



The World Bank

Cameroon First Fiscal, Inclusive and Sustainable Growth DPF (P175249)

Public Disclosure Authorized

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: PGD324

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT FOR A

PROPOSED CREDIT

IN THE AMOUNT OF EURO 100.7 MILLION
(US\$100 MILLION EQUIVALENT)
FROM SCALE UP WINDOW ON SHORTER MATURITY LOAN TERMS

TO

THE REPUBLIC OF CAMEROON

FOR A

FIRST FISCAL SUSTAINABILITY, INCLUSIVE, AND SUSTAINABLE GROWTH
DEVELOPMENT POLICY FINANCING

NOVEMBER 17, 2022

Macroeconomics, Trade And Investment Global Practice
Western And Central Africa Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

Public Disclosure Authorized



Republic of Cameroon
GOVERNMENT FISCAL YEAR

July, 1 – June, 30

CURRENCY EQUIVALENTS

Exchange Rate Effective as of date October 31, 2022

Currency Unit = Euro

US\$1.00 = Euro 1.006

ABBREVIATIONS AND ACRONYMS

AFD	French Development Agency (<i>Agence Française de Développement</i>)
AfDB	African Development Bank
ASA	Advisory Services and Analytics
BEAC	Bank of Central African States (<i>Banque des États de l’Afrique Centrale</i>)
)	
CCDR	Climate Change and Development Report
CDC	Cameroon Development Corporation
CEMAC	Central African Economic and Monetary Union (<i>Communauté Économique et Monétaire de l’Afrique Centrale</i>)
CGCTD	General Code of Decentralized Territorial Units (<i>Code Général des Collectivités Territoriales Décentralisées</i>)
COVID-19	Corona Virus Disease
CPF	Country Partnership Framework
CTD	Decentralized Territorial Unit (<i>Collectivité Territoriale Décentralisée</i>)
DGB	Directorate General of the Budget (<i>Direction Générale du Budget</i>)
DGD	General Decentralization Grant (<i>Dotation Générale à la Décentralisation</i>)
DGI	Directorate General of Taxes (<i>Direction Générale des Impôts</i>)
DHS	Demographic and Health Survey
DPF	Development Policy Financing
DSA	Debt Sustainability Analysis
DSSI	Debt Service Suspension Initiative
ECAM	Cameroon Household Survey (<i>Enquête Camerounaise Auprès des Ménages</i>)
ECF	Extended Credit Facility
EFF	Extended Fund Facility
EMSP	Environmental and Social Management Plan
ERSP	Education Reform Support Project
ESIA	Environmental and Social Impact Assessment
EU	European Union
EUR	Euro

FDI	Foreign Direct Investment
FGM	Female Genital Mutilation
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GRID	Green, Resilient, and Inclusive Development
GRS	Grievance Redress Service
GUCE	Single Trade Window (<i>Guichet Unique du Commerce Extérieur</i>)
HCI	Human Capital Index
HRM	Human Resources Management
IDA	International Development Association
IDP	Internally Displaced Person
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOM	International Organization for Migration
IPF	Investment Project Financing
KPI	Key Performance Indicator
LSMS	Living Standards Measurement Study
MINADER	Ministry of Agriculture and Rural Development (<i>Ministère de l'Agriculture et du Développement Rural</i>)
MINEDUB	Ministry of Basic Education (<i>Ministère de l'Éducation de Base</i>)
MINEDUC	Ministry of Education (<i>Ministère de l'Éducation Nationale</i>)
MINEE	Ministry of Water Resources and Power (<i>Ministère de l'Eau et de l'Énergie</i>)
MINEPAT	Ministry of Economy, Planning, and Regional Development (<i>Ministère de l'Économie, de la Planification et de l'Aménagement du Territoire</i>)
MINEPDED	Ministry of Environment, Protection of Nature, and Sustainable Development (<i>Ministère de l'Environnement, de la Protection de la Nature et du Développement Durable</i>)
MINFOF	Ministry of Forests and Wildlife (<i>Ministère des Forêts et de la Faune</i>)
MINHDU	Ministry of Housing and Urban Development (<i>Ministère de l'Habitat et du Développement Urbain</i>)
MOF	Ministry of Finance (<i>Ministère des Finances</i>)
MTBF	Medium-Term Budgetary Framework
MTEF	Medium-Term Expenditure Framework
MTRS	Medium-Term Revenue Strategy
NPL	Non-Performing Loan
OCHA	Office for the Coordination of Humanitarian Affairs
OP	Operational Policy
PEFA	Public Expenditure Financial Assessment
PFM	Public Financial Management
PNPS	National Social Protection Policy (<i>Politique Nationale de Protection Sociale</i>)
PPA	Performance and Policy Action

PPP	Public-Private Partnership
PRA	Prevention and Resilience Allocation
PTA	Parents-Teachers Association
SCD	Systematic Country Diagnostic
SDFP	Sustainable Development Finance Policy
SDR	Special Drawing Rights
SND	National Development Strategy (<i>Stratégie Nationale de Développement</i>)
SOE	State-Owned Enterprise
SONARA	National Oil Refinery Corporation (<i>Société Nationale de Raffinage</i>)
SWEDD	Sahel Women's Empowerment and Demographic Dividend
TA	Technical Assistance
UN	United Nations
UNHCR	United Nations High Commission for Refugees
US\$	United States Dollar
VAT	Value-Added Tax
WB	World Bank
WBG	World Bank Group
WUA	Water Users' Association
XAF	CFA Franc

Regional Vice President:	Ousmane Diagana
Country Director:	Abdoulaye Seck
Regional Director:	Abebe Adugna Dadi
Practice Manager:	Sandeep Mahajan
Task Team Leaders:	Amina Coulibaly, Abdoul Ganiou Mijiyawa



REPUBLIC OF CAMEROON

CAMEROON FIRST FISCAL, INCLUSIVE AND SUSTAINABLE GROWTH DPF

TABLE OF CONTENTS

SUMMARY OF PROPOSED FINANCING AND PROGRAM	3
1. INTRODUCTION AND COUNTRY CONTEXT	5
2. MACROECONOMIC POLICY FRAMEWORK.....	8
2.1. RECENT ECONOMIC DEVELOPMENTS.....	8
2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY	13
2.3. IMF RELATIONS	17
3. GOVERNMENT PROGRAM	17
4. PROPOSED OPERATION	18
4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION	18
4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS	19
4.3. LINK TO CPF, OTHER WORLD BANK OPERATIONS AND THE WBG STRATEGY	35
4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS	36
5. OTHER DESIGN AND APPRAISAL ISSUES	37
5.1. POVERTY AND SOCIAL IMPACT	37
5.2. ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS	39
5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS.....	40
5.4. MONITORING, EVALUATION AND ACCOUNTABILITY	42
6. SUMMARY OF RISKS AND MITIGATION	43
ANNEX 1: POLICY AND RESULTS MATRIX	46
ANNEX 2: IMF RELATIONS ANNEX	52
ANNEX 3: LETTER OF DEVELOPMENT POLICY.....	54
ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE	67

The Cameroon First Fiscal Sustainability, Inclusive and Sustainable Growth Development Policy Financing (P175249) is led by Amina Coulibaly (Senior Economist, EAWM2) and Abdoul Ganiou Mijiyawa (Senior Economist, EAWDR) under the guidance of Abdoulaye Seck (Country Director, AWCC1); Elisabeth Huybens (Director, Strategy and Operations, AFWVP); Abebe Adugna (Regional Director, EAWDR); Keiko Kubota (Operations Manager, AWCC1); Sandeep Mahajan (Practice Manager, EAW2M2); Clelia Rontoyanni (Program leader, EAWDR); Gina Bowen (Senior Operations Officer, AWCC1) and Ndella Njie (Senior Operations Officer, AWCCM).

The core team consists of Ferdinand Owoundi Fouda (Economist, EAWM2); Nathalie Lahire (Program Leader, HAWDR); Raju Singh (Lead Economist, EAWM2); Marieta Fall (Senior Public Sector Specialist, EAWG2); Mouhamadou Moustapha Lo (Senior Education Specialist, HAFE3); Vincent Mboutchouang (Education Specialist, HAFE3); Faly Diallo (Finance Officer, WFACS); Marouan Maalouf (Counsel, LEGAM); Francis Eric Ovanda Mbele (Senior Transport Specialist, IAWT3); Papa Modou Ndiaye (Senior Transport Specialist, IAWT3); Henri Fortin (Lead Financial Management Specialist, EAWG2); Aissatou Diallo (Resident Representative, AWMGA); Cheick Traore (Senior Procurement Specialist, EAWRU); Jorge Trevino (Senior Specialist in Water and Sanitation, SAWW1); Charlie Foyet (Environmental Specialist, SAWE4); Jana El-Horr (Senior Social Development Specialist, SAWS1); Paula Maria Cerutti (Senior Social Protection Economist, HAWS3), Ioana Alexandra Botea (Social Protection Economist, HAWS3); Emelyne Calimoutou (ET Consultant, HHNGF); Pinar Baydar (Operations Analyst, EAWM2); Suhair Murad Al-Zubairi (Program Assistant, EMNPV); and Hilary Fuh Cham (Team Assistant, AWCC1).

The peer reviewers are: Fulbert Tchana Tchana (Senior Economist, EAWM1); Tina George (Senior Social Protection Economist, HAWS2); Fabienne Mroczka (Senior Public Sector Specialist, EAWG2).



SUMMARY OF PROPOSED FINANCING AND PROGRAM

BASIC INFORMATION

Project ID	Programmatic	If programmatic, position in series
P175249	Yes	1st in a series of 2

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.

Organizations

Borrower: REPUBLIC OF CAMEROON

Implementing Agency: Ministry of Finance

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Financing	100.00
------------------------	---------------

DETAILS

International Development Association (IDA)	100.00
IDA Shorter Maturity Loan (SML)	100.00

INSTITUTIONAL DATA

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Overall Risk Rating

Substantial



Results

Indicator	Baseline (2020)	Target (2024)
Pillar 1: Improving Fiscal Sustainability, Governance, and Public Sector Management		
Result Indicator 1. <i>Share of central budgetary transfers under the General Decentralization Grant to CTDs in the national budget (percentage).</i>	1 percent (2019)	7.5 percent
Result Indicator 2. <i>SOEs (including the 10 largest SOEs) publishing their annual audited financial statements online no later than two (2) months following the legal deadline for approval of accounts by General Assemblies (percentage).</i>	0 percent	50 percent
Result Indicator 3. <i>Non-oil revenue to GDP ratio (percentage)</i>	11.7 percent	13.4 percent
Result Indicator 5. <i>Reduction of cash payment rate made by Treasury (percentage).</i>	22.4 percent	15 percent
Pillar 2. Improving Inclusion by Ensuring Equitable Access to Services and Empowering Women and Girls		
Result Indicator 5. <i>Public primary schools enrolling more than 100 pupils with at least 3 state-paid teachers (especially in priority education zones) (percentage).</i>	52 percent (41)	75 percent (75)
Result indicator 6. <i>i) Decrease of the dropout rate of pregnant girls in targeted primary schools of the Northern regions (percentage).</i> <i>ii) Decrease of the dropout rate of pregnant girls in targeted secondary schools of the Northern regions (percentage).</i>	90 percent 60 percent	80 percent 50 percent
Result Indicator 7. <i>Female labor force participation rate (percentage).</i>	72 percent	75 percent
Result Indicator 8. <i>Vulnerable households registered in the social registry (number).</i>	0	250,000
Pillar 3. Laying the foundations for sustainable infrastructure development		
Result Indicator 9. <i>Paved national trunk roads in good condition, expressed as an International Roughness Index (IRI) less than 1.5 m/km (percentage).</i>	12 percent	25 percent
Result Indicator 10. <i>Irrigated area (in ha) in the Northern regions transferred to Water Users' Associations (WUA) (ha).</i>	0	10,000



IDA PROGRAM DOCUMENT FOR A PROPOSED CREDIT TO THE REPUBLIC OF CAMEROON

1. INTRODUCTION AND COUNTRY CONTEXT

- 1. The proposed Development Policy Financing (DPF), an International Development Association (IDA) credit in the amount of US\$100 million (equivalent)¹ from IDA Scale-up Window (SUW) on Shorter Maturity Loan (SML) terms, supports the Government of Cameroon's efforts to promote inclusive and robust growth and economic resilience.** The Program 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 foundations for sustainable infrastructure development. The proposed operation, the first 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 Green, Resilient, Inclusive Development (GRID) approach.²
- 2. After displaying resilience in 2020 and a rebound in 2021, Cameroon's economy is facing headwinds due to increasing fiscal and external financing pressures.** Thanks to a recovery in the primary and tertiary sectors, real gross domestic product (GDP) growth remained resilient but modest at 3.6 percent in 2021, and growth is expected to reach 3.8 percent in 2022. The economic fallout of the war in Ukraine and tightening global financial conditions are, however, putting a strain on the economy. Cameroon faces significant fiscal challenges as a result of high security spending, rising interest rates, and surging food, fertilizer and fuel prices, with fuel subsidies reaching an estimated 3 percent of GDP and representing 21 percent of the total expenditures in 2022. Moreover, rising external borrowing costs have limited Cameroon's capacity to access international markets, while the appreciation of the US dollar has inflated external debt service costs. These fiscal challenges are compounded by a structurally low level of domestic revenue mobilization. Indeed, Cameroon's tax-to-GDP ratio is generally below the 15 percent benchmark needed to cover the state's essential functions and below the average of lower-middle-income countries (LMICs), Sub-Saharan Africa (SSA), and most structural peers.
- 3. 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).³ 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

¹ In accordance with current Republic of Cameroon per capita income and IDA 20 lending criteria, the credits will be financed in Single Currency and on concessional short term maturity IDA credit terms, with 12-year maturity, including a 6-year grace period. The single currency amount (EUR 107.7 million) will be converted to the final SDR amount for commitment authority and country allocation management purposes on the day of project approval. For information, the estimated value of the credit is SDR 72.9 million.

² World Bank. April 2021. From COVID-19 Crisis Response to Resilient Recovery: Savings Lives and Livelihood while Supporting Green, Resilient, and Inclusive Development (GRID).

³ Source: Macro and Poverty Outlook, October 2022. 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.



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).

- 4. The country is facing substantial fragility risks resulting from conflict and insecurity.** Since 2012, Cameroon has experienced a range of destabilizing events, leading to several sub-national crises. The country has become more fragile, since conflicts affecting 6 out of 10 regions have displaced people, increased violence, and led to social services collapsing. More than three years of conflict have resulted in significant socioeconomic disruption in Cameroon's two Anglophone regions. Similarly, conflicts in the Far North and the North- have contributed to the regions' extreme poverty and low human development. As of September 2022, Cameroon hosted over two hundred thousand persons displaced by conflict and instability,⁴ including refugees and internally displaced persons (IDP). The United Nations (UN) High Commissioner for Refugees estimates that 52 percent of refugees are women and girls, and 55 percent of IDPs are children.⁵ Growing pressures from insecurity and displacement further underscore the urgency of enabling socio-economic inclusion through employment opportunities, especially for the young, who may be most vulnerable to criminality and radicalization. Improving services delivery through effective decentralization process (an agenda supported by the current DPF series) is crucial to strengthening the social contract and mitigate the sources of conflict and fragility as highlighted by Grand National Dialogue (2019)⁶
- 5. Low human capital development limits the potential for inclusive growth in Cameroon.** 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. In the same vein, 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 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).⁷ 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.

⁴United Nations High Commission for Refugees (UNHCR); Government of Cameroon; International Organization for Migration (IOM); Office for the Coordination of Humanitarian Affairs (OCHA).

⁵ UNHCR Multi-country Operation – Cameroon. November 2020.

⁶ This dialogue was chaired by the Prime Minister "to examine ways and means of responding to the deep aspirations of the populations of the NW/SW and other components of the Nation." its main recommendations included: (i) accelerating decentralization, (ii) establishing a special status specific to the Northwest and Southwest regions, and (iii) promoting bilingualism have been achieved or are ongoing.

⁷ ECAM (Living Standards Measurement Study, LSMS) 2014 calculations (indicator *n jobs* = 0). Latest ECAM was completed in 2014.



- 6. 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 continues to pose a threat to food security. Road transport, which is the backbone of Cameroon's primary and secondary sector, accounting for 85 percent of national transport, is highly exposed to climate risks.
- 7. The challenge for Cameroon is to rebuild and grow better in the aftermath of multiples crises since 2020 if it is to achieve the goal set by the SND30 of becoming an UMIC by 2030.** The country has adopted ambitious development goals, laid out in SND30. Yet it faces significant development challenges, which were heightened by the COVID-19 pandemic, including a high risk of debt distress, incomplete implementation of fiscal reforms, risks arising from the impact of climate change, and security issues. Moreover, the war in Ukraine and the accelerated inflation rates that have resulted from it, have exacerbated the risk of food insecurity and rising poverty food prices rose 8.2 percent y-o-y in the first semester of 2022. Bread and cereal prices rose 17.4 percent and 14.1 percent, with half of the increase in February and March. To address these challenges, the President of the Republic of Cameroon chaired the exceptional summit of the Heads of State of the Central African Economic and Monetary Union (*Communauté Économique et Monétaire de l'Afrique Centrale*, CEMAC) on August 28, 2021, which endorsed a new generation of structural reforms aimed at achieving fiscal sustainability, economic diversification and inclusive growth. These reforms aim to improve governance, the management of public resources, and the business environment and support human capital development.
- 8. The reform agenda supported by the proposed DPF series will contribute to promoting inclusive and robust growth in Cameroon while strengthening the country's resilience to climate change.** To support the government's reforms, the series is organized around three pillars. *Pillar 1* aims to improve medium-term fiscal sustainability, governance, and public sector management by supporting a decentralization policy, improving state-owned enterprise (SOE) governance, and increasing revenue mobilization. *Pillar 2* aims to strengthening human capital and women's economic empowerment" aims to promoting equitable access to education across the country, improving women's access to education and the labor market, and strengthen the social protection system. *Pillar 3* aims to lay out the foundations for sustainable infrastructure development by preserving road assets and strengthening water resources management. The selected areas which are priorities in the SND30 built on World Bank core analytics and are complementary to investment operations in key sectors and areas (public sector, governance, social protection, digital economy, education, agriculture, transport).
- 9. The operation is vulnerable to political, governance-related, macroeconomic, and institutional risks that may impact the government's capacity to successfully implement reforms.** Political and governance risks arise from the deepening of fragility as a result of socio-political crisis in the Northwest and Southwest regions, the resurgence of Boko-Haram attacks, and disputes between herders and farmers. Cameroon's dependence on oil and raw materials exports for fiscal revenues and foreign-exchange earnings and imported



fuel and food, including the primary staple—rice—for domestic consumption are major sources of macroeconomic risks, especially in a global environment of elevated commodity price volatility. Debt sustainability, currently facing pressures of high risk of debt distress, is highly sensitive to exports and tax revenue and to a sharp rise in global risk premia following a monetary policy tightening in advanced economies. On the institutional side, lengthy delays between program decision and execution are a concern, while and excess centralization of executive power in the Presidency often delays the decision-making process. Cabinet decisions or ministerial policy announcements are also often dropped or reversed because of a lack of follow-up or resources. Mitigation measures (described in the section on risks and mitigation) are supported by the policy engagement for this operation. Moreover, the reform program is aided by wide-ranging implementation support by the World Bank through ongoing analytical works, technical assistance (TA), and investment projects.

10. The macroeconomic policy framework is adequate for the proposed operation despite being subject to major risks. Growth may be expected to pick up in the medium term (to 4.3 percent per year) as global pressures abate. The SND30 should continue underpinning the reform agenda whose main objectives are to accelerate structural transformation, increase investment, and reduce key gaps in human capital and infrastructure while strengthening fiscal management. Growth would benefit from an accelerated implementation of the current reforms to promote inclusive and sustainable development and the continued implementation of projects to fill Cameroon's infrastructure deficit. On the fiscal front, the government is committed to comply with the CEMAC convergence criterion that limits the fiscal deficit to 3 percent of GDP by 2024. The recently approved second review of the Extended Credit Facility/Extended Fund Facility (EFF/ECF) International Monetary Fund (IMF) program covering 2021-2024 will help anchor fiscal consolidation. Public debt is assessed to be sustainable despite the high risk of overall and external debt distress. The successful debt reprofiling operation carried out in 2021 helped in smoothing debt service in the medium term and demonstrated the authorities' capacity for active management of the debt portfolio and commitment to debt sustainability. Lastly, monetary and exchange rate policies are anchored in its membership of the CEMAC providing additional comfort.

2. MACROECONOMIC POLICY FRAMEWORK

2.1. RECENT ECONOMIC DEVELOPMENTS

11. Since oil prices plummeted in 2014, Cameroon has made significant efforts to rebalance its economy. With limited macroeconomic buffers, the Government of Cameroon has gradually reduced its fiscal deficit, mainly by reprioritizing public investment. In conjunction with the partial recovery of oil prices, this consolidation process reduced the non-oil fiscal deficit from a peak of 6.1 percent of GDP in 2016 to 3.3 percent in 2019. With the outbreak of COVID-19, fiscal space tightened, and economic growth decelerated to 0.3 percent in 2020. The pandemic compounded pre-existing vulnerabilities, including weak domestic revenue mobilization, a growing public debt, and increasing security expenditure.

12. Cameroon's economy rebounded in 2021, with growth reaching 3.6 percent of GDP on the back of higher commodities exports and stronger services activities. Services affected by the COVID-19 pandemic, including maritime and air transport, catering, and hotels have gradually recovered since the second quarter of 2020, while the continued growth of the financial and telecommunication sectors has supported the strong



performance of the services sector. Increased industrial production (agri-food, wood, and other manufacturing industries) also helped despite declining oil production. Higher forestry activities have contributed to the recovery of the primary sector. On the demand side, increased private investment and household consumption backed by higher personal remittances supported economic activity. The revival of demand from trading partners drove increases in export-oriented industries, particularly agriculture and forestry.

