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THE INTERNATIONAL DEVELOPMENT ASSOCIATION AND
THE INTERNATIONAL MONETARY FUND

CAMEROON

Decision Point Document for the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative

Prepared by the Staffs of the World Bank and the International Monetary Fund[1]

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Cameroon: List of Acronyms and Abbreviations

Acronym/Abbreviation	
AFD	Agence Française de Développement
AfDB	African Development Bank
BADEA	Banque Arabe de Développement Economique de l'Afrique
BDEAC	Banque de Développement des Etats de l'Afrique Centrale
BICEC	Banque Internationale pour le Crédit et l'Épargne au Cameroun
CAMAIR	Cameroon Airlines
CAMCUL	Cameroon Cooperative Union League
CAMSHIP Lines	Cameroon Shipping Lines
CAMSUCO	Cameroon Sugar Company
CAMTAINER	Société Nationale de Transport et de Transit du Cameroun
CAMTEL	Cameroon Telecommunications (fixed telephones)
CAMTEL-Mobile	Cameroon Telecommunications (mobile telephones)
CDC	Cameroon Development Corporation
CEMAC	Communauté Economique et Monétaire pour l'Afrique Centrale
CIMA	Conférence Interafricaine des Marchés d'Assurances
CNPS	Caisse Nationale de Prévoyance Sociale
CNR	Caisse Nationale de Réassurance
COBAC	Commission Bancaire de l'Afrique Centrale
DPT	Diphtheria, polio, and tetanus
DSA	Debt Substainability Analysis
HEVECAM	Hévéa Cameroun
MINEF	Ministère de l'Environnement et des Forêts
MOH	Ministry of Health
NPV	Net present value
NTBs	Nontariff barriers
ONADEF	Office National de Développement des Fôrets
PRGF	Poverty Reduction and Growth Facility
PNRVA	Programme National pour la Recherche et la Vulgarisation Agricole
PRSP	Poverty reduction strategy paper
REGIFERCAM	Régie Nationale des Chemins de Fer du Cameroun
SAC	Structural adjustment credit
SCDP	Société Camerounaise de Dépôts Pétroliers
SGS	Société Générale de Surveillance
SNEC	Société Nationale des Eaux du Cameroun
SNH	Société Nationale des Hydrocarbures
SOCAMAC	Société Camerounaise de Manutention et d'Acconage
SOCAPALM	Société Camerounaise des Palmeraies
SOCAR	Société Camerounaise d'Assurances
SODECOTON	Société de Développement du Coton
SONARA	Société Nationale de Raffinage

SONEL	Société Nationale d'Electricité du Cameroun
SOSUCAM	Société Sucrière du Cameroun
SOTUC	Société des Transports Urbains du Cameroun
SRC	Société de Recouvrement des Créances du Cameroun
UNAIDS	Joint United Nations Program on HIV/AIDS

I. INTRODUCTION

1. This paper presents a decision point assessment of Cameroon's eligibility for assistance under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative). The Executive Boards of the IMF and IDA discussed the preliminary HIPC document (EBS/00/91 and IDA/R2000-96) for Cameroon on June 7 and June 15, 2000, respectively, and agreed that Cameroon is eligible for assistance under the Initiative in view of its unsustainable debt burden and its satisfactory track record for macroeconomic management and structural reform under IDA- and Fund-supported programs. They agreed to consider Cameroon's decision point under the Initiative upon the successful completion of the final review of the existing PRGF-supported program, continued satisfactory performance under the third structural adjustment credit (SAC III), the implementation of certain key measures outlined in the preliminary document, and the adoption of a satisfactory interim Poverty Reduction Strategy Paper (I-PRSP).

2. During the discussion of the HIPC preliminary document, Directors agreed with the assessment that while significant reforms have been undertaken to date on the macroeconomic and structural front, poverty remains widespread in Cameroon, and weak governance and widespread corruption continue to pose major challenges. They supported the staffs' recommendation that, in order to attain sustainable poverty reduction, it will be necessary to have high economic growth rates, greatly improved efficiency of public expenditure, and strengthened governance. To that end, Cameroon needs to consolidate gains made in recent years, widen and deepen the existing reform program, and establish a solid foundation for the next phase of reforms, which will more directly and urgently tackle governance and poverty. In this vein, a credible framework for, and implementation of, the PRSP is crucial to ensure that the debt relief is explicitly and effectively used toward poverty reduction. The Boards stressed that, at a minimum, well-defined sectoral strategies in education and health that focus, inter alia, on better targeting and improved efficiency of service delivery, needed to be prepared before the decision point.

3. Since the preliminary document, the authorities have made satisfactory progress with respect to the key reforms, objectives and milestones set forth in Box 9 of the preliminary document and reproduced below (Box 1). In particular, the existing PRGF-supported program has been satisfactorily completed, SAC III continues to be executed satisfactorily, and an interim PRSP has been prepared (see attached I-PRSP), that incorporates the outcome of participatory consultations[2]. Overall, the consultations were comprehensive and enabled the poor to articulate their areas of concern. The consultations provided at times highly critical feedback on the impact of current economic and social policies, and generated a full agenda, which the final PRSP will endeavor to address. The dominant themes that emerged were improved living standards and employment opportunities, better delivery of social services, enhanced rural development with a more targeted regional focus, maintenance and

[2] The consultations were conducted in April 2000 with a wide spectrum of Cameroonians throughout the country; these were followed by a national workshop in May 2000.

expansion of infrastructure, and fighting corruption and strengthening governance. The interim PRSP has made preliminary proposals in these areas which will be further developed and refined in the full PRSP to be prepared over the coming year.

4. The interim PRSP is complemented by the sector strategies which have been prepared for health and education and which focus on wider and more equitable access to services as well as improvements in service delivery and HIV/AIDS prevention. Governance issues have been addressed in the governance and anti-corruption strategy which targets in particular improving decentralization and deconcentration of key services, improved management of public resources (financial and human), and strengthening the judicial system. Furthermore, satisfactory progress has been made with respect to the key short-term milestones pertaining to governance, education, and health (see Box 1 for details). With respect to addressing HIV/AIDS, a national strategy has been prepared and was formally adopted and launched by the Prime Minister on September 12, 2000. The national strategy will seek to mobilize communities, promote awareness and behavioral change, increase condom use and improve access to voluntary counselling and testing. Finally, satisfactory arrangements have been established for the effective use and monitoring of debt savings accruing to Cameroon under the Initiative.

5. The rest of the paper is organized as follows. Section II draws on the interim PRSP and existing economic reform program in order to present an overview of the medium-term policy challenges and outlook. Section III provides an update of the debt sustainability analysis (DSA). Section IV outlines the profile of assistance, with emphasis on IDA and IMF assistance, and potential utilization and safeguards of HIPC resources. Section V presents the floating completion point triggers, reflecting the discussions by the two Boards and agreements subsequently reached with the authorities. Section VI presents issues for discussion by Executive Directors.

Box 1. Cameroon: Key Reforms and Objectives To Be Monitored before Decision Point		
Area	Measures	Status
PRGF program	Completion of the current PRGF-supported program.	Satisfactory
SAC III	Continued satisfactory and timely execution of SAC III.	Privatization and forestry broadly satisfactory, transport sector marginally satisfactory (delays being experienced with respect to reforms in the port sector). Three of the six tranches have been released, most recently on June 25, 2000 (first privatization floating tranche). Two more tranches are currently expected to be released in 2000/01, and the remaining one in 2001/02.
Poverty Reduction Strategy Paper	Adoption of an Interim PRSP, taking into account the results of the first round of participatory consultations.	Interim-PRSP officially communicated to IDA and IMF. See joint staff assessment for staff evaluation.
Governance	Adoption of governance and anti-corruption strategy, including associated action plan.	National Governance Program adopted as of June 30, detailed implementation strategy and action plan prepared.
	Modification of procurement code to make provision for validation of the adjudication process by an independent observer and for ex-post audits of contracts by independent, internationally reputed companies.	Done; application decrees adopted, call for tenders issued.
Education and Health	Adoption of education and health strategies, and satisfactory progress with respect to key milestones set forth in Boxes 4 and 5 of the preliminary document (education and health).	**Education**. Sector strategy prepared and judged acceptable; it will be further strengthened over the coming months. Satisfactory progress on the short-term milestones. **Health**. Sector strategy prepared and judged acceptable; it will be further strengthened over the coming months. Satisfactory progress on the short-term milestones (see Box 2).
HIV/AIDS	Satisfactory progress toward implementation of HIV/AIDS actions elaborated in paragraph 51 of the preliminary document.	A national HIV/AIDS strategy and emergency action plan prepared with the assistance of UNAIDS was adopted and launched by the authorities in mid-September. This strategy will be further developed and strengthened over the coming months. Communications campaign launched in newspapers, radio and TV in summer 2000. Technical ministries are developing sector-specific strategies to fight HIV/AIDS.
Use of HIPC resources	Establishment of arrangements satisfactory to IMF and IDA for the effective use and monitoring of savings accruing to Cameroon under the enhanced HIPC during the interim period.	Priority target sectors to benefit from HIPC assistance are: education, health, HIV/AIDS, social affairs, rural development, basic infrastructure, and governance. In each of these sectors, a set of budgetary programs and/or projects is being prepared with the assistance of IDA and other donors as well as a detailed HIPC spending plan. These programs will be further developed and detailed during the discussions for the next three-year PRGF, scheduled for October-December 2000. A special Treasury account will be set up at the Central Bank to receive the debt savings and will be restricted to settlement of HIPC assistance-related expenditures. To enhance monitoring and control, these expenditures will be recorded in the budget with a specific code, will be subjected to existing budgetary control procedures, monitored by a committee consisting of representatives of the donor community and civil society, and be the subject of a technical and financial audit. (See paragraphs 38-40 for more details)

Source: Box 9, Preliminary HIPC document (IDA/R2000-96 and IMF/EBS/00/91), and staff assessment.

II. Medium-Term Policy Challenges and Outlook

A. Overall Policy Framework

6. The preliminary HIPC document acknowledged that, although successive governments were slow to respond to the challenge posed by poverty, a comprehensive statement of intent, *La Déclaration de la Stratégie Nationale de Lutte Contre la Pauvreté (DSNLCP)*, was published in December 1998. This declaration set the stage for a new era of poverty-focused strategy and outlined a framework for the development of more detailed action programs and partnerships to implement and monitor this strategy. The preliminary HIPC document also presented a more comprehensive picture of Cameroon's main poverty reduction challenges, based on available in-country analyses, as well as Bank and Fund staff views. Since that time, understanding of the country's poverty issues has been enhanced by the preparation–in a participatory manner–of the interim PRSP. The interim PRSP draws heavily on the results of the participatory consultations with civil society which provided a constructive channel for bringing the inputs of civil society into the poverty agenda, focusing attention on problem areas in current economic and sectoral policies, initiating a dialogue on substantive solutions and implementation approaches, and starting to build partnerships for implementation and monitoring.

7. The interim PRSP is based on the following pillars: (i) promotion of sustainable and strong growth; (ii) adoption and implementation of specific poverty reduction and sectoral policies; and (iii) strengthening of governance to maximize the impact of growth on poverty. In particular, the I-PRSP explicitly targets disadvantaged groups by outlining a set of policies which involve (i) income generating activities; (ii) labor-intensive projects; (iii) micro-finance; and (iv) gender-based programs. As part of the overall policy framework, macroeconomic stability is considered essential for promoting economic growth and reducing poverty. Furthermore, poverty reduction activities will concentrate on improving governance and fighting corruption, fighting HIV/AIDS, rural development through diversification of agricultural, livestock and forest products, industrial development, rehabilitation of basic infrastructure, improving the delivery of education and health services, and strengthening the road network.

8. Although the growth rate averaged about 5 percent during the last five fiscal years, in sharp contrast to the previous decade's negative growth rates, income growth performance in Cameroon is still fragile and not inclusive. The Cameroonian government's macroeconomic objectives for the next three years are to: (i) increase real GDP growth rate from 5.3 percent in 2000/2001 to 6 percent in 2002/2003; (ii) limit consumer price inflation at around 2 percent; and (iii) contain the external current account deficit at about 2½-3 percent of GDP (Table 1). In the longer term, the authorities' objective is to raise annual real growth rates to 7 percent, thus allowing for an increase in per capita private consumption of about 3-4 percent, a rate that would permit tangible progress in poverty reduction.

9. The interim PRSP concentrates on a growth strategy that will correct the structural weaknesses in the economy, stimulate activities and create jobs through actions targeting:

(i) improved productivity and competitiveness by means of a program of privatization and cost reduction; (ii) increased public and private savings; (iii) promotion of the private sector; (iv) growth in production and diversification of exports; and (v) improved governance and transparency. The main sources of output growth in Cameroon will come from the non-oil sector through the development and diversification of exports (agriculture, forestry, manufacturing, and aluminum). Such growth will require a gradual increase in the overall investment rate, from 17 percent in 1999/2000 to over 21 percent by 2005/06 onward. Domestic savings are expected to average 20-21 percent of GDP during the period. The government will continue to implement sound economic and financial policies while broadening and deepening structural reforms, improving governance, and reducing corruption, so as to remove the remaining bottlenecks for private sector development.

10. The impact of the measures proposed under the interim PRSP and the future full PRSP will be felt gradually. The projected growth of GDP and per capita private consumption suggest that the best outcome for 2003 would be a reduction of the poverty rate by 4 percentage points relative to 2000. Under this scenario, the poverty rate would be 44 percent in 2003, leaving the number of people living in poverty unchanged at over 7 million. In the longer run, the International Development Goals, as applied to Cameroon, would call for a reduction of the poverty rate to 25 percent by 2015, application of the principle of basic education for all by 2015 with the complete elimination of the gender gap, and a decline in the infant mortality rate from 77 per 1,000 in 1998 to the global objective of 22 for 1,000 by 2015.

B. Raising Rural Incomes and Living Standards

11. **Rural development**. The participatory consultations identified many areas of weakness in rural development and agricultural sector policies, but most notably a perception that economic growth was not leading to higher rural incomes and that many public or formerly public services were failing to meet even basic needs. Consequently, the primary rural development objectives under the interim PRSP are: (i) diversification and transformation of agricultural, livestock and forestry exports; (ii) reconstitution of financing mechanisms for rural activities; and (iii) extension to rural populations of coverage under the national social security system. Attaining these objectives will require: (i) increased agricultural production and income to ensure food security; (ii) improvement in environmental factors and the incentive system through reform of taxation and management of land resources; (iii) modernization of the institutional framework; and (iv) improved concerted management of rural areas in a sustainable manner.

