

**FOR
AGENDA**

EBS/00/90

CONFIDENTIAL

May 23, 2000

To: Members of the Executive Board

From: The Secretary

Subject: **Cameroon—Staff Report for the 2000 Article IV Consultation, Midterm Review Under the Third Annual Arrangement Under the Poverty Reduction and Growth Facility, and Request for Extension of Commitment Period**

Attached for consideration by the Executive Directors is the staff report for the 2000 Article IV consultation with Cameroon and the midterm review under the third annual arrangement under the Poverty Reduction and Growth Facility, and Cameroon's request for extension of the commitment period. This paper, together with the preliminary document on the enhanced Initiative for Heavily Indebted Poor Countries for Cameroon (EBS/00/91, 5/23/00), will be brought to the agenda for discussion on a date to be announced. A draft decision appears on pages 26 and 27.

Mr. Katz (ext. 37465), Mr. Abdoun (ext. 38394), and Mr. Kpodar (ext. 34437) are available to answer technical or factual questions relating to this paper prior to the Board discussion.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Thursday, June 1, 2000; and to the African Development Bank, the European Commission, and the Islamic Development Bank, following its consideration by the Executive Board.

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CAMEROON

**Staff Report for the 2000 Article IV Consultation,
Midterm Review Under the Third Annual Arrangement
Under the Poverty Reduction and Growth Facility,
and Request for Extension of Commitment Period**

Prepared by the African Department

(In consultation with the Fiscal Affairs, Legal, Monetary and Exchange Affairs,
Policy Development and Review, Statistics, and Treasurer's Departments)

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May 23, 2000

Contents	Page
Executive Summary	4
I. Introduction	6
II. Background and Recent Economic Developments	7
III. Report on the Discussions.....	8
A. Review of Developments in the First Half of 1999/2000	9
B. The Macroeconomic Framework and Financial Policies.....	11
Fiscal policy	12
Monetary and financial sector issues	16
Regional issues	17
Structural policies	17
C. External Sector Policies and Balance of Payments Outlook.....	20
D. Poverty and Social Policies.....	21
E. Governance Issues	21
F. Technical Assistance and Data Issues	23
G. Program Monitoring and Targets.....	23
IV. Staff Appraisal	23

Boxes

1.	SNH Operations and Issues.....	10
2.	Use of Additional Oil Revenue, 1999/2000	13
3.	Main Findings of the Financial System Stability Assessment Report	18
4.	A Profile of Poverty	22

Figures

1.	Real and Nominal Effective Exchange Rates, 1990/91: Q1-1999/2000:Q2	28
2.	Developments in Output and Prices, 1990/91-1999/2000	29
3.	Fiscal Developments, 1990/91-1999/2000	30
4.	Monetary Developments, 1990/91-1999/2000	31
5.	External Sector Developments, 1990/91-1999/2000	32
6.	External Public Debt and Debt Service, 1990/91-1999/00.....	33
7.	Adjustment Profile, 1994/95-2001/02	34

Tables

1.	Fund Position, 1998/99-2001/02.....	35
2.	Quantitative Performance Criteria and Benchmarks During the Third Annual Arrangement Under the Poverty Reduction and Growth Facility, July 1, 1999-June 30, 2000	36
3.	Structural Benchmarks for the Third Annual Arrangement Under the Enhanced Structural Adjustment Facility, July 1, 1999-June 30, 2000	37
4.	Selected Economic and Financial Indicators, 1996/97-2001/02	38
5.	Savings-Investment Balances, 1996/97-2001/02.....	39
6.	Central Government Operations, 1998/99-2001/02.....	40
7.	Selected Fiscal Indicators, 1996/97-2001/02.....	41
8.	Oil Sector Contribution to the Government Budget, 1998/99-1999/2000	42
9.	Monetary Survey, December 1996-June 2000	43
10.	Central Bank Balance Sheet, December 1996-June 2000	44
11.	Commercial Banks' Consolidated Balance Sheet, December 1996-June 2000	45
12.	Balance of Payments, 1996/97-2000/02	46
13.	External Public Debt Stock, 1994/95-2001/02	47
14.	External Debt Service Due, 1998/99-2001/02.....	48
15.	Indicators of External Vulnerability, 1995/96-1998/99.....	49
16.	Indicators of Fund Credit, 1994/95-2004/05	50

Appendices

I.	Letter of Intent	51
	Table 1. Quantitative Performance Criteria and Benchmarks During the Second Half of the Third Annual Arrangement Under the Poverty Reduction and Growth Facility, July 1, 1999-June 30, 2000	62
	Table 2. Structural Performance Criteria and Benchmarks for the Second Half of the Third Annual PRGF	63
II.	Relations with the Fund	70
III.	Relations with the World Bank Group	73
IV.	Government Domestic Debt and Arrears.....	74
	Table 1. Domestic Debt Stock, June 1997-December 1999	77
	Table 2. Securitized Domestic Debt at End-December 1999, Distributed by Creditor and Amortization Period.....	78
	Table 3. Domestic Debt Payments, 1997/98-1999/2000	79
	Table 4. Service of Domestic Debt Validated at End-June 1999: Projected Payments for 2000/01-2004/05.....	80
V.	Poverty Reduction Strategy Paper Preparation—Progress to Date and Roadmap.....	81
	Table 1. Indicative Time Line of Steps Leading to the Presentation of the HIPC Decision Point Document, PRSP, and New PRGF Program, November 1999-September 2001	84
	Table 2. Staff Preparations to Help Authorities with the PRSP Process	85
	Annex.....	86
VI.	Statistical Issues.....	91

Executive Summary

Recent economic and financial developments

- **Performance during the first half of the third annual arrangement was broadly consistent with the program targets**, and all quantitative and structural performance criteria were met; all the benchmarks were also met, with the exception of the ceiling on bank credit to the nonfinancial public sector, which was missed by a small margin.
- Real GDP growth for 1999/2000 has been revised downward to 4.2 percent (from 4.8 percent in the program) to reflect lower-than-envisaged non-oil exports; inflation is on target, and the external current account is expected to narrow with the benefit of higher-than-programmed oil prices. Data for the first half of the program year showed a strong improvement in the country's external position and a recovery in deposits.
- Non-oil revenue was slightly higher than expected, thanks to a strong domestic tax revenue performance which more than offset a weak outcome at customs. A new, reinforced monitoring mechanism was set up to help ensure timely transfer of oil revenue to the budget. There was however a key outstanding issue in the oil sector: the harmonization of the accounting system of SNH with international norms had not been implemented by the time of the third annual audit; SNH's accounts were subsequently harmonized.
- **Progress continues to be made on structural reform.** The two program performance criteria were met, namely, the completion of an audit of the procurement system and the ten largest procurement contracts of 1998/99, and the conclusion of an economic and financial study of the forestry sector. All the five structural benchmarks for the period from end-September 1999 to end-January 2000 have been respected.

Report on the discussions

- The review focused primarily on budgetary revenue, public expenditure management and social policies, progress in the audit of the stock of domestic arrears, the privatization program, the petroleum and transport sectors, and governance.
- Benefiting from **sharply higher oil revenue and privatization proceeds**, the program for the second half of the fiscal year will enable Cameroon to strengthen its public finances; the primary surplus is projected to widen to 7.1 percent of GDP, and the overall fiscal accounts would be close to balance. **Non-oil revenue** is to continue to be reinforced through measures to improve the customs and tax administrations and combat fraud. On the **expenditure** side, the authorities have begun preparing detailed strategies for the health and education sectors, which would be reflected in future budgets.

- The FSAP, which was carried out by a joint Fund-Bank team, found that **Cameroon's banking system is relatively sound and profitable; however, as a few banks and many nonbank financial institutions remain very fragile**, major strengthening of the judiciary framework and modernization of the payments system should be high priorities.
- The structural components of the program focus on consolidating and deepening the ongoing reforms. **Reforms are well under way in the agro-industrial sector and the privatization of the public utilities is to be concluded over the next 12 months.**
- A draft debt sustainability analysis has been prepared jointly with the World Bank and discussed with the authorities. The **preliminary HIPC document** is presented together with this staff report for Executive Board consideration. The strategies for the health and education sectors will form a critical element in the government's fight against poverty.
- **Governance** issues center on public expenditure management, the oil sector, and the privatization of public enterprises, including audits of SNH and other key public enterprises, physical and financial audits of the government procurement system, audits of the Road Fund and forestry concessions, and the issuance of quarterly reports by ten key ministries on the execution of their budgets. To reinforce these measures, the government is to adopt a comprehensive governance strategy.

Issues highlighted in the staff appraisal

- **The challenge facing Cameroon is to consolidate the gains made over the past three years and establish a solid foundation for the next phase of reforms.** The revised program for the second half of the year aims at strengthening the public finances, consolidating structural reform, and reinforcing governance and social sector policies to help lead to the decision point under the enhanced HIPC Initiative before end-September 2000.
- **It is critical that the government adopt a comprehensive governance strategy and proceed vigorously to tackle issues of governance as a core component of the reform agenda.** To that effect, decisive and visible actions should be taken to counter remaining pockets of resistance in the public sector to reform and to enhance transparency and accountability and to combat corruption.
- **Cameroon's external debt burden remains heavy.** However, to reach the decision point, Cameroon will have to successfully conclude the current PRGF-supported program, well-defined sector strategies and spending plans in the social sectors would have to be prepared, and better targeting and improved efficiency of delivery of the additional resources would have to be demonstrated in the priority areas of health and education and poverty alleviation. Finally, an interim PRSP will have to be prepared based on the recommendations of an all-inclusive participatory process.

I. INTRODUCTION

1. The discussions for the 2000 Article IV consultation and the midterm review of the program (July-June) supported under the third annual Poverty Reduction and Growth Facility (PRGF) arrangement were carried out in Yaoundé during February 8-22, and March 12-16, 2000.¹ In the context of enhanced Bank-Fund collaboration,² the two teams assisted the authorities in the elaboration of social and poverty alleviation policies under the poverty reduction strategy (PRS), including in launching the participatory process, and in completing the debt sustainability analysis (DSA) and the preparation of a draft preliminary Initiative for Heavily Indebted Poor Countries (HIPC Initiative) document. Finally, the staff worked closely with a joint Bank-Fund technical team that carried out a financial sector assessment program (FSAP), as part of a pilot project.

2. In a letter to the Acting Managing Director dated May 23, 2000 (Appendix I), the Cameroonian authorities note that performance during the first half of the third annual PRGF-supported program was broadly on track and outline the targets and policies for the second half of the fiscal year.

3. The last Article IV consultation with Cameroon was concluded on April 7, 1999; Cameroon accepted the obligations under Article VIII in 1996 together with the other countries of the Central African Economic and Monetary Community (CEMAC). The Executive Board approved Cameroon's request for a three-year PRGF arrangement (July 1, 1997-June 30, 2000) on August 20, 1997, in an amount of SDR 162.12 million (87 percent of quota), and the first annual arrangement thereunder in an amount of SDR 54.04 million. The third annual arrangement under the PRGF was approved by the Executive Board on September 7, 1999 (EBS/99/153; 8/11/99). Executive Directors were encouraged by Cameroon's satisfactory performance during the first two annual PRGF arrangements but

¹ The Cameroonian representatives were the Minister of State in Charge of Economy and Finance, members of the Economic Council of Ministers, and other senior officials. The mission met with representatives of the oil and banking sectors and with members of the international community in Cameroon. Meetings were also held with the President and the Prime Minister. The staff team for the February mission consisted of Mr. Katz (head), Mr. Abdoun, and Mr. Kpodar, (all AFR), Mr. Mlachila (PDR), Mr. Yucelik (FAD), and Ms. Perez (staff assistant-AFR), and, for the March visit, Mr. Katz and Mr. Kpodar. The mission was assisted by Mr. Matungulu, the Fund's Resident Representative in Cameroon, and worked closely with a parallel World Bank team that was also in the field. Mr. Thiam, Advisor in Mr. Barro-Chambrier's office, participated in some of the policy meetings.

² Experience with enhanced Bank-Fund collaboration was discussed in Appendix III of EBS/99/153 (8/11/99).

stressed the importance of strengthening policy implementation capacity, and the need to take decisive and visible actions to improve transparency and governance. The first quarterly review noted that performance during July–September 1999 had been disappointing against the backdrop of rising oil prices (EBS/99/233; 12/21/99). Cameroon's outstanding use of Fund resources amounted to SDR 139.13 million (74.9 percent of quota) on February 29, 2000 (Appendix II). Because the commitment period of the three-year PRGF arrangement (EBS/97/138, Supp. 1; 8/22/97) will expire on August 20, 2000, which is prior to the date envisaged for the disbursement of the third loan under the third annual arrangement, the authorities have requested an extension of the commitment period until December 20, 2000.

4. A structural adjustment credit (SAC III) was approved by the Executive Board of the World Bank on June 25, 1998 in an amount of US\$180 million. The first two tranches have since been released, and two additional tranches pertaining to the privatization program and the forestry reform are expected to be released during the next six months (Appendix III).

5. A note on Cameroon's domestic debt and arrears is presented in Appendix IV; a progress report on the PRSP process appears in Appendix V; and data issues are discussed in Appendix VI.

II. BACKGROUND AND RECENT ECONOMIC DEVELOPMENTS

6. **Cameroon's good record of performance under the first annual PRGF arrangement continued under the second annual arrangement in both the macroeconomic and the structural areas despite the adverse impact of a sharp (15 percent) deterioration in the terms of trade in the first half of 1998/99 (July-June).** The adverse terms of trade shock resulted in a scaling down of real GDP growth for 1998/99 from an initial program projection of 5¼ percent to 4½ percent, and 5 percent in 1997/98; oil and non-oil exports began recovering in the third quarter. Also, annual average national consumer price inflation was contained at 2.9 percent in 1998/99. Gross national savings decreased by 1.2 percentage point of GDP to 14.4 percent of GDP in 1998/99, reflecting the decline in government savings, while gross domestic investment increased slightly to 18.8 percent of GDP. The external current account deficit (including grants) widened from 2¾ percent of GDP in 1997/98 to 4½ percent in 1998/99 despite the economic slowdown, owing primarily to a perception that the terms of trade shock was temporary.

7. **Monetary developments were characterized by a slowdown in the expansion of credit to the economy and an improvement in the net foreign assets position of the banking system.** During the first two years of the program, progress was made toward fiscal sustainability, and important structural reforms were launched, including a large-scale privatization of the parastatal sector and significant actions to liberalize the energy and transport sectors, resulting in a strengthening of Cameroon's external competitiveness. The depreciation of the CFA franc (along with the French franc and the euro) vis-à-vis the U.S. dollar also helped to offset some of the erosion of competitiveness incurred since the 1994

devaluation of the CFA franc; between January and December 1999, the real effective exchange rate declined by 3 percent (Figure 1).³

8. **However, as described in the first quarterly staff report for the third annual PRGF-supported program, four quantitative benchmarks for end-September were missed because of a delay (until late October) in the transfer of CFAF 15 billion in oil revenue (equivalent to 6 percent of total revenue for the quarter, and 28 percent of oil receipts) to the budget and higher-than-programmed payments on domestic debt service and arrears.** Non-oil revenue was slightly higher than expected, thanks to a strong domestic tax revenue performance which more than offset a weak outcome by customs. The oil revenue shortfall was fully corrected in October 1999 with the transfer of CFAF 40 billion to the national treasury—including half of the windfall (of CFAF 14 billion) accruing in the first quarter (which is typically transferred with a lag of one quarter). A new, reinforced monitoring mechanism was set up to help ensure a timely transfer of oil revenue to the budget, which brought about a turnaround in the budgetary outcome of end-December 1999.

9. **Implementation of structural reforms continued broadly as scheduled in the first few months of 1999/2000.** The Autonomous Port of Douala was established, with the board of directors nominated, its president elected, and its general director selected on the basis of qualifications at end-September 1999; a second-round call for bids for the privatization of the national water company (SNEC) was made at end-September, with the accompanying documentation sent to bidders in early October; and a call for prequalification bids for the national electricity company, SONEL, was made in October.

III. REPORT ON THE DISCUSSIONS

10. Discussions for the Article IV consultation and the midterm review of the program supported under the third annual PRGF arrangement included **(a) a review of developments and policies in 1998/99, as described above;⁴ (b) an examination of performance during the first half of 1999/2000 (July-December 1999); (c) an assessment of prospects for the second half of 1999/2000 and the medium term; (d) analysis of the financial system under the FSAP; and (e) work on the preliminary enhanced HIPC Initiative document and interim Poverty Reduction Strategy Paper (PRSP).** The review focused primarily on budgetary revenue, public expenditure management and social policies, progress in the audit

³ A discussion of factors affecting Cameroon's competitiveness appears in SM/99/78, 3/24/99, pp. 11-29.

⁴ Data issues are discussed in Appendix VI, and a statistical appendix including updates on the tax and the exchange and trade systems accompanies this staff report.

of the not-yet-processed stock of domestic arrears, the privatization program, the petroleum and transport sectors, and governance.

11. **The authorities noted that although the Cameroonian economy had come a long way from the trough of the crisis, there was a great deal more that needed to be done to ensure that these achievements were not reversible.** They expressed satisfaction with the end-December outcome, which had adequately corrected for the slippage of end-September. The authorities stressed that ensuring Cameroon's first successful conclusion of a three-year Fund supported program and reaching the decision point under the HIPC Initiative were top national priorities. **The authorities also recognized the country's negative perception among donors,** as well as the pressing need to strengthen expenditure management, particularly in health and education, and to further improve governance and accountability through independent audits of public sector units, an open and inclusive participatory process for the PRSP, and other concrete actions to enhance transparency and combat corruption. Accordingly, the program for the second half of the year aims at strengthening the public finances and the external position benefiting from higher oil prices, consolidating the privatization operations under way, and reinforcing governance and social sector policies to help lead to the decision point under the enhanced HIPC Initiative. A joint press conference with the World Bank was held at the end of the February visit where many of the questions focused on governance and the conditions for eligibility under the enhanced HIPC Initiative.

A. Review of Developments in the First Half of 1999/2000

12. **Performance during the first half of the fiscal year was broadly consistent with the program targets, and all quantitative and structural performance criteria were met; all the benchmarks, were also met, with the exception of the ceiling on bank credit to the nonfinancial public sector, which was missed by a small margin (Table 2).** There was, however, a key outstanding issue. While the mechanism introduced in November to ensure the automatic transfer of oil revenue to the budget is working well, the harmonization of the accounting system of the national oil company (SNH) with international norms had not been implemented. The staff stressed the importance of this issue to the authorities, noting that it could not make the case for yet another delay; **the harmonization of SNH's accounts should have been carried out following the first audit of 1996/97 and again following the second annual audit of 1997/98.** The Ernst & Young auditor indicated that he would be in a position to certify whether internationally acceptable accounting norms had been adopted following a period of some two months of work, provided that he received the full collaboration of the SNH. The authorities subsequently agreed with this approach; the auditor commenced work in April 2000 and has just confirmed that SNH's accounting system now conforms to international norms (Box 1).

13. **Developments in economic activity point to a slowdown during the first half of 1999/2000, owing to the decline in exports of non-oil commodities,** meanwhile, the 12-month inflation, as measured by the national consumer price index, was contained at 2.6 percent in December 1999. Monetary developments in the first half of the fiscal year showed a stronger-than-projected improvement in the country's contribution to the net

Box 1. Cameroon: SNH Operations and Issues

- Cameroon is a small oil producer (about 119,000 barrels per day in 1998/99); oil production is expected to continue to decline in the period ahead, unless significant discoveries are made. Oil revenue remains important for the national budget, representing some estimated 29 percent of total government revenue and equivalent to 5½ percent of GDP in 1999/2000.
- In 1980, the government set up a national oil company, the Société Nationale des Hydrocarbures (SNH), under the aegis of the Secretary General at the Presidency, to represent the authorities in their financial relations with the oil companies and, in particular, to receive payments from and make payments to the companies for operations related to oil exploration and exploitation. SNH is responsible for negotiating and supervising the partnership agreements concluded with the private oil companies, as well as marketing and selling the government's share of oil output (both in the international market and to the national oil refinery), and for transferring the oil revenue (after accounting for expenditure) to the treasury. A production-sharing arrangement exists between the oil companies and SNH, with the latter receiving between 60 percent and 70 percent of total output. However, the oil-related transactions were not transparent and the transfers to the treasury were problematic, leading to significant extrabudgetary operations and governance issues.
- Despite the progress made since the late 1990s (regular annual audits of SNH are conducted as part of the Fund-supported program since 1996/97), the transparency and accountability of oil sector operations remain insufficient, and oil revenues have not been always transferred on a timely basis. As reported in the first quarterly staff report for the third annual PRGF-supported program, four quantitative benchmarks for end-September were missed, largely because of delays in the transfer of oil revenue to the treasury (EBS/99/233; 12/21/99).
- With a view to ensure timely transfers of oil revenue to the treasury, a new monitoring mechanism has been worked out with the Ministry of Finance and SNH, with the assistance of the World Bank and Fund staff. Under this enhanced mechanism, monthly meetings are to be held between the program's Technical Monitoring Committee (CTS) and officials of SNH to review the company's cash-flow position on the basis of actual data on production, exports, international oil prices, and exchange rates, and to agree on the timing of the transfers to the budget. Furthermore, quarterly reports are being prepared on the basis of detailed documentation of trade contracts, operating costs, and bank accounts. The new mechanism is working effectively so far, as oil transfers in December 1999 were on target and timely transfers were made in January and February 2000.
- However, there are a few pending issues that need to be addressed in order to consolidate the transparency and accountability of Cameroon's oil sector operations. First, **key recommendations from the two previous audits regarding the computerization and the adoption of international accounting standards by SNH had not been implemented at the time of the third annual financial audit.** Implementation of these recommendations is crucial to ensure exhaustive analysis and comprehensiveness of SNH's financial situation and operations and thus constituted a prior action for the completion of the review under the third annual PRGF. Second, **an operational and managerial audit is to be completed by mid-July 2000** (structural performance criterion) to examine, inter alia, the cost structure of the sector. Third, **a strategy defining the respective role of SNH and the private sector in the production and distribution of oil and petroleum products is to be prepared with assistance from the World Bank;** this strategy will provide the basis for a further deepening of the reform and liberalization of the sector.

foreign assets position of the Bank of Central African States (BEAC) (CFAF 45 billion); a slowdown in the increase of private sector credit; a repayment of CFAF 6 billion by the government to the banking system, reflecting the better fiscal outcome; and a recovery in deposits, although at a slower pace than programmed.

14. Progress continues to be made in the implementation of the structural reforms, and the two performance criteria for end-December 1999 and end-January 2000 were met, namely, the completion of an audit before end-December 1999 of the procurement system and the ten largest procurement contracts of 1998/99 (by Ernst & Young), and the conclusion of an economic and financial study of the forestry sector by end-January 2000. The five structural benchmarks for the period from end-September 1999 to end-January 2000 have been respected, including revised quarterly reports by the Ministries of Education and Health and the selection of the successful bidder for CAMTEL-Mobile (Table 3).

B. The Macroeconomic Framework and Financial Policies

15. The main macroeconomic objectives of the program for 1999/2000 were to (a) limit inflation to 2 percent; and (b) contain the external current account deficit at 3½ percent of GDP. The projection for real GDP growth initially 4.8 percent, has been reduced to 4.2 percent, reflecting primarily a downward revision in non-oil exports during the first half of 1999/2000. The external current account is likely to be considerably stronger than initially programmed as a result of sharply higher oil prices. The new baseline oil price for the year for Cameroon is US\$22.8 a barrel, or US\$24.5 a barrel for January-June 2000 (compared with the baseline scenario of US\$15.2 per barrel).⁵ These sharply higher oil prices would enable Cameroon to turn its contribution to the BEAC's operations account in the French Treasury from a chronic deficit into a surplus for the first time since the onset of the country's economic crisis in 1985/86.

⁵ A US\$1 per barrel oil price change is estimated, *ceteris paribus*, to result in a 0.2-0.3 percentage point of GDP change in the external current account and, 0.2 percentage point of GDP change in oil revenue.

Cameroon: Selected Economic and Financial Indicators, 1997/98-2001/02

	1997/98	1998/99	1999/2000 Prog.	1999/2000 Revised	2000/01 Proj.	2001/02 Proj.
	(Annual percentage changes)					
GDP at constant prices	5.0	4.4	4.8	4.2	5.3	5.7
Consumer prices (end of period)	2.2	2.2	2.0	2.0	2.0	2.0
Broad money (end of period)	7.8	9.7	12.5	10.5	8.0	9.5
	(In percent of GDP)					
Central government revenue	16.2	15.5	16.6	19.0	19.1	18.3
<i>Of which: non-oil revenue</i>	12.3	13.0	13.5	13.5	14.0	14.6
Central government expenditure	17.9	18.9	19.6	19.4	20.5	20.7
Primary fiscal balance	5.9	4.6	5.2	7.1	6.5	5.2
External current account (including grants)	-2.7	-4.3	-3.2	-2.7	-2.7	-2.7

Fiscal policy

16. The key budgetary objectives under the program were to achieve a primary surplus of 5.2 percent of GDP and thereby reduce the overall fiscal deficit to 2.9 percent of GDP, excluding grants (and to 2.6 percent of GDP, including grants), compared with 1998/99 outcomes of a primary surplus of 4½ percent of GDP and an overall deficit of 3½ percent of GDP. **Benefiting from sharply higher oil revenue and privatization proceeds, the program for the second half of the fiscal year will also enable Cameroon to strengthen its public finances, substantially enhance the program for clearing domestic arrears, and further reduce the lag between budgetary commitments and payments.** The authorities indicated that they were not in favor of presenting a supplementary budget with higher expenditure at this stage, given the prevailing weaknesses in expenditure management.⁶ Accordingly, oil revenue for the year would rise to 5.6 percent of GDP (compared with 3.2 percent in the original program); moreover, with the non-oil revenue target remaining at 13.5 percent of GDP, the primary surplus would widen to 7.1 percent of GDP, and the overall deficit (excluding grants) would narrow to 0.3 percent of GDP. The savings and uses of the additional oil revenue are presented in Box 2. It should be noted that this level of primary surplus is historically high; in view of the pressing need to increase the resources devoted to human development in Cameroon and the strengthening of the fiscal position, there is considerable scope for lowering the primary surplus over the medium-term with the improvement in expenditure management.

⁶ There would be some increase in goods and services, related in part to computerization, and a higher-than-projected level of payments on entitlements on account of pensions, while capital spending would be lower; the net increase of CFAF 9 billion in primary spending would be financed by the budgetary reserve.

Box 2. Cameroon: Use of Additional Oil Revenue, 1999/2000

(In billions of CFA francs, unless otherwise indicated)

	1999/2000		
	July- Dec. Act.	Jan-June Rev. Prog.	July-June Rev. Prog.
Total additional revenue	33	90	123
Oil revenue	30	104	134
Non oil revenue (-decrease) ¹	3	-14	- 11
Increase in spending (increase +)	33	90	123
Primary expenditure	-3	12	9
Current primary expenditure	11	4	15
<i>Of which:</i> pensions	2	2	4
scholarships and subsidies	8	-5	3
Capital expenditure	-14	8	-6
Net impact on primary surplus	28	78	105
(in percent of GDP)	...	...	1.8
Other spending	23	4	27
Payment of arrears (cash)	15	31	46
Other (including nonbank financing)	8	-28	-20
Reduction in bank financing (reduction +)	13	74	88
Net impact on overall fiscal deficit (commitment basis, excluding grants and externally financed investment)	33	85	118
Memorandum items:			
Oil price (in US\$ per barrel)	22.2	25.5	23.8
Price for Cameroon's crude oil (in US\$ per barrel)	21.3	24.5	22.8
Price for Cameroon's crude oil in the original program (in US\$ per barrel)	15.5	15.2	15.3
Source: Cameroonian authorities; and staff estimates and projections.			
¹ Reflecting lower GDP growth.			

