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THE HIPC INITIATIVE AND THE SUSTAINABILITY OF THE NATIONAL DEBT IN CAMEROON

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ABSTRACT

The objective of this study is to show that the HIPC initiative alone cannot be sufficient to ensure the long term sustainability of the national debt of Cameroon through the implementation of its mechanisms of debt rescheduling and debt reduction. The application of the Debt Sustainability Assessment method (DSA method) used by the Bretton Woods institutions has permitted us to show that the national debt is unsustainable when the HIPC initiative implements the debt reduction mechanism. This is due to the fact that it just takes into consideration the foreign debt which is only a part of the national debt. On the other hand, the use of the accounting method and the unit root tests over the 1980 to 2010 period has proven and confirmed the unsustainability of the national debt of Cameroon. Our study, by recommending the integration of the internal debt in the analysis shows that the achievement of debt sustainability passes through a sustainable impulse of economic growth, good governance, a good use of the available resources and the diversification of Cameroon production and exports.

KEYWORDS

Debt, Debt sustainability, Economic growth, HIPC initiative, Reduction of debt.

JEL CLASSIFICATION

F34, F43, H60, H63.

1. INTRODUCTION

More than ever, studies concerning the national debt and its risks of unsustainability are at the centre of financial, economic and political debates. The severe crisis experienced by the whole world has led to a staggering increase of deficits and national debts in most of the countries.

After the 1970s decade characterised by a rigorous and wise economic management, the beginning of the 1980s decade has been marked by many macroeconomic imbalances (in particular the excessive increase of the foreign debt of the Third World countries, the drop in the tax revenues) which are going to affect on a permanent basis the Developing Countries (DC). These imbalances have rapidly put the Third World countries in a severe debt crisis. As a matter of fact, according to Nayla (2007), the debt of the developing countries has been multiplied by twelve between 1970 and 1980.

Cameroon, as all the developing countries has not been exempted from this crisis for in her efforts of development just after the independence in 1960, she has put in place infrastructural projects (roads, industries, hospitals, research centres, etc.) to develop. The turning of these development projects into a reality has requested big financial means. But considering the insufficiency of the domestic saving, the foreign debt has become as the means of financing development. As a matter of fact, Cameroon debt has constantly increased since the beginning of the 1970s, which is considered as the period of big investments just after the independence.

For Fambom (2002), Cameroon debt has reached 7091 million US dollars in 1999 and the service of the debt has experienced a strong evolution in the 1990s. This excessive rise of Cameroon foreign debt and the service of debt have compelled the country to accept the different programmes of the Bretton Woods Institutions (BWI) including the most recent one which is the HIPC initiative considered as a global device of debt reduction of the heavily indebted and poor countries which apply the IMF and the World Bank reforms and structural adjustment programmes. This device aims at responding to the preoccupations of several countries with low income which the national debt was still not viable after the application of the traditional measures of debt alleviation and having as objective to reduce the debt of the HIPC to a sustainable level.

Economists have always been interested in the debt problem. A rich literature treats different aspects of the problem. Because of this, economists have never been unanimous about the debt of the State. Our main concern in the present study is the HIPC initiative and the sustainability of the debt of Cameroon. This leads us to the following main research question: does the HIPC initiative sufficient to ensure the long term sustainability of the national debt of Cameroon?

From this main question, we can derive two secondary questions such as:

- Does the mechanism of rescheduling of the debt implemented through the HIPC initiative contribute efficiently to the sustainability of the debt of Cameroon?
- Does the mechanism of debt alleviation implemented through the HIPC initiative contribute efficiently to the sustainability of the debt of Cameroon?

From these different questions, the main objective of the present study is to show that the HIPC initiative alone is not enough to ensure the long term sustainability of the national debt of Cameroon. In a specific way, it is a matter of showing the influence of the debt rescheduling mechanism implemented by the HIPC initiative on the sustainability of the national debt of Cameroon on the one hand, and to show the influence of the debt reduction mechanism implemented by the HIPC initiative on the sustainability of the national debt of Cameroon on the other hand. To achieve the above mentioned objectives, we formulate two null hypotheses which are:

H₀₁: the mechanism of debt rescheduling does not affect significantly the sustainability of the national debt of Cameroon;

H₀₂: the mechanism of debt reduction does not affect significantly the sustainability of the national debt of Cameroon.

These hypotheses stem from the review of the works of Fambom (2002) and Madhur Gautam (2003) who worked respectively on "Debt of Cameroon: problems and solutions" and "Reduction of the debt for the heavily indebted, EOD examination of the HIPC initiative" and from many other authors.

The interest of this study is that it presents a multi approach analysis of the sustainability of the national debt of Cameroon. This permits us to compare the assessment model of debt sustainability used by the institutions of Bretton Woods to the specific case of Cameroon, which is a country with intermediary income to the economic models of evaluation (assessment) of debt sustainability of a country. In addition, it permits us to assess the capacity of the HIPC initiative to make alone the Cameroon debt sustainable.

