

Cameroon: 2001 Article IV Consultation, First Review of the First Annual Program Under the Poverty Reduction and Growth Facility, and Request for Waiver and Modification of Performance Criterion—Staff Report; and Public Information Notice on the Executive Board Discussion

- the Staff Report for the 2001 Article IV Consultation, First Review of the First Annual Program Under the Poverty Reduction and Growth Facility, and Request for Waiver and Modification of Performance Criterion, prepared by a staff team of the IMF, following discussions that ended on **May 16, 2001**, with the officials of Cameroon on economic developments and policies. **Based on information available at the time of these discussions, the staff report was completed on June 29, 2001.** The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- a Public Information Notice (PIN) and a News Brief, summarizing the view of the Executive Board as expressed during its **July 16, 2001** discussion of the staff report on issues related to the Article IV consultation and the IMF arrangement, respectively.

The documents listed below have also been separately released.

Letter of Intent by the authorities of the member country*
Technical Memorandum of Understanding*

*May also be included in Staff Report.

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CAMEROON

**Staff Report for the 2001 Article IV Consultation,
First Review of the First Annual Program Under the
Poverty Reduction and Growth Facility,
and Request for a Waiver
and Modification of Performance Criterion**

Prepared by the African Department

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

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June 29, 2001

Executive Summary	4
I. Introduction.....	6
II. Recent Economic Developments and Program Implementation During the First Half (October 2000-March 2001) of the First Annual Program.....	7
III. Report on the Discussions.....	8
A. Macroeconomic Prospects Under the First Annual Program and Financial Policies for 2001/02	10
B. Creating an Environment Conducive to Increased Private Sector Investment.....	15
C. Balance of Payments Outlook and External Sector Policies	17
D. Poverty Reduction and Social Policies	19
E. Technical Assistance and Statistical Issues	21
F. Requests for a Waiver and Modification of a Performance Criterion and Program Monitoring.....	21
IV. Staff Appraisal.....	22

Boxes

1.	Structural Conditionality	9
2.	Paris Club Debt Rescheduling	20

Figures

1.	Real and Nominal Effective Exchange Rates, January 1993-March 2001	25
2.	Developments in Output and Prices, 1990/91-2000/01	26
3.	Fiscal Developments, 1990/91-2000/01	27
4.	Monetary Developments, 1990/91-2000/01	28
5.	External Sector Developments, 1990/91-2000/01	29
6.	External Public Debt and Debt Service, 1990/91-2000/01	30
7.	Adjustment Profile, 1994/95-2003/04	31

Tables

1.	Fund Position, 2000/01-2003/04	32
2.	Quantitative Performance Criteria and Benchmarks During the First Annual Program Under the Poverty Reduction and Growth Facility, December 31, 2000	33
3.	Quantitative Performance Criteria and Benchmarks During the First Annual Program Under the Poverty Reduction and Growth Facility, March 31, 2001	34
4.	Structural Performance Criteria and Benchmarks for the First Annual Program Under the Poverty Reduction and Growth Facility, October 1, 2000-September 30, 2001	35
5.	Selected Economic and Financial Indicators, 1998/99-2003/04	36
6.	Savings-Investment Balances, 1996/97-2003/04	37
7.	Central Government Operations, 1998/99-2003/04	38
8.	Selected Fiscal Indicators, 1996/97-2003/04	39
9.	Central Government Operations, Including HIPC Expenditures, 2000/01-2001/02	40
10.	Oil Sector Contribution to the Government Budget, 1998/99-2003/04	41
11.	Monetary Survey, March 1998-September 2001	42
12.	Central Bank Balance Sheet, March 1998-September 2001	43
13.	Balance of Payments, 1998/99-2003/04	44
14.	External Public Debt Stock, 1997/98-2003/04	45
15.	External Debt Service Due, 1999/2000-2003/04	46
16.	Indicators of External Vulnerability, 1995/96-1999/2000	47
17.	Indicators of Fund Credit, 1994/95-2004/05	48
18.	Review and Phasing of Disbursements Under the Three Year PRGF Arrangement	49

Appendices

I.	Supplementary Letter of Intent.....	50
	Table 1. Quantitative Performance Criteria and Benchmarks During the Second Half of the First Annual Program Under the Poverty Reduction and Growth Facility, October 1, 2000–September 30, 2001.....	60
	Table 2. Structural Performance Criteria and Benchmarks for the Second Half of the First Annual Program, October 1, 2000–September 30, 2001.....	61
	Annex I. Technical Memorandum of Understanding on Definitions and Modalities of the Built-in Contingency Mechanism for the Adjustment of Quantitative Performance Criteria and Benchmarks Under the First Annual PRGF Arrangement.....	62
	Table 1. Data Reporting Requirements.....	66
II.	Relations with the Fund.....	68
III.	Relations with the World Bank Group.....	71
IV.	Preparation of the Full Poverty Reduction Strategy Paper—Timetable.....	73
V.	Statistical Issues.....	80

EXECUTIVE SUMMARY

Recent economic developments and program implementation

- **Overall, Cameroon's good record of performance in the macroeconomic and structural areas under the previous three-year PRGF arrangement continued during the first six months (October 2000–March 2001) of the first annual program under the new three-year PRGF arrangement.** All the quantitative performance criteria and benchmarks for end-March 2001 were met, with the exception of the criterion on net bank credit to the central government and the benchmark on the reduction of domestic arrears. Also, all the structural benchmarks and performance criteria, as well as the other governance-related measures, for the period October 2000-March 2001, were observed, except for the development of a computer interface for the government payroll file.
- **The pace of economic activity was consistent with the projected real GDP growth of 5.3 percent for 2000/01 (July 2000-June 2001).** The national consumer price inflation accelerated to 2.2 percent, driven by higher food prices. Data for the first half of the first annual program showed an improvement in the country's external position and a recovery in bank deposits. However, the primary fiscal surplus was somewhat smaller than programmed owing to a shortfall in oil revenue and some expenditure slippages in the wage bill and other goods and services.
- **Also, progress in improving public expenditure management has remained slow, and there have been delays in the privatization of the three public utilities and the agro-industrial company.**

Report on the discussions

- The discussions focused on the macroeconomic prospects and policies for the remainder of the first annual program and policies for 2001/02; a reassessment of the broad-based governance and structural reform agenda, with a view to establishing priorities for creating an environment conducive to private sector investment; and the preparation of the full PRSP and use of HIPC resources.
- **The budgetary outcome for fiscal year 2000/01 is expected to be somewhat weaker than initially programmed,** assuming continued good non-oil revenue performance and no further expenditure slippages. With regard to **fiscal year 2001/02,** the key budgetary targets are to attain a primary surplus of 4.2 percent of projected GDP and an overall fiscal deficit, on a commitment basis and excluding grants, of 0.7 percent of GDP.
- To attain these objectives, efforts to improve non-oil revenue need to continue and **the scope of the envisaged tax exemptions will be restricted. New impetus will be**

given to improving public expenditure management, with a view to preventing fiscal slippages.

- In order to create an environment conducive to increased private sector investment, macroeconomic stability and improved public expenditure management are to be supported by **enhanced governance efforts, a further strengthening of the domestic financial system, an acceleration of the privatization program with a view to completing it within a reasonable time frame, and a consolidation and deepening of various structural reforms.**
- **The full PRSP paper is now expected to be finalized by end-January/early February 2002.** The household consumption survey and the preparation of the sectoral strategies for education and health and their costing, which will provide the basis for the full PRSP, are under way.

Issues highlighted in the staff appraisal

- **For the favorable macroeconomic prospects to materialize, it is crucial for Cameroon to consolidate the fiscal policy and reform gains** achieved so far, particularly in oil and non-oil revenue and the financial system; strengthen public expenditure management; intensify efforts in improving governance, notably in the judiciary system; and refocus its broad-based structural reform program.
- Effective public expenditure management is critical for achieving fiscal sustainability and thereby preserving macroeconomic stability over the medium term. A substantial enhancement of efficiency is needed. To this end, **it is crucial that a realistic action plan be formulated by end-September 2001 for the introduction of an integrated computerized fiscal and accounting information system**, in order to manage central government revenue and expenditure by the end of the current PRGF arrangement in September 2003.
- **The serious deficiencies in the functioning of the judiciary system need to be addressed**, to help foster investor confidence and prevent a possible deterioration of the financial health of the banking system. Close adherence to the rule of law and its effective implementation are clearly prerequisites for strengthening further the credibility of Cameroon and the prospects for sustained private sector investment. The technical audit of the judiciary system needs to be carried out in a timely manner.
- **The staff recommends that the Executive Board grant a waiver for the nonobservance of the end-March 2001 performance criterion on net bank credit to the central government, modify this performance criterion for the remainder of the first year of the arrangement, and complete the first review under the PRGF arrangement.**

I. INTRODUCTION

1. The discussions for the 2001 Article IV consultation and the first review under the first year arrangement under the new Poverty Reduction and Growth Facility (PRGF) were carried out in Yaoundé and Douala during May 2-16, 2001.¹ In a supplementary letter of intent to the Managing Director, dated June 28, 2001 (Appendix I), the Cameroonian authorities indicate that performance during the first half of the first annual program under the PRGF arrangement was broadly on track. In the letter, they outline the targets and policies for the second half of the first annual program and the draft budget for fiscal year 2001/02 (beginning July 1), and provide a status report on the preparation of the full Poverty Reduction Strategy Paper (PRSP). The authorities also request a waiver for the nonobservance of the end-March 2001 performance criterion on net bank credit to the central government, as well as a modification of this performance criterion to exclude privatization receipts from its definition during the remainder of the first year of the PRGF arrangement.

2. The Executive Board concluded the last Article IV consultation with Cameroon on June 7, 2000; and on December 21, 2000, it approved Cameroon's request for a new three-year PRGF arrangement (October 1, 2000–September 30, 2003) in an amount equivalent to SDR111.42 million (60 percent of quota).² Cameroon has accepted the obligations of Article

¹ The Cameroonian representatives were the Minister of Economy and Finance; the two ministers delegated for the Stabilization Plan and Economic Reforms, and for the Budget, respectively, in the Ministry of Economy and Finance; members of the Interministerial Committee; and other senior officials. The mission met with the Prime Minister, the Minister of State-Secretary General at the Presidency, the Minister in Charge of Relations with Parliament, the Minister of Public Investment, the Minister of Justice, the Minister of Health, and the Minister of Education. It also met with the National Director of the Bank of Central African States (BEAC), representatives of the oil, banking, and private sectors, and members of the international community in Cameroon. The staff team consisted of Mr. Maciejewski (Head), Mr. Kpodar, and Mr. Ndiaye (all AFR), Mr. Singh (FAD), Mr. Loko (PDR), and Ms. Haddi (Staff Assistant-AFR). The mission was assisted by Mr. Nguenang, Assistant Economist at the Fund's resident representative office in Cameroon, and worked closely with a parallel World Bank team that was also in the field. Mr. Ondo Mañe, Alternate Executive Director for Cameroon, participated in some of the policy meetings.

² A first disbursement equivalent to SDR 15.92 million was made on Board approval (Tables 1 and 18). Cameroon's outstanding use of Fund resources amounted to the equivalent of SDR 178.04 million (95.9 percent of quota) on May 31, 2001. Summaries of Cameroon's relations with the Fund and the World Bank Group are contained in Appendices II and III, respectively; an updated action plan for the preparation of a full PRSP is presented in Appendix IV; and statistical issues are discussed in Appendix V. The Board concluded Cameroon's final review under the previous PRGF arrangement on October 11, 2000 (EBS/00/193; 9/19/00), together with the consideration of the HIPC Initiative decision point document (EBS/00/194), the interim PRSP (EBD/00/76), and the joint staff assessment (JSA)

(continued)

VIII and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. Noting Cameroon's satisfactory performance during the previous three-year PRGF arrangement, Directors stressed the importance of strengthening policy implementation capacity and budgetary performance, particularly in revenue collection at customs and expenditure management and control (including the timely provision of data on treasury balances). They also underscored the need to take concrete actions to enhance transparency and governance and to complete the privatization program.

II. RECENT ECONOMIC DEVELOPMENTS AND PROGRAM IMPLEMENTATION DURING THE FIRST HALF (OCTOBER 2000-MARCH 2001) OF THE FIRST ANNUAL PROGRAM

3. **Overall, Cameroon's good record of performance under the previous three-year PRGF arrangement (July 1997-June 2000) continued during the first six months (October 2000-March 2001) of the first annual program under the new PRGF arrangement.** The pace of economic activity was fairly steady during the first six months, in line with the projected real GDP growth of 5.4 percent for 2000/01. The work on the Chad-Cameroon pipeline is proceeding; other private residential and business construction gained momentum; and investment in the wood processing sector expanded. The 12-month national consumer price inflation accelerated somewhat but remained low at 2.2 percent in March 2001, driven by higher foodstuff prices following a drought in the northern provinces. The primary fiscal surplus was close to the program target, despite a shortfall in oil revenue and some expenditure slippages in the wage bill and other goods and services. Non-oil revenue was consistent with the program target. As Cameroon's contribution to the strengthening of the net foreign assets position of the regional central bank (BEAC) increased, broad money rose by 13 percent, reflecting mainly a recovery in deposits (see paragraphs 2 and 4 of Appendix I). There was a moderate expansion of credit to the private sector and a net repayment to the banking system by the central government.