13. The pace of economic recovery slowed in the first quarter of 2022 due to the economic fallout of the war in Ukraine. In the first quarter of 2022, growth slowed to 3.3 percent of GDP, as the war in Ukraine worsened supply chain disruptions, resulting in higher global prices for food staples, fuel, fertilizer, and intermediate goods used in the construction sector. Industrial sector growth slowed to 0.3 percent in Q1 2022 compared to 1.8 percent a year before as oil production and public investment dropped. Higher agricultural input costs have reduced Cameroon’s production of cotton and output of food crops. On the demand side, investment and imports decreased, due to lower public investment. The increase in food and energy prices have negatively impacted purchasing power and household consumption. At the same time, the government’s consumption of goods and services grew by 3.7 percent y-o-y, while high demand for wood and natural gas boosted exports of goods.

Table 1: Cameroon-Contributions to GDP Growth (2019-2025)

	2019	2020	2021e	2022p	2023p	2024p	2025
GDP at constant prices (%)	3.7	0.3	3.6	3.8	4.3	4.6	4.9
(percentage points, unless otherwise indicated)							
Demand side							
Private Consumption	3.0	2.2	2.7	2.8	3.8	3.9	4.0
Government Consumption	0.2	0.3	0.4	1.0	0.0	0.0	0.0
Gross Fixed Investment	2.2	0.7	2.4	2.6	2.6	2.7	2.8
Exports	1.0	-4.2	0.5	0.7	1.4	1.5	1.7
Imports	2.8	-1.6	2.4	3.3	3.5	3.5	3.6
Supply side							
Agriculture	0.4	0	0.6	0.6	0.8	0.8	1.0
Industry	0.9	0.3	1.1	1.2	1.2	1.2	1.3
Services	2	0.1	1.6	1.9	1.9	2.1	2.1
Net Taxes	0.3	0	0.3	0.3	0.4	0.5	0.5

Note: e: estimated; p: projected

Source: National authorities, World Bank, and IMF, October 2022

14. The war in Ukraine has magnified inflationary pressures, leading to higher food and fuel prices in Cameroon’s domestic market. As world prices for consumer staples such as wheat, rice, and refined petroleum products have risen sharply, the Government of Cameroon has sought to mitigate the impact on the domestic market by keeping the administratively controlled fuel prices unchanged at the cost of higher public spending on subsidies. The Government of Cameroon has further cushioned the impact of higher



shipping costs on the price of imports by reducing customs duties to take account of higher freight costs.⁸ Despite those interventions, in September 2022, inflation reached 4.8 percent (yoy) with consumer prices in Yaoundé and Douala rising by 7.6 percent and 6.9 percent (yoy) respectively, with price increases tilted toward imported goods and food items. Food prices increased by 10 percent and 10.4 percent, respectively, in Yaoundé and Douala over the past twelve months. Other urban areas also experienced increases in consumer price inflation, especially in conflict-affected regions where supply disruptions have been more acute such as in the North-West and South-West.

- 15. The Bank of Central African States (*Banque des États de l’Afrique Centrale*, BEAC) continued to tighten its monetary policy stance in 2022 to contain inflationary pressures and improve the region’s external position.** Following a 25 basis points increase in November 2021, the BEAC increased the policy rate by 50 basis points to 4.0 percent on March 28, 2022, and then to 4.5 percent on September 26, 2022. The BEAC also decreased its weekly liquidity injections from CFAF 250 billion to CFAF 160 billion in April 2022. Moreover, the regional central bank will continue to work towards the effective application of the new foreign exchange regulation to increase the repatriation of foreign exchange earnings. As of end-September 2022, the BEAC’s foreign exchange reserves represented about 3.7 months’ worth of regional imports of goods and services (roughly the same as by end-December 2021).
- 16. Domestic credit has grown at a rapid pace since the beginning of 2022 while the banking system has remained resilient to security, corporate, and external risks.** Domestic credit has continued to recover in 2022, increasing by 18 percent (y-o-y) by end-June-2022, driven by increased net claims on the State and loans to the non-financial private sector. Claims on the State increased by 2 percent in end-June 2022 (y-o-y), lower than in the same period in 2021. Sectors that benefitted from higher credit issuance include construction, catering, hotels, transport, agriculture and livestock, and energy. The banking sector and corporate risks have remained manageable, with non-performing loans (NPLs) decreasing from 16.8 percent at end-2021 to 14.8 percent in June 2022. The system-wide capital adequacy ratio rose from 12 percent at the end of 2020 to 13 percent in 2021, exceeding the regional banking commission’s (COBAC) regulatory requirement of 8 percent.
- 17. Following a slight deterioration in 2021, Cameroon’s external position has started improving in 2022.** The current account deficit reached 4.0 percent of GDP in 2021 (from 3.7 percent in 2020), reflecting deteriorating services and income (primary and secondary) balances. Between January and July 2022, export earnings grew by 51 percent compared to the same period in 2021, driven by Liquefied Natural Gas (LNG) exports. Over the same time period, imports increased at a slower pace, improving the trade balance by 5 percent (y-o-y) compared to the same period in 2021. As a result, the current account deficit is expected to narrow to 2.3 percent of GDP in 2022. The current account deficit has been financed through mostly concessional external borrowing and foreign direct investment (FDI).

⁸ To contain the prices of imported goods, the Minister of Finance signed a decision in November 2021 to reduce by 80 percent the freight costs used to determine customs values of goods imported by sea.



Table 2: Selected Macroeconomic Indicators, 2019-2025

	2019	2020	2021e	2022p	2023p	2024p	2025p
Real economy	(Annual percentage change, unless otherwise indicated)						
Real GDP	3.7	0.5	3.6	3.8	4.3	4.6	4.9
Per Capita GDP	1.0	-2.0	0.9	1.4	1.7	2.0	2.4
Inflation (Consumer Price Index)	2.5	2.5	2.5	4.6	3.0	3.0	3.0
Fiscal Accounts	(As a percentage of GDP)						
Total expenditure	19.9	15.9	16.5	17.3	16.0	15.9	16.0
Total revenue	16.6	12.6	14.1	15.3	15.8	15.8	15.9
General Government Balance	-3.3	-3.2	-3.2	-2.0	-0.2	-0.1	-0.1
Public debt	43.0	45.0	45.5	46.8	43.7	40.5	37.6
External Debt	29.4	30.5	31.9	38.9	39.8	30.8	30.0
Selected monetary accounts	(Annual percentage change, unless otherwise indicated)						
Credit to the economy	1.4	1.1	9.7	9.1	12.4	10.9	7.4
Broad money	6.5	12.1	17.2	15.6	10.1	8.1	6.2
External accounts	(Percentage of GDP, unless otherwise indicated)						
Current account balance	-4.4	-3.7	-4.0	-2.3	-2.8	-3.3	3.3
Foreign direct investment	2.3	1.4	1.5	2.0	2.5	2.5	2.5
Nominal GDP (CFAF, billion)	22748.2	23202.6	24629.1	25565.0	27426.5	28951.5	31533.7

Note: e: estimated; p: projected

Source: National authorities, World Bank, and IMF October 2022

18. Cameroon's fiscal position improved in 2021 and the first half of 2022, thanks to domestic revenue gains and spending consolidation. The fiscal deficit (including grants) declined from 3.2 percent of GDP in 2020 to 2.8 percent in 2021. Oil revenues increased to 1.9 percent of GDP in 2021 from 1.4 percent in 2020, reflecting higher international oil prices. Non-oil revenues (excluding grants) reached 11.8 percent of GDP in 2021, from 11.5 percent of GDP in 2020, as improved tax collection resulted from active tax administration measures. The increase in tax revenues was also supported by increased excise duties and the tax recovery from the brewing industry. In the first half of 2022, higher oil prices and LNG production helped further boost government revenues. By end-June 2022, oil revenue had grown by 67 percent (y-o-y). Non-oil tax revenues grew by 19 percent over the same period, driven by corporate tax and VAT collection. At the same time, increased spending on fuel subsidies has partially offset the revenue gains from higher oil prices. However, a better control over spending on goods and services (which dropped by 42 percent in July 2022 y-o-y) together with capital expenditures cuts have helped contain total expenditure. To accommodate higher fuel subsidies, government revised the 2022 Finance Law in June and sought to increase domestic non-oil revenue by 0.5 percent of GDP and improve the efficiency of public expenditure to reduce the overall budget deficit (payment order basis, including grants) to 2.5 in 2022. Capital expenditures cuts have also helped contain total expenditure and to keep public debt below 50 percent of GDP in 2022.



19. Public debt has continued to increase, driven by external debt. Public debt stock slightly increased to 45.5 percent of GDP in-2021 from 45.0 percent in 2020 and is projected to further increase to 46.8 percent of GDP by end-2022. The composition of the public debt has remained relatively stable over time, with external debt representing over two-thirds of total debt. External public debt reached 31.9 percent of GDP at the end-2021, a rise of 1.4 percentage points of GDP compared to 2020. Debt service paid in 2021 amounted to US\$1.7 billion (XAF 1,029 billion), of which 72 percent for external debt. SOEs’ debt liabilities, which reached 12.6 percent of GDP in 2021 (of which 2 percent is guaranteed by the State), represent a major risk for debt sustainability. The strong dollar increased the outstanding external debt by around CFAF 488.8 billion (1.7 percent of GDP) in 2022.

20. Cameroon has made progress in the coverage and frequency of debt reporting and in fiscal risk monitoring as part of the fiscal year 2021 (FY21) and FY22 Sustainable Development Finance Policy (SDFP) Performance and Policy Actions (PPAs).⁹ The authorities have successfully implemented the FY22 SDFP PPAs on debt management. To improve the timeliness and comprehensiveness of debt reporting, the first FY21 PPAs expanded the scope and coverage of public debt reporting by providing details on SOE debt on quarterly basis, by instrument and by debt holder. In addition, an annual report on public debt, including some SOE debt, is being disclosed since March 2021. Building on this progress, the first FY22 PPAs to strengthen the management of fiscal risks the government published an assessment of contingent liabilities arising from the portfolio of existing public-private partnerships (PPPs) using a risk assessment model; and adopted a legislation mandating a fiscal risk assessment of proposed PPPs helps further enhance debt transparency and addresses fiscal risks by collecting data and publishing an assessment of contingent liabilities arising from the existing portfolio of PPPs, and by establishing a clear framework to evaluate the fiscal risks arising from proposed new PPPs. As from the beginning of April 2022, the debt management agency has started to publish an assessment of the macro-fiscal risks of the existing PPP portfolio within its online monthly reports on debt statistics. Building on Cameroon's satisfactory completion of the FY22 PPAs, implementing the FY23 PPAs will continue strengthening debt management, including expanding the scope for reporting on contingent liabilities of PPPs.

Table 3: Key fiscal indicators, 2019-2025 (percent of GDP)

	2019	2020	2021e	2022p	2023p	2024p	2025p
Overall balance	-3.3	-3.2	-3.2	-2.0	-0.2	-0.1	-0.1
Primary balance	-2.4	-2.3	-2.2	-1.1	0.7	0.8	0.8
Total revenue and grants	16.0	12.9	14.1	15.3	15.8	15.8	15.9
Oil revenue	2.4	1.4	1.9	3.0	2.7	2.3	2.0
Non-oil revenue	13.2	11.5	11.9	11.8	12.8	13.2	13.7
<i>Direct taxes</i>	3.4	2.5	2.8	2.8	3.2	3.5	3.6
<i>Taxes on goods and services</i>	7.1	6.8	6.8	6.7	6.8	6.8	7.0
<i>Taxes on international trade</i>	1.7	1.4	1.6	1.5	1.9	2.0	2.1
<i>Non-tax revenues</i>	1.0	0.8	0.7	0.8	0.9	0.9	1.0
Grants	0.4	0.2	0.3	0.5	0.3	0.3	0.2
Total expenditure	19.3	16.1	16.5	17.3	16.0	15.9	16.0
Current expenditure	12.5	10.8	11.9	12.8	10.6	10.1	10.1
<i>Wages and salaries</i>	4.5	4.2	4.3	4.4	4.3	4.3	4.3

⁹ The SDFP refers to the Sustainable Development Financing Policy framework that the World Bank implements to help countries improve their debt management.



<i>Goods and services</i>	3.8	3.3	3.8	3.7	2.8	2.8	2.9
<i>Transfers and subsidies</i>	3.3	2.3	2.7	3.8	2.5	2.1	2.0
<i>Interest payments</i>	0.9	0.9	1.0	0.9	0.9	0.9	0.9
<i>Capital expenditure</i>	6.8	5.3	4.6	4.5	5.4	5.8	5.9
<i>Foreign financed investment (net)</i>	3.6	3.5	2.5	2.3	2.4	2.7	2.8
<i>Domestically financed investment (net)</i>	3.2	1.8	2.1	2.2	3.0	3.1	3.1

Note: e: estimated; p: projected

Source: National authorities, IMF, and World Bank, September 2022

Table 4: Estimated Financing Needs and Sources of Financing 2021-2023 (percent of GDP)

	2021	2022p	2023p
Fiscal Financing Need	7.4	5.2	5.0
Fiscal deficit excluding grants	3.0	3.0	1.7
Amortization of external debt	2.3	1.8	2.0
Net domestic financing need	2.1	0.4	1.3
Available Financing	7.4	5.2	5.0
Drawings	3.9	2.7	2.8
<i>of which Eurobond</i>	1.2	0.0	0.0
Domestic Financing	1.5	1.4	1.2
Budget support	1.3	1.1	1.0
<i>IMF</i>	0.7	0.5	0.3
<i>WB</i>	0.4	0.4	0.4
<i>EU</i>	0.1	0.0	0.1
<i>AfDB</i>	0.0	0.2	0.2
<i>France</i>	0.1	0.0	0.0
DSSI	0.7	0.0	0.0

Note: e: estimated; p: projected

Source: National authorities, IMF, and World Bank, September 2022

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

21. The economy is expected to continue to recover in the medium term with growth projected to reach 4.6 percent, on average, during 2023-2025 (2.0 percent in per capita terms). Accelerating implementation of structural reforms, particularly those aimed at boosting agricultural productivity and improving human capital, including through reforms supported by this DPF series, is expected to help support recovery and growth in the medium term. Non-oil sector activity will play a significant role in the economic recovery, with average growth in the sector projected at 4.8 percent during 2023-25. Growth in the agricultural sector, an important component of the non-oil sector, will be supported by the local content strategy, through a mix of local production of imported goods and export promotion strategies. The secondary and tertiary sectors are expected to remain the main growth drivers. Economic growth is expected to benefit from sustained higher oil prices and the completion of the Nachtigal, the Lom Pangar, the Memve'ele hydroelectric dams, the drinking water supply project in Yaoundé and reconstruction projects in the North-West and South-West



regions. These projects are expected to boost production in key sectors (agriculture, manufacturing). Also, global efforts to seek alternatives to Russian energy imports could boost FDI inflows to Cameroon related to oil and gas production. Although inflationary pressures have intensified, monetary tightening by the BEAC could help stabilize inflation this year and over the forecast period.

- 22. The current account deficit is projected to improve gradually over the medium term owing to robust oil and non-oil commodity exports.** High oil prices and higher non-oil exports should support exports. The elevated oil and commodities prices will partially offset the higher costs and volume of imports necessary to complete infrastructure projects. In the medium term, the current account deficit is expected converge to 3 percent of GDP in 2025, supported by fiscal consolidation and ongoing reforms to boost competitiveness. Exports of processed goods are expected to increase gradually, particularly in the regional market, where Cameroon seeks to take advantage of its geographical position, the Economic Community of Central African States (ECCAS) common external tariff, and the African Continental Free Trade Area (AfCFTA) agreement, which came into force in January 2021. Trade facilitation measures will support the growth of export by reducing port transit times and costs for imports and exports and simplifying administrative formalities and procedures for cross-border trade. The current account deficit is expected to be mainly financed by concessional financing, as the ongoing tightening in global financial conditions will constrain Cameroon's ability to tap international and regional capital markets.
- 23. The fiscal deficit is expected to narrow over the medium term, provided that the cost of fuel subsidies is contained.** The government has committed to achieving fiscal consolidation to comply with CEMAC's deficit target of 3 percent of GDP while creating space for higher social spending. This adjustment will have to rely on measures to mobilize tax revenue and efforts to control and rationalize public expenditure. The government has already taken steps to improve tax revenue collection, including by accelerating the digitization of tax declarations and payments. The recovery of tax arrears from SOEs and eliminating of value-added tax (VAT) exemptions on imported products that can be produced locally will support non-oil revenues. Excise duties will be introduced for products that can be produced locally, while stamp duties are expected to increase by 50 percent in 2023. On the expenditure side, the authorities are committed to reducing non-priority current spending (in particular goods and services) and increasing capital expenditure, including by promoting PPPs. The government has also committed to gradually reducing fuel subsidies starting in 2023 with an increase in pump prices of about 21 percent, equalizing oil tax revenues and subsidies to comply with the IMF ECF-EFF (2021-2024) program objectives. Targeted measures to protect the most vulnerable households will accompany the gradual reduction of fuel subsidies. In this regard, the government will extend the mechanism of conditional cash transfers (social safety nets) for the benefit of the most vulnerable households, including through measures supported by the current DPF series. Lastly, the planned implementation of the Treasury Single Account will improve treasury management and help reduce the accumulation of arrears.



Table 5: Balance of Payments Gross External Financing Needs

Cameroon	2019	2020	2021e	2022p	2023p	2024p	2025p
	Billion CFAF						
Financing requirements	2238.9	2815.7	3448.8	2888.1	3233.5	3222.0	2474.0
Current account deficit	1692.8	1442	1711.6	1362.51	1932.93	2170.674	1,877
Long term debt amortization	546.1	378.8	1000	887.4	984.6	928.3	557
Gross reserves (+=increase)	0	994.9	636.5	638.2	316	123	40
Financing sources	2238.9	3810.6	3448.8	2888.1	3233.5	3222.0	2474.0
FDI and portfolio investment (net)	899.3	549.5	2107.5	1513.7	1477.8	1254.3	800
Capital grants	85.3	34.1	114.3	56.3	59.7	68.3	40
Government borrowing (gross)	1254.3	2232.1	1227	1318.1	1696.0	1899.4	1634.0
Of which budget support loans	0	994.9	353.2	571.7	534.7	242.9	
<i>IMF credit (net)</i>	119.5	153.6	163.8	256	148.5	75.1	..
<i>World Bank</i>	0	0	100	100	100	100	
<i>EU</i>	0	0	25.6	0	25.6	15	..
<i>AFDB</i>	0	0	0	90.4	80		
<i>Other</i>	0	0	29	..	26.2	26.2	..
DSSI	0	0	283.3

Note: e: estimated; p: projected

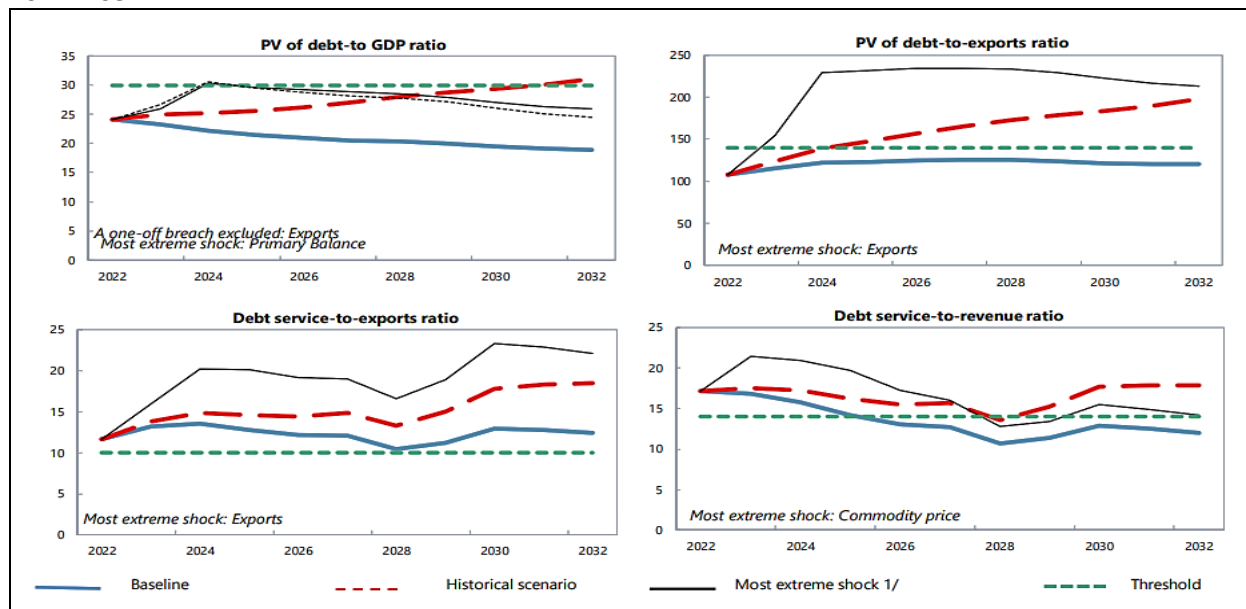
Source: National authorities, IMF, and World Bank, September 2022

24. Cameroon is at high risk of external and overall public debt distress, but the debt is assessed as sustainable according to the latest debt sustainability analysis (DSA) conducted in July 2022. Three out of four external debt indicators breach the thresholds under the DSA's baseline scenario, with a large breach in the external debt service-to-exports ratio. Nevertheless, Cameroon's debt is assessed as sustainable as the external debt stock indicators continue to lie below the thresholds with debt and debt service indicators improving, thanks to the recovery of economic growth, exports, and tax revenues, and progress in restructuring the domestic debt of National Oil Refinery Corporation (*Société Nationale de Raffinage*, SONARA), the state-owned oil refinery. Liquidity risks are further mitigated by the availability of financing from the regional financial market. The July 2021 Eurobond issuance enabled Cameroon to buy back two thirds of the 2015 Eurobond, thereby improving the country's debt profile, as the country was able to attract a lower interest rate, a longer maturity, and avoid peak repayments in 2023-2025. The stock of public debt, estimated at almost 46.8 percent of GDP in 2022, is projected to drop to 37.6 percent by 2024, driven by the gradual fiscal consolidation path consistent with the new IMF EFF-ECF program (2021-2024). The SML financing term chosen by authorities for the current operation will not affect debt sustainability as the term is (marginally) more concessional (35.2 percent concessionality) than that for IDA blend (35 percent concessionality). Debt sustainability is nevertheless vulnerable to downside risks, including tighter borrowing conditions, more protracted and severe disruptions due to the pandemic, and an unsuccessful restructuring of SONARA and CAMAIR-CO. To mitigate the risks, the debt policy will have to focus on slowing the pace of new external borrowing commitments while favoring concessional loans. Recourse to non-concessional borrowing will be limited to financing high-priority projects with proven socioeconomic and financial cost-effectiveness and for which no concessional financing is available. At the same time, trade facilitation measures, including regional



initiatives, will support export growth. Similarly, improved transparency of SOEs, including under this operation, will strengthen debt transparency and the monitoring of fiscal risks.