12. The necessary actions to be taken will be detailed in the integrated rural development strategy that will be formulated in a participatory manner during 2000/01.[3] This strategy will

[3] This strategy should, in IDA's view, include proposed actions to increase on-farm productivity, improve storage facilities, facilitate the movement of agricultural commodities from surplus to deficit areas, develop rural infrastructure, improve the collection and diffusion of market price information, ensure greater access to agricultural inputs, and entrust a leading role to local communities and farmer-driven institutions for the management of services and infrastructure. The strengthening of land rights, especially for women, including through the reform of the 1974 Land Tenure Act, should also be an important priority.

form a key part of the full PRSP also to be prepared in 2000/01 and will focus on revenue generating activities and job creation. It will likely emphasize the development of **rural infrastructure,** which was identified in the participatory process as key to enhancing growth and poverty reduction. Priority areas identified in the interim PRSP are rehabilitation and development of basic infrastructure and road maintenance. Future infrastructure activities should also build on the privatization of utilities (water and electricity) and should develop opportunities for the private provision and more effective and extended delivery of these services.

13. **Forestry**. Regarding the forestry sector and environmental protection, the government's objectives and policy reforms outlined in the I-PRSP, and supported by IDA under SAC III, focus primarily on: (i) implementing the Yaoundé Declaration of conservation and sustainable management of forests, including fighting corruption, establishment of an effective institutional system, and involving all stakeholders, particularly local communities in the management of forests; (ii) development and follow-up of management plans geared to ecologically sustainable development of forest resources; (iii) preservation and stability of forest ecosystems, including the management of protected areas, and (v) implementation of an industrialization policy with high economic value added. For the poor, the main benefits of these policies will come through effective participation of local communities in forest and savanna land management and more equitable revenue sharing. To ensure **improved revenue sharing with forestry communities,** the authorities also intend, in the context of the SAC III adjustment program, to strengthen the administration of the revenue sharing facility, according to which 50 percent of "area fees" (*redevance de superficie*) are transferred to forest communities and effectively used to improve rural infrastructure. In the same vein, particular attention will be given to ensuring that the Forestry Fund is used in a manner that will further the realization of sectoral development objectives.

14. **Development of rural finance.** The privatization of BICEC (Banque Internationale pour le Crédit et l'Épargne au Cameroun) will strengthen its presence in rural areas. All 25 branches will remain in operation, and its main partner, Group des Banques Populaires, has undertaken to bring in the required expertise to increase its participation in agricultural finance. In an effort to strengthen and develop microfinance institutions, the government is proceeding with the registering and licensing of these institutions. This will be followed by the establishment of prudential regulation by COBAC; the regulation should be well adapted to this sector by providing enough room for growth for the institutions while protecting depositors. Finally, assistance will be provided to individual institutions to enable them to restore their financial health and improve the delivery of services. The major provision of assistance to the group CAMCUL (with 350 member cooperatives out of an estimated total of 650) is targeted as a priority.

15. **Accelerating urban development.** The interim PRSP suggests the government's understanding of the complexity of the problem and also the government's commitment to conduct a study with a view to preparing a detailed action plan. It also outlines proposed urgent actions to be taken in the urban sector: (i) implement sewage programs; (ii) rehabilitate slums; (iii) improve security; (iv) provide more care to street children and the

handicapped; (v) fight drugs; and (v) raise awareness among commercial sex workers of the risks of Sexually Transmitted Diseases (STDs) and HIV/AIDS. Urban development should target the need to increase living standards and increase job opportunities, especially for the young. Success of the strategy will require: (a) effective –yet, progressive— decentralization and deconcentration of the public sector; and (b) technical and administrative capacity building at all relevant institutional levels. Public sector financing will come from increased and more timely transfers from the central government to municipalities, as well as improved revenue mobilization by the municipalities themselves.

C. Human Development

16. **Education**. The government, with the input of the main stakeholders, has prepared a sectoral strategy covering primary and secondary education. The main sector development objectives are: (i) improved and more equitable access to education; (ii) improvement in the efficiency and quality of education; and (iii) better management and governance of the education system. The strategy concentrates on good governance, collaboration with all actors at all levels, cost control, transferring responsibility to (local) communities through their active involvement and participation in education, and decentralization of resource management. For each of the development objectives, the strategy develops a series of programs and subprograms, together with a matrix of actions by objective, including timing and cost estimates. The overall cost of the strategy for the first three years is about US$155 million. It should be noted that a number of important reforms in the education sector have already been implemented (as elaborated in Box 4 of the preliminary HIPC document).

17. Regarding improved and more equitable access to education, the main objective is primary education for all, with a concerted focus on improving enrollment rates particularly in disadvantaged areas and for girls. In the provinces of the Adamaoua, the North and the Extreme North, enrollment rates are expected to reach 70 percent by 2003 against 53 percent, 57 percent and 47 percent currently. Other objectives articulated in the education strategy are to improve quality, with an aim to reduce the average drop out rate from 28 to 5 percent by 2005, and the repetition rate from 31 to 14 percent by 2005.

18. The quality of education will be improved by revising curricula (including treatment of important social issues such as HIV/AIDS, drugs, nutrition, environmental protection), and increasing access to schoolbooks and teaching materials for both students and teachers. At the same time, the supply of schooling facilities is supposed to improve significantly as 2,500 classrooms are expected to be built before the completion point. More teachers will also be needed, with improved career prospects and initial and in-service training. In the areas of management and governance, a complete overhaul of existing systems is required. The new vision implies the need for promotion of partnerships and participation at all levels which, in turn, will require significant decentralization (and deconcentration) of resource management (human and financial).

19. On the governance front, the management of schools will require the creation of school councils having responsibility for supervision, control and evaluation in the whole education community. These will be buttressed by the creation of an education sector governance watchdog (*Observatoire de la gouvernance*) as well as strengthening, within the Ministry, of the General Inspectorates of Services and Teaching. Monitoring and evaluation

of the program and its implementation will be participatory, with heavy involvement of beneficiaries, local communities, parents, students and teachers themselves. This is a vast ten-year agenda, thus it is expected that the primary and secondary education strategy will be regularly updated. Moreover, it will be complemented by a higher education strategy currently under preparation.

20. **Health**. The majority of key reforms and objectives provided for the decision point have been achieved and the remaining are in progress as shown in Box 2. In particular, the government has designed a comprehensive health sector strategy with the involvement of all stakeholders. The health strategy aims to: (i) reduce infant and maternal mortality rates by reducing the spread of HIV/AIDS, fighting infectious diseases such as malaria, epidemics and diseases preventable by immunization, and increasing support to nutrition as well as maternal and child health programs; (ii) increase access, quality, and efficiency of basic health care services, including through the construction of new primary health centers and assuring adequate availability of medical supplies and essential drugs at affordable prices; (iii) strengthen the institutional and management capacity of the health care system at all levels, particularly through increasing partnership with the private sector, NGOs, civil society and other donors; and (iv) ensure equitable and sustainable health care financing, channeling adequate levels of financial resources to essential interventions and reforming budgetary procedures and management of financial resources. The interim PRSP draws on the sector strategy and reflects these objectives.

Box 2. Cameroon: Status of Key Health Sector Reforms and Objectives Before Decision Point

Measures	Status
Adoption of health strategy and satisfactory progress with respect to key milestones set forth in Box 5 of the preliminary document.	• Publication of the national health map. (In progress) • Sector strategy prepared and judged acceptable. It will be further strengthened over the coming months.(Achieved) • Authorize health centers to retain the share of their fee generated income actually remitted to the Ministry of Health and identify alternative sources of financing for the National Solidarity Fund. (Achieved) • Establishment of legal and institutional framework assigning to health management committees control over and responsibility for the use of all funds generated from fees-for-service and drug revolving funds and from the government budget, including the deposit of such proceeds into a bank account opened in the name of each facility, with the oversight of community representatives. (Partly achieved) • Development of a draft monitoring framework to be used by the committees (i) to assess regularly (e.g., every 6 months) overall expenditures of health centers, as well as delivery performance for key services , and (ii) produce reports for presentation to communities. (Achieved) • Preparation of a legal act (i) establishing price caps on at least 30 essential low cost generic pharmaceuticals most likely to benefit the poor; (ii) allowing pharmacies to replace brand name drugs by their generic equivalent; and (iii) obliging them to disclose this possibility to the public. (Achieved) • Adoption of staffing norms for health facilities (centers, district hospitals). (Partly achieved). • Adoption of legislation to regulate incentives of health staff. (Partly achieved) • Definition of a framework for enhancing collaboration and partnership with NGOs (both profit and nonprofit). (Achieved) • Publish Ministerial Circular on drug registration procedures. (Achieved)

21. The sector strategy sets forth three key development objectives to be achieved by 2009: (i) reduce infant mortality by 30 percent, maternal mortality by 50 percent, and the general mortality rate by 25 percent; (ii) ensure that 90 percent of the population lives within one hour's walk of a local health center; and (iii) ensure that 90 percent of health centers are efficiently run. These development objectives are accompanied by a set of programs and subprograms, together with a matrix of actions for the next five years (2000-2004). The overall cost of the strategy is about US$140 million.

22. Implementation of the strategy will require a complete reorganization of the sector. The key building blocks are: (i) active promotion of enhanced partnership between the public and private (profit and non-profit) sectors; (ii) decentralization of public sector service delivery and resources to provincial and district health teams, under the leadership of the Ministry of Health; (c) reinforcing sector institutions, redefining the role of the Ministry of Health and strengthening the management capacity of the system; and (d) considerably increased community participation in health sector management. The health district will be the operational unit for decentralization. This ten year strategy proposes an ambitious and wide-reaching agenda, whose implementation will be regularly monitored and evaluated in a participatory manner, with the strategy being updated as needed. Salient objectives to be achieved before 2004, include: (i) 60 percent of the population would live less than 5 kilometers from a health facility as compared with 45 percent at the moment; (ii) the proportion of viable health districts[4] would have increased from 5 percent to 25 percent; (iii) DPT3 immunization coverage would have increased from 36 percent to 70 percent; (iii) the proportion of pregnant women immunized against tetanus would have increased from 49 percent to 90 percent; (iv) the proportion of births attended by trained health personnel would have increased from 54 percent to 70 percent; (v) contraceptive prevalence rate would have increased from 12 percent to 25 percent in urban areas, and from 4 percent to 15 percent in rural areas; (vi) coverage of children less than one year old with vitamin A supplementation would have reached 70 percent; (vii) knowledge about protection and prevention measures against malaria would have substantially increased (i.e., 50 percent of pregnant women would be using treated bed-nets). Measures for the next few years, distinguishing between the short-run (up to December 2000) and thereafter are summarized below in Box 3:

[4] Viable districts: districts where more than 80 percent of the population lives less than 5 kilometers from a primary health facility, and which have appropriate management structures.

Box 3: Cameroon: Revised Short-term and Medium-term Milestones for Health

Short term (before December 2000)

- Publication of the national health map.
- Establishment of legal and institutional framework assigning to health management committees control over and responsibility for the use of all funds generated from fees-for-service and drug revolving funds and from the government budget.
- Adoption of legislation to regulate incentives of health sector staff.
- Finalization of statutes for *Centre National d'Approvisionnement de Medicaments Essentiels (CENAME) and Centres D'Approvisionnement Pharmaceutiques Régionaux (CAPPs.)*
- Publication of a legal act (i) establishing price caps on at least 30 essential low cost generic pharmaceuticals most likely benefit the poor; (ii) allowing pharmacies to replace brand name drugs by their generic equivalent; and (iii) obliging them to disclose this possibility to the public.

Medium term

- Publication of most important regulatory texts for the implementation of the National Drug Policy.
- Preparation of annual health budgets in the context of a Medium Term Expenditure Framework, beginning with the budget for 2001/02; and in that context increase share of health budget from 4 to 7percent[5] of overall budget.
- Increase of allocation of funds to primary care/key public interventions to 45 percent of overall budget;
- Adoption of a legal framework to allow direct budget transfers to districts and/ or health centers;
- Development of criteria for performance based budgeting.
- Adoption of a comprehensive plan for the financing of health care, including adequate arrangements to guarantee access to health care by those unable to pay.
- Establishment of a functioning purchasing and auditing capacity at central level.
- Implementation of new contractual arrangements to foster partnership with profit and non-profit non-governmental providers.
- Publication and dissemination of standards for essential (medical) treatments.

23. **HIV/AIDS.** Halting the spread of HIV/AIDS has been identified as a key challenge under the interim PRSP with the government's goal of containing the rate of infection below the critical 10 percent threshold. The government has now prepared and adopted a national HIV/AIDs control and prevention strategy, with the assistance of the Joint United Nations Program on HIV/AIDS (UNAIDS) and other donors. This strategy proposes to take the same approach as that successfully undertaken in Senegal, Uganda, and Thailand; in particular, it will involve all groups and communities participating in the fight against AIDS, promote 100 percent condom use by groups most at risk (commercial sex-workers, soldiers, agricultural extension workers, truck drivers, students, teachers, etc.), promote behavior change among young people and increase use of voluntary counselling and testing. A public awareness campaign has been funded as part of the 2000/01 Budget Law. This campaign needs to be broadened to include regular radio and television messages, as well as specific messages promoting behavior change among the young. Concerned technical ministries (Health, Education, Agriculture, etc.) have agreed on the need to develop specific AIDS sub-strategies in the very short run. The government will also support intensified and expanded activities to prevent the spread of HIV, including the promotion of 100 percent use of

[5] To be confirmed by the on-going health sector financing study.

condoms with the objective of attaining at least 50 percent utilization rates by truck drivers, port workers, and soldiers, and 70 percent by commercial sex workers by 2003.

D. Institutions, Governance, and Anticorruption

24. **Governance strategy.** The government's overall economic reform program of the past three years has aimed at addressing some governance issues by reducing incentives and opportunities for rent-seeking mainly through improved public expenditure management, the privatization program, regular transfers of oil revenues to the budget, etc. (Box 4). The impact of these activities remains modest and has not been able to reduce widespread corruption. The I-PRSP recognizes key shortcomings of governance policies with respect to transparency, accountability, and the improvement of service delivery in the social sectors. Priority actions defined in the I-PRSP consequently focus on (i) decentralizing service delivery in key sectors, i.e., health and education, (ii) undertaking complementary reforms to improve transparency and accountability in the public sector, in particular with regard to public procurement and the management of public resources; (iii) judicial reform with an initial focus on strengthening the independence and internal control of the Judiciary; and (iv) establishing an anti-corruption coalition which includes all relevant stakeholders and promoting public/private sector/civil society partnerships.

Box 4. Cameroon: Actions Taken to Improve Governance and Reduce Corruption

Petroleum Sector

There have been major advances in transparency in the use of oil revenues:

- Virtually all oil revenues are now transferred from National Oil Company (SNH) to the budget.
- SNH is subject, since December 1997, to annual audits by an internationally reputed firm.
- SNH's accounting system recently opened up, thoroughly revised, and the process begun of making it compatible with international accounting norms.
- Operational and managerial audit of SNH by an internationally reputed firm just completed. Far reaching recommendations to be implemented over next 12-18 months.

Forestry Sector

After petroleum, the forestry sector is the second most important generator of wealth and revenues. Until three years ago; this sector was riddled with corruption, lack of transparency and weak institutions.

