NATIONAL COUNCIL OF CREDIT OF CAMEROON

General Secretariat

A Report on Money, Credit and the Functioning of the Banking and Financial System

2010 Financial Year

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ACRONYMS AND ABBREVIATIONS

AFB	Afriland First Bank
ALUCAM	Aluminium du Cameroun
ANEMCAM	National Association of Microfinance Institutions in Cameroon
APU	Public Administration
BAC	Banque Atlantique du Cameroun
BEAC	Bank of Central African States
BGFI	Gabonese and French Bank Investment
BICEC	International Bank of Cameroon for savings and Credit
BRIC	Brasil, Russia, India and China
BTP	Construction and Public Works
CAMAIR	Cameroon Airline
CAMCCUL	Cameroon Cooperative Credit Union League
CAMTEL	Cameroon Telecommunications
CA-SCB	Crédit Agricole-Société Camerounaise de Banque
CBC	Commercial Bank of Cameroon
ECCAS	Economic Community of Central African States
CEMAC	Economic and Monetary Community of Central Africa
COR	Congo-Ocean Railroad
CMEC	Mutual Savings and Loan Societies
CNC	National Council of Credit
COBAC	Central African Banking Commission
MPC	Monetary Policy Committee
CVECA	Caisses Villageoises d'Epargne et de Crédit Autogérées
DDR	Disarmanent, Demobilisation and Reintegration
IPD	Inclusive Political Dialogue
GESP	Growth and Employment Strategy Paper
PRSP	Poverty Reduction Strategy Paper
SDR	Special Drawing Rights
ECOSIT	Survey on household Consumption and the Informal Sector in Chad
EMF	Microfinance Institutions
CFA Franc	Financial Cooperation in Central Africa franc
ECF	Extended Credit Facility
IMF	International Monetary Fund
MDRI	Multilateral Debt Relief Initiative
IARDT	Fire, Insurance, Casualty and Transportation
NSI	National Statistical Institute
MGC	Mutual Growth Communities
MINEPAT	Ministry of Economy, Planning and Regional Administration
MINFI	Ministry of Finance
NFC	National Financial Credit
NIC	Newly Industrialised Countries
GDP	Gross Domestic Product
SME	Small and Medium-sized Enterprises
HIPC	Heavily Indebted Poor Countries
RTGS	Real-Time Gross Settlement
CAR	Central African Republic
SAFACAM	Société Africaine Forestière et Agricole du Cameroun
SCBC	Standard Chartered Bank Cameroon
SEMC	Mineral Water Company of Cameroon

SGBC	Société Générale de Banque au Cameroun
SMAC	Electronic Banking Corporation of Central Africa
SNH	National Hydrocarbon Corporation
SOCAPALM	Société Camerounaise de Palmeraie
SONARA	National Oil Refinery
SONEL	National Electricity Company
SOTELCO	Société national des télécommunications du Congo
SYGMA	Large Amounts Automated System
SYSTAC	Système de Télécompensation en Afrique Centrale
TCM	Minimum Deposit Rate
TDM	Maximum Lending Rate
TIAO	Tenders Interest Rates
TIPP	Repurchase Agreement Interest Rates
TISIP	Direct Interventions Interest Rates
TISP	Interest Rate on Investments
TOFE	Government's Financial Transactions Table
PR	Penalty Rate
VSE	Very Small Enterprise
UBA	United Bank of Africa
UBC	Union Bank of Cameroon
UEAC	Central African Economic Union
UMAC	Central African Monetary Union

TITLE 1: THE ECONOMIC AND FINANCIAL ENVIRONMENT

1.1.Evolution of the World Economy and Financial Markets

The World Economy, after suffering greatly from a devastating financial crisis which followed the bankruptcy of the Lehman Brothers in the United States in September 2008 and led to a 0.5% drop in world production in 2009, witnessed a series of fluctuations in 2010.

The effects of the crisis were particularly felt in developed countries, which suffered a severe credit crunch, a decline in bank balance sheets and a high rate of unemployment. In these countries, production witnessed a 3.25% drop in 2009. The crisis spread rapidly worldwide through a number of channels: drastic drop in trade, slow capital flow and a drop in the transfer of funds by expatriates. Now that the dust has settled, it is clear that several emerging and low-income countries were seriously affected by the world crisis which has been the worst in the last sixty years.

Through an unprecedented cooperation spirit, notably via the G20, governments worldwide reacted to the crisis by adopting challenging and tough measures.

At the **monetary** level, interest rates were reduced almost to zero and extraordinary measures were also taken. Central banks cooperated by making agreed reductions of interest rates and by resorting to swap agreements.

At the **budgetary** level, countries adopted an anti-cyclical policy by adjusting with increasing deficits caused by the recession and emphasizing on fiscal stimulus measures. On a whole, the more advanced and emerging economies took fiscal stimulus measures and its effectiveness has been mainly due to coordinated efforts. Countries also took steps to support the financial system by purchasing assets, injecting capital and adopting various types of guarantees.

These measures were successful. Recovery was observed in early 2010, but the increased volatility of financial markets in May 2010 has once again cast doubts on the sustainability of recovery. According to the IMF annual report, the world economy experienced a tremendous recovery in 2010, with a 5% global GDP growth even if the recovery does not occur everywhere at the same pace: it is slow in many developed countries and steadier elsewhere. Among the developed countries, the United States is witnessing a higher growth than Europe and Japan. As for emerging and low-income countries, those in Asia are leading, leaving behind those in Europe and the Commonwealth of Independent States. Generally, the crisis revealed the rise of new emerging countries, BRIC (Brazil, Russia, India and China) as the main actors of the current global economy. In view of the foregoing, it is possible that recovery shall remain disproportionate. The speed with which business boomed in emerging and developing countries is because these countries entered the crisis under a more favourable situation: in most cases, their financial sector was strong, and stringent budgetary policies were adopted, these enabled them to support business activities during the recession. However, in many developed countries, growth has been hampered by the persistent damage done to the financial sector and household balance sheets. Recovery in these regions will be slower than in the past. After a total paralysis, financial markets have also started to recover. The risks of financial instability worldwide have reduced significantly, but stability is not yet assured. The IMF reduced its bank depreciation estimate from 2,800 billion dollars to 2,300 billion dollars till late 2010. Although an improvement of the situation has been observed, problems persist in some places, and banks continue to face significant challenges: a high rate of short-term loans has to be refinanced over the next two years, they need to raise more capital, and their losses have not yet been fully absorbed.

Thus, despite the recovery in the economic activity worldwide, considerable uncertainties persist, given the budgetary fragility of developed countries. Downside risks have increased, sovereign risks could threaten financial stability and prolong the crisis, and markets are increasingly disturbed by the magnitude of fiscal consolidation which is forecasted in many countries. This loss of confidence has serious effects and the risk of contagion overshadows recovery, especially in Europe. In many developed countries, economic flexibility has become more restricted and even nonexistent for some, making recovery fragile and exposing it to new challenges. This is particularly the case of Greece and Portugal, whose deficits are estimated at 9.5% and 7.3% GDP respectively, as well as Ireland, which was forced to inject 46 billion Euros as subvention to support its banking sector, with an explosive public deficit of 32% of GDP in 2010.

In the period ahead, it will be particularly important to reduce sovereign vulnerabilities. Fiscal policies implemented have much mitigated the effects of the drastic decline in private demand and prevented a much more accentuated recession, but national debt has increased significantly. Thus, the debt / GDP ratio of developed countries is expected to exceed 100% in 2014, that is, 35 points higher prior to the crisis. For the most part, this increase is due to the collapse of economic activity, discretionary stimulus measures also contributed to a relatively smaller proportion. Fast-growing economies and those under pressure from financial markets should start reinforcing their budgetary policy. Most developed countries did not have this opportunity in 2010, but they should commit to apply credible adjustment plans. If the recovery continues as forecasted, these countries would have to rebalance public finances in 2011, in accordance with IMF recommendation, which encourages more fiscal consolidation rather than stimulus measures. The reform of social benefits must be considered a priority due to demographic pressures (reduction in workforce and aging) that are arising in developed countries and adding to the medium-term fiscal problems. Budgetary adjustment must go hand in gloves with measures to stimulate growth. Structural policies aimed at boosting economic activities, rendering the labour market more efficient and enhancing productivity have an important role to play in many developed countries. It will also be appropriate to put an end to accommodating monetary policy. In major advanced economies, the reinforcement of monetary policy may be put on hold in favour of budgetary adjustment and the withdrawal of emergency aid granted to the financial sector, especially as inflation threats stay in place and utilisation of capacity is still low. However, in giant emerging countries and in some developed countries where recovery is stronger, central banks have started reinforcing the monetary policy. In some emerging markets, excess capacity in some sectors and the impairment of credit quality is an indication to restrict credit.

The uneven nature of global recovery makes government task difficult since a return to sharp, balanced and sustainable growth is faced with different challenges depending on countries and regions. Thus, one of the main difficulties lies in the fact that countries witnessing faster recovery are reinforcing their monetary policy, meanwhile in developed countries; interest rates will remain low for some time. This lack of synchronization produces unwanted side effects like massive influx of capital into emerging markets. Though the pickup in capital flows is laudable since it reflects good prospects of growth of these economies, policymakers should however be aware that these prospects may lead to currency overvaluation, asset price bubbles and financial instability. But so far, the entire system does not indicate any bubbles, but there are signs of excitement and risk could accumulate.

In emerging economies where current account is highly in surplus, it is necessary to ensure that financial stringency is accompanied by an appreciation of the nominal effective exchange rate to counter the stress from excess demand pressures. In return, the other emerging economies might face difficulties in applying stringent measures on their monetary policy, as it would attract more capital. Apart from leading to currency overvaluation and undermining competitiveness, it would encourage the creation of asset price bubbles and threaten financial stability. Countries have several tools at their disposal to deal with excessive influx of capital: fiscal restraint, limited accumulation of reserves, macro prudential measures and, in certain circumstances, control of capital flows if deemed necessary.

The persistence of high unemployment rate remains a critical issue for the government. It is difficult to declare that the crisis is over when so many people in many countries are unable to find a job. In advanced economies, unemployment is expected to remain close to 9% through out 2011 and only decline slowly afterwards. Unemployment is still prevalent in many developing countries. However, many countries do not have a good understanding of this phenomenon, with the lack of statistics and devices for measuring and monitoring job parameters.

In addition to its macroeconomic implications, a high level of unemployment causes serious social problems. Especially, there is fear that temporary unemployment might become structural. The persistence of high unemployment rates for a long period might increase the protectionist threat. Targeted measures might limit the devastating consequences of unemployment: a sufficient level of unemployment benefits is essential to maintain consumer confidence, protect their income and avoid a sharp increase in poverty. As long as growth accelerates, education and training programmes can facilitate the reintegration of the unemployed into the labour market and improve their qualifications.

Financial reforms should also feature among government's top priorities, especially as the malfunctions observed in this area as well as the lack of regulation and supervision have greatly contributed to the crisis. To promote financial stability, it is imperative to rapidly dismantle financial institutions that are not viable and restructure those having commercial prospects. The fact that institutions "too big to go bankrupt" continue to exist constitutes a risk because such institutions could use their financial advantage to extend further.

The key elements of regulatory reforms are well known: qualitative and quantitative reinforcement of banks capital, improved management of liquidity risks, setting of instruments to deal with systemic risks in general and risks caused by institutions too big to go bankrupt in particular, and developing a means to facilitate cross-border settlement procedures. Policymakers must find a fair equilibrium between the requirement to secure the financial system and the need to preserve novelty and effectiveness. Failure to act might jeopardise recovery, perpetuate the problem of moral hazard and increase the risk of countries acting on their own rather than seeking for an agreed solution. The application of rules is as important as the rules themselves, so supervision should be improved by making it intervene more upstream.

If the regulatory reform is not accompanied by strict supervision, it will not work.

For the world economy to regain a strong and sustainable growth, demand must be rebalanced at the international level. Countries that witnessed excessive external deficits before the crisis need to make their public finances healthier by not curbing potential growth and demand. It is therefore incumbent on countries with excessive current account surpluses to stimulate world demand. While, anticipating a decrease in revenues, countries in deficit would increase their savings; economies in surplus must make sure their growth is based more on domestic demand than exports, by spending more on social safety nets and improving infrastructures. It is obvious that as the currencies of high deficit countries are depreciating, those of countries in surplus must be appreciated. Rebalancing must be backed by a reform from the financial sector and structural policies both in countries with surpluses and deficits.

1.2. Evolution of the Economic and Financial Situation of CEMAC Countries

In order to address the key challenges brought about by the impact of the international financial crisis on the economies of the Economic and Monetary Community of Central Africa (CEMAC), the regional governments, in addition to national measures already taken, have organised several consultation meetings involving all economic actors in the sub-region, pursuant to decisions by the Conference of Heads of State of the CEMAC zone in Libreville on January 30, 2009. These meetings led to the adoption, by the Council of Ministers of CEMAC, of recommendations on the implementation of fiscal, monetary, banking and financial measures, as well as on the improvement of the business climate.

Thus, in this zone, a satisfactory recovery was observed, even though fragile, of an economic growth of 5.1% in 2010 against 1.8% in 2009, particularly in relation to the return of world growth, increase in oil and gas production, execution of major ore mining projects and intensification of construction of public infrastructure in member countries. Similarly, public and external accounts improved significantly as a result, among others, of the improvement of raw material prices. In addition, public and bank liquidity remained relatively abundant. Inflationary pressure dropped, from 4.2% in 2009 to 2.4% in 2010, and external currency coverage rate remained comfortable at around 100%.

1.2.1. Evolution of the real sector

The real growth rate of the oil sector was at 2.8% in 2010 against 0.7% in 2009, while the non-oil sector was at 4.8% against 2.4% a year earlier. In terms of contribution to growth, the contribution of the oil sector was 0.5 point in 2010 (against 0.1 point a year earlier), and the non-oil sector was at 3.9 points, against 1.9 point in 2009.

The evolution of the real activity in 2010 was backed by domestic demand with a positive contribution of 6.2 points mainly due to the good orientation of productive investments and private consumption. External demand, on its part, brought down growth by 2.2 points. In terms of supply, the increase in real GDP resulted mainly from the contribution of the non-oil sector (3.4 points), the contribution of the oil sector stood at 0.7 points.

1.2.2. Foreign trade

The CEMAC current transaction account recorded a deficit of 746.7 billion (-2.1% of GDP) in 2010, after a deficit of 2298.8 billion (-7.7% of GDP) in 2009, thus reflecting a higher trade surplus that significantly altered the increase of imbalance of service and income balance.

With regard to external debt, the GDP outstanding debt ratio improved tremendously, moving from 18% in 2009 to 12.7% a year later. This favourable result was mainly because Central African Republic reached the completion point of the HIPC initiative in June 2009 and Congo in January 2010. Thus, the external outstanding debt of the Sub-region moved from FCFA 5635.1 billion in 2009 to 3429.1 in 2010. However, due to adjustments of the Congo debt, the debt service ratio on fiscal revenues deteriorated (from 9.7% in 2009 to 15.9% in 2010), same as that of the debt service from the export of goods and services (5.6% in 2009 to 9.2% in 2010).

CAMEROON

In 2009, Cameroon's economic growth declined due to the crisis that emerged in the fourth quarter of 2008, through the decline in oil royalties. Operators of the timber and rubber sectors recorded a decline in export. Thus, economic growth that was initially planned at 4% eventually stabilised at 1.98%. This was encouraged by the tertiary sector which increased by 4.9% due to the increase in telecommunications services by 7.6% and those of the public administration by 4.5% due to an increase in staff expenditure (11.6% year on year). Due to the crisis, poor performances were recorded by hotel and transport services, especially maritime, rail and air transports. The contribution of the primary sector remained sluggish at 1.9%, pulled down by subsistence farming which is benefitting from mentoring programmes for producers and high sub-regional demand. Industrial agriculture and logging were particularly affected with the collapse of global demand. Coffee, cotton, rubber and raw wood recorded market share loses, which resulted in the accumulation of stocks following order cancellations and declining world market prices. Meanwhile, the secondary sector had a negative impact of 2.4 points on growth, mainly due to insufficient energy causing the drop in industrial activities. The poor performance was toned down by the good output in building and civil engineering works mainly due to the standardisation in the supply of building materials, particularly cement.

In 2010, growth was estimated at 3.3%. It was supported by the start of the implementation of a huge volume of investment on structural projects announced by the Head of State on December 31, 2009. These projects include the construction of infrastructures in the energy, water, telecommunications sectors, etc.

CONGO

In 2009, the Congolese economy witnessed real growth of 6.79%, the best performance within the ECCAS zone. This growth in GDP was due to a significant increase in oil production, combined with a moderate increase in non-oil GDP. Oil GDP increased by 16.63% in 2009 against 6.1% in 2008, while non-oil GDP increased by only 2.76% in 2009 against 4.8% the previous year; in terms of contribution to growth, the oil sector was estimated in 2009 at 4.5 points, against 2 points for the non-oil sector.

Global recession led to a decline in the demand for certain export goods of the country, like wood, and a drop in international oil prices, reducing tax revenue; agriculture, livestock and fishing contributed positively to growth thanks to the good performance of food production resulting from the implementation of the National Programme for Food Security and the Agricultural Support Fund programme. This sector also benefited from the measures relating to the increase in cultivated land, distribution of fertilizers and agricultural tools.

Forestry's input to growth was negative due to a 50% drop in wood production caused by the decline in world demand. The slowdown in the sub-sector activities coupled with constraints affecting forestry companies explained a reduction in the workforce employed.

The oil industry contributed highest to growth thanks to the rapid expansion of oil production following production from large oil fields. Crude oil production increased by 15.3% in 2009 with 12.8 million tonnes produced.