Figure 1: DSA Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2022–2032



Source: Government of Cameroon and IMF and World Bank staff estimates, July 2022

25. Despite the positive outlook, downside risks remain. Protracted inflationary pressures, rising uncertainty due to the protracted war in Ukraine, tightening of global monetary conditions and rising interest rates, the emergence of new COVID-19 variants, and climatic shocks are the principal downside risks to the economy. Tighter financial conditions in international markets would increase fiscal and debt sustainability risks, notably by restricting financing options and increasing the cost of external debt service. Higher oil and food prices would add to inflationary and fiscal pressures if oil subsidies were to remain high. Should such risks materialize, real GDP would grow more modestly, adversely affecting fiscal and external accounts while increasing public debt vulnerabilities. A possible deterioration of the persistent security crises in the North-West, South-West, and the Far North regions could dampen growth and derail the planned fiscal consolidation. Finally, Cameroon is also vulnerable to climate shocks which could affect key sectors such as agriculture and trigger food insecurity. The medium-term outlook may also be hampered by delayed delivery on critical infrastructure, including roads and energy projects needed to accelerate inclusive growth. However, these risks are manageable as Cameroon has shown higher resilience to the pandemic crisis than other CEMAC countries, in part thanks to its relatively diversified economy. Furthermore, the reforms supported by the proposed DPF series will reduce these vulnerabilities by strengthening the fiscal framework and laying stronger foundations for future growth. More specifically, the operation will support improved SOEs oversight by improving transparency, increased productivity of the agriculture sector, and reinforced automatic stabilizers, notably an expanded coverage of social safety nets supported by the current DPF series.

26. Cameroon’s macroeconomic framework is deemed adequate despite risks to the outlook. While the risks in the short term are high, real GDP growth should pick up in the medium term (to 4.6 percent per year) as



global pressures abate. On the fiscal front, the government is committed to achieving the CEMAC fiscal deficit convergence criterion of 3 percent of GDP by 2025. The ongoing EFF/ECF IMF program (2021-2024) will help anchor fiscal consolidation. Public debt remains sustainable and most external debt stock indicators continue to lie below the thresholds, supported by the authorities' active debt management. The implementation of tax policy and tax administration measures is expected to boost revenue mobilization. Non-oil exports could improve with the implementation of measures envisaged—under SND-30 and the AfCTA—to diversify export products and markets. Risks to the macroeconomic framework will be mitigated by the government's commitment to implementing needed structural reforms as expressed by the exceptional CEMAC Heads of State's statement of August 2021, including through the current DPF series. Cameroon's membership of the CEMAC monetary union and the regional monitoring framework provide additional comfort, especially as the regional Central Bank stands ready to tighten monetary policy if regional forex reserves come under pressure.

2.3. IMF RELATIONS

27. The proposed operation has been prepared in close coordination with the IMF to ensure its complementarity with the ongoing IMF program (2021-2024). On July 29, 2021, the IMF Board approved a three-year arrangement under the ECF-EFF for Cameroon, in an amount equivalent to Special Drawing Rights (SDR) 483 million (about US\$689.5 million). Cameroon's three-year ECF-EFF arrangements are built around five pillars: (i) ensuring domestic and external sustainability; (ii) promoting good governance; (iii) modernize tax and customs administrations, improve public financial management (PFM), and public investment efficiency, and reduce fiscal risks from SOEs; (iv) strengthening debt management and reduce debt vulnerabilities; and (v) implementing structural reforms towards a stronger and sustainable growth. The second review of ECF-EFF program was completed on July 25, 2022. The Board welcomed authorities that all quantitative criteria were met but expressed concerns about the slow-paced implementation of structural reforms and high fuel subsidies crowding out pro-growth investments. In that sense, the Board welcomed the authorities' commitments to gradually reduce fuel subsidies starting in 2023 and urged the implementation of revenue mobilization and expenditure measures to create fiscal space for social spending.

3. GOVERNMENT PROGRAM

28. Cameroon's development agenda is articulated in its Vision 2035, which targets the country's transformation into an emerging economy by 2035. Vision 2035 focuses on alleviating poverty, accelerating industrialization, and consolidating democracy and national unity while respecting the country's diversity. To operationalize the vision, Cameroon adopted the SND30, its SND in November 2020. The SND30 aims to create favorable conditions for economic growth, improve the living conditions of the population as well as their access to basic social services, strengthen adaptation to climate change, and improve governance. To achieve these objectives, the SND30 is organized around four main pillars: (i) structural transformation of the economy; (ii) human capital development; (iii) job creation and economic inclusion; and (iv) governance, decentralization, and strategic management of the State. Under Pillars 2 and 3, the SND30 also puts greater emphasis on the need for social inclusion including by accelerating decentralization to building Cameroon's resilience. As Cameroon continues to navigate multiple overlapping crises, maintaining its long-term goals for sustainable, resilient, and inclusive development is critical.



4. PROPOSED OPERATION

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

- 29. The proposed operation is closely aligned with Vision 2035, the SND30, and the agenda of the second generation of reforms endorsed by the CEMAC Heads of State in August 2021.** It supports the four pillars of the SND30. More specifically, several reforms included in Pillar 2 of the series, especially those associated with improved social assistance delivery to the most vulnerable and measures to expand access to quality education support inclusive growth, which is key, as highlighted in the SND30. Similarly, Pillars 1 and 2 of the DPF series support reforms in PDF, revenue mobilization, SOEs governance, human capital accumulation and women empowerment which are critical areas for the SND30, and the "second-generation reforms"¹⁰ endorsed by the CEMAC Heads of State Summit of August 2021, which Cameroon's President hosted. Reforms under Pillar 3 of the DPF series will contribute to ease constraints related to inadequate infrastructure and the development of the agriculture sector, which is key for long-term growth as highlighted in the SND30. SND30 also identifies inadequate infrastructure as the main constraint to economic growth.
- 30. The selectivity principle underpins the design of the proposed operation.** The following criteria have guided the choice of the pillars and prior actions: (i) the criticality of reforms; (ii) their contribution to economic recovery post-COVID-19 crisis; (iii) the empirical foundation for the supported actions; (iv) the strength of the relevant implementation arrangements; (v) the commitment demonstrated by the government; and (vi) complementarity with the IMF program and support provided by other development partners. Moreover, the current DPF program consolidates and deepens reforms on fiscal management, education, social protection, and the transport sectors started in the previous DPF series (P163657, P166694, and P168332).
- 31. The implementation of the World Bank Group (WBG) assistance program for Cameroon in recent years offers lessons that have been considered in preparing this DPF.** Three main lessons from prior DPFs are relevant and have been incorporated into the design of the current DPF series:
- Strong analytical underpinnings and links to World Bank investment lending provide the foundation for a well-designed operation. Critical Advisory Services and Analytics (ASAs) not only contributed to the design of previous lending operations but also helped shape the government's reform efforts and supported a fruitful policy dialogue.
 - Strong links to other World Bank technical capacity and investment operations are critical for the program's implementation. Effective and timely execution of projects has been challenging due to weak institutional capacity for preparing and implementing projects and reforms. To mitigate these risks, this operation is being supported by World Bank investment operations and TA.
 - Strong cross-sectoral support is critical to address Cameroon's complex challenges to achieving sustainable and inclusive growth by diversifying the economy's assets, including human capital.

¹⁰ Enhancing Sustainable and Inclusive Growth in CEMAC – Suggested Policies and Structural Reforms, joint World Bank/IMF policy paper



4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

32. The proposed operation includes nine prior actions grounded in in-depth analyses of the challenges related to each pillar. They were identified in close coordination with the authorities and following consultations with development partners and civil society. For each policy area, the context and rationale for WBG support are also provided, while the analytical underpinnings that have helped design this Operation are summarized in table 6.

Pillar 1: IMPROVING FISCAL SUSTAINABILITY, GOVERNANCE, AND PUBLIC SECTOR MANAGEMENT

33. The first pillar includes four 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. These reforms, notably those related to decentralization, have been identified in the SCD update and the Joint World Bank/IMF regional policy paper (2021) as important pathways for enhancing sustainable and inclusive growth in Cameroon. These diagnostics also highlighted that reforms related to SOEs, revenue mobilization, and treasury management are crucial for reducing fiscal risks and debt vulnerabilities. One major pillar of the SND30 is closely aligned with the first pillar of this operation and relates to “Governance, Decentralization and Strategic Management of the State,” oriented towards conflict risk mitigation. This SND30 pillar seeks to address various drivers of conflict and fragility through: (i) decentralization and local development; (ii) strengthening the rule of law and the security of people and property; (iii) improving the state's public service; (iv) economic and financial governance by rigorously fighting corruption, embezzlement and conflict of interest and (v) improving regional planning.

Policy Area 1: Supporting the Decentralization Process

***Prior Action#1.** To accelerate the implementation of the decentralization process, the Recipient’s President of the Republic and respective ministers in charge of environment, housing and urban planning, and public transport have set the procedures and implementation measures to exercise the powers transferred from the central government to the regions in selected matters including environment, housing and urban planning, and public transportation, as evidenced by implementing Decrees N°2021/744, N°2021/745, N°2021/746, and N°2021/747 dated December 28, 2021 to the decentralization law no 2019/024 of December 24, 2019 and implementing Arretes N°0007/E12/A/MINH DU/CAB, N°0030/MINT, N°008/A/MINEPDED dated November 2, 2022.*

Status. Completed

34. Context and Challenges. Accelerating the implementation of the decentralization process has been identified as critical for peace and stability, notably in the North-West and South-West regions of Cameroon. This was one of the main conclusions of the Major National Dialogue (*Grand Dialogue National*) convened by the government in September 2019. In addition, the Prevention and Resilience Allocation (PRA), for which Cameroon became eligible in 2022, has identified the persistent high centralization of resources and decision-making as a significant source of conflict. However, in Cameroon institutional arrangements clearly defining mandates of the municipalities and the regions are not yet in place; ensuring that CTDs lack the



capacity, authority, and resources to deliver public services. While the new General Code of Decentralized Territorial Units (*Code Général des Collectivités Territoriales Décentralisées*, CGCTD) was adopted in 2019 and elections to set up the regional councils took place in 2020, decentralization has been characterized by a slow and incomplete transfer of competencies to subnational entities. As a result, the central government has remained responsible for delivering most services. Furthermore, because of gaps in implementing rules, the competencies devolved to municipalities and regions are not sufficiently delineated between the central and deconcentrated entities on the one hand and municipal and regional authorities on the other. Likewise, the transfer of the human and financial resources provided in the CGCTD (a minimum of 15 percent of the national budget revenue) has not materialized. In particular, the transfer of relevant human resources management (HRM) functions, notably in education and health, has not occurred, resulting in staff shortages, affecting service delivery, and exacerbating inequity between regions. Moreover, public resources transferred to CTDs (notably through the public investment budget) have been distributed unequally, reinforcing regional disparities, with the poorest regions, such as the North and Far North, receiving the lowest funding per capita in some sectors. Shared central taxes to municipalities are also distributed through a complex mechanism.

- 35. Substance of the Prior Action.** The government is filling the gap in the institutional framework to accelerate and operationalize decentralization. On December 28, 2021, supported by this operation, the President signed three decrees (*Prior Action1.i*) devolving to regions competencies related to public transportation (Decree No. 2021/745), housing (Decree No. 2021/744), environment (Decree No. 2021/747). The three adopted decrees define rules governing the exercise of competencies devolved by the State to regions regarding literacy, environment protection, urban planning, housing program and the management of urban public transportation. To operationalize the decrees, relevant line ministers issued implementing texts (*arrêtés*) (*Prior Action1.ii*) specifying the modalities for the exercise of the powers and associated resources devolved to the regions in the three important areas.
- 36. Triggers.** The second Operation will support the implementation of regulations for fiscal decentralization in line with the provisions of the Decentralization Code. In particular, these reforms will support the consolidation of fiscal transfers from the central government to CTDs into a single pool of funds, and the establishment of formula-based transfers focusing on population as well as deprivation criteria so as to improve transparency and equity (*DPF2, Indicative Trigger#1*). Finally, the series is expected to support CTDs' accountability for service delivery through a framework of Key Performance Indicators (KPI), which could be linked to financial incentives (*DPF3, Indicative Trigger#1*).
- 37. Expected Results and Indicators.** Reforms supported by the series will accelerate the decentralization process through the effective transfer of competencies while achieving more equitable financing of CTDs to improve service delivery. Adopting the decrees defining the competencies to be transferred is expected to accelerate the transfer of responsibilities and resources from the sector ministries to the CTDs. Similarly, the financing of decentralized entities will improve by determining the formula for the distribution of central government transfers across regions using objective criteria and supporting efforts of CTDs to deliver services to the population. As a result, the share of central budgetary transfers to CTDs in the national budget is expected to increase from 1 percent in 2019 (under the General Decentralization Grant) to 7.5 percent (i.e., half of the 15 percent instituted in the Decentralization Law) in 2024. The implementation of the reforms under the decentralization policy area will be supported by Local Governance and Resilient Communities Project - (P175846), which has been recently approved by the Board. The project includes TA on fiscal



decentralization, HRM and capacity building of the CTDs to manage the resources they receive and deliver expected services. In particular, the project supports the effective transfer of HRM functions especially in the health and education sectors by strengthening local public service focusing on HRM capacity. In addition, just in time TA on fiscal decentralization will also be provided.

Policy Area 2: Improving State-Owned Enterprise Governance

Prior Action#2. *To reduce budgetary risks and improve transparency in the management of SOEs, (i) the Recipient's SOEs in categories 1 and 2 have published on their respective website their audited financial statements, and (ii) the Recipient through its Parliament, enacted and published an aggregated SOEs' report with financial and operational performance indicators within the finance law for the 2022 financial year including, as evidenced by Law N°2021/026 dated December 16, 2021.*

Status. Completed.

38. Context and Challenges. Weak governance of SOEs and the opacity of their relations with the State increase fiscal risks and remain a concern. Poor SOE performance is driven by a range of factors, including lack of transparency in their operations, limited or ineffective oversight over their management and quasi-fiscal activities (SCD Update, 2022). Over 60 SOEs deliver essential services such as energy, oil and gas, agriculture, finance, and transport in Cameroon. SOEs absorb a significant part of government spending, and their high debt (12.6 percent of GDP in 2021) and poor performance¹¹ pose significant fiscal risks. The SOEs overview report (World Bank, 2017) indicated that the reporting requirements and audit regime of SOEs have several weaknesses and falls significantly short of international standards. SOEs do not always publish financial statements, and some submit financial statements to the Ministry of Finance (*Ministère des Finances*, MOF) with significant delays. In addition to late and incomplete financial reporting, very few companies provide analytical or operational reports, making it difficult to monitor their performance. In the meantime, SOEs are building up liabilities and are not always accounted for in the budget, given weak transparency, including irregular publication of financial statements. The 2021 World Bank/IMF policy paper indicated that without assessing SOEs' financial performance and measuring their cost, it would be challenging for them to achieve financial sustainability and reduce the associated burden on public finances.

39. Substance of the Prior Action: The objective of the DPF programmatic series under this reform area is to strengthen SOEs' oversight and debt reporting through improved transparency and disclosure practices as included in the provisions of the 2017 SOEs laws. Under this operation, the government published the audited financial statements of large SOEs of categories 1 and 2¹² and an SOEs' fiscal statement¹³ along with the 2022 Finance Law (**Prior Action #2**). The aggregated SOE report, covering 2021 has been published in December 2021. The reports provide key financial and operational performance indicators for the SOE sector. This information is critical for the enhancement of transparency and improvement of the performance of

¹¹ The Net Result of SOEs has been in deficit since 2018 and reached 33 billion in 2020 (0.1 percent of GDP).

¹² Based on decree No. 2019/321 of June 19, 2019, the first public enterprise category includes companies whose average turnover for the last three (3) fiscal years exceeds XAF one hundred (100) billion. Category 2 includes companies whose average turnover for the last three (3) fiscal years is greater than XAF fifty (50) billion and less than or equal to XAF one hundred (100) billion. Category 3 includes companies whose average turnover for the last three (3) fiscal years is greater than XAF ten (10) billion and less than or equal to XAF fifty (50) billion.

¹³ <https://plateformeparlementaire.cm/#/projetLoiFinance>



SOEs over time or to monitor potential risks. The audit of financial statement of SOEs of categories 1 and 2 including Cameroon Aluminum Company (ALUCAM), National Telecommunication Company (CAMTEL), Cameroon Development Corporation (CDC), National Hydrocarbons Company (SNH), National Cotton Company (SODECOTON), National Oil Refinery (SONARA) have also been published online on respective SOEs website¹⁴ and in gazette. Publicly available data related to SOE finances will enable regulatory authorities, banks, and prospective investors to objectively assess SOE financial viability and overall business and governance practices. Critical aspects of improved governance include the regular conduct of external audits according to the requisite standards of quality and independence and the publication of key corporate documents such as audited annual financial statements.

40. Triggers. The trigger for DPF2 seeks to make SOEs and their performance more transparent to the public through regular publication of aggregate reports on the SOE sector. Moreover, current reporting requirements are too general, and compliance remains uneven. Clarifying the standards for financial statements publication, in particular the timeline and the adoption of an audit policy for SOEs as well as the completion of diagnostic studies will help improve to strengthen SOEs' transparency (**DPF2 Indicative Trigger 2**). Adopting and implementing restructuring plans for CAMTEL, CAMAIR-CO, and CAMWATER will improve the financial performance of these SOEs, thereby reducing associated fiscal risks. Similarly, establishing performance contracts with SOEs and introducing a corporate governance dashboard for SOEs of categories 1 to 3 as well as the requirement to publish financial rating reports prepared by a rating agency accredited by the CEMAC authorities (**DPF3 Indicative Trigger 2**) will strengthen incentives for SOEs to improve their corporate governance as well as overall performance.

41. Expected Results and Indicators. As part of improved SOE oversight, it is expected that at least 50 percent of SOEs (including the 10 largest SOEs) will report timely financial data to the MOF and to the public no later than two (2) months after the legal deadline for approval of accounts by their General Assemblies. This would help to both capture and monitor the contingent liabilities and fiscal risks, thereby enabling better management of these risks. TA under PEPS project and the programmatic Governance ASA will support the implementation of the reform while ensuring its sustainability.

Policy Area 3: Improving Domestic Revenue Mobilization

Prior Action 3. To strengthen domestic revenue mobilization through enhanced control of taxpayers' compliance, the Recipient's minister in charge of finance has required from the Foreign Trade Single Window (FTSW) and eighteen commercial banks to share relevant fiscal data with the tax authorities, as evidenced by the signed protocols between the ministry in charge of finance, the respective commercial banks, and FTSW.

Status: completed

42. Context and Challenges. Despite progress, further efforts are needed to better identify taxpayers and reduce the risk of tax evasion including using third-party sources. Losses from tax evasion account for about US\$375 million (0.9 percent of GDP) per year.¹⁵ Results from the 2017 Tax Administration Diagnostic Assessment Tool (TADAT) assessment identify weaknesses in the lack of automated information exchange with third-party

¹⁴ Links of publication: SNH; SONARA ; CDC ; SODECOTON; CAMTEL; ALUCAM

¹⁵ [tps://taxjustice.net/country-profiles/cameroon/](https://taxjustice.net/country-profiles/cameroon/)



data sources to identify unregistered businesses and individuals and detect discrepancies between taxpayers' declarations and the lack of an automated risk analysis system for control (D6-16). Also, Tax authority Directorate General of Taxes (*Direction Générale des Impôts*, DGI) and the Customs Department have no strategic framework for assessing and managing the risk of tax evasion. The tax audit program is not based on a well-structured risk assessment. Data collection and analysis to identify the risks of tax evasion are ad hoc and are not framed by a risk management strategy. There is a limited automated information exchange platform between the Revenue Departments and other public or private bodies and limited scope for cross-checking the accuracy of tax declarations. While collaboration between DGI and General Decentralization Grant (*Dotation Générale à la Décentralisation*, DGD) has been strengthened through the "FUSION" platform, other third-party data sources are still primarily accessed on an ad hoc basis. At the same time, Cameroon is not taking advantage of opportunities granted under the Base Erosion and Profit Shifting (BEPS) Framework. The ratification of the Multilateral Convention in April 2022 will allow the closing of gaps in international taxation for companies to avoid taxation. For a tax authority to obtain information from third parties, including other government agencies, there needs to be legislation and protocols that mandate third parties to share this information with the tax authorities.