4. **The government made good progress in implementing institutional reforms and policies to strengthen revenue mobilization.** In particular, the authorities pursued their efforts to reform the customs administration, improve the domestic tax administration and collection, broaden the tax base,³ and strengthen the value-added tax (VAT). Use of the taxpayer identification number (TIN) at customs was generalized, a special unit was created at headquarters to monitor and control exemptions, and the security system of the computer network was made operational. In domestic taxation, the taxpayer master file was expanded further by assigning a TIN to all economic agents. However, progress in other areas of

(EBD/00/77). Cameroon participated as a pilot country in the fiscal transparency exercise. A modular report for Cameroon was presented to the Executive Board (EBS/99/158, Sup. 7, 9/3/99), and has been placed on the Fund's external website. A statistical appendix, including updates on the tax and the exchange and trade systems, accompanies this staff report.

³ Through further expanding the taxpayer file.

structural reform lagged, notably in public expenditure management and the privatization of the national water company (SNEC), the fixed telecommunications company (CAMTEL), the electricity company (SONEL), and the agro-industrial company (CDC). Although the successful bidders for the first three public utility companies had been selected by early 2001, their privatization could not be completed because further negotiations were needed to resolve the remaining issues that related, inter alia, to financial disclosure, tariffication, tax arrears and cross debts between the government and the companies.

5. **All quantitative benchmarks for end-December 2000, except for the cash settlement of domestic arrears (which was missed by a small margin), and all quantitative performance criteria and benchmarks for end-March 2001, with the exception of the performance criterion on net bank credit to the central government and the benchmark on the reduction of domestic arrears, were met (Tables 2 and 3).** The ceiling on net bank credit to the central government was missed by 0.8 percent of GDP, because of unexpected delays in the completion of the privatization of CAMTEL (see paragraph 4 above). The quantitative benchmark on domestic arrears was missed, owing to a slower-than-envisaged pace in the securitization of domestic arrears.

6. **All the structural benchmarks and performance criteria for the period October 2000-March 2001 (Table 4), as well as the other governance-related measures, were observed, except for the development of a computer interface for the government payroll file (a structural benchmark).** The nonobservance of the latter was due to unexpected technical difficulties encountered in making the recently computerized updated payroll file compatible with the various systems used within the Ministry of Finance and the personnel administration files used in the Ministry of Civil Service.

III. REPORT ON THE DISCUSSIONS

7. Discussions for the 2001 Article IV consultation and the first review of the first annual program under the PRGF arrangement focused on (a) macroeconomic prospects and policies for the remainder of the first annual program and fiscal year 2001/02 (July 2001-June 2002), in light of the implementation of the program supported by the PRGF arrangement since its inception (as discussed above); (b) a reassessment of the broad-based governance and structural reform agenda, with a view to establishing priorities for creating an environment conducive to private sector investment; and (c) the preparation of the full PRSP, and use of HIPC resources. The World Bank staff took the lead in discussing issues relating to social policies and poverty reduction programs and the petroleum, forestry, transport, and agro-industrial sectors (Box 1).

8. **The authorities reiterated their commitment, at the highest level, to economic reforms and the timely and full implementation of the PRGF-supported program.** They also stated that while substantial progress had been achieved during the past few years, much more remained to be done to ensure higher and sustainable economic growth and thereby help to reduce poverty significantly. They indicated that while the enhanced HIPC Initiative

Box 1. Structural Conditionality

Coverage of structural conditionality in the current arrangement under the PRGF

As indicated in Table 4 of the staff report and Table 2 of the attached supplementary letter of intent (Appendix I), conditionality in the current program focuses on the following areas:

- **public expenditure management**—including public procurement system, treasury balances and budget execution reports for key ministries, and the setting up of a fully integrated system to manage central government revenue and expenditure from commitment to payment—*chaîne des dépenses*;
- **civil service reform**—physical and legal census of civil servants and the setting up of an interface for the government salary file, to provide a more accurate basis for assessing appropriate staffing and salary levels;
- **oil sector reform**—formulation of a reform strategy for the sector;
- **customs and tax administrations**—including, inter alia, the security system for the computer network;
- **financial sector reform**—rehabilitation plan for the Postal Savings Bank and microfinance; and
- **governance**—audits of the national oil company (SNH), functioning of the modified procurement system and management, and use of enhanced HIPC Initiative resources.

In addition, there were **two prior actions for the completion of the first review** in the privatization area and the follow-up on the implementation of the HIPC Initiative (see para. 28 of Appendix I).

Structural conditionality in the above areas covered by the PRGF-supported program are critical for (a) the consolidation of macroeconomic stability, improved budgetary performance, and government fiscal policy credibility; and (b) the creation of an environment conducive to increased private investment, enhanced growth prospects, and significant poverty reduction.

Status of structural conditionality in the previous arrangement under the PRGF

All the measures set in the previous arrangement have been met (Box 1 of EBS/00/255 (12/6/00) and Table 3 of EBS/00/90 (5/23/00)).

Structural areas covered by World Bank lending and conditionality

At present, IDA structural conditionalities pertain only to the third structural adjustment credit (SAC III), which has four floating tranches (sector specific):

- **Privatization tranche 1.** This tranche was released in June 2000 following the issuance of invitations to negotiate to the successful bidders for the first group of companies to be privatized BICEC (commercial bank), CAMSUCO (sugar company), SOCAPALM (oil palm company), SOCAR (insurance company), SNEC (water company), and a second mobile telephone license. All transactions have been concluded, except those for SOCAR and SNEC.
- **Privatization tranche 2.** This tranche will be released following the issuance of invitations to negotiate to the successful bidders for the remaining companies to be privatized CNR (national reinsurance company), SONEL (electricity company), CAMTEL (telecommunications company), and CDC (agro-industrial company). All invitations have been issued, except that for CDC.
- **Forestry tranche.** This tranche is expected to be released in September–October 2001 once conditionalities have been satisfied, which are related to, inter alia, the revision of the statutes of the National Forestry Development Office (ONADEF) and resource taxation, environmentally sustainable development, and economically efficient use of the asset.
- **Transport tranche.** In line with the commitment under SAC III, this tranche would be released in March/June 2002, following the completion of several conditionalities (i.e., institutional and regulatory reforms, privatization of all commercial, industrial, and selected port services, and reduction in port clearance delays).

Other structural conditions

European Union: grant assistance conditionality covers some tax administration reforms and internal and external audits of existing public expenditure controls.

Other relevant structural conditions not included in the current program: None.

assistance would help rebuild basic infrastructure and address the urgent challenges in education and health, such assistance could in no way be a substitute for private capital and investment to lay the foundation for sustained and high growth in the medium to long term. They reassured the staff that the recent government reshuffle⁴ did not mean a departure from the economic policy strategy that had been implemented in recent years. Continuing a satisfactory implementation of the new PRGF-supported program, finalizing a fully participatory and good-quality PRSP, and reaching the completion point under the enhanced HIPC Initiative remained top national priorities.

A. Macroeconomic Prospects Under the First Annual Program and Financial Policies for 2001/02

Macroeconomic prospects

9. **Real GDP growth is estimated to remain close to the initial projections under the program.** It is estimated at 5.3 percent in 2000/01 (fiscal year ending June 30); although it is projected to improve somewhat in fiscal year 2001/02, it is likely to fall short of the initially programmed target (5.7 percent), owing mainly to lower-than-anticipated oil production (see Table below). The lower-than-programmed oil prices⁵ would result in a deterioration of Cameroon's terms of trade, with a potential negative impact on government oil revenue and national income (Tables 5 and 7). During the second half of the first annual program, the 12-month national consumer price inflation rate is expected to ease down to somewhat less than the program projection of 2 percent, benefiting from an improved supply of foodstuff.

⁴ A reshuffle in the Cameroonian government occurred on April 27, 2001. Mr. Meva'a Meboutou, who was previously Secretary General of the National Assembly, replaced the former Minister of State in charge of Economy and Finance, Mr. Akame Mfoumou. The Ministers delegated for the Stabilization Plan and Economic Reforms, and for the Budget, respectively, in the Ministry of Economy and Finance, retained their posts. Mr. Urbain Olanguena, Secretary General in the Ministry of Finance and President of the Technical Committee for the Monitoring of the Program, was appointed Minister of Health.

⁵ New average oil prices for Cameroon are now projected at US\$24.6 per barrel for 2000/01 and US\$21.5 per barrel for 2001/02 (based on the April 2001 World Economic Outlook (WEO) projections), compared with initial projections of US\$28.3 per barrel and US\$26.1 per barrel (based on the September 2000 WEO projections). At the same time, the discount for Cameroon's crude oil increased significantly in recent months, because of the coming on stream of large quantities of competing grades of petroleum from new fields in the Gulf of Guinea. Once these grades become recognized in the market, their discount is expected to drop and with it the discount for Cameroon's crude oil.

Cameroon: Selected Economic and Financial Indicators, 1999/2000–2003/04

	1999/2000	2000/01		2001/02		2002/03	2003/04
	Prel.	Prog.	Est.	Prog.	Proj.	Projections	
	(Annual percentage changes)						
GDP at constant prices	4.2	5.4	5.3	5.7	5.5	6.0	6.1
Consumer prices (average)	0.8	2.0	2.0	2.0	2.0	2.0	2.0
Broad money (end of period)	18.8	10.3	13.0	7.8	8.8	14.1	9.9
	(In percent of GDP)						
Overall fiscal balance							
Excluding grants	1.4	2.1	2.0	1.3	-0.7	-0.8	0.4
Including grants	1.4	2.5	2.4	1.8	-0.2	-0.3	1.0
Primary fiscal balance	7.2	7.6	7.4	6.6	4.2	3.6	4.4
External current account (including grants)	-1.7	-2.5	-2.7	-2.7	-3.2	-2.6	-2.2

Fiscal policy stance

10. **The outcome for fiscal year 2000/01 as a whole will be somewhat weaker than initially programmed,**⁶ with world oil prices turning out to be less favorable than initially anticipated, even if no further expenditure slippages were to occur during April-June 2001. With non-oil revenue expected to be consistent with the program projection, a shortfall in total revenue equivalent to 0.4 percent of GDP is likely to materialize (see Table below). With regard to expenditure, corrective measures are being taken to bring it back in line with the programmed level by end-June 2001. These measures include notably the discontinuation of new commitments on discretionary expenditure on goods and services. On this basis, total expenditure (excluding HIPC Initiative-adjusted spending)⁷ is now estimated at 18.4 percent of GDP for 2000/01, exceeding the corresponding budget ceiling by 0.3 percentage point of GDP. As a result of the above revenue shortfall and the expenditure overrun, the primary

⁶ The key budgetary objectives for 2000/01 were to achieve a primary surplus of 7.6 percent of GDP and an overall surplus of 2.1 percent of GDP, excluding grants, compared with 7.2 percent of GDP and 1.4 percent of GDP, respectively, in 1999/2000. At the time of the design of the program, favorable oil prices were expected to result in a substantial oil revenue windfall. However, given the still limited expenditure implementation capacity, the authorities had agreed with the staffs of the Fund and the World Bank that a large part of the windfall should be saved and deposited at the BEAC.

⁷ As a result of delays in setting up the required institutional framework, the HIPC Initiative-adjusted expenditure initially budgeted for fiscal year 2000/01 (0.6 percent of GDP) will start to be implemented only in 2001/02 (Table 9).

Central Government Operations: Original Program
and HIPC Initiative-Adjusted Program Spending, 2000/01 and 2001/02

(In percent of GDP)

	2000/01		2001/02	
	Prog.	HIPC-Adjust.	Proj.	Proj.
Total revenue	20.8	20.8	20.4	18.8
Total expenditure	18.7	18.1	18.4	19.5
Primary budget balance	7.6	8.1	7.4	4.2
Overall balance, commitment basis				
Excluding grants	2.1	2.7	2.0	-0.7
Including grants	2.5	3.1	2.4	-0.2

surplus for 2000/01 would reach 7.4 percent of GDP, compared with the adjusted program target of 8.1 percent of GDP, and the overall surplus would decline by 0.7 percentage point of GDP to 2 percent of GDP (Tables 6, 7, and 8).

11. **The authorities have stated their determination to adhere to a cautious fiscal stance during fiscal year 2001/02.** The key budgetary targets are to attain a primary surplus of 4.2 percent of projected GDP and an overall fiscal deficit, on a commitment basis and excluding grants, of 0.7 percent of GDP. With the average oil price for Cameroon projected at US\$21.5 per barrel in 2001/02,⁸ **oil revenue** would amount to 4.7 percent of GDP (Tables 7, 8, and 10). **Non-oil revenue** is projected to remain around 15.8 percent of non-oil GDP in 2001/02. This conservative projection reflects uncertainties associated with the implementation of new discretionary tax measures. These include (a) the adoption at Customs of the World Trade Organization (WTO) valuation system in July 2001, which will imply a greater reliance on ex post controls but may also entail a greater risk of fraud;⁹ (b) the elimination of the current export duty in the forestry area and the adjudication of export quotas of unprocessed logs; (c) the replacement of the existing tax (4 percent) at the entrance of export processing zones by an exit tax on timber (17.5 percent) to be implemented at the factory entrance (*entrée usine*); and (d) the introduction of new VAT exemptions (for computers and AIDS-related supplies), and the implementation of the exemptions on media and editing equipment that were introduced with the 2000/01 Budgetary Appropriations Act (in application of the Florence Convention).

