Cameroon

key figures

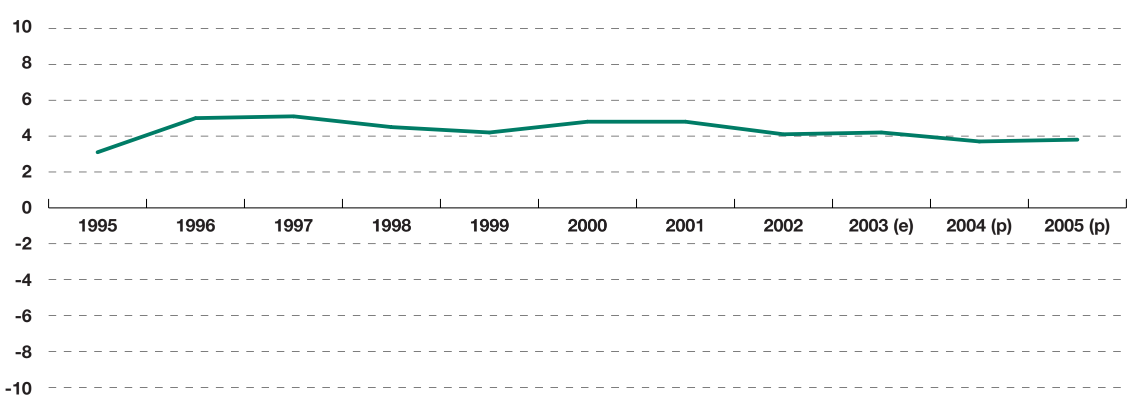
• Land area, thousands of km²	475
• Population, thousands (2002)	15 729
• GDP per capita, $ (2002)	699
• Life expectancy (2000-2005)	46.2
• Illiteracy rate (2002)	26.5

DESPITE THE SURGE OF THE ECONOMY since 1995, the effects of a decade of recession (1985-94) are still very much in evidence in Cameroon. Investment in productive sectors has steadily dropped and has not been absorbed well. Poverty has spread to towns from the countryside and water, electricity and telecommunications services have begun to deteriorate. Administrative skills are also in decline and bad governance is growing. Economic growth has slowed since 2002 because of outdated production facilities and substantial energy shortages which have affected industry. Cameroon has a serious lack of equipment and infrastructure, as well as a high cost of factors of production (labour, land, water and electricity).

Growth remained almost unchanged in 2003 at 4.2 per cent (compared to 4.1 per cent for 2002). Industrial production improved with more reliable electricity supply, and demand remained high despite overall declining terms of trade (that had stabilised in 2002). Foreign trade may weaken in 2004 with a listless world economy and sub-regional markets slow to take up the slack. From April 2004, a new thermal plant at Limbé should improve the electricity supply for local businesses. Prospects are highly dependent on the government's ability to develop priority sectors, including production infrastructure. The economy cannot rely much on domestic consumption as the only spur to growth as it is likely to fade with declining oil production and a fall in manufacturing jobs. Growth will slow to 3.7 per cent in 2004 and 3.8 per cent in 2005.

Growth is still hampered by a lack of infrastructure and a substantial energy gap.

Figure 1 - **Real GDP Growth**

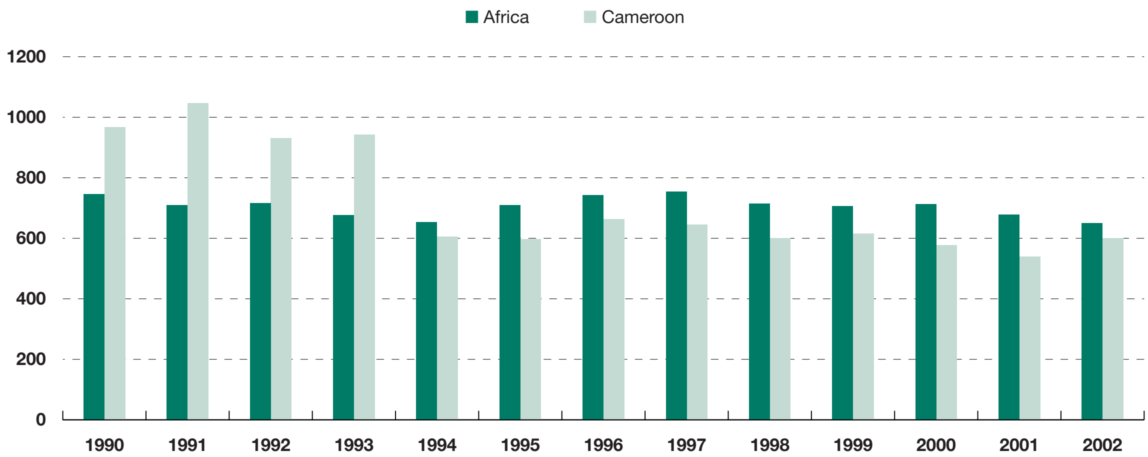


Source: IMF and *Direction de la Prévision*, Ministry of Economy and Finance data; projections based on authors' calculations.