The secondary sector performed well in 2009 mainly thanks to the dynamism of the construction industry. This positive evolution was part of the continuation and acceleration of road works in the municipalities of the divisions Congo Basin and Brazzaville. Other public projects are in progress. They include the construction of the Brazzaville-Kinkala road, the Obouya-Owando-Makoua road, works on the Lékéti port, the expansion of the Brazzaville Maya-Maya international airport, and the tarring of 173 kilometres highway between Dolisie and Pointe-Noire.

In addition, the transport and communications sector witnessed a growth of 6.1% against 6.7% in 2008. This slight drawback was due to a slowdown in business despite the increase in the activities of mobile phone companies (CELTEL, MIN, WARID) and the Congolese National Telecommunications Company (SOTELCO). The activities of the Congo-Ocean Railway (CFCO) recorded a positive evolution for both the tonnage of transported goods and the number of travellers.

In 2010, the country's situation improved. Growth rate reached 10%. The economic outlook for Congo in 2011 was favourable, which is why a new salary scale was adopted by the government and wage increase became effective in the first quarter of 2011. The country was expected to benefit from the recovery in global economic activity that backed the price per barrel of oil. The GDP growth rate was expected to evolve on a stable basis at around 10% in the coming years.

GABON

In 2009, growth dropped by 0.01%.Oil production declined by 1.3% due to the malfunction of facilities and the unavailability of drilling equipments, leading to the postponement of the exploitation of new marginal fields. In addition, the production of manganese dropped by 59.5% in relation to the moroseness of the world steel market, while log exports contracted by 29% due to the low demand in tropical wood in the Chinese and European markets. In the primary sector, the "agricultural, livestock and fishery" sector fared better, with a good performance of food crops. In the secondary sector, the rubber and wood sectors as well as building and public works experienced a decline in their exports by 48.3%, 19.8% and 13.3% respectively. The rubber industry was hard hit by the decline in global demand from tire manufacturers, while the construction sector was affected by the poor performance of the building and civil engineering segment. On the contrary, the other fields reinforced their performance of the previous year. These included:

i) energy, with 1% increase in hydroelectric production;

ii) ii) chemical industries, thanks to a 12.5% and 25.6% growth of activity in paints and lubricants respectively;

iii) agro-industry, following the good results achieved by breweries, milling and poultry industry, sugar and tobacco.

In the tertiary sector, railway transport and hotel business experienced a poor performance, due to the downturn in mining and logging. Whereas, telecommunications and air transport improved sharply. The general trade sector and other services performed well, while the sale of vehicles and petroleum products declined.

In 2010, economic growth rose to 5.4%, due to the increase in oil production thanks to investments made in the Anguile field, recovery of production in the mining and forestry sectors with the resumption of demand at the global level and consolidation of activities in mobile telephone, other services and trade, given the improvement of household available income.

EQUATORIAL GUINEA

In 2009, the country's growth rate declined and dropped to -0.40%, mainly related to poor performances recorded by the oil sector, with a drop in oil production in the Zafiro field, and that of logging, affected by the implementation of the Decree establishing the transformation of 85% of wood into logs before exportation. Added to it was the slowdown in the construction and public works activity, the second pillar of the economy after oil. It is important to note the difficulties faced by the agricultural and small industrial sectors where the activity lacked dynamism.

In 2010, the GDP growth rate rebounded slightly to 1.90%, in a context characterised by the decline in oil production connected to the continued maintenance works in oil facilities, the increase in gas production and the good performance of the non-oil sector

The building and public works sector began to enjoy the implementation of several construction projects within the framework of the organization of the African Union Conference held in Equatorial Guinea in 2011, and the African Nations Cup in 2012.

CENTRAL AFRICAN REPUBLIC

The recovery of economic activity in the Central African Republic (CAR) was confirmed in 2010 with a growth rate of real GDP estimated at 3.4%. This favourable trend came after the Central African economy suffered in 2009 the effects of the global economic and financial crisis triggered in 2008.

The year 2010 to the CAR corresponds to the completion of the writing of her first Poverty Reduction Strategy Paper (PRSP) and her economic and financial programme with the International Monetary Fund (IMF), supported by the Extended Credit Facility (ECF) granted in December 2006 by the IMF. The sixth and final review of the ECF was approved by the IMF Board of Directors on August 25, 2010, rewarding the efforts for economic and financial reforms. Indeed, the CAR reached the HIPC

Initiative and the Multilateral Debt Relief Initiative (MDRI) completion point in June 2009.

CAR is a "post-conflict" and "fragile" State because of the recurring socio-political and military crises she has known over the past two decades. These crises have undermined the economic tissue and destroyed the basic socio-economic infrastructure. Since 2005, the CAR joined the dynamics of economic recovery and political transition which led to the presidential and legislative elections of January 23, 2011. The country blessed with abundant natural resources, has progressed in economic stabilisation and implementation of financial and structural reforms, as well as the rehabilitation of basic social services.

The consolidation of these gains at the economic and social level will largely depend on the country's ability to carry out the process of political stabilisation and to respect the peace agreements, particularly through the disarmament, demobilisation and reintegration (DDR) programme adopted during the meeting on "Inclusive Political Dialogue" in December 2008. This Inclusive Political Dialogue brought together the presidential majority, the opposition, the political and military movements, the civil society and public institutions. The successful transition from a period of prolonged instability to growth and development will also result from the country's ability to mobilise more resources than what is currently engaged. This concern led the government, in agreement with its main development partners, to schedule a round table meeting of donors, slated for 2011.

CHAD

In 2010, Chad's economy evolved in a rather favourable environment with a growth rate estimated at 5.9%, against only 1.7% in 2009. The improvement of the security was a key factor in this growth which was equally driven by exogenous factors such as the recovery of crude oil prices on the international markets, and internally by a slight recovery in the oil sector (0.3%) and a strong growth of the non-oil sector (6.4% in 2010 against 3.3% in 2009).

With the recovery of global demand and continued investment in both the building and public works (BPW) sector and in the oil sector, economic growth should reach 5.7% in 2011 and 6.9% in 2012.

On the price front, we recorded a significant decline in inflationary pressures with an average inflation rate of 0.6% at the end of 2010 against 10.1% in 2009. However, the management of public finances recorded counter-performances related to shortages in the planning of capital expenditure. Such expenditure, financed from internal resources, far exceeded the limits that had been prescribed in the 2012 Finance Law. It resulted at the end of 2010, in a non oil primary deficit balance-estimated at 28.4% in 2010 against 25.1% in 2009

However, the good performance of oil prices in 2010 enabled Chad to substantially improve its external position compared to 2009.

Despite the progress made during the year 2010, the social indicators of Chad remained well below those that were observed in Africa south of the Sahara. According to the data of the second Survey on Consumption and the Informal Sector in Chad (ECOSIT 2), poverty affects 55% of the population and remains a predominantly rural phenomenon: 87% of the poverty that exists in Chad is located in rural areas. The government's objective regarding poverty is to reduce the overall incidence of poverty to 41.3% and the incidence of urban poverty to 20.4% in 2011 against 24.6% in 2003, as well as that of rural poverty to 44% in 2011 against 58.6% in 2003.

1.3. Economic and Financial Situation of Cameroon

1.3.1. A reminder of the Development Strategy of Cameroon

To strengthen the economic recovery that began a decade ago and to ensure its sustainability, Cameroon chose to enrol its development policies in a broader and more comprehensive perspective. To this effect, she developed a Prospective Vision, which guides its national strategy for long term development.[1].

A- *Vision and Strategy*

a) Vision

The prospective vision of Cameroon is that by 2035, the country becomes an emerging country whose economic and social development is sustainable with a strong, diversified and competitive economy, in which manufacturing is predominant (in GDP and exports), with effective integration into the global economy and poverty level residual, ranked among the middle-income countries in terms of per capita income

The main objectives are:

1°) Reduce poverty to a socially acceptable level, by bringing the poverty rate below the 10% threshold;

2°) Reaching the stage of middle-income countries, ensuring beyond growth and employment policies, the intensification and generalisation of the availability and good quality of health services, education, training and infrastructure (energy, roads, drinking water, etc.);

3°) Becoming an Industrialised Country, focusing on its immediate advantages (agriculture, mining, etc...) And ensuring an equal distribution of income;

4°) Strengthening the democratic process and reinforcing national unity.

At the macroeconomic level, the objectives are:

a) *the preservation of the macroeconomic stability frame* by preserving the sustainability of public finances and external debt, reducing inflationary pressures, limiting the imbalances of payments to appropriate levels and the international competitiveness of Cameroon's economy

b) *Improving the productivity of the economy*, through redeployment of effort towards dynamic sectors, upgrading of enterprises and general development of human resources;

c) *Increasing the weight of the processing sector,* by the establishment of a continually reinforced industrial core.

d) *Promoting decent work*, on adequacy training / employment and the development of SME;

e) *Significant increase in the volume of investments,* with an overall investment of 30% driven by public investment in infrastructure and private investments to modernize production tools

f) *Collecting savings and financing growth and development* through a very dynamic and diversified financial system, financial partnership and highly motivating institutional arrangements to attract international capital

g) *The modification of the structure of external trade and the expansion of markets,* with a balance of commercial trade on less favourable manufactured goods and an economic prospection focusing more on gaining international networks of production and capturing productive segments where the country has some regional or even global hegemony;

h) *Promoting mutation and professionalization of services, with a* services sector more in line with the rest of the productive apparatus and

[1]**Ministry of the Economy, Planning and Territorial Development, "*Cameroon vision 2035*", Working Document, February 2009, p. 16.**

directed towards the world, mainly financial transactions and tourism.

- **Development Strategy**

The strategy of implementation of the Government's prospective vision is divided into five cross-cutting strategies that are (i) national integration, (ii) industrialisation, (iii) regional integration and international insertion, (iv) the new role of the State and partnership (v) governance.

- **National Integration Strategy**

The national integration strategy is divided into several parts which must be broken down into operational strategies, namely national integration and mobilization, the promotion of common values, the participation of all classes and social groups to the decision-making processes the fight against the centrifugal forces, solidarity and fair distribution of wealth, the balanced and harmonious development of the territory, citizen mobilization and moral rearmament, social communication.

- **Industrialisation Strategy**

The ambition to become an emerging country requires in the industrial sector that Cameroon reaches the status of a Newly Industrialized Country (NIC), which implies that the share in manufacturing production in the GDP be around 23 to 24% and the export of manufactured goods take a greater role in the structure of foreign trade at the expense of primary products. Industrialisation, which is the foundation and cornerstone of the vision of long-term development of Cameroon, will be based on three fundamental axes, namely: promotion of the manufacturing sector, the development of infrastructure and human capital formation.

- **Regional Integration and International Insertion Strategy**

Regional integration is the strategic option chosen by Cameroon for a successful integration into the global economy. For industrial takeoff, the goal is to create a single regional market so as to better withstand external shocks, to take advantage of large scale economies to increase intra-regional trade, to benefit from local specialisation and to conduct some joint projects while avoiding wastage and duplication.

International insertion strategy is supported by pillars that establish diplomacy and external relations in a multi-polar world, enabling the country to benefit from its strategic position in the Gulf of Guinea and its role of junction between Nigeria and Central Africa in the geostrategic position of the industrial powers around the Gulf of Guinea.

- **Economic Role of the State and Public-Private Partnership**

The role of the State in the economic sphere is part of a paradigm of ***"Strategist and Pragmatic State"*** In light of lessons drawn from recent ideological developments where the myth of the all powerful market has gradually declined in favour of an optimal combination between interventionism and liberalism, and given the open borders, technological advances, the nesting narrow economies, the desire of the growing populations to influence how they are managed, this new paradigm of the state is divided into three areas: strategic planning, proportionate and targeted regulation and intervention.

Partnership with national and foreign private sectors is one of the major articulations of the new economic role of the state. The Promotion of the private sector will be organized around the promotion of appropriate types of public-private partnerships such as management contracts, joint ventures, leasing operations, concessions, leasing, contracts like Build-Operate and Transfer (BOT) or Build-Own and Operate (BOO), in order to attract national private or foreign investors to the implementation and / or management of industrial projects and infrastructure

- **Strategic Governance or the Governance strategy**

Strengthening governance aims to enable Cameroon have a responsible , dynamic, proactive leadership than in the past that constantly anticipates the cyclical and structural developments and having established at all levels of responsibility, management principles based on performance research. Cameroon would therefore become a country where investment risk is very low, thus enhancing its attractiveness. The pillars of this strategy include, enforcing the fight against corruption, improving the legal system, the democratic culture, decentralisation, strengthening the operational capacities of the State, and corporate governance.

b) *Economic Policy*

Government programs are generally conducted in accordance with the sequences contained in the Poverty Reduction Strategy Paper (PRSP) which requires the country to have completed the six reviews of the Facility for Poverty Reduction and Growth (July 2005-June 2008) of the IMF and benefited from the support of other development partners in the implementation of its strategy for poverty reduction. In terms of structural reforms, privatisations were carried out in the areas of electricity, the tea industry, the Douala container terminal, railway and more recently water. In return, the process is not yet completed for the fixed public telephone operator CAMTEL.

In January 2009, Cameroon concluded its three-year economic and financial programme (July 2005-June 2008). The Government is pursuing the implementation of structural and institutional reforms, particularly in the areas of public finance, the public service and the business climate. Following the Poverty Reduction Strategy Paper, a Strategic Document for Growth and Employment (SDGE) reference framework for government action for the period 2010-2020 was adopted and its implementation started in the year 2010.

The growth strategy of the SDGE is based on the completion of major infrastructural projects, the modernisation of the production apparatus, human development, regional integration, the diversification of trade and the funding of the economy, in order to promote growth to about 5.5% per year over the period 2010-2020, reduce unemployment from 75.8%[2] to less than 50% in 2020 through the creation of thousands of formal jobs in the next decade, reduce poverty rate from 39.9% in 2007 to 28.7% in 2020, and achieve in 2020 all the Objectives of the Millennium Development Goals. The Government also intends to improve the business climate in order to increase the investment rate to 25%, required to achieve a lasting and sustainable growth.

However, it should be noted that the implementation of the development strategy of Cameroon could suffer from the lack of short and medium term action plans and a clear funding policy, which should normally quantify needs at each stage of the programme and define financial instruments to be mobilised. This situation reduces the legibility of this strategy by financial partners who not being involved in the development of this economic programme, say to lack relevant information to engage effectively in its funding.

c) Financial Policy

- **Taxation**

Recognising that no sustainable economic recovery can be considered without a real policy of investment funding, the Government has undertaken a number of reforms at the level of taxation intended to promote or facilitate access to loans necessary to create wealth. In a context marked by the global financial crisis in 2008, these measures constituted the backdrop of a tax appeal to both savings and reduction in the cost of access to finance

1) Mostly, these structural measures were related to tax benefits and exemptions granted to certain operations normally subject to taxation. The authorities' approach aimed at encouraging individuals and in general all economic agents with excess liquidity to make deposits with credit institutions.
2) Regarding deposits, one of the measures involved the suppression of tax on income from such deposits.
3) To provide businesses and all investors, access to credit facilities needed for investments, creators of wealth, many tax measures were taken, including the

[2] Growth and Employment Strategic Paper; p. 52.

establishment of the Commission for Fiscal Reforms, tax exemptions for certain transactions normally subject to taxation, making operational the Yaoundé and Douala formalities centres for the creation of enterprises whose goal is to reduce the costs and delays in the creation of SME, the validation of the migration plan of actors of the informal sector toward the structured sector with the support of the European Union.

However, to achieve an optimal level of mobilisation and satisfactory revenue, capable of ensuring the financing of development policies, the tax administration strategy was focused on (i) improving the business taxation environment, (ii) the continuation of the reorganisation of services, (iii) the rationalisation and control of tax expenditures, (iv) the enlargement of the tax base and securing of revenue.

The improvement of the business taxation environment was done by: (i) the implementation of teledeclaration and telepayment, (ii) the consolidation of the printed declaration forms and (iii) the institution and application of indicators of service quality, (iv) the improvement of governance and taxpayer's information.

The continuation of the reorganisation of services was done through: (i) the establishment of divisional tax Centres reconfigured following the model of Medium-Sized Enterprise Centres, and (ii) the continuation of specialised management by client type and by activity sector (this managerial approach already experienced in large and medium-size enterprises has showed a certain level of efficiency).

Rationalisation and control of tax expenditures aimed at: (i) eliminating irrelevant incentive measures, (ii) stricter measures in granting tax incentives to companies within the special tax, (iii) monitoring and control of tax benefits compliance, and (iv) systematic evaluation of tax expenditures granted.

The enlargement of the tax base focused on: (i) strengthening the computerisation of tax information management, (ii) the exploitation and development of computer links with the Customs (mastering the file of imports) and the Budget (mastering the file of the State suppliers), (iii) improving the system of identification and registration of taxpayers, (iv) eliminating sources of tax evasion and niche taxes which generate significant tax deficiency for the Treasury, and (v) reforming tax systems with a view to encourage actors of the informal sector to return to the formal sector.

The authorities took into account the benefits granted within the framework of the Investment Code and Free Zone schemes, as recalled above, during the drafting of the texts of application of the Investments Charter, which laid the principle of abrogation of the above mentioned regimes.

Similarly, the Government committed to strengthen the above measures and provide more consistency and coherence between them, especially in order to ensure equal treatment of operators in the sector legislators decided to promote.

- **Bank Financing**

Several measures were taken and actions undertaken in order to increase banking competition and the efficiency of financial intermediation in order to facilitate access to bank loans. Similarly, in order to improve supply and the role of the banking system in the economy, BEAC led actions aimed on the one hand to modernise means of payment, and secondly, to eliminate obstacles to the good functioning of banks.

However, the financial sector is always characterised by a low rate of banking, excess bank liquidity, a predominance of short-term loans primarily to finance the current businesses needs and domestic consumption. If at the level of BEAC, the monetary policy remains focused on price stability and management of excess liquidity risk, bank conditions, in their turn undergo a permanent change.

Under provisional administration since 2009, the Commercial Bank of Cameroon is undergoing restructuring

The State intends, alongside its CEMAC partners, to put in every effort to reduce the high bank liquidity so that it benefits more to medium and long term investment credits.