12. **The authorities were of the view that the introduction of exemptions would help stimulate investment in new technologies.** While the staff agreed that exempting AIDS-related

⁸ The program contains a built-in contingency mechanism to adjust for oil price fluctuations (see Technical Memorandum of Understanding (Appendix I, Annex I)). An oil price change of US\$1 per barrel is estimated, ceteris paribus, to result in a 0.2-0.3 percentage point of GDP change in the external current account and in a 0.2 percentage point change in oil revenue.

⁹ The current system takes reference values (*mercuriales*) of comparable goods as the basis of taxation. From July 2001 onwards reference values will be replaced by the actual values of transactions, a change that would render it more difficult to counter underinvoicing.

supplies could be justified, it argued that the other exemptions would be difficult to control and might lack transparency. In response to these concerns and in order to limit the negative budgetary implications of the already introduced or contemplated exemptions, the government decided to restrict their scope and grant exemption for computers only for the remainder of the current three-year program. It also decided not to introduce any additional tax and customs exemptions.

13. The authorities stated their intention to strengthen further the taxation directorate through a reorganization and through improved computerized interfaces between the databases of the tax and customs directorates, in addition to the efforts to improve non-oil revenue that are under way (see paragraph 4 above). In the customs area, measures would be carried out to improve further the administration of customs and revenue collection, and to simplify international trade procedures, in line with recommendations made by the IMF, the World Bank and the European Union (as specified in paragraphs 11 and 12 of Appendix I). In particular, the control and monitoring of special status traffic (transit, bonded warehouses, and temporary admissions) will be strengthened, rigorous internal audits and inspections will be carried out, and a code of conduct (based on the Arusha principles) will be adopted and effectively implemented.

14. Total expenditure for 2001/02 is projected to increase to 19.5 percent of GDP, up from 18.4 percent of GDP estimated for 2000/01. The increase is driven not only by HIPC Initiative-related expenditure (1.4 percent of GDP; see paragraph 8 of Appendix I), but also by a higher wage bill; the latter will allow for selective new recruitments in the context of the medium-term sectoral strategies in health and education and for the implementation of new statutes for the various professions within the civil service. The authorities accepted the view that given the serious capacity constraint with respect to project design and domestic absorption, full implementation of HIPC Initiative-related spending of 1.9 percent of GDP in a single year might not be feasible. The situation will be reassessed at the time of the second and third reviews under the PRGF arrangement.

15. The authorities have given a new impetus to the strengthening of public expenditure management, with a view to preventing fiscal slippages. Specifically, they are taking steps to improve further (a) the monitoring of the expenditure performed by the local representation of the central government (*credits délégués*); (b) the production of monthly treasury balances and budget execution tables; and (c) the operational capacities of spending departments with respect to the programming, execution and monitoring of expenditures, in order to ensure closer consistency between the treasury balances and the central government financial operations table (*Tableau de bord*), as well as to improve the quality of expenditures.

16. The staff stressed that a bolder approach was needed by the government to effectively achieve its budgetary targets, further consolidate macroeconomic stability, and enhance the credibility of the government's fiscal policy. The authorities concurred that the early introduction of a fully integrated computerized fiscal and accounting information system was needed to manage central government revenue and expenditure from commitment to payment (*chaîne des dépenses*) and stated their determination to introduce such a system by the end of the current three-year PRGF arrangement. An action plan to achieve this objective will be formulated by end-September 2001, with technical assistance from the IMF, the World Bank,

and other partners. In the meantime, to help control the wage bill, the authorities have intensified their efforts to put the computerized interface between the government payroll file in the Ministry of Finance and the administrative files of the Ministry of Civil Service in place by end-September 2001—a performance criterion under the arrangement (see paragraph 14 and Table 2 of Appendix I). Moreover, with a view to containing transfers and subsidies within the target set for 2001/02, the authorities have reviewed the automatic petroleum retail price adjustment mechanism,¹⁰ and they have decided to gradually phase out the related oil price subsidy. The latter is to be cut by half during fiscal year 2001/02 and completely eliminated in fiscal year 2002/03 (see paragraph 22 of Appendix I). Closer cooperation between the treasury and budget departments would help to prevent slippages in discretionary spending on goods and services.

17. Domestic arrears will continue to be cleared in line with the multiyear settlement plan in place. To strengthen the securitization process, the authorities decided to step up the information efforts to ensure public acceptance of government securities. With regard to the modified procurement system, the related regulatory agency, which was established in February 2001, is to be operational by end-September 2001—a performance criterion under the arrangement (Table 2 of Appendix I).

18. An overall fiscal deficit (on a commitment basis but excluding grants) of CFAF 11 billion (0.2 percent of GDP) is targeted for the final quarter (July-September 2001) of the first annual program, consistent with the expected budgetary outturn for 2000/01 and the budget targets and policies for 2001/02. Fiscal revenue is projected at CFAF 285 billion and total expenditure at CFAF 296 billion, including HIPC Initiative-related spending of CFAF 29 billion.

Monetary prospects

19. The content of the second half of the first annual program aims at maintaining Cameroon's net foreign assets position at the BEAC at its end-March 2001 level,¹¹ in view of the less favorable oil price developments during the first half. Taking into account the fiscal targets for July–September 2001 (see paragraph 18 above), net bank credit to government is programmed to increase by CFAF 14 billion. Credit to the private sector is likely to be somewhat lower than earlier envisaged (14 percent) (Tables 11 and 12).

¹⁰The mechanism, which was introduced in July 2000 in the interest of maintaining social peace by limiting the pass-through effect of higher world oil prices, has been capped at the equivalent of a crude oil price of US\$25 a barrel, with an estimated budgetary cost of about CFAF 21 billion (0.3 percent of GDP) in 2000/01.

¹¹ The first annual program initially aimed at enabling Cameroon to increase its contribution to the net foreign assets position of the BEAC. To this end, net bank credit to the government was to be reduced by CFAF 156 billion; and with broad money growth expected to remain at about 10 percent, credit to the private sector was originally projected to rise by about 15 percent. As Cameroon is a member country of the regional central bank, the BEAC, monetary policy is conducted at the regional level.

B. Creating an Environment Conducive to Increased Private Sector Investment

20. **In addition to the prudent macroeconomic policies and the expenditure management measures discussed above, the authorities' poverty reduction strategy also includes a number of other policy actions aimed at stimulating private sector investment, enhancing the competitiveness and efficiency of the economy, and boosting production.** These include, in particular, (a) measures to improve governance; (b) steps to further strengthen the domestic financial system; (c) an accelerated implementation of some of the programmed reforms relating to privatization, the petroleum sector, and the trade and exchange system; and (d) a consolidation and deepening of structural reforms in forestry, transport, and agro-industries to enhance job creation.

Measures to improve governance

21. **The government is determined to speed up the implementation of the measures programmed to improve governance.** With a view to launching the technical audit of the judiciary system by end-September 2001, the authorities are about to finalize the terms of reference for the audit based on the recommendations of the World Bank and IMF staffs. Moreover, in response to the recent evidence of growing deficiencies¹² in the judicial system and their potentially adverse impact on private sector investment and the financial health of the banking sector, the authorities have already taken a number of corrective steps. These include, in particular, rendering the General Inspection Office of the judiciary system operational to enhance control over the judges' actions and promulgating the Cameroonian laws in line with the Uniform Acts of the Organization for the Harmonization of the Business Law in Africa (OHADA), as detailed in paragraph 17 of Appendix I.

Measures to strengthen the financial sector

22. **The authorities indicated that most banks were now in compliance with the prudential ratios stipulated by the regional banking commission (COBAC), and steps were being taken to improve the capital base of the few weak commercial banks. Measures had also been taken to resolve quickly the difficulties that some of the commercial banks are facing as a result of certain judicial court decisions taken against them** (see paragraph 21 above). The plan recently adopted for the rehabilitation of the financially troubled state-owned Postal Savings Bank was being implemented, with a view to completing the rehabilitation by March 2002. Moreover, intensified efforts were under way to establish sound microfinance institutions that could offer a broader array of financial services to small- and medium-sized enterprises (see paragraph 20 of Appendix I). The follow-up work on the Financial Sector Assessment Program (FSAP) of May 2000, including notably the ongoing work on reforming the payments system

¹² The banking sector complained about some judicial court decisions (including the "*saisie-attribution*", that is the execution of a judiciary order under which a person's money in possession or under control of another entity (e.g., a bank) is applied to the payment of debt owed to a third party)), the imposition of excessive penalties ("*astreintes*"), and limited recourse to appeal, which may adversely affect its activity and profitability.

undertaken with the assistance of the World Bank and the IMF, was also well under way. The authorities further indicated that the government was supporting efforts to adopt a commercial bank licensing system within the Central African Economic and Monetary Community (CEMAC), as well as a common investment charter.

Privatization program

23. **The authorities are determined to bring the privatization of the three main public utility companies (CAMTEL, SNEC, and SONEL) to an early closure** to ensure the provision of better services and to support increased investment, growth, and poverty reduction. Noting that delays could be explained by technical difficulties, the staff stressed that a firm political commitment to decisive actions was also needed to move the program ahead. The authorities stated that negotiations with the bidders were being intensified to quickly address the remaining issues in order to complete the privatization process within a reasonable time frame (see paragraphs 21, 28, and 29 of Appendix I). The staff has already received the notification of the presidential approval of the recommendations of the Interministerial Committee with respect to the privatization of CAMTEL and SONEL, which was a prior action under the program.

Other structural reforms

24. In the **petroleum sector**, the authorities confirmed that in addition to their decision to gradually phase out the oil subsidy (see paragraph 16 above), the shares held by the petroleum storage facility (SCDP) on behalf of the government would be sold to the private sector by end-December 2001. They also indicated that the recommendations contained in the action plan to redefine the role of the national oil company (SNH) would be implemented.¹³ The precise timetable would be worked out by the time of the discussions for the second review (to be held in late October/early November 2001).

25. **The authorities consider that the forestry, transport, and agro-industrial sectors are critical for improving competitiveness and creating job opportunities.** In the forestry sector, in addition to the measures to mobilize forestry receipts (see paragraph 11 above), the other reforms, including the restructuring of the National Forestry Development Office (ONADEF), will continue to be implemented. The authorities have agreed with the World Bank to implement the action plan for restructuring the Port of Douala, which is supported by the World Bank's third structural adjustment credit; the plan includes measures to reduce delays at the port to seven days for imports and two days for exports, consistent with the reform of the customs administration. They have also agreed to press ahead with the implementation of the rehabilitation project for the newly created railroad company (CAMRAIL) (financed in part by IDA) and the privatization of the financially troubled airline (CAMAIR). In the agro-industrial

¹³ These include measures aimed at: (a) reviving investment in hydrocarbon exploration and production through the provisions of a new petroleum code and a new gas code; (b) liberalizing the import and distribution of refined petroleum products; and (c) redefining the roles of the private and public sectors in the oil industry.

sector, the authorities have reiterated their determination to move forward the privatization of the remaining agro-industrial enterprises (paragraph 23 of Appendix I).

C. Balance of Payments Outlook and External Sector Policies

26. **To help maintain a sustainable external position, the authorities are determined to continue implementing prudent policies and efficiency-enhancing reforms as discussed above, while benefiting from debt relief.** With the implementation of the envisaged policies, the volume of non-oil exports is expected to continue to increase at an average annual rate of some 7 percent over the medium term, in the context of a further diversification of the export base and assumed increased demand from neighboring countries. The volume of imports would grow by 9 percent on average over the period 2000/01–2001/02, as a result of the construction of the Chad-Cameroon pipeline, some increase in private consumption, and the utilization of resources freed under the HIPC Initiative; thereafter, the import growth rate would drop to about 5-8 percent. The capital account deficit is projected to decline during the program period, assuming larger inflows of private capital in the context of the privatization program and increased foreign direct investment (including that associated with the Chad–Cameroon pipeline), as well as the increased mobilization of official project loans. Taking into account both traditional and HIPC Initiative–debt relief, the remaining financing gap in 2001/02 (8.9 percent of GDP) is expected to be covered through the envisaged London Club operation (Table 13).