2. THEORETICAL AND EMPIRICAL FRAMEWORK OF THE STUDY

This section reviews the different theoretical and empirical works relating to the management of the debt of poor countries.

2.1. THEORETICAL FRAMEWORK

In the literature, several theories have been developed on the debt of a country. They go from the perception of the State borrowing to the debt capacity of a country. The aim of this section is to present these different theories by reinforcing them if possible with empirical studies carried out.

Economists have never been unanimous about the State debt. Its perception varies depending on schools of thoughts. Keynesian economists think that debt can be necessary and even efficient for the development of a country. For them, the debt more generally does not generate cost neither for the present generations nor for the future generations due to the new investments that it generates. But unlike Keynesians, the classical economists reject systematically the State borrowing and think that any State borrowing can only be harmful for the economic agents.

Other economists rather wonder about the capacity of external financing to develop a country (since when a country gets into debt, it is necessarily to achieve its development projects). While some think that the foreign financing is only the new expression of imperialism at the supreme stage of the development of capitalism in a state of perpetual enslavement and which, therefore can only be the impoverishment of the receiving economy, others feel that foreign financing is the expression of the spirit of solidarity of the developed countries, which generously put capital at the disposal of the developing countries which can enable them to fill at the same time their deficit in saving and in development, and therefore to push them towards development.

Whatever the school of thoughts, we have the same observation: the developing countries need financings to ensure their investments. Since their independence, we observe that the national saving is low in these countries which are therefore constrained to have recourse to foreign borrowings. Thus, the debt problem mostly for the developing countries can also be raised in terms of debt capacity. In addition, the question of the debt capacity refers to two types of concerns which are: what is the optimal level of debt? What is the maximum amount of debt that a country can have without compromising its growth and the additional creation of wealth? To provide answers to these questions, we should examine the theories of the debt cycle, of the optimal debt and of the sustainable debt capacity.

As we earlier said, the HIPC initiative is as a global device of debt reduction of the heavily indebted and poor countries which apply the IMF and the World Bank reforms and structural adjustment programmes. This mechanism has been put in place to reduce or alleviate the debt weight of the heavily indebted and poor countries in order to make their debt sustainable. Considering what has been mentioned above, it seems wise to first of all dwell on this initiative in order to understand its causes and justification.

It originated in the 1980s. As a matter of fact, following the crisis of the 1980s, the main support measures of the international financial institutions towards the countries experiencing difficulties to honour their foreign debt service have been proved to be rather inconclusive; and this was generally due to the fact that when a country was facing small economic difficulties, the solution proposed by the creditors of the Paris Club was based on a classical financial treatment which led to the rescheduling of its debt. As a matter of fact, the implementation of the structural adjustment programmes, the rescheduling of debt granted by the Paris Club (rescheduling of the service of the debt falling due) as well as the operations on the stock of debt (reduction of the debt itself) in the plan of Brandy have not given the expected results. Moreover, in addition to the weak economic growth, poverty has increased in most of these countries. It is to remedy to this situation that the Bretton Woods organisations have jointly launched the HIPC initiative which the basic principle is to give the possibility to the beneficiary countries to get out from the vicious circle of the foreign debt.

The concept of debt sustainability has been designed to face up to the debt crisis that most of the developing countries experienced. The causes of this crisis have been the subject of a vast literature. To illustrate, we can cite the works of Mc Fadden et al (1985), Brooks et al. (1998, p. 4 to 10), Daseking and Powell (1999, p. 5), Detragiache and Spilimbergo (2000), Fambon (2002), Reinhart, Rogoff and Savastano (2003), [...].

2.2. EMPIRICAL FRAMEWORK OF THE STUDY

The review of literature shows that very few studies relating to our subject have already been carried out. This can be justified by the fact the HIPC initiative is still new. However, this scarcity of work on this field enhances more the importance of our subject. It emerges from an exhaustive literature review that the link between the degree of debt and some macroeconomic variables has been the subject of empirical studies using the econometric tool.

The most known work is that of Ojo (1989) titled "Debt capacity model of sub-Saharan African". Through an econometric approach, he shows that the ratio of outstanding debt to GDP of about thirty African countries during the 1976 to 1984 period is determined by: the variation of exports (X), the ratio of imports to GDP, the population (Pop) and the GDP growth rate (Y). The statistical results enable him to conclude that the ratio of outstanding debt to GDP is negatively related to the variation of exports, to the GDP growth rate and positively related to the ratio of imports to GDP, and to the population growth (Pop).

The study of Ojo was taken up again by Léonce Yapo (2002). In his study on Côte d'Ivoire carried out over the 1975-1999 period, he finds the same results, except for the ratio imports to GDP which is not significant. In addition, he shows that outstanding debt of Côte d'Ivoire is positively influenced by the deterioration of the terms of trade and finds that the primary deficit is not significant.

