



## EITD Research

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## STRUCTURAL ADJUSTMENT: How Cameroon is faring 10 years after

By D.M. Mbwoye. Director, EITD Research

A good start to find out how Cameroon is faring in its structural adjustment efforts is probably the government's economic and financial report of the 1996/97 financial year and the finance bill (which later became law) of Cameroon for the 1997/98 financial year. One thing that seems clear from these and other documents is increasing optimism about Cameroon. However, the economy is not doing so well yet because of poor structural policies and consequent socio-political instability.

For sure, decline in the economy has been arrested and modestly reversed. The real gross domestic product (GDP) growth rate "rose to 5% in 1995/96, after the rate of 3.3% recorded in 1994/95 which marked the end of a long, uninterrupted period of recession. Inflation, calculated on the basis of the general consumer price index for households in Yaounde, fell to 4.4% between the end of June 1995 and the end of June 1996, compared with 13.4% between June 1994 and June 1995. The trade balance surplus was consolidated, improving by 3% between 1994/95 and 1995/96. This trend had a favourable impact on Cameroon's monetary situation, through an improvement in the Central Bank's net foreign assets".

Also, the government recognized its shortcomings in the 4<sup>th</sup> standby agreement with the IMF and undertook to rectify them, with an economic strategy based on achieving a 5% growth rate. The government hatched a medium-term economic and financial programme and entered negotiations with the IMF and the World Bank in April 1997, later signing letters of intent with them, to support the programme.

Key obstacles to restoring major macroeconomic balances have been identified by the government:

- Low levels of savings and investments;
- Poor education and health standards;
- Deteriorating economic and social infrastructures;
- The high costs of transportation;
- The internal and external debt service burden; and,
- The financial system that does not meet development requirements.

The sheer poverty and deprivation in the day-to-day lives of the vast majority of Cameroonians, although apparent in the government's diagnosis of its economic problems, is enormous. This, after ten years of structural adjustments with partial implementations of four standby agreements that were concluded with the IMF and the World Bank. Also, the government's economic and financial programme covers the three year period corresponding to 1997/98 – 1999/2000 (now backed by the IMF and the World Bank) is unlikely to reduce, in any significant way, the widespread poverty and deprivation in the country. The real GDP growth rate, for example, is only expected to average 5% per annum for the next three years!

The fundamental question remains why the government appears unresponsive to the poverty and deprivation of its people and what can be done about it. Some answers, poor structural policies and consequent socio-political instability and the need to urgently address them, emerge from looking at the government's budgetary policy which in 1997/98 "is aimed at consolidating the rehabilitation of public finances, by increasing revenue and streamlining expenditure".

## PUBLIC EXPENDITURE

The reduction "streamlining" of public expenditure to 17.46% of GDP in the next three years is a major objective of the government's medium-term economic and financial programme. This may all be so well but beside the point, in terms of the underlying problems of the economy which are mainly structural.

The governments of some of the leading economies spend more (the U.S. 20%, the E.U. 43%) as a proportion of GDP. Others like Japan (16%) spend less. Economies perform better when their underlying structures are well adjusted and not merely because the level of government spending is high or low.

The major categories of government spending in Cameroon are shown in Table 1 (page 4), below. Two years are selected for comparison: 1987/88, the year economic crisis began bringing stringent cuts in government spending, and 1997/98 to show the changes after ten years of "streamlining expenditure".

A summary of these changes is presented in Table 2 (page 5), below. As can be seen, vital areas of recovery and rehabilitation particularly of human resources have sustained cuts over the decade. These include housing, education, public health, social security and agriculture. Meantime, other apparently not so productive areas such as law and order and defence recorded substantial gains in government spending in the same period of structural adjustment.

It is evident from this experience, and the government expenditure allocation for 1997/98, that the government spending priorities are not tallying with its expressed intentions to tackle the major macroeconomic problems identified in its 1996/97 economic and financial report.

The government, it would be clear, has not got precise control over the allocation of public expenditure. Why is this? The political and institutional processes involved in determining public expenditure hold answers to this crucial question.

## FORCE OF POLITICAL IDEAS

During the 1987/88 – 1997/98 decade of structural adjustment, political philosophies found expression through a multiparty system. The ruling CPDM party competed with a constellation of several other parties. However, the respective party philosophies were not presented in detailed election manifestos. Often, the political ideas were presented as slogans promising some kind(s) of action to the electorate. The slogans (or political philosophies) only related to the process of budget-making only vaguely.

One party, the CPDM, was in power throughout the examined 1987/88-1997/98 structural adjustment decade. In 1987, its leader, President Paul Biya, published his *Communal Liberalism*. A blue print of the development philosophy that guides the party. It called for a society that "is based not only on the concern for efficiency but also on the sense of solidarity and respect for the human personality". It was not an election manifesto and did not put forward expenditure proposals.

Instead, under him, the budget-making process worked the other way round. Total budget expenditure emerged as the sum of individual government programmes.