27. **The authorities are pursuing their efforts to reduce significantly the country's external debt and debt–service burden** (Tables 14 and 15). In October 2000, Cameroon reached the decision point under the enhanced HIPC Initiative. On January 24, 2001, Paris Club creditors agreed with Cameroon on a flow rescheduling on Cologne terms (90 percent NPV reduction of eligible debt). The interim relief would lead to the immediate reduction in Cameroon's debt service by Paris Club creditors of about US\$1 billion of Cameroon's external debt. As a result, debt service due to Paris Club creditors between January 1, 2001 and December 31, 2003 would be reduced from US\$1.25 billion to US\$0.25 billion. The debt relief from Paris Club creditors is estimated at about US\$0.38 billion at end-June 2001 and projected at US\$0.34 billion at end-June 2002. Following the Paris Club agreement of January 24, 2001, the government has contacted the Paris Club creditors in order to accelerate the conclusion of bilateral agreements. The official launching of the London Club operation took place in Paris on May 23, 2001, when the authorities presented a settlement offer to buy back all external commercial bank debt and uninsured supplier and trade credits. The authorities expect to receive an answer from the creditors about their offer by early July 2001 at the earliest. If the creditors do not accept the offer and make a counter proposition, further negotiation will be needed to reach a final agreement on the settlement price. The authorities intend to complete the operation by March 2002. However, this target implies that the agreement be reached quickly and that the authorities secure funding for the up-front cost on time. The government indicated that it would ensure that the terms under all agreements with non-Paris Club creditors (including London Club) were at least as favorable as those obtained recently from the Paris Club under the enhanced HIPC Initiative.

28. **Cameroon has had a good record of servicing its debt to the Fund since 1993** and, as suggested by the projected low levels of debt-service payments to the Fund relative to exports

and government revenues, is expected to continue to meet its future financial obligations to the Fund in a timely manner (Tables 16 and 17).

29. **Cameroon has maintained most of the competitiveness gains** that resulted from the January 1994 devaluation of the CFA franc by maintaining inflation under control and improving productivity through the implementation of efficiency-enhancing structural reforms. It has also benefited from the appreciation of the U.S. dollar vis-à-vis the CFAF in the last two years or so¹⁴ (Figure 1). Nevertheless, its potential output growth could be enhanced if regional integration in the CEMAC were to move faster. To this end, the authorities intend to take a leading role, notably in promoting further reductions in the common external tariff (CET) to a maximum rate of 20 percent and the number of bands from five to four,¹⁵ and in agreeing with the other member countries of the CEMAC on a reasonable timetable to implement these measures. Recent developments in the CEMAC zone and regional issues are discussed in SM/01/111, April 2001.

D. Poverty Reduction and Social Policies

30. **The main focus of the government's social policies is to ensure that strengthened economic performance translates into tangible results in terms of poverty reduction, job creation, and a genuine improvement in the economic welfare of the population as a whole.** To this end, the authorities will strengthen further the technical and administrative capacities of sectoral ministries in order to finalize the sectoral strategies in the priority sectors in a timely manner. They have already launched a household consumption survey, which they plan to complete by November 2001. The results of this survey—together with the sectoral strategies for education and health, and the accompanying costing and empirical findings—will provide basic inputs for the preparation of a full PRSP. At the same time, the authorities have also taken steps to enhance the participatory process, including by holding various regional and national seminars and by setting up a national network for the follow-up of the poverty reduction strategy. **The fully participatory PRSP is now expected to be finalized by end-January/early February 2002** (Appendix IV).

31. **A ring-fencing mechanism has been worked out for the use of resources freed by the enhanced HIPC Initiative.**¹⁶ A special account opened at the Central Bank currently has a

¹⁴ The consumer price index-based real effective exchange rate depreciated by 13.8 percent between March 1999 and March 2001.

¹⁵ The CET applicable to imports from nonmembers of the CEMAC ranges from 5 percent to 30 percent; imports from CEMAC member countries have been exempted since early 1998. The average effective import duty rate in 1999/2000 was 10 percent. Based on available data, Cameroon presently has an open trade regime, rating a 3 on the overall 10-point trade restrictiveness index.

¹⁶ To ensure an efficient use of resources freed by the enhanced HIPC Initiative and their adequate monitoring, the mechanism put in place has maintained the main features that were described in Box 2 and Appendix I of EBS/00/255.

balance of some CFAF12 billion; this sum corresponds to the budgetary savings resulting from interim assistance provided by the Fund and the World Bank. The African Development Bank's contribution is expected to be received by end-June/early July, and those from the Paris Club creditors will start once the bilateral agreements have been signed. **The national consultative committee for the follow-up of the implementation of the HIPC Initiative held its first meeting on June 21, 2001**, in order to agree on expenditure projects that can be financed through available HIPC Initiative resources, thereby satisfying a prior action for staff support for the completion of the first review under the arrangement. The government is determined to launch the first series of projects by July 2001, including, in particular, specific and well-targeted projects in the education and health sectors (including projects to fight HIV/AIDS).

Box 2. Paris Club Debt Rescheduling

On January 24, 2001, Paris Club creditors agreed with Cameroon on a flow rescheduling on Cologne terms (90 percent NPV reduction of eligible debt).

Participants

Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland, United Kingdom, and United States.

Coverage

The agreement covers pre-cutoff-date principal and interest arrears from September to December 2000 (US\$ 167 million) and all pre-cutoff-date debt service maturities falling due from January 1, 2001 to December 31, 2003 (US\$1.13 billion).

Terms

- Pre-cutoff date: December 31, 1988.
- Arrears incurred before the enhanced HIPC Initiative decision point, September 1 to October 9, 2000: Naples flow treatment with 67 percent NPV reduction.
- Arrears incurred during the period October 10 to December 31, 2000: Cologne flow treatment with 90 percent NPV reduction.
- Maturities falling due during the consolidation period: To receive Cologne terms flow treatment.
- Late interest on arrears incurred during the period October to December 2000: Payable in April 2001.
- Deadline for bilateral agreements: September 30, 2001.
- Tranches and Conditions:

From January 01, 2001 up to December 31, 2001: Implemented at the signature of the agreement, which will continue to apply provided that the Government of the Republic of Cameroon continues to have an appropriate arrangement with the IMF.

From January 01, 2002 up to December 31, 2002: Second annual program under the PRGF-supported arrangement approved before December 31, 2001, and Cameroon has made on due dates the payments referred to in the Agreed Minutes of January 24, 2001.

From January 01, 2003 up to December 31, 2003: Third annual program under the PRGF-supported arrangement approved before December 31, 2002, and Cameroon has made on due dates the payments referred to in the Agreed Minutes of January 24, 2001.

- De minimis clause: SDR 500,000.
- Swap clause: 20 percent of non-ODA debt stock or SDR 20 million, whichever is lower.
- Goodwill clause: Possibility to have a stock of debt operation if Cameroon reaches the HIPC Initiative completion point before the end of the current rescheduling agreement.
- Comparability of treatment: The Government of the Republic of Cameroon commits itself to accord all categories of creditors, and in particular creditor countries not participating in the Paris Club Agreed Minutes of January 24, 2001, commercial banks and suppliers, a treatment not more favorable than that accorded to the Paris Club creditors.

E. Technical Assistance and Statistical Issues

32. **Cameroon is receiving technical assistance on tax and customs administration and public expenditure management.** The World Bank and the Fund are providing technical assistance to the BEAC on the payments system, which is being financed by the World Bank. Cameroon is also receiving financial assistance from the European Union to help the authorities conduct a review of internal and external audit procedures in the existing expenditure control system.

33. **The authorities remain committed to improve transparency and accountability in government and public sector operations, which constitute a major element in the current economic and financial development program targeting growth and poverty reduction.** During recent years, the authorities have made some progress in improving their statistical database, particularly on national accounts, including consumption data, balance of payments, and fiscal operations. Work has also been initiated on the collection of socio-demographic indicators, and a comprehensive household consumption survey has been launched. However, weaknesses in data quality and timeliness in most areas of statistics, including the lack of comprehensive data for monitoring budget execution, remain. These hamper policy making. In addition, dissemination to the public of core statistics in several areas, notably the fiscal accounts and balance of payments, needs to be enhanced.¹⁷ The authorities are aware of these weaknesses and have adopted the General Data Dissemination System (GDDS) as a framework for statistical development. Under this framework, the authorities have formulated and initiated short and medium term projects to improve data quality and timeliness.

F. Requests for a Waiver and Modification of a Performance Criterion and Program Monitoring

34. **The government has requested a waiver for the nonobservance of the end-March 2001 performance criterion on net bank credit to the central government.** This performance criterion was missed because of delays in the completion of the privatization of the telecommunications company (CAMTEL) and a shortfall in oil revenue. Steps are being taken by the authorities to bring the privatization of CAMTEL, as well as of the other two public enterprises (SONEL and SNEC), to an early closure (see paragraph 23 above and paras. 21 and 28 of Appendix I).

35. **To protect the PRGF-arrangement from uncertainties related to the implementation of the privatization program, the government is also requesting that all privatization receipts be excluded from the definition of the ceiling on net bank credit to the government,** as indicated in the attached updated technical memorandum of understanding (TMU). The authorities stated that if privatization receipts were to materialize, they would be fully deposited in the treasury's account opened at the BEAC and that subsequently the government would reach understandings with the staff on the specific uses of these resources.

¹⁷ A report on the Observance of Standards and Codes (ROSC) – Data Module was issued on June 13, 2001 (SM/01/168).

36. **To monitor policy implementation under the program, a number of quantitative benchmarks for end-June 2001 and of quantitative performance criteria and benchmarks for end-September 2001 have been specified in Appendix I, Table 1.** The program will continue to contain a built-in contingency mechanism for the adjustment of the quantitative benchmarks and performance criteria to take into account deviations from the program's assumptions relating to oil prices, external program assistance, and debt relief for the second half of the first annual program (see Technical Memorandum of Understanding (Appendix I, Annex I)).

37. **In addition, a number of reform measures will serve as structural performance criteria and benchmarks, as detailed in Appendix I, Table 2.** The staff reached understandings with the authorities that the second review of the first annual program will focus on non-oil revenue performance, customs reform, public expenditure management, progress in governance, privatization, and the liberalization of the petroleum sector, detailed strategies in the education and health sectors, and progress in the preparation of the full PRSP.

IV. STAFF APPRAISAL

38. **Overall, Cameroon's program implementation during the first half of the first annual program (October 1, 2000-September 30, 2001) under the three-year PRGF arrangement remained satisfactory.** This outcome reflects continued adherence to a prudent fiscal stance, progress in governance, and pursuit of the structural reform process, albeit at a somewhat slower pace than programmed in public expenditure management and privatization.

39. **Macroeconomic developments in 2000 and early 2001 were generally good, and the prospects for the remainder of 2001 and beyond appear favorable.** Non-oil activity has remained buoyant. Contributing factors include the induced effects of the Chad-Cameroon pipeline construction and rising private investment in non-oil activities as fostered by improved policy credibility. Overall, low inflation has been maintained, with the pressures resulting from a drought in northern Cameroon earlier in 2001 subsidizing. The net foreign assets position has been strengthened substantially, and is expected to remain relatively strong, barring a sudden sharp fall in world oil and primary commodity prices.

40. **However, these achievements, while commendable, are still very fragile, as evidenced by the recent weakening of the terms of trade and in view of the long-term prospect for declining oil output.** Thus, for the favorable macroeconomic prospects to materialize, it is crucial for Cameroon to consolidate the gains in fiscal performance and the progress in structural reforms achieved so far, particularly in oil and non-oil revenue and the financial system; strengthen public expenditure management, where weaknesses contributed to some expenditure slippage in early 2001; intensify efforts to improve governance, notably in the judiciary system; and refocus the broad-based structural reform program.

41. **It is encouraging that these priority policy and reform goals are fully endorsed by the Cameroonian authorities at the highest level and are guiding the actions of the new government.** However, policy implementation will need to be sustained with increased vigilance, particularly in public expenditure management; in addition, endorsement by the civil society at large will also be critical for successful policy implementation. The ongoing

participatory process, which is underpinning the preparation of the full PRSP, may facilitate such an endorsement prior to the next round of municipal and national elections beginning in early 2002.

42. **In the fiscal area, the authorities' determination to correct for the expenditure slippages that occurred by end-March 2001 is welcome and should help achieve the expenditure target programmed for end-June 2001.** The staff also endorses the cautious approach adopted by the authorities in setting up the revenue and expenditure targets for the next fiscal year 2001/02, which are broadly consistent with the medium-term program targets. The staff had hoped, however, that a stronger effort would have been made to enhance further non-oil revenue mobilization. Granting tax exemptions to promote non-oil activities and private investment is a potentially costly strategy. The authorities' stated intention to reduce their scope and make them time bound in the context of the 2001/02 Budget Appropriations Act is reassuring.

43. **Fiscal expenditure is budgeted to rise substantially in 2001/02, as projects financed by savings resulting from enhanced HIPC Initiative assistance start to be implemented.** While the initial hesitation to postpone the implementation of the expenditure financed by savings resulting from HIPC Initiative assistance is understandable, absorptive and project design capacity constraints also need to be carefully taken into account in implementing in a single year the HIPC Initiative-related expenditures initially scheduled for the two fiscal years of 2000/01 and of 2001/02. The quality of HIPC Initiative-financed expenditures, like that of all own-funded expenditures, also matters. Accordingly, the authorities have decided to launch only those projects that have been endorsed by the consultative committee for the follow-up of the implementation of the HIPC Initiative that became operational in June.