N'Diaye (1993) has carried out a modelling of the debt of Senegal. He shows that the debt is positively explained by the stock of previous debt and negatively by the level the current balance deficit. Moreover, the appreciation of the average exchange rate CFA/ US dollar reduces the service of the debt.

Ajayi (1991) analyses the impact of external and internal factors of the debt of Nigeria. As a matter of fact, he chooses as determinants of the ratio of debt to exports the following variables: the terms of trade, the income growth rate of industrialised countries, the real interest rate, the ration of budgetary deficit to GDP and the trend. He asserts that we should expect that an increase in the budgetary deficit increases the ratio debt/exports. The results of the estimation of his model confirm this fact.

In a study carried out on the debt of Mali, Massa Coulibaly et al. (2001) show that statistical indicators such as the interest rate, the financing of imports, especially of the current consumption goods, and the cumulative process of the debt have a positive effect on the level of debt of Mali.

Other authors have also identified the service of the debt as being a determinant which influences positively the foreign debt through some econometric models (Claessens (1990), Warner (1992) and especially that of Borensztein (1990)). Borensztein has concluded from an econometric study carried out on the Philippines debt data that the outstanding debt and the ratio of service of the debt/exports have globally an inverse effect on the private capital formation and encourages the debt of the country.

The works of Eichengreen and Portes (1986) are interested in the identification of the determinants of the stock of the debt of about thirty countries at a given moment (1955) of their economy. For them, the excessive debt and the non-payment reduce the real growth rate and the credibility of the State.

Cohen (1996) empirically shows that the debt as well as the number of rescheduling has been a danger for the growth in the developing countries. However, this general result is not obtained for all the countries of the sample, especially as regards the African countries. The impact of the debt on the reduction of growth is negligible for Burkina Faso, Kenya, Mauritius, Rwanda, South Africa, Democratic Republic of Congo, Zimbabwe and Mali. In two other cases, the impact of debt on growth is even positive (Ghana and Tanzania).

Rougier (1994) also finds uneven results within the African countries. According to the econometric analyses, the ratio of the outstanding debt to the GDP exerts a depressive effect on the growth in Côte d'Ivoire, Mali and Chad over the 1970 to 1991 period. On the other hand, the effect is positive in Niger, Madagascar and in Kenya.

For Lawin Kotchikpa Gabriel (2007), the analysis of the determinants of the foreign debt of Benin shows according to the econometric tests that the significant determinants of foreign debt are: the service of the debt in comparison with the exports, the exchange rate, the terms of trade, trade opening, the GDP growth rate, and the effect of overborrowing (excessive debt) for the 1987 to 2006 period. Moreover, the population growth rate and the public investment rate do not have a significant effect on the debt of Benin even though they contribute to its worsening.

Guy Albert Kenkouo (2008) in his study on the national debt of the Franc Zone countries after the HIPC initiative finds that the analysis of the ratio foreign debt/exports shows that despite the efforts of the reduction of debt of the Franc Zone countries after the HIPC initiative, the poor diversification of the economies of these countries affects negatively the viability of their debt through the channel of exports relative growth and the vulnerability of their

economies. So, the narrowness of the productive bases of the Franc Zone countries and the strong polarisation of the economic activity continue to amplify the effects of the exogenous shocks, to accentuate the instability of the financial and economic performances.

Modeste Arnaud Dedehouanou (2009) shows that for the Benin republic, the estimations show that at a threshold of 0.14% of GDP, the foreign debt starts having negative impacts on the economic growth. Then, the results of his study show that the substantial reduction of the foreign debt in the HIPC initiative will have as effect three points reduction of the GDP per capita.

Rajhi Taoufik (2012) in the study of the national debt sustainability in Tunisia finds that in the reference scenario, the budgetary policy of the type « go and stop » adapted by the government is sustainable and would lead to a national debt ratio of 41% in 2017. However, if the economic situation is not favourable, the debt ratio would remain high enough (about 47%). Indeed it is below 50% and below the historical average of 49% but the risks of the situation are real and could lead to an excessive debt.

Mahamat Ali Mallah (2012) analyses the effects of the foreign debt on the economic growth in the CEMAC countries for the 1970 to 2009 period. After he has carried out the Hausman test, he uses the fixed effects model and reached the conclusion that the foreign debt of the CEMAC countries exerts negative effects on their economic growth. As for the service of debt, the results obtained are in line (corroborate) with the results obtained by **Clement, Bhattacharya and Nguyen** (2003).

Marius Samizafy (2013) in the study of the national debt management and the analysis of the notions of optimality, sustainability and of financial risks with the case study of the Commission of the Indian Ocean shows that, for the countries of the Commission of the Indian Ocean the criteria of efficiency optimality and of sustainability are generally not fulfilled. The national debt affects even unfavourably the financial health of the State and the economic performance of these countries.

