

Chapter 5

REGIONAL ECONOMIC INTEGRATION AND GOOD GOVERNANCE IN CAMEROON

5. REGIONAL ECONOMIC INTEGRATION AND GOOD GOVERNANCE IN CAMEROON

This Chapter focuses on Cameroon as a case study, giving an overview of the country and its economic and political position within Central Africa and in Africa as a whole. Understanding the history, political and socio-economic profile of the country will give more insight into its importance and influence within the region. The section further examines the current good governance structures of the country in great details, going on to discuss the ways in which being a member of CEMAC influences its internal good governance structure. It also looks into the macroeconomic policies, monetary systems, trade reform structures and agreements currently in place in Cameroon in relation to the central region, and how this affects the political stability, rule of law and control of corruption indicators of governance in the country.

5.1 GOOD OVERNANCE IN CAMEROON

Political governance in Cameroon has been under the leadership of the President and leader of the ruling Cameroon People's Democratic Movement (CPDM), Paul Biya, since 1982. The country officially became a democracy in 1990 after the parliament acknowledged the freedom of association and the creation of political parties. Having been recently reelected with more than 70 per cent of votes for a new seven-year term, critics argue that this form of autocratic government has fuelled many years of corruption, low levels of political instability, and given no provision for the rule of law in the country.

Corruption is quite pervasive in the country, however after being ranked the world's most corrupt country in 1998 and 1999 by Transparency International, the Cameroonian

government set out to implement national governance programs such as the adoption of Penal Codes and the creation of the L'Operation Epervier which were aimed at strengthening the rule of law and combating corruption³⁰⁵. Improving good governance is very essential for productive investment and economic growth, and a country with weak governance structures deprives its economy of any sort of regional or international trade and investments. As such, it is worth noting that “since 2005 a growing number of well-known representatives of the political elite have been arrested on charges of corruption, amongst them former ministers and acting members of parliament”³⁰⁶.

Since the shocking Transparency International ranking in the 1990s, Cameroon has embarked on projects targeted at reducing corruption and improving its quality of governance in order to increase economic growth by attracting more regional and international investments³⁰⁷. The country currently has a score of 45 (out of 100) for governance quality and ranks 38th out of all 54 African countries. Its score is considered to be higher than that of its regional neighbours and lower than the rest of Africa, with scores of 39 and 50 respectively³⁰⁸.

³⁰⁵ Kaufman *et al.*, (2003) argue that although a strong positive correlation has been recorded between per capita income and quality of governance, economic growth does not necessarily lead to an improvement in governance and *leaders, policy-makers and civil society need to work hard and continuously at improving governance within their countries. For more on this, see Kaufmann, D., A. Kraay, and M. Mastruzzi (2003), Governance Matters III (Governance Indicators for 1996-2002) /draft paper/, The World Bank, May 8.*

³⁰⁶ For example, in November 2008, two policemen were dismissed and charged with cooperating with a foreign intelligence service for accepting money to kidnap a refugee political opponent from Equatorial Guinea and deliver him to the country's embassy in Yaoundé. For more on this see Bertelsmann S. (2008) *Bertelsmann Transformation Index (BTI) 2008 – Cameroon Country Report*, p.8

³⁰⁷ An example is the ELECAM which is in charge of regulating and overseeing the elections in Cameroon, and L'Operation Epervier which was launched by the president to combat corruption. See the 2004 World Report.

³⁰⁸ Cameroon also ranks 2nd out of the 7 countries found in the Central African region. For more details on this, and for a full data set, see the Mo Ibrahim Foundation website, (accessed on December 28, 2011), [available at: www.moibrahimfoundation.org/index].

Table 5.1: Governance Indicators in Cameroon

	Year		
	1996	2007	2010
Control of Corruption	7	16	17
Rule of Law	4	13	15
Political Stability	12	31	27

Note: the table reports the ranking (in percentage) of the three governance indicators in Cameroon used in this study and lower values correspond to worse performance outcomes. For more explanation on these indicators, refer to Kaufmann *et al.* (2008). Sources: The World Bank 2010 Indicators (<http://info.worldbank.org/governance/wgi/index.asp>)

Although good governance practices still remains a major challenge in the region, governance indicators have experienced a boost from 1996-2010. As Table 5.1 indicates, Cameroon's governance indicators have seen a significant amount of improvement from 1996 right through to 2010. Firstly, the corruption in the country went from a rating of 7 in 1996 to 16 in 2007 due to the structural adjustment programmes which were imposed on the government by the IMF as a requirement for the loan granted to the country during that period³⁰⁹. However, after a reduced scrutiny on the government between 2007 and 2010, and with an increasing partnership with donors who gave little or no conditions attached to their loans, the corruption index slowed down³¹⁰.

Compared to the rest of the region, Cameroon has experienced a fairly stable political environment, which is influenced by its political will to create a favourable environment for trade and its quest to be seen as the dominant economy in the central African regional

³⁰⁹ International Monetary Fund (IMF) (1997) *Good Governance: The IMF's Role*, Washington DC: International Monetary Fund

³¹⁰ See Cameroon Economic Update. (2011) "Time for the lion to Wake Up? An Economic Update on Cameroon: With a focus on Telecoms," *Poverty Reduction and Economic Management Unit Africa Region*, January 2011, Issue No. 1

economic integration³¹¹. Its political stability rankings increased from a value of 12 in 1996 to a value of 31 in 2007. However, this value decreased to 27 in 2010 due to the social and political unrest which resulted from the citizens' dissatisfaction of the high costs of living³¹².

