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The Financial and Economie Crises and its impact on Developing Countries : The case of Cameroon

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The Financial and Economic Crises and its impact on Developing Countries: The case of Cameroon

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GENERAL INTRODUCTION

The 2008 financial and economic crisis originates from a degradation of the American housing market. This crisis led to the bursting of the subprime bubble which began with a real estate and then a financial and banking crisis before turning into a real economic and social crisis that rocked the global financial and economic systems. Even though not all countries have experienced this subprime mortgages crisis, they nevertheless suffered the repercussions because of the globalization. Thus, the interdependence of economies has favored the propagation of the crisis from developed countries to emerging ones then finally towards developing countries. For African countries, this crisis has been a serious drag in the sense that it occurred at the time when the continent began a turning point gradually laying the groundwork for accelerating growth and reducing poverty. This led to the reduction of efforts made since the beginning of the millennium and compromising prospects for achieving the Millennium Development Goals (Nyembwe and Mbantshi 2009). These authors reveals that the economic growth rate of Sub-Saharan African (SSA) countries which was 8% in 2007, stood at 6.3% in 2008 and this rate reached 2% in 2009.

In this project, we propose to analyze the different types of impacts of financial crises on developing countries. Thus, we chose to analyze the impact of the 2008 financial crisis in Cameroon. The motivation that influenced our choice is double. First, it is interesting to analyze the recent crisis because it manifested in two forms (financial and economic). Then, the choice of Cameroon is due to the fact that among the SSA countries (except South Africa), this country seems to be specific because of its diversified economy.

That said, a deep analysis of this topic comes down to the following series of questions : what are the major channels through which the global financial and economic crisis had spread to Developing countries (DCs) especially African countries? In the case of Cameroon, we want to kow : what are the impacts of the crisis on Cameroon ? what channels had allowed the trnasmission of the crisis ? what stabilization measures were taken ?

To address these questions we will articulate this project in three main chapters. The first chapter provides a comprehensive overview of the 2008 financial and economic crisis. The first section of this chapter presents the origins and the deployment of this crisis. The second part of the chapter presents the different ways by which this crisis has spread throughout the world and more particularly in developing countries. It also present the consequences of this crisis on the economy taken globally.

The second chapter is devoted to the analysis of the Cameroonian economy in the face of the international financial crisis and the resulting recession. Before analyzing the main channels through which the crisis affected the Cameroonian economy, we first present the country's macroeconomic background.

The third chapter focuses on the impact of the crisis on the Cameroonian economy. First, we present the impact of this crisis on its economy. Then, we highlight the response policies of the Cameroonian government to this crisis.

CHAPTER I : THE 2008 FINANCIAL AND ECONOMIC CRISIS

Introduction

The year 2008 was marked in the history of the 3rd millennium by a serious collapse of the global economy that the world has not known since the stock market crash of 1929. The financial crisis that flushed in the summer of 2007 is considered as a hurricane having ravaged the financial sphere and precipitated advanced economies in recession. This crisis is striking not only by its magnitude, but also by the speed of its contagion to the global financial sphere and its duration. These factors make it one of the most impressive and, out of doubt, unparalleled crises in recent financial history. This will lead experts in financial crises to call it « *the second great contraction* » (Esposito 2013).

The various origins and the deployment of this crisis will be analyzed in the first part of this chapter. Then, in a second part we will focus not only on the channels through which the crisis spread to other economies but also on its consequences.

Section 1 : Origins and deployment of the subprime crisis

This section aims to highlight the various origins (macro and microeconomic) of the subprime crisis. But, it also describes the way the crisis deployed.

1.1. Origins of the subprime crisis

Before elucidating the various origins of this global financial meltdown, we think it would be useful to define the fundamental concept of subprime. In fact, subprime are mortgages granted from the 2000s to American households that do not satisfy the conditions to subscribe to a conventional mortgage[1]. While traditional borrowers are called "prime", these modest households are called "subprime".

[1] Households with very low incomes or people without income, without employment and without assets (NINJA, No Income No Job or Asset) in order improve their living conditions.

According to Artus et al (2009), two main types of explanations are advanced to explain the origin of the subprime crisis: the macroeconomic causes on the one hand (American monetary policy too accommodating and global imbalances) and the microeconomic causes of on the other hand (conditions for granting mortgages, financial innovations favoring excessive risk taking in the US financial system, inadequate financial regulation).

1.1.1. Macroeconomic origins

At the macroeconomic level, during the decade preceding the crisis, the world economy benefited from very low interest rates, relatively strong growth, and yet little inflation despite the sharp rise in the price of raw materials. This credited the idea that central bank policies had become efficient and also better geographically dispersed due to the arrival of emerging countries (China, India, Brazil, Russia). In this favorable context, problems came first from US monetary policy and current account imbalances. They also came more broadly from the balance of payments, and from financial flows that move from one financial center to another depending on interest rate differentials and contribute to increasing the volatility of the international financial system.

✓ **An overly accommodative monetary policy in the US**

To encourage the growth of the US economy, the monetary authorities have pursued an extremely accommodative monetary policy that has resulted in very low interest rates since the early 1990s. A series of works (Taylor 2009, Raghuram 2010 and White 2006) believe that the US central bank (Federal Reserve) has / would have created right conditions for the development of the 2006-2007 housing bubble and the debt of the financial system, after being largely the source of the internet bubble of the years 2000-2001. After the latter's explosion in 2001, the Fed's key rate was lowered to 1%, the level at which it was maintained until 2006, in order to avoid a recession in the US economy. For five years, US banks were able to refinance very cheaply and lend more and more. Hence an excessive monetary creation that fueled speculation in the US real estate market, the low interest rates pushing economic agents to borrow more and more to benefit from significant leverage. This process lasted until the Fed decided between 2004 and 2006, to raise its key rate up to 5% to fight against inflation. It is this decision that has / would have triggered the 2007 crisis (Esposito 2013).

✓ The increase in international financial imbalances

Without denying the role played by US monetary policy, other economists focus on global imbalances as the main factor explaining the crisis (Caballero end Krishnamurthy 2009, Brender and Pisani 2007). Over the past two decades, the world geo-economy has changed dramatically. The arrival of new actors (China, India and other emerging economies, including the BRIC (S)) on the world stage has caused a structural change in the unprecedented global economy. Thus, China and India representing no less than two and a half times the population of the advanced countries, the integrated labor force in the world economy has experienced a vertiginous growth for twenty years (it would have been multiplied by four according to certain analyzes and should still increase by 40% according to the UN forecasts by 2050 (IMF 2007) At the same time, due to financial globalization, global financial flows have increased significantly with their amount rising from less than 5% of world GDP during the 1980s and 1990s to around 20% in 2007 (IMF 2012) Moreover, capital flows did not move from the rich to the poor, as one might expect on the contrary, they have turned in the opposite direction.

The deepening of international financial imbalances can be measured by the increase in current account deficits and surpluses. Although this indicator is a bit crude, it is considered as one of the main causes of the crisis because it has fueled the huge swelling of credit in the United States. At the base of current account imbalances (these represent the sum of public and private borrowing flows abroad) are very marked differences in savings, spending and debt between major economies world. Since the late 1990s, the surpluses of Asian emerging countries and oil-exporting countries have steadily increased, as these countries have limited absorptive capacity while the deficits of developed countries digging. A more detailed analysis of current account surpluses and deficits, expressed in thousandths of world GDP, whose magnitude has increased considerably between 1990 and 2007 shows the widening of the deficits, mainly that of the United States, but also of Portugal, Italy, Greece and Spain (PIGS) and the increase in surpluses, particularly for the BRICs, Germany and Japan. The example of China is particularly interesting. The very high level of household savings in this country can be explained mainly by the weak development of social protection and pension systems, which require precautionary savings. This is mainly in low-risk but low-paying bank deposits (Obstfeld and Rogoff 2009).

1.1.2. Microeconomic origins

The macroeconomic developments described above are only part of the problem. The outbreak of the crisis was also the result of microeconomic changes,often linked to a very high profitability requirement that led banks and other financial institutions to take more risks.

✓ **Easier conditions for granting real estate loans in the US**

The strong growth in mortgages in the United States is mainly due to the provision of loans (subprime loans) to households presenting risk and whose financial situation did not allow them to obtain credit *primes* credits. This move was encouraged by the US administration which had a policy of access to property. Credit recipients who accounted for only 10% of mortgage holders in 2000, reached 20% in 2006 (Rogoff 2003). The subprime loans were characterized by a very low interest rate during the first years of the loan. These rates then increased to pay the risk taken by the creditor and which was indexed to the Fed's key rates. In case of reimbursement default, this could result in the seizure of the property. The creditor could hope to limit its loss, since the continued rise in the US real estate market gave hope for a resale of the property seized at a good price. In other words, despite a significant solvency risk on the part of the borrowers, these credits did not seem risky for the banks. This explains why subprime loans have been increasingly successful: the amount of their loans increased from $ 94 billion in 2001 to $ 685 billion in 2006, which represented 23% of the total amount of mortgages subscribed in the United States in 2006 (Rogoff 2003). Finally, it should be noted that these credits were not granted directly by the banks but by commission-paid brokers, who were not subject to the same rules as the banks, and who benefited from a much less restrictive regulation.

✓ **The development of securitization markets for banks receivables**

If the origin of the crisis is well on the subprime market, that is to say in a sub-compartment of the market of US mortgage loans at variable rates, this crisis then spread very quickly to global banks taking the form of a liquidity crisis. The spread of this crisis has occurred thanks to the securitization mechanism. This latter gives to credit institutions the possibility of transforming their illiquid receivables recorded in their balance sheets (real estate loans, consumer loans) into much more liquid marketable securities that come off the banks' balance sheet and are placed in the financial market.

1.2.The subprime crisis deployment

We describe here the different episodes of the manifestation of this crisis. It began with an explosion of the housing bubble followed by the scarcity of liquidity in the financial system.

1.2.1. The explosion of housing bubble

When the Fed feared a resumption of inflation (1% in 2004 and 5.25% in 2006), it modified its very accommodative monetary policy and raised its key rate from 1% to 5% (Esposito 2013). The ensuing rise in interest rates put an end to the euphoria and precipitated the deflation of the housing bubble and the crisis. Rising interest rates on subprime mortgages made defaults and foreclosures increase dramatically, even though the Bush administration asked financial institutions to renegotiate loans rather than seize real estate. The very high social and economic cost was not limited to insolvent households, but also affected the municipalities where they resided, before reaching financial institutions. The declining demand in the US real estate market led to lower prices in this market, so that creditors were unable to recover all of their loans. They suffered considerable losses by selling the foreclosed real estate, which provoked the explosion of the American real estate bubble.

1.2.2. The drying up of liquidity and the banking crisis

Very quickly, the crisis which spread to all banking systems and global financial markets took on the appearance of a systemic crisis because structured subprime products were traded around the world. When the risks became clear, these products whose underlyings were mortgages turned their value down. Their rating decreased, which made them even less attractive and further pushed their value down. All the American and foreign banks which had invested in these products found themselves in difficulty and forced to provision their depreciations of assets. Banks were suddenly forced to recapitalize and the sovereign funds of emerging countries then entered the capital of big banks.

We have just seen that the subprime crisis has its origins in the combination of macro and microeconomic facts. These latter have favored the granting of somewhat easier loans whose failure in repayment has generated chaos. From the housing bubble, the crisis took a financial turn before becoming global by contagion effect. In the following section, we will analyze the different channels through which this crisis has spread to the world.

Section 2 : Subprime crisis : Transmission channels and consequences

Contrary to what was originally hoped, the subprime crisis was not limited to US territory. The United States succeeded to export its problems all over the world. The acceleration of financial globalization in recent decades has made this type of contamination inevitable. As a result, any shock in a country especially in the US is felt everywhere on the planet.
This economic evidence suggests that the contagion effect of the subprime crisis should reach the different countries in both the financial and real spheres. In addition, many have been the consequences of this crisis on different economies (developed or emerging).

This section analyzes the consequences generated by the subprime crisis. But before that, we will see the various propagation channels of the crisis that have set in motion for both advanced and emerging economies.

2.1. Transmission channels of the crisis

Like the causes, the transmission channels of financial crises differ from one crisis to another or from one category of economy to another. Here we analyze the transmission channels of the 2008 financial crisis first in developed countries and then in emerging economies. By developed countries we mean countries with a developed financial system and a high level of interconnectivity with the global financial system (European and North-American countries). We would like to point out that for emerging economies, we choose here to analyze only the case of African countries because of their low level of financial integration into the global financial system.

2.1.1. In advanced economies

In this case, financial institutions are the main link through which the crisis left the US to cross the Atlantic. History memorizes that financial institutions (credit institutions and banks) have recorded significant losses following the explosion of the US housing bubble. To this end, many

institutions both in the US[2] and Europe have even gone bankrupt. On the other hand, some of them were either saved[3] or bought back[4] (Jamet 2008).
However, the diffusion of the crisis to the real economy was done through two complementary mechanisms: the credit channel and the assets' depreciation channel (or patrimonial effect).