- In 1999, major personnel changes in Ministry of Forestry including the replacement of a number of senior officials.
- Method, regulations and institutional framework for allocation of concessions were totally revamped and now based on open calls for bids followed by a transparent selection process based on published, objective criteria.
- Process of bid evaluation and results scrutinized by an independent observer whose report is available to all.
- Stepped-up control of forestry activities, publication of the names of firms transgressing laws and regulations and the imposition of financial and other sanctions. Firms engaged in illegal activities are excluded from bidding for new concessions - this has recently happened to Cameroon's largest forestry operator. Changes in government policy and implementation are now being acknowledged by some international NGOs.

Public Procurement Policy

- The ten largest public contracts were subjected to audit by internationally reputable firm (first half, 2000).
- Introduction of independent observers in the deliberations of all key public procurement committees (Oct. 2000)
- Automatic post-hoc audits of all major public procurements, effective from September, 2000.
- Thorough revamp of entire public procurement system following CPAR scheduled for October, 2000.

Education Sector

- Abolition of monopoly on the production and distribution of school books (May, 2000).
- Removal of Education Minister involved in, and major promoter of, the above (March, 2000).
- Abolition of primary school fees (much of which were pocketed by school officials) announced February 2000, effective September, 2000.

Transportation and Trade

- Dismissal of National Ports Office Director in early 1998.
- Legal, regulatory and institutional restructuring of the Port of Douala to ensure greater private sector participation and transparency in port operations.
- Establishment of independent Road Maintenance Fund with automatic financing, subject to strict scrutiny.
- Abolition of National Shipping Line's right to assign cargoes and National Shipping Council levy on exports and imports.
- Appointment of international surveillance firm to monitor Customs performance.
- Dismissal of Customs Director and several senior managers (September, 1996 and again in March, 2000).
- Establishment of "one-stop shop" at Port of Douala.

Privatization

- Publicly owned companies were centers of patronage and graft. Their privatization, being carried out under the ongoing adjustment program, is seriously curtailing opportunities for illicit rent seeking.

Financial Sector

- Delinquent borrowers from commercial banks (as per monthly listing released by the central bank) are prevented from further bank borrowing and from participating in the bidding process for privatization and public procurement.

Other

- Removal and arrest of Minister of Health (and former Secretary General at the Presidency) on charges of corruption, late 1997.
- Removal and arrest of Telecommunications Minister after Parliamentary enquiry, on charges of corruption, September, 1999.
- Removal and arrest of Head of Social Security Agency, on charges of corruption, September, 1999.
- Major clean-up of Ministry of Finance including the removal and arrest of more than 100 Ministry officials, 1998-2000.

25. These actions are based on a focused strategy and associated action plan, which was adopted by the government in August 2000. The action plan further operationalizes the overall governance strategy as outlined in the National Governance Program. This comprehensive program to improve governance and reduce corruption, which was developed with assistance of UNDP, was adopted in June 2000. An initial set of anticorruption activities will be undertaken with the support of the highest authorities and the international financial community. This will also include the establishment of an effective and credible anti-corruption coalition to ensure broad-based support.

26. **Decentralization of service delivery**. The interim PRSP recognizes that many of the weaknesses in service delivery can be addressed only through more decentralized approaches at the level of the community itself. The ultimate goal is to enable communities to deliver core services in a decentralized and more effective way by restructuring the relationship of line agencies to regional and local authorities ("*collectivités territoriales décentralisées*") and progressively reassigning fiscal revenue, financial and administrative responsibilities. To prepare this process, beneficiary assessments, and budget tracking exercises to identify constraints at the various institutional levels are planned which will identify the content of the institutional reform agenda. Adequate progress with regard to service delivery improvements in key sectors, e.g., health, education, rural development, and infrastructure, will be a key benchmark for the completion point.

27. **Complementary reforms.** Some targeted reforms at the central government level are also necessary, in particular to strengthen the framework for decentralized service delivery. These reforms should mainly focus on improving transparency and accountability in the public sector. Key elements in this context are reforms of public procurement, financial management and human resource management as well as civil service reform. These will complement ongoing efforts to improve expenditure management, tax administration and the oversight of public sector agencies and enterprises through annual technical and financial audits. In this context, the authorities should ensure that public financial management systems meet the following fiduciary benchmarks within the next two years: (i) regular and timely reporting by the government to the legislative and the public on budget execution during and at the end of the fiscal year; and (ii) regular and timely reports by the Chambre de Comptes (Accounting Chamber) or independent auditors as to the accuracy of government accounts and compliance with financial laws and regulations.

28. **Judicial sector**. Judicial reform is another key area of the governance reform agenda as a well-functioning judicial system is the guarantor of the rights and the basic security for the poor. To begin to address the dysfunctional system, the government will conduct a technical diagnostic study to establish baseline data and points of intervention with particular attention to priority interventions to reinforce judicial independence, the internal control of the Judiciary and its ability to serve as a check on the executive branch. This study will be completed within one year and will serve as a basis for an operational action plan that will be developed by the end of 2001. Adequate progress on the implementation of the judicial reform agenda will be a benchmark for the completion point namely, concerning the creation

of the Chambre des Comptes (Audit Office) with the aim of increasing the accountability of the executive branch and the Constitutional Council (Conseil Constitutionnel).

29. **Participation**. A participatory approach to poverty diagnosis, policy design, implementation of policies, and monitoring and evaluation will be essential for building consensus around the PRSP's proposals and a commitment to their implementation across all levels of Cameroonian society. The interim PRSP proposes to mainstream participatory approaches, build partnerships with civil society and other development partners, and establish a poverty monitoring and evaluation system. Key challenges for the government will be to build mutual trust between itself and civil society, find ways to listen to the poor and reflect the diversity of poverty problems in key programs.

III. Debt Sustainability Analysis

30. The debt sustainability analysis presented in this section is an update of the one presented in the preliminary document. The loan-by-loan reconciliation process has been virtually completed with about 99 percent of the debt stock as of end-June 1999 reconciled. The nominal stock of debt at end-June 1999 was estimated at US$7,802 million. The NPV of debt has been revised downwards by about US$240 million, compared to the preliminary HIPC document (Box 5). The results of the present DSA confirm those presented in the preliminary document: Cameroon's external debt situation is unsustainable, even after the full application of all traditional debt relief mechanisms.

Box 5. Cameroon: Main Factors Explaining Differences in Debt Data Compared to Those Presented in Preliminary HIPC Document

The nominal stock of debt as of end-June 1999 has been revised upward to US$7.80 billion compared to US$7.68 billion presented in the preliminary document. In contrast, the NPV before rescheduling has fallen from US$7.18 billion to US$6.60 billion. This is due to the fact that, as a result of the reconciliation, large amounts of Paris Club debt, previously classified as rescheduled under nonconcessional terms, have now been identified as arising out of the concessional Paris Club V rescheduling. As a result, overall debt service, and thus NPV, have been reduced.

Furthermore, for most French and Japanese ODA loans, the contractual interest rates are higher than the respective CIRR, and thus the NPV after traditional debt relief would be higher than that before rescheduling. For these loans, no rescheduling is assumed, leading to a decline in NPV after rescheduling relative to figures presented in the preliminary HIPC document of about US$160 million.

Overall, the NPV of debt after a hypothetical Naples terms stock-of-debt operation fell by about US$240 million, to US$4.7 billion. Therefore, the expected total assistance required under the Initiative is reduced by the same amount to US$1.26 billion.

There are no revisions in the export data.

31. **There is little change in the overall structure of the debt (Table 3).** Multilateral creditors account for 26 percent of the overall NPV of debt after rescheduling. Bilateral creditors, account for 69 percent of the total debt in NPV terms, virtually all of it held by the Paris Club. Among the individual creditors, France still has the largest share (33 percent), followed by the World Bank group (14 percent), and Germany (11 percent).

32. Following the finalization of the first report of the financial and legal advisors for the commercial debt-and debt-service reduction operation, the overall amount (including late interest) of commercial bank debt remains at almost US$700 million (at end-June 2000 exchange rates). It is expected that, following the renewal of formal contacts with the Bank Advisory Committee by the Cameroonian government, negotiations will be launched soon with the aim of achieving debt relief at least comparable to that to be obtained under the enhanced HIPC Initiative (Cologne terms).

33. The macroeconomic framework was updated slightly to reflect the new debt service projections following the loan-by-loan reconciliation. The main assumptions are detailed in Box 6 below.

Box 6. Cameroon: Main Assumptions in the Debt Sustainability Analysis (DSA)

The following long-term macroeconomic assumptions have been used for the 20-year baseline DSA scenario agreed with the Cameroonian authorities (Table 2).

Growth

- Real GDP is expected to rise from about 5 percent currently to about 7 percent a year in the outer years as a result of a steady increase in investment, the continuing implementation of structural reforms, and the strength of non-oil exports. Inflation is projected to remain low, at 2.0 percent per year.

Exports and imports

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

Capital account

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

Government revenues

- The current fiscal reform efforts are expected to gradually increase the revenue to GDP ratio from the current level of 15.5 percent in 1998/99 to about 21 percent over the next 20 years in order to meet the growing resource requirements for the social and rural sectors and for infrastructure. Within this context, the primary balance would be gradually reduced to about 3.2 percent of GDP, while the overall deficit would be stabilized at about 0.6 percent of GDP.

External public and publicly guaranteed debt

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

Sensitivity analysis

34. As in the preliminary document, the following scenarios were used (Table 8): (i) lower export volume growth (by 2 percentage points); and (ii) less favorable conditions for new external loan financing (reduction of the average grant element from about 44 percent to 35 percent[6]). The strongest impact would result from a lower growth rate of export volumes: this would raise the overall NPV of debt-to-exports ratio by an average of 42 percentage points relative to the baseline over the projection period. The impact of less concessional financing would be somewhat weaker, as on average the NPV of debt-to-exports ratio would increase by 8 percentage points. The debt service ratio would be most affected by lower export growth; on average, it is about 3 percentage points higher than that in the baseline scenario.

IV. Profile of Assistance and Potential Utilization of HIPC Initiative Resources

A. Assistance Under the Enhanced Initiative

35. On the basis of the baseline scenario, the amount of assistance required to reach the NPV of debt-to-exports target of 150 percent would be US$1.26 billion (Table 4), or about US$2.8 billion in nominal terms. The common reduction factor would be about 26 percent. Based on proportional burden-sharing, bilateral creditors would provide most of the assistance (US$874 million, or 69 percent). The rest of the assistance would be from multilateral creditors (US$324 million, or 26 percent), and commercial bank creditors (US$62 million, or 5 percent). In calculating the relevant amount of assistance the following assumptions were made:

- **Floating completion point**. The conditions are summarized in Box 7. The authorities estimate that Cameroon could fulfill all conditions for a floating completion point within two-and-a-half years from the decision point.

- **Paris Club creditors.** There would be a flow rescheduling on Cologne terms (90 percent in NPV reduction) following the decision point, with delivery of the remaining required assistance at the completion point through a stock-of-debt operation on Cologne terms. On the basis of the present calculations, it is expected that the delivery of assistance would require reducing the pre-cutoff date of non-ODA debt by 85 percent.

- At least comparable treatment to the Paris Club group of creditors would be provided by **non-Paris Club officials bilateral creditors and commercial creditors.**

[6] Required minimum concessionality under Fund arrangement.

- The total amount of **IMF** assistance is US$36.9 million in NPV terms. The IMF is expected to deliver interim assistance (US$4.0 million of which US$2.9 million would be made available at the decision point to cover repayments falling due until the end of 2001) from the fourth quarter of 2000 onwards and the full amount of assistance at the completion point. The delivery drawdown of assistance is expected to follow a profile which smoothens the debt service due to the Fund (Table 9). The result would be to reduce the debt service to the Fund by about US$1 million per year on average over the next three years, rising to an average of about US$7 million per year from 2003/04 to 2009/10 as debt service due to the Fund increases.

- **World Bank Group.** Cameroon is one of three HIPC countries for which IDA will need to provide debt relief on IBRD debt outstanding.[7] This is due to the composition of World Bank debt service in the medium term, with 74 percent of total World Bank debt service attributable to IBRD loans for the period 2000/01 to 2005/06. The HIPC Debt Initiative Trust Fund can provide this relief, but it can use only resources for that purpose from donors other than IBRD (as IBRD net income transfers may not be used to provide debt relief on IBRD debt). Additional donor funding specifically for World Bank debt relief is thus needed. To the extent that donor funding is not available or sufficient for this purpose, IDA resources will need to be used to provide the required debt relief. In the event that adequate donor funding for this purpose is not provided, the proposed debt relief would be provided through: (i) IDA providing annually supplemental HIPC debt relief grants during the interim period to cover 45 percent of IBRD debt service due which would provide interim assistance (US$64 million); (ii) a supplemental HIPC debt relief credit from IDA of US$118 million at the Completion Point to repay outstanding IBRD debt; and (iii) a reduction of 51 percent in IDA debt service falling due after completion point and through May 2009. Executive Directors of IBRD may need to decide whether to grant a waiver of the IBRD prepayment penalty that would normally be applied. The nominal assistance is estimated at US$203 million from 2000/01 to 2011/12 for IBRD and US$62 million from 2002/03 to 2008/09 for IDA, amounting to a total of US$265 million in nominal debt relief from the World Bank. This compares to an additional US$28 million in debt service due to IDA between 2003/04 and 2018/19 for the supplemental HIPC debt relief credit disbursed at Completion Point. The overall result would be to reduce Cameroon's debt service to the World Bank by 57 percent or US$29 million per year over the period 2000/01 to 2008/09 (Table 10).

- The **African Development Bank (AfDB)** would deliver interim assistance from the decision point onward to a maximum of 40 percent of total assistance in NPV terms. It is estimated that enhanced HIPC assistance would cover 43 percent of AfDB debt service from the fourth quarter of 2000/01 until 2007/08. Assistance from the AfDB

[7] This is in accordance with the approved modality as outlined in paragraph 14 of the paper "Heavily Indebted Poor Countries (HIPC) Initiative: Note on modalities for Implementing HIPC Debt Relief Under the Enhanced Framework", IDA/R2000-4, January 10, 2000.

is estimated at US$13 million per annum on average over the period July 1, 2001 to June 30, 2008.

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

36. On the basis of the above assumptions, **the interim HIPC debt service relief**[8] would amount to an average of about US$100 million (about 6 percent of government revenue) per year for the next three years. Beyond the assumed completion point, the HIPC debt service relief would amount to about US$60-US$80 million annually for ten years beginning 2003/04 (Table 7).[9] This would be equivalent to an average of 1.1 percent and 0.3 percent of GDP per annum, respectively, for the periods 2000/01-2002/03 and 2003/04-2012/13. The debt service ratio would be reduced by about 3-5 percentage points during the interim period and would remain below 9 percent of exports afterwards.

37. Assuming that the Executive Boards of IDA and the IMF approve the proposed assistance for Cameroon under the enhanced HIPC Initiative, and in light of the recent indications by the Paris Club, financing of about 85 percent of the total NPV debt relief required would be assured. This would provide sufficient assurance for both IDA and the Fund to proceed with interim relief.