- ## Microfinance

The microfinance sector has experienced significant growth in recent years. Its importance in the Cameroonian economy becomes clearer in light of the increasing progression of major activities indicators. To normalise the activity of microfinance in order to secure the savings of depositors and promote the funding of micro-projects, the authorities of CEMAC, of the Central African Banking Commission (COBAC) and those of the National Council of Credit (NCC), undertook a series of actions.

During the period 2000-2010, the actions undertaken by the Monetary Authority and the Supervisory Authority in the restoration of the microfinance sector focused on:

- The expulsion of 384 cooperative societies from the registry of cooperative societies and initiative groups in 2002;
- The creation of the National Association of Microfinance Institutions in Cameroon in 2003 (ANEM-CAM);
- The establishment of the Unit for Decentralised Financial Systems in the early 2000s, which was converted into the Sub-Directorate of Microfinance in 2004 (Decree No. 2004/320 of December 8, 2004 Organising the Government) then to the Department of Regulation and Promotion of Microfinance on November 8, 2008 (Decree No. 2008/365 of November 8, 2008 Organising the Ministry of Finance);
- The closure of 205 non-compliant MFI, out of about 750 registered, after the 2005 census;
- The collection of statistical data on MFI for the creation of a database from October 10 to November 10, 2007;
- The updating and publication of the list of authorised MFIs;
- The establishment of an administrative control by the Ministry of Finance
- The development and adoption of an Accounting Plan of microfinance institutions whose actual implementation started in June 2010;
- The establishment of a procedure for registration and expulsion of microfinance institutions from the National Council of Credit.

- ## Reinforcement of the mobilisation of domestic savings

In view of the constraints in financing of the Cameroonian economy, the Government took steps to mobilise domestic savings for its better use. Thus, in December 2010, a bond issue was launched and FCFA 200 billion was raised, used to finance major projects. This procedure which represents an alternative source of development financing and cash flow needs of the country, continued the following years.

Insofar as the establishment of banks in the major urban centres and the conditions for opening an account limits access of small savers in the formal financial sector, the actions outlined above will help to change microfinance institutions to the status of proximity bank, to better manage them by an appropriate institutional system and to allocate market segments in order to broaden the geographical and sectoral base of their activities, which will further mobilise savings from all categories of economic agents.

- ## Debt Strategy

After reaching the completion point which enabled Cameroon to meet the sustainability of its debt and improve its debt margins, there was the emergence of new donors seeking for high profit on their capital by providing less concessional funding than those recommended in the country by Bretton Woods Institutions (at least 35% of grant element) on the one hand, as well as attacks on "Vulture Funds", wanting to take advantage of the improvement of the country's repayment capacity, on the other hand.

Faced with this, our countries must be careful not to fall in medium term in a situation of excessive debt. The awareness of the existence of such risks led the Ministers of Finance of CEMAC sub-region to adopt on March 19, 2007 Regulation No. 12/07-UEAC-186-CM-15 bearing reference framework of the public debt policy and the management of public debt. This regulation, an important step in the legal and institutional reform of the management of public debt, obliged Cameroon to:

- Set up a National Committee of Public Debt to coordinate debt policy with other macroeconomic policies. The decree establishing this structure had already been signed, and it only remains to make it operational;

- develop and attach to the Finance Law each year, a strategy document of public debt clearly highlighting:
  - the reason for loan;
  - debt limits and guarantees granted by the State;
  - the portfolio structure of new loans;
  - the indicative terms of new loans;
  - the debt sustainability profile over a period of 15 years.

The implementation of this Regulation should lead Cameroon to strengthen the role of "middle office" (strategic reflexion) on debt policy. This includes determining and structuring financing needs from programmes and projects previously selected and integrated into the macroeconomic framework, which would then give the "front office" (depending on negotiation), specific guidance on funding characteristics to seek for every need, in order to contribute to this project or programme, taking into account its profitability, adequate funding, in relation to its cost.

Pending the effective implementation of the debt strategy, we noticed a reduction in the stock of public debt which moved from FCFA 4890.3 billion in 2005 to 1424 billion in December 2010, that is 15.9% of the GDP in real terms. This was mainly due to debt relief obtained after reaching the completion point of the HIPC initiative, a cautious policy of external debt and consistent with the macroeconomic framework, as well as the respect of deadlines of external public debt. In addition, examination of the data of Tables of State Financial Operations (TOFE) over the period 2003 to 2008 shows, in particular, both in terms of endowment and in achievement, that the ratio “capital expenditure / total revenue and grants" was below 25%.

In this context, it was necessary to carry out: (i) the implementation of the provisions of Regulation No. 12/07-UEAC-186-CM-15 relating to the joint development with the finance law of a debt strategy document, (ii) the adoption of an equitable strategy and more legible of the discharge of internal debt.

1.3.2. Insurance, Microfinance and Financial Market

In the insurance sector, the business continued its growth in 2008 with a turnover of 113.2 billion, up 10.5% compared to 2007. The branch *Fire, Insurance, Casualty and Transport* (FICT) lost 0.6 points of market share to the benefit of the life insurance business, which now represents 23.1% of total turnover. Regardless of the branch, insurance companies paid 40.5 billion to disaster, or 4.6% more than in 2007. Settled commitments amounted to 173 billion for eligible assets representing 189 billion, that is a coverage rate of 109.3% in 2009, the market turnover was 120 billion. In 2010, the sector recorded a total production of CFA francs 127.9 billion, an increase of 8.28% compared to 2009. The general insurance industry occupied 75.7% of this production, against 75.8% in 2009. The operation of all branches together led to a result of CFA francs 8.3 billion, down 22% compared to 2009. In terms of jobs, the sector accounts for 1,462 direct jobs, including 367 Executive Staff, 576 Supervisors and 519 employees.

By December 31, 2010, the microfinance sector had 440 MFI with 186 of them independent and 254 MFI affiliated to a network. The sector had five (5) authorised networks: CAMCCUL (177 MFI), CVECA Centre (33 MFI) and CVECA North (8 MFI), CMEC West (19 MFI) and CMEC North West (8 MFI). The sector was dominated by first category MFIs which represented 94% of approved institutions in Cameroon.

According to the microfinance sector evaluation report of the Ministry of Finance on June 31, 2010, outstanding loans remained stable at 150 billion and primarily directed towards agriculture, commerce, SMEs and VSEs Deposits stagnated at 200 billion. Reforms were undertaken (accounting plan, computer application) to strengthen the control and supervision of MFIs, and put an end to the sector’s dysfunction.

In the Financial market, the stock market capitalisation of the three companies (SEMC, SAFACAM and SOCAPALM) quoted on the *"Douala Stock Exchange"* (DSX) increased from 4.54 billion between late January and late December 2010, to 87.42 billion. In the same period, the rate of SEMC share rose from 60.4% to 95,001 CFA francs that of SAFACAM moved from 8.6% to CFA francs 38.001. Conversely, the shares of SOCAPALM remained stable at 40.998 CFA francs.

Finally, the Government continued its strategy of diversifying the sources of financing the economy by launching a bond issue of 200 billion for major projects during the month of December 2010.

1.3.3. Public Finance

Given the ambitious goals displayed by the Strategy Paper for Growth and Employment (SPGE), resources were established based on recurrent costs and needs for the implementation of public investment projects in 2010, year of launch of SPGE. Before that, the counter-cyclical policy adopted during the crisis led to the withdrawal of money from Treasury reserves in 2009. In addition, spontaneous exemptions dedicated to fight against the high cost of living or to support activities in difficulty were maintained in 2010 to consolidate recovery. Under these conditions, the Government planned to use for the first time a bond issue to close the budget, especially the investment component.

Tight flow budget management inherent in this framework was enhanced by the realisation in 2010 of expenses connected to major events: the African Nations Cup and World Cup Soccer, preparations for celebrations of fifty years of independence, and of the army, and the Agro-pastoral Show, etc. Significant debts crossed between public service enterprises and the State also affected the public treasury. To avoid accumulating arrears that would penalise the State creditors (State service providers, public agents), to minimise the carryover of expenditure in 2011 fiscal year and to take into account an economic activity less buoyant than expected, revenue estimates were updated by an order amending the Finance Law. Balanced in revenue and expenditure at the sum of 2520.6 billion, the budget was revised down to 49.4 billion (-1.9%) compared to the initial Finance Law set at the sum of 2570 billion.

As at December 31, 2010, the cumulative budget was estimated at 2498.0 billion, thus 1941.6 billion of internal revenue and 556.4 billion of loans and grants, that is a realisation rate of 99.1% compared to forecasts. Compared to the end of December 2009, the budget increased by 14.6% and included the consideration of 102.6 billion allotments for Special Drawing Rights (SDR) received from the IMF and the issuance of government securities of 200 billion.

At the end of December 2010, oil revenues were estimated at 456.6 billion that is a surplus of 49.6 billion on the initial forecasts. Compared to the same period in 2009, they were down by 62.8 billion. The National Hydrocarbon Company (SNH) duty was up by 57.2 billion and set at 371.6 billion. In contrast, the taxes on the income of oil companies for the year 2010 dropped by 55.3% and set at 85 billion.

As of December 31, 2010, non-oil revenues were estimated at 1485 billion that is a realisation rate of 98.7%. They were down by 181.3 billion compared to the same period in 2009. By items, taxes dropped by 117.3 billion compared to 2009 and set at 895.4 billion; customs revenues recorded a surplus of 28.5 billion compared to initial estimates, and totalled up 528 billion, non-tax revenue dropped by 6.9 billion compared to 2009 and set at 90.1 billion.

Consisting of loans and grants, of recourse to the banking system and the issuance of government securities, other resources were considered at 609.6 billion in the Finance Law. At year-end 2010, the level of collection was estimated at 556.3 billion, including loans 258.3 billion, issuance of government securities 200 billion and grants 87 billion.

From January to December 2010, spending was estimated at 2498 billion that is an implementation rate of 99.1%. Compared to the same period in 2009, they increased by 581 billion; staff costs increased by 8 billion and amounted to 632 billion, spending on goods and services was 13.2 billion set at 476.2 billion. Expenditure on pensions and other grants were fully implemented by year-end 2010 compared to forecasts.

In 2010, capital expenditure totalled out 629.2 billion. On private resources, they amounted to 372 billion for an annual forecast of 371.8 billion that is a surplus of 200 million. Compared to the 2009 financial year, the allocation for debt service increased by 25.8% in 2010, set at 407.5 billion.

At the end of December 2010, the debt service was estimated at 407.5 billion. The public debt stock was estimated at 1424 billion and represented 15.6% and 12.2% of real GDP and nominal GDP respectively.

TITLE 2: MONEY AND CREDIT

2.1. Institutional Framework of the Monetary Policy

The Convention governing the Central African Monetary Union (UMAC) and the Statutes of BEAC confers on the Issuing Institute the powers to formulate and implement the monetary policy in the general framework of the provisions of CEMAC Zone and the Franc Zones.

Actually, the exchange system of the six countries of the Economic and Monetary Community of Central Africa is based on four basic principles:

- a fixed parity between the CFA franc (Financial Cooperation in Central Africa franc) and the Euro;
- CFA franc convertibility guaranteed by France;
- total freedom of transfers between countries of the franc Zone;
- and the pooling of foreign exchange reserve.

In conformity with these basic principles, money management, most especially, takes into consideration the provisions governing the Operations Account. Thus, if the Operations Account is in red for three consecutive months or if the ratio of the foreign assets average amount of the Bank and its sight liabilities stand at 20% or less for three consecutive months, the following provisions come into force as of right:

a- refinancing goals are reduced:

- by 20% in countries where the situation indicates a debit balance in the Operations Account;
- by 10% in countries where the situation indicates a credit balance in the Operations Account with an amount less than 15% of the credit circulation relative to this same situation (Article 11 of the Statutes)

b - the Monetary Policy Committee is immediately convened to deliberate on appropriate remedies to be implemented in debtor States.

In conformity with the provisions of Article 38 of BEAC's constitution, the Monetary Policy Committee is its decision-making body in matters of monetary policy and management of foreign exchange reserve. As such, it:

- defines the strategy and objectives of the monetary and management policy of foreign exchange reserve, as well as the details of their implementation;
- determines the conditions of the Central Bank's intervention;
- imposes mandatory reserves on credit institutions;
- specifies the Central Bank's terms and conditions in executing authorised transactions in the money market, as well as the operating conditions of the purchase and sale of gold and those of the Central Bank's assistance to Member States for the issuance and management of government securities;
- gives its assent for the Ministerial Committee to adopt rules that are binding on National Monetary and Financial Committees in the exercise of their powers relating to monetary policy, and decides on any request for exemption from these rules;
- proceeds, if necessary, in re-examining the deliberations of the National Monetary and Financial Committees in matters of monetary policy, which contravene the provisions of the Constitution and the general rules of procedure, operations and exercise of their competence.

2.1.1. Strategy and Orientation of the Monetary Policy

A- The objectives of monetary policy

According to Article 1 of its Statutes, the final objective of BEAC's monetary policy is to guarantee monetary stability. Without prejudice to this objective, BEAC supports the general economic policies developed by Member States. For BEAC, with its currency linked to the Euro at a fixed parity, the objective of monetary stability is a low inflation rate and a sufficient currency coverage rate (the minimum threshold is 20%).

To assess the risks weighing on monetary stability and decide on an action, BEAC closely follows the evolution of monetary aggregates (money stock growth rate and credits to the economy). It refines its analysis by examining the dynamics of a wide range of economic and financial indicators.

B- Instruments of monetary policy

Since the creation of the money market on July 1, 1994, BEAC uses indirect instruments for its interventions. This mode of action based on bank liquidity control is exercised through the refinancing policy (action on the supply of central bank money) supplemented by the imposition of mandatory reserve requirements (action on the demand for central bank money).

a) The refinancing policy

BEAC's main intervention method is the refinancing policy. Implementation in the form of loans on securities is in two ways: quantitative action (purpose of refunding) and action by interest rate. Actually, thanks to funding agreements, BEAC chooses amongst debt securities registered in the assets of credit institutions, those that can stand as guarantee to its accommodation.

It also decides, on a quarterly basis, on a refinancing objective representing the maximum limit of loans it can grant through weekly tenders at level 2 of the money market. This objective may be surpassed if the external currency coverage rate is satisfactory and there are available loan possibilities recorded at the level of eligible credit institutions. To this end, prompt intervention mechanisms are envisaged. However, this goal becomes a hard cap if the country is in an IMF programme or if the external currency coverage rate drops sharply below 20%.

These loans are granted at a fixed interest rate (call for tenders interest rate or TIAO) by the Monetary Policy Committee (MPC), depending on the objectives of the monetary policy.

It should be noted that BEAC relies on the application of monetary programming to decide the objectives of monetary aggregates growth and refinancing objectives compatible with achieving the final objectives of the monetary policy. Moreover, BEAC withdraws liquidity through negative tenders, at an interest rate determined by the CPM (Interest Rate on Investments or TISP).

b) The policy of mandatory reserves

Article 20 of BEAC Statutes provides that the Monetary Policy Committee of the Central Bank may take all necessary measures to impose on credit institutions the composition of mandatory reserves. Resorting to mandatory reserves aims at "banking" the banking system, that is to say, forcing it into refinancing when the autonomous factors of bank liquidity generate a surplus of central bank money. Thus, mandatory reserves, by their structural action, supplement the refinancing policy.

On September 1, 2001, the Governor of the Bank of Central African States, acting on behalf of the Board of Directors decided to subject the banks of the Issuing Zone to compose mandatory reserves. This policy continued with the establishment of the MPC on September 23, 2007, henceforth responsible to take all decisions relating thereto. As part of the implementation of this measure, authorised commercial banks are forced to keep a portion of deposits collected from customers in their interest-bearing accounts known as "mandatory reserve accounts", held by BEAC.

Financial institutions and public financial institutions are excluded from the scope of mandatory reserves, which applies only to banks that collect deposits and have a current account with the Bank of Issue.

I. Calculation of mandatory reserves

1) Mandatory reserves base

The minimum mandatory reserves base includes:

a- sight deposits, namely the credit balances of accounts payable at sight (residents and non-residents);

b - term deposits and savings, namely:

- special deposit accounts;
- term deposits (resident and non resident): this category includes fixed deposit accounts.

Deposit figures to be taken into account in calculating the regulatory level of mandatory reserves are those relating to outstanding deposits on the dates of 10, 20 and 30 (or 31) of the reference month.

2) Mandatory reserves ratio

Given the disparities noticed in terms of liquidity in the different CEMAC States, the Board of Directors, during its July 1, 2002 session, decided to apply different levels of mandatory reserves ratios for banks, depending on the liquidity situation of the country of location.

As of July 2, 2008, the levels of mandatory reserves ratios were revised and fixed as follows:

- **Group I Banks: Countries with abundant liquidity**

(Congo and Equatorial Guinea):

- Ratio applicable to sight deposits: 14.00 % ;
- Ratio applicable to term deposits: 10.50 %.

- **Group II Banks: Countries with satisfactory liquidity situations**

(Cameroon and Gabon):

- Ratio applicable to sight deposits: 11.75 % ;
- Ratio applicable to term deposits: 9.25 %.

- **Group III Banks: Countries with low liquidity**

(Chad):

- Ratio applicable to sight deposits: 9.00 %
- Ratio applicable to term deposits: 6.50 %

Banks of the Central African Republic are exempted from the application of mandatory reserves because liquidity in this country is still low.

II. Remuneration of mandatory reserves and penalties

1) Remuneration of mandatory reserves

The Governor of BEAC was given the authority to fix and amend the remuneration rate of mandatory reserves under the same conditions as the intervention rate of the Bank, but henceforth, this authority is incumbent on the Monetary Policy Committee since its creation in 2007.

2) Control of Bank Reports

The Bank of Issue must also be able to ensure that deposits reported by credit institutions are exact. For this, two types of controls are provided:

- ***desk audits,*** for the comparison of bank reports with their monthly situations;
- ***impromptus audits*** carried out periodically and unexpectedly, initiated by BEAC (Monetary Market Service) and/or COBAC (Central African Banking Commission).