With regard to the credit channel, it characterized by the increase in the credit or even its contraction. Banks have the greatest difficulty in finding cash and equity and are less able to provide loans to businesses and households. Despite the efforts of central banks to ease tensions in the money market, interest rates have risen. It has become more expensive for businesses but also for individuals to finance themselves because all creditors require higher risk premiums because of the crisis of confidence that has set in. SMEs are the first to suffer from this situation, with banks preferring the least risky borrowers (governments and large corporations). The drying up of credit reduces economic activity. So, without the possibility of resorting to borrowing, households reduce their expenses while companies postpone or cancel investments or even run into liquidity problems that can lead to bankruptcy (Couderc and Montel-Dumont 2009).
The second channel lies in the depreciation of assets, furniture and real estate. Falling property prices and falling stock prices are devaluing the wealth of households and businesses. They see their real wealth drop thus changing their behavior. They may tend to save more to rebuild the initial value of their wealth. If household behaviors adjust in this way, there is a negative effect on consumption that amplifies the crisis. This effect is particularly noticeable in the US, as American households are very sensitive to asset write-downs because of their retirement savings invested for half on the stock market (Delhommais, Gatinois and Michel 2008).

Jamet (2008) found that the lower morale of households and business leaders led them to be more cautious and to postpone consumption and investment. In the United States, household confidence is down sharply year-on-year, and confidence among purchasing managers reached its lowest level since 2003 in December 2007. Similarly, in the European Union and the euro area, household confidence reached in January 2008 its lowest since 2005.

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[2] This is the case of New Century Financial Corporation in April 2007 (while the market capitalization of this organization reached $ 1.7 billion as of January 1, 2007), or Aegis Mortgage, Home Bank, First Magnus Financial and American Home Mortgage in August 2007.

[3] The British bank Northern Rock was saved only by the spectacular intervention of the Bank of England which granted it a loan of 3 billion dollars in September 2007. In Germany, it took the intervention of the State to save Bank IKB from bankruptcy.

[4] Several regional banks were bought back after suffering significant losses from loans made in the United States.

2.1.2. In African countries

Unlike advanced economies, the financial sector in these countries is less advanced. This does not necessarily mean that financial institutions have not been affected by this financial crisis.. The recent crisis literature notes these countries were affected through four channels of transmission, the trade and productive channel, the financial channel, the external financial flows channel and finally the price channel.

- ✓ **The trade and productive channel**

This channel represents the foreign trade structure of the countries concerned. It gives an overview of the export demand of African economies as they are mainly based on the production of raw materials export. The importance of this channel comes from the fact that a recession in developed countries is likely to reflect a decline in imports and exports in these countries.

HUGON (2009) found that the demand drop of industrial and emerging countries and the rise of protectionism have reduced African exports in volume. In six months European products imports coming from Africa dropped by 5%. According to him, the recession of industrial countries led to a decline of exports in the value accompanied by a drop in commodity prices. The terms of trade of (+ 12.2% in 2008) decreased by 15.3% at the beginning of 2009. This shock was particularly important for oil-producing countries: from + 29% in 2008 they dropped by 44.9% at the beginning of 2009.

Some products such as gold or cocoa, have experienced an upward trend. The price of cocoa has thus risen despite the demand drop for chocolate because the Ivorian sector was in a political crisis context pressurized by tax system. Therefore Ghana and Nigeria have been beneficiaries. Of course the price volatility effect is greater than the one of the trend and one observes in mid-2009 there was a recovery in commodity prices (According to the Scotia commodity price index).

The decline of exports in value has been reflected in terms of foreign exchange and budgetary revenues. The demand drop for primary products and their prices is slowed down investment projects put in place at a time of soaring prices in oil, mining and agricultural sectors. One has thus the price drop of hydrocarbons, mining products (except gold) and agricultural products (except sugar, maize and cocoa). The price drop effects of commodity prices are positive for net importers of hydrocarbons and food products, even if they make some agricultural projects less profitable. On the other hand these effects are are very negative for hydrocarbon producing

(Angola, Nigeria, Sudan) and mining and agricultural products states (Cameroon, Ivory coast, Ethiopia, Kenya, Sahelian cotton-exporting countries).

✓ **The financial channel**

This channel reflects the connection degree of African countries financial institutions to the European financial markets and even to the global financial system. Thus, in the short run, African economies have been relatively disconnected from the financial crisis except the most integrated countries in the global financial system and / or experiencing financial liberalization. This is the case for Botswana, Ivory coast, Mauritius, Nigeria, Egypt, South Africa and Kenya where financial centers have fallen. Those of Accra, Douala, Tunis, Malawi or Tanzania have increased. There are several reasons for this: financial products are unsophisticated, financial markets are embryonic, money markets are limited. Banks are globally "surliquid" and have few toxic products, short-run external capital are limited and the weight of external indebtedness has become limited in view of relief measures.

✓ **The external financial flows channel**

This channel is made up of the different financial flows received by African economies either in the form of investment (FDI and remittances) or for their development (ODA). The channel is essential in this sense that a drying up of financial resources to Africa would reduce the new development efforts that countries have started to make since the beginning of the millennium.

Nevertheless, HUGON (2009) found that several financial effects appear. The decrease in remittances is estimated at 1 billion USD while it represents 20 billion USD in Africa. Jobs and incomes of immigrants are the first to be affected in industrial and emerging countries (precarious jobs, real estate sector). Foreign direct investment decreased particularly in the mining and forestry sector. Multinational subsidiaries banks saw their loans decrease leading to the suspension of several investment projects and the reduction of commercial credit lines for imports or investments. On the other hand, the rise in public deficits risks to cause eviction effects vis-à-vis private projects. There is a drop in the share of official development assistance (ODA) which fell below 100 billion USD (compared with the 3 trillion USD stimulus plans of industrial countries), while 150 billion USD are needed for to achieve the 2015 Millennium Development Goals (MDGs).

- ✓ **Prices channel**

Knowing that prices are the main element from which trade negotiations are conducted, its volatility would have an impact on trade.

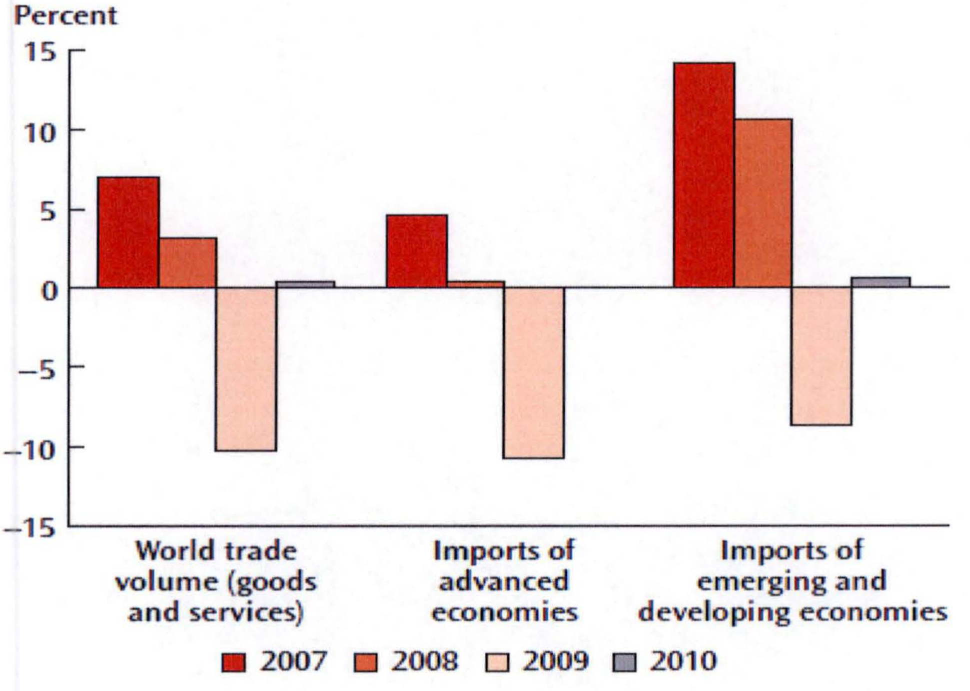
Heavily dependent on oil, agricultural and food prices, African economies suffered the effects of extreme price volatility making impossible any prediction and thus favoring short-run behavior. Thus, a drastic drop on exporting commodities prices would more affect oil exporting countries than importers countries. Among those oil exporting countries, some of them can be qualified as oil-dependent (Angola, Congo, Gabon, Equatorial Guinea). Oil revenues of the latter constitute up to 90% of their exporting revenues (ECA 2009).

2.2. Consequences of the crisis

The subprime crisis has had disastrous consequences for all economies. This point analyzes the impacts of this crisis on a global level. We could have analyzed the consequences of this crisis on several aspects (employment, public finances, public debt, access to credit ...), but we chose to retain only the impacts on international trade links and on global growth.

The banking crisis resulting from the financial systems of advanced economies had set in motion the financing of the real economy. As shown in Figure 1.1, the commercial transactions flow has been declining since the year 2007. The contraction in economic activity is most sharply felt in advanced economies, which have decidedly entered the severest recession since the Great Depression, with consumer and investor confidence indicators at historic lows following the dramatic broadening of the confidence crisis in financial markets in October 2008. This recession of the industrial economies reduces at the same time exports of African economies towards developed countries.

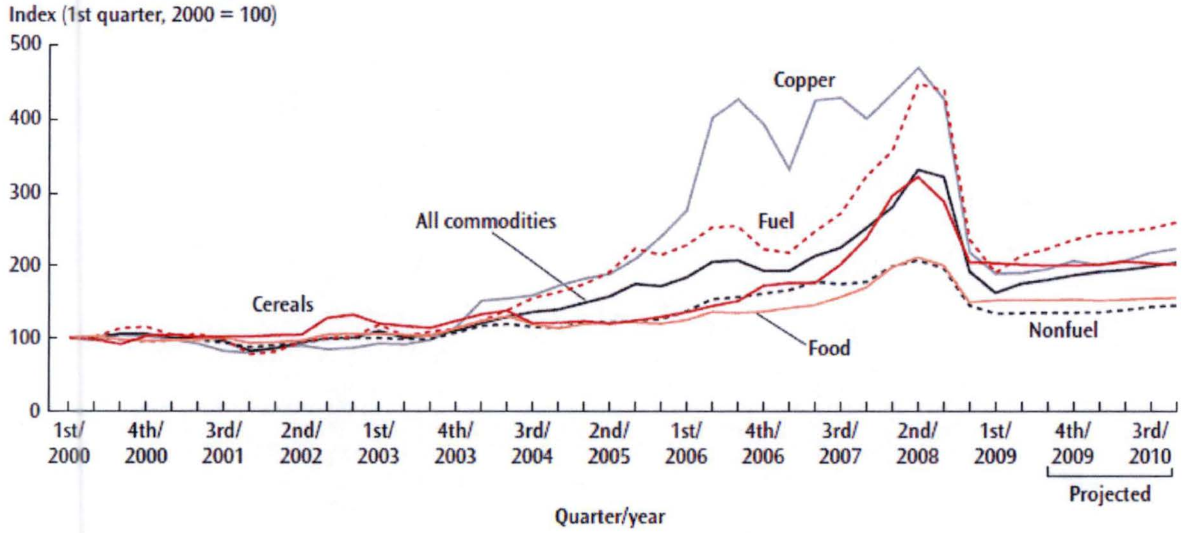
Figure 1.1 World trade in goods and services, 2007 – 2010



Source : IMF (2009)

In addition to what has just been said, Figure 1.2 shows that the contraction of international trade due to the economic situation has an impact on commodity prices. However, commodity prices have shown spectacular increases until summer 2007. Most of the increases were directly or indirectly linkedto higher oil prices and increased demand for biofuels (World Bank 2008).

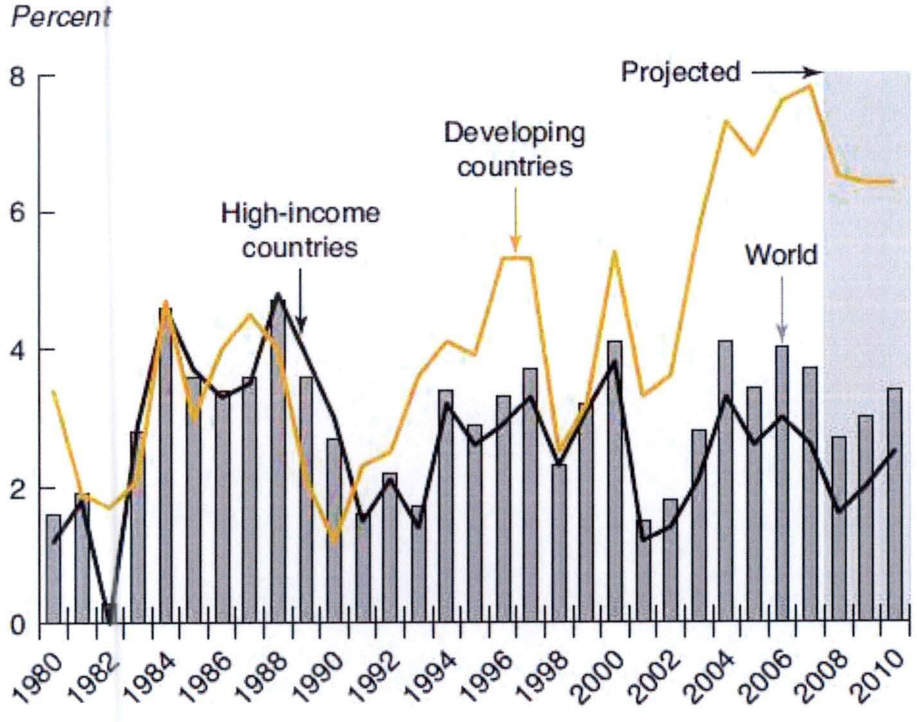
Figure 1.2 Commodity price indexes, 2000 - 2010



Source : IMF

In terms of economic growth, Figure 1.3 shows that the shock of 2008 also had an impact on the growth of advanced and emerging economies. As a result, Developing-country imports have become an important driver of global growth. More than half of the growth in global demand (World Bank 2008). This is proof that since the early 2000s, emerging and even underdeveloped economies have made remarkable efforts towards development and poverty reduction.