B. Key Poverty Alleviation Activities to Benefit from HIPC Assistance

38. The substantial debt service savings arising from HIPC Initiative assistance will be used to overcome the severe structural obstacles to social development in Cameroon, including low productivity in the agriculture sector, weak physical infrastructure, low levels of human development, and poor access to basic services. **The government's strategy will center on the following key areas: education, health, HIV/AIDS, social affairs, rural development (including rural infrastructure), basic infrastructure, and governance.** Implementation of these key poverty programs will involve the support of donors, NGOs and all stakeholders.

39. In each of the priority target sectors, a set of budgetary programs—considered as crucial in the fight against poverty—are being identified by the authorities in a series of consultations involving ministries and stakeholders. These budgetary programs will initially involve expenditure allocations for ministries, although a more detailed and participatory

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[8] This is the difference in debt service between the position following full use of traditional debt relief mechanisms and that after the delivery of enhanced HIPC Initiative assistance.

[9] Over the last three years, debt service paid has been very high, as was highlighted in the preliminary document. As a ratio of social expenditures it averaged more than 250 percent. However, as a result of both lower debt service and increased social spending, this ratio is expected to decline significantly, falling below 50 percent by 2001/02. The actual debt relief is likely to be much higher than is assumed here if, as expected, most members of the Paris Club go beyond Cologne terms. In this context, it is expected that the debt service savings over the next three years could be at least double what is assumed here.

framework for revenue use and program implementation will be outlined in the full PRSP. They include:

- **education sector:** school rehabilitation, school construction, construction of school catering facilities and health rooms; budgetary transfers to public and private schools in poor rural and urban areas, assistance to poor pupil families, including through grants and book-lending programs.

- **health sector:** construction and rehabilitation of health facilities; fight against malaria, immunization programs; budgetary transfers to public and private health facilities in poor rural and urban areas for maternal and child care, and provision of medical supplies.

- **HIV/AIDS:** priority will be given to ensuring the effective implementation of the national HIV/AIDS control and prevention strategy through strengthening of the National Committee to Fight AIDS, improved and better targeted information and communication campaigns, more widespread condom distribution and support to NGOs and community groups fighting HIV/AIDS.

- **social affairs:** support to local NGOs clearly identified as involved in poverty related activities based on objective and monitorable criteria; rehabilitation and strengthening of priority social centers and training facilities for women.

- **rural development:** this will involve a multi-sectoral approach with investments in increasing agricultural productivity (through provision of extension services, developing marketing channels for agricultural products, etc.); construction and maintenance of rural roads; enhanced irrigation and potable water systems; implementation of the rural electrification program; vaccinations of the herd; other sanitary services; support to the development of community forestry and to the participation of civil society in illegal logging monitoring.

- **basic infrastructure:** rehabilitation of urban services, in particular provision of water and waste collection; rehabilitation and new construction of urban and rural roads and maintenance of priority roads.

- **governance:** the carrying out of the action plan on governance as relating to service delivery in the above areas, with special attention paid to procurement.

40. Table 11 illustrates an **indicative program budget** for the next three years in which the budget allocations for the above sectors have been increased substantially. The full PRSP will solidify both these budget projections and the implementation framework for the targeted programs. In the meantime, and serving as a core input into the full PRSP, the program budget will be further developed and detailed during the discussions for the next three-year PRGF arrangement, scheduled for the second quarter of 2000/01. The PRGF will include a detailed HIPC spending program consisting of well-specified projects and actions, which will be prepared with the assistance of IDA and other key donors. These expenditures will be recorded in the budget with specific codes and will be subject to the existing

budgetary control procedures at the commitment, payment order, and payment stages. The additional HIPC resources for the year 2000/01 are estimated at some CFAF 42 billion. For the years 2001/02 and 2002/03, the amounts of HIPC assistance are estimated at CFAF 89 billion and CFAF 87 billion, respectively.

C. Monitoring and Control Mechanisms

41. Effective use of debt relief assistance remains a key objective of the enhanced HIPC Initiative. This requires that Cameroon continue in its efforts to strengthen expenditure management and control, and improve service delivery in the priority areas of health, education, and poverty alleviation. Hence an accounting system that would correctly identify and classify expenditures on any specific poverty-related programs and projects is considered the appropriate mechanism to allocate and manage the use of HIPC assistance in Cameroon.

42. While this system should be based on simplicity, and aim to ensure easy monitoring, control, and transparency, it requires that the authorities increase their efforts to redress the weaknesses in the area of expenditure management and control. Overall, this mechanism would be centered on (i) the establishment of a Treasury special account at the central bank where the budgetary savings from the Initiative will be deposited; (ii) the establishment of a monitoring committee consisting of representatives of the donor community and the civil society; and (ii) the undertaking and public dissemination of technical and financial audits to ensure effective use of these resources in the form of goods and services delivered, with a semi-annual periodicity during the first two years and annual periodicity thereafter.

43. All current budgetary procedures will be kept unchanged and the HIPC sub-account will be restricted to settlement of poverty-related transactions. To ensure transparency and control of the use of these funds, an inter-ministerial committee co-chaired by the Minister of Finance and the Minister of Public Investments and Regional Development will be entrusted with the responsibility of coordinating the preparation of quarterly financial and technical reports. These reports will be discussed by the monitoring committee and made public through the media (newspapers, radio and television). In addition, semi-annual regional seminars, including representatives of civil society and the donor community, will be organized in the country's ten provinces to discuss these reports, and the conclusions of these seminars will be disseminated through the media. The modalities for involvement of donors and all relevant stakeholders in the use and monitoring of the debt resources will be detailed in the full PRSP.

V. The Floating Completion Point

44. Following the guidance of the Boards during the discussions on the preliminary document in June 2000, the floating completion point triggers have been negotiated with the Cameroonian authorities. They have also been revised to make them more broad-based, while maintaining the key features which are objectively monitorable. Box 7 presents a summary of these triggers.

Box 7. Cameroon: Key Reforms and Objectives to be Achieved Before the Completion Point

The floating completion point would be achieved when:

Poverty Reduction Strategy Paper

- The full PRSP has been prepared and satisfactorily implemented for at least one year.

Macroeconomic and structural reforms

- There is continued maintenance of a stable macroeconomic environment and satisfactory implementation of a new, three-year PRGF program.
- The budgetary savings from the debt relief have been used in accordance with the criteria set forth at the decision point (control and monitoring mechanisms).
- SAC III has been concluded and reforms have been implemented in a satisfactory manner.

Governance and anti-corruption

- The **priority strategy and action plan for improving governance and combatting corruption** attached to the I-PRSP have been satisfactorily implemented, in particular:
  - in the area of **judicial reform**, (i) the Chambre des Comptes (audit office) and (ii) the Conseil Constitutionnel have been created.
  - the **public procurement system** has been reformed and, in particular, audits for the preceding fiscal year have been completed and appropriate follow-up actions implemented, in accordance with the law.
  - in the area of **budgetary execution and service delivery**, the results of the budget tracking exercises and beneficiary assessments for education and health have been published and the relevant recommendations have been implemented.
- **Regulatory agencies.** Regulatory agencies for key sectors (including water, electricity and telecommunications) are autonomous and are operating in an efficient and professional manner.

Social sectors

- **Education sector.** The sector strategy has been satisfactorily implemented in a timely manner, and in particular: (i) 2,500 new classrooms have been built; and (ii) teacher management has been effectively decentralized and new teacher statutes have been adopted and implemented.
- **Health sector.** The sector strategy has been satisfactorily implemented in a timely manner, and in particular (i) child immunization rates for DPT have been increased to 70 percent; and (ii) knowledge about protection and prevention measures against malaria will have substantially increased , ie., 50 percent of pregnant women are using impregnated bed-nets.

HIV/AIDS

- Concrete progress has been made to prioritize the fight against HIV/AIDS in the government's overall development agenda and to curb infection rates among the population, with particular emphasis on education to promote the use of condoms by truck drivers, port workers, and soldiers to 50 percent, and by commercial sex workers to 70 percent.

VII. Issues for Discussion

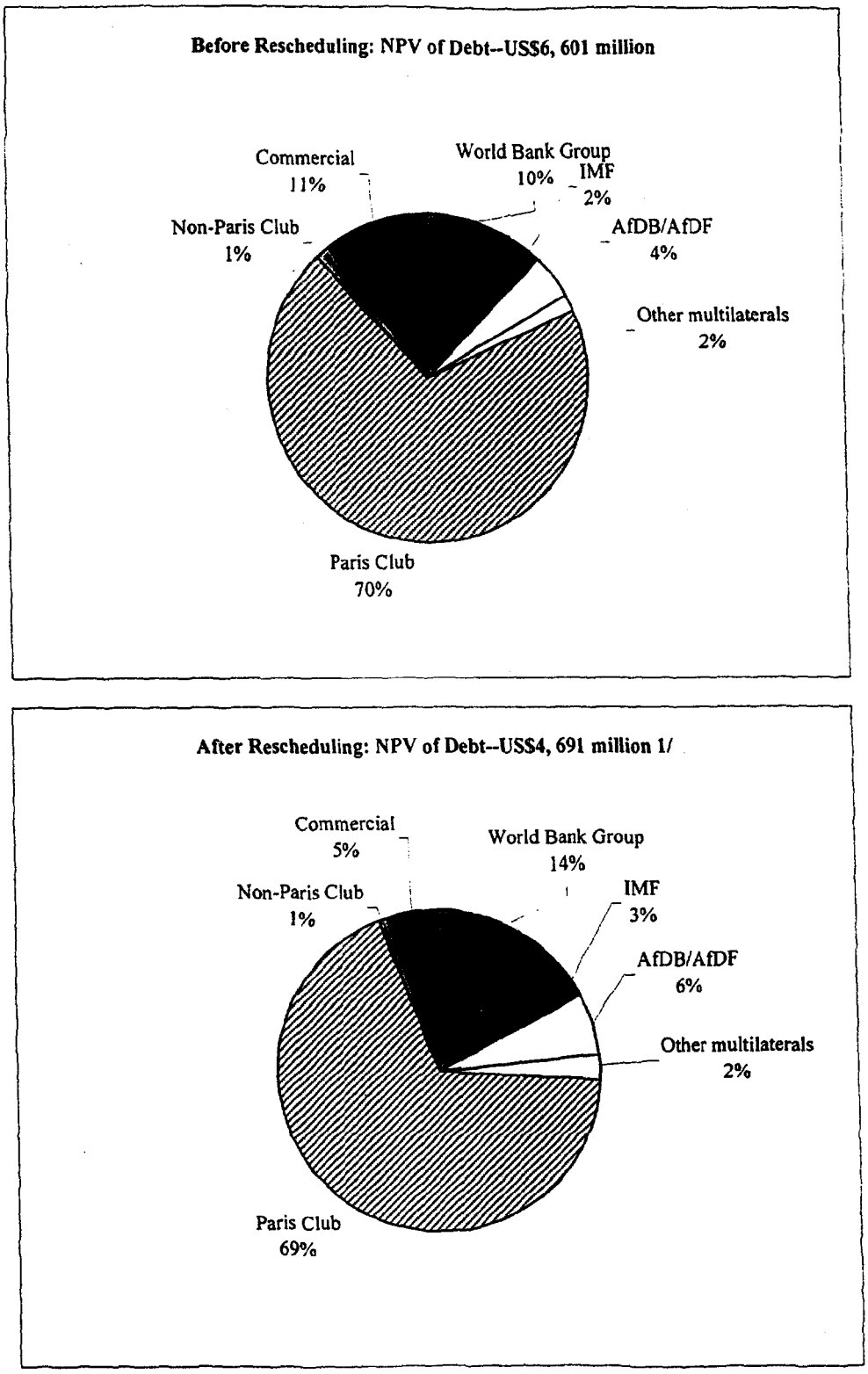
45. Executive Directors' views and guidance are sought on the following issues:

- **Eligibility and assistance under the HIPC Initiative and interim relief.** Overall, Cameroon has made progress with respect to the key reforms, objectives and milestones as outlined in the HIPC Preliminary document. While the challenges facing the country are immense, Cameroon would seem to be prepared to effectively use the HIPC resources for poverty alleviation purposes. Therefore, the management and staff believe that Cameroon qualifies for assistance under the enhanced HIPC Initiative and recommend approval of a decision point. Do Directors agree?

- **Amount and delivery of assistance**. In order to reduce the NPV of debt to exports ratio to 150 percent, the total amount of assistance required is US$1.26 billion in NPV terms. Do Directors agree? In view of the fact that satisfactory financing assurances would have been provided by creditors holding about 85 percent of total debt (NPV terms), the staff proposes that interim assistance be provided to Cameroon by the Bank and the Fund between the decision point and the completion point. Do Directors agree?

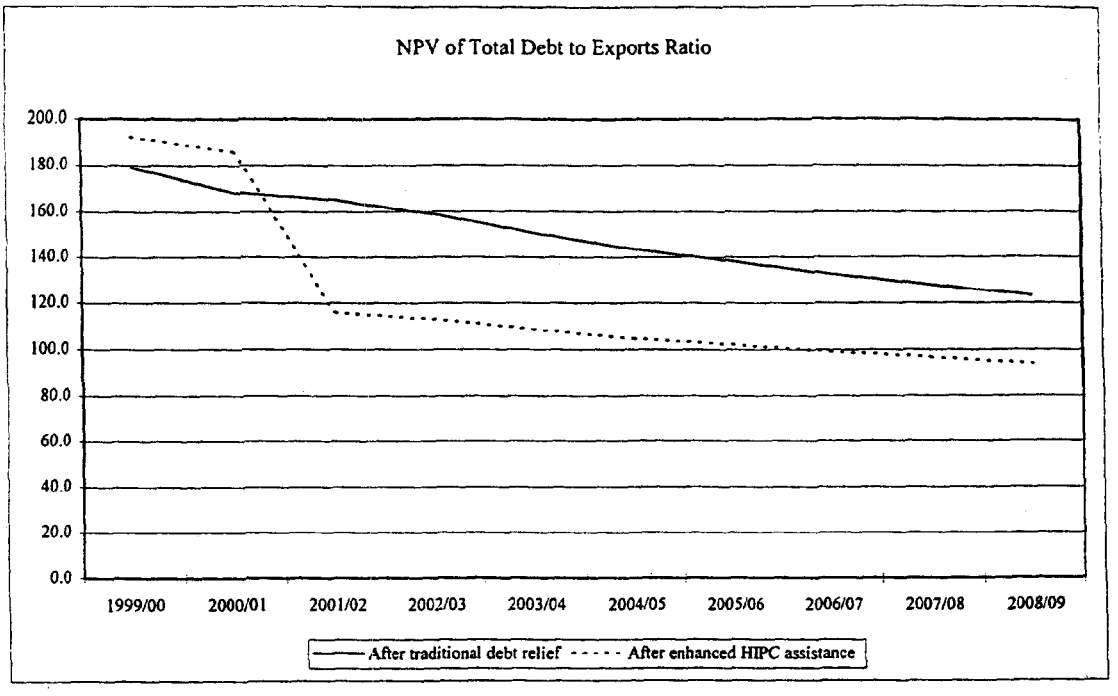
- **Completion point.** The management and staff recommend a floating completion point that would be reached when the triggers specified in Box 7 are achieved. Do Directors agree?