Recent Economic Developments

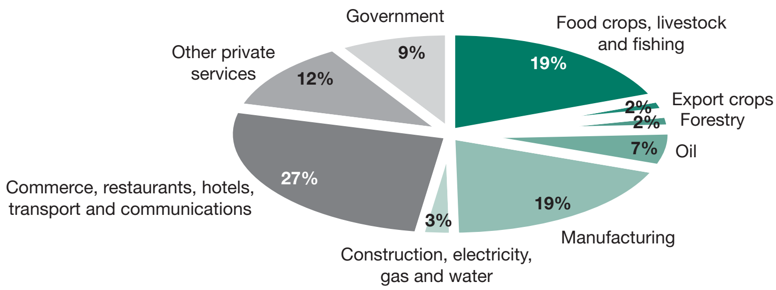
After a crisis, the primary sector once again underpinned economic growth in 2003 thanks to better food and export-crop production and a slight improvement in forestry activity. Production of the main cash crops (cocoa, bananas and rubber) rose during the 2003/04 season, with exports of cocoa up by two-thirds in the first nine months of 2003 and bananas by 21.5 per cent. But exports of coffee experienced a dormant year in 2003, with arabica falling by 64.5 per cent and robusta by 58.1 per cent. Cotton production was also down 5 per cent in the first nine months. The volume of exported logs fell 8 per cent in 2002 and an estimated 54 per cent in the first half of 2003 as a result of new forestry regulations.

Figure 2 - **GDP Per Capita in Cameroon and in Africa** (current $)



Source: IMF.

Figure 3 - **GDP by Sector in 2002**



Source: Authors' estimates based on *Direction de la Prévision*, Ministry of Economy and Finance data.

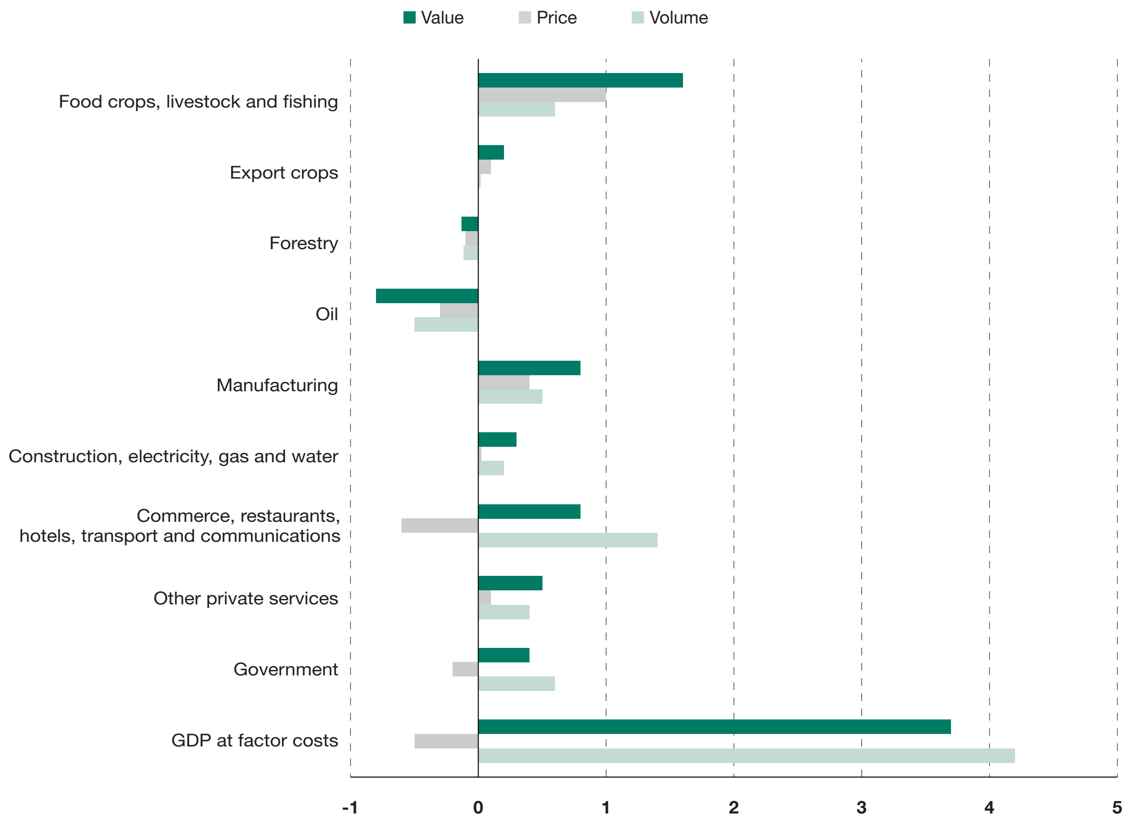
Considering the country's rich resources, agriculture operated well below capacity.

