the 1920s and the 1970s. Argentina, Brazil, Egypt, Mexico, Spain, and Turkey. If the past is a guide to the future, commercial banks in the 1970s, should have forecast that their loans to the periphery[14] were going to go into default.

There are those who claimed that the loans of the 1970s were utilized productively in the LDCs that were major borrowers rather than wastefully or merely to sustain consumption. Sachs Jeffrey in particular argues on the basis of 1981 economic research that much of the growth in LDCs debt reflects increased investment"[15]. Unfortunately Sachs, on the basis of this finding went on to infer a conclusion that he should have known would be return. By August 1982, of course, the Mexican government announced suspension of payments on its external debt, an event virtually all observers concede signalled the crystallization of the country's contemporary debt crisis. Moreover, the statistical correlation between borrowing and investment that Sachs detected for the period 1965 - 78 was not evident in the period 1979 - 83. Thus proving that correlation is not causation if the period of analysis is short.

Cline William, perhaps relying in part on Sach's research also reached the conclusion that borrowed finance was used largely for productive purposes in LDCs. He points to various instance of "..... significant investment projects (domestic energy resources, steel production, oil development, copper expansion)", as invalidating "the sweeping assertion that borrowed funds were wasted (although differences among countries were sharp, especially with respect to capital flight)"[16]. Given the notoriety of the operation of Pemex, the national oil company, one can wonder, atleast, about Cline's inclusion of "oil development in Mexico" on his unit of laudatory investment project. The World Bank Development Report for 1985 contends that commercial bank

borrowing in the 1970s generally were used inefficiently or unproductively. Loans not, "used to maintain consumption when commodity prices fell (such as in Zambia) .... went to finance large public investments, many of which contributed little to economic growth or to generating the foreign exchange to service the debt, in Sub-Saharan Africa"[17]. These wasteful public investment included: "Large conference centers, administrative buildings, university centers, hotels and highways, as well as projects in industrial sectors, such as oil and sugar refineries, steel mills, and textiles and cement factory"[18]. Even in the East Asian "tigers" (Taiwan, Hong - Kong, Singapore, Korea), where the Bank report applauds the quality of investment, the Bank identifies errors in public sector expenditures of commercial Bank borrowing. The most fundamental point is that even if borrowed funds are use for "productive purposes", there is no guarantee that the loans will achieve a profitable return for the lenders. For "productive purposes", there is no guarantee that the loans will achieve a profitable return for the lenders.

From the above review of literature on external debt, it follows from afortiori, that there exists some relationship between the debt burden and the export volume and/or values, the debt service payments and the balance of payments, the domestic savings and the external savings, and between the total external debt and the gross domestic investment of a country during a given period. These major variables will constitute our pre-occupation in the next chapters that follow as indicated in the objectives of this

study above. But, let us first of all define these major variables and some other terms to bring out the definitions that will be ascribed to them in this study.

2.2 CONCEPTUALIZATION AND OPERATIONALIZATION

Some terms will be used in the study that we need to say precisely what the words or terms used in the title or former statement of purpose mean in relation to the study. These definitions are important because they provide the reader which meaning or implications of the terms are relevant to the current study.

2.2.1. TOTAL EXTERNAL DEBT

Friedman Irving defined total external debt as, "the amount, at any given time, of disbursed and outstanding contractual liabilities of residents to non-residents to repay principal, with or without interest". External debt related flows are balance of payments items in this case that represent transactions between a country and the rest of the world. They are independent of the currency of payments. It has an original or extended maturity of more than one year, which is owed to non-residents and repayable in foreign currency, goods, or services. It is made up of public debt and publicly guaranteed debt. According to World Bank sources, "External debt is outstanding and disbursed representing public and publicly guaranteed loans drawn at year-end-net of payments of principal and write - offs". The servicing of the public external debt depends on a country's foreign exchange earnings, other flows of foreign exchange like equity investment and borrowed funds, and

on international reserves available in adequate amounts.

The important element in these two definitions is their stress on the fact that total external debt is the sum of outstanding and disbursed contractual liabilities and also that external debt used here, means the public and publicly guaranteed loans.

2.2.2. **DEBT BURDEN**

The debt - burden of a country constitutes the obligation to pay interest on the debt and principal repayment. It is also called the debt service obligation. Interest payments are actual payments made on the outstanding and disbursed public and publicly guaranteed debt in foreign currencies, goods or services; they include committed charges on undisbursed debt if information on those charges is available. Debt repayments constitute the transfer of purchasing power from the LDCs to the developed countries and this reduces domestic demand in the transferring country to generate exportable surplus and increase demand in the receiving country for absorbing this surplus of the transferring country (Sarkar 1991).

Although countries do not declare bankruptcy, a country is insolvent if it is unable, either for economic or political reasons to meet its debt obligations over the long term. By contrast, illiquidity means that a country can not meet its obligations coming due in the near term, but can discharge those obligations with accrued interest, in the long-run, along with the rest of its obligations. If the borrower defaults in debt servicing, the lenders impose a penalty which would permanently reduce the

productivity of the country's capital bound of welfare beyond which lenders could not push the country (Cohen 1988). Analysts have developed indicators such as: debt-service as a percentage of exports of goods and services and debt-service as a percentage of GNP, to measure the burden of international indebtedness to insist in evaluating country risks. Although these indicators are crude, they can help to signal emerging distress.

2.2.3. NET RESOURCE TRANSFERS

Net resource transfers as will be used in this study, will refer to disbursements minus interest and principal payments. Negative net transfers imply that total debt service payments (debt-burden) exceed gross inflows, that is net real resources are being transferred from the economy, and that a trade surplus is thus required.

This concept has come into popular use in recent years as increased interest payments on the external debt of developing countries have exceeded net capital inflow. It is computed thus:-

Net Resource Transfers = Net flow of new capital into the debtor country - the Repayment of debt obligations.

2.2.4 BALANCE OF PAYMENTS (B.O.P)

Balance of payments here will refer to off setting of foreign exchange earnings with foreign exchange expenditures. It amounts to a nation's exports net over its imports in the current account section, and short term net capital flows. Changes in a country's net foreign exchange reserves, along with long term and short term

capital transfers, usually off set deficits and surpluses registered in current accounts.

Thus, capital movements including external borrowing do not finance particular items in the balance of payments. They finance the collective deficits which include the expenditures on interest but also include many other items. The cause of a deficit may be attributed to any portion of external expenditures or shortfall in earnings, depending on the focal point of the analyst (Todaro 1982).

Analytically, the balance of payments table is divided into three components. The current account component portrays the flows of goods and services in the form of exports and imports for a country during a given year. It allows one to analyse the impact of commercial policies on commodity trade. The capital account shows the volume of private foreign investment and public grants and loans from individual countries and multilateral donor agencies. It permits one to examine the relative importance of international flows of financial resources in augmenting a national domestic savings. Finally, the cash account shows how cash balances (foreign reserves) and short-term claims, have changed in response to current and capital account transactions. The cash account is thus the "balancing" item which is lowered (i.e. a net outflow of foreign exchange) whenever total disbursements on the current and capital accounts are arbitrarily set so that claims and debt maturity in more than one year (or those that have no fixed maturity date as in the case of grants) are listed in the "capital"

account. All other short-term financial claims and debt i.e. those that mature in one year or less - are normally included in the cash account.

Thus, the balance of payments will be used here to mean the balance of cash or reserve account i.e. the sum of the current account and capital account balances.

2.2.5 **GROSS DOMESTIC INVESTMENT**

This refers to the total investment carried out by the resident of a country within a given period. The bulk of this investment in the LDCs is carried out by the public sector, on projects such as education, health, agriculture, road infrastructures, conference centres, mathematically, this is calculated thus:

GDI = Net Domestic Investment + Depreciation

A developing country which does not use its foreign funds judiciously to increase the gross Domestic Investment will run in debt servicing difficulties, since the debt burden will become too heavy to bear. A country must also improvise for depreciation in order to keep its net domestic investment up.

2.2.6. **DEBT - RELIEF**

Debt relief, as defined by the World Bank sources has taken several forms. Most sizeable has been the rescheduling or post-ponement to latter years of debt payments falling due in the near or medium term.

Both Commercial Banks and Official Creditors have provided this kind of relief. In conjunction with such rescheduling, banks

commonly have agreed to maintain or extend short-term credit lines and have also provided some new long-term loans. Beside this kind of relief, bridge loans have sometimes been arranged to enable a debtor country to meet its obligations until a rescheduling could be undertaken.[19]

Negotiations between a debtor country and its creditors concerning debt repayments are usually conducted multilaterally, that is, with all creditors or representatives of groups of creditors, present simultaneously at the negotiation sessions. Not only is this approach more efficient for the debtor than entering into Separate debt - rescheduling negotiations with each of its many creditors, but the approach also facilitates uniformity of treatment of the creditors. Debts to governments, however, are renegotiated separately from debts to Commercial Banks.[20]

Debt relief results in a net benefit to the debtor on the one side and possibly financial costs and a burden to the creditor, on the other. The net benefit of debt relief to a debtor country can be assessed by calculating its grant element. The net benefit (or grant) equals the difference between the present value (in the base year) of the payments stream before the debt rescheduling and the present value of the total repayments stream over the "Consolidation period" following the rescheduling. This is expressed as a percentage of the present value of the repayments stream before the rescheduling. The formular can be expressed as follows:

$$\text{Net Benefit (Grant element)} = \frac{\text{present value of repayment before rescheduling} - \text{present value of repayment during consolidation}}{\text{(percentage value of repayment before rescheduling)}} \times 100$$

Present value calculation in past rescheduling were commonly based on a ten percent discount rate, adopting the convention of the OECD's development Assistance committee. The grant element may differ substantially from case to case in debt agreements.

2.2.7 **BILATERAL DEBT**

Bilateral Debt is debt owed by the residents of a nation to the residents of other nations. That is, debt from governments and their agencies (including Central Banks) and debt from autonomous public bodies to governments of LDCs. In short, bilateral debt is mostly made up of government to government debt.

2.2.8 **MULTILATERAL DEBT**

This is debt owed by the residents of a country to International donor organisations such the World Bank, IMF, Regional Banks etc. The primary aim of this debt is to promote economic development in the less developed countries.

2.2.9 **EXCESSIVE DEBT**

According to Freidman, "Excessive debt is debt that is used unproductively or can not be serviced, irrespective of size. Even low levels of debt are not sufficient protection by themselves against excessive debt". The question whether LDCs have borrowed excessively cannot be answered generally. Moreso, a judgement on whether LDCs have borrowed excessively in the past depends on the use to which their external debt has been put. The growth in

external indebtedness of a borrowing country is not excessive if the borrowed funds are used to defend or implement sound development strategies, with consequent lasting improvements in levels and composition of private and public savings, output (Agriculture and Industrial), Investments, and Consumption pattern. External performance and domestic growth have two linkages. One is the link between sustained growth and imports, especially of capital equipment. The second is that between export earnings, increased debt ("new Money"), debt service and import availability.

2.2.10 DEBT MANAGEMENT

Debt Management refers to the various steps taken by a debtor country to better control its debt problems. To do this, governments have sought to improving existing system for recording and reporting liabilities. Properly conducted effective debt management leads to major foreign exchange savings by avoiding all kinds of costs - from steep commission fees and penalty interests to unfavourable borrowing terms and conditions.

2.3. RESEARCH METHODOLOGY

The procedure or methodology of this study is divided into two main parts: Data collection and Data analysis.

2.3.1. DATA COLLECTION

To better investigate into the problem of the external indebtedness of Cameroon (as identified in the problem statement), data have been collected on the outstanding and disbursed debt, debt service payments, gross domestic investment, domestic saving, balance of payments of Cameroon the major sources of external debt

(i.e. bilateral, multilateral and private sources) etc.

These data have been collected from public libraries such as the Yaounde University, Cameroon's Institute of International Relations (IRIC), the American Cultural Centre, the French Cultural Centre, the British Council. Also, information was received from the World Bank, IMF, African Development Bank, European Economic Community (E.E.C.) etc. Other sources of information were the Ministeries such as: Plan and Regional Development, Finance (Department of Foreign debt and Budget), Trade and Industrial Development. The "Caisse Autonome d'Amortissement (C.A.A.)" and others have been important sources of information to this study. These data have been collected using the following modes: Questionnaires and Interviews.

2.3.1.1. **QUESTIONNAIRES**

Two types of questionnaires[21] were formulated to obtain information for this study. The first questionnaire, comprising of about eighteen short questions has been administered to some of the major donor countries whose embassies are in Yaounde-Cameroon. These include countries such as: France, Federal Republic of Germany (FRG), United States of America, United Kingdom, Canada, Italy, Belgium, China etc. The choice or selection of these countries has been based on their individual loans to Cameroon and on their contributions to the multilateral donor organisations.
The second category of questionnaire was administered to the multilateral donor organisations such as: the World Bank, the E.E.C., AFDB, IMF etc which have their offices in Yaounde. This

questionnaire contained about fourteen short questions.

These two types of questionnaires were designed to obtain quantitative and qualitative information on the major economic variables under investigation in the study such as: total outstanding and disbursed debt, debt relief, debt service payments, interest rates, grace periods, maturity periods, creditworthiness of Cameroon in the eyes of bilateral and multilateral donors, composition and direction of Cameroon's exports, composition and sources of Cameroon's imports, nature or manner of debt - service payments etc.

2.3.1.2. **INTERVIEWS**

Interviews were also designed to extract qualitative and quantitative information from personnel at the appropriate Ministries, multilateral agencies and Embassies such as: the Commercial attachés at the German and Canadian Embassies, Economists of the Economic Analysis and policy Reform Implementation office at USAID, Directors at MINPAT etc.

2.3.2. **DATA ANALYSIS**

The data collected for this study have been analysed using tables, graphs, statistical and mathematical and Economic equations and models. Four Models have been used to test the hypotheses of the study stated in (chapter one above). In order to meet this challenge, the first three models are multiple regression models and the last one is a simple regression model.

2.3.2. **MULTIPLE REGRESSION MODELS**

These three models seek to analyse the causal relationship

existing between the main economic variables under investigation in this study such as: the unit value of exports and the debt burden; the debt-service payments (interest and principal) and the balance of payments; and external savings and the gross domestic savings. These models have been specified or formulated to assume the following forms (see chapter four):

1) $VUEt = Ao + A_1\ DEGt + A_2\ SEFt + Ut$, where

VUEt = unit value of exports in year t.

DEGt = Debt burden (debt/GNP) in year t.

SEFt = Share of fuel in total exports in year t.

Ao, A_1 and A_2 = the parameters.

Ut = the stochastic error term.

The sample data for this model range from 1979 to 1990. This is because fuel production entered in the official accounts of Cameroon in 1979. Infact, it is this year the SONARA (National Oil Refinery Company) become operational. Since the share of fuel in total exports is one of the explanatory variables of this model, it is rather imperative that we take care of this.

2) $BOP_t = Ao + A_1 INT_t + A_2\ PRP_t + U_t$.

Where BOPt = Balance of payments in year t.

INTt = Interest payments in year t.

PRPt = Principal Repayments (Amortization) in year t.

Ao, A1 and A2 = parameters and

Ut = the disturbance term

The sample data for this model runs from 1970 up to 1990, i.e. covering a time period of twenty - one years. During this period

there were oil crisis, food crisis and restrictive monetary policies in LDCs (1970 - 75), i.e. lending helped promote the LDCs productive capacities, maintained their growth, and in turn, created demand for OECD exports grow along with their debt, enhancing their debt service ability due to low interest rates, low debt service obligations etc.

Between 1976 and 1985, interest rates from private sources where relatively high and during this period the Latin American debtor countries experienced debt crisis. The debt burden of the LDCs increased. The period 1986 - 90 to Cameroon, marks a period characterized by economic crisis and general recession in the World economy. During this period, lending to LDCs was backed by the implementation of structural Adjustment programmes to meet the conditionality of the IMF and World Bank.

The coefficients of these model were calculated to analyse if they confirm with the socio-economic conditions that characterized this time - period.

3) $S_t = B_o + B_1 Y_t + B_2 F_t + U_t$.

Where St = Gross domestic savings in year t

Yt = Gross Domestic product in year t

Ft = External savings (foreign debt) in year t

Bo, B1 and B2 = parameters and

Ut = Error term.

The data to be fitted in this model have been collected from 1970 to 1990. The coefficients of this model were measured to assess the impact of external savings on domestic savings.

2.3.3. THE SIMPLE REGRESSION MODEL

This model seeks to establish the link between the total external debt and the gross domestic investment of Cameroon. The model was specified to assume this form:

$$GDI_t = Bo + B_1DOT_t + Ut.$$

Where: GDIt = ~~Total external debt in year t~~ Gross Domestic Investment in year t.

DOIt = Total external debt in year t.

Bo = Intercept term

B1 = Simple regression coefficient or the growth rate of GDI.

Ut = error term in year t.

The data for this model have ranged between 1970 - 80 and 1981 - 90. This model has been calculated for two periods. The first period covering 1970 to 1980. This is to test whether the conclusion of the World Bank Development Report for 1985 that the external debts of the LDCs were used for productive investment projects in the 1970's is true in the case of Cameroon. And the second period of analysis is 1981 to 1990. This period is characterized by economic crisis and high interest rates on commercial debts. This is to test whether the gross domestic Investment of Cameroon did increase with the heavy debt profile.

NOTES

1. Friedman Irving. The Debt Dilemma, Managing country Risk. 1983 - p. 58

2. Ibid p. 57

3. See more of this in, Avramovic Dragoslav et al. Economic Growth and External debt. Baltimore. John Hopkin press 1964.

4. Simon Kuznet. Modern Economic growth. Rate, structure and spread. Haven, Yale University press 1966.

5. See, the world Bank Development Report 1985, p. 46

6. See the above publication on page 87.

7. Weisskopf (1972), "Capitalism, under-development and the future of poor countries". Review of Radical political Economy, 4, 1 (sprint) 1-35

8. Bird Graham. Third World Debt. 1989 p. 2

9. Ibid PP. 4 - 5

10. Albert Fishlow. The debt crisis. Round Two ahead? In Richard Feinberg and Valeriana Kallab, eds, Adjustment crisis in the Third World. 1984 p 39.

11. That is reducing import demand by lowering income.

12. For more on the "Simonsen's rule", see Chapter five of this study.

13. Charles Kindleberger. Debt situation of the Developing countries in historical perspectives, in Stepten Goodman, ed, Financing and Risk in developing countries 1978 p. 6.

14. According to Samir Amin, in his book entitled imperialism and unequal development, published in 1977, the "periphery" is the south (LDCs) while the "center" is the North (MDCs). He observes that there is international division of labour where in the south specializes in the production of agricultural products while the North in the production of manufactured goods.

15. Jeffrey Sachs. The current Account and Macro-Economic Adjustment in the 1970s. "Bookings papers on Economic Activity 1. 1981 P. 243

16. See Cline William. "International Debt: Analysis, Experience and prospects". Journal of Development Planning 1980. P. 27.

17. The World Bank Development Report for 1985. pp 51-54

18. Abid. p. 55

19. Shortly after the eruption of the Mexican payments crisis in 1982, the U.S. Treasury Department and the Federal reserve System extended several billion dollars in short-term to Argentina and Brazil, pending the arrangement of longer term lending programmes. Much of this credit was arranged by BIS, a central banker's bank, which Marshalled very large sums for the same borrowers from other industrial nations as well as from the U.S.

20. A forum known as the "Paris Club" is employed for negotiating debts to governments as well as officially insured private export credits. An informal intergovernmental group, the Paris Club is chaired by an official of the French Treasury. In a fairly typical case, interest as well as principal coming due within the next twelve to eighteen months would be rescheduled to be paid within the next eight to ten years. While the official creditors grouped themselves within the "Paris Club", the commercial banks coordinate their rescheduling efforts through the "London Club".

21. For a sample of these questionnaires, see appendices.

CHAPTER THREE

EXTERNAL DEBT SOURCES AND DEBT PROFILE OF CAMEROON

3.1. INTRODUCTION

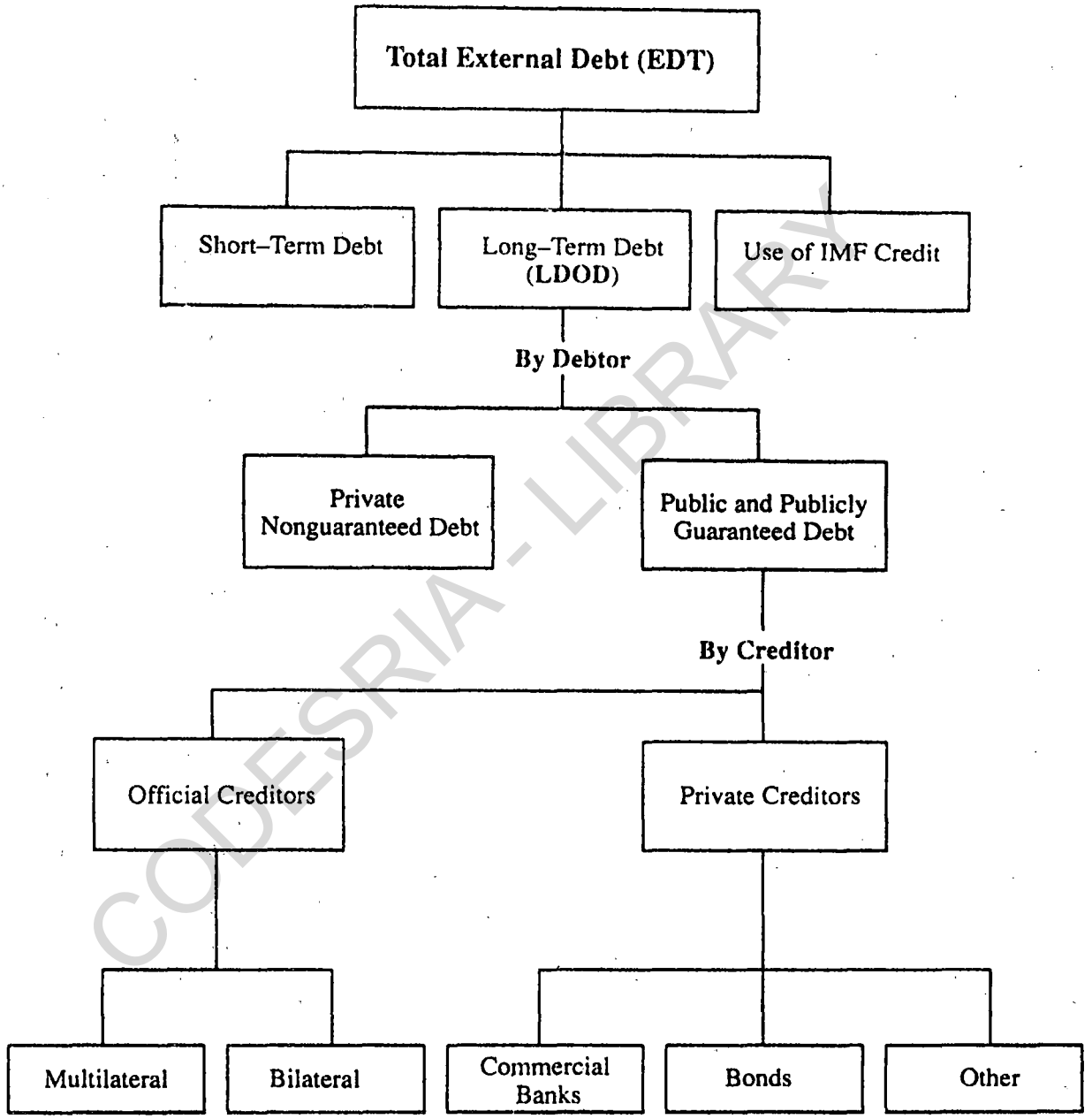
The efforts of the south to obtain financial capital for development is a central theme in North - South relations. Developing Countries short of their own funds, traditionally turned to capital surplus countries and multilateral institutions for funds in the form of loans and the purchase of bonds to finance infrastructure and productive facilities. Sources of finance can thus, be divided geographically among regions or nations, by maturities, by purpose, or even by character of borrowers. Somewhere in the maze of possible combinations is the answer to having enough external financing to keep the developing countries and the world political and economic structure functioning.

In the nineteenth century, for example, British capital helped to build United States railroads and industry; and in the first half of the twentieth century foreign capital flowed to Latin America and Asia to finance industrialization. "In the first twenty-five years of the Bretton woods era, public funds for development replaced lending to North - South financial relations. Foreign aid, virtually non-existent before World War II, came to account for a large portion of financial transfer to developing countries in the post war period. Then, in the 1970s and early 1980s, private financial

in the developing countries"[1]

Thus, the external debt sources and the debt profile of a developing country include short-term debt, long term debt, medium term debt, use of IMF credits etc. The debt stock and its components can be summarized in the figure below, to reveal the various debt sources.

Fig. 1 : **Debt Stock and Its Components**



Source : World Debt Tables 1991 - 92, p. ix.

It is on the basis of figure I, that we have analysed the debt sources and the debt profile of Cameroon. But before we did this, it was imperative for us to take an overview of the Republic of Cameroon (including a historical perspective) which had a bearing on the debt sources and debt profile of the country.

3.2. OVERVIEW OF THE REPUBLIC OF CAMEROON

Cameroon is situated in the South of West - Central Africa along the Atlantic Ocean. The country was under German protectorate from 1884 to 1916. From 1919, the country was divided into two administrative regions by France (4/5) and the United Kingdom (1/5) under the mandate of the League of Nations and also that of the United Nations after the second World War.

The region under French administration obtained its autonomy in 1955 and independence on 1st January, 1960. And the region under British administration had its independence in 1961. In 1961, the referendum organised by the U.N. in Cameroon under the tutelage of Britain saw the Northern part opted for Nigeria and the Southern part for integration to the "French " Cameroon, thus Cameroon became the Federal Republic of Cameroon in October 1961 and a United Republic in 1972 after the referendum. From 1984, the United Republic of Cameroon became the Republic of Cameroon. In a clockwise direction, to the West of Cameroon is Nigeria; Chad to the North-East; Central African Republic to the East; and Congo, Gabon and Equatorial Guinea to the South.

Cameroon belongs to the Central African Financial Community and its Monetary policy is carried out by the Bank of Central

African States (BEAC) for the sub-region as a whole. In this context, the goals of Cameroon's monetary policy, formulated jointly with its partners in the zone, are a gradual reduction in net government indebtedness (excluding the counterpart of IMF purchases) to the banking system, and to the BEAC in particular, in order to free resources for the private sector and enable the BEAC to reduce their net external liabilities.

Cameroon is one of the African countries most diversified in terms of human and natural resources. Agriculture, Fishing and Forests are the rich potential resources of the country. Sometimes call Africa in Miniature in view of its variety of geoclimatic features and ethnic diversity, Cameroon covers an area of 465,000 squared KM^2. The mineral resources are varied with the petroleum reserves, bauxite, iron and natural gaz.

After a period of rapid economic growth fuelled by the coming on stream of new oil fields and improvements in the terms of trade, in the mid 1980s, Cameroon plunged into a prolonged economic recession accompanied by chronic financial imbalances. The country faced a strong effective appreciation of the CFA franc and a pronounced and sustained deterioration in its terms of trade. This led to significant competitiveness losses and a decline in real GDP averaging 4 percent a year between 1984/85 and 1987/88. Against this background, the pursuit of expansionary policies only worsen the financial situation, as evident by:

i) Mounting cash flow difficulties for the Central government, and the attendant rapid accumulation of

payments arrears;

ii) Sizeable operational deficits in public enterprises, which were shouldered by the Government; and

iii) A loss of confidence in the financial system.

In return the accumulation of arrears on loan repayments and the dearth of loadable resources caused serious liquidity shortages and at times outright cases of insolvency, in the banking system.

Starting in 1989 the Government began with Structural reforms centering on the liberalization of the economy and the restructuring of public enterprises and banks. Between 1989 and 1990 it closed the National Commodities Marketing Board (ONCPB), lowered the producer prices of coffee, cocoa, and cotton by 40 percent on average to take account of the drop in World market prices, and sharply reduced the scope of quantitative import restrictions and price controls. Between 1989 and 1992, it also closed three non-viable banks and restructured the rest of the banking system. In August 1989, it established a loan recovery agency. In the parastal sector, the Government liquidated four enterprises, privatized four others, and launched restructuring programs in another twenty five.

In the course of the 1992/93 fiscal year, the government took a critical step under its internal adjustment strategy. In addition to measures to increase non-oil revenue, it reduced the civil service wage bill beginning January 1, 1993 through a nominal reduction in base salaries and other benefits averaging 15 percent.

This action yielded budgetary savings of some FCFA 40 billion, or 1.5 percent of GDP, at annual rate. Its effects were negated by a general worsening of Cameroon's economic difficulties, in particular the drop in oil exports (and associated tax revenue) and the overall decline in economic activity. Estimates for the end of fiscal 1992/93 and for the first half of 1993/94 indicate that the economic and financial situation continued to deteriorate rapidly over the past 12 months[3].

All in all, real GDP contracted by more than one fourth between 1984/85 and 1992/93 and real per capita income was more than halved, while gross investment dropped from 27 percent of GDP to less than 11 percent, and gross domestic savings from nearly 35 percent of GDP to 10 percent. During this period, the overall government deficit widened from 1.5 percent of GDP to 8.5 percent of GDP, fueling the accumulation of external and domestic payments arrears to FCFA 350 billion and approximately FCFA 580 billion, respectively, at end June 1993; the current account of the balance of payments shifted from a surplus of 2 percent of GDP to a deficit equivalent to 10.5 percent of GDP, while the external public debt grew from less than one-third of GDP to more than three-fourths.

Having presented an overview of Cameroon, it was time for us to analyse the external debt sources of Cameroon, as illustrated in Figure I above.

3.3. EXTERNAL DEBT SOURCES

By external debt sources, we mean the various venues exploited by Cameroon to get funds to finance its development process as

shown in figure I above. It is on the basis of the lower part of this figure (i.e. by creditor) that we analysed the debt sources of Cameroon, such as multilateral, Bilateral, Commercial Banks and others. While the upper - part of the figure was reserved for debt profile analysis.

3.3.1. MULTILATERAL DEBT SOURCES

Multilateral debt is debt from international institutions and Regional Development Banks whose principal role is to foster economic development within the LDCs. This source of finance has over the years, since independence constituted a very significant source of external financing to Cameroon. Cameroon's public and publicly guaranteed debt outstanding and disbursed at the end of fiscal 1991 was 58.9 percent of GDP. Of this amount, about 23.6 percent was owed to multilateral institutions, 56.2 percent to bilateral institutions and 12.3 percent to private creditors[4]. The major multilateral donor institutions that lend to Cameroon include: the World Bank; E.E.C., African Development Bank, IMF, OPEC etc. The debt contracted from multilateral organisations represented 35.11 percent of Cameroon's commitments as at 30 June 1990. The disbursements of Cameroon from multilateral sources for 1989 and 1990 could be viewed in the table below.

Table 1. Loans Disbursed from Multilateral Institutions (in millions of U.S. dollars) 1989/90.

	Outstding30 June 1989	Outstanding 31 March 1990	Disbursed during 1st 3 quarters 1989/90	Undisbursed 31 March 1990
African Dvpt Bank	21.9	59.9	38.1	108.8
African Dvpt Fund	1.5	1.5	0.0	35.5
Arab Bank for Econ. Dvpt	3.5	3.5	0.0	3.1
Dvpt Bank Central Afri State	0.5	0.5	0.0	3.7
European Investment Bank	9.0	10.7	1.7	24.3
European Dvpt Fund	14.5	15.6	1.1	4.0
Islamic Dvpt Bank	5.5	5.5	0.0	18.1
Int. Fund for Agric. Development	7.3	8.7	1.5	14.8
Nordic Investment Bank	7.9	7.9	0.0	15.8
IBRD	191.7	289.6	97.9	531.4
IDA	22.6	22.6	0.0	0.5
TOTAL	285.8	426.1	140.3	759.9

SOURCE: Caisse Autonome D'Amortissement.

3.3.1.1. WORLD BANK

The expression, "The World Bank" as used here, means both the International Bank for Reconstruction and Development (IBRD)[5] and

its affiliate, the International Development Association (IDA)[6]. The IBRD has two affiliates; the International Finance corporation(IFC)[7] and the Multilateral Investment Guaranteed Agency (MIGA)[8]. The Bank, the IFC and MIGA are sometimes referred to as the "World Bank Group".

One substantive change in World Bank lending since the onset of the debt crisis in the heavily indebted countries, is the shift from project lending to so called policy - based lending. In policy based lending, money is made available to facilitate policy changes on a sectoral or national level, mainly involving the liberalization of internal and external markets. In March 1986, the World Bank executive Directors expressed support for a rise in policy based lending to between 15 and 20 percent of all World Bank lending during 1986 - 88, up from around 10 percent in the early 1980's[9]. A second substantive change in World Bank lending is the increased resort to co-financing arrangements with private sector creditors as a way to stimulate new private lending via new public lending[10].

Since the beginning of its assistance to Cameroon in 1967, the World Bank has approved 27 IDA credits and 47 IBRD loans of which 35 are completely executed and 12 are under implementation. The Bank's total commitments to Cameroon amounted to US $1447 million as at February 1993. Since 1985, the average annual lending from the World Bank to the country has been U.S. $100 million. The Bank has above all supported projects in the transport sector (roads, railways, port facilities) and the agriculture sector (financial

credits, agriculture research extension). The Bank has also financed education and vocational training, technical assistance, public utilities, telecommunication, small and medium - scale industry, and urban development. Since 1989, the Bank also has supported economic policy reform and initiatives to improve the economic efficiency of the country through a structural adjustment loan (SAL). The loans contribute to the financing of the state's budgetary needs. In this context, the government is expected to reorient and restructure its spending so as to ensure essential services provided by the state (such as the maintenance of the transport network, primary education and primary health care), and the creation of an environment conducive to private investment; all this in order to create a basis for lasting and equitable economic growth.

In fact, the World Bank is the largest overall donor, and since its inception in Cameroon in 1967, it has financed many projects in the country as shown in the table below.

Table 2. THE WORLD BANK ACTIVITIES IN CAMEROON
(Since 1967)

Sector of the projects	Number of projects	Approved amount (in million US $)	Disbursed amount (in million US$)
Agriculture	32	498.10	105.02
Transport	25	490.31	485.14
Education	5	67.03	54.24
Public utilities/communications	3	27.94	27.94
Urban Development	2	165.83	82.74
Small and medium scale industries	2	2.78	2.78
Technical Assistance	2	14.12	14.12
Structural Adjustment program	1	150.00	100.00
Economic Management programs	1	9	6.61
Social Dimension of Adjustment	1	21.50	2.09
TOTAL	74	1446.83	1159.78

NOTE: Statement of loan as of 02-28-93.

SOURCE: World Bank Resident Mission in Yaounde March 1993

The World Bank is currently implementing several projects as illustrated by table 3 below.

Table 3 World Bank projects under implementation in CAMEROON (As of March 1993)

Name of Project	Effectiveness date: closing date:	Amount of Loan (In million US$)
FSAR II	02/28/86-12/31/93	125.0
Road VI	04/08/86-10/31/93	25.5
Education and Vocational Training	02/27/87-12/31/94	30.1
National Agriculture Research	03/18/88-30/06/93	17.8
Cocoa Reliabilitation	10/26/88-12/31/95	61.7
Urban Development II	05/16/89-06/30/94	146.0
Livestock sector Department	05/30/89-06/30/95	34.6
Structural Adjustment Loan	11/28/89	150.0
Economic Management Programme	01/03/90-12/31/93	9.0
National Agricultural Extension Training	01/22/91-03/31/97	21.0
Social Dimension of Adjustment	01/30/91-12/31/97	21.5
Food Security	05/27/92-06/30/99	23.0

Source: World Bank Resident Mission in Yaounde, March 1993.

The debt situation of Cameroon with the World Bank can be better

analysed by examining its activities with IBRD and IDA.

3.3.1.1.1. **INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)**

The IBRD's goal is to provide financial resources for productive purposes to developing countries. As part of its change in strategy since 1980, it is increasingly focusing on sectoral and macro-economic structural adjustment lending to help African and other countries implement adjustment and recovery programs. Its project assistance to Cameroon through 1987 amounted to $1.3 billion and was placed in a variety of sectors. In fact, the IBRD is the highest lender to Cameroon within the World Bank group. About 75 percent of the Bank's lending to Cameroon is for specific projects such as roads, power stations, agriculture, and industry (as shown in the tables above). As the global economy became mixed in recession in the late 1980s, the Bank expanded the scope of its lending operations to include structural and sectoral adjustment loans[11].

The debt situation between Cameroon and the IBRD between 1970 and 1989 is summarized in Table 4 below.