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



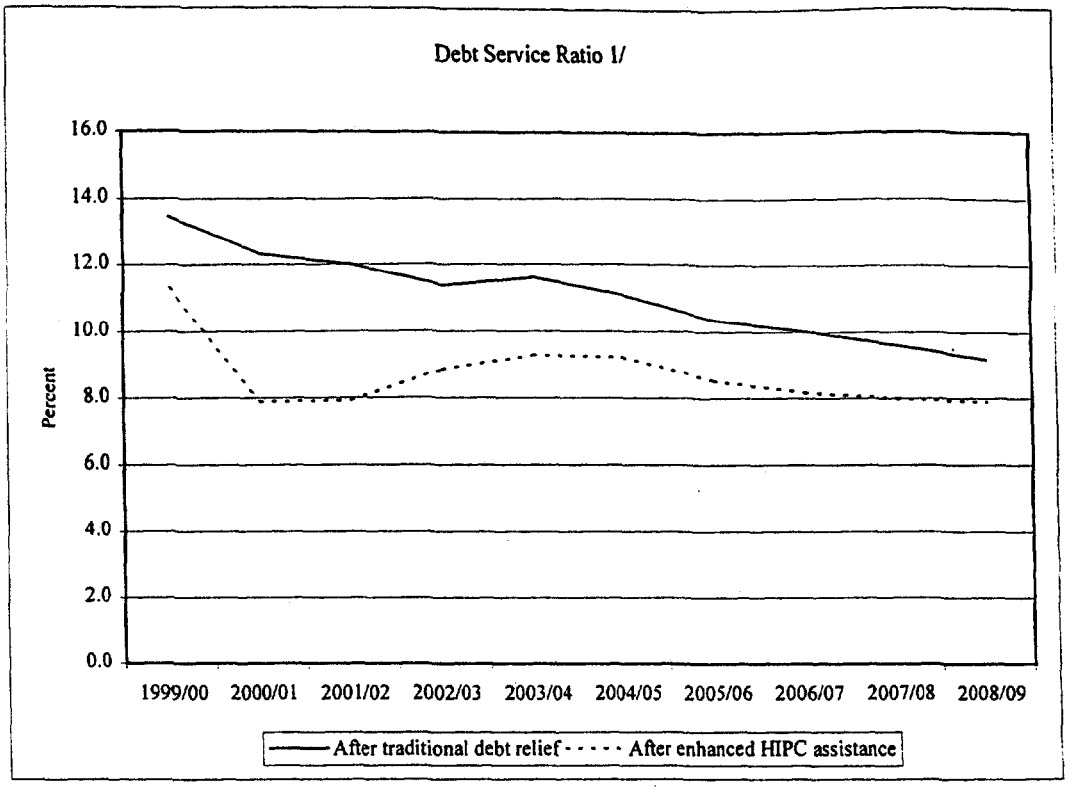
Sources: Cameroonian authorities; and staff estimates.
1/ After simulation of traditional debt relief mechanisms.

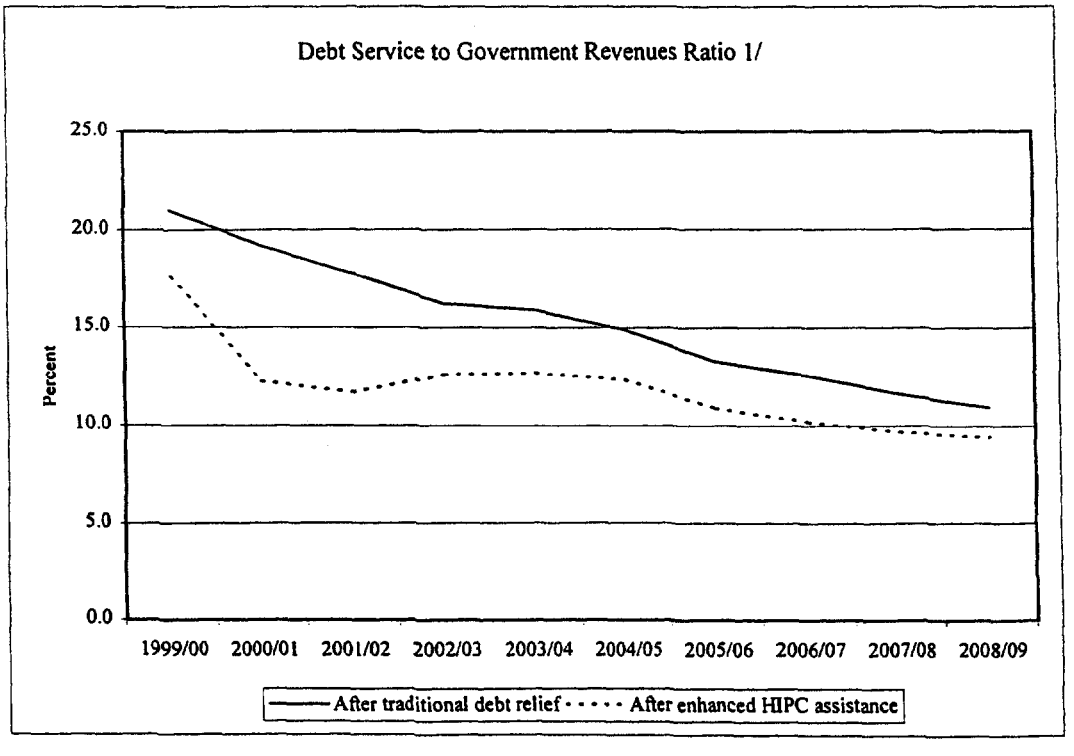
Figure 2. Cameroon: NPV of Debt-to-Exports Ration (After Rescheduling), 1999/00-2018/19



Source: Cameroonian authorities and staff estimates and projections.

Figure 3. Cameroon: Key Debt Indicators, 1999/00-2018/19





Source: Cameroonian authorities and staff estimates and projections.
1/ Scheduled debt service.

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

	1996/97	1997/98	1998/99	1999/00 Prog.	1999/00 Rev. prog.	1999/00 Prel	2000/01 Projections	2001/02 Projections
	(Annual percentage changes, unless otherwise indicated)							
National income and prices								
GDP at constant prices	5.1	5.0	4.4	4.8	4.2	4.2	5.3	5.7
Of which: non-oil GDP	5.0	5.0	4.4	5.5	4.6	4.6	5.7	6.0
GDP deflator	2.7	1.1	-1.2	2.1	1.3	1.3	1.8	1.8
Consumer prices (12-month average) [2]	4.1	3.9	2.9	2.0	2.0	0.8	2.0	2.0
Consumer prices (end of period) [3]	7.0	2.2	2.2	2.0	2.0	0.0	2.0	2.0
Nominal GDP (in billions of CFA francs)	4,932	5,240	5,406	5,785	5,701	5,701	6,111	6,576
Oil output (thousands of barrels a day)	108	115	119	108	114	113	110	109
External trade								
Exports (in SDRs)	19.4	-6.3	-5.8	7.6	24.2	25.0	1.4	2.5
Of which: crude oil	36.0	-16.7	-9.4	15.6	77.2	80.8	-12.5	-15.2
Imports (in SDRs)	16.5	13.4	3.6	4.7	5.4	1.8	11.2	8.9
Export volume	13.8	11.1	8.2	2.3	-0.1	-1.1	5.4	5.8
Of which: non-oil sector	15.4	16.5	5.8	8.3	1.1	0.5	9.4	8.7
Import volume	19.5	14.5	1.0	6.1	11.8	8.6	8.2	9.3
Average oil export price (U.S. dollars per barrel)	19.7	15.5	12.3	15.2	22.8	23.6	21.2	18.2
Nominal effective exchange rate [3]	-2.4	-1.9	4.1	...	...	-4.5	...	...
Real effective exchange rate [3]	-1.8	-0.6	8.5	...	...	-10.8	...	...
Average exchange rate (CFA francs per SDR)	767	815	810	...	...	...	...	...
Terms of trade	5.1	-4.5	-15.3	7.0	32.4	35.5	-6.4	-2.7
Non-oil export price index (in CFA francs)	-4.4	9.2	-12.3	2.5	9.7	12.0	4.2	3.6
Money and credit (end of period) [4]								
Net domestic assets [5]	-5.8	12.7	9.2	6.8	-6.4	-3.4	4.9	3.6
Net credit to the public sector [5]	0.0	1.8	4.2	0.0	-11.2	-7.9	-1.5	-2.9
Credit to the private sector	3.3	30.3	11.2	10.4	9.7	15.0	11.6	11.7
Broad money (M2)	13.8	7.8	9.7	12.5	10.5	21.1	9.6	11.3
Velocity (GDP/average M2)	8.1	7.6	7.2	6.9	6.8	6.7	6.5	6.3
Discount rate (end of period; in percent)	7.5	7.0	7.6	...	...	...	...	...
Central government operations								
Total revenue	10.9	17.1	-1.2	14.8	29.4	30.5	8.8	2.0
Of which: non-oil revenue	1.9	23.8	9.5	10.6	8.9	9.0	11.6	11.9
Total expenditure	7.7	18.2	9.1	10.5	7.9	-0.4	4.1	16.9
Current expenditure	2.7	10.6	5.7	2.0	2.2	2.8	8.6	13.8
Capital expenditure [6]	51.1	41.7	12.7	69.8	61.4	42.4	17.5	11.0
	(In percent of GDP, unless otherwise indicated)							
Gross national savings	13.4	15.7	15.2	16.6	15.2	15.3	15.0	15.5
Gross domestic investment	16.2	18.4	19.5	19.8	18.0	16.8	17.4	17.9
Central government operations								
Central government revenue	15.1	16.2	15.5	16.6	19.0	19.2	19.3	18.3
Of which: non-oil revenue	11.0	12.3	13.0	13.5	13.5	13.5	14.0	14.6
non-oil revenue [7]	12.2	13.4	13.9	14.5	15.6	15.7	15.8	15.9
Central government expenditure	16.1	17.9	18.9	19.6	19.4	17.9	18.8	20.4
Overall fiscal deficit (excl. grants)	-1.0	-1.7	-3.4	-2.9	-0.3	1.3	0.5	-2.1
Overall fiscal deficit (incl. grants)	-1.0	-1.4	-3.2	-2.6	-0.1	1.6	0.6	-2.0
Primary balance [6]	5.8	5.9	4.6	5.2	7.1	7.2	6.7	4.6
Of which: non-oil sector	1.7	2.0	2.1	2.0	1.6	1.5	1.4	0.9
Noninterest expenditure [6]	9.3	10.3	11.0	11.6	11.9	12.0	12.7	13.8
Domestic public debt (before audit)	28.5	25.5	23.3	20.3	18.5	18.5	14.1	11.2
External sector								
Current account balance (including grants)	-2.8	-2.7	-4.3	-3.3	-2.7	-1.6	-2.4	-2.4
External public debt [8]	83.5	87.8	87.9	78.7	81	81.0	80.5	75.6
	(In percent of exports of goods and services, unless otherwise indicated)							
Net present value (NPV) of external public debt [9]	271.1	210.0	205.1	189.4	203.0	192.2	179.0	168.3
Scheduled external debt service	44.3	40.4	45.1	42.2	34.0	31.4	29.4	24.9
Scheduled external debt service [10]	74.1	66.2	71.2	65.7	54.9	51.6	46.3	39.4
Actual external debt service	19.6	16.1	17.8	...	...	14.0	...	...
Actual external debt service [10]	32.8	26.4	28.1	...	...	23.0	...	...
	(In millions of SDRs)							
Current account balance	-36	-173	-292	-228	-177	-100	-165	-179
Overall balance of payments	-336	-249	-396	-337	-196	-148	-275	-197
Net international reserves (end of period)	-286	-312	-298	-231	-145	-98	-40	50

Sources: Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July.
2/ Starting in 1994/95, inflation reflects an updated basket of goods and services in the calculation of the consumer price index.
3/ For 1999/2000, data from July 1999 to April 2000.
4/ Starting in 1996/97, data are rebased to exclude information on two banks liquidated in 1996/1997.
5/ In percent of broad money at the beginning of the period.
6/ Excluding foreign-financed investment. In addition, the primary expenditure excludes restructuring expenditure.
7/ In percent of non-oil GDP.
8/ External stocks at the end of 1997/98 have been revised upward to reflect new drawings and the conclusion of some Paris Club V bilateral agreements.
9/ Based on the preliminary results of the baseline scenario of the update of the debt sustainability analysis.
10/ In percent of government revenue.