In 2003, despite steady depletion of reserves, petroleum output was maintained at just over 35 million barrels, virtually all exported. Three-quarters of it was sold through the state oil company, SNH, at an average price of $26.5 a barrel.

In 2002 frequent power cuts hampered industrial activity, notably the development plans of Alucam, the main customer of Cameroon's only electricity company, AES Sonel. But supply gradually returned to normal in the first half of 2003, with better rainfall and buoyant local demand. Manufacturing activity picked up slightly. AES Sonel's capacity will be boosted when a thermal plant at Limbé comes into operation in April 2004, and the firm predicts demand will be met fully in 2004. The sector will be opened up to other suppliers in 2006. The country is still using only 2 per cent of its hydro-electrical potential, which is the biggest in Africa after the Democratic Republic of Congo. Negligible investment for more than 20 years has left dams in poor condition and unable to meet demand, which has been rising by about 5 per cent a year since 1995.

The construction industry helped overall growth in 2003 with the firm NBC Holding beginning construction of 10 000 cheap housing units in Yaounde and Douala, (mainly with Tunisian funding) and with several projects in place for the road network. The sector remains very dynamic, as shown by a 13 per cent jump in local demand for cement. Cement imports were up with a weak dollar lowering prices and local firms unable to increase output quickly. The sector's contribution was less than in 2002,

Figure 4 - **Sectoral Contribution to GDP Growth in 2002**



Source: Authors' estimates based on *Direction de la Prévision*, Ministry of Economy and Finance data.

however, the Chad-Cameroon oil pipeline having been completed. Industrial activity has suffered from a steady fall in manufacturing jobs – 3.7 per cent over the year. In addition, the forestry sector has experienced new supply problems because of declining production since 2002.

The service sector is still the mainstay of the economy after the recovery of sea and land transport due to road improvements and an 11 per cent increase in rail passengers in the first half of 2003. Container traffic at Douala port rose year-on-year in the first ten months of 2003, with volume imports up 0.2 per cent and

Table 1 - **Demand Composition** (percentage of GDP)

	1995	2000	2001	2002	2003(e)	2004(p)	2005(p)
Gross capital formation	**12.8**	**18.9**	**23.5**	**24.0**	**22.8**	**23.5**	**23.6**
Public	1.9	3.2	3.3	2.5	2.5	3.2	3.4
Private	10.9	15.7	20.3	21.5	20.3	20.2	20.2
Consumption	**80.8**	**75.8**	**80.2**	**81.2**	**81.2**	**81.0**	**81.1**
Public	8.8	9.7	10.3	10.6	10.5	10.4	10.4
Private	72.1	66.1	69.9	70.6	70.7	70.6	70.7
External sector	**6.4**	**5.3**	**-3.7**	**-5.2**	**-4.0**	**-4.5**	**-4.7**
Exports	25.8	28.1	24.0	21.3	19.6	19.0	18.6
Imports	-19.4	-22.8	-27.7	-26.5	-23.6	-23.5	-23.2

Source: *Agence française de développement* data; projections based on authors' calculations.

exports up 1.9 per cent. The completion of the Chad-Cameroon pipeline and related activity, however, led to a fall in the volume of traffic by traditional means of transport. Fuel distribution (by the firm SCDP) increased significantly (17.1 per cent) in the first ten months of the year. Tourism also grew, with a 10 per cent rise in night-stopovers over 2003 and 6 per cent higher turnover in the first half of the year. Given the many natural sites of Cameroon, a significant improvement of infrastructure would benefit the sector greatly.

In 2003, internal and external demand contributed to growth more equally. The contribution of exports rose by default when completion of the oil pipeline led to a drop in imports. Nevertheless, while domestic demand remained healthy due to higher rural incomes, investment (particularly private investment) continued to drop. The government was unable to complete budgeted projects and the small level of non-petroleum private sector investment declined further. Investment remained well below requirements and GDP growth moved away from the 6 per cent PRSP target for 2007. The situation was not helped by the serious lag in implementation of the public investment budget (either with national or HIPC funds) due to low absorption capacity and declining bureaucratic efficiency.

Macroeconomic Policy

Fiscal and Monetary Policy

As a member of the Central African Economic and Monetary Community (CEMAC), Cameroon is obliged to meet certain convergence criteria touching inflation, budget balance, debt levels, and the absence of payment arrears. In 2003, as in the previous year, Cameroon was the only member to meet all the criteria, and its debt has been reduced significantly since it entered the HIPC Initiative.