Under the leadership of the CPDM however, the country is considered by the IMPF and external donors such as the U.S. to be a true "party-state", in which this political regime exerts a high level of control over the administration, the country's electoral process and its judicial system³¹³. The 2010 International Crisis Group Report further states that "following the 2007 legislative elections, the CPDM almost regained the supremacy it had exerted during the single-party period by retaining 153 of the National Assembly's 180 seats, while the opposition Social Democratic Front (SDF) held 43 parliamentary seats in 1997, it now holds only fifteen" which clearly portrays the imbalance of power and the inefficiency of the existing rule of law³¹⁴.

Despite complains of foul-play from opposition parties and international critics, the ruling party reinforced its position with an overwhelming victory in the October 2011 legislative and municipal elections³¹⁵. This dominant position continuously gives it a platform to modify and/or adopt laws without any opposition. An example of the use of such dominance occurred in 2008 whereby the constitution was amended and passed by the

³¹¹ For an in-depth analysis into this argument, refer to the Cameroon Economic Update. (2011) "Time for the lion to Wake Up? An Economic Update on Cameroon: With a focus on Telecoms," *Poverty Reduction and Economic Management Unit Africa Region*, January 2011, Issue No. 1

³¹² African Development Bank (2005).

³¹³ See the International Monetary Fund (IMF) (1997) *Good Governance: The IMF's Role*, Washington DC: International Monetary Fund; and also refer to the U.S. Department of State Background Note, (accessed on December 11, 2011), [available at: <http://www.state.gov/r/pa/ei/bgn/26431.htm>]

³¹⁴ International Crisis Group (2010) "Cameroon: The Dangers of a Fracturing Regime," *Africa Report No 161*, p. 5

³¹⁵ See the Cameroon Economic Update (2011).

National Assembly without any opposition or referendum³¹⁶. This dominating power by the ruling party overrides any form of democracy in decision making processes in the country and further proves the autocratic nature of the government.

Despite all the criticisms of its government and administration, the increase in good governance rankings by both the IMF and the World Bank indicates that the IMF continuously acknowledges the Cameroonian government's successes related to reforms in its macroeconomic and fiscal policies which are heavily influenced by the CEMAC institutions. According to Bamou *et al.* (2006) since 1980, the Cameroonian trade and investment policies have undergone two and three reforms respectively³¹⁷. They further argue that "before 1989, the country's trade policy was protectionist with important non tariff barriers, and a fiscal structure with about 20 different taxes applicable selectively to import and export products".³¹⁸

However in 1994, a significant tax reform occurred which was "proposed within the framework of CEMAC and the Regional Fiscal Reform Program (RFRP)"³¹⁹. Bamou *et al.* (2006) state that this reform was strengthened by the devaluation of the CFA in 1994 and was *implemented in view to simplify the fiscal system to allow for easy and transparent administration, increase fiscal yield through improved revenue collection, improve the efficiency and competitiveness of enterprises within the CEMAC sub-region through a wider tax base and reduced and uniform tax rates, foster the development of the private sector to*

³¹⁶ International Crisis Group, 2010: 5-6

³¹⁷ Bamou, E., L. Tankoua, and J. Tchanou (2006) "Trade and Investment Policy Reforms in Cameroon: Impact Assessment and Perspectives," *African Economic Research Consortium*, Yaoundé: University of Yaoundé II, p. 2.

³¹⁸ *Ibid.* p. 2

³¹⁹ *Ibid.* p. 2

*become the engine of economic growth, and improve overall national competitiveness to promote investment.*³²⁰

Furthermore because of its membership in CEMAC, Cameroon's tax and customs authorities are considered to be relatively liberal due to the implementation of an external tariff (CET) set in place for trading activities with third countries, and no taxes charged on goods which are traded within the region³²¹. These tariffs have been argued to bestow more credibility and discipline to Cameroon's overall policy thereby currently making its tax revenue more prosperous than in the past.³²²

Additionally under the direction of CEMAC, the *finance services* sector³²³ of the country is efficiently controlled by a set of independent regional institutions consisting of BEAC, the Central African Banking Commission (COBAC), and the Community Code of the International Conference on Insurance Markets (CIMA).³²⁴ This not only makes Cameroon highly dependent on these institutions in matters of banking and financial policies, but it also puts a restraint on the Cameroonian government in terms of implementing fiscal and economic policies which will benefit the country's trade with countries outside of the

³²⁰ Bamou *et al.* 2006: 2-3. This also significantly improved *market access conditions* and the rate of employment, although the latter saw a decrease after the third year following the reforms, when its effects faded. However, there was a slight recovery around year 2000 which can be attributed to the economic growth at the time.

³²¹ The CET has four main rates: 5% (for essential goods); 10% (for raw materials and capital goods); 20% (for intermediate goods); and 30% (for consumer goods). Import tariffs are fairly low, especially for capital and essential goods. For more on this, see Khan and Baye (2005).

³²² Bamou *et al.* (2006)

³²³ This refers to the banking and insurance sectors.

³²⁴ Bamou *et al.* 2006: 5-6

CEMAC region, and monetary policies which are taken by these institutions have a direct impact on the economy of which can last for up to two or more years³²⁵.

Although the CEMAC member states have delegated their monetary policies to the direction of the Central Bank which is considered to be an independent, autonomous and sovereign institution, free from the influences of its member states, fiscal policies are independently controlled in the country by the Ministry of Economy, Planning and Regional Development- with its French acronym MINEPAT³²⁶ which means *Ministere de Developpement Economique et d'Amenagement du Territoire*. Nonetheless, there is recognition that in order for these national policies to be effective in the region, they need to be combined with a commonly fixed exchange CFA rate and all of these require macroeconomic convergence with other CEMAC member states³²⁷.

