Who benefits from Cameroon’s public spending and fiscal policies? Atemnkeng Johannes, Tabi, Tafah Akwi, Peter Etoh Anzah

The government of Cameroon is currently in the midst of a major public spending and fiscal reform. Yet little is known about the distributive impacts of the current system. While public spending and fiscal reform, including tax and transfer policies, are inextricably linked, most studies examine their incidence on income distribution separately and without explicit links to poverty impacts. This paper jointly examines the distributive and poverty effects of Cameroonian fiscal and public spending policies using data from the 2001 Cameroon household survey. Indices of progressivity (Kakwani and Reynolds-Smolensky), descriptive statistics on tax burden and program benefits, and poverty indices (FGT) are computed, and other techniques of distributive analysis (concentration curves and non-parametric regressions) are used to get a full picture of the incidence of these policies.

Broadly speaking, the tax system is found to be generally progressive, but less so than public spending on education and health. Public spending and fiscal policies are both found to reduce inequality. Interestingly, while overall public spending on education and health are most progressive in rural areas, followed by semi-urban and urban areas, the opposite is true for tax incidence. Tax burden weighs more on the urban, followed by rural and semi-urban population. When we consider the two sets of policies together, they are found to mainly reflect fiscal policies in that, when we use relative poverty lines, they are more progressive and poverty-reducing in rural areas, followed by semi-urban and urban areas, respectively. Though a poverty-increasing effect of the net tax system was found using absolute poverty lines, the poverty impact still remains minimal in the rural areas.

This is an indication that, if one had to choose, the analysis of the impacts of fiscal policies is more important, at least in the case of Cameroon. This lends support to the suggestion that the current fiscal system could be mobilized to generate resources to finance the construction of schools and hospitals in poor neighbourhoods without any regressive tendencies. Furthermore, this would be to the benefit of rural areas, where poverty remains high and inequality actually increased between 1996 and 2001.

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