The Poverty Reduction and Growth Facility (PRGF) finalised with the IMF in October 2000 is now coming to an end. Negotiations for the fourth PRGF review, initially scheduled for January 2003, were postponed as budgetary excesses prevented the achievement of the programme's quantitative targets early in the year. The review was not approved until 17 December 2003, only a week before the PRGF expired, releasing 15.9 million SDRs ($23 million). The third and final year of the programme was to run from 1 July 2003 to 30 June 2004, so the last review ought to be discussed in the third-quarter of 2004 using end-June criteria.

In 2003, budget policy aimed to continue stabilising public finances by broadening the non-petroleum revenue base. Also more careful budgetary choices were intended to make spending more efficient. Reforms continued with the introduction of new budgetary nomenclature for better monitoring of expenditure by heading. Also, the completion of an integrated data system (SIGEFI) for public finance management (also with a revenue section) should make all public spending more transparent, reliable and coherent.

Individual and corporate income tax systems will be reformed in 2004 and a large-companies division (of the tax authorities) should be operational, improving tax collection. In March 2003, parliament established a supreme court accounts division to monitor government finances more closely. The system for awarding government contracts has also been reformed. Other measures to meet budget targets included requiring state-owned firms to withhold VAT at source, abolishing or limiting some tax exemptions, including that on the special levy on petroleum products, and tightening the system of mining taxation.

Government revenue was lower in the first months of 2003 than in the equivalent period of 2002. While favourable world prices pushed oil income up from 86 to 92.2 billion CFA francs ($123.4 to $157.3 million) over the period, sluggish non-oil sectors accounted for the overall decline. VAT revenue improved in the second half of the year as the economy picked up. Over 2003, revenue should exceed targets to reach 17.1 per cent of GDP (with an estimated 101.6 per cent execution rate).

The government had budget problems in the second half of the year. These led to its first shortfall (43 billion

Table 2 - **Public Finances**[a] (percentage of GDP)	1995	2000	2001	2002	2003(e)	2004(p)	2005(p)
Total revenue and grants[b]	**12.5**	**17.8**	**18.0**	**17.5**	**17.1**	**16.8**	**16.3**
Tax revenue	8.6	11.0	12.1	11.8	11.6	11.6	11.7
Oil revenue	2.8	5.7	4.7	4.8	4.0	3.9	3.5
Total expenditure and net lending[b]	**15.3**	**15.9**	**16.6**	**16.0**	**15.2**	**15.4**	**15.2**
Current expenditure	13.9	13.0	13.4	13.4	12.9	12.4	12.0
Excluding interest	*8.2*	*9.4*	*10.2*	*10.8*	*10.7*	*10.5*	*10.5*
Wages and salaries	4.5	4.6	4.9	5.3	5.4	5.4	5.6
Interest	5.7	3.7	3.2	2.6	2.2	1.8	1.6
Capital expenditure	1.4	2.7	3.0	2.3	2.3	3.0	3.2
Primary balance	**2.9**	**5.5**	**4.5**	**4.1**	**4.0**	**3.2**	**2.6**
Overall balance	**-2.8**	**1.9**	**1.4**	**1.5**	**1.9**	**1.4**	**1.1**

a. From January 2003, the financial year follows the calendar year.
b. Only major items are reported.
Source: IMF and *Direction de la Prévision*, Ministry of Economy and Finance data; projections based on authors' calculations.

CFA francs – $72.1 million – by September) in contributions to the HIPC account with the Bank of Central African States (BEAC) as part of its debt relief arrangement with creditors. These difficulties also led to increased efforts to collect taxes and government payments to private sector firms were delayed.

Budget expenditure rose in the first half of 2003 year-on-year, though it was slightly less than projected (with a 96.7 per cent execution rate), because of transfers and capital spending despite low absorption capacity. The overall balance strengthened due to lower current expenditure and debt service payments and is estimated at over 1.9 per cent of GDP, up 26 per cent from 2002.

The 2004 budget, passed and implemented in December 2003, balances revenue and expenditure of 1 617 billion CFA francs ($2.7 billion). Up by 7.2 per cent from 2003, it is based on optimistic forecasts of real GDP growth of 4.7 per cent, 2 per cent inflation and a balance (commitments not disbursements) of 1.5 per cent of GDP. Operating costs, transfers and salaries account for more than half of expenditure, while less than a third goes to debt repayments and only about 15 per cent to investments.

Tax revenue for 2004 was set at 1 148 billion CFA francs ($1.9 billion, 10 per cent up on 2003) based mostly on VAT and import tariffs. Non-tax revenue was stagnant with privatisation stalled and a decline in oil production. HIPC spending was projected to rise by 75 per cent to 70 billion CFA francs ($119.5 million) but was not enough to make up for accumulated delays since reaching decision point.