However, given the fact that CEMAC is not fully integrated and these African member states still hold on to a significant level of sovereignty, it is also vital to explore the political economy of monetary policies in the CEMAC zone. Firstly, the Customs Union which is considered to be one of the fundamental pillars of the CEMAC institution has led to the establishment of a CET for trade with third countries.³²⁸ Added to the average CET of 11.8 per cent, other temporary and excises taxes and a value-added tax (VAT) have all been

³²⁵ An example of this is the 1994 tax reform where unemployment rates soared after the third year of the reform. In addition, because it shares a common currency and monetary policy with other CEMAC member states, local costs and expenditures have remained significantly high over the past years. Also although CEMAC has trade agreements with the EU, Cameroon's increasing partnership with the Eurozone has been increasingly called into question based on its membership in CEMAC. This argument is strongly presented by Friedman and Schwartz (1963) whose empirical findings confirmed that monetary policy actions are followed by economic movements. For more details on these findings, refer to Friedman, M., and A. Schwartz (1963) *A Monetary History of the United States, 1867-1960*, Princeton, NJ: Princeton University Press. Also see Bongyu (2009)

³²⁶ Louis Paul MOTAZE is the Minister of MINEPAT

³²⁷ Khan and Baye (2005)

³²⁸ Khan and Baye (2005)

applied, which results to an average taxation level of about 32 per cent. On the other hand although inflation in Cameroon has been relatively low, with an average of about 2.0 per cent between 2005 and 2007, the regional central bank, BEAC carried out a series of steps in 2008 to curb inflationary pressures in the region by deducting 15 points the country's monetary freedom score in order to regulate the measures that alter domestic prices despite the fact that these prices are determined by the markets³²⁹.

Additionally, the implementation of budgetary policies in Cameroon is restrained by the monitoring criteria defined by CEMAC which has resulted in a ratio of public debt to nominal GDP close to 13 per cent, a 49 per cent public sector wages to tax revenues, and a 2 per cent, all of which fall within the CEMAC limits³³⁰. Also, although the inflation in the region is mainly driven by the prices of global commodities and individual government policies, because the maximum regional inflation target set by CEMAC and its governing institutions is 3 per cent, Cameroon's inflation rates and policies are bound to be affected in order to accommodate other countries in the region (as seen in the 2008 case)³³¹. This goes to show that although economic policies can be independently implemented by member states, CEMAC and its governing institutions have a largely significant influence on the economic and fiscal policies, internal governance, and day-to-day running of its member states³³².

³²⁹ This is due to the fact that the target inflation rate for the region has been set by BEAC to a maximum of 3%, and because a significant percentage of consumed food is being imported with oil being the largest export sector in the region, the economic structure often takes strain. This deduction in Cameroon's monetary freedom led to angry protests by President Paul Biya against the Central Bank, with threats of burning down the bank which happens to be located in the capital city, Yaoundé. For more on this, refer to Caceres, C., M. Poplawski-Ribeiro, and D. Tartari (2011) "Inflation Dynamics in the CEMAC Region," *IMF Working Paper*, WP/11/232: 1-30

³³⁰ Khan and Baye (2005)

³³¹ Caceres *et al.* 2011.

³³² Added to this, the government's acceptance to sign an interim agreement as part of the Economic Partnership Agreements (EPA) with Europe has been seriously questioned by CEMAC, which has even gone as far as

5.2 EFFECT OF ECONOMIC INTEGRATION ON GOVERNANCE

In the last two decades, governance and more increasingly good governance “have permeated development discourse and especially research agendas and other activities funded by public and private banks and bilateral donors”.³³³ The *1997 World Development Report*³³⁴ further reiterated this point by arguing that an efficient and effective state is essential for goods and services, and for implementing rules and institutions that allow the provision of flourishing markets and an increase in living standards. In the same line, the IMF argued that “a much broader range of institutional reforms is needed if countries are to establish and maintain private sector confidence and thereby lay the basis for sustained growth”³³⁵.

Another landmark in the good governance-matters debate occurred in the late 1990s when “the President of the World Bank placed the corruption issue center stage as a worldwide challenge for development, which was followed by support from the IMF and other institutions, complementing the work of the leading NGO in the anti-corruption arena, Transparency International”.³³⁶

Kaufmann (2003) further argues that:

“Less than a decade along, governance issues did not figure prominently in the agenda of international financial and development institutions. Then there was no road: the absence of institutional and governance reforms were arguably the most glaring omission of the Washington Consensus of the past decade on the 10 tenets of

asking the government to put an end to the adoption of the agreement as this may cause a threat to CEMAC objective of implementing a harmonized fiscal and monetary policy. For more on this, see Bongyu 2009.

³³³ See Weiss, 2000: 796.

³³⁴ This report was entitled *The State in a Changing World*.

³³⁵ International Monetary Fund (IMF) (1997) *Good Governance: The IMF's Role*, Washington DC: International Monetary Fund

³³⁶ Kaufmann, D. 2003.

sound economic policies and management. In fact, the challenges of governance and corruption were often ignored altogether".³³⁷

However since then, several studies have been carried out on the subject and some of these studies have found a positive relationship between the quality of institutions, governance structures and economic growth³³⁸. In this regard therefore, the importance of good governance for sustainable development in Africa cannot be overly emphasized due to the fact that conflicts and political instability, which have had very dire effects on poverty eradication and human development, have been due largely to such factors as corruption, human rights violation, absence of rule of law, and a lack of democracy.

Although these comparisons have made leeway in understanding the political, institutional and social causal factors of economic growth, the governance-matters argument to development is still highly debatable. Firstly, a series of cross-national studies demonstrating that good governance practices is a very significant element in economic performance is disputed on the bases of measurement errors (Glaeser *et al.* 2004)³³⁹, causality unclarity (Chong and Calderon 2000)³⁴⁰, missing-variable considerations (Bardhan 2005)³⁴¹, and an uncertainty in concepts (Weiss 2000)³⁴².