Figure 1.3. Real GDP growth, 1980 – 2010



Source : World Bank data and forecasts.

From what has just been said, it appears that the advanced economies have been mainly contaminated by this crisis via the financial channel. This is due to the positions taken by their financial institutions on the products of the US financial markets. Most African countries have been only affected by the elements of the real sphere given the structure of their export-dependent economies and not integrated into the global financial system.

Conclusion

In sum, this crisis was primarily that of toxic financial products and the irresponsibility of some banks. The so-called "subprime" loans, granted without scruple to the less creditworthy borrowers provoked a chain reaction with the blessing of the rating agencies. This finally reached the heart of the financial machine. Because the epicenter of this crisis is in the United States, the world's largest economy, it will affect the entire planet in the era of globalization. We could say that this financial crisis was the lack of regulation of a financial globalization whose exponential development was not accompanied by any global regulatory mechanism. This crisis has also had many impacts on the economic indicators of some countries, but also at the global level. It also sank famous banks that were thought to be "too big to fail" like Lehman Brothers. Although resolutions have been taken at the global level and in each country, there are still some pre-crisis behaviors currently observed.

Now we have an idea about the crisis we are analyzing, we will analyze how this propagated to the Cameroonian economy.

CHAPTER II : CAMEROON AND THE 2008-2009 GLOBAL RECESSION

Introduction

In the previous chapter we examined the 2008 financial crisis of through which we emphasized its (macroeconomic and microeconomic) origins. We have also elucidated various ways in which this crisis has affected advanced and developing economies, especially those of Africa.

Now we have a general idea of this, the question we are asking is *how did this crisis particularly affect Cameroon?*. The answer to this question will be the subject of this chapter.

This chapter will be structured in two parts. The first section makes a panoramic presentation of Cameroon. The second section identifies different channels through which the crisis propagated to this country.

Section 1 : The macroeconomic background of Cameroon

In this section, we present Cameroon as a whole. At first we present its geographical and demographic frame. Then, in a second step we present the economic prospects of the country through its economic sector and its financial landscape.

1.1. Physical frame and demographic situation

Cameroon is a Central Africa country. Yaoundé and Douala are respectively its political and economic capitals. The country sketches a right triangle whose hypotenuse stretches from Lake Chad to the Gulf of Guinea for more than 1500 km and the base from the Atlantic Ocean to the border with the Central African Republic for 800 km[5].

Cameroon has a total area of 475 650 km^2 of which 466 050 km^2 is continental and 9 600 km^2 is maritime. This country is bounded by the Republic of Chad (on the North – East), Central African Republic (on the East), the Republic of Congo, the Gabonese Republic and the Republic of Equatorial Guinea (in the South) and by the Federal Republic of Nigeria (in the West).

[5] See Appendix 1

With neighboring countries (except Nigeria), Cameroon forms an economic and customs community called the Economic and Monetary Community of Central Africa (CEMAC). This community has CFA Franc as common currency which is directly attached to the euro (through a fixed exchange rate regime).

According to the third census results performed in 2005 relying on the 1987 census, the Cameroonian population at 1st January 2013 is estimated to 20.7 million of which 51% are women. The age pyramid of the population presents a broad base reflecting the extreme youth of this population. In fact half of the Cameroonian population is under the age of 17. With regard to sex, the median age is 18 for women and 17 for men. Regarding the density of the Cameroonian population, the number of people per km^2 is 46 in 2013 while there were 40 inhabitants per km^2 in 2007 and 37.5 in 2005.

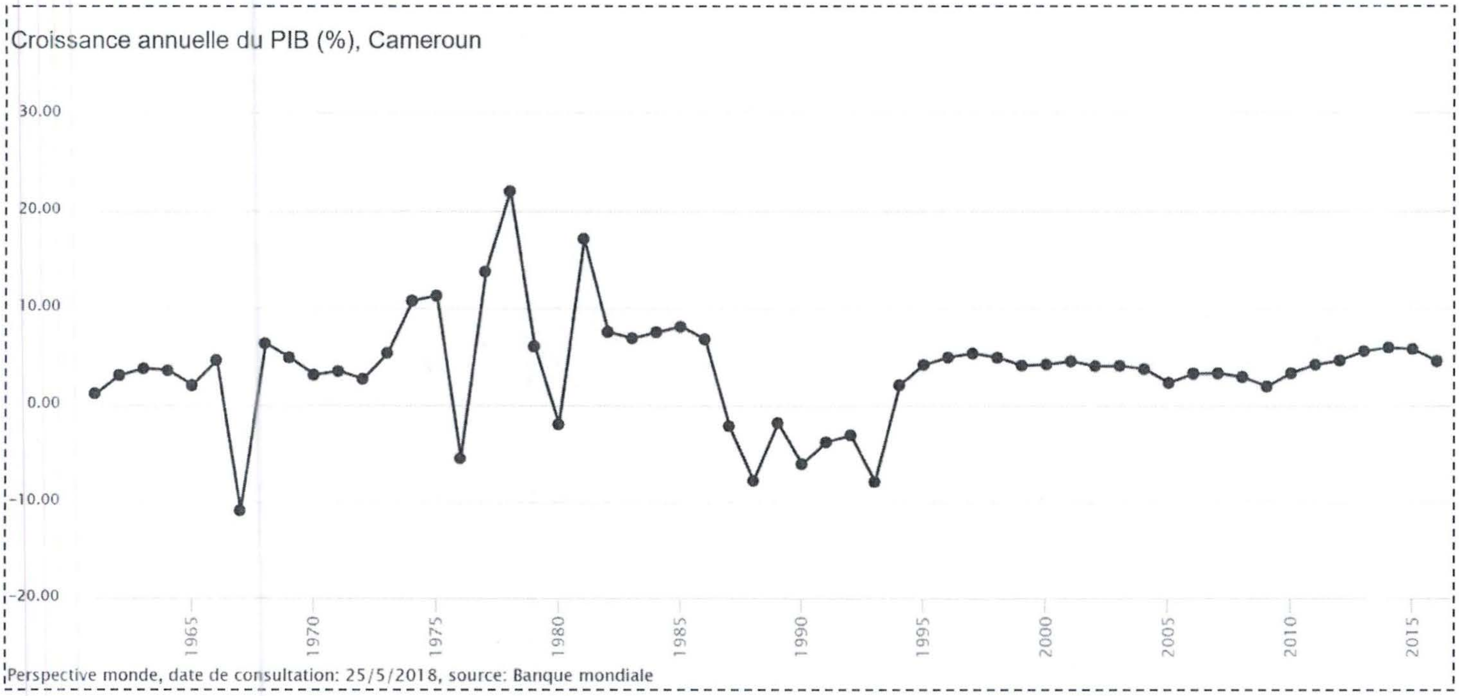
1.2.Economic background and financial landscape in Cameroon

The Cameroonian economy is undoubtedly the strongest and most diversified of Central Africa region and even of the CEMAC countries. This is due not only thanks to numerous foreign establishments but also to many national groups. There are wide variety of activities in this country, particularly in the forestry and agricultural (cash crops and food crops), hydrocarbons, the industry around beverages, sugar, oil, soap, milling, aluminum, cement, metallurgy, primary wood processing sectors[6]. We can summarize Cameroon's economic indicators by the following variables:

- ✓ **Growth indicators**

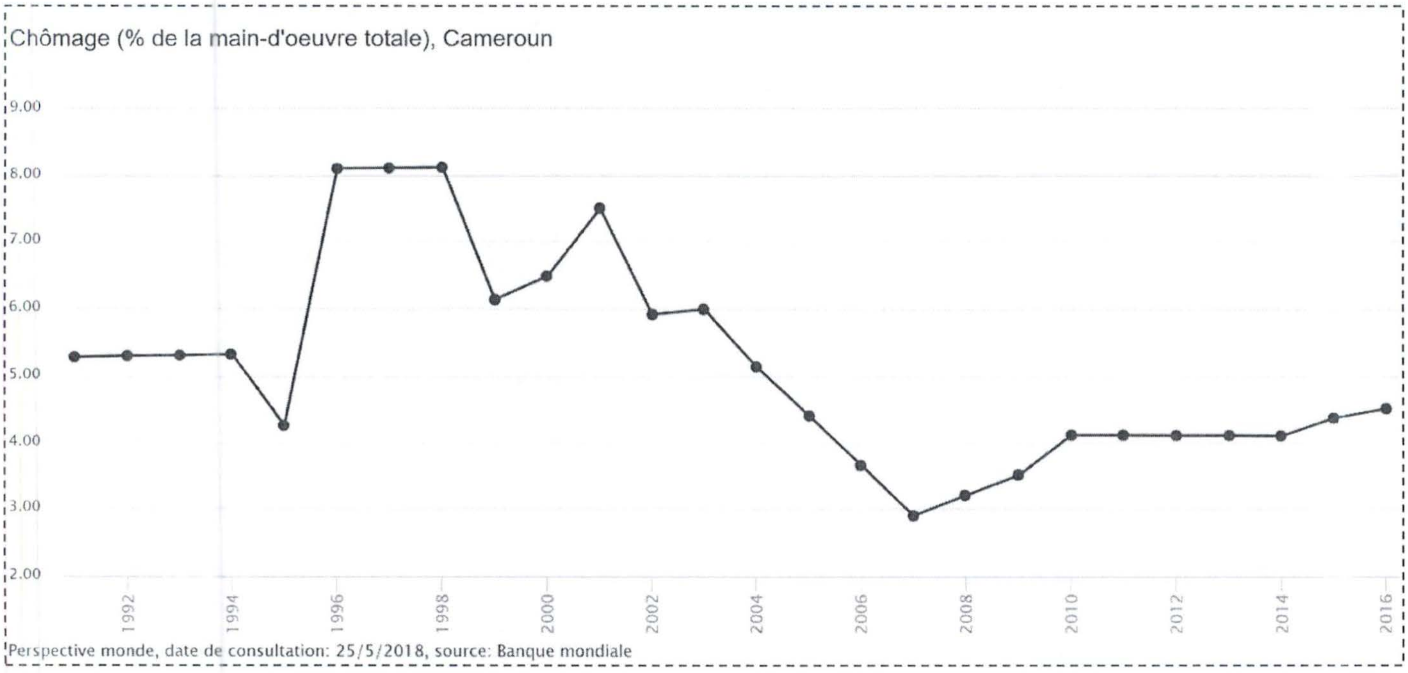
[6] For more details please follow the link : https://en.wikipedia.org/wiki/Economy_of_Cameroon

Figure 2.1. Annual growth of GDP in Cameroon between 1960 and 2016 (in %)