Operating expenditure remained steady (up 0.9 per cent) but, contrary to commitments, did not reflect the emphasis on social sectors set out in the PRSP. The biggest increases were for defence (+6.6 per cent), economy and finance (+5.2 per cent), the presidency (+5.6 per cent), and for the interior and local government ministry (+35.3 per cent), which received substantial funding for HIPC projects.

Though the budget should have focused clearly on fighting poverty, education spending (except for technical and higher education) increased by only 4.1 per cent, while health spending declined by 1.9 per cent. Other sectors in great need of funds saw their allocations cut sharply: mining, water and energy by 34.7 per cent and transport by 17.4 per cent. Though rural development is another priority sector, funding for agriculture was down 0.3 per cent and livestock by 11.3 per cent. If confirmed, these trends would reduce the PRSP to a document unrelated to real budgetary operations. The breathing space provided by the start of debt relief is not being used as intended – to fight poverty – despite medium-term guidelines for education and health spelled out in the PRSP.

Several factors could produce further revenue problems in 2004, which is also when presidential elections are due. About 90 per cent of credits from HIPC funds in the new budget has not yet been spent and has been rolled over, which leaves little room for new projects. Also, newly-calculated internal debt figures that have been included have probably been underestimated due to downsizing of state-owned firms and delays in the privatisation programme.

Domestic debt stood at 1.1 billion CFA francs ($1.5 million) at the end of 2002, accounting for 15.7 per cent of GDP, of which 2.3 per cent is overdue. This, as with external debt, was accumulated before the crisis of the early 1990s. About 54 per cent of domestic debt held by commercial banks, insurance companies and government employees has been consolidated with medium-term repayment plans. It should be cleared by 2006.

As in other CEMAC countries, the exchange rate is pegged to the euro and monetary policy is managed by the BEAC, leaving budgetary policy as the main economic instrument. After strong pressure in the first half of 2002, due to overheated demand in connection with the Chad-Cameroon pipeline, inflation steadied in the second half of the year and in 2003, reflecting greater food supplies. Prices also fell in conjunction with cheaper dollar imports due to the fall in the dollar. Inflation should be 1.4 per cent in 2003 if food supplies remain stable. It ought to rise to 2.2 per cent in 2004 and 2.1 per cent in 2005 because of higher demand for food in neighbouring countries.

External Position

Foreign trade items are quite varied – crude oil (45.7 per cent), sawn timber (11 per cent), cocoa beans (10.6 per cent), raw cotton (5.2 per cent), raw aluminium (3.6 per cent) and fuel and lubricants (3.4 per cent) – but further diversification is difficult. Cameroon trades mostly with Europe and the United States, but in the second quarter of 2003 new customers, such as China and South Africa, emerged. In a single quarter, exports by value to these countries were almost as high as those to the United States. Imports from Nigeria continued to increase, up 25 per cent in the second quarter year-on-year. Local producers face growing competition from Nigerian products, cheaper due both to the naira's depreciation against the dollar and to smuggling. Cameroon has great potential and a bigger economy than its neighbours, but has still not captured the sub-regional CEMAC market.

Year-on-year exports to CEMAC countries dropped substantially in the first half of 2003 (down 14.6 per cent according to the Cameroon employers' federation, Gicam). The slight trade surplus registered in 2002 (0.7 per cent) improved somewhat in 2003 (to 1.0 per cent), with a fall in imports due to the completion of the Chad-Cameroon pipeline and better global terms of trade. But the surplus should not mask a continuing decline in oil exports by tonnage and a rise in imports of tradable goods sparked by the weakness of the dollar. In the longer term, if local producers fail to meet the still-strong domestic demand, substantial imports could cause a trade imbalance.

Table 3 - **Current Account** (percentage of GDP)

	1995	2000	2001	2002	2003(e)	2004(p)	2005(p)
Trade balance	7.3	2.6	2.6	0.7	1.0	0.7	0.5
Exports of goods (f.o.b.)	20.5	21.2	20.9	18.0	16.5	16.1	15.7
Imports of goods (f.o.b.)	-13.3	-18.6	-18.3	-17.3	-15.4	-15.4	-15.2
Services	-2.3	-6.4	-5.4	-5.9			
Factor income	-6.6	-3.3	-2.8	-2.3			
Current transfers	0.7	1.1	1.3	1.2			
Current account balance	**-0.9**	**-5.9**	**-4.4**	**-6.3**			

Source: IMF and *Agence Française de Développement* data; projections based on authors' calculations.