³³⁷ Kaufmann, 2003: 3

³³⁸ See Kaufmann, D., A. Kraay, and P. Zoido-Lobaton. (2000) "Governance Matters: From Measurement to Action," *Finance and Development*, 37/2, Washington DC: International Monetary Fund; Kaufmann, D. and Kraay, A. (2003) "Growth without Governance," *Economia: The Journal of the Latin American and Caribbean Economic Association*, 3/1: 169-215; and Knack, S. (Ed.) (2003) *Democracy, Governance and Growth*, Ann Arbor: The University of Michigan Press.

³³⁹ Glaeser et al. (2004) "Do Institutions Cause Growth?" *Journal of Economic Growth*, 9/3: 271-303.

³⁴⁰ Chong, A., and C. Calderon (2000) "On the Causality and Feedback between Institutional Measures and Economic Growth," *Economics and Politics*, 12/1: 69-81.

³⁴¹ Bardhan, P. (2005) *Scarcity, Conflicts, and Cooperation: Essays in the Political and Institutional Economics of Development*, Cambridge, MA: The MIT Press.

More so, the political economy field still lacks a proper comprehension of the *political* sources of good institutions and the precise ways in which institutions have an effect upon growth and³⁴³. As Kaufmann – one of the Directors of Global Governance and Regional Capacity of the World Bank Institute (WBI) – states, “one of the most difficult issues in the field of governance is the imperfect understanding of how politics shapes governance and development outcomes”³⁴⁴.

Additionally based on Kaufmann and Kraay (2003) findings, there is no doubt that economic growth and good governance are strongly positively correlated; however, the reverse causality has been insufficiently explored. In a world where there is an increasing focus on governance and its importance to economic development and economic integration has been adopted as the way forward in maximizing economic growth³⁴⁵, it will be important to explore the effect of economic integration on governance in order to increase living standards.

In an attempt to explain the reverse causality between economic growth, good governance and institutions therefore, Chong and Calderon (2000) applied a stringent approach to this causality using the same data set and discovered a strong empirical evidence of causation occurring from institutions to growth and from growth to institutional quality. Alesina (1998) goes on to back up these claims by using data from a sample of 102 countries collected between 1960-1990 to indicate that “institutional quality - as measured by

³⁴² Weiss, T. (2000) “Governance, good governance and global governance: conceptual and actual challenges,” *Third World Quarterly*, 21(5): 795-814.

³⁴³ Helpman, E. (2004) *The Mystery of Economic Growth*, Cambridge, MA: Harvard University Press.

³⁴⁴ See Kaufmann, D. (2003) “Rethinking Governance, Empirical Lessons Challenge Orthodoxy,” *Discussion Paper*, Washington DC: World Bank Institute, (accessed on December 31, 2011), [available at <http://www.worldbank.org/wbi/governance>]. p. 27

³⁴⁵ There is no African country existing today that does not belong to at least one regional economic group.

bureaucratic efficiency, absence of corruption, the protection of property rights, and the rule of law- is important for growth”.³⁴⁶

Furthermore, in trying to understand the effect of CEMAC on the good governance in Cameroon, it is imperative that a difference between institutions and policies be made because as Olson (1996) argues, “a country’s institutions and economic policies are decisive for its economic performance and any poorer countries that adopt relatively good economic policies and institutions enjoy rapid catch-up growth”³⁴⁷. Rothstein (1996) further emphasises this distinction by arguing that institutions imperishable entities that are not easily changed by agents and as such, they have a higher life expectancy than policies which can easily be changed at the will of agents and policy makers.

As argued by Nobel laureate Douglass North, good institutions³⁴⁸ generate good governance and these institutions are vital for both the long-term and short-term sustainability of the society because they determine the economic performance of the state³⁴⁹. Krause also argues that “economic integration requires coordination of many economic policies and this involves essentially political decisions.”³⁵⁰ It is aimed at raising standards of living, building an internal market and strengthening the region, and these economically integrated institutions play a vital role in instigating the spread of the good-governance discourse by affecting the ability of governments to accommodate change. Additionally, policies which are aimed at increasing economic freedom will only have any effect if governments are able to

³⁴⁶ Alesina, A. (1998) “The Political Economy of High and Low Growth,” in *Annual World Bank Conference on Development Economics 1997*, Washington DC: World Bank.

³⁴⁷ In his now famous paper “*Big bills left in the sidewalk: why some nations are rich, and others poor*”.

³⁴⁸ These institutions are made up of constitutions, laws and regulations, social norms, customs and traditions.

³⁴⁹ See North, D. (2005) *Understanding the Process of Economic Change*, Princeton, NJ: Princeton University Press.

³⁵⁰ Krause, L. (1968) *European Integration and the United States*, Washington: The Brookings Institution.

successfully adopt and implement reforms which are simultaneously aimed at maximizing economic growth and benefiting from the economics of large scale.

However unlike many other treaties, the CEMAC constitution provides no platform for the sovereignty of its member states. The policies signed under the Treaty “*captures virtually all fundamental aspects of community life: legal integration; harmonization of economic, financial and monetary policies; convergence of budgetary policies; and the free circulation of goods, capital and persons*”.³⁵¹ This implies that national sovereignty has been largely diminished and the CEMAC laws are considered superior to national laws. For example, due to the *direct applicability* clause of the CEMAC Treaty, over the past years, Cameroon has undertaken steps to implement all but the inflation criterion of the CEMAC convergence criteria³⁵². As such, the policies and decisions signed under the CEMAC treaty do have a significant impact on member states.

