



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 12-Apr-2023 | Report No: PIDC35619



BASIC INFORMATION

A. Basic Project Data

Country Cameroon	Project ID P180017	Project Name Cameroon Second Fiscal Sustainability, Inclusive and Sustainable Growth Development Policy Financing (P180017)	Parent Project ID (if any) P175249
Region WESTERN AND CENTRAL AFRICA	Estimated Board Date Nov 30, 2023	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Republic of Cameroon	Implementing Agency Republic of Cameroon		

Proposed Development Objective(s)

The development objective is to (i) improve fiscal sustainability, governance, and public sector management; (ii) strengthen human capital and women’s economic empowerment; and (iii) lay the foundations for sustainable infrastructure development.

Financing (in US\$, Millions)

SUMMARY

Total Financing	100.00
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DETAILS

Total World Bank Group Financing	100.00
World Bank Lending	100.00

Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

- Poverty has remained high, largely due to insufficient economic growth.** More than one in four Cameroonians lives



on less than US\$2.15 a day (2017 PPP).¹ Between 2014 and 2018, it is estimated that poverty slightly declined, driven by a modest growth record. This reduction was mainly in rural areas, while poverty increased in urban areas. However, poverty remains mostly a rural phenomenon, as about one in two people living in rural areas is poor. Rural areas, especially in conflict-affected regions, continue to experience deprivation in access to basic infrastructure and essential social services. The persistent poverty in rural areas also negatively affects the well-being of vulnerable groups, particularly children. The child mortality rate is significantly higher in rural areas at 92 per 1,000 births compared to 65 per 1,000 in urban areas, and the child stunting rate is 36 percent, compared to 20 percent in urban areas. Despite a slight decline in the poverty rate over the last decade, the absolute number of poor people has increased consistently as the population has grown almost as fast as the economy. To make significant dent against poverty, Cameroon needs to boost its growth potential by implementing structural reforms to strengthen productivity and accelerate private sector-led economic diversification (Systematic Country Diagnostic, SCD Update, 2022).

- 2. Low human capital development limits Cameroon's potential for inclusive growth.** While it is a lower middle-income country (LMIC), Cameroon's health and education outcomes are closer to the average of low-income countries and are marked by large regional and rural-urban disparities. The country has a Human Capital Index (HCI) of 0.4 percent, lower than the average of SSA and LMICs. A child born in Cameroon today will grow up to be, at best, 40 percent as productive as he or she could be if he/she enjoyed complete education and full health. Similarly, 92 out of 100 children born in Cameroon survive to age 5, compared to 96 out of 100 across LMICs. Cameroonian children who start school at age 4 are expected to complete only 8.7 (adjusted) years of school by their 18th birthday compared to 10.4 years across LMIC. Cameroonian children who start school at age 4 are expected to complete only 8.7 (adjusted) years of school by their 18th birthday compared to 10.4 years across LMICs. Meanwhile, large gender gaps remain with unemployment rates for men and women is high (13.7 percent for men compared to 30.6 percent for women in 2014).² Similarly, informal employment rates were ten percentage points higher for women (88.0 percent) than for men (78.1 percent) in 2016. Laws have yet to be passed, upholding the rights of women to work in the same sectors as men.
- 3. Cameroon remains highly vulnerable to the impact of climate change, threatening the economy's prospects of sustained growth and the livelihoods of millions of people who depend on the land.** The 2022 Climate Change and Development Report (CCDR) identifies four main sectors of the economy as highly vulnerable to the effects of climate change: agro-forestry, transport, energy, and urban development. Coastal areas are vulnerable to floods and rising sea levels, while northern regions risk increased drought and floods. The country's southwest region contains coastal and rainforest areas characterized by hot and humid conditions. Over the past years, higher temperatures, and prolonged drought in the conflict-affected regions of northern Cameroon have further driven local populations to migrate into neighboring countries or further south in search of water and arable land. Additionally, climate variability has affected crop yields and threatened food security. Road transport, the backbone of Cameroon's primary and secondary sectors, accounting for 85 percent of national transport, is highly exposed to climate risks.

Relationship to CPF

- 4. The proposed operation is aligned with the WBG strategic priorities, the 2022 SCD Update, the ongoing Country Partnership Framework (CPF) 2023–2027, the Global Crisis Response Framework³ (GCRF) and the country PRA.** The

¹ Source: Macro and Poverty Outlook, March 2023. There are delays in conducting core statistical operations such as the Population and Housing Census and the Cameroon Household Survey (*Enquête Camerounaise Auprès des Ménages*, ECAM) household survey. Consequently, the narrative on poverty is based on micro-macro simulations as opposed to observed microdata. The country is currently finalizing data collection of the 5th ECAM survey with support from the World Bank.