3. ECONOMETRIC MODELS AND METHODS OF ESTIMATION

Considering the objective of the present study, we use two models: the first model is called the “Debt Sustainability Assessment” (DSA) model and the second model is derived from the State inter temporal budgetary constraint. The first model was used by the Bretton Woods institutions within the framework of the HIPC initiative. It aims at determining the capacity of a country to pay back its debt in function of the revenues that it gets from its exports and eventually from the annual budgetary resources allocated to the service of the debt. To evaluate the debt of a HIPC, three indicators (NPV debt/Exports, NPV debt/Budgetary revenues, Service of the debt/Exports) are used to set a certain number of thresholds. Beyond one of these thresholds, we would historically notice that the country has encountered difficulties of repayment.

The summary table below (Table 1) gives the foreign debt sustainability criteria set by the HIPC initiative 1 and the HIPC initiative 2.

Table1: the summary of the foreign debt sustainability criteria set by the HIPC initiative 1 and the HIPC initiative 2

The role of the DSA model is to provide appropriate tools to assess the debt sustainability of a country. If its objective is to honour the thresholds set, its fulfilment passes through a process which involved structural reforms to be carried out and stabilisation programmes to be honoured. To complete the DSA analysis, we are going to use the State inter temporal budgetary constraint (which takes into account the national debt) based on the dynamic analysis to also value (assess) this sustainability.

The study of the dynamics of the national debt is based on the State inter temporal budget constraint (model 2) which is sometimes called solvability constraint for it also gives information about the financial stability. The State, as any economic agent, is subjected to a budgetary constraint indicating that any public expenditure should be financed by tax or by borrowing (we should exclude a priori the monetary creation).

The algebraic formulation of the budgetary constraint, forgetting the possibility of monetising the public deficit is as follows:

$$B_t - B_{t-1} = G_t - T_t + r_t B_{t-1} \dots\dots\dots(1)$$

which could also be written as follows:

$$B_t = G_t - T_t + (1+r_t) B_{t-1} \dots\dots\dots(2)$$

Where G_t stands for the public expenditures apart from the interest costs, T_t is the amount of the tax revenues ($G_t - T_t$ is called the primary deficit); B_t is the national outstanding debt, r_t stands for the apparent nominal interest rate of the national debt. This relation represents the budgetary constraint of the State. The fulfilment of this model is achieved following two techniques: the actuarial technique and the accounting technique.

3.1. THE ACCOUNTING TECHNIQUE

This technique consists in the gradual assessment, year after year and enables the simulations for the near future. Its advantage is that it transforms the following equation

$$B_t / PIB_t = D_t / PIB_t + [(1+r_t) / (1+n_t)] (B_{t-1} / PIB_{t-1}) \dots\dots\dots(3)$$

As follows:

$$d_t = [(n-r) / (1+n)] b_t \dots\dots\dots(4)$$

This equation enables us to determine the sustainable primary balance which is compared with the observed primary balance. The sustainability condition is that the observed primary balance expressed in percentage of the GDP should be every year less than or equal to the ratio of sustainable budgetary balance.

3.2. THE ACTUARIAL TECHNIQUE

This technique is inspired from the theoretical works and econometric studies. Its advantage is that it transforms the following equation

$$B_{t-1} = E [T_{t+j} / (1+r)^{j+1} - G_{t+j} / (1+r)^{j+1} + B_{n+1} / (1+r)^{n+1}] \dots\dots\dots(5)$$

As follows:

$$B_{t-1} = E [T_{t+j} / (1+r)^{j+1} - G_{t+j} / (1+r)^{j+1}] \dots\dots\dots(6)$$

3.3. THE DIFFERENT TESTS CARRIED OUT

We used the Augmented Dickey-Fuller (ADF) test to test for the stationarity of the variables national debt, public expenditures and tax revenue in level and in the first difference. The null hypothesis (H_0) of this test is that the variable has a unit root while the alternative hypothesis (H_1) is that the variable does not have a unit root. At a given or chosen significance level of 5%, if the probability of the test is less than this threshold, we reject the null hypothesis and do not reject the alternative one.

According to Ayadi (2003), the general procedure to test for the solvency of a State is as follows: we first of all carry out the tests of stationarity for the series of public finance (national debt in volume and the ratio debt/GDP) using the usual tests (the Augmented Dickey-Fuller test or the Phillips-Perron test). The decision rule is that: if the total deficit is stationary, then the total real deficit ($G_t - T_t$) is stationary and the State is therefore solvent.

4. RESULTS AND INTERPRETATIONS

4.1. RESULTS AND INTERPRETATIONS OF THE DSA MODEL

The DSA model is used to show the effect of the rescheduling mechanism on the sustainability of the Cameroon national debt. From this model, we have the following results summarised in the table below (see Table 2).