5.2.1 Control of Corruption³⁵³

Corruption is a cankerworm which exists throughout the world in both developed and less developed countries. However since the 1990s, the Cameroonian administration has

³⁵¹ This therefore implies that the CEMAC Treaty and its policies have a significant effect on its member states. Bongyu, M. (2009) “The Economic and Monetary Community of Central Africa (CEMAC) and the Decline of Sovereignty,” *Journal of Asian and African Studies*, 44/4: 389-406, p. 389

³⁵² As earlier stated, the convergence criteria are:(i) a non-negative basic fiscal balance in relation to GDP; (ii) an annual inflation rate of no more than 3%; (iii) a public debt (external and domestic) rate of no more than 70% of GDP; and (iv) the non-accumulation by central government of external or domestic payment arrears on recurrent management. See to Bagnai, A. (2010) “Macroeconomic Convergence in Central Africa: A Survey of the Theory and Empirical Evidence,” A paper presented at UNECA, Ouagadougou, Burkina Faso: *Enhancing the capacity of member States to achieve macroeconomic policy convergence in Central and Western Africa*.

³⁵³ Corruption is very harmful malpractice which violates human rights, and deprives citizens of basic needs. The World Bank therefore uses the Control of Corruption to *measure the extent to which public power is exercised for private gain, including petty and grand forms of corruption, as well as “capture” of the state by elites and private sectors*. See World Bank 1993. According to Transparency International, corruption is simply defined as the use of public power for private gains.

given a significant level of attention to this issue because of a series of corruption cases among its elites, the negative effect of corruption on trade and FDI, and mainly due to its membership in economically integrated institutions. Corruption practices are entrenched in all sectors in the country and the costs of these corrupt practices have a negative impact on the political and economic development and the government's ability to raise the living standards of its citizens. In addition, "corruption has the capacity of engendering political instability, breakdown of law and order, brain drain, inefficiency of the public service among others"³⁵⁴.

Vehovar and Jager (2003) argue that the level of corruption³⁵⁵ in a country is a direct representative of the country's quality of governance which makes it a very important subject.³⁵⁶ In the same light, Kopits and Craig (1998) state that, "*Transparency in government operations is an important precondition for macroeconomic fiscal sustainability, good governance, and overall fiscal rectitude.*"³⁵⁷ Additionally in a similar study, Alt and Lassen (2003) established that fiscal transparency is correlated with lower public debt and deficits³⁵⁸. Kitunzi (2003), agreeing with the IMF also argues that fiscal transparency results to a better understood and informed public debate about the creation, adoption and implementation of fiscal policy. This therefore causes governments to be more accountable for the

³⁵⁴ Lawal, G. (2007) "Corruption and Development in Africa: Challenges for Political and Economic Change," *Human and Social Sciences Journal*, 2/1: 1-7, p. 5

³⁵⁵ Transparency International defines corruption as "the abuse of public office for private gain". For a different approach to this important subject, see Leff (1976) for the *grease the wheels* thesis.

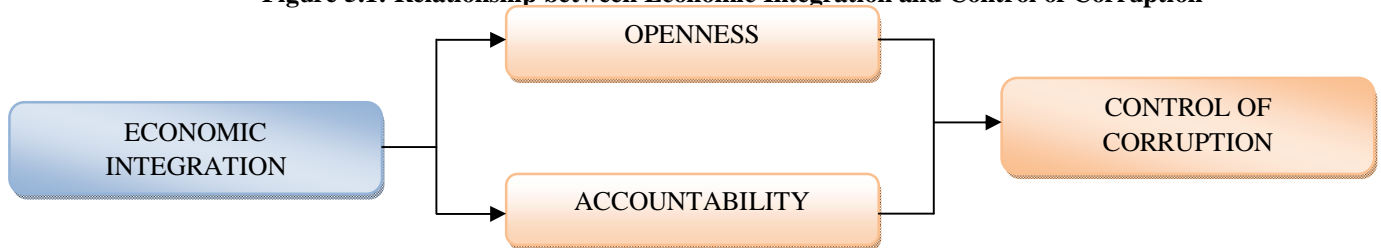
³⁵⁶ See Vehovar, U. and M. Jager (2003) "Corruption, Good Governance and Economic Growth: the Case of Slovenia," Presented at the conference "Institutions in Transition", Kranjska Gora, Slovenia, June 19-21, 2003.

³⁵⁷ Kopits, G. and J. Craig (1998) "Transparency in Government Operations," *IMF Occasional Paper 158*

³⁵⁸ Alt, J.E, and Lassen, D.D., 2003, "Fiscal Transparency, Political Parties, and Debt in OECD Countries", *EPRU Working Paper Series 03-02*, Economic Policy Research Unit (EPRU), University of Copenhagen Institute of Economics, (accessed on January 2, 2012), [available at <http://www.econ.ku.dk/epru/files/wp/wp-03-02.pdf>]

implementation of any fiscal policy, thereby establishing reliability and comprehension of macroeconomic policies³⁵⁹.

Figure 5.1: Relationship between Economic Integration and Control of Corruption



Therefore because of the endemic nature of corruption in Cameroon which is seen through the continuous syphoning of public funds by government officials, deliberate political change instigated long-term anti-corruption policies and the government launched various campaigns to root out corruption and promote efficient good governance practices. An example of such a campaign is the fact that this malpractice was made punishable under the sections 134 and 134(a) of the Cameroonian Penal code³⁶⁰. This political will to commit to long term efforts against corruption has been attributed to the country’s continuous increase in trade, self-reliance by the government, and membership in regional blocs³⁶¹. Additionally in February 1996, a private company³⁶² was tasked with controlling corruption at customs by verifying any customs duties on imported products over the value of US\$ 3, 333.

³⁵⁹ UNECA (2005) “Assessing Public Financial Management and Accountability in the Context of Budget Transparency in Africa,” *Development Policy Management Division*, Ad Hoc Expert Group Meeting on “Public Financial Management and Accountability Focusing on Best Practices in the Context of Budget Transparency”, Addis Ababa. Ethiopia

³⁶⁰ These sections of the code clearly state that “any public servant or government employee who for himself or for a third party solicits, accepts or receives any offer, promise, gift or present in order to perform, refrain from performing or postpone any act of his office” or who accepts any rewards “as remuneration for having already performed or refrained from any such act” shall be punished. Section 134 (a) considers the corrupter to be any person who takes any form of reward, be it promises, offers, gifts and presents in exchange for any kind of act or abstention.