Table 2. Cameroon: Main Assumptions on Macroeconomic Framework, 1998/99-2018/19 1/

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Averages 2010/11-2012/13	Averages 2013/14-2015/16	Averages 2016/17-2018/19	Average
	(In percent of GDP, unless otherwise indicated)															
Economic growth and prices																
Real GDP (percentage change)	4.4	4.2	5.3	5.7	6.0	6.0	6.0	6.0	6.5	6.5	6.5	6.5	6.7	6.8	7.0	6.2
Real GDP per capita (percentage change)	1.6	1.4	2.5	2.9	3.2	3.2	3.2	3.2	4.0	4.0	4.0	4.0	4.2	4.3	4.5	3.6
Consumer prices (annual percentage change, period average)	2.9	0.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
National accounts																
Gross domestic investment	19.5	16.8	17.4	17.9	18.8	20.2	20.7	21.2	21.4	21.6	21.7	21.8	21.7	21.7	21.7	20.7
Government	2.3	1.4	2.0	2.7	3.3	4.3	4.6	4.7	4.8	5.0	5.0	5.1	5.1	5.1	5.1	4.3
Other	17.1	15.4	15.4	15.2	15.5	15.9	16.2	16.5	16.6	16.7	16.7	16.7	16.6	16.6	16.7	16.3
Gross domestic savings	19.0	20.9	19.3	18.8	19.0	20.1	20.2	20.4	20.6	20.8	20.8	20.9	21.0	20.9	20.9	20.4
Government	5.0	8.4	8.0	6.0	5.5	5.1	5.1	4.8	5.2	5.4	5.3	5.0	5.8	5.4	5.8	5.7
Other	14.1	12.6	11.3	12.8	13.5	15.0	15.1	15.6	15.4	15.4	15.4	15.9	15.2	15.4	15.1	14.7
Savings/investment balance	-4.3	-1.6	-2.4	-2.4	-2.5	-2.3	-2.2	-2.0	-1.9	-1.7	-1.6	-1.4	-1.3	-1.3	-1.1	-1.8
Government finance																
Total revenue	15.5	19.2	19.3	18.3	18.8	19.3	19.8	19.8	20.3	20.3	20.5	20.4	20.7	20.7	20.8	19.9
Oil revenue	2.5	5.7	5.3	3.7	2.8	2.3	2.1	1.5	1.2	1.0	0.8	0.7	0.6	0.4	0.3	1.6
Non-oil revenue	13.0	13.5	14.0	14.6	16.0	17.0	17.8	18.3	19.0	19.2	19.6	19.7	20.1	20.2	20.5	18.3
Total expenditure	18.9	17.9	18.8	20.4	21.0	22.3	22.8	23.1	23.3	23.4	23.7	24.0	23.4	23.5	23.0	22.3
Current expenditure	15.2	14.9	15.0	15.8	15.9	16.5	16.7	16.9	16.9	16.7	16.9	17.1	16.6	16.7	16.3	16.4
Capital expenditure	3.6	2.7	3.8	4.5	5.0	5.8	6.1	6.3	6.4	6.6	6.7	6.8	6.8	6.8	6.7	6.0
Primary balance	4.6	7.2	6.7	4.6	3.8	2.9	2.6	2.1	2.2	2.1	1.9	1.3	1.8	1.0	1.0	2.5
Overall balance (commitment basis, excluding grants)	-3.4	1.3	0.5	-2.1	-2.1	-3.0	-2.9	-3.3	-3.1	-3.1	-3.2	-3.6	-2.7	-2.9	-2.2	-2.5
Balance of payments																
	(in billions of CFA francs, unless otherwise indicated)															
Exports of goods and services 2/	1,323	1,770	1,825	1,875	1,974	2,105	2,244	2,379	2,522	2,677	2,840	3,025	3,486	4,295	5,326	
(in millions of U.S. dollars)	2,249	2,743	2,766	2,868	3,051	3,286	3,538	3,768	3,995	4,240	4,499	4,791	5,521	6,803	8,436	
Exports of goods and services (3-year mvg. avg.)	1,320	1,494	1,640	1,823	1,891	1,985	2,108	2,243	2,382	2,526	2,680	2,847	3,258	4,011	4,964	
(in millions of U.S. dollars)	2,287	2,432	2,586	2,792	2,895	3,068	3,292	3,531	3,767	4,001	4,245	4,510	5,161	6,353	7,863	
As a percent of GDP	24.4	26.2	26.8	27.7	26.7	25.9	25.5	25.1	24.5	24.0	23.4	22.9	22.1	21.1	20.1	
Imports of goods and services 2/	-1,347	-1,584	-1,712	-1,800	-1,947	-2,099	-2,273	-2,431	-2,588	-2,756	-2,933	-3,123	-3,567	-4,429	-5,499	
(in millions of U.S. dollars)	-2,290	-2,435	-2,595	-2,753	-3,010	-3,276	-3,584	-3,851	-4,100	-4,365	-4,646	-4,948	-5,651	-7,016	-8,711	
Current account, including grants	-231	-139	-165	-176	-173	-171	-175	-183	-194	-203	-217	-223	-271	-340	-402	
(in millions of U.S. dollars)	-393	-215	-251	-269	-267	-266	-276	-290	-307	-321	-344	-354	-429	-539	-637	
Current account, excluding grants	-241	-139	-171	-182	-173	-171	-175	-183	-194	-203	-217	-223	-271	-340	-402	
(in millions of U.S. dollars)	-410	-215	-260	-278	-267	-266	-276	-290	-307	-321	-344	-354	-429	-539	-637	
Current account, including grants (in percent of GDP)	-4	-2.4	-2.7	-2.7	-2.4	-2.2	-2.1	-2.1	-2.0	-1.9	-1.9	-1.8	-1.8	-1.8	-1.6	-2.1
Overall balance	-314	-152	-149	-148	204	171	252	-127	-79	-64	-72	-80	67	82	98	
(in millions of U.S. dollars)	-534	-235	-226	-227	316	268	397	-201	-125	-102	-114	-127	107	131	154	
New non gap borrowing	236	214	265	286	301	321	342	364	381	398	471	436	451	493	524	
(in millions of U.S. dollars)	342	299	369	405	431	466	503	541	568	595	710	654	679	745	795	
Overall financing gap	0	0	8	3	3	4	4	3	3	3	3	4	3	4	6	
(in millions of U.S. dollars)	0	0	12	4	5	7	7	5	5	5	6	6	5	6	9	
Gross official reserves (in weeks of imports) 3/	0.4	0.3	0.7	1.1	3.4	4.5	6.0	8.7	10.3	12.1	15.3	17.0	19.1	20.3	20.6	12.4
Export volume growth (percentage change) 3/	8.2	-1.1	5.4	5.8	3.3	3.7	4.4	4.8	5.4	5.6	5.6	6.1	6.9	7.0	7.3	5.8
Import volume growth (percentage change) 3/	1.0	8.6	8.2	9.3	7.6	7.5	8.5	7.5	6.6	6.6	6.5	6.6	7.2	7.5	7.5	7.2
Terms of Trade (percentage change)	-15.3	35.5	-6.4	-2.7	0.1	2.2	1.5	0.6	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.8
Oil prices for Cameroon (US$ per barrel) 4/	12.3	23.6	21.2	18.2	17.7	17.9	18.1	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2
Memorandum items:																
Nominal GDP																
In billions of CFA francs	5,406	5,701	6,111	6,576	7,096	7,657	8,262	8,933	9,704	10,541	11,451	12,439	14,749	19,056	24,756	
(in millions of U.S. dollars)	9,186	8,688	9,191	10,059	10,969	11,952	13,024	14,150	15,371	16,698	18,139	19,704	23,363	30,186	39,214	
Government revenues	838	1,093	1,179	1,202	1,335	1,475	1,639	1,772	1,967	2,136	2,342	2,532	3,052	3,939	5,140	
(in millions of U.S. dollars)	1,424	1,666	1,773	1,839	2,064	2,303	2,584	2,807	3,116	3,384	3,710	4,011	4,835	6,240	8,142	

Sources: Cameroonian authorities and staff estimates and projections.

1/ Fiscal year begins in July.

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

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

4/ WEO oil prices discounted byUS$1 per barrel.

Table 3. Cameroon: Nominal Stocks and Net Present Value of Debt at Decision Point by Creditor Groups as of end-June, 1999 1/

	Nominal Debt Stock		NPV of Debt		NPV of Debt After Rescheduling 2	
	US$ million	Percent of total	US$ million	Percent of total	US$ million	Percent of total
Total	7,802	100.0	6,601	100.0	4,691	100.0
Multilateral	1,642	21.1	1,206	18.3	1,206	25 7
African Development Bank Group	304	3 9	293	4 4	293	6 2
African Development Bank	230	2 9	262	4.0	262	5 6
African Development Fund	74	0 9	30	0 5	30	0 6
World Bank Group	1,023	13.1	666	10.1	666	14 2
IBRD	294	3.8	307	4.7	307	6 5
IDA	728	9.3	359	5.4	359	7.7
IMF	176	2.3	137	2.1	137	2.9
IFAD	15	0.2	11	0.2	11	0.2
BADEA	7	0.1	7	0.1	7	0.2
BDEAC	3	0.0	3	0.0	3	0.1
EU	94	1.2	68	1.0	68	1.4
EIB	20	0.3	20	0.3	20	0.4
EDF	74	1.0	47	0.7	47	1.0
OPEC	1	0.0	1	0.0	1	0.0
IsDB	7	0.1	7	0.1	7	0.2
NIB	13	0.2	13	0.2	13	0.3
Paris Club:	5,365	68.8	4,614	69.9	3,205	68.3
Post-cutoff date	1,276	16.4	1,094	16.6	1,094	23.3
Pre-cutoff date	4,088	52.4	3,520	53.3	2,111	45.0
ODA	834	10.7	650	9.9	562	12.0
Non-ODA	3,254	41.7	2,869	43.5	1,549	33.0
by country:						
Austria	512	6.6	432	6.6	267	5.7
Belgium	206	2.6	183	2.8	124	2.6
Canada	309	4.0	259	3.9	128	2.7
Denmark	118	1.5	101	1.5	59	1.2
Finland	1	0.0	1	0.0	1	0.0
France	1,955	25.1	1,731	26.2	1,548	33.0
Germany	1,410	18.1	1,132	17.1	536	11.4
Italy	199	2.5	170	2.6	130	2.8
Japan	34	0.4	35	0.5	35	0.7
Netherlands	58	0.7	44	0.7	27	0.6
Spain	100	1.3	92	1.4	91	1.9
Sweden	124	1.6	116	1.8	48	1.0
Switzerland	47	0.6	44	0.7	32	0.7
United Kingdom	209	2.7	202	3.1	132	2.8
United States	82	1.1	73	1.1	48	1.0
Other official bilateral:	99	1.3	85	1.3	49	1.1
Post-cutoff date	23	0.3	23	0.3	23	0.5
Pre-cutoff date	76	1.0	62	0.9	26	0.6
ODA	51	0.7	46	0.7	20	0.4
Non-ODA	25	0.3	16	0.2	6	0.1
by country:						
China	51	0.6	40	0.6	18	0.4
Kuwait	25	0.3	23	0.3	21	0.4
Saudi Arabia	24	0.3	23	0.3	10	0.2
Commercial 3/	696	8.9	696	10.5	230	4.9

Sources: Cameroonian authorities and staff estimates.

1/ Information based on latest data available at decision point.
2/ Stock of debt operation on Naples terms from official bilateral and commercial creditors.
3/ Although a small part of the debt is not in arrears, for the purpose of the present DSA, all the debt is assumed to be in arrears since the government has not been servicing this debt for a long time.

Table 4. Cameroon: HIPC Initiative--Alternative Assistance Levels Under a Proportional Burden-Sharing Approach 1/

(in millions of U.S. dollars in end-June 1999 NPV terms, unless otherwise indicated) 2/

	Total	Multilaterals	Bilaterals	Commercial Banks	Common Reduction Factor 3/ (Percent)	Memo item: Required NPV debt reduction on comparable treatment on bilateral debt based on overall exposure 4/ (Percent)
Debt relief under baseline scenario	1,260	324	874	62	26.9	
Memorandum items:						
NPV of debt 5/ 6/	4,691	1,206	3,255	230		
Three-year export average	2,287					
NPV of debt-to-export ratio (percent) 7/	205					
Paris Club creditors:						75.6
of which: pre-cutoff date non-ODA						85.2
Non-Paris Club Creditors:						75.6
of which: pre-cutoff date non-ODA						77.3

Source: Cameroonian authorities; and staff estimates and projections.

1/ Assumes proportional burden-sharing as described in "HIPC Initiative: Estimated Costs and Burden-Sharing Approaches" (EBS/97/127; 7/7/97, and IDA/SEC M97-306;7/7/97), that is, after full application of traditional debt relief mechanisms.
2/ Using six-month backward-looking discount rates at end-June 1999 and end-June 1999 exchange rates.
3/ Each multilaterals' NPV reduction at the decision point in percent of its exposure at the decision point.
4/ Includes traditional debt relief.
5/ Applies a hypothetical stock-of-debt operation on Naples terms for data at end-June 1999.
6/ Based on latest data available at the decision point after full application of traditional debt-relief mechanisms.
7/ Uses the latest annual data at the decision point on the three-year average of exports of goods and nonfactor services.

Table 5. Cameroon: Discount Rate and Exchange Rate Assumptions as of end-June, 1999

Currency	Discount Rates 1/ (in percent)	Exchange Rates (per US dollar)
Austrian schilling	4.61	13.32
Belgian franc	4.61	39.06
Canadian dollar	6.02	1.47
CFA franc	4.61	635.12
Swiss franc	3.74	1.55
Chinese yuan	4.87	8.28
Deutsche mark	4.61	1.89
Danish krone	4.81	7.20
European currency unit/euro	4.61	0.97
Finnish markaa	4.61	5.76
French franc	4.61	6.35
U.K. pound	5.82	0.63
Italian lira	4.61	1,874.78
Japanese yen	2.32	121.10
Kuwaiti dinar	4.87	0.31
Dutch guilder	4.61	2.13
Norwegian kronor	6.02	7.85
Saudi Arabian riyal	4.87	3.75
Special Drawing Rights	4.87	0.75
U.S. dollar	6.00	1.00

Sources: European Central Bank; IMF, *International Financial Statistics*; OECD; and st

1/ The discount rates used are the average Commercial Interest Reference Rates (CIRR) for the respective currencies over the six-month period prior to end-June 1999.

Table 6. Cameroon: Net Present Value of External Debt After Rescheduling, 1998/99-2018/19 1/
(in millions of U.S. dollars, unless otherwise indicated)