² ECAM (Living Standards Measurement Study, LSMS) 2014 calculations (indicator *n jobs* = 0). Latest ECAM was completed in 2014.

³ Report Number 174677



proposed DPF contributes to the three pathways of the SCD update, including (i) strengthening the Private Sector through sounder fiscal policy and improved infrastructure; (ii) reducing Fragility and Strengthening Governance by setting frameworks for effective (decentralized) regions, improved public expenditure management and service delivery; and (iii) Protecting and Investing in People by Improving human capital through better water and sanitation, basic education, and productive safety nets and greater women empowerment. The DPF is also aligned with GCRF. PAs 2, 3, and 4 align with Pillar 3 of the GCRF as they will enhance the country's capacity to better manage macro-fiscal and debt vulnerabilities by improving revenue mobilization and SOE oversight and strengthening cash management. Similarly, PA 7 also aligns with Pillar 3 as it will contribute to upgrading social protection systems to respond rapidly to future shocks. PAs 1, 8 and 9 align with Pillar 4 through the sustainable agricultural system and the promotion of climate-smart investments. While PAs 5 and 6 align with Pillar 2 as they will contribute to protecting people through improved equal access to services while rebuilding better the education sector.

C. Proposed Development Objective(s)

The development objective is to (i) improve fiscal sustainability, governance, and public sector management; (ii) strengthen human capital and women's economic empowerment; and (iii) lay the foundations for sustainable infrastructure development.

Key Results

- 5. The key results for this operation are to promote inclusive and robust growth in Cameroon while strengthening the country's resilience to climate change.** The proposed operation includes 10 prior actions grounded in in-depth analyses of the challenges related to three pillars. The first pillar includes five prior actions aiming to improving public sector management. This will be achieved through a combination of measures focused on i) accelerating the ongoing decentralization process with a focus on transparent and equitable fiscal arrangements; (ii) strengthening the governance and accountability of SOEs; (iii) improving revenue mobilization; and (iv) improving Treasury management and public sector efficiency. Pillar 2 includes four actions that will promote socio-economic inclusion, access to education, better identification, and improved mechanisms for households' mitigation to shocks. Pillar 3 includes two prior actions that will help Cameroon to lay out the foundation of sustainable (i) road infrastructure and (ii) water resource management.

D. Concept Description

- 6. The proposed operation aims to support the Government of Cameroon's efforts to promote inclusive and robust growth by (i) improving fiscal sustainability, governance, and public sector management (ii) strengthening Human Capital and women economic empowerment, and (iii) laying the foundations for sustainable infrastructure development.** This operation, the second in a programmatic series of three DPFs planned for 2022-2024, is closely aligned with the country's economic recovery efforts and the medium-term structural reforms that lay the foundations for its aspiration to become an upper middle-income country (UMIC) by 2035. As the National Development Strategy (*Stratégie Nationale de Développement, SND*) for the period until 2030 (SND30) recognizes, these goals require accelerating structural transformation, strengthening fiscal management, reducing disparities, especially gender and regional disparities, and improving resilience to climate change. The operation is also closely aligned with the World Bank's Global Crisis Response Framework (GCRF). **To support the Government's reforms, the series is organized around three pillars.**



7. **Policy areas supported under pillar 1 will be achieved through a combination of measures focusing on:** (i) accelerating the ongoing decentralization process with a focus on transparent and equitable fiscal arrangements; (ii) strengthening the governance and accountability of SOEs; (iii) improving revenue mobilization; and (iv) improving Treasury management and public sector efficiency. Reforms under pillar one will also contribute to rebuild trust between citizens and the state to create a new social contract through strengthening institutions and accountability and a more effective balance between the decentralized and the central administration.
8. **Policy areas supported under pillar 2 focus on promoting inclusion, access to education, and better mechanism for households' mitigation to shocks.** These are critical reforms for long term economic growth and improved social cohesion. Improving efficiency and transparency of resource allocation and funds flow within the education sector and strengthening management and planning, including a focus on the teachers' reforms throughout the education cycle, have been identified as short-term priority reforms to boost learning outcomes and sustained growth (World Bank/IMF joint paper, 2021). At the same time, building inclusive and shock-responsive delivery systems to facilitate identification, registration, and provision of services (universal Health coverage, social registry) will help households manage shocks and invest in their human capital. Empowering girls and women through an enabling environment by repealing discriminatory laws or restrictive provisions will promote inclusive development. Lastly better identification would improve access to services to all, especially women and other vulnerable groups. Modernizing the Civil Registration and Identity ecosystems will therefore allow more inclusive access to public and private services across all sectors.
9. **Pillar 3 includes two prior actions that will help Cameroon to lay out the foundation of sustainable infrastructure in line with the CCDR's recommendations and existing analytical works.** Adapting road transport to climate change, including improved maintenance, is essential to ensure sustainable socio-economic development in Cameroon. At the same time, integrated Water Resources will promote a systematic process for the sustainable development, allocation, and monitoring of water resources among sectors. Investments in water management systems are adaptation measures that would provide the necessary means to target sustainable agricultural intensification and the resilience of agricultural production systems (CCDR, 2022). The proposed actions under pillar 3 align with the Paris Agreement's adaptation and resilience goals as the reforms will strengthen the country's resilience to climate effects, particularly transport and water sectors. Improving road maintenance will contribute to reducing hydrocarbon consumption contributes to reducing greenhouse gases. Sustainable water management will help Cameroon adapt to climate change by protecting ecosystems. The Cameroon NDC indicated that the agricultural sector remains Cameroon's most important source of GHG emissions, representing 69 percent of total emissions. While water management is essential to adapt to climate change by addressing increasing water stress for agriculture and industry), water management measures directly affect energy savings, which can lead to reduced greenhouse gas emissions (GHGs)

