

INTERNATIONAL DEVELOPMENT ASSOCIATION

AND

INTERNATIONAL MONETARY FUND

**CAMEROON**

**Preliminary Document on the Enhanced Initiative for Heavily Indebted Poor Countries**

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### Cameroon: List of Acronyms and Abbreviations

<b>Acronym/ Abbreviation</b>	<b>Meaning</b>
AFD	Agence Française de Développement
BADEA	Arab Bank for Economic Development in Africa
BDEAC	Central African States Development Bank
BICEC	Banque Internationale pour le Crédit et l'Épargne au Cameroun
CAMAIR	Cameroon Airlines
CAMSHIP Lines	Cameroon Shipping Lines
CAMSUCO	Cameroon Sugar Company
CAMTAINER	Société Nationale de Transport et de Transit du Cameroun
CAMTEL	Cameroon Telecommunications (fixed telephones)
CAMTEL-Mobile	Cameroon Telecommunications (mobile telephones)
CDC	Cameroon Development Corporation
CEMAC	Communauté Economique et Monétaire pour l'Afrique Centrale
CIMA	Conférence Interafricaine des Marchés d'Assurances
CNPS	Caisse Nationale de Prévoyance Sociale
CNR	Caisse Nationale de Réassurance
COBAC	Commission Bancaire de l'Afrique Centrale
DPT	Diphtheria, Polio, and Tetanus
DSA	Debt Sustainability Analysis
HEVECAM	Hévéa Cameroun
ICOR	Incremental capital output ratio
MINEF	Ministère de l'Environnement et des Forêts
MOH	Ministry of Health
NPV	Net Present Value
NTBs	Nontariff barriers
ONADEF	Office National de Développement des Forêts
PNRVA	Programme National pour la Recherche et la Vulgarisation Agricole
REGIFERCAM	Régie Nationale des Chemins de Fer du Cameroun
SAC	Structural adjustment credit
SCDP	Société Camerounaise de Dépôts Pétroliers
SGS	Société Générale de Surveillance
SNEC	Société Nationale des Eaux du Cameroun
SNH	Société Nationale des Hydrocarbures
SOCAMAC	Société Camerounaise de Manutention et d'Acconage
SOCAPALM	Société Camerounaise des Palmeraies
SOCAR	Société Camerounaise d'Assurances
SODECOTON	Société de Développement du Coton
SONARA	Société Nationale de Raffinage
SONEL	Société Nationale d'Electricité du Cameroun
SOSUCAM	Société Sucrière du Cameroun
SOTUC	Société des Transports Urbains du Cameroun
SRC	Société de Recouvrement des Créances du Cameroun

## EXECUTIVE SUMMARY

1. This paper presents a preliminary assessment of Cameroon's eligibility for assistance under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative) on the basis of a debt sustainability analysis (DSA) prepared by the staffs of the International Development Association (IDA) and the International Monetary Fund (IMF), and the Cameroonian authorities. Based on this preliminary assessment, the staffs are of the view that, even after the full application of all traditional debt relief mechanisms, Cameroon's external debt situation is unsustainable over the medium term. The paper's proposals on possible levels of assistance are necessarily provisional, pending full reconciliation of all loans with creditors and consultations with multilateral and bilateral creditors<sup>2</sup>.
2. Cameroon's unsustainable debt burden is the result of a severe terms of trade shock in the mid-1980s, an over-valued exchange rate up to 1994, a long economic depression and fiscal crisis, and, until about three years ago, economic mismanagement. The government was slow to carry out necessary structural reforms which would have enabled it to benefit more from the January 1994 devaluation of the CFA franc. Since late 1996, after much internal debate and reluctance, Cameroon changed course and committed itself to correcting the years of economic mismanagement. It undertook a wide-ranging economic reform program with support from an IMF PRGF arrangement (1997-2000), an IDA structural adjustment credit (SAC III), and technical assistance.
3. Cameroon is expected to complete satisfactorily the mid-term review of the third annual Poverty Reduction and Growth Facility (PRGF) arrangement and is also implementing SAC III slowly but satisfactorily<sup>3</sup>. In this framework, encouraging progress has been made in macroeconomic stability, public finance, relations with external creditors, restructuring the banking system, privatization, economic liberalization, transportation, and forestry. This "first generation" of reforms has shown the government's commitment to revamping the economy and to creating a more conducive basis for sustained growth.
4. However, owing to the magnitude of the economic collapse and **the need for sequencing of the reform agenda**, many important areas have not yet been addressed in a

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<sup>2</sup> In October 1997, Cameroon was granted a three-year flow rescheduling by the Paris Club on Naples terms, with an overall debt service reduction of 50 percent in net present value (NPV) terms. Most HIPC countries have received a 67 percent NPV reduction.

<sup>3</sup> Two tranches of this six-tranche operation were released in 1998/99 and two of the four floating tranches, one pertaining to the privatization program and the other to the forestry sector, are expected to be released within the next three to four months. The remaining two tranches (one pertaining to the port sector and the other to the privatization program) could be released in the first half of 2001.

satisfactory manner in the ongoing reforms. In particular, poverty reduction, improved governance, effective delivery of social services, and development of basic infrastructure still need to be urgently tackled and prioritized. In addition, the sharp decline of civil service salaries since 1993 has led to a widening and deepening of corruption, which has now become a major obstacle to increased private investment and efficiency of public expenditure. Cameroon thus presents a sharp contrast, with significant progress having been achieved in some areas, while there has been no progress in others (and, in some sectors, the situation may even have worsened). These sectors will be the focus of the “second generation” of reforms, which will be addressed in the context of the enhanced HIPC Initiative, in the Poverty Reduction Strategy Paper (PRSP), and in the future assistance programs of the Bretton Woods institutions.

5. The alleviation of Cameroon’s heavy external debt is crucial to the sustainability of the progress that has already been achieved and would provide an important incentive for Cameroon to accelerate and broaden its reforms. Without debt relief, the burden of financing the country’s debt would be overwhelming. However, it is necessary to assess the **Cameroon government's commitment to enhance and advance the reform agenda**, particularly in the areas of governance and poverty reduction. In this context, the government has decided to take a set of specific, up-front actions, prior to the proposed decision point (expected in September 2000), aimed at improving governance, addressing the growing threat from HIV/AIDS, and ensuring the efficient delivery of basic services to the poor, especially in the social sectors. In the staffs' view, effective implementation of these actions would demonstrate the government’s willingness to take strong measures to launch the new generation of reforms. The government has also committed to preparing an interim PRSP by decision point which will be reviewed by the Bretton Woods institutions.

6. Thereafter, in order to ensure **sustainability of the reform program** as the country progresses from decision to completion point, a credible framework of PRSP implementation, performance triggers, sector expenditure programs, close monitoring of the use of resources, and evaluation of outcomes would be necessary. This framework is vital to ensure that debt relief helps create more equitable growth and provides a better quality of life for all Cameroonians. It includes (i) sectoral strategies and actions (health, education, rural and urban development), including institutional reforms and sector expenditure programs, to be implemented between the decision point and the completion point; (ii) proposals for monitoring and evaluating the PRSP; and (iii) assurances that appropriate use will be made of the considerable resources that could be available by debt relief. One possibility under consideration is to establish a Poverty Action Fund (as in Uganda) for the debt service savings which would be fully integrated in the overall budget framework and closely monitored and audited by an independent outside body.

7. In particular, **in order to ensure that good use is made of debt service savings**, the reforms and strategies would be closely monitored and supported by the IMF, under a new three-year PRGF arrangement, and by IDA, under current adjustment operations and capacity building projects and new adjustment operations (to be designed under the next CAS).

8. This paper is organized as follows. Section I presents Cameroon's eligibility under the HIPC Initiative, and assesses Cameroon's economic management and reform record since the mid 1980s. Section II discusses the broad outline of the authorities' medium-term policy agenda, sector by sector, and describes in detail the key measures to be taken prior to the proposed decision point and in the interim period between the decision and completion points. Section III presents the results of the DSA, a discussion of Cameroon's eligibility under the HIPC Initiative, and the authorities' views. Section IV concludes with possible issues for discussion by Executive Directors.

## I. BACKGROUND

### A. PRGF and IDA Status

1. Cameroon is currently a Poverty Reduction and Growth Facility (PRGF)-eligible and IDA-only country, with a per capita GDP of about US\$640 in 1998/99. Twenty-year projections indicate that Cameroon's per capita GDP would increase by 4.2 percent annually to about US\$1,450 in 2018/19.<sup>4</sup> In the medium term, Cameroon will continue to need substantial international concessional assistance and is likely to remain a PRGF-eligible and IDA-only country in the foreseeable future.

### B. Policy Reform Track Record

2. Following a period of pronounced terms of trade volatility in the early 1980s (including a 50 percent decline between 1984 and 1986), a 60 percent appreciation of the exchange rate in real terms, and expansionary, unproductive fiscal policy financed by foreign debt accumulation, Cameroon fell into **a decade-long recession from 1985-94**. During this period, per capita income halved, and poverty increased dramatically. The accompanying fiscal crisis led to increasing corruption, and a serious deterioration of Cameroon's education and health systems, infrastructure, and the civil service: education quality and enrollment rates significantly deteriorated, and Cameroon's health indicators worsened.

3. **Starting in 1988, Cameroon implemented a series of economic and structural reforms** aimed at stabilizing the economy, restoring internal and external viability, fostering economic growth, and improving social conditions. In particular, structural reform efforts concentrated on the liberalization of the coffee and cocoa sectors, the revision of the forestry code, and liberalization of prices and the labor code. Despite the concerted international support, the reform program was implemented haphazardly in the early stages and lacked government commitment<sup>5</sup>. This attempt to stabilize the economy and restore internal and external balances through internal adjustment alone, including a major cut in civil service wages in 1993, did not produce the expected results, leaving the country with an unmanageable debt, large external and internal arrears, a demoralized civil service, and a financial sector in crisis. It also led to a deterioration in relations between the government and its domestic and external partners, with a breakdown of trust with creditors and civil society.

4. **The situation began to improve following the CFA franc devaluation in January 1994**, and the growth rate turned positive, attaining 5 percent in 1995-96. Yet, economic and

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<sup>4</sup> Real per capita income has grown at about 2.6 percent over the last five years.

<sup>5</sup> Two IMF stand-by arrangements went off track in 1989 and in 1992 and disbursements under the first structural adjustment loan (SAL I) were suspended.



financial management still remained unsatisfactory; two more IMF stand-by arrangements went off track, and disbursements under the IDA-financed Second Structural Adjustment Credit were suspended. A new government was appointed in September 1996, with a specific mandate to bring the situation under control and restore relations with external creditors and the Bretton Woods Institutions, in particular. The new government was confronted by serious imbalances in the country's macroeconomic situation and in almost all areas of the public sector. Recognizing that it would be impossible to tackle all these issues at once, **a sequential approach to reform was adopted** with the support of the Bretton Woods institutions, which provided financial support in the form of a three-year PRGF arrangement (1997-2000) and the third Structural Adjustment Credit (1998). Major support was also received from bilateral donors through a Paris Club three-year rescheduling. This sequential approach involved a "first generation" of reforms that concentrated on macroeconomic stability, public finance, relations with external creditors, restructuring of the banking system, privatization, economic liberalization, transportation, and forestry. Since late 1996, the government has demonstrated its commitment to this program of reform and encouraging progress has been made in these areas, albeit at times at a slower pace than was originally envisioned.

5. However, **there has been little progress on fighting poverty**, improving the health and education sectors, or investing in agriculture and rural infrastructure, and, as a result, social indicators most likely have deteriorated<sup>6</sup>. Major institutional and policy issues remain to be tackled in all these sectors. Significant governance problems – in particular a weak and highly centralized institutional and administrative framework, as well as rampant corruption – continue to seriously undermine the legitimacy and credibility of the state, as well as the restoration of basic trust between the government and civil society. The AIDS epidemic is increasing in both urban and rural areas and is likely to reach catastrophic proportions in the next one to two years if it is not urgently addressed.

## **Macroeconomic Policies**

6. **Macroeconomic performance during the first two and a half years of the PRGF arrangement and under SAC III has been satisfactory.** Economic developments in 1997-99 were generally favorable, despite the adverse impact of the sharp deterioration in the terms of trade (16 percent) experienced in the first half of 1998/99. Real GDP grew at an average rate of about 5 percent a year, and annual inflation was maintained at around 3 percent. Gross domestic investment increased by 2.6 percentage points of GDP during the period, of which 1.2 percentage points only were financed by an increase in national savings. As a result, the external current account deficit widened from 2.8 percent of GDP in 1996/97 to 4.3 percent in 1998/99 (Tables 1 and 13).

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<sup>6</sup> Available data are neither comprehensive nor reliable. The 1998 Demographic and Health Survey results show deterioration in indicators since the 1991 survey, although the sample population of both 1991 and 1998 surveys is quite small.

7. **Fiscal performance was broadly satisfactory.** Non-oil revenue increased by 2 percentage points of GDP, owing to an improvement in revenue collection with the strengthening of the administration of the tax department and the smooth implementation of the value-added tax (VAT). Oil revenues also strengthened, benefiting from the improvement in the international oil prices and more timely transfer of oil revenues from SNH (the national oil company) to the budget. Measures have been taken to improve expenditure management and increase its efficiency and transparency.

Table 1. Cameroon: Selected Economic and Financial Indicators, 1996/97-2001/02<sup>1</sup>

	1996/97	1997/98	1998/99	1999/00 Prog.	1999/00 Revised	2000/01 Proj.	2001/02 Proj.
(Annual percentage changes)							
GDP at constant prices	5.1	5.0	4.4	4.8	4.2	5.3	5.7
GDP per capita	2.3	2.2	1.6	2.0	2.1	3.0	3.0
Consumer prices (end of period)	7.0	2.2	2.2	2.0	2.0	2.0	2.0
Broad money (end of period)	13.8	7.8	9.7	12.5	10.5	8.0	9.5
(In percent of GDP)							
Central government revenue	15.1	16.2	15.5	16.6	19.0	19.1	18.3
<i>Of which:</i> non-oil revenue	11.0	12.3	13.0	13.5	13.5	14.0	14.6
Central government expenditure	16.1	17.9	18.9	19.5	19.4	20.5	20.7
Primary fiscal balance <sup>2</sup>	5.8	5.9	4.6	5.2	7.1	6.5	5.2
Overall fiscal balance (commitment basis, including grants)	-1.0	-1.4	-3.2	-2.6	-0.2	-1.3	-2.3
Debt service/paid social expenditure (percent)	235.4	391.2	173.7	...	...	...	...
External current account (including grants)	-2.8	-2.7	-4.3	-3.2	-2.7	-2.7	-2.7

Source: Authorities and staff estimates.

<sup>1</sup>Fiscal year begins in July.

<sup>2</sup>Total revenues less non interest expenditure and foreign-financed capital expenditure.

8. The budgetary primary surplus fluctuated around 5½ percent of GDP during the period, while the overall deficit on a commitment basis and including grants averaged some 2-3 percent of GDP, reflecting mainly the clearance of significant external and domestic arrears.

### Structural policies

9. **Structural reforms have been undertaken in Cameroon since the onset of the crisis in the 1980s and have been deepened significantly since 1996/97** in the agro-industry, public utilities, petroleum, forestry, transport, and financial sectors in order to create a more favorable environment for private sector activity and enhance Cameroon's

external competitiveness. The main reforms implemented during the period 1990/91-1999/2000 are summarized in Box 1. (Further details on structural reforms are in Annex 1).

**Box 1. Cameroon: Key Structural Reforms, 1990/91- 1999/2000**

**Incentive and trade policies**

- Coffee and cocoa sectors completely liberalized (1991-95).
- Price controls eliminated except for petroleum products, medicines, textbooks, pharmaceuticals, marine transport, and port services; labor code liberalized with respect to hiring and firing (1990-94).
- Reduction of nonforestry export taxes from 15-25 percent in 1994 to zero in 1999/2000 (July 1, 1999).
- Nontariff barriers eliminated on all imports except petroleum products (February 1994).

**Financial sector reforms**

- Banking sector successfully restructured (1989-92 and 1996-99) via the liquidation of numerous insolvent banks (BMBC, Credit Agricole) and restructuring of unprofitable but viable banks (SGBC, SCBC, BICEC).
- Government debt securitized with appropriate guarantees, loan recoveries improved, and deposits in failed banks were paid out of the proceeds of recoveries.
- Elimination of the legal requirement that at least one-third of commercial bank capital be held by Cameroonian interests (July 1, 1997).
- Enhancement of competition within the banking system with the completion of bank restructuring and the liberalization of commissions on bank transactions (July 1998).
- Privatization of the only remaining government-owned bank, BICEC (completed January 2000).
- Strengthening of the regulatory and judicial framework for financial transactions.
- Insurance sector restructured via liquidation of insolvent private insurance companies, AMACAM, CNR and restructuring of SOCAR.
- Preparation of a national strategy to restructure the social security system (1999).
- Financial cooperatives required to register with Ministry of Economy and Finance (1999) and brought under the control of the regional banking commission (COBAC), which draws up prudential rules adapted to different categories of cooperatives.

**Privatization**

- Privatization of a major rubber company, HEVECAM (1996); sugar company, CAMSUCO (1998); national shipping company, CAMSHIP (1998); mobile phone company, CAMTEL mobile (2000).
- Second private cellular telephone company (Mobilis) started operating in January 2000.
- Adoption of a privatization strategy for the cotton company, SODECOTON (October 1998).
- Launching of pre-qualification bids for (i) the privatization of the Cameroon Development Corporation (CDC); (ii) the privatization of the public water company (SNEC) (December 1998); (iii) the privatization of the fixed telephone company, CAMTEL (June 1999); and the electricity company, SONEL (September 1999), railway activities concessioned to the private sector (1999).
- Regulatory agencies for telecommunications and electricity established (1999).

**Energy sector**

- Completion of two annual independent audits of the national oil company's (SNH) accounts.
- Elimination of the national oil refinery's (SONARA) monopoly over the supply of petroleum products through the liberalization of competing imports (July 1, 1998).
- Liberalization of distribution margins in the price formula for refined petroleum products (June 1999).
- Liberalization of refined petroleum prices and establishment of automatic adjustment mechanism.

**Transport sector**

- Maritime transport completely liberalized (1998), via elimination of cargo sharing rules and national preferences.
- Railway activities concessioned to the private sector (1999).
- System of autonomous ports set up to replace the existing mega Port Authority (1999).
- Road maintenance fund set up in 1998 to provide sustainable source of funding for maintenance of priority network.

**Forestry**

- New forestry code and application decrees adopted (1994, 1995).
- Criteria revised for the adjudication of concessions and cutting rights (1999).
- Forestry incentives and tax reforms begun (1997-98).

### C. Institutional Reforms

10. Since the late 1980s, administrative reforms have mainly focused on the central government, and on efforts to rationalize the civil service and to reform expenditure management. In general, the reforms have not had a significant impact on the provision of public services, the improvement of governance, and the reduction of corruption. Starting with the launch of the current PRGF arrangement, there has been more success with respect to revenue mobilization, although further improvements are needed. Also, the privatization program is reducing the scope for patronage and rent capture by public officials.

11. **Civil service reform.** The objectives of reform were to better define the mission of Ministries, rationalize their organization and improve their efficiency. New organizational structures and staffing plans were established for all ministries. However, except for the Ministry of Public Works, these plans have not been implemented. On the wage front, at the onset of the crisis, the civil service wage bill represented about 9 percent of GDP. Through reduction of benefits and wages, the wage bill was reduced by some 25 percent in 1993/94. In 1994, an obligatory and voluntary departure program was put into place with the financial assistance of donors, resulting in the termination of 25,000 employees. The salary reduction of 1993 and the 1994 devaluation, had a devastating impact on civil service morale, absenteeism, and the quality of services provided.

12. **Public expenditure management.** Various efforts were made on the public expenditure management front. In the early stages of the reform (late 1980s), these efforts concentrated on (i) putting in place a mechanism for recording public expenditures accurately; and (ii) rationalizing the public investment program and procedures. In the wake of the devaluation, efforts were made to increase, albeit marginally, the share of resources going to key development sectors (health, education, infrastructure, agriculture, and economic management). The government began implementing an action plan to improve public expenditure management on July 1, 1998. Finally, in 1999/2000, the government undertook to overhaul completely the procurement system, with the aim of improving resource allocation, accountability, and governance. An audit of the system in place was conducted and has confirmed the existence of very serious flaws and problems of corruption.

13. **Decentralization.** In the current institutional setup, government functions are highly centralized with almost all financial and human resources administered by the central government. Local or regional level participation and involvement in key decisions are inadequate owing to lack of resources and capacity and to the political marginalization of local government. Consequently, at the local level, service delivery is nonexistent or seriously deficient, and there are transparency and corruption problems. A general legislative framework defining the roles and responsibilities of the communities and the regions has been enacted, but the implementing rules and regulations (*textes d'application*) have not yet been enacted. Although the government remains reluctant to effectively shift authority and resources to the local level, the National Governance Program (see next paragraph) envisages a number of interventions to improve local service delivery, in particular the transfer of specific public functions and the development of a regulatory framework for government

operations at the local and regional levels. Given the existing resource and capacity constraints, Cameroon will need sustained support to implement the proposed activities and to substantially improve the administrative capacity of the regions and communities.

14. **Anticorruption efforts.** In 1999, the government established a high-level ad hoc committee for the fight against corruption, which is chaired by the Prime Minister. The committee issues recommendations to address corruption at all levels of the society. To monitor the implementation of the recommendations of the committee, the Prime Minister has recently appointed a special governance watchdog. In addition, efforts have been made to improve tax administration: audits of SNH have been carried out to ensure that all oil sector revenues are transferred to the budget in a timely and transparent manner; also, forestry harvesting rights are now allocated through a competitive bidding process, in the presence of an independent observer. The same approach is to be followed in the reform of public procurement. Some high-ranking public officials who were accused of fraud, corrupt practices, and embezzlement of public funds have been replaced and some of them arrested. While these activities and the establishment of the ad hoc committee are positive signals, the government needs to continue to show achievements in this regard, as many internal and external observers remain skeptical as to the extent of the authorities' commitment to effectively reduce corruption.