Table 4 IBRD Debt owed by Cameroon (in U.S $ Million dollars)

Year	Debt out-Standing	Disburse-ments	Principal Repayments	Interest Payments	Net Flows
1970	3	3	0	0	3
1980	152	28	4	13	24
1982	182	19	5	12	14
1983	218	44	8	15	36
1984	208	46	10	17	36
1985	287	46	15	20	31
1986	401	65	19	30	45
1987	545	76	29	41	57
1988	508	48	36	45	12
1989	572	107	35	n.a	72

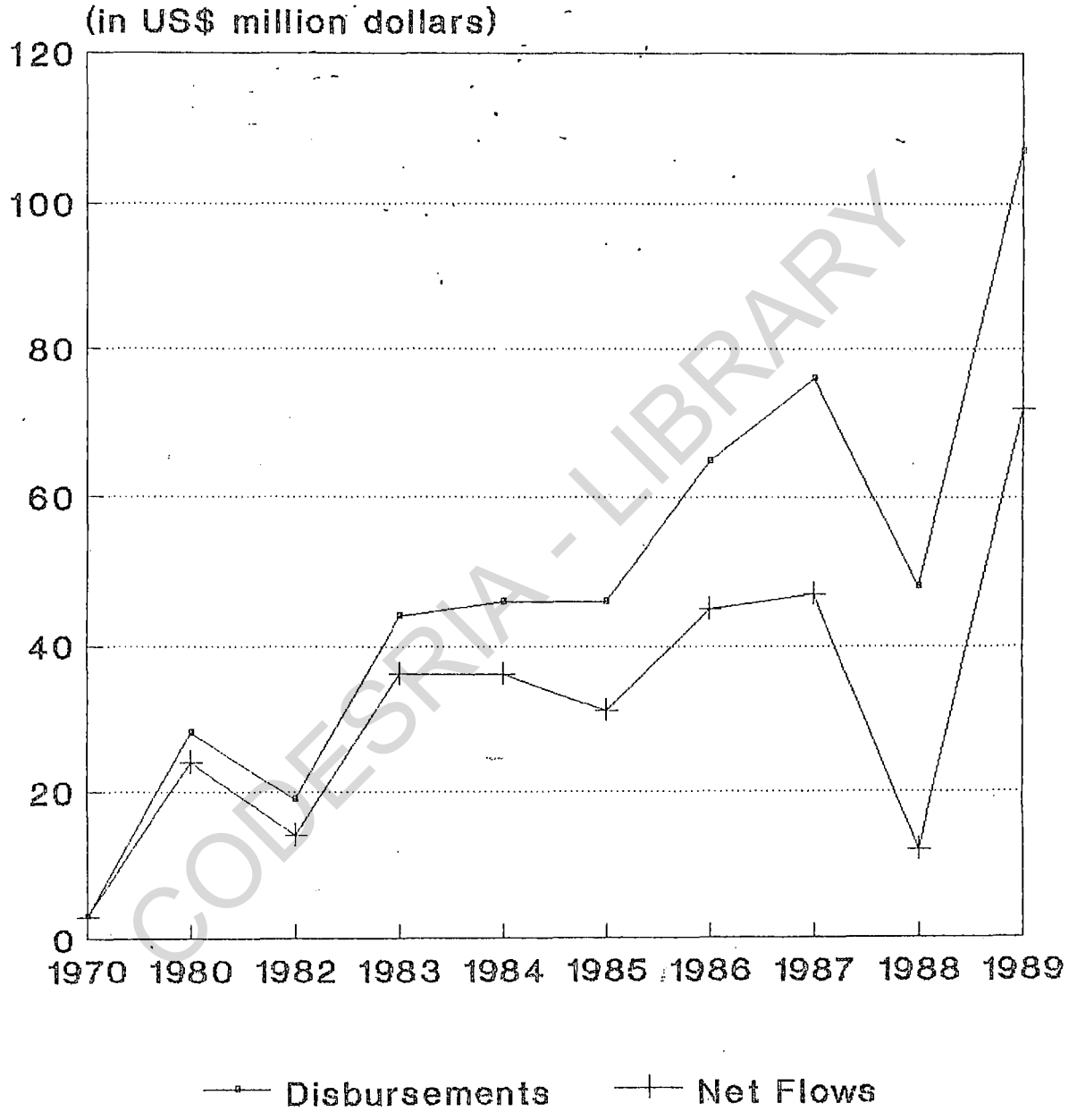
n.a = Not available

Source: Adopted from World Bank Debt Tables 1992 - 93, volume 2

From the table, it is observed that the outstanding debt maintained an upward trend between 1970 and 1989 and the disbursements also followed suit. Despite the economic crisis that affected the economy of the country in the late 1980s, she maintained debt servicing with the IBRD. Net flows between Cameroon and IBRD have been positive throughout this period. Movements in IBRD disbursements and net flows on debt to Cameroon is represented on the graph below:

FIG. 2

Movement in IBRD Disbursement and Net Flows (1970 - 1989)



The graph of disbursements has maintained an upward trend. From 1970 to 1980, there was a steady increase from $3 million to $ 28 million, then fell back to $ 19 million in 1982 , and then rose seriously to $ 87 million, where it fell back to $ 48 million in 1988. 1989 topped the lead with a high of $ 107 million. The graph of net flows maintains almost the same characteristics of those of disbursements, with constant figures between 1983 and 1984 of $ 36 million.

Beginning in 1987 the IBRD, in cooperation with the IMF and other bilateral and multilateral donors, has been supporting Cameroon's SAP. Total IBRD loan approvals for fiscal years 1987 - 91 are given in Table 5.

Table 5: IBRD Loan Approvals 1987 - 91

Sector	Amount (in U.S. million dollars)	Percentage of total
Agricultural	135.2	29.3
Structural Adjustment	150.0	32.5
Urban Development	145.9	31.6
Human Resources	21.2	4.6
Economic Management	8.8	1.9
Total	461.1	100.0

Source: world Bank Resident Mission in Yaounde.

The IBRD programme in Cameroon was suspended in late 1992. This suspension of all disbursements (except contractual technical assistance) was triggered automatically according to Bank policy

when a governments scheduled repayment on Bank lending passes 60 days in arrears; it was not triggered by conditionality on any individual loan or loans. The immediate cause was a missed payment of $ 70 million.

3.3.1.1.2 INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

In 1960, the World Bank created the International Development Association (IDA), an institution which completes the assistance of the IBRD, but addresses in the very poor developing countries which do not have the means to borrow from the IBRD. IDA has a membership of about 150 now. Most IDA borrowers are in Africa South of the Sahara and South Asia.

Although, IDA lends only to governments, governments commonly relent IDA funds to enterprises, both private and public, within the country. Cameroon joint the IDA on Friday March 10 1994. It can now enjoy the facility of loaning from any international financial institution on an interest rate of less than one percent, as against those of the IMF and World Bank which vary between 6 and 7 percent[12]. In Cameroon, the IDA is the second lender within the "World Bank Group". The country has not benefited enormously from the IDA funds, since it was classified formerly as a "Moderately Indebted Middle - Income Country (MIMIC)". Now that Cameroon is classified as a "Severely Indebted Middle - Income Country (SIMIC)", it can gain enormously from the IDA. The debt picture of Cameroon with the IDA between 1970 and 1989 is summarized in Table 6 below.

Table 6 IDA Debt Situation With Cameroon 1970-89 (US $ Million)

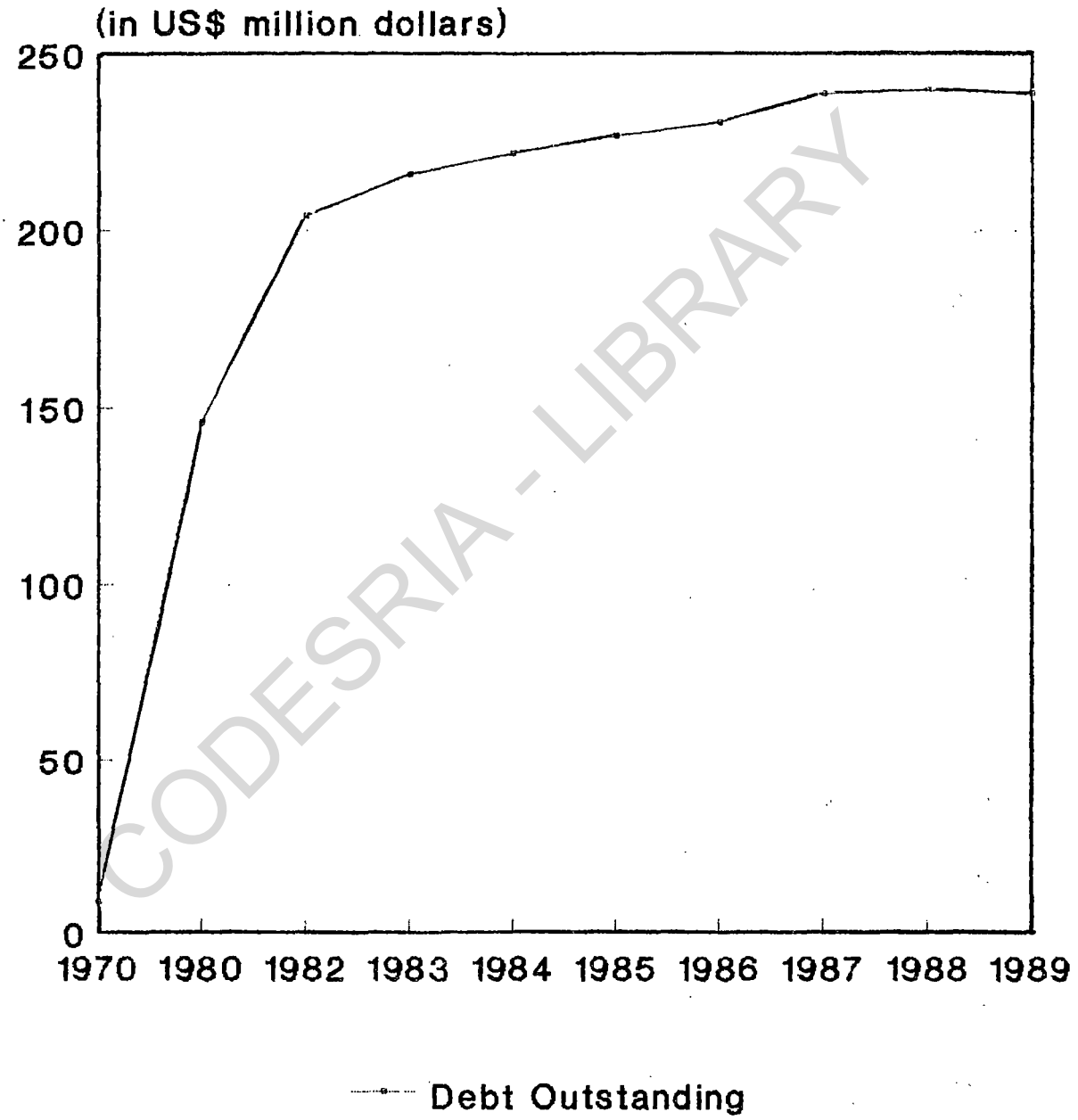
Year	Debt Outstanding	Disburse-ments	Principal Repayments	Interest Payments	Net Flows
1970	9	4	0	0	4
1980	146	19	0	1	19
1982	204	32	0	1	32
1983	216	13	1	2	12
1984	222	8	1	2	7
1985	227	4	1	2	3
1986	231	4	1	2	3
1987	239	6	1	2	5
1988	240	4	2	2	4
1989	239	1	2	n.a	-1

Note: Zero means that the datum is significantly small or is true zero

Source: Adopted from World Bank Debt Tables. 1992 - 1993 Volume 2

The outstanding debt of Cameroon from IDA have steadily increased during this period. A cause for concern, is the net flow on debt for 1989 which is negative (-1). This is indicating that the amount of funds used by Cameroon for principal repayment (U.S. $2 millions) to the IDA is greater than the amount of disbursements (U.S. $ 1 million) made to Cameroon during this year. The movements in the outstanding debt of Cameroon to IDA is plotted in figure 3.

Fig. 3: Movements in Cameroon's Outstanding Debt Owed to IDA (1970-89)



The graph confirms the continuous increase in the outstanding debt of Cameroon owed to IDA over the years. During eleven years (from 1970 to 1980) the outstanding debt has increased more than 100 percent, from then this has increased but at a decreasing rate up to 1988, where there is a slight insignificant change from U.S. $ 240 million in 1988 to a drop of US $ 239 million in 1989.

3.3.1.2 **AFRICAN DEVELOPMENT BANKS (AFDB)**

The African Development Bank is a multilateral donor organisation whose principal aim is to promote economic development in Africa by financing development projects. Its affiliate organisation is the African Development Fund (ADF). These two organisations are called the "Bank Group" in Africa.

Since 1972 up to 1991, the "Bank group" has accorded to Cameroon thirty four (34) loans and grants representing a global commitment of 402.97 UC million from AFDB and 59.55 UCF million from ADF[13].

These various loans and grants are distributed between the Structural Adjustment Programme (SAP) and twenty - five projects which thirteen projects were financed by AFDB, seven projects by ADF and five through the co-financing of AFDB and ADF. The various projects and their corresponding loans are presented in table 7 below.

Table 7 "Bank Group" Lending to Cameroon Between 1972 - 91

			Loan Amount (in UCF/UCF million)	
Year	Project		ADB	ADF
1972	1	Construction of a New Airport Phase I, II and III.	4.76	-
1975	2	Forestry complex of Deng-Deng	3.85	-
1976	3	Extension of the Douala Port Phase I and II	10.00	-
1979	4	Credit to the Cameroon Dvpt Bank	5,00	-
1979	5	Study on the Bamend-Mamfe-Ekoke Road Douala - Yaounde Road	0,95	-
1980	6	Agriculture production Dvpt	10.00	-
1980	7	Yaounde Train Statation	5.40	-
1981	8	Construction of Douala Train Statation	-	7.50
1982	9	Integrated Rural Dvpt - Upper Sanaga	11.33	-
1982	10	teachers Training Technical Higher School.	10.00	8.00
1982	11	Douala - Yaounde Raiway (Eseka-Maloume) Feasibility studies of SADEBLE Project	22.80	-
1983	12	Study of the Yaounde-Kribi Road Mape Bridge	-	-
1984	13	Study of the Rellamation of the Yaounde	-	0.83
1985	14	Town	10.62	1.78
1985	15	Mbalmayo - Ebolowa Road	-	-
1986	16	Rural Dvpt of the Southwest (SOWEDA)	47.15	2.19
1986	17	Six formations Equipment Bafoussam - Foumba Road	21.90	-
1986	18	Pre-Investment in the Health Sector Study	-	16.30
1986	19	Structural Adjustment program	-	0.49
1988	20	North West Dvpt Authority (MIDENO II)	18.22	7.33
1989	21	Social Adjustment Dimensions project Humdrum (Routier) programmes	-	-
1989	22	Pre-investment in the Health sector study	-	1.45
1989	23	Structural Adjustment Program	100.00	-
1989	24	North West Dvpt Authority (MIDENO II)	4.55	10.00
1990	25	Social Adjustment Dimensions project Humdrum (Routier) programme	9.44	3.17
1991	26		95.00	0.55
		TOTAL	402.97	59.55

Source: African Development Bank, Yaounde - Cameroon 1993

Note: I UC = 1.43 U.S. dollars

1 UCF = 1.32 U.S. dollars

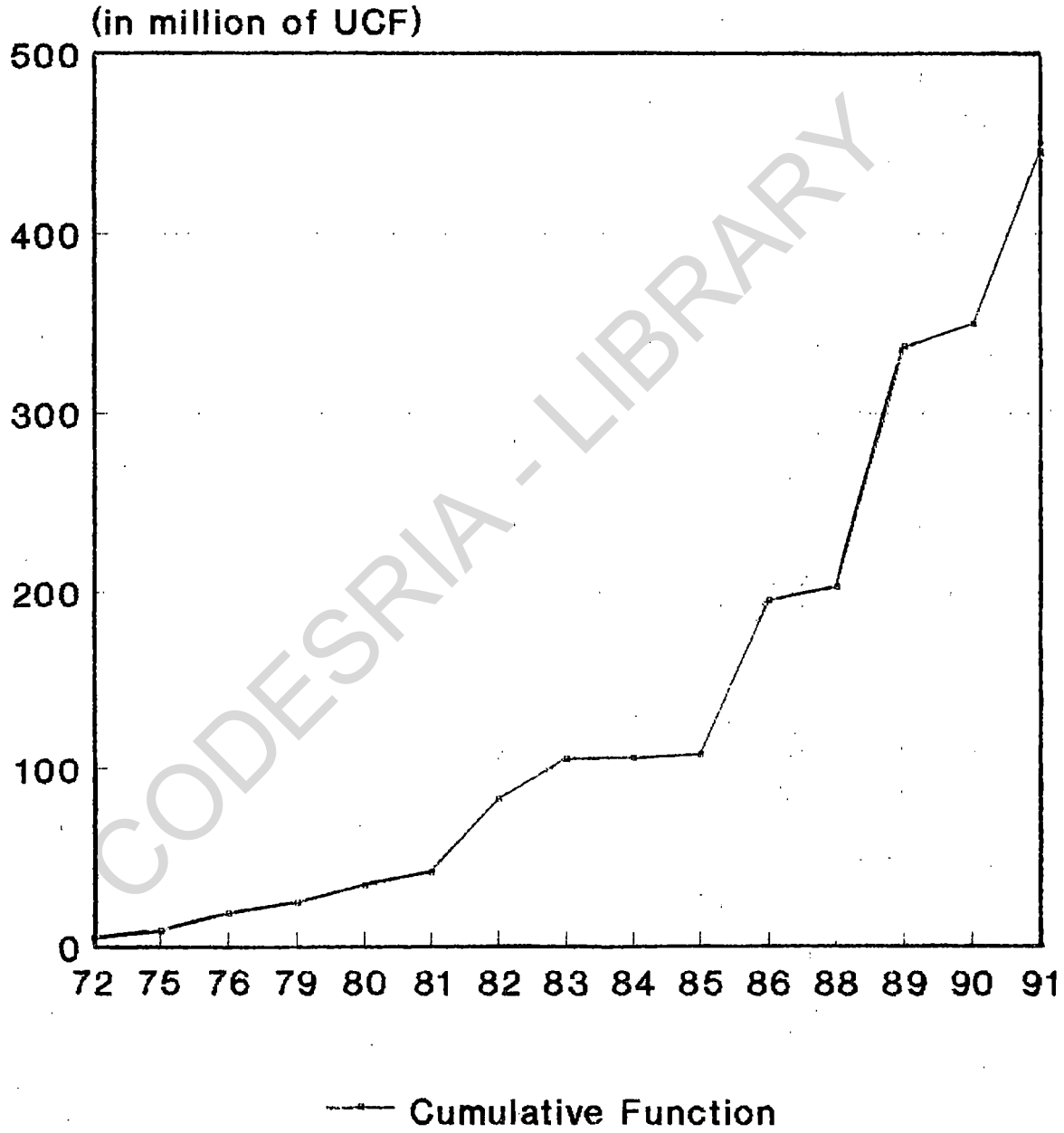
as at 1 January to 31st March 1992.

A better analysis of these data can be done by presenting the totals of each year in the table below.

Table 8: Cummulative totals of "Bank Group Loans" to Cameroon.

Year	Total (millions of UC)	Cumulative Total (millions of UCF)
1972	4.16	4.16
1975	3.85	88.01
1976	10.00	23.60
1979	5.95	33.60
1980	10.00	41.60
1981	7.50	41.10
1992	41.33	82.43
1983	22.80	105.23
1984	0.80	106.06
1985	1.80	195.87
1986	88.03	203.20
1988	7.33	337.42
1989	134.26	350.03
1990	12.61	445.58
1991	95.55	551.13
TOTAL	445.58	

Fig. 4: Cumulative Function of "Bank Group" Loans to Cameroon (1972-91)



From the above table, we noticed that 1989 was outstanding for loans used in the financing of major projects such as Bafoussam - Foumban road (18.22 million of UCF), pre-investment studies in the health section (1.45 millions of UCF), Structural Adjustment Program (100 millions of UCF) and MIDENO II (14.55 millions of UCF). In fact, 1989 stands noted for the heavy loans because the economic recession forced Cameroon to implement the packet of structural measures designed by the IMF (in 1988) and the World Bank (in 1989), which most multilateral and bilateral institutions look upon as the sine-quo-non for further lending. There is therefore no doubt that the loan for SAP from the "Bank group" stands at 100 million of UCF and is the highest project financed in Cameroon since 1972.

The data on column two of Table 8 above, are plotted on figure 4 above to further show how the loans increased yearly from 1972 to 1991.

3.3.1.3 **THE EUROPEAN ECONOMIC COMMUNITY (EEC)**

The E.E.C was created on March 25, 1957 in Rome[14]. One of the main objective of the EEC is to provide loans and grants for economic development. These loans and grants are provided to LDCs through the European Investment Bank (EIB)[15] and the European Development Fund (EDF). The interest rate charged by these institutions is independent of the nature of the project, locality, nationality of the borrower, and the economic sector concerned. It depends on the conditions prevailing in the markets, and the

duration of the loan. The normal interest rate is 3%, but sometimes, this is adjusted in a manner that the effective rate supported by the borrower must not be less than 5%, and must not be greater than 8%. The maturity period of their loans ranges from ten to twenty years, depending on the nature of the project[16].

Cameroon established relations with EEC way back before independence. The resources of the EDF to Cameroon are divided into programmed and non programmed aids. Programmed aid constitutes lending to a "National Indicative Programme". Non programme aid, is aid not attributed in advance to a country, it depends on the circumstances such as: STABEX; SYSMIN; Risk Capital and Emergency aid[17]. Cameroon has benefitted from the STABEX Mechanism, the sum of ECU 333 million between 1987 and 1988[18]. European Community Assistance is developed with the Government in the context of the agreements in the five year Lome conventions. The Lome IV convention was signed on 15 December 1989, and the National Indicative Program for Cameroon - derived from and based on that convention - was signed on 14 February 1992. Lome IV breaks new ground for the EEC, and its Cameroon programme. Following the programme, the EEC has provided an envelope of ECU 129.5 million (approximately US $ 160) ; adjustment[19], ECU 29.5 million and projects, ECU 100.0 million.

With thirty (30) years of co-operation, the EEC has always destined its financial and technical aid to national development priorities. EEC has given preference to projects such as communication, infrastructure, agriculture, industrial development,

Education and at the end of the 1989 semester, its total aid to Cameroon stood at ECU 645 million (about 225 billion FCFA according to the 1988 exchange rate). Of this amount debt owed to EIB was ECU 175 billion (about 60 billion FCFA), the rest of ECU 165 billion came from the EDF[20].

On the social plan, the EEC has lent 13 billion FCFA to Cameroon through the EDF, destined to the amelioration of school infrastructures at the end of 1989. Sanitation services during this period, such as hospitals and dispensaries have received about 4 billion FCFA. The EEC continues to support the social sector through the integrated development programmes it finances in different regions of the country.

The EIB has financed on its part, since the Yaounde I convention, several projects: Industrial, Agro-industrial, Infrastructures and operations in the energy and Mineral domains, for a total of 60.55 billion FCFA[21].

However the projects and their corresponding loans to cameroon from 1960 to 1989, financed by the EIB and EDF are presented in Table 9 and Table 10 respectively below.

Table 9 : EIB Loans to Cameroon, 1965 - 85 (In Thousands ECU)

1		
Yaounde I 1965	CICAMI	1 215
Yaounde I 1966	SOCATRAL	1215
Yaounde I 1966	SOSUCAM I	2025
Yaounde I 1967	ENEL CAM I	4050
Yaounde I 1969	CICAM 2	1013
Yaounde 2 1971	ENELCAM 2	3500
Yaounde 2 1972	CIMENCAM 2	3500
Yaounde 2 1973	SOSUCAM 2	650
Lome I 1976	SONEL I	13,500
Lome I 1977	SOHL HOTEL I	2670
Lome I 1977	$CIMENCAM_3$	2000
Lome 1 1979	SOLICAM	2545
Lome 1 1979	ALUCAM	5300
Lome 2 1981	TRANSCAM RAILWAY 2	10,000
Lome 2 1982	CAMDEV.	6900
Lome 2 1982	$SOCAPALM_3$	3800
Lome 2 1983	SONEL 2	25,000
Lome 2 1984	HEVECAM	1,340
Lome 2 1984	YAOUNDE WATER PROJECT	14,600
Lome 2 1985	MAPE BRIDGE CONSTRUCTION	25,000
TOTAL		145,583

2. Yaounde Special Loans/on Risk Capitals		
Yaounde I 1967	CAMEROON DVPT Corporation	6482
Yaounde I 1968	CIMENCAM	1640
Yaounde I 1969	REFRIGECAM	1400
Yaounde I 1969	TRANSCAM RAILWAY	5000
Yaounde 2 1973	SOCAPALM	8850
Lome I 1976	$SOCAPALM_2$	2300
Lome I 1983	IRON ORE STUDY	400
TOTAL		28,372

3. Prises de participation			
Yaounde 2	1973	SOSUCAM 2	540
TOTAL			540

Source: Le Cameroun et la Communaute Europpeenne. Juillet 1989 p. 15

In the first section of the table, the average loan per

project of the twenty projects is ECU 7.6 million. The major ones (i.e. those above the average) are six in number. These include SONEL I and II, bearing respectively ECU 3.5 million and ECU 25 million, TRANSCAM Railway of ECU 10 million, HEVECAM of ECU 13.4 million, Yaounde water project of ECU 146 million and MAPE Bridge of ECU 25 million.

In the Second section of the table, the average loan per project is ECU 5 million. This criterion singles out three outstanding projects between the period 1967 and 1983. These include, the Cameroon Development Corporation (CDC) with ECU 6.5 million, TRANSCAM Railway with 5 million and Cameroon's palm oil campany (SOCAPALM) with ECU 8.9 million.

These major projects and others in both sections of the table, confirm with the European Investment Bank (EIB)'s motive of granting loans, to promote the socio-economic development of an LDC member country. Loans from the European Development Fund (EDF) to Cameroon are presented in the next table, which are provided on the same motive.

Table 10. EDF Loans to Cameroon Between 1960-89

SECTOR	PROJECT	AMOUNT (in ECU 000)	TOTAL (in ECU 000)
INFRASTRUCTURE	1. Roads		
	• Pitoa-Figuil	1397	
	• N'kolebitye-Nkolonian Runway	876	
	• Tignere - Koutona	711	
	• Yaoundé - Mbalmayo	1951	
	• Ngoundére - Garoua	3136	
	• Balifamba - Kumba	3134	
	• Bamenda - Bafoussam	12247	
	• Victoria - Kumba	3423	
	• Yaoundé - Ayos	58000	
	• Studies, Runways etc	2965	87849
	2. Bridges.		
	• Rail-route bridge at Edea	1817	
	• River Bénoué Bridge at Garoua	1898	
	• Rail-route Bridge on Mungo	669	
	• Dibamba Bridge	10300	14684
	3. Railway		
	• Transcamerounaise (FEDI)	17146	
	• Belabo - Ngoundére	20000	
	• Mbanga - Kumber	1130	
	• Regifercam Rolling Stock	1400	
	• Transcameroomaise (FED3)	12035	
	• Douala - Edea	10000	
	•Eséka - Maloumé	12200	74100
	4. Ports and others		
	• Douala Port	9259	
	•Garoua Central Electricity	724	9983
RURAL ECONOMIC	1. Rural Development		
	• Mora Water Creation	250	
	• Adamawa Fishery	577	
	• Mbalmayo Water Project	229	
	• Fight Against Cattle Plague	312	
	• Price Compaign 1969/70 and 1970/71	7945	
	• North-East Benoué Rural Develpment	47784	
	• Microrealisations	859	
	• Village Plantations	1011	
	• Riziculture Development in Logon and Chari	23440	
	• North West Rural Development	8920	
	• Bafut Rural Development	1500	
	• Sectoral importation programme	15000	
	• Reserves and Punctual Actions (FED6)	15270	124276

Table 10 (Continued)

SECTOR	PROJECT	AMOUNT (in ECU 000)	TOTAL (in ECU 000)
	2. Environment and Forest		
	• Soil Conservation and Anti-erosion Fight	953	
	• Forestry	109	
	• Studies and Classifications	50	1122
	3. Agro-Industry		
	• Creation of Palm grove at Mondoni	6482	
	• selection and Multiplication of Tea	133	
	• Palm Grove at Dibombari	4981	
	• Djutitsa Tea	1653	13249
SOCIAL PROJECTS	1. Higher Schools of Learning		
	• ENS Yaoundé	1375	
	• Primary Schools and Colleges Around Ngoundére	7148	
	• Binguela Agriculture School	428	
	• Extention of Liberman College at Douala	703	
	• Inter-African Statistical Training Center	222	
	• College Vogt Extension	418	
	• Training colleges	5464	
	•North-Cameroon Primary Schools	3037	
	• Colleges Equipment	2500	
	• ENSP Extension	1437	
	• Traing (FED6)	400	23132
	2. Trainings		
	• SME Development adviser	423	
	• Scholarship Programmes	2603	
	• Scholarships (FED2)	2629	
	•Training (FED4)	2230	7985
	3. Health		
	• Meiganga and Ntui Hospital Construction	124	
	• North-Cameroon Sanitation trainings	2737	
	• South-Cameroon Sanitation Trainings	4808	
	• North Cameroon Health Equipment	391	
	• Garoua Hospital Extention (FED2&3)	2358	10415
TRADE AND INDUSTRY	• Construction of a Cementary at Figuil	1641	
	• Geo-technical Studies	1516	
	• Minerl Research (FED3&5)	1441	
	• Commerce Promotion	935	5533
	GRAND TOTAL		372319

Note: ECU 645 million is equal to 222CFAF billiad as at July 1989

Source: Extracted from Le Cameroon et La Communauté Européenne. Julliet 1989. p.23.

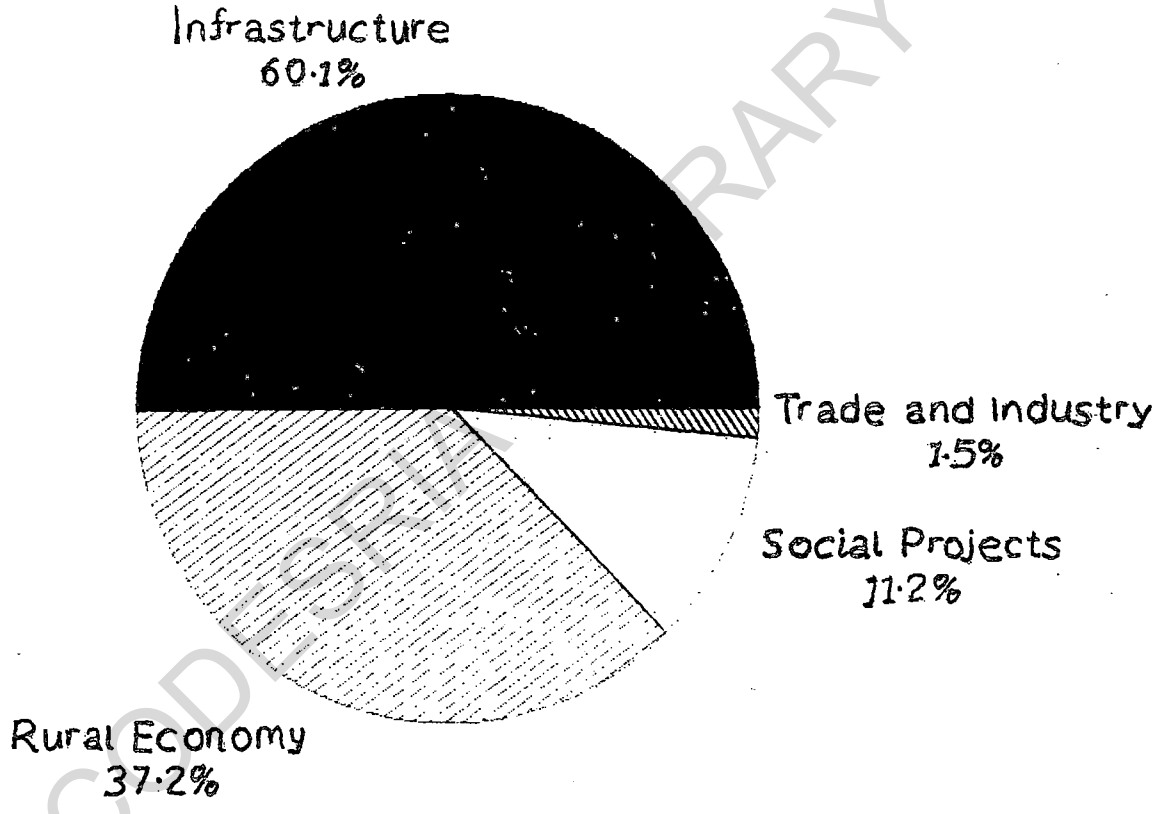
The figures in Table 10 can be summarized in Table 11 as thus:

Table 11: Sectoral Distribution of EDF Loans to Cameroon, (1960-89)

Sector	Totals (in ECU thousands)	percentage of Grand Total
Infrastructure	186 616	50.1
Rural Economic	138 638	37.2
Social Projects	41 532	11.2
Trade and Industry	5 533	1.5
GRAND TOTAL	372 319	100

These figures will be presented in the diagram below (figure 5).

Fig. 5: EDF Loans to Cameroon (1986)



From the diagram, it could be easily seen that the infrastruture sector tops the lead with a share of 50.1 percent of the total loans. This is closely followed by the rural Economic Sector representing 37.2 percent, social projects with 11.2 percent and trade and industry sector is the least with 1.5 percent of the total loans covering the three decade time - period. Infact, all these leave an indelible mark to the fact that the EEC is out to foster the socio-economic development of member countries that it loans funds to them.

3.3.1.4. **INTERNATIONAL MONETARY FUND (IMF)**

The IMF together with its sister institution the World Bank was born in July of 1944, at the resort village of Bretton Woods, New Hampshire. It opened for business in Washington D.C. in 1947 months after a March 1946 inaugural meeting of the Board of Governors of the IMF and World Bank at Savannah Georgia. In the eyes of its intellectual founders, John Maynard Keynes and Harry Dexter White, an assistant Secretary of the U.S. Treasury, the IMF was meant to operate as a true World Central Bank that could function as an International lender of last resort or at least help to avoid the need for such action by forcing timely adjustments to payments imbalances. A system with the IMF at its center was meant to replace the International Gold Standard, which had collapsed in 1931, and to avoid the exchange - rate volatility symptomatic of inward - looking policies followed during the 1930s by the major industrial powers[22]. In the Articles of Agreement that formally established the IMF, the first listed purpose is "..... to promote

International Monetary Cooperation through a permanent institution which provides the Machinery for consultation and collaboration on International Monetary problems[23]".

From the above analysis, we see that unlike other multilateral and bilateral donors, the IMF does not have a development strategy. IMF macro-economic resources are intended to support the balance of payments (which in the CFA zone implies also supporting government budgets) while mutually approved government stabilization and restructuring schemes lay the groundwork for return to external balance; the Fund also offers technical assistance in related issues such as the budgeting and the tax system (1989, 1990, 1991 in the case of Cameroon), banking system (1990), structural adjustment 1990, and the improvement of fiscal, monetary and banking statistics (1990, 1991, 1992). Infact, under a stand-by arrangement, the IMF agrees to make available during a certain period (usually a year, but it can be up to three years) a specific amount of its resources of which the member may use in support of agreed upon programme of economic adjustment designed to re-establish a viable balance of payments position. It is on this score that the IMF approved a stand-by arrangement amounting to US $69.5 million.Cameroon had difficulties from the onset in meeting IMF conditions, particularly related to non-oil tax revenue and in the privatization of state owned enterprises (SOEs). As a result, only 55 percent of the approved amount was drawn. On the basis of later fiscal adjustment, in 1991 Cameroon requested - and negotiated with the IMF - a second stand-by arrangement of SDR 28

million ($40 million). Failure to meet conditions for this arrangement preceded its disbursement; lack of accord with the IMF cascaded to cause further problems in debt relief and resource flow problems, arising from Cameroon's ineligibility for a paris club debt rescheduling in 1992, and failure to comply with conditions precedent for the third tranche of the IBRD SAL.

Efforts to assist Cameroon were severely limited by the fact that the Government was unable to produce reliable statistics on which to base strategy since Fiscal Year 1988/89. Evolution of the fiscal situation and even of the balance of payments situation since that time depended to a considerable extent on conjecture, including that by other donors. It was difficult for the IMF to target additional resources under such conditions, but with the recent salary cuts (twice) in 1993 and the devaluation of the CFA Franc, the IMF completed a stand-by agreement with Cameroon worth some 1.400 billion FCFA which was later approved by its Board of Governors.

The IMF credits to Cameroon from 1974 to 1989 are presented in Table 12.

Table 12 Central Bank and IMF Credits to Cameroon (in millions U.S. $)

Year	74	75	76	77	78	79	80	81	82	83	84	85	85	87	88
AMT	5.7	14.2	39.4	41.2	61.6	65.8	58.8	43.9	38.3	35.2	30.1	27.4	22.2	16.1	100.4

Note: 0 indicates that a datum exists, but is negligible, or is a true zero.
Source: World Debt Tables 1990 - 91 Vol. II p. 163.

From the table, the credits for 1988 and 1989 are very high relative to the other years because the Cameroon Government implemented the IMF SAP in 1988 (as mentioned above).

Infact, the debt picture of Cameroon to the Fund as from 1988 upwards is seen in Table 13.

Table 13: IMF Credits to Cameroon (1988-92)

Year	Amount (in millions of CFAF)
1988	28344
1989	32318
1990	20800
1991	31225
1992 January	32387
February	32436
March	28866

Source: Adopted from BEAC - Statistiques Monetaires (No 192, mai 1992) - Table 5 –2a p. 243.

The information in this table is really in line with the IMF credit conditionality of helping countries with serious external payment imbalances, but are willing to adjust their economic structures, through macroeconomic policy reforms.

3.3.2 BILATERAL DEBT SOURCES.

As already defined above, bilateral debt is debt owed by the residents of a country to those of another. Bilateral debt constitutes the bulk of Cameroon's external indebtedness. In 1990, bilateral debt from all sources represented 40.53 percent of external commitments and 44.53 percent of Cameroon's total debt[24]. Cameroon has creditor countries that grant loans both from the developed world and the developing world, but a greater proportion of its loans come from the former. From the 1970s, the south -

south co-operation has improved very immensely, through the provision of development aid by the upper middle-income oil exporting developing countries to the lower income oil importing countries of the LDCs. The major creditor countries to Cameroon on the international arena include: France, Federal Republic of Germany, United States of American, Italy, Canada, United Kingdom, Belguium, China, Saudi Arabia, Kuwait etc. A global picture of the bilateral debt situation of Cameroon as at 1990, is summarized in the table below.

Table 14 Bilateral loans to Cameron, 1989 - 90 (U.S. $ millions).

Country/Agency	Outstanding 30 June 1989	Outstanding 31st March 1990	Disbursed during the 1st 3 quarters 1989/90	Disbursed 31 March 1990
France	185.5	380.6	195.1	296.9
CCCE	184.2	26.2	16.9	177.8
COFACE	0.0	118.1	118.1	4.9
FAC	1.3	1.3	0.0	1.3
Banque de France	0.0	0.0	0.0	112.9
KFW	192.0	246.9	54.9	150.0
CDC	20.2	22.2	2.0	1.3
Denmark	67.0	72.5	5.5	17.9
Danish Gov't	46.5	48.7	2.1	3.3
Danish Exp. Fin	20.5	23.8	3.4	14.6
Switzerland	1.9	1.9	0.0	4.7
United States	3.7	3.7	0.0	52.1
USAID	3.7	3.7	0.0	47.9
US Exim Bank	0.0	0.0	0.0	4.2
SEE	118.9	118.9	0.0	17.8
Japan (fond ov.rs Coop)	21.4	21.4	0.0	39.1
Saudi Fund	9.1	9.1	0.0	16.7
Kuwait Fund	10.8	10.8	0.0	0.0
Finland	0.0	0.0	0.0	7.2
TOTAL	666.6	1109.8	398	907.6

Source: Caisse Autonome d'Amortissement.

A detailed analysis of the external indebtedness of Cameroon with some of the major creditor countries have been presented in the paragraphs that follow below.