	1998/99 Actual	1999/00 Estimate	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Averages 2010/11-2012/13	Averages 2013/14-2015/16	Averages 2016/17-2018/19
I. After traditional debt relief															
Total															
1. NPV of total debt (2+5)	4,691	4,675	4,630	4,700	4,777	4,873	4,959	5,070	5,206	5,311	5,432	5,567	5,877	6,443	7,057
2. NPV of old debt (3+4)	4,691	4,535	4,382	4,250	4,102	3,946	3,766	3,597	3,445	3,299	3,169	3,054	2,857	2,573	2,210
3. Official bilateral and commercial	3,485	3,445	3,391	3,336	3,252	3,165	3,064	2,964	2,875	2,780	2,687	2,594	2,421	2,170	1,864
a. Paris Club	3,205	3,168	3,116	3,063	2,982	2,897	2,797	2,697	2,611	2,518	2,430	2,342	2,184	1,966	1,714
b. Other official bilateral	49	47	46	43	41	38	38	38	37	37	36	35	35	35	34
c. Commercial	230	230	230	230	230	230	230	229	227	225	221	216	202	169	116
4. Multilateral	1,207	1,090	991	914	850	781	702	633	570	520	482	460	436	403	346
World Bank Group	666	615	569	528	496	468	438	420	407	399	389	379	364	338	289
IMF	137	123	116	121	122	109	85	60	34	10	0	0	0	0	0
AfDB/AfDF	293	260	229	198	169	146	124	102	80	65	50	40	35	33	32
Others	111	92	78	68	63	58	55	51	48	45	43	41	38	32	26
5. NPV of new debt	0	139	247	451	675	927	1,193	1,473	1,761	2,011	2,263	2,513	3,020	3,870	4,846
II. After enhanced HIPC assistance															
Total															
1. NPV of total debt (2+5)	6,602	6,392	4,977	5,195	3,358	3,471	3,576	3,699	3,849	3,973	4,110	4,248	4,574	5,208	5,971
2. NPV of old debt (3+4)	6,602	6,253	4,729	4,744	2,683	2,544	2,384	2,226	2,087	1,962	1,847	1,735	1,553	1,338	1,125
3. Official bilateral and commercial	5,396	5,163	3,826	3,878	2,124	1,998	1,858	1,721	1,606	1,499	1,399	1,304	1,142	955	793
a. Paris Club	4,615	4,389	3,705	3,758	2,011	1,892	1,755	1,621	1,511	1,405	1,306	1,213	1,054	872	718
b. Other official bilateral	85	78	53	51	45	38	34	30	26	25	24	23	22	21	22
c. Commercial	696	696	69	69	69	69	69	69	69	69	69	68	67	62	53
4. Multilateral	1,207	1,090	903	867	558	545	526	506	482	463	448	431	411	383	332
World Bank Group	666	615	512	494	321	332	342	350	358	366	372	365	352	328	282
IMF	137	123	115	120	84	75	58	42	22	4	0	0	0	0	0
AfDB/AfDF	293	260	202	188	121	108	97	86	75	67	52	42	37	35	33
Others	111	92	74	65	33	31	29	28	26	25	24	24	22	20	18
5. NPV of new debt	0	139	247	451	675	927	1,193	1,473	1,761	2,011	2,263	2,513	3,020	3,870	4,846
III. After irrevocable delivery of enhanced HIPC assistance at the reference date (June 1999)															
Total															
1. NPV of total debt (2+5)	3,430	3,485	3,558	3,753	3,358	3,471	3,576	3,699	3,849	3,973	4,110	4,248	4,574	5,208	5,971
2. NPV of old debt (3+4)	3,430	3,345	3,310	3,303	2,683	2,544	2,384	2,226	2,087	1,962	1,847	1,735	1,553	1,338	1,125
3. Official bilateral and commercial	2,549	2,595	2,641	2,687	2,124	1,998	1,858	1,721	1,606	1,499	1,399	1,304	1,142	955	793
a. Paris Club	2,344	2,441	2,538	2,635	2,011	1,892	1,755	1,621	1,511	1,405	1,306	1,213	1,054	872	718
b. Other official bilateral	47	35	24	12	45	38	34	30	26	25	24	23	22	21	22
c. Commercial	157	118	78	39	69	69	69	69	69	69	69	68	67	62	53
4. Multilateral	882	751	670	616	558	545	526	506	482	463	448	431	411	383	332
World Bank Group	487	425	390	364	321	332	342	350	358	366	372	365	352	328	282
IMF	100	85	78	82	84	75	58	42	22	4	0	0	0	0	0
AfDB/AfDF	214	178	154	134	121	108	97	86	75	67	52	42	37	35	33
Others	80	62	47	36	33	31	29	28	26	25	24	24	22	20	18
5. NPV of new debt	0	139	247	451	675	927	1,193	1,473	1,761	2,011	2,263	2,513	3,020	3,870	4,846

Sources: Cameroonian authorities; and staff estimates.

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

Table 7. Cameroon: External Debt Service After Rescheduling, 1999/00-2018/19
(in millions of U.S. dollars, unless otherwise indicated)

												Averages		
	1999/00 Estimate	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11- 2012/13	013/14- 2015/16	016/17- 2018/19
After traditional debt relief														
Total	384	372	353	366	374	411	418	414	425	432	440	442	473	537
Existing debt	382	368	344	352	354	372	359	334	320	298	274	236	228	242
Multilaterals	179	152	129	112	113	123	115	106	90	75	54	34	34	39
World Bank Group	88	80	72	60	54	54	41	34	29	30	30	26	28	34
IMF	21	10	2	6	20	33	40	40	36	22	9	0	0	0
African Development Bank Group	46	44	42	38	31	29	28	26	20	19	12	4	2	2
Others	24	18	13	9	8	6	6	5	5	4	4	4	4	3
Official bilateral	193	205	204	229	230	238	233	216	217	209	204	184	173	176
Paris Club	188	201	200	225	225	236	231	214	215	207	202	182	171	174
Non Paris Club	4	4	5	4	5	2	2	2	2	2	2	2	2	2
Commercial	11	11	11	11	11	11	11	12	13	14	15	17	21	27
New debt	1	4	9	14	20	39	59	80	106	134	166	206	245	294
After enhanced HIPC assistance														
Total	...	312	226	242	291	328	347	340	346	360	378	375	389	431
Existing debt	...	308	217	228	271	289	288	260	240	225	212	170	144	137
	...													
Multilaterals	...	123	85	61	42	52	60	61	55	52	48	32	32	38
World Bank Group	...	58	46	30	6	8	10	11	11	14	26	26	28	34
IMF	...	7	2	4	14	24	32	32	30	17	7	0	0	0
African Development Bank Group	...	39	24	22	18	17	16	15	11	19	12	4	2	2
Others	...	18	13	5	4	3	3	3	2	2	2	2	2	2
Official bilateral	...	184	129	164	226	234	225	196	182	170	161	134	107	93
Paris Club	...	178	122	155	214	225	216	187	177	164	155	128	101	86
Non Paris Club	...	4	4	6	9	6	5	6	2	2	2	2	1	1
Commercial	...	2	3	3	3	3	3	3	3	3	4	4	5	6
New debt	...	4	9	14	20	39	59	80	106	134	166	206	245	294
Difference between HIPC assistance and traditional debt relief	...	60	127	124	83	82	71	74	79	73	62	66	84	105
Memorandum items:														
Exports of goods and nonfactor services 2/	2,743	2,766	2,868	3,051	3,286	3,538	3,768	3,995	4,240	4,499	4,791	5,521	6,803	8,436
Debt service ratio after traditional debt relief	14.0	13.5	12.3	12.0	11.4	11.6	11.1	10.4	10.0	9.6	9.2	8.0	7.0	6.4
Debt service ratio after HIPC assistance	...	11.3	7.9	7.9	8.8	9.3	9.2	8.5	8.2	8.0	7.9	6.8	5.7	5.1

Sources: Cameroonian authorities; and staff estimates.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated.
2/ As defined in IMF, *Balance of Payments Manual*, 5th edition, 1993.

Table 8. Cameroon: Key External Debt Indicators, 1999/99-2018/19 1/
(in percent, unless otherwise indicated)

													Averages		
	1998/99 Actual	1999/00 Estimate	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11- 2012/13	013/14- 2015/16	016/17- 2018/19
After traditional debt relief															
NPV of debt-to-GDP ratio	51.1	53.8	50.4	46.7	43.6	40.8	38.1	35.8	33.9	31.8	29.9	28.3	25.2	21.4	18.1
NPV of debt-to-exports ratio	205.1	192.2	179.0	168.3	165.0	158.8	150.6	143.6	138.2	132.7	128.0	123.4	114.1	101.6	89.9
NPV of debt-to-government-revenues ratio	329.5	280.6	261.1	255.5	231.5	211.6	191.9	180.6	167.1	157.0	146.4	138.8	121.9	103.6	87.0
Debt service ratio	...	14.0	13.5	12.3	12.0	11.4	11.6	11.1	10.4	10.0	9.6	9.2	8.0	7.0	6.4
Debt service-to-government-revenue ratio	...	23.0	21.0	19.2	17.7	16.2	15.9	14.9	13.3	12.6	11.6	11.0	9.2	7.6	6.6
After enhanced HIPC assistance															
NPV of debt-to-GDP ratio	...	...	54.1	51.6	30.6	29.0	27.5	26.1	25.0	23.8	22.7	21.6	19.6	17.3	15.3
NPV of debt-to-exports ratio	...	...	192.5	186.0	116.0	113.1	108.6	104.8	102.2	99.3	96.8	94.2	88.7	82.1	76.1
NPV of debt-to-exports ratio (existing debt only)	...	...	182.9	169.9	92.7	82.9	72.4	63.0	55.4	49.0	43.5	38.5	30.3	21.2	14.4
NPV of debt-to-government-revenues ratio	...	...	280.7	282.4	162.7	150.7	138.4	131.8	123.5	117.4	110.8	105.9	94.8	83.7	73.5
Debt service ratio	...	...	11.3	7.9	7.9	8.8	9.3	9.2	8.5	8.2	8.0	7.9	6.8	5.7	5.1
Debt service-to-government-revenue ratio	...	...	17.6	12.3	11.7	12.6	12.7	12.4	10.9	10.2	9.7	9.4	7.8	6.3	5.3
After enhanced HIPC assistance assumed committed irrevocably (at the Completion Point)															
NPV of debt to GDP ratio	37.3	40.1	38.7	37.3	30.6	29.0	27.5	26.1	25.0	23.8	22.7	21.6	19.6	17.3	15.3
NPV of debt to exports ratio	150.0	143.3	137.6	134.4	116.0	113.1	108.6	104.8	102.2	99.3	96.8	94.2	88.7	82.1	76.1
NPV of debt-to-government-revenues ratio	241.0	209.2	200.7	204.1	162.7	150.7	138.4	131.8	123.5	117.4	110.8	105.9	94.8	83.7	73.5
Sensitivity analysis															
Lower exports scenario															
NPV of debt to exports ratio	...	192.1	176.7	164.5	160.3	153.4	156.4	161.1	167.6	158.9	149.6	141.0	127.9	111.7	95.3
Debt service ratio	...	14.0	13.6	12.2	11.9	11.3	14.6	14.2	13.2	12.5	11.8	11.2	9.9	8.6	7.8
Debt service-to-government-revenue ratio	...	23.0	21.2	19.1	17.6	16.1	15.8	14.7	13.1	12.4	11.5	10.7	8.9	7.3	6.2
Less concessional loans scenario															
NPV of debt to exports ratio	...	192.1	175.1	160.3	152.4	141.4	139.2	137.9	137.4	124.1	110.8	98.7	80.0	58.4	41.2
Debt service ratio	...	14.0	13.6	12.1	11.7	10.9	14.0	13.5	12.4	11.5	10.5	9.6	7.6	5.6	4.3
Debt service-to-government-revenue ratio	...	23.0	21.1	18.8	17.2	15.6	15.1	14.0	12.3	11.3	10.2	9.2	6.9	4.7	3.4
Memorandum items:					(in millions of U.S. dollars)										
NPV of debt after traditional debt relief	4,691	4,675	4,630	4,700	4,777	4,873	4,959	5,070	5,206	5,311	5,432	5,567	5,877	6,443	7,057
Debt service after traditional debt relief	...	384	372	353	366	374	411	418	414	425	432	440	442	473	537
NPV of debt after HIPC assistance	...	...	4,977	5,195	3,358	3,471	3,576	3,699	3,849	3,973	4,110	4,248	4,574	5,208	5,971
Debt service after HIPC assistance	...	...	312	226	242	291	328	347	340	346	360	378	375	389	431
GDP	9,186	8,688	9,191	10,059	10,969	11,952	13,024	14,150	15,371	16,698	18,139	19,704	23,363	30,186	39,214
Exports of goods and services 2/	2,249	2,743	2,766	2,868	3,051	3,286	3,538	3,768	3,995	4,240	4,499	4,791	5,521	6,803	8,436
Exports of goods and services (3-year mvg. avg.) 3/	2,287	2,432	2,586	2,792	2,895	3,068	3,292	3,531	3,767	4,001	4,245	4,510	5,161	6,353	7,863
Government revenue 4/	1,424	1,666	1,773	1,839	2,064	2,303	2,584	2,807	3,116	3,384	3,710	4,011	4,835	6,240	8,142

Sources: Cameroonian authorities; and staff estimates.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated.
2/ As defined in IMF, *Balance of Payments Manual*, 5th edition, 1993.
3/ Based on a three-year average of exports on the previous year (e.g., export average over 1997-99 for NPV of debt-to-exports ratio in 1999).
4/ Revenues are defined as central government revenues, excluding grants.

Table 9. Cameroon: Possible Delivery of IMF Assistance under the HIPC Initiative, 2000/01-2009/10 1/

(In millions of US dollars, unless otherwise indicated)

Financial Years	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Financial Years	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Delivery schedule of IMF assistance (in percent of total assistance)	8	1	2	8	15	18	18	15	12	3	0
Debt service due on current IMF obligations 2/	10.1	2.4	5.9	20.2	33.1	40.1	39.9	36.2	21.7	8.6	1.0
of which: Principal	7.9	0.0	3.6	17.9	30.9	38.1	38.1	34.5	20.2	7.1	0.0
Interest	2.2	2.4	2.4	2.3	2.2	2.0	1.8	1.7	1.5	1.4	1.0
IMF assistance - deposits into Cameroon's account: 1/											
Interim Assistance	2.9	0.4	0.7								
Completion Point Assistance			32.8								
IMF assistance--drawdown schedule 3/	3.0	0.4	2.3	5.9	8.8	7.9	7.6	6.1	4.7	1.2	0.0
IMF assistance without interest	2.9	0.4	0.7	2.9	5.5	6.6	6.6	5.5	4.4	1.1	0.0
Debt service due on current IMF obligations after total IMF assistance 2/ 4/	7.1	2.0	3.7	14.3	24.4	32.2	32.3	30.0	17.0	7.4	1.0
Share of debt service due on current IMF obligations covered by total IMF assistance (in percent) 2/ 3/	29.6	16.8	38.3	29.2	26.5	19.7	19.0	16.9	21.7	13.9	0.0
Memorandum items:											
Proportion of each repayment falling due during the period to be paid by HIPC assistance from the principal deposited in Cameroon's account	37.3	0.0	20.7	16.5	17.9	17.4	17.4	16.0	21.9	15.5	0.0
Total debt service due 5/	310.3	220.6	234.6	283.5	318.2	332.7	321.3	316.1	316.3	306.0	285.3
Share of total debt service covered by total IMF assistance (in percent) 3/	1.0	0.2	1.0	2.1	2.8	2.4	2.4	1.9	1.5	0.4	0.0
Debt service due on current IMF obligations after total IMF assistance 2/ 4/ (in percent of exports)	0.3	0.1	0.1	0.4	0.7	0.8	0.8	0.7	0.4	0.2	0.0

Source: Cameroon authorities and IMF staff projections.

1/ Total IMF assistance under the HIPC Initiative is US$ 36.9 million calculated on the basis of data available at the decision point, excluding interest earned on the escrow account and on committed but undisbursed amounts as described in footnote 3.

2/ As of September 1, 2000; obligations from existing drawings, converted using the latest US$/SDR exchange rate available.

3/ Includes estimated interest earnings on: (1) amounts held in Cameroon's account; and (2), up to the completion point, amounts committed but not yet disbursed. It is assumed that these amounts earn a rate of return of 5.25 percent in U.S. dollar terms; actual interest earnings may be higher or lower. Interest accrued on (1) during a calendar year will be used toward the first repayment obligation(s) falling due in the following calendar year except in the final year, when it will be used toward payment of the final obligation falling due in that year. Interest accrued on (2) during the interim period will be used toward the repayment of obligations falling due during the three years after the completion point. The completion point is assumed to be in March 2003.

4/ Total obligations less HIPC Initiative assistance.