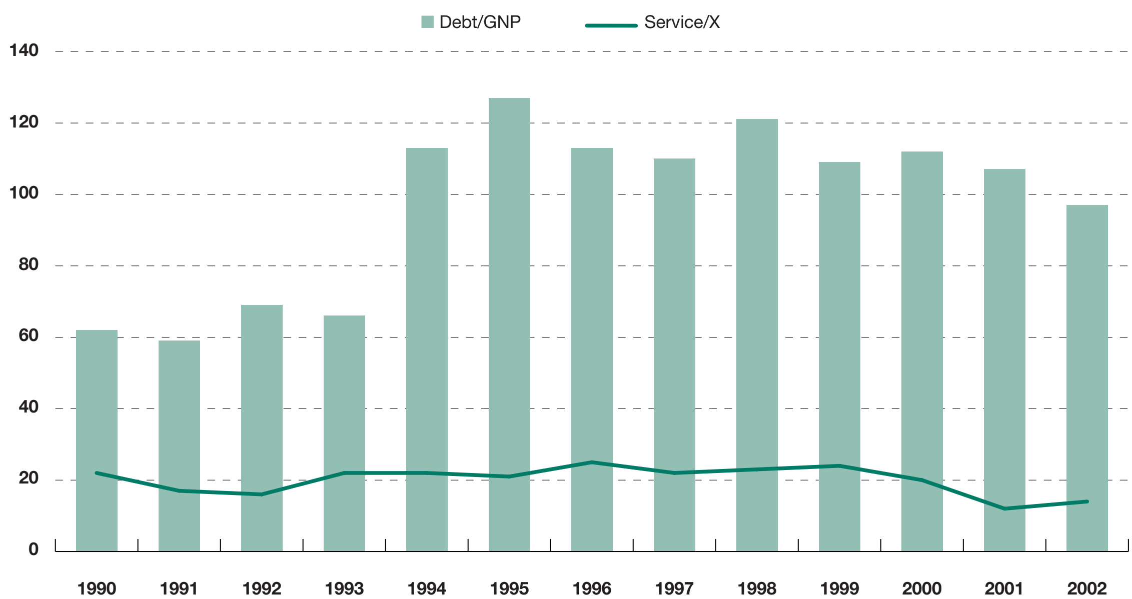
Cameroon became eligible for enhanced HIPC Initiative funding when eligibility conditions were eased. After a successful first phase of stabilisation, the country reached decision point on 11 October 2000 and entered the interim stage of the programme, which enabled it to receive its first debt relief. The completion point, initially set for September 2003 was delayed by the late finalisation of the PRSP and the Poverty Reduction and Growth Facility (PRGF) report and should now take place at the end of 2004. In mid-October 2003, Cameroon received nearly 200 billion CFA francs of such credits, of which only 14 billion have been spent. This under-use of HIPC funds is worrying when reaching completion point depends on effective implementation of the PRSP over a year.

Explanations range from over-cautious policies to a chronic inability to absorb investment, as shown by the very poor execution of the investment budget for the past two decades. This slowness to use HIPC funding may also be due to lack of good-quality projects (those presented resemble ideas more than serious development proposals), incompetent technical ministries or institutional blocks made worse by bureaucratic inefficiency. This includes several committees having to approve a project, a decision which then stays at ministerial level and is not passed on properly to finance ministry officials. The earmarking of funding in the budget occurs late and with difficulty and fails to circulate through the appropriate ministries.

The HIPC monitoring committee (which includes Cameroonian officials, funding agencies and civil society representatives), presided over by the Finance Minister and set up on 1 December 2000, has not yet found its feet. A new monitoring committee for the implementation of HIPC projects has now been created by the Ministry of Economic Affairs, Planning and Development, to be subject to the Minister for the Economic Revival Plan. This committee has met twice. It remains to be seen if HIPC funds will be better used as a result.

Cameroon will also have access to the additional part of the HIPC Initiative. This involves the decision, taken by most G7 countries at the 1999 Cologne Summit, to unconditionally cancel all bilateral public development aid debt remaining after completion point (in addition to standard debt relief). Given its large outstanding debts of this kind, this represents a

Figure 5 - **Stock of Total External Debt** (percentage of GNP) **and Debt Service** (percentage of exports of goods and services)



Source: World Bank.

substantial sum for Cameroon. France, which is replacing debts with development grants, will do so through a debt-relief and development (C2D) contract of more than 1 billion euros over more than 20 years.

Cameroon has substantially reduced its debt: public external debt has decreased by 23.5 per cent, from 126.7 per cent of GNP after devaluation in 1995, to 96.9 per cent in 2002. The reduction of export-debt servicing was even greater: falling by 33.9 per cent from 20.9 to 13.8 per cent during the same period. This is thanks to sustained growth since the 1994 devaluation and increased exports, as well as falling external debt ($8 503 million in 2002). In addition to the HIPC debt reduction measures, the country has made substantial efforts to repay foreign creditors with its implementation of IMF programmes.