17. **Non-oil revenue is to continue to be reinforced through measures to improve the customs and tax administrations and combat fraud, including a broadening of the tax base and strengthening of the value-added tax (VAT) and forestry tax collection.** To this end, a World Bank-sponsored study of the forestry sector has been carried out by an independent and internationally reputable firm. The study's recommendations, which focus on rationalizing of forestry taxation through a shift in the tax effort from exports toward upstream activities in a way that will help preserve the environment,⁷ are to be implemented starting in 2000/01. Additional measures to further enhance the domestic tax revenue collection include reviews of tax assessment, audit, and collection procedures; the prompt transfer of VAT collected by the public utilities; and a reorganization of the Tax and Treasury Departments (a detailed list of measures to strengthen domestic taxation, including key recommendations for the forestry sector, appears in Section I of the Annex to Appendix I).

18. At customs, in line with the recommendations of FAD (EBS/99/153; 8/11/99; annex to Appendix I), a customs monitoring committee has been set up and an action plan drawn. A new timetable for the implementation of the key recommendations in the second half of the fiscal year has been agreed upon. These include establishing of procedures for close coordination with the preshipment inspection company; simplifying customs clearance and export procedures; effectively monitoring the transit trade from Douala to neighboring countries; establishing a vigorous control system for exemptions and free trade zones; combating customs fraud and smuggling; and setting up a rigorous internal audit and inspection scheme. Steps are also to be taken to introduce a single window at the port of Douala by July 2000 so as to accelerate the customs clearance process as part of the efforts to modernize the transport sector.

19. **On the expenditure side, education, health, and basic infrastructure have been identified as priority areas. Budgetary spending in these areas are very low in comparison to other countries with PRGF-supported programs and will have to increase over the medium term with the improvements in expenditure management.** The authorities have begun preparing detailed strategies for the health and education sectors (structural benchmarks), with World Bank assistance; these strategies are to include quantifiable targets in the context of a three-year medium-term expenditure framework and would be reflected in future budgets. **However, work on strategies for the two sectors has exposed major weaknesses, the poor quality of public services, and governance problems in the functioning of the two ministries** (see preliminary HIPC Initiative

⁷ The environment will be preserved through steps to foster a balance among ecosystems and a rational and sustainable utilization of forestry resources (discussed in (EBD/99/98; 8/11/99; paragraphs 22-23). The strategy for the forestry sector, which will be based on the new study, is to address environmental issues in the sector.

document, paragraphs 22-26); also the first quarterly reports prepared by the two ministries were of unsatisfactory quality and have subsequently been revised.

20. **Thus, the elaboration of sectoral strategies in health and education is to be accompanied by concrete actions, including the suppression on the monopoly of the distribution of textbooks⁸ (structural benchmark) and the removal of school fees for primary education as well as a strengthening of staffing; together with the reform in public expenditure management, these actions should noticeably improve service delivery** (see paragraph 23 of Appendix I and its Annex). To begin addressing weaknesses in the functioning of public health centers and hospitals and the lack of accountability in the health sector, an institutional audit of the sector is to be carried out, and an HIV/AIDS campaign will be launched; these and other actions are discussed in greater detail in paragraphs 24-25 of Appendix I. Also, in late March the Ministers of Education and Health were replaced in an effort to revamp the two ministries. To further enhance accountability in the key spending ministries, the authorities have agreed that the practice of issuance of quarterly reports be extended to eight additional ministries.⁹ On the civil service, a comprehensive physical and legal census of all civil servants is to be completed before end-June 2000 to provide a more accurate basis for assessing appropriate staffing and salary levels.

21. **To improve the very low efficiency of public expenditure management—with the aim of reducing corruption and ensuring that budgetary outlays reach their intended destination—an action plan was prepared with Fund assistance.** As part of this action plan, the following measures have been taken: the number of steps in budget execution has been streamlined to 3 (from an average of some 16 steps), and the number of players involved has been reduced considerably; the responsibility of financial comptrollers in spending ministries is being increased; the control functions of the Ministry of Finance and the external audit agencies are being enhanced; and new procedures have been put in place to strengthen controls over the use of delegated credits. Also, a committee composed of key departments has been formed to address the shortcomings in the production of the treasury balances and improve their quality; moreover, to enhance the efficiency of the Treasury Department, its director has been replaced. To strengthen the cash-flow management of the budget, a committee consisting of all key departments in the Ministry of Finance and the autonomous debt agency (CAA) has been formed.

22. **The final audit report by Ernst & Young of the procurement system and the ten largest contracts of 1998/99 conducted revealed major flaws in following procedures**

⁸A monopoly over the publication and distribution of schoolbooks was granted in 1998/99 by the then Minister of Education to a company of which he is a major shareholder.

⁹ These are the Ministries of Economy and Finance; Public Works; Public Investment; Agriculture; Social Affairs; Justice; Transportation; and Energy and Mining.

and in the verification of delivery. To reinforce expenditure management and building on recommendations of the audit report, a new system will be put in place with the appointment of a special commission to run procurement activities. The commission will include an independent, credible observer to ensure a fair and transparent selection process, and an ex post audit of all operations by an independent and reputable accounting firm will verify delivery and quality (structural performance criteria).

23. **The settlement of domestic arrears is an important component in the efforts to strengthen Cameroon's public finances.** Audited and validated claims (representing some CFAF 180 billion at end-December 1999, about 50 percent of which has been securitized) continue to be settled according to agreed modalities and timetables (see Appendix IV). For the remaining arrears, an inventory commission completed its work in mid-March 2000, beyond which date no new claims will be considered. The validation process is being undertaken in two stages. The first stage carried out by an independent audit firm, which ended in mid-April 2000, resulted in the validation of about CFAF 130 billion of wage arrears out of a total of CFAF 170 billion. Their settlement is to start in the next fiscal year and be completed over a 10-year period.¹⁰ The second stage of the validation process for claims requiring further scrutiny (about CFAF 97 billion) is expected to be completed by end-May 2000 and settled in a fashion similar to the validated claims of the first phase. (details are provided in Appendix I, paragraph 12, and in Appendix IV).

Monetary and financial sector issues

24. The program for 1999/2000 has aimed at enabling Cameroon to contribute CFAF 45 billion to the increase in the net foreign assets position of the BEAC, and to keep net bank credit to the government at its end-June 1999 level; credit to the private sector was originally projected to rise by about 10 percent. In view of developments in the first half of the fiscal year and the sharply higher oil prices, **the program for the second half aims at enabling Cameroon to contribute CFAF 77 billion to the net foreign assets position of the BEAC while reducing net bank credit to the government by CFAF 82 billion; credit to the private sector would still grow at a rate of 10 percent in 1999/2000.** The growth of M2, which was slower than expected in the first quarter of the year, recovered in the second quarter and the average velocity for 1999/2000 would decline to 6.8. To help ensure the intended improvement in Cameroon's contribution to the net foreign assets of the BEAC, the authorities are to continue to enforce of the foreign exchange regulations regarding the obligation of repatriation of export earnings; those which have to be made to banks operating within the CEMAC, including the retrocession of foreign currencies to the BEAC, within 30 days after their collection.

¹⁰ These validated arrears will be settled according to the following modalities; cash payments of one tenth in 2000/01 and the securitization of the remainder over a period of up to ten years and an interest rate of 5 percent

25. In the **financial sector**, the privatization of the recently restructured bank (BICEC) was concluded on January 7, 2000. Consistent with the provisions of a securities market law adopted by the National Assembly in late 1999, a domestic financial market project is being developed, and a strategy for the reform of the social security system has been approved by an interministerial committee and adopted by the government. Work is now to begin on an action plan that should to a large degree privatize of the system. In the insurance sector, the privatization of SOCAR and the liquidation of CNR are expected to be concluded by end-April 2000.

26. **Cameroon has agreed to participate in the FSAP pilot project.** The FSAP, which was carried out by a joint Fund-Bank team, consisted of three rounds of visits of experts to Cameroon during January-March and concluded with a joint presentation with AFR of its findings to the authorities in mid-March. The FSAP focused on identifying potential vulnerabilities in the financial system and the capacity for crisis response, and an assessing technical assistance needs for future financial sector development. **The main findings of the mission were that Cameroon's banking system was relatively sound and profitable, the size of nonperforming loans is relatively low (6 percent of total bank assets) and provisions cover ¾ of their amount; however, a few banks and many nonbank financial institutions were still very fragile.** Accordingly, major strengthening of the legal and judiciary framework and modernization of the payments system should be high priorities (Box 3).

Regional issues

27. On **regional issues**, the mission encouraged the authorities to press ahead in addressing the remaining issues in the area of trade liberalization. In particular, the government is to eliminate the remaining import surcharges by end-June 2000, in accordance with the regional tax and customs reforms; in concert with the other members of the Economic and Monetary Community of Central Africa (CEMAC), Cameroon will also undertake a further reduction of the common external tariff (to a maximum rate of 20 percent).¹¹ Moreover, the government will support efforts taken to adopt a single bank licensing system within the CEMAC, as well as a common investment charter.

Structural policies

28. **The structural components of the program focus on consolidating and deepening the ongoing reforms in the agro-industry, public utilities, petroleum, transport, and financial sectors. Reforms are well under way in the agro-industrial sector. The**

¹¹ The common external tariff (CET) applicable to imports from nonmembers of the CEMAC ranges from 5 percent to 30 percent; imports from CEMAC member countries have been exempted since early 1998. The average effective import duty rate in 1998/99 was 12.2 percent

Box 3. Main Findings of the Financial System Stability Assessment Report

The overall assessment of the Financial System Stability Assessment (FSSA) mission is that the Cameroonian financial system, in particular the banking sector, is relatively sound. However, the situation of a few banks and many nonbank financial institutions is still fragile. A major financial sector reform was undertaken during the past few years, including the rehabilitation or liquidation of existing banks and government withdrawal from commercial banks, along with a strengthening of the regulatory and supervisory frameworks at the regional level.¹ The Cameroonian authorities recognized most of the identified weaknesses discussed below and are to take appropriate actions to address them:

- **There is a need to complete the financial sector restructuring and state withdrawal from the sector and other productive sectors of the economy, while maintaining a sound macroeconomic environment. While there are no signs of systemic risk in the financial system, an effective supervision of microfinance institutions, which collect increasing deposits from households and small and medium sized enterprises, is necessary to maintain public confidence in the system. Similarly, it is important to assess as soon as possible the financial situation of the postal bank and postal savings and to take the necessary steps to protect depositors' interests.**
- **The banking system in Cameroon is relatively sound and profitable. A number of stress tests were performed, which showed that there are limited risks for interest rate and exchange rate shocks. However, there is some vulnerability with regard to liquidity (deposit run) and credit (increase in nonperforming loans) risk, which could undermine banks' solvency. There is an urgent need to recapitalize several banks to comply with COBAC regulations and further to raise the statutory capital requirement to a level consistent with international standards.**
- **Intermediation costs are high in Cameroon, owing not only to insufficient competition and past experience with heavy nonperforming loans but also to extra costs related to a malfunctioning judicial system. Thus, improving and strengthening the legal and judiciary frameworks and ensuring a well-functioning judicial system are necessary to improve the overall business climate and promote financial sector development.**
- **The regional banking supervision commission (COBAC) and, to some extent, the regional insurance commission (CRCA) have substantially boosted the regulatory and supervisory capacity of the authorities. Nevertheless, substantial shortcomings remain, in particular in staffing levels. The mission made recommendations aimed at further strengthening the regulatory and prudential frameworks to fully comply with international standards. At the same time, an increase in resources allocated to the COBAC and the CRCA is necessary to ensure that the quality and effectiveness of supervision continue to improve, including more frequent on-site inspections. The mission also stressed the urgent need to streamline and complete the regulatory and supervisory framework applicable to microfinance institutions, which are expanding rapidly.**
- **One of the major challenges ahead is to develop the financial system, so as to support the higher rate of economic growth necessary to reduce unemployment and raise the living standards of the Cameroonian population, while finding adequate channels to finance small and medium sized enterprises.**
- **Modernization of the payments system in Cameroon is required to improve banking environment and progressively reduce the importance of cash payments in the system, and to provide other modern and reliable means of payments. This would contribute to a more dynamic regional money market and facilitate the creation of the envisaged stock market.**
- **Close cooperation among the financial sector professionals, the national authorities, and the regional authorities is required for a successful implementation of these reforms.**

¹Cameroon is a member of the Communauté Economique et Monétaire pour l'Afrique Centrale (CEMAC).

selection of the successful bidder for the sale of the palm oil company (SOCAPALM) has recently been validated; negotiations are proceeding with the bidder for the conclusion of the transaction.¹² The second round of bids for the privatization of the Cameroon Development Corporation (CDC), which was to occur by end-December 1999, has been delayed owing, inter alia, to technical constraints relating to whether the company should be sold as a single entity or as four separate ones (dealing with bananas, rubber, tea, and palm oil); the selection of the successful bidder is to take place by end-September 2000.

29. **The privatization of the public utilities is to be concluded over the next 12 months.** In the **telecommunications sector**, the newly created cellular company began operating in January 2000, and the government-owned cellular company, CAMTEL-Mobile, was sold for CFAF 40 billion in early February 2000. Concerning the fixed telecommunications company, CAMTEL, the second round of tenders for its privatization was launched in December; however, in view of the weak response, a third round of call for bids is to be launched in May 2000 and the successful bidder selected by end-September, 2000. In the **electricity sector**, invitations for prequalification bids for the electricity company, SONEL, were sent in October 1999, and the launching of calls for, and the selection of, the successful bidder would be concluded before end-June and end-November 2000, respectively. In the **water sector**, the second round of bidding for the privatization of the national water company (SNEC) took place in October 1999; the successful bidder was selected, and negotiation commenced in May 2000 (prior action). The staff noted that the management teams of the public utilities have impeded the privatization process and caused unnecessary delays; in retrospect they should have been replaced by interim managers early in the process. To facilitate the privatization of the public utilities, the authorities agreed that their current management would have to cooperate fully with the privatization commission and potential buyers or be replaced by interim managers (structural benchmark; see paragraph 16 of Appendix I and section III of its Annex) .

30. **The transport sector, which is critical for improving competitiveness, is being promoted by measures that include (a) the strengthening of the Road Fund and road maintenance work; (b) implementation of the action plan for restructuring the autonomous Port of Douala, including actions to reduce the passage time of merchandise at the port to seven days for imports and two days for exports, consistent with the reform of the customs administration; and (c) the continuation of the rehabilitation project for the newly created railroad company (CAMRAIL), financed in part by IDA (see paragraphs 17-18 of Appendix I).**

31. In the **petroleum sector**, a third annual financial audit of the SNH (1998/99) has recently been completed and the key recommendations of the first two annual audits regarding computerization and the adoption of international standards of accounting have

¹² In view of the longer-than-expected time the process has taken, the successful bidder had asked for a new due diligence.

now been properly implemented (see Box 1). Also, an operational and managerial audit of the company is to be concluded during 1999/2000 to examine, inter alia, the cost structure of the sector. The completion of such an audit will serve as a structural performance criterion for mid-July 2000. A strategy defining the respective roles of the SNH and the private sector in the production and distribution of oil and petroleum products is being prepared with assistance from the World Bank; this strategy will provide the basis for further deepening the reform and liberalizing the sector. As a first step, the distribution segment of the market has been liberalized, and a majority of the shares in, and management of, the petroleum storage facility are to be transferred to the private sector before end-September 2000. Finally, on the Chad-Cameroon pipeline, Exxon-Mobil is looking for two new partners to replace those who recently dropped out of the project consortium). It is awaiting a financing decision from the World Bank (expected in the spring of 2000) before moving forward with the project.

C. External Sector Policies and Balance of Payments Outlook

32. The **balance of payments** outlook, based on the most recent World Economic Outlook (WEO) projections suggests that the external sector would strengthen significantly as a result of a projected 32 percent improvement in the terms of trade in 1999/2000, largely attributable to sharply higher oil prices. Revised projections point to an improvement in the current account deficit in 1999/2000 to 2.7 percent of GDP (compared with 3.2 percent in the program). A continued implementation of prudent financial policies, and relatively favorable terms of trade, together with the efficiency-enhancing reforms discussed above, would gradually strengthen Cameroon's external position, with the current account deficit projected to stabilize at slightly above 2½ percent of GDP in 2000/01 and 2001/02. However, in view of the uncertainties concerning the outlook for oil and other commodity prices, the achievement of this target will depend critically on the continued successful implementation of the structural policies of the program. On this basis, the volume of non-oil exports is expected to increase on average by about 8 percent a year in the medium term. Owing to anticipated inflows of private capital in the context of the privatization program, (including the sale of public utilities and large agro-enterprises) as well as a reduction in net official capital outflows stemming from a decline in scheduled amortization payments, the deficit on the capital account is expected to decline in the program period.

33. The preparations for the **commercial debt-**and debt-service-reduction (DDSR) operation have continued, albeit at a slower pace than previously anticipated. Most of the reconciliation on bank loans, with the exception of two loans in litigation, has been completed. Work on nonbank claims is now well advanced, and most of the submitted claims were rejected. The staff advised the government on the need to seek an agreement that meets the test of comparability of treatment with the terms that Cameroon would get under the enhanced HIPC Initiative. Given the delays, it is unlikely that an agreement can be reached before the second quarter of 2000/01. External debt projections have accordingly been adjusted (Tables 13-14).

D. Poverty and Social Policies

34. Cameroon's poverty profile is presented in Box 4. **The country's objectives in the social area, in general, and in poverty alleviation, in particular, are to be achieved through higher economic growth, combined with improvements in primary health, education, and rural development, and through policies to ensure access to clean drinking water and to generic drugs.** A draft DSA has been prepared jointly with the World Bank and discussed with the authorities. On the basis of this, the participatory process and progress in the preparation of the interim PRSP draft document (see Appendix V), the **preliminary HIPC Initiative document** is presented, together with this staff report, for Executive Board consideration.¹³ The strategies for the health and education sectors, which are to be elaborated by end-June 2000, will form a critical element in the government's fight against poverty and will concentrate on establishing a better targeted distribution of public resources and accountability in the distribution and use of resources. These policies should reverse the worsening trend of recent years in education indicators and, more broadly, raise the low level of social and poverty indicators.

E. Governance Issues

35. **Governance** issues and related policies under the PRGF-supported program (as summarized in Box 2 of EBS/99/98) center on public expenditure management, the oil sector, and the privatization of public enterprises.¹⁴ **The program for 1999/2000 includes, inter alia, audits of the SNH and other key public enterprises, physical and financial audits of the government procurement system, audits of the Road Fund, and forestry concessions,** and the issuance of quarterly reports by ten key ministries on the execution of their budgets. On the basis of the findings of these audits, corrective actions are being taken. To reinforce these measures **the government is preparing a comprehensive strategy to improve governance and reduce corruption based on the national governance program that was developed with assistance from the United Nations Development Program (UNDP) consistent with the approach taken by staffs of the Fund and the World Bank.** This strategy includes four building blocks; public administration, the justice system decentralization, and participation of civil society in the decision making process is to be adopted by end-June 2000 (structural benchmark; see also paragraph 27 of Appendix I).

¹³ A detailed discussion of the PRSP and the participatory process is presented in Appendix V.

¹⁴ Cameroon participated as a pilot country on fiscal transparency. A modular report for Cameroon was presented to the Executive Board (EBS/99/158, Supp. 7; 9/3/99), and has been placed on the Fund's external web site.

Box 4. Cameroon: A Profile of Poverty

The latest nationwide household consumption survey was conducted in 1996. The definition of income poverty used by the government in analyzing its results was CFAF 148,000 per adult equivalent per year, or CFAF 12,340 per month. 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 home. The definition does not place a value on most other unpaid household activities, many of which are provided by female household members.

The survey produced the following major findings:

- 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. This has been characterized by the government as a situation of extreme poverty.
- The survey confirmed a high degree of inequality in 1996, though 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 socioeconomic 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.
- 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 socioeconomic groups. 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.
- 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.
- 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 ranges from 287 in the west to 1,465 in the north.
- 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 around 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, 1999 Update of the Cameroon Poverty Profile (in process).

F. Technical Assistance and Data Issues

36. **Cameroon is currently receiving Fund technical assistance on VAT, customs, and expenditure management.** The staff conducted technical consultations (TC) with the authorities as part of a pilot project; the authorities noted that the technical assistance provided by FAD was highly effective and central to the successful implementation of the program. The Cameroonian authorities have made some improvements in the **statistical database** (particularly on the national accounts, fiscal operations, and balance of payments). However, improvements are needed in data quality and coverage (on the public sector, and social and poverty indicators) and in the timeliness of the monetary accounts. **Cameroon is viewing the General Data Dissemination System (GDDS) as a framework for statistical development and is participating as a pilot country in the metadata and in the reports of observance of standards and codes (ROSC) on data projects.**

G. Program Monitoring and Targets

37. To monitor policy implementation under the program, a number of quantitative benchmarks are proposed for end-March, and quantitative performance criteria and benchmarks for end-June 2000. The proposed benchmarks are presented in Appendix I, Table 1. The program will continue to contain built-in contingency mechanisms for the adjustment of the quantitative benchmarks and performance criteria on the basis of higher oil prices for the second half of the fiscal year (Appendix I paragraph 32). In addition, a number of reform measures have been identified to serve as structural performance criteria and benchmarks as detailed in Appendix I, Table 2. The year-end review will focus on the completion of the operational and management audit of the SNH, the new procurement system, the customs reform, developments in the health and education sectors, and governance.

IV. STAFF APPRAISAL

38. **Cameroon's satisfactory performance under the first two annual PRGF arrangements continued during the first half of the third annual arrangement, marking the longest stretch of adherence to a Fund-supported program.** Noteworthy is the efficient functioning of the enhanced monitoring mechanism for the automatic transfer of all oil revenue to the budget, which facilitated a quick recovery from the weak performance in the first quarter of 1999/2000.

39. **These achievements, while considerable, are still very fragile and easily reversible.** The challenge facing Cameroon is thus to consolidate the gains made over the past three years and establish a solid foundation for the next phase of reforms. The revised program for the second half of 1999/2000 appropriately aims at strengthening the public finances and the external position, which are benefiting from sharply higher oil prices and substantial privatization proceeds, consolidating the privatization operations under way, and reinforcing governance and social sector policies to help lead to the decision point under the

enhanced HIPC Initiative before end-September 2000. In view of the heavy agenda for the preparation of the interim PRSP and other reforms in the period ahead and to minimize risk to the program, the authorities will have to reinforce implementation capacity to ensure that the actions are executed in a timely manner.

40. **In the budgetary area, there is a need to continue the progress toward a sustainable fiscal position over the medium term.** Benefiting from sharply higher oil and privatization receipts, the program for the second half of the fiscal year should enable Cameroon to strengthen its public finances, substantially enhance the program for clearing domestic arrears, and further reduce the lag between budgetary commitments and payments. In order to achieve the non-oil revenue targets under the program, the authorities should begin implementing the reform measures for the weak and fraud-ridden customs administration. Building on the success so far in the VAT reform, efforts should be reinforced to improve tax administration, broaden the tax base, and fight fraud; in this regard, the public utilities will have to expedite the transfer of the VAT collected from customers to the national treasury.

41. **On the expenditure side, there is a continued need to enhance the efficiency and transparency of budgetary management, to ensure strict adherence to spending priorities in favor of the social sectors and infrastructure, and to monitor closely the implementation of the expenditure control measures.** Critically important will be the speedy overhaul of the procurement system, which should consist of a special commission to run procurement activities and include an independent and credible observer to ensure a fair, transparent selection process, as well as an ex post audit of all operations by an independent and reputable accounting firm to verify delivery and quality.

42. **The authorities are cognizant of the country's negative perception among donors, notwithstanding three years of satisfactory performance, and of the pressing need to strengthen expenditure management, particularly in health and education, and to further improve governance in the public sector.** They should thus proceed with the elaboration of sectoral strategies in health and education, which should be accompanied by concrete up-front actions, including the suppression of the monopoly of the distribution of textbooks and the removal of school fees for primary education. These actions, together with the reform in public expenditure management and the establishment of accountability on the part of all holders of public office, should lead to noticeable improvements in service delivery and reverse the worsening trend of social and poverty indicators.

43. **Improving transparency and fighting corruption are indispensable in enhancing the efficiency of government operations and in stimulating private investment.** It is critical that the government adopt a comprehensive governance strategy and proceed vigorously to tackle issues of governance as a core component of the reform agenda. To that effect, decisive and visible actions should be taken to counter remaining pockets of resistance to reform in the public sector and to enhance transparency and accountability and to combat corruption.

44. **Benefiting from higher oil prices, Cameroon should make a significant contribution to the strengthening of the foreign assets position of the regional central bank.** The joint MAE-World Bank team that undertook a comprehensive assessment of Cameroon's financial system concluded that the banking system was relatively sound and profitable but a few banks and many nonbank financial institutions remain fragile. The mission noted that further strengthening of the regulatory and prudential frameworks was needed to fully comply with international standards. The mission also called for prompt actions to strengthen the legal and judiciary framework and to modernize the payments system. The Cameroonian authorities should be commended for volunteering to participate in this pilot project. At the same time, they should move, in collaboration with the regional central bank, to address the areas in need of strengthening that were identified by the MAE-World Bank team.
45. **In the structural area, the authorities will need to consolidate the ambitious reform program in the public utilities, petroleum, and transport sectors.** To facilitate the privatization of the public utilities and in view of past delays, the current management of these companies will have to cooperate fully with the privatization commission and potential buyers, or be replaced by interim managers whose sole duty will be to conclude speedily and efficiently the privatization program. The authorities will have to remain vigilant and bring about the successful conclusion of the privatization operations currently under way while ensuring the independence and integrity of the newly created regulatory agencies.
46. **Cameroon's external debt burden remains heavy.** The enhanced HIPC Initiative presents a unique opportunity for debt relief that would reduce the country's debt burden to sustainable levels. However, to reach the decision point, Cameroon will have to prepare an interim PRSP based on an all-inclusive participatory process and successfully conclude the final review of the current PRGF-supported program, including concrete actions to fight corruption and improve governance. In addition, well-defined sectoral strategies and spending plans in the social sectors would have to be prepared with donor assistance, and better targeting and improved efficiency of delivery of the additional resources would have to be demonstrated in the priority areas of health and education and poverty alleviation.
47. The progress made in improving Cameroon's database, particularly on national accounts, the balance of payments and external debt, and fiscal operations, should continue. Additional work would be needed to further enhance the quality of data on domestic debt, data coverage of the public sector, the timeliness of the monetary data, and the collection and analysis of social and poverty indicators. In this regard, Cameroon's participation in the pilot project on the GDDS and the ROSC on data, is a welcome step.
48. In view of Cameroon's sound performance under the program, the staff recommends that the midterm review of the third annual arrangement under the PRGF be completed.
49. It is recommended that the next Article IV consultation discussions with Cameroon be held on the standard 12-month cycle.