#### **D. Social Policies**

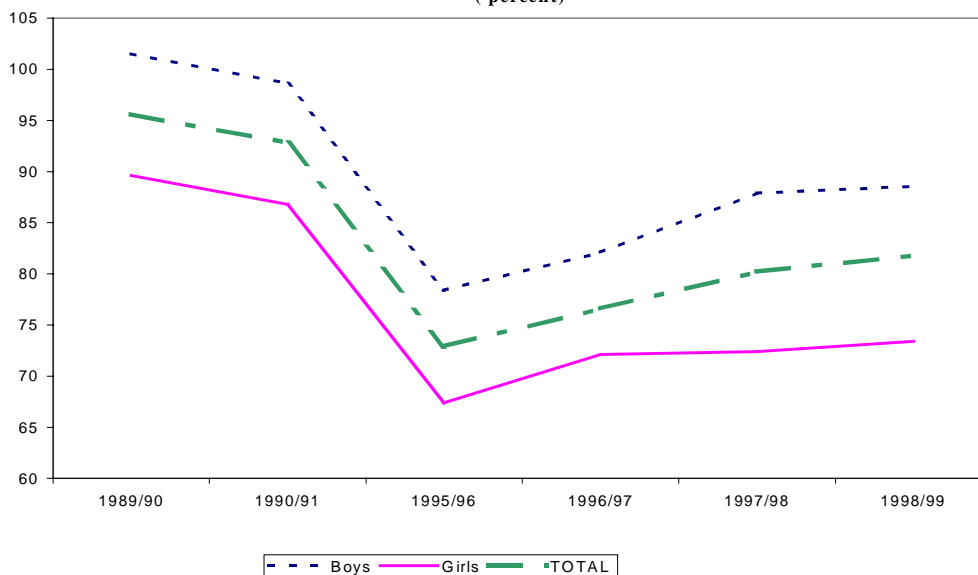
15. **Education sector.** Education quality and enrollment rates have significantly deteriorated over the last decade, to the point where such a decline is unique for a country that has not experienced civil war or conflict. After coming close to universal primary education in the late 1980s, enrollment rates have fallen to only 65 percent of the relevant age group in primary education and to less than 50 percent in secondary education<sup>7</sup> (Figure 1). At the same time, quality has deteriorated, as suggested by record repetition rates, estimated at 28 percent each year, as well as by substandard achievement scores. This decline seems to have been triggered by the drastic fiscal constraints of the early 1990s, which, in turn, brought about lower salaries for teachers, reduced allocations for materials, and neglected infrastructure.

16. In 1995, the government organized a national forum on education (*les Etats Généraux*), which resulted in Parliament approving an Education Orientation Law in 1998. This law could potentially serve as a basis for the development of an education strategy that brings together all stakeholders around specific tasks geared to improve the access, quality and equity of educational services. However, it has not been implemented yet for lack of political commitment. At the same time, a number of measures were taken, that are likely to

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<sup>7</sup> However, these figures mask large regional differences with the North, Adamoua and Far North provinces showing much lower levels of literacy and school enrollment (particularly female enrollment).

Figure 1. Cameroon: Evolution of Gross Enrollment Ratios by Gender, 1989/90-1998/99  
( percent)



contribute to a further deterioration of the situation. Parent-teacher associations—an important source of financial and in-kind assistance to schools—have been essentially eliminated and replaced, since 1996, by administratively selected school management committees that demand compulsory fees from parents. The use of these fees is nontransparent. In 1998/99, a monopoly over the publication and distribution of schoolbooks was granted by the then Minister of Education to a company in which he himself has a major interest. In response to civil society's and donors' concerns about these issues, the government recently removed the Minister of Education from his post and agreed to annul that company's monopoly on schoolbooks.

17. **Health sector.** Following the economic crisis of the last decade, Cameroon's health system has deteriorated significantly (see Tables 2 and 3). The drastic reduction of government spending in the health sector and the fall in household income led to the reduction of investment and decline in the access, quality and utilization of health services, particularly in rural areas. As in education, most health expenditures continue to be financed by the households which spend about US\$20 per capita per year, as compared to \$6.40 for the government. Infectious diseases (malaria and tuberculosis, among others) remain the principal causes of mortality. The AIDS epidemic is increasing in both urban and rural areas and is likely to reach catastrophic proportions in the next one-two years if it is not urgently addressed. The health status of women and children has deteriorated more: the maternal mortality rate is high, at 550 per 100,000 live births, and under 5 mortality rates have significantly increased from 126 to 151 per 1,000 live births during the period from 1991 to 1998. The health of children and mothers is also significantly affected by nutrition problems.

18. To reverse this trend, the government has taken a series of measures, launched between 1990 and 1996, with the support of IDA and other donors, that aim at decreasing the infant, child, and maternal mortality rates. These include the decentralization of health care

delivery, the adoption of new regulations for drug procurement and distribution, the reorganization of the health sector, and the strengthening of community participation through health committees. Most of these activities are ongoing, but so far, their implementation has been lackluster, and there has been a deterioration in health service delivery or in health indicators. Indeed, as in the education sector, corruption is a problem: for example, the sick are frequently required to make up-front payments to health service personnel, and financial controls at health service centers are inadequate. As with the education sector, in response to civil society's and donors' concerns about mismanagement of the sector and the lack of transparency, the Minister of Health has been removed from his post.

Table 2. Cameroon: Trends in Key Health Indicators, 1991 and 1998

Indicator	1991	1998
Total fertility rate	5.8	5.2
Percent of pregnant women with at least 1 prenatal consultation	79	79
Percent of pregnant women receiving at least 1 tetanus injection	69	69
Percent of births attended by trained personnel	64	58
Percent of children aged 12-23 months completely vaccinated	41	36
Infant mortality rate (per 1,000 live births)	65	77
Neonatal mortality rate (per 1,000 live births)	33	37
Under 5 childhood mortality rate (per 1,000 live births)	126	151

Source: Demographic and Health Surveys (1991 and 1998).

19. **HIV/AIDS:** The 1998 Joint UN Program on HIV/AIDS (UNAIDS) figures for Cameroon show the HIV rate at 7 percent among adults. By the mid-1990s, more than 15 percent of the army and truck drivers were HIV-positive, and rates among commercial sex workers in Yaoundé and Douala exceeded 20 percent. Today, these rates are undoubtedly higher. Unofficial estimates put the HIV rate among adults closer to 10 percent. Research on the HIV/AIDS epidemic in Southern Africa has demonstrated that, once the HIV prevalence rate surpasses 5 percent, it soars rapidly. With the national rate near 7 percent over a year ago, Cameroon is, therefore, at the most perilous point in the epidemic. The HIV/AIDS epidemic is no longer just a public health issue. If not contained, it will be the greatest single threat to the development of Cameroon, as it decimates the labor force, shortens life expectancy, exhausts savings, fractures and impoverishes families, orphans millions, and shreds the fabric of society.

Table 3: Health Status in Cameroon and in Comparable African Countries<sup>1</sup>

Country	Life expectancy at birth (years)	Infant mortality (per 1000 live births)	Under-five mortality (per 1000 live births)	Maternal mortality (per 100,000 live births)	Total fertility rate (no. of children per woman)	Vaccination rates (percent immunized with DPT3)	Child malnutrition (percent underweight <5 yr. old, 1990-96)
Cameroon	<b>56</b>	<b>77</b>	<b>151</b>	<b>550</b>	<b>5.2</b>	<b>36</b>	<b>29</b>
Cote d'Ivoire	55	88	138	600	5.6	47	24
Ghana	60	71	110	740	5.0	59	27
Uganda	40	99	141	550	6.7	38	26
Madagascar	58	96	162	600	6.0	40	36
Sub-Saharan Africa	52	91	151	822	5.6	55	32

Source: World Bank and WHO.

<sup>1</sup>Cameroon data are for the latest available year, 1998; Madagascar data are for 1996; and data for the other countries and Africa are mean values for 1990-96.

### E. Poverty Outcomes and Living Standards

20. The achievements in the macroeconomic area since 1996 have been important in preventing any further degradation of average living standards. Yet the impact of growth on the poor is not known: poverty monitoring has been infrequent and erratic throughout the 1990s. About 51 percent of the population was unable to meet a minimum consumption basket (poverty line) in 1996, and 23 percent were unable to meet even the food component of this basket (extreme poverty line). The cumulative growth of per capita private consumption in 1996-2000 is expected to be 3.8 percent. If no shifts in income distribution accompanied this growth, the poverty rate would be 48 percent in 2000 and the extreme poverty rate 22 percent; however, these estimates will be verifiable only after the next household consumption survey. Other poverty indicators point to limited progress in the 1990s. The 1998 Demographic and Health Survey found a chronic malnutrition (stunting) rate of 29 percent among children under 3 compared with a 23 percent rate in 1991. Box 2 presents details on Cameroon's profile of poverty.

21. In 1996, it was estimated that about 86 percent of the poor population lived in the rural areas for whom agricultural incomes constitute a key determinant of welfare. Export agriculture suffered greatly in 1986-93 owing to falling world prices, low productivity and inefficient marketing of products, and the majority of farmers who fell below the poverty line in 1996 were observed to be export crop producers. The 1994 devaluation and the subsequent reduction and elimination (by July 1999) of agricultural export duties improved the incentive environment, but, after an initial surge of production, the supply response has not been sustained. Value-added in food crop production has increased since the devaluation in per capita terms and as a share of GDP. Agro-processing has also increased as a share of GDP. Overall, agricultural performance has been relatively buoyant, and this suggests a priori that the rural poor may have been able to achieve some modest gains in income in the last few years. Against this positive hypothesis must be weighed the more intractable effects of



longer-term structural constraints. These include land degradation and deforestation, a slash-and-burn production system, the weaknesses in support services of all sorts for poor farmers and for women, and the structural inefficiencies remaining in the domestic and export marketing subsectors. The combined impact of all these factors on the poor will be assessed by the next household consumption survey, which is a high priority.

### Box 2. Cameroon: Profile of Poverty

The latest nationwide household consumption survey was conducted in 1996. The definition of income poverty used by government in analyzing its results was CFAF 148,000 (about US\$290) per adult equivalent per year, or US\$0.80 per day. Adjustments were made for regional price differences. The definition of poverty represents the estimated cost of a minimum consumption basket, two-thirds of which is for food expenditures. As is usual in such studies, income includes the estimated value of subsistence consumption and imputed rent for those households owning their own homes. The definition does not place a value on most other unpaid household activities, many of which are provided by female household members. Major findings of the survey include:

- Nationally, some 6.5 million people or about 51 percent of the population, fell below the poverty threshold, and close to 3 million, or about 23 percent of the population, could not afford even the food component of the consumption basket—characterized by government as a situation of extreme poverty.
- The survey confirmed a high degree of inequality in 1996, although less than in a similar survey in 1984. Income inequalities were found to be greater in the urban areas than the rural areas. Differences in living standards were apparent by gender, region and socio-economic group.
- Household consumption data do not permit a gender disaggregation, but other measures of living standards such as nutrition levels, health access and educational attainment, show a marked disadvantage for women.
- **Rural/urban poverty.** Poverty was found to be overwhelmingly a rural phenomenon, with the rural areas home to 86 percent of the poor. The rural poverty rate averaged 61 percent, affecting all age and socio-economic groups which is more than twice as high as in 1984. Higher rates of poverty were observed among export crop farmers than among food crop farmers. Urban poverty, while numerically less important, is a serious and growing problem. In Yaoundé and Douala, poverty was mostly concentrated in the younger segments of the populations. In other urban areas, it was found to be more prevalent among older groups.
- **Education.** The gross school enrollment rate for children aged 6 to 14 years was 76.3 percent in 1996 and 80.7 percent in 1998. Rates average about 7 percentage points lower among girls than among boys. Enrollments rates also differ markedly by region. In the urban areas, rates exceed 90 percent, whereas in the rural savanna region the rate was only 33.4 percent in 1996 with an unusually wide gender gap. Of all children not going to school, 85.6 percent had never registered in any school, 9.7 percent had dropped out for financial reasons, and 4.7 percent had dropped out for other reasons.
- **Health.** Morbidity is relatively high, with one-fifth of the population reporting a sickness in the previous two weeks. On average, a medical consultation of some sort was sought in about half the cases of illness. The distribution of hospitals by region shows that in the far north, there are 100,000 inhabitants per hospital, compared with 30,000 per hospital in the south. The population-per-hospital-bed ratio varies, ranging from 287 in the west to 1,465 in the north.
- **Water supply.** On average, 44.2 percent of households had access to safe drinking water (tapped or quality-controlled). In the main towns, seven households in ten had access to potable water, compared with only two in the rural areas.
- The demographics underlying Cameroon's poverty situation remain a daunting long term challenge. Population growth is about 2.9 percent annually and the rate of growth of the working age population is even higher. There is, therefore, a rapid growth in labor supply, which has coincided with declining labor force quality, as indicated by average years of schooling, health standards, and literacy rates. For much of the last two decades, the growth of labor demand, itself a derivative of economic demand, has failed to keep pace, thus creating a very difficult context for the poor person in search of a livelihood. More buoyant demand for labor at the low productivity end of the scale, coupled with efforts to raise the productivity of, and returns to, the labor of the poor, is the key to both more rapid growth and accelerated poverty reduction.

Source: World Bank. A 1999 Update of the Cameroon poverty profile. World Bank. (In process).

## II. MEDIUM TERM POLICY CHALLENGES, SOURCES OF GROWTH, AND POVERTY REDUCTION

### A. Poverty Reduction Strategy and Participation

22. Successive governments have been slow to respond to the challenge posed by poverty; and indeed the first comprehensive statement of intent by the government was the "*Déclaration de la Stratégie Nationale de Lutte Contre la Pauvreté (DSNLCP)*," published in December 1998. This declaration, prepared following consultations with civil society, outlines 11 strategic axes for reducing poverty. These go beyond the present economic reform program and call for reinforced actions in many cross-cutting areas and in the social sectors. The process of converting the axes into concrete action plans was initiated in 1999. Meanwhile, the enhanced HIPC Initiative has given substantial motivation to this process by offering a more concrete operational vehicle (the PRSP), the prospect of a reduced debt burden and the possibility of freeing up additional resources for poverty programs. The PRSP preparation process, therefore, has immense significance as a process for assuring that economic and sectoral policies are restructured to take advantage of this opportunity and to channel resources more directly into poverty reducing activities and programs.

23. The government's main objectives for the coming three years are to (i) complete the implementation of ongoing macroeconomic and structural reforms and enhance their impact and sustainability; and (ii) introduce a "second generation" of reforms aimed at bringing the poor more fully into the growth process and building a basis for long-term social development. To build a tight link between the prospective reduction in debt payments and poverty outcomes, it will be necessary to focus more sharply on the efficiency and targeting of public expenditures and to shift resources in favor of development activities, notably health, education, rural development, and infrastructure. The elaboration and implementation of the PRSP are central to this process and the reform objectives. Given the weakness of past stakeholder consultation processes in Cameroon, an active involvement of beneficiaries and stakeholders in the PRSP process, and in the subsequent implementation, monitoring, and evaluation of poverty policies, will be necessary.

24. **Poverty reduction strategy.** The context for poverty reduction is characterized by rapid demographic growth, declining literacy rates and health standards, a growing threat from HIV/AIDS, and marked gender and regional disparities. Moreover, many of the prerequisites for rapid progress in poverty reduction are absent. There is little experience with participatory approaches; the mechanisms for decentralized actions to equalize key economic and social services across regions are not well developed; and low governance standards are an issue impeding many potential approaches. The issues are complex, requiring cross-cutting approaches that go beyond customary institutional lines.

25. These are key themes for a successful poverty reduction strategy: (i) improving living standards and poverty outcomes, through high rates of pro-poor economic growth that will support a buoyant economic climate, increased employment and income-generating opportunities, active management of economic shocks, and the strengthening of governance;

(ii) taking urgent actions to address the growing risks implied by the spread of HIV/AIDS; (iii) addressing long-term population growth through reductions in the total fertility rate based on education, child survival, and reproductive health services; (iv) improving productivity of labor (time use) in rural areas, with a focus on health standards, first-stage mechanization, continuity in land use, access to safe water and improved physical accessibility; (v) improving the quality of the urban labor supply and containing labor costs through higher educational attainments and skills training, a focus on youth unemployment, and containment of the urban cost of living; and (vi) equalizing the availability of public services, including the elimination of gender differences in health, education, nutritional standards, and access to infrastructure, with a major shift in public resources toward underserved regions.

26. **Participation.** A participatory approach to poverty diagnosis, policy design, implementation of policies, and monitoring and evaluation will be essential for establishing a national consensus on the strategy and activities of the PRSP and to build a commitment to the strategy across all levels of Cameroonian society.<sup>8</sup> The government will therefore need to mainstream participatory approaches, build partnerships with civil society and other development partners, and establish a poverty-monitoring and evaluation system. Key challenges for the government will be to build mutual trust between itself and civil society, find ways to listen to the poor, and reflect the diversity of poverty problems in the key programs.

27. The government has defined a participatory approach and its subsequent implementation following a seminar in January, 2000 where invited members of sectoral ministries, national NGOs, and interested donors contributed to the formulation of participatory methods and objectives. Following on from this, substantial consultations with diverse rural and urban groups in the ten provinces were held in April. Following the documentation of this participatory analysis, a national seminar to define national and regional poverty strategies will be held in late May. With the successful completion of this first phase, the government will continue with a second round of participation that will take up the issues of effective policy response, the participatory definition of indicators, and the establishment of participatory monitoring and evaluation (M&E).

28. The outcomes and results of the participatory process will be important inputs into the elaboration of the PRSP. So far, the preparation of the interim PRSP has proceeded

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<sup>8</sup> Agreed indicators to assess the success and credibility of the participatory diagnostics and strategy definition phase are the following: (i) the focus will be on the community, regional, and the national levels; (ii) consultation processes in rural and urban areas will be open and inclusive; and (iii) the resulting ten provincial participatory analyses will be documented in the people's own words for both feedback and use in the national seminar to establish preferred poverty strategies. Preliminary feedback suggests that the consultation in April did comply with these indicators.

satisfactorily, and it is expected to be ready by September 2000. Thereafter, the government will conduct a further round of participatory consultations and technical analyses with a view to completing a full PRSP in the summer of 2001. A fuller description of the PRSP process and road map is presented in Annex III.

29. The projected growth of GDP and per capita private consumption suggest that the best outcome for 2003 would be a reduction of the poverty rate by 4 percentage points relative to 2000. This outcome would be attained only if all parts of the population experienced the average rate of income growth, a feature that has not characterized past Cameroonian growth and which would imply a much sharper focus on growth of economic activities among the poor. If this is achieved, the poverty rate would therefore be at best 44 percent in 2003. However, even this result would still leave the absolute population living in poverty unchanged at 7.3 million. In the longer run, the International Development Goals as applied to Cameroon, would call for a reduction of the poverty rate to 25 percent by 2015; a net primary enrollment rate of 95 percent by 2015, with the complete elimination of the gender gap, and a decline in infant mortality from 126 per 1,000 live births in 1998 to 42 by 2015.

## **B. Macroeconomic Objectives and Policies**

30. The authorities are committed to establishing a macroeconomic framework that will support the high rates of growth and public resource availability needed for environmentally sustainable poverty reduction by (i) maintaining the low level of inflation; (ii) raising investment and domestic savings; and (iii) strengthening external competitiveness through efficiency-enhancing structural reforms. The government's macroeconomic objectives for the next three years are to (i) achieve real GDP growth of at least 5 percent per year; (ii) limit consumer price inflation to 2 percent; and (iii) contain the external current account deficit at about 2.5-3 percent of GDP (Table 13). In the longer term, the authorities' objective is to gradually increase the pace of real growth to 7 percent, the minimum needed for sustainable poverty reduction.

31. Achievement of macroeconomic objectives is predicated on redressing the economy's structural weaknesses, which hamper economic development and job creation, through the coordinated implementation of economic and financial policies aimed at (i) improving overall productivity and competitiveness; (ii) strengthening production and the export base; (iii) improving public and private savings; (iv) increasing investment, both public and private; and (v) encouraging and promoting private sector development. In the face of the depletion of proven oil reserves, the main sources of growth in Cameroon will have to come from the non-oil sector through the development of agriculture and agro-industries, especially non traditional crops and exports, forestry, and manufacturing. In the mining sector, the aluminum industry will remain key. Public works will continue to grow in connection with the rehabilitation of the economic and social infrastructure. The government will focus on (i) consolidating and deepening reforms, in the electricity, water, telecommunications, transport, and oil sectors; (ii) consolidating and concluding the privatization program; (iii) undertaking further civil service reform; and (iv) deepening

financial sector reforms, notably of nonbank financial intermediaries, and overhauling the social security system.

32. **Fiscal policy will play a key role**, with the goal of consolidating progress made in recent years toward fiscal sustainability, raising non-oil revenue, reorienting expenditures toward the social sectors and infrastructure rehabilitation, and clearing domestic arrears. With a primary surplus (excluding foreign-financed investment) projected to average 6 percent of GDP and government investment rising by some 1 percentage point of GDP during the coming three-year period, the government's objective will be to contain the overall deficit, on a commitment basis at about 1-2 percent of GDP. These objectives would be achieved on the revenue side through a strengthening of the customs administration, intensification of ongoing tax reforms, and implementation of measures to widen the tax base. On the expenditure side, measures will aim at increasing expenditures and efficiency in the social and infrastructure sectors, improving wages somewhat and decompressing them to increase incentives, and strengthening expenditure management and controls.

33. **On the revenue side**, efforts will focus on improving transparency and revenue collection in the oil, forestry, and external trade sectors, as well as ensuring timely transfers of central government revenues to localities. In the oil sector, the focus will be on improving the monitoring of oil sector operations to ensure the transparency and automatic transfer of oil revenue to the treasury. In the forestry sector, efforts will concentrate on increasing revenues through implementing the recommendations of the recently completed economic audit of the forestry sector, in particular the forestry revenue enhancement and securitization program. In customs, the primary area of concentration will be on improving collections and reducing fraud. Finally, attention will also focus on improving collections of nontax revenues, especially from user service fees.

34. The government will continue to implement its action plan for the improvement of **public expenditure management** at the central government level by (i) reducing the number of steps and players involved in budget execution; (ii) increasing the responsibility of financial comptrollers in spending ministries; (iii) enhancing the oversight and control functions of the Ministry of Finance and the external audit agencies; and (iv) oversight and monitoring delegated credits. In particular, the government will conduct annual audits of government procurement contracts and implement corrective measures. It will also adopt new procedures for the use of the delegated credits for the Ministries of Education, Health, and Agriculture, including publication of their monthly allocations and actual transfers, and monitor closely their final use, based on quarterly audit reports. **Budget-tracking exercises** in key social sectors, in particular the health and the education sectors, will help develop adequate financial management mechanisms at the various levels of government.

35. On the **investment** front, the priority will be to improve the preparation, content, and execution of the public investment program (PIP) through stricter project selection practices and assessment of recurrent costs, and a strengthened project execution review process. Regarding **domestic arrears**, after the completion of the audit of the stock of arrears prior to

the end of June 1997, the government is preparing a comprehensive multi year settlement plan and will ensure that corresponding operations are incorporated into the budget.

36. **Monetary policy**, which is conducted at the regional level, will aim at consolidating the net foreign assets position of the CFA franc zone and maintaining low inflation consistent with a fixed exchange rate pegged to the euro. Further actions in strengthening the banking system, enhancing the supervisory activity of the regional banking commission (COBAC), and defining prudential norms for the nonbank financial institutions will be an important part of the reform agenda.

37. **Financial sector.** Greater emphasis will be placed on financial sector development in order to support the higher rate of economic growth necessary to reduce unemployment and poverty, and on adequate channels to finance small- and medium-sized enterprises. Therefore, financial cooperatives and microfinance institutions play a crucial role. The government will build on the good progress already made in the banking and insurance sectors to advance and deepen reform measures and ensure a greater number of beneficiaries. The establishment of an environment conducive to the development of financial cooperatives is an important element. The government intends to restructure the system of social protection to increase its reach and ensure its medium- and long-term viability<sup>9</sup>.