In May 2002, Cameroon negotiated a very favourable buy-back of 584 billion CFA francs ($838.3 million) of its commercial debt at 14.5 per cent interest on the principal with a waiver of interest arrears. The operation, costing a total $44 million, took place in August 2003 with contributions from France, Norway and the World Bank (which co-ordinated it). Cameroon contributed some its own resources and 54 out of 76 banks involved agreed to help.

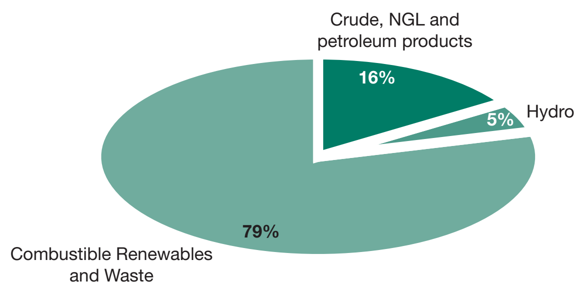
Structural Issues

Cameroon faces persistent structural problems including: out-of-date and inadequate infrastructure (transport, telecommunications, health and education), bad governance (inefficient courts and a non-independent private sector) and corruption that harms the country's image and puts off potential investors. The action plan drawn up after a review of the justice system will be crucial to restoring local and foreign investor confidence.

Energy supply remains very traditional despite Cameroon being one of the sub-region's most diversified economies with a sizeable business sector. Biomass is the main fuel and hydro-electric power production is well below capacity. Electricity production is inadequate because of outdated equipment and is aggravated by poor rainfall, especially in 2002. Distribution is also inefficient, with 32 per cent of current lost. Electricity is mainly hydro-produced but thermal production has risen sharply since 2002 – by 27 per cent that year and 32 per cent in 2003 (up to the end of November) – in response to demand. The private company AES Sonel has a monopoly over production and distribution.

A regulatory body has been set up for the electricity sector to ensure that the contract between the government and AES Sonel is performed with respect to prices and investment. Three rate increases were allowed under the contract and all were delayed because of negotiations between the government, the company and the regulatory body. As the contract concerns average price increases, the biggest rise was imposed on business customers, with the government wanting to protect private consumers. AES Sonel introduced a much higher fixed charge for low-voltage non-household current at the end of 2003 and changed the composition of rental payments to a choice of either adjusting voltage according to needs or using current more economically.

Figure 6 - **Structure of Domestic Energy Supply in 2001**



Source: International Energy Agency.

The company had noticed that the level of current being signed up for (which influences the fixed charge) corresponded neither to the level of consumption nor the needs of business customers. Despite the price rises, investments required under the contract have not been made fully, leaving AES Sonel open to penalties.

The government has no real plan to develop the energy sector, even though strengthening basic infrastructure, especially electricity output, is a PRSP priority. Electricity supply does not meet demand and there were many power cuts in 2002, though this has historically occurred during periods of drought. This seriously hampers industrial activity, new investment projects and the growth of large firms.

AES-Sonel is set to open a 45 billion CFA francs ($76.8 million) 80 MW oil-fired plant at Limbé in April 2004 and intends to upgrade delivery networks to improve distribution. In the longer term, a 150 MW independent gas-fired plant will be built, and construction of a dam at Lom Pangar will commence when environmental impact studies co-ordinated by the World Bank have been completed. The dam will be funded by the French Development Agency and the Cameroon government and will boost capacity by 170 MW.

On the privatisation front, the Tunisian company Sotrafer was chosen in April 2003 to rehabilitate the national railway, Camrail, in partnership with the Cameroonian firm Sitrafer, which is already working with Camrail in maintaining the track. Privatisation of the Cameroon Development Corporation (CDC) continued, with the 65 per cent sale of its tea division on 18 October 2002 to Cameroon Tea Estate, a special joint venture between the South African firm Brobon Finex and former Cameroonian agriculture minister, Niba Ngu. Efforts to privatise other divisions have not been very successful.

The situation of Camtel (fixed-line phones) and Sodecoton (cotton) had not changed much by September 2003. The privatisation of Camtel should restart in June 2004 after a new business plan has been drawn up and implemented. The Supreme Court has now decided how to divide Sodecoton, identifying those parts to remain in state hands. A call for expressions of interest was made for consultants, without indicating the form of privatisation. It will not take place before the start of 2005. In the troubled privatisation of the water company SNEC, negotiations with Ondéo Services failed and the bid was dismissed by the finance ministry on 12 September. The government and its development partners are drafting a new privatisation plan for the company, probably in the form of a leasing arrangement.