- 43. Substance of the Prior Action.** Supported by this operation, the government has made progress in accessing a broader range of third-party data through the signature of protocols (**Prior Action 3**) in line with article 48¹⁶ of the Tax code. Article 48 of the Tax code authorizes collaboration protocols between the parties to facilitate the exchange of information within the framework of mutual administrative assistance in tax matters provided by international conventions. Prior Action 3 legally mandates third parties, including Foreign Trade Single Window (*Guichet Unique du Commerce Extérieur*, GUCE), eighteen commercial banks, to share the data with the tax authorities while using their platform for the payments of customs duties, taxes, levies and various fees. The reform will help the tax department to access a broader range of information to strengthen its compliance risk assessment. This would help detect fraud, including misreporting financial information, income, and wealth.
- 44. Triggers.** Establishing risk-based inspection of goods at customs and other licensing agencies is expected to increase domestic revenue mobilization by reducing the loss of revenue due to under-reporting and under-declaration (**DPF2 Indicative Trigger 3**). At the same time, risk-based customs controls are expected to reduce the frequency of physical and documentary inspections, thereby reducing trading costs and promoting increased trade flows, which will result in higher revenues. Similarly, the Medium-Term Revenue Strategy (MTRS) will cover tax administration and tax policy measures, including rationalization of tax incentives and exemptions, the rebalancing of efforts across tax instruments to improve efficiency and equity, and broadening the scope of environmental taxes to more goods and sectors (**DPF3 Indicative Trigger 3**).
- 45. Expected Results and Indicators.** The use of third-party data plays an important role in supporting current tax administrations' processing of tax returns and ensuring complete and accurate information. Information

¹⁶ At Tax Administration's request, public and private bodies of any kind are required to make available to it permanently and, according to a determined periodicity, all the data, and information necessary for the taxation of third parties at their disposal. Conversely, the tax administration may make available to said partner organizations, at their request, specific information within the limits of professional secrecy defined in Article L 47 of the Book of Tax Procedures.

(3) Collaboration protocols are concluded between the parties to facilitate the exchange of information according to the aforementioned methods.



from a third-party data source will help target tax evasion and improve tax compliance. As a result, non-oil revenue is expected to increase from 11.7 in 2020 to 13.4 percent of GDP in 2024.

Policy Area 4: Introducing Digital Payments

Prior Action#4. To improve cash management, the Recipient's Prime Minister has adopted and published the general framework for financial operations of the state and other public entities by electronic means, as evidenced by Decree N°2022/8001 CAB/PM dated September 16, 2022.

Status. Completed

- 46. Context and Challenges.** In 2018 the BEAC established the regulatory framework enabling CEMAC governments to make electronic payments from the Treasury directly to payees' accounts in banks or non-banking institutions. Until recently, however, Cameroon had not adopted a national regulation authorizing digital payments through non-banking institutions (mobile money service) to disburse public funds. The adoption of the digital payment regulation will allow the Treasury to undertake payments to beneficiaries (civil servants receiving salaries, retirees receiving pensions, or social assistance benefit payees, as well as various providers) using different payment channels (not only banking but also mobile money and payment cards). This will improve accessibility to government payment services, especially for those in remote rural areas with limited banking networks, while improving control over disbursements, reducing the costs and delays associated with delivering cash to beneficiaries through third-party payment agencies, and limiting the risk of fraud, leakages, and misappropriation of funds due to the use of cash transactions. Furthermore, the use of mobile payment would also foster the adoption of mobile money, enhancing financial inclusion. The use of mobile money to pay taxes and other fees to the State will also ease tax payment for taxpayers, while securing the transactions and resources paid to the government.
- 47. Substance of the Prior Action.** The proposed operation supports the government in improving the legal framework for electronic payments. On September 19, 2022, the Prime Minister issued a decree setting the legal framework for government's electronic payments and digitalizing its public accounting (**Prior Action 4**). The decree enables digital payments to and from the Treasury, including to mobile money accounts and pre-paid Treasury cards (government payments of salaries, pensions, social benefits, and payment of vendors' invoices), as well as payment of taxes and administrative fees from people/firms to the government. This reform will reinforce the expansion of electronic payments and the systematization of their use to facilitate financial transfers by the government to public employees, pensioners, social assistance beneficiaries, and vendors.
- 48. Triggers.** The Prior Action will be followed by the adoption of the regulations specifying the terms and conditions for the exercise and the cessation of the activity of payment service providers in Cameroon, clarifying the guidelines or manual of procedures for national and regional electronic payment centers and establishing the list of national institutions committed to serve as payment agencies (**DPF2 Indicative Trigger#4**). The **DPF3 Indicative Trigger#4** will support the adoption of a regulation establishing the list of administrations or entities approved as payment institutions by the monetary authority and authorized to use approved platforms (GIMAC-PAY) for payment by electronic means in Cameroon.



- 49. Expected Results and Indicators.** The proposed reforms will contribute to modernizing and strengthening budget execution, notably by streamlining the flow of funds and reinforcing associated controls. This decree will also boost efforts for digitizing financial operations in all electronic declaration services, particularly taxes, parafiscal revenues, and other services. As a result, the cash payment rate made by Treasury will decrease from 22.4 percent in 2020 to 15 percent in 2024.

Pillar 2: IMPROVING INCLUSION BY ENSURING EQUITABLE ACCESS TO SERVICES AND EMPOWERING WOMEN AND GIRLS

- 50. Pillar 2** includes three prior actions that will promote 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/civil service 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 (social registries) will help households manage shocks and invest in their human capital. Lastly, Empowering girls and women through an enabling environment by repealing discriminatory laws or restrictive provisions will promote inclusive development.

Policy Area 5. Improving Equity in the Education System

***Prior action#5.** To improve spending efficiency and equity in human resource management in the primary education sector and access to public education, the Recipient's minister in charge of education has adopted (i) a new schools financing mechanism based on defined criteria, as evidenced by Circulaire N°014/1/426/MINEDUB/SG/DRFM of 01 November 2022, and (ii) criteria for teachers' recruitment at the primary education level using a test, and deployment based on needs and the ratio of teachers per student as evidenced by Arrete N° 0158/A/43/MINDUB dated November 2, 2022.*

Status. Completed.

- 51. Context and Challenges.** Even though public primary education is free in Cameroon, many factors increase the costs of attending school, notably limited resources allocated to the education sector,¹⁷ poor allocation of resources within the sector, and inefficient management of public spending. Consequently, one-third of children—particularly those from the poorest households, girls, and rural dwellers—do not complete primary school, and only 48 percent of students from primary schools enroll in secondary education. The current modalities to support schools, including in-kind support (Paquet Minimum- PM)¹⁸ managed by the mayors and cash transfers (caisse d'avance- CA)¹⁹ sent to schools by the Ministry of Basic Education (*Ministère de l'Éducation de Base*, MINEDUB), are fraught with problems, including complexity, leading to significant

¹⁷ The overall share of financing for education is below the standard (15 percent against 5 percentages points below the minimum threshold recommended by the Global Partnership for Education (GPE).

¹⁸The PM consists of a set of teaching and learning materials to be distributed to schools by the municipalities according to requests submitted by the local devolved units of MINEDUB.

¹⁹ The CA is cash distributed to schools by the departmental delegation to support the school's functional needs (school report cards, didactic materials)



disparities between the amounts allocated and the amounts received by schools and insufficient PM funds reaching municipalities and with delays. As a result, schools still rely on parent contributions for their operating budget which increases inequities. Combined with the limited resources, the education sector faces a shortage of state-paid teachers and deployment to underserved areas. In primary education, on average there is one state-paid teacher for 69 pupils at the national level, and this ratio reaches one state-paid teacher for 118 students in the Far North (ESA, 2019). Only 24 percent of primary teacher deployment is explained by enrolment, the remaining 76 percent is related to other factors. Notably, despite some improvements,²⁰ there are significant delays in teachers' registration on the payroll once they have completed their file, which, in turn, delays their deployment. The uneven deployment of teachers leaves many schools without adequate staffing, especially in rural and remote areas. These inefficiencies result in high out-of-pocket expenses for parents, who are forced to pay community-hired teachers and buy textbooks and school materials that are not delivered by the state. Lastly, inequity in the allocation of national resources and the perceived marginalization and exclusion of specific groups from accessing economic opportunities have translated into group-based grievances particularly in the Northwest and Southwest regions.

- 52. Substance of the Prior Action.** The proposed DPF supports an education reform focusing on strengthening public schools' autonomy, responsibility, and efficiency and improving teacher deployment. New provisions under the *Prior Action 5.i* will enhance the efficiency of schools financing by establishing a mechanism for direct funding of schools while empowering local government. The circular N° 014/1/426/MINEDUB/SG/DRFM of 01 November 2022, clarifies the criteria of allocation per school, their use, and the responsibilities of different players. The funding allocation will be a function of the number of enrolled students, the number of teachers, and the deadlines for the six-monthly transfer of funds (January and July 2022). *Prior Action 5.ii* established criteria for teachers' recruitment at the primary education level and deployment based on needs and the ratio of teachers per student. More specifically, the rules for teachers' recruitment within public primary schools include a compulsory assignment in schools in the locations/regions where they competed during the selection test and their retention, for a minimum period of five (05) years, to the first assignment.
- 53. Triggers.** Equity will improve through reforms of teachers and textbooks policies (*DPF2 Indicative Trigger 5*). The continuation of reforms in the textbooks policy is essential to ensure the sustainability of the engagement of the government. In addition, reforms of the teacher policy in secondary education will have a positive impact on the budget allocation in the sector and on access to quality education. Lastly, the effective implementation of the new medium-term strategy for teaching is expected to improve spending efficiency and teacher workforce utilization at the secondary level (*DPF3 Indicative Trigger 5*).
- 54. Expected Results and Indicators.** The reform program will ensure sustained outcomes in terms of enhanced equity and efficiency of the primary education expenses and improved teacher deployment. The reform program will help prioritize recruitment of teachers within the regions, in particular in the NW/SW regions. As a result, the percentage of public primary schools (especially in priority education zones),²¹ with at least three state-paid teachers for schools enrolling more than 100 pupils is expected to increase from 52 percent (41 percent) in 2020 to 75 percent (75 percent) in 2024.

²⁰ Two main improvements were made to reduce delays in teacher payroll registration. First, a one-stop-shop (guichet unique) has been set at the central level to speed-up the treatment of teacher's files. Second, deconcentrated services have been empowered to process the file of the newly recruited teachers so that they do not need to come to the capital (Yaounde) to process their files.

²¹ Far North, North, Adamawa and East.



Policy Area 6. Supporting Girls' Education and Gender Equality

Prior Action 6. To improve girls' access to education, the Recipient's minister in charge of education has required from schools' authorities to allow pregnant girls to attend school overriding the provisions set out in Circular N°10/A//MINEDUC/ESG/DETP/DEPM/DEP dated January 19, 1980, as evidenced by Circular N°02/22/C/MINESEC/CAB dated April 22, 2022 and Circular N°006/B/1464/C/ MINEDUB/CAB dated April 21, 2022.

Status: Completed

55. Context and Challenges. Expanding access to schooling for pregnant girls in Cameroon is a crucial element of an inclusive and equitable education sector, as pregnancy is a major factor in girls' exclusion. Cameroon has one of the highest adolescent fertility rates in West and Central Africa. Cameroon averaged 122 births per 1,000 adolescent girls (from 15-19 years old) in 2018 (Demographic and Health Survey, DHS, 2018), against the average of 98 births in the sub-Saharan African region. Despite slight narrowing, years of schooling is nearly a full year more for men (9.1 years in 2020) than for women (8.3 years in 2020). For many decades, pregnant young girls in Cameroon have not been allowed to stay in school. Although Cameroon is a signatory to international conventions protecting the right to education and includes this as a fundamental right in its constitution, a 1980 circular (Ministry of Education Circular No. 10/A/562/MINEDUC/ESG/DETP/DEPE/DDP of January 19, 1980) requires pregnant girls and young mothers to drop out of school and provides for the immediate suspension of the student as soon as she is pregnant. Often these girls get dismissed from school permanently, resulting in high dropout rates and fewer opportunities for young girls. Pregnancy is girls' second most significant cause of school dropout, with 16.9 percent dropout rates, after financial problems (National Statistics Institute, 2011).²² A 2021 study from the Ministry of Secondary Education showed that in a sample of 394 schools, 798 cases of school pregnancies were recorded between 2017 and 2020. Almost 6 out of 10 cases led to girls dropping out of school. More than 70 percent of the dropout cases was found in rural areas, and the dropout rate among pregnant students was over 90 percent in primary education and nearly 60 percent in secondary education. The Government of Cameroon is committed to changing this current policy and is developing an education strategy designed to improve access and equity in education for girls, the disabled, and vulnerable populations as part of its reform agenda.

56. Substance of the Prior Action. "To promote access to education, the Recipient has canceled circular No. 10/A/562 of January 19, 1980, immediately suspending pregnant girls from attending schools and adopted two new circulars. The circulars N. 006/B/1464 and 02/22 of 21 and 22 April 2022 protect the right of pregnant girls to remain enrolled in primary and secondary school and provide them the right to benefit from maternity leave at the 26th week of pregnancy upon request." (see Box 1 illustrating better the changes introduced by repealing the 1980 Circular).

²² National Statistics Institute (NSI), Second survey of employment and the informal sector in Cameroon, 2011.



Box 1: Towards a better protection of the right for pregnant girls to attend school	
Circular No. 10/A/562 of January 19, 1980	Circulars No. 006/ B/ 1464 and 02/22 of April, 21 and 22, 2022
<ul style="list-style-type: none"> ▪ Any student recognized as pregnant will be immediately suspended from classes; ▪ A detailed report on the suspension of the pregnant student is drafted by the head of school; ▪ The pregnant girl will only be able to resume classes only after childbirth. 	<ul style="list-style-type: none"> ▪ Right to continue for pregnant girls to continue their studies while being pregnant; ▪ No report will be drafted by the head of school on the girl’s pregnancy; <p>Pregnant girls have the right to a maternity leave starting at 26th week of pregnancy upon their request;</p> <ul style="list-style-type: none"> ▪ After delivery girls are allowed to come back to school without being obliged to provide a health certificate or wait a certain period before resuming school.

57. The reform under **Prior Action 6** also seeks to reduce the gender gap in education and protect the health and well-being of adolescent girls. It will further help protect pregnant girls against discrimination and social stigmatization. Unintended pregnancy among adolescents requires holistic approaches that build girls’ empowerment, help them make decisions about their lives, including around reproductive health, and engage the support of men and boys. The World Bank will support the implementation of this reform through the Sahel Women's Empowerment and Demographic Dividend (SWEDD) (P163656). This program will finance community mobilization and literacy campaigns around these new regulations to ensure children and their communities are aware of their rights. Indeed, robust and culturally appropriate awareness campaigns need to be supported along with policy changes to sensitize and mobilize community members to the national legal and policy frameworks protecting the right to education of marginalized groups. Communication activities will go beyond producing materials and providing information, it will include tailored messages to the local context, and incorporate more persuasive, behavior-centered approaches to change stigmas and discrimination. These messages will also be translated into regional dialects and disseminated in the communities.

58. **Triggers.** To prevent sexual exploitation and abuse and sexual harassment and early pregnancies in school settings, the Recipient will adopt a regulation integrating the prevention of sexual exploitation, abuse and sexual harassment within the school system perpetrated by teachers or any other school employees. Similarly, prevention of gender-based violence (GBV), including domestic violence, child marriage and Female Genital Mutilation (FGM) will be supported in the next operation (**DPF2 Indicative Trigger 6**). Moreover, to prevent early pregnancy and school drop-out, the Recipient will adopt a regulation revising the content of the Family Life Education curriculum to incorporate content on reproductive health and facilitate the access to health services (**DPF3 Indicative Trigger 7**). In addition, reforms related to the Civil Code will be undertaken to strengthen gender equality by supporting greater access to labor market and financial independence for women (**DPF2 Indicative Trigger 7**), and prohibit discrimination based on gender, including sexual harassment in employment practices and in the workplace (**DPF3 Indicative Trigger 6**).



59. Expected results and indicators. In line with the World Bank Group's Gender strategy, the DPF series will address gender gaps and improve women's human capital, expand their employment and income-generation opportunities, and enhance their overall social and economic empowerment. It is expected a decrease of the dropout rate of pregnant girls in targeted primary schools of the Northern regions from 90 percent to 80 percent, and a decrease of the dropout rate of pregnant girls in targeted secondary schools of the Northern regions: from 60 percent to 50 percent.

Policy Area 7. Building a National Adaptive Safety Net System

Prior Action 7. To strengthen the crisis response capacity of the Recipient's social safety net system and improve the targeting of pro-poor programs, the Recipient's Prime Minister has established the rules governing the registration in, tracking and monitoring of the Recipient's national social registry, as evidenced by the Arrete N°041/PM dated May 19, 2022.

Status. Completed.

60. Context and Challenges. While there has been recent progress, the existing social protection system still needs to build greater resilience to shocks. The system is hampered by underfunding, fragmentation, and low coverage. Despite a substantial expansion of social safety nets in recent years to cover a larger share of Cameroon's extremely poor (25 percent of the poor population by 2022), social assistance is underfinanced (1.6 percent of GDP in 2021) and donor dependent. At the same time, social protection in Cameroon lacks adequate institutional arrangements and coordination between different actors. There are also critical challenges in managing the lists of beneficiaries. Under current conditions, it is impossible to fully ensure complementarities between programs because of overlaps, redundancies, data protection issues, and difficulties in identifying beneficiaries. As a result, social protection systems in Cameroon are not designed to respond to crises. Weak beneficiary identification and registration practices constitute one of the main challenges for effectively implementing the 2017 National Social Protection Policy (*Politique Nationale de Protection Sociale*, PNPS). One of the most significant constraints is the lack of an operational national social registry that would support the outreach, application, registration, and determination of potential eligibility for all social programs. Helping the population to cope with shocks addressing critical bottlenecks, requires a more efficient targeting mechanisms and a more coordinated approach. The creation of the National Social Registry will directly support the implementation of the cash transfer program, government's efforts to gradually reduce fuel subsidies, and the upcoming universal health coverage. It will allow other social programs to increase efficiency by redirecting resources toward the poorest households and improving coordination between the multiple actors involved in the sectors.

61. Substance of the Prior Action. A unique social registry has been established as a critical building block to institutionalizing a national adaptive pro-poor safety net system. The Prime Minister has issued an *arrete* establishing the Unified Social registry, its institutional arrangements and operational structure as well as its effective usage for social programs have been defined (**Prior Action 7**). The measure builds on *Prior Action #9 of DPF3 (168332)* that expanded poverty-targeting social safety nets. The establishment of the social registry and its usage mechanism for social programs will create the basis for coordinated and better targeted social programs, including those aiming at increasing resilience of households to shocks including climate shocks. Expanding targeted programs will accelerate efforts to bolster Cameroon's social safety nets with targeted measures to protect the most vulnerable, including with the phasing-out of fuel subsidies, which



mainly benefit the rich and not the poor and reduce the space for social expenditure. Furthermore, the social registry will be helpful to support female-headed households by prioritizing the roll-out of the social registry to benefit from the various social programs, thereby contributing to women's access to services and to a reduction in their vulnerability to shocks.

62. Triggers. Protection protocols, including criteria for identifying vulnerable people, is critical to allow various stakeholders to use a social registry and provide their data. Furthermore, mandating electronic payment systems for all social safety net transfers will enable rapid cash transfers to vulnerable people, with positive spillover effects on the financial inclusion of beneficiaries (*DPF2, Indicative Trigger 8*). Adopting a regulation for the Social Registry's data use and protection is required to safeguard individual rights while also boosting information quality and accuracy for social protection programs (*DPF3 Indicative Trigger 8*). The proposed reforms will be supported by a new Investment Project Financing (IPF) (P175363), an operation supporting the design, implementation, and monitoring of Social Registry and activities related to electronic payments to vulnerable households.

63. Expected Results and Indicators. An inclusive social registry would enable the government to quickly and effectively identify and channel support to households while also strengthening coordination across government agencies and development partners. The social registry will be used for analysis of program eligibility, reduction of system duplications, and design of new programs addressing various social risks, including targeting vulnerable people to be supported when fuel subsidies phase out. It will allow social assistance programs to enroll new households and expand the support to current beneficiaries based on specific criteria where needed on time, improving the system's ability to respond to shocks. Also, a digital payment system enabling the government to transfer funds directly to beneficiaries would reduce deployment time and costs while also improving financial inclusion and economic resilience for recipients themselves. Under the proposed reforms program, the number of households- included in the social registry and thus potentially eligible to multiple programs will increase from 0 in 2022 to 250,000 in 2024. This represents about 5 percent of households (more than 1 million of individuals) in Cameroon, and the target is similar to that of comparable countries.²³ While there is an urgency for having a social registry, building a strong, sustainable and dynamic social registry also requires several building blocks such as a comprehensive institutional framework, a regional/local network, an efficient MIS, and functional data protection and interoperability protocols that can take time to establish. The Adaptive Safety Nets and Economic Inclusion Project (P175363) will support the implementation of the reform program including by supporting household data collection

Pillar 3. Laying the Foundations for Sustainable Infrastructure Development

64. 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 is essential to ensure sustainable socio-economic development in Cameroon, while a new water policy will pave the way for institutional and governance reforms in irrigation and water resource management.

²³ For instance, in Burkina Faso, a country of about 21.5 million population (27.2 million in Cameroon in 2021), in the last DPF series, the target of the total number of households included in the social registry was 120,000. In the case of Cameroon, depending on progress made by the time of DPF2, the target may be revised upward.



Policy Area 8. Improving the Sustainability of Road Infrastructure

Prior Action#8. To improve the preservation of the Recipient's road assets and transport infrastructure and to strengthen its resilience to climatic hazards, the Recipient has (i) through its Parliament, enacted and published the law on the Management of the National Road Network as evidenced by Law N°2022/007 dated April 27, 2022, and (ii) through the Recipient's minister in charge of public work has issued an instruction note with new criteria to consider climate change in the design of road infrastructure, as evidenced by Instruction Note N°7794/NI/MINTP/SG/DGET/DAET/DAET304 dated September 6, 2022.