44. **The authorities' focus on strengthening public expenditure management is appropriate and critical for achieving fiscal sustainability and thereby preserving macroeconomic stability over the medium term.** This is an area where substantial progress in enhancing efficiency and transparency is still called for, and where complacency could be costly. To this end, it is crucial that a realistic action plan be formulated by end-September 2001, with the aim of introducing an integrated computerized fiscal and accounting information system to manage central government revenue and expenditure before the end of the current PRGF-supported program in September 2003. In the meantime, attainment of the fiscal expenditure targets for fiscal year 2001/02 will hinge critically on the authorities' capacity to control the wage bill through the introduction of a computerized interface to keep the payroll roster updated on a real-time basis; their capacity to adhere strictly to their plan to phase out the petroleum subsidy by the end of fiscal year 2002/03; and closer cooperation between the treasury and budget departments to prevent slippages in discretionary spending on goods and services.

45. **The Cameroonian authorities have already started to tackle the weaknesses in governance. They will launch, by end-September 2001, a technical audit of the judiciary system,** which should lead to significant improvements in governance and help combat corruption. Meanwhile, however, serious deficiencies in the functioning of the judiciary system need to be addressed immediately, to help foster investor confidence and prevent a possible deterioration of the financial health of the banking system. The staff is encouraged by the prompt response of all the authorities concerned in addressing these recent challenges. Close adherence

to the rule of law and its effective implementation are clearly prerequisites to strengthening further the credibility of Cameroon and the prospects for sustained private sector investment.

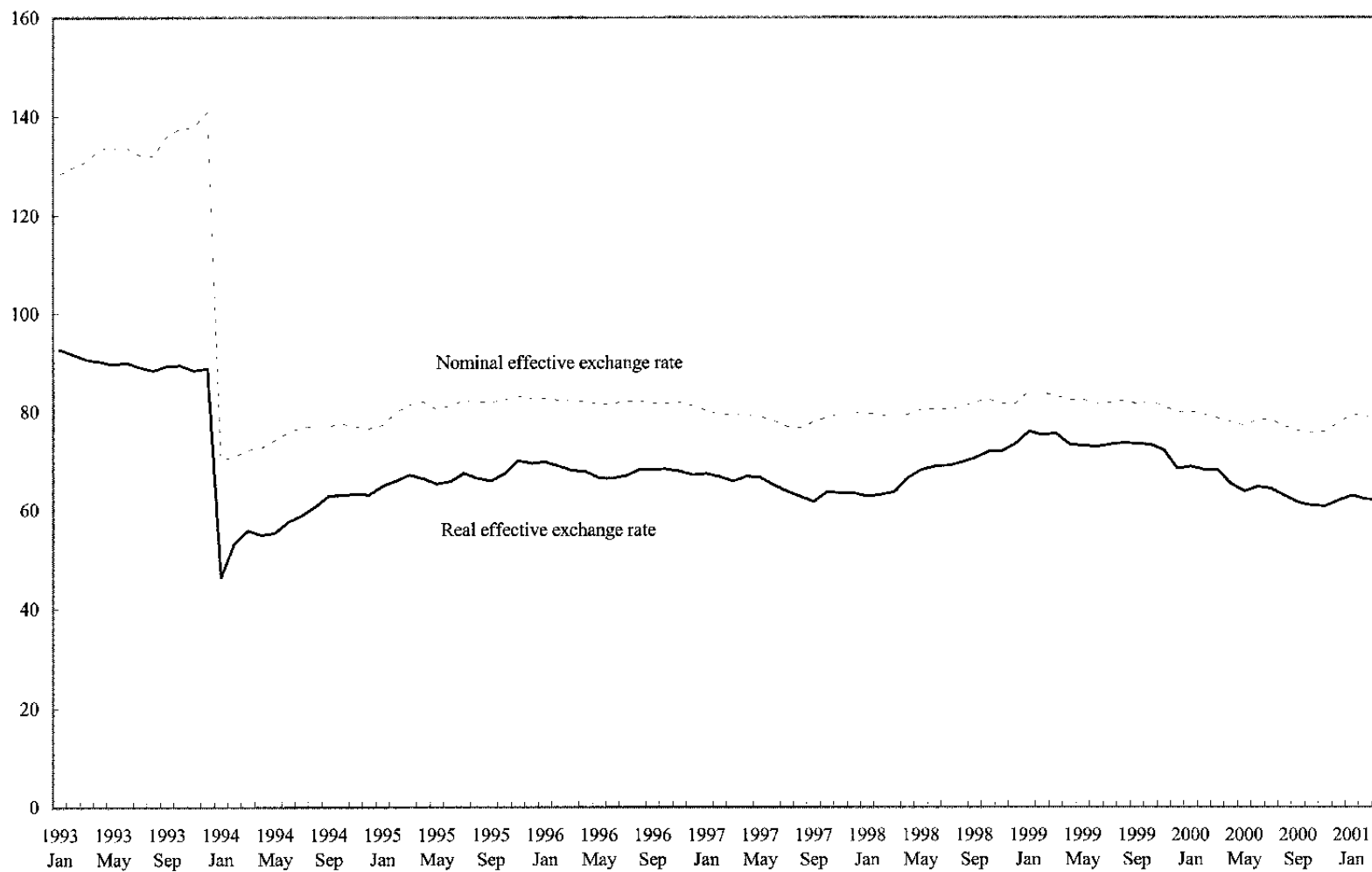
46. **While the structural reform agenda set forth in the PRGF-supported program remains in place, the authorities have decided to refocus their priorities** on (a) bringing the privatization of the three public utility companies to an early closure; (b) consolidating further the domestic financial system and providing a basis for the sound development of microfinance to help small and medium-sized enterprises; and (c) reforming the petroleum sector. While the World Bank has taken the lead in all these key structural areas, the staff has been closely consulted on the specific policies adopted by the authorities. The actions envisaged in these areas, if effectively implemented on a timely basis, will also help to lay the foundations for increased private investment in the non-oil sectors. These prospects would also be enhanced if the reform actions currently envisaged in the forestry, transport, and agro-industrial sectors are also implemented on schedule.

47. **Progress has continued in the provision of data for surveillance and program implementation and monitoring.** However, it is of concern that comprehensive data needed for monitoring budget execution cannot yet be generated on a timely basis. It is hoped that better coordination among the agencies concerned will help to improve the provision of such data. It is also hoped that the persistent deficiencies in the quality of national accounts, including consumption data, and balance of payments statistics will be corrected in the near future. In this regard, the staff welcomes the ongoing conduct of the household consumption survey as part of the preparation of the full PRSP, as well as the authorities' stated intention to continue to improve data quality, coverage, and timeliness in the context of the General Data Dissemination System (GDDS).

48. In light of Cameroon's overall good performance since the inception of the ongoing PRGF-supported program, the policy and reform stance that it adopted for the remainder of the program, its progress in bringing the privatization of the three public utility companies to closure in the near future, and its prompt response to the challenges arising from increasingly severe deficiencies in the functioning of the judiciary system, **the staff recommends that the Executive Board grant a waiver for the nonobservance of the end-March 2001 performance criterion on net bank credit to the central government, modify this performance criterion for the remainder of the first year of the arrangement, and complete the first review under the PRGF arrangement.**

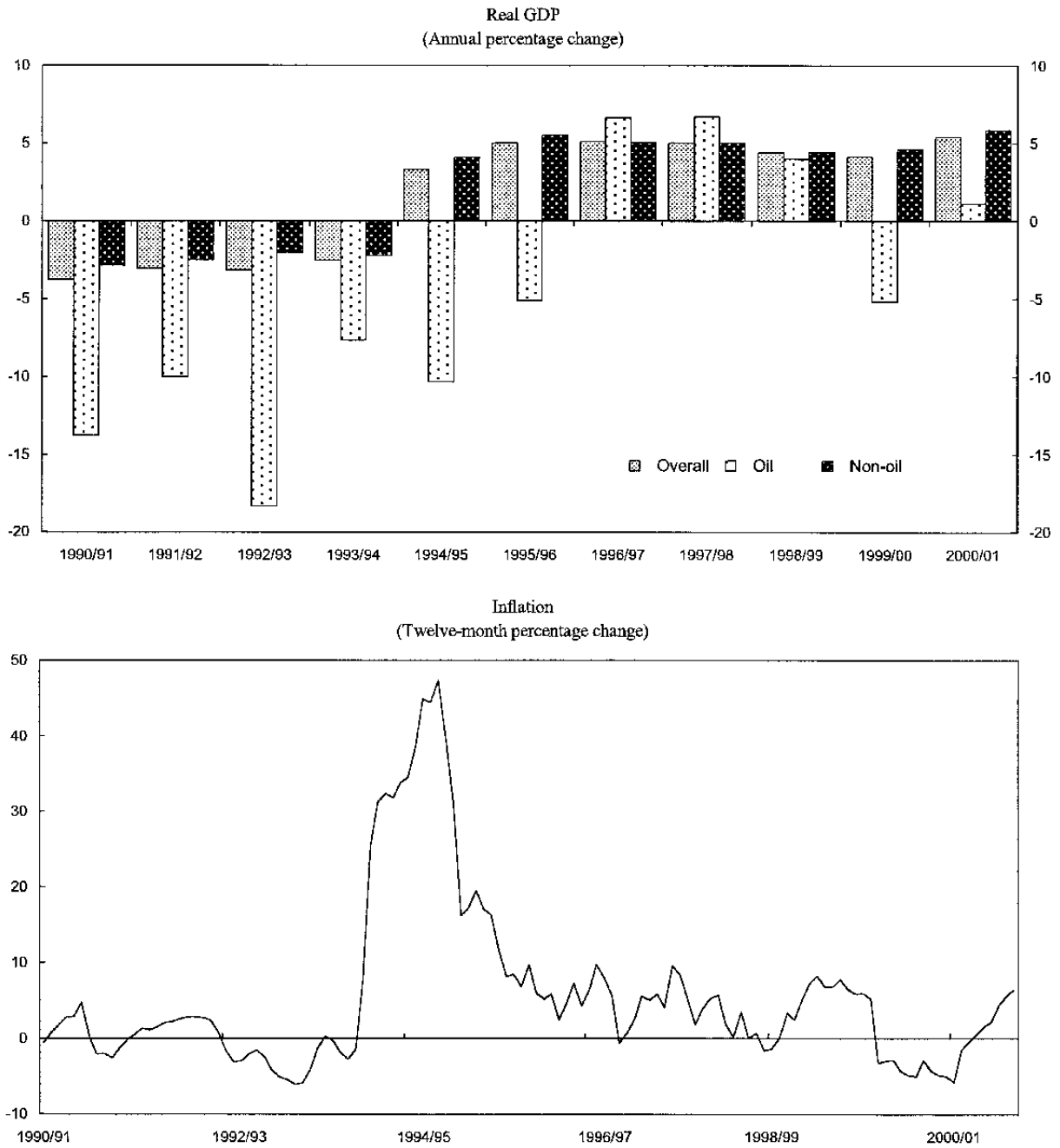
49. It is proposed that the next Article IV consultation with Cameroon take place on the standard 12-month cycle

Figure 1. Cameroon: Real and Nominal Effective Exchange Rates, January 1993-March 2001
(Index, 1990=100)



Source: IMF, Information Notice System (INS).