3.3.2.1 FRANCE

France is the first among all the developed countries that provide development aid to Cameroon. France started granting loans to Cameroon since before independence. Development Finance to Cameroon by France was provided through CCCE and FAC, which were recently changed to be called "Caisse Française de Developpement (CFD)". Loans to Cameroon from CCCE and FAC were really conspicuous in the 1970s. CCCE granted two types of loans: first window loans, provided on a long term basis at preferential interest rates, the soft condition inherent in these loans was made possible by the French government, the intervention of which reduces the cost of the resources provided by the Central Fund; second window loans supplemented "traditional" interventions of Central Funds for large scale projects of adequate profitability. Market interest rates are applied to such projects and the refund of the principal loan is spread over a long period like a grace period of several years.

During the 1972 and 1974, the CCCE respectively granted 2020 billion FCFA and 2364 million CFAF. The details of loans granted within this period are outlined as follows:

Table 15 Loans Granted by CCCE to Cameroon, 1972/73

BENEFICIARY	AMOUNT (million of FCFA)	PURPOSE
Electricite du Cameroun	300 150	Investment programme No. X Expansion of the Yagoua power Station and electricity network
Cam. Development Bank	150 300	Pilcam factory (for batteries) Sugar Corporation. Expansion Mbangjock industrial network
United Rep. of Cameroon	595	Telecoms (s1t Phase of 3rd plan)
Railway Authority	290 185	Reevaluation of SOCAPALM Construction of hangans at Ngaoundere
	2020	

Source: Sixth Report of National Council of Credit p. 217.

Table 16 LOANS GRANTED BY CCCE TO CAMEROON, 1973/74

BENEFICIARY	AMOUNT (million of FCFA)	PURPOSE
Electricite du Cameroun	800	Financing of 1974 programme
Cam. Real Estate Corporation	63	Initial phase of cite Verte Housing Estate
Cam. Development Bank	225	ASCECNA Financing New Douala Airport
Cam. Development Bank	76	SOGETRANS
Railway Authority	1200	Rolling Stock
	2364	

Source: Ibid

Within the period 1986 - 91, French public aid for development was transmitted through "Mission Française de Cooperation et d'Action Culturelle (MFCAC)" and the Yaounde agency of CCCE rose to

5207 millions FF, about 260.4 billion FCFA, say an average of 868 million FF per year[25].

French public aid to Cameroon has not only taken the form of loans which is the main subject of this study, but has equally taken the form of grants, all these at very favourable conditions. The loans were mostly accorded through the Yaounde agency of CCCE; while the grants managed by MFCAC in Yaounde. The distribution of these two categories of aid have been thus:

Table 17 Distribution of French Loans and Grants to Cameroon (1980- 91)

	1980 - 1990	1986 - 1991
Loans	3.9 billion FF, about 64.7%	3.3 billion FF, about 63.5%
Grants	2.1 billion FF, about 35.3%	1.9 billion FF, about 36.5%

Source: France - Cameroun Bulletin d'information de la cooperation Française au Cameroun, 1992. p. 7.

Another remarkable characteristic of French aid to Cameroon is that, it has progressed in a substantial manner within the last four years (536.6 million FF in 1986, 1059.1 million FF in 1989, 781.6 million FF in 1990 and 1322.3 million FF in 1991). This progression is noticed especially with the structural adjustment loans[26] accorded by CCCE and benefited by the Cooperation Ministry: 400 million FF in 1988; 200 million FF in 1989 and 1990 and 600 million FF in 1991. Between 1986 and 1991 a (period characterized by economic recession), French aid to Cameroon has really increased drastically. Details of these are presented in the table below:

Table 18. French Aid to Cameroon, 1986 - 91 (millions of FF).

	1986	1987	1988	1989	1990	1991
Technical Assistance	231.4	189.8	179.6	179.4	179.3	166.9
FAC Subvention (projects)	41.6	27.9	45.2	29.8	44.9	91.8
Budgetary aid To Finance structural Adjustment			(70.0)	(67.0)	(65.0)	(189.8)
CCCE Intervention First Window (SAP)	152.4	318.5	520.0	560.7	466.6	996.8
Second Window	86.7	21.1	81.4	188.3	50.0	42.3
Others	18.0	20.3	18.2	28.2	36.8	17.7
Food Aid	1.00					
Military Aid	6.00	13.0	6.00	6.00	4.00	5.2
GRANT TOTAL	537	590.6	917.5	1059.4	854.7	1508.9

Note: Translated From French into English by the Author
Source: Ibid

Within the EEC Member States, France remains the highest lender to Cameroon. French aid has been designed to foster infrastructure and rural development to Cameroon. The trade balance between France and Cameroon have over the years remained negative at the disfavour of Cameroon. More information on the external debt situation such as debt servicing, debt rescheduling, debt arrears etc between Cameroon and France will be analysed in the next section.

3.3.2.2. **FEDERAL REPUBLIC OF GERMANY**

The Federal Republic of Germany (West Germany) is the second largest bilateral donor and the fourth donor overall. West Germany bilateral assistance has as its goal the transformation of African

countries into economic partners of industrialized nations through improvement in living conditions and increases in their purchasing power. German foreign assistance criteria since the 1960s have been the adoption of:

1) Economic reforms reflecting acceptance of economic liberalism and
2) Efforts to strengthen democratic systems of government.

German aid to LDCs is given through the German Technical Assistance Corporation (GTZ) and she equally enjoys a spectacular position in the EEC member states. German aid to Cameroon has consisted mostly of transport and infrastructure, but also on rural development projects and social infrastructures. In 1988 total loans to Cameroon from Germany stood at some 32.8 billion CFAF (second after France with 209 billion CFAF for this year)[27]. As at 30 June 1990, German loans to Cameroon represented 15 percent of the country's total commitments, these were accorded through KFW and Bayerische Veriens Bank[28]. Cameroon's indebtedness to this country by July 1990 was as follows:

Table 19: Cameroon Debt Situation with Germany, 31st July 1990 (in CFCA)

	Direct Debt	Guaranteed Debt	Total
RFA	163730804422	513 672 200	164 224 476 642
Credit Assured	66580085424	427 775 000	67 007 860 424
KFW	97 150 718 998	85 897 220 4 27 775 000	97 236 616 218
DEG	13637 010 479	----------	427 775 000 136 37010479
HRMES			
BAYERISCHE	52 943074945	----------	52 943074945

source Caisse Autonome d'Amortissement.

From the above figures, direct debt from all sources from Germany to Cameroon dominates over debt guaranteed by the government of Cameroon. Due to the economic crisis that set into the economy of Cameroon, Germany has accorded structural adjustment loans between 1988 and 1990 to support SAP. It is on this score that the debt arrears of Cameroon to Germany have increased during this period. As at 31st July 1990, this stood as thus:

Table 20 Cameroon's Debt Arrears owed Germany, 31st July 1990 (millions CFAF)

DIRECT DEBT					GUARANTEED DEBT				TOTAL			
	Prin	Int	Com	Total	Prin	Int	Com	Total	Prin	Int	Com	Total
RFA	3288	-	-	3288	-	-	-	-	3288	-	-	3288
BAYERISCHE	5454	1970	212	7636	-	-	-	-	5454	1970	212	7636
KFW	2651	2885	24	5560	29	1	-	30	2680	2886	24	5590

Source: Caisse Autonome D'Amortissement

By virtue of the convention reached at the paris club, the debt of Cameroon to Germany have seen some relief over the years. First, on 14 December 1989, an accord was signed rescheduling Cameroon's debt to Germany worth 100 million DM (about some CFAF 17 billion)[29]. Second, on the 16th February 1993, another accord was signed rescheduling Cameroon's debt worth CFAF 53 billion (about 314 millions DM) to the year 2007[30]. Some major projects financed by Germany in Cameroon which are quite conspicuous among others are:

* The Edea - Kirbi Road
* The CRTV Mballa II complex: Inaugurated on the 28

January 1988.

* Extension of the National telephone network by the consortium Semens.
* The NSIMALEN International Airport.
* CICAM

Between the period 1986 - 1991, Cameroon registered a serious trade deficit balance with Germany totalling - 12.9 million DM in 1986, -114.8 million DM in 1987, - 104.1 million DM in 1988, - 55.2 million DM in 1989, - 62.4 million DM in 1990 and - 195.9 million DM in 1991[31]. Given these trade deficits (caused by the falling export prices of Cameroon at the World Market) the debt burden i.e. debt service payments is aggravated as indicated by the debt arrears presented in table 20 above.

3.3.2.3 **UNITED STATES OF AMERICA (USA)**

The United States of America is the first country that provides development fund both on the multilateral and bilateral basis. In the 1980s, foreign economic aid lost much of its political rationale, at least for the U.S. with a strong East - West defense orientation. The Reagan administration was more interested in increasing its defense budget, in offering military assistance instead of foreign aid for development, and in granting bilateral rather than multilateral aid. From 1980 to 1983, economic and political changes led to another decline in multilateral aid, although levels still remained higher than in the late 1970s. The U.S. reduced its contribution to the IDA, resisted

capital increase in the World Bank, and dragged its heels on increasing IMF quotas[32].

The U.S.A. grants development aid through the United States Agency for International Development (USAID). The U.S. started granting loans to Cameroon in 1960. The average interest rate on U.S. loans to Cameroon is about 7 percent[33]. During the period between 1978 and 1981, the disbursements of the United States to Cameroon stood as thus:

Table 21. U.S.A. Disbursements to Cameroon 1978-81 (U.S. $ millions)

YEAR	ODA Commitments	Grants	Total Net Receipts
1978	14.6	4.0	2.0
1979	9.5	6.0	13.0
1980	9.6	11.0	20.0
1981	13.0	12.0	51.0

Source: USAID Yaounde.

The total net receipt from the U.S. to Cameroon during this period, was positive, implying that the U.S. provided more development aid than it received in the form of debt servicing. Outstanding during this period too, is the increasing volume of grants from U.S. It is also important to note that, most disbursements from the U.S. passed through multilateral aid. In 1990, bilateral aid to Cameroon from the U.S. could be seen in table 22.

Table 22

U.S. ECONOMIC ASSISTANCE TO CAMEROON
ANNUAL FUNDING LEVELS
($000)

YEAR	Grant	Loan	Food Pl. 480a/	TOTAL
1961	400	---	---	400
1962	2,373	1,900	---	4,273
1963	919	---	---	919
1964	1,402	---	---	2,102
1965	2,102	---	---	2,102
1966	1,019	3,397	---	4,416
1967	1,417	---	---	1,417
1968	695	---	---	695
1969	1,070	10,000	500	11,570
TOTAL	11,397	24,497	500	36,394
1970	1,097	2,000	---	3,097
1971	1,448	---	742	2,190
1972	4,916	---	200	5,116
1973	1,775	---	100	1,875
1974	2,056	---	600	2,656
1975	2,882	770	1,040	4,692
1976	2,982	---	1,300	4,2882
1977	1,676	---	698	2,394
1978	7,350	7,500	1,400	16,250
1979	10,371	---	1,500	11,871
TOTAL	36,573	10,270	7,580	54,423
1980	9,516	---	900	10,416
1981	8,335	---	2,400	10,735
1982	9,356	9,100	1,500	19,956
1983	8,569	12,961	800	22,330
1984	15,008	11,290	---	26,298

Table 22 (continued).

1985	18,329	6,605	4,418	29,352
1986	19,985	8,460	---	28,445
1987	28,024	3,405	---	31,429
1988	18,259	---	---	18,259
1989	32,366	---	---	32,366
1990	22,165	---	---	22,165
1991	20,000	---	---	20,000
1992	24,000	---	---	20,000
1993	11,000	---	---	11,000
TOTAL	353,912	51,821	10,018	315,751
GRAND TOTAL	301,882	86,588b/	18,098	406,568

Annual Average since 1985:22,732 million
a/ Includes Emergency Assistance
b/ All loans forgiven and cancelled as of April 1991

Source: USAID Yaounde - Cameroon, 1993

In order to relief Cameroon from the debt burden expressed above, the U.S. government has rescheduled this debt between 1990 and 1991. The first, rescheduled the outstanding debt totalling US $ 73.1 million to US $ 36.1 in 1990 and second, was US $ 41.6 million in 1991. Also the undisbursed loans of the sum of US $ 5 million were converted into grants in 1992. Other development assistance stood at US $175 million in 1993[34]. The trade balance between Cameroon and the USA, has not been very favourable to Cameroon between 1988 to 1991: - 16.2 billion FCFA for 1988/89; 62.0 billion FCFA for 1989/90 and - 9.8 billion FCFA for 1990/91[35]. It is because of these deficits, coupled with the economic crisis, that Cameroon has experienced debt arrears with the USA. Some of the major projects financed by the USA in Cameroon include

TRASCAMI, Educational Infrastructures, SAP, Health Infrastructures, National Centre for Research Extension (NCRE).

3.3.2.4. CANADA

Relations between Cameroon and Canada were established in 1962, and the granting of loans to Cameroon by this country started in the same year. The loans to the LDCs by Canada are granted through the Canadian International Development Agency (CIDA), which in Cameroon is mostly operated through the "Cameroon - Canada Co-operation Centre (CCCC)". Canada ranks fifth in foreign assistance to Cameroon and slightly exceeds that of U.S. It is based on the principles that:

1) The growth of LDCs has a positive effect on the Canadian economy, and
2) All segments of Canadian society, including the private sector, must participate in the co-operation effort. A substantial portion (11 percent in 1985) of Canadian assistance has been to PVOs. Since 1987, Canadian policy worldwide has included debt relief, including the cancellation of official debt and rescheduling of Canadian Commercial debt. Since 1988, Canadian policy has emphasized on human resources development, rural development, support to small farmers, women in development, primary education and health care, environmental protection, and grassroots local development efforts. In Cameroon, Canadian

infrastructure assistance has aided road maintenance and the modernization of the railroad and port of Douala. Other assistance has been directed towards forestry, rural electrification, small enterprise promotion, and education and training through government institutions.[36].

The major Canadian Commercial Banks that grant loans to Cameroon are SEE and EDC and the debt owed to these institutions by Cameroon stood at C $ 25 million as at May 1993[37]. As at 31st July 1990, debt owed by Cameroon to CIDA was 3,200,200 CFAF, to SEE was 466,758,036 CFAF and to the Canadian government was 469,956 CFAF as stated by the Caisse Autonome d'Amortissement.

The debt arrears of Cameroon to Canada as at 1990 are presented in Table 23 below.

Table 23. Cameroon's Debt Arrears to Canada, 31st July 1990 (million CFAF)

	DIRECT DEBT				GUARANTEED DEBT				TOTAL			
	PRIN	INT	COM	TOTAL	PRIN	INT	COM	TOTAL	PRIN	INT	COM	TOTA
SEE	855	1368	26	2259	526	215	---	741	1391	1583	26	3000
BARCLAYS BANK	---	176	---	176	--	---	---	---	---	176	--	176

Source: Caisse Autonome d'Amortissement

According to the commercial Agent at the Canadian Embassy in Yaounde, Cameroon has obtained a trade deficit with Canada since 1990 up till 1993. Thus, the debt arrears presented above is no surprise, especially when the prices of the exports of the country have been falling since 1987. It is for this reason that the debt

owed Canada by Cameroon have witnessed some rescheduling and Cancellation within 1992. However, total Canadian funding for 1992 - 97 is programmed to be C $ 125 million (U.S. $ 18 million) per year)[38].

3.3.2.5. **UNITED KINGDOM (U.K.)**

United Kingdom assistance between 1980 and 1983, under Prime Minister Thatcher decreased by almost 38 percent during this period, both bilaterally and multilaterally[39]. Britain which is part of the United Kingdom was the colonial master of the former West Cameroon, but the development aid picture of the U.K to Cameroon is not very bright as compared to France and Germany. British assistance to Cameroon is provided through the overseas Development Administration (ODA), the Commonwealth Development Corporation (CDC) and through multilateral organisations. Funding levels for these three types of assistance organisations for the fiscal year 1991 were £2.9 million (approximately US $ 1.5 million); £1.7 million ($ 886,000); and 4.1 million ($2.1 million) respectively.

The ODA strategy is made concrete in its Five year 1988 - 1993 programme, and includes as sectors of involvement 1) environment, (2) agricultural research and (3) education.

Under environment, activities concentrate on a £1.2 million Limbe Batanic Garden project and a £1.9 million Forestry Management and Reforestation project at Mbalmayo.

Agriculture includes the agricultural research programme in Nkolbisson and Ekona at a level of £990.000.

Support for the Education Sector comprises two activities: a

secondary school teacher - training programm (£2.5 million) in the North West and South West Provinces and a coordinator in the Ministry of National Education; and a £900.000 scholarship programme providing 55-56 scholarships yearly.

In addition, Britain provides some $541.000 yearly in support to NGOs and small projects such as Korup.

As at July 1990, the bilateral debt situation between the two countries was thus:

Table 24 Cameroon's Debt situation with the U.K., 31st july 1990 (CFAF)

	DIRECT DEBT	GUARANTEED DEBT	TOTAL
Great Britain	20 375 974 484	9 668 935 840	30 404 910 324
Credits Insured	20 712 661 984	2 727 562 500	3 038 159 724
Government	23 312 500	----------	23 312 500
PARIBAS LONDON	1 722 593 263	----------	1 722 593 263
COMDEV	12 582 018 283	27 227 582 500	1 509 580 783
MHTC	6 408 050 438	----------	6 408 050 438
BRITISH AEROSPACE	----------	3 814 180 505	3 814 180 505
LLYORDS	----------	3 127 192 835	3 127 192 825

Source: Caisse Autonome d'Amortissement

According to the Deputy Head of Missions at the U.K. Embassy in Yaounde, the debt arrears owed to U.K. by Cameroon are so alarming that further borrowing to Cameroon has been suspended, but only grants can be provided.

3.3.2.6. ITALY

Italian bilateral assistance is negotiated on a three - year

basis and is made up of a mix of grants and soft loans, with funding levels declining from around $(lira) 150 million in 1987 - 1990 to $ 23 million in 1991 - 1994. This was due primarily to the completion of road construction and other infrastructure projects during the earlier period, with no major follow-on.

Italian assistance is centered on health and infrastructure and has been particularly troubled. Major projects in these sectors include Bertoua and Yagoua hospitals (completed in 1988 at a cost of $16.6 million but never commissioned due to lack of counterpart contribution); a significant portion of the 1991 - 1997 aid budget will be devoted to restoring the facilities to make them operational; Italy is also a contributor to rural health co-financing programme supported by USAID and other donors. Other infrastructure includes road such as the Dschang - Bamougoum road in the West Province, the Boucle Routiere de Sangmelima in the South province, and the $ 5.8 million Bertoua Road Maintenance in the East province.

The debt owed to Italy by Cameroon is presented in the table below:

Table 25. Long and Medium Term Debt to Italy, 31st July 1990 (CFAF)

	DIRECT DEBT	TOTAL
Italian Government	24 945 539 576	24 948 539 576
Credits Insured	8 943 107 725	8 943 107 725
MEDIO GREDITO	16 005 431 851	16 005 431 851
SODITIC	2 924 556 104	2 924 556 104
MIDLAND BANK	5 167 594 032	5 167 594 032
IBPT	600 957 589	600 957 589
SAN PAULO (SPLB)	350 000 000	350 000 000

Source: Caisse Autonome d'Amortissement.

A conspicuous feature of the table is the absence of debt guaranteed by the government of Cameroon to parastatals. All the debt came in the form of direct debt i.e. debt granted solely to the government of Cameroon. This is because a significant portion of Italian assistance is provided in support of NGOs.

In November 1992 Italy provided a debt relief to Cameroon by writing off CFAF 8.5 billion in state debt.

3.3.2.7. JAPAN

By the mid - to late 1980s, new surplus countries such as Japan began extending more aid to the developing countries. At this time, Japanese leader sought to define a greater World role for Japan. They perceived that leadership in the third world was a role that Japan could assume without threatening the U.S. and without taking on military responsibilities forbidden under Japan's

constitution and unacceptable to the Japanese public. Thus, Japan's aid increased significantly, from $3.1. billion in 1981 to $ 5-6 billion in 1986, terms were eased, and the scope of recipients broadened. In 1987, Japan announced that it planned to recycle $20 billion (in addition to $10 billion it had previously pledged) to these countries through bilateral loan programmes and multilateral institutions. By 1988, over 70 percent of these funds had been committed.[40].

Japan development assistance is provided through the Japanese International Cooperation Agency (JICA) over two years and covers agriculture, communication and sports. Japan's aid to Cameroon started in the 1970s and the net receipts from Japan were US $ -1 millions and US $ 0.1 million, $0.1 million and US $ 0.2 million for 1978, 1979,1980 and 1981 respectively. Between 1989 and 1990, the debt owed to Japan stood as follows: outstanding in 1989, US $ 21.4 million and outstanding in 1990, 21.4 million[41].

The major Japanese projects in Cameroon include the following:

* Construction of foodstuff warehouses at Foumbot, Edea and Ngaoundere for a total of ¥ 1.3 billion ($9.8 million or CFAF 2881.2 million).
* Provision of educational programme equipment to CRTV and modernization of the FM Radio Station for a total of ¥ 654 million.

3.3.2.8. **CHINA**

Chinese assistance to Cameroon is provided through the

Compagnie Nationale des Equipements Complets de Chine (COMPLAN). Major sectors of involvement include: agriculture, infrastructure and health. Apart from the health activities where medical exports are made available free of charge to Cameroon, all Chiness assistance is provided in the form of loans.

Infrastructure: The Yaounde Conference Center and the Lagdo hydro-electric dam in the North province constitute the major achievements in this sector. The 72,00KW dam cost approximately CFAF 10 billion.

Agriculture: In conjunction with the dam construction at Lagdo, the Chinese had a 2 - year, 800 hectare irrigated agriculture project worth CFAF 1 billion; adjacent to this local farmers are train rice cultivation. Another Chinese effort in the agricultural sector is a CFAF 1 billion mushroom project located at Obala, near Yaounde.

The long and medium term debt owed to China as at 31st July 1990 stood at CFAF 16008 million[42].

3.3.2.9 BELGIUM

Belgium presently provides grant assistance to Cameroon and Loan Support to the Yaounde General Hospital. Each activity is funded for a 5 - year period and the grant portfolio is currently worth CFAF 12 billion[43]. Belgian cooperation is divided into two components: bilateral cooperation which accounts for 75 percent of the portfolio; and the remainder cooperation as support of NGOs/PVOs.

Bilateral Cooperation includes 15 technical experts who help implement projects in the following sectors:

* Health sector activities into two loan funded projects, value at CFAF 16 billion, for the development of Yaounde General Hospital and the Centre d'instruction Medicale (CIM) of Maroua, over 12 years (1981 - 1983).
* The agriculture and livestock sector activities include a 5 - year CFAF 900 million project support for the dissemination of coffee and cocoa production techniques in the North West province and 5 - year CFAF 825 million technical assistance to the livestock sector in West and North West provinces.
* In education, Belgium supported the University Center of Dschang through CFAF 1.0 billion funding for three departments.

3.3.2.10 OTHER BILATERAL DONORS

These other donors include countries such as Switzerland, Denmark, Netherlands, Saudi Arbia etc which also provide development aid to Cameroon. The debt owed to them as at 31st July 1990 was thus:

Table 26. Debts owed to Other Bilateral Donors, 31st July 1990 (CFAF million)

	DIRECT DEBT	GUARANTEED DEBT	TOTAL
Denmark	35763.6	---	25763.6
Switzerland	10201.1	3221.4	13422.4
kuwait	3175.0	5148.7	8323.7
Saudi Arabia	3738.9	4371.8	8110.7
U.S.S.R.	60.9	---	60.9

Source: CAA

Swiss grant assistance concentrates in urban development with a SF 14.5 million ($11.6 million) project to develop the Nylon area in the city of Douala, in conjunction with the World Bank and other donors.

3.3.3. PRIVATE SOURCES OF EXTERNAL DEBT

Official assistance (shown above) has been and remains inadequate for developing countries and therefore it must Masochistically enjoy paying higher interest rates or wish to borrow at shorter maturities. Nor do they borrow, for the most part, from private sources because they wish to misuse the funds for corruption, and in wasteful consumption or to avoid needed adjustment in economic management, particularly changes in patterns of consumption, income, savings and investment. They borrow to pay for import of consumption goods, intermediate and capital goods and services and to pay for interest, dividends and royalties[44].

In the 1960s, internationally oriented private commercial banks became increasingly important, re-establishing modern and efficiently functioning international financial markets. Banks in such countries such as France, Great Britain, Germany, the Netherlands, Belgium, Sweden, Japan as well as the U.S. expanded their international activities particularly their branches abroad. During the 1970s, the size of private commercial bank lending expanded rapidly. The Bank for international settlements (BIS) estimated that total international lending of the Group of Ten (G-10) countries increased from about $12 billion at the end of 1970 to $ 893 billion at the end of 1978, and to $ 1550 billion at the end of 1981. This presents a more than 12 fold increase over the decade.[45]

Debt from private sources comprises loans from: suppliers, credit from

manufactures, exporters; financial markets (loans from private banks and other private financial institutions as well as publicly issued and privately placed bonds); and external liabilities on account of nationalized properties and unclassified debt to private creditors private banks loans have to be regarded as among the most conservative and cautions sources of lending. Therefore, concern is legitimate as to whether the developing countries can meet their developmental needs with this sources of financing. It is inevitable that as the amount of fiancing by private banks becoming larger and larger, the LDCs owned development strategies, policies and implementation of policies on a year-by-year basis are going to be more heavily influenced by these conservative, cautions standard of private banks.

It may be, it is because of the above analysis that this source of financing (private creditors) constitutes only 12.3 percent of Cameroon's public and publicly guaranteed debt outstanding and disbursed at the end of fiscal 1991.[46]. Cameroon's debt from Commercial sources for the 1989/90 fiscal year was CFAF 13954 million. Debt from all private sources have been summarized in the table below.

Table 27. Cameroon's External Debt From Private Sources, 1989/90 (US $ in million)

Institution	Outstanding (30 June 1989)	Outstanding (31 March 90)	Disbursed during 1st 3 quarters 89/90	Undisbursed (31 March 90)
Bayerishe Vereinlnx	101.9	162.5	60.7	108.2
BNP	18.9	21.8	2.9	15.9
BIAO	25.0	32.4	7.5	4.2
Credit Lyonnais	30.6	37.6	6.9	46.1
Paris Bas	4.4	4.4	0.0	9.4
Societe Generale	0.2	0.2	0.0	0.0
Banque Franc. Com. Ext	2.2.	2.2.	0.0	0.0
Banque de L'Union Eur.	17.9	24.4	6.5	6.6
Paris Bas London	5.3	6.3	1.0	1.0
AMro Bank	10.7	5.6	3.3	3.7
Barclays Canada	15.5	15.5	0.0	0.0
Lambeit Bank Bel.	14.5	16.2	1.7	1.9
Credit Suisse	6.0	12.9	7.0	0.1
Gen. de Banque	0.0	0.0	0.0	33.8
Indosuez	25.6	30.8	5.2	17.3
Inst. Ban SPI Torino	1.0	5.8	4.8	2.6
Manufac. Hanove	16.6	16.6	0.0	3.0
Medicredito	34.7	34.7	0.0	5.5
Midland Bank	23.0	23.0	0.0	9.5
Hdinvbnnk Voorontwk	22.8	22.8	0.0	2.6
Sanp Lariano Bnk Lux	0.0	0.0	0.0	72.9
TOTAL	376.8	475.7	107.4	344.2

Source: Caisse Autonome d'Amortissement

According to the CAA sources, Cameroon's Commercial debt was on the order of $500 - 600 million; in 1990; this debt was trading

at the lower end of the range of 13 - 18 cents per dollar of face value on secondary markets oversea.

3.4 EXTERNAL DEBT PROFILE OF CAMEROON

The external debt profile of a country provides a picture of the various composition of its external debt stock. Since the nominal value of outstanding debt is made up of different types of debts, it is important to know the size of external debt at a given time, debt relief, debt servicing requirements, composition of creditors and so forth. The debt servicing situation results from differences in the time profile of borrowing (that is, short-term, medium term and long-term) and usage which are based on the structural character of the borrowing nation. Thus, this section will serve as a completion to the previous section (external debt sources).

But before we delved into analyzing this section, it is necessary to Shed some light on the debt management office of Cameroon - "Caisse Autonome d'Amortissement", which takes care of the debt profile of the country.

3.4.1. CAISSE AUTONOME D'AMORTISSEMENT (CAA)

The Caisse Autonome d'Amortissement was created by government decree 85/1176 in August 1985, but it only went operational in 1990. CAA has six departments with a staff of 30, 12 of whom are managers, and operates under the Finance Ministry. The Study and Analysis Departments, the Financial Resources Division, the Computing Department, and the Debt Servicing Department are directly involved in debt management.

The Debt Management process in Cameroon involves the interaction of several government institutions:

* Regional planning Ministry
* Caisse Autonome d'Amortissement
* Banques des Etats de l'Afrique Centrale (BEAC)
* Finance Ministry
* International Lenders

The Regional planning Ministry prepares a programme of public investment for three - year period, which identifies national investment priorities. It then evaluates each project's cost and seeks lenders for funding. The Caisse Autonome d'Amortissement, the Central debt Management Agency, becomes involved when a lending agent has approved a contract and has offered to finance a project. The CAA evaluates the impact of any new lending on Cameroon's public debt. Legal Counsel is available from the legal representative of the executive office.

After approval by the CAA, contracts are signed by the Regional planning Ministry. Similar lending approval is sought for all third - party lending guaranteed by the State. Technical Ministries can authorize loan disbursements, but they are not always involved. The CAA verifies and manages drawings and debt servicing schedules with the International Lenders, BEAC and the Treasury.

Computer assistance in debt Management in Cameroon was initiated in 1989. Technical advancement progressed substantially the following year, when the CAA was established. In March 1992

new Micro computers increased both memory and storage space. The current inventory is:

1 UNISYS 6000-51B Central processing Unit

14. UNISYS terminal workstations

3 PCs Intel PW2 500/sx Intel

2 portable Intel power port 80386

4 AP Jet printers 1329

1 dot - matrix B 9246-7

3 laser printers AP 9206

2 portable Canon BJ - 10ex.

Thus, the Caisse Autonome d'Amortissement has as objectives to take charge of the debt profile of Cameroon such as the total debt stock, debt servicing schedules, debt reduction operations, drawing of borrowing strategies of the state, etc, which we will now analyse.

3.4.2. TOTAL VOLUME OF PUBLIC DEBT

This refers to the sum of total external debt (owed to non-residents and/or International institutions) and total internal public debt (owed to the residents of the country)[47]. In 1990, the total volume of public debt of Cameroon stood at FCFA 1,582,181 millions of which external debt was FCFA 1,429,859 millions and FCFA 152,322 millions was internal debt. The servicing of this volume of public debt is presented in Table 28 below.

Table 28. TOTAL VOLUME OF PUBLIC DEBT, 30/06/90 (millions of FCFA)

	Loans as at 30/06/90	Servicing during the 1990 Fiscal Year		
		Normal Servicing	Arears	Total Servicing
External Debt	1 429 859	227 497	132 835	360 332
Internal Debt	152 322	35 727	345 129	378 856
TOTAL	1 582 181	263 224	475 964	739 188

Source: Caisse Autonome d'Amortissement

The table reveals that the internal debt represented a 9.6 percent of the total volume of public debt, while external debt represented 90.4 percent. The internal debt took 13.7 percent of total normal servicing, but took 72.1 percent of arrears servicing during this period. This implies that the government of Cameroon spent more resources in the servicing of external debt than internal debt. This explains why the situation of internal debt linked to public investment was so precarious during this period as revealed by the table below.

Table 29. Cameroon's Internal Debt Linked to public Investment, 1990 (millions of CFAF).

Organisation	Debt Owed by the State	Arrears		TOTAL (1+2)
		Principal (1)	Interest (2)	
CNPS	83 311.8	47 279.2	18 772.9	66 052.0
ONCPB	28 780.9	15 280.9	5 527.1	2 080.8
CFC	8 873.3	8 434.5	736.7	9 171.2
CAPH	15 823.5	3 035.2	3 924.0	6 958.3
ASAC	6 032.0	932.0	253.9	3 525.9
SOCAR	2 000.0	--------	1 188.6	1 188.6
CEP	2 000.0	100.0	627.5	7 275.0
CNR	1 500.0	50.0	471.1	521.1
TOTAL	152321.5	75 111.8	33 841.8	108953.6

Source: Ibid

The Government of Cameroon's internal debt in 1992 stood at over CFAF 1 trillion ($3.8 billion), of which CFAF 440 billion was callable or in arrears, and arrears covered by the CAA represented CFAF 290 billion. Four types of internal debt can be differentiated. One, current accounts payment by the government or parastatal organisations which was paid in a timely fashion, is unknown and is not included in this total. The three categories officially acknowledged are:

* Accumulated arrears on accounts payable officially by the CAA for rescheduling and repayment;

* Accounts of the construction and public work Ministry, which are

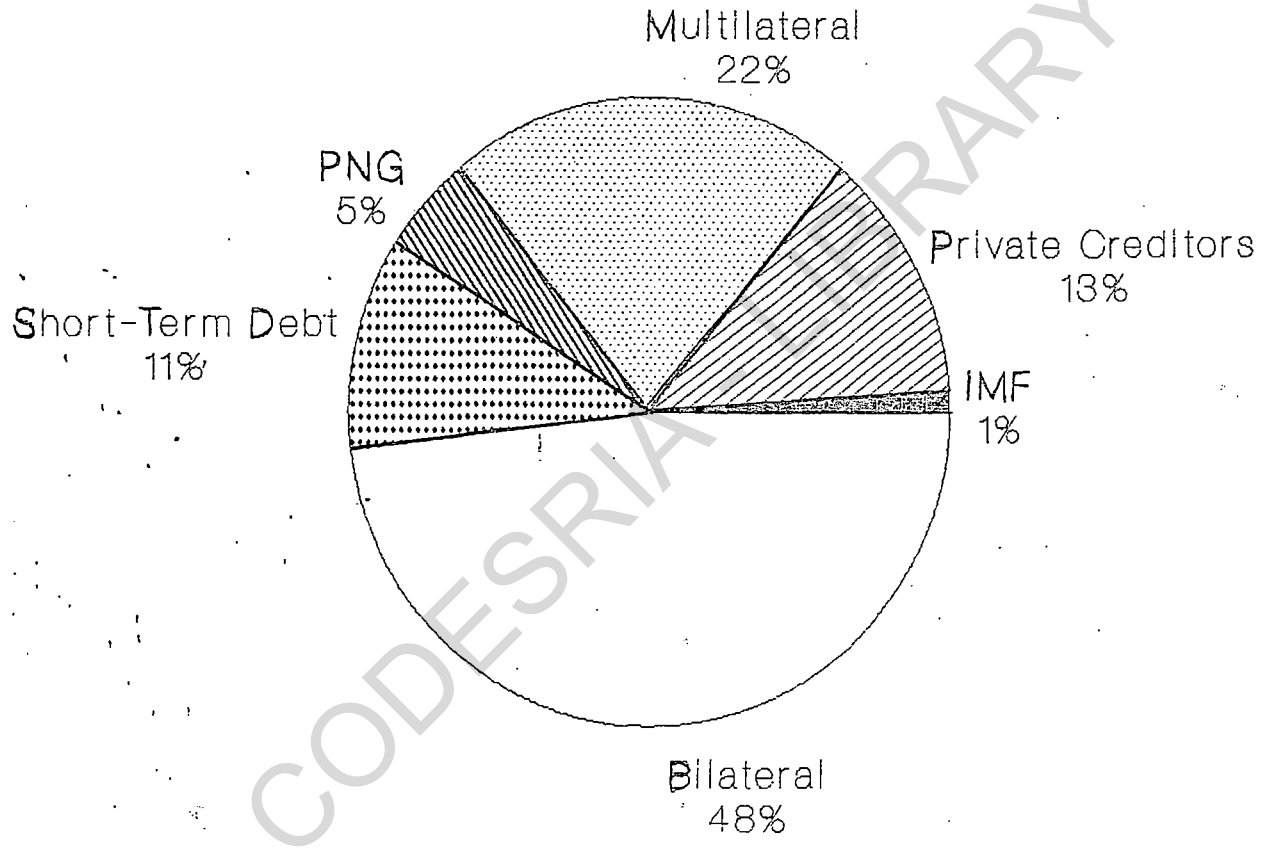
automatically considered in arrears as soon as they are acknowledged; and

* State loans from public enterprises.

Equipment voucher (Bons d'Equipement) of the SNI were guaranteed by the state as part of the recapitalization of the banking system, with an interest rate of the BEAC rate less one percent[48]. The Government of Cameroon has never honoured this guarantees. His first interest payment was made on behalf of SNI in February 1992 by the French CCCE (now the CFD) under the Financial Sector Adjustment Loan, but the state was unable to meet the subsequent CFAF 70 billion payment in August 1992. Nor was it able to meet the February 1993 payment leaving the banking system (particularly BICIC which holds large amount of these loans) once again in a difficult financial situation. Under BEAC rules, banks are not allowed to set aside loan loss reserves for sovereign debt, denying them tax relief for these non-performing assets.

Cameroon owed its external creditors $6.6. billion as at December 31, 1992, representing some 465 loans outstanding. Only 32 percent of Cameroon's external long-term debt was concessional in nature. Total debt accounted for 67 percent of GNP and 304 percent of goods and services at the end of 1992 (see figure 6).

Fig. 6: Cameroon's Total External Debt (1990)



Source: World Bank;Debt Management in Sub-Saharan Africa-1994 (P.11)

Cameroon's Average terms of new commitments for 1991 and 1992 were as presented in the table below.

Table 30:Cameroon's Average Terms of New Commitments, 1991 and 1992

All Creditors	1991	1992
Interest (%)	6.2	4.9
Maturity (Years)	17.6	15.4
Grace Period (Years)	5.4	6.8
Grant Element (%)	27.7	32.3

Source: World Bank. Debt Management in Sub-Saharan Africa. 1994 p. 11

3.4.3. MEDIUM AND LONG TERM DEBT

Medium and Long Term Debt is debt with a maturity period greater than one year. This category of debt constitutes the bulk of external debt of Cameroon. As seen in section 3.3. of this chapter, this is mostly provided by multilateral donor organisations and Creditor countries with very long maturity and grace periods. Cameroon's medium and long term debt by class of creditor as at 31st July, 1990 is presented in Table 31 below.