The system of planning and controlling public expenditure in Cameroon, operated by civil servants and politicians, considers items of expenditure on a piecemeal basis, one year at a time. Each government expenditure area (programme) such as defence, agriculture, law and order, etc., comes up with its own expenditure estimates based on its current policies and not necessarily on what the country can afford and the relative importance of one kind of expenditure against another.

### **THE FORCE OF CIRCUMSTANCE**

In the absence of political control and administrative prudence, the real world and the force of events guided the Cameroon budget-making process. The world set practical constraints on the range of choice available to the government at both the macro and micro level. The force of events shook government.

The IMF and the World Bank were particularly instrumental in this period to fill the budgetary policy vacuum, as Cameroon's debt burden soared. "The effective external public debt service – domestic budget revenue ratio was 31% at the end of April 1997. Despite substantial disbursements, outstanding payment arrears were recorded". Cameroon signed four standby agreements with the IMF and the World Bank.

As economic conditions worsened, the population took to the streets to protest their government's failure to act on behalf of the country. Many perceived "obligations extending, instead, in concentric circles, beginning with family, village and clan, and embracing tribe, but not country". "Social fragmentation and brutal political exploitation" appeared to set in!

A number of elections were organized (some hotly contested), producing multiparty parliaments, CPDM led coalition governments and a revised Constitution. However, party political philosophies are still to relate further to the budget making process.

### **RECOMMENDATIONS**

The government is attempting, in putting forward a medium-term economic and financial programme to cover the three year period corresponding to 1997/98-1999/2000, to assert its authority in budgetary policy. The effort is feeble and, in view of the committed spending allocations for 1997/98, it already appears to be floundering!

It would be clear, therefore, that structural adjustment is necessary. But, it is unlikely to work effectively if those in power (the President, Parliament, the Courts and the Government) do not feel and are not made to feel obliged to serve the interest of the people, especially in the budget-making process.

For this to happen, political parties would have to assert their authority by clarifying their political philosophies and turning them into concrete budget expenditure proposals in the budget-making process.

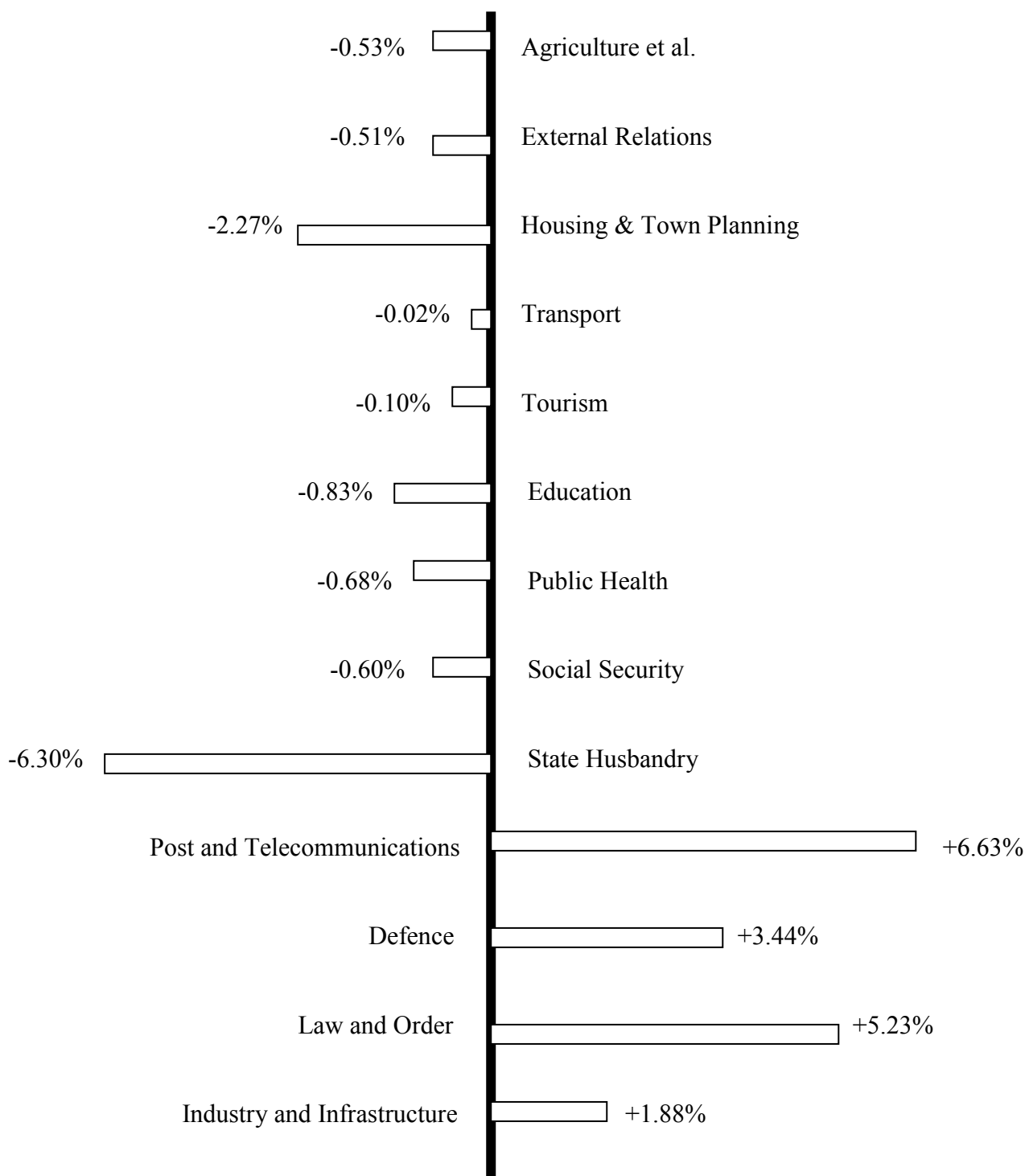
Furthermore, it may be necessary to radically tilt public expenditure priorities to favour more of the recovery and rehabilitation areas (programmes) such as agriculture, transport, education and housing. This may be done without raising overall levels of spending commitments if, for example, allocations are carefully coordinated to transfer the much needed resources from law and order and defence to the recovery and rehabilitation programmes.