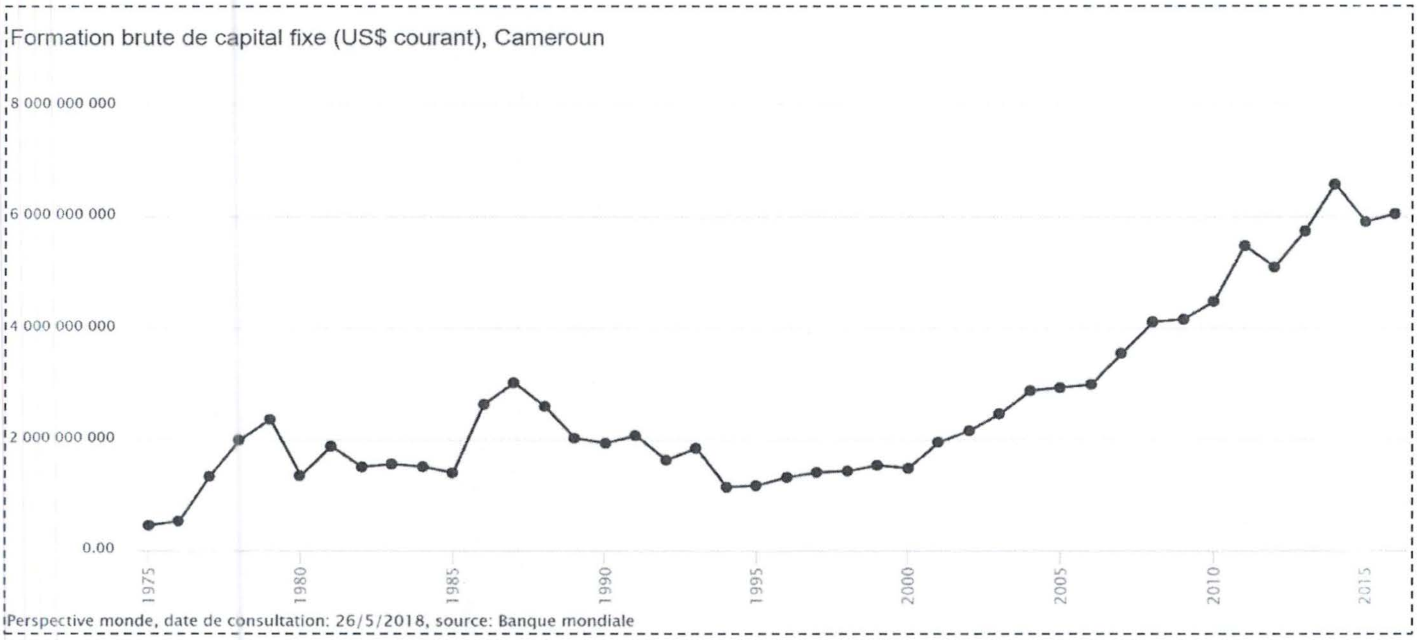
Source : World Bank (2018)

Figure 2.2. Evolution of unemployment rate in Cameroon between 1990 and 2016 (in %)



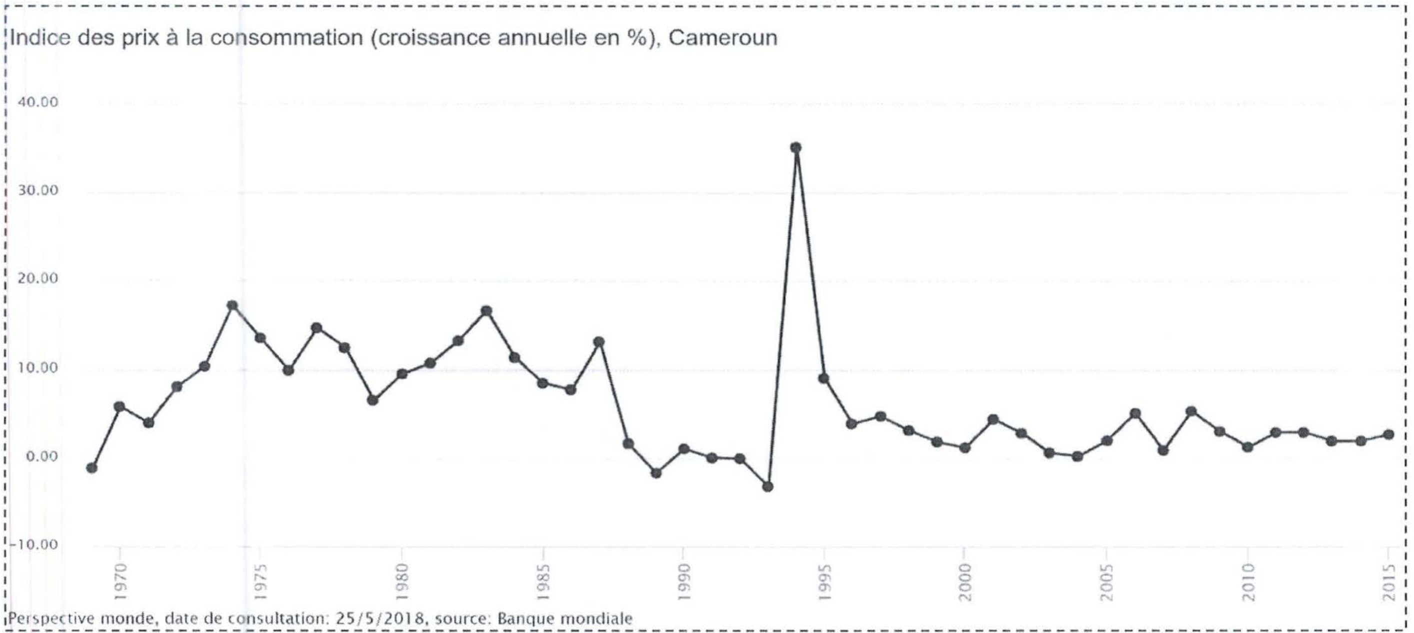
Source : World Bank (2018)

Figure 2.3. Evolution of inflation rate in Cameroon between 1968 and 2015 (in %)



Source : World Bank (2018)

Figure 2.4. Evolution of investment in Cameroon between 1975 and 2016 (USD current)



Source : World Bank (2018)

Figure 2.1 above shows that Cameroon has had positive and stable growth for more than two decades. Long before that, the country experienced difficulties in the mid-1990s marked by the devaluation of the FCFA. Despite the efforts made since the beginning of the millennium, the country is struggling to return to double-digit growth as in the 1970s. The unemployment rate which has been falling since the beginning of the millennium, has started to increase again of 2007 (see Figure 2.2). Unemployment is more striking here for educated youth (who have undertaken university studies) and who have difficulty in entering the local job market. This leads to the proliferation of self-employment activities thus increasing the rate of underemployment at 71.5% (FNE 2016).

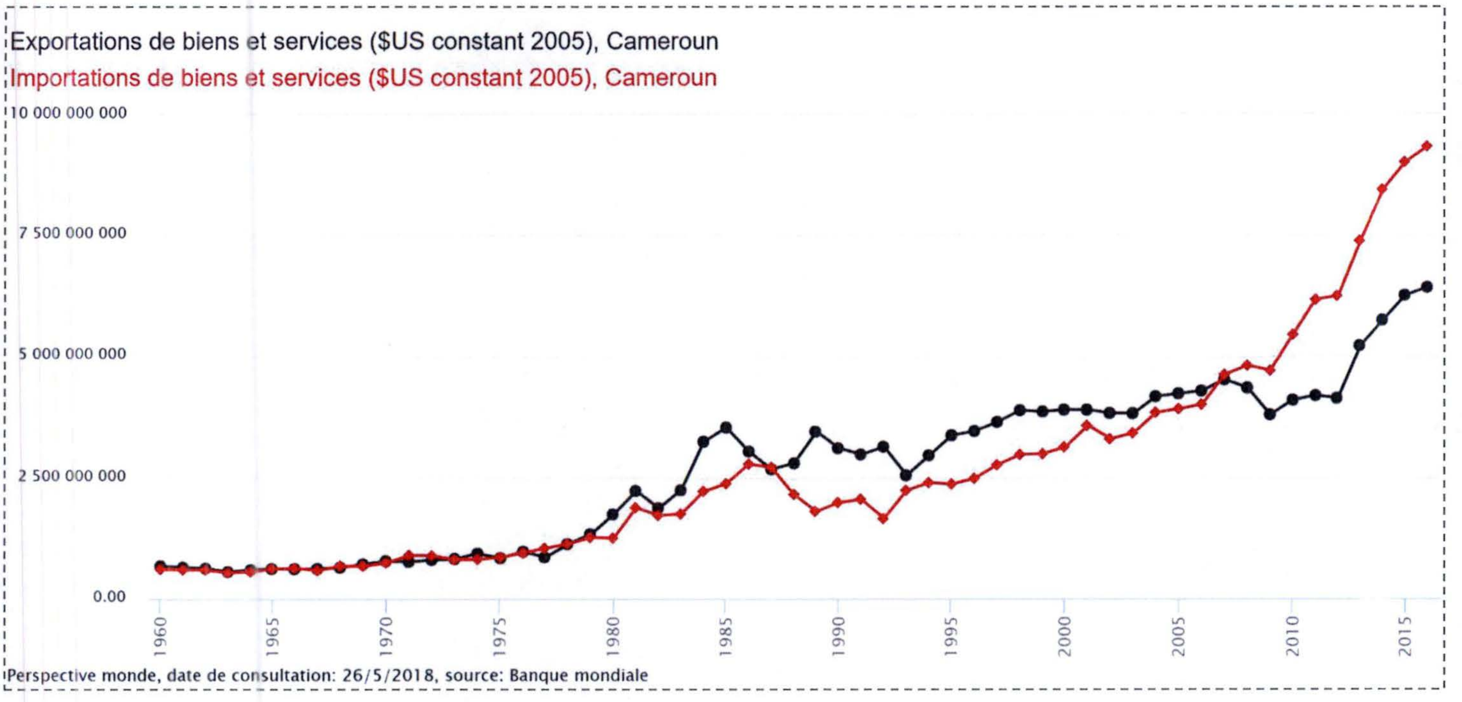
Until the 2000s, Cameroon had a fairly oscillating inflation rate (Figure 2.3) with the peak reached in 1994 during the devaluation of CFA. Since the beginning of the millennium, the tensions on household final consumption prices have been sharply lower than in previous decades. During this decade, the year 2008 was marked by an increase in the prices of staples and especially fuels. This rise is in line with the global inflationary trend of the crisis.

Investments in Cameroon had a slight upward trend between 1975 and the early 1980s (Figure 2.4). The change of political regime in 1982 decelerated investment in that country for the next decade. This was because of a political regime that did not reflect the insurance in the eyes of investors (local or foreign). But since the mid-1990s, the trend has become bullish forever. This is particularly due to the political stability of the country, but also to the government large investment projects in order to make the country emergent in 2035.

The current trade structure of the country can be summarized by the following

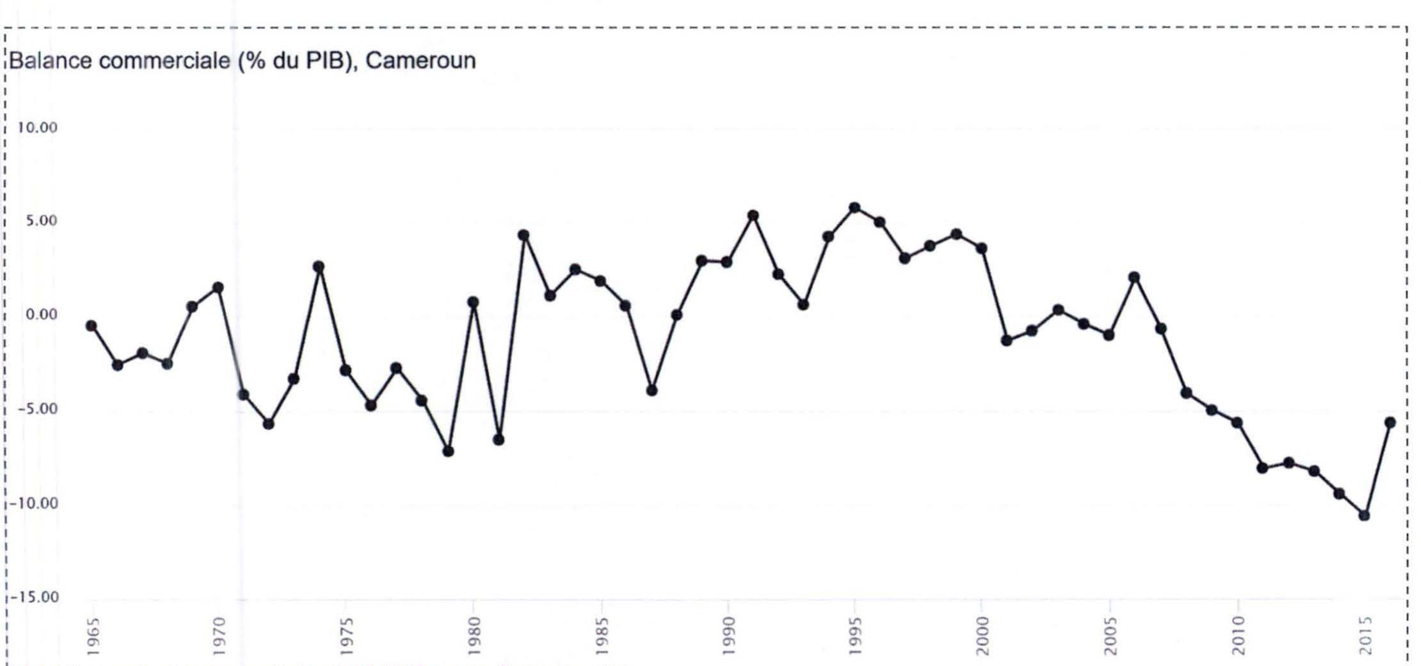
- ✓ **Trade overview**

Figure 2.5. Evolution of exports and imports in Cameroon between 1960 and 2016 (USD constant)