3) Penalty System

Financial penalties may be imposed on banks with insufficient mandatory reserves or banks declaring lately or erroneous outstanding deposits.

c) Interest rate policy

Under the new interest rate policy put in place since 1990, interest rate management is more dynamic and flexible, with the sub-regional money market constituting in this respect, the appropriate framework for conducting the common monetary policy.

The interest rate structure in the CEMAC monetary market is as follows:

- ***Interbank market rate (Level 1 money market)***

Interbank market rates are totally free and determined by the law of supply and demand without BEAC's intervention.

- ***BEAC interventions sub-fund rate (Level 2 money market)***

Interventions in favour of credit institutions:

Injection of liquidity

- On window A:

The call for tenders interest rate (TIAO) is set by the Monetary Policy Committee in the "French" style tendering operations, taking into account both internal and external situation.

It constitutes the Bank's interest/deposit/repo/prime rate.

Resulting from market forces, the interest rate on the interbank market is an indicator of the monetary condition and a guide to short term action.

The reason why the rate of central bank money put at the disposal of the banking system should, as much as possible, takes into account rates applied to the interbank segment of the money market:

- The Repurchase Agreement Interest Rate (TIPP) is equal to the rate of tender increase from 1.5 to 3 basic points;
- The Penalty Rate (PR) is borne by credit institutions in the event of serious violation of banking regulations, rules governing credit distribution and, exceptionally, eligible document defect;
- The Direct Interventions Interest Rate (TISIP) is less than the Penalty Rate (PR) and greater than or equal to the Repurchase Agreement Interest Rate (TIPP).

2.1.2. MONETARY PROGRAMMING

In the course of the last decade, the Central Bank has undertaken a series of fundamental reforms among which features the renewed interest rate policy, the implementation of monetary programming and the launching of the money market. These important reforms have conferred on the common monetary policy, more flexibility and efficiency in attaining the main objective, that of safeguarding the internal and external stability of the currency.

Since its inception in Cameroon in September 1991, and in the other CEMAC countries in January 1992, monetary programming is at the centre of the Central Bank's new intervention mechanism. This exercise has actually enabled the Bank of Issue to reinforce coherence between the monetary policy and the macroeconomic context of member countries as well as install permanent dialogue between the Central Bank, governments and credit institutions, in determining the monetary and credit objectives.

A. Monetary Programming Objective

The implementation of monetary programming in the Place of Issue is BEAC's response to criticisms of the old system, in force until the early 90s, of global funding ceilings of commercial banks. This method, which made it possible to determine the maximum amount of intervention by the Central Bank from projected bank deficits after comparing their jobs and resources proved to be limited and ineffective, particularly within the context of the late 80s crisis.

The main weaknesses noticed were:

i) *the passive and static nature of the global funding ceiling technique*, which was based on the assessment of cash requirement of banks from their past financial situation;

j) k) *the methodological gap of monetary forecasting in relation to macroeconomic framework*, the old system being based mainly on the analysis of bank balance sheets, without taking into account macroeconomic data on GDP, inflation, external accounts, budgetary situation, etc. Within this context, higher global funding ceilings for banks were applied despite a decline in Operations Accounts holdings ;

k) l) *asymmetry in the evolution and ineffectiveness of refinancing global ceilings mechanism,* which generally functioned on the rise, precisely because of its disconnection from the macroeconomic framework, margins which accumulated over the years rendered global ceiling cuts ineffective;

l) m) *partial nature of monetary forecasts* due to the fact that the method of setting global ceilings did not enable the projection of other monetary aggregates like net foreign assets, domestic credit and money supply.

From 1991, the monetary programming goal was to compensate for these insufficiencies.

B. Monetary Programming Approach

Monetary programming is based on the direct projection method. This consists in determining through successive stages, the different aggregates of the macroeconomic sector (real sector, public finance, external sector, monetary sector) before ensuring the overall consistency of the macroeconomic framework. The advantage of this method, also used in the development and monitoring of adjustment programmes supported by IMF, is to give way for appreciation. Thus, it is opposed to the econometric method which uses a complex econometric model involving several equations and requiring highly reliable data. In both cases, resorting to the use of computers as well as data consistency and relevance tests becomes imperative.

Considering that the monetary programming approach is essentially macroeconomic, the exercise is generally based on two stages, firstly establishing the projection of economic and financial aggregates and secondly determining the monetary and credit objectives. However, it is important to note that this breakdown seems purely analytical and educational, because the different stages of programming merge in practice through multiple iterations and consistency tests resulting in the establishment of final macroeconomic guidelines.

Generally, the monetary programming exercise takes place in three main stages, namely:

- i) *industry forecasts,* which involves: collection (from governments, enterprises and national institutions) of statistical (numerical data) and analytical information (comments on development trends, economic, financial and monetary policy factors, etc.).
- analysis and processing of data collected by conducting checks as well as data reliability , relevance and consistency tests in order to make the necessary decisions;
- inputting data into computer files while ensuring compliance with consistency within and across sectors.

ii) the decree on macroeconomic framework, which concerns:

- A comprehensive and collective assessment of the macroeconomic framework, with a careful analysis and interpretation of the results obtained. At this point, particular emphasis should be laid on the relevance and consistency of data to ensure the robustness of the framework. The axis of analysis are particularly on intra and cross-sect oral relations, historical developments, framework adequacy with the internal and external business environment as well as with the economic theory, etc.;
- The macroeconomic interpretation of the framework in order to understand the essence of the recent developments and outlook of the national economy.

It is important to emphasise that the macroeconomic framework is a critical phase of the monetary programming exercise in that; it determines the stability of the foundation for monetary programming report. Consequently, special care is taken in its elaboration to avoid undermining the whole exercise.

All in all, the macroeconomic framework quality depends on the mastery, by all the members of the monetary programming team, of *a*) the economic and financial theory in general and financial programming techniques in particular, *b*) structural data of the national economy, *c*) internal and external economic environment, and *d*) basic statistical techniques (ratios, averages, indices, etc).

iii) writing the monetary programming report

For each macroeconomic sector, the head of the sector ensures the relevance and consistency of data and analyses.

C. Macroeconomic framework forecasts and setting monetary and credit goals

a. Real sector forecasts

They are based on the estimates of national accounts and prices set by the States national accounts service, mainly within the framework of multi-annual development plans, economic reports accompanying Finance Laws and programmes agreed on with the Bretton Woods Institutions.

In any case, figures from National Authorities are given priority.

However, if problems arise in terms of the overall coherence of the financial year due to official figures used, discussions should be held with the relevant departments of States so that they may proceed with readjustments if they deem justified.

b. Public finance forecasts

It is a question of developing, in close collaboration with the States financial services, the projected Government's Financial Transactions Table (TOFE), by incorporating budgetary revenue and expenditure as well as external financing, in order to identify the cash deficit (or surplus) to be funded (or absorbed) by the banking system.

Based on the deficit indicated, the State Treasury is expected to resort to loans from the Bank of Issue which, in accordance with the Statutes of the Bank shall not exceed the equivalent of 20% of the national budgetary recurring revenues noticed during the past financial year.

For consistency reasons, revenue projections adopted must be consistent with the expected level of imports (for customs duty) and GDP excluding subsistence sector (for taxes and duties on consumption). This forecast table should also include the interests to be paid to the Bank of Issue for traditional operations and also debt service resulting from refinancing consolidations on national Treasuries within the framework of restructuring the banking system. In any event, TOFE must clearly indicate sections relating to the amortisation of amounts owed by the State to BEAC.

c. Balance of payment forecasts

External sector forecasts are primarily concerned with the export of major products, imports, as well as unrequited services and transfers, all of which contribute in determining the current balance of the balance of payments. They also focus on capital movements, particularly the expected borrowing resources from outside and scheduled amortization of debt as well as drawdowns, loans and direct investment from the private sector.

The overall balance from all of these factors, faced with variation in external arrears and possible debt relief, indicates the eventual evolution of appropriate official foreign exchange reserves, by iterations to make it compatible with monetary forecasts.

d. Monetary forecasts and setting monetary and credit goals

Monetary forecasts help determine the level of foreign assets, domestic credit and money supply and deduce refinancing goals. These forecasts are the result of the monetary programming exercise.

The main stages are:

i) Projection of money supply on the basis of expected nominal GDP and the assumption of the stable velocity of money. This aggregate is then broken down into currency circulation (for the Central Bank's balance sheet) as well as sight and term deposits (for the summarised situation of banks) using the aggregate's previous structure;

ii) Determination of net domestic assets by differentiating between money supply and net foreign assets, the latter being known since it is discretionarily set (when external coverage rate is below 20%) or from balance of payments residual financing (or surplus);

iii) Forecast of "Other net items" that can be maintained unchanged in the absence of relevant information or varied if there is reliable information, for example on the evolution of bank capital;

iv) Calculation of domestic credit using the difference between net domestic assets and "Other net items";

v) Determination of credit to the economy in a residual manner by deducting net claims on the State (from TOFE) from domestic credit. .

vi) Determination of the Central Bank's refinancing Objective after having proceeded to the breakdown of the monetary forecasting situation as elaborated in the summarised situation of banks on the one hand, and the Central Bank situation on the other (see details on notes relating to monetary forecasts).

Several iterations are usually necessary to ensure the overall coherence of the guidelines, through adjustments to the levels of the various aggregates of the four macroeconomic sectors.

2.1.3. Money market

Monetary policy consists in providing the economy with necessary and sufficient payment facilities to promote growth and full employment, in price stability, while ensuring the external parity of the currency. BEAC, whose mission is to provide the economy with payment facilities, uses the Money Market channel to regulate bank liquidity. The Money Market is defined as the intangible place where cash is exchanged between applicants and suppliers of short-term capital.

As concerns the operation of the Money Market, BEAC plays a dual role that consists of simultaneous injecting and taxing liquidity, in accordance with the monetary policy objectives set by the Board of Directors. The money market within the BEAC Zone began activities in July 1994 and its operation was gradually reorganised in order to make the Central Bank's action more effective, as regards injecting and taxing of liquidity.

BEAC's refinancing system is organised at two levels:

- **level 1** corresponds to the inter-bank segment. The inter-bank market is a specific segment of the money market in which a limited number of stakeholders share cash in accounts at the Central Bank, in conditions of amount (in millions of CFA francs), rate, duration, and possibly guarantee freely debated, without the interference of the Bank of Issue. This segment has a national mandate, but participants are free to make cross-border loans within the Issuing Zone.

- **Level 2** refers to BEAC's interventions done through two windows (A and B), in favour of eligible credit institutions. Given the orientation of monetary policy and credit on the one hand, and the evolution of bank liquidity factors on the other, BEAC may have to intervene to refinance the banking system. Access to the Central Bank's windows in the money market is restricted to eligible credit institutions (for loans) and to these same institutions including certain financial institutions (for investments).

Regarding the intervention itself, the Central Bank's support to credit institutions follows **two channels:** window **A** or main channel and window **B** or special channel established for irrevocable medium-term loans (old and new) and related loans.

Window A is the Money Market sphere where all injection operations are processed (operations on short-term and revocable medium-term loans) as well as liquidity recovery operations. These interventions are in the form of tender operations at the initiative of the Central Bank and reverse repurchase of 2 to 7 days at the initiative of credit institutions. If BEAC can inject liquidity as it deems necessary, it can also withdraw it for monetary policy needs, by offering credit institutions for which it has no commitments, the possibility to apply for investment certificates (or Central Bank bonds), in the event of negative tenders.

Window B, because of the irrevocable nature of credits that are mobilised (BEAC cannot come back on conditions of rate, duration or refinancing), is characterised by a multitude of interest rates.

Since the entry into force of the Money Market, on July 1, 1994, the Central Bank's interventions takes into account the Refinancing Objective of each member country, defined by the Monetary Authorities in favour of an annual monetary programming exercise. The monetary and credit objectives fixed for this occasion for the coming year, are revised every six months.

The Refinancing Objective is specific to each country and identifies the refinancing potential which the Bank of Issue may grant to the credit institutions of a State, without questioning the major macroeconomic balances.

In principle, BEAC loans from Windows **"A"** and **"B"** cease as soon as their cumulative amounts reach the Refinancing Objective, beyond which the Bank of Issue's support transforms into direct interventions of a maximum duration of 48 hours.

2.2. Implementation of the Monetary Policy in Cameroon

2.2.1. Assistance to the State

The maximum statutory loans of the Central Bank to the Treasury increased by 31.7% between 2006 and 2010. The credit line in favour of Cameroon within the framework of statutory loans thus rose from 318 billion in December 2006 to 418.9 billion in December 2010.

However, no drawdown has been carried out on this line since the beginning of 2007. This is justified particularly by the improvement of the country's fiscal situation, more especially by the option taken by the Government to withdraw from the banking system in order to reduce its financial charges (BEAC loans were costing her about 10 billion in premiums per year) and improve the quality of her signature on the eve of the launch of free subscription to the issuance of government Treasury bonds.

Table 1: Evolution of the Bank of Issue's assistance to the Treasury

Amount in billion FCFA - (end of month)											
	Dec. 2000	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Dec. 2010
Limit	232.4	259.5	259.5	259.5	259.5	259.5	318	318	318	418.9	418.9
Use	149.3	220.4	250.1	256.7	252.9	176.3	166.1	96.2	0	0	0
Outstanding consolidated credit	119.5	98.1	76.0	-	29.3	5.5	1.8	1.1	0.5	0.3	0.2

Source: BEAC

As regards State Consolidated Credits, Cameroon's commitments to the Central Bank have continued to reduce. As such, since late 2000 her commitments have progressively dropped from FCFA 119.5 billion in 2000 to less than FCFA 0.2 billion in late 2010.

Table 2: Situation of State consolidated credit

Amount in billion FCFA - (end of month)											
	Dec.00	Dec.01	Dec.02	Dec.03	Dec.04	Dec.05	Dec.06	Dec.07	Dec.08	Dec.09	Dec.10
Outstanding consolidated credit	119.5	98.1	76.0	-	29.3	5.5	1.8	1.1	0.5	0.3	0.2

Source: BEAC

2.2.2. Assistance to Banks

Since the 1994 devaluation, adjustment programmes implemented in Cameroon have strongly improved the country's financial strength.

Thanks to restructuring, there is reorganisation which has led to high profitability and liquidity of banks.

The overall liquidity of banks increased from FCFA 110.4 billion on December 31, 2000 to FCFA 734.6 billion on 31 December 2010, which has resulted in limited recourse to credit institutions to refinance the Central Bank.

TABLE 3: EVOLUTION OF BANKS GENERAL LIQUIDITY

(AMOUNTS IN BILLIONS FCFA)

Category	Dec. 2000	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Dec. 2010
Current account of credit institutions	70.4	84.2	120.6	96.3	175.8	216.8	341	226.4	212.3	263.2	172.2
Money market deposits and investments	40	84	132	40.5	24.5	4	3.6	231	141	177.5	338.6
Mandatory reserves	0	7.5	33.2	77.1	82.2	88.8	102.9	156.5	206.8	197.1	223.8
TOTAL	**110.4**	**175.7**	**285.8**	**213.9**	**282.5**	**309.6**	**447.5**	**613.9**	**560.1**	**637.8**	**734.6**

Source: BEAC

Between December 2000 and December 2010, the injection of liquidity by BEAC continued to decline from 2.1 billion to 0.6 billion, the large injections of liquidity recorded in 2008 and 2009 (3.9 billion and 5 4 billion) being mainly due to the refinancing of a credit institution in difficulty.

TABLE 4: INJECTION OF LIQUIDITY

Amount in billion FCFA - (end of month situation)								
	INJECTION OF LIQUIDITY IN FAVOUR OF CREDIT INSTITUTIONS							
	WINDOW A						WINDOW B	GRAND TOTAL OF INTERVENTIONS
	Tender of 7 days	Pensions of 2 to 7 days	Exceps. loans/investment certificate	Direct intervention (DI)	Advances to penalty rate	TOTAL		
Dec. 00	0.392	0.000	0.000	0.000	0.000	0.392	1.686	**2.078**
Dec. 01	0.205	0.000	0.000	0.000	0.000	0.205	0.568	**0.773**
Dec. 02	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Dec. 03	0.000	0.000	0.774	0.000	0.000	0.774	0.000	**0.774**
Dec. 04	0.148	0.000	0.000	0.000	0.000	0.148	0.000	**0.148**
Dec. 05	0.228	0.008	0.000	0.000	0.044	0.280	0.000	**0.280**
Dec. 06	0.355	0.006	0.000	0.000	0.000	0.361	0.000	**0.361**
Dec. 07	0.321	0.000	0.000	0.000	0.000	0.321	0.000	**0.321**
Dec. 08	0.352	0.007	3.548	0.000	0.000	3.907	0.000	**3.907**
Dec. 09	5.066	0.002	0.000	0.000	0.000	5.068	0.360	**5.428**
Dec. 10	0.351	0.002	0.000	0.000	0.000	0.353	0.237	**0.590**

Source: BEAC

2.2.3. Collection of Deposits

The high liquidity of the banking system led to the predominance of negative tender operations in the structure of money market operations.

At the end of 2010, bank investments at BEAC amounted to 405.8 billion, as against only 50.0 billion at the end of 2001 (+99%).

Table 5: Collection of deposits

Amount in billion FCFA - (end of month situation)				
	WITHDRAWAL OF LIQUIDITY BY BEAC			TOTAL
	of 7 days	of 28 days	of 84 days	
Dec. 00	30,032	20,000	0,000	50,032
Dec. 01	74,403	20,000	0,000	94,403
Dec. 02	104,016	20,000	0,000	124,016
Dec. 03	26,871	32,806	0,000	59,677
Dec. 04	21,210	0,000	0,000	21,210
Dec. 05	3,774	0,000	0,000	3,774
Dec. 06	3,600	00,00	0,000	3,600
Dec. 07	89,355	106,968	70,000	266,323
Dec. 08	104,629	40,452	15,000	160,081
Dec. 09	108,097	34,387	12,371	154,855
Dec. 10	237,067	121,567	47,133	405,767

Source: BEAC

Regarding the structure of negative tenders, it is characterised by the predominance on investments of 7 days, whose weight in total bank investments with BEAC remained stable between end of 2000 and end of 2010, between 58.4% and 60%. In addition, a sharp progression in investments of 84 days which increased during this period (11.6%) was noted, at the expense of investments of 28 days representing only 29.9% at the end of 2010, as against 39.9% at the end of 2000.