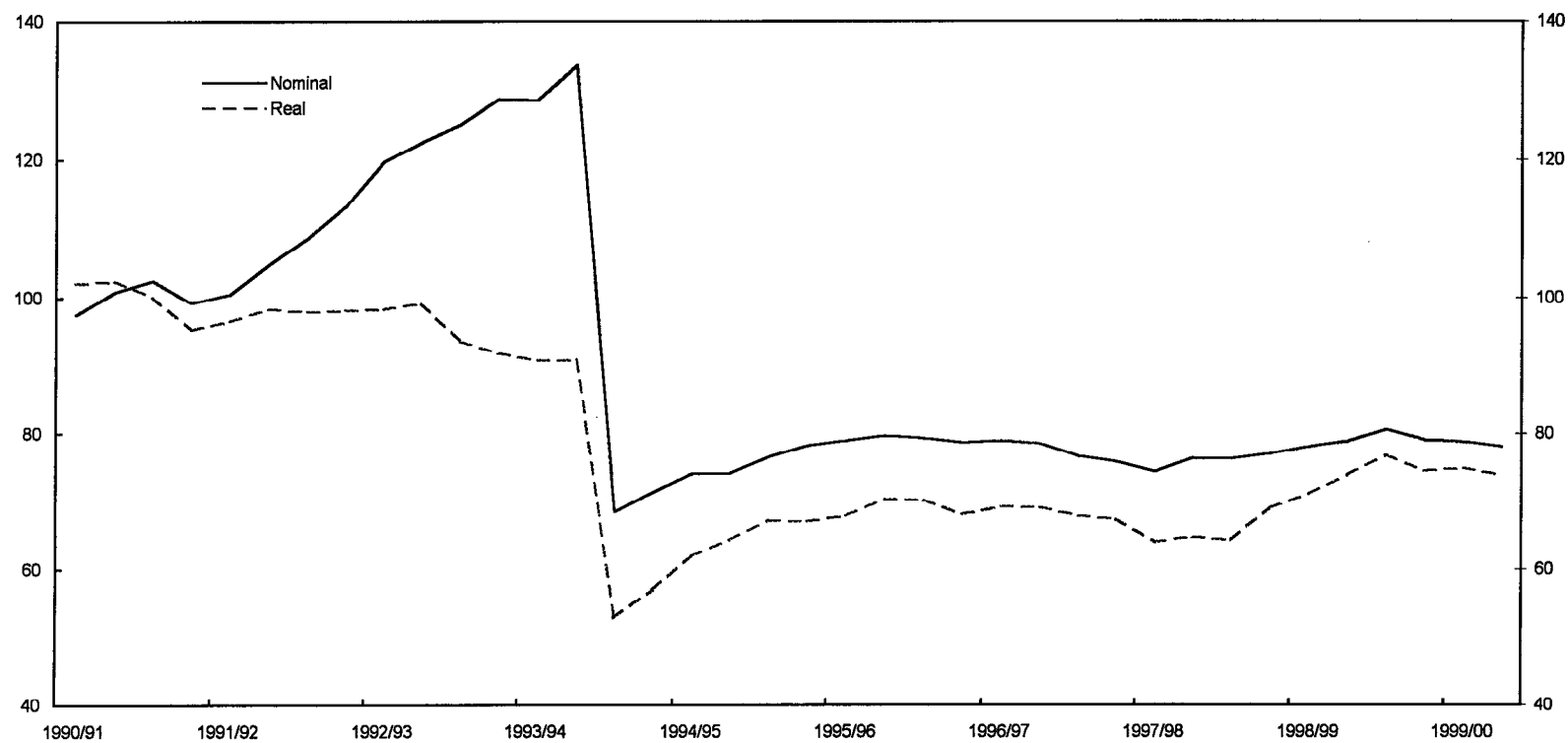
V. PROPOSED DECISION

The following draft decision is proposed for adoption by the Executive Board:

1. Cameroon has consulted with the Fund in accordance with paragraph 2.2(e) of the third annual arrangement under the Poverty Reduction and Growth Facility for Cameroon (EBS/99/153, Supplement 1) and paragraph 5 of the letter dated August 9, 1999 from the Prime Minister of Cameroon. Cameroon has also requested that the commitment period of the three-year arrangement (EBS/97/138, Supp. 1; 8/22/97) under the Poverty Reduction and Growth Facility be extended to December 20, 2000.
2. The letter dated May 23, 2000 from the Prime Minister of Cameroon shall be attached to the third annual arrangement under the Poverty Reduction and Growth Facility, and the letter dated August 9, 1999, from the Prime Minister of Cameroon with its annexed memorandum, shall be read as supplemented and modified by the letter dated May 23, 2000.
3. Accordingly, the quantitative performance criteria referred to in paragraph 2.2(a) of the third annual arrangement under the Poverty Reduction and Growth Facility shall be as specified in Table 1 of the letter dated May 23, 2000 and the structural performance criteria (paragraph 2.2(b)) shall be as specified in Table 2 of the letter dated May 23, 2000.
4. The Fund decides that, before completion of the final review contemplated in paragraph 2.2(e) of the third annual arrangement, the Fund will appraise Cameroon's progress in implementing the policies and reaching the objectives of the program supported under the third annual arrangement, taking into account primarily the macroeconomic indicators and the structural benchmarks specified in Tables 1 and 2 respectively of the letter dated May 23, 2000.

5. The Fund decides that the midterm review contemplated in paragraph 2.2(e) of the third annual arrangement under the Poverty Reduction and Growth Facility and paragraph 5 of the letter dated August 9, 1999 has been completed, and that Cameroon may request the disbursement of the second loan specified in paragraph 2.1(b) of the same arrangement.
6. The Fund approves the requested extension of the commitment period.

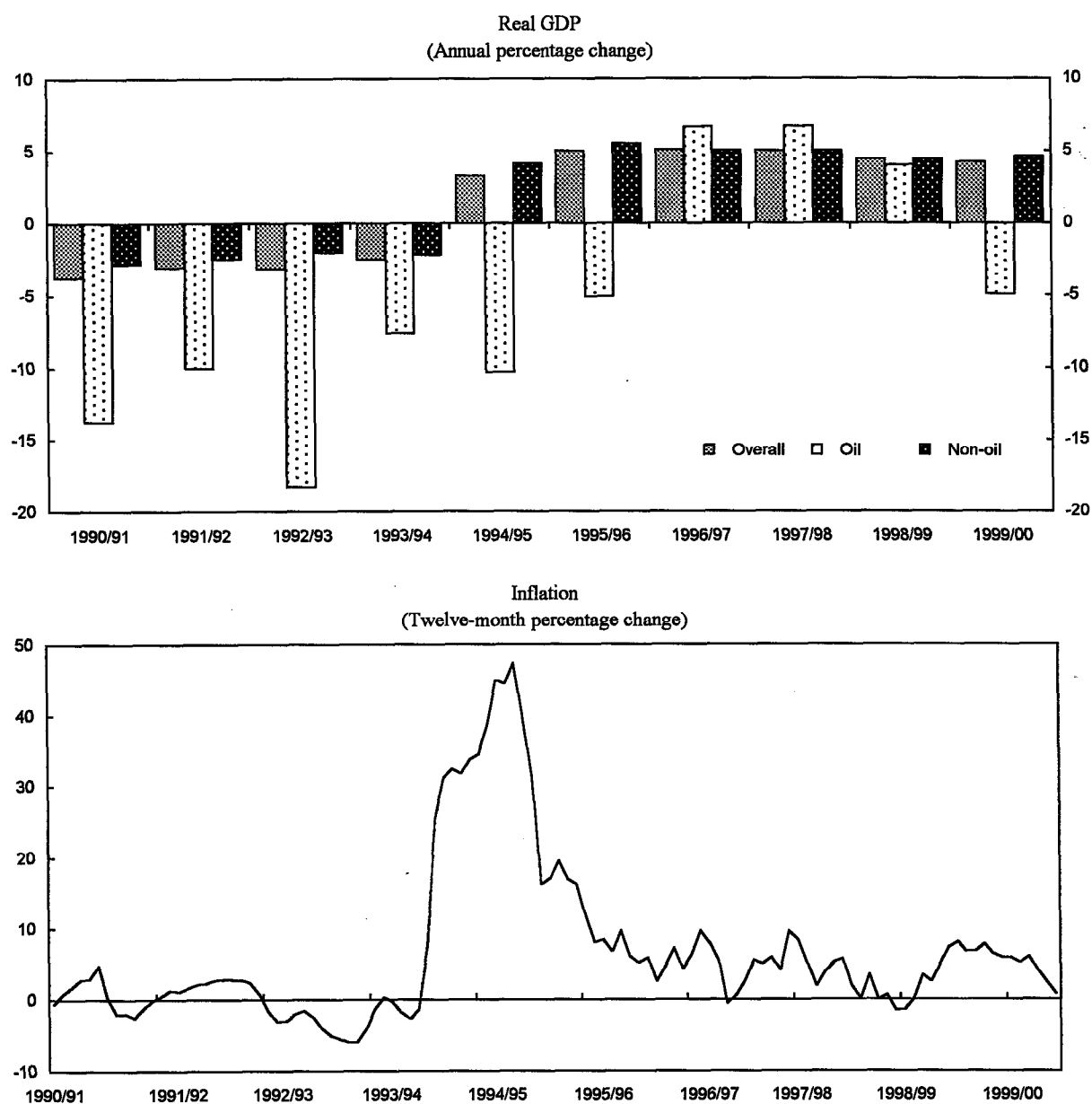
Figure 1. Cameroon: Real and Nominal Effective Exchange Rates, 1990/91:Q1-1999/2000:Q2 1/
(Index, 1990/91 = 100)



Sources: IMF, Information Notice System (INS); and staff estimates.

1/ Fiscal year begins in July.

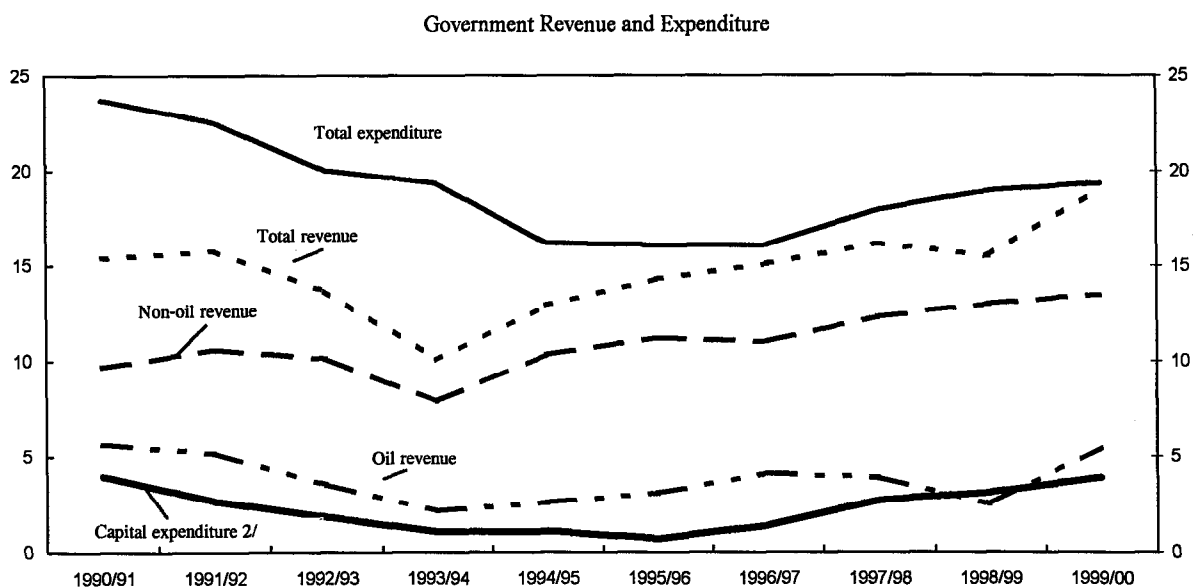
Figure 2. Cameroon: Developments in Output and Prices, 1990/91-1999/2000 1/



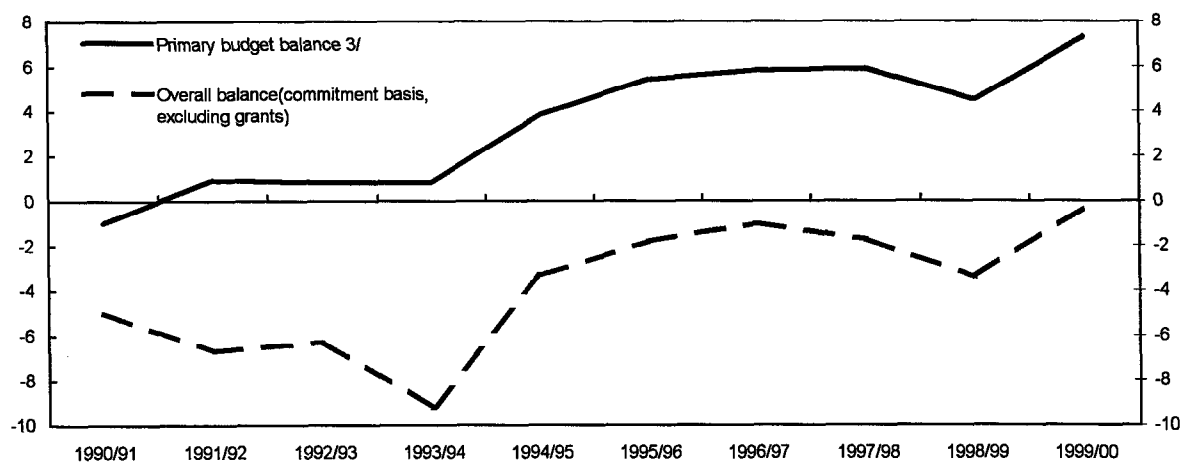
Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

Figure 3. Cameroon: Fiscal Developments, 1990/91-1999/2000 1/
(In percent of GDP)



Primary and Overall Budget Balances



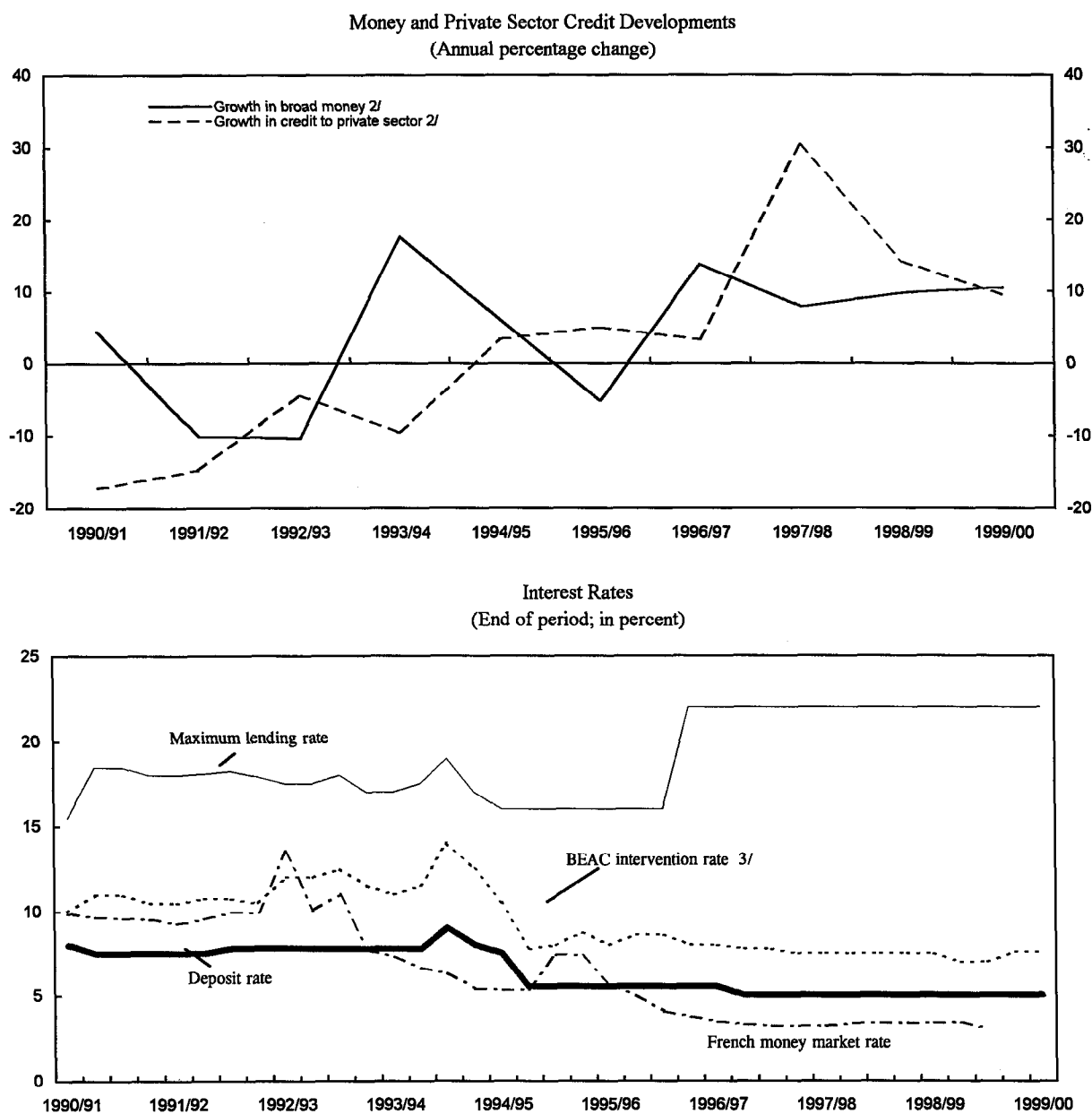
Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

2/ Excluding restructuring expenditure.

3/ Defined as government revenue (excluding privatization proceeds) minus noninterest expenditure (excluding foreign-financed investment and restructuring expenditure).

Figure 4. Cameroon: Monetary Developments, 1990/91-1999/2000 1/



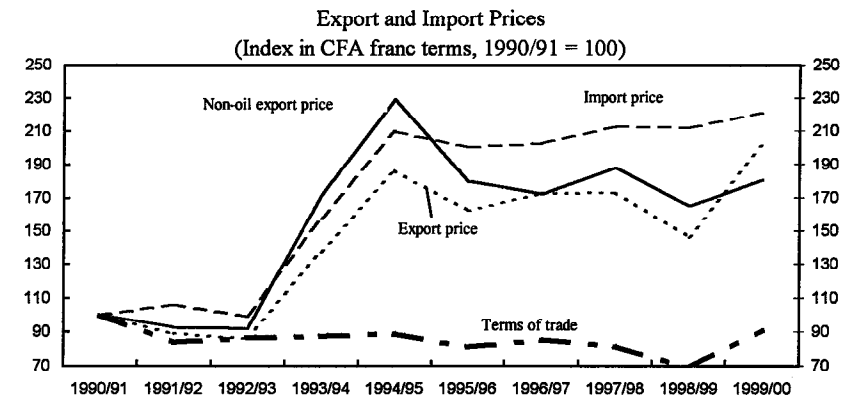
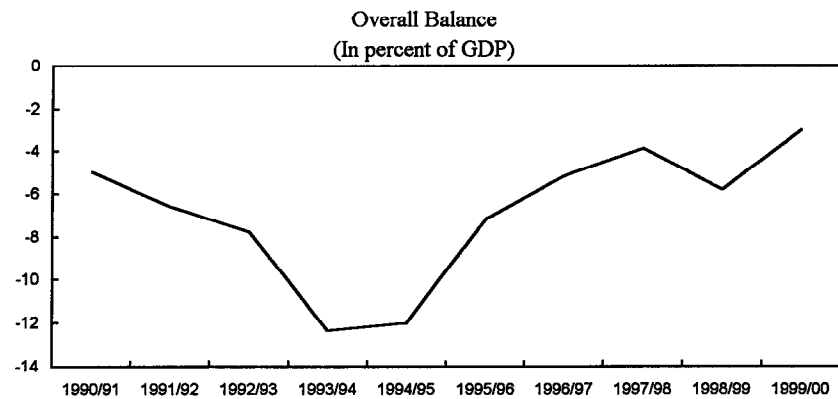
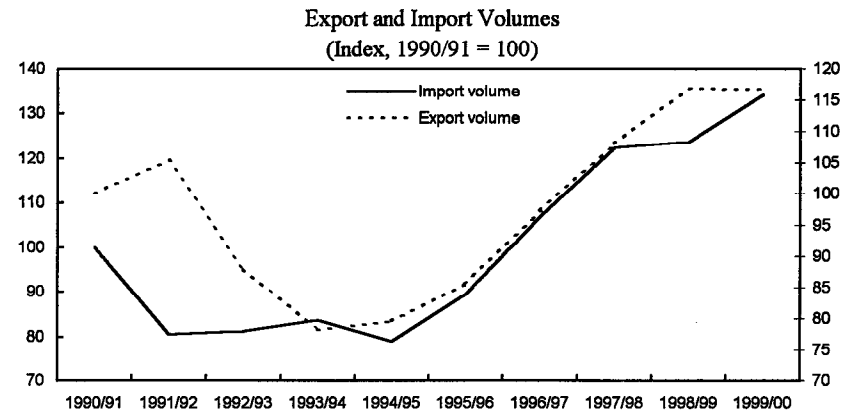
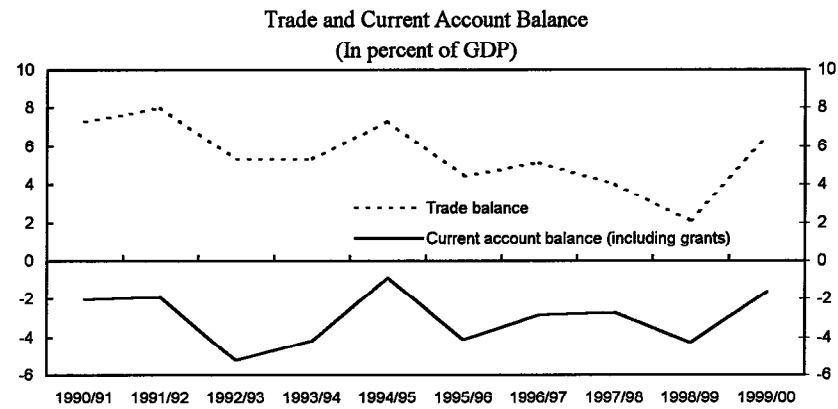
Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

2/ Excluding information on two banks (Banque Meridien-BIAO Cameroun and Credit Agricole du Cameroun) that were liquidated in October 1996 and June 1997, respectively.

3/ In February 1996, the Bank of Central African States (BEAC) intervention rate was replaced by the positive auction rate.

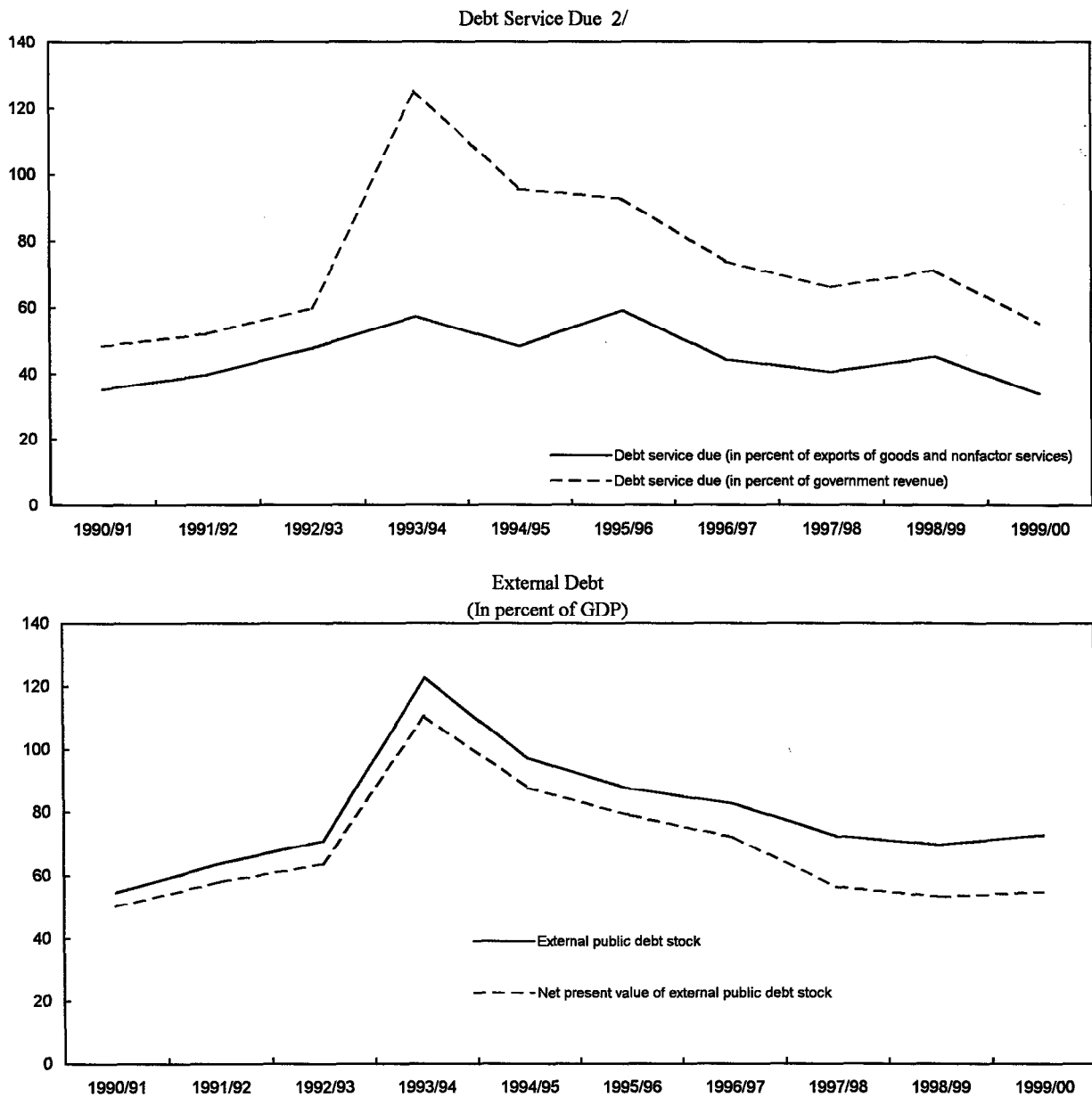
Figure 5. Cameroon: External Sector Developments, 1990/91-1999/2000 1/



Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

Figure 6. Cameroon: External Public Debt and Debt Service, 1990/91-1999/2000 1/

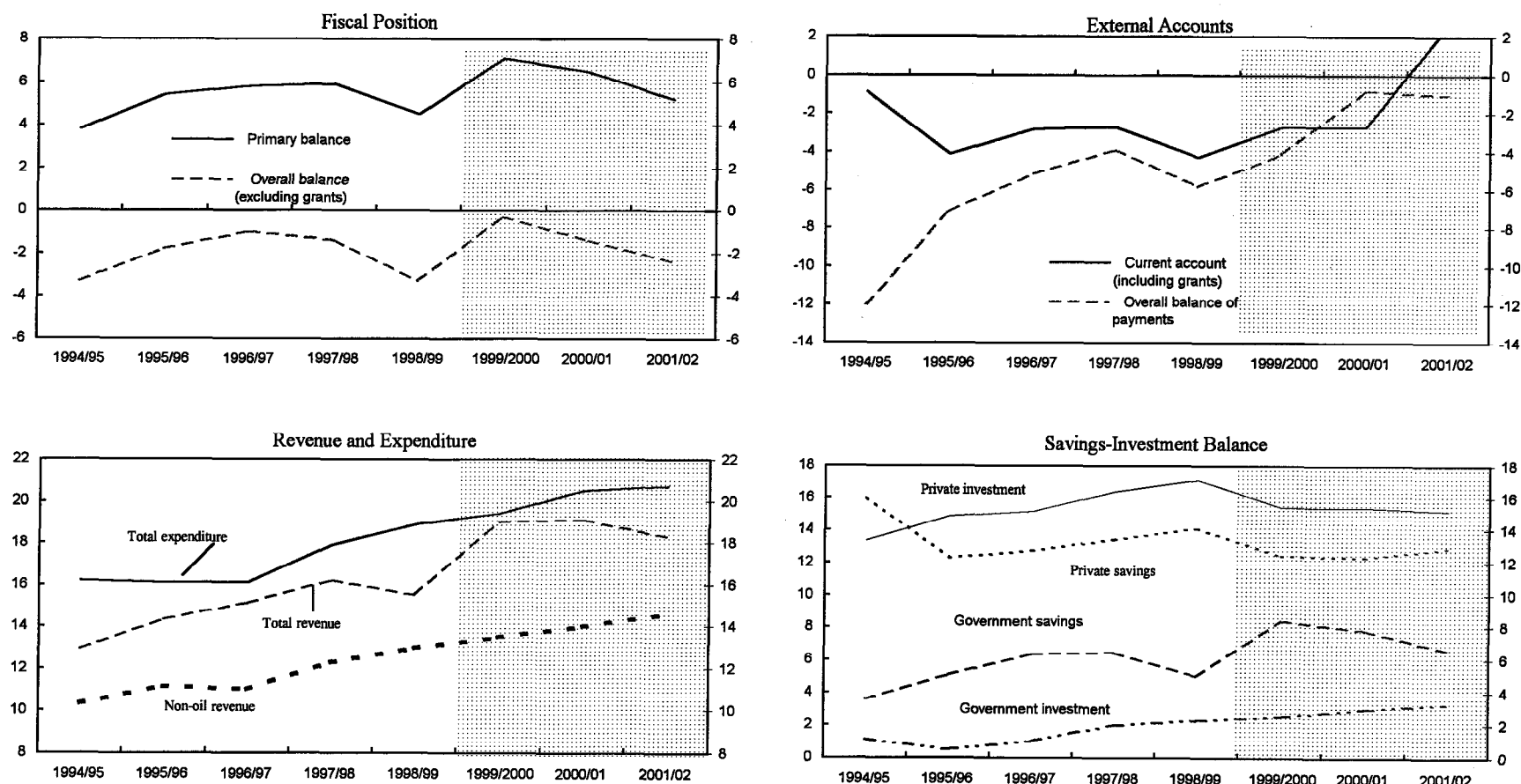


Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

2/ After debt rescheduling.