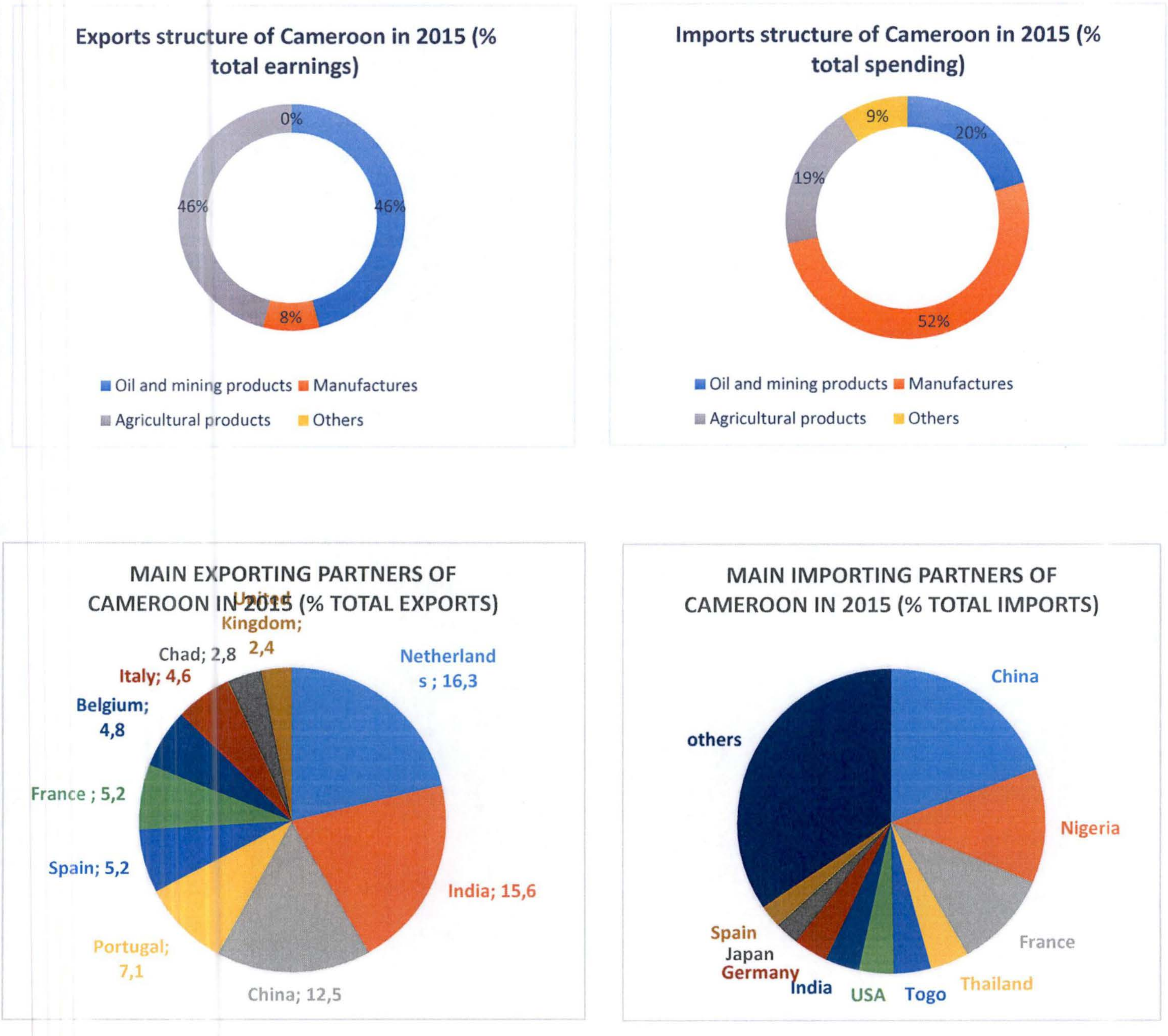
Source : World Bank (2018)

Figure 2.6. Evolution of trade balance in Cameroon between 1965 and 2016 (% GDP)



Source : World Bank (2018)

Figure 2.7 Structure of exports and imports of Cameroon in 2015



Source : Comtrade, last data available

Figures 2.5 and 2.6 show that Cameroon's foreign trade structure was largely dominated by exports rather than imports from 1960 to 1979. However, the country experienced a trade surplus over almost three decades (between 1982 and 2008). But since the 2008 financial crisis, there has been a continuing trade deficit. This deficit was accentuated by the fact that after the crisis, the authorities took investment incentive measures in Cameroon. That said, the drop in barriers (customs taxes, for example) is increasingly pushing private companies to import-based activities.

The country's imports are heavily dominated by manufactured goods (consumption, construction and health). This confirms the weak industrialization in the most basic areas. Figure 2.7 shows that exports are dominated by petroleum and mining products, and especially by raw materials. This structure differentiates Cameroon from other countries that are only exporters of petroleum products. Low industrialization only allows the country to export a small percentage of manufactured goods that are generally used as intermediate consumption elsewhere. A further remark is that trading partners are increasingly emerging countries (China, Turkey, India) in contrast to past decades.

Now we have presented the economic sector of Cameroon, let us have a look on its financial sector.

The financial landscape in Cameroon consists of financial institutions. These institutions are governed by the 1990 presidential decree defining financial institutions as legal persons which in part of their usual profession carry out one or more banking operations. Thus, financial institutions consist of commercial banks[7], national financial institutions, postal savings banks, financial investment and equity companies. The country has one stock market (Douala Stock Exchange)[8] which has no connection with foreign companies and no longer integrated with financial systems of advanced economies. The banking sector in this country is the most important and it is under the authoritty of several guardianship institutions[9].

The Cameroonian financial system is the largest in the CEMAC region with about half of the regional financial assets. This system is dominated by large foreign banks[10] and is characterized by excess liquidity. This situation of excess liquidity results from the combined effects of the banking restructuring plans and the change in monetary policy following the financial crisis of the 1980s and 1990s. Listed in a context of financial liberalization, these reforms had two

[7] To date, it has 13 commercial banks [Afriland First Bank, BICEC, SGBC, SCB ATTIJARI WAFA BANK, ECOBANK, CBC (Commercial Bank Cameroon), Standard Chartered Bank, Citibank, UBA, UBC, NFC, BGFI and Banque Atlantique) approved by COBAC.

[8] The latter is still in a state of limited growth given the number of listed companies (3) and its market capitalization.

[9] The Minister of Finance, the National Credit Council, the Bank of Central African States (BEAC) and the Banking Commission of Central Africa (COBAC).

[10] In majority subsidiaries of European banks

objectives: firstly to restore the liquidity of the banking system and secondly to allow better financing of the national economy (Hugon 1999). If banks became more liquid, they did not give more credit to the economy. This trend, far from being specific to Cameroon also concerns other countries in the Fcfa zone (Rochet 2008).

Banks are thus adopting reluctant behavior regarding the financing of local businesses, which account for 90% of SMEs. The local banking literature devoted to the financing problems of companies advance several reasons on the cautiousness character of banks. Among these reasons, only two are our attention : the asymmetry of information and the question of the guarantee. With regard to asymmetry of information, Ngongang (2015) finds that most Cameroonian SMEs do not have reliable and quality accounting documents. This increases their risk of information asymmetry. Then, the young age of these companies and the small size of their staff make them opaque, which justifies the fact that they are rationed in terms of credit. In addition, with regard to the guarantee, Nezien (2010) argues that a weak guarantee is at the origin of the problem of financing companies. He finds that 37% of the financing problems are due to the lack or insufficiency of the proposed guarantee. A further reason for the reluctance of banks to SMEs is that most of the latter having benefited from credit in the past have not generally honored their commitments (Kenfack 2016).

Although bank loans to the private sector increased by 15% between 2008 and 2009, financial intermediation and access to financial services remains limited. The expansion of lending operations continues to be hampered by limited capacity to collect information on the creditworthiness of borrowers. It is observed that heavy taxes and a 15% interest rate cap on SME loans discourage banks that have traditionally preferred to deal with large well-established companies (COBAC 2017). Regarding banking services for individuals, less than 5% of Cameroonians have access to a bank account (COBAC 2017). Access to real estate loans is also difficult. Although Cameroon is home to the main real estate fund of the CEMAC region, disbursements are not made for mortgages. This fund is facing huge problems related to non-performing loans (NPLs), hence the insolvency of this fund for several years. It is heavily subsidized by the government.

To resolve this lack or even drying up of funding to SMEs, a competition in the supply of credit to SMEs has grown considerably in recent decades with the emergence and growth of micro-finance institutions . The same banks that avoid granting long-term credit to SMEs create or acquire specialized micro-credit structures to reduce competition (Tioumagneng 2001). This downscalling strategy implies that the concerned banks have understood the importance of

SMEs as a source of income for their credit supply activity. However, despite the strong expansion of microfinance in recent years, this has not allow to solve this funding gap. (TCHATA 2014) notes that the credits granted by microfinances institutions are of limited amounts and for short periods. These amounts could not allow the expansion of the productive sector.

This section allows us to understand that the Cameroonian economy is partially oriented on the export of its raw materials and its oil and mining production. These exports which link the country's economy to the rest of the world, are also a sensitive element that can allow the transmission of a possible systemic economic crisis. Its banking system is reluctant to finance local businesses. This cautious character dates back several decades, it is not recent. Banking regulations of the subregional in terms of lending are quite strict. This saves banks from potential liquidity crises.

The following section analyzes the main channels of propagation of the subprime crisis to the Cameroonian economy.

Section 2 : Analysis of the key transmission channels of the crisis to Cameroon

We have seen above that the shocks generated by the 2008 crisis moved from the financial field to the real field. Like all developing economies, the Cameroonian economy is vulnerable to external shocks because of its heavy reliance on the international economy. Similarly to SSA economies having an undeveloped financial system, it seems clear that the main spreading channel of this crisis to the Cameroonian economy remains the real sphere and not the financial one. In this section, in addition to the trade channel, we will analyze foreign investment flows, current diaspora transfers and international government assistance.

2.1. Export demand channel

A recession in developed countries is likely to result in lower imports from LDCs (commodities, addressed commodities, tourism, etc.). When we know that the decade before the crisis almost 95% of Cameroonian exports went mainly to European countries (Belgium, France, Italy, UK and Germany) and to the United States (NIS and Comtrade 2012), we can only deduce that the sectors turned towards export could be penalized. Households that depend on export sectors could thus see their income fall due to the contraction in international trade. This decline in exports could therefore affect the Cameroonian economy growth. As other African countries

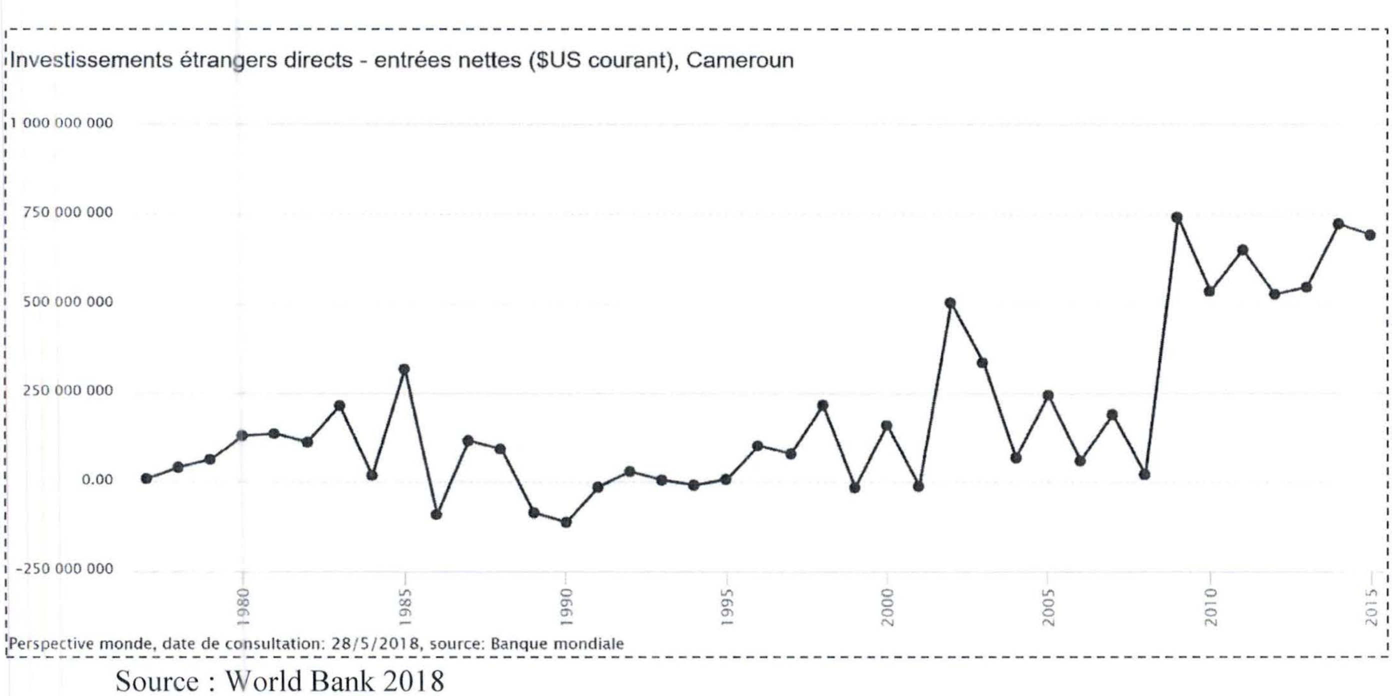
Cameroonian exports which are traditionally dominated by minerals and commodities, are exposed to global demand shocks (Figure 2.7).