Cameroon attracts few foreign investors and not many local companies have the resources to tender for these state firms. Camair, with a new general manager, has resumed activities and its flights were running on time at the end of 2003. The airline must now be restructured before any new privatisation. Privatisation of Douala port moved forward in November with the ten-year franchising of tug and mooring operations to the French firm Les Abeilles, which beat its local competitor.

Prospects depend on rapid and substantial investment to restore cheap but good-quality infrastructure for production. The civil service also needs to be reinvigorated and urgently downsized to boost efficiency. The sub-regional market also presents an opportunity for Cameroon as a traditionally key supplier, due to the expected economic boom in Chad, strong growth in Equatorial Guinea, stabilisation in the Central African Republic and continued expansion in Nigeria. The potential and capacity of all firms, large and small, is such that when the main bottlenecks are eased, supply will immediately increase.

Political and Social Context

A technical review of the legal system has been carried out and an action plan to implement recommendations was adopted in December 2003. Cameroon's position on Transparency International's Corruption Perceptions Index continued to improve in 2003: after having been considered the most corrupt country in 1998 and 1999, it was placed 89th out of 102 countries in 2003. Efforts to stamp out corruption are needed if foreign investors are to be drawn to the country.

Presidential elections are due before President Paul Biya's term expires in October 2004, but no official date has been set. These are expected to see the president's re-election to the post he has held for nearly 22 years. As hand-picked successor to President Ahmadou Ahidjo, he was elected first in November 1982 and then in the four following elections. In the last, on 12 October 1997, Biya won 90 per cent of the vote though the main opposition parties boycotted the poll over the lack of an independent electoral commission. Since 2002, a national elections watchdog has been created and a united opposition front is now being formed for the coming elections.

A lengthy territorial dispute with Nigeria over the Gulf of Guinea's 1 000 square kilometre Bakassi Peninsula, which has rich fishing grounds and oil resources, is being settled following a 10 October 2002 ruling in Cameroon's favour by the International Court of Justice. Both sides seem to be working on a peaceful solution with the help of the United Nations. However, three meetings sponsored by UN Secretary-General Kofi Annan to persuade them to implement the court's ruling have not enjoyed full success and the peninsula is still occupied by thousands of troops from both countries. The tricky matter of their maritime boundary, which could have a serious effect on Cameroon's oil production, has not yet been tackled.

After some delay, a Poverty Reduction Strategy Paper (PRSP) was finalised in April 2003 and submitted to the Bretton Woods institutions which approved it as a good base for continuing the HIPC Initiative. It has seven main themes reflecting Cameroon's desire to foster growth by encouraging private investment and diversifying the economy, speeding up regional integration through CEMAC and boosting human, institutional and administrative resources and good governance. The parliament's delay in approving the paper can be explained partly by its healthy discussions on the subject.

Using the ECAM I and II surveys, the national statistics institute found that poverty declined from 53 to 40 per cent of the population between 1996 and 2001, mostly due to the return of economic growth. Improvement was greater in towns and cities (mainly Yaounde and Douala) than in rural areas. Household standards of living, especially access to education and health care, have improved but this trend has concealed a widening gap between poor and non-poor and urban and rural households. Redistribution has reduced poverty very little, especially in the countryside.

Inequality is marked – in 2001 the richest 20 per cent of the population spent over eight times more than the poorest 20 (compared with 7.6 times more in 1996). The Gini coefficient did not change much between 1996 and 2001. However, these results must be treated very cautiously because measuring poverty is difficult and depends on its definition. The effects of nearly a decade of recession starting in the 1980s, when poverty was mainly rural and virtually unknown in towns, are still considerable. Poverty today is especially visible in problems of access to basic infrastructure, social services and political participation.

Health indicators declined between 1991 and 1998, with increasing infant mortality (from 65 to 77 per thousand) and malnutrition (from 32 to 44 per cent). Maternal mortality was stable at 430 per 100 000 births. The rate of child DPT vaccination rose to 70 per cent and half of all pregnant women now use treated mosquito nets thanks to a big anti-malaria campaign. Progress has also been made in fighting HIV/AIDS, a nationwide action plan having been adopted in 2003 and run by the national anti-HIV/AIDS committee. The number of people receiving anti-retroviral drugs rose from 500 in the year 2000 to 5 000 in 2002 and should total 9 000 at the end of 2003. The HIV/AIDS infection rate was 12.2 per cent in 2001, well above the 7 per cent African average.

Some education indicators improved between 1996 and 2001. Enrolment grew from 76.3 to 78.8 per cent and literacy from 61.5 to 67.9 per cent. But educational quality declined and dropout rates remained high. Some 2 500 classrooms were built by the end of September 2003 under the education plan (with funding contributions from Japan and the African Development Bank). Management of teachers was decentralised and their status revised.