2.2.4. Key Interest Rates

Interest rates policy in the BEAC zone is targeting a better use of financial resources in the Member States by adapting the Bank of Issue's intervention rate to interior market conditions and those of the currency anchoring zone. Since January 2000, BEAC has reduced its intervention rates twelve times. Thus, the rate of advances to Treasuries, the Call for Tenders Interest Rates (TIAO), the Interest Rates on Investment (TISP) and the rate of negative tenders were continually reduced between 2000 and 2010.

The advance rate for Treasuries and TIAO rose from 7.3% in January 2000 to 4% in July 2008 and July 2010. The reverse repurchase rate moved from 9.30% to 5.75% during the same period. On 29 July 2010, the TISP (Interest Rates on Investment) was reduced to 1.25% for the reserve fund of future generations, to 0.85% for the budget revenues stabilization mechanisms and to 0.60% for special deposits. The Interest Rates on Public Investments (TISP), applied when the State concerned uses advances from the BEAC, was cancelled.

BEAC interest rates on investment were also lowered from 3.25% to 0.60% for 7 days investments, from 3.31% to 0.66% for 28 days investments and from 3.37% to 0.725% for 84 days investments.

As regards the conditions of banks, the Maximum Borrowing Rate (MBR) was cancelled by Decision No 05 of the BEAC Monetary Policy Committee of July 3, 2008, following IMF recommendations in the framework of the 2007 Financial Sector Evaluation Program, so as to allow banks to freely determine lending rates, depending on the real risk levels of clients. The Minimum Lending Rate (MRL) has remained unchanged at 3.25%. On the contrary, the bank penalty rate was maintained at 10%.

TABLE 6: EVOLUTION OF BEAC KEY INTEREST RATES AND BANK CONDITIONS

CATEGORY	14.01.00	25.05.00	13.09.00	06.09.01	07.01.02	11.04.02	18.12.02	02.04.03	09.05.03	18.06.03	28.07.03	03.11.03	02.12.03	20.01.05	16.09.05
	24.05.00	12.09.00	05.09.01	06.01.02	10.04.02	17.12.02	01.04.03	08.05.03	17.06.03	27.07.03	02.11.03	01.12.03	19.01.05	15.09.05	02.03.06
I – TREASURIES TRANSACTIONS															
(Out of the Market)															
. Loans rate to Treasuries	7.30	7.00	7.00	6.50	6.50	6.35	6.30	6.30	6.30	6.30	6.30	6.30	6.00	5.75	5.50
. Penalty rate to Treasuries	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.00	10.00	10.00
- Special deposits rate of Government Bodies	3.25	3.30	3.60	3.60	3.40	3.00	2.70	2.60	2.50	2.20	2.05	1.95	1.95	1.70	1.60
- Interest Rate on Public Investments (TISP)															
The TISP has 4 components. including :															
. Interest Rate on Public Investment for the															
Future Generations Reserve Fund (TIPPo)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
. Interest Rate on Public Investment for the fiscal															
revenue stabilisation mechanism (TIPP1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
. Interest Rate on Public Investment when the State concerned															
does not resort to BEAC loans (TIPP2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
. Interest Rate on Public Investment when the State concerned															
resorts to BEAC loans (TIPP3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

II – MONEY MARKET															
A-Injection of liquidity															
1- Window "A"															
. Tenders rate (TIAO)	7.30	7.00	7.00	6.50	6.50	6.35	6.30	6.30	6.30	6.30	6.30	6.30	6.00	5.75	5.50
. Reverse repurchase rate (TIPP)	9.30	9.00	9.00	8.50	8.50	8.35	8.30	8.30	8.30	8.30	8.30	8.30	7.80	7.50	7.25
CATEGORY	**14.01.00**	**25.05.00**	**13.09.00**	**06.09.01**	**07.01.02**	**11.04.02**	**18.12.02**	**02.04.03**	**09.05.03**	**18.06.03**	**28.07.03**	**03.11.03**	**02.12.03**	**20.01.05**	**16.09.05**
	24.05.00	**12.09.00**	**05.09.01**	**06.01.02**	**10.04.02**	**17.12.02**	**01.04.03**	**08.05.03**	**17.06.03**	**27.07.03**	**02.11.03**	**01.12.03**	**19.01.05**	**15.09.05**	**02.03.06**
. Direct Interventions Interest Rate (TISIP)	9.30-15	9.00-15	9.00-15	8.50-15	8.50-15	8.35-15	8.30-15	8.30-15	8.30-15	8.30-15	8.30-15	7.80-15	7.80-15	7.50-15	7.25-15
. Excepts.-loans rate/Invest. Cert.(TACP)*	7.30	7.00	7.00	6.50	6.50	6.35	6.30	6.30	6.30	6.30	6.30	6.30	6.00	5.75	5.50
. Penalty rate to banks (TPB)	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
2- Window "B"															
. Productive invest. credits rate s/new **	7.6250	7.3125	7.0000	7.0000	6.6875	6.4375	6.3750	6.3750	6.3750	6.3750	6.3125	6.3125	6.0000	5.7500	5.7500
. Effective rate/former irrevocable CMT	4.30-8.00	4.30-8.00	4.30-7.00	4.30-6.50	4.30-6.50	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35
B-Withdrawal of liquidity															
(Negative tender)															
. Interest rate on investment of 7 days "TISP"	3.2500	3.3000	3.6000	3.6000	3.4000	3.0000	2.7000	2.6000	2.5000	2.2000	2.0500	1.9500	1.9500	1.7000	1.6000
. Interest rate on investment of 28 days "TISP"	3.3125	3.3625	3.6625	3.6625	3.4625	3.0625	2.7625	2.6625	2.5625	2.2625	2.1125	2.0125	2.0125	1.7625	1.6625

. Interest rate on investment of 84 days "TISP"	3.3750	3.4250	3.7250	3.7250	3.5250	3.1250	2.8250	2.7250	2.6250	2.3250	2.1750	2.0750	2.0750	1.8250	1.7250
III – BANK CONDITIONS															
- Free. with 2 ends :															
1. Maximum Borrowing Rate (MBR)	22.00	22.00	22.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	17.00
2. Minimum Lending Rate (MLR)	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.75

CATEGORY	03.03.06	27.03.06	09.06.06	01.09.06	10.10.06	11.12.06	13.03.07	14.06.07	03.07.08	23.10.08	18.12.08	26.03.09	02.07.09	29.07.10	
	26.03.06	08.06.06	31.08.06	09.10.06	10.12.06	12.03.07	13.06.07	02.07.08	22.10.08	17.12.08	25.03.09	01.07.09	28.07.10	On………	
I – TREASURY TRANSACTIONS															
(Out of the market)															
. Loans rate to Treasuries	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.50	5.50	4.75	4.50	4.25	4.00	
. Penalty rate to Treasuries	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	
- Special deposits rate of Government Bodies	1.55	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	
- Interest Rate on Public Investments (TISP)															
The TISP has 4 components. including :															
. Interest Rate on Public Investment for the															
Future Generations Reserve Fund (TISPPo)	-	1.90	2.15	2.85	3.05	**3.15**	**3.30**	**3.45**	**3.65**	**3.35**	**2.20**	**1.90**	**1.25**	**1.25**	
. Interest Rate on Public Investment for the fiscal															
revenue stabilisation mechanism (TISPP1)	-	1.70	1.95	2.65	2.85	**2.95**	**3.10**	**3.25**	**3.45**	**3.15**	**2.00**	**1.70**	**1.05**	**0.85**	
. Interest Rate on Public Investment for															
special deposits (TISPP2)	-	1.40	1.65	2.35	2.55	**2.65**	**2.80**	**2.95**	**3.15**	**2.65**	**1.40**	**1.10**	**0.85**	**0.60**	
. Interest Rate on Public Investment when the State concerned															
resorts to BEAC loans	-	0.50	0.50	0.50	0.50	**0.50**	**0.50**	**0.65**	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	

II – MONEY MARKET															
A-Injection of liquidity															
1- Window "A"															
. Tenders rate (TIAO)	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.50	5.50	4.75	4.50	4.25	4.00	
. Reverse repurchase rate (TIPP)	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.25	7.25	6.50	6.25	6.00	5.75	
. Direct Interventions Interest Rate (TISIP)	7.00-12	7.00-12	7.00-12	7.00-12	7.00-12	7.00-12	7.00-12	7.00-12	7.25-12	7.25-12	6.5-12	6.25-12	6.0-10.0	5.75-10.0	
CATEGORY	**03.03.06**	**27.03.06**	**09.06.06**	**01.09.06**	**10.10.06**	**11.12.06**	**13.03.07**	**14.06.07**	**03.07.08**	**23.10.08**	**18.12.08**	**26.03.09**	**02.07.09**	**29.07.10**	
	26.03.06	**08.06.06**	**31.08.06**	**09.10.06**	**10.12.06**	**12.03.07**	**13.06.07**	**02.07.08**	**22.10.08**	**17.12.08**	**25.03.09**	**01.07.09**	**28.07.10**	**On……**	
. Excepts. Loans rate/Invest. Cert.(TACP)*	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.50	5.50	4.75	4.50	4.25	4.00	
. Penalty rate to banks (TPB)	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	10.00	10.00	
2- Window "B"															
. Productive invest. credits rate s/new **	5.7500	5.7500	5.7500	5.7500	5.7500	5.2500	5.2500	5.2500	5.2500	5.2500	5.2500	5.2500	4.2500	4.2500	
. Effective rate/former irrevocable CMT	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	4.30-6.35	
B-Withdrawal of liquidity															
(Negative tender)															
. Interest rate on investment of 7 days "TISP"	1.5500	1.5500	1.5500	1.5500	1.5500	1.6500	1.7000	1.9500	2.2000	2.2000	1.3000	1.0000	0.8500	0.6000	
. Interest rate on investment of 28 days "TISP"	1.6125	1.6125	1.6125	1.6125	1.6125	1.7125	1.7625	2.0125	2.2625	2.2625	1.3625	1.0625	0.9125	0.6625	

. Interest rate on investment of 84 days "TISP"	1.6750	1.6750	1.6750	1.6750	1.6750	1.7750	1.8250	2.0750	2.3250	2.3250	1.4250	1.1250	0.9750	0.7250	
III – BANK CONDITIONS														
- Free. with 2 ends :														
1. Maximum Borrowing Rate (MBR)	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	
2. Minimum Lending Rate (MLR)	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	3.25	3.25	3.25	3.25	3.25	3.25	
**** The exceptional loans rate guaranteed by the deliverance of Investments Certificates is equal to the TIAO.***														
***** The rate applicable on new credits is the TIAO in force during the establishment of the credit (initial TIAO). It can be reduced. or increased (Weighted TIAO) without surpassing the initial TIAO.***														

Source: BEAC

2.2.5. MANDATORY RESERVES

In order to neutralise liquidity influx in the banking system the Central Bank imposed since 1st September 2001 the establishment of mandatory reserves to banks in BEAC issuing zone.

The measure also aims at encouraging banks to resort to refinancing and to make them participate in achieving the objectives of the monetary policy of BEAC

The sharp rise in bank deposits since 2001 resulted in the increase of mandatory reserves which increased from 7.5 billion at the end of 2001 to 241.4 billion by the end 2010.

TABLE 7: EVOLUTION OF MANDATORY RESERVES

Dates	Mandatory reserves ((billion FCFA)	Year-on-year (%)
Dec-01	7.5	-
Dec.-02	50.5	573.3
Dec. -03	78.1	54.7
Dec. -04	82.2	5.25
Dec. -05	88.8	8.03
Dec. - 06	102.9	15.87
Dec. - 07	156.7	15.88
Dec. - 08	206.8	31.97
Dec. - 09	197.1	-4.36
Dec.-10	241.4	22.47

Source BEAC- Money market bulletin

Given the large increase in the liquidity of the banking system, the monetary authorities as of 13 March 2007 increased reserve requirements on deposits from 7.75% to 11.75%.

The rate of remuneration of the mandatory reserves has not stopped declining since their introduction in 2001. It declined from 1.20% in December 2001 to less then 0.5% in January 2005. It was set at 0.05% since 2nd July 2009.

2.2.6. EVOLUTION OF MONEY SUPPLY AND ITS COUNTERPARTS

The main monetary aggregate followed by BEAC for the purpose of monetary analysis is M2. This is obtained by adding to M1 comprised of notes and coins in circulation and sight deposits the quasi-money comprised of term deposits.

Between 2001 and 2010 the evolution of monetary aggregates was influenced by several factors namely:

- The improvement of prices of key commodities especially oil, which boosted the export earnings of Cameroon;
- The positive impact of the reduction of the external commitment of States in relation notably to the rescheduling and cancellation of debt within the framework of adjustment programmes and economic recovery supported by the Bretton Woods including the HIPC initiative;
- Net inflow of foreign capital, both public and private;
- The reinforcement of non-oil activities;
- The continued improvement of the public treasury;
- and the substantial repatriation of export earnings.

In this context, the net external assets of the monetary system approximately grew (+1278%) from 126.1 billion in December 2001 to 1737.7 billion in December 2010. In the last decade the most approximate increases was observed in 2002 (137%), 2006 (107%) and 2007 (47%).

TABLE 8: EVOLUTION OF NET FOREIGN ASSETS

End of period	Net foreign assets (x1000 000)	Variations
2001	126 109	160
2 002	298 325	137
2 003	257 657	-14
2 004	354 993	38
2 005	497 563	40
2 006	1 031 904	107
2 007	1 513 195	47
2 008	1 747 213	15
2 009	1 769 653	1
2 010	1 737 666	-2

Source: BEAC

Contrarily, the net internal credit regressed from 12.5% in connection with the sharp decline of the net claims on government (-253.6%) which moved in ten years from 347.1 billion to -532.9%, indicating a consolidation of the public treasury.

For their part, credits to the economy recorded a growth of 97.4% over the same period thanks to the renewed activities of the non-oil sector.

Meanwhile, State deposits steadily increased during the past five years, moving from 184.6 billion in December 2006, they reached 333.3 billion in 2010; a year-on-year increase of 80.3%.

From year to year, the most significant variations were observed in 2006 (40%), in 2007 (37%), and in 2009 (20%).

TABLE 9: EVOLUTION OF STATE DEPOSITS

Year	State deposits (in million FCFA)	Variation (in %)
2003	123 355	-22.9
2004	138 376	12.2
2005	131 948	-4.6
2006	184 823	40.1
2007	252 946	36.9
2008	264 583	4.6
2009	318 618	20.4
2010	333 298	4.6

Source BEAC

With regards to the State Treasury the statistics on the daily situation of the treasury accounts showed successive and identical reductions of 16% over the past two years. In average the Treasury accounts situation was set at 410.2 billion in 2008, 344.2 billion in 2009, and 288.95 billion in 2010.

The drop is mostly due to the contractions observed in the account balances which recorded a decrease from 30.6% to 21.6% in 2009 and 2010; for an average of 130.59 billion and 102.39 billion respectively. The deposit accounts registered a relatively moderate drop (-3.8% in 2008 and -12.6% in 2010).

TABLE 10: SITUATION OF THE STATE TREASURY

Treasury	Average (in billion FCFA)		
	2008	2009	2010
Sight accounts situation	188.3	130.6	102.4
Deposit accounts situation	221.9	213.6	186.6
Consolidation situation of accounts	410.2	344.2	289.0

Treasury	End of period		
	2008	2009	2010
Sight accounts situation	164	99.3	43
Deposit accounts situation	226	196.4	336.9
Consolidation accounts situation	390	295.7	379.9

Source BEAC-DN

In order to insure a permanent and sufficient State liquidity and to find the most affordable and risk free solutions to cover the needs of the short medium and long term cash. a Treasury Committee was created in September 2009 and effectively began its activities on February 16. 2010.

More specifically the Treasury Committee's duty is to define the financial objectives and the objectives to be achieved within the framework of budget implementation and the cash management. to assist the Minister of Finance in insuring an optimum management of the State treasury to plan the cash flows of the fiscal and treasury operations, to examine and conclude the annual quarterly and monthly financial plan and to monitor their implementation, to elaborate an annual plan of State commitments etc.

As part of the modernisation of public finance management, the entry into office of this committee had a direct and immediate impact, the disappearance of the validation of payments committee. The most striking changes in the management of the State treasury were as follows:

- an optimum scheduling of payments considering that the expenses are settled within a time after Committee's arbitration.
- greater clarity in the mobilisation and management of State revenues.

Also the Treasury Committee led successfully from end to end the first bond issue ever in Cameroon which enabled the mobilisation of private savings worth FCFA 200 billion.