Figure 7. Cameroon: Adjustment Profile, 1994/95-2001/02 1/
(In percent of GDP)



Sources: Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July. Shaded area indicates projections.

Table 1. Cameroon: Fund Position, 1998/99-2001/02 1/

	Outstanding on December 31, 1998	1998/99			Projections		
		Jan.-March	Apr.-June	Year	1999/2000	2000/01	2001/02
(In millions of SDRs)							
Transactions during the period (net)		-3.80	23.50	41.24	21.92	42.98	34.48
Tranche policies and special facilities (net)		-3.80	-3.53	-12.80	-14.10	-9.51	0.00
Purchases		0.00	0.00	0.00	0.00	0.00	0.00
Repurchases		3.80	3.53	12.80	14.10	9.51	0.00
Poverty Reduction and Growth Facility (net)		0.00	27.02	54.04	36.02	52.49	34.48
Disbursements		0.00	27.02	54.04	36.02	52.49	34.48
Repayments		0.00	0.00	0.00	0.00	0.00	0.00
Total Fund credit outstanding (end of period)	112.00	108.20	131.69	131.69	153.61	196.59	231.07
Tranche policies and special facilities	30.94	27.14	23.61	23.61	9.51	0.00	0.00
Poverty Reduction and Growth Facility	81.06	81.06	108.08	108.08	144.10	196.59	231.07
(In percent of quota)							
Total Fund credit outstanding (end of period)	60.3	58.3	70.9	70.9	82.7	105.9	124.4
Tranche policies and special facilities	16.7	14.6	12.7	12.7	5.1	0.0	0.0
Poverty Reduction and Growth Facility	43.7	43.7	58.2	58.2	77.6	105.9	124.4

Sources: International Monetary Fund, Treasurer's Department; and staff projections.

Table 2. Cameroon: Quantitative Performance Criteria and Benchmarks During the Third Annual Arrangement
Under the Poverty Reduction and Growth Facility, July 1, 1999-June 30, 2000

(In billions of CFA francs; cumulative from July 1, 1999, unless otherwise indicated)

	Program	December 31, 1999			Adjusted program target	Cumulated estimated outcome	Excess over adjusted target	Met (M) or not met (N)
		Excess or shortfall in oil revenue	Adjustments ¹ Excess or shortfall in program financing	Excess in privatization proceeds				
Ceiling on the increase in net claims of the banking system on the central government ^{2 3 4 5}	7	15	-8	5	-6	-6	0	M
Floor on the primary budget balance ^{2 5 6}	144	15			159	171	12	M
Floor on the net reduction of the external payments arrears of the public sector ^{2 7}	0 ⁸				0	0	0	M ⁸
Ceiling on new medium- and long-term nonconcessional external loans contracted or guaranteed by the government ^{2 9}	0					0	0	M
Ceiling on the net disbursement of external loans with a maturity of less than one year ^{2 9 10}	0					0	0	M
Ceiling on the increase in net claims of the banking system on the nonfinancial public sector ^{3 4 5 11 12}	7	15	-8	5	-6	1	6	N
Floor on total revenue of the central government ^{11 13 14}	464	30			494	497	3	M
Of which: non-oil revenue ^{11 14}	366				366	369	3	M
Memorandum items:								
Assumed external debt relief	167					159		
External program financing ¹⁵	64 ¹⁶					49		
Privatization proceeds	5					10		
Stock of net credit to the central government	451					438		
Stock of credit to the nonfinancial public sector	512					504		

Sources: Cameroonian authorities; Bank of Central African States (BEAC); and staff estimates.

¹ Cumulative since end-June 1999.

² These targets will constitute performance criteria for end-June 2000.

³ These targets will be adjusted (a) upward for a shortfall in program financing and external debt relief up to an amount equivalent to 50 percent of the shortfall (for a total cumulative shortfall of CFAF 35 billion); (b) downward for the full amount of any excess in program financing and external debt relief and privatization proceeds in excess of the amount programmed; and (c) downward by the full amount of any shortfall in the reductions of domestic arrears in comparison with the program. See Section III of the technical annex (EBS/99/153; 8/11/99).

⁴ The flows have been constructed on the basis of projected end-June 1999 data; they will be adjusted on the basis of the actual outcome.

⁵ The targets will be adjusted upward/downward for 50 percent of the windfall/shortfall in oil revenue. For a windfall/shortfall beyond a threshold of CFAF 35 billion, the authorities will consult with Fund staff to formulate policies to adjust performance criteria. See Section III of the technical annex (EBS/99/153; 8/11/99).

⁶ Defined as government revenue (excluding privatization proceeds) minus noninterest expenditure (excluding foreign-financed investment and restructuring expenditure).

⁷ Excluding reschedulable external arrears. The targets will be adjusted for deviations from projected program financing. No new external payments arrears will be accumulated during the program period.

⁸ The original program documents called for a reduction in **nonreschedulable** external payments arrears of CFA franc 22 billion. However, all existing external payments arrears are **reschedulable**, and thus the target should have been zero. (The CFAF 22 billion figure referred to the expected clearance of reschedulable arrears contained in the fiscal program).

⁹ In millions of U.S. dollars. Nonconcessional loans defined as loans with a grant element of less than 35 percent, using discount rates based on the commercial interest reference rates (CIRRs). Exception will be made during 1999/2000 for the contraction of a nonconcessional IBRD loan in an amount of US\$65 million contracted by the government of Cameroon in the context of the Chad-Cameroon pipeline construction.

¹⁰ Excluding normal, import-related credit. To be monitored on a continuous basis.

¹¹ These benchmarks will not constitute performance criteria.

¹² Net for the central government and gross for the others.

¹³ These targets will be adjusted for the full amount of higher/lower-than-programmed oil revenue. See Section III of the technical annex (EBS/99/153; 8/11/99).

¹⁴ Excluding privatization proceeds.

¹⁵ Including IMF disbursements.

¹⁶ The original program documents indicate external program financing of CFAF 47 billion. The amount of CFAF 64 billion includes grants of CFAF 17 billion contained in the fiscal program that were omitted in the original documents.

Table 3. Cameroon: Structural Benchmarks for the Third Annual
Arrangement Under the Poverty Reduction and Growth Facility
July 1, 1999–June 30, 2000

Measures	Target Date	Status
Performance criteria		
Completion of the audit of the procurement system and the ten largest procurement contracts	End-December 1999	Done.
Completion of the economic and financial study of the forestry sector by an independent qualified firm, with a view to rationalizing the sector's taxation	End-January 2000	Done.
Benchmarks		
Adoption of strategy for the restructuring of the social security system	End-December 1999	Done.
Launching of competitive bidding for the sale of the water company (SNEC)	End-September 1999	The final call for bids was launched at end-September and the accompanying documentation was sent to the prequalified bidders in early October .
Establishment of the Autonomous Port of Douala, with the board of directors nominated, its president elected, and its director general selected on the basis of competence	End-September 1999	Done in early October.
Selection of the successful bidder of the mobile telephone company (CAMTEL-Mobile)	End-January 2000	Done.
Launching of competitive bidding for the sale of the telecommunications company (CAMTEL)	End-December 1999	Done.
Preparation of a report by the Ministries of Education and Health on actual spending (current and investment) during the first quarter of 1999/2000	End-October 1999	Done.

Table 4. Cameroon: Selected Economic and Financial Indicators, 1996/97-2001/02 1/

	1996/97	1997/98	1998/99	1999/00		2000/01	2001/02
			Rev. est.	Prog.	Rev. prog.	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	5.7
Of which: non-oil GDP	5.0	5.0	4.4	5.5	4.6	5.7	6.0
GDP deflator	2.7	1.1	-1.2	2.1	1.3	1.8	1.8
Consumer prices (12-month average) 2/	4.1	3.9	2.9	2.0	2.0	2.0	2.0
Consumer prices (end of period) 2/	7.0	2.2	2.2	2.0	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	6,576
Oil output (thousands of barrels a day)	108	115	119	108	114	110	109
External trade							
Exports (in SDRs)	19.4	-6.3	-5.8	7.6	24.2	-0.1	1.7
Of which: crude oil	36.0	-16.7	-9.4	15.6	77.2	-12.6	-14.9
Imports (in SDRs)	16.5	13.4	3.6	4.7	5.4	5.9	7.0
Export volume	13.8	11.1	8.2	2.3	-0.1	3.7	5.2
Of which: non-oil sector	15.4	16.5	5.8	8.3	1.1	7.7	7.8
Import volume	19.5	14.5	1.0	6.1	11.8	4.1	7.7
Average oil export price (U.S. dollars per barrel)	19.7	15.5	12.3	15.2	22.8	21.0	18.2
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	-2.7
Non-oil export price index (in CFA francs)	-4.4	9.2	-12.3	2.5	9.7	2.8	4.0
Money and credit (end of period) 3/							
Net domestic assets 4/	-5.8	12.7	9.2	6.8	-6.4	2.6	2.5
Net credit to the public sector 4/	0.0	1.8	4.5	0.0	-11.2	-2.9	-3.2
Credit to the private sector	3.3	30.3	14.2	10.4	9.7	9.6	9.9
Broad money (M2)	13.8	7.8	9.7	12.5	10.5	8.0	9.5
Velocity (GDP/average M2)	8.1	7.6	7.2	6.9	6.8	6.8	6.7
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	3.0
Of which: non-oil revenue	1.9	23.8	9.5	10.6	8.9	11.5	11.9
Total expenditure	7.7	18.2	9.1	10.5	7.9	13.6	8.6
Current expenditure	2.7	10.6	5.7	2.0	2.2	10.3	7.6
Capital expenditure 5/	51.1	41.7	12.7	69.8	61.4	17.5	11.0
(In percent of GDP, unless otherwise indicated)							
Gross national savings	13.4	15.7	15.2	16.6	15.2	15.6	15.8
Gross domestic investment	16.2	18.4	19.5	19.8	18.0	18.3	18.5
Central government operations							
Central government revenue	15.1	16.2	15.5	16.6	19.0	19.1	18.3
Of which: non-oil revenue	11.0	12.3	13.0	13.5	13.5	14.0	14.6
non-oil revenue 6/	12.2	13.4	13.9	14.5	15.6	15.7	15.9
Central government expenditure	16.1	17.9	18.9	19.6	19.4	20.5	20.7
Overall fiscal deficit (excl. grants)	-1.0	-1.7	-3.4	-2.9	-0.3	-1.4	-2.4
Overall fiscal deficit (incl. grants)	-1.0	-1.4	-3.2	-2.6	-0.1	-1.3	-2.3
Primary balance 5/	5.8	5.9	4.6	5.2	7.1	6.5	5.2
Of which: non-oil sector	1.7	2.0	2.1	2.0	1.6	1.4	1.5
Noninterest expenditure 5/	9.3	10.3	11.0	11.6	11.9	12.8	13.2
Domestic public debt (before audit)	28.5	25.5	23.3	20.3	18.5	14.9	12.0
External sector							
Current account balance (including grants)	-2.8	-2.7	-4.3	-3.3	-2.7	-2.7	-2.7
External public debt 7/	83.5	87.8	87.9	78.7	81.0	80.5	75.6
(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	203.0	191.8	177.0
Scheduled external debt service	44.3	40.4	45.1	42.2	34.0	29.3	27.7
Scheduled external debt service 9/	74.1	66.2	71.2	65.7	54.9	44.7	42.2
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	-203
Overall balance of payments	-336	-249	-396	-337	-196	-189	-183
Net international reserves (end of period)	-286	-312	-298	-231	-145	-91	-17

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.

9/ In percent of government revenue.

Table 5. Cameroon: Savings-Investment Balances, 1996/97-2001/02 1/

(In percent of GDP at market prices, unless otherwise indicated)

	1996/97	1997/98	1998/99 Est.	1999/00 Prog.	1999/00 Rev.	2000/01 Projections	2001/02
Total economy (current account balance) 2/	-2.8	-2.7	-4.3	-3.3	-2.7	-2.7	-2.7
Gross national savings 3/	13.4	15.7	15.2	16.5	15.2	15.6	15.8
Of which: domestic savings 4/	19.1	19.9	19.0	20.4	20.8	20.0	19.5
Gross domestic investment	16.2	18.4	19.5	19.8	18.0	18.3	18.5
Private sector	-2.6	-2.3	-2.4	-2.7	-4.4	-3.7	-2.6
Gross national savings	12.5	14.1	14.7	14.2	11.0	11.6	12.6
Of which: domestic savings	12.7	13.4	14.1	14.0	12.4	12.3	12.9
Gross domestic investment	15.2	16.4	17.1	16.9	15.4	15.4	15.2
Central government	-0.2	-0.4	-1.9	-0.5	1.7	1.0	-0.1
Gross national savings 5/	0.8	1.6	0.4	2.4	4.2	4.0	3.2
Of which: domestic savings 6/	6.3	6.4	5.0	6.3	8.4	7.8	6.6
Gross domestic investment	1.0	2.0	2.3	2.9	2.5	3.0	3.3
Memorandum items:							
Gross disposable national income	94.3	95.8	96.2	96.2	94.5	95.5	96.3
Total consumption	80.9	80.1	81.0	79.6	79.2	80.0	80.5
Private	72.7	71.0	71.0	69.7	69.0	69.0	69.2
Central government 7/	8.2	9.2	10.0	10.0	10.2	11.0	11.3
Current account balance (including grants) 2/	-2.8	-2.7	-4.3	-3.3	-2.7	-2.7	-2.7

Sources: Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July.

2/ The current account balance obtained from the national accounts data may be different from that obtained from the balance of payments data for the period before 1994/95, owing to differences in the trade data reported in these two sources.

3/ Gross disposable national income minus total consumption.

4/ GDP at market prices minus total consumption, or gross national savings minus factor services (net) minus unrequited transfers (net).

5/ Central government total revenue (including grants) minus current expenditure (excluding interest payments to the IMF).

6/ Government national savings minus government factor services (net) minus government unrequited transfers (net).

7/ Central government current expenditure minus domestic subsidies and transfers minus domestic and foreign interest payments.

Table 6. Cameroon: Central Government Operations, 1998/99-2001/02 1/

(In billions of CFA francs, unless otherwise indicated)

	1998/99				1999/2000						2000/01	2001/02
	July-Sep.		Oct.-Dec.		Jan-March		April-June		July-June		Projections	
	Est.	Est.	Est.	Est.	Prog.	Rev. prog.	Prog.	Rev. prog.	Prog.	Rev. prog.		
Total revenue and grants	848	222	275	497	244	306	253	287	978	1090	1173	1208
Total revenue	838	222	275	497	244	306	253	281	961	1084	1167	1202
Oil sector revenue	133	39	89	128	42	109	42	79	182	317	311	244
Non-oil sector revenue	705	183	186	369	202	197	211	201	779	767	856	958
Direct taxes	174	48	41	90	51	51	52	52	193	193	213	238
Special tax on petroleum products	65	15	13	28	18	16	19	16	69	60	64	69
Taxes on international trade	138	32	33	65	41	43	43	43	158	151	174	202
Other taxes on goods and services	275	79	70	149	80	77	83	79	307	305	345	386
Of which: turnover tax /value-added tax (VAT)	226	66	57	123	65	65	68	68	251	256	286	320
Nontax revenue	53	8	29	37	13	10	14	11	52	59	61	63
Total grants (current)	10	0	0	0	0	0	0	7	17	7	6	6
Total expenditure	1023	219	257	475	279	303	311	325	1131	1104	1253	1361
Current expenditure	824	182	227	409	206	213	229	221	841	843	929	1000
Wages and salaries	275	71	74	145	74	74	74	74	297	293	326	362
Other goods and services	167	39	46	85	43	53	51	48	176	186	229	254
Subsidies and transfers	100	18	39	57	25	23	26	24	104	104	115	126
Scholarships and subsidies	55	9	22	32	12	9	12	10	47	51	52	57
Pensions	43	9	17	26	12	13	12	13	47	51	53	60
Separation grants (POEs)	2	0	0	0	2	2	3	2	10	3	10	10
Interest due	282	54	68	122	63	63	77	74	265	259	260	258
External	254	46	64	110	56	56	74	71	246	237	237	234
Domestic	28	8	4	12	7	7	3	4	20	22	23	24
Capital expenditure	194	32	26	58	73	91	82	104	290	252	324	361
Foreign-financed investment	121	10	6	16	41	59	41	59	165	133	184	206
Domestically financed investment	47	14	15	29	25	25	28	35	95	89	110	125
Restructuring	27	8	6	13	7	8	13	9	30	30	30	30
Unclassified expenditure	4	5	3	9	0	0	0	0	0	9	0	0
Overall balance, commitments basis												
Excluding grants	-185	3	18	22	-34	3	-58	-44	-170	-20	-86	-159
Including grants	-175	3	18	22	-34	3	-58	-38	-153	-13	-80	-153
Net change in arrears	-46	-22	-8	-29	-344	-51	-14	-9	-420	-89	-391	-100
External (interest)	40	0	10	10	-314	-10	-11	0	-348	0	-286	0
Domestic	-86	-22	-18	-40	-30	-41	-3	-9	-72	-89	-105	-100
Overall balance, cash basis												
Excluding grants	-231	-18	11	-8	-378	-48	-72	-53	-590	-109	-477	-259
Including grants	-221	-18	11	-8	-378	-48	-72	-47	-573	-102	-471	-253
Financing	222	18	-11	7	-112	48	61	47	49	102	-190	27
External financing (net)	181	4	29	33	-122	58	61	84	30	174	-161	33
Amortization	-332	-82	-97	-179	-92	-61	-94	-94	-376	-334	-276	-273
Drawings	514	86	122	208	145	122	155	178	582	508	278	306
Project financing	121	10	6	16	41	59	41	59	165	133	184	206
Program financing (loans)	115	8	25	33	37	0	25	48	94	81	94	100
Debt rescheduling	278	68	92	159	67	63	89	72	322	294	0	0
Reduction in arrears (principal)	0	0	3	3	-176	-4	0	0	-176	0	-162	0
Domestic financing (net)	41	14	-39	-25	10	-10	-1	-37	20	-72	-29	-6
Banking system	15	25	-32	-6	0	-39	-7	-42	0	-88	-25	-30
IMF (net)	34	13	3	16	-3	-3	12	12	18	25	38	30
Other	-19	12	-35	-22	3	-36	-19	-55	-18	-113	-63	-60
Amortization	0	0	0	0	-7	0	-7	0	-29	0	-41	-43
Nonbank financing	-7	-6	-4	-10	0	0	0	-3	0	-13	0	0
Privatization proceeds	11	10	0	10	17	40	13	29	35	79	25	35
Reserves	0	0	0	0	-8	-3	-8	-6	-19	-9	-15	-10
Financial sector	-4	0	0	0	-1	-1	-1	-2	-4	-3	-4	0
Securitization	27	0	0	0	9	0	9	0	37	0	65	80
VAT refund	0	-7	-8	-16	0	-7	0	-9	0	-31	-35	-38
Other	0	-8	5	-4	0	0	0	-4	0	-7	0	0
Remaining financing needs	0	0	0	0	490	0	11	0	523	0	661	226
Of which: possible debt relief 2/	0	0	0	0	490	0	11	0	523	0	661	226
Memorandum items:												
Primary budget balance 3/	247	75	97	172	79	134	76	100	301	406	398	345
Noninterest expenditure	591	147	177	325	165	173	176	181	661	678	779	867
Primary budget balance (percent of GDP)	4.6	...	...	...	...	...	...	...	5.3	7.1	6.5	5.2
Overall deficit (excl. grants, in percent of GDP)	-3.4	...	...	...	...	...	...	...	-3.0	-0.3	-1.4	-2.4
Non-oil revenue (percent of non-oil GDP)	13.9	...	...	...	...	...	...	...	14.5	15.6	15.7	15.9
Noninterest expenditure (percent of GDP)	11.0	...	...	...	...	...	...	...	11.8	11.9	12.8	13.2
Wages and salaries (percent of GDP)	5.1	...	...	...	...	...	...	...	5.2	5.1	5.3	5.5

Sources: Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July.

2/ For 2000/01 possible debt relief includes the London Club operation initially scheduled for 1999/2000 and other debt relief from the Paris Club and other bilateral creditors. The amount under the London Club operation initially estimated at CFAF 523 billion has been revised downward to CFAF 447 billion.

3/ Excluding foreign-financed investment, privatization proceeds, and restructuring expenditure.

Table 7. Cameroon: Selected Fiscal Indicators, 1996/97 - 2001/02 1/

(In percent of GDP, unless otherwise specified)

	1996/97	1997/98	1998/99	1999/2000		2000/01	2001/02
				Program	Rev. prog.	Projections	
Total revenue and grants	15.1	16.5	15.7	16.9	19.1	19.2	18.4
Total revenue	15.1	16.2	15.5	16.6	19.0	19.1	18.3
Oil sector revenue	4.1	3.9	2.5	3.2	5.6	5.1	3.7
Non-oil sector revenue	11.0	12.3	13.0	13.5	13.5	14.0	14.6
Direct taxes	2.1	2.5	3.2	3.3	3.4	3.5	3.6
Special tax on petroleum products	1.2	1.1	1.2	1.2	1.0	1.0	1.0
Taxes on international trade	2.6	2.7	2.6	2.7	2.6	2.8	3.1
Other taxes on goods and services	4.0	4.7	5.1	5.3	5.4	5.6	5.9
<i>Of which: turnover tax/ value added tax (VAT)</i>	3.2	3.8	4.2	4.3	4.5	4.7	4.9
Nontax revenue	1.1	1.3	1.0	0.9	1.0	1.0	1.0
Total grants (current)	0.0	0.3	0.2	0.3	0.1	0.1	0.1
Total expenditure	16.1	17.9	18.9	19.5	19.4	20.5	20.7
Primary expenditure	9.3	10.2	10.9	11.4	11.9	12.6	13.0
Primary current expenditure	8.5	9.2	10.1	9.8	10.3	10.8	11.1
<i>Of which: wage bill</i>	4.3	4.9	5.1	5.1	5.1	5.3	5.5
goods and services	2.6	2.6	3.1	3.0	3.3	3.7	3.9
transfers	1.3	1.6	1.9	1.8	1.8	1.9	1.9
Domestic contribution to investment	0.8	1.0	0.9	1.6	1.6	1.8	1.9
Investment expenditure (externally financed)	0.6	1.7	2.2	2.9	2.3	3.0	3.1
Other	0.2	0.2	0.5	0.7	0.6	0.7	0.6
Interest on public debt	6.1	5.7	5.2	4.6	4.5	4.3	3.9
Wages/ primary expenditure (in percentage)	46.7	48.3	46.5	44.9	43.3	42.3	42.2
Transfers / primary expenditure (in percentage)	13.7	15.9	16.9	15.7	15.4	14.9	14.8
Wages/ non-oil revenue (in percentage)	39.4	40.3	39.0	38.1	38.2	38.1	37.8
Transfers / nonoil revenue (in percentage)	11.6	13.2	14.2	13.3	13.6	13.4	13.2
Expenditure in education and health	1.9	2.2	2.5	3.0	3.0	3.5	4.0
Education	1.4	1.7	1.9	2.3	2.3	2.5	2.7
Health	0.5	0.6	0.6	0.7	0.7	1.0	1.3
Military expenditure	...	...	1.2	1.6	1.6	...	...
Current expenditure	14.3	14.9	15.2	14.5	14.8	15.2	15.2
Investment expenditure	1.4	2.7	3.1	4.5	3.9	4.8	5.0
Restructuring expenditure	0.1	0.2	0.5	0.5	0.5	0.5	0.5
Current balance (+ =surplus)	0.8	1.3	0.3	2.1	4.2	3.9	3.1
Primary balance (+ =surplus)	5.8	5.9	4.6	5.2	7.1	6.5	5.2
Primary balance, excluding oil (+ =surplus)	1.7	2.0	2.1	2.0	1.6	1.4	1.5
Primary balance (incl. externally financed investment)	5.1	4.0	1.8	1.6	4.2	2.8	1.5
Overall deficit (commitment basis)							
Excluding grants	-1.0	-1.7	-3.4	-2.9	-0.3	-1.4	-2.4
Including grants	-1.0	-1.4	-3.2	-2.6	-0.2	-1.3	-2.3
Overall deficit (cash basis)							
Excluding grants	-0.6	-11.5	-4.3	-10.2	-1.9	-7.8	-3.9
Including grants	-0.6	-11.2	-4.1	-9.9	-1.8	-7.7	-3.8
Memorandum items:							
Total external assistance, including IMF (net)	1.6	15.0	10.1	19.4	9.4	16.0	8.5
<i>Of which: IMF (net)</i>	0.0	0.6	0.6	0.3	0.4	0.6	0.5
Total external assistance, excluding IMF	1.6	14.4	9.5	19.1	8.9	15.4	8.1
Project financing	0.6	1.7	2.2	2.9	2.3	3.0	3.1
Program financing	0.0	3.1	2.1	1.6	1.4	1.5	1.5
Debt relief	1.1	9.6	5.1	5.6	5.2	0.0	0.0
Financing gap	0.0	0.0	0.0	9.0	0.0	10.8	3.4
Duties and taxes on imp./total imp., c.i.f (in percent)	17.4	19.2	19.0	22.2	22.2	24.5	28.5
Duties	8.7	9.1	9.6	11.2	11.2	12.4	14.4
Taxes	8.7	10.0	9.4	11.0	11.0	12.1	14.1
GDP (in billions of CFA francs)	4,932	5,240	5,406	5,785	5,701	6,111	6,576

Sources: Cameroonian authorities; and staff estimates and projections.