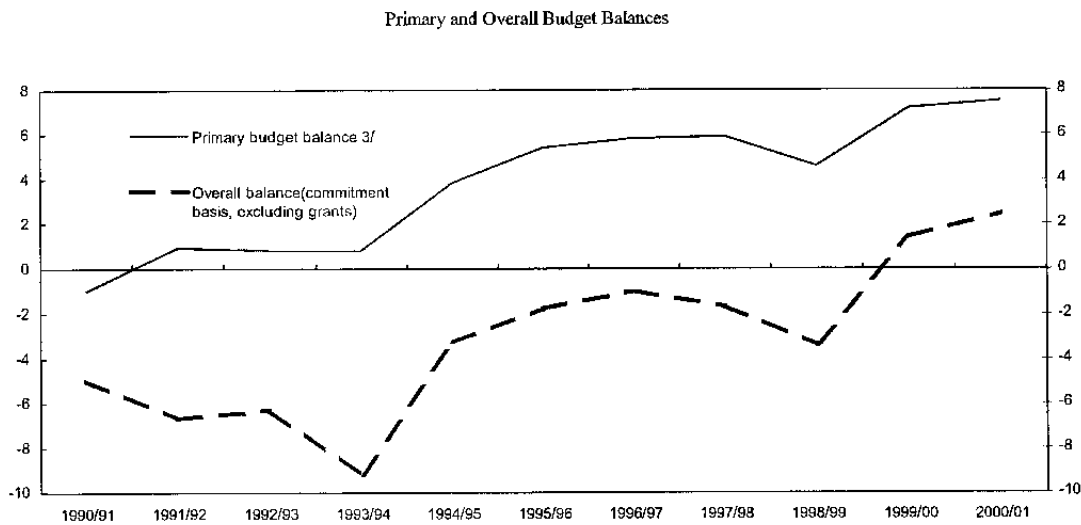
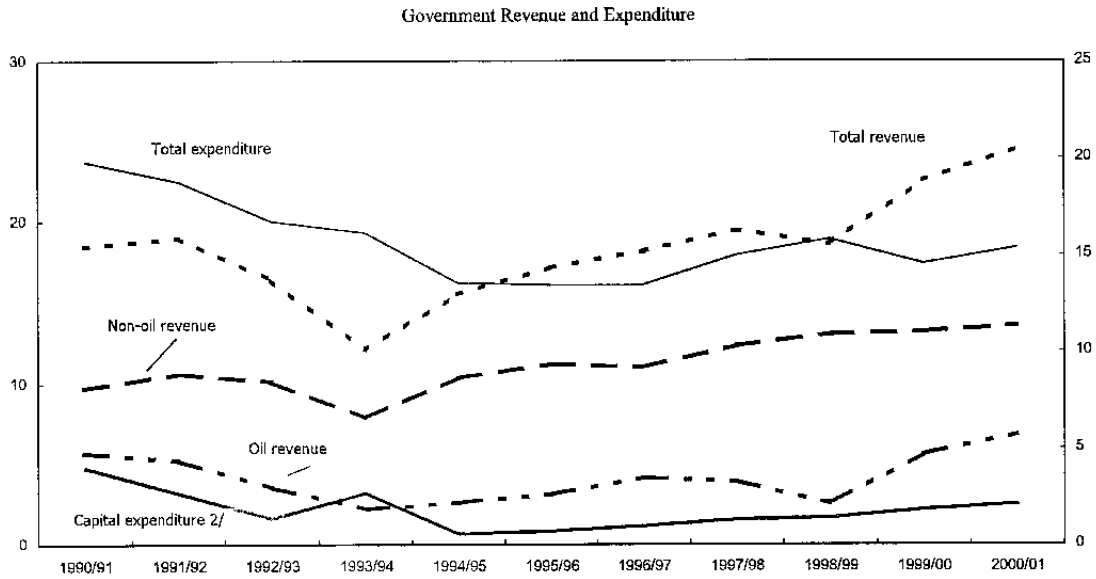
Figure 2. Cameroon: Developments in Output and Prices, 1990/91-2000/01 1/



Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

Figure 3. Cameroon: Fiscal Developments, 1990/91-2000/01 1/
(In percent of GDP)



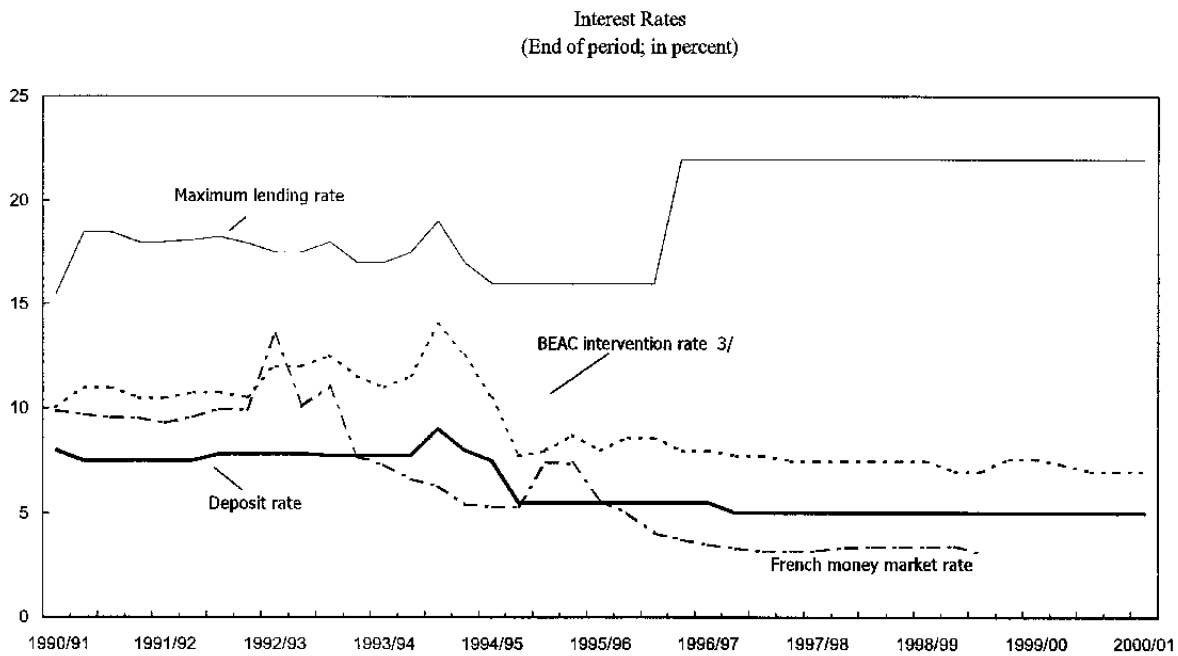
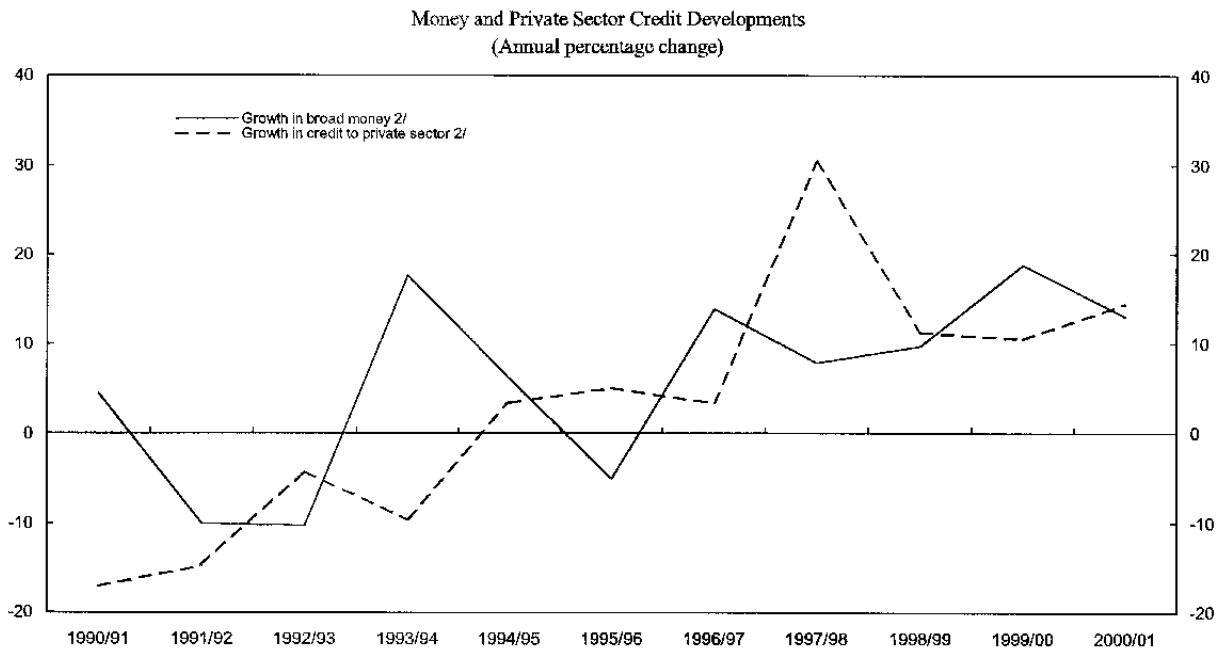
Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

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

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

Figure 4. Cameroon: Monetary Developments, 1990/91-2000/01 1/



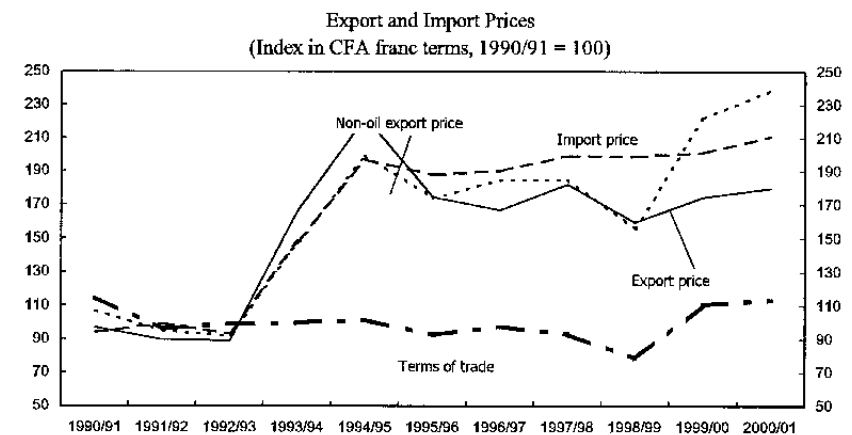
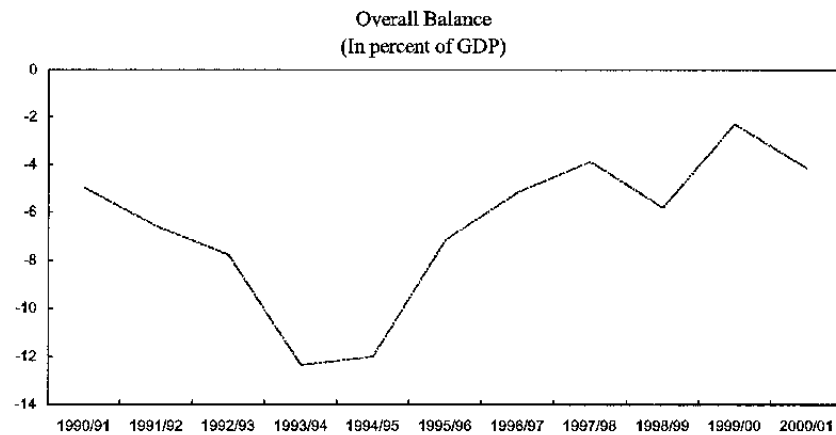
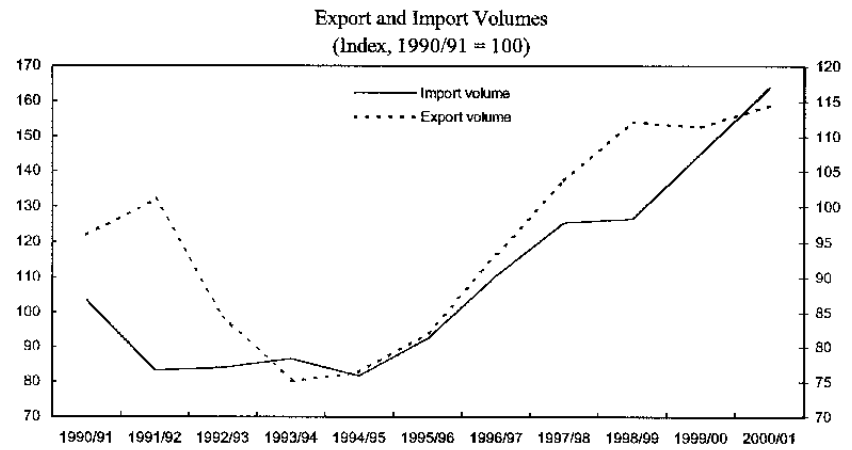
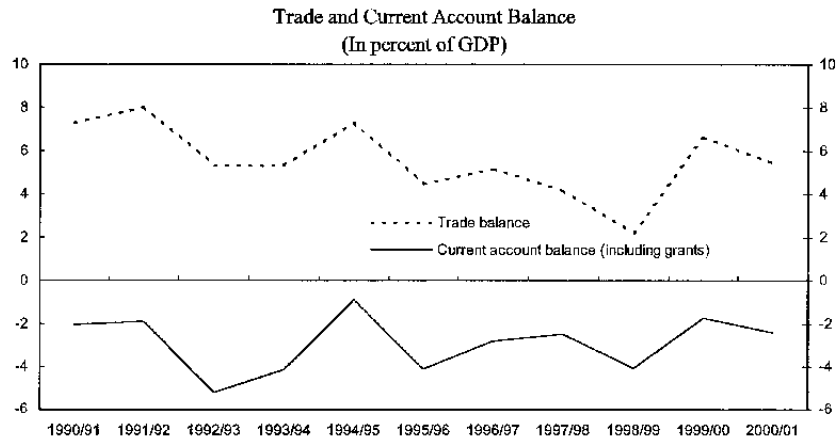
Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