TABLE 11: MONETARY SYSTEM RESOURCES COUNTERPARTS

End of periods	Net foreign assets	Internal credit (In millions FCFA)								Total Counterparts = Resources on the system Amount (in liberal sense)
		Net claims on Government			Claims on the economy				Total Internal Credit	
		PNG	Other net claims	Total net claims on Government	IFNM	EPNF	Private sector	Total		
2001	126 109	379 108	-31 918	347 190	7 260	104 394	650 048	761 702	1 108 892	1 235 001
2 002	298 325	388 943	-63 281	325 662	10 871	106 211	717 359	834 441	1 160 103	1 458 428
2 003	257 657	369 912	-38 737	331 175	8 109	118 408	781 251	907 768	1 238 943	1 496 600
2 004	354 993	383 297	-50 538	332 759	11 596	101 981	791 282	904 859	1 237 618	1 592 611
2 005	497 563	235 855	-30 701	205 154	4 407	98 996	873 397	976 800	1 181 954	1 679 517
2 006	1 031 904	-74 173	-63 943	- 138 116	6 386	92 707	900 081	999 174	861 058	1 892 962
2 007	1 513 195	-294 886	-128 584	- 423 470	24 824	107 345	950 878	1 083 047	659 577	2 172 772
2 008	1 747 213	-476 260	-122 706	- 598 966	17 565	135 582	1 129 516	1 282 663	683 697	2 430 910
2 009	1 769 653	-450 560	-128 691	- 579 251	11 837	138 306	1 228 744	1 378 887	799 636	2 569 289
2 010	1 737 666	-398 918	-134 063	- 532 981	66 164	82 698	1 354 590	1 503 452	970 471	2 708 137

Source: BEAC

Reflecting the movements of its counterparts the money supply (M2) increased by 121.3% between 2001 and 2010. After reaching 1 130.2 billion in 2001 it surpassed the 2 000 billion mark in 2008 amounting to 2 149.840 billion then increasing to 2 501 311 billion in 2010.

TABLE 12: COMPONENTS OF MONEY SUPPLY

End of periods	Money and quasi-money availability (money supply M2) *(in billions FCFA)*										
	Money availability (M1)							Quasi-money			Mon. and quasi-mon. availability
	Fid. Mon. (M0)	Scriptural money					Mon. Avail. (M1)	BCM	AIBE	Quasi-money	
		BEAC	BCM	CCP	AIBE	Script. Mon.					
2 001	296 007	1 299	394 870	3 477	1 268	400 914	696 921	430 192	3 089	433 281	1 130 202
2 002	333 671	659	466 704	3 477	1 268	472 108	805 779	520 276	3 089	523 365	1 329 144
2 003	297 949	797	448 519	3 477	1 268	454 061	752 010	588 175	3 089	591 264	1 343 274
2 004	324 092	1 507	478 398	3 477	1 268	484 650	808 742	616 761	3 089	619 850	1 428 592
2 005	273 413	1 854	534 545	3 477	1 268	541 144	814 557	684 684	3 089	687 773	1 502 330
2 006	265 597	20 711	614 117	3 477	1 268	639 573	905 170	737 408	3 089	740 497	1 645 667
2 007	355 211	17 642	750 705	3 477	1 268	773 092	1 128 303	756 526	3 089	759 615	1 887 918
2 008	430 571	9 275	874 557	3 477	1 268	888 577	1 319 148	827 603	3 089	830 692	2 149 840
2 009	447 429	3 875	968 137	3 477	1 268	976 757	1 424 186	872 397	3 089	875 486	2 299 672
2010	418 617	5 934	1 032 293	3 477	23 537	1 065 241	1 483 858	1 005 565	11 888	1 017 453	2 501 311

Source: BEAC

Between 2001 and 2010, the money supply structure analysis showed a decline in fiduciary money shares from 26.2% to 16.7% in favour of scriptural money whose shares increased from 35.5% to 42.6%. The quasi money shares increase from 38.3% to 40.7%.

a) Evolution of fiduciary money

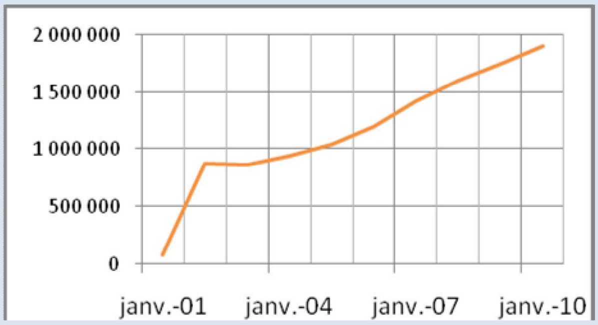
The stock of notes and coins in circulation in the public rose to 41.4% during period under review. This rise was particularly marked between 2007 and 2008 when fiduciary money increased by 21.2%.

b) Evolution of scriptural money

The sight deposits recorded an increase of 165.7% between 2001 and 2010 with an accretion of 20.9% between 2007 and 2006 moving from 400 914 million to 1 065 241. This increase was justified by the sustained level of economic activity.

Figure 1: Evolution of sight deposits

(in millions FCFA)



Janv. = January

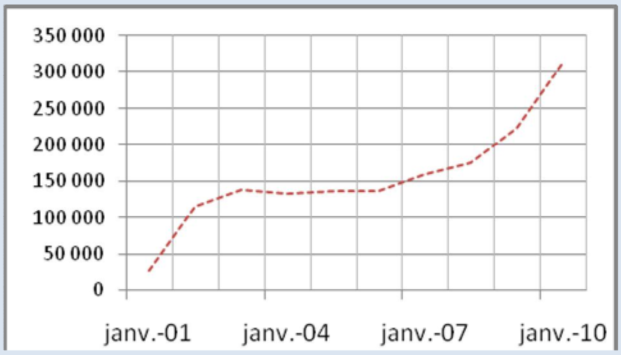
c) Evolution of quasi money

The term and special deposits increased by 458.5 billion, moving from 41.8 billion in 2001 to 500.3 billion in 2010 thus 1096.9% increase confirming the relative strength of this aggregate related to the high level of economic activity of the non-oil sector and the development of savings.

The term deposit accounts increased from 26.3 billion at the end of December 2001 to 313.7 billion at the end of December 2010, while the special deposit accounts increased from 15.5 billion in December 2001 to 189.6 billion in December 2010, thus an increase of 1103.9 %.

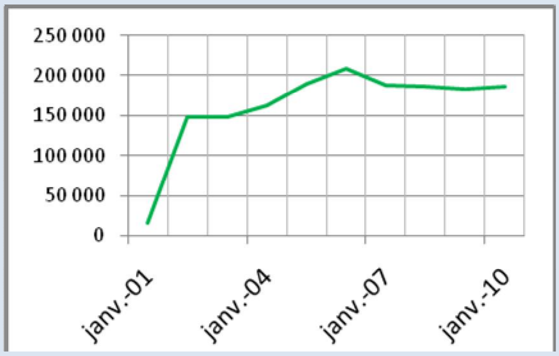
EVOLUTION OF TERM DEPOSITS

(in millions FCFA)



Evolution of special deposits

(in millions FCFA)



Between 2001 and 2010, customer deposits rose sharply from 120.9 billion to 2 400.3 billion (+1885.4%).

TABLE 13: EVOLUTION OF DEPOSITS BY CATEGORY

(in billions FCFA)

Category	Dec-01	Dec-02	Dec - 03	Dec - 04	Dec - 05	Dec - 06	Dec - 07	Dec - 08	Dec-09	Dec. - 10
Special deposits	15.5	147.7	147.4	162.1	189.4	208.3	187.7	185.8	183.6	186.6
Term deposits	26.3	115.0	138.4	132.5	136.1	136.1	159.2	175.5	222.7	313.7
Sight deposits	79.1	872.8	863.4	935.6	1 034.9	1 198.6	1 419.3	1 603.8	1 746.7	1900.0
TOTAL	**120.9**	**1 135.5**	**1 149. 2**	**1 230.2**	**1 360.4**	**1 543.0**	**1 766.2**	**1 965.1**	**2 153.0**	**2 400.3**

Source: COBAC

By institutional units, the structure of deposits significantly changed during the 2001-2010 decade. Individuals who held only 31.2% of total deposits at end-2001 closely followed by private companies (31.1% of total deposits) remained the main depositors in the banking system at the end of 2010 with 42.1% of total deposits ahead of private companies which dropped to only 23.2% of market deposits in the same period reflecting the dynamism of the informal sector free from control and in which the border between the asset base of private companies and that of their promoters remained indefinable. In addition, there was an increase in public sector liquidity. In effect, private enterprises, public administrations, government bodies and public enterprises were the third largest depositors in the banking system with 20.6% of total deposits in 2010 and 15.9% in 2001.

TABLE 14: EVOLUTION OF DEPOSITS BY INSTITUTIONAL UNITS

(in billions FCFA)

Category	Dec-01	Dec-02	Dec -03	Dec - 04	Dec - 05	Dec - 06	Dec - 07	Dec - 08	Dec-09	Dec. - 10
Central public administration	11.3	108.8	80.3	83.6	79.2	106.5	141.7	129.6	179.2	196.5
Local public administration	6.4	3.7	3.5	6.4	5.3	9.4	14.5	12.4	8.1	13.1
Government bodies	6.5	41.6	28.9	38.0	38.6	58.4	86.7	113.5	125.9	117.8
Private administrations	6.2	37.5	37.5	39.7	45.7	60.3	66.8	80.6	84.4	89.2
Public enterprises	12.7	55.9	59.9	56.6	72.5	73.5	92.6	123.8	140.2	180.7
Private enterprises	37.6	234.1	264.2	276.7	288.6	307.2	359.7	422.0	480.4	557.1
Insurance and private or public company	3.9	56.4	53.4	46.3	58.1	61.7	61.8	54.7	51.0	58.2
Sole partnerships	4.2	29.9	25.9	23.9	30.5	33.3	34.8	41.3	54.9	56.5
Individuals	37.7	511.4	541.9	605.4	681.5	746.5	797.0	891.3	923.4	1009.2
Others	-	56.2	54.0	54.7	60.6	86.1	110.7	959.0	105.4	122.2
TOTAL	**120.9**	***1 135.5***	***1 149.5***	***1 231.2***	***1 360.4***	***1 542.9***	***1 766.3***	**1965.1**	***2 152.9***	**2400.5**

Source: BEAC (Bank market)

The Littoral and Central regions remained the main areas of savings collection far ahead of the Western region which was the third. This reflects the concentration of the main administrative commercial, industrial and financial centres in the cities of Douala and Yaounde. In December 31 2010, the Littoral region summed up 1 121.1 billion of deposits (46.5% of the total deposits) against 971.3 billion from the Centre (40.3%) and only 100.5 billion from the West. This distribution remained generally stable over the past decade. In 2000 these regions represented 48%, 37.9%, and 4.6% respectively of the total deposits.

TABLE 15: EVOLUTION OF DEPOSITS BY REGION

(in millions CFA) F

Regions	Dec. 02	Dec. 03	Dec. 04	Dec. 05	Dec. 06	Dec. 07	Dec. 08	Dec. 09	Dec.10
Adamawa/North/Far North	47 298	40 441	44 114	47 271	50 221	55 151	72 849	78 272	92 368
Centre/South/East	430 313	391 588	437 706	488 936	553 023	658 616	749 956	849 418	971 382
Littoral	545 030	600 911	616 217	687 283	785 124	883 406	951 277	1 017 030	1 121 065
North-West/South-West	60 287	61 056	67 421	69 340	81 633	90 417	104 085	109 259	125 283
West	52 299	54 876	64 592	67 858	73 131	81 435	89 794	89 319	100 528
GRAND TOTAL	**1 135 227**	**1 148 872**	**1 230 050**	**1 360 688**	**1 543 132**	**1 769 025**	**1 967 961**	**2 143 298**	**2 410 626**

Source: Banks

2.3. *Monetary Policy Efficiency*

2.3.1. Evolution of Monetary Policy Variables

In the Economic and Monetary Community of Central African States (CEMAC) the ultimate goal of monetary policy is to guarantee monetary stability. For BEAC whose currency is pegged to the euro at a fixed parity, the objective of monetary stability implies a low inflation rate and a sufficient currency coverage rate (the minimum is 20%).

This policy has witnessed a number of reforms since the early 90s aimed at enhancing its effectiveness. These reforms led to the establishment of a new system of monetary policy management in CEMAC to promote more market mechanisms thus favouring indirect regulation of liquidity.

In concrete terms, the monetary policy of CEMAC is characterised by: (i) the use of reference rates specific to BEAC; (ii) a monetary market in continuous innovation; (iii) the free trade conditions of the bank.

To further strengthen this mechanism, a system of mandatory reserves established in 2001 aimed not only at regulating the liquidity of the banking system but also at encouraging banks to refinance when the autonomous liquidity factors generate a surplus in central bank money. The mandatory reserves thus appear by their structural action, a supplement to the policy of refinancing.

In light of the statistical analysis conducted within the framework of this report, the results showed that the monetary policy led since 1995 by the Central Bank somehow enabled it to achieve its goals. The currency External Coverage Rate has remained above the minimum 20% required by the convergence criteria of CEMAC mainly due to the dynamic exportation of primary products (crude oil, cocoa, coffee, wood, aluminium, banana, rubber, etc.). However, the inflation rate remained slightly above 3% throughout the period. Despite the monetary policy reform, the money market operations (injection and withdrawal of liquidity) and the evolution of TIAO still represent less than 5% of the causes of inflation and GDP variation which depend mainly on the supply of goods and services of the productive sector. It thus appeared that the inflation recorded here was more related to the imbalance between the supply and demand of domestic goods and services than of monetary origin.

That is why the mandatory reserves policy established to absorb excess liquidity resulting from foreign assets is justified.

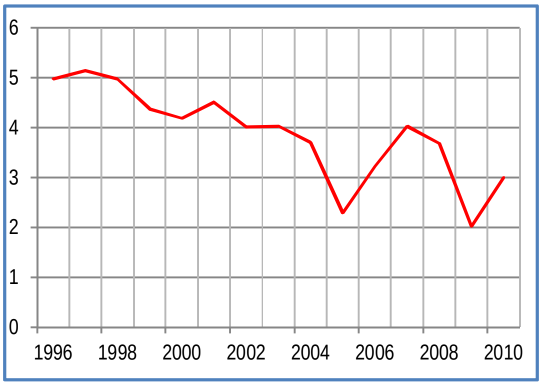
2.3.2. Evolution of Real Economy

a) Evolution of GDP

Between 1995 and 2010 the actual growth in national production in Cameroon experienced the following developments:

- an average rate of 5% between 1995 and 1998;
- a decreasing trend from 1999 to 2005;
- a recovery in 2006 and 2007 when it reached 3.2% and 4% respectively;
- in 2009 a 2% decline due to the economic and financial crisis which erupted in 2008 in the United States. which had a deferred effect on the demand of major export products from Cameroon;
- a recovery in 2010 with a 3.3% rate.

Figure 3: Real growth rate



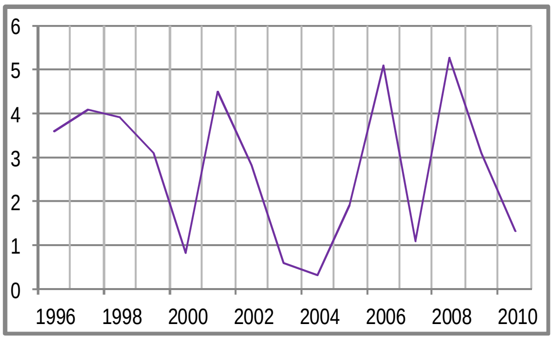
Source: BEAC and MINFI/DAE

b) Evolution of inflation

The general price level also experienced an erratic evolution between 1996 and 2009. The inflation rate which rose to 9% in 1995 after the devaluation of the CFA franc in 1994 fell sharply in 1999 and 2000 to 1.9% and 1.2% respectively, then experienced a peak in 2001 (4.4%), in 2006 (5.0%), and in 2008 (5.3%). The lowest inflation rates were registered in 2003 and 2004. 0.6% and 0.2% respectively.

Standing at 3% in 2009, inflation declined by 1.7 points and stood at 1.3% in 2010. This significant decline of the general level of consumer prices could be explained by the implementation of some measures taken by the government to curb inflation especially the reinforcement of price checkers, the periodic sale of some consumer products by the Ministry of Commerce.

Figure 4: Evolution of inflation



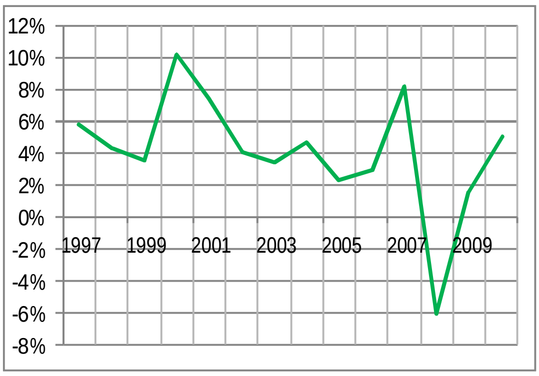
Source: INS-Cameroon

c) Evolution of Demand

Domestic demand, the key engine of economic growth in Cameroon registered a record growth of 10.2% in 2000 before falling to 6% in 2008, mainly due to the sharp rise in the price of food stuff and staple products which led to a fall in the consumer purchasing power.

In 2010, domestic demand grew by 5.1% driven by public consumption and private investment.

Figure 5: Demand growth rate

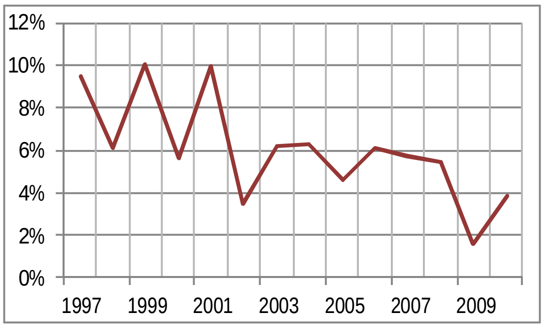


Source: IMF and MINFI/DAE

d) Evolution in the supply of goods and services

The growth in supply of goods and services witnessed two main phases between 1995 and 2010. The first from 1995 to 2001 was characterized by an average increase of 8%. The second phase from 2002 to 2010 was marked by a moderate increase in supply (averagely by 5%), with 3.8% in 2010.