38. **External competitiveness.** Achieving higher rates of growth will require further increases in the international competitiveness of exports and import substituting activities. Future milestones in the trade regime will include (i) a further reduction of import duties; (ii) elimination of remaining temporary import surcharges; and (iii) improvements in customs regimes, with a view to increasing their efficiency for bona fide direct and indirect exporters while restricting access for other classes of operators. Additional gains in competitiveness will come from improvements in the transport and communications sectors. In the port sector, the emphasis will be on completing the institutional reforms as part of SAC III, including the privatization of key industrial and commercial activities, as well as port services, and improving the efficiency and speed of port transactions. Reductions in internal transport costs are expected to result from improved road maintenance, following the creation of the Road Maintenance Fund; lower costs of rail transport, following the privatization of the railway concession; and the improved quality and availability of internal air transport.

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<sup>9</sup> Within this framework, a strategy for the complete overhaul of the social protection system has been prepared in collaboration with the World Bank and has been adopted by the government. Implementation of this strategy, involving institutional as well as legislative changes, will start in 2000-01.

### C. Institutions, Governance, and Anticorruption

39. As indicated earlier, the quality of public services is poor, and corruption widespread. This reflects the very poor state of governance with respect to public resource mobilization and management, service delivery, and oversight functions. Drastic improvements in all areas are a sine qua non of sustainable, high-level economic growth and poverty reduction. Looking forward, efforts will focus specifically on (i) putting in place an overall governance strategy; (ii) decentralizing service delivery; (iii) undertaking supportive reforms at the central government level; (iv) initiating a serious effort to improve governance in the judicial sector; and (v) ensuring the establishment of an appropriate incentives-cum-regulatory framework and oversight institutions for private sector development.

40. **Overall governance strategy.** The government is developing a comprehensive strategy to improve governance and reduce corruption. This strategy will further operationalize the National Governance Program, which was developed by the government with assistance from the UNDP. The strategy is to be finalized before June 2000 and a set of specific activities will be developed together with relevant stakeholders to ensure their backing and the creation of an effective and credible anti-corruption coalition. An initial set of anticorruption activities would then be launched. The authorities at the highest level have recently solicited assistance from the international financial community in this endeavor.

41. **Decentralization and decentralized service delivery.** Decentralization, decentralized service delivery, and the development of alternative service delivery concepts at the community level will be the cornerstones of the long-run governance strategy. This would complement ongoing activities to reduce poverty by strengthening the availability of, and access to, key public services at the local and regional levels in areas such as agriculture, health, education, and infrastructure. The ultimate goal will be to enable the regions and communities to deliver core services in a decentralized and more effective way by restructuring the relationship of line agencies to regional and local governments, and by progressively reassigning them fiscal revenue and expenditure responsibilities. Specific attention will be given to developing integrated community action plans (CAPs). A governance overview would map existing constraints at the various institutional levels and help identify options for institutional reform. Beneficiary assessments will help to adequately identify deficiencies and shape the reform agenda.

42. **Supportive reforms at the central government level.** The decentralized service delivery approach will be complemented by some targeted reforms at the central government level which are aimed at improving transparency and accountability in the public sector. Key elements in this context are reforms in procurement, financial management and human resource management as well as civil service reform (see Box 3). In addition the authorities will continue ongoing efforts to improve expenditure management, tax administration and the oversight of public sector agencies and enterprises through annual technical and financial audits. In this context, the authorities intend, to ensure that public financial management systems meet the following fiduciary benchmarks within the next two years: (i) regular and timely reporting by the government to the legislative and the public on budget execution

during and at the end of the fiscal year; and (ii) regular and timely reports by the Supreme Audit Institution (or independent auditors) as to the accuracy of government accounts and compliance with financial laws and regulations.<sup>10</sup>

**Box 3: Milestones for Institutions, Governance, and Anticorruption**

***Short term***

- Adoption of governance and anti-corruption reform strategy and associated action plan.
- Modification of procurement code to make provision for the validation of contracts by an independent observer and for ex-post audits of contracts by independent internationally reputed companies.

***Medium term***

- ***Governance. Completion of overviews*** of key sectors (including health and education) and identification of points of intervention for institutional reforms.
- ***Anticorruption.*** Formation of an effective and credible **anti-corruption coalition** through workshops with the participation of relevant stakeholders.
- ***Decentralization and decentralized service delivery. Completion of budget tracking exercises and beneficiary assessments*** in key **social** sectors (health & education); and, on this basis, implementation of pilot operations for decentralized service delivery.
- ***Procurement. Completion of a comprehensive review (Country Procurement Review)***; and on that basis preparation and implementation of comprehensive procurement reform.
- ***Financial management. Comprehensive financial accountability assessment (CFAA)*** undertaken and used to prepare an action plan to improve public finance management including provision for appropriate deconcentration.
- ***Human Resource management. Preparation and implementation of an action plan*** for the de-concentration of human resource management in key sectors.
- ***Civil service.*** Census and harmonization **of payroll and personnel files.** Adoption and implementation of reform strategy focused on decentralized service delivery.
- ***Judicial sector.*** Adoption and implementation of a strategy for judicial reform.
- ***Regulatory agencies*** to oversee privatized companies (notably public utilities) ensuring that they are effectively run in an independent and professional manner.

43. **Judicial sector.** Judicial reform is another key area of the governance reform program. The government plans to take the steps necessary to correct deficiencies in the legal system, the proper functioning of which is essential for investment and for the development of the private sector, particularly the financial system. To this end, the government will undertake a preliminary sector assessment during 2000/01, with assistance from the international financial community, in order to effectively identify points of intervention for a credible judicial reform.

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<sup>10</sup> The budget is voted once a year by the National Assembly.



44. An appropriate incentives-cum-regulatory framework and oversight institutions are essential to promoting efficient development of the private sector which, in turn, can make a very important contribution to growth and poverty reduction. To that end, the government intends to (i) pursue the development of independent regulatory agencies for key sectors (e.g., water, electricity, telephones, railways, and ports); (ii) establish similar mechanisms to foster the development of public/private partnership in the provision of key services in the social sectors; and (iii) establish streamlined arrangements for arbitration and dispute resolution, with the objective of avoiding long and often nontransparent judicial proceedings. Attention will also focus on the implementation of the competition law, in particular regarding the abuse of dominant position and safeguards against predatory trade practices.

#### **D. Social Sectors**

45. The striking deterioration in the delivery of social services demands urgent attention and significant improvements in these sectors will be necessary conditions for Cameroon to move from decision to completion point in the HIPC Initiative context. In the social sectors, detailed strategies on health and education, which will be key inputs into the overall PRSP process, are being prepared; these will need strong coordination among central and line ministries and government's commitment to ensure true reform. In addition, the capacity to ensure effective implementation of these strategies should be reinforced.<sup>11</sup>

46. **Education sector.** The reform of the education sector is crucial. To put into practice the principles stated in the 1998 Education Orientation Law, the authorities will have to strengthen the strategic and regulatory framework while transferring service delivery responsibilities either to the local administrations, to the communities or to private providers of education. At the same time, it is necessary to develop a working partnership and define clear relationships between the authorities and the parents associations, which contribute considerably to the financing of the education system. Finally, improving quality will require an overhaul of the skills and motivations of teachers through a revision of their current statutes and pay scale, and through the decentralization of human resource management to the school district levels.

47. The government is preparing a comprehensive sector strategy covering the primary, secondary, and tertiary sectors. Its key (development) objectives are to increase enrollments, especially at the primary level, internal efficiency and standard achievement scores. The strategy is being prepared through a participatory process, and, to that end, the composition of the Steering Committee for Strategy Preparation includes representatives of parents, teachers, and the private education sector. The strategy, which should be ready by June 2000, will contain aggregate preliminary estimates of operational and investment budget needs for the next three years for primary, secondary, and tertiary systems. An action plan for implementing key measures over the next two-three years has been agreed with the

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<sup>11</sup> In this context, a capacity-building project supported by IDA is envisaged.

authorities. In this regard, salient actions to be taken in the short term and in the medium term are summarized in Box 4.

**Box 4: Cameroon: Short-term and Medium-term Milestones for Education**

***Short term***

- Adoption of an education sector strategy, including estimates of budgetary needs for the next three years.
- Elimination of the textbook distribution monopoly.
- Establishment of a text-book approval unit to define and publish a list of criteria for the selection of textbooks.
- Publication of a list of textbooks approved for the academic year 2000/01.
- Elimination—through the promulgation of a law and appropriate implementing regulations—of primary school fees following the recent decision by the President of the Republic.
- Elimination of school management committees for primary schools and revision of their composition in secondary institutions to increase representation of parents.
- Publication of a medium-term strategy to decentralize the management of teaching staffs.
- Other key measures (i) the elimination of the automatic hiring in the civil service of graduates of the teacher training schools for secondary education; (ii) the development of objective criteria governing promotions to headmaster and inspector levels; and (iii) the establishment of a Governance Monitoring Committee (*observatoire de la gouvernance*) for the education sector.

***Medium term***

- Satisfactory implementation of the education sector strategy.
- Publication and operationalization of new statutes for teachers.
- Operationalization of new policies and procedures for decentralized management of teachers.
- Promulgation of new law on private education.

48. **Health sector.** The overarching goal of the government's health strategy is to expand coverage with key health interventions. The program will focus on (i) increasing access to, quality, and efficiency of primary health care services; (ii) ensuring ongoing supply of adequate medical supplies and essential drugs; (iii) increasing support to specific programs, particularly HIV/AIDS and malaria, as well as diseases preventable by immunization and maternal and child health; (iv) improving institutional and management capacity at the Ministry of Health; (v) strengthening the partnership with the private sector, NGOs, and the representatives of health professionals, and the other development sectors; and (vi) ensuring sustainable health care financing, channeling adequate levels of financial resources to

essential interventions through the government's budget, households, and external partners, and reforming budgetary procedures and management of financial resources.

49. The progress and impact of the program will be measured against specific targets and actions set out in the health strategy and in annual implementation reports by the Ministry of Health (MOH). **Key targets** that will be monitored during the interim period and in the context of the PRSP include the following: (i) 60 percent of the population will live less than 5 kilometers from a health facility as compared with 45 percent at the moment; (ii) the proportion of viable health districts<sup>12</sup> will have increased from 5 percent to 25 percent; (iii) DPT3 immunization coverage will have increased from 36 percent to 70 percent; (iv) coverage of children less than one year with vitamin A supplementation will have reached 70 percent; (v) knowledge about protection and prevention measures against malaria will have substantially increased (i.e. 50 percent of pregnant women will be using treated bed-nets); and (vi) the state budget allocated to the health sector will have increased from 4 percent to 7 percent of total budget (investment and recurrent cost).

50. Measures for the next few years, distinguishing between the short-and medium-term are summarized in Box 5.

51. **HIV/AIDS:** The magnitude of the threat posed by the HIV/AIDS crisis warrants an immediate strong public statement by the President, the Prime Minister and by all relevant ministers. Urgent action must be taken over the coming months to more effectively target interventions toward raising awareness, aggressively promoting behavior change, and increasing condom use in identified risk groups (sex workers, truck drivers, etc.) and among the population at large. These elements should form a key part of an overall country strategy, coordinated by the National Committee to Fight AIDS and supported by UNAIDS and other donors. In particular, the government will take the following actions to lead the fight against HIV/AIDS:

- as part of raising awareness and improving information, up to 30 minutes on national television and radio and 60 minutes on local radio per week of free air-time will be provided for messages and programs against HIV/AIDS through the public media (radio and television);

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<sup>12</sup> Viable districts: districts where more than 80 percent of the population lives at less than 5 kilometers, and which have management structures.

### **Box 5: Cameroon: Short-term and Medium-term Milestones for Health**

#### ***Short term***

- Publication of the national health map.
- Publication the national drug policy.
- Adoption of a satisfactory health sector strategy with estimates of three year budgetary needs, with a view to its incorporation into the government budget as of 2000/2001.
- Authorize health centers to retain the share of their fee generated income actually remitted to the Ministry of Health and identify alternative sources of financing for the National Solidarity Fund.
- Establishment of legal and institutional framework assigning to health management committees control over and responsibility for the use of all funds generated from fees-for-service and drug revolving funds and from the government budget, including the deposit of such proceeds into a bank account opened in the name of each facility, with the oversight of community representatives.
- Development of a draft monitoring framework to be used by the committees (i) to assess regularly (e.g., every six months) overall expenditures of health centers, revenues as well as delivery performance for key services, and (ii) produce a report presented to communities.
- Preparation of legislation (i) establishing price caps on at least 30 essential low cost generic pharmaceuticals which most likely benefit the poor; (ii) allowing pharmacies to replace brand name drugs by their generic equivalent; and (iii) obliging them to disclose this possibility to the public.
- Adoption of staffing norms for health facilities (centers, district hospitals).
- Adoption of legislation to regulate incentives of health staff.
- Definition of a framework for enhancing collaboration and partnership with NGOs (both profit and nonprofit).

#### ***Medium term***

- Publish most important regulatory texts for the implementation of the National Drug Policy.
- Finalize statutes for *Centre National d'Approvisionnement de Medicaments Essentiels (CENAME)* and *Centres D'Approvisionnement Pharmaceutiques Régionaux (CAPPs.)*
- Publish Ministerial Circular on drug registration procedures.
- Publication of legislation (i) establishing price caps on at least 30 essential low cost generic pharmaceuticals which most likely benefit the poor; (ii) allowing pharmacies to replace brand name drugs by their generic equivalent; and (iii) obliging them to disclose this possibility to the public.
- Preparation of annual health budgets in the context of a Medium Term Expenditure Framework, beginning with the budget for FY2002; and in that context increase share of health budget from 4 to 7 percent of overall budget.
- Increase of allocation of funds to primary care/key public interventions to 45 percent of overall budget;
- Adoption of a legal framework to allow direct budget transfers to districts and/ or health centers;
- Development of criteria for performance based budgeting.
- Adoption of a comprehensive plan for the financing of health care, including adequate arrangements to guarantee access to health care by those unable to pay.
- Establishment of a functioning, purchasing and auditing capacity at central level.
- Implementation of new contractual arrangements to foster partnership with profit and non-profit non-governmental providers.
- Publication and dissemination of standards for essential (medical) treatments.

- the various technical ministries will develop a sector-specific strategy to fight against HIV/AIDS. Each ministry and parastatal agency will elaborate and present a strategy to protect their staff against HIV/AIDS. The strategies will cover aspects such as a massive and systematic effort to raise awareness among staff and the making of condoms and voluntary counseling and testing available to staff. Those ministries that provide a service to the public (Agriculture, Livestock, Education, Police, Army, Public Works, and Health) will also elaborate a strategy to disseminate messages against AIDS; and
- before September 2000, the Ministries of Health, Agriculture, Livestock, and Transport will join forces to cover all villages in the six districts that are currently covered by the IDA-supported health project with a pilot operation in support of participatory community action programs to support communities in their fight against AIDS;
- before 2003, the government will support intensified and expanded activities to prevent the spread of HIV, with education to promote the use of condoms by truck drivers, port workers and soldiers to 50 percent and by commercial sex workers to 70 percent.

### **E. Improving Infrastructure**

52. Improving infrastructure is key to improving growth and poverty reduction prospects in both rural and urban areas. Priority areas remain transportation (rural roads, urban streets, and inter city roads), communications, sanitation, potable water, electricity, and housing. The government has concentrated its efforts in the framework of SAC III on maintaining the existing road network, and privatizing the main suppliers of water (SNEC), electricity (SONEL), and telecommunications (CAMTEL). Privatization will continue to play an increasingly important role in the provision, rehabilitation, and maintenance of infrastructure.<sup>13</sup>

53. The key concern, following the creation of the Road Maintenance Fund, is to ensure a rapid improvement in the amount and quality of private sector-executed maintenance of the priority road network, while completing the restructuring of the Ministries of Public Works and of Transport and strengthening their capacity in the areas of work programming and supervision. As regards rural roads, increased funding and a revised regulatory framework permitting more involvement of local communities are necessary. The interim PRSP and full PRSP will outline more detailed needs and interventions for rural and urban infrastructure.

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<sup>13</sup> With respect to **infrastructure** in particular, adoption of new frameworks and privatization of the public utilities are only the first steps in the process of establishing adequate and competitive infrastructure.

## F. Rural Sector

54. The primary rural development objective should be to promote environmentally sustainable growth, concentrating on improving food security at the household level, promoting exports (cotton, rubber, palm oil, coffee, cocoa, etc), and developing agro-industries and nontraditional agricultural exports<sup>14</sup>. Other key requirements are to implement institutional reforms in both the Ministries of Agriculture and Livestock, increase on-farm productivity, improve storage facilities, and facilitate the movement of agricultural commodities from surplus to deficit areas. This will require the government to: (i) continue to promote improvement of farm productivity through the Agricultural Research and Extension Services Program (PNRVA); (ii) improve the collection and diffusion of market price information to improve the efficiency of produce marketing; (iii) upgrade basic infrastructure (irrigation and rural roads) and its management in rural areas; (iv) entrust a leading role to local communities and farmer driven institutions for the management of services and infrastructure in the framework of Community Action Program (CAP)-type operations; and (v) improve the quality of social and other public services delivered to farmers.

55. The strategy will take account of the feedback from the participatory process and will include: (i) the formulation and implementation of programs aimed at fostering the development of partnership arrangements between farmer-driven associations or cooperatives, on the one hand and private sector institutions involved in the manufacturing and distribution of inputs such as seeds, fertilizer and pesticides on the other, and (ii) the formulation and implementation of contract farming programs, in particular within:

- the context of privatized parastatals and a liberalized cotton sector
- the formulation and implementation of community action program (CAP) type operations that address, inter alia, the management of rural roads and land tenure issues;
- the formulation and implementation of a program for the transfer to irrigation farmers of the management of all irrigation perimeters.

56. In the **forestry sector**, the main objectives are to preserve ecological stability of production forests and protected areas; improve the contribution of the sector to the country's development; develop economically efficient industrial processing; and ensure effective participation of local communities in forest and savanna land management and promote equitable revenue sharing. In the short to medium term, the priority is to ensure implementation of the reforms being supported by SAC III: (i) implement an improved framework for monitoring concession management plans including adoption of detailed regulatory procedures, setting up of a guarantee system and provision of international

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<sup>14</sup> The SAC III privatization program is expected to make an important contribution in this regard (HEVECAM, SOSUCAM, CAMSUCO, SOCAPALM, CDC and SODECOTON).

independent audits; (ii) setting up of a priority mechanism for community forests and systematic public information ; (iii) reform sector taxation/incentives and industrialization policy ; and (iv) complete an institutional audit covering ONADEF (the national forestry office) and other forest sector agencies to recommend rationalization of the currently inadequate institutional framework.

57. **Environment.** A framework law on the environment was passed in 1996, but the drafting of implementing decrees has just started recently. Significant progress is currently being achieved in the field within the framework of the GEF-funded National Program for Biodiversity. Beyond biodiversity, the environmental agenda in Cameroon also includes water resources management; solid waste management; and water and air pollution. Over the next three years, environmental management capacity needs to be build in both government and civil society. The government recently adopted an Emergency Action Plan for Forest and Environment that makes provision for: gazetting and reinforcement of protected areas; establishment of contractual accountability of logging companies against poaching; and systematic implementation of environmental impact assessments prior to road-works and industrial projects.

## **G. Petroleum Sector**

58. Since 1997, a series of actions have been implemented by the government to improve the efficiency and reduce the distribution costs of petroleum products in Cameroon and to improve the transparency of petroleum sector activities. Domestic refining costs have been reduced and pump prices have been liberalized. SNH is transferring oil revenues to the treasury in a regular manner. Finally, a new petroleum code, providing additional incentives to private investors, was adopted by the National Assembly at the end of 1999. This new framework, together with the implementation of the Chad-Cameroon pipeline project, should provide an environment conducive to renewed interest in hydrocarbon exploration and production in Cameroon.

59. In order to maximize domestic revenues from hydrocarbon activities, deliver petroleum products to domestic consumers at the lowest cost possible, and support economic growth, additional actions, however, need to be implemented by the government. While crude oil reserves are decreasing steadily because of very limited exploration efforts by private investors, gas resources are relatively abundant and not yet developed. A new contractual and fiscal framework for gas needs is therefore, to be designed and promoted, in parallel with an aggressive promotion of deep-offshore and onshore acreage aimed at increasing exports of crude oil. Improved reporting on hydrocarbon activities, particularly by the SNH, strict adherence and full transparency, as well as a clearer and more streamlined delineation of the roles and responsibilities of each party in the petroleum sector need also to be implemented. In particular, SNH's activities should be streamlined and limited strictly to that of liaison with the foreign oil companies operating in the country, and its staff reduced accordingly. Providing petroleum products at the lowest cost possible to domestic consumers would also require a larger opening of the domestic market to direct petroleum imports, technical and financial improvements in the operations of the domestic refinery to reach

import parity status and a full liberalization of exports of refined products. It will also require opening up downstream activities to new petroleum companies in order to increase competition, adopting and enforcing a new regulatory framework, privatizing the SCDP (the storage company) and reducing the costs of storage of refined products.

### III. DEBT SUSTAINABILITY ANALYSIS (DSA)

#### A. Introduction

60. This debt sustainability analysis (DSA) has been prepared jointly by IMF and World Bank staff and the Cameroonian authorities on the basis of loan-by-loan data provided by the authorities for debt outstanding and disbursed as of June 30, 1999. The DSA evaluates Cameroon's prospects for attaining external debt sustainability through an examination of critical debt indicators within the context of a 20-year macroeconomic and balance of payments framework. Within this framework, Cameroon's eligibility for enhanced HIPC Initiative assistance is determined by the outcome of the NPV of debt-to-exports ratio and the NPV of debt-to-revenues ratio at the decision point.

61. The debt service projections and resulting NPV calculations are preliminary, pending the completion of the debt reconciliation exercise with the creditors.<sup>15</sup> Cameroon contacted its external creditors in August and September 1999, and to date approximately 92 percent of the debt, including all debt with multilateral creditors, has been reconciled.<sup>16</sup> Efforts are continuing in order to ensure that all the data are reconciled by end-May 2000. With regard to commercial bank creditors, a reconciliation of debt data has been virtually completed in advance of the forthcoming London Club debt negotiations.

62. **Prior to the assumption of a Naples stock-of-debt reduction,** Cameroon's public and publicly guaranteed external debt was estimated at US\$7,679 million at end-June 1999, of which 70 percent was owed to bilateral creditors, 21 percent to multilateral creditors, and 9 percent to commercial creditors. In NPV terms, the debt before rescheduling was estimated at US\$7,178 million, equivalent to 78 percent of GDP, or 314 percent of exports of goods and services. Even after the Paris Club rescheduling arrangements, debt service paid has been equivalent to approximately one-third of total government revenues and about 20 percent of

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<sup>15</sup> The NPV of debt is calculated using the end-of-period exchange rates and the average currency-specific commercial interest reference rates (CIRRs) for the six-month period ended June 30, 1999 (Table 9).