In addition, it is also important to note that periods of recession are also often marked by a fall-back of protectionist economies. Given that agriculture is a crisis-sensitive sector, Garnaut et al (2009) found that the negative impact of the crisis on commodity exports could have a significant impact on the income of vulnerable groups and occasionate poverty. This contraction in export volumes could also lead to a food crisis at the national level due to the reluctance or inability of farmers to produce enough food quantities while the crisis is still in effect.

2.2. Foreign Direct Investment channel

Another channel through which the crisis has spread to the Cameroonian economy is foreign investment. A UNCTAD (1998) study estimated that there is in general a high probability that an invested dollar in Africa will go to natural resources, particularly the oil sector. As in other countries, Cameroon has different aspects that attract FDI like its natural resources (oil, natural gas, forest, agricultural products), the aluminum and energy sectors that often constitute a real bait allowing the country to attract FDI. These investments are therefore sensitive to the prevailing economic conditions in the economies of potential investors.

Figure 2.8. Evolution of FDI in Cameroon between 1977 and 2015 (Current USD)



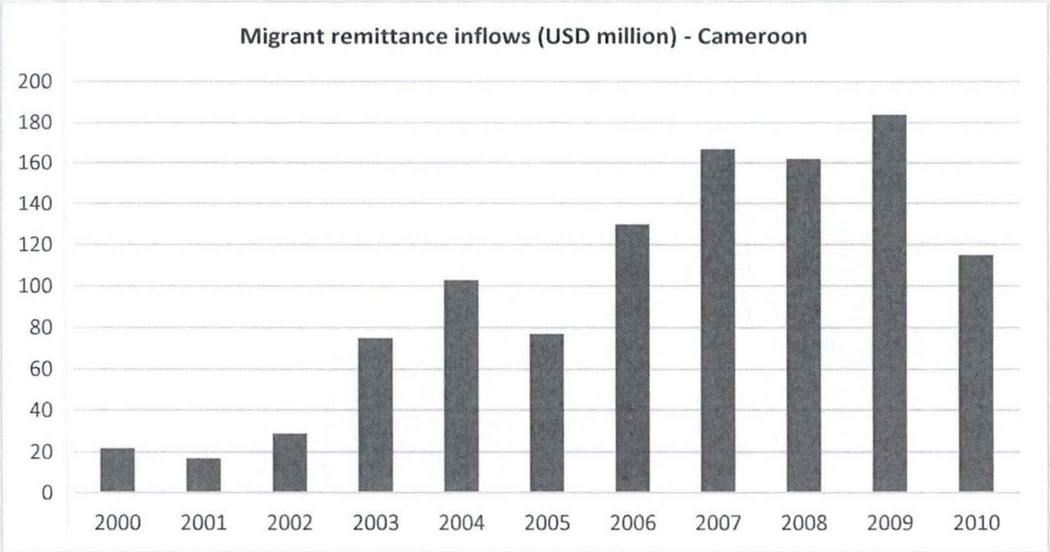
Source : World Bank 2018

Even if the figure above shows that the net amount received of FDI increased in 2009, this amount first decreased at the begining of the crisis. This confirms that the situation in 2008 was caracterized by a reduction in private capital flows due to the fact that investors and lenders were facing liquidity shortfalls.

2.3. Remittances channel

When a recession sets in, firms generally use the labor factor as an adjustment lever in the short to medium run. Lay-offs which are made result in a rise in unemployment which often causes massive job losses among migrant workers, as is the case among Cameroonians. Similarly, unemployed migrants and the ones specializing in street sales will also have to expect a decrease in their turnover due to the decline in the purchasing power of households in developed countries / or saving behaviors in the face of future uncertainties. In total, when Cameroonian workers abroad experience a drop in their income, this leads to a reduction in their remittances towards country (see Figure 2.9). Even if these funds serve as a kind of "social buffer" allowing families of migrants to consume and invest in Cameroon, these amounts of money compared to other African countries do not represent too large shares of GDP. This means that despite the status of poor country families of Cameroonian migrants do not depend heavily on the amounts received from abroad.

Figure 2.9. Evolution of cameroonian migrant remittance inflows between 2000 and 2010 (USD million)

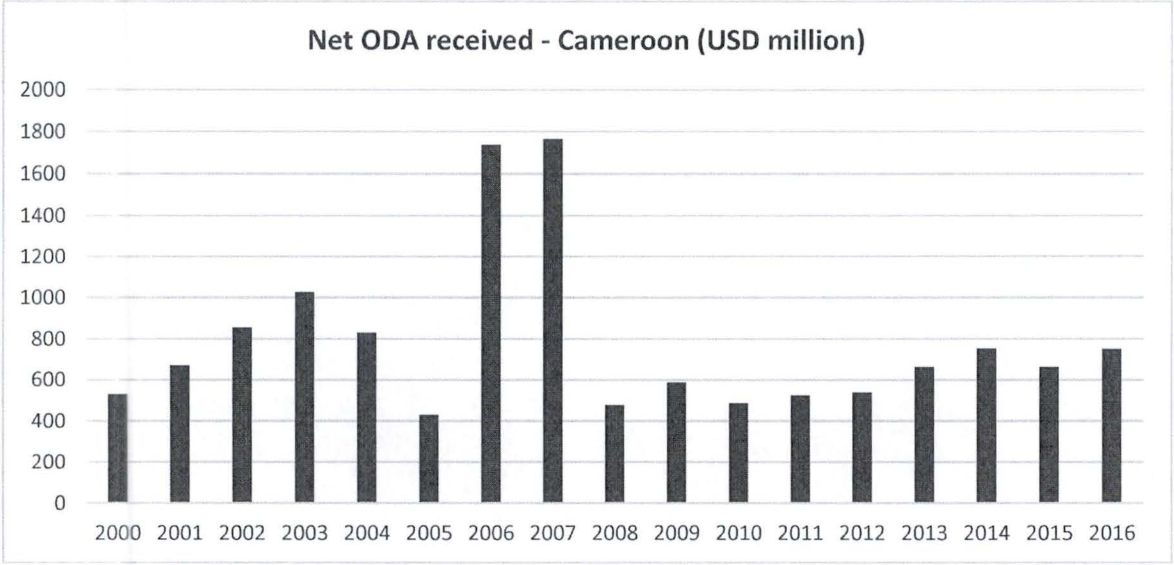


Source : World Bank (Remittance data inflows, April 2018)

2.4. Official Development Aid channel

Official development aid is also one of the privileged channels through which the financial crisis could spread its effects to developing countries (Garnaut et al., 2009). In particular, it is feared that the scale of the financial crisis may not ruin the promise made by developed countries to Africa in 2005 to grant it 25 billion USD per year to allow it reducing by half the poverty rate by 2015 in line with the Millennium Development Goals (MDGs). Cameroon's budget as the one of most LDCs is relatively dependent on budget support. It is feared that the reduction in ODA will put additional pressure on public finances reducing the margin maneuvering of the state. State adjustment efforts could have a negative impact on households (lower investment and operating costs in the social sectors, etc.). However, the figure below shows that that Cameroon receveid increasing amounts of ODA since the beginning of the millenium. But this trend fades from 2008 since public aid flows are decreasing by around 73% in 2008.

Figure 2.10. Evolution of Net ODA received by Cameroon between 2000 and 2016 (USD million)



Source : World Bank (World Development Indicators, May 2018)

On the basis of all the arguments developed in this section, it appears that the transmission channels of the 2008-2009 economic recession to Cameroon are similar to those of African countries as demonstrated in the previous chapter. The only difference is that some of these countries (Botswana, Ivory Coast, Mauritius, Nigeria, Egypt, South Africa and Kenya) have been affected via the financial sphere in addition to their real sphere.

Conclusion

In sum, Cameroon is a country with a fairly diversified economy and mainly dependent on exports of agricultural and petroleum products. The financial system of this country is dominated by banks that are in a situation of excess liquidity but which paradoxically do not participate significantly in financing the economy. It therefore turns out that the banking system of this country has not been particularly affected by the crisis. Only trade and external financing flows channels have allowed the crisis to spread in Cameroon. So far, we are entitled to think that this crisis has been more economic than financial in the Cameroonian context.

Now we know how the 2008 financial crisis has contaminated the Cameroonian economy, we aim to analyze in more details the impact of the crisis on this country.

CHAPTER III : THE CAMEROONIAN ECONOMY IN THE FACE OF THE GLOBAL FINANCIAL CRISIS: IMPACTS AND POLICY RESPONSES

Introduction

Whether countries are developed or poor, the recent financial crisis has inevitably left bitter memories by devastating their financial and / or economic situation. Cameroon was not an exception. Thus skimming the literature devoted to this financial crisis, it is clear that the impact of the latter is not uniform. This depends on the level of development of countries.

In the previous chapter, we have highlighted the channels via which the 2008 crisis propagated to the Cameroonian economy. This chapter aims at first analyzing the repercussions of the global recession on the Cameroonian economy. Then it highlights the various measures taken by the Cameroonian authorities to respond to the crisis.

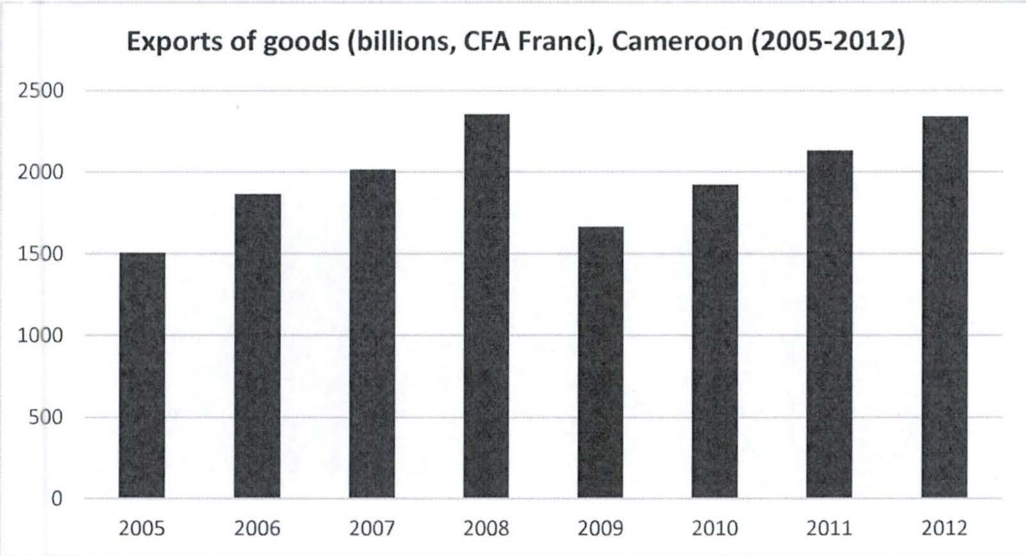
Section 1 : The impacts

The Cameroonian economy was hardly hit by the global recession and this has had repercussions on several levels. We choose to present here four main plans synthesizing the propagation channels mentioned in the previous chapter. That said, we will consecutively present impact on real economy, public finances and on social aspect.

1.1. Impact on real economy

As described above, the Cameroonian economy is essentially based on the production of export commodities coming from agricultural, mining or petroleum sectors. To show the impact of the crisis on the real economy of this country, we will only examine exports, terms of trade and unemployment.