Status. Completed

65. Context and challenges. Weak sectoral governance and high exposure to climate risks negatively impact the road network's quality and sustainability in Cameroon. Road asset management in Cameroon is characterized by: (i) a lack of programming of road network maintenance; (ii) the chronic insufficiency of financial resources used for maintenance, and the lack of efficiency of the sub-sector; (iii) the non-application of an effective axle load control policy; (iv) regional disparities in access; and (v) a lack of knowledge of the unpaved road network. Despite existing sectoral masterplans, the planning and programming of construction and maintenance works are not based on the actual condition of the road network because of the lack of a functioning road asset management system and insufficient coordination between the main actors in the sector. The effects of extreme meteorological events due to climate change on the road network are heightened by the lack of financial resources. Meanwhile, chronic underfunding of road maintenance remains a critical challenge, contributing to the road sector's underperformance despite progress made during the previous DPF series (P168332).²⁴ Of the country's 121,501 km road network, over 94 percent is unpaved and only 11 percent of the national and regional road networks are considered in good condition. During the rainy season, many unpaved roads are periodically cut off, and road structures, especially bridges and drainage structures, often suffer serious structural damage which can often lead to their collapse. Extreme temperatures and droughts also contribute to the degradation of roads. In addition, climate data and risks are not included in planning interventions on the road network and decision-makers. Despite that, the 2022 CCDR indicates that the existing strategy does not address climate change. Government and implementation entities also lack the technical capacity to integrate climate risk mitigation and adaptation measures in the planning, programming, and implementing road sector interventions.

66. Substance of the Prior Action: The new law on the preservation of road assets (*Prior Action 8.i*) provides the guiding principles for effectively protecting, operating, maintaining, upgrading, and expanding physical road assets throughout their lifecycle while also covering environmental and social considerations. It replaces Law 96/07 of April 8, 1996, on the preservation of road assets to reflect new challenges, including (i) the redistribution of responsibilities for the management of road infrastructure in line with the government's new decentralization policy; (ii) measures to guide and control types of vehicles allowed on the network and technical control of vehicles; (iii) efficient management of tollgates and axle load control; (iv) sustainable financing of road network maintenance; and (v) integration of climate change aspects into road design. For the latter, the government has issued an instruction note No 7794/NI/MINTP/SG/DGET/DAET304 of

²⁴ Under the latest DPF3 (P168332), the government has completed a technical and operational audit of the Road Fund in order to strengthen the road maintenance programming system. The main recommendations include: the amendment of the law on the protection of road assets; (ii) revision of the road maintenance programming strategy; and (iii) transition to a second-generation Road Fund.



September 6, 2022 (*Prior Action 8.ii*), to consider aspects related to climate change when preparing tender documents. As a result of this order, new specifications have been incorporated to adapt the design of engineering and hydraulic infrastructures to climate change.

- 67. Triggers.** The effective implementation of instruments under the new law on the preservation of road assets including the migration of the Road Fund into a second-generation fund will ensure the financial autonomy of the Road Fund and allow the availability of sufficient resources for road maintenance (*DPF2 Indicative Trigger 8*). The three-year prioritized program of road interventions will include a mitigation plan for risks linked to climate change and road safety, thereby improving the preservation of the road network in good condition and strengthening its resilience to climatic hazards (*DPF3 Indicative Trigger 8*).
- 68. Expected Results and Indicators:** The reform program policy aims to ensure the quality and sustainability of road infrastructure. It will ensure the adaptation of road transport to climate change as recommended by the CCDR, which is essential to ensure sustainable socio-economic development in Cameroon. The Percentage of the paved national trunk roads in good condition, expressed as an International Roughness Index (IRI) less than 1.5 m/km is expected to increase from 12 percent in 2020 to 25 percent in 2024.

Policy Area 9. Improving Water Resource Management

Prior Action 9. To improve water resource management, the Recipient's President has approved a National Water Policy, governing the planning and development of water resources and their optimum utilization, through the creation of Water User Associations (WUAs) and the transfer of irrigation infrastructure to WUAs for its management, as evidenced by the Recipient's minister of state, secretary general letter dated November 2, 2022.

Status. Completed.

- 69. Context and Challenges.** Lack of an institutional structure weakens water resources management and sustainable access to resilient irrigation infrastructure. Irrigation is fundamental to ensuring regional food security in Cameroon, in particular in the North and Far North, the most environmentally fragile of the country's five climatic zones. More than half of the households in Cameroon spend above 40 percent of their income on food purchases, and more than 15 percent are vulnerable to food insecurity. Irrigation development and management in Cameroon have not evolved since the 1980s, contrary to other countries in the region. There is still no institutional framework for WUAs. The strong involvement of the Company for the Expansion and Modernization of Rice Production (SEMRY), an SOE, from land preparation to rice commercialization passing through irrigation service delivery has led to poor results, with farmers only able to harvest in the irrigated area once per year in some regions like the Far North. The recent CCDR indicated that adopting climate-smart production practices, including institutional and governance reforms in irrigation and water resource management, would support sustainable agricultural intensification and the resilience of agricultural production systems. Experience worldwide shows the importance of creating sustainable governance mechanisms to ensure the long-term sustainability of investments in irrigation through farmer-managed mechanisms. WUAs can contribute to better irrigation system performance because of their advantages over a public agency, on the one hand, and over uncoordinated activity by individuals, on the other.



- 70. Substance of the Prior Action.** To address these problems, the government has adopted a new National Water Policy, which will inform amendments to the Water Code (*Prior action 9*). The National Water Policy envisages better use of existing water resources by recognizing the need to create WUA that would take over responsibility for managing, operating, and maintaining irrigation infrastructure. This new legal framework will form the legal basis for establishing WUAs within new and existing irrigation schemes.
- 71. Triggers.** The new National Water Policy will inform the revision of the water code.²⁵ With the new policy adopted, the new Water Code (*DPF2 Indicative Trigger 9*) is expected to be amended to include provisions to allow SOEs in the irrigation sector to legally transfer responsibility for managing irrigation infrastructure to local WUAs. The amendments are expected to provide mechanisms for private sector participation in the provision of irrigation services (*DPF3 Indicative Trigger 9*).
- 72. Expected Results and Indicators.** The new institutional framework will provide greater accountability and better community-level management of water resources. It is expected to give legal certainty to farmers’ access to irrigation and strengthen their ability and incentives to invest in their local irrigation infrastructure to increase production and productivity. It will also enable the irrigation sector to attract investment and know-how from the private sector. As a result, Irrigated area transferred to WUAs will increase from 0 ha in 2020 to at least 10,000 ha in 2024.

Table 6: DPF Prior Actions and Analytical Underpinnings

Prior Actions	Analytical Underpinnings
Pillar 1: Improving Fiscal Sustainability, Governance, and Public Sector Management	
Prior Action 1	<p><u>Cameroon PER, (World Bank, 2018)</u> <u>The Path to Fiscal Decentralization: Opportunities and Challenges (World Bank, 2012)</u> The decentralization process will better mobilize Cameroon’s growth potential, including through the development of regional growth hubs in Douala and Yaoundé. <u>Political Economy Analysis of Decentralization (World Bank, 2021)</u></p> <ul style="list-style-type: none"> • The adoption of texts clarifying overlaps and the delineation of functions between <i>déconcentration</i> actors) and CTD; ii) regions and communes should be prioritize.
Prior Action 2	<p><u>Cameroon SOE review (World Bank, 2017)</u></p> <ul style="list-style-type: none"> • Despite recent improvements, SOE transparency remains weak. • <u>2021 CPSD</u> • Publish the financial accounts of all SOEs within a reasonable time at the end of each reporting period (6 months) and electronically will help to monitor fiscal risks stemming from SOEs. • Prepare an SOE Policy. <p><u>Management of Public Enterprises (IMF, 2021)</u></p>

²⁵ The Government of Cameroon committed to ensure by 2030 availability and sustainable management of water and sanitation for all including by implementing integrated water resources management at all levels, including through transboundary cooperation as appropriate, achieving universal and equitable access to safe and affordable drinking water for all and y 2030 and substantially increasing water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.



	<ul style="list-style-type: none"> Strengthen the reporting to the state of the SOE portfolio through the Financial Assistance annex to serve as a monitoring tool for the State. <p><u>Enhancing Sustainable and Inclusive Growth in CEMAC – Suggested Policies and Structural Reforms (World Bank/IMF joint paper, 2021)</u></p> <ul style="list-style-type: none"> To increase SOEs’ financial transparency, two essential measures include the systematic and timely publication of portfolio- and SOE-level financial information and the identification and quantification of public service obligations.
Prior Action 3	<p><u>Cameroon Tax Administration Diagnostic Assessment Tool (World Bank, 2017)</u></p> <ul style="list-style-type: none"> The lack of integration between the tax management system and taxpayer registration leads to a lack of completeness and accuracy in the register's data and therefore does not contribute to efficient tax management.
Prior Action 4	<p><u>Diagnosis of the governance architecture of G2Px systems in Cameroon</u></p> <ul style="list-style-type: none"> Implementing texts of the regional regulatory framework relating to electronic payment that are missing. Weak integration of electronic payments in public finance management systems
Pillar 2: Improving Inclusion by Ensuring an Equitable Access to Services and Empowering Women and Girls	
Prior Action 5	<p><u>Cameroon PER (World Bank, 2018)</u></p> <ul style="list-style-type: none"> Teacher recruitment, management, and deployment remain among the most important challenges facing the Cameroonian education system. <p>The intergovernmental transfers from centralized to deconcentrated level that finance schools (that is, the caisse d’avance and the paquet minimum) involve many stakeholders and their distribution mechanisms lack transparency.</p> <p><u>Diagnostic of Secondary Education Sector in Cameroon (World Bank, 2019)</u></p> <p>On average, one out of four teachers are paid by parent-teacher associations (PTA).</p>
Prior Action 6	<p><u>Leave No Girl Behind in Africa (Human Rights Watch, 2018)</u></p> <ul style="list-style-type: none"> Cameroon is among fifteen (15) countries having conditional re-entry policies that require pregnant girls and young mothers to drop out of school but provide avenues to returning. <p><u>Teenage childbearing and school dropout in a sample of 18,791 single mothers in Cameroon, (Sobngwi-Tambekou et al. 2022)</u></p> <ul style="list-style-type: none"> Among the 18,791 single mothers, 41.6percent had dropped out of school because of pregnancy. <p><u>Enhancing Sustainable and Inclusive Growth in CEMAC – Suggested Policies and Structural Reforms (World Bank/IMF joint paper, 2021)</u></p> <ul style="list-style-type: none"> Empower girls and women by repealing discriminatory laws or restrictive provisions and improving legislation and the application of existing laws to protect the education and health rights of women and address social norms.
Prior Action 7	<p><u>Cameroon PER (World Bank, 2018)</u></p> <ul style="list-style-type: none"> Improvements in targeting will maximize the poverty-reduction effect of spending on social protection. <p><u>Project Appraisal Document: Adaptive Safety Nets and Economic Inclusion Project (World Bank, 2022)</u></p> <ul style="list-style-type: none"> Further strengthening of social protection delivery systems, including a social registry and



	digital payments system, is also needed to enable Cameroon to respond to climate- and conflict-related shocks.
Pillar 3: Laying the foundations for Sustainable Infrastructure Development	
Prior Action 8	<p><u>Audit Reports on the Road Fund and Road Programming Maintenance System, (2020)</u> <u>Project Appraisal Document: Transport Sector Development Project (World Bank, 2016)</u></p> <ul style="list-style-type: none"> Cameroon’s transport sector faces a multitude of challenges, including maintaining and expanding the road network and developing intermodal and multimodal interfaces to improve logistics performance.
Prior Action 9	<p><u>Project Paper on Governance on Irrigation in Northern Cameroon, (World Bank 2022)</u></p> <ul style="list-style-type: none"> The completing of the National Water Policy, the Hydro-Agricultural Policy, and the new Water Code relevant for implementing regulations are key for creating an appropriate legal basis for the irrigation sector <p><u>Country Climate and Development Report (CCDR), (World Bank, 2022)</u></p> <ul style="list-style-type: none"> Investments in water management systems are adaptation measure.

4.3. LINK TO CPF, OTHER WORLD BANK OPERATIONS AND THE WBG STRATEGY

73. 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 Framework²⁶ (GCRF) and the country PRA. The 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.

74. Several investment and results-based projects are direct complements to this operation and provide financial and institutional capacity-building in mutually reinforcing areas to ensure sustainability in the reform agenda. Prior actions aiming to improve fiscal sustainability under Pillar 1 will be supported by the ongoing Public Sector Effectiveness and Statistical Capacity Project (PEPS) (P151155) and the Governance Programmatic ASA (P17230), which include TAs to support decentralization, domestic revenue mobilization, and SOEs governance. Similarly, the CEMAC Governance Programmatic ASA FY23-2025 (P179082) will support the implementation of government-to-persons payment systems reforms. The PEPS has been

²⁶ Report Number 174677



recalibrated to provide support towards enhancement of the decentralization process and strengthening citizen engagement in use of public funds, particularly to PIB monitoring committees in conflict regions. The implementation of reforms to enhance human capital under Pillar 2 will be supported by the Education Reform Support Project (ERSP) P160926) and the Adaptive Safety Nets and Economic Inclusion Project (P175363). The US\$175 million Cameroon ERSP seeks to improve equitable access to basic education, with a specific focus on the disadvantaged areas, including support to refugees, teacher training on child protection. Reforms to empower women and girls build on the work of the SWEDD (P163656), aiming at increasing women and adolescent girls' empowerment and their access to quality reproductive, child, and maternal health services. The SWEDD project will finance community mobilization, legal awareness, and literacy campaigns around these new regulations. Finally, reforms aiming to increase environmental sustainability and resilience to climate change are built around the recommendations of the Country Climate and Development Report and supported by World Bank-financed projects for roads, irrigation (Valorization of Investment in Benue Valley, P166072 and in the Logone Valley, P168772), and agriculture sectors, including the regional Lake Chad Region Recovery and Development Project (P161706).

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

75. The proposed operation has been prepared in close collaboration with the government. The proposed reforms have been discussed with authorities during the virtual mission held from July 12-27, 2021, followed by several technical meetings including with senior officials. The implementation of the reforms supported by the DPF series is monitored by an inter-ministerial committee that includes representatives of eighteen (18) sectoral ministries and development partners. The Secretary-General of Ministry of Economy, Planning, and Regional Development (*Ministère de l'Économie, de la Planification et de l'Aménagement du Territoire*, MINEPAT chairs the committee, and MINEPAT's Directorate General of the Economy is its technical secretary. The committee has actively contributed to preparing the proposed Operation and will continue to work closely with the World Bank team. The team has consulted civil society organizations and the private sector for education including girls' education and revenue mobilization reforms, respectively. Workshops organized under the SWEDD Project (P163656) sensitize and mobilize community members for appropriate awareness campaigns.

76. Consultations with donors including the IMF, the African Development Bank (AfDB), the French Development Agency (*Agence Française de Développement*, AFD), and the European Union (EU) have also informed this operation as part of a broader coordination effort in the CEMAC region. Development partners in Cameroon closely coordinate their programs by focusing on areas with comparative advantages to maximize complementarities and minimize the government's administrative burden. Major development partners meet frequently to exchange information on key sectors and participate in joint missions. The proposed Operation has been discussed with the development partners and complements the IMF EFF-ECF program by focusing on fiscal consolidation, debt management, PFM reforms, private sector-led economic diversification, and SOE governance reforms. The AfDB provides support to improve public expenditure efficiency and enhance governance and competitiveness in key sectors. The AFD supports PFM reforms, including SOE governance, and the development of the water and agriculture sectors. The EU finances projects and TA activities that support PFM reforms as well as investments in forestry, livestock, rural development, and rural road infrastructure. The workshop organized with donors involved in the social protection sector has been instrumental in preparing the legislation to establish a unified Social Registry.



5. OTHER DESIGN AND APPRAISAL ISSUES

5.1. POVERTY AND SOCIAL IMPACT

- 77. 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) 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. 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. Quality roads and access to water for production are critical in boosting economic activities, especially for poor households who rely primarily on agriculture for their livelihood. Enhanced irrigation will increase productivity, while the quality road will boost market accessibility, resulting in higher income.
- 78. Prior Action 1 under pillar 1, focusing on supporting the operationalization of the Decentralization Law of 2019, is expected to improve equity in public expenditure across the country's regions.** Currently, local governments do not have the required decision-making power, and they lack financial and human resources capacities to fulfil their mandates. There is a mismatch between needs and allocation of resources at the regional level, resulting in growing spatial inequalities, which are among the root causes of existing conflicts. The reform transferring core competencies, including the related financial, human, and material resources from the central government to the regions will enhance governance at the local level, enabling these regions to improve public services as well as current and capital spending infrastructure. The proposed reforms towards operationalization of the decentralization will improve the performance of local government, resulting in improved living conditions and economic opportunities, including better access to basic public services. Ultimately, this action will eliminate the mismatch between needs and allocation of resources at the regional level, resulting in reduction of spatial inequalities.
- 79. Prior Actions 2, 3 and 4, under pillar 1, are designed to increase the efficiency of domestic revenue mobilization by reducing leakages.** Promotion and vulgarization of electronic payments will be critical in reducing corruption and waste of public resources that is facilitated by the proliferation of cash payments, which are often difficult to track. Consequently, more resources will be made available for pro-poor policies and programs. Currently, many resources are lost or imperfectly utilized due to the poor performance of SOEs. Reforms toward better management of SOEs will free up resources that would otherwise be used to subsidize poor-performing SOEs. The push towards expanding the taxpayers' database and enhanced control of taxpayers' compliance will increase domestic revenue mobilization. Better management of SOEs and higher domestic revenue will increase available resources, part of which will ultimately be used to finance pro-poor programs and policies.



- 80. Prior Actions 5 under pillar 2, focusing on improving spending efficiency and increasing equity and quality in public primary school financing, will directly impact poor households.** Although the poverty rate is lower among households with a teacher, vulnerability remains high; a vast majority of teachers are likely to fall under the poverty line when affected by a negative shock. The proposed reforms will improve the distribution of teachers and reduce spatial disparities in the teacher-to-pupil ratio. The proposed reforms will increase teachers' deployment while reducing the household burden. A combination of appropriate workload and better remuneration is expected to boost teachers' performance. The proposed prior action will not have adverse effects on the teachers' households, since these actions will improve the mechanism of financing of schools, which is likely to benefit teachers. Poor households tend to have more children, and their kids are more likely to attend public schools. For instance, the 2014 ECAM survey's estimations reveal that 58 percent of students attending a public primary school come from households in the bottom 40 percent. Therefore, reforms aiming to improve efficiency and public primary school quality are pro-poor. Moreover, wage regressions reveal that a person's education level increases his probability of getting a job, and once that person gets a job, the education level is also a determinant of his income level. Therefore, improving education quality will ultimately improve income through better performance in the labor market.
- 81. Prior Action 6 under Pillar 2, designed to reduce the gender gap in education and to protect the health and well-being of adolescent girls, and promoting gender equality on the labor market will directly affect poverty reduction.** This reform will have significant positive effect by reducing dropouts and helping improve gender equity in education when compared to the status quo. Still additional actions must be considered in the near future in order to handle the maternity leave period after 26th week of pregnancy when pregnant girls will have to stop attending school, upon their request. Special attention should also be given to post delivery period so as to ensure a smooth return to school. Gender related triggers for future DPF could be designed to address these issues that will emerge during maternity leave and after delivery. These measures will also help expand women's income-earning opportunities, especially for poor households, where gender discriminations are more pronounced. Overall, reducing gender inequality will have major positive implications for women, communities, and countries in many areas (Wodon et al., 2020).
- 82. Prior Action 7 under Pillar 2 together with Prior Action 4 on electronic payments will strengthen the crisis response capacity of the Social Safety Net system and improve the targeting of pro-poor programs, directly affecting poverty reduction.** Establishing a social registry will facilitate beneficiary identification and improve coordination. Allowing the digital government-to-person payment system will enhance the speed and efficacy of beneficiary transfers. These reforms are intended to develop a social protection system that is flexible enough to adapt to rapidly changing circumstances and needs in the event of a covariate shock, including natural disasters, food shortages, or violent conflict. Taken together, the social registry and digital payment system aim to strengthen shock-responsiveness by enabling a timely, safe, and cost-effective expansion of coverage and delivery of benefits to affected populations.
- 83. Finally, Prior Actions 8 and 9 under Pillar 3, on improving the preservation of the road network and strengthening its resilience to climatic hazards, and water resources management, will directly support poverty reduction.** Roads are keys to connecting people to the market and boosting income. A focus on road networks that are resilient to climatic shocks will increase access to the market during all seasons. This will benefit the poor, who sometimes live in localities that are not accessible during the rainy season. With the proposed action, the poor will be able to sell and buy goods all year long, boosting their income. Investments in irrigation will go a long way to improve agricultural productivity and enhance resilience to climate change,



thus helping farmers increase their incomes. Rural areas have higher poverty rates, and most rural poor rely on rain-fed agriculture for their livelihoods. The proposed investments are expected to reduce poverty in rural areas. Prior Action 9 is expected to generate business opportunities for economic operators in irrigated areas and create new employment opportunities for local communities.