<sup>16</sup> The current DSA is based on a somewhat lower level of reconciled debt which was available at end-November 1999. Figures for the Islamic Development Bank (IsDB) are preliminary, pending clarification from the creditor on the methodology to be used to estimate the NPV of loans.



Table 4. Cameroon: Recent Debt Service History, 1994/95-1998/99 1/  
(in millions of US dollars, unless otherwise indicated)

	1994/95	1995/96	1996/97	1997/98	1998/99
Debt service due (commitment basis) 2/	671	1,134	1,045	915	992
Principal	332	647	631	516	564
Interest	338	487	414	399	428
Debt service paid (cash basis) 3/	307	510	396	768	401
Principal	146	297	237	577	194
Interest	161	213	159	191	208
Debt service due less debt service paid	363	624	649	147	590
Memorandum items:					
Debt service due					
as a percentage of exports of goods and services	48.3	59.5	44.3	40.4	45.4
as a percentage of government revenues	96.4	93.4	74.1	66.2	71.2
Debt service paid					
as a percentage of exports of goods and services	15.0	24.9	19.6	16.1	17.8
as a percentage of government revenues	29.9	39.0	32.8	26.4	28.1
as a percentage of social expenditures	161.0	215.1	235.4	391.2	173.7

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

2/ Before rescheduling.

3/ After rescheduling.

exports of goods and nonfactor services for the past five years (Table 4). Moreover, actual debt service has been in excess of expenditures on health and education. However, the implementation of the adjustment program has put emphasis on more prudent debt management, which has, de facto, reduced the rate of accumulation of debt. No nonconcessional borrowing is contemplated under the current PRGF arrangement, with the exception of borrowing related to the Chad-Cameroon pipeline project; Cameroon's general debt management practices are described in Annex II.

## B. The Structure of External Debt and Relations with Creditors

63. **The baseline scenario assumes full recourse to traditional debt relief mechanisms.** Therefore, a hypothetical Naples terms stock-of-debt operation, equivalent to an NPV reduction of 67 percent, is assumed in the baseline debt projections at June 1999 for eligible Paris Club debt. It is assumed that other official bilateral creditors would give comparable treatment. Arrears to commercial banks are expected to be treated in the context of a debt- and debt-service reduction (DDSR) agreement that Cameroon envisages to reach with the London Club (and other creditors) during 2000/01, on terms comparable to those

that would be expected under the enhanced HIPC Initiative.<sup>17</sup> An update on the DDSR operation is presented in Box 6 and details of the baseline scenario are presented in Box 8.

**Box 6. Cameroon: Debt- and Debt-Service Reduction (DDSR) Operation with Commercial Creditors**

**Background**

The government has carried out significant preparatory work, including the compilation of most debt data. To design the financial and legal aspects of the operation in the preparatory and execution phases, the government is using the services of external and well known financial and legal advisors for which it has obtained World Bank financing. Advisors have completed most of the debt reconciliation work and are expected to finalize the verification of the residual claims before June 30, 2000.

The commercial debt operation covers all the outstanding commercial debt. This includes loans due to international commercial banks and to non-bank creditors. Based on work completed so far, the commercial bank loans account for almost 90 percent of the total commercial debt in arrears.

**Amounts involved**

The total amount of debt identified so far is estimated at about US\$730 million using the end-March 2000 exchange rates, of which about US\$90 million is non-bank. The bank loans have hardly been serviced over the past decade, and virtually all of them are in arrears. As a result, the total amount includes a substantial amount of late interest, about a third of the total.

In addition to the above numbers, some new claims have been identified and being reconciled. The eligibility of these claims is being validated and could change the amounts of debt included in the commercial debt reduction operation.

**Financing**

Cameroon has informally contacted potential bilateral donors to finance the costs of the operation. The World Bank, through the IDA debt reduction facility, is expected to contribute. The terms of the operation should be comparable with those expected with the Paris Club under the enhanced HIPC Initiative. The financing package will ensure that the operation is economically sound, and has low up-front costs.

**Timetable**

It is expected that negotiations with creditors could start in the third quarter of 2000, and closing could be achieved during the first quarter of 2001.

64. After the assumption of a Naples stock-of-debt operation, the external public and publicly-guaranteed debt amounted to US\$6,358 million in nominal terms at end-June 1999. This debt stock is estimated at US\$4,896 million in NPV terms or 53 percent GDP, 214 percent of exports and 344 percent of revenues (see Table 7). As shown in Figure 3, the outstanding nominal debt at end-June 1999 was mainly owed to official bilateral creditors, with a 70 percent share, and multilateral institutions, which accounted for a further 26 percent of overall debt. The largest creditor grouping was then the official bilateral creditors, with a stock of debt equivalent to 71 percent of the overall NPV of debt, or US\$3,498 million

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<sup>17</sup> The DSA makes this implicit assumption, although in practice the London Club follows a menu approach that may include outright cancellations.

in NPV terms. Multilateral creditors held claims amounting to 24 percent of external debt in NPV terms, or US\$1,196 million. Almost all of the stock of debt owed to London Club commercial banks, 4 percent of the total NPV of debt, consisted of arrears.

**Box 7. Cameroon: Debt Relief from Official Creditors**

Cameroon has had five rescheduling agreements with the Paris Club, of which the last three were on concessional terms. On October 24, 1997, Cameroon and its Paris Club official bilateral creditors agreed on a flow rescheduling under Naples terms (50 percent NPV reduction) covering US\$1.27 billion over the period from October 1, 1997 to August 30, 2000. This rescheduling agreement entered into force officially in December 1998. Cameroon has never received a Naples terms stock-of-debt reduction.

**Cameroon: Overview of Rescheduling of Official Bilateral Debt, 1989-97**

Number of Rescheduling	Date of Agreement	Amount Consolidated 1/ (In millions of U.S. dollars)	Consolidation Period (In months)	Terms	
				Grace (In years)	Maturity (In years)
I	May 24, 1989	535.0	9.0	6.0	9.5
II	January 23, 1992	1,080.0	9.0	8.2	14.6
III	March 25, 1994	1,259.0	18.0	London terms 2/	
IV	November 16, 1995	1,129.0	12.0	Naples terms 2/	
V	October 24, 1997	1,270.0	35.0	Naples terms 2/	

Sources: IMF, *Official Financing for Developing Countries* (Washington: IMF, 1997); and staff updates.

1/ Includes debt service formally rescheduled as well as deferred maturities.

2/ Concessional rescheduling with a 50 percent of NPV reduction. Naples terms can go up to a 67 percent reduction although Cameroon received only a 50 percent reduction in 1995 and 1997. On November 30, 1999 the Paris Club implemented a decision that the only level of concessionality to be implemented from that date for the debt treatment of the poorest and most indebted countries would be 67 percent.

65. France was by far the largest creditor with claims amounting to US\$1,804 million, or 37 percent of debt in NPV terms, followed by the World Bank Group, with total credits amounting to US\$659 million in NPV terms, equivalent to 14 percent of the overall NPV of debt (Table 11). Germany and Austria were the third and fourth largest creditors, accounting for 8 percent and 7 percent of the overall NPV of debt, respectively. The other major multilateral creditors included the African Development Bank group, with 6 percent, and the European Union, with 1 percent of the total debt in NPV terms. The outstanding use of Fund resources at end-June 1999 was equal to 3 percent of the overall NPV of debt, an amount of US\$137 million in NPV terms.

### **Box 8. Cameroon: Main Assumptions in the Debt Sustainability Analysis (DSA)**

The following long-term macroeconomic assumptions have been used for the 20-year baseline DSA scenario agreed with the Cameroonian authorities (Table 5).

#### **Growth**

- Real GDP is expected to grow by an average of 6.2 percent a year as a result of a steady increase in investment, the continuing implementation of structural reforms, and the strength of non-oil exports. Inflation is projected to remain low, at 2.0 percent per year.

#### **Exports and imports**

- The volume of exports of goods and services is projected to grow at an annual average rate of 6.2 percent reflecting the continuing strong growth of non-oil exports (7.3 percent in real terms), as well as declining petroleum exports on account of Cameroon's falling oil reserves.
- Total imports of goods and services are projected to grow by an annual average rate of 6.8 percent in real terms.

#### **Capital account**

- Cameroon is expected to continue requiring concessional assistance in order to meet its financing needs. Thus new financing is assumed to have a grant element of about 44 percent on average. Nevertheless, it is expected that the financing gaps will steadily decline and be completely eliminated by 2010.

#### **Government revenues**

- The current fiscal reform efforts are expected to gradually increase the revenue to GDP ratio from the current level of 15.5 percent to about 20 percent over the next 20 years in order to meet the growing resource requirements for the social and rural sectors and for infrastructure. Within this context, the primary balance would be gradually reduced to about 3.2 percent of GDP, while the overall deficit would be stabilized at about 0.6 of GDP.

#### **External public and publicly guaranteed debt**

- It is assumed that all official bilateral creditors would have granted a Naples terms stock-of-debt operation (a 67 percent reduction in NPV terms) on pre-cutoff date debt in 1999.
- New financing would continue to be highly concessional. The share of debt contracted on IDA terms (40 years maturity, 10 years grace and 0.75 percent interest) is assumed to constitute 60 percent of new borrowing. It is assumed that the remaining 40 percent would be a mixture of IMF PRGF loans and bilateral loans contracted on rather less concessional terms (25 years maturity, 6 years grace, and 2 percent interest).

## **C. Long-Term Balance of Payments and Debt Sustainability**

### **Baseline scenario**

66. The macroeconomic projections used in this analysis and agreed with the authorities are based on continued sound macroeconomic policies, further structural reforms, and the development of human resources, in particular through the implementation of a poverty reduction program. A detailed exposition of the key assumptions underlying the baseline scenario is provided in Box 8 and further quantified in Table 5. Under the baseline scenario (Table 10), the debt service ratio of public and publicly guaranteed debt remains above 15 percent until 2000/01 and declines thereafter to a level of 9 percent in 2008/09. The ratio of debt service to revenues is greater than 15 percent until 2004/05, but during this period it declines sharply from a level of 31 percent in 1999/2000 to 17 percent in 2004/05. When the affect of new borrowing is included, the debt service and debt service-to-revenues ratios rise by 1 to 2 percentage points per annum for the period 2001/02 to 2008/09.

67. On the basis of the assumptions and policies outlined above, Cameroon's external debt situation would remain at unsustainable levels even after full application of traditional debt relief mechanisms. The NPV of debt-to-exports ratio at end-June 1999 would be 214 percent and would remain above 150 percent until 2007/08. The NPV of debt-to-government revenue would remain above 250 percent until after 2002/03<sup>18</sup> (Table 10). On the basis of the export criterion, Cameroon would therefore be eligible for assistance under the enhanced HIPC Initiative. In order to reduce Cameroon's debt burden to 150 percent of exports at the decision point, the required amount of debt relief would be US\$1.47 billion in end-June 1999 NPV terms (Table 12).

68. Based on proportional burden-sharing, official bilateral creditors would provide 71 percent of overall assistance, an amount estimated at US\$1,047 million in NPV terms. Multilateral creditors would be responsible for the provision of 24 percent of total enhanced HIPC relief, an amount equal to US\$358 million in NPV terms. The remaining US\$60 million of assistance would be contributed by Cameroon's commercial creditors.

### **Sensitivity analysis**

69. Although Cameroon has a relatively more diversified export base than other HIPC countries, its balance of payments is nevertheless subject to considerable uncertainties, notably with regard to (i) export volume growth; and (ii) the conditions for new external loan financing. Both these scenarios are important risk factors for Cameroon. The export base is largely dominated by commodities, which are subject to sharp price and volume fluctuations. Conditions for new borrowing could possibly change if Cameroon were to cease being an

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<sup>18</sup> However, Cameroon would not qualify under the revenue criterion because it does not meet the openness threshold; the export-to-GDP ratio is below 30 percent.

IDA-only country, a distinct possibility, since Cameroon became IDA only after the devaluation of 1994 and following a very sharp decade-long reduction in real GDP. The results of the alternative scenarios, namely, (i) a reduction in the growth rate of export volumes of 2 percentage points; and (ii) a reduction in the level of concessionality of new loans by lowering the average grant element from 44 percent to 35 percent, are presented in Table 10. The strongest impact would result from reducing the growth rate of export volumes: this would raise the overall NPV of debt-to-exports ratio by an average of 19 percentage points relative to the baseline over the projection period. The impact of lower concessionality would be somewhat weaker, on average the NPV of debt-to-exports ratio would increase by 7 percentage points. However, the debt service ratio would be most affected by lowering export growth; on average it is about 4 percentage points higher than that of the baseline scenario.

#### **D. Proposed Decision and Floating Completion Points, and Potential Assistance**

70. Cameroon has successfully implemented Bank and Fund supported programs and the third-year PRGF arrangement (July 1999-June 2000) was approved in September 1999. At end-June 2000, assuming the program continues on track, Cameroon will have established an uninterrupted three-year track record. **The staffs therefore recommend to the Boards that Cameroon reach its decision point following successful completion of the year-end review under the PRGF arrangement, satisfactory performance under SAC III (see Box 9), as well as adoption of an interim PRSP. These are expected to be completed by September 2000. The staffs would also like to seek guidance from the Boards regarding the measures that could constitute completion point triggers as outlined in Box 9.**

#### **Potential assistance for Cameroon**

71. The actual profile of enhanced HIPC assistance will depend on the modalities for the delivery of debt relief decided by each creditor at the decision point. The actual amount of assistance will be firmed up in the decision point document, once full loan-by-loan reconciliation has been completed. However, a possible flow of nominal assistance was projected using a number of assumptions. Broadly, these include:

- A flow rescheduling on Cologne terms (90 percent NPV) granted at the decision point by Paris Club bilateral creditors, with the remaining amount of assistance required delivered through a stock-of-debt operation under Cologne terms.
- At least comparable treatment to the Paris Club group of creditors is assumed for non-Paris Club bilateral creditors.
- The IMF, IDA and the African Development Bank group deliver interim assistance from September 2000 and irrevocably commit further assistance at the completion point.

## **Box 9. Cameroon: Potential Key Reforms and Objectives to be Monitored**

### **Before the Decision Point**

- Completion of the current PRGF program, including, in particular, adoption of the health and education strategies and satisfactory progress towards attainment of the key short term milestones set forth in Boxes 3, 4, and 5 as well as key HIV/AIDS actions elaborated in paragraph 50.
- Continued satisfactory and timely execution of SAC III.
- Adoption of an interim PRSP that takes into account the results of the first round of participatory consultations.
- Adoption of a governance strategy, including a detailed action plan.
- Establishment of arrangements, satisfactory to the IMF and IDA, for the effective use and monitoring of savings accruing to Cameroon under the enhanced HIPC Initiative, during the interim period.

### **Before the Completion Point**

The floating completion point would be deemed to have been achieved if:

#### **Macroeconomic and structural sectors**

- The macroeconomic and structural policies contained in the new PRGF program have been satisfactorily implemented during the interim period.
- The budgetary savings from the flow relief have been used in accordance with the criteria set forth at the decision point.

#### **Poverty Reduction Strategy Paper**

- A full PRSP has been implemented and the first annual progress report review satisfactorily completed.

#### **Governance and anti-corruption**

- The governance and anti-corruption strategy's action plan has been satisfactorily implemented.
- The public procurement system has been fully reformed and is functioning well.
- Public financial management action plan has been satisfactorily implemented, as indicated in Box 3 and, in particular transfers and delegated credits are made on a timely basis, and are monitored to ensure transparent execution.
- Regulatory agencies for key sectors (including water, electricity and telecommunications) are effectively run in an independent and professional manner.

#### **Social sector**

- **Education sector.** The sector strategy has been satisfactorily implemented in a timely manner and, in particular, (i) a new law on private teaching has been promulgated, (ii) new teacher statutes have been adopted and implemented, and (iii) teacher management has been effectively decentralized.
- **Health sector.** (i) Satisfactory implementation of the health sector strategy, including establishment of the annual budget in context of an MTEF; (ii) increase in share of health sector budget from 4 to 7 percent of overall national budget and, in that context, increase in share of primary health care budget to 45 percent of overall sector budget; (iii) adoption of a comprehensive plan for the financing of health care, including adequate arrangements to guarantee access to health care by those unable to pay; and (iv) increase of child immunization rate to 70 percent, and of child vitamin A supplementation rate to 70 percent; 50 percent of pregnant women will be using bed-nets impregnated with antimalarial treatments.

- All remaining multilateral creditors provide assistance from the completion point onwards.

72. The estimated amount of enhanced HIPC assistance for Cameroon is considerable. Interim assistance is estimated at approximately US\$100 million per annum for the period 2000/01 to 2001/03. From the completion point onwards, debt relief would amount to about US\$150 million per annum during the period 2003/04 to 2008/09. It is estimated that enhanced HIPC assistance could translate into an annual debt service reduction equal to an average of 1 percent of GDP for the period 2000/01 to 2000/09. If the entire enhanced HIPC assistance were used to augment social expenditures,<sup>19</sup> these would rise by about one-third over the next three years.

### **E. Authorities' Views**

73. The authorities appreciate the link between the assistance under the Initiative and poverty reduction, which has become the centerpiece of economic programs supported by international financial institutions. In this context, the authorities are determined to successfully complete the current economic and financial program supported by the PRGF in order to establish a solid economic basis for undertaking wide-reaching social policies in the sectors of health, education and basic infrastructure. Poverty reduction will, therefore, be at the heart of the second generation programs, which will be facilitated, inter alia, by the availability of HIPC resources.

74. Beyond confirming their commitment to reforms, the authorities would like to stress that the success of economic and social reforms will depend not only on the debt relief, but also on the additionality of resources. They would like to encourage creditors to provide debt relief in as timely a manner as possible. All in all, the government will ensure that the debt relief is effectively used and monitored in a manner acceptable to creditors. In this vein, the Cameroonian authorities have favorably welcomed the enhanced HIPC Initiative and consider it as a historic chance to assist in the economic renewal of poor countries. In particular, the authorities are pleased that Cameroon is now eligible for assistance under the Initiative. They are looking forward to the accelerated implementation of the Initiative so that the heavy burden of external debt on socioeconomic development can be quickly lifted.

75. Finally, the authorities would like to draw the attention of the international community to the heavy burden of domestic debt, which, at about 25 percent of GDP, is a major impediment to the economic takeoff of the country.

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<sup>19</sup> Defined as projected current and capital expenditures in education and health.

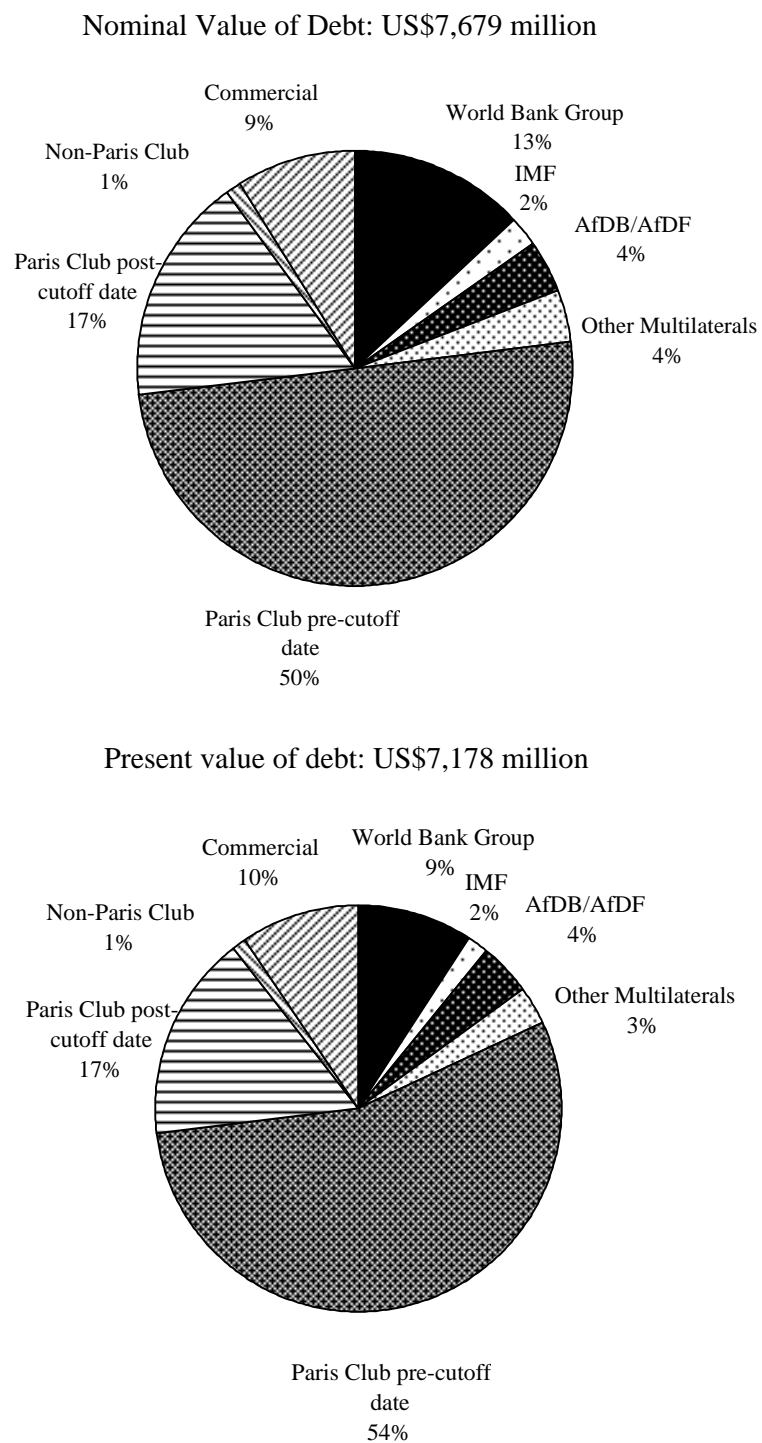


#### IV. ISSUES FOR DISCUSSIONS

76. This paper has presented a preliminary assessment of Cameroon's eligibility for assistance under the enhanced HIPC Initiative. The preliminary DSA indicates that Cameroon would be eligible for assistance. On the basis of the track record since 1997, the staff are proposing, for consideration by the Executive Directors, a decision point at the next review of the program currently expected in September 2000. Debt relief under the Initiative would not only reduce the debt burden to more sustainable levels, but also permit a significant increase in the allocation of resources toward poverty alleviation. Executive Directors' views and guidance are sought on the following issues:

- **Eligibility and assistance under the HIPC Initiative and interim relief.** Do Directors agree that Cameroon qualifies for assistance under the enhanced HIPC Initiative sufficient to reduce its NPV of debt-to-export ratio to 150 percent? Do Directors also agree that the country should receive interim assistance between the decision and completion points?
- **Decision point.** Do Directors agree with the staffs' recommendation of considering a decision point document around September 2000, conditional on satisfactory program implementation? Given that, if the decision point is reached in September 2000, the authorities are unlikely to have all the actual data (notably reconciled loan-by-loan numbers) as of end-June 2000, would the Directors agree with the staffs' recommendation that end-June 1999 data be used instead?
- **Completion point.** Do Directors have preliminary views on the policies to which the floating completion point should be tied, as presented in Box 9?