E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

10. **Reforms supported by this Operation are expected to have positive social impacts and contribute to poverty reduction by creating fiscal space, strengthening institutions, promoting equitable access to education, and boosting women's economic participation, building an effective social protection system; and supporting sustainable road and water infrastructures.** As designed, the proposed reforms will have a mix of direct and indirect effects on poverty reduction. By supporting the operationalization of ongoing decentralization efforts via the



clarification of competencies transferred from the central Government to regions, the proposed reform will allow an increase of financial resources allocated to local governments, which is expected to result in better service delivery at the local level. Recent research by Chuling Chen and Jon Jellema (2018)⁴ shows that Cameroon's fiscal system is not doing enough to reduce poverty and inequality. The proposed actions, including the optimization of the tax regime and the increased efficiency of spending in social sectors, will improve the impact of fiscal policies on poverty and inequality. Introducing equalization criteria in formula-based budgetary transfers to local authorities will improve the targeting of poor areas and ensure that resources are allocated where they are most needed. Reforms aiming at reducing gender gaps in education and labor force participation will have a long-lasting effect on livelihood, especially for poor households where issues of gender gaps are more pronounced. Access to identification (ID) and civil registration (CR) will improve access to public services required, particularly for the poor and marginalized groups. Quality roads and access to water for production are critical in boosting economic activities, especially for poor households who rely primarily on agriculture for livelihood. Enhanced irrigation will increase productivity, while the quality road will boost market accessibility, resulting in higher income.

Environmental, Forests, and Other Natural Resource Aspects

11. Measures supported by the proposed operation are expected to have positive or neutral environmental effects.

Cameroon is highly exposed to climate and disaster risks including rising temperatures, propensity for droughts, rising sea levels along the coast, and severe flooding during the rainy season as well as geophysical hazards (landslides), and the authorities are working toward enhancing the country's resilience. A climate and disaster risk screening for the DPF has been completed. Prior Actions 9 and 10 are expected to have a positive direct impact on the environment through improved water resources management and the promotion of smart and resilient agriculture practices. These prior actions as well as Prior Action 8 are expected to strengthen the resilience of the agriculture and transport sectors to climatic hazards while also contributing to reducing greenhouse gas emission. Prior Action 1 is also likely to contribute positively to the protection of the environment, as is the transfer of the power from the central Government to the Decentralized Territorial Collectivities (CTD), the modalities of execution of these functions, and the provision of financial and qualified human resources. As about 40 percent of women are involved in agriculture, increasing women's access to education and the labor market (Prior Action 7) is expected to increase innovation in sustainable farming practices and resilience to natural disasters.

CONTACT POINT

World Bank

Amina Coulibaly, Abdoul Ganiou Mijiyawa
Senior Economist

Borrower/Client/Recipient

Republic of Cameroon
Alamine Ousmane Mey
Minister of Economy, Planning and Regional Development
cabinet_minepat@yahoo.com

⁴ <https://www.elibrary.imf.org/view/journals/002/2018/256/article-A002-en.xml?rskey=vT5ci3&result=66>



The World Bank

Cameroon Second Fiscal Sustainability, Inclusive and Sustainable Growth Development Policy Financing
(P180017)

Implementing Agencies

Republic of Cameroon
Cyrille Edou
Director General of Budget
cyrill.edoualoo@yahoo.com

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Amina Coulibaly, Abdoul Ganiou Mijiyawa
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Approved By

Country Director:	Elisabeth Huybens	02-May-2023
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