Table 8. Cameroon: Oil Sector Contribution to the Government Budget, 1998/99-1999/2000 1/

(In billions of CFA francs, unless otherwise indicated)

	1998/99	1999/00								1999/00	
		Q1		Q2		Q3		Q4			
		Prog.	Prel.	Prog.	Prel.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.
Production, uses, and exports											
Production and uses (in millions of barrels)											
Production	43.6	9.9	11.1	9.9	10.4	9.9	10.2	9.9	9.8	39.6	41.5
Percentage change	4.0	...	...	...	...	...	...	...	...	-9.3	-4.9
Uses	43.3	9.9	10.8	9.9	11.4	9.9	10.2	9.9	9.8	39.6	42.2
Exports	43.3	9.9	10.8	9.9	11.4	9.9	10.2	9.9	9.8	39.6	42.2
By SNH 2/	28.6	6.4	6.6	6.4	7.7	6.4	6.5	6.4	6.1	25.7	27.4
By petroleum companies	14.7	3.5	4.2	3.5	3.7	3.5	3.7	3.5	3.7	13.9	14.8
Sale of Kole to SONARA 3/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Value of uses	312.8	92.0	133.1	91.6	165.8	89.0	162.3	91.6	155.0	361.5	615.6
Exports	312.8	92.0	133.1	91.6	165.8	89.0	162.3	91.6	155.0	361.5	615.6
By SNH	207.8	59.8	81.6	59.5	112.1	57.8	103.3	59.5	96.5	234.8	399.8
By petroleum companies	104.9	32.3	51.5	32.1	53.8	31.2	59.0	32.1	58.5	126.7	215.8
Sale of Kole to SONARA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SNH accounts 4/											
Revenue	256.1	75.2	82.0	73.6	112.2	74.4	103.5	128.8	96.8	304.1	400.2
Of which: export receipts	207.8	59.8	82.0	59.5	112.1	57.8	103.3	59.5	96.5	234.8	399.8
Expenditure	-141.0	-35.4	-25.5	-34.9	-27.6	-34.2	-23.8	-80.7	-23.6	-147.1	-90.3
Brass imports	-47.9	-15.4	0.0	-14.6	0.0	-14.0	0.0	-16.4	0.0	-68.9	0.0
Cost sharing of 50 percent with oil companies	-71.1	-15.3	-17.6	-15.7	-16.8	-15.5	-17.8	-59.6	-17.5	-59.6	-66.6
Other expenses	-6.7	-0.8	-3.1	-0.8	-6.7	-0.8	-1.9	-0.8	-1.8	-3.1	-7.3
Payments to oil companies by government to ensure minimum 13 percent profit margin	-15.3	-3.9	-4.9	-3.9	-4.1	-3.9	-4.2	-3.9	-4.2	-15.5	-16.5
Disposable income	115.0	39.8	56.5	38.7	84.6	40.2	79.6	48.0	73.3	156.9	309.8
Oil companies' accounts											
Export receipts	104.9	32.3	51.5	32.1	53.8	31.2	59.0	32.1	58.5	126.7	215.8
Expenditure	-67.2	-17.3	-11.9	-17.6	-18.8	-17.4	-19.6	-61.6	-19.4	-67.5	-68.4
Cost sharing of 50 percent with government	-71.1	-15.3	-16.8	-15.7	-16.8	-15.5	-17.8	-59.6	-17.5	-59.6	-66.6
Projects	-44.9	-11.0	-12.2	-11.0	-12.4	-11.0	-12.7	-43.9	-12.7	-43.9	-49.9
Investment	-8.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial costs	-2.6	-0.6	-0.6	-0.9	-0.4	-0.7	-1.0	-0.7	-0.8	-0.7	-0.7
Debt amortization	-14.8	-3.8	-3.9	-3.8	-4.0	-3.8	-4.1	-15.0	-4.1	-15.0	-16.0
Theoretical tax obligations 4/	-11.4	-5.8	0.0	-5.8	-6.1	-5.8	-6.1	-5.8	-6.1	-23.4	-18.3
Payments to oil companies by government to ensure minimum 13 percent profit margin	15.3	3.9	4.9	3.9	4.1	3.9	4.2	3.9	4.2	15.5	16.5
Contribution to government budget											
Calculated	135.4	45.6	62.6	44.6	90.7	46.0	85.7	71.4	79.4	180.3	328.1
SNH	115.0	39.8	56.5	38.7	84.6	40.2	79.6	48.0	73.3	156.9	309.8
Of which: SONARA arrears repayments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oil companies' profit tax	20.4	5.8	6.1	5.8	6.1	5.8	6.1	23.4	6.1	23.4	18.3
Actual (accrual basis)	146.5	44.2	61.1	44.2	90.7	42.4	85.7	42.3	79.1	182.3	316.6
SNH's contribution	123.0	38.4	61.1	38.4	84.6	38.6	79.6	40.5	73.0	158.9	298.4
Of which: SONARA arrears repayments	21.3	...	...	...	...	...	...	...	...	...	...
Oil companies' profit tax	23.5	5.8	0.0	5.8	6.1	5.8	6.1	5.8	6.1	23.4	18.3
Actual (cash basis) 5/	146.5	44.1	61.1	44.2	90.7	42.0	85.7	42.0	79.1	182.3	316.6
SNH's contribution	123.0	38.4	61.1	38.4	84.6	36.6	79.6	36.5	73.0	158.9	298.4
Regular	123.0	38.4	44.2	38.4	38.4	36.6	79.6	36.3	73.0	158.9	158.9
Windfall	...	...	16.9	...	46.2	...	...	...	...	...	139.5
Oil companies' profit tax	23.5	5.8	0.0	5.8	6.1	5.8	6.1	5.8	6.1	23.4	18.3
Memorandum items:											
Oil price (U.S. dollars per barrel)											
World Economic Outlook series	13.3	16.5	20.7	16.4	23.7	16.0	25.5	16.4	25.4	16.2	23.8
Discount for lower quality of Cameroon's crude	1.0	1.0	1.0	1.0	0.8	1.0	1.0	1.0	1.0	1.0	1.0
Price for Cameroon's crude	12.3	15.5	19.7	15.4	22.9	15.0	24.5	15.4	24.4	15.2	22.8
Exchange rate (CFA francs per U.S. dollar, average)	588.5	600.0	625.9	600.0	633.4	600.0	649.5	600.0	648.2	600.0	638.7

Sources: Cameroonian authorities; and Fund staff estimates and projections.

1/ Fiscal year begins in July.

2/ SONARA (Société Nationale de Raffinage).

3/ SNH (Société Nationale des Hydrocarbures).

4/ As reported by the SNH.

5/ As reported in the government's fiscal reporting system (*tableau de bord*).

Table 9. Cameroon: Monetary Survey, December 1996-June 2000 1/

	1996	1997				1998				1999				2000			
	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	March	June	September Prog.	Prel.	December Prog.	Prel.	March Revised projections	June
(In billions of CFA francs, unless otherwise indicated; end of period)																	
Net foreign assets	-278.8	-220.2	-188.5	-175.6	-179.1	-246.5	-220.5	-202.3	-170.5	-183.9	-216.9	-199.6	-199.5	-171.8	-150.2	-97.0	-85.0
Bank of Central African States (BEAC)	-288.3	-262.0	-228.0	-217.6	-204.7	-252.1	-251.3	-228.9	-191.3	-226.8	-249.2	-248.0	-248.0	-207.1	-204.2	-144.2	-127.2
Commercial banks	9.5	41.8	39.5	42.0	25.6	5.5	30.8	26.5	20.7	42.9	32.3	48.5	48.5	35.4	54.0	47.3	42.3
Net domestic assets	989.6	982.1	849.3	868.8	887.1	941.0	933.0	905.3	930.6	943.3	998.4	1,032.2	1,010.8	1,024.5	1,018.8	949.1	948.7
Domestic credit	869.1	857.6	779.8	797.0	832.4	865.3	891.3	875.1	905.8	912.7	959.0	1006.9	986.6	99.1	990.0	923.8	923.4
Net claims on the public sector	450.2	450.6	461.1	479.3	472.2	472.9	472.9	437.8	462.2	474.6	503.0	531.2	528.9	512.4	503.5	460.8	417.6
Net credit to the central government	400.3	406.3	423.9	434.9	423.5	426.3	429.4	389.3	398.6	418.8	444.5	469.9	470.2	451.0	438.4	399.4	357.0
Claims	520.0	517.0	507.1	519.8	498.3	504.2	514.6	482.8	522.5	540.6	566.7	556.1	565.8	559.6	566.4	577.3	587.8
Deposits	-119.7	-110.7	-83.3	-84.9	-74.8	-77.9	-85.2	-93.6	-123.9	-121.8	-122.2	-86.2	-95.6	-108.6	-128.0	-177.8	-230.8
Credit to autonomous agencies	9.4	9.6	9.2	8.6	9.0	9.3	10.0	11.4	9.7	9.6	9.7	11.1	9.7	11.1	10.7	11.1	11.1
Credit to public enterprises	40.4	34.7	28.0	35.8	39.8	37.4	33.5	37.1	53.9	46.2	48.8	50.2	49.0	50.3	54.4	50.3	49.5
Credit to financial institutions	9.3	8.5	8.5	9.3	12.0	13.3	14.3	14.6	14.8	13.8	6.9	9.2	6.4	10.7	5.5	13.2	13.2
Credit to the private sector	409.7	398.5	310.2	308.4	348.1	379.1	404.1	422.7	428.8	424.3	449.1	466.5	451.3	476.0	481.0	449.7	492.6
Other items (net)	120.5	124.5	69.6	71.9	54.7	75.7	41.7	30.2	24.8	30.6	39.4	25.3	24.2	25.3	28.8	25.3	25.3
Money and quasi money	710.8	761.8	660.8	693.2	708.0	694.5	712.5	702.9	760.1	759.4	781.5	832.7	811.3	852.7	868.5	852.1	863.8
Currency outside banks	94.5	117.3	137.4	150.4	180.3	158.4	169.8	163.4	205.8	196.8	191.8	195.0	201.6	200.0	235.7	205.0	210.0
Deposits	616.3	644.6	523.4	542.8	527.7	536.1	542.7	539.5	554.3	562.6	589.7	637.7	609.7	652.7	632.8	647.1	653.8
Memorandum items:	(Annual percentage change, unless otherwise indicated)																
Contribution to the growth of broad money																	
Net foreign assets	5.8	7.2	19.6	26.3	16.9	-4.2	-4.8	-3.9	1.2	9.0	0.5	0.4	0.4	-0.2	2.7	11.4	16.9
Net domestic assets	-5.5	-1.7	-5.8	-4.8	3.2	12.5	12.7	5.1	6.1	0.3	9.2	18.1	15.0	12.3	11.6	0.8	-6.4
Of which: credit to the central government	-4.7	-3.8	1.4	1.1	5.6	2.2	0.8	-6.6	-3.5	-1.1	2.1	11.5	11.5	6.9	5.2	-2.5	-11.2
Private sector credit	10.3	8.4	3.3	-0.9	4.4	17.3	30.3	37.1	23.2	11.9	11.1	10.4	6.8	11.0	12.2	6.0	9.7
Broad money	0.3	5.5	13.8	21.5	20.1	8.2	7.8	1.4	7.4	9.3	9.7	18.5	15.4	12.2	14.3	12.2	10.5
Currency	-7.6	9.9	49.3	99.8	88.5	34.1	23.6	8.7	14.1	24.3	12.9	19.3	23.4	-2.8	14.6	4.1	9.5
Deposits	1.6	4.7	7.1	9.6	6.8	2.3	3.7	-0.6	5.0	4.9	8.7	18.2	13.0	17.7	14.2	15.0	10.9
Claims on government/domestic credit ratio 2/	46.1	47.4	54.4	54.6	50.9	49.3	48.2	44.5	44.0	45.9	46.4	46.7	47.7	45.1	44.3	43.2	38.7
Currency outside banks/deposit ratio 2/	15.3	18.2	26.2	27.7	34.2	29.5	31.3	30.3	37.1	35.0	32.5	30.6	33.1	30.6	37.2	31.7	32.1
Velocity (non-oil GDP/average M2)	...	...	7.3	...	7.0	...	6.9	...	...	...	6.6	...	...	...	...	...	5.9
Velocity (GDP/average M2)	...	...	8.1	...	7.7	...	7.6	...	...	...	7.1	...	...	...	...	...	6.8
Net claims on the public sector 3/	358.7	341.4	394.7	410.1	412.6	417.6	408.8	382.3	398.2	422.9	447.4	474.7	460.1	448.3	428.9	414.3	367.7

Sources: Cameroonian authorities; and staff estimate and projections.

1/ Excluding information on two banks (Banque Mériidien-BIAO-Cameroun and Crédit Agricole du Cameroun) that were liquidated in October 1996 and June 1997, respectively; thus, there is a break in the series.

2/ In percent.

3/ In billions of CFA francs, using BEAC's definition, that is, including deposits of public enterprises and autonomous agencies.

Table 10. Cameroon: Central Bank Balance Sheet, December 1996-June 2000 1/

(In billions of CFA francs, unless otherwise indicated; end of period)

	1996	1997				1998				1999		1999		1999		2000	
	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	March	June	September	Prel.	December	Prel.	March	June
									Estimates			Prog.	Prel.	Prog.	Prel.	Projections	
Net foreign assets	-288.3	-262.0	-228.0	-217.6	-204.7	-252.1	-251.3	-228.9	-191.3	-226.8	-249.2	-248.0	-248.0	-207.1	-204.2	-144.2	-127.2
Foreign assets	7.2	6.6	6.7	6.6	5.7	6.1	6.1	6.3	5.6	6.2	6.1	6.2	6.3	6.1	7.6	6.2	6.1
Foreign liabilities	-295.6	-268.7	-234.7	-224.2	-210.4	-258.2	-257.4	-235.2	-196.8	-233.0	-255.3	-254.2	-254.3	213.2	-211.8	-150.4	-133.3
IMF credit	-37.7	-39.1	-40.9	-58.0	-55.7	-54.7	-73.7	-67.6	-87.4	-89.7	-111.5	-118.3	-124.8	-117.1	-127.7	-127.7	-134.7
Liabilities to French Treasury	-257.0	-228.7	-192.8	-165.2	-152.6	-201.8	-182.6	-166.9	-107.9	-141.7	-140.3	-134.4	-127.4	-94.6	-82.1	-21.2	2.9
Other foreign liabilities	-0.8	-0.9	-1.0	-1.0	-2.1	-1.6	-1.1	-0.7	-1.5	-1.6	-3.5	-1.6	-2.1	-1.5	-2.0	-1.6	-1.5
Net domestic assets	382.8	379.3	365.4	368.0	384.9	410.5	421.1	391.4	397.0	423.6	441.0	443.0	449.6	407.1	439.9	349.2	337.2
Net domestic credit	216.3	215.2	192.6	198.2	226.8	245.6	260.7	239.3	241.3	266.5	283.0	289.0	295.8	253.1	286.1	195.2	183.2
Net credit to central government	293.4	283.1	310.8	307.0	293.3	303.5	317.4	289.4	296.4	329.4	365.9	376.5	375.4	357.6	346.6	306.0	263.6
Credit to central government	340.6	338.5	344.6	357.2	335.7	341.9	352.2	318.9	358.6	375.3	401.0	391.7	402.7	395.2	403.2	412.9	423.4
Credit under statutory ceiling	107.7	106.9	114.9	114.9	100.5	112.4	108.5	86.1	110.9	130.2	139.2	123.1	132.7	127.7	135.3	130.2	138.4
Credit for bank restructuring	195.2	192.5	188.8	184.3	179.6	174.8	170.0	165.2	160.3	155.4	150.3	150.3	145.3	150.4	140.2	151.2	150.3
Counterpart of IMF credit	37.7	39.1	40.9	58.0	55.7	54.7	73.7	67.6	87.4	89.7	111.5	118.3	124.8	117.1	127.7	131.5	134.7
Deposits of central government	-47.2	-55.4	-33.7	-50.3	-42.5	-38.4	-34.7	-29.5	-62.2	-45.9	-35.1	-15.2	-27.3	-37.6	-56.6	-106.8	-159.8
Net claims on banks	-77.1	-67.9	-118.3	-108.7	-66.5	-57.9	-56.7	-50.2	-55.1	-62.9	-82.9	-87.5	-79.6	-104.5	-60.5	-110.9	-80.4
Claims on banks	6.2	6.1	4.5	4.5	4.1	10.5	5.0	5.6	13.5	5.0	2.7	5.0	2.7	4.1	2.2	5.0	4.1
Bank reserves	-83.3	-74.0	-122.8	-113.2	-70.6	-68.4	-61.8	-55.8	-68.6	-67.9	-85.6	-92.6	-82.3	-108.6	-62.7	-115.9	-84.5
Other items (net)	166.6	164.1	172.8	169.7	158.2	164.9	160.5	152.1	155.7	157.1	157.9	154.0	153.8	154.0	153.8	154.0	154.0
Currency outside banks	94.5	117.3	137.4	150.4	180.3	158.4	169.8	163.4	205.8	196.8	191.8	195.0	201.6	200.0	235.7	205.0	210.0
Memorandum items:																	
Reserve money	177.8	191.3	260.2	263.6	250.8	226.8	231.6	219.2	274.4	264.8	277.4	287.6	283.9	308.6	298.4	320.9	294.5
External currency coverage 2/	1.4	1.3	1.3	1.3	1.2	1.3	1.3	1.4	1.2	1.3	1.2	3.4	1.3	3.4	1.6	3.3	3.3

Sources: Cameroonian authorities; and staff estimate and projections.

1/ Excluding information on two banks (Banque Méridien-BIAO-Cameroun and Crédit Agricole du Cameroun) that were liquidated in October 1996 and June 1997, respectively; thus, there is a break in the series.

2/ In percent, using definition of Bank of Central African States (BEAC). The numerator is the sum of gross foreign assets of the BEAC (including gold reserves) and a credit balance in the operations account; the denominator comprises currency outside banks, deposits of the central government at the BEAC, bank reserves, debit balance in the operations account, and other deposits (evaluated by the BEAC at CFAP 36.5 billion).

Table 11. Cameroon: Commercial Banks' Consolidated Balance Sheet, December 1996-June 2000 1/

(In billions of CFA francs, unless otherwise indicated; end of period)

	1996	1997				1998				1999		1999		2000		
	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	March	June	September	December	March	June	
									Estimates			Prog.	Prel.	Prog.	Prel.	Projections
Net foreign assets	9.5	41.8	39.5	42.0	25.6	5.5	30.8	26.5	20.7	42.9	32.3	48.5	48.5	35.4	54.0	47.3
Deposit banks	14.4	46.8	44.5	46.9	30.5	10.5	35.7	31.5	25.7	47.9	37.2	53.4	53.4	40.3	58.9	52.2
Of which: foreign assets	48.2	76.3	75.8	85.7	63.0	73.1	75.8	...	...	...	97.9	...	...	...	...	...
Postal debt	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9
Net domestic assets	606.8	602.8	483.9	500.9	502.2	530.6	511.9	513.0	533.6	519.6	557.4	589.2	561.2	617.3	578.9	599.9
Domestic credit	575.7	574.5	468.9	490.0	539.1	561.8	573.9	585.7	609.4	583.3	593.1	630.4	611.2	641.5	643.3	617.7
Public sector	156.8	167.6	150.3	172.3	179.0	169.4	155.5	148.3	165.8	145.2	137.1	154.7	153.5	154.8	156.8	154.8
Net credit to the central government	106.9	123.3	113.1	127.9	130.2	122.8	112.0	99.8	102.2	89.4	78.6	93.4	94.8	93.4	91.7	93.4
Banks' claims on the treasury	179.4	178.5	162.6	162.6	162.6	162.3	162.4	164.0	163.9	165.3	165.7	164.4	163.1	164.4	163.2	164.4
Deposits of the treasury	-72.5	-55.2	-49.5	-34.7	-32.4	-39.6	-50.4	-64.1	-61.7	-75.9	-87.1	-71.0	-68.3	-71.0	-71.4	-71.0
Credit to autonomous agencies	9.4	9.6	9.2	8.6	9.0	9.3	10.0	11.4	9.7	9.6	9.7	11.1	9.7	11.1	10.7	11.1
Credit to public enterprises	40.4	34.7	28.0	35.8	39.8	37.4	33.5	37.1	53.9	46.2	48.8	50.2	49.0	50.3	54.4	50.3
Credit to other financial institutions	9.3	8.5	8.5	9.3	12.0	13.3	14.3	14.6	14.8	13.8	6.9	9.2	6.4	10.7	5.5	13.2
Credit to the private sector	409.7	398.5	310.2	308.4	348.1	379.1	404.1	422.7	428.8	424.3	449.1	466.5	451.3	476.0	481.0	449.7
Net claims on Bank of Central African States (BEAC)	77.1	67.9	118.3	108.7	66.5	57.9	56.7	50.2	55.1	62.9	82.9	87.5	79.6	104.5	60.5	110.9
BEAC rediscount	-6.2	-6.1	-4.5	-4.5	-4.1	-10.5	-5.0	-5.6	-13.5	-5.0	-2.7	-5.0	-2.7	-4.1	-2.2	-5.0
Bank reserves	83.3	74.0	122.8	113.2	70.6	68.4	61.8	55.8	68.6	67.9	85.6	92.6	82.3	108.6	62.7	115.9
Other items (net)	-46.1	-39.7	-103.3	-97.9	-103.5	-89.2	-118.7	-123.1	-131.0	-126.6	-118.6	-128.7	-129.6	-128.7	-124.9	-128.7
Total deposits	616.3	644.6	523.4	542.8	527.7	536.1	542.7	539.5	554.3	562.6	589.7	637.7	609.7	652.7	632.8	647.1
Autonomous agencies	47.8	64.9	27.7	38.9	23.1	26.8	33.2	16.3	23.5	24.5	25.3	25.7	27.8	23.5	29.8	26.1
Public enterprises	43.7	44.4	38.7	30.2	36.5	28.6	30.9	39.1	40.6	27.3	30.3	30.9	41.0	40.6	44.8	20.5
Private sector	524.8	535.3	457.0	473.7	468.1	480.7	478.6	484.1	490.2	510.8	534.0	581.1	540.9	588.6	558.3	600.6
Memorandum items:																
Bank reserves/deposits ratio 2/	13.5	11.5	23.5	20.9	13.4	12.8	11.4	10.3	12.4	12.1	14.5	14.5	13.5	16.6	9.9	17.9

Sources: Cameroonian authorities; and staff estimate and projections.

1/ Excluding information on two banks (Banque Mériidien-BIAO-Cameroon and Crédit Agricole du Cameroon) that were liquidated in October 1996 and June 1997, respectively; thus, there is a break in the series.

2/ In percent.

Table 12. Cameroon: Balance of Payments, 1996/97-2001/02 1/

	1996/97 Est.	1997/98 Est.	1998/99 Est.	1999/00		2000/01	2001/02
				Prog.	Rev. prog.	Projections	
(In billions of CFA francs)							
Current account balance	-139	-141	-231	-187	-155	-167	-178
Trade balance	254	209	112	144	338	277	223
Exports, f.o.b.	983	1,084	994	1,105	1,365	1,370	1,388
Oil and oil products	402	356	314	372	616	540	458
Non-oil sector	581	728	680	733	749	830	930
Imports, f.o.b.	-729	-875	-882	-961	-1,027	-1,093	-1,165
Services (net)	-440	-414	-413	-412	-551	-513	-475
Interest due on public debt	-273	-270	-254	-244	-238	-237	-234
Other	-167	-144	-158	-168	-313	-276	-241
Transfers (net)	47	63	69	81	58	69	74
Of which: official	0	15	10	17	0	6	6
Inflows	57	72	79	91	69	80	85
Outflows	-10	-9	-10	-10	-11	-11	-11
Capital account balance	-194	-62	-83	-90	-17	1	18
Official capital (net)	-248	-32	-96	-117	-131	1	33
Program loans	0	162	115	94	81	94	100
Project loans	28	88	121	165	133	184	206
Amortization	-276	-282	-332	-376	-345	-276	-273
Private capital (net)	54	-30	13	28	114	0	-15
Oil sector	2	-26	-18	-5	-25	-40	-41
Non-oil sector	53	-4	31	32	139	39	26
Errors and omissions	79	0	0	0	0	0	0
Overall balance	-254	-203	-314	-277	-172	-166	-160
Financing	254	203	314	277	172	167	161
Bank of Central African States (BEAC)	-77	23	-2	-45	-122	-47	-66
Use of Fund credit (net)	-4	35	33	18	19	38	30
Other reserves (net)	-73	-12	-35	-63	-141	-85	-96
Debt rescheduling 2/	75	504	277	322	294	0	0
Net change in arrears 3/	256	-324	40	-523	0	-447	0
Financing gap 4/	0	0	0	523	0	661	226
(In percent of GDP)							
Trade balance	5.1	4.0	2.1	2.5	5.9	4.5	3.4
Current account balance							
Excluding grants	-2.8	-3.0	-4.5	-3.5	-2.7	-2.8	-2.8
Including grants	-2.8	-2.7	-4.3	-3.2	-2.7	-2.7	-2.7
Overall balance	-5.1	-3.9	-5.8	-4.8	-3.0	-2.7	-2.4
(Percentage change, unless otherwise indicated)							
Export volume	13.8	11.1	8.2	2.3	-0.1	3.7	5.2
Oil sector	10.9	1.2	13.2	-9.3	-2.5	-4.7	-1.0
Non-oil sector	15.4	16.5	5.8	8.3	1.1	7.7	7.8
Import volume	19.5	14.5	1.0	6.1	11.8	4.1	7.7
Of which: non-oil sector	22.9	14.3	4.5	8.2	13.8	5.6	8.1
Terms of trade	5.1	-4.5	-15.3	7.0	32.4	-5.3	-2.7
Non-oil export price index (CFA francs)	-4.4	9.2	-12.3	2.5	9.7	2.8	4.0
Import price index (CFA francs)	1.2	4.8	-0.2	2.8	4.2	2.2	-1.0
Exchange rate (CFA francs per U.S. dollar)	541.1	602.1	588.5	...	...	...	...

Sources: Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July.

2/ From Paris Club and other non-Paris Club creditors.

3/ The net change in arrears in the 1999/2000 program largely reflects arrears to private commercial creditors for which the authorities are seeking rescheduling under the London Club. This operation has been postponed until 2000/01.

4/ For 2000/01 possible debt relief includes the London Club operation initially scheduled for 1999/2000 and other debt relief from the Paris Club and other bilateral creditors. The amount under the London Club operation initially estimated at CFAF 523 billion has been revised downward to CFAF 447 billion.