Table 2: debt sustainability ratios of Cameroon from 1980 to 1999

The figures of the table are from the Autonomous Sinking Fund (ASF) of Cameroon. It presents the situation of the debt sustainability ratios of Cameroon from 1980 to 1999. During this period, the Bretton Woods institutions applied the traditional mechanisms on the debt of the developing countries which led to the rescheduling of their debt. In general, we observe from this table that during this period of time, the debt indicators have reached unbearable limits from 1990. In other words, these indicators are higher than the thresholds set by the HIPC initiative.

From these indicators, we can infer the following partial conclusion: we know that Cameroon has signed the rescheduling agreements of the official debt with the Paris Club for the 1989-2001 period. The data of the table shows that just after the signature of the first agreement in 1989 in Houston, the debt indicators reached unbearable limits. In other words, these indicators are higher than the thresholds set by the HIPC initiative 1. *The situation of the foreign debt in June*

1999 remains unsustainable even after the complete application of all the classical mechanisms of debt reduction. The ratio of the debt in NPV on the exports represents 205% which is above the 150% set. The ratio of the debt in NPV on the State revenues amounts to 329% which is still above the 250% required. These results could not enable us to reject the null hypothesis H_{01} which states that the mechanism of debt rescheduling does not affect significantly the sustainability of the national debt of Cameroon.

The DSA model is also used to show the effect of the debt reduction mechanism on the sustainability of the Cameroon national debt. The following results summarised in table 3 below are obtained.

Table 3: situation of the debt sustainability ratios of Cameroon from 1999 to 2019

The table above presents the results given by the International Monetary Fund (IMF) and the International Association of Development (IAD). It presents the situation of the debt sustainability ratios of Cameroon from 1999 to 2019. According to the document of the decision point in Cameroon, the attainment of the completion point has permitted to the country to benefit from the French complementary initiative called the fixed-term contract (Contract of the reduction of the debt and of Development) intended to finance sustainable development programmes being in line with sectoral policies and strategies of poverty reduction in agreement with the DSPR. According to the World Bank, after reaching the completion point in April 2006, the debt of Cameroon has been reduced from about 70%. This reduction has improved the ratios of Cameroon (see table 3 above).

The observation of the table shows that the ratios foreign debt/exports, foreign debt/budgetary revenues, and foreign debt service/exports which have stars represent the years during which the debt of Cameroon is sustainable. This could mean that the Cameroon debt sustainability depends on the portfolio of its debt. This can be verified with its foreign public debt which has become sustainable after the attainment of the completion point of the HIPC initiative. As a matter of fact, before being admitted into the HIPC initiative, Cameroon had a very important debt vis-à-vis France and the members of the Paris Club. At the completion point of the HIPC initiative, Cameroon has received the most important reduction of debt in the Franc Zone (a great share of this reduction comes from the fixed-term contract that other countries did not received).

In considering the hypothesis of growth and in assuming that all the reductions according to the terms of Naples and that the expected assistances will be honoured, the Bretton Woods Institutions show that the debt of Cameroon, following the ratios of table 3 will be sustainable in the long term. *This other partial conclusion enables us to reject the second null hypothesis (H_{02}). We could therefore say that the mechanism of debt reduction affects significantly the sustainability of the national debt of Cameroon.*

4.2. RESULTS AND INTERPRETATIONS OF MODEL 2: THE APPROACH BY THE STATE INTER TEMPORAL BUDGETARY CONSTRAINT

The study of the sustainability of the national debt of Cameroon has been carried out according to the actuarial and accounting methods which have been presented in the previous section. The accounting technique gives us the following results.

Table 4: the sustainability of the budgetary policy of Cameroon according to the accounting technique

The implementation of the accounting method in the case of Cameroon between 1980 and 2010 has shown that except for the years 1981 and 1983, the primary budgetary deficits achieved have been greater than the critical thresholds of sustainability d_t . The accounting condition of sustainability of the budgetary policy being that: the observed primary balance expressed in percentage of the GDP should be every year less than or equal to the ratio of the sustainable budgetary balance of the last column of the table. While observing this table, after 1980, the nominal growth rate of GDP (n) has always been greater than the apparent nominal interest rate of the national debt (r) for the years 1981 to 1986, then from 1995 to 2010. This means that the sustainability of the budgetary policy can be compatible with the primary deficits on the condition not to overtake the threshold (d) presented in the last column of the table. The country has even realised primary surpluses in the course of the years 1981 and 2000.

During the 1982-2010 period, the ratio of the effective primary balance has always been greater than the sustainable threshold. This shows the non sustainability of the budgetary policy. This stage has been marked by a very important variability of the national debt ratio and of the budgetary deficit.