Figure 6: Supply growth rate

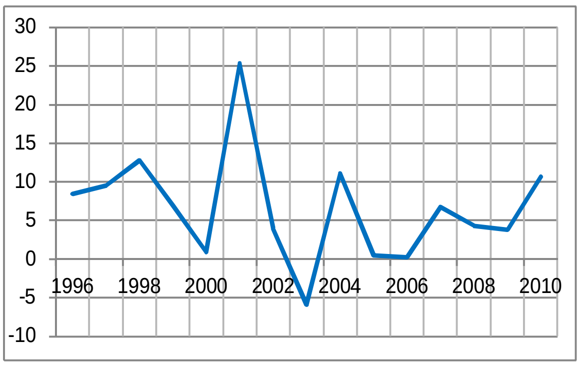


Source: INS-Cameroon

e) Gross fixed capital formation

The investments chalked up a chequered evolution within the period of 1995 to 2010. After an increase of 25.3% in 2002 the investments growth rate fell to -5.9% in 2003. From 2004 to 2009 growth pace stood around an averaged of 4%. They accelerated again in 2010 with a growth rate estimated at 10.7%. Their contribution to growth thus increased from 0.7% to 2.1% between 2009 and 2010.

Figure 7: Investment growth



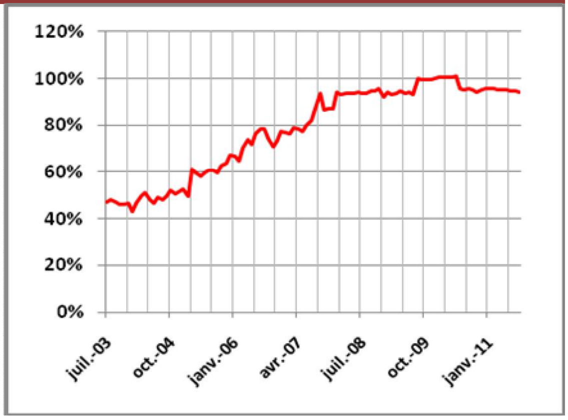
Source: IMF

f) External coverage rate of money

In accordance with the foreign exchange rate principles of the six member states of CEMAC, the Operating Account may not be in debit for three consecutive months and the ratio between the average amount of the foreign assets of BEAC and the average amount of its demand liabilities shall not remain equal to or less than 20% during this period.

As shown in figure 6, the objective of currency coverage was largely achieved between 1995 and 2010. Indeed the external currency coverage rate rose from 47.11% in July 2003 to 100.1% in December 2009 and was above 95% by the end of December 2010.

Figure 8: Currency coverage rate



Juil. = July **Avr. = April**

Oct. = October **Janv. = January**

Source: BEAC

2.4. *Evolution of Money and Credit*

2.4.1. General Observations

a) Activities of Credit Institutions

The evolution of banks' activity was traced from balance sheets and consolidated income statements of active banks in Cameroon between 2000 and 2010.

Measured by the total assets of banks, it progressed at a rapid pace (+208%) during the period under review. This growth was based on assets, the significant increase in customer lending activities (+204%) and on Liabilities. on the reinforcement of capitalisation (+291%). of reserves (+251%). and on the increase in customer deposits (+208).

b) Increase in the number of institutions

The restructuring of the banking system in the 1990s resulted to a significant decrease in the number of operational credit institutions between 1992 and 2000 when the number of banks reduced from 11 to 8. This trend was reversed thanks to the economic recovery and return of the profitability of the banking system in the early 2000s and the number of active commercial banks reached 13 in December 2010.

The thirteenth bank BGFIBANK, obtained a licence to operate in Cameroon and was registered in November 2010.

c) Concentration in the banking system

The concentration in the banking system could be assessed by the proportion of transactions performed by the largest institutions compared to the entire global situation of all banks. Following this criterion, four institutions topped the rank, namely SGBC, BICEC, CA-SCB, and Afriland First Bank.

Concerning the total consolidated assets of the banking system, between 2000 and 2010 the shares of the first four institutions dropped from 79% to 64% (-15 points). Customer deposits increased from 65% to 67% (+2). Contrarily, the concentration in customer lending trended downward from 78% to 58% (-21 points) between 2000 and 2010.

In regulatory terms, we observe that on December 31, 2010, seven (07) of the 12 active banks completely fulfilled the prudential standards required by the Banking Commission (see table 14).

Table 16: Evolution of consolidated assets of banks

ASSETS	2 000	2010	Variation in %	Variation in volume (in millions FCFA)
Fixed assets	26 702	77 020	**188%**	50 318
Equity securities	174 212	198 285	**14%**	24 073
Leasing operations	7 403	40 254	**444%**	32 851
Long term loans	339	29 245	**8516%**	28 905
Medium term loans	117 480	504 083	**329%**	386 603
Short term loans	95 146	540 956	**469%**	445 811
Accounts receivable from customers	239 379	282 470	**18%**	43 091
Cheques and bills receivable	59 226	45 921	**-22%**	- 13 304
Investment securities. securities received or purchased under repurchase agreements	3 486	11 290	**224%**	7 804
Other time interbank and treasury transactions	20 666	569 027	**2653%**	548 361
Other sight interbank and treasury transactions	168 078	480 575	**186%**	312 497
Accruals and sundry	46 573	116 946	**151%**	70 373
Shareholders and associates	10 921	726	**-93%**	- 10 195
Retained earnings	1 314	69 482	**5188%**	68 168
Losses for the year	1 190	23 908	**1909%**	22 718
TOTAL	**972 115**	**2 990 188**	**208%**	**2 018 073**
LIABILITIES	**2 000**	**2010**	**Variation in %**	**Variation in volume**
Capital	27 255	106 588	**291%**	79 333
Reserves. retained earnings. general risks provisions	34 051	119 359	**251%**	85 307
Shareholders. accounts blocked for over one year	0	10 893	**0**	10 893
Subordinated and bond issues	0	9 816	**0**	9 816
Other permanent resources	5 052	5 663	**12%**	611
Cash vouchers	92 740	185 217	**100%**	92 477
Time accounts payable	131 865	523 342	**297%**	391 477
Sight accounts payable	359 971	1 141 052	**217%**	781 081
Savings accounts	191 352	540 759	**183%**	349 407
Accounts payable after cashing	35 567	51 045	**44%**	15 479
Securities given or sold under repurchase agreements	3 768	2 053	**-46%**	- 1 715
Time banks or financial institutions	23 200	64 864	**180%**	41 664
Sight banks and financial institutions	18 641	109 136	**485%**	90 495
Accruals and sundry	30 389	88 146	**190%**	57 757
Profits for the year	18 263	32 254	**77%**	13 991
TOTAL	**972 115**	**2 990 188**	**208%**	**2 018 073**

Source: Banks

TABLE 17: OPERATIONAL BANKS AND THEIR MAIN INDICATORS IN 2010

(in millions FCFA)

Banks	Share capital	Net result	Total assets	Net Banking Income	Deposits	Credits
AFB	12 500	4 213	504 062	26 174	443 766	308 552
BAC	5 500	-3 144	70 713	2 601	49 979	21 301
BICEC	6 000	10 024	581 038	40 879	468 499	271 281
CBC	7 000	-14 303	182 995	7 813	118 439	68 979
CITI	5 684	705	111 507	6 602	77 699	33 254
ECOBANK	6 250	978	249 419	16 328	207 778	110 021
NFC	3 317	1 372	65 118	5 476	55 216	47 277
SCB	6 000	3 708	334 466	24 029	285 927	163 080
SGBC	12 500	10 556	491 189	35 073	402 316	287 642
SCBC	7 000	1 246	196 402	9 152	149 476	56 661
UBA	4 837	1368	70 098	5845	54 209	21 685
UBC	20 000	-5 604	120 081	3 509	77 067	12 942
BGFI	10 000	-789	13 101	62	-	-

Source: Banks

2.4.2. Evolution of Securities

The securities portfolio of banks increased significantly during the period under review, moving from 174.2 to 198.3 billion (+14%).

2.4.3. Evolution of Transactions with Customers

The 2000-2010 decade was characterised by sustained growth in customer transactions. Credit and checks transactions now amount to 1443 billion against 519 billion ten years earlier (178%), while deposits and accounts payable after cashing reached 2 441 416 million CFA francs at the end of 2010 whereas it was 811 495 million CFA francs at the end of 2000 (+201%).

2.4.4. Evolution of Interbank Transactions

As regards assets, outstanding investments (other interbank activities as well as sight and time activities) increased by 456% over the entire period from 20.7 to 569 billion. During the same period, the outstanding securities received or purchased under repurchase agreements increased by FCFA 7.8 billion, moving from 3.5 to 11.3 billion (+224%).

Regarding liabilities, the outstanding securities given or sold under repurchase agreements dropped from FCFA 3.8 billion on December 31, 2000 to FCFA 2.1 billion (-46%) on December 31. 2010.

2.4.5. Equity

From a strict accounting approach, the capital base of credit institutions increased during the period under review.

Equity (capital + reserves) rose sharply from 61.3 to FCFA 226 billion (+269%), partly due to the high profit levels of banks during the period under review.

2.4.6. Off-balance sheet

The off-balance sheet transactions of banks rose sharply (+189%), drawn up by the collateral effects of refinancing operations (+ 1306%), cautions and sureties operations as well as other guarantees in favour of financial intermediaries (+351%).

Table 18: Off the consolidated balance sheet of banks

(Amounts in billions FCFA)

OFF-BALANCE SHEET	2 000	2010	Variation in %	Variation in volume
Cautions, sureties, other guarantees in favour of financial intermediaries	19.1	86.3	**351%**	67.2
Cautions, sureties, other guarantees received from financial intermediaries	65.6	131.7	**101%**	66.1
Cautions, sureties, other guarantees in favour of customers	175.5	465.2	**165%**	289.7
Collateral effects of refinancing operations	6.1	856.0	**1306%**	79.9
TOTAL	**266.4**	**769.2**	**189%**	**502.8**

Source: Banks

2.4.7. Evolution of Banks Results

In Cameroon, the net banking income (GNP) grew by 3.2%, moving from 179.3 billion in 2009 to 185.1 billion in 2010.

The increase of this indicator was mainly due to the strengthening of margins on transactions with customers (+5% at 92.2 billion) and on other transactions (+ 8.8% at 81.5 billion). The margin on financial transactions also rose (+8.2% to 5.4 billion). As the preceding year, the margin on cash transactions experienced a sharp decline (-46.3% at 2.7 billion) and the margin on leasing operations declined by 49.9% at 3.3 billion.

At the end of 2010, overheads of Cameroonian banks stood at 109.5 billion, a decrease of 1.5% as compared to 2009, where they stood at 111.2 billion. Thus, the net operating ratio stood at 59.2%.

The gross operating income declined by 12.6%. At the end of 2010, it rather stood at 67.8 billion, against 77.6 billion a year earlier. The net depreciation expenses of Cameroonian banks dropped by 2.3% at 11.5 billion against 11.8 billion a year earlier. Similarly, those relating to provisions decreased by 36%, moving from 48.9 billion in 2009 to 31.3 by 2010 ending.

Overall, the net income recorded by the 12 banks operating in Cameroon in 2010 stood at 13.1 billion against - 6.6 billion at end of 2009.

TABLE 19: EVOLUTION OF THE CONSOLIDATED INCOME STATEMENT OF BANKS

FINANCIAL YEAR	(In millions FCFA) 2007	2008	2009	2010	Variation in % (between 2010 and 2009)	Variation in volume (between 2010 and 2009)
Margin on cash transactions	9 517	12 762	5 111	2 744	-46.3%	-2 367
Cash transactions income	15 015	16 505	8 560	4 570	-46.6%	-3 990
Expenses on cash transactions	5 498	3 743	3 449	1 826	-47.1%	-1 623
Margin on financial transactions	7 200	5 906	5 029	5 443	8.2%	414
Interests and dividends on financial transactions	7 664	6 563	5 558	6 069	9.2%	511
Interest on permanent resources	464	657	529	626	18.3%	97
Margin on customer transactions	67 557	78 103	87 830	92 184	5.0%	4 354
Income on customer transactions	100 407	108 766	116 122	121 799	4.9%	5 677
Expenses on customer transactions	32 850	30 663	28 292	29 615	4.7%	1 323
Margin on other transactions	68 585	75 681	74 879	81 496	8.8%	6 617
Income on other transactions	76 667	85 730	84 196	104 505	24.1%	20 309
Expenses on other transactions	8 082	10 049	9 317	23 009	147.0%	13 692
Margin on leasing transactions	3 285	6 454	6 489	3 250	-49.9%	-3 239
Income on leasing transactions	17 089	28 361	34 342	23 702	-31.0%	-10 640
Expenses on leasing transactions	13 804	21 907	27 853	20 452	-26.6%	-7 401
Net banking income	156 144	178 906	179 338	185 117	3.2%	5 779
Accessory income	5 867	8 052	9 408	3 619	-61.5%	-5 789
Staff expenses	40 705	43 751	44 206	43 832	-0.8%	-374
Other overheads	53 078	58 705	66 968	65 657	-2.0%	-1 311
Net depreciation	10 684	12 104	11 733	11 462	-2.3%	-271
Gross operating income	68 228	84 502	77 572	67 785	-12.6%	-9 787
Net provisions expenses	12 312	25 786	48 891	31 266	-36.0%	-17 625
Current results	45 232	46 612	16 948	36 519	115.5%	19 571
Net profits and losses	1 321	-101	-2 714	205	-107.6%	2 919
Corporate taxes	19 590	22 060	20 797	23 583	13.4%	2 786
Net result	26 963	24 451	-6 563	13 141	-300.2%	19 704
Operating ratio (FG/GDP)	60.06%	57.27%	61.99%	59.15%		

Source: COBAC

2.4.8. EVOLUTION OF LOANS TO CUSTOMERS

The growth rate of loans to the economy gradually increased in Cameroon between 2001 and 2010 with the expansion of banks balance sheets. Loans increased from 770.6 billion in December 2002 to 1 382.3 billion in December 2010, an increase of 79.4% Overall, the structure of loans to the economy was still dominated by short-term loans, whose weight however, reduced in favour of medium-term loans. Indeed, short-term loans represented only 59.6% of the loans at the end of December 2010, as compared to 79.6% a decade earlier, while during the same period, the medium-term loans increased from 20.1% to 38.11% of total loans. The long-term loans, which were very low as compared to other loans, mainly because of the lack of long term resources in many banks, the structure of demand for loans in the economy dominated by the service sector, and the low number of specialised financial institutions in long-term financing, followed the same trend. They moved from 0.22% to 2.3% of total loans.

TABLE 20: Evolution of Customer Loans by category

	(in FCFA millions)									
Category	**Dec-01***	**Dec-02**	**Dec-03**	**Dec-04**	**Dec-05**	**Dec-06**	**Dec-07**	**Dec-08**	**Dec-09**	**Dec-10**
Long term loans	208	2 885	12 202	2 721	9 142	12 952	20 183	32 255	31 816	31 784
Medium term loans	18 889	177 136	225 027	249 091	321 984	332 511	356 527	441 277	527 043	526 910
Short term loans	37 431	194 552	224 101	227 348	260 954	303 140	304 833	411 378	421 706	421 447
Outstanding gross loans	8 499	121 684	120 291	114 203	121 032	123 136	135 696	151 705	180 439	180 803
Accounts receivable from customers	28 746	271 222	268 488	260 731	237 753	205 777	214 054	229 019	212 269	212 338
Other Accounts payable by customers	8	3 137	3 798	4 475	6 338	8 069	19 786	12 764	12 147	9 000
TOTAL	**93 781**	**770 616**	**853 907**	**858 569**	**957 203**	**985 585**	**1 051 079**	**1 278 398**	**1 385 420**	**1 382 282**

*Figures from Standard Chartered Bank. Citi Bank and Ecobank

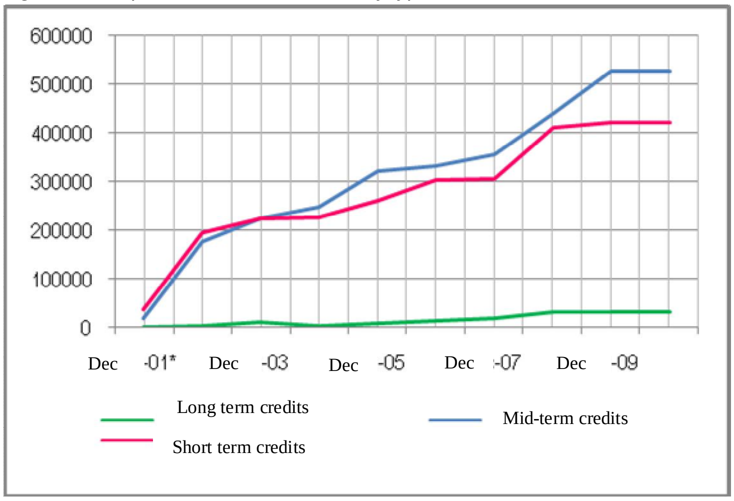
Source: BEAC (Bank market)

In terms of volume, long-term loans increased from 0.2 billion on December 31, 2001 to 31.8 billion by the end of 2010. The increase was particularly marked from December 2006, when the long-term loans grew by 40.3% with the participation of banks in financing large investment projects of some major companies such as AES Sonel, SONARA or Camwater.

Medium term loans increased from 18 billion in 2001 to 526.9 billion in 2010. Mostly, this rise was due to the increase in equipment loans and medium term investment loans, stimulated by the launch of structural projects by the State a few years back. Short term loans increased from 37.4 billion by the end of December 2001 to 421.4 billion by the end of December 2010. This growth mainly translated an increase in demand of corporate operating loans in most dynamic sectors of the economy such as telecommunications, commerce and services.

Accounts receivable from customers,[3] continue to grow, reflecting the fact that households, including civil servants, pre-financed part of their ordinary expenditure by advances from banks. Accounts receivable from customers thus rose from 28.7 billion at end of December 2001 to 212.3 billion at the end of December 2010, an increase of 639.7%. Other Accounts payable by Customers[4] increased from 0.008 billion to 9 billion during the period under review.