Table 13. Cameroon: External Public Debt Stock, 1994/95-2001/02 1/

	1994/95	1995/96	1996/97	1997/98 Revised 2/	1998/99 Est. 2/	1999/00	2000/01 Projections	2001/02
(In billions of CFA francs; end of period)								
Total external debt	4,024	4,068	4,119	4,600	4,876	4,683	4,656	4,697
External debt (excluding arrears)	3,250	3,524	3,272	4,060	4,408	4,236	4,656	4,697
Multilateral	802	764	700	870	1,045	958	1,173	1,336
Of which: IMF	21	39	38	73	108	126	130	165
Bilateral official	2,288	2,605	2,465	3,074	3,284	3,212	3,117	3,008
Pre-cutoff-date debt	1,783	2,146	2,024	2,543	2,441	2,563	2,411	2,249
Previously rescheduled debt	1,129	1,563	1,520	2,161	2,088	2,138	2,045	1,946
First Paris Club agreement	191	147	91	1	1	0	0	0
Second Paris Club agreement	500	500	500	458	450	458	411	361
Third Paris Club agreement	438	430	426	533	512	532	518	504
Fourth Paris Club agreement	0	486	502	407	400	402	396	388
Fifth Paris Club agreement	0	0	0	761	725	746	720	694
Unrescheduled pre-cutoff-date debt	654	584	504	382	353	425	366	303
Paris Club	610	533	460	344	329	344	290	231
Nonparticipants	44	50	44	38	24	81	76	72
Post-cutoff-date debt	505	459	441	531	843	649	706	758
Banks	74	81	57	25	18	16	321	319
Of which: World Bank cofinancing	31	20	10	5	5	3	2	1
Short-term and other debt 1/	85	74	0	92	62	50	45	34
Arrears 3/ 4/	775	544	846	540	468	447	0	0
Multilateral	53	39	6	0	0	0	0	0
Bilateral official	224	80	287	60	13	13	0	0
Pre-cutoff-date debt	187	58	287	60	13	13	0	0
Previously rescheduled debt	81	22	165	0	0	0	0	0
First Paris Club agreement	24	0	34	0	0	0	0	0
Second Paris Club agreement	21	0	30	0	0	0	0	0
Third Paris Club agreement	36	0	26	0	0	0	0	0
Fourth Paris Club agreement	0	22	75	0	0	0	0	0
Fifth Paris Club agreement	0	0	0	0	0	0	0	0
Unrescheduled pre-cutoff-date debt	106	36	123	60	13	13	0	0
Paris Club	63	0	75	0	0	0	0	0
Nonparticipants	42	36	48	60	13	13	0	0
Post-cutoff-date debt 5/	37	22	0	0	0	0	0	0
Banks 6/	346	392	440	480	424	434	0	0
Of which: World Bank cofinancing	0	0	0	0	0	0	0	0
Short-term and other debt 7/	151	33	113	0	31	0	0	0
Of which: Paris Club deferred	0	0	113	0	0	0	0	0
(In percent of total debt, unless otherwise indicated)								
Memorandum items:								
Total debt/GDP (in percent)	97.4	89.0	83.5	87.8	90.2	81.0	80.5	75.6
Of which: total arrears/GDP	18.8	11.9	17.2	10.3	8.6	7.7	0.0	0.0
Nonreschedulable debt	30.4	34.7	30.8	32.5	40.7	35.4	41.4	45.3
Multilateral debt	13.5	19.7	17.2	18.9	21.4	20.5	25.2	28.4
Post cut-off-date debt	0.8	11.8	10.7	11.5	17.3	13.8	15.2	16.1
World Bank cofinancing	5.6	0.5	0.2	0.1	0.1	0.1	0.0	0.0
Other nonreschedulable debt	10.5	2.6	2.8	2.0	1.9	1.1	1.0	0.7
Bank debt	28.1	11.6	12.1	11.0	9.1	9.6	6.9	6.8
Rescheduled debt	...	50.4	49.1	55.8	51.0	54.2	52.4	49.7

Sources: Caisse Autonome d'Amortissement du Cameroun; and staff estimates and projections.

1/ Fiscal year begins in July.

2/ External debt stocks at the end of 1997/98 have been revised upward to reflect new drawings and the conclusion of some Fifth Paris Club bilateral agreements. Estimates for 1998/99 have been revised in line with the loan by loan reconciliation exercise of November 1999.

3/ Includes arrears on interest and principal as well as accumulated late interest.

4/ Discrepancies between stocks and flows of arrears stem largely from fluctuations in exchange rates. For the 1998/99 revised program, the elimination of arrears reflected the expected agreement with the London Club (now expected in 2000/2001). Only the net impact of such an agreement is reflected in the balance of payments and fiscal accounts, pending the completion of data reconciliation and the formulation of a concrete debt- and debt-service-reduction proposal by commercial creditors.

5/ Excluding the deferral of arrears stemming from the Second, Third, Fourth, and Fifth Paris Club agreements.

6/ Until an agreement on the restructuring of commercial debt is concluded, it is assumed that arrears are not cleared. The figures are subject to change once full reconciliation with the creditors has been done.

7/ Including the deferral of arrears stemming from the Second, Third, and Fourth Paris Club agreements.

Table 14. Cameroon: External Debt Service Due, 1998/99-2001/02 1/

(In billions of CFA francs)

	1998/99			1999/00			2000/01			2001/02		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	Rev. prog.			Projections								
Total external public debt service	185.4	149.4	334.8	192.2	120.3	312.5	288.4	243.9	532.3	280.8	179.1	459.9
Debt service on debt outstanding at end-June 1997 2/	155.4	129.9	285.3	144.8	117.1	261.9	278.4	208.6	487.0	280.8	179.1	459.9
Multilateral	85.7	38.2	123.9	78.4	40.4	118.8	79.5	30.2	109.7	71.1	27.2	98.3
Of which: IMF	10.1	2.4	12.5	11.8	1.8	13.6	11.9	1.1	13.0	8.0	1.7	9.7
Official bilateral	53.0	75.0	128.0	53.4	67.1	120.5	185.7	151.4	337.2	196.7	143.4	340.1
Paris Club	46.7	73.5	120.2	43.8	65.6	109.5	181.2	148.7	329.9	192.5	140.8	333.4
Pre-cutoff date debt	27.3	45.7	73.0	20.3	42.3	62.6	147.6	124.4	271.9	157.4	117.5	274.9
Previously rescheduled	27.3	45.7	73.0	20.3	42.3	62.6	93.4	115.4	208.8	98.2	107.7	205.9
First Paris Club agreement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Second Paris Club agreement	0.0	0.0	0.0	0.0	0.0	0.0	47.1	26.0	73.2	50.1	22.2	72.3
Third Paris Club agreement	0.8	6.8	7.6	1.0	6.6	7.6	13.7	37.8	51.5	13.9	35.1	49.0
Fourth Paris Club agreement	0.7	10.8	11.5	4.2	10.6	14.9	6.5	25.9	32.4	7.9	25.4	33.3
Fifth Paris Club agreement	25.8	28.1	53.9	15.1	25.0	40.2	26.1	25.7	51.8	26.3	25.0	51.3
Not previously rescheduled	0.0	0.0	0.0	0.0	0.0	0.0	54.1	9.0	63.1	59.2	9.9	69.0
Post-cutoff-date debt 3/	19.4	27.8	47.2	23.5	23.3	46.9	33.6	24.4	58.0	35.1	23.3	58.4
Non-Paris Club	6.3	1.5	7.8	9.5	1.5	11.0	4.5	2.7	7.3	4.2	2.5	6.7
Commercial banks	7.0	9.0	16.0	8.0	0.6	8.6	2.8	22.2	25.0	2.0	4.5	6.5
Of which: World Bank cofinancing	2.4	1.6	4.0	2.4	0.6	3.0	1.7	1.7	3.4	0.9	0.0	0.9
Short term and Paris Club deferred	9.7	7.7	17.4	4.9	9.1	14.0	10.3	4.8	15.1	10.9	4.1	15.0
Other 4/	30.0	16.1	46.1	36.3	2.2	38.5	10.0	35.3	45.3	0.0	35.0	35.0
Debt service on new loans	0.0	3.4	3.4	11.2	1.0	12.2	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Caisse Autonome d'Amortissement du Cameroun; and staff estimates and projections.

1/ After debt relief. Fiscal year begins in July.

2/ To account for the impact of the Fifth Paris Club agreement in this table, we assume for simplicity that it took effect as at July 1, 1997, instead of October 1, 1997. The agreement will expire in August 2000.

3/ Excluding service on arrears deferred in Second, Third, Fourth, and Fifth Paris Club agreements.

4/ Including cushion built into the projections.

Table 15. Cameroon: Indicators of External Vulnerability, 1995/96 -1998/99 ¹

	1995/96	1996/97	1997/98	1998/99
Exports (percent change, 12-month basis in U.S. dollars)	-3.0	13.1	-0.9	-6.2
Imports (percent change, 12-month basis in U.S. dollars)	13.5	10.6	3.2	10.7
Terms of trade (percent change, 12 month basis)	-8.6	5.1	-4.5	-15.3
Current account balance (in percent of GDP)	-4.1	-2.8	-2.7	-4.3
Capital and financial account balance (in percent of GDP)	3.3	1.2	2.7	4.2
Gross official reserves (in millions of U.S. dollars) ²	...	...	...	...
(in months of imports of goods and services of the following year) ²	...	...	...	...
Gross reserves of the banking system (in millions of U.S. dollars) ²	...	...	...	...
(in months of imports of goods and services of the following year) ²	...	...	...	...
Central Bank short-term foreign liabilities (in million of U.S. dollars) ²	...	...	...	...
Official reserves/broad money (M2) (in percent) ²	...	...	...	...
Total short term external debt by original maturity (in millions of U.S. dollars)	182.4	70.3	28.2	29.9
Total short term external debt by remaining maturity (in millions of U.S. dollar)	893.8	737.1	299.3	552.6
Total short term external debt/reserves by original maturity (in percent) ²	...	...	...	...
Total short term external debt/reserves by remaining maturity (in percent) ²	...	...	...	...
Total Public and Publicly guaranteed debt (in millions of CFA francs)	7,894	7,008	7,519	7,478
Total external debt to exports of goods and services (in percent)	385.4	303.9	326.1	332.5
External interest payments to exports of goods and services (in percent)	25.3	21.9	19.4	19.2
External amortization payments to exports of goods and services (in percent)	34.2	22.4	21.0	25.8
Exchange rate (per U.S. dollars, period average)	502	541	602	583
Exchange rate (per U.S. dollars, end of period)	515	588	612	635
Net foreign assets of commercial banks (in millions of U.S. dollars)	6.7	73.0	51.1	55.3

Sources: Cameroonian authorities; and Fund staff estimates.

¹ Fiscal year begins in July.

² Not applicable. Cameroon is a member of the Central African Economic and Monetary Community (CEMAC), and the monetary policy is conducted by the regional central bank (BEAC).

Table 16. Cameroon: Indicators of Fund Credit, 1994/95-2004/05 1/

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
								Projections			
Fund credit outstanding (end of period)											
In millions of SDRs	27.9	52.1	47.4	90.5	131.7	153.6	196.6	231.1	262.8	266.6	242.3
In millions of U.S. dollars	43.8	75.4	64.4	119.2	177.5	210.9	270.9	320.7	367.9	375.9	343.6
In billions of CFA francs	21.2	38.9	37.8	72.9	110.2	134.7	173.1	202.9	229.0	231.0	208.0
In percent of quota	15.0	28.1	25.5	48.7	70.9	82.7	105.9	124.4	141.5	143.6	130.5
Debt service to the Fund											
In millions of SDRs	4.7	7.0	10.8	14.2	15.8	15.4	11.5	1.8	4.5	15.3	26.0
In millions of U.S. dollars	7.1	10.4	15.3	19.2	21.3	21.1	15.9	2.5	6.3	21.5	36.8
In billions of CFA francs	3.7	5.2	8.3	11.6	12.5	13.5	10.2	1.6	3.9	13.2	22.3
In percent of:											
Export of goods and nonfactor services	0.3	0.5	0.7	0.8	0.9	0.8	0.6	0.1	0.2	0.7	1.1
Total debt service due	0.7	0.9	1.5	2.1	2.1	2.3	2.0	0.3	0.9	2.9	5.1
Government revenue	0.7	0.8	1.1	1.4	1.5	1.2	0.8	0.1	0.3	0.9	1.4
GDP	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.0	0.1	0.2	0.3
Quota	2.5	3.8	5.8	7.7	8.5	8.3	6.2	1.0	2.4	8.2	14.0
Debt service to the Fund (in millions of SDRs)											
Charges	2.7	3.0	3.3	3.3	3.0	1.3	2.0	1.8	1.8	1.8	1.6
Repurchases/repayments	2.0	4.0	7.5	11.0	12.8	14.1	9.5	0.0	2.7	13.5	24.3

Sources: IMF, Treasurer's Department; and staff estimates and projections.

1/ Fiscal year begins in July.

May 23, 2000

Mr. Horst Köhler
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431
U.S.A.

Dear Mr. Köhler:

1. In the context of its adjustment efforts to promote rapid and sustainable economic growth and reduce poverty, the government of Cameroon embarked on a medium-term economic and financial program (July 1, 1997-June 30, 2000), supported under a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF).¹ This letter, which supplements the one dated August 9, 1999, reviews Cameroon's performance under the program supported by the third annual PRGF arrangement, approved by the IMF Executive Board on September 7, 1999, and outlines the government's objectives and policies for the second half of fiscal year 1999/2000 (July-June). In addition, Cameroon requests an extension of the three-year commitment period under the three-year arrangement to December 20, 2000.

Performance during the first half of the fiscal year 1999/2000

2. The satisfactory performance under the first two annual PRGF arrangements in both the macroeconomic and the structural areas continued broadly during the first half of fiscal year 1999/2000 despite the worrisome development observed during the first quarter. The government has remained fully committed to the implementation of its reform program, and corrective measures were taken. Notably, a new, reinforced monitoring mechanism was set up to ensure a regular and timely transfer of oil revenue to the government budget, and a cash-flow management committee was created to strengthen budgetary execution. Thus, all quantitative performance criteria and benchmarks for end-December 1999 were met, with the exception of the benchmark related to the ceiling on bank credit to the nonfinancial public sector, which was missed by a small margin because of a bank credit of CFAF 6 billion extended to the national oil refinery company (SONARA). The government continued its satisfactory implementation of structural reforms. The two structural performance criteria for end-December 1999 and end-January 2000 have been met, namely, the completion of an audit by end-December 1999 of the procurement system and of the ten largest transactions in

¹ By decision of the IMF Executive Board of November 1999, the Enhanced Structural Adjustment Facility (ESAF) was replaced by the Poverty Reduction and Growth Facility (PRGF).

1998/99, and the conclusion of an economic and financial study of the forestry sector. Also, the five structural benchmarks set at end-December 1999 have been respected.

3. Notwithstanding the improvement in the terms of trade, owing mainly to higher oil prices, there were signs that the pace of economic activity slowed during the first half of the year as a result of the decline in timber, rubber, and other non-oil commodity exports and the weakening of domestic demand. Inflation, measured by the average consumer price index (CPI), remained low, leveling off at 1.9 percent in December 1999. The budget performance was slightly better than projected: total revenue was CFAF 33 billion higher than expected, owing to the transfers of the CFAF 30 billion oil windfall and higher non-oil revenue. Total expenditure was CFAF 65 billion lower than envisaged, mainly reflecting lower external interest payments and underspending on both foreign-financed and domestically financed public investments. The fiscal primary balance increased to CFAF 171 billion, compared with a target of CFAF 144 billion for the first half of 1999/2000. Monetary developments during the first half of the year showed a slowdown in the expansion of credit to the private sector, a net repayment to the banking system by the central government amounting to CFAF 6 billion, a larger contribution from Cameroon (CFAF 45 billion) to the improvement of the net foreign assets position of the regional central bank, and signs that deposits were beginning to recover, although at a slower pace than programmed.

Macroeconomic and budgetary framework for the second half of the year

4. In view of developments in the first half of the year, notably the non-oil commodity price and volume prospects, real GDP growth, which was initially projected at 4.8 percent, has been reduced to 4.2 percent, reflecting a downward revision in non-oil exports during the first half of 1999/2000. The new average oil price for Cameroon for 1999/2000 is projected at US\$22.8 a barrel, US\$7.5 a barrel higher than anticipated. On this basis, preliminary projections point to an improvement in the external current account deficit, including grants, to 2.7 percent of GDP, compared with the 3.2 percent initially projected for 1999/2000.

5. The fiscal program for 1999/2000 has been revised to take account of the more favorable oil prices; oil revenue is now projected to be 2.3 percent of GDP higher, boosting total revenue to 19 percent of GDP. As a result, the primary surplus for 1999/2000 is expected to increase to 7.1 percent of GDP, compared with the target of 5.2 percent, and the overall deficit, excluding grants, should narrow from 2.9 percent of GDP to 0.3 percent of GDP. Part of the additional oil revenue will be used to accelerate the clearance of domestic arrears audited and validated by an independent, internationally recognized firm, as well as the payments of agreed debt (*dette conventionnée*) and bank debt, in consultation with IMF staff.

6. The government will continue to strengthen its capacity to mobilize non-oil revenue through measures to improve customs and tax administration efficiency and combat fraud, including a broadening of the tax base and the strengthening of value added tax (VAT) and forestry tax collection. To this end, a World Bank-sponsored study of the forestry sector has been carried out by an independent, internationally recognized firm. In consultation with

donors and lenders, the recommendations of the study will be implemented by the government starting in 2000/01. In addition, the authorities plan to enhance the operational efficiency of the forestry revenue protection program by stepping up field inspections (work sites, checkpoints, factory entrances, and ports) and by strengthening cooperation between the agencies involved in the program. The decree establishing selection criteria and procedures for choosing bidders for forestry licenses was recently revised to make the process of awarding forestry concessions more transparent. The supplementary measures concerning forestry revenue are indicated in the annex. In the meantime, all the prior measures for release of the World Bank floating tranche in support of the forestry sector, particularly regarding the forestry development plans, the establishment of an effective guarantee system, and the revision of the by-laws of ONADEF, should be implemented by end-June 2000.

7. In domestic taxation, the authorities will ensure the systematic and immediate transfer of self-assessed taxes (*impôts à versement spontané*), especially the VAT collected by the electricity company SONEL, the water company SNEC, the telecommunications company CAMTEL, and the other public enterprises. In particular, the government will endeavor to collect existing VAT arrears, estimated at CFAF 4.3 billion. Moreover, steps will be taken to (a) ensure control over the tax base and tighten fiscal audits; (b) simplify procedures; (c) modernize tax directorate management tools; and (d) strengthen VAT enforcement based on the recommendations of the IMF technical assistance mission of November 1999. To increase the efficiency of the tax directorate, the government will establish a unit to monitor tax compliance by the 200 largest enterprises by end-June 2000. The supplementary measures are indicated in the annex.

8. In the customs area, a customs reform committee has been created as recommended by the IMF technical assistance mission, and an action plan has been drawn up. A timetable has been established for implementation of the key recommendations in the second half of the financial year, including the definition of procedures for enhanced coordination with the agent responsible for revenue protection and preshipment inspections, simplification of customs clearance and export procedures by end-March 2000, and closer monitoring of the transit trade between Douala and neighboring countries. In addition, the government will transform the joint unit of the customs and tax departments into a unit responsible for the collection and analysis of tax data by end-May 2000. The government will also take steps to make the computer system secure for the entry of all customs declaration, and to ensure that the required information is provided and that it is both consistent and plausible, by end-May 2000. IMF technical assistance will be required for monitoring the implementation of customs reforms. Finally, all the remaining import surcharges will be eliminated by end-June 2000, in accordance with the tax and customs reform. Moreover, the government, in concert with the other members of the Economic and Monetary Community of Central Africa (CEMAC), will undertake a further reduction of the common external tariff. The government will support the progress made toward adopting a common investment charter. The other steps to be taken to boost tax yield, as well as measures to restructure and modernize the customs administration, are indicated in the annex.

9. On the expenditure side, after normalizing its relations with other countries, the government plans to step up its efforts toward the social sectors, particularly health and education. Detailed strategies for the health and education sectors are being prepared by the government with World Bank assistance, and they will include quantifiable targets in the context of a three-five year medium-term expenditure framework, to be reflected in the budget starting in 2000/01. Quarterly budget execution reports will be strengthened by an improved analysis of operating and investment expenditure on a commitment, settlement, and payment basis beginning in 2000/01, and by closer monitoring of transferred appropriations (*crédits délégués*). To further enhance accountability in key spending ministries, the government agreed to extend the practice of issuing quarterly reports to eight additional ministry departments. To address weaknesses in the Ministry of Education, the government will implement the corrective actions identified with World Bank assistance, as discussed in paragraph 23. Regarding the civil service, a physical census of all civil servants and a compendium of relevant regulatory texts are to be completed by end-May 2000, to provide a more accurate basis for assessing appropriate staffing and salary levels beginning in 2000/01.

10. The government will continue its efforts to improve public expenditure management. To this end, the following initial actions have been taken: (a) simplification of procedures and reduction of the number of steps and players involved in budget execution; (b) increase in the responsibility of financial comptrollers in spending ministries; (c) systematization of control by the Ministry of Finance and external audit agencies; and (d) improved monitoring of transferred appropriations. Also, a committee composed of key directorates has been formed to improve by end-May 2000 the quality of data and facilitate the production of treasury balances on a continuing and comprehensive basis, while ensuring the consistency of the detailed table for government financial data monitoring (*tableau de bord*) with these balances. To strengthen cash-flow management in the context of budget execution, a cash-flow committee has been formed, consisting of representatives of all concerned departments in the Ministry of Finance and the autonomous debt agency (CAA).

11. The government is aware that reform of the procurement system is urgent, and it will take the necessary measures for its successful implementation. In line with the recommendations of an internationally recognized firm following its audit of the procurement system, the government will issue a decree to (a) introduce new procurement thresholds, as proposed by the auditor; (b) limit the splitting up of procurement contracts; and (c) ensure control of procurement commissions. To this end, the government is planning to overhaul the existing system to make it more transparent through the adoption of (a) an action plan by end-May 2000; (b) a procurement code by end-June 2000, which will require the participation of an independent observer in the procurement commission and an ex post audit mechanism by an independent and internationally recognized company; and (c) an institutional mechanism by end-June 2000. In addition, by end-June 2000, the government will implement a procurement monitoring system in the form of a simple information system providing a statistical assessment of the status of contracts.

12. Regarding domestic arrears, the government has established an inventory commission to identify all arrears not yet included in the stock of government arrears and backed by the necessary supporting documents for submission to an independent firm for validation. The government has completed this inventory by March 15, 2000, the deadline beyond which no new claim could be considered. It nearly completed the validation by mid-April 2000, at which time it determined the bulk of the official amount of government arrears and adopted a comprehensive multiyear settlement plan for the validated arrears. The government will complete the validation process of the remaining domestic arrears by end-May 2000, including the settlement plan. In the meantime, the government will ensure that no unaudited arrears are paid and will inform all holders of audited claims included in the inventory but not validated that their claims have been officially rejected.

13. The financial program for 1999/2000 has been revised based on monetary developments in the first half of the financial year and the improvement in the terms of trade. The program for the second half aims at enabling Cameroon to contribute CFAF 77 billion to the increase in the net foreign assets position of the regional central bank (BEAC). As a result of the more favorable budget outturn, net bank credit to the central government will be reduced by CFAF 81 billion during the second half of 1999/2000. To this end, the government will ensure that export earnings are repatriated by economic agents and surrendered to the BEAC within 30 days of collection, in accordance with the regional foreign exchange regulations. Money growth, which was slower than expected in the first quarter of the year, is expected to recover, and the average velocity for the year 1999/2000 as a whole will decline to 6.8.

Structural and sectoral policies

14. The government is determined to consolidate the ongoing reforms in the agro-industry, public utilities, transport, petroleum, and financial sectors, with a view to stimulating private sector investment, enhancing the competitiveness and efficiency of the economy, and boosting production.

15. In the agro-industrial sector, reforms are well under way: the selection of the successful bidder for the sale of the palm oil company (SOCAPALM) has recently been validated; negotiations are proceeding with the bidder for the successful conclusion of the transactions. However, The second round of bids for the privatization of the Cameroon Development Corporation (CDC), which was to occur by end-December 1999, has been delayed owing to technical and legal considerations. The government is aware of the need to speed up the process, and appropriate actions will shortly be taken to (a) minimize the delay in the issuance of an invitation to bid which was initially envisaged for April 2000; and (b) select provisional successful bidders by end-September 2000.

16. With regard to public utilities, the government will conclude their privatization within the next 6-12 months. In the telecommunications sector, the newly created cellular company began operating on January 15, 2000; meanwhile, the selection of the successful bidder for the government-owned cellular company, CAMTEL-Mobile, was confirmed in

mid-January 2000, and its privatization was finalized by the adoption of the presidential decree by mid-March 2000. Also, the second round of bidding for the privatization of CAMTEL was launched in December 1999. The final invitation to bid was issued in May 2000 and the provisional successful bidder will be selected by end-September 2000. In the electricity sector, the invitation to submit prequalification bids for SONEC, was launched in October 1999; the final invitation to bid is to be issued by end-June 2000 and the provisional successful bidder will be selected by end-November 2000. In the water sector, the second round of bidding for the privatization of SNEC took place in October 1999; the provisional successful bidder was selected in May 2000 and, following validation, entered into negotiations in May 2000. This is expected to clear the way for disbursement of the World Bank's Third Country Assistance Strategy (CAS III) privatization tranche. The government is taking all the steps necessary to conclude without delays the privatization of SNEC, SONEC, and CAMTEL. If necessary, the government will appoint temporary administrators for each of these companies, in compliance with the modalities specified in Section 3 of the annex.

17. The government is engaged in far-reaching reforms of the transport sector, aimed notably at improving the competitiveness of the economy. In the port sector, all measures necessary for completion of the institutional and regulatory reform will be taken by end-May 2000, including (a) for the ports of Kribi, Tiko-Limbé, and Garoua, the establishment of management bodies, as well as consultative steering committees; (b) the transfer of ONPC assets and liabilities to the autonomous ports, the APN, and the government, based on the recently completed inventory; and (c) the liquidation of the ONPC. A detailed timetable for the transfer of the industrial and commercial activities currently carried out by the Port of Douala to the private sector through competitive bidding, which was to be prepared by end-March 2000 in accordance with the provision of CAS III, was delayed. The bidding documents will be prepared shortly with the assistance of an internationally recognized firm and the World Bank, with a view to completing the transfers by March 2001.

18. The objective of the reform of foreign trade procedures is to make the one-stop window fully operational by July 1, 2000, based on a detailed action plan recently prepared with the technical assistance of the European Union. The government will take the necessary steps to implement all of its recent decisions on the establishment of a single checkpoint at the Port of Douala, the nothing-to-declare lane (*canal vert*), and customs clearance at the place of business (*dédouanement à domicile*) of goods eligible for such procedures. Lastly, the government will prepare an action plan to complete, by end-May 2000, the implementation of the recommendations of the legal audit of foreign trade procedures recently carried out with financial assistance from the European Union. These reforms will be closely coordinated with the recently initiated customs reforms. Together, these measures should go a long way toward achieving the goal of further reducing delays to seven days for imports and two days for exports, in accordance with the provisions of the CAS III.

19. In the area of programming road maintenance work and operations of the Road Fund, the government will: (a) carefully prepare the maintenance of unpaved rural roads and urban roads in accordance with Article 3(3) of Decree 98/1962; (b) complete, by end-May 2000,

the technical audit of road maintenance work financed by the Road Fund in fiscal year 1998/1999; (c) complete, by end-June 2000, the first financial audit of the Road Fund for fiscal year 1999/2000 in accordance with the provisions of Decree 98/1962; and (d) systematically publish the reports and resolutions of the Management Committee.

20. In the petroleum sector, the authorities reaffirm their pledge to conduct annual audits of the national oil company, SNH. In this connection, the government has implemented fully the key recommendations of the first two audits regarding computerization, and internationally accepted accounting standards were adopted in May 2000. The ongoing third financial audit of the SNH, covering fiscal year 1998/99, will be completed shortly. In addition, an organizational and operational audit of the SNH, primarily to examine the cost structure of the sector, will be carried out by an independent, internationally recognized firm by end-June 2000. Finally, a global strategy defining the respective roles of the SNH and the private sector in the production and distribution of petroleum products is being prepared with assistance from the World Bank and will be completed in June 2000. This strategy will provide the basis for the further deepening of the reform and liberalization of the sector. As a first step, the distribution segment of the market has been liberalized, and a majority of the shares in, and management of, the petroleum storage facility (SCDP) will be transferred to the private sector by end-September 2000.