Table 31 Cameroon's Medium and Long-Terme External Debts by class of Creditor, 31 July 1990

	Direct Debt (CFA billions)	Guarantee ~Debt (CFA billions)	TOTAL (CFAbillions)
A. CREDITS BILATERAUX	**700.4**	**101.7**	**802.1**
1. club de Paris dont Crédits Assurés	677.4	91.2	768.6
FRANCE dont	*286.3*	*52.3*	*388.6*
Crédits assurés	*97.5*	*11.3*	*108.8*
CCCE	123.7	40.9	164.6
FAC	1.3	---	1.3
CCOFAC	34.0	---	34.0
Banque de France	27.3	---	27.3
BFCE	9.9	4.5	14.4
BIAO	2.9	---	2.9
BANQUE INDOSUEZ	16.1	---	16.1
BNP	7.9	0.5	8.4
PARISBAS France	2.3	0.7	3.0
BUE	55.6	---	55.6
Crédit Lyonnais	2.7	5.7	8.4
Hopital de Paris	2.5	---	2.5
U.S.A. dont	*5.1*	*6.8*	*11.9*
Crédits aassurés	*4.0*	*6.8*	*10.8*
USAID	1.1	---	1.1
EXIMBANK	---	6.8	6.8
PEFCO	1.7	---	1.7
FFB	2.4	---	2.4
GREAT BRITAIN dont	*20.7*	*9.7*	*30.4*
Crédit Assurés	*20.7*	*2.7*	*30.4*
Governemenr	0.02	---	.02
PARISBAS LONDRE	1.7	---	1.7
COMDEV	12.6	2.7	15.3
MHTC	6.4	---	6.4
BRITISH AEROSPACE	---	3.8	3.8
LLYODS	---	3.1	3.1
ITALIE dont	*24.9*	---	*24.9*
MEDIOCREDITO	16.0	---	16.0
MIDLAND BANK	5.2	---	5.2
SODITIC	2.9	---	2.9
IBPT	0.6	---	0.6
SAN PAOLO (SPLB)	0.3	---	0.3
R.F.A. dont	*163.7*	*0.5*	*164.2*
Crédits Assurés	*66.6*	*0.4*	*67.0*
KEW	97.2	0.9	97.1
DEG	---	0.4	0.4
HERMES	13.6	---	13.6
BAYERISCHE	52.9	---	52.9

Table 31. (Continued)

	Direct Debt (CFA billions)	Guarantee ~Debt (CFA billions)	TOTAL (CFA billions)
PAYS BAS dont	*13.5*	---	*13.5*
Crédits Assurés	*12.2*	---	*12.2*
Government	1.4	---	1.4
AMROBANK	1.6	---	1.6
NIVO	10.6	---	10.6
CANADA dont	*48.9*	*3.6*	*52.5*
Crédits assurés	*48.9*	*3.6*	*52.5*
SEE	48.9	3.6	*52.5*
BELGIQUE dont	*22.9*	---	*29.9*
Crédits assurés	*16.1*	---	16.4
BBL	5.0	---	5.0
Gouvernement	6.7	---	6.7
Banque Indosuez	10.9	---	10.9
Gen. de Banque	0.15	---	0.15
DANEMARK dont	*25.8*	---	*25.8*
Crédits assurés	*10.6*	---	*10.6*
Gouvernement	15.2	---	15.2
DEFC	10.6	---	10.6
SUISSE dont	*10.2*	*3.2*	*13.4*
Crédit assuré	*3.6*	*3.2*	*6.8*
Gouvernement	6.6	---	6.6
Crédit SUISSE	3.6	3.2	6.8
AUTRICHE dont	*52.0*	*15.0*	*67.0*
Crédits assurés	*52.0*	*15.0*	*67.0*
BAMAG	52.0	---	52.0
INVEST EXPORT	---	5.0	5.0
ASEA	---	5.0	5.0
SUNDS	---	5.3	5.3
VOESTALPINE	---	---	---
JAPON dont	*3.4*	---	*34*
Crédits assurés	*3.4*	---	*34*
2. Pays Non Membre du Club de Paris	22.9	106	33.5
YOUGOSLAVIE	---	0.5	0.5
KOWEIT (FKDA)	3.2	5.1	8.3
ARABIE SAOUDITE	3.7	4.4	8.1
URSS	0.06	---	0.06
CHINE	16.0	---	16.0
QUARTAR	---	.06	0.6
B CLUB DE LONDRES	**119.2**	**22.0**	**141.2**
FRANCE	78.3	22.2	100.2
Crédit Lyonnais	22.8	15.0	37.8
CCF	7.0	---	7.0
BUE	5.3	---	5.3
BIAO	6.2	---	6.2
BNPA	0.8	---	0.8
CNCA	36.3	---	36.3

Table 31. (Continued)

	Direct Debt (CFA billions)	Guarantee ~Debt (CFA billions)	TOTAL (CFA billions)
PARIBAS FRANCE	---	7.0	7.0
ITALIE			
MIDLAND BANK	4.7	---	4.7
IBPT	0.7	---	0.7
R.F.A.	22.2	---	22.2
BALX	22.2	---	22.2
PAYS BAS	8.3	---	8.3
AMROBANK	8.3	---	8.3
BELGIQUE	.0.3	---	.0.3
INDOSUEZ	0.3	---	0.3
CANADA	4.6	---	4.6
BARCLAYS	4.6	---	4.6
3. CreditS Multilateraux	290.8	68.8	359.6
BIRD	130.0	20.7	150.7
IDA	61.5	7.1	68.6
BEI	12.5	16.9	29.4
FED	7.0	10.4	17.4
CEE	28.6	----	28.6
NIB	7.2	---	7.2
FIDA	4.4	---	4.4
FMI	3.9	---	3.9
BID	1.6	2.0	3.6
BDEAC	---	3.5	3.5
BADEA	---	2.7	2.7
BAD	30.8	5.3	36.1
FAD	0.7	---	.07
OPEP	1.0	---	1.0
TOTAL GENERAL	**1110.4**	**192.5**	**1302.9**

Source: CAA

Note: --- means datum does not exist.

3.4.4. SHORT - TERM DEBT

According to the World Bank sources, short term debt is defined as debt with an original maturity of one year or less. An important element of the debt picture not generally captured in the recording system is short term credit, including suppliers credits and commercial bank lines, primarily trade lines. Beyond its purely numerical magnitude, this debt is significant of its crucial role in facilitating trade flows and, on the other hand, its strictly non- concessional terms. Before 1979 borrowing had been for relatively long terms of 3 to 5 years. But as lenders became cautions in 1979 to 1981, they turned increasingly to short term credits, which made the borrowers much more vulnerable to a change in the lender's willingness to continue the flows.

Cameroon got involved fully in short term debt in 1974. Before 1970 to 1974, this category of debt came from suppliers, and buyer credits, as shown in table 32.

Table 32 Short term outstanding Debt of Cameroon, 1970 - 87 (millions of U.S. $)

	1970	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88
Suppliers	10	12	14	8	9	17	157	163	157	141	126	116	97	82	102	127	151	134	4
Commer-cial Bnks	0	0	0	10	9	40	46	75	94	181	52	39	31	27	21	18	182	248	317
Buyers Credits	2	2	17	17	15	61	112	143	199	374	566	481	419	357	274	303	335	395	314
OPEC Non Conces-sional	0	0	0	0	6	9	23	29	49	71	70	66	74	75	74	77	73	72	69
TOTAL	12	14	31	35	33	127	338	410	499	767	814	702	621	541	471	525	741	779	704

Source: World Debt Tables 1991 - 92 volume 2.

Outstanding in the table above, are the figures for buyer credit, which stretched from US $ 2 million in 1970 to US $ 314 million in 1988. This is but normal since Cameroon is an exporter of raw materials such as crude oil, cocoa, coffee, timber, cotton, banana etc.

3.4.5. STRUCTURAL ADJUSTMENT LENDING

From 1980 - 87 African per capita GDP fell by an average of 2.6 percent per annum, investment fell, and the rate of return on investment fell even more, from an annual average of 3.7 percent in the period 1961 - 73 to 2.5 percent in the period 1980-87. Much of the blame can be shared[49]. Starting in about 1983, the IMF and World Bank began to implement stabilization and structural adjustment programmes[50] which, by 1989 were touching not less than 30 sub-saharance countries.

It was first characterized as a financial crisis - a temporary cash - flow squeeze that could be dealt with by short term loans to bridge the funds gap. Then, when balance of payments problems persisted for several years, it became an economic crisis - one that could be cured by a major revamping of debtor economics. Long - term "Structural Adjustment" lending began to dominate the landscape[51].

At the Venice Economic Summit in June 1987, the Seven Major Industrial Countries (G-7) agreed that "for those of the poorest countries that are undertaking adjustment efforts, consideration should be given to the possibility of applying lower interest rates on existing debt, and agreement should be reached, especially in the paris club, on longer repayment and grace periods to ease the debt burnden"[52].

It is because of the above terms that most LDCs have implemented the structural adjustment as a way out of the economic crisis. Cameroon became concern with the SAP in 1988 with the IMF and the stabilization plan in 1989 with the World Bank. Cameroon's SAP has been supported through lending by other multilateral donors organisations such as the EEC, ADB etc as well as bilateral donor countries (France, Germany, USA etc). For instance, in 1988 France lent 209 billion FCFA to support SAP, Federal Republic of Germany, provided 32.8 billion FCFA. The EEC released the first tranch of the SAP in July-August 1992, for FCFA 5 billions. The second disbursement was scheduled for December 1992, if the dilemma concerning the IBRD/IMF conditionality can be resolved. Finally, a second allocation of SAP funds to Cameroon from the community's overall budget (of which around 20-30 percent is kept in reserve during the first round of allocation) was possible. This depended upon a favourable evaluation of the results of the first allocation, including (1) performance and (2) use of funds, but also including (3) a population criterion; it was conceivably as large as the first, ECU 29.5 millions.[53]

The strategic priorities for the ECU 100 million indicative program stressed: 1) rural development and infrastructure and (2) health. Resource flows from the SAP were expected to support these activities, particularly in providing local currency counterpart funds. Where possible the EEC supports and enlarges the projects and programmes of its members, in order to avoid duplication of structures. Similarly, in 1989, Cameroon's SAP loan (structural Adjustment I) from IBRD of US $ 150 millions was disbursed. Cameroon was the third highest country after Morocco (with $ 402 million).[54]

The total loans destined to support the SAP in 1990, in Cameroon are presented in Table 33.

Table 33. Structural Adjustment Loans as at 30th June 1990

CREDITOR	AMOUNT (CFAF)
Caisse Centrale de Cooperation Economique	10 000 000 000
World Bank	15 189 311 778
African Development Bank	12 675 906 408
TOTAL	37 865 718 186

Source: C.A.A.

According to the table, the CCCE provided loans equivalent to 26.4 percent of the total, the World Bank provided 40.1 percent and ADB, 33.5%. The World Bank tops the list of these major donors that financed the SAP, because this came into being through the initiative of the World Bank and the IMF. Moreover, their action is guided by the BAKER PLAN.

3.4.6. DEBT - RELIEF

As defined by the World Bank in the World Debt Tables (1992/93 - Vol II), debt relief has taken many forms. Most sizeable has been the rescheduling, or postponement to later years of debt repayments falling due in the near or medium term. Both commercial banks and official creditors have provided this kind of relief. In conjunction with such rescheduling, banks commonly have agreed to maintain or extend short-term credit lines and have also provided some new long-term ones. Besides this kind of relief, bridge loans have sometimes been arranged to enable a debtor country to meet its obligations until a rescheduling could be

undertaken.

Negotiations between a debtor country and its creditors concerning debt repayments are conducted multilaterally, that is with all creditors, or representatives of groups of creditors present simultaneously at the negotiating sessions. Not only is this approach more efficient for the debtor than entering into separate debt rescheduling negotiations with each of its many creditors, but the approach also facilitates uniformity of treatment of the creditors. Debts, to governments, however, are negotiated separately from debts to commercial banks.

A forum known as the "paris club" is employed for negotiating debts to governments, as well as officially issued private export credits. An informal intergovernmental group, the paris club is chaired by an official of the French treasury. The debts owed to Commercial Banks are negotiated at the "London Club". In a fairly typical case, interest as well as principal coming due within the next twelve months to eighteen months, would be rescheduled to be paid within the next eight to ten years. Normally, only principal, not interest is rescheduled. Any new loans, in addition to loan rescheduled, have already been shared by the banks in proportion to their loans already outstanding.

Among the advocates of debt relief, some of more far reaching positions call for total debt forgiveness. Those who argue for this generally do so on one of two grounds: One approach says that forcing countries to continue debt service is immoral; the loans never benefited the "average person" who is paying dearly for them (World Bank, 1985; Chinweizu, 1985). Another tack argues that LDCs have already repaid their debts. Some economists and institutions such as Avramovic (1988), Cline (1988), Sarkar (1991) and UNCTAD

(1988: 242-3) have made extensive calculations to show that if lost earnings due to commodity price short falls, "excessive" interest charges (above the historical international norm), capital flight etc, were added together, debtor nations would have more than repaid principal by now. It has also been calculated that at certain combinations of interest rates paid, equals or exceeds the original principal. For example, a nation takes out a $ 100 billion loan with a 15 year maturity at a 10 percent annual interest rate. By the time the loan comes due, the government will have paid 150 percent of the principal amount as interest. Thus, even if the principal was not paid, the creditor would have recouped the entire face value of the loan plus a substantial surplus.

In the case of Cameroon, to address the external debt problems, the government implemented a first set of measures in 1987/88, and in 1988/89 it adopted a comprehensive programme aimed at stabilizing government finances and reactivating the economy. In support of this programme, in September 1988 the IMF approved a purchase under the compensatory Financing Facility for the equivalent of SDR 46.35 millions as well as a stand-by arrangement in an amount equivalent to SDR 69.53 million, to cover the 18 month period to March 31, 1990. This arrangement, which was extended in December 1989 until June 30, 1990, with its amount reduced to SDR 61.8 millions, was followed in December, 1991 by a second stand-by arrangement for SDR 28 million covering the nine-months period ending September 19, 1992. The World Bank, for its part, approved a US $ 150 million structural adjustment loan in June 1989. As a result of these the Paris Club twice rescheduled current maturities and arrears on Cameroon's official debt. A debt relief agreement

with the paris club in January 1992, consolidated arrears and maturities falling due January 1 - September 30, 1992 amounting to $ 1.080 millions. Following the signing of the third stand-by arrangement with the IMF in 1994, worth some FCFA 1.400 billion,[55] the Paris Club (that held between the 24th and 25th of March, 1994), decided to write - off about 50 percent of Cameroon's external debt and further stretched the payment period for the rest to a comforting 23 to 25 years with a grace period of 6 to 14 years. Apart from the partial cancellation, members of the paris club also recommended that creditor countries should convert part of the debt owed them into development projects - such as the conversion of debt into environmental protection projects, aid projects, investment projects or the conversion of debt into local currency. Indeed, the treatment of Cameroon's external debt at the paris club was in proportion to the Trinidad and Tabago terms and the recommendations made by the heads of State and Government of the Group of Seven (G-7) during the London Summit in July 1991 and by the interim committee and the development at the occasion of the Annual Assembles of the IMF and the IBRD at Bangkok in October 1991.

The CAA has described rescheduling, a major debt relief as follows: "..... Rescheduling serves after everything to soften a blockage situation. Meanwhile, it is a preventive remedy rather than a cure. It momentarily reduces the pains without attacking the germs responsible for the blockage. This signifies that if other curative solutions are not applied to destroy the germs, the pains would resurface more powerfully"[56]. Thus, as at June 1990, debt rescheduling represented 41 percent[57] of the actual debt servicing requirements. Other ratios that followed were 26

percent, 19 percent .... etc. These ratios decreased because constant increases in the accumulated arrears, do not take into account the interest delayed. "As for rescheduling of Commercial debt (London Club), It should be noted that its arrears represents 10 percent of total external arrears. Thus, only a pluri-annual programme that justifies and counterbalances the cost can imply its passage to the London club. Rescheduling is a means among others of debt relief. Considering the gravity of Cameroon's case, a particular attention must be made to obtain any possible solution, that is, the other possibilities of debt reduction - such as write-off, etc....."[58].

A summary of the debt restructuring of Cameroon from 1970 to 1991 is presented below.

Table 34 Cameroon's Debt Restructuring, 1970 - 88 (millions of dollars)

	1970	1980	1982	1983	1984	1985	1986	1987	1988
Total Amount Rescheduled	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0
Debt Stock Rescheduled	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal Resecheduled	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Official	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest rescheduled	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Official	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private	0.0	0.0	0.0	0.0	0.0	0.0	0.0	96	21
Debt forgiven	n.a	n.a	n.a	0.0	0.0	0.0	0.0	0.0	0.0
Memo: Interest Forgiven	n.a	n.a	n.a	0.0	0.0	0.0	0.0	0.0	0.0
Debt Stock reduction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which debt buybacks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Note: 0.0 Indicates that a datum exists, but is negligible, or is true zero

n.a. Indicates that a datum is not available.

Source: World Debt Tables 1992 - 93. volume 2. p. 61

It could be noticed from the table that the restructuring of Cameroon's external debt effectively started in 1988. This is due to the economic crisis, the country is currently going through that have reduced drastically the foreign exchange earnings, that would have been used for debt servicing, thus forcing the major donors and commercial banks to provide debt reliefs.

The APD, announced at the 17th conference of French African

Heads of state in Libreville in October 1992, provided FCFA 4 billion for debt Swaps promoting development, for the four "Middle - income" French speaking African Countries; Cameroon, Congo, Cote d'Ivoire and Gabon. It went operational at the end of 1992. [The poor African countries received a similar facility in the 1988 Conference in Dakar]. While the amount was not large (representing around 10 percent of the bilateral debt of the four countries with France), it was interesting because: (1) it was a debt Swap, retiring debt rather than rescheduling it, and (2) it was a debt for development Swap, to be invoked in exchange for national projects in sectors of human, social and environmental development. This was a supplement to the national programme in Cameroon.

The external financing needs of severely indebted countries were met during the 1980s through strong official support which included highly concessional finance, extensive debt rescheduling, and the cancellation of some official debt. But their outstanding debt have continue to grow because throughout the 1980s they borrowed more than they repaid. Many of them now have unsustainable high debt service obligations.

In 1988, the paris club recognized this problem and agreed to offer debt and debt service reductions among other options for restructuring debt (Toronto terms[59]). A further step was taken in December 1991 when the paris club agreed to implement a new menu of concessions for low - income countries, the "enhanced Toronto terms" - essentially two options providing for deeper debt reduction, in addition to the non - concessional option from the

old Toronto terms.

The enhanced Toronto terms represent a substantial improvement over the previous Toronto terms and their application has already benefited twelve countries with a consolidated amount of $2.5 billion. The effect of rescheduling terms varies considerably from country to country, reinforcing the merits of the case-by-case approach of the paris club which is tailored to meet the individual financing needs of the rescheduling countries. However, in Several SILICs, debt burdens would remain unsustainably high even after the repeated application of the enhanced Toronto terms. This raises the issue of whether more comprehensive measures are needed for countries that are attempting to pursue sustained domestic policy reform in order to eliminate their debt servicing problems and debt restructuring on a permanent basis.

3.4.7. DEBT ARREARS

The external debt of a country is a contractual obligation like other contractual obligations requiring payment in foreign exchange. This obligation is not unique to credit operations. Countries can loss their international worthiness by failure to honour their obligations for repayments on goods and non - bank services as well as bank credits and loans. The servicing of debt is, nevertheless, unique because credit provides payment for other goods and services as well as for the debt itself. Failure thus to service debt fully and promptly tends to have broader, more cumulative effects than failure to meet other obligations (See table 35)

Table 35 Cameroon's External Debt Arrears, 30-6-90 (CFA millions)

	DITECT DEBT			GUARANTEED DEBT			TOTAL		
	PRINC.	I & C.	TOTAL	PRINC.	I & C.	TOTAL	PRINC.	I & C.	TOTAL
A. MULTILAT ERAL SOURCE									
BAD	1072	1538	2610	254	225	479	1326	1763	3089
BADEA	689	191	880	742	116	908	1431	357	1788
BDEAC	--	--	--	61	336	397	61	336	397
BEI	548	789	1337	917	703	1625	1165	1497	2962
BID	503	344	847	150	57	207	653	401	1054
BIRD	491	1179	1670	285	396	681	776	1575	2351
FID	--	15	15	--	--	--	--	15	15
FED	6	1	7	306	48	354	312	49	361
FIDA	--	39	39	--	--	--	--	39	39
OPEP	149	33	182	--	--	--	149	33	182
IDA	6	16	22	7	5	12	13	21	34
TOTAL A	**3464**	**4145**	**7609**	**2722**	**1941**	**4663**	**6186**	**6086**	**12272**
B. BILATERAL COOPERATION									
B1. PARIS CLUB									
AMRDBANK	--	13	13	--	--	--	--	13	13
ASEA	--	--	--	--	10	10	--	10	10
BAYERISCHE	--	265	265	--	--	--	--	265	265
BAWAG	--	--	--	3529	11221	14750	3529	11221	14750
BBRL	46	84	130	--	--	--	46	84	130
BELGIQUE	--	3	3	--	--	--	--	3	3
BFCE	338	111	449	--	--	--	338	111	449
BIB	106	307	413	--	--	--	106	307	413
BNP	116	23	139	--	--	--	116	23	139
PARS LONDRE	123	106	229	--	--	--	123	106	229
PARIBAS	545	157	702	--	1693	1693	545	1850	2395
BANQUE DE FRANCE	--	327	327	--	--	--	--	327	327
BRITISH AEROSPACE	--	--	--	272	174	446	272	174	446
CCCE	3709	3709	7479	2462	2053	4515	6171	5823	11994
COFACE	--	23639	23639	--	--	--	--	23639	23639
C. LYONNAIS	294	69	363	79	30	109	373	99	472
DEMARK	98	352	450	--	--	--	98	352	450
DANISH EXP. FIC	--	79	79	--	--	--	--	79	79
DEG	--	--	--	--	3	3	--	3	3
EXIMBANK	--	--	--	--	373	373	--	373	373
FFIB	--	33	33	--	--	--	--	33	33
GENERAL BANK	--	35	35	--	--	--	--	35	35
IBPT	--	24	24	--	--	--	--	24	24
INVEST EXPORT	--	--	--	--	8	8	--	8	8
KFW	--	963	963	--	--	--	--	963	963
LLOYD	--	--	--	--	1866	1866	--	1866	1866
MANUFACTUR-ERS	--	338	338	--	--	--	--	338	338
MEDIOCREDITO	116	80	196	--	--	--	116	80	196

Table 35 (Continued)

	DITECT DEBT			GUARANTEED DEBT			TOTAL		
	PRINC.	I & C.	TOTAL	PRINC.	I & C.	TOTAL	PRINC.	I & C.	TOTAL
MIDLAND BANK	200	108	308	--	--	--	200	108	308
NIVO	--	70	70	--	--	--	--	70	70
SEE	413	315	728	--	84	84	413	399	812
SODITIC	--	98	98	--	--	--	--	98	98
SOUND'S	--	--	--	--	8	8	--	8	8
SUISSE	--	3	3	--	--	--	--	3	3
LOANS CON-TRACTED BEFOR 31-12-988									
EXIMBANK	--	40	40	--	--	--	--	40	40
GENERAL BANK	--	21	21	--	--	--	--	21	21
TOTAL B1	**6392**	**31547**	**37939**	**6342**	**17523**	**23865**	**12734**	**49070**	**61804**
B2. LONDON CLUB									
AMROBANK	4343	2072	6415	--	--	--	4343	2072	6415
BAYERISCHE	5561	2482	8043	--	--	--	5561	2482	8043
BIAD	594	420	1014	--	--	--		420	1014
BIB	45	14	59	--	--	--	45	14	59
CCF	4800	1008	5808	--	--	--	4800	1008	5808
CNCA	--	38	38	--	--	--	--	38	38
C. LYONNAIS	5397	825	6222	--	--	--	5397	825	6222
IBPT	--	70	70	--	--	--	--	70	70
MIDLAND BANK	--	73	73	--	--	--	--	73	73
TOTAL B2	**20740**	**7002**	**27742**	--	--	--	**20740**	**7002**	**27742**
TOTAL B=B1+B2	**27132**	**38549**	**65681**	**6342**	**17523**	**238665**	**33474**	**56072**	**89546**
C. PAYS ET ORGANISIMS NON-MEMBERS									
CDC	215	632	847	105	649	754	320	1281	1601
CHINE	465	--	465	--	--	--	465	--	465
FINLANDE	--	8	8	--	--	--	--	8	8
FOND KOWEITIEN	699	362	1061	522	350	872	1221	712	1433
FOND SAOUDIEN	530	131	661	835	125	960	1365	256	1621
OECF	--	287	287	--	--	--	--	287	287
QUARTAR	--	--	--	46	15	61	46	15	61
ARABIE SAOUDITE	1040	--	1040	--	--	--	1040	--	1040
URSS	34	26	60	--	--	--	34	26	60
TOTAL C	**2983**	**1446**	**4429**	**1508**	**1139**	**2647**	**4491**	**2585**	**7094**
D. DETTE A COUTE-TERME									
FRANCE	6989	4517	11506	--	--	--	6989	4517	11506
ALLEMAGNE	3288	--	3288	--	--	--	3288	--	2388
TOTAL D	**10277**	**4517**	**14794**	--	--	--	**10277**	**4517**	**14794**
TOTAL GENERAL A+B+C+D	**43856**	**48657**	**92513**	**10572**	**20603**	**31175**	**54428**	**69260**	**123688**

Source: CCA

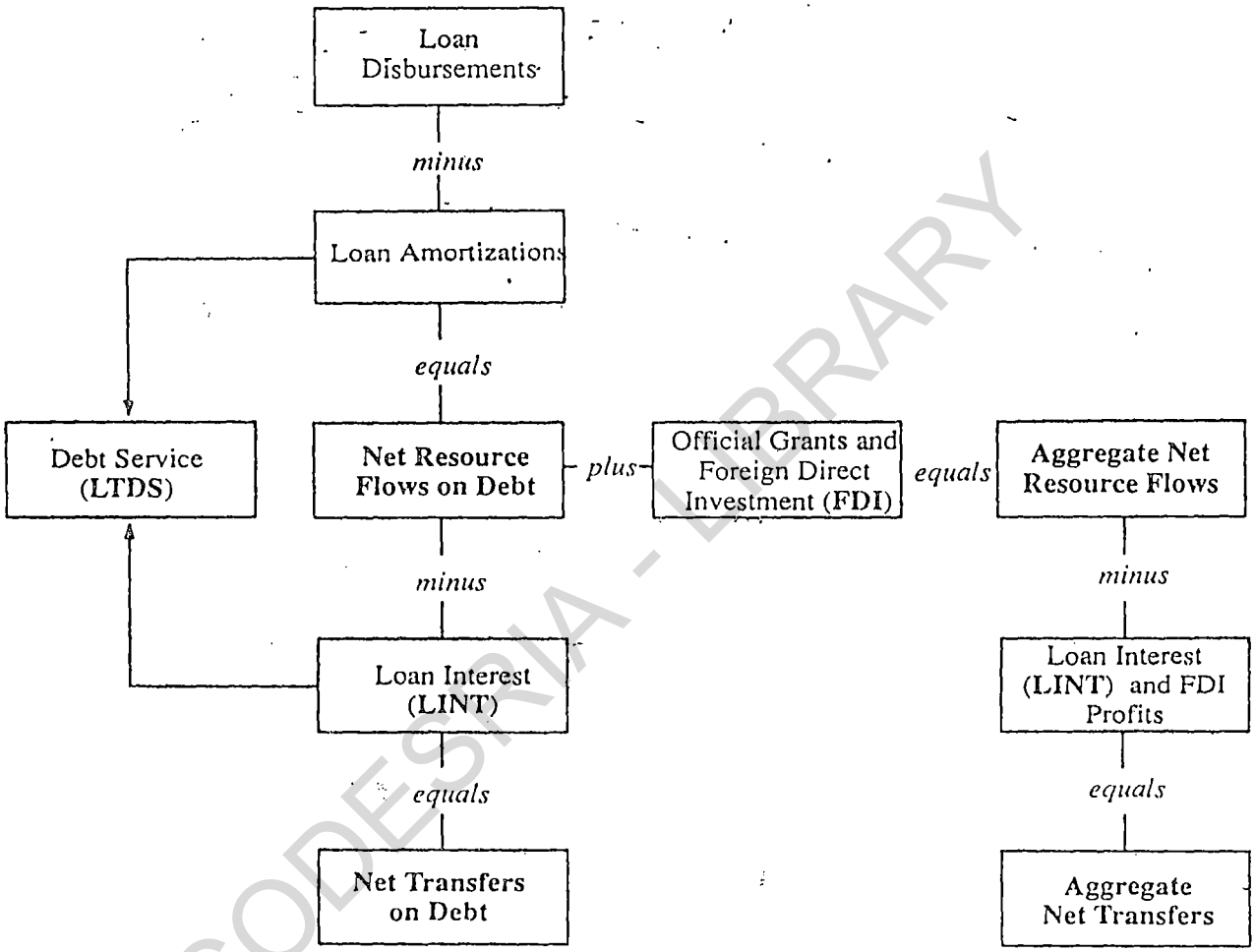
Note: 1) I & C = Interest and Commission. 2) PRINC.=PRINCIPAL 3) -- means datum does not exist

3.4.8. NET TRANSFERS ON DEBT

A good measure of the mixed success of the debt management strategy is the net resource transfer to the debtor countries minus the repayments of principal and interest payments. Since 1982, the net transfer on debt has been negative, since most debtor countries have paid back in principal and interest much more than they have received in new loans.

The burden of debt repayments has combined with the general fall-off in external financing to bring about a net transfer of financial resources out of the developing countries. Even excluding the richer oil producing developing countries, this amount reached US $ 32.5 billion in 1988 alone, for a cumulative total over six years of nearly $115 billion."pervers" is the word often used to describe this reverse flow[60]. The composition of the net transfers on debt of LDCs is presented in figure 7 below

Fig.7 : **Aggregate Net Resource Flows (Long–Term) and Net Transfers to Developing Countries**



Source : World Debt tables 1991 - 92, p. x.

Notes: Includes only loans with an original maturity of more than one year (long–term loans). Excludes IMF transactions.

Table 36 Cameroon's Net Transfer on Debt (in U.S million dollars)

	1970	1980	1982	1985	1986	1987	1988	1989	1990	1991
DISBURSEMENTS	**39**	**612**	**363**	**307**	**503**	**488**	**663**	**766**	**768**	**501**
Public & publicly Guaranteed	28	562	202	195	296	276	547	685	716	425
◦ Official creditors	27	248	157	160	240	253	232	366	544	339
• Private creditors	1	314	45	35	56	23	315	318	172	86
Private Non-Guaranteed	11	50	161	112	207	212	115	82	53	76
PRINCIPAL REPAYMENTS	**6**	**114**	**196**	**464**	**425**	**397**	**375**	**188**	**259**	**234**
Public & publicly Guaranteed	4	82	146	142	179	200	147	57	129	148
• Official creditors	4	29	46	66	95	110	89	56	116	135
• Private creditors	0	53	100	77	84	90	58	1	13	13
Private Non-Guaranteed	2	32	50	322	246	197	228	578	509	267
NET FLOWS ON DEBT	**33**	**498**	**167**	**-158**	**78**	**92**	**288**	**578**	**509**	**267**
Public & publicly Guaranteed	24	480	56	52	118	76	400	627	587	277
◦ Official creditors	23	219	111	94	164	143	143	310	482	205
◦ Private creditors	1	216	-55	-42	-28	-67	-257	317	158	72
Private Non-Guaranteed	9	18	111	-210	-40	16	-112	-49	-77	-10
INTEREST PAYMENTS	**5**	**119**	**151**	**137**	**189**	**178**	**192**	**114**	**188**	**175**
Public & publicly Guaranteed	4	104	125	97	125	135	101	76	171	157
• Official creditors	4	42	54	66	90	102	185	72	150	129
• Private creditors	0	62	71	31	35	33	16	4	22	28
Private Non-Guaranteed	1	15	26	40	64	44	91	39	17	18
NET TRANFERS ON DEBT	**28**	**379**	**16**	**-294**	**-111**	**-87**	**96**	**464**	**321**	**92**
Public & publicly Guaranteed	19	376	-69	-44	-7	-59	229	552	415	119
• Official creditors	19	177	57	29	56	41	58	238	278	75
• Private creditors	1	199	-216	-73	-63	-100	241	313	137	44
Private Non-Guaranteed	9	3	85	-250	-104	-28	-204	-88	-94	-28

Source: Adopted from the World Bank Tables 1992-93, Vol. 2, pp. 59-60

The information in Table 36 is calculated based on figure 7 above. The net transfers on debt is loan disbursements minus principal repayments and interest payments. The right hand of the figure is not the focus of study.

NOTES

1. SPERO. E. Joan. The politics of International Economic relations, 1990.

2. This area does not include the territorial waters. Including the territorial waters, the area is 475,000KM^2

3. Information from the office of the stabilization and Economic Recovery plan, of the Prime Minister's office, 1994.

4. World Bank. Trends in Developing Economics, 1992, p. 88.

5. The IBRD established in 1945, is the older and larger of the "World Bank group". It was conceived at the United Nations Monetary Financial conference in Bretton woods, New Hampshire, U.S.A., in July 1944. Representatives of forty - four nations assembled there decided to establish two complementary financial institutions: IMF which was to promote international currency stability and the IBRD, to help finance reconstruction and Development in its member countries.

6. The IDA was established in 1960 to provide assistance to the poorest developing countries on terms that would bear less heavily on their balance of payments than IBRD loans. Most of IDA's assistance is concentrated on the very poor countries - those with per capita incomes of less than £400 per year.

7. The IFC, is the largest source of direct financing for projects in the private sector in developing countries. IFC was established in 1950.

8. MIGA helps encourage foreign investment in LDCs by providing guarantees to foreign investors against loss caused by non-commercial risks.

9. For more on this, see Martin Feldstein. International Economic Cooperation, 1990. p. 264

10. In co-financing arrangements, these official multilateral institutions assume that developing countries are not going to default on their loans. These institutions see themselves continuing to enjoy their preferred credit positions and not expected to experience any difficulties of repayment.

11. These are intended to help developing countries adjust their economic policies and structures in the face of serious balance of deficits payments that threaten continued development. The main objective of structural adjustment lending is to facilitate the restructuring of a developing country's economy so as to put its current account deficit on a sustainable basis within three to five years. The loans support programmes that are intended to anticipate and avert economic crisis through economic reforms.

12. For more on this, see Cameroon Tribune of Wednesday March 16, 1994, No. 1843. Bilingual Edition.

13. Questionnaire administered to the African Development Bank in Yaounde, 1993.

14. On May 5, 1949, ten Western European States, established the Council of Europe. On May 9, 1950, with the "Schuman Plan", France offered Germany the opportunity to coordinate the two countries coal and steel production through one organisation. For more on the history of the EEC, see Scala Special EC Issue. The single European Market - New opportunities For 340 million people in the Ec. 1993. p.6

15. For details concerning the EIB, see BEI possibilite de Financement au titre de la troisieme convention de Lome Avril 1986. p.10.

16. See Ibid p. 9, for more on this.

17. STABEX - the system for stabilization of export earnings from agricultural commodities was introduced under Lome I with the aim of providing funds to ACP countries to cover shortfalls in earnings brought about by fluctuations in prices or output of agricultural products exported to EEC. The Special Financing Facility or SYSMIN System is to assist countries heavily dependent on mining exports to the EEC to remedy the harmful effects of fluctuating incomes.

18. Questionnaire administered at the EEC Delegation in Yaounde

19. The current SAP was put in place between Cameroon and EEC in June 1992, and takes the form of a general import programme, with payments released immediately (and CFA counterpart funds generated) upon customs showing evidence of imports.

20. Le Cameroun et la Communuate Europeenne Juillet 1989, p. 11

21. Ibid p. 13

22. See John Makin. 1988, pp. 166-67

23. See IMF. Articles of Agreement of International Monetary Fund (Washington D.C. 1985) p. 2.

24. Information from the Caisse Autonome d'Amortissement.

26. A detail story of Cameroon's structural Adjustment programme will be presented in the next section of this chapter.

27. Questionnaire administered to the various Embassies Yaounde - Cameroon, 1993.

28. Revelation from the caisse Autonome d'Amortissement sources in Yaounde.

29. Cameroon Tribune No. 1637 of March 30 1992. p.2

30. Information furnished by sources from the Federal Republic of Germany Embassy in Yaounde - Cameroon.

31. Ministere Federale de l'Economie - office Feredale des Statistiques.

32. For more on this, see Spero Edelmans J. The politics of International Economic Reactions. 1990 p. 5

33. Information from USAID sources in Yaounde 1993

34. USAID Sources in Yaounde, 1993

35. Ministry of plan, office of statistics, via the Chamber of Commerce.

36. Information obtained from sources at the Canadian Embassy in Yaounde, 1993.

37. Ibid

38. Ibid

39. See SPERO J. Edelman. The politics of International Economic Relations 1990 p. 6 for more on this.

40. See SPERO J. Edelman. The politics of International Economic Relations. 1990 p. 176, for more on this.

41. Information from CAA.

42. SPERO J. Edelman. Op. Cit.

43. Budget is actually determined in Belgian francs and may vary slightly as the Belgian franc and French Franc vary within the European Member States.

44. For more on this, see Friedman S. Irving. The Debt Dilemma 1983, p. 30.

45. Ibid p. 18

46. World Bank. Trends in Developing Economics 1992 p. 88

47. The question of Internal debt contracted by the state with his own citizens and in local currency, is although out of the scope of this study, a look at it is of immense importance. Internal debt seems to pose less problems than external debt, in the sense that the interest and principal repayments do not lead to capital exportation and constitutes a transfer of resources from one group to another but the former influences equally the servicing of the latter, since resources have to be transferred from the private sector to the public sector to enable this sector service its debt.

48. That is, even in the restructuring of the banking system the interests of the state were held to be more important than those of the Banking system.

49. For more on this, see, The Courier, LOME IV Convention. No. 120 March - April 1990. pp 26-27.

50. Structural adjustment is primarily a coherent set of measures designed to reduce internal and external financial imbalances in the developing countries. Next a set of general sectoral financial programmes which are aimed at supporting the strong features of the economy undergoing treatment and setting it on the road to lasting growth.

51. See, United Nations DEBT A Crisis for Development 1990. p 18.

52. See, World Bank. Sub-Saharan Africa From Crisis to sustainable Growth 1989 p. 177.

53. Information furnished by the EEC Delegation in Yaounde

54. World Bank. WORLD BANK ANNUAL Report 1989, p. 39

55. Thus cleared the way for Cameroon to seek funds to the tune of FCFA 1.400 billion from the International Community to finance its FCFA 1.800 billion projects within three years.

56. Remarks of the Director General of CAA in 1990. Translated into English by the Author.

57. Ratio in percentage = $\frac{\text{Amount of Debt Reschedule} \times 100}{\text{Total Debt service during the year}}$

58. Director General of CAA..

59. Toronto Terms - Agree upon at the June 1988 Economic Summit of industrialized countries, the Toronto terms are a set of rescheduling measures used by the paris club to provide debt relief for the poorest developing countries. They include two components: for concessional debt at below market interest rates, repayment is stretched over 25 years at low interest rates; for non-concessional loans, there are three options for creditors: partial cancellation of debt, longer payback schedules or reduction of interest rates.