Figure 9: *Comparative evolution of loans by type*



Note: Amount in millions FCFA
Source: Banks

Parallel to the adjustment of the macroeconomic framework, the quality of bank portfolios generally improved during the period under review. At the end of 2010, nonperforming loans represented only 13.1% of loan portfolio of banks, against 15.8% in 2001. This situation would have been better if not for the outbreak of the global financial crisis in late 2007 which contributed to the downfall of some exporting companies leading to the deterioration of bank portfolios. In effect, outstanding debts, which had been reduced to only 11.9% of the total loan portfolio of banks increased by 1.1% between 2008 and 2010. They stood at 180.8 billion in December 2010.

[3] Overdratf.

[4] Pending transfers and certified cheques, blocked accounts, assets under prescription and displaced due bills representing credits distributed, under recovery from colleagues but with whose fate was not yet known.

TABLE 21: EVOLUTION OF LOANS BY INSTITUTIONAL UNITS

(in millions FCFA)

Category	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Central public administration	10 168	5 157	5 416	6 830	14 266	7 588	4 789	192	12 835
Local public administration	53	83	63	138	291	166	310	356	438
Government bodies	132	375	3 554	10 158	4 269	5 220	2 128	948	306
Private administrations	6 362	8 377	7 674	12 193	11 658	11 571	16 902	25 972	18 876
Public enterprises	86 215	97 503	80 631	78 658	71 948	86 119	114 318	117 333	202 178
Private enterprises	558 949	620 755	615 700	704 466	709 488	755 686	930 709	968 905	1 019 023
Insurance and private or public companies	1 675	3 449	3 334	1 617	2 220	3 457	5 636	29 278	7 301
Sole partnerships	50 964	45 704	43 626	48 757	59 637	56 170	65 187	68 422	78 549
Individuals	54 691	71 334	96 240	93 309	110 939	114 556	135 353	170 867	202 938
Others	1 407	1 170	2 331	1 077	869	10 546	3 066	3 147	5 893
TOTAL	***770 616***	***853 907***	**858 569**	**957 203**	**985 585**	**1 051 079**	**1 278 398**	**1 385 420**	**1 548 337**

Source: BEAC (Bank market)

The breakdown of loans by customer type shows that private companies were the main beneficiaries of bank loans (72.5% of total loans in 2001 and 65.8% in 2010), followed distantly by individuals whose funding slightly increased (13.1% of loans in 2010. against 7.1% in 2001) and public enterprises (11.9% in 2001 and 13.1% in 2010).

TABLE 22: EVOLUTION OF LOANS BY REGION

(in millions FCFA)

Regions	Dec. 02	Dec - 03	Dec - 04	Dec - 05	Dec - 06	Dec - 07	Dec - 08	Dec - 09	Dec - 10
Adamawa/North/Far North	15 620	17 544	16 759	22 532	16 957	17 555	26 137	36 882	29 934
Centre/South/East	103 104	113 826	142 185	172 493	194 555	200 897	240 360	287 938	366 741
Littoral	619 707	688 744	661 656	691 624	728 787	785 547	960 277	979 298	1 069 799
North-West/South-West	14 689	18 417	20 251	21 041	23 876	23 855	26 680	42 037	43 555
West	15 196	15 618	17 896	19 391	20 668	23 402	24 779	32 394	31 352
GRAND TOTAL	**768 316**	**854 149**	**858 747**	**927 081**	**984 843**	**1 051 256**	**1 278 233**	**1 378 549**	**1 541 381**

Source: Banks

As a result of its commercial dynamism, the Littoral region alone absorbed 69.4% of bank loans at the end of 2010 (1069.8 billion). It however experienced a decreased as compared to 2002 where 80% of loans were consumed in the region. This was partly explained by the sustained development of the city of Yaoundé in recent years, with the rehabilitation and construction of new facilities that generate externalities for other sectors such as sub-letting, trade and transport. Loans granted in the Centre region tripled in ten years, increasing from 103.1 billion in 2002 to 366.7 billion in 2010, representing 13.4% of banks loans in 2001 and 23.8% in 2010.

Averagely, the main funded sectors remained wholesale and retail (25.4%), manufacturing industries (23.4%), production and services for communities (16.8%). and financial activities (10.0%). The least funded sectors were mining (0.9%) and electricity-gas-steam-water production (1.4%). This uneven distribution was due to the nature of banking resources (short-term), which were dominated by short-term resources, so not sufficient to finance investments. It is also worth noting specific risks relating to different sectors as concerns the recovery of loans by banks.

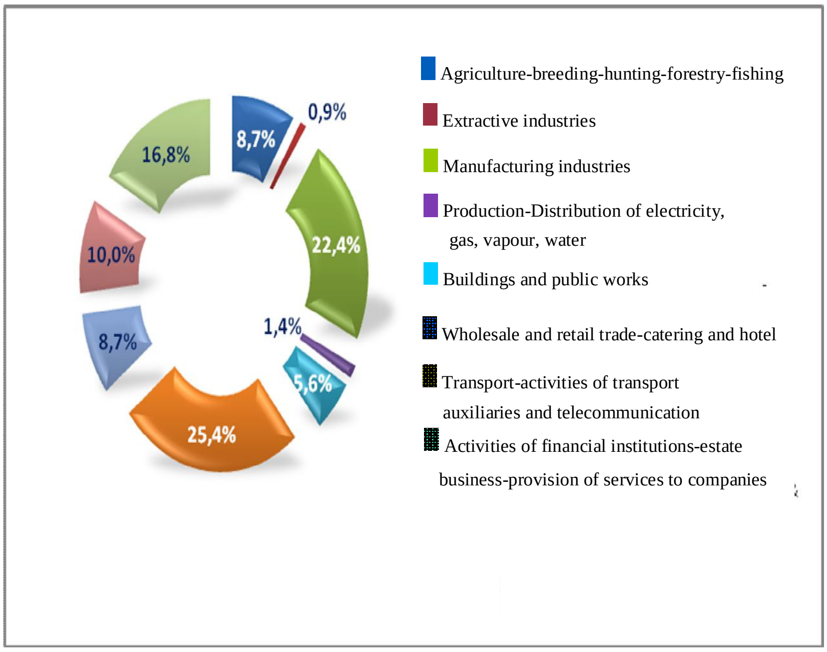
TABLE 23: EVOLUTION OF BANK LOANS BY ECONOMIC SECTOR

(in billions FCFA)

Sector	Dec - 01	Dec - 02	Dec - 03	Dec - 04	Dec - 05	Dec - 06	Dec - 07	Dec - 08	Dec - 09	Dec - 10
Agriculture-livestock-hunting-forestry-fishery	124.62	137.46	133.01	130.68	134.86	137.12	139.84	161.17	150.59	151.75
Extractive industries	4.14	7.13	14.46	13.21	13.93	14.72	13.40	18.01	13.32	28.18
Manufacturing industries	279.63	284.78	314.63	336.79	356.57	345.15	331.12	382.88	493.04	481.37
Production-Distribution of electricity - gas-steam - water	3.14	8.64	24.95	26.87	22.42	26.25	11.37	21.85	41.85	43.02
Building and Public Works	56.69	59.63	66.21	71.31	69.74	70.17	81.51	90.39	139.75	195.97
Wholesale and retail. restaurant and hotel	385.82	387.06	390.77	390.43	387.00	396.34	452.23	418.83	440.84	432.61
Transport - transport auxiliary activity and telecommunications	68.80	95.10	133.49	119.17	139.25	144.95	158.08	162.31	192.56	179.80
Activity of financial institutions - real estate - provision of services to companies	24.44	131.23	147.29	170.35	187.07	183.09	229.34	211.60	147.52	180.70
Production of community. social and personal services	284.81	182.64	188.82	202.68	243.50	274.51	293.89	377.22	337.64	319.93
TOTAL	**1232.10**	**1293.66**	**1413.62**	**1461.49**	**1554.34**	**1592.29**	**1710.78**	**1844.26**	**1957.13**	**2013.34**

Source: BEAC DN - Risks centre

Figure 10: *Average sectorial distribution of loans*



Source: Compiled from BEAC DN data Risks centre

Until December 2008, growth in outstanding loans to the agriculture-hunting-forestry-fishery sector gradually slowed down, before falling by 5.8% in late 2010. In effect, industrial agriculture and forestry were affected from the last quarter of 2008, with the collapse of external demand and world prices or cancellations of orders due to the global financial crisis.

The increase in loans to manufacturing industries, which has been ongoing since 2001 peaked between 2007 and 2009 (48.9%), before dropping from the second quarter of 2009. During these periods, the distribution of loans to manufacturing industries was stimulated particularly by the strong performance of the food sector which, due to the rise in food prices, registered a growth rate of 3.3% in 2008, before undergoing poor performances from 2009 with the influx of cheap Asian products.

After stagnating between 2001 and 2006, loans to the Building and Public Works sector exploded in 2007 with the launch of major public infrastructural projects after reaching the completion point of HIPC initiative, which provided public authorities with additional resources for the implementation of major projects. Loans to the building industry and public works rose from 70.2 billion at end of 2006 to 196 billion by the end of 2010, an increase of 179.3%.

Assistance to wholesale and retail trade sector, which remained stable around 388 billion between 2001 and 2005 increased by 16.9% between late 2005 and late 2007, where high pressures were recorded on the staples market, pressures which were dispelled thanks to measures taken by the Head of State to facilitate the import of these products. Between December 2007 and December 2008, loans to the business sector dropped by 7.4% before rising to 5.25% between 2008 and 2009 and underwent a further decline of 1.9% between 2009 and 2010.

Regarding assistance to mining industries and the production- distribution of electricity, gas, water and steam, they entered a recovery phase since 2007. Loans to these sectors increased by 110.3% and 278.4% between 2007 and 2010, moving from 13.4 to 28.2 billion for loans to mining industries, and from 11.4 to 43 billion for loans to the production-distribution of electricity, Gas, steam and water. This trend was related to extension and intensification of water production and distribution equipment in Ayatto, Batcham, Soa, Pouma and Ngambe Dizangue, as well as investments in the rehabilitation programme of the energy production and distribution networks of AES Sonel.

Loans to the transport and telecommunications sectors increased steadily between 2001 and 2008, before slightly declining in 2009 and 2010. They rose from 68.8 billion at the end of 2001 to 192.6 at the end of 2009 (101.8%), then fell back to 179.8 billion at the end of 2010. This evolution was mainly due to good performances recorded by the mobile telephone sector which has grown dramatically over the last decade. The transport sector suffered poor performances in 2008 and 2009 due to the decline in goods transportation activity in the area of wood and cotton, and the shutting down of CAMAIR.

2.5. *Payment Systems and Methods*

Since 1999, BEAC initiated a project to reform the payment systems, leading to the creation of three main facilities:

- The Real-Time Gross Settlement system (RTGS) at the sub-regional level for large amounts and the monetary system called Automated large value payment system (SYGMA);
- System of net bulk payment (SNPM) by country, for electronic clearing of checks, credit transfers and debits, known by the acronym SYSTAC (Electronic Clearing System in Central African).
- the inter-bank electronic banking system with the emergence of credit cards by country and for the sub-region, called SMAC (Electronic Banking Corporation of Central Africa).

The following basic texts define the management procedures of payment problems:

- Regulation No. 02/03/CEMAC/UMAC/CM of 04 April 2003 relating to payment systems, methods and incidents;
- General Decision No. 4/76 of August 30, 1976 on instructions relating to the report of payment incidents;
- General Decision No. 2/78 of March 9. 1978 establishing the monthly centralisation and bounce cheques file.

The first text in Article 210 establishes the creation of four files managed by BEAC: (i) the bank accounts file; (ii) the file of payment incidents by cheques and payment cards; (iii) the files of unpaid voucher; and (iv) the file of irregular cheques and cards.

Pending Instructions from the Governor of BEAC to define the operation terms of the National Central Register for Payment Incidents, General Decisions No. 4/76 of 30 August 1976 and 2/78 of March 9, 1978 authorised the National Council of Credit to carry out a transitory management of the centralisation of payment incidents in Cameroon.

It is in this light that, Cameroon, through the National Council of Credit, created its Payment Incidents File since 1976. The file aims at:

- restoring public confidence in bank money;
- enhancing the credibility of the function of financial intermediary provided by credit institutions. the Treasury and the financial services of Post Office Cheques;
- providing a conducive environment to the adjustment of current transactions;
- modernising and standardising payment methods, a prerequisite for the development of the banking sector.

2.5.1. Evolution of Cheque transactions

Over the past three years (from 2008 to 2010), cheque transactions rose from 5 425.7 billion CFA francs. In total, 1 975 666 cheques were issued, with 693 312 for the year 2010 alone.

TABLE 24: EVOLUTION OF CHEQUE TRANSACTIONS

	2008	2009	2010
Number	602 523	679 831	693 312
Value (in billions FCFA)	1 637.2	1 820.7	1 967.8

Source: BEAC DN - SYSTAC

2.5.2. Evolution of payment incidents

Statistics from BEAC showed a steady increase in payment incidents between 2008 and 2010, both in number and value. During this period, the cumulative payment incidents reported for insufficiency and lack of provision totalled 24 365 worth 79.6 billion CFA francs. Year after year, the number and value of payment incidents reported increased respectively from 12.8% to 20.6% between 2009 and 2010.

TABLE 25: EVOLUTION OF PAYMENT INCIDENTS

	2008	2009	2010
Number	7 656	7 852	8 857
Value (in billions FCFA)	24. 9	24. 8	29 .9
Variation (%)			
Number		2.6	12.8
Value		-0.4	20.6

Source: BEAC DN - SYSTAC

2.5.3. Evolution of transfers

Transfers made during the 2008 - 2010 period also increased significantly. In 2009, 448519 transactions were made worth a total of 1309.8 billion CFA francs, an increase of 15.2% compared to 2008. The amount of transactions made in 2010 summed up to 1551.4 billion CFA francs for 582 315 transactions done, that is, an increase of 18.4% compared to 2009.

TABLE 26: Evolution of Transfers

	2008	2009	2010
Number	358 644	448 519	582 315
Value (in billions FCFA)	1 137. 4	1 309.8	1 551.4

Source: BEAC DN - SYSTAC

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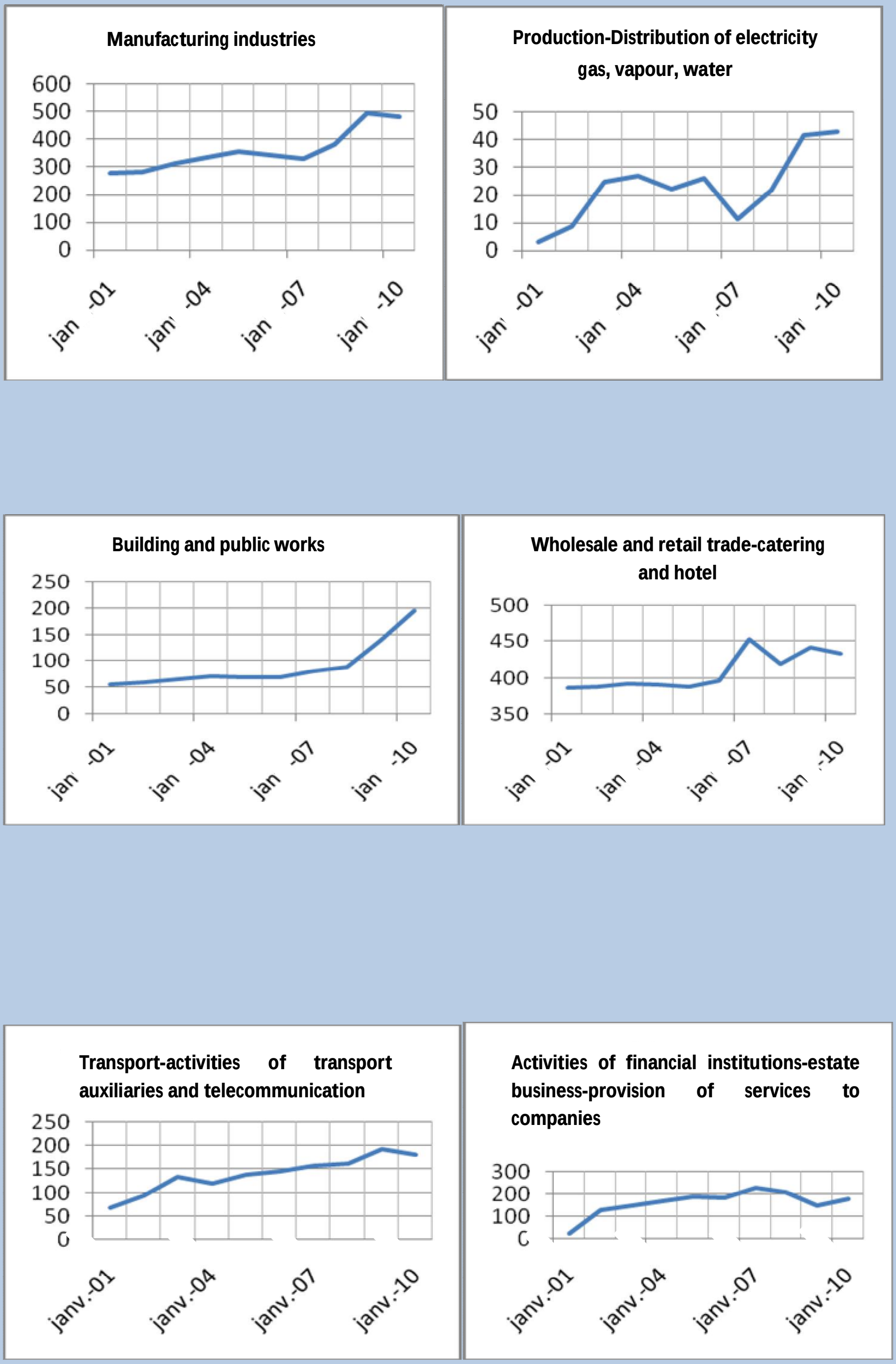
Appendix

Figure a.1: *Evolution of the distribution of loans by sector*
(in billions FCFA)



Janv. = January

Source: Compiled from BEAC ND – Risk Centre data