The actuarial technique is the one inspired from the theoretical works and econometric studies. It enables us to carry out stationarity tests on the variables. In the framework of our study, we have carried out these tests on the following variables: national debt, public expenditures and public revenues all as a percentage of the GDP. The implementation of this method enables us to see whether these variables are stationary or not so as to conclude for the sustainability or not of the Cameroon national debt. This technique has given us the following results summarised in the table below:

Table 5: results of the Augmented Dickey-Fuller test on the national debt, the public expenditure and the public revenue according to the actuarial technique

- Following the test on the variable "national debt of Cameroon", all the calculated statistics of the three models are greater than the tabulated values at 1%, 5% and 10% significance level. We cannot therefore reject the null hypothesis H_0 that is to say that the national debt is not stationary. Consequently, the national debt of Cameroon is not sustainable.
- Following the test on the variable "public expenditures of Cameroon" the calculated statistic of the model with a constant is lower than the tabulated value at 10% significance level. We therefore reject the null hypothesis H_0 and we do not reject the alternative hypothesis H_1 . This means that the public expenditures are stationary. Consequently, the State expenditures can decrease and converge towards zero.
- Following the test on the variable "public revenues of Cameroon" the calculated statistic of the model with a constant is lower than the tabulated value at 1% significance level. We therefore reject the null hypothesis H_0 and we do not reject the alternative hypothesis H_1 . This means that the public revenues are stationary. Consequently, the State revenues can decrease and converge towards zero.

5. CONCLUSION AND RECOMMENDATIONS

5.1. CONCLUSION

The main objective of this research work was to show that the HIPC initiative alone is not sufficient to ensure the long term sustainability of the national debt of Cameroon. To achieve our objectives, we had recourse to the DSA model and to the State inter temporal budgetary constraint model. The analysis of the results of the two models has enabled us to reach the conclusion that the rescheduling mechanism does not have a significant influence on the sustainability of the national debt of Cameroon. This has enabled us not to reject the null hypothesis (H_{01}). In other words, the mechanism of debt rescheduling does not affect significantly the sustainability of the national debt of Cameroon. Contrary to the rescheduling mechanism, our results indicate that the mechanism of debt reduction has a significant influence on the sustainability of the national debt of Cameroon. This has enabled us to reject the null hypothesis H_{02} . Consequently, the mechanism of debt reduction affects significantly the sustainability of the national debt of Cameroon. And this is according to the model 1. As to the model 2, the results of the Augmented Dickey-Fuller test have led us to conclude that the national debt of Cameroon is not sustainable. The same conclusion has been obtained from the accounting model. Finally, the HIPC initiative alone is not sufficient to ensure the long term sustainability of the Cameroon national debt.

5.2. RECOMMENDATIONS

At the end of this study, we are able to suggest some recommendations which if taken into consideration could enable the fast attainment of the objectives set by the international institutions of Bretton Woods. A dynamic and wise management of the borrowings and of the national debt is then indispensable for the achievements of the ambitious objectives of development without compromising again the viability of the debt. We therefore formulate the following recommendations:

- The financial institutions should already start thinking of putting in place a third initiative which takes into account the internal debt of the HIPC;
- The international financial community should redefine its strategy of debt by opening concessional counter for unproductive projects and other counters for the productive projects. It is obvious that a country cannot develop with the concessional debt only;
- The DSA methodology of the IMF should use hypotheses which shall no more be easily manipulated in order to reveal the sustainability and the non sustainability;
- Cameroon should diversify its productive base, its exports and should also promote growth;
- Cameroon should promote good governance and should also manage the available resources well.

The pertinence of the present work could be improved upon if the few limits of the work are suppressed. The subsequent studies could be interested in showing the influence of the debt reduction mechanism on the national debt of Cameroon when the HIPC initiative takes into consideration the internal public debt.

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APPENDIX

TABLES

TABLE 1: THE SUMMARY OF THE FOREIGN DEBT SUSTAINABILITY CRITERIA SET BY THE HIPC INITIATIVE 1 AND THE HIPC INITIATIVE 2

	Original HIPC initiative	Reinforced HIPC initiative
Stock of the debt (NPV)/Exports	< 200 - 250%	< 150%
Service of the debt /Exports	< 20 - 25%	< 15%
Stock of the debt (NPV)/Budgetary revenues	< 280%	<250%

Source : Source : Bouguin and Raffinot (2002)

TABLE 2: DEBT SUSTAINABILITY RATIOS OF CAMEROON FROM 1980 TO 1999

Year	Effective service of foreign debt:		Outstanding foreign debt :	
	Exports	Revenues	Exports	GDP
1981	9.5	11.7	71.9	14.9
1984	10.7	7.6	217.9	21.3
1987	29.2	11.9	232.6	33.0
1990	9.4	10.9	232.6	45.4
1991	10.6	11.4	275.8	44.4
1992	12.0	12.4	320.4	83.0
1993	14.7	13.8	473.5	84.9
1994	20.2	31.6	676.6	115.7
1995	20.2	30.5	535.5	137.2
1996	28.2	32.5	575.8	101.2
1997	23.6	29.8	459.4	96.2
1998	34.6	42.2	393.8	99.0
1999	27.6			