5.2. ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS

- 84. The government's environmental laws, regulations, and policies are generally well established.** Over the last twenty (20) years, Cameroon has made significant strides in developing its framework for environmental management, starting with the framework law No. 96/12 of August 5, 1996, on environmental management. This law and subsequent decrees establish the general conditions, restrictions, and enforcement mechanisms for preventing and controlling pollution. They also set out requirements for prior environmental assessment of proposed investments. Cameroon has also adopted the Water Code No. 98/005 of April 14, 1998, which recognizes water as a national public good to be protected and managed by the State to facilitate access to all. The government has also adopted three decrees to implement these laws. Decree No. 2001/165/PM of May 8, 2001, specifies the modalities for protecting surface and underground water against pollution. Decree No. 2012/2809 of September 26, 2012, stipulates waste management conditions, including provisions on the management of medical and pharmaceutical waste. As per this Decree, it is the waste generator's responsibility to ensure that the waste is packaged, transported, treated, and disposed of according to legal requirements and that there is an auditable record of the steps taken in storing, collecting, and transporting such waste. Public participation is required during preparing Environmental and Social Impact Assessments (ESIA) and public hearings during the review stage.
- 85. The government's approach to environmental management includes multi-sectoral and decentralized approaches.** The Ministry of Environment, Protection of Nature, and Sustainable Development (*Ministère de l'Environnement, de la Protection de la Nature et du Développement Durable*, MINEPDED) is responsible for ESIA's at national and regional levels. It benefits from the collaboration of other ministerial departments and relies on various specialized government agencies for environmental management. These include: (i) the Ministry of Forests and Wildlife (*Ministère des Forêts et de la Faune*, MINFOF), responsible for the development and implementation of the government's forest and wildlife policy; (ii) the Ministry of Agriculture and Rural Development (*Ministère de l'Agriculture et du Développement Rural*, MINADER), which is responsible for the protection of plant species and for the planning and monitoring of programs to improve the living environment in rural areas; (iii) the Ministry of Water Resources and Power (*Ministère de l'Eau et de l'Énergie*, MINEE), responsible for the quantitative and qualitative improvement of water and power production, the regulation of water use in agricultural activities, and monitoring the management of water basins; and (iv) the Ministry of Housing and Urban Development (*Ministère de l'Habitat et du Développement Urbain*, MINH DU), in charge of implementing a housing improvement plan in urban and rural areas, monitoring compliance with hygiene and sanitation standards, and the removal and treatment of household waste. The Actors involved in environmental management in Cameroon are grouped within the Interministerial Committee for the Environment (ICE)²⁷ responsible for reviewing and issuing a mandatory opinion on the terms of reference and reports of environmental impact assessments. At the local level, municipalities have the authority to issue environmental compliance certificates after consulting with the relevant devolved authorities of MINEPDED. Lastly, the government has established platforms for better

²⁷ Decree No. 2006/1577/PM of 11 September 2006 amends and supplements certain provisions of Decree No. 2001/718/PM of 3 September 2001, on the organization and functioning of the ICE.



coordination of environmental policy between ministries and with other public and private institutions. The Inter-Ministerial Committee on the Environment, the National Advisory Commission for the Environment and Sustainable Development, the National Water Committee, and the National Humans and the Biosphere Committee have been created for this purpose.

86. Despite challenges, MINEPDED and the municipalities have the capacity and a track record of managing environmental risks and overseeing environmental compliance. The main challenges include limited and overstretched financial and human resources within MINEPDED, leading to poor enforcement of legal requirements. While several competencies are attributed to municipalities and regions in terms of environmental management, the operationalization of these provisions faces the lack of financial and human resources. However, current World Bank operations in Cameroon are supporting the Divisional Committees in charge of monitoring Environmental and Social Management Plans (ESMP) designed to improve institutional capacity for environmental management. Recently approved projects in Cameroon have systematically included activities to build environmental management capacity, including the Cameroon-Chad Power Interconnection Project (P168185), the Cameroon Rural Electricity Access Project for Underserved Regions (P163881), and the Valorization of Investments in the Benue Valley (P166072). However, the proper management of medical waste remains challenging. Some medical waste is disposed of in open dumps or in municipal solid waste dumps, while some is incinerated. To improve medical waste management practices, the government has installed incinerators at five sites (Bonassama, Étoua, Guider, Bamenda, and Éséka).

87. As per OP 8.60, the World Bank has assessed whether the policies supported by this DPF are likely to impact the environment, forests, or natural resources. Following this assessment, Prior Actions 1,6, 7, 8, and 9 are likely to have a positive impact on the country's environment. 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 8 and 9 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 9 are expected to strengthen the resilience of the agriculture and transport sectors to climatic hazards. 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 9) is expected to increase innovation in sustainable farming practices and resilience to natural disasters.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

88. Cameroon's PFM system, despite some improvements, remains weak due to persistent shortcomings in budget execution, internal controls, procurement, and budget transparency, as noted by the 2017 Public Expenditure Financial Assessment (PEFA) and more recent assessments (CPIA in 2021, Fiduciary Assessment in 2022). In line with the PFM reforms that started in 2007, Cameroon's central government budget has been approved on a programmatic basis since 2013. Many improvements are being observed in the budget and planning process of the Country, with a clear legal budget preparation calendar voted in the



deadlines required by the annual Finance Law. The budget presentation is also now in conformity with the system defined by the CEMAC directives that have been transposed in the national system. The budget is presented according to administrative, economic, and functional classifications. The program-based budgeting has positively impacted the budget's readability, and the annual performance reports clearly communicate actual results. However, the full intended benefits from program-based budgeting have yet to materialize, partly due to delayed implementation. For example, institutional arrangements and implementation have not yet been fully adapted to results-based management, and there are some persistent shortcomings in internal controls, budget execution, and reporting systems. Moreover, the links between the Medium-Term Budgetary Framework (MTBF), the overall Medium-Term Expenditure Framework (MTEF), sector MTEFs, ministries' program budgets, and local development plans need to be strengthened as they are often inconsistent with the annual budget.

89. Despite some improvements noted in the public procurement system, there is still room for improvement.

The new public procurement code that was adopted in 2018 includes measures to separate the functions of the contracting authority, the oversight body, and the regulatory body. The project owner (Maître d'Ouvrage) has full responsibility for completing the procurement process. However, there are still regular instances of single-source contracts and other deficiencies in the procurement process that continue to hamper the effectiveness and efficiency of public capital spending. The government treasury management institutional framework has been reinforced with new instances but needs further strengthening including by reducing stand-alone procedures for funds disbursements, advances, and direct interventions. Internal Control and audit framework need to be strengthened given the many inefficient control levels. The internal control system is marked by organizational weaknesses and shortcomings in the budget preparation and execution processes. Almost all the audits of control institutions are not appropriately equipped for risk assessment. The insufficient consideration of extra-budgetary operations, both in the preparation of the budget and in its monitoring, does not allow controls to be based on all the resources of the State. Similarly, control capacities are weakened by the inadequacy or absence of normative frameworks for assessing needs.

90. Various World Bank and other donor-supported programs, along with this DPF series, address some of the weaknesses identified in Cameroon's PFM system. This support, as well as the government's commitment to PFM reforms, resulted in the adoption in 2018 of a comprehensive PFM reform action plan for 2019-2021, updated and expanded for 2022-2023. At the mid-term review in June 2022, the government reported having completed 34 percent of the 2022-2023 revised reform plan reform actions. The assessment conducted in 2019 by the CEMAC Commission substantiated the progress Cameroon has made in implementing PFM reforms, evaluating the implementation of the CEMAC PFM directives at 52 percent, with above-average performance for four directives: (i) the Transparency Code; (ii) the budget law; (iii) public accounting regulations; and (iv) the budget classification. However, the assessment also noted Cameroon's slow progress in accounting and statistical matters, which were rated as below average. Except for the annual audited financial statements, most of the government's key financial documents, including the approved budget, are made public on the websites of the Directorate General of Budget (*Direction Générale du Budget*, DGB) and the MOF.

91. The BEAC has introduced measures to improve its governance and control of the environment, contributing to tangible progress in strengthening its safeguards framework. Since 2013, the BEAC has launched a series of reforms to enhance the capacity of its accounting system, including (i) upgrading its practices to conform with international financial reporting standards; (ii) strengthening its computerized



accounting system (SYSCOBEAC) to improve information management; and (iii) implementing a computerized system for integrated risk management (SIRISBEAC) to better manage risks arising from the diversification of its activities and the integration of new technology. Meanwhile, the scope of external audits of BEAC activities has expanded to include its national directorates and other agencies. The BEAC has implemented priority recommendations from the 2017 safeguards assessment. The BEAC has issued its FY-2020 and 2021 audited financial statements in full compliance with International Financial Reporting Standards (IFRS); for both years, the auditor issued an unmodified opinion on the financial statements. Under the IMF safeguards policy and in line with the four-year cycle for safeguards assessments of regional central banks, a safeguards assessment of the BEAC was completed in 2022. However, the team has not been able to receive the conclusions and thus conducted alternative due diligence by examining the BEAC's Audited Financial Statements as mentioned above. The BEAC will also continue to implement foreign exchange regulations; it has fully integrated the application of the regulation of the extractive sector, which has been effective since January 2022.

92. Disbursement, reporting, and audits. The Recipient is the government represented by MINEPAT. The credit will be released in a single tranche equivalent to US\$100 million upon demonstrated effectiveness and provided that the World Bank is satisfied with: (i) the program being carried out by the Recipient; and (ii) the adequacy of the Recipient's macroeconomic policy framework. The proposed DPF will follow IDA standard disbursement procedures for DPFs. Upon approval of the operation and the effectiveness of the financing agreement, the proceeds of the credit will be disbursed by IDA into an account designated by the government for budget support at the BEAC, which will form part of the Country's foreign exchange reserves. The credit proceeds shall not be used to finance expenditures excluded under the financing agreement. The Recipient shall ensure that upon the credit's deposit into the said account, an equivalent amount shall be credited in the Recipient's budget management system in a manner acceptable to the IDA denominated in XAF based on the market rate effective on the date of the transfer. The Recipient will promptly: (i) report to the World Bank within thirty (30) days by fax or email: (a) the exact sum received into the account; and (b) the details of the account to which the local currency equivalent of the loan proceeds was credited; and (ii) confirm that an equivalent amount has been accounted for in the government's budget management system. The IDA reserves the right to require an audit of the dedicated account by independent auditors acceptable to it. If after being deposited in the designated account, the proceeds are used for ineligible expenditures as defined in the financing agreement, the Recipient shall be required to refund directly to the IDA an amount equal to the amount of that payment promptly upon notice. Amounts refunded to the World Bank upon such a request will be credited to the loan account and canceled. The closing date for the operation is June 30, 2024.

5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

93. MINEPAT remains responsible for the overall implementation of the proposed operation. The inter-ministerial committee in charge of monitoring the structural reforms will continue to coordinate actions under the first operation of the DPF series and report progress to all relevant stakeholders. The results framework includes indicators for which data are mostly available, and the close involvement of World Bank sectoral teams through IPF and TA will help ensure regular monitoring of the operation. Most program indicators are already regularly estimated by relevant government agencies, reflected in administrative data releases, and included in ministries' sector plans and budget programs. Performance on other indicators will be monitored and reported through the multi-sectoral steering committee, which will help coordinate DPF team data requests across the various sectors involved in the operation.



94. Grievance Redress. Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit grievances to the responsible country authorities, appropriate local or national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address pertinent concerns. Affected communities and individuals may submit their grievances to the WB's independent Inspection Panel, which determines whether harm occurred or could occur as a result of WB non-compliance with its policies and procedures. Grievances may be submitted at any time after concerns have been brought directly to the World Bank's attention and Bank Management has been given an opportunity to respond. For information on how to submit grievances to the World Bank's corporate GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit grievances to the World Bank Inspection Panel, please visit www.inspectionpanel.org

6. SUMMARY OF RISKS AND MITIGATION

95. The overall risk rating of the proposed Operation is substantial. The rating reflects political, governance-related, macroeconomic, sector strategies and policies and institutional risks that may impact the government's capacity to successfully implement the proposed operation.

96. Political and governance risks are rated substantial. Fragility is deepening in Cameroon as a result of the long-lasting and volatile socio-political crisis in the Northwest and Southwest regions, the resurgence of Boko-Haram attacks, and disputes between herders and farmers. The negative economic impact of the COVID-19 pandemic, including rising unemployment, worsening security, and displacement of affected persons, have aggravated the situation. These risks are mitigated through the implementation of practical measures and reforms that address the critical needs of the population. In October 2021, the government shared its strategy for addressing drivers of fragility identified during broad consultations at the beginning of 2021. The country is eligible for World Bank PRA and has requested access to such support. The authorities have also taken essential steps to curb the pandemic's adverse social impacts by extending social safety net programs.

97. Macroeconomic risks are rate substantial. Cameroon depends on oil and raw materials exports for fiscal revenues and foreign-exchange earnings. It also depends on imported fuel and food, including the primary staple—rice. These dependencies amplify the country's vulnerability to external shocks with implications for fiscal and balance of payments. Weaker-than-expected global commodity prices, including oil, could further undermine export earnings and government revenues and force the government to cut capital expenditures and social spending for a longer period. At the same time, a significant increase in international oil and food prices, especially rice and oil prices, could increase subsidies and tax exemptions, adding to inflationary and fiscal pressures. A sharp rise in global risk premia following a monetary policy tightening in advanced economies would also affect the economic outlook and debt sustainability. Debt sustainability is also highly sensitive to exports and tax revenue. A sudden sharp decline in exports and tax revenue could threaten fiscal and debt sustainability. Weak governance of SOEs and persistent imbalances on their balance sheets exacerbate the fiscal and debt disks. While these risks cannot be fully mitigated, fiscal risks have been partially mitigated by a series of tax administration and expenditure control measures. To improve revenue collection, the government implemented new tax and customs administration measures as part of the 2022 budget law as well as measures to keep expenditure under control. The proposed operation and the IMF



ECF program will continue to anchor prudent macroeconomic policies and help mitigate the macroeconomic risks.

98. **Sector strategies and policies risks are rated substantial.** The operation supports the implementation of sector strategies summarized in the NDS30 (see paragraph 28). However, uncertainties remain on policy directions and implementation of strategies, mainly to accelerate Decentralization and improve SOEs governance. While SND30 acknowledges that SOEs represent fiscal sustainability risk, progress has been slow in improving their governance. To mitigate these risks, the World Bank will continue to engage in policy dialogue with MINEPAT, the Ministry of Finance, and line ministries, including through technical assistance and ongoing projects supporting targeted sectors in this operation.

99. **Institutional capacity risks are rated substantial.** There are often lengthy delays between program decision and execution. Executive power is highly centralized in the Presidency, which delays the decision-making process as decisions need to go through the Prime Minister’s office before reaching the President or an appropriate representative. Cabinet decisions or ministerial policy announcements are also often dropped or reversed because of a lack of follow-up or resources. To mitigate these risks, the team engaged high-level authorities, including the Prime Minister’s office, key ministers, and the office of the President from the beginning of the project and has kept them regularly informed on the program’s development to ensure their buy-in and willingness to champion DPF supported measures.

100. **Fiduciary risk is deemed substantial.** This assessment results from a combined evaluation of the performance of the Country's PFM system and the BEAC safeguards framework, accounting systems, and auditing arrangements. While the BEAC has successfully implemented institutional and technical reforms to improve its processes and practices, Cameroon's PFM system still suffers from various shortcomings, especially in implementing the new budget and procurement reforms. With support from the IMF, the WBG, and other donors, the government continues to implement several PFM reforms under a comprehensive PFM reform action plan for 2019-2021, updated for 2022-2023.

Table 7: Summary Risk Ratings

Risk Categories	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate



8. Stakeholders	● Moderate
9. Other	
Overall	● Substantial



ANNEX 1: POLICY AND RESULTS MATRIX

DPF-1 Prior Actions	DPF-2 Triggers	DPF-3 Triggers	Results Indicators
<i>Pillar 1. Improving Fiscal Sustainability, Governance, and Public Sector Management</i>			
<p>Prior Action#1. To accelerate the implementation of the decentralization process, the Recipient’s President of the Republic and respective ministers in charge of environment, housing and urban planning, and public transport have set the procedures and implementation measures to exercise the powers transferred from the central government to the regions in selected matters including environment, housing and urban planning, and public transportation, as evidenced by implementing Decrees N°2021/744, N°2021/745, N°2021/746, and N°2021/747 dated December 28, 2021 to the decentralization law no 2019/024 of December 24, 2019 and implementing Arretes N°0007/E12/A/MINH DU/CAB, N°0030/MINT, N°008/A/MINEPDED dated November 2, 2022.</p>	<p>Trigger#1. To improve the financing of decentralized entities and strengthen their capacities, the Recipient has enacted legislation to: (i) consolidate transfers from the central government to CTDs into a single pool of funds absorbing all previous budget lines; (ii) determine the vertical distribution of central government transfers between regions and municipalities; and (iii) adopt a formula for the distribution of central government transfers across regions, using objective criteria, including poverty rates.</p>	<p>Trigger#1. To improve the performance of the regions, the Recipient has introduced a performance-based element in central government transfers to reward regions that have achieved the greatest improvements in KPIs, including level of own revenue collection and expenditure in health and education.</p>	<p>Indicator#1: Share of central budgetary transfers under the General Decentralization Grant to CTDs in the national budget (percentage). Baseline (2019): 1 percent Target (2024): 7.5 percent</p>
<p>Prior Action#2. To reduce budgetary risks and improve transparency in the management of SOEs, (i) the Recipient’s SOEs in categories 1 and 2 have published on their respective website their audited financial statements, and (ii) the Recipient through its Parliament, enacted and published an aggregated SOEs’ report with financial and operational performance indicators within the</p>	<p>Trigger#2. To improve the governance and monitoring of SOEs, the Recipient has adopted: (i) a decree establishing a new ownership policy for SOEs, including the obligation to publish online their certified financial statements no later</p>	<p>Trigger#2. To improve the governance of SOEs and increase their financial autonomy, the Recipient has: (i) established performance management contracts with SOEs; (ii) introduced a corporate governance dashboard of SOEs in categories 1 to 3; and (iii)</p>	<p>Indicator#2: SOEs (including the 10 largest SOEs) publishing their annual audited financial statements online no later than two (2) months following the legal deadline for approval of</p>



<p>finance law for the 2022 financial year including, as evidenced by Law N°2021/026 dated December 16, 2021.</p>	<p>than two (2) months following the legal deadline for approval of the accounts by general assemblies (ii) an audit policy for SOEs and (ii) validated the restructuring plans resulting from the diagnostic studies carried out on CAMAIR-CO, CAMTEL and CAMWATER.</p>	<p>introduced the obligation for SOEs in categories 1 to 3 to publish a financial rating report prepared by a rating agency accredited by the CEMAC authorities.</p>	<p>accounts by General Assemblies (percentage). Baseline (2020): 0 percent Target (2024): 50 percent</p>
<p>Prior Action#3. To strengthen domestic revenue mobilization through enhanced control of taxpayers’ compliance, the Recipient’s minister in charge of finance has required from the Foreign Trade Single Window (FTSW) and eighteen commercial banks to share relevant fiscal data with the tax authorities, as evidenced by the signed protocols between the ministry in charge of finance, the respective commercial banks, and FTSW.</p>	<p>Trigger#3. To increase domestic revenue mobilization, the Recipient has : (i) adopted a decree establishing a system of risk-based inspection and control domestic taxpayers and of goods by customs and other licensing agencies to reduce the loss of income due to under-reporting and under-declaration and reduce the time and costs involved in customs clearance at borders and, (ii) signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information, to complement its legal framework for the automatic exchange of financial information in tax matters.</p>	<p>Trigger#3. To increase domestic revenue mobilization, the Recipient has adopted a MTRS, including measures to: (i) streamline tax incentives and exemptions; and (ii) broaden the scope of environmental taxes to more goods and sectors.</p>	<p>Indicator#3: Non-oil revenue to GDP ratio (percentage). Baseline (2020): 11.7 percent Target (2024): 13.4 percent</p>



<p>Prior Action#4. To improve cash management, the Recipient’s Prime Minister has adopted and published the general framework for financial operations of the state and other public entities by electronic means, as evidenced by Decree N°2022/8001 CAB/PM dated September 16, 2022.</p>	<p>Trigger#4. To facilitate the integration of mobile payment infrastructures with the Treasury's payment infrastructures, the government has adopted: (i) an order implementing articles 24 and 26 of the decree on electronic payment in Cameroon and (ii) an instruction establishing the manual of procedures for central and regional electronic payment systems and setting out the terms and conditions for the use of the electronic and banking interoperability platform (GIMAC-PAY) by authorized institutions.</p>	<p>Trigger#4. In order to encourage the use of digital electronic payment platforms for G2P, the government has adopted: (i) an order establishing the list of administrations or entities linked to the State committed as payment institutions by the monetary authority and authorized to use approved platforms (GIMAC-PAY) for payment by electronic means in Cameroon.</p>	<p>Indicator#4. Reduction of cash payment rate made by Treasury (percentage). Baseline (2020): 22.4 percent Target (2024): 15 percent</p>
<p><i>Pillar 2. Improving Inclusion by Ensuring Equitable Access to Services and Empowering Women and Girls</i></p>			
<p>Prior Action#5. To improve spending efficiency and equity in human resource management in the primary education sector and access to public education, the Recipient’s minister in charge of education has adopted (i) a new schools financing mechanism based on defined criteria, as evidenced by Circulaire N°014/1/426/MINEDUB/SG/DRFM of 01 November 2022, and (ii) criteria for teachers’ recruitment at the primary education level using a test, and deployment based on needs and the ratio of teachers per student as evidenced by Arrete N°</p>	<p>Trigger#5. To improve efficiency and equity in the education sector, the Recipient has adopted:(i) reforms on teacher recruitment, deployment, workload norms, and career development as defined in the new teacher policy and (ii) a regulation that clarifies criteria and mechanism to determine Priority Education Zone that will receive free</p>	<p>Trigger#5. To improve the utilization of the teaching workforce at secondary education level, the Recipient has adopted decree implementing the new teacher policy.</p>	<p>Indicator#5: Public primary schools enrolling more than 100 pupils with at least 3 state-paid teachers (especially in priority education zones) (percentage). Baseline (2020): 52 (41) percent Target (2024): 75 (75)</p>