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

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

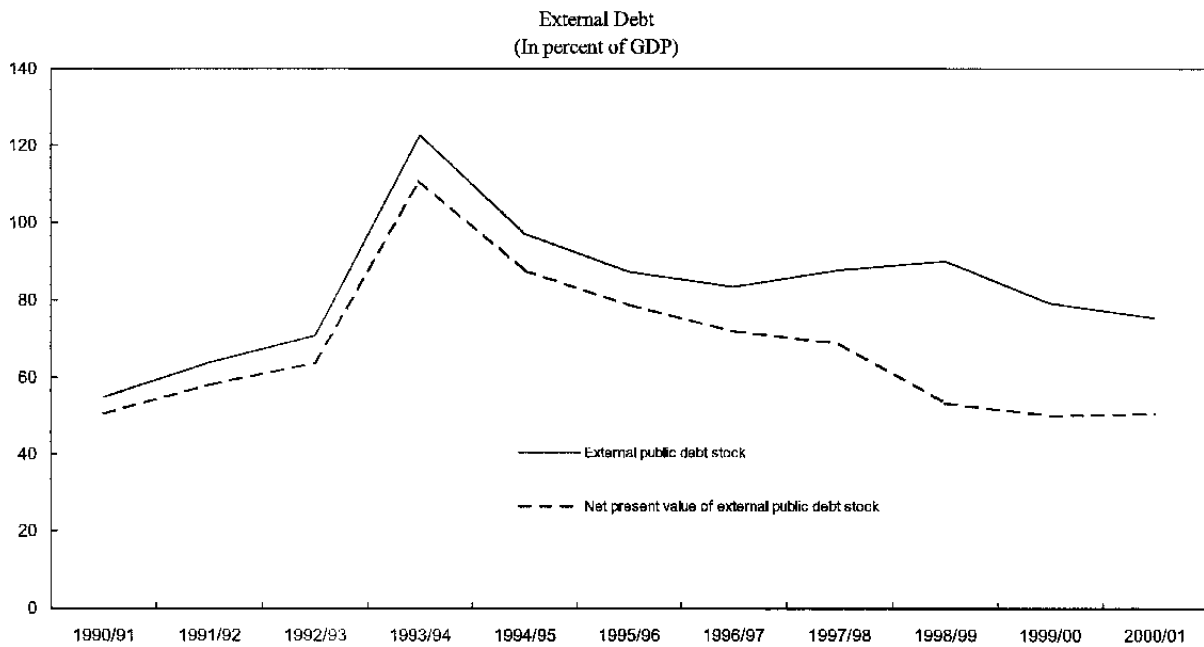
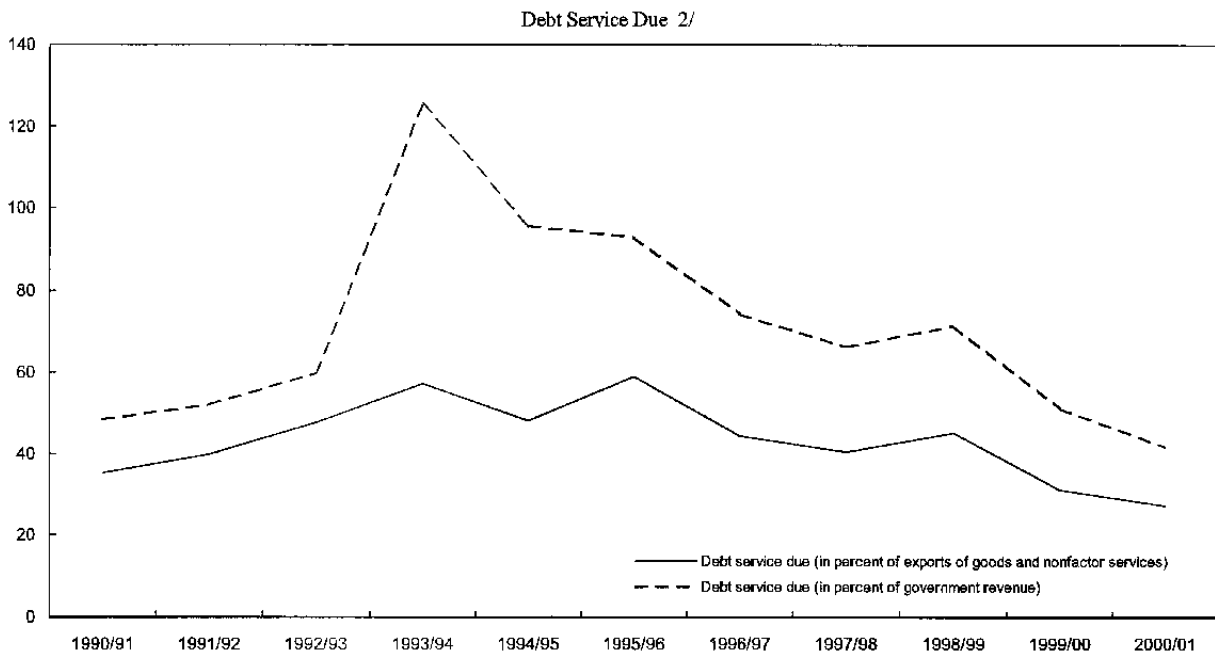
Figure 5. Cameroon: External Sector Developments, 1990/91-2000/01 1/



Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

Figure 6. Cameroon: External Public Debt and Debt Service, 1990/91-2000/01 1/

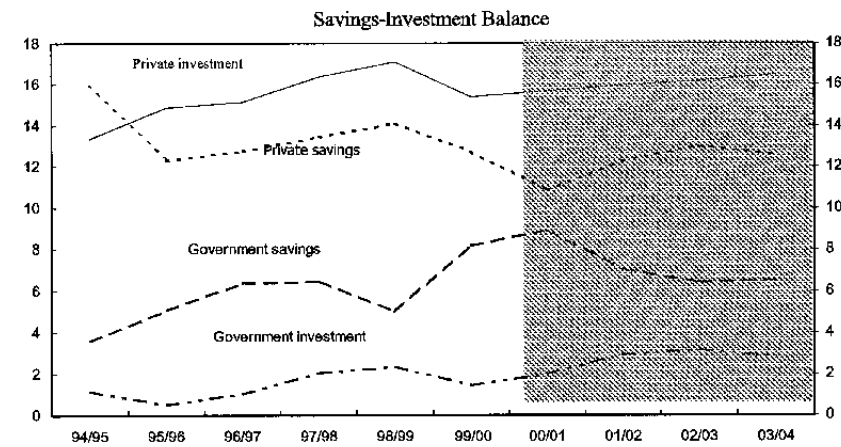
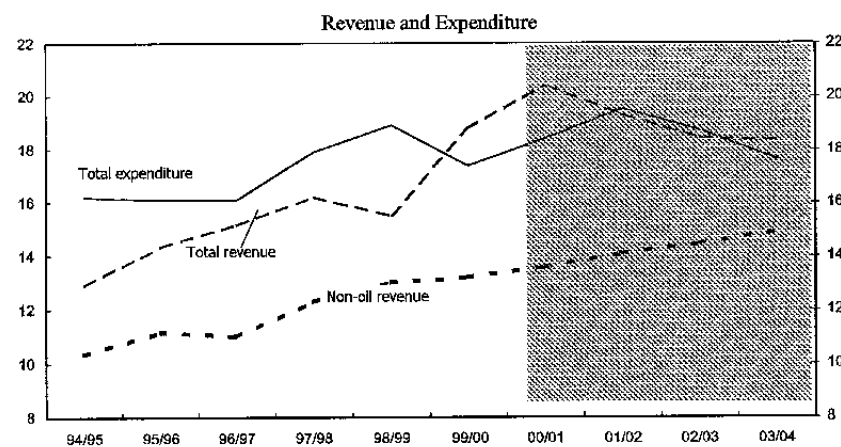
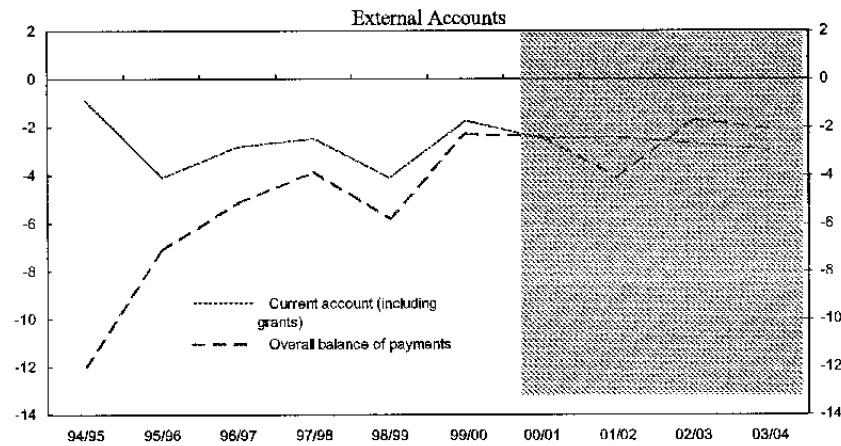
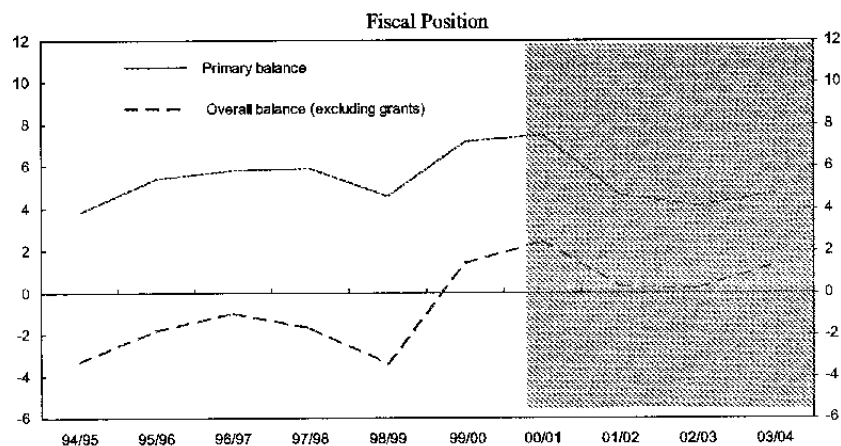


Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

2/ After debt rescheduling.

Figure 7. Cameroon: Adjustment Profile, 1994/95-2003/04 1/
(In percent of GDP)



Sources: Cameroonian authorities; and staff estimates and projections.

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

Table 1. Cameroon: Fund Position, 2000/01-2003/04 1/

	Outstanding on September 30, 2000	2000/01				Projections		
		Oct.-Dec.	Jan.-March	April-June	Year	2001/02	2002/03	2003/04
		(In millions of SDRs)						
Transactions during the period (net)		31.46	-2.46	15.92	44.92	31.83	29.13	2.41
Tranche policies and special facilities (net)		-2.46	-2.46	0.00	-4.93	0.00	0.00	0.00
Purchases		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repurchases		2.46	2.46	0.00	4.93	0.00	0.00	0.00
Poverty Reduction and Growth Facility (net)		33.93	0.00	15.92	49.84	31.83	29.13	2.41
Disbursements		33.93	0.00	15.92	49.84	31.83	31.83	15.92
Repayments		0.00	0.00	0.00	0.00	0.00	2.70	13.51
Total Fund credit outstanding (end of period)	149.03	180.49	178.03	193.95	193.95	225.78	254.92	257.32
Tranche policies and special facilities	4.93	2.47	0.00	0.00	0.00	0.00	0.00	0.00
Poverty Reduction and Growth Facility	144.10	178.03	178.03	193.94	193.94	225.78	254.91	257.32
		(In percent of quota)						
Total Fund credit outstanding (end of period)	80.3	97.2	95.9	104.4	104.4	121.6	137.3	138.6
Tranche policies and special facilities	2.7	1.3	0.0	0.0	0.0	0.0	0.0	0.0
Poverty Reduction and Growth Facility	77.6	95.9	95.9	104.4	104.4	121.6	137.3	138.6

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

1/ Fiscal year begins in July.

Table 2. Cameroon: Quantitative Performance Criteria and Benchmarks During the First Annual Program Under the Poverty Reduction and Growth Facility, October 1, 2000-September 30, 2001

(In billions of CFA francs; cumulative from July 1, 2000, unless otherwise indicated)

	December 31, 2000							
	Program	Oil revenue	Adjustments ¹ Program financing and external debt relief	Privatization proceeds	Adjusted program target	Cumulative estimated outcome	Excess or shortfall over adjusted target	Met (M) or not met (N)
Ceiling on the increase in net claims of the banking system on the central government ^{2,3,5,7}	-16	6	-9	0	-13	-22	-9	M
Floor on the primary budget balance ^{2,6,7}	220	6	...	...	226	235	10	M
Floor on the non-accumulation of external payments arrears of the central government ^{2,8}	0	...	...	...	0	0	0	M
Ceiling on new medium- and long-term nonconcessional external debt contracted or guaranteed by the central government of one year or more ^{2,9}	0	...	...	...	0	0	0	M
Ceiling on the net disbursement of external debt contracted or guaranteed by the central government with a maturity of less than one year ^{2,9,10}	0	...	...	...	0	0	0	M
Floor on total revenue of the central government ^{4,11,12}	638	11	...	...	649	652	3	M
Of which: non-oil revenue ^{11,12}	406	...	...	...	406	411	5	M
Floor on reduction of domestic arrears	-80	...	...	...	-80	-96	-16	M
Of which: cash payments	-37	...	...	...	-37	-34	3	N
Memorandum items:								
Assumed external debt relief ¹³	116	...	...	...	116	107	...	...
External program financing ¹⁴	54	...	...	...	54	46	...	...
Privatization proceeds	0	...	...	...	0	0	...	...
Stock of net credit to the central government	355	...	...	...	355	349	...	...