Similarly, the Trinidad - Terms are a debt - reduction initiative advanced by the then - Chancellor of the Exchequer of Britain John Major at a meeting in Trinidad of the Commonwealth countries as in 1990. This proposals (call for, among other things, the write-off of two - thirds of the debt of low income developing countries.

60 United Nations, DEBT: A Crisis for Development. March 1990. pp. 3-4

PART - TWO

MODELLING AND ANALYZING OF DEBT DATA

CHAPTER FOUR

EXTERNAL DEBT AND SOME MAJOR ECONOMIC VARIABLES

4.1. INTRODUCTION

In the last chapter of part one our attention was focused mainly on the sources, Structure and profile of the external debt of Cameroon. In this chapter, we shall try to measure or quantify the correlation coefficients of the relationship between the debt burden[1] and the other economic variables such as the unit value of exports and the balance of payments. It will also examine the relationship between the borrowed funds (external savings) and the gross domestic investment and gross domestic savings of Cameroon. In brief this chapter seeks to confront theory with practice, to see if actually, the data of external debt confirms with the theory.

4.2 DEBT BURDEN, UNIT VALUE OF EXPORTS AND THE BALANCE OF PAYMENTS.

Since the LDCs persistent need for capital to support economic growth is the strongest reason why they will continue to service their foreign debt (see Freidman, 1983), it will be important for one to empirically examined the impact of this exercise on the unit value of exports (Sarkar 1991) and the balance of payments of Cameroon.

Given the assumption that developing countries suffer from a chronic shortage of goods and services, it is not surprising that the external debt problem which requires an outflow of goods and

services has been part of the literature and analysis of economic and social development for many decades (Feldstein 1986). Since the process of economic development implies that countries will have balance of payments problems and be chronic debtors, its equally implies that the debt burden of LDCs has some bearing on their export prices and their balance of payment problems consequently.

4.2.1 THE IMPACT OF DEBT BURDEN (debt/GNP ratio) ON THE UNIT VALUE OF EXPORTS OF CAMEROON

In the perspective of substantial amount of the net transfer from the debtor Less Developed Countries (LDCs) to the creditor Developed Countries (DCs) in the recent debt crisis years, there is a renewed debate (that started in the context of German reparation payments after the first World War) on the question of the transfer burden of debt (Sarkar 1991, p. 84). The present study assembles some evidence to show that Cameroon and possibly other LDCs expand their export volumes and face losses in their unit value of exports in the process of their debt repayments. Many LDCs faced this transfer burden of debt irrespective of whether their export drive was in the field of primary products of manufactures. Thus, the German transfer problems seem to be relevant in the context of the present experience of the LDCs. Our focus here is to empirically verify whether Cameroon is involved in this "insoluble" transfer problem mentioned - "Fisher's paradox", which means that the more the debtors pay, the more they own. We shall test this using the model below.

4.2.1.1 The Empirical Model

To specify the first principal hypothesis of this study formally, and without going for sophisticated statistical techniques, we have adopted the regression model used by Prabirji Sarkar (1991) for our purpose. Sarkar's analysis was done covering 29 countries, at cross-section level to show that a higher debt burden was associated with a higher rate of decline in export unit prices.

Thus, the specification of our model uses knowledge of economic theory as well as familiarity with the particular phenomenon being studied, put forth by Sarkar (1991). According to Sarkar (1991), the debt/GNP ratio was taken as the measure of the burden of debt. Debt service as a percentage of exports or GNP is not taken as a measure because of the fact due to default and/or rescheduling, the debt service ratio may be low for a country which is actually under debt pressure. In the absence of major fluctuations in the debt/GNP ratio (DEG), this variable has been taken as one of the explanatory variables. To net out the impact of oil price changes in the unit value of exports, the share of fuels in total exports (percentage) of the country has been taken as another explanatory variable (SEF). The dependent variable is the percentage changes in the unit value of exports (VUE) of the country between 1979 and 1990. Thus, this multiple regression model is mathematically expressed as:

$$VUE_t = Ao + A_1DEG_t + A_2SEFt + U_t.$$

Where VUE_t = the unit value of exports (percentage changes)

DEG = the Debt/GNP ratio.

SEF = the share of fuel in total exports,

Ao = the intercept term,

A_1 and A_2 = the coefficients of the explanatory variables

Ut = Random variable and

t = the time period.

The coefficients of regression, A_1 and A_2 of the equation are expected to have negative signs, given that we have hypothesized an inverse relationship between the dependent and the independent variables.

4.2.1.2 EMPIRICAL RESULTS AND INTERPRETATIONS

The empirical results of the above model are presented in Table 37 below

Tables 37: Regression Results of the Debt burden - Unit value of export Model[2]

LS// Dependent variable: VUE

Sample Range: 1979-90

Number of observations: 12

VARIABLE	COEFFICIENT	STANDARD ERROR	T-STAT.
DEG	-0.0109	0.6182	- 0.0174
SEF	-0.2958	0.2631	- 1.1242
CONSTANT	14.4996	32.7602	0.4577

R - Squared: 0.1502

Standard error of regression: 10.3518 F- statistic 0.7956

Durbin - Watson Statistic: 1.8258

N.B. All the coefficients and statistics are significant at the 5 percent level.

From the table, the estimated equation is:

$$VUE_t = 14.99 - 0.01\ DEGt - 0.30\ SEF_t$$

$$(32.7602) \quad (0.6132) \quad (0.2631)$$

It is clear from our estimate that the higher the share of fuels in the export structure of Cameroon, the higher was the percentage decline in its unit value of exports between 1979 and 1990. Netting out this effect, one can find a negative relationship between the burden of debt as measured by the debt/GNP ratio and the percentage change in the unit value of exports: the higher the debt/GNP ratio of Cameroon, the higher is the percentage decline in its unit value of exports. ~~value of exports.~~

This empirical evidence confirms to the first principal hypothesis of this study which postulates this inverse relationship. The coefficient of determination (R^2) is 0.15. Eventhough very low it is statistically significant at the 5 percent level. This low value of R^2 is not surprising as one can check on Table A-1 that the share of fuel in total exports is not zero for any year in the time - series (1979-90), moreover, the two explanatory variables are not the only variables that affect the unit value of exports, so some effect of oil price decline remains un-explained and obscures the true picture. The Durbin - Watson Statistic of 1.83, implies that there is positive first order

correlation.

Infact, Sarkar (1991), using a multiple regression model with the same variables, but using a cross - section analysis with a sample of 29 countries and using data between 1980 - 82 and 1983 - 86, found a negative relationship. For some Latin American countries, Sproas (1989) rightly noted; this regression analysis between debt and export unit values on terms of trade"must fail to capture a substantial part of the terms of trade deterioration associated with debt: a high - debt coffee exporter will experience an adverse effect on the coffee exports/Manufactured imports price ratio, but a low - debt coffee exporter will experience equally this effect as a fallout from the former's efforts to adjust". Gilbert (1989: 783-4) also noted this externality: "the efforts of each developing country acting independently to meet debt service obligations has, reduced export earnings for the developing country primary producers as a group to meet their obligations".

Inspite of this problem of externality, we have been able to show with some degree of confidence that higher debt pressure creates a higher urge to expand exports and in the process leads to a higher rate of fall in export prices. Infact, this implies that the process of debt repayment exerted some additional pressure on the terms of trade of Cameroon in the late 1970's and the 1980's. We will now turn to assess the impact of debt service burden (in absolute terms) on the balance of payments of country.

4.2.2. THE IMPACT OF DEBT SERVICE BURDEN ON THE BALANCE OF PAYMENTS (BOP).

Before we delve into the measurement of the causal relationship that exists between these variables (debt service burden and the BOP) it will be worthwhile to carry out an in depth analysis of them, inorder to explain the evolutions in each over the time period (1970-90).

4.2.2.1. THE DEBT SERVICE BURDEN OF CAMEROON

Despite the external debt arrears shown in chapter three above, Cameroon as a debtor nation has maintained her debt service obligations with the creditor institutions. As at 1990, the debt service payments of Cameroon stood as follows:

Table 38. Cameroon's Effective Debt Servicing: July 1990 (CFAF billion)

SOURCE	PRIN.	INTEREST	COM.	DELAYED INTER.	TOTAL
A. Multilateral sources					
IBRD	557 799	875 743	---	---	14 333 542
EDF	7 229	1 158	---	---	8 338
IDA	161 571	65 745	---	---	227 319
TOTAL A'	726 599	942 649	---	---	1 669 248

Table 38 (continued).

B. Bilateral Coop. B_1 Paris Club					
AMROBANK	---	16 472	247	3328	17047
BNP	---	36 178	5 967	---	42145
BUEA	---	---	2 820	---	2820
CCCE	16 286	16 645	---	---	17931
C. LYONNAISE	---	---	---	3975	3975
GENERAL BANK	---	---	6 324	111	6435
P. EPFCO	---	---	4 438	---	4438
SEE	---	---	14 087	---	14087
KFW	---	---	431882	18110	450992
TOTAL B_1	16286	69295	465 765	23524	619 870
B_2 LONDON CLUB					
AMROBANK	---	---	372	---	372
BARCLAAYS	---	178209	---	---	178209
BNP	---	16232	1285	384	18351
CNCA	---	---	---	38010	38010
TOTAL B_2	---	194441	1657	38844	234942
TOTAL B = B_1+B_2	61286	263736	467422	62358	854812
FRENCH HOSPITALIZE DEBT	78671	142453	---	---	221124
GRAND TOTAL	88556	1344838	467422	62318	2745184

Source: CAA

From the table, we noticed that debt service payments is divided into two parts: principal repayments and interest payments. Commission or penalty is paid only when either of the two components of payments is not made. The impact of these two variables is so strong on the external performance of Cameroon that a detailed presentation of each of them is necessary, as shown in table 39 and 40 respectively below.

Table 39. Principal Repayments by Lending Source 1970-90 (millions of U.S. dollars)

Year (19...)	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90
Source of Lending																					
IBRD	0	0	0	0	0	0	1	1	6	3	4	4	5	8	10	15	19	29	36	36	42
IDA	0	0	0	0	0	0	0	0	0	0	1	5	0	1	1	1	1	1	2	2	3
Other Multilateral	0	0	1	1	2	2	3	3	3	4	5	4	7	7	9	10	12	15	17	17	26
Bilateral	4	5	5	7	7	12	11	10	14	14	19	21	33	38	34	40	63	65	34	2	46
Suppliers	0	2	3	6	4	4	2	2	6	6	7	4	4	4	3	3	4	4	1	0	0
Commercial Banks	0	0	0	0	0	1	1	5	11	22	18	10	55	16	9	5	6	4	0	0	3
Bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Buyers Credits	0	0	0	0	2	2	3	9	24	26	28	41	41	38	47	69	73	82	57	1	11
DAC Concessional	3	4	4	6	5	8	8	7	9	8	10	10	9	8	7	8	17	16	11	1	17
DAC Non-concessional	1	1	1	2	2	4	3	3	5	5	7	7	20	25	22	27	40	43	20	0	26
CPE Concessional	0	0	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0
CPE Non-Concessional	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OPEC Concessional	0	0	0	0	0	0	0	0	0	0	2	2	4	5	5	5	5	6	3	0	3
OPEC Non-Concessional	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Bi. Concessional	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Bi.Non-Concessional	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WB Group Concessional	0	0	0	0	0	0	0	0	0	0	1	6	1	2	9	2	3	3	4	4	5
WB Group Non-Concessional	0	0	0	0	0	0	0	1	6	3	4	3	5	7	9	14	18	27	34	34	39
Other Mult. Concessional	0	0	0	1	0	0	0	0	1	1	1	2	1	2	2	2	2	3	3	3	6
Other Mult. Non-Concessional	0	0	1	1	2	2	2	2	2	3	4	2	6	4	6	7	10	12	14	14	20
Arreas on LDOD		0	0	0	0	0	0	0	0	0	0	0	0	0	0	16	165	234	294	30	212
TOTAL	**8**	**12**	**15**	**23**	**24**	**35**	**34**	**43**	**87**	**95**	**112**	**124**	**191**	**165**	**166**	**224**	**438**	**544**	**572**	**144**	**459**

SOURCE: World Bank Resident Mission - Yaounde, Cameroon, 1993.

Note: **0** means datum is negligible or is a true zero.

Table 40 Interest Payments by Lending Source 1970-90 (millions of U.S. dollars)

Year (19...)	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90
Source of Lending																					
IBRD	0	1	1	1	2	3	4	5	7	9	13	12	12	15	17	20	30	41	45	45	49
IDA	0	0	0	0	0	0	1	1	1	1	1	1	1	2	2	2	2	2	2	2	2
Other Multilateral	1	1	1	1	2	2	2	2	3	4	4	6	6	6	8	7	10	11	12	13	18
Bilateral	3	3	3	4	5	6	6	7	11	14	24	30	34	36	37	37	48	48	26	12	81
Suppliers	1	1	1	1	1	1	0	1	2	2	8	8	10	1	8	1	1	0	0	0	0
Commercial Banks	0	0	0	0	1	1	1	5	7	9	13	14	24	4	4	3	4	1	0	2	13
Bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Buyers Credits	0	0	0	2	1	2	5	9	12	22	41	48	37	31	33	28	30	31	16	1	9
DAC Concessional	2	3	2	3	3	5	4	4	6	7	10	9	11	12	11	13	17	17	8	5	17
DAC Non-concessional	1	1	1	1	2	2	2	2	5	7	14	20	22	23	25	23	30	29	18	7	59
CPE Concessional	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CPE Non-Concessional	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OPEC Concessional	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	2	1	2	1	0	1
OPEC Non-Concessional	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Bi. Concessional	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Bi.Non-Concessional	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4
WB Group Concessional	0	0	0	1	1	1	2	2	2	2	3	3	3	3	3	3	3	3	4	4	3
WB Group Non-Concessional	0	0	1	1	1	3	3	4	6	8	11	10	11	13	16	18	29	39	44	43	48
Other Mult. Concessional	0	0	0	0	1	0	0	1	1	1	1	1	2	2	3	1	3	2	2	1	3
Other Mult. Non-Concessional	0	1	1	1	1	1	1	1	2	3	3	4	4	5	5	5	7	9	10	12	16
TOTAL	**8**	**11**	**11**	**16**	**21**	**26**	**31**	**44**	**65**	**89**	**147**	**167**	**178**	**154**	**173**	**163**	**185**	**235**	**188**	**147**	**323**

SOURCE: World Bank Resident Mission - Yaounde, Cameroon, 1993.

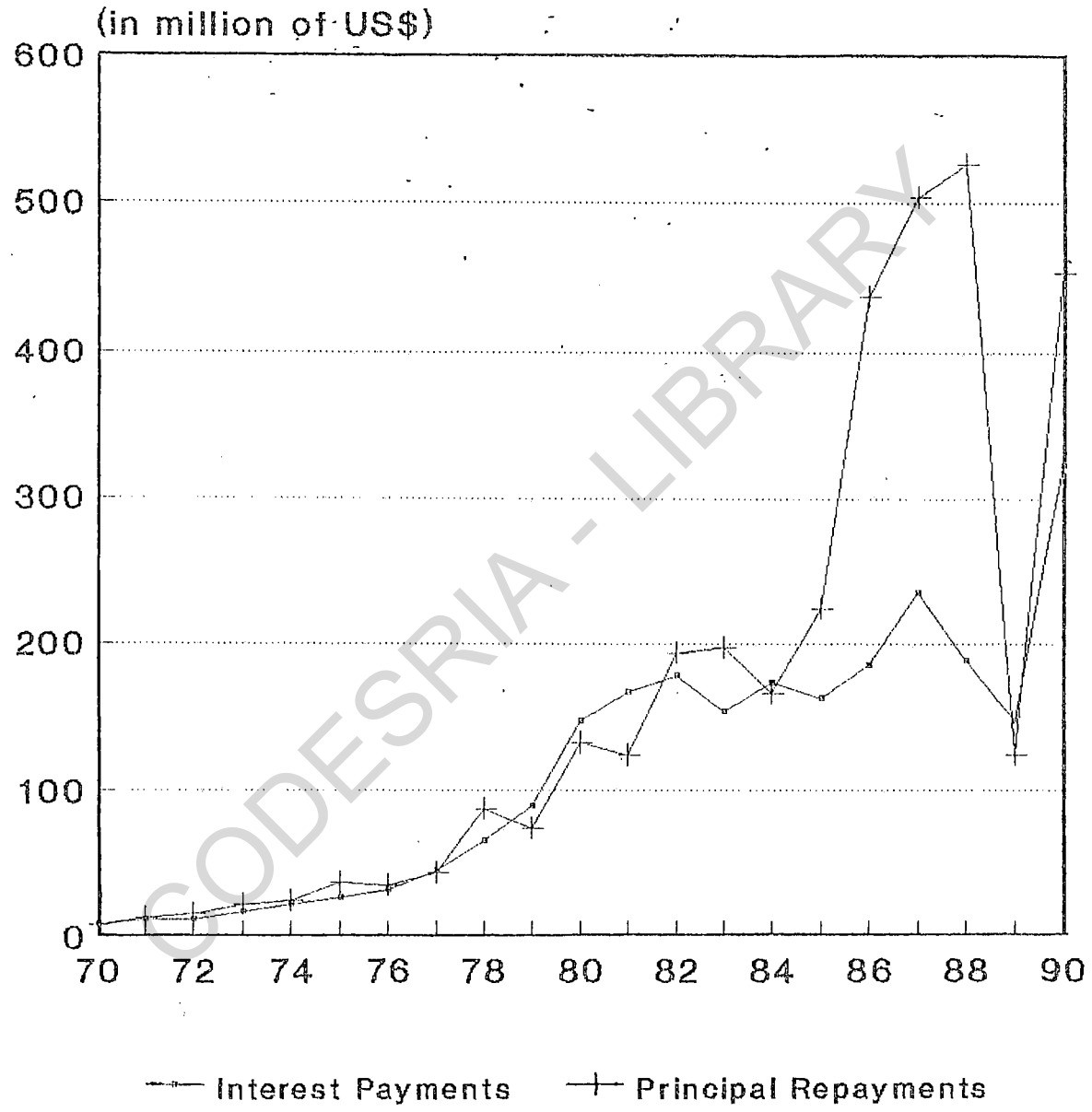
The annual totals of the prinicpal repayments and the interest payments in the above tables can be summarized in table 41 below.

Table 41: Total Annual Debt Service of Cameroon 1970-90 (millions of dollars)

Year	Principal (1) Repayments	Interest (2) payments	Debt Service payments (1+2)
1970	8	8	16
1971	12	11	23
1972	15	11	26
1973	23	16	39
1974	24	21	45
1975	35	26	61
1976	34	31	65
1977	43	44	87
1978	87	65	152
1979	95	89	184
1980	112	147	259
1981	124	167	291
1982	191	178	369
1983	165	154	319
1984	166	173	339
1985	224	163	387
1986	438	185	623
1987	544	235	779
1988	527	188	715
1989	144	147	291
1990	459	323	782

The information in the above table will now be plotted into a graph to show the evoluation in the debt service payments of cameroon during this period.

Fig. 8: Evolution in the Debt Service Payments of Cameroon (1970-90)



From the graph, it is observed that the principal repayments ranges from a low of $ 8 million in 1970 to a high of $544 million in 1987. The principal repayments has maintained a steady rise from 1970 up to 1975 (although at a fluctuating rate of increase). This is because the interest rates were relatively low during this period. From 1975, the principal repayments has fallen slightly to $34 million (about 5.6 percent) in 1976, and have again risen from 1976, and have again risen from 1976 to 1982 (again at a fluctuating increase rate) but fell to $165 million in 1984 (13.6 percent drop). From the highest point in 1987, the principal repayments have fallen gradually to 1990.

On the other hand, the interest payments has ranged from a low of $ 8 million to a high of $323 million in 1990. Between 1973 and 1976, the interest payments has noticed a constant increase of $5 million each year. The interest payments decreased by 16.7 percent between 1982 and 1983.

On a global scale, the principal repayments of Cameroon have been more than the interest payments along the years. Exceptions are however observed in the years 1977, 1980, 1981 and 1989 where the interest payments have exceeded the principal repayments. It could be that during these years, most of the debt of Cameroon was rescheduled or that the country accumulated amortization in the form of arrears.

4.2.2.2. BALANCE OF PAYMENTS OF CAMEROON

As already defined in chapter two of this study, a balance of

payments refers to the offsetting of foreign exchange earnings with foreign exchange expenditures. It amounts to a national's export net over its imports in the current account section, plus net transfer payments and long and short-term net capital flows. Changes in a country's net foreign exchange reserves, along with long-term and short term capital transfers, usually offset deficits and surpluses registered in current accounts. Thus, capital movements including external borrowing do not finance particular items in the balance of payments. They finance the collective deficits which include the expenditures on interest but also include many items (Freidman 1983).

LDCs are often plagued by social and political instability and frequently have chronic balance of payments deficits. Nevertheless, they will remain strong growth centres for international borrowing and lending. They will pay what lenders will require, despite their domestic adversities, they will try to meet the standards of different creditors, even when they conflict.

Balance of payments accounts are broadly divided between current account operations (which cover goods, services, incomes and unrequited transfers in foreign asset and liabilities), capital account (which include portfolio investment, long-term capital flows and short -term capital flows) and the reserve account, as shown in figure 9 below.

Fig. 9

Aggregate Net Resource Flows (Long-Term) and the Balance of Payments

	Credits	Debits
Current Account	Export of Goods and Nonfactor Services	Imports of Goods a Nonfactor Services
	Export of Factor Services	Import of Factor Services
	Private Unrequired Transfers (by nonresidents)	Private unrequired Transfers (by residents)
	Emmigrant Remittances	
	Private Grants	
	Official Unrequited Transfers (by foreign governments)	Official Unrequited Transfers (by national government)
Capital Account	Portfolio Investment (by nonresidents) (amortization shown as negative)	Foreign Direct Investment (by residents) (disinvestment shown as negative)
	Other Long-Term Capital Inflows (by non residents) (amortization shown as negative	Portfolio Investment (abroad by resident (amortization shown as negative)
	Short - Term Capital Inflow	Other Long-Term Capital Outflow (by resident (amortization shown as negative)
Reserve Account	Net Changes in Reserves	

□ Aggregate Net Resource Flows

▒ Net Resource Flows on Debt (Long-Term)

Source: World Debt Tables Volume I. 1991 - 92. p. i

From the above figure, we noticed that when borrowing and lending across national borders is considered, the process is

described using some different terminology. Revenues become exports and receipts of interest payments from abroad, while expenditures become imports and payments of interest to foreign lenders. The difference between revenues and expenditures so defined became the current account surplus (positive) or deficit (negative). As with any household, a nation's difference between revenue and expenditure during any time period results in borrowing, given a current account deficit or lending given a current account surplus. Borrowing from other nations is labelled capital inflow, while lending or servicing the loans is deemed capital outflow. The difference between capital inflows and capital outflows measures the capital account on net capital flow. If the two accounts do not sum to zero, nations - like households - have only one alternative - they must draw down reserves if the balance is negative, say with capital inflows falling short of a negative current account balance.

From the above analysis, and with guidance from figure 9, we shall present the balance of payments of Cameroon from 1970 to 1990, showing the current account and the capital account balances.

TABLE 42: CAMEROON'S BALANCE OF PAYMENTS ACCOUNTS, 1970–90 (millions of U.S dollars)

ITEM	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
A. CURRENT ACCOUNT																					
EXPORTS OF GOODS AND SERVICES	279.3	294.3	319.9	521.2	533.7	672.3	721.2	979.0	1268.6	1718.0	1827.7	2218.3	2032.6	2258.6	2588.4	2819.0	2897.1	2255.4	2097.0	2166.9	2335.3
. MERCHANDISE, FOB	218.7	235.7	239.3	409.5	443.2	512.0	584.2	809.1	1045.8	1354.1	1418.1	1763.1	1617.1	1828.6	2080.2	2337.0	2292.8	1826.7	1645.1	1807.2	1909.2
. NON–FACTOR SERVICES	56.7	51.7	75.0	108.1	86.8	147.9	133.7	161.8	206.5	351.5	388.6	430.5	402.4	417.3	461.3	461.0	551.5	389.3	406.2	374.1	449.8
. FACTOR SERVICES	3.9	6.9	5.6	3.6	3.7	12.4	3.3	8.1	16.3	12.4	21.0	24.7	13.1	12.7	46.9	21.0	52.8	39.4	45.7	−14.4	−23.7
IMPORTS OF GOODS AND SERVICES	319.4	347.6	417.8	481.5	601.8	848.5	851.2	1103.6	1506.4	1843.8	2226.2	2676.5	2368.6	2311.1	2380.0	2458.0	3441.1	3347.8	2865.8	2287.3	2528.8
. MERCHANDISE, FOB	190.8	223.1	257.6	310.6	389.9	540.3	554.9	719.2	951.5	1270.8	1452.3	1611.4	1285.4	1166.2	1194.7	1088.0	1477.0	1734.0	1484.0	1275.4	1371.5
. NON–FACTOR SERVICES	122.4	114.2	146.4	144.1	175.7	249.4	251.9	335.1	464.5	464.7	589.4	776.5	753.6	737.5	718.9	810.0	1284.7	1072.0	909.8	703.7	758.2
. FACTOR SERVICES	6.2	10.3	13.8	26.8	36.2	58.8	44.4	49.3	90.4	108.3	184.5	288.6	329.6	407.4	466.4	560.0	679.4	541.8	472.0	308.2	399.1
LONG–TERM INTEREST	4.9	6.1	7.1	11.1	13.1	17.2	20.9	31.3	48.3	71.3	119.2	137.3	150.6	139.1	166.1	136.2	188.7	178.4	192.3	114.2	189.8
PRIVATE CURRENT TRANSFERS, NET	−7.2	−7.4	−10.2	−25.6	−19.4	−22.1	−16.7	−1.5	−12.2	−32.7	−79.5	−52.0	−72.8	−78.5	−63.7	−33.0	−66.4	−133.1	−144.4	−83.1	−84.1
. WORKER'S REMITTANCES	–	–	–	–	–	–	–	–	–	3.5	11.0	21.1	17.3	25.6	14.2	1.0	2.0	3.0	3.4	2.7	3.1
CURRENT ACCT BALANCE BEFORE OFFICIAL TRANSFE	−47.3	−60.8	−108.0	−35.9	−37.5	−198.3	−146.7	−126.1	−192.7	−158.4	−478.0	−510.2	−408.8	−130.1	144.6	328.0	−610.4	−1225.5	−913.2	−203.5	−277.6
. NET OFFICIAL TRANSFERS	17.5	16.3	16.4	19.2	20.6	45.8	54.7	33.7	13.3	32.7	82.9	62.6	57.0	75.1	56.5	0.0	0.0	0.0	0.0	0.8	–
CURRENT ACCT BALANCE AFTER OFFICIAL TRANSFER	−29.8	−44.4	−91.6	−16.7	−17.0	−152.5	−92.1	−92.4	−186.4	−125.7	−395.1	−447.6	−351.8	−55.0	201.1	328.0	−610.4	−1225.5	−913.2	−203.5	−277.6
B. CAPITAL ACCOUNT																					
. DIRECT INVESTMENT	16.0	1.7	3.3	−0.7	13.5	25.3	8.2	4.3	33.7	59.9	105.2	30.5	27.6	57.8	92.1	21.0	0.0	31.0	34.0	31.7	33.2
LONG–TERM LOANS	33.1	26.0	69.8	31.1	41.8	104.6	162.6	320.7	281.3	507.5	497.8	328.0	166.9	341.9	210.0	−157.8	84.5	91.6	288.1	580.6	559.7
. DISBURSEMENTS	39.5	35.3	81.2	50.0	60.3	132.3	189.9	357.4	353.3	599.4	611.8	452.6	362.8	508.9	407.3	306.5	509.2	488.4	662.8	768.2	817.0
. REPAYMENTS	6.4	9.3	11.4	18.9	18.5	27.7	27.3	36.7	72.0	91.9	114.0	124.6	195.9	167.0	197.0	464.3	424.7	396.8	374.7	187.6	257.3
OTHER LONG–TERM CAPITAL	−6.7	9.1	−56.0	21.1	−23.2	−70.5	−57.9	−213.8	−193.3	−267.7	12.2	82.5	68.4	−102.0	−228.0	−21.0	0.0	−31.0	−35.1	−90.5	4.7
OTHER CAPITAL, NET	−8.6	7.7	44.6	−44.1	−34.6	75.2	−72.2	−20.9	70.4	−80.0	−74.9	−94.7	37.7	−35.4	−491.5	−131.6	324.9	587.1	574.2	−435.6	−243.5
BALANCE ON CAPITAL ACCOUNT	33.8	44.5	61.6	7.4	−2.5	134.6	40.7	90.3	192.0	199.7	540.3	346.3	300.6	262.3	−417.6	−289.4	409.4	678.7	866.2	86.2	354.2
BALANCE ON A + B	4.0	0.1	−30.0	−9.3	−19.5	−17.9	−51.4	−2.1	5.7	74.1	145.2	−101.3	−51.2	207.3	−216.5	38.6	−201.0	−540.8	−47.0	−117.3	76.5
C. RESERVE ACCOUNT																					
NET CHANGES IN RESERVES	−4.0	−0.1	30.0	9.3	19.5	17.9	51.4	2.2	−5.7	−74.1	−145.2	101.3	51.2	−207.3	216.5	−38.6	201.0	540.8	47.0	117.3	−76.5
BALANCE ON RESERVE ACCOUNT	−4.0	−0.1	30.0	9.3	19.5	17.9	51.4	2.2	−5.7	−74.1	−145.2	101.3	51.2	−207.3	216.5	−38.6	210.0	540.8	47.0	117.3	−76.5

SOURCES: Adopted from the World Tables 1992, P. 160

We noticed from the table that the current account balances of Cameroon from 1970 to 1990 have been negative. This was even aggravated as from the mid - 1980s. Also, in the capital account, the external debt stock of Cameroon was low until the mid 1980s where a sharp increase is noticed. This was due to the collapse in the dollar - dominated price of Cameroon's major export Commodities (oil, Coffee, coca, etc) and the depreciation of the dollar against the CFA Franc exposed major structural weaknesses in the economy of the country and plunged it into a deep recession. Since 1985, Cameroon's current account deficit has worsen because of the terms of trade that have been halved. The current account has gone from a surplus of 4 percent of GDP in fiscal 1985 to a deficit of 7.4 percent in fiscal 1991. The deficit narrowed to its lowest point of 2.2. percent in fiscal 1990 with the sharp increase in coffee and cocoa prices that year. Although the steep decline in coffee and cocoa prices in fiscal 1991 was offset in part by higher oil prices due to the Gulf War, a decline of the current account deficit to 7.4 percent of GDP could not be averted[3]. During this period, the external debt burden increased from 3 percent to 54 percent of GDP in fiscal 1991 and external debt arrears have continued to accumulate.

The balance on the capital account has not been as bad as that of the current account during this period. The capital account balance has been positive or surplus for most of the years during this period because of long term capital inflows (loans and

disbursements) which came in to ameliorate the balance on this account.

Given the serious deficits in the current account of Cameroon during this period, more external debt had to be contacted and debt arrears increased inorder to neutralize this effect on the balance of payments (balance of the current and capital accounts).

Having now analysed the debt-servicing payments (principal and interest) and the balance of payments accounts of Cameroon for the time period, 1970 - 90, it is time for us to measure or estimate the causal relationship that exists between these three variables, ie the balance of payments, the principal repayments and the interest payments using a model.

4.2.2.3. **THEORETICAL SPECIFICATION OF THE MODEL**

We may start this analytical framework on the link between the BOP and the debt service payments, by stating the so called "inheritance rate" of growth of external debt (see United Nations 1985) as:

$$D_t = D_{t-1} (I+i) - (X-M) \ldots\ldots (1)$$

where D is the stock of debt; x is total exports of goods and services; M is total import of goods and services and non-financial service; i represents the interest rate and relevant time - related costs applicable to the stock of debt; and t is the time period.

Equation (1) says that the stock of debt grows at a rate which is equal to interest payments minus part of interest payments that can be financed through an excess of exports over imports. This

excess represents the value of resources transferred abroad. The equation assumes that the other net capital inflows are zero and that there is no change in international reserves (or that any change in international reserves will be financed by other net capital flows).

If we subtract D_{t-1} from both sides of equation (1), we will have:

$$D_t - D_{t-1} = [D_{t-1}(1+i) - (X-M)] - D_{t-1}.$$

$$= D_{t-1} + iD_{t-1} - (X-M) - D_{t-1}$$

$$\text{----->} D_t - D_{t-1} = i D_{t-1} - (X-M) \quad \ldots\ldots(2).$$

Dividing both sides of equation (2) by D_{t-1} gives:

$$(D_t - D_{t-1}) / D_{t-1} = i - (X-M)/D_{t-1}$$

$$\text{----->} \quad S = i - (X-M)/D_{t-1} \ldots\ldots\ldots(3)$$

Where S is the percentage change in the stock of debt. Equation (3) states that the proportionate growth of debt equals the interest rate minus the trade surplus as a fraction of debt. This equation is use to centre attention on the essential elements of debt inheritance problems. If the increase of the stock of debt is independently determined by lenders while applicable interest rates are determined in financial markets quite outside the influence of debtors, the latter have no other option but to act on (X-M), the non - interest current account balance.

This analysis shows that the total debt of an LDC is in no small way linked to the trade balance. When trade is balanced (i.e. X-M=O) debt grows at the interest rate. Thus, the more the trade deficit (ie X - M < 0) of a country, the more its growth rate of debt will increase and vice versa. There exists therefore, a

strong relationship between the growth rate of debt and the trade balance of the current account (Dornbusch and Fischer 1985).

Having shown that the trade balance (current account) has an effect on the total debt, and given that more debt means more debt - servicing (ie debt inheritance and debt - servicing are two sides of the same coin), this implies that debt - servicing will also affect the balance of payments (though the capital account) of an LDC (see Sarkar 1991). Thus, we can rightly assume a linear relationship between the BOP and the debt service payments and other factors such that:

$$BOP = f(Xp, Mp, S, P, E, F \text{ etc}) \ldots\ldots (4)$$

Where Xp = prices of exports of an LDC

Mp = prices of imports of an LDC

S = Total debt - Servicing to creditors.

P = protectionism waged against the export products of LDCs by the industrialised countries.

E = External reserves of the country and

F = Capital flight leaving the LDC officially and illegally into the developed countries.

4.2.2.4 **THE EMPIRICAL MODEL**

We have demonstrated that the BOP deficits of LDCs accrue due to increase in the debt stock to take care of negative current account balances (Friedman 1983). Given that the BOP is a mirror image of changes in the economy which may be caused by internal and external influences (Gankou 1982), by receiving new debt and making

repayments on existing debt, we see a clear link between this account and debt servicing.

Considering that the number of variables to be included in a model depends on the nature of the phenomenon and the purpose of the research (Koutsoyiannis 1990), we have to include explicitly in the BOP function only the important explanatory variables. Bearing in mind the second general objective of this study which seeks to measure the effect of debt - servicing on the BOP of Cameroon, we have here to specify the BOP equation in a way such that variations in the BOP are explained only by variations in the debt - service payments. That is, we assume that the influences of the other variables are taken into consideration by the introduction of the random error term, such that:

$$BOP_t = a_o + a_i DES_t + U_t \ldots\ldots\ldots (5)$$

where BOP_t = the balance of payments

DES = the debt service payments.

ao = intercept term

ai = the regression coefficients (i=1,2).

t = the time period.

From economic theory and the definition ascribed to debt - service payments (DES) in chapter two of this study, we noticed that this variable is composed of two other variables: interest payments (INT) and principal repayments (PRP) on debt; such that we can represent this simply as:

$$DES_t = INT_t + PRP_t \ldots\ldots\ldots (6).$$

If equation (6) is substituted into (5), we have,

$BOP_t = ao + ai\ (INT_t + PRP_t) + U_t$

----> $BOPt = ao + a_1INT_t + a_2PRP_t + U_t$..... (7)

The above equation is based on the assumption that total variation in the BOP of Cameroon depends on quantitative variables as interest payments and principal repayments all else constant.

The constant term, ao, of the equation is expected to be negative and represents the penalty charged by the creditors when there is default (repudiation) in debt servicing. Since the lenders impose a penalty when the borrower defaults in debt servicing which exerts a negative pressure on the BOP of the debtor country.

The coefficients of regression, a_1 and a_2 represent the propensities to service the interest and principal respectively. These coefficients are expected to have negative signs.

4.2.2.5. **THE EMPIRICAL RESULTS AND INTERPRETATIONS**

The empirical results (obtained from running data in Table A-2 of the appendices) are presented in Table 43 below.

Table 43 The Regression Results of the BOP - Debt Service Model

LS// Dependent variable: BOPt

Sample Range: 1970 - 90

Number of observations: 21.

VARIABLE	COEFFICIENT	STANDARD ERROR	T - STAT
INTt	0.8053	0.6447	1.2492
PRPt	- 0.7451	0.3274	- 2.2760
Constant	- 9.1634	49.5350	- 0.1849

R - squared: 0.275

Standard Error of regression 136,3165 F- statistic 3.4095

Durbin - Watson stat: 2.9936

Note: All the coefficients and statistics are statistically significant at the 5 percent level.

From the table we see that the estimated equation is:

$$BOPt = \underset{(-0.1849)}{-9.16} + \underset{(-1.2492)}{0.81INTt} - \underset{(-2.2760)}{0.74\ PRPt}$$

This equation states that there exists a positive relationship between the balance of payments and the interest payments, while a negative relationship exists between the BOP and the principal repayments (amortization). This means that an increase of one unit in interest payments meant a corresponding increase of 0.81 units in the BOP, such that $d(BOP_t)/d(INT_t) = 0.81$. On the other hand, when the principal repayments increased by one unit, the BOP dropped by 0.75 units such that $d(BOP_t)/d\ (PRPt) = -0.75$.

This results partially confirm the second principal hypothesis of this study, which posits an inverse relationship between the BOP and debt servicing. From our empirical evidence, we noticed an inverse relationship only between BOP and principal repayments. This is somehow normal, since interest payments is a necessary condition for further lending to Cameroon and other LDCs. But principal is repaid by inheriting other debt. Also when the interest on the principal is not paid, creditors drag their heels

on providing new loans, thus causing a deficit in the balance of payments (through the capital account). Furthermore, more export goods are used in servicing principal than interest on debt, therefore causing a decline in the unit value of exports (as seen in the first model above) of the country, thus reducing the foreign earnings and aggravating the BOP deficits.