0158/A/43/MINDUB dated November 2, 2022.	textbooks.		percent
<p>Prior Action#6. To improve girls’ access to education, the Recipient’s minister in charge of education has required from schools’ authorities to allow pregnant girls to attend school overriding the provisions set out in Circular N°10/A//MINEDUC/ESG/DETP/DEPM/DEP dated January 19, 1980, as evidenced by Circular N°02/22/C/MINESEC/CAB dated April 22, 2022 and Circular N°006/B/1464/C/ MINEDUB/CAB dated April 21, 2022.</p>	<p>Trigger#6. To prevent GBV and sexual exploitation and abuse and sexual harassment (SEA/SH) and prevent early pregnancies in school settings the Recipient has:(i) adopted a regulation to integrate the prevention of sexual exploitation, abuse and sexual harassment within the school system perpetrated by teachers or any other school employees and (ii) enacted a law on preventing GBV, including domestic violence, child marriage and FGM.</p> <p>Trigger#7. To improve women’s access the labor market and financial independence, the Recipient has: (ii) amended labor legislation to remove restrictions on women’s access to jobs and industries (Ordinance No. 16/MTLS of May 27, 1969 and Labor Code, Arts. 82, 83) and include provisions on equal remuneration for work of equal value and (ii) amended civil and family laws to remove</p>	<p>Trigger#6: To prevent early pregnancy and drop-out, the recipient has adopted a regulation revising the content of the Family Life Education curriculum to incorporate enhanced content on reproductive health, and facilitate the access to health services, such as family planning services for pregnant and married adolescent girls attending school.</p> <p>Trigger#7. To prevent discrimination based on gender, the Recipient has adopted legislation to define and prohibit discrimination based on gender, including sexual harassment in employment practices and in the workplace and enforce the existing regulations.</p>	<p>Indicator#6: (i) Decrease of the dropout rate of pregnant girls in targeted primary schools of the Northern regions (percentage): Baseline (2020): 90 percent Target (2024): 80 percent (ii) Decrease of the dropout rate of pregnant girls in targeted secondary schools of the Northern regions (percentage): Baseline (2020): 60 percent Target (2024): 50 percent Indicator#7: Female labor force participation rate (percentage). Baseline (2020): 72 percent Target (2024): 75 percent</p>



	restrictions on women’s capacity to open bank accounts and work outside the home in the same way as men (Civil Code, Arts. 221, 222, 223 and 1538, Ordinance No. 81/02 of June 29, 1981, Arts. 74 et 75.		
Prior Action #7. To strengthen the crisis response capacity of the Recipient’s social safety net system and improve the targeting of pro-poor programs, the Recipient’s Prime Minister has established the rules governing the registration in, tracking and monitoring of the Recipient’s national social registry, as evidenced by the Arrete N°041/PM dated May 19, 2022.	Trigger#8. To improve the efficiency of social protection programs, the Recipient adopted implementing regulations setting criteria for identifying vulnerable people and mandating the use of electronic payment systems for all social safety net transfers.	Trigger#8. To improve the efficiency of social protection programs, the Recipient has adopted a regulation for the Social Registry’s data use and protection.	Indicator#8: Vulnerable households registered in the social registry (number). Baseline (2020): 0 Target (2024):250,000
<i>Pillar 3. Laying Foundations for Sustainable Infrastructure Development</i>			
Prior Action#8. To improve the preservation of the Recipient’s road assets and transport infrastructure and to strengthen its resilience to climatic hazards, the Recipient has (i) through its Parliament, enacted and published the law on the Management of the National Road Network as evidenced by Law N°2022/007 dated April 27, 2022, and (ii) through the Recipient’s minister in charge of public work has issued an instruction note with new criteria to consider climate change in the design of road infrastructure, as evidenced by Instruction Note	Trigger#9. To sustainably improve the condition of the road network and transport infrastructure, the Recipient has signed implementing regulations for the new law on the management of road assets, including: (i) a decree converting the Road Fund into a second-generation Fund to ensure the sustainable financing of the	Trigger#9. To improve the preservation of the road network and strengthen its resilience to climatic hazards, the Recipient has: (i) integrated into the three-year priority road intervention program the risk mitigation plan linked to climate change and road safety; and (ii) signed a decree establishing a national road safety agency, including measures to	Indicator#9: Paved national trunk roads in good condition, expressed as an International Roughness Index (IRI) <i>less than 1.5 m/km (percentage)</i> . Baseline (2020): 12 percent Target (2024): 25 percent



<p>N°7794/NI/MINTP/SG/DGET/DAET/DAET304 dated September 6, 2022.</p>	<p>operation and maintenance of the road network; and (ii) regulations and implementation manuals to ensure the optimization of the collection and management of resources allocated to the Road Fund.</p>	<p>make its functioning effective.</p>	
<p>Prior Action#9. To improve water resource management, the Recipient’s President has approved a National Water Policy, governing the planning and development of water resources and their optimum utilization, through the creation of Water User Associations (WUAs) and the transfer of irrigation infrastructure to WUAs for its management, as evidenced by the Recipient’s minister of state, secretary general letter dated November 2, 2022.</p>	<p>Trigger#10. To improve water resources management, the Recipient has issued a Ministerial Decree (or equivalent) for the effective creation and operationalization of WUAs and revised the Hydro-Agriculture Policy.</p>	<p>Trigger#10. To improve water resources management, the Recipient has finalized the new draft Water Code and submitted it to the National Assembly for approval.</p>	<p>Indicator#10: Irrigated area (in ha) in the Northern regions transferred to WUA (ha). Baseline (2020):0 ha Target 2024: 10,000 ha</p>



ANNEX 2: IMF RELATIONS ANNEX

IMF Executive Board Concludes the Second Reviews of the Extended Credit Facility and Extended Fund Facility Arrangements for Cameroon

July 25, 2022

- Completion of the Second Reviews provides Cameroon with access to the equivalent of US\$72.9 million from the IMF.
- The nascent economy recovery from mid-2021 is now subject to greater uncertainties because of the spillovers from the war in Ukraine, high inflationary pressures- especially food and fuel prices-, and a tightening of global financial conditions. Low vaccination rates also leave the country vulnerable to further COVID-19 waves. However, the medium-term economic prospects remain positive.
- The overall program performance is mixed, with delayed structural reforms in some key areas.

Washington, DC: Today, the Executive Board of the International Monetary Fund (IMF) concluded the Second Reviews of the [Extended Credit Facility](#) (ECF) Arrangement and the Extended Arrangement under the [Extended Fund Facility](#) (EFF) for Cameroon. The completion of the second reviews enables the disbursement of SDR 18.4 million (about US\$24.3 million) under the ECF Arrangement, and purchases of SDR 36.8 million (about US\$48.6 million) under the EFF Arrangement, bringing total access under the arrangements to SDR 262.2 million (about US\$346.1 million). The Executive Board also approved the authorities' request for a waiver of applicability for the end-June 2022 performance criteria.

Cameroon's three-year ECF-EFF arrangements were [approved on July 29, 2021](#) and are built around five pillars: (i) mitigating the health, economic, and social consequences of the pandemic while ensuring fiscal and external sustainability; (ii) reinforcing good governance and strengthening the transparency and the anti-corruption framework; (iii) accelerating structural fiscal reforms to modernize the tax and customs administrations, mobilize revenue, improve public financial management, increase public investment efficiency, and reduce fiscal risks from state-owned enterprises; (iv) strengthening debt management and ensuring debt levels remain sustainable; and (v) implementing structural reforms to accelerate economic diversification, boost financial sector resilience and inclusion, and promote gender equality and a greener economy.

Cameroon had started to recover from the COVID-19 shock in 2021, prior to the war in Ukraine. After a record low of -2.2 percent year on year (yoy) in Q2-2020, real GDP growth rate gradually recovered to reach 3.6 percent in 2021, supported by a strong recovery in the primary and tertiary sectors. The nascent economic recovery in 2021 is now subject to greater uncertainties with spillovers from the war in Ukraine, high inflationary pressures, especially on food and fuel prices, and a tightening of global financial conditions.

The economic outlook for 2022 remains positive, but with great uncertainties. Real GDP growth is projected at 3.8 percent in 2022, down from 4.5 percent at the time of the program's First Reviews. Inflation is projected to rise to 4.6 percent in 2022, but to remain below 3 percent in the medium term.

As a crude oil exporter, Cameroon has experienced some positive effects on its external and fiscal positions. However, intensified higher global prices and supply disruptions have significantly increased the cost of fuel subsidies and are placing additional pressure on Cameroon's domestic prices, especially for food and fertilizers.

Risks relating to the war in Ukraine have compounded pandemic risks. Downside risks include rising and volatile food, fertilizers, and energy prices, and supply disruptions; new outbreaks of lethal and highly contagious COVID-



19 variants; a sharp increase in global risk premia following the ongoing monetary policy tightening in advanced economies; and inadequate progress on fuel price subsidies.

On the upside, Cameroon may benefit from new oil and gas opportunities and the completion of major hydroelectric plants. Risks are mitigated by the authorities' strong implementation record of macro-economic programs, close engagement with donors, a comprehensive capacity development program, and contingency planning, including its COVID-19 response plan.

At the conclusion of the Executive Board's discussion, Mr. Kenji Okamura, Deputy Managing Director and Acting Chair, made the following statement:

"Cameroon's economy proved resilient to the COVID-19 shock, but the recovery is now subject to greater uncertainties, with increased inflationary pressures, low vaccination rates, and tightening global financial conditions. The ECF and EFF arrangements have supported the authorities' efforts to achieve a rapid post-pandemic recovery, strengthen medium-term external and fiscal sustainability, and implement their structural reform agenda toward sustained, more inclusive, and diversified growth.

"Cameroon's performance under the program remains on track and structural reforms are advancing, albeit with delays in some key areas. The authorities are committed to achieving the program's objectives and accelerating the pace of reform implementation to support private sector-led economic diversification.

"The authorities' strategy to maintain their fiscal consolidation path, and to reduce fuel subsidies gradually, starting in 2023, while protecting the vulnerable, will help mitigate the impact of recent shocks. Continued non-oil revenue mobilization and expenditure rationalization will help rebuild fiscal space for strengthening social safety nets, and boosting the recovery, while preserving debt sustainability. While debt sustainability indicators have improved, continued efforts are warranted to manage debt cautiously and limit reliance on non-concessional borrowing.

"Effective and resolute implementation of the authorities' structural reforms, particularly to further strengthen transparency, good governance, and the anti-corruption framework, are essential to promote growth and help catalyze additional donor financing. To help ensure financial sector resilience, the authorities should closely monitor the rising non-performing loans and proceed with bank restructuring within the timetable set by COBAC. Further efforts are also needed to tackle gender inequality and climate change related challenges."

IMF Communications Department

MEDIA RELATIONS

PRESS OFFICER: NICOLAS MOMBRIAL

PHONE: +1 202 623-7100**EMAIL:** MEDIA@IMF.ORG

[@IMFSpokesperson](#)



ANNEX 3: LETTER OF DEVELOPMENT POLICY

REPUBLIQUE DU CAMEROUN
Paix – Travail – Patrie

MINISTRE DE L'ECONOMIE, DE LA
PLANIFICATION
ET DE L'AMENAGEMENT DU TERRITOIRE



REPUBLIC OF CAMEROON
Peace – Work – Fatherland

MINISTRY OF ECONOMY, PLANNING
AND REGIONAL DEVELOPMENT

000000006298.....L/MINEPAT/SG A

Yaoundé, le 14 NOV 2022

Le Ministre,



A Monsieur le Président du Groupe
de la Banque Mondiale
1818 H Street, NW Washington, D.C. 20433
ETATS-UNIS D'AMERIQUE

Objet : Lettre de Politique de Développement relative à l'appui
budgétaire au profit de la République du Cameroun.

Monsieur le Président,

La présente Lettre de Politique de Développement, qui sous-tend l'appui budgétaire de votre institution au profit de la République du Cameroun, s'inscrit dans le cadre de l'opération d'Appui aux Politiques de Développement pour la Soutenabilité Budgétaire et la Croissance Inclusive. Elle décrit les performances macroéconomiques récentes dans un contexte marqué notamment par les pressions inflationnistes et le durcissement des conditions financières. Aussi, elle précise le programme de réformes structurelles à court et moyen terme envisagé par le Gouvernement, dont la mise en œuvre vise à : (i) améliorer la soutenabilité budgétaire, la gouvernance, et la gestion du secteur public ; (ii) renforcer le capital humain et promouvoir la participation économique des femmes ; (iii) poser les bases d'un développement soutenable des infrastructures.

1. Contexte et performances macroéconomiques récentes

A la faveur de la mise en œuvre du Programme Economique et Financier 2017-2020 conclu avec le Fonds Monétaire International (FMI), au titre de la Facilité Elargie de Crédit, et des réformes structurelles soutenues par les Partenaires Techniques et Financiers (PTF), dont la Banque Mondiale, l'économie camerounaise s'était engagée dans une phase de renforcement de sa dynamique de croissance, de redressement de ses comptes publics et d'amélioration de sa position extérieure. Ainsi, le taux de croissance s'est situé à 3,8% en moyenne entre 2017 et 2019.

Cette dynamique a été freinée en 2020 avec l'avènement de la pandémie à coronavirus (COVID-19) et ses conséquences sanitaires et économiques. Toutefois, l'économie camerounaise a fait preuve d'une certaine résilience avec un taux de croissance qui s'est établi à 0,3% en 2020, alors même que plusieurs pays dans le Monde et en Afrique subsaharienne en particulier entraient en





récession. Cela a particulièrement été rendu possible par la mise en œuvre d'une stratégie de riposte élaborée par le Gouvernement, et soutenue par les PTF.

Avec la reprise économique mondiale en 2021 et la volonté du Gouvernement de consolider les acquis du premier programme économique et financier, et de poursuivre les réformes engagées, les autorités camerounaises ont conclu avec le FMI un nouveau programme de deuxième génération, appuyé par la Facilité Elargie de Crédit (FEC) et le Mécanisme Elargi De Crédit (MEDC) sur la période 2021-2024. En 2021, le Cameroun a enregistré un regain d'activité avec un taux de croissance de 3,6%, tiré principalement par le secteur non pétrolier. Toutefois, les pressions inflationnistes ont été observées, en lien avec la forte reprise de l'économie mondiale et la poursuite de la politique zéro covid en Chine. Après une augmentation de 2,5% en 2020, les prix à la consommation ont enregistré une hausse de 2,3% en 2021.

En ce qui concerne les finances publiques, le solde budgétaire s'est amélioré de 0,2 point de pourcentage, passant de 3,1% du PIB en 2020 à 2,9% en 2021, grâce à la bonne mobilisation des recettes non pétrolières. Pour ce qui est de la dette publique et à garantie publique, son encours s'est situé à 11 345 milliards de FCFA (45,1% du PIB) en hausse de 9,9% par rapport à 2020.

La position extérieure du Cameroun quant à elle s'est dégradée en fin 2021. En effet, le déficit du compte courant a atteint 4,0 % du PIB contre 3,7 % en 2020, reflétant notamment une détérioration du solde des services liée à la hausse soutenue du fret maritime.

S'agissant de la situation monétaire, la masse monétaire au sens large s'est accrue de 17,1% à fin décembre 2021, en lien avec la hausse des crédits à l'économie (12,3%) et des créances nettes sur l'Etat (25,5%). Les réserves officielles ont connu une évolution de 17,4% pour atteindre 5,9 mois d'importations, portées par la hausse des recettes d'exportations et l'amélioration du recouvrement de devises par la BEAC.

En 2022, la mise en œuvre de la politique de relance post COVID a été freinée par les effets négatifs du conflit en Ukraine. Du fait de ce conflit, l'économie camerounaise connaît une hausse sensible des prix, notamment des engrais, des produits agricoles et énergétiques, avec des conséquences sur la compétitivité des entreprises et le pouvoir d'achat des ménages. Ces conséquences auraient été plus importantes, si le Gouvernement n'avait pas adopté un ensemble de mesures visant à renforcer la résilience du tissu productif local et à préserver le niveau de vie des populations.

Ainsi, les perspectives tablent sur une croissance de 3,8% en 2022, portée essentiellement par la bonne tenue des activités non pétrolières, et plus particulièrement du secteur primaire, dont plusieurs filières connaissent un regain d'activité et tirent profit de la hausse des cours des matières premières. Pour ce qui est de l'inflation, elle devrait s'établir en fin d'année au-dessus du critère de convergence CEMAC de 3%. En effet, l'inflation à fin juin 2022 s'est située à 5,1% en glissement annuel et à 3,8% sur les douze derniers mois.

La situation des finances publiques devrait continuer de s'améliorer en 2022, en raison de



l'accroissement sensible des recettes pétrolières induit par la hausse des prix mondiaux. Le solde budgétaire devrait s'établir à -1,9% en amélioration d'un point par rapport à 2021. Toutefois, il convient de souligner que le Gouvernement a adopté en juin 2022 une loi de finances rectificative en vue de prendre en compte la hausse des recettes budgétaires et celle des subventions des produits pétroliers induite par la poursuite de la politique de gel des prix des hydrocarbures à la pompe.

Au regard des évolutions du secteur extérieur sur le premier semestre de l'année 2022, les estimations de fin d'année tablent sur une réduction du déficit du solde courant à 3,2% du PIB (contre 4% en 2021). Celui-ci serait surtout expliqué par l'amélioration du déficit de la balance des services et l'excédent à enregistrer dans la balance des transferts.

S'agissant de la situation monétaire, la masse monétaire s'est établie à 7 422,2 milliards de FCFA à fin juillet 2022, en hausse de 10,8% en glissement annuel. Aussi, le crédit intérieur enregistre une hausse de 13,4% pour se situer à 6 312, 9 milliards de FCFA, malgré le resserrement de la politique monétaire de la Banque des Etats de l'Afrique Centrale (BEAC). Les créances nettes sur l'Etat s'inscrivent en hausse de 4,3%, notamment du fait des décaissements des appuis budgétaires dans le cadre de la mise en œuvre des accords et programmes avec les PTF.

Les perspectives à court et moyen terme restent favorables avec une croissance du PIB réel qui devrait se situer à 4,2% en 2023 et à 6,4% en moyenne entre 2024 et 2025, en raison de l'entrée en production de nouveaux champs gaziers.

2. Programme du Gouvernement

Le Gouvernement reste engagé à poursuivre la mise en œuvre de sa Stratégie Nationale de Développement (SND30) avec l'appui des Partenaires Techniques et Financiers, dont la Banque Mondiale, sur la période 2022-2024. A cet effet, son programme de réformes économiques et sociales à court, moyen et long terme définit comme priorités : (i) la transformation structurelle de l'économie ; (ii) le développement du capital humain ; (iii) la création d'emploi et l'inclusion économique ; et, (iv) la gouvernance, la décentralisation et la gestion stratégique de l'État.

Ces priorités sont prises en compte dans les trois piliers de l'ensemble des réformes appuyé par cette opération d'appui budgétaire, à savoir : *l'amélioration de la soutenabilité budgétaire, de la gouvernance et de la gestion du secteur public (pilier 1)* ; *la promotion de l'inclusion économique (pilier 2)* ; et, *l'établissement des fondations d'un développement soutenable des infrastructures (pilier 3)*.

a. Pilier 1 : Amélioration de la soutenabilité budgétaire, la gouvernance et la gestion du secteur public

Les actions prévues dans le cadre de ce pilier visent notamment à : (i) accélérer le processus de décentralisation en cours ; (ii) renforcer la gouvernance et la responsabilisation des entreprises publiques ; (iii) améliorer la mobilisation des recettes ; et, (iv) améliorer la gestion de la trésorerie de l'État.



- *Accélération du processus de décentralisation*

Il s'agit d'assurer progressivement l'exercice effectif de certaines compétences de l'administration centrale par les régions. A cet effet, le 28 décembre 2021, le Président de la République a signé quatre (04) décrets fixant les modalités d'exercice de certaines compétences transférées par l'Etat aux régions dans les domaines de : (i) l'urbanisme et l'habitat ; (ii) la protection de l'environnement ; (iii) la participation à l'organisation et la gestion des transports publics interurbains ; et (iv) le tourisme et les loisirs. De même, des arrêtés fixant les modalités d'exercice de ces compétences transférées ont été signés.

- *Renforcement de la gouvernance et responsabilisation des entreprises publiques*

Le Gouvernement reste déterminé à améliorer la transparence dans la gestion des entreprises publiques et réduire les risques budgétaires. Ainsi, un rapport agrégé sur l'aide financière aux entreprises publiques a été élaboré et annexé à la loi de finances de l'exercice 2021 (publiée le 16 décembre 2021). Ledit rapport intègre les subventions et transferts en capital versés aux entreprises publiques, les dividendes reçus, les prêts rétrocedés, les encours des emprunts garantis par l'Etat, la situation des dettes et créances réciproques au 31 décembre de l'année précédente. Aussi, les états financiers audités de six (06) entreprises publiques des catégories 1 et 2 ont été rendus publics. Il s'agit des entreprises ci-après : Aluminium du Cameroun (ALUCAM), Cameroon Telecommunications (CAMTEL), Cameroon Development Corporation (CDC), Société Nationale des Hydrocarbures (SNH), Société de Développement du Coton (SODECOTON), Société Nationale de Raffinage (SONARA).

- *Amélioration de la mobilisation des ressources domestiques*

Les actions du Gouvernement visent à renforcer le contrôle de la conformité des contribuables. A cet effet, un protocole d'accord a été signé en avril 2022 avec les établissements de crédits en vue de favoriser les paiements des impôts et taxes à travers la plateforme électronique du Guichet Unique des Opérations du Commerce Extérieur (e-GUCE). Ceci permettra au Gouvernement de combler certaines insuffisances en matière de recouvrement des impôts et taxes sur les opérations du commerce extérieur.