21. In the financial sector, the government will continue to support actions to strengthen the Central African Banking Commission (COBAC) and enhance its independence. Consistent with the government's policy of withdrawing from the banking system, the privatization of the recently restructured bank (BICEC) was concluded on January 7, 2000. Also, the financial market law was adopted by the National Assembly in December 1999, and the strategy for the reform of the social security system was approved by the Interministerial Committee and adopted by the government. Studies aimed at accurately defining the stages and the process of implementing the social security reform will be undertaken by end-June 2000 and effectively under way in fiscal year 2000/01. In the insurance sector, the government was to complete the transfer of SOCAR's portfolio of fire, accident, and miscellaneous risks policies to the provisional successful bidder in April 2000; it was to appoint a liquidator for the CNR by end-April 2000. All liquidation operations managed by the SRC, with the exception of the BMBC, will be audited by end-June 2000, with completion scheduled for end-September 2000. Efforts to register savings and loan cooperatives (COOPEC) for licensing purposes continue, and the documentation received from the existing cooperatives will be forwarded to the COBAC for approval by end-June 2000. The government will support the efforts made to adopt a single community-wide bank licensing system within the CEMAC. Finally, the government is participating in the Financial Stability Assessment Program (FSAP) pilot project, with a view to identifying potential vulnerabilities in the financial system and the capacity for crisis response. The government is ready to implement any corrective measures that will emerge from this exercise to strengthen the financial system and ensure its viability and resilience.

Social and poverty reduction policies

22. The main focus of the government's social policies is to ensure that strengthened economic performance translates into tangible results in terms of poverty reduction, job creation, and genuine improvement in the economic welfare of the population as a whole. The strategies being developed for the education and health sectors, rural road infrastructure, and safe drinking water will constitute the core elements of the government's fight against poverty and will aim at correcting the malfunctions of the current system for delivery of the corresponding government services, to increase their efficiency.

23. In the education sector, the government is undertaking the following corrective measures identified with the assistance of the World Bank:

- (i) elimination of the textbook distribution monopoly, as agreed by the government, the World Bank, and the Fund;
- (ii) establishment of a textbook approval unit to define and publish, by mid-April 2000, a list of criteria for the selection of textbooks, and, by end-May 2000, to publish a list of textbooks approved for academic year 2000/2001;
- (iii) elimination, by passing a law by end-June 2000, of the contributions required of parents of primary school students, following the decision of the President of the Republic;
- (iv) elimination of the management committees of primary schools and revision of their makeup in secondary institutions to increase the representation of parents by April 30, 2000; and
- (v) publication of a medium-term strategy to decentralize the administrative management of teaching staffs by June 30, 2000.

The government will take the necessary measures to liberalize the distribution of textbooks through an instruction of the Prime Minister to the Minister in charge of Education.

24. The government is aware that the health sector needs to be restructured and that this will take a long time to accomplish. To this end, a sectoral strategy is being prepared to achieve the following objectives: (a) reduce mortality and morbidity rates at birth and following diseases and/or infections; (b) reduce the incidence of communicable diseases (such as malaria, onchocerciasis, leprosy, and trypanosomiasis) and especially, diseases with the potential to become epidemics (e.g., meningitis, cholera, and bacillary dysentery); and (c) slow the spread of the HIV/AIDS virus and other sexually transmissible diseases (STDs). The government is also aware that attaining these objectives will require focusing on preventive medicine. It follows, then, that an intersectoral health strategy is needed, addressing such issues as access to drinking water, sewerage, nutrition, and public education. By June 2000, the authorities will have (a) completed preparation of the sectoral strategy, which will serve as the basis for the sector's medium-term budget framework and the monitoring of health care expenditure; (b) completed the institutional audit of the health sector; (c) prepared a framework for dialogue with NGOs, the private sector, and representatives of health care providers (seminars, workshops, and participatory

conferences); (d) begun surveying beneficiaries concerning the supply of health services; and (e) initiated a study on costs and financing, as well as studies on the health map and the viability of the health districts.

25. The government is aware that HIV/AIDS is no longer just a public health issue but also a threat to Cameroon's development, with the potential to decimate the work force, splinter society, plunge families into poverty, and create millions of orphans. To combat this scourge, the government will take various steps with support from the international community: (a) it will develop a communications strategy to explain the seriousness of this epidemic; (b) it will arrange for NGOs and specialized agencies of the United Nations (UNAIDS) to have free access to public radio and television in order to broadcast special programs and information about AIDS--in particular, specific programs will be developed for the most vulnerable sectors and populations to minimize risk; and (c) the government will head up appropriate actions to systematize AIDS screening by health centers and psychological and social services for patients. With the assistance of the World Bank and other donors, pilot projects will be initiated in the six health districts covered by the PSFN project, with a view to developing anti-AIDS community action programs.

26. The poverty reduction strategy prepared in April 1999 with World Bank assistance is being revised on the basis of comments from the World Bank and IMF missions that visited Cameroon in November 1999. Based on the preliminary outline and timetable for preparation of the Poverty Reduction Strategy Paper (PRSP) agreed with the World Bank and the IMF, the participatory process, which will cover ten provinces, began in early April 2000, with a view to finalizing the preliminary PRSP by end-September 2000 and the final PRSP by in the Summer 2001.

Governance

27. The government is determined to enhance transparency and accountability in its operations and to fight corruption. To this end, its actions will focus on public expenditure management, transparency in oil sector operations, and the privatization of public enterprises. In the first half of 1999/2000, the government conducted a number of audits: (a) an audit of SNH accounts for the fiscal year 1998/1999; (b) an audit of the government contract award and monitoring of the procurement system; (c) an economic audit of the forestry sector; and (d) technical and financial audits of the Road Fund. In the context of the action plan to improve public expenditure, the government has required the Ministries of Education, Health, and Public Works to prepare quarterly reports on the execution of their respective budgets. It has also established a procedure for monthly and quarterly monitoring of oil operations to ensure the transparency and automatic transfer (*automaticité*) of oil revenue to the treasury. The program for the second half of the year calls for implementation of most of the recommendations from these audits and enhanced monitoring of the management of social spending through physical and financial audits of investment and nonwage expenditure. To reinforce these measures, the government will prepare a comprehensive strategy aimed at improving governance and reducing corruption based on the National Governance Program, which was developed with assistance from the United

Nations Development Program (UNDP). This strategy will be adopted by end-June 2000. The government plans to take the steps necessary to correct deficiencies in the legal system, the proper functioning of which is essential to the development of the private sector, particularly the financial system.

External sector policies and debt management

28. A key objective of Cameroon's external policy remains to enhance external competitiveness, in order to achieve external viability and strengthen growth prospects. On the basis of the improvement in oil prices, the current external account deficit for 1999/2000 is now projected to narrow to 2.7 percent of GDP, against the anticipated 3.2 percent. The government is aware that the pursuit of prudent fiscal and credit policies, as well as the implementation of the envisaged efficiency-enhancing structural reforms, will be key to achieving this objective.

29. The government is determined to continue efforts undertaken in the context of its three-year program to regularize its relations with the international financial community. However, contrary to expectations, progress in reaching an agreement with commercial creditors has been rather slow, mainly because of protracted efforts to recruit a legal advisor and the need to have a debt- and debt-service-reduction operation that is as comprehensive as possible. Work continues to complete the reconciliation process and to assess the legal validity of the nonbank claims. Based on the current schedule, the operation could be completed by end-2000. The government will strive to obtain relief from its commercial creditors that will meet the test of comparability of treatment with the terms Cameroon would receive under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative).

30. Initial work on the preparation of a loan-by-loan debt sustainability analysis shows that Cameroon is eligible for assistance under the HIPC Initiative. The government has contacted all its external creditors, with a view to reconciling each individual loan. All the multilateral loans and a large number of bilateral loans have already been reconciled. The government intends to complete the reconciliation process by end-May 2000. However, if there are still some unreconciled loans by that date, the government will seek the assistance of the World Bank and the Fund in order to expedite the process. The government is aware that, in order to reach the HIPC Initiative decision point, Cameroon will have to satisfactorily complete the third year of the program, strengthen expenditure management, develop detailed strategies for the social sectors, improve governance, and begin implementing key measures to reverse the current deterioration in the fields of education and health. The government is also aware that it will have to demonstrate its ability to use additional resources effectively in the health and education sectors and in the fight against poverty. To that end, the capacities of these sectors will be enhanced to better monitor expenditure.

Program monitoring and review

31. To monitor policy implementation under the program, a number of quantitative benchmarks have been proposed for end-March 2000, as well as quantitative performance criteria and benchmarks for end-June 2000 (see Table 1). The proposed benchmarks will comprise the following: (a) a ceiling on the increase in net claims of the banking system on the central government; (b) a floor on the primary balance; (c) a minimum for the net reduction of public sector external payment arrears; (d) a ceiling on new medium- and long-term nonconcessional external loans contracted or guaranteed by the government; (e) a ceiling on the net disbursement of external loans with a maturity of less than one year; (f) a ceiling on the increase in net claims of the banking system on the nonfinancial public sector; and (g) a minimum for the total revenue of the central government. The limits established in items (a)-(e) will serve as performance criteria for end-June 2000. In addition, the reform measures indicated in Table 2 have been adopted as performance criteria or structural benchmarks for the second half of the year.

32. In view of the uncertainties about external debt relief, privatization proceeds, and oil prices, the program contains a built-in contingency mechanism for the adjustment of the quantitative benchmarks and performance criteria. The mechanism will be triggered if petroleum receipts differ from the projections. Transfers of government oil revenue to the budget are programmed for the second half of the year as follows: CFAF 109 billion in the third quarter and CFAF 79 billion in the fourth. Disbursement of the third tranche under the third annual arrangement will be subject to observance of the end-June 2000 performance criteria and completion of the final review no later than end-September 2000. The review will focus mainly on budgetary non-oil revenue performance and on the customs reform, public expenditure management, detailed strategies in the education and health sectors, and progress in the privatization program and in the liberalization of the petroleum and transport sectors, as well as on governance.

33. As in the past, program implementation will be regularly examined in cabinet meetings chaired by the Prime Minister, the Head of Government. An Interministerial Supervisory Committee, chaired by the Minister of Economy and Finance and comprising the key economic and social sector ministers, will continue to coordinate program implementation with the assistance of a technical monitoring committee. The committee will, on a timely basis, provide Fund staff with all the data necessary to effectively monitor the program. To this end, the government will continue to improve data quality, coverage, and timeliness, in the context of the General Data Dissemination System (GDDS).

Table 1. Cameroon: Quantitative Performance Criteria and Benchmarks During the Second Half of the Third Annual Arrangement Under the Poverty Reduction and Growth Facility, July 1, 1999-June 30, 2000

(In billions of CFA francs; cumulative from July 1, 1999, except where indicated)

	December 31, 1999 ¹			Mar. 31, 2000	June 30, 2000
	Prog.	Adj.	Est.	Revised program	
Ceiling on the increase in net claims of the banking system on the central government ^{2,3,4,5}	7	-6	-6	-45	-88
Floor on the primary budget balance ^{2,5,6}	144	159	171	306	406
Floor on the net reduction of the external payments arrears of the public sector ^{2,7}	0 ⁸	0	0	0	0
Ceiling on new medium- and long-term nonconcessional external loans contracted or guaranteed by the government ^{2,9}	0	0	0	0	0
Ceiling on the net disbursement of external loans with a maturity of less than one year ^{2,9,10}	0	0	0	0	0
Ceiling on the increase in net claims of the banking system on the nonfinancial public sector ^{3,4,5,11,12}	7	-6	1	-42	-85
Floor on total revenue of the central government ^{11,13,14}	464	494	497	803	1084
Of which: non-oil revenue ^{11,14}	366	366	369	566	767
Memorandum items:					
Assumed external debt relief	167		159	222	294
External program financing ¹⁵	64 ¹⁶		49	49	120
Privatization proceeds	5		10	50	79
Stock of net credit to the central government	451		438	399	357
Stock of credit to the nonfinancial public sector	512		504	461	418

Sources: Cameroonian authorities; Bank of Central African States (BEAC); and staff estimates.

¹ Cumulative since end-June 1999.

² These targets will constitute performance criteria for end-June 2000.

³ These targets will be adjusted (a) upward for a shortfall in program financing and external debt relief up to an amount equivalent to 50 percent of the shortfall (for a total cumulative shortfall of CFAF 35 billion); (b) downward for the full amount of any excess in program financing and external debt relief and privatization proceeds in excess of the amount programmed; and (c) downward by the full amount of any shortfall in the reductions of domestic arrears in comparison with the program. See Section III of the technical annex (EBS/99/153; 8/11/99).

⁴ The flows have been constructed on the basis of projected end-June 1999 data; they will be adjusted on the basis of the actual outcome.

⁵ The targets will be adjusted upward/downward for 50 percent of the windfall/shortfall in oil revenue. For a windfall/shortfall beyond a threshold of CFAF 35 billion, the authorities will consult with Fund staff to formulate policies to adjust performance criteria. See Section III of the technical annex (EBS/99/153; 8/11/99).

⁶ Defined as government revenue (excluding privatization proceeds) minus noninterest expenditure (excluding foreign-financed investment and restructuring expenditure).

⁷ Excluding reschedulable external arrears. The targets will be adjusted for deviations from projected program financing. No new external payments arrears will be accumulated during the program period.

⁸ The original program documents called for a reduction in nonreschedulable external payments arrears of CFAF 22 billion. However, all existing external payments arrears are reschedulable and thus the target should have been zero. (The CFAF 22 billion figure referred to the expected clearance of reschedulable arrears contained in the fiscal program).

⁹ In millions of U.S. dollars. Nonconcessional loans defined as loans with a grant element of less than 35 percent, using discount rates based on the commercial interest reference rates (CIRRs). Exception will be made during 1999/2000 for the contraction of a nonconcessional IBRD loan in an amount of US\$65 million contracted by the government of Cameroon in the context of the Chad-Cameroon pipeline construction.

¹⁰ Excluding normal, import-related credit. To be monitored on a continuous basis.

¹¹ These benchmarks will not constitute performance criteria.

¹² Net for the central government and gross for the others.

¹³ These targets will be adjusted for the full amount of higher/lower-than-programmed oil revenue. See Section III of the technical annex (EBS/99/153; 8/11/99).

¹⁴ Excluding privatization proceeds.

¹⁵ Including IMF disbursements.

¹⁶ The original program documents indicate external program financing of CFAF 47 billion. The amount of CFAF 64 billion includes grants of CFAF 17 billion as shown in the fiscal program (Table 6) that were omitted in the original documents.

**Table 2. Cameroon: Structural Performance Criteria and Benchmarks
for the Second Half of the Third Annual PRGF**

Performance Criteria

Completion of an operational and managerial audit of the national oil company (SNH) by an internationally recognized company.	Mid-July 2000
Adoption of a new procurement code providing for the following, inter alia: (a) participation of an independent observer in the award committee; and (b) a mechanism for ex post external audit by an independent, internationally recognized company.	End-June 2000

Benchmarks

Implementation of all necessary measures to facilitate the privatization of SNEC, the national power company (SONEL), and the telecommunications company (CAMTEL), as specified in Section III of the annex.	Starting end-April 2000
Preparation of a strategy for the health sector.	End-June 2000
Preparation of a strategy for the education sector.	End-June 2000
Launching of call for bids for the privatization of SONEL.	End-June 2000
Launching of call for final bids for the privatization of CAMTEL.	End-May 2000
Adoption by the government of a comprehensive strategy to improve governance and reduce corruption.	End-June 2000

Budgetary and Privatization Measures

I. REVENUE-ENHANCEMENT MEASURES

To enhance tax revenue performance and reform the customs administration, as indicated in paragraphs 6, 7, and 8 of the letter of intent, the government intends to take the following measures:

A. Domestic Taxation

- By June 2000, complete the task of cleaning up the taxpayer master file, with priority given to locating and updating the tax records of all previously registered enterprises; finalize this work by end-December 2000 for enterprises subject to the *impôt libérateur*¹ and employees.
- Expand the taxpayer master file by assigning a taxpayer identification number (TIN) to all economic agents, starting with those in the files of customs, budget, and the treasury, which should be required to use the TIN in their dealings with taxpayers effective May 1, 2000.
- Establish computer interfaces between finance departments to facilitate information exchanges by end-December 2000.
- Generalize the self-assessment system so that each taxpayer can assess on his return and pay simultaneously all his taxes beginning in fiscal year 2001/02 (July-June), by (a) simplifying the profit tax return (BIC/IS, BNC, and BA); (b) revising the apprenticeship tax assessment and settlement payment procedure; and (c) in connection with the general income tax, replacing the progressive surcharge with a single, proportional single-rate tax applicable to all schedular incomes, with harmonized filing dates.
- Improve performance in the tax audits by enhancing the role of intelligence division (tax investigation teams and the Joint Tax/Customs Unit) in the programming of audits, facilitating the circulation and use of information within the Tax Directorate, and granting tax departments access to the data contained in the files of other finance departments (PADOGE—the computerized customs system—in particular).

¹ Tax benefiting local governments, paid in lieu of the business license tax, personal income tax, and turnover tax.

- In connection with the 2000/01 Budget Law, prepare a tax procedures manual containing, inter alia, provisions aimed at streamlining audit procedures, harmonizing penalties and dates for filing returns and paying taxes, and allowing tax investigation.
- Improve collection by strengthening cooperation between the Tax Directorate and the Treasury, complete the inventory of tax arrears, and implement a plan for an effective recovery of tax arrears and the write-off of the unrecoverable amounts by end-June 2000.
- Strengthen the staff of the departments in charge of tax collections and provide training for their staff by end-March 2000.
- Develop a program to strengthen and modernize the Tax Directorate by end-June 2000, specifically to: (a) increase the number of assessment and collection agents; (b) upgrade management tools; (c) create a large enterprise unit; and (d) organize tax offices following the model of the specialized tax offices.
- Make the Forestry Revenue Protection Program operational by stepping up field inspections (establishment of checkpoints at mandatory entry/exit points—factory and port entrances); use information from inspections to create an interactive database to make DF 10 declarations more reliable; and identify and adopt new inspection technologies specifically designed to improve timber tracking, by end-December 2000.
- Require full payment of the bidding amount in the first year of the provisional agreement to eliminate the risk of excessive biddings and subsequent nonpayment of the annual royalty, thus ensuring the credibility of the competitive bidding process, by end-July 2000.
- Transform the security money deposited with the Treasury (CFAF 200 per hectare) into a bank bond and make it at least equal to the royalty for new and previously granted forestry licenses in order to better guarantee the concession holders' compliance with their long-term forestry management and tax obligations, by end-July 2000.
- By March 22, 2000, exclude from all bidding procedures any bidder who has committed at least one of the violations referred to in Article 9 of Decree 758/MINEF of June 16, 1999.
- By end-March 2000, and after giving notice, revoke the operating licenses of enterprises that have not fulfilled their tax obligations.
- For the four following measures, establish a parallel dialogue with economic agents or conduct studies to determine the requirements for implementation under the 2000/2001 Budget Law: (a) adopt a system to auction log export rights in order to recover a portion of the forestry economic rent associated with these activities and later eliminate the export surcharge; (b) eliminate the system of export processing enterprises (*points*

francs); (c) replace export duties and taxes on processed goods with a timber tax at the factory entrance; and (d) create an intercommunity equalization fund financed by a portion of the annual forestry royalties with a view to making better use of these resources for specific projects of all communes in the country.

B. Customs Administration Reform

- By end-May 2000, perform a quick audit of the operational and functional status of the PAGODE system, to eliminate breakdowns and safeguard the computer system.
- The remaining customs reform measures are those mentioned in the annex to the letter of Intent of August 9, 1999 (EBS/99/153;8/11/99), with their completion dates extended to end-June 2000.

II. MEASURES TO IMPROVE EXPENDITURE MANAGEMENT

The authorities are determined to pursue actions aimed at improving expenditure management through the following measures, as indicated in paragraphs 9-12 of the letter of intent:

- Continue to prepare sectoral policies and strategies, which will serve as a basis for a medium-term budgetary framework for the health and education ministries, and issue documents analyzing the current status of sectors, objectives, priorities, and strategic decisions, by end-June 2000.
- Continue to provide the ongoing institutional support to priority ministers for the establishment and implementation of sectoral policies in the following fields: education, health, public works, and supply/distribution of drinking water.
- Establish an operational mechanism for investment management (identification of projects; programming or budgeting; monitoring of physical, financial, and budget execution; and report on execution) by end-June 2000.
- Submit the detailed quarterly budget execution reports of ten ministries (Social Affairs, Agriculture, Education, Justice, Economy and Finance, Public Investments, Mines and Energy, Health, Transportation, and Public Works) to be disseminated to the authorities beginning with the quarter of January-March 2000.
- Improve the monitoring and management of the budget by (a) presenting a unified budget classification of public administrations by end-June 2000; (b) introducing the concepts of objective and function in the budget preparation circular for the budget of 2000/01 by end-February 2000; (c) preparing a first draft budget nomenclature to be unitary, harmonized, and based on administrative and economic classifications by end-June 2000, in order to implement it in the budget of 2001/02; (d) reforming the

Budgetary Framework Law of 1962 (Ordonance of 1962) and the subsequent texts concerning the budget structure by end-June 2001; (e) producing an improved budget execution law by end-June 2000; and (f) preparing the tables and documents required by the statutes in force by end-June 2000.

- Make budget execution simpler and more efficient by (a) shortening the deadlines for implementing priority projects and (b) reducing the number of participants in the expenditure process by eliminating those who are redundant and issuing the ex post audit reports of budget auditors by end-June 2000.
- To contain the wage bill, adopt a management program for government employees by (a) completing the fieldwork for the general census of government employees by end-June 2000; (b) auditing the human resources management system for the presentation of an Operational Government Employee Management Plan, including an employee master file and decentralized management at the central and local levels, by end-September 2000; (c) after the census, updating the payroll file by end-September 2000; (d) reactivating the SIGIPES (payroll software) system project by end-September 2000; and (e) auditing the organization and functions of the payroll system (ANTILOPE, the civil service management software), with a view to reorganizing the staff and simplifying and safeguarding administrative and financial procedures by end-September 2000.
- Strengthen the computer systems of the Ministry of Economy and Finance by (a) drawing up specifications for the establishment of interfaces between the computer systems of finance departments by end-June 2000; (b) redefining the mandate of CENADI (government computer center) by end-June 2000; and (c) establishing interfaces between finance departments to exchange fiscal data by end-December 2000.
- Improve the public expenditure audit procedures by (a) adopting an audit program by end-March 2000; and (b) making the data collection network reliable for the presentation of treasury accounts on budget execution.
- Make operational the cash-flow committee, which is responsible for developing quarterly cash-flow plans based on potential revenue and priority expenditure, beginning in March 2000.
- To ensure the permanent coherence of the current operations treasury balance with the operations of the Budget, Tax, Customs and Treasury Departments and Autonomous Debt Amortization Fund (CAA) and the broad budget execution table (*Tableau de bord*) by end-June 2000, (a) harmonize the budget and treasury nomenclatures; (b) respect the rules, methods and time frames; (b) follow up budget audits; (c) strengthen the comprehensiveness of the public accounting by including the operations of accounting units at the diplomatic and consular missions through reorganization and improvement of the technical level of the cashiers by geographic zones, by end-March 2000; (d) improve gradually the accounting of the treasury operations to enable government

budget execution to be distinguished (revenues/expenditures) by budget year; (e) incorporate operations executed by the CAA into the government financial operations; (f) establish the payment arrears based on treasury accounts by budget year; and (g) introduce the first module of the auxiliary accounting for expenditures/treasury beginning July 1, 2000.

- Respect rigorously the 1999/2000 budget (operating and investment) closing dates for expenditure commitments, payment orders, and adjustments and notify those responsible for managing appropriations that expenditure committed but not ordered for payment by the closing dates will have to be recommitted and settled from the 2000/2001 budget appropriations.
- Establish the broad budget execution table (*tableau de bord*) and the consolidated central government operations table (TOFE) based on authorized/payment-ordered expenditure (i.e., settled commitments), starting with fiscal year 2000/2001.
- By end-March 2000, rearrange the *tableau de bord*: Table M10, the statement of payment-ordered expenditure and delegated appropriations, should distinguish between settlements and appropriations transfers by fiscal year, that is between preceding and prior fiscal years and current fiscal year.
- Achieve a satisfactory rate for expenditure commitments and settlements in the budget of 1999/2000 at March 31, 2000 and June 30, 2000 (equipment expenditure and investment expenditure), as well as for priority expenditure (subsidies of all kinds, scholarships, drugs, etc.), and submit a cash-flow plan taking this pace of execution into account.
- Identify expenditure commitments without any payment order before the close of 1998/1999, as well as payment arrears from the budget 1998/1999 and prior fiscal years at the level of government accountants, in order to monitor budget execution separately; then present a cash plan by end-June 2000.

III. PROVISIONS PERTAINING TO THE PRIVATIZATION PROGRAM

To facilitate the privatization of major public enterprises, it will be essential to ensure the following:

- full access to financial data, and audits by international audit firms, without reservations on the part of the auditors;
- free access to technical data and sites;

- prudent management, without taking measures that bind potential buyers, without signing new collective agreements, and without launching new investment initiatives other than those related to maintenance; and
- cooperation with the authorities and with the buyer.

If any of the goals listed above are not achieved because of the manager of the enterprise to be privatized, the authorities shall immediately appoint an interim manager.

Cameroon: Relations with the Fund
(As of February 29, 1999)

Membership Status: Joined 7/10/63; Article VIII

A. Financial Relations

General Resources Account:	SDR million	% Quota
Quota	185.70	100.0
Fund holdings of currency	198.23	106.7
Reserve position in the Fund	0.51	0.3

SDR Department:	SDR million	% Allocation
Net cumulative allocation	24.46	100.0
Holdings	0.44	1.8

Outstanding Purchases and Loans:	SDR million	% Quota
Stand-By Arrangements	13.04	7.0
Enhanced Structural Adjustment Facility (ESAF) Arrangements	126.09	67.9

Financial Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
Poverty Reduction and Growth Facility (PRGF)	8/20/97	8/19/00	162.12	126.09
Stand-By	9/27/95	9/26/96	67.60	28.20
Stand-By	3/14/94	9/13/95	81.06	21.91

Projected Obligations to the Fund (SDR million; based on existing use of resources and present holdings of SDRs):

	Overdue 2/29/2000	Forthcoming				
		2000	2001	2002	2003	2004
Principal	0.0	10.6	2.5		8.1	18.9
Charges/interest	0.0	1.6	1.6	1.6	1.6	1.6
Total	0.0	12.2	4.1	1.6	9.7	20.5

B. Nonfinancial Relations

Exchange Rate Arrangement

Cameroon's currency, the CFA franc, is pegged to the French franc at the fixed rate of CFAF 100 per French franc.

Local currency equivalent: CFAF 904.36=SDR 1 as of February 29, 2000

Cameroon maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions.

Article IV Consultation with the Fund

The last Article IV consultation with Cameroon was concluded by the Executive Board on April 7, 1999.

Resident Representative

The post of resident representative has been maintained in Yaoundé continuously since early 1989.

Recent Technical Assistance

November 1999: FAD mission on the modernization of tax department.

June-July 1999: FAD technical assistance mission on customs.

May-June 1999: FAD follow-up mission on value-added tax (VAT) and tax administration.

January-March 1999: Placement of an FAD advisor on the introduction of the VAT.

November 1998: Placement of an FAD resident advisor on public expenditure management.

October/November 1998: STA mission on the METADATA project.

September 1998: Placement of FAD advisor on the VAT.

July 1998: FAD mission on the preparation of a VAT.

February 1998: FAD technical assistance mission for review of public expenditure management.

November 1997: FAD technical assistance mission on preparation for the introduction of the VAT.

January–February 1997: AFR/PDR mission, in collaboration with experts from the World Bank and the French government, on external debt statistics.

May 1996: AFR mission, in collaboration with a team from the French Treasury and the French central bank, on the system of fiscal reporting and monitoring.

February 1996: FAD mission on direct taxation and agricultural sector taxation.

May–June 1995: STA mission provided on balance of payments statistics.