The constant term, a_0 has a negative value of 9.16 million dollars. This means that during this time-period, when debt service payments assumed a value of zero (ie there is default in the payments of both principal and interest) the creditors charged a penalty (commission) of 9. 16 millionUS dollars which reduced the balance of payments of the country by this magnitude.

The coefficient of determination (R^2) is 0.275. This implies that the explanatory variables account for about 28 percent of the variation in the balance of payments, while the remaining 62 percent of the variation is explained by other factors not incorporated into the model. Albeit with a low value, R^2 is statistically significant at the 5 percent level. This low value is explained by the fact that the data used in estimating the model (see Table A-2 of appendices) came from different sources which also carry some margin of error.

The Durbin - Watson statistic of 2.99 implies that there is a negative first order correlation in the model[4].

After examining the relationship between the debt burden and the unit value of exports and the balance of payments of Cameroon, we will now concentrate our attention in the next section to

analyze the impact of external debt on growth and development variables - such as Gross Domestic Investment (GDI) and the Gross Domestic Savings of Cameroon

4.3. EXTERNAL DEBT, GROSS DOMESTIC INVESTMENT AND GROSS DOMESTIC SAVINGS OF CAMEROON

Analysis in chapter three of this study show that Cameroon is experiencing a debt crisis. The question at this point to ask is, if the borrowed funds were judiciously employed, why should there be a debt crisis? In order to answer this question, it is imperative for one to measure the link between the total external debt and the gross domestic investment as well as the gross domestic savings.

Foreign capital allows a country to invest more than it could if it uses only national savings. In the early stages of a country's development, when its stock of capital is small, returns to investment are generally higher than even the industrial countries. This is the basic economic justification for developing countries to obtain capital from abroad[5]. The accumulation of real physical capital stock has long been regarded as one of the major factors in economic development. In an open economy, domestic savings is supplemented by many kinds of external assistance (Thirwall 1978, p. 293)

Thus the borrowing of foreign funds (external savings) to supplement low domestic savings and in turn put in place investment projects by a developing country is but normal. But the dichotomy or dilemma of development and under- development comes in when one

looks at the relationship between the borrowed funds and growth variables in most LDCs. That is, are the borrowed funds leading to increase or improvement in the domestic savings of these countries, which in turn should be transformed into investment (filling the resource gap) in order to do away with under-development and bring about development as proposed by development models - such as the Harrod - Domar?[6]

4.3.1. THE GROSS DOMESTIC INVESTMENT AND THE TOTAL EXTERNAL DEBT OF CAMEROON

Before we establish the link between these variables it is worthwhile to analyse the evolutions in each of them over the years.

4.3.1.1. TOTAL EXTERNAL DEBT

As already defined in chapter two above, total external debt in concise terms is the outstanding and disbursed loans drawn at year end, net of principal repayments and write-offs. The total external debt of Cameroon is constituted mainly of outstanding debt, as can be seen in Table 44 below.

Table 44. Cameroon's Debt Outstanding by Lending Source 1970-90 (millions of U.S. dollars)

Year (19...)	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90
Source of Lending																					
IBRD	3	8	14	23	29	50	58	72	102	130	152	167	182	218	208	287	401	545	508	572	651
IDA	9	11	18	30	34	50	68	88	108	127	146	173	205	216	222	227	231	239	240	239	238
Other Multilateral	8	16	27	32	37	41	41	55	90	114	124	136	132	133	134	177	234	305	293	295	394
Bilateral	99	114	105	125	143	151	180	322	435	651	759	820	817	783	749	880	---	---	--	---	---
Suppliers	10	12	14	10	8	9	17	134	157	163	141	126	116	97	82	102	127	151	134	4	4
Commercial Banks	0	0	0	0	10	9	40	46	75	94	118	107	52	39	31	27	21	18	182	248	317
Bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Buyers Credits	2	2	17	17	15	16	112	143	199	374	566	481	419	357	274	303	335	340	395	514	676
DAC Concessional	89	103	83	100	113	120	139	208	269	357	382	391	406	380	379	477	581	604	590	760	946
DAC Non-concessional	9	10	21	23	28	25	27	46	57	140	203	272	266	253	242	281	349	455	474	994	---
CPE Concessional	2	2	2	2	1	1	2	4	4	3	3	0	0	0	0	0	0	0	0	0	0
CPE Non-Concessional	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OPEC Concessional	0	0	0	0	0	6	9	23	29	49	71	70	66	74	75	75	74	77	73	72	69
OPEC Non-Concessional	0	0	0	0	0	0	2	2	2	2	1	1	1	1	0	0	0	0	0	0	0
Other Bi. Concessional	0	0	0	0	0	0	0	40	74	100	98	86	78	76	54	47	40	40	40	32	40
Other Bi.Non-Concessional		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25	68
WB Group Concessional	10	13	23	38	44	64	82	103	125	147	170	201	235	247	251	259	265	274	272	268	267
WB Group Non-Concessional	2	5	9	16	18	36	43	57	85	110	128	139	151	186	179	255	368	510	477	543	623
Other Mult. Concessional	3	6	14	17	21	25	25	39	53	67	65	75	69	74	61	68	80	91	83	93	100
Other Mult. Non-Concessional	5	10	13	15	16	17	15	17	37	46	59	61	63	59	72	109	154	213	209	202	294
Total Concessional	104	124	121	156	180	216	258	417	553	724	789	824	853	851	820	925	---	---	---	---	---
Variable Interest Rate	0	0	0	0	10	9	56	65	86	187	321	263	175	126	99	105	117	165	275	492	632
TOTAL	355	436	481	604	707	890	1174	1881	2540	3585	4996	4393	4286	4170	4140	4604	3377	5109	4191	5353	5319

SOURCE: World Bank Resident Mission - Yaounde, Cameroon, 1993.

Note: --- means datum does not exist.

From the table, outstanding debt has increased steadily from 1970 and 1978 and 1990. The total external debt of Cameroon, its growth rate and its relationship to the population can however be examined in Table 45 below.

Table 45: Total External Debt, its Growth rate and per capita External Debt

	Total External Debt (millions of $) (a)	Growth rate of external debt (%) (b)	Population of Cameroon (in 1000) (c)	Per capita external debt (millions of $) (d)
1970	140.4	---	6,506	21.58
1971	174.1	24.00	6,667	26.11
1972	215.5	23.78	6,840	31.06
1973	259.0	20.19	7,026	36.86
1974	316.3	22.22	7,226	43.77
1975	420.1	32.82	7,439	56,47
1976	590.7	40.61	7.670	77.01
1977	1056.8	78.91	7,912	133.57
1978	1478.2	39.88	8.165	181.04
1979	2116.7	43.19	8,429	251.12
1980	2512.7	18.71	8,701	288.78
1981	2548.3	1.42	8.982	287.7
1982	2716.7	6.61	9,565	293.06
1983	2738.9	0.82	9,565	286.35
1984	2721.6	-0.63	9,864	275.91
1985	2939.9	8.02	10,166	289.19
1986	3709.8	26.19	10,471	354.29
1987	4039.0	8.89	10,780	374.68
1988	4227.6	4.47	11,093	381.11

Table 45 (continued).

1989	4785.9	13.21	11,413	419.38
1990	6023.4	25.86	11,739	513.08

Source: (a) and (c) - Adopted from the World Tables 1992 pages 162 and 18 respectively.
(b) and (d) Calculated from columns 1 and 3.

From the table, we see that the total external debt of Cameroon has stubbornly maintained a steady increase from 1970 to 1990. Column 2 of the table measures the growth rate of the external debt of Cameroon. From 1970 the external debt growth rate has increased steadily to reach a high of 78.91 percent in 1977. From 1972 up to 1980, the growth rate was very high. This was due to the first exploitation of oil from 1979 onwards that led to a boomy economy based on oil revenues that caused more borrowing from abroad. Since then, it has fallen gradually to reach a low of minus (-) 0.63 percent in 1984 and started rising again up to 1990.

Column 4 of the table, measures the per capita external debt of Cameroon. In contrast with total external debt, the per capita external debt is a measure that suggests the magnitude of the task if the government was to tax each member of its population by an equal sum to pay off its entire foreign debt. This index for Cameroon has increased from 1970 to 1990, eventhough at an irregular trend, while on the other hand the per Capita Gross National Income of the country has been falling since the late 1980s. The index of the per capita external debt, although ignores distributional considerations as well as the age composition of the population, in a crude way, it describes the mean debt burden faced by a nation. Thus, if one considers this argument, it will be

noticed that Cameroon is experiencing a debt crisis, more especially when compared to the per Capita Gross National income?[7]

Having examined the total debt stock of Cameroon, it will now be of interest to see how these borrowed funds have been employed within these years i.e. looking at the Gross Domestic Investment (GDI) of Cameroon.

4.3.1.2. **THE GROSS DOMESTIC INVESTMENT (GDI) OF CAMEROON**

As already defined above, GDI can be briefly described as the sum of domestic fixed investment and the variation in stocks carried out by the government, nationals and non nationals of a country. According to the World Development Report for 1985, the developing countries on a whole used borrowed funds productively during the 1970s. The Report adds further that during that decade, the middle - income countries which include the largest borrowers from private markets among the LDCs, performed far better than the matured industrial countries. Their Gross Domestic Investment (GDI) rose by an annual average of 7.8 percent, up from an average of 7.5 percent in the 1960.

Since Cameroon, according to the World Bank classification is a middle income country[8], we shall examined its gross domestic investment during the 1970s and up to 1990 to see if this confirms with the ideas expressed by the World Bank Report for 1985. Since nothing is as worrisome as the fact that the GDI of a debtor country declines when compared to its GDP. We shall in table 46 below try to examine the GDI of cameroon, its growth rate and the GDI as a percentage of GDP.

Table 46. GDI, Its Growth rate and its ratio to the GDP.

Year	Gross Domestic Investment (in million of dollars)	Growth rate of GDI (%)	GDP (in million of dollars)	GDI as % of GDP
1970	520.5	-	3253.1	16.0
1971	666.7	28.09	4016.3	16.6
1972	684.0	2.59	3758.2	18.2
1973	772.9	12.99	3883.9	19.9
1974	722.6	-6.51	4225.7	17.6
1975	818.3	13.24	4091.5	20.0
1976	767.0	-6.27	4357.9	17.6
1977	1028.6	34.11	4718.3	21.8
1978	1551.4	50.83	6834.4	22.7
1979	1432.9	-7.62	6603.2	21.7
1980	1653.2	15.37	8747.1	18.9
1981	2335.3	15.37	8747.1	18.9
1982	2317.5	-0.76	9903.8	23.7
1983	2486.9	6.53	9987.3	24.4
1984	2367.4	4.81	11381.7	20.8
1985	2541.5	7.35	10206.8	24.9
1986	4083.7	60.68	13258.8	30.8
1987	3018.4	-26.09	12524.5	24.1
1988	1774.9	-41.20	11305.1	15.7
1989	1369.6	-22.84	7403.2	18.5
1990	1173.9	-14.29	7114.5	16.5

Source: Adopted and calculated from the World Tables, 1992

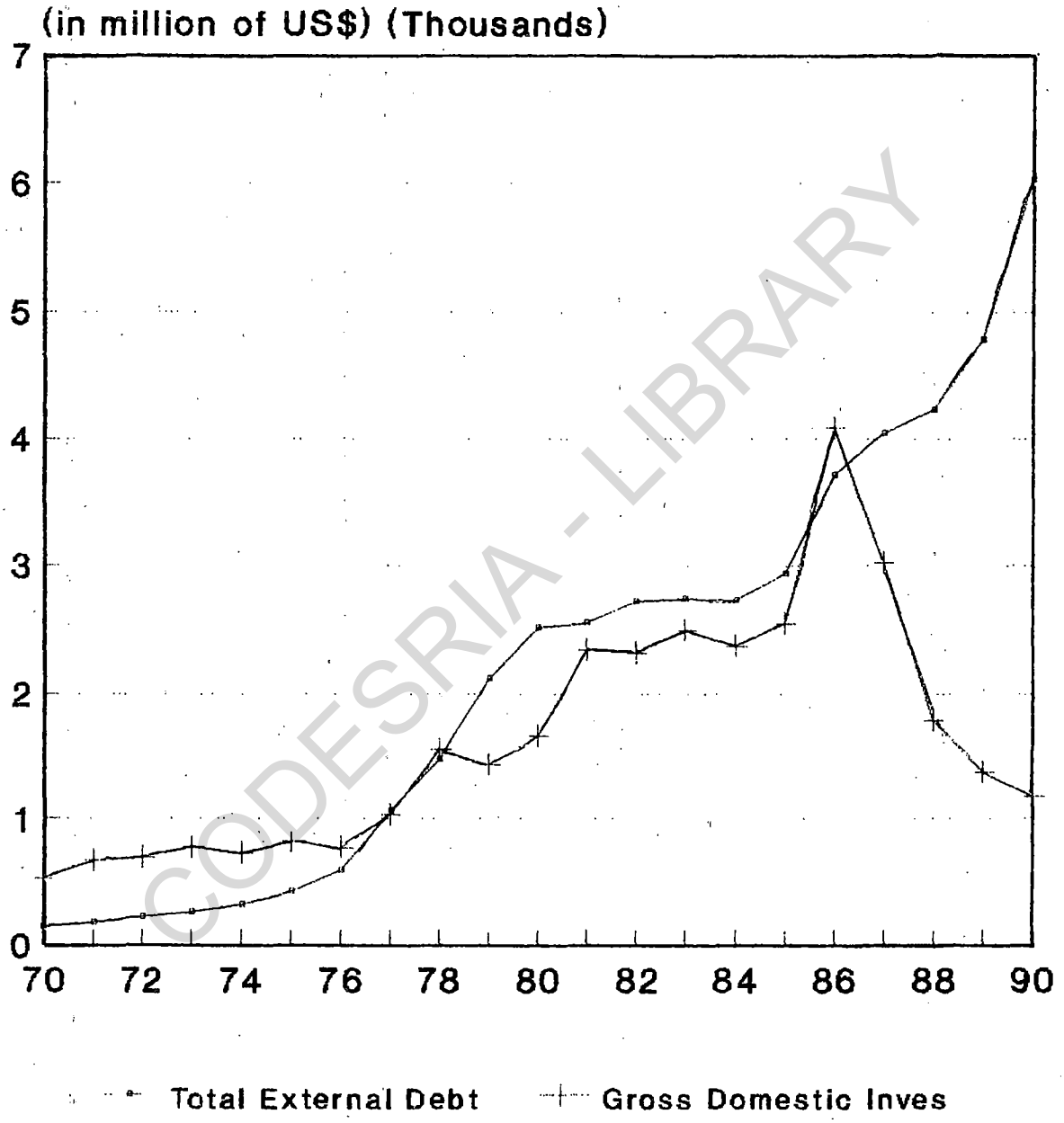
From the table, the Gross Domestic Investment (GDI) of Cameroon has straggerly increased from 1970 up to 1986. During this period the growth rate of GDI has increased eventhough with negative growth rates registered in some years such as 1974 (it may

be due to the world food crisis), 1976, 1979, 1982, 1987, 1988, 1989 and 1990. Between 1986 and 1990, GDI has reduced considerably eventhough at a decreasing rate too, and the growth rate of GDI has fallen in the negative zone. This can obviously be explained by the economic crisis, increased debt-servicing payments, fall in the foreign direct investment, etc.

The GDI as a percentage of GDP of Cameroon (i.e. column 5 of the table) has almost maintained the same trend movements as the growth rate of GDI. This means that GDI did not add anything substantial to the GDP of the country.

The graph showing the evolutions of the GDI and total debt are presented in the figure 10 below.

Fig. 10: Evolution in Total External Debt and Gross Domestic Investment of Cameroon (1970-90)



The GDI has increased from 1970 to 1986 and during this period external debt too increased steadily. From 1987 upwards the trends of both variables changed. While external debt was on a sharp increase, gross domestic investment on the contrary was on the decrease as can be seen on the graph. The reason behind these changes is due to nothing other than the economic crisis which caused both the public and private sectors to contrast investment and the government to incur more external debt.

As it is one of the general objectives of this study to analyze this trend in gross domestic investment and the total external debt of Cameroon, this will be done by studying the causal relationship that exists between these variables.

4.3.1.3 **THE CAUSAL RELATIONSHIP BETWEEN THE EXTERNAL DEBT AND THE GDI**

To study the causal relationships between these variables, we will establish a regression model which makes the liaison between them. We begin by developing or specifying the theorical model.

4.3.1.3.1. **THE THEORETICAL SPECIFICATION OF THE MODEL**

The external performance and domestic growth have two linkages: One is the link between the sustained growth and imports, especially of capital equipment; the second is that between export earnings, increased debt, debt servicing and import availability (Cline, 1985). Thus, the dependency rate of a developing country on the external world is measured by many factors. Some of these factors according to Cohen (1993) include:

the level of imports; level of exports; and level of foreign aid (which in this case is external debt). Such that we can put it as: D = f(M, X, E etc). Where D is the dependency rate, M is the level of imports, X is the level of exports and E is the level of external debt. Given that every LDC, depends on the external world to achieve economic development, the above factors which explain the rate of dependency, equally explain the economic performance of a country like: the Gross Domestic Investment (GDI); gross domestic product (GDP); level of debt - servicing (DOS), etc.

We can represent these variables in a set of equations following Adeyinka and Ubogu (1984)[9] as follows:

$$GDI_t = A_o + A_1 EoX_t + A_2 MDP_t + A_3DoT_t \text{ ---- (1)}$$

$$DGI_t = A_o + A_1 MoP_t + A_2 EOX_t + A_3DOS_t \text{ --- (2)}$$

$$GDP_t = A_o + A_1 MoP_t + A_2 EOX_t + A_3DoT_t \text{ --- (3)}$$

$$GDP_t = A_o + A_o MoP_t + A_2 EOX_t + A_3FoK_t \text{ --- (4)}$$

Where GDI = Gross Domestic Investment,

GDP = Gross Domestic Product,

EoX = Level of exports,

Mop = level of imports,

DoT = Total external Debt

DoS = Debt - service payments.

FoK = Foreign Capital

Ao, A_1, and A_2 = parameters.

The objective of the above regression equations is to determine whether overtime, the economic dependence of an LDC on the capitalist world had contributed significantly to its under

development.

4.3.1.3.2 **THE EMPIRICAL MODEL**

One of these variables of economic performance which, associated with the dependency variables, directly affects the very essence of this study is equation (1) which is:

$$GDI_t = A_0 + A_1 EoX_t + A_2 MoP_t + A_3 DoT_t.$$

Given that some of the variables incorporated into this model are beyond the control of the Cameroon government, we shall exclude them from the model. These are variables such as the level of imports and the level of exports, whose prices are determined abroad (i.e. they are exogenous policy variables). Thus, the only endogenous policy variable in the above equation is the level of total external Debt (DoT). This is because, it is the government of Cameroon who decides how much to borrow from abroad at any given moment, depending on the resource gap of the economy needed to ensure domestic investment. We would therefore eliminate the level of exports and imports from the above equation and narrow it down to have

$$GDI_t = B_0 + B_1 DoT_t + U_t.$$

In terms of this equation, we now have only one explanatory variable: GDI = F(DOT), which expresses gross domestic investment as a function of the total external debt. Thus, the GDI of Cameroon has now been specified to depend solely on DOT. The intercept term (B_0) of the equation represents the autonomous investment and is expected to have a positive value. The meaning of this positive constant is that even when external debt is zero,

GDI will assume some value which is greater than zero. The coefficient of regression (B_1) is the growth rate of the GDI. Its sign can not be predetermined.

4.3.1.3.3. **THE EMPIRICAL RESULTS AND INTERPRETATIONS**

The empirical results are presented in the Tables below i.e. 1970-80 and 1981-90 respectively.

Table 47 Regression Results of GDI - DoT Model, 1970 - 80

LS// Dependent variable: GDI

Sample Range 1970-80

Number of observations 11

VARIABLE	COEFFICIENT	STANDARD ERROR	T-STAT.
DOT	2.0297	0.2098	9.676
CONSTANT	-1115.5292	217.3616	- 5.1321

R - Squared	0.913	F-Statistic	93.63044
Standard Error of Regression			262.1876
Durbin - Watson Statistic:			2.2398

N.B. All the statistics and coefficient are significant at the 5 percent level.

From the table, the estimated equation is

$$GDI_t = - 1115.53 + 2.03\ DOT_t^{10}$$

$$(-5.1321) \quad (9.676)$$

for the period 1970 - 80. This means that a positive relationship existed between the gross domestic investment and the total external debt. This means that more debt during this period meant

more investment. In fact, this empirical results confirm the view of the World Bank development Report for 1985, which states that borrowed funds were judiciously and assiduously used for productive investment during the 1970s.

The high value of R^2 of 0.912 during this time period implies that about 91 percent of the variation in gross domestic investment in Cameroon between 1970 and 1980 were explained by variations in total external debt. The Durbin - Watson Statistic of 2.24 means that there is negative first order correlation.

The results of the relationship between these two variables is presented in Table 48, between 1981 and 1990.

Table 48: Regression Results of GDI - DoT Model, 1981 - 1990

LS// Dependent Variable: GDI

Sample Range: 1981 - 90

Number of observations: 10

VARIABLE	COEFFICIENT	STANDARD ERROR	T-STAT.
DOT	- 0.5119	0.4320	- 1.1849
Constant	4711.2757	1042.0373	4.5212

R- Square: 0.1350

Standard Error of Regression: 1111.713 F - Statistic: 1.4040

Durbin - Watson Stat: 03939

From the table the estimated equation for the time - period,

1981 - 90 is $GDI_t = 4711.28 - 051\ DOT_t$

(4.5212) (-1.1849)

This shows that a negative relationship existed between the GDI and DOT of Cameroon between 1981 and 1990. This relationship is statistically significant at the 5 percent level. This means that the total external debt during the period 1981 - 90 has been used for other purposes (probably for consumption) rather than for productive investment projects (see the data in Table A-3 of the Appendices). Thus, the debt burden (debt service/export ratio, debt/GNP ratio) will really constitute a transfer burden to the future generations of this country as the high debt value will need more domestic resources in servicing it.

In fact, this result confirms one of the principal hypothesis of this study which states a negative relationship between the gross domestic investment and the total external debt of Cameroon. The empirical results also confirm to the works of: Chinweizu (1985), Cohen (1993), Sachs (1989) etc who also found a negative correlation between the borrowed funds and the domestic investment. Notable among these works is that of Cohen (1993) who used regression analysis with a sample of 81 developing countries (including Cameroon) to demonstrate a negative correlation between these variables. In fact, in the LDC debt literature, this negative correlation between debt and investment has been known as a "debt-overhang" problem (Sachs, 1989). Debt is akin to a tax on the domestic economy, and too much of it may create a "debt Laffer Curve" problem (Paul Krugman 1988).

Most empirical analysis attempting to show this negative influence of debt on investment hinges on a comparison between the investment rates that prevailed in the 1970's and those that prevailed after the 1982 debt crisis. Such comparisons are not well taken, however, to the extent that they overlook the formidable change of regimes which look place between these two periods.

Infact, the relationship between debt and investment of Cameroon during the time period 1970 - 90 is quite disturbing. This is first because during the 1970-80 time-period where we have empirically found a positive correlation, between debt and investment, the investment projects put in place were not productive and were not oriented to satisfy the needs of the people. These included: the construction of large conference centres, building of roads and bridges to unresourceful regions of the country and even the abandonment of uncompleted projects. Secondly, during the 1980 - 90 time period, the relationship has been negative, observing a period of economic crisis and excess capital flight.

After examining the correlation between debt and investment, it will be pertinent also that we analyze the relationship between external savings (foreign debt) and domestic savings which should have been transformed into investment.

4.3.2. THE RELATIONSHIP BETWEEN THE EXTERNAL SAVINGS AND THE GROSS DOMESTIC SAVINGS.

The question to be answered by this section is, if there

exists a negative correlation between debt and investment, what is the correlation between debt and domestic savings, (since investment and savings are the heads and tails of the same coin in an economy?) We examined this question using a multiple regression model, which we first of all specified.

4.3.2.1. **THE EMPIRICAL MODEL**

The economic literature has given considerable attention to the depressive effect that external savings can exert on the formation of domestic savings. There exists several econometric studies such as Pfetterman (1982) and Cáceres R. Luis (1985) on the substantive character of external savings (external indebtedness) in relation to internal savings.

In some Latin American Countries Pfetterman (1982) found a link between declining saving ratios and subsequent problems to meet the service of the external debt. Pfetterman (1982) assumed that a better mobilization of domestic savings would have diminished the spiral of external indebtedness that took place at the end of the 1970s. However, maintaining those high internal saving ratios would have required maintaining favourable export prices, which was beyond the Scope of national policies.

The empirical framework to be adopted here will follow that of Cácéres Luis (1985). Where in, countries faced with declining saving ratios since 1977, made efforts to maintain their high investment rate which rebounded in an accelerated rate use of external financing in such a way that, since 1981 when the economic recession set in, some countries have encountered serious

difficulties to service their debt obligations, which have grown significantly. The question that emerged was whether the significant increase in external indebtedness incured by the central American countries (Guetemala, El Salvador, Honduras, Nicaragua, Costa Rica) could have been diminished or prevented if the high saving ratios prevailing in 1976/78 had been maintained? To answer this questions, he used the regression equation:

$$S_t = B_o + B_1 Y_t + B_2 F_t + U_t.$$

Where S = Gross domestic Savings,

Y = Gross domestic product

F = the external savings (external debt)

Bo = constant term

B_1 and B_2 = the regression coefficients

U = the stochastic error term.

The equation defines the gross domestic savings (S_t) as being influenced by two explanatory variables; the gross domestic product (Y_t) and the external savings or external debt (F_t). The coefficients of regression, (B_1 and B_2), are expected to have positive and negative signs respectively. Where B_1 is the marginal propensity to save out of income and B_2 is the marginal propensity to dissave out of external savings where $0 \leq B1 \leq 1$ and $-1 \leq B2 \leq 0$.

4.3.2.2. **EMPIRICAL RESULTS AND INTERPRETATIONS**

The table below summarizes the results of the model

Table 49, Regression Results of the Savings - Debt Model"

LS// Dependent Variable: St.

Sample Range: 1970 - 90

Number of observations: 21

VARIABLE	COEFFICIENT	STANDARD ERROR	T-STATISTIC
Y_t	0.3828	0.0999	3.8301
F_t	-0.2914	0.2433	- 1.1976
Constant	-102.1240	73.4073	- 1.3912

R - Squared: 0.8286 F- Statistic: 43.5201

Standard Error of regression: 184.8706

Durbin - Watson Stat: 0.9231

From table 49, we can establish the estimated equation of the model as:

$$St = \underset{(-1.3912)}{102.1240} + \underset{(3.8301)}{0.38}\ Yt - \underset{(-1.1976)}{0.29}\ Ft$$

This equation shows that there existed a negative relationship between external savings and domestic savings between 1970 and 1990. This implies that external savings exerted a negative impact on internal savings of Cameroon and this relationship is statistically significant at the 5 percent level. The coefficient of regression of external savings of - 0.29, signifies the marginal propensity to disave out of external savings. This effect presents the possibility of a vicious cycle of external savings/national savings so that, in order to maintain her investment ratios, Cameroon resorts to a greater use of external savings, thus diminishing even more the generation of domestic savings.

The high value of the coefficient of determination, R^2, of 0.829 implies that the data fits very well into the model and that about 83 percent of the domestic savings are explained by the explanatory variables. The Durbin - Watson statistic of 0.9231 means there is positive first order correlation in the error term of the model.

The results of this model confirms our fourth and last principal hypothesis in this study. The negative correlation between external savings and domestic savings was also found by Cáceres Luis (1985) when he carried out a study on some Central American Countries (Guetemala, El Salvador, Nicaragua Costa Rica and Honduras). This means foreign debt instead helps in discouraging domestic savings, thus widening the resource gap of LDCs, which in turn discourages domestic investment.

4.4. SOME CONCLUDING REMARKS

Judging from the results of these models in this chapter, the main conclusions to be drawn are that:

1) The theory of external debt is a privileged means of financing accumulation in the LDCs.
2) External debt comes in to fill the gap between the development needs and the insufficient domestic resources, and its insertion into the growth process is such that disfavours economic growth in the LDCs and,
3) The optimism of the theory of economic development is contradicted by the structural evolution of indebtedness. This implies that, there is a fundamental difference

between the theoretical status or framework of debt and the empirical facts.

NOTES

1. Debt Burden here is conceived to Mean only the debt/GNP ratio and the debt service payments.

2. See Table A-1 of the Appendices for the data used in running this model.

3. See Trends in Developing Economics 1992. p. 86, for more on this.

4. For more on the Durbin - Watson test, see, OLAYEMI and OLAYIDE. Elements of applied Econometics 1981. pp 188 - 90

5. See, The World Bank Development Report for 1985, p. 47, for more on this.

6. See the development of the Harrod - Domar model on the notes of chapter one of this study.

7. The other major debt indicators will be examined in details in chapter five below.

8. Middle - Income countries are those in which 1991 GNP per capita was more than $635 and less than $7,910 and low - income countries are those in which GNP per capita was not more than $635. For more on this, see the World Debt tables 1992-93. Volume I, p. 154.

9. For more on this see, Adeyinka and Ubogy E. Trade and Development in Economic community of West African States (ECOWAS) 1984, pp. 355 - 37

10. The data used in running this model for the two periods, 1970-80 and 1981 - 90 are presented in Table A-3 of the Appendices

11. See the data used in running this model on table A-4 of the Appendices

CHAPTER FIVE

THE CREDITWORTHINESS AND THE COSTS OF CAMEROON'S EXTERNAL DEBT

5.1. INTRODUCTION

Having analysed the impact of external debt and its servicing on some macro-economic variables - such as the balance of payments, unit value of exports, gross domestic investment and savings, it is time for one to analyze the creditwothiness and costs of external debt of Cameroon in this chapter.

Since LDCs will remain strong growth centres for International borrowing and lending, they will pay what the lenders will require. Despite their domestic adversities, they will try to meet the standards of different lenders, even when they conflict. The developing countries will try to honour their obligations and not to loss access to these lenders. They will prefer less costly or concessional sources of funds to the extent available. From time to time, they will loss their creditworthiness and not be able to finance net inflow of resources. This condition will be temporary to a country that introduces new debt management methods. Thus, the size of servicing requirements and management of the external debt are usually important elements in the general assessment of balance of payments outlook and responses. But they emerge as difficulties only after the country is losing its external creditworthiness.

5.2. MEASUREMENT OF CAMEROON'S EXTERNAL CREDITWORTHINESS

The creditworthiness of a country is defined simply as the ability of the country to borrow from abroad (Bekolo,1985). This is often in function of how the country meets all international payments, not only debt servicing. A country that is falling behind in meeting payments to foreign suppliers can loss its creditworthiness with bank lenders even when it is fully and promptly servicing its debt to such lenders. In judging the creditworthiness of a country, lenders to LDCs are also influenced by whether the country has resorted to debt negotiation to meet external payment difficulties and if so when and how often, as well as why the difficulties occured. That is when its total inflows are inadequate for total payment.

In this context, the question is whether it is possible to devise single or composite statistical indicators which would signal imminent or approaching external debt difficulties. Every one involved would like to have a single, reliable system of early warning of difficulties, eventhough this is still short of debt. Some relevant statistics are available such as the current account position in the balance of payments, investment, savings etc, which have already been discussed in the chapters above on Cameroon. But much of the relevant statistics like the debt-export ratio, debt - GNP ratio, relationship between the capital - output ratio and the interest rates on loans etc, will be discussed in this section.

5.2.1. CAPITAL - OUTPUT RATIO AND THE INTEREST RATE ON LOANS

As has already been noted above, the borrowed funds of Cameroon that found their way into investment, rather than facing higher current consumption or capital flight were not used efficiently to increase output. Even if one concludes that LDCs as a whole use a large portion of their external funding for investment in the 1970s (World Bank 1985), the question is either whether the efficiency of this investment remains low, in part due to inherent difficulties in measuring the productivity of investment. Diaz - Alejandra (1984) argued that some but not all, LDC debtors suffered from a deterioration in investment productivity after 1973. Using gross domestic investment and GNP data in Table 50 below, we can compute the marginal capital - output ratios to obtain rough indices of the productivity of investment (Cuddington John, 1990) of Cameroon between 1970 and 1990.

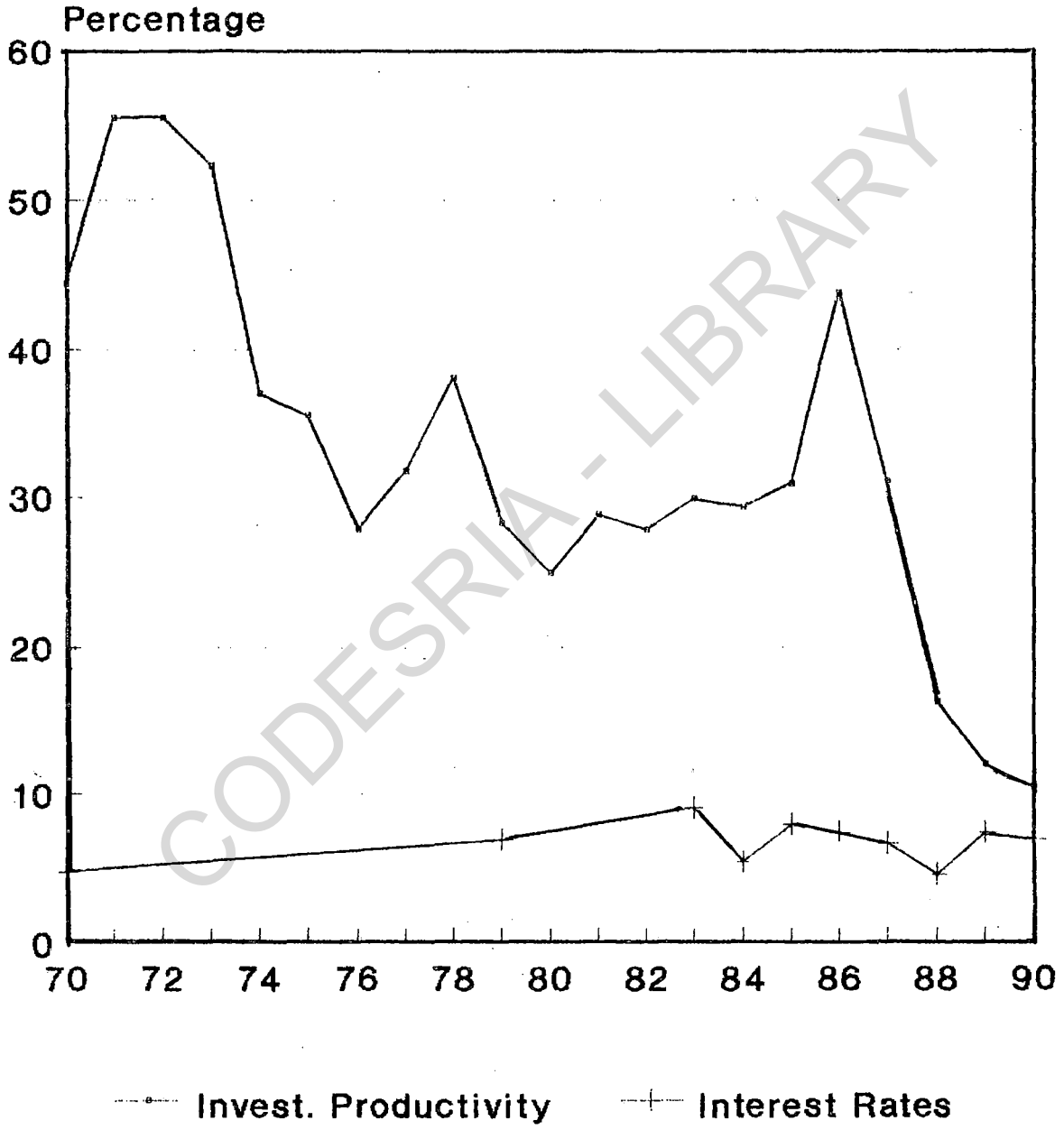
Table 50. Cameroon's Marginal Capital - Output Ratio (1970-90)

Year	Gross Domesti Investment (in million of Dollars) (1)	Gross National product (in millions of dollars) (2)	Investment productivity (percentage) (3)	Interest Rates (percentage) (4)
1970	520.5	1171.1	44.4	4.7
1971	666.7	1200.0	55.5	n .a
1972	684.0	1231.2	55.5	n.a
1973	772.9	1475.5	52.3	n.a
1974	722.6	1951.0	37.0	n.a
1975	818.3	2306.1	35.5	n.a
1976	767.0	2761.2	27.8	n.a
1977	1028.6	3243.9	31.7	n.a
1978	1551.4	4083.5	38.0	n.a
1979	1432.9	5057.4	28.3	6.9
1980	1653.2	6612.8	25.0	n.a
1981	2335.3	8083.8	28.9	n.a
1982	2317.5	8343.0	27.8	n.a
1983	2486.9	8321.6	29.9	9.0
1984	2367.4	8088.5	29.3	5.4
1985	2541.5	8234.5	30.9	7.9
1986	4083.7	9319.2	43.8	7.3
1987	3083.7	9319.2	31.1	6.6
1988	1774.9	9917.6	16.2	4.5
1989	1369.6	10982.1	17.9	7.3
1990	1173.9	11527.1	10.4	6.9

Sources: (3) Calculated as a percentage of (1) over (2)
(4) Adopted from the World Debt Tables 1992-3 Vol. II.
Note: n.a = not available

From the table, it is revealed that in most of the years, the interest rates on the loans were far Lesser than the productivity of investment. Thus, judging from this criterion, as a measure of creditworthiness, we can conclude that Cameroon's ability to service its debt was in danger, as could be seen on the graph below.

Fig.11: Evolution of Investment Productivity and the Interest rates of Cameroon (1970-90)



From the graph, it could be seen that interest rates on the loans of Cameroon from all sources between 1970 and 1990 were far less than the investment productivity of the country, which these loans constituted part. As the years passed by, the investment productivity reduced and almost approached the interest rates.

5.2.2. **THE SIMONSEN'S RULE**

Another criterion to measure the ability of a country to service its debt stock is the Simonsen's Rule. Mario Simonsen, a one - time planning Minister in Brazil, did propose that the growth rate of a nation's exports ought to exceed the interest rate at which it can currently borrow[1]. According to Simonsen, if this situation does not exist, a country with a significant prior debt accumulation is liable to run into trouble. We have used this index in the case of Cameroon by examining the figures in table 51.

Table 51. The Simonsen's Criterion and Cameroon.