- *Amélioration de la gestion de la trésorerie*

Le Gouvernement est déterminé à améliorer la gestion de la trésorerie et l'efficacité des dépenses de l'Etat. Dans ce cadre, le Premier Ministre, Chef du Gouvernement, a signé le 16 septembre 2022 un décret fixant le cadre général des opérations financières de l'Etat et des autres entités publiques par voie électronique. Cette réforme a pour but de renforcer l'expansion des paiements électroniques et la systématisation de leur utilisation pour faciliter les transferts financiers. Ceci devra favoriser une réduction des paiements en espèces et contribuera à renforcer la gestion de trésorerie de l'Etat.



b. Pilier 2 : Promotion de l'inclusion économique

Ce pilier a pour objectif de : (i) améliorer l'efficacité et la transparence dans l'allocation des ressources humaines dans le secteur de l'éducation ; (ii) améliorer l'accès des jeunes filles à l'éducation ; et (iii) renforcer le système de protection sociale et d'adaptation aux chocs.

- *Amélioration de l'efficacité de la dépense et de l'équité dans la gestion des ressources humaines du secteur de l'éducation*

Le Gouvernement réaffirme sa détermination à garantir l'objectivité, la transparence et la régularité du processus de recrutement, ainsi que la gestion prévisionnelle et rationnelle des ressources humaines. A cet effet, le Ministre de l'Éducation de Base a signé le 02 novembre 2022, un arrêté précisant les modalités et règles applicables en matière de recrutement et de déploiement des instituteurs de l'enseignement maternel et primaire sélectionnés dans le cadre du Programme d'Appui à la Réforme de l'Éducation au Cameroun (PAREC).

- *Amélioration de l'accès des jeunes filles à l'éducation*

En vue de promouvoir en faveur de la jeune fille, le maintien et l'achèvement de l'enseignement primaire et secondaire, ainsi que l'équité dans l'accès à l'apprentissage, les Ministres en charge des Enseignements Secondaires et de l'Éducation de Base ont adopté en avril 2022 un règlement permettant à la jeune fille enceinte de poursuivre sa scolarité jusqu'à la 26^{ème} semaine de grossesse. Cette réforme vise à protéger le droit des filles à l'éducation et à renforcer leur contribution au développement.

- *Renforcement du système de protection sociale et d'adaptation aux chocs*

Les interventions du Gouvernement visent à construire un registre social unique constituant un élément central du système national de protection sociale. Dans ce cadre, le Premier Ministre, Chef du Gouvernement, a signé le 19 mai 2022, un arrêté établissant le registre social unifié et définissant notamment son ancrage institutionnel. Cette mesure s'inscrit dans la continuité du précédent programme de réformes soutenu par le Banque Mondiale. La mise en place du registre social et son opérationnalisation fixent les bases des programmes de protection sociale pour une meilleure coordination et un meilleur ciblage, toute chose permettant d'accroître la résilience des ménages aux chocs, notamment climatiques.

c. Pilier 3 : Établissement des fondations d'un développement soutenable des infrastructures

Le Gouvernement entend également renforcer la soutenabilité des infrastructures routières et améliorer la gestion de la ressource en eau.

- *Renforcement de la soutenabilité des infrastructures routières*

L'objectif du Gouvernement est d'améliorer la planification et la mise en œuvre du réseau routier et des infrastructures de transport. A cet effet, le Président de la République a



promulgué le 27 avril 2022, une nouvelle loi sur la préservation des actifs, posant ainsi les principes directeurs de protection, d'exploitation, d'entretien et de modernisation des infrastructures routières. Ceci prend également en compte les nouveaux défis que sont (i) la redistribution des responsabilités en matière de gestion des infrastructures routières, conformément à la politique de décentralisation ; (ii) les mesures de guidage et de contrôle des types de véhicules autorisés à circuler sur le réseau routier et leur contrôle technique; (iii) la gestion efficace des barrières de péage et de pesage ; (iv) le financement durable de l'entretien du réseau routier; et (v) l'intégration des aspects liés au changement climatique dans la conception des routes.

Aussi, un cadre institutionnel de suivi-évaluation de la Stratégie Intégrée d'Infrastructures de Transport Multimodal (S2ITM) a été mis en place.

- *Amélioration de la gestion de la ressource en eau*

Les actions du Gouvernement visent à organiser et encourager toutes les initiatives en faveur d'un développement durable et rationnel de l'eau. Ainsi, une nouvelle politique nationale de l'eau a été adoptée en vue de créer une prise de conscience individuelle et collective sur les enjeux liés à l'eau, d'une part, et de favoriser plus de synergie et de cohérence dans les investissements publics et privés, d'autre part. L'opérationnalisation de cette politique permettra notamment de définir le nouveau cadre de gestion des ressources en eau et construire la base juridique relative aux associations d'utilisateurs d'eau.

Tout en vous remerciant pour les appuis multiformes que la Banque Mondiale ne cesse d'apporter au Cameroun pour son développement, je vous prie d'agréer, **Monsieur le Président**, l'expression de ma très haute considération.

Copie : Administrateur de la Banque Mondiale pour le Cameroun.





Non-official translation of the Letter of Development Policy

REPUBLIQUE DU CAMEROUN

Paix – Travail – Patrie

**MINISTRE DE L'ECONOMIE, DE LA
PLANIFICATION
ET DE L'AMENAGEMENT DU TERRITOIRE**



REPUBLIC OF CAMEROON

Peace – Work – Fatherland

**MINISTRY OF ECONOMY, PLANNING
AND REGIONAL DEVELOPMENT**

#.....L/MINEPAT/SG

Yaoundé,

The Minister,

**ATTN: The President
of the World Bank Group
1818 H Street, NW Washington, DC 20433
UNITED STATES OF AMERICA**

**Subject: Development Policy Letter relating to the Development
Policy Financing for the Republic of Cameroon**

Sir,

This Development Policy Letter, which underpins your institution's budget support for the Republic of Cameroon, is part of the first Development Policy Operation for Budget Sustainability and Inclusive and Sustainable Growth. It describes the recent macroeconomic performance, taking into account current developments linked to high global inflation and the war in Ukraine, and specifies the Government's program and medium-term structural reforms. The implementation of this program aims to improve fiscal sustainability, governance, and public sector management; strengthen human capital and promote women's economic participation; and lay the foundations for sustainable infrastructure development.

1. Recent macroeconomic performance

Cameroon's economy had rebounded in 2021 before it became affected by the fallout from the war in Ukraine starting in February 2022. Indeed, growth reached 3.6 percent of GDP in 2021 thanks to the increase in exports of commodities and the strengthening of service activities. The services affected by the COVID-19 pandemic, including maritime and air transport, catering and



hospitality, have gradually recovered since the 2020 second quarter, while continued growth in the financial and telecommunications sectors has supported the strong performance of the services sector. Economic recovery slowed down in the 2022 first quarter, with a growth rate of 3.3 percent, due to the economic fallout from the war in Ukraine that affected growth in the industrial sector and public and private investments.

Tensions on the international commodity and energy markets have led to higher domestic prices, especially as regards food commodities. However, the Government took proactive measures to limit inflationary pressures, through direct control of the prices of some commodities and fuel subsidies. Rising world prices for consumer staples such as wheat, rice and refined petroleum products have passed through to the domestic market. In September 2022, consumer prices in Yaoundé and Douala increased by 14.9 percent and 14 percent respectively year-on-year due to the increase in the cost of imported goods, in particular food products.

The situation of public finances has improved, thanks to the increase in domestic revenue and expenditure consolidation. On the one hand, oil revenues have increased as a result of the higher international oil prices. Non-oil revenue, excluding grants, increased thanks to improved tax collection driven by active tax administration measures relating to corporate tax and VAT. At the same time, increased spending on fuel subsidies has significantly reduced revenue gains from higher oil prices since the beginning of the year. However, better control of expenditures on goods and services (which fell by 42 percent in July 2022, year-on-year) as well as reductions in capital expenditures have helped contain the rise in spending. Thus, the budget deficit (inclusive of grants) decreased from 3.2 percent of GDP in 2020 to 2.8 percent in 2021.

Total public debt continued to increase, driven by its external component, but Cameroon has continued to meet its repayment deadlines to date. The stock of public debt increased from 45.0 percent of GDP at the end of 2020 to 47.2 percent of GDP at the end of 2021. The composition of public debt has remained relatively stable over time, with external debt representing more than two-thirds of total debt (31.9 percent of GDP at the end of 2021). Actual debt service amounted to USD 1.7 billion (XAF 1,029 billion) in 2021, of which 72 percent was external debt. State-owned enterprises' debt reached 3.8 percent of GDP in 2021 (of which 2 percent is State-guaranteed debt).

Cameroon's external position deteriorated at the end of 2021 but has been improving since the beginning of 2022, thanks to favorable developments on the commodity markets. The current account deficit reached 4.0 percent of GDP in 2021 (compared to 3.7 percent in 2020), reflecting the deterioration in the balances of services and primary and secondary incomes. Increased oil export earnings and private transfers from abroad reduced the current account deficit. Between January and July 2022, export earnings increased by 51 percent compared to the same period in 2021, driven by exports of liquefied natural gas. At the same time, imports increased at a slower pace, which contributed to improving the trade balance (up 5 percent year-on-year) compared to the same period in 2021.



Domestic credit has grown at a rapid pace in 2022, while the banking system has remained broadly resilient to the various crises facing the economy. The increase in the amount of Government debts and loans to the non-financial private sector mainly account for the increase in domestic credit. However, credit to the private sector has also increased significantly, benefiting sectors such as construction, hospitality and catering, transport, agriculture and livestock, as well as energy. As a sign of the fairly good health of the banking sector, the ratio of non-performing loans decreased from 16.8 percent at the end of 2021 to 14.8 percent in June 2022. Similarly, the system-wide capital adequacy ratio increased from 12 percent at the end of 2020 to 13 percent in 2021, exceeding the regulatory minimum requirement of 8 percent set by the regional banking commission (COBAC).

2. Government program

The Government remains committed to continuing the implementation of its development program described in its strategy document (SND30), with the support of Technical and Financial Partners, including the World Bank, over the 2022-2024 period .

In particular, the medium-to-long term economic and social reforms program establishes the following priorities: (i) structural transformation of the economy; (ii) human capital development; (iii) job creation and economic inclusion; and, (iv) governance, decentralization and strategic management of the State. These priorities are fully reflected in the three pillars of the series of reforms supported by this Development Policy Operation, namely: *improving budget sustainability, governance and public sector management (Pillar 1)*; *promotion of economic inclusion (Pillar 2)*; and, *laying the foundations for sustainable infrastructure development (Pillar 3)*. The detailed content of this reform program is described below.

a. Pillar 1: Improving fiscal sustainability, governance and public sector management

The actions planned under this Pillar aim in particular to: (i) accelerate the ongoing decentralization process; (ii) strengthen governance and accountability of State-owned enterprises; (iii) improve revenue mobilization; and (iv) improve government cash management.

- *Transferring powers from the central government to regions*

The Government's interventions aim to fill the gaps in the institutional framework to accelerate and operationalize decentralization. On December 28, 2021, the President of the Republic signed four decrees transferring to regions powers relating to public transport, housing, environment and the social sectors, including education and health. The four decrees adopted define the rules governing how the powers devolved by the Government to the regions are to be exercised in the areas of environmental protection, town planning, housing and public transport management. To operationalize the decrees, the relevant line ministers published implementing



texts (orders) specifying the procedures for exercising the powers as well as the associated resources devolved to the regions in the three important areas.

- *Reducing fiscal risks and strengthening transparency in the management of State-owned enterprises*

The Government remains committed to strengthening the monitoring and disclosure of SOEs' debt by improving transparency practices. As part of this operation, the Government published the audited financial statements of large category 1 and 2 SOEs and a tax statement of SOEs as well as the 2022 Budget Law. The aggregate SOEs report, covering Year 2020, was released in December 2021. The report provides key financial and operational performance indicators for the SOE sector. This information is essential to increase transparency and improve the performance of SOEs over time or to monitor risks. The audit reports of the financial statements of category 1 and 2 SOEs, including the Cameroonian Aluminum Company (ALUCAM), Société nationale des télécommunications (CAMTEL), the Cameroon Development Corporation (CDC), Société nationale des hydrocarbures (SNH), Société nationale du coton (SODECOTON), et la Raffinerie nationale de pétrole (SONARA), were also published online on the respective SOEs' websites and in the Official Gazette.

- *Improving domestic resource mobilization*

The Government's actions aim to better identify taxpayers and reduce the risk of tax evasion through the use of third-party sources. Losses due to tax evasion amount to about USD 375 million (0.9 percent of GDP) per year, in a context where the tax administration (DGI) and the customs department (DGD) do not have a strategic framework for assessing and managing the tax evasion risk. Data collection and analysis aimed at identifying the tax evasion risk are conducted on an ad hoc basis and are not framed by a risk management strategy. Although the collaboration between DGI and DGD has been strengthened through the "FUSION" platform, Cameroon does not yet benefit from the opportunities offered by the Base Erosion and Profit Shifting (BEPS) framework. The ratification of the Multilateral Convention in April 2022 will allow the Government to fill the gaps in international taxation that enable companies to avoid tax. For a tax authority to obtain information from third parties, including other government agencies, there is a need to have legislation and protocols that require third parties to share their information with tax authorities.

- *Improving cash flow management*

The Government is determined to improve its cash management. Consequently, on September 19, 2022, the Prime Minister issued a decree laying down the legal framework governing government-to-person electronic payments. The decree authorizes digital payments to and from the Treasury to the Treasury's mobile money accounts and prepaid cards (payment of salaries, pensions, social



benefits, and bills by the government), as well as tax and administrative fee payments from individuals/businesses to the government. This reform will reinforce the expansion of electronic payments and their routine use to facilitate financial transfers, especially for social net program beneficiaries. The expansion of electronic payments will decrease the use of cash payments and therefore contribute to reinforcing the management of public cash flows, while mitigating the risk of leaks and accumulation of arrears.

b. Pillar 2: Promote economic inclusion

This Pillar aims to: (i) enhance the effectiveness and transparency of resource allocation in the education sector; (ii) set up social benefit systems that are inclusive and shock-responsive; and (iii) empower girls and women.

- *Improving expenditure efficiency and equity in human resource management in the education sector*

The government reaffirms its determination to improve and reinforce the autonomy and accountability of public schools, as well as efficiency in the deployment of teachers across the national territory. With this in mind, the Minister of Basic Education signed a circular that clarified the criteria governing the allocation of resources to individual schools, their use, and the different actors' responsibilities. The funds are allocated on the basis of the number of students enrolled, the number of teachers, and the last dates for effecting the biannual fund transfer (January and July 2022). A second circular spells out the criteria governing primary teacher recruitment and the fact that their deployment is based on needs and the teacher-to-student ratio. More precisely, the rules governing teacher recruitment in public primary schools require that they be assigned to schools within the locations/regions where they sat the examination that led to their selection and that they maintain their first position for a minimum of five years.

- *Improving young girls' access to education*

On April 21, 2022, the Ministries of Secondary Education and Basic Education adopted a set of regulations that aim to protect pregnant girls' right to attend school up to the 26th week of pregnancy. This reform also aims to narrow the gender gap in accessing education and protect the health and well-being of adolescent girls. It will also contribute to protecting pregnant girls against discrimination and social stigma.

- *Building crisis response and adaptation capacities*

The Government's interventions aim to set up a single social registry that will be at the core of a national, adaptive and pro-poor social protection system. The Prime Minister issued a decree creating the unified social registry, setting its institutional arrangements and operational structure,



as well as establishing its effective use for social net programs. This measure builds on the previous World Bank-supported reform program that expanded social net programs. The setting up of a social registry and its mechanism of use for social programs lays the foundation for social protection programs that benefit from better coordination and targeting, enabling greater household resilience to shocks, especially climate-related ones. Additionally, the social registry will help support female-headed households, contributing to increasing women's access to services, and decreasing their vulnerability to shocks.

c. Pillar 3: Lay the foundation for sustainable infrastructure development

The Government intends to reinforce the sustainability of infrastructure and sustainable management of water resources.

- *Reinforcing road infrastructure sustainability*

The government adopted a new law on asset preservation that sets the guiding principles for effective protection, use, maintenance, upgrading, and extension of physical road assets throughout their life cycle, while taking environmental and social considerations into account. The law addresses new challenges, namely (i) the redistribution of road infrastructure management responsibilities according to the Government's new decentralization policy; (ii) the guidance and control measures applicable to the types of vehicles authorized on the network and vehicle roadworthiness tests; (iii) the effective management of tollgates and axle load control; (iv) sustainable funding of the road network's maintenance; and (v) the integration of climate change-related aspects in road design.

- *Improving water resource management*

Without an institutional framework, it was not possible to ensure proper water resource management or sustainable access to resilient irrigation, and sanitation and hygiene infrastructure. The development and management of irrigation in Cameroon have indeed remain unchanged since the 1980s, unlike in other countries of the region. The global experience shows the importance of creating sustainable governance mechanisms to ensure the sustainability of investments in irrigation in the long term through farmer-managed mechanisms.

To see to this, the Government adopted a new national water policy that will provide the grounds for amending the Water Code. The draft national water policy contemplates better use of existing water resources by recognizing the need to create water users' associations (WUAs) that will shoulder the responsibility of managing, operating, and maintaining the irrigation infrastructure. This new legal framework will provide the legal foundation for setting up WUAs as part of new and existing irrigation systems.



As I conclude, I would like to thank you for the multiple forms of support that the World Bank never ceases to provide to Cameroon's development efforts.

Sincerely Yours,

CC: *World Bank Executive Director representing Cameroon*



ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

Prior actions	Significant positive or negative environment effects	Significant poverty, social, or distributional effects, positive or negative
Pillar 1. Improving fiscal sustainability, governance and public sector management		
<p>Prior action#1. To accelerate the implementation of the decentralization process, the Recipient’s President of the Republic and respective ministers in charge of environment, housing and urban planning, and public transport have set the procedures and implementation measures to exercise the powers transferred from the central government to the regions in selected matters including environment, housing and urban planning, and public transportation, as evidenced by implementing Decrees N°2021/744, N°2021/745, N°2021/746, and N°2021/747 dated December 28, 2021 to the decentralization law no 2019/024 of December 24, 2019 and implementing Arretes N°0007/E12/A/MINH DU/CAB, N°0030/MINT, N°008/A/MINEPDED dated November 2, 2022.</p>	no	Yes, positive
<p>Prior action#2. To reduce budgetary risks and improve transparency in the management of SOEs, (i) the Recipient’s SOEs in categories 1 and 2 have published on their respective website their audited financial statements, and (ii) the Recipient through its Parliament, enacted and published an aggregated SOEs’ report with financial and operational performance indicators within the finance law for the 2022 financial year including, as evidenced by Law N°2021/026 dated December 16, 2021.</p>	no	Yes, positive
<p>Prior action#3. To strengthen domestic revenue mobilization through enhanced control of taxpayers’ compliance, the Recipient’s minister in charge of finance has required from the Foreign Trade Single Window (FTSW) and eighteen commercial banks to share relevant fiscal data with the tax authorities, as evidenced by the signed protocols between the ministry in charge of finance, the respective commercial banks, and FTSW.</p>	no	Yes
<p>Prior action#4. To improve cash management, the Recipient’s Prime Minister has adopted and published the general framework for financial operations of the state and other public entities by electronic means, as evidenced by Decree N°2022/8001 CAB/PM dated September 16, 2022.</p>	no	Yes, Positive



Pillar 2. Improving Inclusion by Ensuring Equitable Access to Services and Empowering Women and Girls		
Prior action#5. To improve spending efficiency and equity in human resource management in the primary education sector and access to public education, the Recipient’s minister in charge of education has adopted (i) a new schools financing mechanism based on defined criteria, as evidenced by Circulaire N°014/1/426/MINEDUB/SG/DRFM of 01 November 2022, and (ii) criteria for teachers’ recruitment at the primary education level using a test, and deployment based on needs and the ratio of teachers per student as evidenced by Arrete N° 0158/A/43/MINDUB dated November 2, 2022.	no	Yes, positive
Prior action#6. To improve girls’ access to education, the Recipient’s minister in charge of education has required from schools’ authorities to allow pregnant girls to attend school overriding the provisions set out in Circular N°10/A//MINEDUC/ESG/DETP/DEPM/DEP dated January 19, 1980, as evidenced by Circular N°02/22/C/MINESEC/CAB dated April 22, 2022 and Circular N°006/B/1464/C/ MINEDUB/CAB dated April 21, 2022.	no	Yes, positive on gender
Prior action#7. To strengthen the crisis response capacity of the Recipient’s social safety net system and improve the targeting of pro-poor programs, the Recipient’s Prime Minister has established the rules governing the registration in, tracking and monitoring of the Recipient’s national social registry, as evidenced by the Arrete N°041/PM dated May 19, 2022.	no	Yes, positive
Pillar 3. Laying the Foundations for Sustainable Infrastructure Development		
Prior action#8. To improve the preservation of the Recipient’s road assets and transport infrastructure and to strengthen its resilience to climatic hazards, the Recipient has (i) through its Parliament, enacted and published the law on the Management of the National Road Network as evidenced by Law N°2022/007 dated April 27, 2022, and (ii) through the Recipient’s minister in charge of public work has issued an instruction note with new criteria to consider climate change in the design of road infrastructure, as evidenced by Instruction Note N°7794/NI/MINTP/SG/DGET/DAET/DAET304 dated September 6, 2022.	Yes, positive	Yes, positive
Prior action#9. To improve water resource management, the Recipient’s President has approved a National Water Policy, governing the planning and development of water resources and their optimum utilization, through the creation of Water User Associations (WUAs) and the transfer of irrigation infrastructure to WUAs for its management, as evidenced by the Recipient’s minister of state, secretary general letter dated November 2, 2022.	Yes, positive	Yes, positive