Figure 2. Cameroon: Composition of Stock of External Debt, End-June 1999 1/

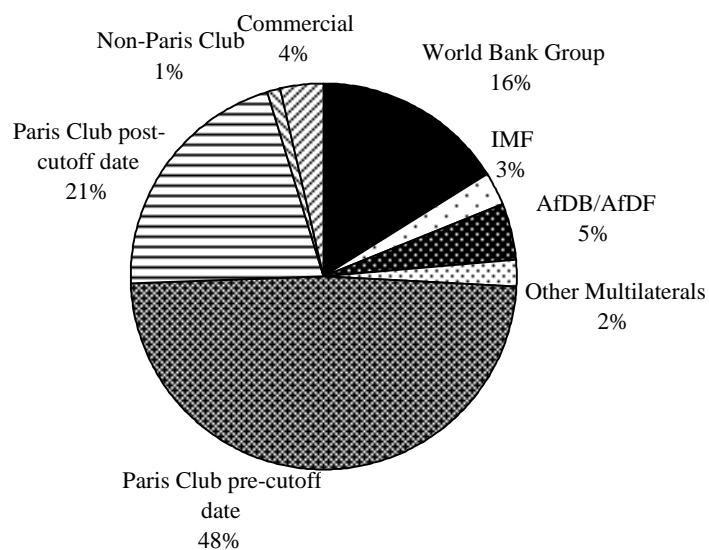


Sources: Cameroonian authorities; and staff estimates

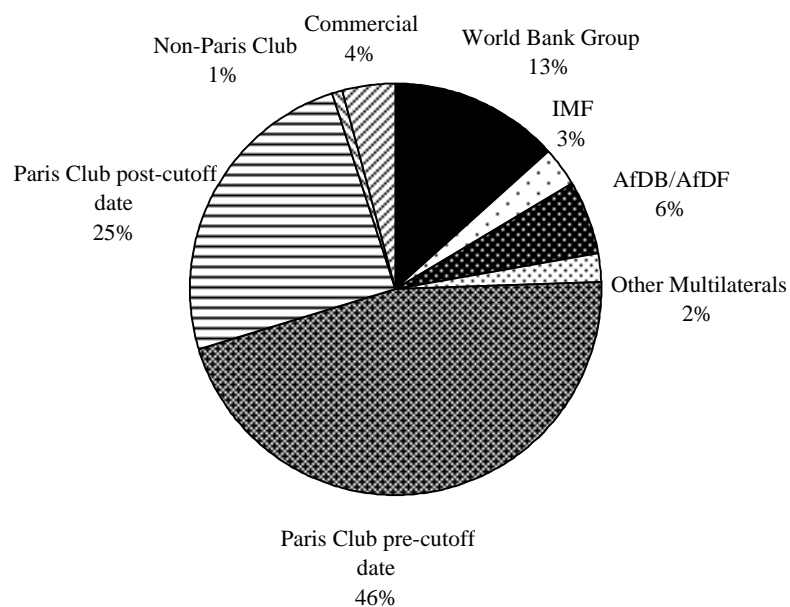
1/ Before full use of traditional debt relief mechanisms

Figure 3. Cameroon: Composition of Stock of External Debt, End-June 1999 1

Nominal Value of Debt: US\$6,358 million



Present Value of Debt: US\$4,896 million



Sources: Cameroonian authorities; and staff estimates

1/ After full use of traditional debt relief mechanism:

Figure 4. Cameroon: NPV of Debt-to-Export Ratio after Traditional Debt Relief, 1998/99-2018/19

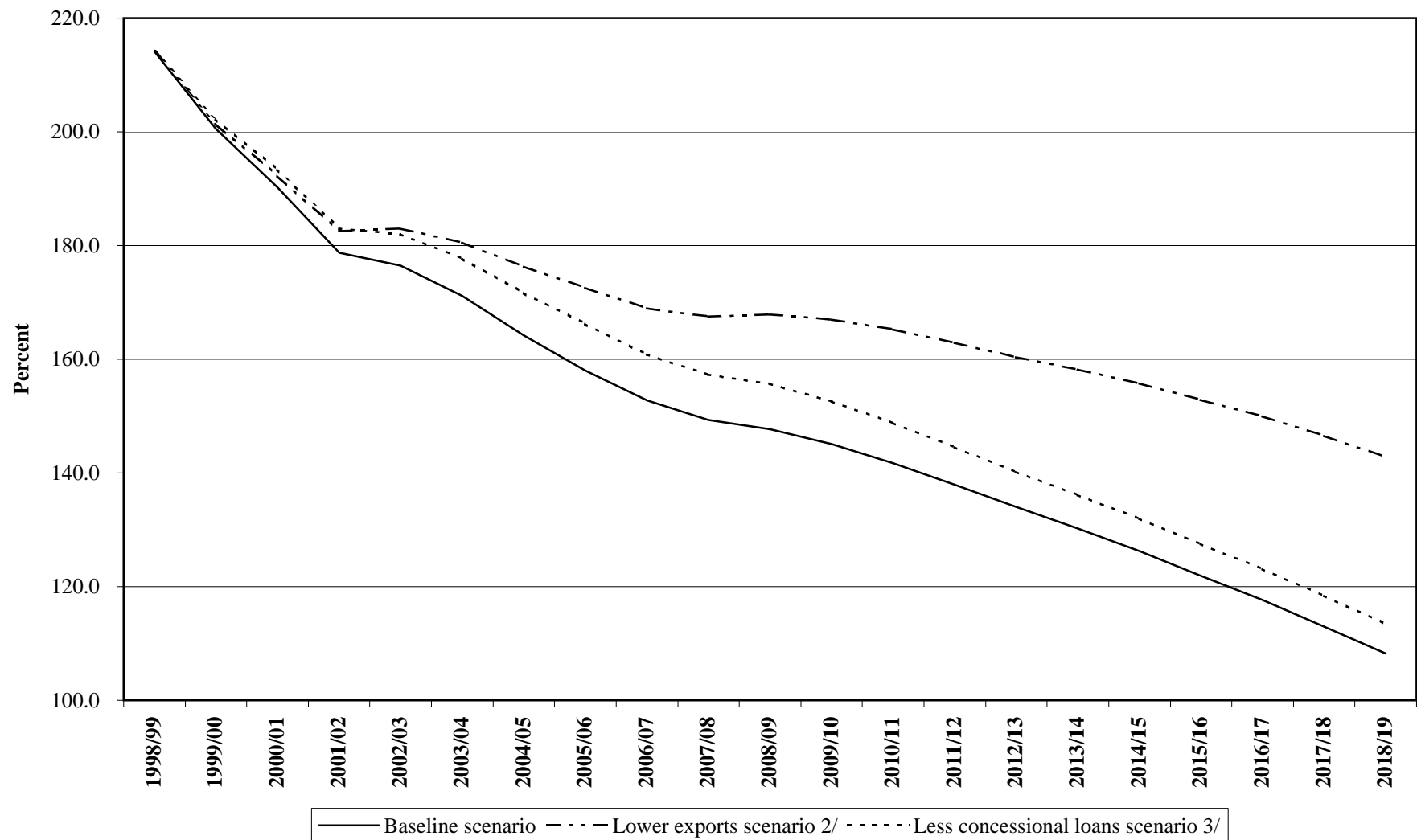


Figure 5. Cameroon: Debt Service Ratios, 1999/2000-2018/19

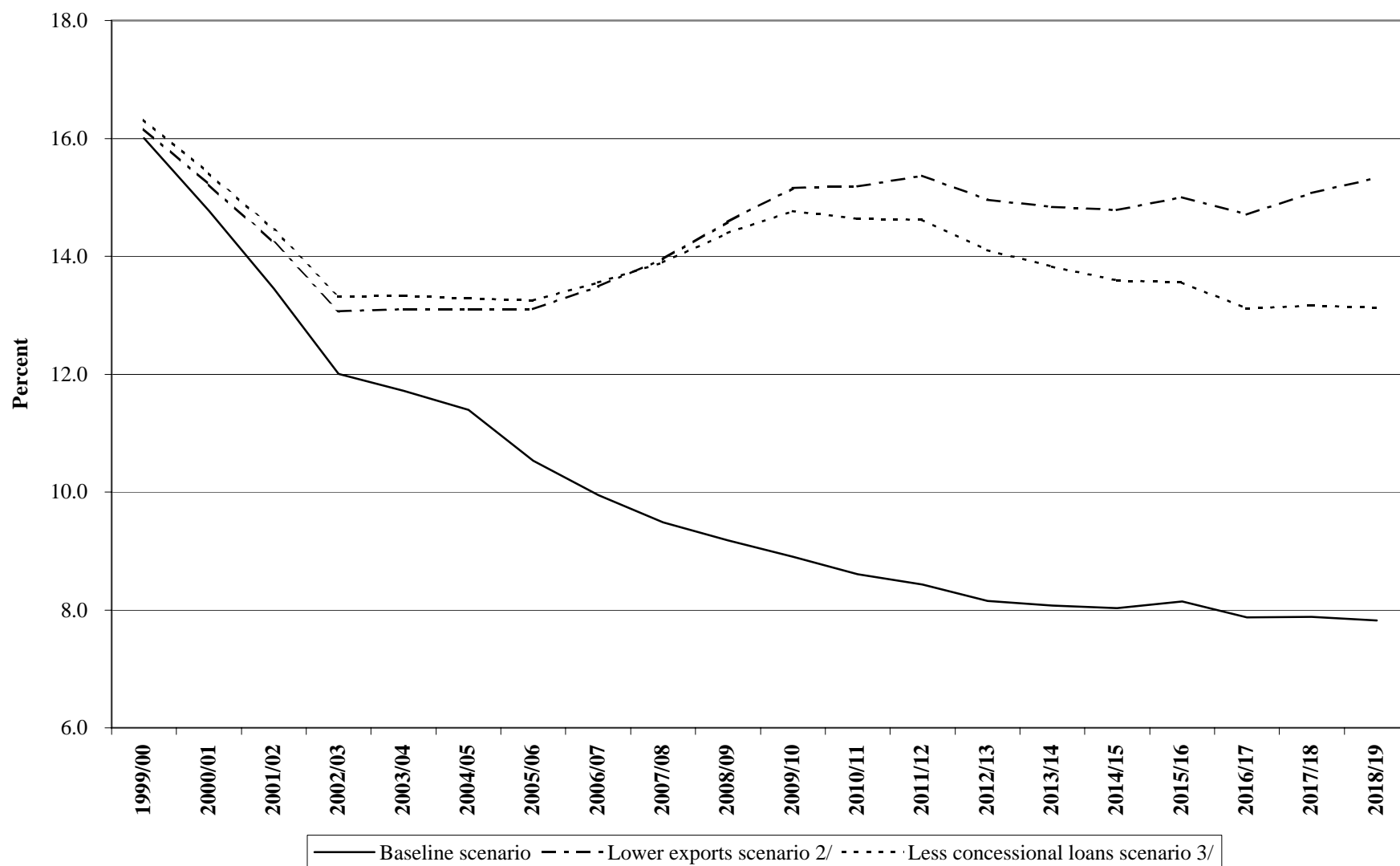


Table 5. Cameroon: Main Assumptions on Macroeconomic Framework, 1998/99-2018/19 1/

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Averages		
													2010/11- 2012/13	2013/14- 2015/16	2016/17- 2018/19
(In percent of GDP, unless otherwise indicated)															
<b>Economic growth and prices</b>															
Real GDP (percentage change)	4.4	4.2	5.3	5.7	6.0	6.0	6.0	6.0	6.5	6.5	6.5	6.5	6.7	6.8	7.0
Real GDP per capita (percentage change)	1.6	1.4	2.5	2.9	3.2	3.2	3.2	3.2	4.0	4.0	4.0	4.0	4.2	4.3	4.5
Consumer prices (annual percentage change, period average)	2.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<b>National accounts</b>															
Gross domestic investment	19.5	18.0	18.3	18.5	19.0	20.2	20.7	21.2	21.4	21.6	21.7	21.8	21.7	21.7	21.7
Government	2.3	2.5	3.0	3.3	3.5	4.3	4.6	4.7	4.8	5.0	5.0	5.1	5.1	5.1	5.1
Other	17.1	15.4	15.4	15.2	15.5	15.9	16.2	16.5	16.6	16.7	16.7	16.7	16.6	16.6	16.7
Gross domestic savings	19.0	20.8	20.0	19.5	19.1	19.8	19.9	20.1	20.3	20.5	20.5	20.6	20.8	20.6	20.8
Government	5.0	8.4	7.8	6.6	6.8	6.9	7.0	6.8	7.1	7.2	7.3	7.1	7.7	7.6	8.1
Other	14.1	12.4	12.3	12.9	12.3	13.0	12.9	13.3	13.2	13.2	13.2	13.6	13.0	13.1	12.7
Savings/investment balance	-4.3	-2.7	-2.7	-2.7	-2.6	-2.5	-2.5	-2.6	-2.5	-2.5	-2.5	-2.4	-2.4	-2.2	-2.0
<b>Government finance</b>															
Total revenue	15.5	19.0	19.1	18.3	18.8	19.3	19.8	19.8	20.3	20.3	20.5	20.4	20.7	20.7	20.8
Oil revenue	2.5	5.6	5.1	3.7	2.8	2.3	2.1	1.5	1.2	1.0	0.8	0.7	0.6	0.4	0.3
Non-oil revenue	13.0	13.5	14.0	14.6	16.0	17.0	17.8	18.3	19.0	19.2	19.6	19.7	20.1	20.2	20.5
Total expenditure	18.9	19.4	20.5	20.7	20.0	20.5	20.8	21.1	21.4	21.5	21.7	22.0	21.5	21.4	20.7
Current expenditure	15.2	14.8	15.2	15.2	14.6	14.7	14.8	14.9	15.0	14.8	15.0	15.1	14.7	14.6	14.0
Capital expenditure	3.6	4.4	5.3	5.5	5.4	5.8	6.1	6.3	6.4	6.6	6.7	6.8	6.8	6.8	6.7
Primary balance	4.6	7.1	6.5	5.2	5.1	4.7	4.5	4.1	4.2	4.0	3.8	3.4	3.7	3.1	3.3
Overall balance (commitment basis, excluding grants)	-3.4	-0.3	-1.4	-2.4	-1.1	-1.2	-1.0	-1.3	-1.1	-1.2	-1.2	-1.6	-0.8	-0.7	0.0
<b>Balance of payments</b>															
(in billions of CFA francs, unless otherwise indicated)															
Exports of goods and services 2/ <i>(in millions of U.S. dollars)</i>	1,323	1,752	1,781	1,831	1,912	2,032	2,160	2,285	2,424	2,575	2,733	2,912	3,360	4,145	5,147
Exports of goods and services (3-year mv. avg.) <i>(in millions of U.S. dollars)</i>	2,249	2,743	2,787	2,894	3,071	3,306	3,569	3,811	4,043	4,294	4,558	4,857	5,603	6,914	8,584
As a percent of GDP	1,320	1,488	1,619	1,788	1,841	1,925	2,034	2,159	2,290	2,428	2,577	2,740	3,139	3,870	4,795
Imports of goods and services 2/ <i>(in millions of U.S. dollars)</i>	2,287	2,432	2,593	2,808	2,917	3,090	3,315	3,562	3,808	4,050	4,298	4,570	5,235	6,454	7,997
Imports of goods and services 2/ <i>(in millions of U.S. dollars)</i>	24.4	26.1	26.5	27.2	26.0	25.1	24.6	24.2	23.6	23.0	22.5	22.0	21.3	20.3	19.4
Imports of goods and services 2/ <i>(in millions of U.S. dollars)</i>	-1,347	-1,592	-1,678	-1,763	-1,908	-2,056	-2,227	-2,381	-2,536	-2,700	-2,873	-3,060	-3,496	-4,340	-5,389
Current account, including grants <i>(in millions of U.S. dollars)</i>	-2,290	-2,492	-2,626	-2,788	-3,064	-3,346	-3,680	-3,972	-4,229	-4,503	-4,792	-5,104	-5,830	-7,239	-8,988
Current account, including grants <i>(in millions of U.S. dollars)</i>	-231	-155	-167	-178	-187	-196	-210	-231	-250	-268	-292	-307	-362	-437	-508
Current account, excluding grants <i>(in millions of U.S. dollars)</i>	-393	-243	-261	-282	-300	-318	-347	-386	-417	-447	-487	-512	-604	-729	-848
Current account, excluding grants <i>(in millions of U.S. dollars)</i>	-241	-155	-173	-184	-187	-196	-210	-231	-250	-268	-292	-307	-362	-437	-508
Current account, including grants (in percent of GDP)	-410	-243	-271	-291	-300	-318	-347	-386	-417	-447	-487	-512	-604	-729	-848
Overall balance <i>(in millions of U.S. dollars)</i>	-4.3	-2.7	-2.7	-2.7	-2.6	-2.6	-2.5	-2.6	-2.6	-2.5	-2.5	-2.5	-2.5	-2.3	-2.1
Overall balance <i>(in millions of U.S. dollars)</i>	-314	-172	-166	-160	-178	-254	-231	-139	-91	-76	-84	-92	55	70	86
New non gap borrowing <i>(in millions of U.S. dollars)</i>	-534	-269	-260	-254	-286	-413	-382	-231	-152	-127	-140	-153	93	118	143
New non gap borrowing <i>(in millions of U.S. dollars)</i>	236	214	265	286	301	321	342	364	381	398	471	436	451	493	524
Overall financing gap <i>(in millions of U.S. dollars)</i>	342	301	380	417	446	484	525	567	595	625	745	686	712	782	834
Overall financing gap <i>(in millions of U.S. dollars)</i>	0	0	66	23	21	28	26	16	12	11	12	14	0.0	0.0	0.0
Gross official reserves (in weeks of imports) 3/ Export volume growth (percentage change) 3/ Import volume growth (percentage change) 3/ Terms of Trade (percentage change)	0	0	103	36	33	46	42	27	20	19	21	23	0.0	0.0	0.0
Oil prices for Cameroon (US\$ per barrel) 4/	0.4	0.3	0.8	1.2	3.6	4.7	6.3	9.1	10.7	12.7	15.9	17.8	20.0	21.3	21.5
	8.2	-0.1	3.7	5.2	3.2	3.6	4.3	4.7	5.4	5.6	5.6	6.0	6.9	7.0	7.3
	1.0	11.8	4.1	7.7	8.2	7.5	9.1	8.1	7.2	7.2	7.1	7.2	7.8	8.1	8.1
	-15.3	32.4	-5.3	-2.7	-0.2	2.1	1.8	1.0	0.7	0.6	0.7	0.7	0.7	0.6	0.6
	12.3	22.8	21.0	18.2	17.7	17.9	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1
<b>Memorandum items:</b>															
<b>Nominal GDP</b>															
In billions of CFA francs	5,406	5,701	6,111	6,576	7,096	7,657	8,262	8,933	9,704	10,541	11,451	12,439	14,749	19,056	24,756
<i>(in millions of U.S. dollars)</i>	9,186	8,925	9,562	10,395	11,396	12,460	13,652	14,898	16,184	17,581	19,098	20,746	24,598	31,782	41,287
Government revenues	838	1,084	1,167	1,202	1,335	1,475	1,639	1,772	1,967	2,136	2,342	2,532	3,052	3,939	5,140
<i>(in millions of U.S. dollars)</i>	1,424	1,697	1,826	1,900	2,144	2,401	2,709	2,956	3,281	3,562	3,906	4,223	5,091	6,570	8,572

Source: Cameroonian authorities and staff estimates and projections.

1/ Fiscal year begins in July.

2/ Exports (imports) of goods and services as defined in IMI *Balance of Payments Manual*, 5th edition, 1993

3/ Merchandise only (f.o.b.).

4/ WEO oil prices discounted by 1 U.S. dollar per barrel.

Table 6. Cameroon: Debt Service Payments on Public and Publicly Guaranteed External Debt, 1999/00-2018/19 1/  
(in millions of U.S. dollars)

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Averages		
												2010/11- 2012/13	2013/14- 2015/16	2016/17- 2018/19
Debt service on outstanding debt 2/	835	744	676	639	688	606	592	486	424	396	312	254	190	166
Principal	518	456	418	406	481	422	432	348	302	287	217	175	127	113
Interest	316	288	258	233	207	184	160	138	122	109	96	79	63	53
Debt service on new borrowing	4	10	16	22	29	37	53	77	104	133	162	213	281	365
Principal	0	0	0	0	0	0	8	24	42	62	82	115	157	215
Interest	4	10	16	22	29	37	45	53	61	72	81	98	124	150
Debt service on reschedulings	97	97	97	105	105	106	110	113	117	122	126	137	161	195
Principal	1	1	1	10	9	11	14	18	23	28	34	47	76	121
Paris Club	0	0	0	8	9	11	14	17	21	24	29	39	63	99
Non-Paris Club	1	1	1	1	0	0	0	0	0	0	0	0	0	1
Interest	96	96	96	96	96	95	95	95	94	94	93	90	84	74
Paris Club	87	87	87	87	86	86	86	86	85	85	84	82	77	69
Non-Paris Club	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Debt service relief--stock operations	498	442	403	403	441	349	361	286	254	255	195	169	121	113
Principal	293	250	228	242	296	218	243	182	160	169	119	104	67	66
Interest	205	192	175	161	145	131	118	104	94	86	76	65	54	47
Total debt service after debt relief 3/	435	401	373	346	358	370	349	325	304	285	270	257	278	309
Principal	227	208	191	174	195	215	203	185	164	146	132	118	136	167
Multilateral	127	111	92	79	87	98	91	85	67	51	35	25	27	32
Official bilateral	100	96	99	94	108	116	112	98	95	92	92	86	97	114
Paris Club	94	90	93	90	105	116	112	98	95	92	92	85	96	114
Post-cutoff date	94	90	93	82	96	106	98	81	74	67	63	46	33	14
of which: ODA	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pre-cutoff date	0	0	0	8	9	11	14	17	21	24	29	39	64	100
ODA	0	0	0	0	0	0	0	0	0	0	0	0	4	12
Non-ODA	0	0	0	8	9	11	14	17	21	24	29	39	60	88
Other official bilateral	6	6	6	4	3	0	0	0	0	0	0	0	1	1
Post-cutoff date	6	6	6	4	3	0	0	0	0	0	0	0	0	0
Pre-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Commercial	0	0	0	0	0	0	1	1	2	3	4	7	12	20
Post-cutoff date	0	0	0	0	0	0	0	1	1	1	2	3	5	7
Pre-cutoff date	0	0	0	0	0	0	0	1	1	2	3	4	8	12
Interest	207	191	179	167	157	148	137	128	122	116	112	103	93	80
Multilateral	53	44	37	30	25	21	16	13	10	8	7	6	5	4
Official bilateral	146	139	134	129	124	119	112	107	104	100	97	91	82	72
Paris Club	145	138	133	129	124	118	112	107	103	100	96	90	81	71
Post-cutoff date	58	51	46	42	37	32	25	21	18	15	12	8	4	2
of which: ODA	0	0	0	0	0	0	0	0	0	0	0	0	0	0
pre-cutoff date	87	87	87	87	87	87	86	86	86	85	84	82	77	69
ODA	31	31	31	31	31	31	31	31	31	31	31	31	31	21
Non-ODA	56	56	56	56	55	55	55	55	54	54	53	51	46	27
Other official bilateral	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Post-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pre-cutoff date	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Commercial	8	8	8	8	8	8	8	8	8	8	8	7	6	4
Post-cutoff date	4	4	4	4	4	4	4	4	4	4	4	3	3	2
Pre-cutoff date	4	4	4	4	4	4	4	4	4	4	4	4	3	2

Source: Cameroonian authorities and staff estimates and projections.