Source: Autonomous Sinking Fund of Cameroon

TABLE 3: SITUATION OF THE DEBT SUSTAINABILITY RATIOS OF CAMEROON FROM 1999 TO 2019

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11 2012/13	2013/14 2015/16	2016/17 2018/19
After traditional processing															
NPV of the debt/GDP	51.1	53.8	50.4	46.7	43.6	40.8	38.1	35.8	33.9	31.8	29.9	28.3	25.2	21.4	18.1
NPV of the debt/Exports	205.1	192.2	179.0	168.3	165.0	158.8	150.6	143.6*	138.2*	132.7*	128.0*	123.4*	114.1*	101.6*	89.9*
NPV of the debt /Budgetary revenues	329.5	280.6	261.1	255.5	231.5	211.6	191.9	180.6	167.1	157.0*	146.4*	138.8*	121.9*	103.6*	87.0*
Service of the debt/Exports	...	14.0*	13.5*	12.3*	12*	11.4*	11.6*	11.1*	10.4*	10.0*	9.6*	9.2*	8.0*	7.0*	6.4*
Service of the debt/Budgetary revenues	...	23.0	21.0	19.2	17.7	16.2	15.9	14.9	13.3	12.6	11.6	11.0	9.2	7.6	6.6
Before intermediary assistance															
NPV of the debt/GDP	...	...	54.1	51.6	30.6	29.0	27.5	26.1	25.0	23.8	22.7	21.6	19.6	17.3	15.3
NPV of the debt/Exports	...	...	192.5	186.0	116.0*	113.1*	108.6*	104.8*	102.2*	99.3*	96.8*	94.2*	88.7*	82.1*	76.1*
NPV of the debt /Budgetary revenues	...	...	280.7	282.4	162.7*	150.7*	138.4*	131.8*	123.5*	117.4*	110.8*	105.9*	94.8*	83.7*	73.5*
Service of the debt/Exports	...	...	11.3*	7.9*	7.9*	8.8*	9.3*	9.2*	8.5*	8.2*	8.0*	7.9*	6.8*	5.7*	5.1*
Service of the debt/Budgetary revenues	...	...	17.6	12.3	11.7	12.6	12.7	12.4	10.9	10.2	9.7	9.4	7.8	6.3	5.3
After the completion point															
NPV of the debt/GDP	37.3	40.1	38.7	37.3	30.6	29.0	27.5	26.1	25.0	23.8	22.7	21.6	19.6	17.3	15.3
NPV of the debt/Exports	150.0	143.3*	137.6*	134.4*	116.0*	113.1*	108.6*	104.8*	102.2*	99.3*	96.8*	94.2*	88.7*	82.1*	76.1*
NPV of the debt /Budgetary revenues	241.0*	209.2*	200.7*	204.1*	162.7*	150.7*	138.4*	131.8*	123.5*	117.4*	110.8*	105.9*	94.8*	83.7*	73.5*
Sensitivity analysis															
Exports: pessimistic hypothesis															
NPV of the debt/Exports	...	192.1	175.1	160.3	152.4	141.4*	139.2*	137.9*	137.4*	124.1*	110.8*	98.7*	127.9*	111.7*	95.3*
Service of the debt/Exports	...	14.0*	13.6*	12.1*	11.7*	10.9*	14.0*	13.5*	12.4*	11.5*	10.5*	9.6*	9.9*	8.6*	7.8*
Service of the debt/Budgetary revenues	...	23.0	21.1	18.8	17.2	15.6	15.1	14.0	12.3	11.3	10.2	9.2	8.9	7.3	6.2
Hypothesis of low concessionality															
NPV of the debt/Exports	...	192.1	175.1	160.3	152.4	141.4*	139.2*	137.9*	137.4*	124.1*	110.8*	98.7*	80.0*	58.4*	41.2*
Service of the debt/Exports	...	14.0*	13.6*	12.1*	11.7*	10.9*	14.0*	13.5*	12.4*	11.5*	10.5*	9.6*	7.6*	5.6*	4.3*
Service of the debt/Budgetary revenues	...	23.0	21.1	18.8	17.2	15.6	15.1	14.0	12.3	11.3	10.2	9.2	6.9	4.7	3.4
Aggregates (in million of \$)															
NPV of the debt after traditional processing	4,691	4,675	4,63	4,7	4,777	4,873	4,959	5,07	5,206	5,311	5,432	5,567	5,877	6,443	7,057
Service of the debt after traditional processing	...	384	372	353	366	374	411	418	414	425	432	440	442	473	537
NPV of the debt after HIPC assistance	...	...	4,977	5,195	3,358	3,471	3,576	3,699	3,849	3,973	4,11	4,248	4,574	5,208	5,971
Service of the debt after HIPC assistance	...	...	312	226	242	291	328	347	340	346	360	378	375	389	431
GDP	9,186	8,688	9,191	10,059	10,969	11,952	13,024	14,15	15,371	16,698	18,139	19,704	23,363	30,186	39,214
Exports of goods and services	2,249	2,743	2,766	2,868	3,051	3,286	3,538	3,768	3,995	4,24	4,499	4,791	5,521	6,803	8,436
Tax revenues	1,424	1,666	1,773	1,839	2,064	2,303	2,584	2,807	3,116	3,384	3,71	0,011	4,835	6,24	8,142