³⁶¹ See Cameroon Economic Update. (2011)

³⁶² This company is the Societe Generale de Surveillance (SGS).

Furthermore, other projects such as the ELECAM³⁶³ and ‘Operation Sparrowhawk’³⁶⁴ is being used to fuel the fight against corruption through which senior government officials can be tried in a court of law and prosecuted if found guilty of engaging in corrupt practices. The National Anti-Corruption Commission (CONAC) is another project which was established and redefined in March 2006 to help in the fight against the corruption scourge³⁶⁵. Also a law relating to the state’s fiscal regime, Law No. 2007/006, was passed on the 26 December 2007 with aims of increasing the accountability by credit managers and reducing time used in executing public expenditure³⁶⁶.

5.2.2 Rule of Law³⁶⁷

CEMAC member states view the CEMAC Treaty as more superior to national laws through the application of legal monism³⁶⁸ and after the ratification of the Treaty; these

³⁶³ Elections Cameroon (ELECAM) is an independent election commission created to oversee all election processes carried out in the country. However, the nomination of the President’s supporters to management positions within the commission brings the commission’s credibility into question. See Djeukou (2001).

³⁶⁴ This is also known in French as L’Operation Epervier and was established by President Paul Biya as both an elections monitoring mechanism and a body to combat corrupt individuals in the government. See Djeukou, J. (2001) ‘La CEMAC, Retrospective et Perspectives: Réflexions sur l’Evolution Récente du Droit Communautaire de l’Afrique Centrale’, *Juridis Périodique* 47

³⁶⁵ According to the Decree No. 2006/088 of 11 March 2006, CONAC was created to be the leading independent organ in the fight against corruption in Cameroon. It is aimed at coordinating the process of developing and implementing the National Strategy for the Fight Against Corruption (SNLCC). See Djeukou, J. (2001) ‘La CEMAC, Retrospective et Perspectives: Réflexions sur l’Evolution Récente du Droit Communautaire de l’Afrique Centrale’, *Juridis Périodique* 47: 106–16; cited in Bongyu, 2009: 398

³⁶⁶ Ibid.

³⁶⁷ According to the World Bank, rule of law refers to *the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence (most of which can be linked to political stability.)* See *World Bank 1993*. In the *Rule of Law* several indicators are used to measure the extent to which individuals have confidence in and abide by the rules of their society, as well as the effectiveness and certainty of their judiciary, and the enforceability of contracts. In summary, these *Rule of Law* indicators measure the success of a society in developing an environment where fair and predictable rules form the basis for social and economic interactions. Refer to Collier, 1998 for a detailed explanation.

member states delegated supranational powers to the Community implying that all treaties and agreements will be enforced on member states³⁶⁹. Because Cameroon is a member of this Community, the country is directly³⁷⁰ and indirectly subordinate to any laws passed under the CEMAC Treaty. In the same line, Article 5 of the constitution which regulates the CEMAC Court of Justice declares that “the rulings of the Court of Justice ... have the authority of decided cases and executor force”³⁷¹. Additionally, Section 45 of the Cameroonian Constitution states that “Duly approved or ratified treaties and international agreements shall, following their publication override national laws, provided the other party implements the said treaty or agreement”³⁷².

Figure 5.2: Relationship between Economic Integration and Rule of Law



³⁶⁸ According to Janzen (1935), legal monism is the notion that one hierarchical legal system dominates all political and legal institutions. Unlike legal duality which specifies that national and international legal systems are separate, legal monism integrates national and international legal systems, giving more power to the latter. For more details, see Janzen, H. (1935) “The Legal Monism of Alfred Verdross,” *The American Political Science Review*, 29/3: 387-402.

³⁶⁹ Supranationalism is considered to be a method of decision making in institutions where a power is delegated to these independent institutions and where decisions taken (through voting) have direct effect in domestic law. Intergovernmentalism on the other hand is said to be a method of decision making in organizations where member states hold back full control and decisions taken are done through unanimous voting. For more details on this, refer to Vhutuza, E. and H. Ngoshi (2008) “Nationalism or Supra-nationalism in the 21st Century,” *African Integration Review*, 2/1: 1-8

³⁷⁰ Under the *direct applicability* rule, Article 21 of the CEMAC Treaty states that all laws and regulations passed by the Community should be directly applied by all member states. See the CEMAC Treaty, (accessed on December 31, 2011), [available at: www.cemac.int]

³⁷¹ This is the same with Article 20 of the OHADA Treaty which Cameroon is also a member of. However, the Court only rules on matters which have been assigned to it by the different member states and it has no authority to cancel the decisions of national jurisdictions even if these decisions put community laws into dispute. See the CEMAC Treaty, (accessed on December 31, 2011), [available at: www.cemac.int]

³⁷² Law no. 96/06 of 18 January 1996 revising the Constitution of June 1972

However, this regional economic integration is also threatened by the intrusion of a non-regional country which arises from the political and socio-economic relationship these member states share with their former colonial masters France³⁷³. Cameroon on the other hand shares a history with British and French colonialists and its political system is influenced by these two nations. However because the CEMAC Treaty is aimed at integrating the sub-region, the superiority of its laws makes the French system applicable to the whole country, regardless of the fact that it is considered a bi-jural state³⁷⁴.