**Table 1:** Changes in government spending allocations over the ten years (1987/88 – 1997/98) of structural adjustment.

Item of Expenditure	1997/98		1987/88	
	CFA Millions	(%)	CFA Millions	(%)
<b>Agriculture et al</b>	<b>22,724</b>	<b>(5.62%)</b>	<b>20,991</b>	<b>(6.15%)</b>
Agriculture	18,514		17,195	
Environment & Forest	3,791		-	
Livestock, Fisheries & A. Ind.	3,419		3,797	
<b>External Relations</b>	<b>9,626</b>	<b>(2.10%)</b>	<b>5,428</b>	<b>(1.59%)</b>
<b>Housing and Town Planning</b>	<b>10,488</b>	<b>(2.29%)</b>	<b>15,577</b>	<b>(4.56%)</b>
<b>Transport</b>	<b>2,311</b>	<b>(0.51%)</b>	<b>1,786</b>	<b>(0.52%)</b>
<b>Tourism</b>	<b>1,337</b>	<b>(0.29%)</b>	<b>1,331</b>	<b>(0.39%)</b>
<b>Industry and Infrastructure</b>	<b>40,955</b>	<b>(8.95%)</b>	<b>24,157</b>	<b>(7.07%)</b>
Industry and Commerce	1,723		2,781	
Mines, Water Resources & P.	4,918		1,639	
Public Works	34,314		-	
Equipment	-		17,243	
Computer Science & P. Contr.	-		2,495	
<b>Law and Order</b>	<b>50,955</b>	<b>(11.13%)</b>	<b>20,146</b>	<b>(5.90%)</b>
Justice	5,836		5,885	
Territorial Administration	17,720		14,260	
National Security	27,399		-	
<b>Defence</b>	<b>75,707</b>	<b>(16.54%)</b>	<b>44,715</b>	<b>(13.10%)</b>
<b>Education</b>	<b>109,642</b>	<b>(23.95%)</b>	<b>84,572</b>	<b>(24.78%)</b>
National Education	84,697		66,908	
Higher Education	11,795		-	
Higher Education & Scien. Resh.	-		6,138	
Scientific & Technical Resh.	4,359		-	
Communication	2,117		-	
Information & Culture	-		4,045	
Culture	1,336		-	
Youth & Sports	5,288		7,479	
<b>Public Health</b>	<b>31,322</b>	<b>(6.84%)</b>	<b>25,662</b>	<b>(7.52%)</b>
<b>Social Security</b>	<b>3,831</b>	<b>(0.84%)</b>	<b>4,920</b>	<b>(1.44%)</b>
Labour and Social Insurance	1,614		2,164	
Social & Women's Affairs	2,217		-	
Social Affairs	-		2,329	
Women's Affairs	-		0,426	
<b>State Husbandry</b>	<b>53,852</b>	<b>(11.77%)</b>	<b>41,698</b>	<b>(18.07)</b>
Presidency	14,007		9,900	
Services Presidency	2,884		24,107	
National Assembly	5,895		2,537	
Prime Minister	3,226		-	
Economic & Social Council	0,336		0,748	
Economy & Finance	24,782		-	
Finance	-		18,455	
Planning & Regional Dev.	-		2,768	
Public Service	2,722		2,180	
<b>Post &amp; Telecommunications</b>	<b>42,000</b>	<b>(9.18%)</b>	<b>8,702</b>	<b>(0.80%)</b>
<b>TOTAL RECURRENT BUDGET</b>	<b>457,750</b>	<b>(100%)</b>	<b>341,357</b>	<b>(100%)</b>

Source: Ministry of the Economy and Finance, 1997

**Table 2:** Summary of changes in government spending allocation as a proportion of total recurrent budgets over ten years (1987/88 – 1997/98) of structural adjustments.



Source: Ministry of the Economy and Finance, 1997.