Table 10. Cameroon: Possible Delivery of World Bank Assistance Under the HIPC Initiative, 1999/00 to 2018/19

(in millions of U.S. dollars, unless otherwise indicated)

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
World Bank debt service before HIPC relief	88.2	79.6	72.4	59.9	54.3	54.5	41.4	34.2	29.0	30.1	30.0	27.1	26.4	25.7	25.1	28.6	30.6	33.7	33.1	34.5
IBRD	76.2	67.1	59.6	47.2	41.6	37.9	21.9	11.4	6.4	3.7	3.7	1.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IDA	12.0	12.5	12.8	12.7	12.7	16.6	19.5	22.8	22.6	26.4	26.3	26.1	25.8	25.7	25.1	28.6	30.6	33.7	33.1	34.5
World Bank debt service after HIPC relief	88.2	58.4	45.7	30.2	7.1	9.1	10.5	12.1	12.0	15.3	27.2	26.9	26.7	26.6	28.4	31.8	33.8	36.9	36.3	37.7
IBRD	76.2	45.9	32.9	19.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IDA	12.0	12.5	12.8	10.5	7.1	9.1	10.5	12.1	12.0	15.3	27.2	26.9	26.7	26.6	28.4	31.8	33.8	36.9	36.3	37.7
World Bank assistance 1/	0.0	21.2	26.7	29.7	48.0	46.3	31.8	23.0	17.9	15.7	3.7	1.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:																				
IBRD Debt relief as percent of IBRD debt service due (in percent) 2/	0.0	31.6	44.7	58.1	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interim assistance 3/	59.64																			
Interim relief as percent of total 3/	33.33																			

Sources: Cameroon authorities; and IDA staff estimates.

1/ Translates into US$178.9 million in NPV terms, using updated discount and exchange rates.

2/ It is assumed that IDA would provide a single supplemental HIPC debt relief credit to repay the amount of IBRD debt outstanding required to achieve the remaining NPV of relief to be provided on World Bank group debt.

3/ In net present value (NPV) terms.

Table 11. Cameroon: Central Government Operations, 1998/99-2000/01 1/

(In billions of CFA francs, unless otherwise indicated)

	1999/2000	2000/01	2001/02	2002/03	2000/01	2001/02	2002/03
		Before HIPC			After HIPC		
Total revenue and grants	1,093	1,185	1,208	1,335	1,227	1,297	1,422
Total revenue	1,093	1,179	1,202	1,335	1,179	1,202	1,335
Oil sector revenue	325	323	244	198	323	244	198
Non-oil sector revenue	768	856	958	1,137	856	958	1,137
Total grants (current)	0	6	6	0	48	95	87
HIPC	0	0	0	0	42	89	87
Other	0	6	6	0	6	6	0
Total expenditure	1,019	1,146	1,339	1,488	1,188	1,428	1,575
Current expenditure	847	914	1,040	1,130	935	1,085	1,173
Wages and salaries	293	326	362	374	326	362	374
Other goods and services	191	229	294	408	244	326	438
Of which: HIPC assistance	0	0	0	0	15	31	30
Education	0	0	0	0	7	15	15
Health	0	0	0	0	4	9	8
Social affairs	0	0	0	0	2	4	4
Rural development	0	0	0	0	1	2	2
Governance	0	0	0	0	1	1	1
Subsidies and transfers	109	115	126	128	121	140	141
Of which: HIPC assistance	0	0	0	0	6	13	13
Private schools	0	0	0	0	3	6	6
Private health centers	0	0	0	0	2	4	4
Local communities (water, sanitation, waste collection)	0	0	0	0	1	3	3
Interest due	254	245	258	220	245	258	220
Capital expenditure	156	232	299	358	252	343	402
Foreign-financed investment	51	92	144	198	92	144	198
Domestically financed investment	73	110	125	160	130	170	204
Of which: HIPC	0	0	0	0	21	45	44
Education	0	0	0	0	8	18	17
Health	0	0	0	0	6	13	13
Social affairs	0	0	0	0	3	7	7
Rural development	0	0	0	0	3	7	7
Restructuring	32	30	30	0	30	30	0
Overall balance, commitments basis, excluding grants	75	33	-137	-153	-9	-226	-240
Overall balance, commitments basis, including grants	75	39	-131	-153	39	-131	-153
Net change in arrears	-99	-424	-100	-100	-424	-100	-100
Overall balance, cash basis, excluding grants	-24	-391	-237	-253	-432	-326	-340
Overall balance, cash basis, including grants	-24	-385	-231	-253	-385	-231	-253
Financing	25	-384	-25	-49	-384	-25	-49
External financing (net)	85	-287	-29	-74	-287	-29	-74
Domestic financing (net)	-60	-96	4	25	-96	4	25
Banking system	-75	-14	-30	-10	-14	-30	-10
Of which: HIPC sub-account	0	0	0	0	0	0	0
Other	14	-82	34	35	-82	34	35
Remaining financing needs	0	768	256	302	768	256	302
Of which: possible debt relief	0	768	256	0	768	256	0
Residual financing gap	0	0	0	302	0	0	302
Memorandum items:							
Primary budget balance	411	410	305	267	368	216	180
Primary budget balance (in percent of GDP)	7.2	6.7	4.6	3.8	6.0	3.3	2.5
Noninterest expenditure	682	779	908	1,070	737	818	983

Sources: Cameroonian authorities; and staff estimates and projections.

1/ This table is for illustrative purposes only, pending the decision point and further discussions with the Cameroonian authorities during the negotiation of the new PRGF-supported program.

Table 12. HIPC Initiative: Status of Country Cases Considered Under the Initiative, September 13, 2000

Country	Decision Point	Completion Point	Target NPV of Debt-to- Export (in percent)	Target NPV of Debt-to- Gov. revenue (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value) Total	Bilateral	Multilateral	IMF	World Bank	Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)	Satisfactory Assurances from Other Creditors
Completion point reached under enhanced framework												
Uganda					1,003	183	820	160	517		1,950	
original framework	*Apr. 97*	*Apr. 98*	*202*		*347*	*73*	*274*	*69*	*160*	*20*	*650*	*Received*
enhanced framework	*Feb. 00*	*May 00*	*150*		*656*	*110*	*546*	*91*	*357*	*37*	*1,300*	*Received*
Decision point reached under enhanced framework												
Benin	Jul. 00	*Floating*	150		265	77	189	24	84	31	460	Received
Bolivia					1,302	425	876	84	194		2,060	
original framework	*Sep. 97*	*Sep. 98*	*225*		*448*	*157*	*291*	*29*	*53*	*14*	*760*	*Received*
enhanced framework	*Feb. 00*	*Floating*	*150*		*854*	*268*	*585*	*55*	*141*	*30*	*1,300*	*Being sought*
Burkina Faso					398	56	342	42	162		700	
original framework	*Sep. 97*	*Jul. 00*	*205*		*229*	*32*	*196*	*22*	*91*	*27*	*400*	*Received*
enhanced framework	*Jul. 00*	*Floating*	*150*		*169*	*24*	*146*	*20*	*71*	*27*	*300*	*Received*
Honduras	Jun. 00	Floating	110	250	556	215	340	30	98	18	900	Being sought
Mali					523	162	361	58	182		870	
original framework	*Sep. 98*	*Sep. 00*	*200*		*121*	*37*	*84*	*14*	*44*	*9*	*220*	*Received*
enhanced framework	*Sep. 00*	*Floating*	*150*		*401*	*124*	*277*	*44*	*138*	*28*	*650*	*Received*
Mauritania	Feb. 00	Floating	137	250	622	261	361	47	100	50	1,100	Received
Mozambique					1,970	1,235	736	141	434		4,300	
original framework	*Apr. 98*	*Jun. 99*	*200*		*1,716*	*1,076*	*641*	*125*	*381*	*63*	*3,700*	*Received*
enhanced framework	*Apr. 00*	*Floating*	*150*		*254*	*159*	*95*	*16*	*53*	*9*	*600*	*Received*
Senegal	Jun. 00	Floating	133	250	488	193	259	45	124	19	850	Received
Tanzania	Apr. 00	Floating	150		2,026	1,006	1,020	120	695	54	3,000	Received
Completion point reached under original framework												
Guyana	Dec. 97	May 99	107	280	256	91	165	35	27	24	410	Received
Decision point reached under original framework												
Côte d'Ivoire	Mar. 98	Mar. 01	141	280	345	163	182	23	91	6 3/	800	Being sought
Total assistance provided/committed					9,754	4,067	5,651	809 4/	2,708		17,400	
Preliminary HIPC document issued 5/												
Cameroon	...	...	150		1,466	1,047	358	41	197	30	2,700	...
Chad	...	...	150		157	34	123	15	65	27	250	...
Ethiopia	...	...	200		636	225	411	22	214	23	1,300	...
Guinea	...	...	150		638	256	383	37	173	34	1,150	...
Guinea-Bissau	...	...	200		300	148	153	8	73	73	600	...
Malawi	...	...	150		629	163	466	29	323	43	1,100	...
Nicaragua	...	...	150		2,507	1,416	1,091	32	188	66	5,000	...
Rwanda	...	...	150		447	56	391	43	227	71	800	...
Zambia	...	...	150		2,468	1,121	1,326	600	491	62	4,500	...

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

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

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

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

4/ Equivalent to SDR 618 million at an SDR/USD exchange rate of 0.768.

5/ Figures are based on preliminary assessments at the time of the issuance of the preliminary HIPC document; and are subject to change. Assistance levels for Ethiopia and Guinea-Bissau were based on the original framework and applied at the completion point; for Cameroon, Chad, Guinea, Malawi, Nicaragua, Rwanda, and Zambia, targets are based on the enhanced framework and assistance levels are at the assumed decision point.

Monitoring System for Poverty Alleviation Targets

1. **Overall structure.** Under the interim PRSP, the government has proposed a multi-tier monitoring system. This covers: (i) statistical monitoring of overall poverty trends and the impact of the poverty reduction strategy; (ii) monitoring of strategy implementation and impact by a national poverty network composed of institutions with national expertise and major stakeholder groups; and (iii) participatory monitoring by stakeholders, both at the national level by appropriate institutions of the state and at the local level by local authorities and local stakeholders.

2. While this proposal represents a comprehensive structure for poverty monitoring, the Interim PRSP recognizes that many of the necessary capacities are either weak or non-existent, and thus it recommends an important effort in capacity building. The proposals for monitoring also recognize the need for greatly improved communications in all directions (upwards, downwards, across) and proposes a strengthening in these areas.

3. **Statistical monitoring.** The government will undertake activities to monitor the overall effectiveness of the poverty strategy and its impact on the poor. The main tool will be repeat surveys of household living standards by *Direction de la Statistique et de la Compatibilité Nationale*.

4. A household survey (ECAM2000) is to be undertaken as early as possible, but not later than mid-2001 to record results since the last such survey in 1996 and also to establish a more accurate baseline for the new poverty strategy.

5. A repeat household survey is planned for 2003 (ECAM 2003).

6. A Demographic Health Survey was undertaken in 1998. Follow-up surveys are desirable at five year intervals.

7. In addition to these surveys, a national population census is overdue, the last one having been taken in 1987. Community level mapping is expected to start in 2001 to prepare for a census as early as possible, but no later than 2002.

8. In the case of all statistical surveys, the design of the survey will be discussed with stakeholders. The results will also be made easily available and in a timely way to all stakeholders.

9. **National poverty network**. In the interim PRSP, the government has proposed the creation of a national poverty network and an *Observatoire des conditions de vie et de la pauvreté*. The network is expected to provide a forum for critical review of poverty actions and trends, while the *observatoire* is expected to provide a central point for the gathering and dissemination of poverty information. Among the activities that are proposed for the coming year are participatory user surveys in the health and education sectors to collect feedback on users' (and non-users') views of the services provided, of issues relating to accessibility and

quality. To facilitate sharing and dissemination of poverty information, the government has proposed initiatives such as the creation of a website.

10. **Participatory monitoring**. The Interim PRSP proposes extensive monitoring of poverty outcomes, including in many cases reinforcing the role that some institutions of the state should be expected to play. The PRSP document refers to the role of the National Assembly and the Economic and Social Council in monitoring the evolution of living conditions and social trends. It also recommends a marked strengthening of capacities to monitor poverty activities and outcomes at the community level, whether by local governments or other local organizations. The precise way in which this proposal can be implemented on the ground is expected to be set out in the full PRSP.

11. The government has already made a start in the implementation of a participatory approach to monitoring in July/August 2000. It conferred further with local communities on the conclusions of the initial participatory consultations and presented an outline of the actions that it proposes to include in the PRSP in response to the issues they raised. These actions largely make up the interim PRSP. The final PRSP should state how the Government will structure its poverty strategy to respond directly to the issues raised at the community level and what actions are envisaged to build the capacities of communities to play a more decisive role in their own development.

Cameroon: External Debt Management Practices—an Update

1. Since 1990, Cameroon's public debt has been managed by an autonomous government agency, the *Caisse Autonome d'Amortissement* (CAA), which has its own board of directors. The CAA acts on behalf of the government in the following capacity: (i) safekeeping of all loan agreements and related documents; (ii) ensuring timely debt servicing; and (iii) advising the government on all issues related to debt. It should be noted that CAA is also responsible for domestic debt management.

2. For external debt management, the Commonwealth Secretariat's Debt Recording and Management System (CS-DRMS) is the main application used by the CAA for record keeping and debt service projections. This software, which allows users to input data and prepare various reports, is set up in a network environment. The network is now fully operational but some users are still waiting for training. The day-to-day management of the system is entrusted to an ad hoc committee, but efforts are under way to ensure that all relevant departments are aware of its full potential.

3. The following debt service procedures are typically followed. At the beginning of each month, the CAA sends the treasury a statement of all the loans falling due and payment orders for ministerial approval and signature. Once this is done, the treasury transfers the required amount to a CAA account, either at the central bank or at a commercial bank. The procedure is often too long and, unlike in most countries, is not premised on the presumption that all debt service as recorded in the *Loi de Finances* is due without further justification and ministerial approval. As a result, delays in the past have often occurred because the treasury has tended to "bunch up" payments instead of effecting regular transfers on a daily or weekly basis. The delays are also due to major weaknesses in cash management at the treasury.

4. The debt management practices at the CAA have considerably improved over the past two years owing to a change in management and the realization by the authorities that the success of the current adjustment program critically depends on maintaining good financial relations with external creditors. In general, the CAA provides up-to-date data on virtually all external debt aggregates. However, considerable weaknesses remain in the following fields: (i) keeping track of debt service projections before and after debt relief; and (ii) conducting in-depth analyses on external debt issues, for example, DSAs. Overall requirements have been identified in the following areas: (i) updating the current version 7.2 of CS-DRMS to CS-DRMS 2000+ in order to increase the user-friendliness of the applications; (ii) reinforcing the current network in order to accommodate new memory-intensive applications in a multi-tasking environment; and (iii) providing further training in the preparation of DSAs. In the interim the CAA has acquired DebtPro software for use in DSA simulations. Considerable technical assistance has been given in recent years by the Commonwealth Secretariat, the Agence Française de Développement, Debt Relief International (DRI), the IMF, and the World Bank.

5. As a part of these continuing efforts to build debt-management capacity, the CAA, in collaboration with DRI, organized a national debt strategy workshop for Cameroon during

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

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