The government has put in place structures which are aimed at ensuring efficient governance practices and transparency in conducting business in Cameroon such as;

- The National Council for Regulations and Competitiveness;
- The Support Council for the follow-up of Partnership Agreements,
- The National Programme on Governance and Contract Regulatory Board,
- The Anti Corruption Unit with its French acronym-CONAC,
- Specialised Control Board of Road and Infrastructure Tender,
- Specialised Control Board of Building and Community Facilities,
- Specialised Control Board of General Supplies Tenders

Furthermore as a way of deepening integration within the region, a BMD system³⁷⁵ has been implemented which allows the citizen of one CEMAC member state to further their studies in another CEMAC country. This system was created because it not only enables the

³⁷³ Trade with France is greater than intra-regional trade. For more on the relationship between France and its colonies, see *Dikalo*, No. 688, 10 December 2001, p. 7; and Bongyu, M. (2009)

³⁷⁴ Bongyu, 2009: 396

³⁷⁵ This refers to the following degrees: Bachelor, Master, Doctorate

interaction and establishment of a communication forum between the elites, but it was done with the hope of creating a greater CEMAC spirit.

In addition, under the CEMAC Treaty, Cameroon is required to “*limit disparities in the structure of their fiscal levies; master their internal and external debts; examine and coordinate their price and revenue policies in view of the realization of the objectives of the economic policy of the union; defend the productions of the union against unfair competition from third states; harmonize their budgetary legislations; and fight against excessive public deficits.*”³⁷⁶

Cameroon has also adopted and implemented the CEMAC common external tariff (CET), which is mainly *ad valorem* and includes five different tariff rates³⁷⁷. However, its import duties hold some disparities to the CET on about 300 tariff headings. And because there is no licensing system within the sub-region and under the CEMAC Treaty, importers are subjected to register with the local Ministry of Trade as a way of notifying the national customs collection contractor of all imports³⁷⁸.

The main issuing bank in Cameroon is the BEAC³⁷⁹, which took over from the Central Bank of the State of Equatorial Africa and Cameroon in November 1972. Under Article 22 of the UMAC Convention, the BEAC is charged with defining and conducting all monetary policies of its member states, as well as holding and managing the official reserves of these

³⁷⁶ See Djeukou, J. (2001) ‘La CEMAC, Retrospective et Perspectives: Réflexions sur l’Evolution Récente du Droit Communautaire de l’Afrique Centrale’, *Juridis Périodique* 47: 106–16; cited in Bongyu, 2009: 398

³⁷⁷ As per the CEMAC economic policy, these taxes include: duty-free for specific pharmaceutical preparations and articles, books and brochures, and aircraft; 5% for essential goods; 10% for raw materials and capital goods; 20% for intermediate goods; and 30% for consumer goods

³⁷⁸ Khan and Baye (2005)

³⁷⁹ See Article 20 of the UMAC Convention.

member states – Cameroon included³⁸⁰. As such, any policies taken by the Cameroonian government is influenced by the CEMAC institution and cannot be independent from that of the sub-region.

Furthermore because one of the objectives of the CEMAC body is to create a common market under section 2(c) of its convention, a CEMAC passport has been implemented in all member states which resulted in the Cameroonian president issuing a deadline for all Cameroonians to acquire these new passports and turn in their old ones or face severe consequences³⁸¹. Additionally, section 2(c) prohibits the Cameroonian administration from “instituting any new custom duties or from increasing the existing taxes in their commercial relations with other member states”³⁸².

More so, because of its membership in CEMAC, the institution’s fiscal convergence initiative restricts the Republic of Cameroon from utilizing its national macroeconomic instruments, and due to the fact that all CEMAC member states have adopted a free trade practice, together with the imposition of a common external tariff on third party partners, Cameroon is prohibited from altering any tariff rates to suit its development goals. Despite these constrictions on the creation of national policies set on by the CEMAC membership, these restrictions enable its member states (in this case Cameroon) to adopt policies which will have positive results on inter alia, macroeconomic stability, debt sustainability, and risk sharing³⁸³. Additionally, this CET replaced all tariff taxes and foreign trade privileges under

³⁸⁰ Khan and Baye (2005)

³⁸¹ Bongyu, 2009: 399

³⁸² Ibid. p. 399

³⁸³ For more on this, refer to Iossifove et al. (2009, p.11) who notes that “The revealed preference of the political establishments in member countries for monetary union suggests that the advantages of CEMAC membership exceed its opportunity costs”; Iossifov, P. N. Kinoshita, M. Takebe, R. York, and Z. Zhan (2009) “Improving Surveillance Across the CEMAC Region,” IMF Working Paper No. WP/09/260; Elbadawi, I. and N. Majod

the 1990 Investment Code³⁸⁴ which had been implemented by the Cameroonian government; and because of this CET, the Biya administration established property taxes in Yaoundé and Douala, and reformed their tax laws such as the personal income taxes in 2004.³⁸⁵

5.2.3 Political Stability³⁸⁶

It has often been argued that political instability has dire consequences on the socio-economic environment of a country, especially in places where the government is motivated by short-term goals, by backing up narrow interest groups, while ignoring long-term goals³⁸⁷. Although the effects of economic integration and political instability have been studied separately, no little effort has been made to understand the interplay between them³⁸⁸.

(1992) "Fixed Parity of the Exchange Rate and Economic Performance in the CFA Zone: a Comparative Study," *World Bank Policy Research Working Paper No. 830*; Devarajan, S. (1997) "Real Exchange Rate Misalignment in the CFA Zone," *Journal of African Economies*, 6/1; and Devarajan, S. and L. Hinkle (1994) *The CFA Franc Parity Change: An opportunity to restore Growth and Reduce Poverty*, Mimeo, World Bank.