Year	Growth Rate of Exports (%) (A)	Interest Rates on loans (%) (B)	Simonsen's Index (A - B)
1970	- 1.1.	4.7	- 5.8
1980	5.8	6.9	-1.1
1983	N.A	N.A	N.A
1984	N.A	N.A	N.A
1985	-14.5	7.9	-22.4
1986	39.4	7.3	32.1
1987	4.2	6.6	-2.4
1988	1.0	4.5	-3.5
1989	26.1	7.3	18.8
1990	-10.9	6.9	-17.8

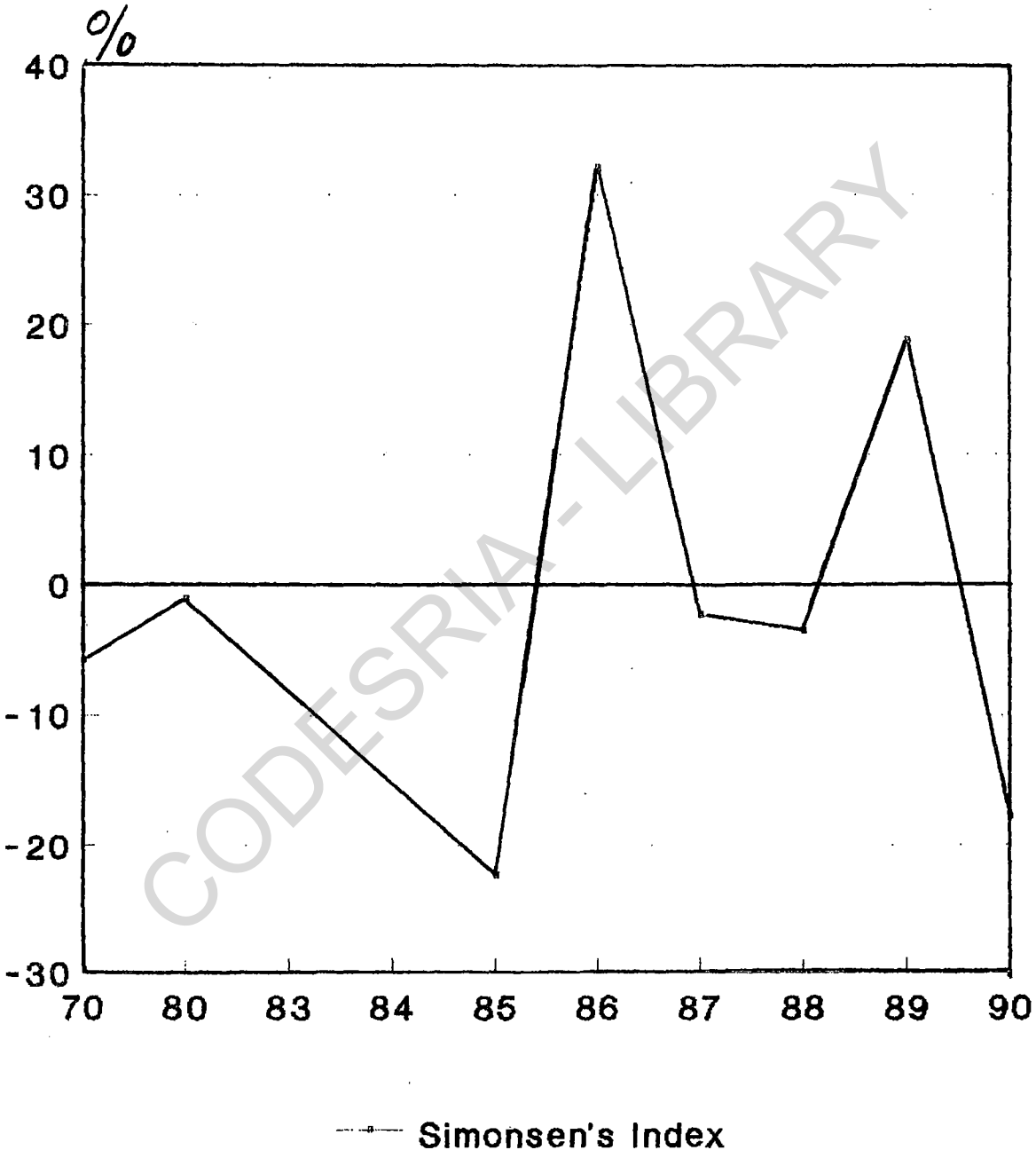
Souces: (A) World Tables 1992 p. 72
(B) The World Debt Tables 1992 - 93 Vol. II. p. 60
Note: N.A = not available

Under this index too, the creditworthiness of Cameroon has dropped, except for 1986 and 1989. This index seeks to explain that where the growth rate of exports (which generate foreign exchange used in servicing debt) is less than the interest (cost of the borrowed capital) paid on this debt, this will constitute a danger sign to the borrowing country.

This criterion however, is not particularly different from the debt - service.

It is obvious that this index measures the proportion at which the exports of a country are growing relative to the interest rate which is paid on the borrowed funds, as could be seen on the graph below.

Fig.12: Movements in the Simonsen's Index of Cameroon (1970-90)



From the graph, we see that the only years that Cameroon would have been free of debt worries were 1986 and 1989, the other years posed serious difficulties in meeting debt payments.

This index poses major problems as a yard - stick for measuring the creditworthiness, because in the case of Cameroon just seen, 1986 and 1989 that it excludes as difficult years are instead those with major problems. And the years in 1970s and early 1980s which it holds as troublesome years, saw no major debt servicing difficulties, as seen in the chapters above.

5.2.3. PRINCIPAL DEBT INDICATORS

Macro-economic aggregates and the debt data provided in the tables above are used to generate ratios that analysts find useful in assessing the external debt situations of LDCs. Different analysts will give different weights to these indicators, but no single indicator or set there of, can substitute for a thorough analysis of the overall situation of an economy. Ratios are used in much of our daily life. We buy cars based on miles per gallon; we evaluate base - ball players by earned run averages and batting averages, basketball players by field goal and foul - shooting percentages etc. These are all ratios constructed to judge comparative performance. Debt ratios serve a similar purpose, but one must know what is being measured in order to construct a ratio and to understand the significance of the resultant number. For ratios to be of any significant importance to Cameroon, we must have to compare them with those of past records of performance in

the various years.

Debt ratios are used to weigh and evaluate the performance of a country (Block and Hirt, 1987), they thus offer various measures of the costs, or capacity of servicing debt in terms of the foreign exchange or output foregone. The following ratios used by the World Bank and other analysts such as, Bekolo (1985), Darity and Bobbie (1988), Fieleke (1988), Husain and Diwan (1990), Touna Mama (1986), Irving Friedman (1983) etc, will be used to measure the creditworthiness of Cameroon: Debt service to export of goods and services (TDS/XGS); total debt service to GNP (TDS/GNP); debt to GNP ratio (TOD/GNP); as well as capital flight. According to Bekolo (1985, p. 231), debt ratios are in two categories: (1) those indicating the liquidity problems and; (2) those indicating the solvency problem of a country, but that the distinction is always not possible in practice. Thus, the same indicators that measure liquidity problems are used in measuring the solvency problems of a borrower.

5.2.3.1. TOTAL DEBT TO EXPORT OF GOODS AND SERVICES RATIO (DOT/XGS)

According to Irvin Friedman (1983), this index measures the proportion of the total debt outstanding to the export of goods and services in a country. That is, as a measure at any moment in time, the total debt to export of goods and services ratio serves well as an indicator of the viability of projected paths of the balance of payments. Any forecast with an ever - increasing ratio

describes a situation that is not variable.

The total debt/export of goods and services ratio of Cameroon can be viewed in the table below.

Table 52 Debt/Export Ratio of Cameroon, 1970 - 90

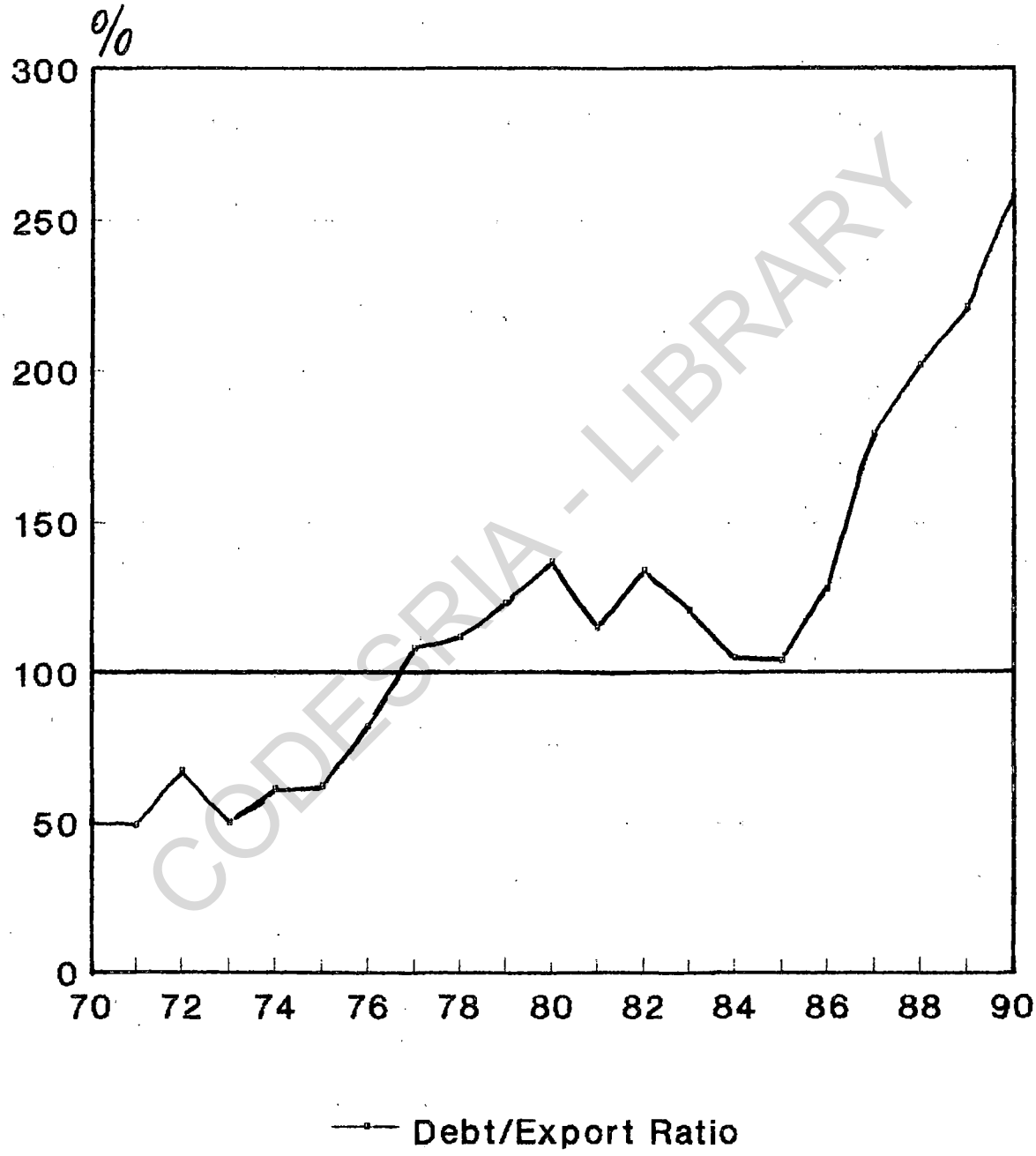
Year	Total Debt (In million of $) (A)	Export of goods and services (in millions of $) (B)	DOT/XGS (%) (A÷B) X 100).
1970	140.4	279.3	50
1971	174.1	294.3	49
1972	215.5	320.0	67
1973	259.0	521.2	50
1974	316.3	583.8	61
1975	420.1	672.3	62
1976	590.7	721.2	82
1977	1056.8	979.0	108
1978	1478.2	1318.6	112
1979	2116.7	1718.0	123
1980	2512.7	1827.7	137
1981	2548.3	2218.3	115
1982	2716.7	2032.6	134
1983	2721.6	2259.3	121
1984	2721.6	2588.3	105
1985	2939.9	2879.0	104
1986	3709.8	2897.1	128
1987	4039.0	2255.4	179
1988	4227.6	2097.0	202
1989	4785.9	2166.9	221
1990	6023.4	2335.3	258

Source: Adopted from the World Tables 1992

The debt/export ratio is calculated as: Column A,

divided by Column B, multiplied by 100. The index of the debt/export ratio can better be analysed by plotting it in the graph.

Fig.13: Evolution of the Debt Export Ratio of Cameroon (1970-90)



The rule of thumb in this criterion is that the debt/export ratio must not be greater than 100 percent (Friedman, 1983 and Darity and Bobbie 1985). As can be seen from the graph above, the bold horizontal line at 100 percent, marks the critical level beyond which danger starts. In the case of Cameroon the debt/export ratio exceeded 100 percent as from 1977. This implies that judging from this criterion, Cameroon started experiencing debt problems in 1977 and the situation got aggravated with time especially in the late 1980s.

This index is highly controversial as a measurement for creditwothiness. In some instances, a transitorily rising debt/export ratio may be entirely consistent with improvement of a country's ability to service its external debt (World Bank, 1993) and Dornbusch and Fischer (1985). Furthermore, to the extent that debt accumulation has investment and future export earnings as counterparts, a rising debt/export is a leading indicator of future prosperity. ~~As a measure of creditworthiness at any given moment.~~

5.2.3.2 **TOTAL DEBT SERVICE TO EXPORTS OF GOODS AND SERVICES RATIO (TDS/XGS)**

According to Bekolo (1985), this is the most currently used index. This ratio measures the proportion of total debt service relative to the exports of goods and services of the country. Debt service to export of goods and services ratio is defined by World Bank experts, "as the dollar value of external debt payments (interests and amortization) on medium and long term loans

expressed as a percentage of the dollar value of exports of goods and services"[2]. The assumption with this index is that the higher the ratio, the less capacity a country has to service its foreign debt solely from current export earnings.

The debt service/export ratio has traditionally been regarded as a good guide to a country's debt problem. An inflexible economy with a modest debt service/export ratio may be prone to crisis than one with a government that takes rapid corrective action when growth and exports are threatened. We shall examined the case of Cameroon in the light of this index, by taking a look at Table 53.

Table 53. Debt Service/Export Ratio of Cameroon, 1970-90

Year	Debt service payments (in million of $) (A)	Export of Goods and service (in millions of $) (B)	Debt service/Export Ratio (%) (C)
1970	16	279.3	5.7
1971	23	294.3	7.8
1972	26	320.0	8.1
1973	37	521.2	7.1
1974	45	583.8	7.7
1975	62	672.3	9.2
1976	65	727.2	9.0
1977	87	979.0	8.9
1978	152	1318.6	11.5
1979	162	1718.0	9.4
1980	279	1827.7	15.3
1981	291	2218.3	13.1
1982	371	2032.6	18.3
1983	351	2259.6	15.5

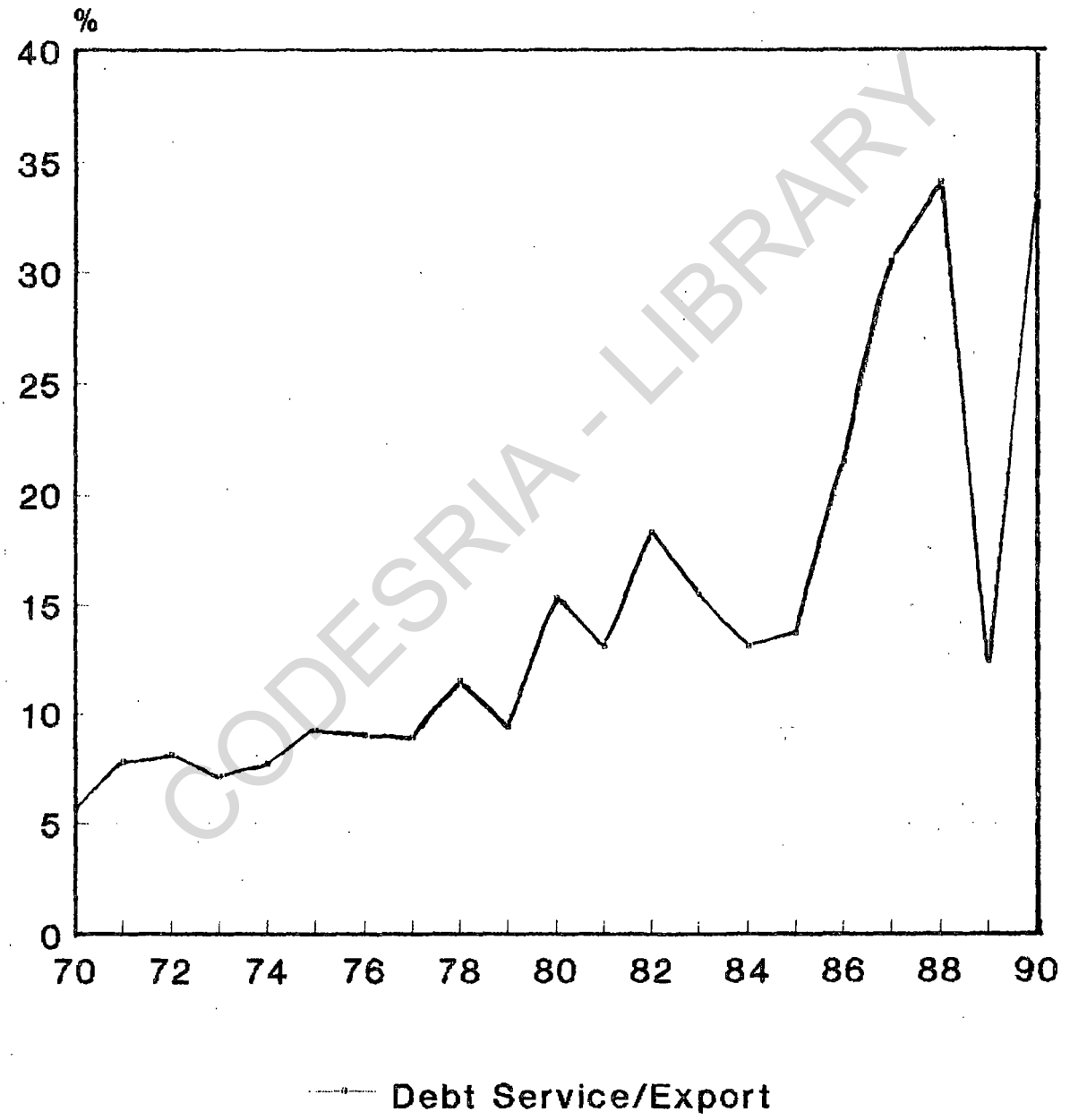
Table 53 :(Continued)

1984	339	2588.3	13.1
1985	387	2819.0	13.7
1986	623	2897.1	21.5
1987	779	2555.4	30.5
1988	715	2097.0	34.1
1989	261	2166.9	12.4
1990	782	2335.2	33.5

Source: (A) Adopted from Table 41
(B) Adopted from Table 42
(C) proportion of A over B in percentage.

We can now plot these indexes on a graph to see the path of the debt service/export ratio of Cameroon.

Fig.14: Debt-Service/Export Ratio of Cameroon (1970-90)



Before jumping to the conclusion on the basis of this graph, it is worthwhile, we point out the short - comings of this index, as indicated by analysts such as Irving Friedman (1983).

Debt - service/export ratio resembles the leading economic indicator used to forecast business cycles, in that it constitutes measurement without much underlying theory but nonetheless are widely watched. In particular it falls far short of being reliable, as an automatic signaler of pending problems. Moreover, a rising ratio may not signify a falling debt-servicing capacity, nor a falling ratio a rising capacity. For example, a country in outright default and paying no debt service would have the lowest possible ratio of service actually paid. Thus, the World Bank has found..."no clear link between high debt service ratios and countries that had not rescheduled their debts"[3]. More generally, all indicators like the debt service ratio provide only half truths about the capacity of a country to assume additional debt. Differences observed in these ratios between countries do not necessarily signify differences in creditworthiness because nations differ in their reactive ability to employ capital productively (Cuddington 1990).

For Bekolo (1985, p. 231), the rule of the thumb with this criterion is that the debt servicing should not exceed 20 percent of a country's export earnings, and for Irving Friedman (1983), this index should not exceed 25 percent. Judging from these two rates, and with reference to information on Table 53 above, one identifies that the debt servicing problems of Cameroon started

from 1986 upwards.

5.2.3.3. TOTAL DEBT TO GNP RATIO (TOD/GNP).

The debt/GNP ratio is defined as the dollar value of outstanding medium and long term debt expressed as a percentage of dollar GNP (World Bank 1985). When this ratio is rising, it means that the debt is increasing faster than the GNP, thus, indicating an inability to service the debt in future. We shall study this index for the case of Cameroon by considering the information in Table 54.

Table 54: Total Debt - GNP Ratio of Cameroon (1970-90)

Year	Total Debt (in millions of $)	GNP (in millions of $)	TOD/GNP (%)
1970	140.4	1171.0	11.99
1971	174.1	1200.1	14.51
1972	215.1	1231.2	17.50
1973	259.0	1475.2	17.55
1974	316.3	1951.0	16.20
1975	420.1	3206.1	18.22
1976	590.7	2761.2	21.39
1977	2116.7	5057.4	41.85
1978	1478.2	4082.5	36.21
1979	2116.7	5057.4	41.85
1980	2512.7	6612.8	38.00
1981	2548.3	8083.8	31.52
1982	2716.7	8343.0	32.56
1983	2738.9	8321.6	39.91
1984	2721.6	8088.5	33.65
1985	2939.9	8234.5	35.70
1986	3709.8	9319.2	39.81

Table 54 (continued).

1987	4039.0	9917.6	40.73
1988	4227.6	10982.1	38.50
1989	4785.9	11527.1	41.50
1990	6023.4	11269.4	53.45

Source: World Tables 1992

Intruitively, the debt-GNP ratio permits one to ask what are the requirements if a nation was to surrender a portion of its annual product in a given year to pay off its entire foreign debt. A possible criterion or the rule of thumb for concluding that a nation's repayment prospects are available is to hold that a country with a debt/GNP ratio below 50 percent is in good fiscal shape (Irving Friedman 1983). As the indices in the table above indicate, Cameroon would have exhausted her entire Gross National product in 1990 if for some reason she sought to pay off her entire foreign debt for that year. But for the other years from 1970 to 1989, she was in good fiscal shape. Thus, according to this index, Cameroon started losing its creditworthiness only in 1990.

We see that this index is not also a good yard - stick measurement, as it has been noticed in the analyses in the previous chapters of this study that the debt difficulties of Cameroon started even before the economic crisis, as evidenced by debt negotiation and debt arrears accumulated. Debt servicing difficulties vary greatly in terms of character and duration. Debt-payment problems include a range of maladies: arrears on interest payments, arrears on principal repayment as well as interest, higher tranche IMF arrangements, or requests to

reschedule loans from private or official creditors. Infact, the study of debt servicing problems between 1970 and 1982 by McFadden and others contends that "... of these, arrears are likely to be the first symptom, or even a deliberate signal, of difficulties. Rescheduling or IMF arrangements come later as part of the resolution of problems after their presence is generally recognized" McFadden (1985, pp. 186-87)

5.2.3.4. CAPITAL FLIGHT

Another measure of creditworthiness is the magnitude of capital flight. By definition, flight of capital from a country signifies a sharp loss of investor confidence - a fear that large losses would be incurred on funds held within the country. The greater the capital flight, the less creditworthy is the country, in the eyes of many investors.

It is not possible to measure the amount of capital flight directly, since one can not imagine what part of large loss rather than by more Mundane investment motivations. Even once it is defined, the nature of capital flight is difficult to measure (Cuddington John, 1990). Indeed, the flight may not be recorded at all, because the investors involved often seek to shift their funds without detection, employing channels that elude normal reporting requirements in order to evade government restraints or public criticism. Paradoxically, this very evasiveness has been the basis for more than one measure of capital flight, the most traditional being the "error and omissions" items in the balance of payments

accounts (Friedman 1983). When the transactions that have been reported or that can be estimated fail to "balance out", in the balance of payments, the difference is ascribed to "errors and omissions" which represents erroneous measurements or simple omission of transactions. Large swings in the magnitude of errors and omissions have long been thought to consist of unreported capital movements. Thus, these swings may provide a crude barometer of capital flight, although not a precise, comprehensive measure.

To use this measure as the basis of creditworthiness, we can examine the case of Cameroon in Table 55 below.

Table 55: Capital Flight Out of Cameroon

Year	Amount (FCFA Billion)
1978	30.4
1982	38.0
1985	75.0
1988	125.0
1989	109.0
Total	377.4

Source: BEAC Centrale - Yaounde, 1993.

From the above table, we see that Cameroon has lost her creditworthiness over the years, since capital flight has constituted a serious problem to the country, especially from 1985 upwards.

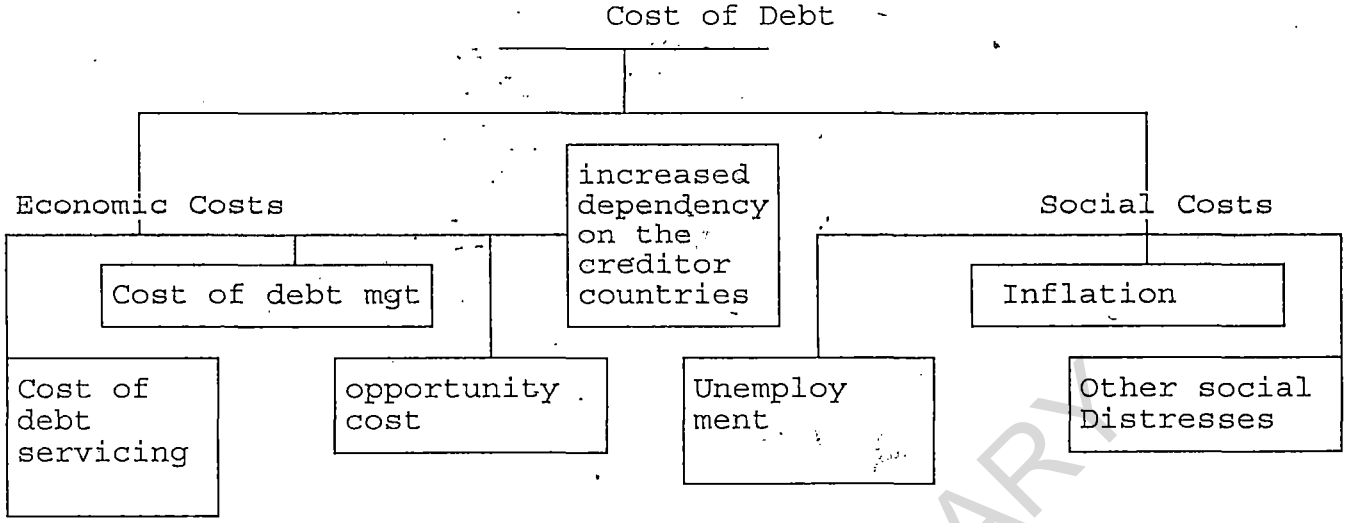
Limited empirical work on the determinants of capital flight points to the over valuation of the domestic currency as perhaps the most important macro-economic factor (Dornbush 1985 and

Cuddington 1986). Other empirical significant determinants of capital flight include domestic inflation and interest rates (Cuddington 1986), the domestic economic growth rate (Conesa 1987), and in some countries loan disbursements (Conesa 1987 and Cuddington 1987). For the most part, these variables are only the proximate causes of capital flight. They are, like capital flight itself, best viewed as symptoms of underlying macro-economic disequilibrium. These same distortions often given rise to over borrowing (Cuddington John T. 1990).

5.3. COSTS OF EXTERNAL DEBT OF CAMEROON

Although external debt comes in to fill the resource gap in order for a country to meet its targeted growth rate (as presented in the problem statement of this study), not only financially, but also socially and politically. The costs of Cameroon's external indebtedness can be summarized in the figure below as follows:

Figure 15. Costs of External Debt structure



From the diagram, costs of external indebtedness have been divided into two groups: Economic and social costs.

5.3.1. ECONOMIC COSTS OF EXTERNAL DEBT

As a country absorbs external debt to finance economic development, it pays some economic costs. The economic costs of external debt is measured among others by the amount of interest payments made to the creditors. As indicated above, we shall discussed the economic cost of Cameroon in the light of the following: cost of debt servicing; cost of debt management; opportunity cost; and more dependence of the debtor country on the creditor countries (tied aid).

5.3.1.1. COST OF DEBT SERVICING

As already discussed in Chapter four of this study, the servicing of external debt of Cameroon, that is, payments of interest and principal repayments have costed so much to the country. Thus the cost of debt here is measured by the interest

rate, paid to lenders. That is the cost of external debt equal to the present value of regular interest payments discounted by the yield to maturity added to the present value of the principal (also discounted by the yield of maturity).

This relationship was mathematically expressed by Block and Hirt (1987) as follows:

$$C_d = \sum_{t=0}^{n} I_t/(I+Y)_t + P_n/(I+Y)^n$$

Where C_d = cost of debt

I_t = interest payments

P_n = principal repayment at maturity

t = Number corresponding to a period, running from I to N

n = Total number of periods.

Y = Yield to maturity (or required rate of return).

The first term in the equation seeks to take the sum of the present values of the interest payments (I); the second term directs one to take present value of the principal repayments at maturity (Pn). The discount rate used throughout the analysis is the yield to maturity (Y). [Since it is virtually difficult for us to have the yield to maturity (or the required rate of return of the debt of Cameroon for the various years, it is difficult to quantify this cost function].

But what can be very disturbing to the country on the external debt arena is the "transfer - burden". Given that, more debt is being inherited today that will be serviced in future, the future

generations of Cameroon will be required to pay the principal and interest on debts contracted by the present generation, given that the link between investment and debt is negative.

Thus, the contracting of external debt by this present generation is tantamount to living on the income of the country in a reasonable number of decades ahead. This is equally worrisome to the country as it is some sort of mortgaging the natural resources such as cocoa, coffee, petroleum products, forest resources, etc which are sold or used to service this debt. Since the payment of the interest and principal are an obligation, and must be met regardless of the economic position or situation of the country, this future generation could find themself in serious problems of meeting this obligations. The situation can even worsen, if the natural resources of the country get exhausted or when these loans are not used for sound and productive investment projects (that is, with a high rate of returns) as noticed in chapter four.

5.3.1.2. **COST OF DEBT MANAGEMENT**

A major component of the cost of external debt nowadays to most debtor countries is the cost of debt management. This cost comprises mainly of the cost of the purchase of computer hardware and software, the cost of staffing and training of experts to handle and analyze the debt statistics and the cost of the location and functioning of the debt office. This cost must be borne as a first steep towards achieving better control of debt problems, which debtor countries have sought to improve existing systems for recording and reporting external and even internal debts. Infact,

access to accurate data relating in particular to signed contracts, and to past and future loan disbursements and debt service payments is of central interest for the effective formulation and execution of economic policies in a debtor country. The cost of debt management is thus, a task that must be accomplished, since effective debt management would lead to major foreign exchange savings by avoiding all other costs ranging from commission fees and penalty interests to unfavourable borrowing terms and conditions. The "Caisse Autonome d'Amortissement (CAA)" which was created in 1985, has exhausted so much resources of Cameroon for its equipment and staffing (see chapter three above).

5.3.1.3. OPPORTUNITY COST

Another cost of external debt, borne by Cameroon and other LDCs is the opportunity cost. This cost is defined by Block and Hirt (1987) as "... the potential benefit that is lost or sacrificed when the choice of one action requires the giving up of an alternative course of action". In this case, the opportunity cost of debt are the projects forgone in order to service external debt with the limited exchange restrictions, and export earnings used in servicing external debt. The LDCs have had to postponed a number of development projects with consequences on the overall rate of growth of output. As poor growth and low export earnings force countries to step up their foreign borrowing in order to sustain current expenditures, this eventually makes it more difficult for them to service their debts. The strain of trying to

keep up with debt servicing payments in turn diverts financial resources that could otherwise have been used to spur renewed growth.

Moreover, because a large share of the foreign exchange earnings and other budgetary resources are required to service debt, less is available for domestic investment. For example, in many indebted countries, there have been sharp declines in expenditures on health and education which are key to economic development in the longer term - as well as economic investment purposes (World Bank 1985).

In a related trend, the need to pay off debt obligations makes it much more difficult for LDCs to maintain the import levels required for sustained economic growth. Agricultural productivity (which is the back bone or life - wire of the economy of Cameroon) whether in crops for exports or for domestic consumption, can not increase without sufficient fertilizer, improved seed varieties, and farming equipment, have been forgotten in order to make provisions for debt servicing with the scarce foreign exchange earnings now.

5.3.1.4. **INCREASED DEPENDENCY OF THE DEBTOR**

There is nothing as disturbing to the LDCs as the relationship that exists between them and the creditor countries, since aid (including external debt) has had a political as well as an economic impact. The aid policies of most creditor nations have reinforced their economic links with recipient countries and occasionally have given them extra leverage in their relations with

the south. Many donor countries have encouraged new foreign investment from the recipient countries by providing information, sharing the costs of investment surveys, and guaranteeing such investment against risk. Aid also supports trade links by encouraging the use of donor's goods, especially through tied aid, and discouraging the development in some cases of competing industries (Spero Edelamn,1990).

Aid is frequently used to influence economic policies in recipient countries. For example, some donor countries, place conditions on aid that shape monetary and fiscal policies, investment policy, etc and international economic policy (Spero Edelma 1990). Through the supervision of aid projects, the aid bureaucracies in all countries have become involved in decision making in recipient countries. Such economic influence occurs in multilateral aid programmes as well. The World Bank for example, has used its aid to promote market - oriented reforms in LDCs, the IMF its conditionality to impose structural adjustment programmes in LDCs. Also, the withdrawal or threatened withdrawal of aid has been used to expressed disapproval of or opposition in internal and external policies of LDCs, if these policies go to disfavour the intervention of the donor country(ies) in the LDCs.

The flow of aid from the North to the south and thus the economic relationship between the donor countries and the recipient countries has been transformed into a dependency rather than an inter-dependency one. For example, the North decides the export and import prices of goods and services of the south, because the

south has to remain longing for new disbursements on loans, debt cancellations, debt rescheduling etc, from them.

5.3.2. THE SOCIAL COSTS OF EXTERNAL BORROWING

The need to borrow from the IMF or from any other institution linking its lending to Fund programmes provides a strong incentive to debtor countries to adjust. As a consequence the adjustment burden has fallen mainly on the debtors. They have been expected to adopt policies designed to reduce their external current account imbalances to a level compatible with that available from all sources.

At the beginning of the 1980s, net debtor developing countries faced a number of external shocks. Interest rates rose sharply, the terms of trade deteriorated for most countries and there was a cutout in the flow of external finance. Debtor countries faced both an external adjustment problem and a budgetary problem. The amount of adjustment required was related to the magnitude of the internal and external imbalance and the level of external debt. In order to achieve external adjustment, countries cut imports and allowed their exchange rates to depreciate. The degree of success varied from country to country, however, in some cases, adjustment has been insufficient and countries have soughed temporary relief through debt rescheduling and by accumulating arrears.

All these actions have contributed to increased unemployment, increased rate of inflation and social problems in the debtor countries, which we shall discussed below.

5.3.2.1. UNEMPLOYMENT

One of the ways through which the average person is paying dearly for the debt in the debtor countries is through unemployment and underemployment. This happens through the retrenchment of workers to meet the measures of structural adjustment programmes.

It is obvious that the debt crisis of the LDCs, do not only have an adverse effect on them only, but equally on the developed countries. For example, because of the indebted countries' reduced ability to import goods from the developed world, Northern Manufacturers and service providers have fewer export orders. When the economic problems were prolonged, as in Latin American and Sub-Saharan Africa, companies found their markets shrink in the long-term, leading to reduced production and thus cuts in jobs. One country where this has happened more evidently is the USA. A recent study by the overseas Development Council estimated that 860.000 jobs were lost in the U.S due to the poor performance of U.S. exports to Latin America in 1987, and a total of 1.8 million were lost as a result of the poor performance of US exports to all LDCs. According to this source, probably more than half of these jobs could be directly attributed to the debt crisis. Another study estimates that 2-3 million jobs have been lost in Western Europe due to reduced trade with the third world[4].

In Cameroon, expenditure reducing policies have obviously affected the level of employment and the rate of growth of output. The employment impact of expenditure reducing policies depends on

such factors as real wage rigidity and short-run wage elasticity of the demand for labour. There is a low (negative) value for the latter and large enough labour demand left shift due to expenditure decreasing policies inorder to meet debt servicing. The left ward shift in the demand for labour required to achieve this result would be smaller, the lower the short - run wage elasticity of the demand for labour. Lost output and increased unemployment and worsen income distribution have been the costs paid to achieve the adjustment process, with the rate of unemployment above 15 percent.

Generally humanitarian interests has suffered greatly because of the global debt crisis. The cost of adjustment in Cameroon inorder to meet international obligations, has been especially severe for the poor, where financial safety nets are lacking. Unemployment has reached depression levels in many areas and those fortunate enough to be employed are accepting deflated wages. Factories are closing, workers are returning to rural arrears, and farmers are turning away from producing for the market (such as coffee and cocoa) to planting for subsistence.

5.3.2.2. INFLATION

The delays in achieving increased output are often compensated for by persistent global inflation eroding either the real value of the debt or the real costs of servicing the debt. The fiscal burden of debt service rose as a result of higher interest rates and real devaluations required inorder to affect the external transfer. To the extent that the additional fiscal burden is

financed through money creation and inflation has been the result[5].

Excessive debt servicing costs, sudden increases in interest rates, and the scarcity of new funding have greatly constricted the ability of many countries to introduce or effectively carry through necessary economic reforms. Debt repayment obligations and reduced custom receipts, make it much more difficult to trim budget deficits, prompting governments to either increase their internal indebtedness or simply to print more money, thus spurring accelerated inflation.

One of the lesser recognized problems mentioned earlier in this study is the fact that the bulk of the external debt is heavily in the public sector, so that the fiscal situation of the country has remained devastating even after the country's trade balance has improved. Thus, the debtor economies have remained the victims of very high interest rate (when the government deficit is bond financed), very high inflation (when money financed) or very inadequate public sector investments (when expenditures are cut to make room for debt servicing). or a combination of all these affiliations[6].

5.3.2.3. OTHER SOCIAL DISTRESSES

In general, adjustment programmes have aimed at reducing the debtor country's imports in relation to its exports, thus making more foreign exchange available for the servicing of debt. While the details of the programmes have often included devaluation of the domestic currency in relation to the foreign currencies; reduction in the growth of the domestic money supply and domestic

credit and on accompanying increase in domestic interest rates; and a more restrictive fiscal policy entailing diminished government spending all higher taxation. These measures operate to reduce domestic spending on imports and to free resources for export production, which is rendered more attractive.