1/ Fiscal year begins in July.

2/ Before debt relief.

3/ After simulation of Naples terms stock-of-debt operation, assumed to take place at end-June 1999.

Table 7. Cameroon: External Debt Indicators, 1998/99-2018/19 1/

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Averages		
													2010/11-	2013/14-	2016/17-
													2012/13	2015/16	2018/19
(in millions of U.S. dollars)															
Nominal debt stock after rescheduling (Naples terms)	6,358	6,482	6,720	6,969	7,262	7,580	7,916	8,280	8,646	9,038	9,587	10,074	11,030	12,501	13,897
Multilateral	1,646	1,717	1,860	1,995	2,152	2,325	2,500	2,675	2,829	3,037	3,302	3,554	4,054	4,885	5,789
Official bilateral	4,480	4,533	4,628	4,742	4,878	5,023	5,184	5,375	5,588	5,774	6,061	6,301	6,771	7,444	7,991
<i>Of which:</i> Paris Club	4,406	4,312	4,222	4,129	4,038	3,933	3,817	3,705	3,607	3,475	3,383	3,290	3,117	2,850	2,524
Commercial	232	232	232	232	232	232	232	231	230	227	224	219	205	172	117
New debt	0	351	796	1,236	1,703	2,215	2,766	3,341	3,884	4,478	5,174	5,792	6,988	8,835	10,707
<i>Of which:</i> multilateral	0	198	452	679	915	1,175	1,448	1,721	1,953	2,228	2,544	2,830	3,382	4,287	5,284
Nominal debt before rescheduling	7,679	7,511	7,501	7,523	7,584	7,615	7,744	7,880	8,083	8,337	8,745	9,147	9,967	11,405	12,926
NPV of debt after rescheduling (Naples terms)	4,896	4,877	4,933	5,019	5,147	5,289	5,442	5,630	5,817	6,046	6,348	6,628	7,208	8,129	9,013
Multilateral	1,196	1,165	1,176	1,203	1,251	1,307	1,362	1,424	1,463	1,535	1,636	1,742	1,972	2,390	2,888
Official bilateral	3,498	3,509	3,553	3,611	3,690	3,774	3,871	3,996	4,145	4,304	4,507	4,684	5,045	5,577	6,012
<i>Of which:</i> Paris Club	3,452	3,375	3,305	3,234	3,167	3,086	2,996	2,913	2,845	2,780	2,719	2,657	2,547	2,375	2,147
Commercial	202	203	204	205	206	207	208	209	209	208	206	202	191	163	113
NPV of debt before rescheduling	7,178	6,835	6,607	6,434	6,299	6,127	6,045	5,978	5,977	6,045	6,181	6,352	6,747	7,557	8,477
Existing debt	7,178	6,656	6,199	5,787	5,391	4,928	4,524	4,115	3,792	3,516	3,253	3,063	2,739	2,403	2,114
New debt	0	179	408	647	908	1,200	1,521	1,863	2,185	2,529	2,927	3,289	4,008	5,154	6,362
(in percent of exports of goods and services) 2/															
NPV of debt after reheduling 3/	214.1	200.5	190.2	178.7	176.4	171.2	164.1	158.0	152.8	149.3	147.7	145.0	137.9	126.2	112.9
<i>of which:</i> multilateral	52.3	47.9	45.4	42.8	42.9	42.3	41.1	40.0	38.4	37.9	38.1	38.1	37.7	37.0	36.1
NPV of debt before reheduling 3/	313.9	273.6	239.1	206.1	184.8	159.5	136.5	115.5	99.6	86.8	75.7	67.0	52.6	37.4	26.6
(in percent)															
NPV of debt-to-revenue ratio (after resched.) 4/	343.9	287.4	270.1	264.2	240.1	220.3	200.9	190.5	177.3	169.7	162.5	156.9	141.9	124.1	105.5
NPV of debt-to-revenue ratio (before resched.) 4/	504.2	402.8	361.8	338.7	293.8	255.3	223.2	202.3	182.2	169.7	158.2	150.4	132.9	115.4	99.2
NPV of debt-to-GDP ratio (after rescheduling)	53.3	54.6	51.6	48.3	45.2	42.4	39.9	37.8	35.9	34.4	33.2	31.9	29.4	25.7	21.9
NPV of debt-to-GDP ratio (before rescheduling)	78.1	74.6	64.8	55.7	47.3	39.5	33.1	27.6	23.4	20.0	17.0	14.8	11.2	7.6	5.2
Grant element in total debt	23.0	24.8	26.6	28.0	29.1	30.2	31.3	32.0	32.7	33.1	33.8	34.2	34.6	35.0	35.1
Grant element in new borrowing	0.0	48.9	48.8	47.7	46.7	45.8	45.0	44.3	43.8	43.5	43.4	43.2	42.7	41.7	40.6

Sources: Cameroonian authorities; and staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated.

2/ As defined in IMF, *Balance of Payments Manual*, 5th edition, 1993.

3/ Based on a three-year average of exports on the previous year (e.g., export average over 1997-99 for NPV of debt-to-exports ratio in 1999).

4/ Revenues are defined as central government revenues, excluding grants.



Table 8. Cameroon: Net Present Value of Debt After Reschedulings, 1998/99-2018/19 1/ 2/  
(in millions of U.S. dollars, unless otherwise indicated)

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Averages		
													2010/11-	2013/14-	2016/17-
													2012/13	2015/16	2018/19
<b>Baseline Scenario</b>															
NPV of total debt 3/	4,896	4,877	4,933	5,019	5,147	5,289	5,442	5,630	5,817	6,046	6,348	6,628	7,208	8,129	9,013
NPV of old debt	4,896	4,698	4,525	4,372	4,239	4,089	3,921	3,767	3,632	3,517	3,421	3,339	3,200	2,975	2,651
Official bilateral and commercial	3,700	3,619	3,546	3,471	3,401	3,320	3,231	3,149	3,081	3,015	2,952	2,888	2,767	2,567	2,289
Paris Club	3,452	3,375	3,305	3,234	3,167	3,086	2,996	2,913	2,845	2,780	2,719	2,657	2,547	2,375	2,147
Post-cutoff date	1,204	1,109	1,021	930	851	759	657	565	490	422	360	302	213	118	63
Pre-cutoff date	2,248	2,266	2,284	2,304	2,316	2,328	2,339	2,348	2,354	2,358	2,359	2,355	2,334	2,257	2,083
Of which: ODA	733	735	737	738	740	742	744	747	749	751	754	756	762	767	748
Of which: non-ODA	1,515	1,531	1,548	1,565	1,576	1,585	1,595	1,601	1,606	1,607	1,605	1,599	1,572	1,489	1,335
Other official bilateral	46	42	37	31	28	26	27	27	28	28	28	28	29	29	29
Post-cutoff date	24	19	13	8	4	2	2	2	2	2	2	1	1	0	0
Pre-cutoff date	23	23	23	24	24	24	25	25	26	26	27	27	28	29	29
Commercial	202	203	204	205	206	207	208	209	209	208	206	202	191	163	113
Nonreschedulable (if applicable) 4/	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reschedulable	202	203	204	205	206	207	208	209	209	208	206	202	191	163	113
Post-cutoff date	89	89	89	89	89	89	89	89	88	87	86	84	79	66	45
Pre-cutoff date	113	114	115	116	117	118	119	120	121	120	120	118	113	97	68
Multilateral	1,196	1,079	979	901	838	770	690	618	551	502	468	450	433	408	362
AfDB/AfDF	293	260	228	197	169	146	124	102	80	65	50	40	35	33	32
IBRD/IDA	659	608	561	519	487	459	429	408	391	384	378	372	363	345	307
IMF	137	123	116	121	122	109	85	60	34	10	0	0	0	0	0
Others	107	88	74	65	59	55	52	48	45	42	40	39	35	29	23
NPV of new debt	0	179	408	647	908	1,200	1,521	1,863	2,185	2,529	2,927	3,289	4,008	5,154	6,362
Multilateral	0	86	197	301	413	538	672	806	912	1,033	1,168	1,291	1,539	1,982	2,526
Bilateral	0	93	211	346	495	662	849	1,056	1,273	1,496	1,760	1,998	2,469	3,172	3,836
Memorandum items:															
Exports of goods and services 5/	2,249	2,743	2,787	2,894	3,071	3,306	3,569	3,811	4,043	4,294	4,558	4,857	5,603	6,914	8,584
Three-year export average 6/	2,287	2,432	2,593	2,808	2,917	3,090	3,315	3,562	3,808	4,050	4,298	4,570	5,235	6,454	7,997
Government revenues 7/	1,424	1,697	1,826	1,900	2,144	2,401	2,709	2,956	3,281	3,562	3,906	4,223	5,091	6,570	8,572
GDP	9,186	8,925	9,562	10,395	11,396	12,460	13,652	14,898	16,184	17,581	19,098	20,746	24,598	31,782	41,287
NPV of debt-to-exports ratio 8/															
Overall debt	214.1	200.5	190.2	178.7	176.4	171.2	164.1	158.0	152.8	149.3	147.7	145.0	137.9	126.2	112.9
Existing debt	214.1	193.2	174.5	155.7	145.3	132.3	118.3	105.8	95.4	86.9	79.6	73.1	61.4	46.3	33.3
New debt	0.0	7.4	15.7	23.0	31.1	38.8	45.9	52.3	57.4	62.5	68.1	72.0	76.5	79.8	79.6
NPV of debt-to-revenues ratio															
Overall debt	343.9	287.4	270.1	264.2	240.1	220.3	200.9	190.5	177.3	169.7	162.5	156.9	141.9	124.1	105.5
Existing debt	343.9	276.9	247.8	230.1	197.7	170.4	144.8	127.5	110.7	98.7	87.6	79.1	63.2	45.6	31.2
New debt	0.0	10.5	22.3	34.1	42.3	50.0	56.1	63.0	66.6	71.0	74.9	77.9	78.7	78.5	74.3

Source: Staff estimates and projections.

1/ Fiscal year begins in July.

2/ Refers to public and publicly guaranteed external debt only and assumes full use of traditional debt relief mechanisms, i.e. a Paris Club flow rescheduling on Naples terms (67 percent NPV reduction) and a stock-of-debt operation, and at least comparable action by other official bilateral and commercial creditors.

3/ Discounted on the basis of the average Commercial Interest Reference Rate (CIRR) for the respective currency, derived over the six-month period prior to the latest date for which actual data are available (base date). Currency-specific NPVs are converted into U.S. dollars occurs for all years at the base date exchange rate.

4/ Refers to debt that has already been subject to a substantial reduction and that is not expected to be reduced further.

5/ As defined in IMF, *Balance of Payments Manual*, 5th edition, 1993.

6/ Backward-looking average (e.g., average over 1997-99 for exports in 1999).

7/ Revenues are defined as central government revenues, excluding grants.

8/ NPV of debt in percent of three-year average of exports of goods and services.

Table 9. Cameroon: Discount Rate and Exchange Rate Assumptions 1/

	Discount Rates 2/ (In percent)	Exchange Rates 3/ (National currency per US dollar)
<b>Currency</b>		
Austrian schilling	4.61	13.32
Belgian franc	4.61	39.06
Canadian dollar	6.02	1.47
CFA franc	4.61	635.12
Swiss franc	3.74	1.55
Chinese yuan	4.87	8.28
Deutsche mark	4.61	1.89
Danish krone	4.81	7.20
European currency unit/euro	4.61	0.97
French franc	4.61	6.35
U.K. pound	5.82	0.63
Italian lira	4.61	1,874.78
Japanese yen	2.32	121.10
Kuwaiti dinar	4.87	0.31
Dutch guilder	4.61	2.13
Norwegian kronor	6.02	7.85
Saudi Arabian riyal	4.87	3.75
Special Drawing Rights	4.87	0.75
U.S. Dollar	6.00	1.00

Source: OECD and *IFS*.

1/ Latest actual data available are those for end-June 1999.

Cameroon's fiscal year runs from July 1 to June 30.

2/ The discount rates used are the average Commercial Interest

Reference Rates for the respective currencies over the six-month period prior to the base date (i.e., the end of the period for which actual debt and export data are available).

3/ The exchange rates are those at the base date (i.e., at the end of the period for which actual debt and export data are available).

Table 10. Cameroon: Baseline Scenario and Sensitivity Analysis, 1998/99-2018/19 1/

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Averages		
													2010/11-	2013/14-	2016/17-
													2012/13	2015/16	2018/19
(In millions of U.S. dollars)															
<b>NPV of total debt</b>															
<b>Baseline scenario</b>															
Total	4,896	4,877	4,933	5,019	5,147	5,289	5,442	5,630	5,817	6,046	6,348	6,628	7,208	8,129	9,013
Existing debt	4,896	4,698	4,525	4,372	4,239	4,089	3,921	3,767	3,632	3,517	3,421	3,339	3,200	2,975	2,651
Multilateral creditors	1,196	1,079	979	901	838	770	690	618	551	502	468	450	433	408	362
Bilateral creditors	3,498	3,416	3,342	3,266	3,195	3,113	3,023	2,940	2,872	2,808	2,747	2,686	2,576	2,405	2,176
Commercial creditors	202	203	204	205	206	207	208	209	209	208	206	202	191	163	113
New Debt	-	179	408	647	908	1,200	1,521	1,863	2,185	2,529	2,927	3,289	4,008	5,154	6,362
Multilateral creditors	-	86	197	301	413	538	672	806	912	1,033	1,168	1,291	1,539	1,982	2,526
Bilateral creditors	-	93	211	346	495	662	849	1,056	1,273	1,496	1,760	1,998	2,469	3,172	3,836
<b>Lower exports scenario 2/</b>															
Total	4,896	4,899	4,966	5,064	5,206	5,360	5,528	5,724	5,892	6,107	6,388	6,639	7,160	8,023	8,896
Existing debt	4,896	4,698	4,525	4,372	4,239	4,089	3,921	3,767	3,632	3,517	3,421	3,339	3,200	2,975	2,651
Multilateral creditors	1,196	1,079	979	901	838	770	690	618	551	502	468	450	433	408	362
Bilateral creditors	3,498	3,416	3,342	3,266	3,195	3,113	3,023	2,940	2,872	2,808	2,747	2,686	2,576	2,405	2,176
Commercial creditors	202	203	204	205	206	207	208	209	209	208	206	202	191	163	113
New Debt	-	201	441	692	966	1,271	1,606	1,957	2,260	2,590	2,967	3,300	3,960	5,048	6,246
Multilateral creditors	-	109	231	347	471	609	758	901	988	1,094	1,207	1,302	1,491	1,876	2,410
Bilateral creditors	-	93	211	346	495	662	849	1,056	1,273	1,496	1,760	1,998	2,469	3,172	3,836
<b>Less concessional loans scenario 3/</b>															
Total	4,896	4,921	5,013	5,139	5,309	5,494	5,692	5,922	6,122	6,370	6,691	6,973	7,554	8,498	9,443
Existing debt	4,896	4,698	4,525	4,372	4,239	4,089	3,921	3,767	3,632	3,517	3,421	3,339	3,200	2,975	2,651
Multilateral creditors	1,196	1,079	979	901	838	770	690	618	551	502	468	450	433	408	362
Bilateral creditors	3,498	3,416	3,342	3,266	3,195	3,113	3,023	2,940	2,872	2,808	2,747	2,686	2,576	2,405	2,176
Commercial creditors	202	203	204	205	206	207	208	209	209	208	206	202	191	163	113
New Debt	-	222	488	767	1,069	1,404	1,771	2,155	2,490	2,853	3,270	3,635	4,354	5,523	6,792
Multilateral creditors	-	109	231	347	471	609	758	901	987	1,093	1,207	1,301	1,490	1,875	2,410
Bilateral creditors	-	114	258	420	598	795	1,013	1,254	1,503	1,759	2,063	2,334	2,864	3,647	4,382
(In percent, as indicated)															
<b>NPV of debt in percent of:</b>															
<b>Baseline scenario</b>															
GDP	53.3	54.6	51.6	48.3	45.2	42.4	39.9	37.8	35.9	34.4	33.2	31.9	29.4	25.7	21.9
Exports	214.1	200.5	190.2	178.7	176.4	171.2	164.1	158.0	152.8	149.3	147.7	145.0	137.9	126.2	112.9
Fiscal revenues	343.9	287.4	270.1	264.2	240.1	220.3	200.9	190.5	177.3	169.7	162.5	156.9	141.9	124.1	105.5
<b>Lower exports scenario 2/</b>															
GDP	53.3	54.9	51.9	48.7	45.7	43.0	40.5	38.4	36.4	34.7	33.4	32.0	29.2	25.3	21.6
Exports	214.1	201.4	192.3	182.6	183.0	180.5	176.2	172.6	169.0	167.5	167.9	167.0	162.8	155.6	146.4
Fiscal revenues	343.9	288.7	272.0	266.6	242.8	223.3	204.1	193.7	179.6	171.4	163.5	157.2	141.0	122.5	104.1
<b>Less concessional loans scenario 3/</b>															
GDP	53.3	55.1	52.4	49.4	46.6	44.1	41.7	39.7	37.8	36.2	35.0	33.6	30.8	26.8	22.9
Exports	214.1	202.3	193.3	183.0	182.0	177.8	171.7	166.2	160.8	157.3	155.7	152.6	144.5	131.9	118.3
Fiscal revenues	343.9	290.0	274.5	270.5	247.6	228.8	210.1	200.4	186.6	178.8	171.3	165.1	148.8	129.7	110.5
<b>Debt service ratio</b>															
Baseline scenario	17.8	16.0	14.8	13.5	12.0	11.7	11.4	10.5	9.9	9.5	9.2	8.9	8.4	8.1	7.9
Lower exports scenario 2/	...	16.2	15.2	14.2	13.1	13.1	13.1	13.1	13.5	14.0	14.6	15.2	15.2	14.9	15.0
Less concessional loans scenario 3/	...	16.3	15.4	14.4	13.3	13.3	13.3	13.3	13.6	13.9	14.4	14.8	14.5	13.7	13.1
<b>Debt-to-government revenue ratio</b>															
Baseline scenario	28.1	30.5	23.9	21.0	19.1	17.7	16.6	14.2	12.8	11.6	10.9	10.3	9.6	8.9	8.2
Lower exports scenario 2/	...	26.1	23.0	21.1	18.0	17.1	16.1	15.5	15.0	14.9	14.8	14.9	13.8	12.3	11.3
Less concessional loans scenario 3/	...	26.4	23.5	22.0	19.1	18.4	17.5	17.1	16.7	16.7	16.8	17.0	15.9	14.4	13.2

Source: Staff estimates and projections.

1/ Fiscal year begins in July.

2/ Exports are lower by 2 percentage points than in the baseline scenario.

3/ New loans are financed with a grant element of 35 percent.

Table 11. Cameroon: Nominal Stocks and Net Present Value of Debt at Decision Point by Creditor Groups 1/

	Nominal Debt Stock 2/		NPV of Debt 2/		NPV of Debt After Rescheduling 3	
	US\$ million	Percent of Total	US\$ million	Percent of Total	US\$ million	Percent of Total
Total	7,679	100.0	7,178	100.0	4,896	100.0
Multilateral	1,646	21.4	1,196	16.7	1,196	24.4
African Development Bank Group	304	4.0	293	4.1	293	6.0
African Development Bank	230	3.0	262	3.7	262	5.4
African Development Fund	74	1.0	30	0.4	30	0.6
World Bank Group	1,029	13.4	659	9.2	659	13.5
IBRD	294	3.8	309	4.3	309	6.3
IDA	735	9.6	351	4.9	351	7.2
IMF	176	2.3	137	1.9	137	2.8
IFAD	15	0.2	11	0.2	11	0.2
BADEA	7	0.1	7	0.1	7	0.1
BDEAC	3	0.0	3	0.0	3	0.1
EU	94	1.2	68	0.9	68	1.4
EIB	20	0.3	20	0.3	20	0.4
EDF	74	1.0	47	0.7	47	1.0
OPEC	1	0.0	1	0.0	1	0.0
IsDB	4	0.1	4	0.1	4	0.1
NIBA	13	0.2	13	0.2	13	0.3
Paris Club:	5,256	68.4	5,214	72.6	3,452	70.5
Post-cutoff date	1,327	17.3	1,204	16.8	1,204	24.6
Pre-cutoff date	3,929	51.2	4,011	55.9	2,248	45.9
ODA	868	11.3	786	10.9	735	15.0
Non-ODA	3,061	39.9	3,225	44.9	1,513	30.9
Austria	620	8.1	553	7.7	328	6.7
Belgium	214	2.8	232	3.2	127	2.6
Canada	313	4.1	297	4.1	130	2.7
Denmark	120	1.6	105	1.5	56	1.2
France	2,048	26.7	2,021	28.2	1,804	36.8
Germany	1,036	13.5	1,087	15.1	398	8.1
Italy	209	2.7	191	2.7	148	3.0
Japan	34	0.4	37	0.5	43	0.9
Netherlands	63	0.8	57	0.8	33	0.7
Spain	132	1.7	124	1.7	123	2.5
Sweden	123	1.6	133	1.8	48	1.0
Switzerland	45	0.6	44	0.6	29	0.6
United Kingdom	198	2.6	227	3.2	127	2.6
United States	101	1.3	108	1.5	57	1.2
Other Official Bilateral:	82	1.1	72	1.0	46	0.9
Post-cutoff date	23	0.3	23	0.3	24	0.5
Pre-cutoff date	58	0.8	49	0.7	23	0.5
ODA	39	0.5	39	0.5	19	0.4
Non-ODA	20	0.3	10	0.1	4	0.1
China	28	0.4	23	0.3	7	0.1
Kuwait	38	0.5	34	0.5	33	0.7
Saudi Arabia	16	0.2	15	0.2	6	0.1
Commercial 4/	696	9.1	696	9.7	202	4.1

Source: Cameroonian authorities and staff estimates.

1/ Information based on latest data available at decision point.

2/ Before debt rescheduling.

3/ After debt rescheduling (Naples terms).