Figure 3.1 Evolution of exports in Cameroon between 2005 and 2012 (CFA Franc, billion)

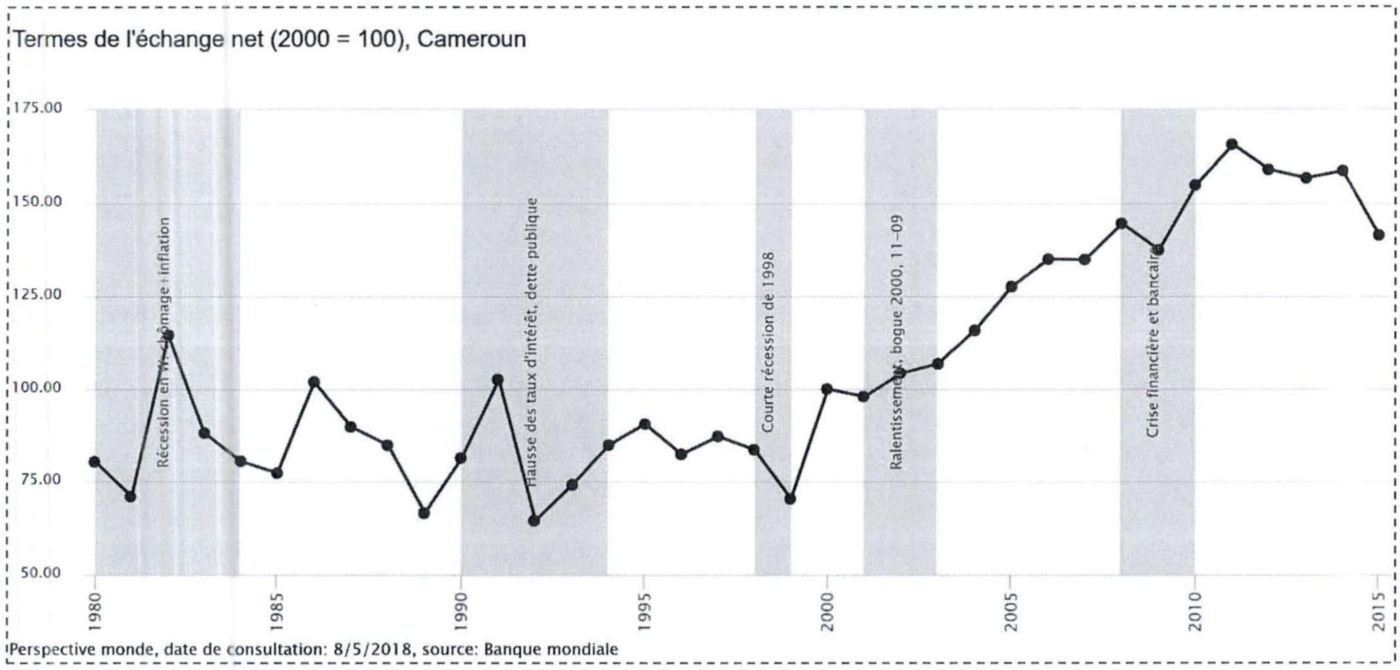


Source : OpenData for the National Institute of Statistics (NIS) of Cameroon

The previous figure shows us that before the 2008 financial crisis, the export volume of Cameroonian products abroad was gradually increasing. At the end of 2008 the country achieves its largest export volume of the 21st century thanks to the rise in prices of some export products such as oil. The year 2009 is obviously the year during which international trade is seized after its contamination by the financial crisis. Thus, the volume of exports will drop drastically by up to 29.32% compared to 2008. This drop is explained by the drop in prices of exported products and their demands on the international scene. Among the top exported products we have crude oil, wood, cotton, aluminum and rubber.

It is likely that the observed drop in export volumes conducted to a deterioration of the country's terms of trade. This can be observed thanks to the figure 3.2.

Figure 3.2 Evolution of terms of trade in Cameroon between 1980 and 2015 (in annual values)



Source : World Bank (2018)

This figure shows that terms of trade are deteriorating for the majority global recessions since 1980. Although the greatest deterioration occurred in 1992, that of 2009 is not less significant.

With regard to employment, we know that the Cameroonian informal sector employs over 60% of the labor force. In this sector, the workforce is essentially (90%) devoted to agricultural and mining activities. Thus, the contraction of global demand characterized by prices drop of exported raw materials has significantly affected the village labor force involved in agricultural export activities. This obliges some farmers to be unable to produce because they can not obtain import receipts to ensure continuity in their activities. This is how unemployment raged in this sector of the Cameroonian economy. This is confirmed by Figure 2.2 which shows that the unemployment rate increased by 10.69% in 2008, 9.35% in 2009 and 17.09% in 2010.

On the other hand, firms in the formal sector were not spared of this. Funds' contraction enabling them to finance investment projects has resulted in the shutdown of few companies like microfinance institutions (3 in total). When they did not close, some companies in this sector were forced to lay-off a significant portion of their staff, increasing the number of people living below the poverty line.

1.2. Impact on public finances

To analyze the public finances' impact of the financial crisis we insist more precisely here on the state budget, the current balance and the public debt of the Cameroonian state.

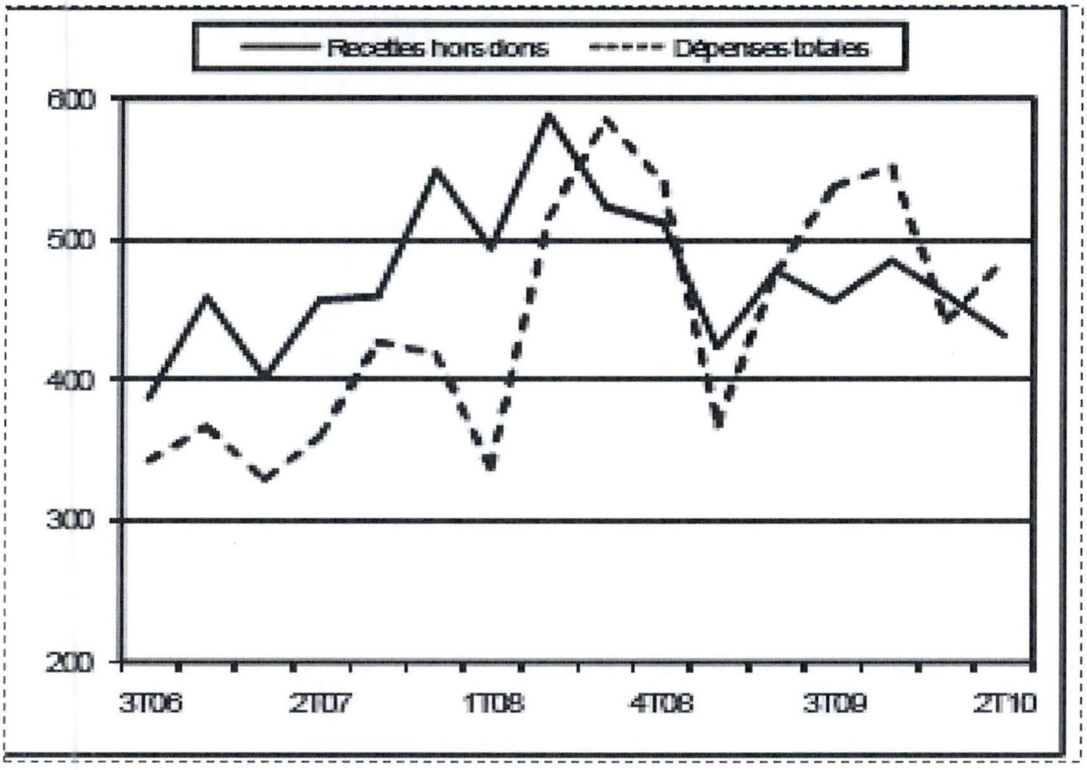
a. Impact on the state budget

As Cameroonian state revenues are mostly non-fiscal revenues (export earnings), they are expected to decline in the years of the crisis (see figure 3.1). Even if the country is not an oil-dependent economy, the drop in oil prices or even in its export volumes is reflected in the revenues received along the fiscal year. It alone accounted for 46% of export volumes and more than 50% of export earnings (INS-MINEFI 2010).

The figure below confirms what we just said and is in adequation with data presented by figure 2.2. Concretely, we observe from figure 3.3 that state revenue (excluding grants) drop from the first quarter of 2009 due to the contraction of the exported quantities. An additional remark is that state's expenditures also follow the same trend given the economic conjuncture.

A further explanation for this situation is mentioned by NJOUMENE (2009). According to him, Cameroon's 2009 budget was established under the assumption of oil price at 68 USD a barrel at the same time that the price per barrel had reached 150 USD. But since late July 2008, the price has fallen sharply reaching 36 USD in February 2009 and to 49 USD in mid-April.

Figure 3.3 Evolution of Cameroon budget (in billion of CFA Franc) between 2006-2010[11]



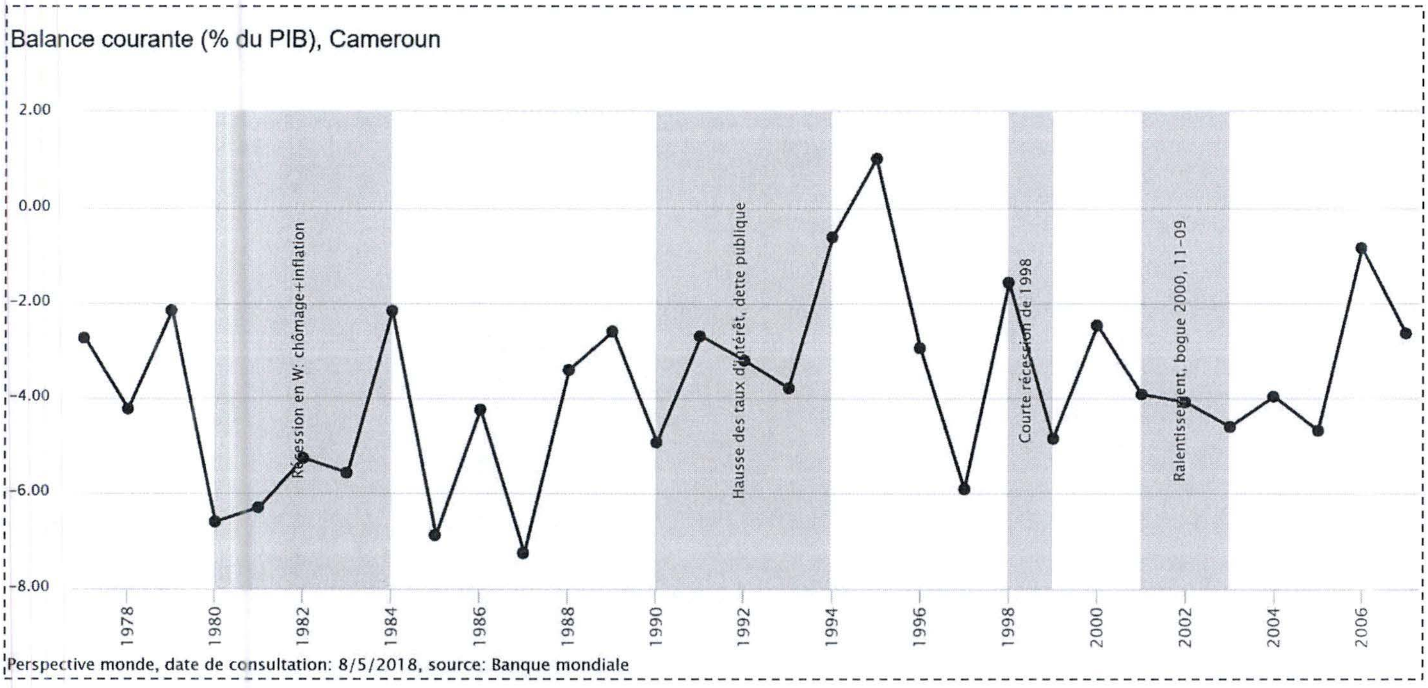
Source : INS-MINEFI (2010).

b. Impact on current balance

Knowing that the exported products are largely the engine that generates revenues to the Cameroonian state, the decrease in their prices and therefore the drop in their demanded quantities in 2009. This has logically an impact on the current account which deteriorates. The figure below shows that Cameroon lived beyond its means between 2008 and 2012. This means that the country consumes and invests more than it produces wealth.

[11] State revenues are in bold while expenditures are in broken lines.

Figure 3.4 Evolution of current balance of Cameroon (% GDP) between 1977 and 2012

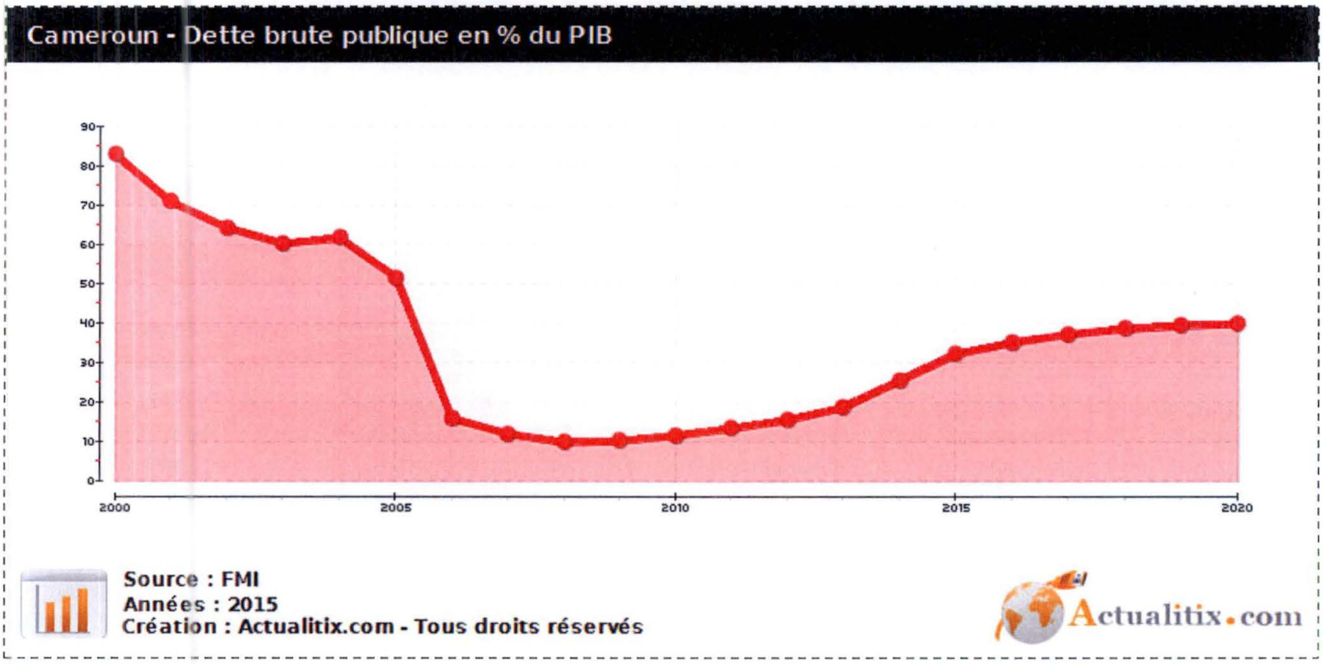


Source : World Bank (2018)

c. Impact on public debt

Finally, with regard to the public debt's impact of the financial crisis, we first observe that this country is constantly using loans to finance both its projects and budget gap. Figure 3.5 shows that there is a decrease of a public debt level of Cameroon in 2006. This is explained by the achievement of the completion point initiative for the Heavily Indebted Poor Countries (HIPC). This reduced the public debt level to 15.86% of GDP (IMF 2015). But from 2008, this debt level restarted to increase, with 10.09% of GDP in 2009 for instance. But compared to other SSA economies, this increase of debt level is not huge due to the fact that the Government was partly financed during the crisis by local financial institutions. These institutions, as said in the previous chapter have huge amounts reserves and liquidity.