As the debt crisis drags on, the evidence accumulates that the economic stagnation of many indebted countries is exacting severe toll on peoples lives. The cutbacks in public expenditure necessitated by the debt problems often fall most sharply on those areas that benefit the broadest layers of society: health and education. The scarcity of foreign exchange to pay for imports means that hospitals and health clinics in debt stricken countries often lack the most basic medicines and equipment for their patients. Irrigation and drainage systems deteriorated from the financial inability to maintain them, worsening sanitation conditions. School fees are introduced in higher institutions of learning, leading to higher drop - out rates among the children of poor families (United Nations 1990).

For instance, UNICEF has found that in 37 poorest countries, many of them also weighed down by debt, health spending per head has fallen by over 50% during the past decade, while spending on education has declined by more than 25 percent. Infant and child mortality rates have risen in some of the more indebted countries.

There are other ways as well in which the "average" person is paying for the debt crisis:

* Through a loss of purchasing power (inflation and

decreases or elimination of subsidies).

* Through the uncertainty and stress that come from seeking in vain for scarce formal sector jobs, while trying to create alternative sources of income through the informal sector.
* Through the sacrifices and dangers of emigrating to work outside one's own country because of a lack of job at home.
* Through higher taxes levied and salary cuts by governments desperate for new sources of revenue.

It is because of the alarming increase in child mortality, poverty and other social ills in heavily indebted countries that UNICEF'S Deputy Executive Director, States..."attention must be given not only to the financial and economic consequences of debt, but also to the human consequences"[7].

5.4. CONCLUDING REMARKS

The main conclusion of this chapter is that: Cameroon is experiencing a debt crisis as indicated by the debt indicators examined. This is why it has moved from a Moderately Indebted Medium-Income country (MIMIC) to a Severely Indebted Middle - Income Country (SIMIC). Thus, Cameroon has joint ranks with countries in this group-such as Argentina, Brazil, Bolivia, Chile, Mongolia, Nigeria etc as seen in the table below.

Table 56. Key Indebted Ratios,1992 (percent).

Country	EDT/XGS	PV/XGS	EDT/GNP	PV/GNP	TDS/XGS	INT/XGS
Argentina	454	456	30	30	35	19
Bolivia	536	393	84	61	31	15
Brazil	311	310	31	31	24	10
Cameroon	304	270	67	60	16	7
Chile	149	148	49	49	21	10
Mexico	243	235	35	34	44	16
Nigeria	251	246	111	108	31	14

Source: World Debt Tables 1994, Vol I Table A1.4 pp 79-80.

Notes

1. Mario Simonsen stressed that it was the sharp rise in World interest rates, coupled with the collapse in developing country export growth rates that brought on the global debt - crisis. See more on this in Husain Ishrat and Di Wan Ishac, Eds, Dealing with the Debt crisis. A world Bank symposium 1989. pp. 20 - 21.

2. See, World Debt Tables for 1992, Volume 1.

3. See the World Bank Development Report for 1985. p. 45 for more on this.

4. For more on this, see UNITED NATIONS: DEBT: A crisis for Development 1990. p. 29

5. The government has financed external debt service by issuing its own bonds to the central bank in return for foreign exchange. In itself, this is inflationary but it is clearly not foreign exchange reserves, thereby adding to the money supply itself unless it can either borrow abroad or sterilize the impact by selling government bonds to domestic investors.

6. See Martin Felstein, International Economy under stress, p. 268.

7. For more on this, see U.N. DEBT. A crisis for Development 1990, p. 27

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1. INTRODUCTION

The general objectives of this study have been: (1) to assess the impact of the debt burden (debt/GNP ratio and debt servicing) on the unit value of exports and BOP, and (2) to evaluate the impact of total outstanding external debt on the gross domestic investment and the gross domestic savings of Cameroon. The specific objectives have been to examine the cost of external debt on the economy of Cameroon, to assess the creditworthiness and to measure the trends in the debt ratio of Cameroon. Analyses have thus, been made on some of the sources of Cameroon's external debt, on the external debt profile, on the link between the debt burden and the unit value of exports, on the relationship between the Balance of payments and the debt service payments, on the impact of external debt on the gross domestic investment, on the effect of external savings on gross domestic savings etc. From all these analyses, we can be able to draw some conclusions on the external debt situation of Cameroon and to propose some policy recommendations not only to Cameroon and other debtor countries, but also to the multilateral donor institutions, the creditor donor countries and the commercial banks.

6.2. CONCLUSIONS

The aim of this thesis has been to deduce the implications of external financing on the economic development of Cameroon. The principal policy lesson of the thesis has been that external

finance by itself is not a substitute. First, the volume of external finance that Cameroon can attract is severely limited to the domestic needs. Second, heavy reliance on external finance is a risky strategy because it increases vulnerability to adverse external developments and their attendant long - term development impact. External finance can play an essential beneficial role, but only when it supplements and supports a sound development policy. Thus, "capital is made at home".

From the analyses and observations of this thesis, the following conclusions can be drawn:

* Borrowed funds were used productively in Cameroon during the 1970s. This is evident by the high level of gross domestic investment put in place and the ease with which the debt stock was serviced. But on the contrary there exists a negative correlation between the borrowed funds and the gross domestic investment of Cameroon from 1980s upward.
* There is a direct positive relationship between the sources of external debt and the direction of external trade (exports and imports of goods and services). That is, a direct link exists between the bilateral trade and bilateral debt of the country. Such that the more loans a creditor country provides to Cameroon, the more export and import products Cameroon sends to and receives from that country. This implies that external borrowing makes Cameroon and possibly other LDCs, not inter dependent on

the donor countries, but instead more dependent.

* Due to the economic crisis, the external debt profile of Cameroon has increased in length and height to about 8 billion US dollars and debt servicing has became difficult to accomplish, thus leading to a very high increase in debt arrears.
* The external problems of Cameroon are rising now not because the government had misjudged how much she could prudently borrow or that commercial banks and creditor countries had misjudged how much they could prudently lend, but because the borrowed funds and other external receipts were not used to assiduously increase the productive capacity or to create the new wealth that could be needed to service this debt.
* Also Cameroon is experiencing debt problems because most of her debt come from bilateral institutions and private lenders (which carry high and floating interest rates and low concessional terms) and only a very small portion from multilateral organisations whose loans are highly concessional.
* The external debt of Cameroon is largely concentrated in the public sector. This causes serious problems, first, because national income (via trade) has to be transferred to the foreign creditors and second, income has to be transferred from the private sector to the public sector so that it can service its debt. The latter therefore

leads to a heavy internal debt profile owed mostly to farmers of cocoa, coffee etc and to civil servants in the form of salary arrears.

* Because of political instability (ghost towns, civil disobiendence etc) and economic mismanagement, coupled with the falling export prices at the world market, Cameroon's debt burden is aggravated and the trend is likely to continue into the future. This is because foreign borrowing has been used to support public expenditures, since the lost funds have created a fiscal crisis.
* From 1986, the total external debt has increased dramatically owing to the economic hardships, while the gross domestic investment has reduced.
* Between 1978 and 1990, Cameroon under debt pressure expanded its export volume, thus causing a decline in the unit value of exports (as evidenced by a regression model which revealed a negative correlation between a higher debt burden and a higher decline in the unit value of exports).
* Between 1970 and 1990, there existed a negative relationship between the principal repayments on debt and the BOP of Cameroon, meaning that more principal repayments caused more deficits in the balance of payments. On the other hand, during the same period, a positive correlation was reported between the interest

payments on debt and the BOP. Thus, more interest payments means more inflow of resources, by way of new loans into the country.

* Between 1970 and 1980, there existed a positive correlation between the gross domestic investment (GDI) and the total external debt of Cameroon. That is, loans contracted were transformed into investment projects. On the contrary, the regression analysis revealed a negative correlation between these variables between 1981 and 1990. Furthermore, the investment projects carried-out within the period 1970 and 1990 were mostly prestigious projects. Certain projects seem to have no major objective other than to raise the prestige of national elites. Some prestigious projects carried - out jointly with foreign donors, give room to activities completely inadoptable and cause excessive local spending. Such projects took large amounts for their construction, but only a small proportion of the population, say about 10 percent, benefit from it, while to the remaining 90 percent, these projects have no essence. These include projects such as airports, conference centres, etc.

* Empirical evidence between 1970 and 1990, show a negative correlation between the external savings and the domestic savings of Cameroon. This means that, as more foreign debt came in to fill the resource gap, the domestic savings of the country was discouraged as people tended

instead to dissave. Thus, the more the inflow of capital into the country, the more it will remain dependent on the external world.

* And finally, a critical analysis of the principal debt indicators of Cameroon such as the debt service ratio, debt/export ratio, per capita debt/per capita GNP ratio etc, show that the country has lost her creditworthiness on the international arena and is experiencing debt crisis.

6.3 RECOMMENDATIONS

To reduce the external debt problems of cameroon and the other debtor countries, will require a complex and challenging partnership between the four groups of participants: Cameroon and other LDCs; the governments of creditor countries; multilateral donor organisations and commercial banks. All four groups will need to contribute to the effort, to accept some constraints on their actions and to bear some cost.

6.3.1. RECOMMENDATIONS TO CAMEROON AND OTHER LDCs

6.3.1.1. REDEFINING THE ROLE OF THE DEBT OFFICE

The debt office of Cameroon and any other LDCs, has a vital role to play in this situation of debt problems. When this unit (Caisse Autonome d'Amortissement) was created in Cameroon, it was conceived and only given the advisory role, without management responsibilities. The unit should be set up a statistical registry with computational facilities as well. The unit should have a number of different kinds of authority i.e empowered to seek

information from any source which generates debt, be it public or private, or the government as well. In this respect, the unit will have appropriate authority and powers.

The staff of this debt management unit should be those to work on the debt negotiation and renegotiation such as the Paris Club and London club. This debt management unit should be staffed with Economists who could deal with both public and private sectors.

This unit, structured well and empowered will be more operational to be able to evaluate any proposal for different kind of credits and loans, which could in conjunction with the World Bank analyze different possibilities for servicing loans. Every public entity that wants to contract a loan from abroad and wants to have a commitment must get authorization from the Finance Ministry through this unit. The unit evaluates these requests and recommends either approval, or at least the initiation of the proceedings that will lead to the actual contracting of the loans (or disapproval).

The debt office should be well equipped with sound infrastructures, such as computer software and hardwards. All these computers should run simultaneously such that the framework of the central computer can be easily assessed. Things should be arranged in a way that any external or internal debt information that is produce is infact generated in that office. The report generation process should be more flexible, such that it could have a monthly report which is published in the central banks account so that it gains a wide distribution to keep the public abreast with

the debt figures or profile of the country.

In short, this debt unit should have more satisfactory equipment at its disposal. Any thing involved with debt and debt negotiations should be kept in the same computing system. Any debt information should be incorporated even manually, if necessary - into that system's data base. The computer system of this unit should have an excellent way of projecting amortization and interest payments, especially as concerns the calculation of interest, so that the country should be able to know the exact amount of what is due and when this is due. Infact, the activities of this unit should be restructured such that it has the following tasks:

* Contribute, through coordination with the Directorate General for public credit, to the development of the government's public credit policy.
* Devise the policies and programmes for the access of public agencies and entities to secure resources on the international capital markets.
* Evaluate external financial projects and give an opinion on their proposed lending terms and conditions, whose findings are then forwarded to the appropriate authorities.
* Evaluate, coordinate and facilitate loan agreements with the IBRD , IDA, AFDB, IMF and other multilateral agencies and
* Design Financial instruments for external debt reduction

such as debt buybacks, debt-equity swaps, debt conversion swaps, etc.

6.3.1.2. **THE ROLE OF THE MINISTRY OF PLANNING**

The external debt situation of Cameroon is posing a serious problem that the Ministry of Planning is required to perform a more essential and active role than it presently assumes. The planning Ministry owing to its functions (the preparation of the five year development plans) and its responsibilities in drawing up marco-economic balances and preserving these balances, should play an important role in defining the country's borrowing strategy and determining tolerable limits of indebtedness. In this capacity, the Ministry of planning should also publish data on the current and future situation of debt aggregates and debt parameters.

The Ministry of Planning through the Directorate - General of International Cooperation should also play an active role in preparing and negotiating loans as well as in initiating and monitoring disbursements from these loans. In collaboration with the other departments such as the Ministry of Fiance (Management of resources, on-lending, loan guarantees etc) and the central bank (Management of foreign exchanges, external payments, etc), each of them should set up its own computer unit in order to carry out work addressing its particular concerns. These three units should always have very close ties including exchange of information, comparison of results (when drawing up national budgets or determining the balance of payments), and exchange of views on the suitability of resorting to external sources of finance.

Eventhough, the existence of these three units with different systems, using different computer hardward and software, will pose problems such as manual methods of exchanging information, well defined channels of circulating information among these departments will mininize these problems.

6.3.1.3 **DEBT REDUCTION CONVERSION INSTRUMENTS**

The private sector in the debtor countries can also play a very vital role in the reduction of the external debt stock of the country, since privatization is the order of the day in most debtor countries. This could be done through the debt-for-equity swap[1], debt conversions, debt buy backs and the so-called secondary market for sovereign debt. Although these market-related responses are not a panacea and can not solve the whole problems, they can be an important element, however, not only by helping to share and transform the risk, but by signaling that debtors prefer investment to debt. This signal becomes particularly clear when combined with sensible economic policies that make possible the return of capital flight, which has made external financing much more difficult in many of the countries.

The debt conversion programmes can attract and accelerate foreign equity investment needed to sustain economic growth. Moreover, debt-equityswaps can mobilize assets held abroad, since it is replaced by equity investment, the investor, not the debtor country, bears (or shares) the risk. The programme has the added appeal of offering an effective, market - based mechanism for channelling resources to the private sector or for fostering the

privatization effects of the government. Finally, there are the multiplicative economic benefits of productive investment and access to new technology.

Eventhough, such programmes are very good in reducing the stock of external debt, they can be and do evince strongly negative reactions for certain sectors. Some of these reactions are more emotional than rational, but others are more genuinely rooted in a reasonable concern about the long-term capacity of such programmes on the economy. One approach is to use the IMF or creditor Banks as a convenient scape goat. A more realistic way to approach the political impact of the debt equity conversion programmes is to make these programmes accessible to local investors, emphasizing their benefits (i.e. attraction of foreign investment and impact on employment), and limiting the interest of foreign investment in certain sectors of the economy to minority holdings.

Infact, there is no right model for debt equity conversion but rather a wider range of models from which debtor nations can choose appropriate elements to construct a programme that meets their own needs and traditions. But any programme however, if it is well structured will have to address the questions posed.

6.3.1.4 LINKING OIL PRICES TO INTEREST RATES ON LOANS

Another way of repaying the debt is by linking the interest rates on loans to the price of a major export product like oil. Inorder to do this, the government must put before the banks a constant present value repayment scheme. This will allow the country to absorb interest rate variation and to "smooth" the

repayment schedule in a very nice way. Eventhough the banks will be allergic to because it implicitly capitalizes interest, and it will be difficult for them to know how much and how its a nice trick to get out of the debt problems.

In addition to this amortization scheme, the country should include a ratio, which will be calculated on an historic basis, between oil prices and say the LIBOR interest rates. That is, the government should select as a "normal" historical ratio, one that has occurred during relatively stable periods, those in which the variation in these two prices had been minimal. This ratio should then be applied to the repayment schedule, which will already be absorbing some of the variation in interest rate. If the variation of oil price against the interest rates was favourable, that is, if the income due to a rise in oil prices was favourable to Cameroon, then the repayment schedule should be shortened. On the other hand, if interest rates increased faster than the oil price, then the repayment schedule should be stretched out.

This will not only be an implicit capitalization of interest, but in addition it will be a continuous function of the ratio of interest rate to oil prices.

6.3.1.5. USE OF THE SECONDARY DEBT MARKET[2]

The debt management unit of Cameroon - the "Caisse Autonome d'Amortissement" should make it a duty to keep the debt statistics of the country up to date. In this way, it is possible for it to contract new loans when the interest rates are relatively low and use these to service some of the existing old loans. But a

prerequisite condition for this to happen is only when the country is politically and socially stable. Given that events such as ghost towns,civil disobiendence, strikes, demonstrations, etc have been a common practice in Cameroon it would be impossible to achieve this goal. Thus, the government and other opinion leaders should try to ensure that there is political and social stability in the country, since donors give new loans in function of this very important condition.

This means can really be the way out of Cameroon, for its debt problems, since new development funds such as the group of 77 (G-77) is about to be created to provide funds to member countries, and also that Cameroon can gain admission into the Common Wealth of Nations. This new sources of finance can be of great help to get new loans at very low and concessional terms and service the existing old loans.

6.3.1.6 **EFFECTIVE MANAGEMENT OF RESERVES**

One of the major causes of the debt problems of Cameroon is the mismanagement of the reserves of the country. This can be ameliorated by taking recourse to the mechanism of foreign exchange allocation. This should be embodied in the parliamentary bills for approval. That is every year, during the preparation of the state budget, a foreign exchange budget should be prepared and submitted, alongside the conventional annual budget to the parliament for approval. This budget should set an overall ceiling for the total foreign exchange expenditures of the country. Within the framework of such a budget, the "Foreign Exchange Allocation Committee",

comprising responsible authorities should then decide on the allocation of foreign exchange for current and development needs of each sector and sub-sector.

Through the same mechanism, the foreign exchange cash flow of the country could be closely watched and monitored inorder to ensure not only the most efficient use of foreign exchange spending while providing for the essential needs of the economy. These policies can continue to be followed to ensure that we would not face any problem in meeting all and every foreign exchange payment commitments made by the country, especially on external debt.

Similarly, this committee can help to set up the rate of savings in the economy, by advising the government not only to cutback its own spending programmes, but to raise the taxes on the main luxury commodities such as expensive private cars, wine etc, so as to lower the consumption spending. If the reduction of the budget deficit and the economic stimulus it will provide, can take place at a moderate pace, a recession need not increase, since the goal of the deficit reduction is to allow net exports.

6.3.1.7 **EFFICIENT USE OF BORROWED FUNDS**

The debt servicing problems of Cameroon and other LDCs have been caused by low levels of public sector investment. That is, investment projects have not been carried out or the few put in place have not been the best ones to generate the stream of returns required to service the debt. For instance, the meager borrowed funds have at times, been used for the construction of international airports, large conference centres etc in certain

areas, when actually the people need basic facilities such as hospitals, schools, etc.

An increase in well conceived public sector investment projects will be of immense importance to the private sector investment. First, since resources are not fully employed in the country, an increase in government investment would increase income directly as well as indirectly through the multiplier effect so that private investors would be encouraged to invest more, since their profitability would tend to increase with the observed or expected demand for the final product. Second, an increase in infrastructure projects by the government for transport, communication, irrigation, agriculture etc will tend to reduce the cost of production or increase the returns to scale and thus increase the profitability for private investors.

Economic analysis should be used in clarifying the costs of alternatives and providing data on which informed judgements can be based. Infact investment plan should be formulated and implemented on the following guidelines:

* Care should be taken that the investment plan is not too ambitious given the available resources. There is a wide spread frequency to underestimate the cost of implementing projects and the time required. When too many projects are started at the same time, available skills are dispersed, project implementation is slowed, and economic and financial returns from the investment are reduced.

* New projects should not be started at the expense of adequate funding for these project already underway. Completion of ongoing project, if they are still justified given the incremental costs and benefits, should have a high priority for funding, as should the operation and maintenance of completed projects.
* Planning agencies need to strengthen their project appraisal capacity and to make greater use of cost - benefit analysis to identify and screen out projects with low rates of returns.
* Investment programmes need to be flexible so that they can be modified as circumstances change. In addition a "Core Programme" of investment should be identified so that cuts in programmes made necessary by a shortfall in resources can be determined by priorities established in advance.

6.3.1.8 **EASING DEBT SERVICING PAYMENTS**

There exists means through which the government of Cameroon can ease its debt servicing payments. By focusing on reducing the actual stock of debt and seeking more direct means to bring down or limit the annual debt servicing of the country. This can be done in a variety of ways:

* Reduce interest rates.

  As part of a rescheduling agreement or other "debt workout", interest rates should be fixed rather than floating. Even when they have to float, this should be

set at a rate which floats at a certain number of percentage points below market levels. The difference between what the debtor nation pays infact and the "true" rate of the loan can be added to arrears.

* Cap service payments.

  Instead of focusing on the interest rate, the amount paid can also be capped by tying debt service to a proportion of annual export revenues. The difference between what is paid and what is due can be treated in a similar fashion to the option in the above proposal. Given the excessive current account deficits of Cameroon, the government can capped its debt servicing payments to about 20 percent of annual export earnings.

* Repay in local currency

Cameroon's scarce foreign currency can be saved for other purposes (investment or essential imports) if it is allowed to repay loans in local currency or with goods. Creditors could plough such local currency payment back into development, relief, or conservation projects in the country, in this process earning tax reduction for charitable contributions back home. Payment in goods involves making debt service payments via barter payments in cocoa, coffee, timber etc, rather than cash. Since some of the commercial banks have trading companies as affiliates, they can than sell the products and credit the debtor's account.

6.3.1.9 FORMATION OF BORROWER CARTEL

Given the importance of collective efforts and actions in international relations (especially in the financial domain), the debtor countries should form a cartel inorder to present their problems during relieving sessions such as the paris and London clubs. Since the major source of debt problems of developing debtor countries comes from the balance of payments, mainly because the developed countries are those determining the import prices and the export prices of LDC goods, this cartel should fight to institute that LDCs only service their debts with a given percentage of their trade surpluses. For instance, in the case of sub-saharan Africa, it should be arranged such that the debt servicing of each country be about 10 percent of its trade surplus.

If a fight of this nature is successful the creditor countries will try to make the terms of trade in international trade fair to the LDCs, inorder for them to service their debts. Infact, this approach will be much better than even contracting new loans to service old ones, thus mounting the debt profile of the lDCs, while the prices of their export products are glutting at the world market.

6.3.1.10 ACCESS TO BOND MARKETS

Syndicated lending has come and may stay, although with some difficulties, in the developing countries. Some new sources of finance are available that the LDCs can tap, which are quite large. For example there is a private placement market in Japan, which is extremely large. The participants in that market which include the

big insurance companies and the pension funds, have assets that are growing at almost US $ 10 billion or more a year. They are looking for opportunities in which to invest. An amelioration of investment conditions or climate in the LDCs to tap such resources would be extremely beneficial to the flow of capital to developing countries.

6.3.2. **RECOMMENDATIONS TO CREDITOR COUNTRIES**

If the debtor countries have to succeed in the above mentioned proposals, the advanced creditor countries too must be willing to sacrifice or bear some cost of their indebtedness, since advanced countries remained the major donors to LDCs.

6.3.2.1 **MORE DEBT - RELIEF**

Given the serious financial hardships which Cameroon and the other developing debtor countries are currently going through because of the drastical drop in the prices of their export products, the creditor countries should grant more debt - relief. This could be done selectively and partially to a restricted group of debtor countries in a way that would pose minimal risks to the international financial system. This relief could be granted according to a formula that gives relief to the countries that have experienced the large declines in say per capita income in recent years. Other criteria could be applied, such as granting relief only to the poorest countries, or those that have experienced the greatest terms of trade shocks, etc. In order to minimize moral hazard problems, it is recommended that relief be granted only as part of an internationally supervised programme of stabilization

and reform.

This debt relief should be given in the form at five years of complete forgiveness of interest payments from debtor countries that have suffered a drop in per capita GDP of between 8 to 12 percent or more.

6.3.2.2. **JOINT ACTION**

The creditor governments should recognize the importance of joint - action, ie to ensure that the new loans are used judiciously for investment purposes, not for consumption. In this case, both the debtor and creditor nations will be able to reach a better outcome, since the debtor will willingly submit to the conditionality and come up with the new loan, the new investment, and the avoidance of default. This condition is necessary for further lending because most LDCs have willingly tie their own hands inorder to convince creditor countries that they are indeed worthy of new loans, which are often used for consumption purposes.

Infact, in striving for a solution to their debt problems, Cameroon and other LDCs are making enormous efforts and paying a dear price there in. Similar efforts are now required of the developed countries through joint action, which will adopt effective measures to help the indebted countries revitalized their economies. This could for instance be done by reducing real interest rates, extending loan maturities and liberalizing repayment terms. In addition, the major industrial countries must effectively curb protectionism to foster conditions that would permit expansion of developing countries exports.

6.3.2.3 IMPROVING THE QUALITY OF AID

Donor countries should also enable their export credit agencies to finance rescheduled debt - service payments on concessional terms; they should widen the group of credits that participate in rescheduling of principal and interest, and adopt multi-year rescheduling on a wider basis. They must also increase their bilateral aid budgets, particularly in the form of balance of payments support for adjustment programmes, and should reduce military aid.

Just as importantly, donors must show greater commitment to improving the quality, as well as the quantity of aid. They must acknowledge that their own policies on aid, which have usually put the interests of domestic contractors ahead of the needs of the recipient countries, have made a sizeable contribution to African's present hardships. Long-term commitments from donor countries are necessary to support the profound structural changes required of African governments. Donor countries' pressures for high - profile capital - intensive projects have helped distract African governments from the crucial importance of agriculture and labour intensive industries. These pressures should be reserved now.

6.3.3. RECOMMENDATIONS TO MULTILATERAL DONOR AGENCIES

Multilateral donor organisations also have a very vital role to play in relieving the indebted countries of the problems, since they provide concessional loans to foster economic development.

6.3.3.1. CO - FINANCING OF PROJECTS

One means to better grant loans to the LDCs now is for the

multilateral institutions to co-finance and supervise the projects. In this co-financing operations, the multilateral institutions and even the commercial banks should enter into separate loan agreements with the borrowers. Although, the commercial bank loans are on market terms, they can be related to official loans through an optional cross - default provision. Because of the private banks and the official lenders, private bank loans will be regarded as likely to be subject to default or delay in servicing. As a result of multilateral agency participation, the project is likely to be well examined, valuated, and monitored.

Although, these development institutions have always been important sources of country information, much of the information they generate is often condifential and limited only to internal use, through co-financing, this information can be made available to private banks that participant in co-financing agreements.

6.3.3.2 REALLOCATION OF SPECIAL DRAWING RIGHTS (SDRS)

The IMF stands a better chance of using some of its instruments, such as the SDRs to help the developing countries deeply embedded in debt problems such as Cameroon. The SDRs are certainly some of the instruments best suited to appropriate international reserves management and should be called upon to play a bigger role in meeting the needs of countries that have limited access to the international capital markets. The technical characteristics of the SDRs should be improved inorder to strengthen its role. In this connection, it would be particularly desirable to revise the mechanism for transferring SDRs.

Infact, when the proportion of SDRs allocated to LDCs is increased, this will not only be in the interest of the LDCs, but also in that of the industrial countries. This is because the prevailing stagnation of exports by developing countries would have a positive effect on the replenishment of member countries' reserve asses, this promoting the expansion of international trade. That is, there be two standards for SDRs, one for LDCs and one for DCs.

6.3.3.3. EQUATING AID TO ECONOMIC AND POLITICAL REFORMS

The multilateral agencies and the creditor countries should maintained the policy of equating development aid at par value to political and economic reforms; such as democracy, monetary and fiscal policy, investment policy, respect of human rights, international economic policy etc. Also the withdrawal or threatened withdrawal of aid has been used to express disapproval of or opposition in internal and external policies. But in the event of a withdrawal of aid from a country as a result of bad government policies, the multilateral agencies should try means of reaching out to the masses without passing through their government, so as to maintain or improve the living standards of the population. This can be done through the provision of more grants through "self-help" projects.

6.3.4 RECOMMENDATIONS TO COMMERCIAL BANKS

6.3.4.1. CENSORING DEVELOPMENT PROJECTS IN THE LDCS

It is a usual practice that Commercial Banks and other private sources in the DCs lend out funds to the LDCs without taking the pains to see how these resources are employed, thus aggravating the

chances for payment defaults. Commercial sources of funds, especially capital markets, and private placement markets, which are very large dispensers of capital in the world (and have interest only in making profits), should become more concerned with the employment of the borrowed funds from them or more familiar with investment opportunities that lDCs implement with these funds.

6.3.4.2. INCREASE NET CAPITAL FLOWS TO THE LDCS

Despite the financial hardships of debtor countries particularly in this period of budget austerity, there is a continuous reliance on private market lending to provide the needed capital, and the key to such lending is to make new private lending safer in one way or the other, than the existing stock of debt. There are several ways to do this, one is (as already mentioned above) for more co-financing of projects between the world bank and the private sector, thereby allowing the private lenders to piggy back on the seniority of World Bank loans (which by convention are never rescheduled). A related method would be to strengthen the insurance system for international investments (such as MIGA).

6.3.4.3. ENCOURAGEMENT OF THE DEBT - EQUITYSWAP INSTRUMENTS

This involves the exchange of bank debt for equity investment in the debtor country and required debtor government participation. Creditor banks should swap on their own behalf or sell debts to investors in debtor countries at a discount. The Banks, or investors should then exchange the debt for local currency at the debtor central bank at a rate below full value but above the amount the investors paid the banks. The currency should be used to make

a local equity investment. The commercial banks should thus be willing to reduce their debt exposures by selling them or turning them into real assets; the debtor countries' debts will be lowered and new investments promoted; and the investors will obtain favourable financing for investments.

Notes

1. A useful taxonomy with which to start is that employed by Roberts and Remolona in their study for the group of 30. They distinguished among three basic types of swaps which are often subsumed within the broader category of debt conversion: A"debt equity swap is defined simply as a change of creditors holding during country loans". This has alternatively been defined as a "riskswap". According to Roberts and Remolona, this is a "deal converting a developing countries debt into foreign equity in a domestic firm". Here the swap serves as a vehicle for direct or portfolio investment. Finally a debt equityswap can be defined as the process through which any debt instrument issued by or on behalf of any developing country borrowers, public or private is converted into an equity investment in that country.

2. By the term "Secondary Debt Market", we refer to the market in which external debt is traded, usually public debt, but often also private - sector debt. By and large, the debt that circulates in this market is the debt of countries with certain economic problems. It tends to sell at a substantial discount to its face value, based, on the market's perception of the creditworthiness of the borrower and the ultimate probability that the debt will be serviced and extinguished in accordance with the loan documents.

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APPENDICES

APPENDIX A

TABLES USED FOR MODELS

TABLE A -1: Change in Unit Value of exports, Debt Burden and share of fuels in total Exports

YEAR	Change in the Unit Value of Export (%)	Debt/GNP Ratio (%)	Share of fuels in Total exports (%)
1979	0.5	41.9	22.8
1980	9.6	38.0	34.9
1981	-0.7	31.5	60.0
1982	-6.4	32.6	65.0
1983	-4.2	40.0	64.7
1984	0.7	33.7	64.6
1985	-4.2	35.7	64.1
1986	-27.8	39.8	54.3
1987	1.9	40.7	46.8
1988	9.3	38.5	47.1
1989	9.1	41.5	44.1
1990	4.9	53.2	47.6

Source Calculated from the World Tables 1992

Table A-2: BOP and Debt - Servicing of Cameroon (million of U.S. $)

YEAR	(1) Balance of Payments (U.S.million dollars)	(2) Principal Repayments (in U.S. million dollars)	(3) Interest payments (U.S. million dollars)
1970	4	8	8
1971	0.1	12	11
1972	-30.0	15	11
1973	-9.3	21	16
1974	19.5	2	21
1975	17.9	36	26
1976	-15.4	34	31
1977	-2.1	43	44
1978	-5.1	87	65
1979	-74.1	95	89
1980	145.2	112	147
1981	-101.3	123	167
1982	-51.2	191	178
1983	207.3	165	154
1984	-216.5	166	173
1985	38.6	224	163
1986	-201.0	438	185
1987	-540.8	544	235
1988	-47.0	527	188
1989	-117.3	114	147
1990	76.5	456	323

Sources: (1) Calculated from the World Tables 1992
(2) World Bank Resident Mission Yaounde Cameroon. 1992.

Table A-3: Annual External Debt and Gross Domestic Investment of Cameroon.

YEAR	Total External (Debt (U.S. Million Dollars)	Gross Domestic Investment (U.S. million Dollars)
1970	140.4	520.5
1971	174.1	666.7
1972	215.5	684.0
1973	259.0	772.9
1974	316.3	7222.6
1975	420.1	818.3
1976	590.7	767.0
1977	1056.8	1028.6
1978	1478.2	1551.4
1979	2116.7	1432.9
1980	2512.7	1653.2
1981	2548.3	2335.3
1982	2716.7	2317.5
1983	2738.9	2486.9
1984	2721.6	2367.4
1985	2939.9	25415
1986	3709.8	4083.7
1987	4039.0	3018.4
1988	4227.6	1774.9
1989	4785.9	1369.6
1990	6023.4	1173.9

Source Adopted and Calculated from the World Tables 1992.

Table A-4: Gross Dom. Savings, Total External Debt and Gross Domestic Product of Cameroon.

Year	Gross Domestic Savings (Billions of CFAF)	Total External Debt (Billions of CFAF)	Gross Domestic Product (Billions of Current CFAF)
1970	55.9	38.41	318.2
1971	42.6	48.35	340.6
1972	47.4	57.19	377.6
1973	70.3	62.41	423.8
1974	102.4	72.76	519.3
1975	104.8	93.44	612.3
1976	89.1	132.96	692.5
1977	158.9	261.85	834.0
1978	191.8	352.45	1052.2
1979	182.4	458.58	1259.1
1980	246.8	525.68	1568.9
1981	442.5	599.54	1980.0
1982	532.7	805.99	2303.4
1983	801.9	697.49	2784.5
1984	1071.5	1114.55	3272.6
1985	1377.4	1385.08	3838.9
1986	1313.2	1434.21	4166.0
1987	779.4	1287.07	3969.0
1988	478.0	1233.22	3695.0
1989	708.4	1509.28	3495.0
1990	622.3	1811.00	3346.0

Source Calculated from the World Tables 1992.

APPENDIX B

UNIVERSITY OF YAOUNDE, CAMEROON

FACULTY OF LAWS AND ECONS
DEPARTMENT OF ECONOMICS
SECTION: ECONOMIC ANALYSIS AND POLICIES

QUESTIONNAIRE TO FOREIGN DONOR COUNTRIES ON THE SURVEY STUDY OF "THE EXTERNAL DEBT SITUATION OF CAMEROON (1970-90): REVIEW AND ANALYSIS".

(Please, this questionnaire is intended for academic reasons only, for the "Doctorale du 3eme cycles" at the above institution. The responses to the questions should thus be objective and without any political connotation).

A. RESPONDENT INDENTIFICATION.

1) Name: _____

2) Rank or position occupied: _____

3) Donor Country: _____

4) Date when relations were established between your country and Cameroon: _____

5) Date when your country started granting loans to Cameroon.: _____

6) Organ(s) of your country charged with granting loans to LDCS: _____

B. BILATERAL DEBT RELATIONS.

7) What is the total outstanding debts owed to your country by Cameroon since independence? (Please kindly give the figure for each year on a separate sheet).

8) What has been the main conditions of providing loans to Cameroon?

9) What has been the:

i average interest rate?:_____

ii periods of grace?:_____

iii periods of maturity?:_____

over the period in (7) above?

10) Has your country ever granted a debt-relief to Cameroon?

Yes /___/ No /___/

If yes, how and in what amounts?_____

_____

11) Which are the major commercial Banks of your country, which also provide loans to Cameroon?:_____

_____

_____

12) Has Cameroon maintained her debt-service obligations with your country?

i. Yes /___/ ii. No. /___/

If yes, how is this done?

i. Using exports /___/

ii. Using foreign reserves /___/

iii. Using foreign currency /___/

(Please tick the appropriate one(s)).

13) Will your country continue to loan development finance to Cameroon?

i. Yes /___/ and

Why?:_____

_____

ii. No /___/ and

why?:_____

_____

_____

C. TRADE LINKS WITH CAMEROON

14) What type of goods/services does your country buy from Cameroon?

_____

_____

15) What type of goods/services does Cameroon buy from your country?

_____

_____

16) What is the trade balance (surplus or deficit) between your country and Cameroon since 1970? Please, give figures for each year up to date, on a separate sheet if possible.

D. GENERAL CONCLUSION

17) According to you, does the loans from your country contribute generally to the socio-economic development of Cameroon?

_____

_____

18) What future do you see between your country and Cameroon in the domain of international lending?:_____

APPENDIX C

UNIVERSITY OF YAOUNDE, CAMEROON

FACULTY OF LAWS AND ECONS

DEPARTMENT OF ECONOMICS

SECTION: ECONOMIC ANALYSIS AND POLICIES

QUESTIONNAIRE TO FOREIGN DONOR COUNTRIES ON THE SURVEY STUDY OF "THE EXTERNAL DEBT SITUATION OF CAMEROON (1970-90): REVIEW AND ANALYSIS".

(Please, this questionnaire is intended for academic reasons only, for the "Doctorale du 3eme cycles" at the above institution. The responses to the questions should thus be objective and without any political connotation).

A. RESPONDENT INDENTIFICATION.

1) Name and position occupied: _____

_____

2) Name of Donor organisation: _____

3) Date when relations were established with Cameroon:

_____

4) Date when this Donor organisation started granting loans to Cameroon: _____

B. MULTILATERAL DEBT RELATIONS

5) What is the total outstanding debt owed to your organisation by Cameroon, since independence? (Please kindly provide the figure for each year on a separate sheet)

6) What has been the conditions for granting loans to Cameroon? _____

_____

7) What has been the main motive(s) of proving loans?

_____

_____

8) What has been:

i. The average interest rate:_____

ii. The period(s) of grace:_____

iii. The periods of maturity:_____

Over the period in question 5 above?

9) Has your organisation ever granted any debt-relief to Cameroon?

i. Yes /__/ ii. No. /__/

If yes, in which years, how and in what amount(s)

10) Has Cameroon Maintained her debt-service Obligations with your Organisation?

i. Yes /__/ ii. No. /__/

If yes, how is this done?

i. Using exports /__/

ii. Foreign reserves /__/

iii. Foreign currency /__/

(Please, tick the appropriate one(s)).

11) Will your organisation continue to loan development finance to Cameroon?

i. Yes /__/ and why?:_____

_____

ii. No. /__/ and why?:_____

_____

C. GENERAL CONCLUSIONS.

12. According to you, does the loans from your organisation contribute positively and generally to the socio-economic development of Cameroon?

i. Yes /__/ ii. No. /__/

If no, why?:_____

_____

13) Will your organisation encourage other organisations to continue loaning funds to Cameroon?

i. Yes /__/ and why:_____

_____

ii. No /__/ and why _____

_____

14) Finally, what future do you envisaged between your organisation and Cameroon, in the domain of international lending?:_____

_____

_____