4/ Although a small part of the debt is not in arrears, for the purpose of the present DSA, all the debt is assumed to be in arrears since the government has not been servicing this debt for a long time.

Table 12. Cameroon: Estimated Assistance at Expected Decision Point in 2000 1/  
(In millions of U.S. dollars in end-June 1999 NPV terms, unless otherwise indicated) 2/

	Total	Multilaterals	Bilaterals	Commercial Banks	Common Reduction Factor 1/ (Percent)	Memo item: Required NPV debt reduction on comparable treatment on bilateral debt based on overall exposure (Percent)
Debt relief under baseline scenario	1,466	358	1,047	60	29.9	
Memorandum items:						
NPV of debt	4,896	1,196	3,498	202		
Three-year export average	2,287					
NPV of debt-to-export ratio (percent)	214.1					
Paris Club creditors						76.1
<i>Of which:</i> pre-cutoff non-ODA						88.2
Non-Paris Club bilateral creditors						76.1

Sources: Cameroonian authorities; and staff estimates and projections.

1/ Assumes proportional burden-sharing as described in "HIPC Initiative: Estimated Costs and Burden-Sharing Approaches" (EBS/97/127; 7/7/97, and IDA/SEC M97-306; 7/7/97), that is, after full application of traditional debt relief mechanisms.

2/ Using six-month backward-looking discount rates at end-June 1999 and end-June 1999 exchange rates.

Table 13. Cameroon: Selected Economic and Financial Indicators, 1996/97-2001/02 1/

	1996/97	1997/98	1998/99 Rev. est.	1999/00 Prog. Rev. prog.	2000/01 Projections	2001/02 Projections
(Annual percentage changes, unless otherwise indicated)						
National income and prices						
GDP at constant prices	5.1	5.0	4.4	4.8	4.2	5.3
Of which: non-oil GDP	5.0	5.0	4.4	5.5	4.6	5.7
GDP deflator	2.7	1.1	-1.2	2.1	1.3	1.8
Consumer prices (12-month average) 2/	4.1	3.9	2.9	2.0	2.0	2.0
Consumer prices (end of period) 2/	7.0	2.2	2.2	2.0	2.0	2.0
Nominal GDP (in billions of CFA francs)	4,932	5,240	5,406	5,785	5,701	6,111
Oil output (thousands of barrels a day)	108	115	119	108	114	110
External trade						
Exports (in SDRs)	19.4	-6.3	-5.8	7.6	24.2	-0.1
Of which: crude oil	36.0	-16.7	-9.4	15.6	77.2	-12.6
Imports (in SDRs)	16.5	13.4	3.6	4.7	5.4	5.9
Export volume	13.8	11.1	8.2	2.3	-0.1	3.7
Of which: non-oil sector	15.4	16.5	5.8	8.3	1.1	7.7
Import volume	19.5	14.5	1.0	6.1	11.8	4.1
Average oil export price (U.S. dollars per barrel)	19.7	15.5	12.3	15.2	22.8	21.0
Nominal effective exchange rate	-2.4	-1.9	4.1	...	...	...
Real effective exchange rate	-1.8	-0.6	8.5	...	...	...
Average exchange rate (CFA francs per SDR)	767	815	810	...	...	...
Terms of trade	5.1	-4.5	-15.3	7.0	32.4	-5.3
Non-oil export price index (in CFA francs)	-4.4	9.2	-12.3	2.5	9.7	2.8
Money and credit (end of period) 3/						
Net domestic assets 4/	-5.8	12.7	9.2	6.8	-6.4	2.6
Net credit to the public sector 4/	0.0	1.8	4.5	0.0	-11.2	-2.9
Credit to the private sector	3.3	30.3	14.2	10.4	9.7	9.6
Broad money (M2)	13.8	7.8	9.7	12.5	10.5	8.0
Velocity (GDP/average M2)	8.1	7.6	7.2	6.9	6.8	6.8
Discount rate (end of period; in percent)	7.5	7.0	7.6	...	...	...
Central government operations						
Total revenue	10.9	17.1	-1.2	14.8	29.4	7.7
Of which: non-oil revenue	1.9	23.8	9.5	10.6	8.9	11.5
Total expenditure	7.7	18.2	9.1	10.5	7.9	13.6
Current expenditure	2.7	10.6	5.7	2.0	2.2	10.3
Capital expenditure 5/	51.1	41.7	12.7	69.8	61.4	17.5
(In percent of GDP, unless otherwise indicated)						
Gross national savings	13.4	15.7	15.2	16.6	15.2	15.6
Gross domestic investment	16.2	18.4	19.5	19.8	18.0	18.3
Central government operations						
Central government revenue	15.1	16.2	15.5	16.6	19.0	19.1
Of which: non-oil revenue	11.0	12.3	13.0	13.5	13.5	14.0
non-oil revenue 6/	12.2	13.4	13.9	14.5	15.6	15.7
Central government expenditure	16.1	17.9	18.9	19.6	19.4	20.5
Overall fiscal deficit (excl. grants)	-1.0	-1.7	-3.4	-2.9	-0.3	-1.4
Overall fiscal deficit (incl. grants)	-1.0	-1.4	-3.2	-2.6	-0.1	-1.3
Primary balance 5/	5.8	5.9	4.6	5.2	7.1	6.5
Of which: non-oil sector	1.7	2.0	2.1	2.0	1.6	1.4
Noninterest expenditure 5/	9.3	10.3	11.0	11.6	11.9	12.8
Domestic public debt (before audit)	28.5	25.5	23.3	20.3	18.5	14.9
External sector						
Current account balance (including grants)	-2.8	-2.7	-4.3	-3.3	-2.7	-2.7
External public debt 7/	83.5	87.8	87.9	78.7	81.0	80.5
(In percent of exports of goods and services, unless otherwise indicated)						
Net present value (NPV) of external public debt 8/	271.1	210.0	213.9	189.4	200.5	190.2
Scheduled external debt service	44.3	40.4	45.1	42.2	34.0	29.3
Scheduled external debt service 9/	74.1	66.2	71.2	65.7	54.9	44.7
Actual external debt service	19.6	16.1	17.8	...	...	...
Actual external debt service 9/	32.8	26.4	28.1	...	...	...
(In millions of SDRs)						
Current account balance	-36	-173	-292	-228	-177	-190
Overall balance of payments	-336	-249	-396	-337	-196	-189
Net international reserves (end of period)	-286	-312	-298	-231	-145	-91

Sources: Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July.

2/ Starting in 1994/95, inflation reflects an updated basket of goods and services in the calculation of the consumer price index.

3/ Starting in 1996/97, data are rebased to exclude information on two banks liquidated in 1996/1997.

4/ In percent of broad money at the beginning of the period.

5/ Excluding foreign-financed investment. In addition, the primary expenditure excludes restructuring expenditure.

6/ In percent of non-oil GDP.

7/ External stocks at the end of 1997/98 have been revised upward to reflect new drawings and the conclusion of some Paris Club V bilateral agreements.

8/ Based on the preliminary results of the baseline scenario of the update of the debt sustainability analysis.

Table 14. HIPC Initiative: Status of Country Cases Considered Under the Initiative  
May 2000

Country	Decision Point	Completion Point	NPV of Debt-to-Export Target (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value)				Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)	Satisfactory Assurances from Other Creditors	
				Total	Bilateral	Multi-lateral	IMF				World Bank
Completion point reached under enhanced framework											
Uganda				1,003	183	820	160	517	40	1,950	
original framework	Apr. 97	Apr. 98	202	347	73	274	69	160			Received
enhanced framework	Feb.00	May 00	150	656	110	546	91	357			Being sought
Decision point reached under enhanced framework											
Bolivia				1302	425	876	84	194	30	2,060	
original framework	Sep. 97	Sep. 98	225	448	157	291	29	53			Received
enhanced framework	Feb.00	Floating	150	854	268	585	55	141			Being sought
Mauritania	Feb.00	Floating	137 3/	622	261	361	47	100	50	1,200	Being sought
Mozambique				1,970	1,235	736	141	434	72	4,300	
original framework	Apr. 98	Jun. 99	200	1716	1076	641	125	381			Received
enhanced framework	Apr. 00	Floating	150	254	159	95	16	53			Being sought
Tanzania	Apr. 00	Floating	150	2,026	1,006	1,020	120	695	54	3,000	Being sought
Completion point reached under original framework											
Guyana	Dec. 97	May 99	107 3/	256	91	165	35	27	24	410	Received
Decision point reached under original framework											
Burkina Faso	Sep. 97	Apr. 00	205	115	21	94	10	44	14	200	Being sought
Côte d'Ivoire	Mar. 98	Mar. 01	141 3/	345	163	182	23	91	6 4/	800	Being sought
Mali	Sep. 98	Spring 00	200	128	37	90	14	44	10	250	Being sought
Total assistance provided/committed				7,767	3,422	4,344	634 5/	2,146		14,310	
Preliminary HIPC document issued 6/											
Cameroon	...	...	150	1,466	1,047	358	41	197	30	2,700	...
Ethiopia	...	...	200	636	225	411	22	214	23	1,300	...
Guinea	...	...	150	638	256	383	37	173	34	1,148	...
Guinea-Bissau	...	...	200	300	148	153	8	73	73	600	...
Honduras	...	...	137 3/	569	208	361	18	85	18	1,024	...
Nicaragua	...	...	150	2,507	1,416	1,091	32	188	66	5,000	...
No assistance required under original framework--to be reassessed under enhanced framework											
Benin	Jul. 97	...	...	...	...	...	...	...	...	...	...
Senegal	Apr. 98	...	...	...	...	...	...	...	...	...	...

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.

2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.

3/ Eligible under fiscal criteria; figures provided show the ratios of debt-to-exports that correspond to the targeted debt-to-revenue ratio. For Guyana and

Cote d'Ivoire, a 280 percent NPV of debt-to-revenue ratio was targeted at the completion point; for Honduras and Mauritania a 250 percent ratio was targeted at the decision point.

4/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, is excluded from the NPV of debt at the completion point in the calculation of this ratio.

5/ Equivalent to SDR 472 million at an SDR/USD exchange rate of 0.744.

6/ Figures are based on preliminary assessments at the time of the issuance of the preliminary HIPC document; and are subject to change.

Assistance levels for Ethiopia and Guinea-Bissau were based on the original framework and applied at the completion point; for Nicaragua, Tanzania, Guinea, and Honduras, targets are based on the enhanced framework and assistance levels are at the decision point.

## **An Overview of Structural Reforms**

1. **Financial sector.** The first attempt at reform (1989-92) was very limited in scope: the second phase (1996-99) was more complete and better prepared, involving the banking sector, nonbank financial intermediaries (cooperatives), insurance companies and the social security system (see Box 1). The reform remains on track and the government has shown resolve in enforcing decisions of the central bank's regulator (COBAC).
2. The **bank restructuring program** has been completed, and all large banks are solvent, profitable, and liquid. In fact, three new banks (including Citibank) have entered the market, and a West African bank is waiting for COBAC approval. In addition, with the privatization of BICEC in January 2000, all banks have become privately owned.
3. **The insurance sector** has undergone fundamental restructuring. The regional regulatory agency, CIMA, has conducted in depth audits of insurance companies. Four insurance companies were liquidated. The publicly owned insurance company is the object of a split, and the healthy part is in the process of privatization. The publicly owned reinsurance company is to be liquidated.
4. The government adopted in November 1999 a far reaching strategy for sustainable **social security** reform to allow all funds (pension, family allowances, and workmen's compensation) to be independently and privately managed. The design of the strategy was a participatory effort involving consultations with government, businesses, unions, retirees, and, more generally, civil society throughout the country.
5. **Public Enterprises.** In the late 1980s and early 1990s, the strategy was to rehabilitate public enterprises. This strategy failed and the government then changed to a policy of privatization; accordingly, it published a decree in July 1994 that slated the principal public enterprises in the agro-industrial, transport, and utility sectors for privatization. Progress has been substantial in the last three years (see Box 1) and should have a major impact on the economy. As a whole, this program has led to the transfer to the private sector of assets in excess of US\$2 billion.
6. **Transport sector.** The economic crisis of the 1980s brought to light serious deficiencies in all aspects of the transportation sector (road, rail, bus, maritime, and air). To address these deficiencies, a comprehensive transport strategy was elaborated by the government, based largely on the reform of the regulatory and institutional framework in key subsectors, increased efficiency of key public enterprises, and increased efficiency of maintenance of the transport infrastructure. A wide range of reforms has been completed (see Box 1), of which the most important pertain to the liberalization of maritime transport, road maintenance, the rail sector, and the port sector. The complete liberalization of maritime transport led to a significant reduction in freight rates for key exports, as had been the experience of other West African countries that had liberalized earlier. In the area of road maintenance, the creation of the Road Maintenance Fund has led to an increase in the



availability of resources and is expected to play a key role in increasing the effectiveness of the road maintenance program and its execution by private sector operators. The concessioning of the railroad to the private sector in April 1999 has also begun to significantly improve the quality of service. The key building blocks of the port reform are (i) the breakup of the existing port agency (ONPC) into a small National Port Authority with oversight responsibilities, and four Autonomous Ports (Douala, Kribi, Limbe, and Garoua), which will privatize all industrial and commercial activities as well as most port services; and (ii) the revision of international trade procedures, with a view to reducing port clearance delays to seven days for imports and two days for exports. The port reforms are supported by SAC III and are proceeding in a timely manner. However, there has been little progress on reform of air transport.

7. **Petroleum sector.** Cameroon is a small oil producer; most production is exported while some is processed locally in a small refinery (SONARA) with a capacity of 2 million metric tons. Overall responsibility for management of the sector is vested in the National Hydrocarbons Company (SNH), while oil is extracted jointly by SNH and international oil companies. These pay royalties and taxes to SNH which is in turn expected to remit transferable surplus to the treasury. Both upstream and downstream activities have been the focus of reforms over the last few years. On the **upstream** activities, SNH's accounts have been subjected to annual audits, the primary purpose being to verify that the accounts are properly kept and actual transfers to the Treasury are effective. Major accounting and organizational deficiencies have been revealed by these audits. **Downstream** activities, in particular the production and distribution of refined products, have also been the object of significant reforms. The prices of refined products have been aligned with international prices and imports of refined products have been partially liberalized. Access to the sector by registered importers is now open. On the **regulatory front**, a new petroleum code for upstream and downstream activities was voted into law by the National Assembly in November 1999.

8. **Forestry.** Cameroon has significant forestry and wildlife resources. The government's stated principal goal is the practice of rational and sustainable forestry management in order to (i) preserve ecosystems; and (ii) improve the contribution of the forestry sector to Cameroon's development in an efficient and sustainable way. These objectives are to be attained through the implementation of sustainable forestry management systems. To this end, a new forestry and wildlife code was adopted in January 1994, and its implementation decree was published in 1995. However, inadequate institutional capacity undermined implementation of the ambitious agenda. The tax system also contains few incentives for conservation, and the share of forestry tax revenues effectively devolving to local communities small. Lastly, harvesting permits (short term and long term) were allocated in a nontransparent and noncompetitive manner.

### Cameroon: External Debt Management Practices

1. Since 1990, Cameroon's public debt has been managed by an autonomous government agency, the *Caisse Autonome d'Amortissement* (CAA), which has its own board of directors. The CAA acts on behalf of the government in the following capacity: (i) safekeeping of all loan agreements and related documents; (ii) ensuring timely debt servicing; and (iii) advising the government on all issues related to debt. It should be noted that CAA is also responsible for domestic debt management.
2. For external debt management, the Commonwealth Secretariat's Debt Recording and Management System (CS-DRMS) is the main application used by the CAA for record keeping and debt service projections. This software, which allows users to input data and prepare various reports, is set up in a network environment. However, the network is not fully operational and not all key users have access to the system at any given time. The day-to-day management of the system is entrusted to an ad hoc committee, but efforts are under way to ensure that all relevant departments are aware of its full potential.
3. The following debt service procedures are typically followed. At the beginning of each month, the CAA sends the treasury a statement of all the loans falling due and payment orders for ministerial approval and signature. Once this is done, the treasury transfers the required amount to a CAA account, either at the central bank or at a commercial bank. The procedure is often too long and, unlike in most countries, is not premised on the presumption that all debt service as recorded in the *Loi de Finances* is due without further justification and ministerial approval. As a result, delays in the past have often occurred because the treasury has tended to "bunch up" payments instead of effecting regular transfers on a daily or weekly basis. The delays are also due to major weaknesses in cash management at the treasury.
4. The debt management practices at the CAA have considerably improved over the past two years owing to a change in management and the realization by the authorities that the success of the current adjustment program critically depends of maintaining good financial relations with external creditors. In general, the CAA provides up-to-date data on virtually all external debt aggregates. However, considerable weaknesses remain in the following fields: (i) keeping track of debt service projections before and after debt relief; and (ii) conducting in-depth analyses on external debt issues, for example, DSAs. Overall requirements have been identified in the following areas: (i) updating the current version 7.2 of CS-DRMS to ensure that it is fully compatible with PC-based applications such as MS Excel and MS Access<sup>20</sup>; (ii) reinforcing the current network in order to accommodate new memory-intensive applications in a multi-tasking environment; and (iii) providing further training in the preparation of DSAs. Considerable technical assistance has been given in recent years by

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<sup>20</sup> The current Unix-based version entails considerable effort in order to convert its output into spreadsheet-ready formats. There are plans to acquire the Windows-based CS-DRMS version 2000.

the Commonwealth Secretariat, the Agence Française de Développement, Debt Relief International (DRI), the IMF, and the World Bank.

5. As a part of these continuing efforts to build debt-management capacity, the CAA, in collaboration with DRI, organized a national debt strategy workshop for Cameroon during November 1999. The workshop, involving about 34 participants from the Ministry of Finance and other government agencies concerned with the social sectors, prepared a DSA for Cameroon and also discussed a strategy for the use of potential HIPC assistance. Additional efforts have been made in the area of debt recording and management, with the establishment of a pilot technical assistance program by the Commonwealth Secretariat in Cameroon. It is envisaged that the provision of further training in CS-DRMS would enable CAA personnel to be involved in capacity-building efforts in other countries within the region.

6. For the foreseeable future, Cameroon is likely to require concessional debt financing, and the government debt strategy is aimed at borrowing only on highly concessional terms. However, considerably more work needs to be done in order to improve domestic debt management, which is a critical component in the country's efforts to strengthen its public finances. Since the launching of the PRGF-supported adjustment program in mid-1997, the government has made substantial progress, including the systematization of audits of arrears and the launching of a securitization program. Work is currently underway to complete the census and validation of remaining arrears, and to prepare a settlement schedule thereof.

### **Cameroon: Poverty Reduction Strategy Paper Preparation— Progress to Date and Roadmap**

1. A joint Bank-Fund team initiated discussions concerning PRSPs, poverty, and participation with the government in November, 1999, and continued this work during a second mission in February 2000. The second draft of the government's existing poverty reduction strategy was the starting point for these discussions. The aim of the Bank-Fund mission was to provide a frame of reference on how to engage, sponsor, and eventually institutionalize the preparation of the poverty reduction strategy (PRS). The challenge was to obtain Government commitment to prepare such a strategy, ensuring that they meet the standards set out in *Poverty Reduction Strategy Papers—Operational Issues (SM/99/200, 12/10/99 and IDA/R99-241)*.

2. Changes between the PFP and the PRSP were discussed at length, particularly the newly required focus on poverty reduction, and the focus on participation. Macro level participation was presented as more than a simple *process* of dialogue among stakeholders it was defined as an ongoing *cycle* that combines participatory dialogue, analysis, and actions defined to affect both policies and programs. Defined in this way, it contributes to three national objectives: (i) expands equity and cohesion; (ii) enhances accountability and transparency; and (iii) increases legitimacy, generating greater public ownership for national policies and programs.

3. The Cameroonians were engaged by the idea that both poverty and lack of participation undermines social cohesion—a well-established goal of their government. On the other hand, the problems that they foresaw were also connected to this same objective. Would not stakeholder dialogue create confrontation? Would not an emphasis on poverty's regional disparities increase dissatisfaction? Over a period of two weeks these and a variety of other issues were collaboratively discussed and thought through. For example, it was pointed out that macro participation methodologies can be specifically designed to emphasize solidarity rather than confrontation. Also, definition of regional poverty variations, in highlighting vulnerability factors, gender disaggregation, and inequality, actually identifies the points where cohesion would first begin to fall apart.

4. By the end of the November mission, the government developed a PRSP roadmap (Table 15) that outlined ambitious initiatives in participation for the interim PRSP (I-PRSP), and the strengthening of current poverty analysis as much as possible given the current quantitative data constraints. On this basis, the mission established with the authorities the PRS preparation time-line. The participation initiative for the I-PRSP includes three steps:

5. **Consultations in all the ten provinces and two major cities of Cameroon.** The intent is to inclusively discuss poverty issues in all of the various provinces, with a wide variety of ten or more organizations in each area in order to capture the variation according to regions and groups. Questions asked are: (i) How do you define poverty? (ii) How does it manifest itself in this area? (iii) What are the solutions to poverty—what should the government do, and what can you do locally?

6. **Documentation for analysis and feedback.** All issues raised will be documented to the extent possible in the words of the participants themselves. Using frequency analysis techniques, issues and solutions will be sorted according to region and group. This participatory analysis report will be sent to each group that has participated, preparing them to be active in the next round of participation activities after the I-PRSP is completed. It will also be used as a component, along with other poverty profile materials in development of preliminary PRSP strategies.

7. **National seminar to define PRSP strategies.** The government will host a national seminar that will include representatives of civil society, academia, private sector, and donors to discuss and, if possible, decide upon preferred strategies for the I-PRSP. While the government clearly needs to have control of the final selection, the national seminar is designed for discussion, not just validation.

8. Given the participatory nature of the PRSP process, especially against the background of the limited first-hand experience of most of the staff and the authorities, the envisaged program is ambitious. A high level of collaboration between the Bank and Fund staff has contributed to the Government receiving consistently and helpfully phrased key messages. The joint staff team has continued to meet regularly to discuss the work program and the key inputs of each member of the team.

9. By mid-April, 2000, the government completed the national consultations with a good degree of success. Discussions were substantive and evidently well-recorded. Although faulted in two specific areas for not obtaining the high degrees of inclusion expected, the overall process was definitively credible and acceptable. With this critical aspect successfully completed, the government, including members of civil society, are now completing the analysis and feedback, and will hold the national seminar in late May. For full success, both of these will need to be again completed with a high degree of inclusion so as to develop real possibilities of partnership with civil society.

10. It is expected that an interim PRSP could be presented to the Boards, together with the HIPC decision point document, in the summer of 2000. Before the decision point can be reached, however, the authorities will need to not only continue to demonstrate strong program performance economically, but also develop well-defined policy responses for poverty reduction. This includes accountable public spending plans, improved service delivery mechanisms, channeling additional resources to priority areas, and targeting methodologies for the key sectors affecting the well-being of the poor for the completion point, particularly in the sectors of agriculture, basic infrastructure, health, and education. However, in the next few months some decisive and visible actions will need to be undertaken up-front by the authorities in the coming months if they wish to have the confidence of civil society that they intend to act on these initiatives in an accountable manner.