Source : IMF/IDA (2000), Cameroon, decision point document, September, 15.p.37.

TABLE 4: THE SUSTAINABILITY OF THE BUDGETARY POLICY OF CAMEROON ACCORDING TO THE ACCOUNTING TECHNIQUE

Period (t)	National debt in % of GDP (b)	Apparent nominal interest rate in % (r)	Current GDP growth rate in % (n)	Net budgetary deficit in BD (DN)	Interest of the debt in BD (ID)	Primary balance S= DN -ID	Primary balance in %	Sustainable primary in % of GDP (d)
1980	37.28	4.74	-1.97	201.62	119	82.62	1.23	-2.55
1981	33.37	5.38	17.08	115.64	137	-21.36	-0.28	3.34
1982	37.10	5.56	7.52	338.78	151	187.78	2.56	0.68
1983	37.12	5.07	6.87	236.94	139	97.94	1.33	0.62
1984	34.89	6.10	7.47	598.95	166	432.95	5.55	0.45
1985	36.08	4.63	8.06	1206.21	136	1070.21	13.13	1.15
1986	34.86	5.10	6.77	1148.21	189	959.21	9.03	0.55
1987	32.77	4.41	-2.15	1501.28	178	1323.28	10.76	-4.54
1988	33.79	4.55	-7.82	2328.55	192	2136.55	17.10	-5.29
1989	43.00	2.38	-1.82	2428.99	114	2334.99	20.96	-1.84
1990	53.71	3.14	-6.11	2678.41	188	2490.41	22.33	-5.29
1991	50.49	2.79	-3.81	4577.06	175	4402.06	35.40	-3.46
1992	57.51	1.85	-3.10	5041.28	121	4920.30	43.17	-2.94
1993	55.10	2.09	-3.20	4583.18	156	4427.18	32.72	-3.01
1994	90.30	1.86	-2.50	3828.98	155	3673.98	39.85	-4.04
1995	107.02	1.85	3.30	3459.18	173	3286.18	37.63	1.50
1996	98.04	2.46	5.00	2061.11	235	1826.11	18.76	2.37
1997	94.17	2.04	5.10	2468.08	189	2279.08	23.16	2.74
1998	102.07	1.81	5.04	2668.86	178	2490.86	25.87	3.14
1999	75.42	2.91	4.39	3698.82	230.25	3486.57	33.08	1.07
2000	68.07	3.69	4.20	3836.66	256.38	3575.28	35.49	0.34
2001	62.40	4.50	4.51	4454.36	269.44	4284.92	44.64	0.0092
2002	69.90	3.71	4.01	5280.93	282.50	4998.43	45.94	0.20
2003	52.62	4.69	4.03	5462.81	336.38	5126.43	37.63	-0.33
2004	59.40	3.21	3.70	5420.10	300.80	5119.30	32.45	0.28
2005	54.09	2.74	3.30	5551.29	246.07	5305.22	31.98	-0.24
2006	20.97	6.41	3.22	5254.91	241.38	5013.53	27.92	-0.65
2007	16.16	2.80	3.50	6103.45	93.70	5009.75	24.22	0.11
2008	12.88	2.67	2.90	4596.70	81.51	4515.19	19.02	0.03
2009	14.07	2.03	2.00	-2676.56	63.54	-2740.1	-12.35	-0.005
2010	15.70	1.93	3.20	2961.726	68.28	2893.45	12.87	0.19

Source: calculations carried out by the authors using Excel 2007 from the data of the Ministry of Finance and the Global Development Finance.

Note: the figure in colour in the column before the last indicates the situation of sustainability.

TABLE 5: RESULTS OF THE AUGMENTED DICKEY-FULLER TEST ON THE NATIONAL DEBT, THE PUBLIC EXPENDITURE AND THE PUBLIC REVENUE ACCORDING TO THE ACTUARIAL TECHNIQUE

Variables	Level of significance α	Stationarity 1 %	Stationarity 5 %	Stationarity 10 %
	National debt		No	No
Public expenditure		/	/	Yes
Public revenue		Yes	/	/

Source : authors

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