Figure 3.5 Evolution of Cameroonian public debt (% GDP) between 2000 and 2020



Source : IMF (2015)

1.3. Social impact

It is generally accepted that the economic situation has an influence on the social situation. Many economists believe that a strong economic expansion is therefore essential to increase incomes and living standards of the population or for workers in particular (HARSCH 2009).

The multifaceted crisis that hit all economies at international level has not only generated most disastrous consequences on finances and real economy. It has also had a social impact, particularly with the development of the infernal "poverty-unemployment" couple. Although several societal aspects (health, social protection, education, care of youth or old age, urban crime ...) could have been elucidated here, we choose to limit our analysis on food crisis effects and social crises.

The financial crisis occurred in a context where the food crisis that shook African countries may further weaken populations and seriously compromise their ability to achieve what can still be the MDGs. Thus, this crisis arrived to Cameroon in a context where the country began to have good economic prospects but it is still under the yoke of a food and energy shock. The diversification of food for emerging countries populations like China which pulls the world demand, but especially and specifically the rise of oil price in Cameroon raises the cost of transport of commodities and of first necessity products.

Although Cameroon did not need external food aid, soaring food prices in 2008 particularly affected urban areas and poorer households. This provoked violent protests in the country main cities (Douala, Yaoundé, Bamenda, Buea and Bafoussam). The hunger riots that took place in 2008 between February 25^{th} and 29^{th} led to a very strong police crackdown that occasionated the death of hundred people and thousands of arrests throughout the country. Politically speaking, the Cameroonian authorities have seen in these events an attempt to destabilize the regime in place for 26 years.

From this section, we can understand that the contraction of the internalional trade in 2008 and 2009 resulted in a cascade of impacts on the Cameroonian economy. The reduction in export earnings has automatically led to a decrease in production, leading to an increase in unemployment in the agricultural sector. At the same time, budget revenues have also been logically lowered. The weak ability to finance externally forced the central government to obtain financing from local financial institutions. This crisis also caused hunger riots due to the increase in the price of basic products.

The next section analyzes different measures taken by Cameroonian authorities to respond to this crisis.

Section 2 : Stabilization measures

In the face of the crisis, Cameroonian authorities have implemented a range of measures that could mitigate the effects of financial and trade shocks on their economy. These measures are partly specific to Cameroon and partly sub-regional or community-based as the country belongs to a monetary union (CEMAC). The stabilization measures taken include tax measures favorable to investors, strengthening of the banking system control, an expansionary monetary policy and finally the relaunch of trade policy.

2.1.Tax incentives for investment and budgetary policy

As many African countries, Cameroon took measures to encourage investment with the aim of sustaining economic growth and creating new jobs in its economy. Recognizing that foreign investment in Cameroon is below its level in other countries with comparable income, the Government relies on private investment especially foreign investment to boost growth. To this end, a bill introducing the code of incentives for private investment in Cameroon was tabled in the National Assembly. According to the Government, this text establishes for all investors installation and exploitation phases, common tax, customs, financial and administrative incentives as well as specific incentives for investment.

From a budgetary point of view, the financial situation linked to the economic situation pushes the government imperatively to reduce its budget anticipating export earnings (especially oil revenues). This is how it will reduce the budgetary public expenditure with specifically the reduction of subsidies on petroleum products that are quite huge.

2.2.The relaunch by trade policy

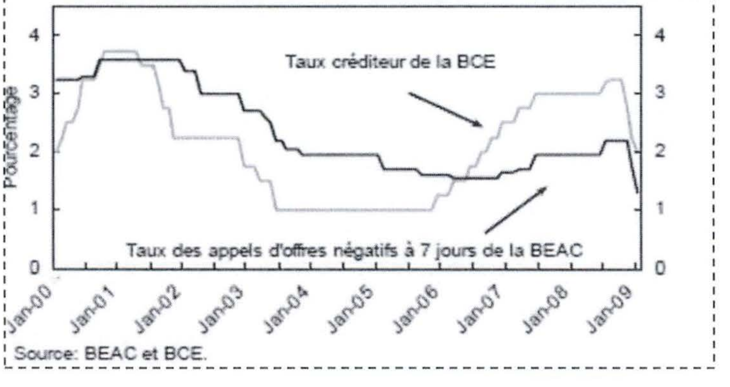
By analyzing the structure of foreign trade, it appears that Cameroon mainly imports manufactured goods (cars, machinery and electrical and electronic equipment) and fuels. Given the importance of these imported products in the dynamism of the country economy, Cameroonian authorities have decided to lower in some cases or even to eliminate in others cases import taxes on equipment, tools and equipment used for research and oil exploration. For the taxed products, the puncture rates of these products were to change to a Common External Tariff (CET) of 0.5 or 10% instead of 30% as before.

2.3.Expansionary monetary policy and liquidity injection

Cameroon's belonging to an economic union makes its monetary policy to be community-based and valid for all countries in the CEMAC zone which uses CFA Franc as a common currency. Thus, although the CFA franc is pegged to euro, the de facto limited mobility of capital still leaves room of maneuver for a monetary policy.

Figure 3.6 Key rates of ECB and BEAC

The figure to the right shows us that the relevant key rate of the BEAC is really below the ECB's credit rate for more than two years, although the margin has narrowed in the context of lower interest rates by the two central banks (IMF 2009).



Despite the fact that monetary policy options are limited, it has been decided at CEMAC level (after several meetings of finance ministers of the sub-region countries assisted by experts) that it would be useful to accelerate plans for setting up a regional debt market. This is made to cushion the impact of the crisis by allowing States to better finance their operations in the short and medium run. This could also improve the allocation of savings among countries in the sub-region. It is particularly important for oil-dependent economies of the sub-region, given their highly unequal distribution of oil-related savings. This is the context in which the Central African Securities Exchange (BVMAC) was formally set up.

On an individual basis, given that the economic fabric is made of 99% of SMEs and SMIs, Cameroon via the GICAM (Cameroon Inter-Employer Group) had the idea of injecting liquidity via the banking system to create a support and guarantee fund for companies. GICAM signed a memorandum of understanding with a pool of commercial banks (SGBC, BICEC, Afriland First Bank, Ecobank, BGFI) and an African Guarantee Fund to set up a pilot project for financing on very advantageous terms. This will also support firms for the realization of their expansion and renewal or modernization investments. The facilities the firms will benefit from this project will allow them to have a competitive position in Central Africa and Nigeria markets (Missoka 2013).

2.4. Strengthening the supervision of the regional banking system

In order to limit the deterioration of global and national economic outlooks, more proactive and pre-emptive monitoring of the banking system and a willingness to react quickly are needed. Thus, before the financial crisis, the sub-regional banking system regulator (COBAC)[12] did not fully play its role because of administrative sluggishness of the whole community countries. There was still a gap between COBAC's missions and its available resources. During the 2008 crisis, it was therefore decided by the finance ministers of the sub-region to fully activate the function of the banking supervisor so that banking supervision can be exercised effectively. COBAC will therefore contribute to strengthening the supervision of banks' compliance with capital ratios and the implementation of prudential standards in line with international standards (Basel III).

[12] This is a bureau of the Central bank in charge of banking supervision in CEMAC and whose role is to give and remove accreditation, monitor solvency and liquidity standards and the level of indebtedness.

Conclusion

In sum, the subprime crisis mainly impacted Cameroon on its real sphere. Thus, the fall in prices and demand for exported products has had several consequences. The direct impact of this contraction includes the deterioration of the terms of trade, but also the unemployment of thousands of people whose main activity is to produce these exported materials. This logically increases poverty rate of those of them who were already living in precarious conditions. Indirectly, this turmoil in the commodities market is logically driving the state's revenues in 2009, while the year before they were at their highest level. Furthermore, the weak ability to finance externally forced the central government to obtain financing from local financial institutions.

Being aware of the scarcity of liquidity prevailing in the global financial system and more particularly among its main donors, the decisions taken by the Cameroonian state are strategic. While some measures aim to attract investments in the country (reduced taxes on imported manufactured goods and facilitation of investors' installation procedures). Others aim to strengthen supervision of the banking system (final implementation of COBAC).

GENERAL CONCLUSION

The objective of this project was to analyze the different impacts of the 2008 financial crisis on Cameroon. To achieve this goal, we divided our work into three chapters.

Firstly, we gave an overview of the literature devoted to the 2008 financial and economic crisis. Through this overview, we saw that the subprime crisis has for distant origins the macro and microeconomic facts that facilitated the easy granting of credits to American households. It is therefore from the repayment default of these credits beneficiaries that the housing bubble has taken a financial turn (liquidity crisis). In addition, we have seen that the transmission channels of the crisis differ to whether an economy has a developed financial system or not. Thus, advanced economies have been mainly contaminated by this crisis via the financial channel (contraction of credit). Contrariwise, African economies have been affected by the real sphere, more precisely by the export demand of raw materials (agricultural and oil). Thus, Africa had a positive externality premium of its financial underdevelopment in particular and of its economic underdevelopment in general. It is therefore the luck of the poor not to be totally dependent on stock markets.

Then, we devoted a whole chapter to the analysis of the Cameroonian economy in the face of the 2008-2009global recession. This chapter has allowed us to understand that Cameroon, unlike other SSA economies has a relatively diversified economy, dominated by the production of export raw materials. This country has a banking system which is in excess of liquidity and which is subject to strict rules in terms of banking regulation. The paradox that exists here is that despite the excess liquidity of financial institutions, they are reluctant to grant credit to local businesses. Some authors point out that this cautiousness character of banks is due to several reasons. These reasons include the asymmetry of information (Ngongang 2015), the question of the guarantee presented by the applicants for financing (Nezien 201) or the non-repayment of past financial commitments (Kenfack 2016). We also observed that the transmission channels by which the crisis affected Cameroon were similar to those of other African economies, with the only difference that some of these countries (Nigeria, Egypt, South Africa, Botswana) were also affected via their financial systems.

In the last chapter, we analyzed the repercussions of this crisis on Cameroon as well as the measures taken by the Cameroonian authorities to stabilize it. This analysis shows that the 2009 international trade contraction resulted in a cascade of impacts. Thus, the decline in volumes and prices of export products has reduced their production, causing unemployment among people working in agriculture. At the same time, the state budget revenues also logically dropped. The rise in prices of basic products has not been well digested by Cameroonians. This led to hunger riots throughout the country in February 2008. The measures taken by the Cameroonian authorities to stabilize the crisis effects were well targeted. While some measures aim at attracting investments in the country (reduceing taxes on imported goods and facilitating investors' installation procedures). Others aim to strengthen supervision of the banking system (final implementation of COBAC).

The conclusions of this work lead us to say that the crisis that hit Cameroon was purely economic, and not financial crisis. This is due to the fact that its financial system is dominated by banks which respect strict banking regulation. This prevents them from making toxic transactions with foreign financial institutions. Unlike the economies hit by the financial crisis, banks in Cameroon were over-liquid before and after the crisis.

Far from being perfect, this work has at least two limitations. The first concerns the deep analysis of the Cameroonian banking system. Indeed, we believe that an analysis of the Cameroonian banking sector using ratios and financial indicators could inform us more on the strength of this sector. The second limitation lies in the fact that data are sometimes difficult to access. Unlike European countries whose data are still available in databases, those of African countries in general and Cameroon in particular are difficult to access. Even when available, they are presented only for few years. It is sometimes disappointing to not have some data even by consulting the website of the national statistics office or that of the central bank.

Given the time allotted for the realization of this project and the availability of data, we only focused on Cameroon. For future research, we find that it would be interesting for example to analyze the impact of economic and financial crises on a group of countries belonging to the same monetary union such as those of CEMAC or ECOWAS.

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APPENDIX

Appendix 1 : Map of Cameroon