11. Bank and Fund staff will continue to help the authorities with the PRSP process. The staff will be guided by paragraph 28 of SM/99/290 and IDA/R99-241 to determine areas where particular technical assistance from the staff will be most needed by the

authorities. To this end, the staffs have discussed with the authorities the attached detailed outline of key themes to be developed in the interim document. Table 16 summarizes the key outstanding issues and the next steps in the process. While the staff can help the authorities with a significant part of the analysis, there is still substantial work required in developing a broad-based and comprehensive poverty profile for Cameroon. The quantitative work completed in 1996 is out of date and has significant shortcomings.<sup>21</sup> A new household survey is therefore planned for 2000/01. However, in order to ensure that the PRSP process is not held back by the absence of comprehensive data, work will proceed on updating and enriching the existing framework. At the same time, quantitative data will be complemented by qualitative information derived from the consultative process. Moreover, work already under way under the PRGF on developing strategies in health and education (expected to be completed in June 2000) should help facilitate the production of some key social indicators and highlight the areas in which priorities should be set.

12. The joint preparation of the HIPC Initiative preliminary document has proved to be a good vehicle for analyzing some of the key issues under the PRSP, including the current obstacles to increasing growth and reducing poverty, and the levels of external resource flows and prospects. Given that most of the PRSP methodology has been developed by the staff, it remains to be seen how much of it will be internalized by the authorities and translated into concrete and credible actions. While data issues are important, they are more of a constraint than an impediment. The fundamental issue will be to gain an official commitment to meaningful action plans in the key areas. This is why the participatory process has emphasized inclusion and credibility from the outset, and there is some risk that that to achieve these necessary levels of credibility an effective and acceptable participatory process engaged by the authorities may take longer than anticipated. In this context, the authorities may only be in a position to develop a full-fledged PRSP only by summer 2001. However, the accountable monitoring systems to be designed in a participatory manner in the next phase should be able to handle over time the lack of consensus that the consultations may pinpoint between the government and civil society.

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<sup>21</sup> Including overemphasis on the income dimension of poverty, with relatively little discussion of equity issues, spatial aspects, access to critical social services, gender issues, etc.

Table 15. Cameroon: Indicative Time Line of Steps Leading to the Presentation of the HIPC Initiative Decision Point Document, PRSP, and New PRGF Program, November 1999-September 2001

Date	Task
November 1999	Presentation to authorities of PRSP framework; preliminary tripartite consensus on approach, road map, and outline of PRSP.
Mid-December 1999	Start of preparations of participatory consultations, including formation of teams and selection of regions/groups to be consulted; strengthening of analytical and strategy content of government's poverty reduction strategy (GPRS).
January 2000	National workshop to inform sectoral ministries and selected representatives of civil society and donors about preliminary decisions taken on the PRSP and to decide on how to go forward.
End February 2000	Finalization of preparations for first round consultations with civil society on PRSP.
End-March 2000	Start of participatory process in ten provinces of the country.
April 2000	Finalization of participatory process; start of analysis of participatory data.
May 2000	National seminar to define preliminary PRSP based on participatory analysis and diagnosis.
July 2000	<ul style="list-style-type: none"> <li>• Mission to review government draft interim PRSP and negotiate HIPC Initiative completion point policy triggers.</li> <li>• Determination by government of action plan to respond to issues identified by the poverty profile and the participatory process, including proposals for (re)allocating public expenditure in support of these actions; incorporation of these proposals in revised interim PRSP.</li> </ul>
End-August 2000	Finalization of interim PRSP.
September 2000	Issuance of interim PRSP to Board, together with HIPC Initiative documents, including date for finalization of full-fledged PRSP, and associated road map.
End-September 2000	Discussion of HIPC Initiative decision point document at Boards, including interim PRSP.
September 2000	Feedback from Boards to government on interim PRSP
December 2000	Second round of consultations with civil society.
September 2001	Finalization of full-fledged PRSP.

Table 16. Cameroon: Staff Preparations to Help Authorities with the PRSP Process

Issues 1/	Next Steps	Deadline
A description of the current poverty position—based on poverty assessments—recent trends in poverty and its determinants, and imbalances requiring adjustment.	A synopsis of current state of knowledge on poverty in Cameroon. Presentation of an outline of the poverty profile.	Incorporated in preliminary HIPC Initiative document
An analysis of the main obstacles to more rapid growth and poverty reduction.	Provision of support to the government in preparing consultations with civil society. Key issues incorporated in preliminary HIPC document .	Done in February 2000. Done.
A discussion of the quality, coverage and timeliness of key data, including possible final and intermediate indicators	Assessment of existing studies/surveys, including current government poverty strategy, against international standards. Overview as to where we stand vis à vis DAC 2015 goals.	Draft to be ready by end-May 2000
	Development of indicators	May 2000
	Assessment of need for further studies and technical assistance	May 2000
Participatory process and design of national consultations	Final documentation of first round of consultations and definition of preliminary strategies	May 2000
An assessment of the main issues confronting the government in the macro economic, an social areas, given the core objectives or promoting growth and reducing poverty.	An overview of recent adjustment efforts and the outstanding reform agenda. Included in Section II of preliminary HIPC Initiative document.	Done
An initial view of the current resource envelope and within this, the possible scale of expenditures for poverty reduction.	Comparison of current levels of social spending with international standards. Draft MTEF for key social sectors.	Mid-April 2000: rough draft. End-June: draft for HIPC Initiative decision point document.
A discussion of the current levels of external assistance, and the prospects for increased and over the medium-term.	A paragraph to be included in preliminary HIPC document on current level of assistance. Assessment of potential HIPC assistance.	Done. Needs to be reinforced for HIPC Initiative decision point document by early May 2000 (to include nature of assistance and use of potential windfall).

Note: The various drafts indicated above will need to be constantly updated as the PRSP process continues. It is envisaged that key components of the PRSP will be incorporated into the HIPC Initiative decision point document, expected at end-June 2000.

1/ See SM/99/290, 12/10/99, paragraph 28.



## Cameroon: Main Structural Reforms – Past Measures and Future Milestones

### I. Incentive policies

#### A. Exchange and trade system

##### *Past measures*

- Comprehensive import liberalization January 1994
- Establishment of new import duty tariff (0-35 percent) as part of UDEAC trade and tax reform, replacement of NTBs by declining import surcharges January 1994
- Reduction and elimination of all nonforestry export taxes July 1996-July 1999
- Partial liberalization of imports of petroleum products July 1, 1998

##### *Future milestones*

- Elimination of remaining import duty surcharges July 1, 2000
- Further reduction of common external CEMAC tariff 2000-02
- Improvement in customs regimes for exports and transit trade to increase competitiveness and reduce fraud 2000-02

#### B. Regulatory and domestic pricing policy

##### *Past measures*

- Liberalization of labor markets regulations via revision of labor code 1990-92
- Liberalization of all prices except for petroleum, pharmaceuticals, public utilities, and port services 1990-92
- Introduction of a mechanism for monthly revision of petroleum product prices to reflect movements in world market prices Dec. 31, 1997
- Elimination of the national refinery's (SONARA) monopoly over the supply of petroleum products via liberalization of competing imports, and establishment of a temporary surcharge on imported refined petroleum products July 1, 1998
- Adoption of new competition law aimed at preventing and penalizing the abuse of market power and restrictive trade practices June 1998
- Adoption of a new regulatory framework for the telecommunications sector 1998
- Establishment of a new regulatory agency for the telecommunications sector 1999
- Establishment of regulatory agency for electricity June 1998
- Adoption of regulatory framework for electricity June 1998

##### *Future milestones*

- Creation of a single regulatory agency for water, electricity, and telecommunications 2000-02
- Adoption of CEMAC investment charter 2000-02

## II. Fiscal policy and public sector

### A. Revenues

#### *Past measures*

- Establishment of a multistage turnover tax (credit variety) January 1994
- Introduction of a value-added tax (VAT), elimination of the differential rates under the old sales tax, widening of the tax base, and reduction of exemptions January 1999
- Completion of a census of enterprise tax arrears as of June 30, 1997, and definition of a collection strategy Dec. 31, 1997
- Issuance of tax identification numbers to all enterprises subject to profit taxes (*regime reel*) Dec. 31, 1997
- Increase of forestry acreage fee and improved collection of forestry taxes by basing the stumpage fee and export taxes on f.o.b. export prices July 1, 1997
- Renegotiation of enterprise-specific conventions to reduce tax exemptions 1995/98

#### *Future milestones*

- Continuation of improvements in tax administration, in particular reorganization of the tax directorate and establishment of a unit in charge of centralizing the enforcement of all taxes on the 200 largest enterprises End-June 2000
- Continuation of implementation of customs reform, in particular adoption of GATT valuation code, establishment of a rigorous monitoring system for exemptions, franchises, free trade warehouses, and suspensive regimes, revision of customs clearance regimes so as to speed up clearance times and, to that end, establishment of a selective inspection system 2000-01
- Development and implementation of a plan for securitizing transit operations 2000-02
- Continuation of reform of forestry taxation in the FY01 Finance Law June 2000
- Continuation of implementation of forestry tax revenue securitization program 2000-02

### B. Expenditure and expenditure management

#### *Past measures*

- Reduction of nominal wages leading to a 30 percent reduction in wage bill 1993
- Adoption of first phase of the new accounting system at the treasury (patriot). July 1, 1997

#### *Future milestones*

- Strengthening of programming, preparation, and execution of budget 2000-02
- Development of medium-term expenditure frameworks for key sectors (health, education, public works, agriculture) 2000-02
- Revision of the 1962 budgetary framework law and its implementation decree 2000-02
- Improvement of the budgetary delegation system 2000-02
- Settlement of outstanding domestic payment arrears 2000-02

### C. Civil service reform

#### *Past measures*

- Preparation of a general strategy for the organization of ministries 1992
- Adoption of new civil service statute, incorporating the notion of *licenciement pour motif économique* 1994

- Promulgation of decrees regulating the organization and functioning of ministries 1994-97
- Implementation of obligatory and voluntary departure program 1995-98

***Future milestones***

- Completion of comprehensive census of civil service employment June 2000
- Rationalization of staffing levels and computerization of payroll management 2000-02
- Reactivation and strengthening of SIGIPES 2000-02
- Preparation of a civil service reform strategy 2000-01

**D. Public enterprise reform and privatization**

***Past measures***

- Publication of decree announcing privatization of key public enterprises in the agro-industrial, transport, and public utility sectors July 1994
- Adoption of a new regulatory framework for public enterprises August 1995
- Completion of the sale of rubber company, HEVECAM to foreign private sector December 1996
- Privatization of CAMSHIP (national shipping company) 1998
- Completion of the sale of the sugar company, CAMSUCO, to private sector December 1998
- Approval of successful bidder for the privatization of the palm oil company, SOCAPALM October 1998
- Adoption of a privatization strategy for the cotton company, SODECOTON October 1998
- Invitation to the successful bidder to negotiate for the second cellular telephone network May 1999
- Completion of award of concession for the second cellular network to foreign private investor January 2000
- Launching of prequalifications bids for privatization of (i) the Cameroon Development Corporation (CDC), and (ii) the public water company (SNEC) December 1998
- Launch of invitation to tender for sale CAMTEL (fixed network) December 1999
- Launch of prequalification bid for SONEL (electricity company) September 1999
- Launch of competitive tender for the privatization of the water concessionaire, SNEC (water) October 1999
- Appointment of interim adjudicator and start of negotiations for sale of CAMTEL-Mobile (the mobile network of CAMTEL) January 2000
- Completion of negotiations February 2000

***Future milestones***

- Launch of invitations to tender for CDC April 2000
- Approval by presidential decree of the concession for CAMTEL- Mobile March 2000
- Appointment of provisional winner for SNEC and start of negotiations April 2000
- Appointment of provisional winner for CAMTEL and start of negotiations June 2000
- Appointment of provisional winner for SONEL and start of negotiations July 2000

**III. Financial sector policy**

***Past measures***

- Reform of SRC (credit recovery company), including private sector representatives on board June 1996
- Liquidation of BMBC (Banque Méridienne) 1996
- Liquidation of Credit Agricole 1997

- Restructuring of SGBC and SCBC (commercial banks) 1997
- Liquidation of AMACAM (public insurance company) 1997
- Revocation of the legal clauses stipulating that at least one-third of bank capital must be held by Cameroonian interests July 1, 1997
- Initiation of a feasibility study on establishing a regional financial market May 1998
- Liquidation of four private insurance companies 1998
- Constitution of a trust fund to guarantee payment of principal on 30-year bonds issued to restructure commercial banks 1997/98
- Liberalization of commissions on bank transactions July 1998
- Submission of savings and loan cooperatives to regional banking committee (COBAC) supervision June 30, 1998
- Launching of competitive bids for the privatization of the one remaining government-owned bank, BICEC December 1998
- Launching of bids for the privatization of the public insurance company (SOCAR) June 30, 1998
- A decision to liquidate National Reinsurance Company (CNR) June 1999
- Submission of savings and loans cooperatives to registration and licensing by Ministry of Economy and Finance and supervision by COBAC September 1998
- Adoption of strategy for social security reform October 1999
- Appointment of interim administrator for CNR November 1999
- Selection of provisional winner for privatization of SOCAR May 1999

***Future milestones***

- Completion of privatization of BICEC March 2000
- Liquidation of CNR April 2000
- Licensing of all financial cooperatives operating in Cameroon by Ministry of Economy and Finance, subject to COBAC approval July 2000
- Launch of studies for implementation of social security reform July 2000
- Restructuring of national savings banks (CCP/CNE) December 2000

**IV. External debt**

***Past measures***

- Restructuring of the debt to Paris Club creditors October 1997
- Implementation of the Commonwealth debt-reporting system by the national debt management agency (CAA) 1997/98
- Initiation of the process of data reconciliation with London Club creditors 1997/98

**V. Sectoral and social policies**

**A. Agriculture**

***Past measures***

- Completion of liberalization of coffee and cocoa sectors 1990-92
- Elimination of input subsidies 1990-92
- Privatization of key parastatals (SOSUCAM, HEVECAM, CAMSUCO) 1996-99
- Reduction and elimination of all nonforestry export taxes July 1996-July 1999

***Future milestones***

- Liberalization of cotton sector 2000-02

- Privatization of SOCAPALM, CDC, SODECOTON 2000-02
- Reinforcement of contract farming linked to large agro-industrial complexes (cotton, palm oil) 2000-02
- Strengthening of agricultural extension program 2000-02
- Completion of institutional audit of Ministries of Agriculture and Livestock 2000
- Upgrading of rural infrastructure (roads, irrigation systems) 2000-02
- Entrustment to local communities and farmer-driven institutions of more responsibility for management of services and infrastructure within framework of Community Action Programs (CAPs) 2000-02

## B. Forestry

### *Past measures*

- Adoption of a national strategy for biodiversity management and for protected zones December 1997
- Promulgation of new forestry code January 1994
- Publication of application decree August 1995
- Establishment of new systems for attribution of annual harvesting permits and concessions through public bidding procedures, including the presence of independent observers to ensure transparency of process 1997-2000
- Design and implementation of a forestry taxation policy to promote sustainable use of forests and economically efficient high value-added processing activities in the industrial sector 1995- 2000
- Establishment of a “securization” program to ensure correct assessment and recovery of forestry taxes (royalties, stumpage fees, and export taxes) June 1999
- Adoption of a strategy for demarcation and apportionment of forestry concessions June 1999
- Completion of an independent technical audit of the forestry sector to assess its economic and tax potential February 2000

### *Future milestones*

- Adoption of a new regulatory framework to supervise land use management plans; April 2000
- Definition of areas to be declared as community forests April 2000
- Submission to National Assembly of reforms concerning industrialization and forestry taxation on the basis of the results and recommendations of the technical audit June 2000
- Awarding of contracts, on basis of a competitive bidding process, to one or more private operators for the supervision of the implementation of the land use management plans and to strengthen this capacity within the Forestry Ministry June 2000
- Establishment of a guarantee system to ensure compliance with land use management plans July 2000
- Revision of ONADEF by-laws to clarify its mandate and its financing sources July 2000

## C. Energy

### *Past measures*

- Completion of two annual independent audits of the national oil company’s (SNH) accounts and adoption of an action plan to implement their recommendations 1997/98-1998/99
- Adoption of an action plan to revamp the SNH’s accounting system June 1998

- Completion of a study of the organization of the petroleum sector, in particular regarding the respective roles of the SNH and the private sector December 2000
- Liberalization of the distribution margin in the price formula for refined petroleum products June 1999
- Enactment of a new petroleum code covering upstream and downstream activities November 1999
- Enactment of a revised legal framework for natural gas exploration 1998

***Future milestones***

- Completion of operational and managerial audit of the SNH June 2000
- Harmonization of SNH accounting practices with international norms June 2000

**D. Transport**

***Past measures***

- Elimination of all national preferences and cargo-sharing arrangements for maritime transportation Dec. 31, 1997
- Adoption of a comprehensive restructuring plan for the port sector May 1998
- Establishment of a Road Maintenance Fund for financing road maintenance projects July 1998
- Selection of successful bidder (CAMRAIL) and signing of provisional contract for the privatization, through concession, of the national railway system February 1999
- Publication of new legal, regulatory and institutional framework for the port sector November 1998-June 1999
- Establishment of a National Port Oversight Agency (APN) and creation of autonomous ports, in particular the Port of Douala, including appointment of the Board of Directors and selection of General Manager for Port of Douala July –December 1999
- Adoption of new legal and regulatory framework for air transportation December 1998

***Future milestones***

- Effective transfer to the private sector, for the Port of Douala, of all commercial and industrial activities (in particular, warehousing, stevedoring, freight forwarding, consignment, and all port services (maintenance of access and corresponding superstructures, including navigational aides, towing, piloting, anchoring, ice making, etc.) December 2000-June 2001
- Creation of a one-stop shop (single window) for the accomplishment of all international trade formalities July 2000
- Reduction of clearance delays to seven days for imports and two days for exports in the Port of Douala 2000-01
- Adoption of a new regulatory framework for rural road maintenance December 2000
- Strengthening of Ministry of Public Works so as to ensure improvement in quality of road maintenance and construction December 2000
- Privatization of CAMAIR 2000-02

**E. Education**

***Past measures***

- Adoption by parliament of an orientation law for education. March 1998

***Future milestones***

- Completion and adoption of education strategy June 2000

- Elimination of school fees for primary school teachers June 2000
- Revision of regulations governing school management committees April 2000
- Liberalization of the supply of schoolbooks June 2000
- Establishment of a governance watchdog June 2000
- Deconcentration of management of teachers Sep. 2001
- Establishment of objective criteria for the selection of school management positions July 2000
- Elimination of automatic civil service hiring of graduates of the national secondary school teacher training college (Ecole Nationale Supérieure) June 2000
- Adoption of a law on private education June 2001
- Implementation of revised statutes for career management of teachers, including incentives, hiring and firing procedures, and redefinition of the salary scale Sep. 2001
- Codification of participation of parents of communes and parents in school management May 2000

## F. Health, including AIDS

### *Past measures*

- Full operationalization of the Centre National d'Approvisionnement des Medicaments Essentiels (CENAME) fully operational September 1997
- Authorization of health centers to retain 100 percent of their revenues June 30, 1998
- Completion of preparation of national health map June 1998

### *Futures milestones*

- Publication of the national health map June-Sep. 2000
- Publication of the National Drug Policy June-Sep. 2000
- Adoption of a satisfactory health sector strategy with estimates of three year budgetary needs, with a view to its incorporation into the government budget as of 2000/01 June 2000
- Adoption of staffing norms for health facilities (centers, district hospitals) June-Sep. 2000
- Authorization for health centers to retain the share of their fee-generated income actually remitted to the Ministry of Health and identify alternative sources of financing for the National Solidarity Fund June-Sep. 2000
- Establishment of legal and institutional framework assigning to health management committees control over, and responsibility for the use of all funds generated from fees-for-service and drug revolving funds and from the government budget, including the deposit of such proceeds into a bank account opened in the name of each facility, with the oversight of community representatives June-Sep. 2000
- Development of a draft monitoring framework to be used by the committees (i) to assess regularly (e.g., every six months) overall expenditures of health centers, revenues, and delivery performance for key services, and (ii) produce a report presented to communities June-Sep. 2000
- Preparation of a legal act (i) establishing price caps on at least 30 essential low cost generic pharmaceuticals most likely to benefit the poor; (ii) allowing pharmacies to replace brand-name drugs by their generic equivalent; and (iii) obliging them to disclose this possibility to the public Sep. 2000
- Definition of a framework for enhancing collaboration and partnership with NGOs (both profit and nonprofit) Sep. 2000
- Publication of most important regulatory texts for the implementation of the National Drug Policy 2000-02
- Finalization of statutes for *Centre National d'Approvisionnement de Medicaments Essentiels (CENAME)* and *Centres D'Approvisionnement Pharmaceutiques Régionaux (CAPPs)* 2000-02

- Publication of ministerial circular on drug registration procedures 2000-02
- Publication of a legal act (i) establishing price caps on at least 30 essential low cost generic pharmaceuticals most likely to benefit the poor; (ii) allowing pharmacies to replace brand name drugs by their generic equivalent; and (iii) obliging them to disclose this possibility to the public 2000-02
- Preparation of annual health budgets in the context of a medium term expenditure Framework, beginning with the budget for FY2002; and in that context increase share of health budget from 4 to 7 percent of overall budget 2000-02
- Increasing allocation of funds to primary care/key public interventions to 45 percent of overall budget 2000-02
- Adoption of a legal framework to allow direct budget transfers to districts and/or health centers 2000-02
- Development of criteria for performance-based budgeting 2000-02
- Adoption of a comprehensive plan for the financing of health care, including adequate arrangements to guarantee access to health care by those unable to pay 2000-02
- Establishment of a functioning purchasing and auditing capacity at the central level 2000-02
- Implementation of new contractual arrangements to foster partnership with profit and nonprofit nongovernmental providers 2000-02
- **AIDS:** provision of up to 30 minutes per week nationally and 60 minutes per week locally of free air-time for messages and programs against HIV/AIDS through the public media (radio and TV) Ongoing from June 2000
- Development by various technical ministries of a sector-specific strategy to fight against HIV/AIDS, under the leadership of the National Committee for AIDS control. Each Ministry and parastatal agency will elaborate and present a strategy to protect their staff against HIV/AIDS 2000-02
- Intensification and expansion of existing government support activities to prevent the spread of HIV, with education to family life, access to VCT and care and increased use of condoms among truck drivers, port workers, and soldiers to 50 percent and among commercial sex workers to 70 percent 2000-03

## G. Poverty reduction

### *Past measures*

- Publication of a poverty reduction strategy declaration December 1998
- Evaluation of the social costs associated with the privatization of public enterprises planned for 1998/99-1999/2000 July 1999

### *Future milestones*

- Preparation of an interim PRSP July-Sep. 2000
- Preparation of a full PRSP June 2001