Cameroon: Relations with the World Bank Group
(As of February 29, 2000)

1. During fiscal years 1987/98, the World Bank Group, including IDA, approved loans for Cameroon totaling US\$1,289.7 million. The sectoral distribution of these loans was as follows:

	In percent of total
Structural adjustment loans and Economic Management/TA	60.8
Urban development and roads	18.4
Agriculture	15.4
Human resources	5.4

2. A comprehensive multilateral structural adjustment loan (SAL) in an amount of US\$150 million was approved on June 14, 1989 and became effective on November 28, 1989 with the release of the first tranche for US\$50 million. The second tranche, also for US\$50 million, was disbursed on April 17, 1991.

3. Cameroon became IDA eligible on February 15, 1994. Accordingly, the third tranche of the SAL was canceled and replaced by an IDA structural adjustment credit (SAC) in an equivalent amount (SDR 36.3 million), which was approved by the Bank's Executive Board on March 10, 1994. Also, in March 1994, an IDA supplemental credit (Fifth Dimension) was approved for US\$51 million, which refinanced interest on IBRD loans paid by Cameroon in the fiscal year 1994. Furthermore, to support Cameroon's adjustment efforts, an economic recovery credit (ERC) in an amount of SDR 53.1 million was approved on June 16, 1994 and disbursed during August-December 1994. A new supplementary credit, for US\$33 million, was approved in December 1994.

4. A second structural adjustment credit (SAC II) in an amount of US\$150 million was approved on February 8, 1996 in support of Cameroon's structural adjustment efforts, particularly in the areas of financial sector reform and public finance management. On April 2, 1996 and on November 14, 1996, the Board approved two supplemental credits (Fifth Dimension) for US\$30.3 million and US\$25.2 million, respectively. The entire amounts of the SAC II credit and the related supplemental credits were disbursed during February 1996-early July 1997. Another supplemental credit (Fifth Dimension), for US\$18.1 million, was disbursed in March 1998.

5. The Board of the World Bank approved on June 25, 1998 a third structural adjustment credit focusing on privatization (public utilities and agro-industries), private sector development, and the transport, financial, social, and forestry sectors in the amount of US\$180 million. The first tranche (US\$50 million) was disbursed in late September 1998 and the second tranche (US\$26 million) in June 1999. A supplemental credit in the amount of US\$13 million was disbursed in April 1999. There are currently five investment projects in the portfolio covering agricultural extension; health, fertility, and nutrition; vocational training; privatization; and a transport sector road project that supports road maintenance. The total value (original principal) of these credits amounts to US\$136.3 million.

Cameroon: Government Domestic Debt and Arrears

A. The Stock of the Domestic Debt: an Overview

1. Since the launching in mid-1997 of the current Poverty Reduction and Growth Facility (PRGF) supported adjustment program, the government has made substantial efforts to improve the transparency and strengthen the management of its domestic debt. A census committee was established, and a validation process, consisting of administrative inquiries at the level of the Budget and Treasury Directorates and the Caisse Autonome d'Amortissement (CAA)—the public debt agency—as well as of audits by independent reputable firms, was put in place. A preliminary census and various assessments of government debts and arrears were undertaken in 1997/98 (July-June), which resulted by end-June 1998 in the identification of some CFAF 1,412 billion of claims. However, while the entire government financial debt of CFAF 767 billion, consisting of bank debt and loans by public enterprises, including the social security agency (CNPS), was confirmed, only 29 percent of the CFAF 642 billion identified government arrears could be validated at that time, bringing the total of validated claims at end-June 1998 to CFAF 954 billion.

2. Since June 1998, several audits have been carried out by the government, resulting in the rejection of claims totaling some CFAF 159 billion (Appendix IV, Table 1); the rejection rate for some of the claims (mainly commercial debt and arrears on road maintenance bills), which were not supported even by rudimentary documentation, is estimated to have exceeded 50 percent. The net effect of the other changes that have affected the stock of domestic debt during the period June 1998-December 1999 totaled CFAF 2 billion, including gross repayments (CFAF 59 billion), registration of previously unrecorded claims (CFAF 23 billion), and newly contracted debts, mainly advances by the Bank of Central African States (BEAC) to the Treasury (CFAF 34 billion).

3. At end-December 1999, Cameroon's outstanding domestic debt, excluding the use of Fund resources, was estimated by the Treasury and the CAA at some CFAF 1,262 billion (23 percent of GDP).¹ This estimate, which included CFAF 300 billion of claims still to be validated by the government, highlighted as the government's main creditors the banking system (36 percent), the public enterprise sector, including the CNPS (30 percent), and the private sector, including households (34 percent); some 60 percent of this debt was contracted before 1994 (Appendix IV, Table 1).

4. By end-December 1999, only 76 percent of the total identified claims, representing an amount of CFAF 962 billion, had been validated by the government; they include debts contracted or assumed by the government, as well as government arrears. The claims that have not yet been validated are composed of wage arrears, as well as arrears on goods and services, including unsettled road maintenance bills. Except for the wage arrears and a small part of the

¹ In the CFA franc zone area, the use of Fund resources is treated as domestic debt.

goods and services arrears, this debt is poorly documented and is expected for the major part to be rejected.

B. The Validated Debt

5. The validated debt includes bank and nonbank monetary debts, as well as government arrears, and was contracted mainly (some 65 percent) before 1994. All the components of the validated debt are well documented and/or have been properly audited, and have been regularly recorded in the government books. At end-December 1999, gross bank claims on the government totaled CFAF 452 billion (7.9 percent of GDP), while nonbank claims— mainly loans by insurance companies and the CNPS, and validated government arrears— were estimated at CFAF 339 billion (5.9 percent of GDP) for the former component and CFAF 171 billion (3 percent of GDP) for the latter Component (Appendix IV, Table 1). The validated government arrears include mainly arrears to the public utilities,² arrears to public works enterprises, (both foreign and local), on road maintenance bills and arrears to other private enterprises (mainly providers of goods and services).

6. Some 52 percent of the validated debt (CFAF 495 billion) has been securitized, including the total debt owed to commercial banks and more than 90 percent of the CNPS's claims. The securitization of a debt is generally supported by a written agreement (*convention de titrisation*) between the creditor and the government, which specifies the terms of the arrangement. Hence, the securities covering part of the validated government arrears (CFAF 80 billion) have an amortization period that varies between 2 and 20 years and a fixed annual interest rate of 3 percent, which is capitalized and paid at the settlement date. Half of the securities covering the claims of the commercial banks and the insurance companies extends over a period of up to 12 years, while the other half extends over a 30- year period. The securities with a term of less than 5 years, carry a fixed interest rate (of 4.1 percent) while the other securities use a variable rate, based on the average cost of bank resources plus 1.25 points penalty for any default on payment. The securities covering the CNPS's claims have an amortization period of 12 years and a 3 percent fixed interest rate (Appendix IV, Table 2).

7. The nonsecuritized debt comprises the entire central bank debt, as well as 25 percent of the public enterprise loans and some 50 percent of the validated arrears (Appendix IV, Table 1). At end-December 1999, the central bank debt was estimated at CFAF 286 billion, including the advances to the Treasury (CFAF 146 billion) and the consolidated debt (CFAF 140 billion); the latter represents the liquidated banks' debt to the central bank, which was assumed by the government following the restructuring of the banking system in 1997.

8. The validated debt is regularly serviced by the government on the basis of a multiyear reimbursement plan jointly prepared and managed by the CAA and the Treasury, and all the corresponding operations are recorded in the consolidated central government operations table

² There are also arrears owed by public utilities to the government, including assumed debts and tax arrears. These government claims on the public utilities are being reviewed by the Budget Directorate, in close collaboration with the Treasury and Tax Directorates.

(TOFE). Domestic debt-service cash payments totaled CFAF 171 billion in 1997/98-1998/99; they are projected at some CFAF 124 billion for 1999/2000, and at an average of CFAF 94 billion per year for the period 1999/2000-2004/05 (Appendix IV, Tables 3 and 4).

C. The Nonvalidated Debt

9. The various audits sponsored by the government have highlighted persistent weaknesses in the monitoring and management of the domestic debt, including payments of claims prior to their validation, double and even triple counting of claims, and the recording in the stock of outstanding debt of claims that have already been settled or rejected or those of liquidated public enterprises. Consequently, to improve the information on and strengthen the management of the domestic debt, the government has instructed the census committee to undertake a final exhaustive census of the claims that have not yet been processed. In addition, the government set March 15 as the completion date for the census operation, as well as the ultimate deadline for the registration of new claims; it also decided to stop all payments of claims prior to their validation.

10. The claims that have not been processed and/or validated, which, as indicated above, are estimated at some CFAF 300 billion, comprise wage arrears (CFAF 170 billion), arrears on goods and services including rents (CFAF 47 billion), and other claims, including expropriation payments (CFAF 40 billion), and reimbursement of collateral deposits (CFAF 43 billion).

11. The wage arrears are related to the freeze since 1987 of advancement and promotions in the civil service. They were recently audited by an international firm which confirmed the validity of CFAF 130 billion of the arrears while rejecting that of CFAF 40 billion; this outcome of the audit was eventually validated by the government. The census of the nonwage claims was completed in mid-March 2000 and submitted to an audit by an international firm. The first stage of the validation process, which ended in mid-April 2000, resulted in the validation of some CFAF 33 billion.

12. The CFAF 163 billion in newly validated arrears has been integrated into the official stock of government domestic debt stock, bringing the total of validated claims to CFAF 1,125 billion. Their settlement will start in the next fiscal year (2000/01), according to the following modalities: cash payments of one-tenth of the amount in 2000/01, and securitization of the remainder, with an amortization period of up to ten years and an interest rate between 3 percent and 5 percent.

13. The second stage of the validation process for the remaining CFAF 97 billion in arrears requiring further scrutiny is expected to be completed by end-May 2000, and the eventual additional claims that will eventually be validated during this phase will be settled according to the modalities applied to the validated claims of the first phase. All these operations will be incorporated in the budget, beginning in 2000/01.

Table 1. Cameroon: Domestic Debt Stock, June 1997-March 2000
(In billions of CFA francs, unless otherwise specified)

	Situation at end-June 1997	Situation at end-June 1998				Flows during June 1998-December 1999				Situation at end-December 1999						Situation at end-March 2000					
		Total debt	Total validated debt	Total securitized debt	Claims not yet validated	Repay.(-) new claims(+)	Valid.(+)	Securit.(+)	Reject.(-)	Total debt (in percent of total)	Total validated debt (in percent of total)	Total securitized debt	Claims not yet validated	Total debt (in percent of total)	Total validated debt (in percent of total)	Claims not yet validated					
Financial debt	783	767	767	421	0	11	11	-15	0	778	61.7	778	80.9	406	0	778	63.7	778	69.2	0	
Banking system	467	453	453	166	0	-1	-1	0	0	452	35.8	452	47.0	166	0	452	37.0	452	40.2	0	
Consolidated debt	190	175	175	0	0	-35	-35	0	0	140	11.1	140	14.5	0	0	140	11.4	140	12.4	0	
Commercial banks	164	166	166	166	0	0	0	0	0	166	13.2	166	17.3	166	0	166	13.6	166	14.8	0	
Advances of Bank of Central African States to the Treasury	113	112	112	0	0	34	34	0	0	146	11.6	146	15.2	0	0	146	11.9	146	13.0	0	
Public enterprises	315	314	314	255	0	13	13	-15	0	326	25.9	326	33.9	240	0	326	26.7	326	29.0	0	
social security agency (CNPS) 1/	259	256	256	250	0	-6	-6	-19	0	250	19.8	250	26.0	231	0	250	20.5	250	22.2	0	
insurance companies	15	17	17	5	0	3	3	4	0	20	1.6	20	2.1	9	0	20	1.6	20	1.8	0	
other public enterprises	41	41	41	0	0	16	16	0	0	57	4.5	57	5.9	0	0	57	4.6	57	5.0	0	
Arrears	643	645	186	78	459	-13	-3	12	-159	484	38.3	183	19.1	89	300	444	36.3	346	30.8	97	
Public enterprises	50	50	50	4	0	-2	-2	0	0	48	3.8	48	5.0	4	0	48	3.9	48	4.3	0	
Private enterprises (public works)	100	100	100	70	0	4	4	12	0	104	8.2	104	10.8	82	0	104	8.5	104	9.2	0	
Local	42	42	42	28	0	4	4	10	0	46	3.7	46	4.8	38	0	46	3.8	46	4.1	0	
Foreign	57	57	57	42	0	0	0	2	0	57	4.5	57	6.0	44	0	57	4.7	57	5.1	0	
Other private enterprises	217	198	11	4	187	0	11	0	-159	50	4.0	22	2.3	3	29	50	4.1	25	2.2	26	
Households	277	298	26	0	272	-16	-16	0	0	282	22.3	10	1.0	0	272	242	19.8	170	15.1	72	
civil service wages	175	196	26	0	170	-16	-16	0	0	180	14.3	10	1.0	0	170	140	11.5	140	12.4	0	
rents	18	18	0	0	18	0	0	0	0	18	1.5	0	0.0	0	18	18	1.5	5	0.4	13	
expropriation payments	40	40	0	0	40	0	0	0	0	40	3.2	0	0.0	0	40	40	3.3	20	1.8	20	
collateral deposits	43	43	0	0	43	0	0	0	0	43	3.4	0	0.0	0	43	43	3.5	5	0.4	38	
Total	1,425	1,412	954	499	459	-2	8	-3	-159	1,262	100.0	962	100.0	495	300	1,222	100.0	1,125	100.0	97	

Sources: Cameroonian authorities; and staff estimates.

1/ In order to enable the social security agency CNPS to operate, the government agreed in June 1999 to replace CFAF 20 billion of securities by monthly cash payments of some CFAF 1.8 billion during 1999/2000. Although the financial agreement (*convention de titrisation*) was amended accordingly, by end-December 1999 no payment has yet been effected.

Table 2. Cameroon: Securitized Domestic Debt at end-December 1999, Distributed by Creditor and Amortization Period

	Less than 5 years		5 to 15 years		15 to 25 years		More than 25 years		Total
	Amount 1/	Rate 2/	Amount 1/	Rate 2/	Amount 1/	Rate 2/	Amount 1/	Rate 2/	Amount 1/
Commercial banks	22	4.1	65	variable	0	...	80	variable	166
Insurance companies	3	4.1	6	variable	0	...	0	...	9
Social security agency (CNPS)	0	...	231	3.0	0	...	0	...	231
Public enterprises	0	...	4	3.0	0	...	0	...	4
Other	1	3.0	84	3.0	0	...	0	...	85
Total	25		390		0	...	80	...	495

Sources: Cameroonian authorities; and staff estimates.

1/ In billion of CFA francs.

2/ In percent.

Table 3. Cameroon: Domestic debt payments, 1997/98-1999/2000
(in billions of CFA francs)

	1997/98	1998/99	1999/2000	
			July-Dec.	July-June Revised prog.
Current maturities	55	17	26	53
Cash payments	55	17	26	53
Interest	29	28	12	21
Principal (consolidated debt)	19	20	10	20
Advances to the Treasury(+=repayments)	6	-31	4	12
Securitization	0	0	0	0
Arrears	190	86	40	89
Cash payments	40	59	40	71
Securitization	150	27	0	18

Sources: Cameroonian authorities; and staff estimates.

Table 4. Cameroon: Service of Domestic Debt Validated at End-June 1999: Projected Cash Payments for 2000/01-2004/05 1/
(in billions of CFA francs)

	2000/01			2001/02			2002/03			2003/04			2004/05		
	Princ.	Int.	Total	Princ.	Int.	Total	Princ.	Int.	Total	Princ.	Int.	Total	Princ.	Int.	Total
Financial debt	41.5	23.0	64.5	43.1	23.5	66.6	43.1	21.3	64.4	67.0	21.8	88.8	67.9	22.5	90.4
Banking system	38.7	22.0	60.7	39.7	22.5	62.2	39.8	20.5	60.3	40.8	16.8	57.6	41.7	16.5	58.2
Consolidated debt	21.0	7.0	28.0	22.0	7.0	29.0	22.0	7.0	29.0	23.0	5.0	28.0	24.0	5.0	29.0
Commercial banks	10.7	8.0	18.7	10.7	8.5	19.2	10.8	8.5	19.3	10.8	6.8	17.6	10.7	6.5	17.2
Advances of Bank of Central African States to the Treasury	7.0	7.0	14.0	7.0	7.0	14.0	7.0	5.0	12.0	7.0	5.0	12.0	7.0	5.0	12.0
Public enterprises	2.8	1.0	3.8	3.4	1.0	4.4	3.3	0.8	4.1	26.2	5.0	31.2	26.2	6.0	32.2
social security agency (CNPS) 1/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.1	4.3	27.4	23.1	5.4	28.5
insurance companies	0.6	0.1	0.7	0.6	0.1	0.7	0.6	0.1	0.7	0.6	0.1	0.7	0.6	0.1	0.7
other public enterprises	2.2	0.9	3.1	2.8	0.9	3.7	2.7	0.7	3.4	2.5	0.6	3.1	2.5	0.5	3.0
Arrears	40.0	0.1	40.1	20.0	0.1	20.1	10.7	1.3	12.0	13.5	2.3	15.8	5.2	0.2	5.4
Public enterprises	2.4	0.0	2.4	2.4	0.0	2.4	2.4	0.0	2.4	5.2	0.8	6.0	2.9	0.1	3.0
Private enterprises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Households	13.0	0.0	13.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which : wages	13.0	0.0	13.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other 2/	24.6	0.1	24.7	17.6	0.1	17.7	8.3	1.3	9.6	8.3	1.5	9.8	2.3	0.1	2.4
Total	81.5	23.1	104.6	63.1	23.6	86.7	53.8	22.6	76.4	80.5	24.1	104.6	73.1	22.7	95.8

Sources: Cameroonian authorities; and staff estimates.

1/ This reimbursement schedule has been established by the Caisse Autonome d'Amortissement (CAA) and reflects the cash payments scheduled for the period 2000/01-2004/05, based on the validated debt outstanding at end-June 1999. On the contrary, in the central government operations table (Table 6 of the staff report), the domestic debt service is the debt service due, while arrears payments include payments through securitization.

2/ Including amounts of some CFAF 23 billion and CFAF 15 billion, for the years 2000/01 and 2001/02, respectively, to take into account the government's decision to use part of the oil windfall to clear additional domestic arrears; the distribution of these amounts among the government's creditors has not yet been established.

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)*.
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 helpful 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.¹ 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.

¹ 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 1. 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"> • Mission to review government draft interim PRSP and negotiate HIPC Initiative completion point policy triggers. • 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.
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 2. 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: Interim Poverty Reduction Strategy—Key Themes to be Developed

The paper must contain long-term objectives for 2015, medium-term objectives and action plans for three to five years (rolling), and short-term objectives and action plans for one year (rolling).

I. KEY FINDINGS OF EARLIER POVERTY ASSESSMENTS

The interim poverty reduction strategy paper (PRSP) should emphasize these findings:

- An imbalance exists between demographic and economic growth.
- Key outcomes are weak and in some cases declining: nutrition, health, education, employment, and incomes.
- Gender and regional imbalances are very marked.
- Weak governance has led to past waste of public and natural resources.
- Participatory approaches and actions are not widely practiced.

II. LONG-TERM STRATEGIC OBJECTIVES (ALL OBJECTIVES CAN BE QUANTIFIED, WITH EFFORT)

The Following long-term objectives should be included in the interim PRSP:

- Raise the returns to labor of the poor in rural areas (lowest 60 percent of the rural population).
- Improve labor market outcomes for the poor in urban areas (lowest 20 percent of the urban population).
- Implement affirmative action to equalize availability of public services across regions.
- Reduce vulnerability of population to (falling into) poverty.

III. MAIN THEMES FOR THE LONG TERM

Several major long-term themes should be stressed.

First, prevent any further degradation of living standards and poverty outcomes by

- creating buoyant economic climate and labor market, and managing shocks;
- containing spread of HIV; and
- strengthening governance.

Second, address long-term population growth through reduction in total fertility rate by promoting

- universal basic education
- improved survival of children; and
- more widespread practice of contraception.

Third, improve productivity of labor (time use) in rural areas by

- raising health and nutrition status of rural population;
- providing greater access to first-stage mechanization among the poor;
- ensuring continuity in land use rights for the poor;
- providing easier access to safe water (which saves women's time and improve everyone's health); and
- making all communities more physically accessible.

Fourth, improve the quality of urban labor supply and the containment of labor costs through

- improved educational attainments of new entrants to labor force;
- greater access to skills training;
- a focus on youth unemployment; and
- containment of the urban cost of living.

Fifth, generate buoyant demand for less-skilled labor by

- implementing economic demand-management policies, and
- establishing good labor market policies and practices.

Finally, equalize the availability of public services by

- eliminating gender differences in health, education, nutritional standards, and access to infrastructure;
- effecting major shifts in public resources toward underserved regions; and
- implementing policies to assure the effective uptake of public services.

IV. IMPLIED AREAS OF FOCUS FOR MACROECONOMIC AND SECTORAL ACTION PROGRAMS

The following broad prerequisites should be emphasized in the interim PRSP:

- With respect to the **economic climate**, need to assure economic competitiveness; predictability in economic regulation; buoyant demand for goods and services; and flexible wages and prices, coupled with stability in the price level.
- With respect to **governance**, need to establish a climate in which civil society and the private sector can act/invest with confidence; in which public servants have high integrity and are held accountable for service delivery; and in which there is transparency in decision making; and in the management of public and natural resources.
- In the area of **participatory practices**, need to establish routine involvement of stakeholders in economic and other decision making; ensure that no individuals or groups are excluded from decision making and/or public services; and promote responsiveness of government services to stakeholder views.
- With respect to **regional development**, need to deconcentrate services; devolve decision making; and build the basis for a more decentralized management of public resources.

In the area of **economic management and public finances**, the interim PRSP should emphasize the need to

- promote employment (assure labor market flexibility, focus on labor productivity and skills training, and stabilize demand management to avoid unemployment shocks);
- manage the cost of living in urban areas (facilitate food supplies, and ensure access to urban housing/land and efficient urban transport);
- encourage investments, including in informal sectors; and
- redirect public resources to reinforce basic services in all sectors.

The PRSP should promote policies in the key sectors of agriculture, education and training, health, water supply and sanitation, and road transport.

With respect to **agriculture**, the poverty reduction strategy should aim to

- raise productivity of labor, especially female labor, in food crop production;
- create greater security in land tenure and natural resource rights of the poor, with particular emphasis on groups such as women, whose access is fragile;
- facilitate agricultural investments by the poor, including those groups who do not have easy access to financial and other services; and
- enhance efficiency of input chains and improve access of the poor to inputs, with particular focus on the needs of women farmers.

In the **education and training sector**, the PRSP should emphasize the need to

- focus on development of basic education in regions and areas of lowest enrollment;
- implement an affirmative action program to get and keep girls in school, especially in the low-enrollment areas;
- ensure that the content of education programs has relevance to future life needs, including HIV/AIDS, health, and nutrition messages, and focus on basic skills;
- make vocational skills training responsive to demand, and ensure that the government facilitates access of the poor to training and focuses public supply on areas where low-productivity workers are concentrated; and
- ensure gender balance in the supply of vocational skills training.

In the **health sector**, the PRSP should emphasize the need to

- focus on HIV education and achieving behavior change;
- strengthen reproductive health services, set objectives for prenatal care and attended births, and ensure adequate recruitment of female medical professionals;
- equalize health services and staffing across regions;
- contain costs of drugs and services, and ensure availability; and
- improve quality of preventive services through public health facilities.

With respect to **water supply and sanitation**, the PRSP should stress the importance of

- improving the quality of water supplies of rural households; and

- addressing sanitation needs and practices in periurban areas.

In the area of **road transport**, the PRSP should emphasize the need to

- lower costs of transport by eliminating unauthorized levies;
- better maintain feeder/rural roads; and
- strengthen competition in the supply of road transport.

Cameroon: Statistical Issues

1. The Cameroonian authorities have recently made some progress in improving their statistical database, particularly on national accounts, the balance of payments, and fiscal operations. Work has also been initiated on the collection of social indicators. However, improvements are needed in data quality (external debt), coverage (public sector), and timeliness (monetary data). In addition, the authorities are not yet current in reporting information for publication in the International Financial Statistics (IFS) and in the *Government Finance Statistics (GFS) Yearbook*. In light of the remaining deficiencies of the national economic and social data system, the government will improve or initiate activities to foster the timely production of statistical data.
2. Cameroon has been selected as a pilot General Data Dissemination System (GDDS) country. An STA mission visited Cameroon in October-November 1998 to produce metadata in all statistical areas covered by the GDDS: real, external, government finance, and money and banking sectors, as well as in the social and demographic sector. As it stands now, the Cameroon metadata cover the real and external sectors, as well as social and demographic data.

Real sector

3. The December 1999 IFS reports nominal gross domestic product (GDP) data through 1997, with its breakdown by use. The authorities have also provided estimates of real GDP growth by sector for 1998/99 and initiated the compilation of social indicators. In addition, monthly consumer price data through end-October 1999 are available to the Fund. However, these data are reported for publication in IFS only through March 1998. Technical assistance is being provided by France to rebase the national accounts on the 1993 System of National Accounts, for which purpose a mission visited Cameroon in September 1998.

Public finance

4. Annual fiscal data through 1995 were reported for publication in *IFS* and the *GFS Yearbook*. Cameroon does not provide monthly GFS data for the *IFS* page. Detailed monthly fiscal data for the period through September 1999 have been provided to AFR. Neither the *GFS Yearbook* nor the monthly data provided to AFR include information on the transactions of local governments.

Monetary accounts

5. Monetary statistics for Cameroon, as well as for the other member countries of the regional central bank (BEAC), are reported to the Fund by the BEAC on a monthly basis. Nevertheless, the lag in data reporting, at three months, is too long.

Balance of payments and external debt

6. Since 1994 no official balance of payments data have been released due to a considerable delay in implementing the data-compilation reform. Balance of payments data are not published but are disseminated only to policymakers and donors. Provisional external sector data have been provided to AFR for the period through December 1999. The STA balance of payments mission that visited Cameroon in October-November 1999 made several recommendations for improving the coverage of, and methodology for, compiling balance of payments data. The authorities have indicated their intention to shift the presentation to the BPM5. In the aftermath of the mission, particular attention is currently devoted to designing new reporting questionnaires, through ongoing consultation with the BEAC authorities.

Cameroon: Core Statistical Indicators
(As of March 31, 2000)

	Exchange Rates	International Reserves	Reserve/ Base Money	Central Bank Balance Sheet	Broad Money	Interest Rates	Consumer Price Index	Exports/Imports	Current Account Balance	Overall Government Balance	GDP/GNP	External Debt/Debt Service Paid
Date of latest observation	02/29/00	12/99	12/99	12/99	12/99	01/00	01/00	12/99	1998/99 1/	12/99	1998/99 1/	12/99
Date received	02/29/00	2/00	2/00	2/00	2/00	2/00	2/00	2/00	12/99	2/00	02/00	02/00
Frequency of data 2/	D	M	M	M	M	W	M	M	S	M	A	M
Frequency of reporting 2/	D	M	M	M	M	W	M	M	S	M	A	M
Source of data 3/	A	A	A	A	A	A	A	A	A	A	A	M
Mode of reporting 4/	E	C/M	C/M	C/M	C/M	C/M	C/M	C/M/V	C/M/V	C/M/V	C/M/V	C/M/V
Confidentiality 5/	P	P	P	P	P	P	P	P	P	P	P	P
Frequency of publication 2/ 4/	D	M	M	M	M	W	M	M	S/V	M	A/V	M

1/ Fiscal year begins in July.

2/ A = annually; D = daily; M = monthly; Q = quarterly; S = semiannually; W = weekly.

3/ A = direct reporting by the Central Bank or the Ministry of Finance; M = Monthly

4/ C = cable or facsimile; E = electronic data transfer; M = mail; V = staff visits.

5/ P = publicly released information; C = confidential.