³⁸⁴ The Code is governed by Ordinance № 90/7 of 8 November 1990 and its subsequent amendments, and it is aimed at encouraging and promoting investments in Cameroon. Under the Code, there is a guarantee of free transfer for foreign investors of any proceeds from their invested capital including the funds remaining after liquidation. See Khan, S. and F. Baye (2005) "Le Taux de Change Réel et les Parts de Marché des Exportations du Caco: le cas du Cameroun et du Ghana," in Ndijeunde (ed.), *Performances Économiques de Pays Africains de la Zone Franc*, Yaoundé: Presses Universitaire de Yaoundé, pp. 71-104

³⁸⁵ Khan and Baye (2005)

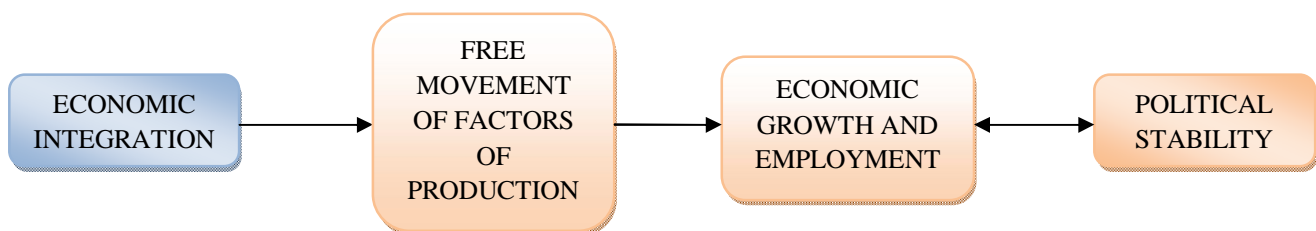
³⁸⁶ According to the World Bank, political stability indicates the absence of violence and it is used to *measure the perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism*. See *World Bank 1993*.

³⁸⁷ See Rodrik, D. (1991) "Political uncertainty and private investment in developing countries," *Journal of Development Economics*, 36: 229-42

³⁸⁸ For more on economic integration see, Fredriksson, P. (1999) "The political economy of trade liberalization and environmental policy," *Southern Economic Journal*, 65: 513-525; and for a more detailed understanding of political instability see Fredriksson, P. and J. Svensson (2003) "Political instability, corruption and policy formation: the case of environmental policy," *Journal of Public Economics*, 87: 1383-1405.

Kaufmann *et al.*, (1999) argue that political stability seeks to measure the perceptions of the likelihood that a government in power will be destabilized or overthrown³⁸⁹. In the same line, Carmignani (2003) goes on to state that political stability³⁹⁰ is very vital in economic models and it is a critical element in all decision-making processes of both private and public agents and/or policy makers. He states that “it can cause actual decisions and policies to differ from first best optimal ones”.³⁹¹ Adding to this, Fredriksson and Mani (2004) argue that the effect of trade openness in a country is highly dependent on its level of political stability, and an increase in trade integration will lead to an increase in stricter national policies especially in politically stable states³⁹².

Figure 5.3: Relationship between Economic Integration and Political Stability



Political instability has a negative effect on the factors of production which can be accumulated such as human capital and although the Republic of Cameroon has experienced a

³⁸⁹ Kaufmann, D., A. Kraay, and P. Zoido-Lobaton (1999) “Aggregating Governance Indicators,” *Policy Research Working Paper* No. 2195, Washington, DC: The World Bank

³⁹⁰ Carmignani (2003: 1) describes political instability by using two different dimensions: the first is used to explain a *phenomenon of social and political unrest such as mass violence, politically motivated death assassinations, riots and revolutions which can easily be identified with ethno-linguistic, religious, ideological and economic conflicts that do not find appropriate representation and solution within institutional channels.* The second dimension refers to *events such as government terminations and electoral surprises that result from the interactions between the competing interests represented in the political institutions from the fluctuations of the preferences of the electorates.*

³⁹¹ This is further explained in details in Carmignani, F. (2003) “Political Instability, Uncertainty and Economics,” *Journal of Economic Surveys*, 17/1: 1-54, Oxford, UK: Blackwell Publishing Ltd.

³⁹² Fredriksson P. and M. Mani (2004) “Trade Integration and Political Turbulence: Environmental Policy Consequences,” *Advances in Economic Analysis and Policy: The Pollution Haven Hypothesis*, 4/2: 1-28

fairly stable political environment, there still exists a degree of political tension in the country. This tension is as a result of the spiral effects of the decentralization which occurred in 1972 and the large number of political parties which were created after the 1991 legislation which officially permitted the creation of opposition political parties.³⁹³

5.3 CONCLUSION

The Republic of Cameroon, also known as *Africa in miniature* is a beautiful country made up of approximately 19.6 million inhabitants and found in the central part of Africa and bordered by its fellow CEMAC member states, Nigeria and the Atlantic Ocean. With a GDP of about US\$ 22 billion and a per capita income of US\$ 1,180, this country which has a German, French and British colonial history is known for its agricultural exports. However, this economy is increasingly being diversified to catch up with its 2.3 per cent population growth. The overview and history of the country provided in this chapter gives an in-depth understanding into the Republic of Cameroon's relevance in the Central African region and its importance as a dominant economy within the region.

Following the country's poor ranking on the corruption index by Transparency International in the 1990s together with its economic diversification and increasing trade with regional and international countries, the Republic of Cameroon has embarked on projects to improve its ranking on the governance index. In addition to the benefits of adopting efficient governance practices and more precisely good governance practices, being a member of CEMAC has greatly influenced the country's policies related to the control of corruption, rule of law, and political stability. This will not only foster regional economic integration and lead

³⁹³ In 1972, the country's political system was changed from a federal system to a unitary state. See Khan and Baye (2005).

to greater political and socio-economic stability in the region; it will also improve the livelihood of its citizens.

Nonetheless, because of the power granted to the CEMAC institution by its member states, the Rule of Law in Cameroon is largely influenced by policies and treaties implemented under the CEMAC mandate. The Control of Corruption and quest for Political Stability in the country however is not very much influenced by Cameroon's membership of the CEMAC institution as it is influenced by the country's desire to increase economic growth through the increase of both regional and international trade, and its business climate.