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

1 Cumulative since end-June 2000.

2 These targets constitute performance criteria for end-March 2001.

3 This target will be adjusted (a) upward for a shortfall in program financing, privatization proceeds, and external debt relief up to an amount equivalent to 50 percent of the shortfall (for a total cumulative shortfall of CFAF 35 billion); (b) downward by the full amount of any excess of the programmed levels in program financing, external debt relief, and privatization proceeds; and (c) downward by the full amount of any shortfall in the reduction of domestic arrears, on a net basis, in comparison with the program. See technical memorandum of understandings (TMU) in Annex II.

4 This target will be adjusted for the full amount of higher/lower-than-programmed oil revenue. See TMU.

5 The flows have been constructed on the basis of estimated end-June 2000 data.

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

7 The targets will be adjusted upward/downward for 50 percent of the windfall/shortfall in oil revenue. For a windfall/shortfall beyond a threshold of CFAF 35 billion, the authorities will consult with Fund staff to formulate policies to adjust performance criteria. See TMU.

8 Excluding reschedulable external arrears. The targets will be adjusted for deviations from projected program financing. To be monitored on a continuous basis.

9 In millions of U.S. dollars. Nonconcessional debt (including leases) is defined as debt with a grant element of less than 35 percent, using discount rates based on the commercial interest reference rates (CIRRs). Exception will be made during 2000/01 for the contracting of a nonconcessional IBRD loan in an amount of US\$65 million contracted by the government of Cameroon in the context of the Chad-Cameroon pipeline construction. Debt is defined as set forth in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (Decision No. 12274-00/05), adopted on August 24, 2000.

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

11 These benchmarks do not constitute performance criteria.

12 Excluding privatization proceeds.

13 Including the financing gap.

14 Including IMF disbursements.

Table 3. Cameroon: Quantitative Performance Criteria and Benchmarks During the First Annual Program Under the Poverty Reduction and Growth Facility, October 1, 2000-September 30, 2001

(In billions of CFA francs; cumulative from July 1, 2000, unless otherwise indicated)

	Program	Oil revenue	Adjustments ¹ Program financing and external debt relief	March 31, 2001		Cumulative estimated outcome	Excess or shortfall over adjusted target	Met (M) or not met (N)
				Privatization proceeds	Adjusted program target			
Ceiling on the increase in net claims of the banking system on the central government ^{2 3 5 7}	-147	-6	-19	-51	-72	-20	52	N
Floor on the primary budget balance ^{2 6 7}	338	-6	...	...	333	338	6	M
Floor on the non-accumulation of external payments arrears of the central government ^{2 8}	-50	...	...	...	-50	-50	0	M
Ceiling on new medium- and long-term nonconcessional external debt contracted or guaranteed by the central government of one year or more ^{2 9}	0	...	...	...	0	0	0	M
Ceiling on the net disbursement of external debt contracted or guaranteed by the central government with a maturity of less than one year ^{2 9 10}	0	...	...	...	0	0	0	M
Floor on total revenue of the central government ^{4 11 12}	967	-11	...	...	956	960	4	M
Of which: non-oil revenue ^{11 12}	622	...	...	...	622	628	6	M
Floor on reduction of domestic arrears	-172	...	...	...	-172	-154	18	N
Of which: cash payments	-64	...	...	...	-64	-64	0	M
Memorandum items:								
Assumed external debt relief ¹³	243	...	...	...	243	233	...	...
External program financing ¹⁴	79	...	...	...	79	52	...	...
Privatization proceeds	102	...	...	...	102	0	...	...
Stock of net credit to the central government	224	...	...	...	224	352	...	...

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

1 Cumulative since end-June 2000.

2 These targets constitute performance criteria for end-March 2001.

3 This target will be adjusted (a) upward for a shortfall in program financing, privatization proceeds, and external debt relief up to an amount equivalent to 50 percent of the shortfall (for a total cumulative shortfall of CFAF 35 billion); (b) downward by the full amount of any excess of the programmed levels in program financing, external debt relief, and privatization proceeds; and (c) downward by the full amount of any shortfall in the reduction of domestic arrears, on a net basis, in comparison with the program. See technical memorandum of understandings (TMU) in Annex II.

4 This target will be adjusted for the full amount of higher/lower-than-programmed oil revenue. See TMU.

5 The flows have been constructed on the basis of estimated end-June 2000 data.

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

7 The targets will be adjusted upward/downward for 50 percent of the windfall/shortfall in oil revenue. For a windfall/shortfall beyond a threshold of CFAF 35 billion, the authorities will consult with Fund staff to formulate policies to adjust performance criteria. See TMU.

8 Excluding reschedulable external arrears. The targets will be adjusted for deviations from projected program financing. To be monitored on a continuous basis.

9 In millions of U.S. dollars. Nonconcessional debt (including leases) is defined as debt with a grant element of less than 35 percent, using discount rates based on the commercial interest reference rates (CIRRs). Exception will be made during 2000/01 for the contracting of a nonconcessional IBRD loan in an amount of US\$65 million contracted by the government of Cameroon in the context of the Chad-Cameroon pipeline construction. Debt is defined as set forth in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (Decision No. 12274-(00/85), adopted on August 24, 2000.

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

11 These benchmarks do not constitute performance criteria.

12 Excluding privatization proceeds.

13 Including the financing gap.

14 Including IMF disbursements.

Table 4. Cameroon: Structural Performance Criteria and Benchmarks for the First Annual Program Under the Poverty Reduction and Growth Facility
October 1, 2000–September 30, 2001

Measures	Target Date	Status
Performance criteria		
Recruit independent observers, on the basis of an international bidding process, in order to render operational the interim system for public procurement.	End March 2001	Done
Render operational the security system for the computer network at customs (PAGODE) in order to restrict access to authorized personnel only.	End March 2001	Completed
Benchmarks		
Complete financial audit for the national oil company (SNH) for the year 1999/2000 by an internationally reputed auditing firm.	End February 2001	Done
Complete the second phase of the organizational and operational audit of SNH, adopt the recommendations, and formulate a reform strategy.	End March 2001	Done
Complete the physical and legal census of public servants, update the salary file, and implement a computer interface to ensure that this file remains current.	End February 2001	Census done; salary file updated; computer interface under way
Recruit independent auditors for the procurement system and for the physical audit of the use of HIPC Initiative resources through an international bidding process.	End March 2001	Done
Prepare exhaustive quarterly reports on the financial and physical execution of the budget for the social ministries, namely Education, Health, Public Works, and Agriculture, within 45 days of the end of each quarter.	From December 2000	Done
Adopt a rehabilitation plan for the state-owned Postal Savings Bank.	End March 2001	Done

Table 5. Cameroon: Selected Economic and Financial Indicators, 1998/99-2003/04¹

	1998/99	1999/00	2000/01		2001/02		2002/03 Revised projections	2003/04
			Prog.	Proj.	Prog.	Proj.		
(Annual percentage changes, unless otherwise indicated)								
National income and prices								
GDP at constant prices	4.4	4.2	5.4	5.3	5.7	5.5	6.0	6.1
<i>Of which</i> : non-oil GDP	4.4	4.6	5.8	5.5	5.9	6.1	6.2	6.3
GDP deflator	-1.2	3.5	3.0	3.0	1.8	-0.2	1.8	0.8
Consumer prices (12-month average)	2.9	0.8	2.0	2.0	2.0	2.0	2.0	2.0
Consumer prices (end of period)	2.2	-0.7	2.0	2.0	2.0	2.0	2.0	2.0
Nominal GDP (in billions of CFA francs)	5,406	5,827	6,326	6,320	6,803	6,652	7,178	7,680
Oil output (in thousands of barrels a day)	119	113	108	115	107	104	103	102
External trade								
Exports (in SDRs)	-5.6	24.3	10.4	3.8	1.7	-3.8	5.1	6.7
<i>Of which</i> : crude oil	-9.7	84.2	15.4	6.7	-8.5	-19.4	-9.2	-8.0
Imports (in SDRs)	4.1	2.1	16.2	12.6	8.9	5.4	5.3	9.2
Export volume	8.2	-0.7	1.3	2.8	4.5	3.2	5.2	5.3
<i>Of which</i> : non-oil sector	5.8	1.2	4.0	4.1	6.8	8.3	7.6	7.6
Import volume	0.8	14.7	14.5	13.6	8.8	5.0	4.4	8.1
Average oil export price (U.S. dollars per barrel)	12.2	23.9	28.3	24.6	26.1	21.5	19.8	18.4
Nominal effective exchange rate	4.1	-2.6	...	...	...	...	...	...
Real effective exchange rate	8.5	-4.2	...	...	...	...	...	...
Average exchange rate (CFA francs per SDR)	810	895	...	...	...	...	...	...
Terms of trade	-15.7	41.1	7.4	1.8	-2.7	-7.1	-0.9	0.3
Non-oil export price index (in CFA francs)	-12.4	9.5	9.7	2.3	1.7	-1.7	6.3	6.2
Money and credit (end of period)								
Net domestic assets ²	9.2	-3.3	-11.2	6.7	-1.1	-1.5	17.6	12.9
Net credit to the public sector ²	4.2	-7.1	-16.8	2.1	-8.5	-8.1	11.6	7.4
Credit to the private sector	11.2	10.5	15.0	14.0	13.2	12.2	10.8	10.3
Broad money (M2)	9.7	18.8	10.3	13.0	7.8	8.8	14.1	9.9
Velocity (GDP/average M2)	7.1	6.8	6.7	6.2	6.7	6.4	6.0	5.9
Discount rate (end of period; in percent)	7.6	...	...	...	...	...	...	...
Central government operations								
Total revenue	-1.2	30.5	20.4	17.7	3.5	-2.9	2.2	7.6
<i>Of which</i> : non-oil revenue	9.5	9.0	12.0	11.9	10.9	9.1	11.3	10.9
Total expenditure	9.1	-1.0	16.8	14.8	7.8	11.7	3.4	0.7
Current expenditure	5.7	2.8	11.5	13.1	5.0	4.5	4.0	2.2
Capital expenditure (domestically financed) ³	12.7	42.4	39.4	11.9	8.7	48.2	-8.6	-11.1
(In percent of GDP, unless otherwise indicated)								
Gross national savings	14.6	14.7	14.6	15.0	15.2	15.9	16.8	17.2
Gross domestic investment	18.7	16.4	17.1	17.7	17.8	19.0	19.4	19.4
Central government operations								
Total revenue	15.5	18.8	20.8	20.4	20.0	18.9	17.9	17.9
<i>Of which</i> : non-oil	13.0	13.2	13.6	13.6	14.0	14.1	14.5	14.9
Total expenditure	18.9	17.4	18.7	18.4	18.7	19.5	18.7	17.6
Overall fiscal balance (excl. grants)	-3.4	1.4	2.1	2.0	1.3	-0.6	-0.8	0.3
Overall fiscal balance (incl. grants)	-3.2	1.4	2.5	2.4	1.8	-0.1	-0.3	0.9
Primary balance ⁴	4.6	7.2	7.6	7.4	6.6	4.2	3.6	4.3
<i>Of which</i> : non-oil sector	2.1	1.6	0.4	0.6	0.6	-0.6	0.1	1.3
Noninterest expenditure ⁴	11.0	11.6	13.4	13.0	13.6	14.7	14.3	13.6
Domestic public debt	23.3	18.7	11.3	14.6	7.3	11.1	10.7	9.8
External sector								
Current account balance (including grants)	-4.1	-1.7	-2.5	-2.7	-2.7	-3.2	-2.6	-2.2
External public debt	90.2	79.3	71.8	75.6	64.4	62.6	56.8	50.5
(In percent of exports of goods and services, unless otherwise indicated)								
Net present value (NPV) of external public debt	213.9	192.2	179.0	179.0	197.7	197.7	192.9	191.0
External debt service								
Scheduled	45.2	31.2	25.1	27.6	22.8	27.5	25.9	26.0
Scheduled (in percent of government revenue)	71.2	51.0	41.2	41.7	36.4	40.5	39.4	39.4
Actual	17.8	14.0	...	...	...	...	...	...
Actual (in percent of government revenue)	28.1	23.0	...	...	...	...	...	...
(In millions of SDRs)								
Current account balance (including grants)	-282	-113	-165	-181	-195	-231	-203	-188
Overall balance of payments	-399	-149	-110	-277	-126	-175	-264	-282
Net international reserves (end of period)	-301	-101	115	-51	215	65	21	-23

Sources: Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July.

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

3/ Including restructuring expenditure. HIPC Initiative-related expenditure envisaged for 2000/01 has been postponed to 2001/02.

4/ Excluding restructuring expenditure.

Table 6. Cameroon: Savings-Investment Balances, 1996/97-2003/04 1/

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

	1996/97	1997/98	1998/99	1999/00 Est.	2000/01 Prog.	2001/02 Proj.	2001/02 Revised projections	2002/03	2003/04
Total economy (current account balance)	-2.8	-2.5	-4.1	-1.7	-2.5	-2.7	-3.2	-2.6	-2.2
Gross national savings 2/	13.4	15.0	14.6	14.7	14.6	15.0	15.9	16.8	17.2
<i>Of which</i> : domestic savings 3/	19.1	19.2	18.4	20.3	19.8	19.4	18.9	19.5	19.3
Gross domestic investment	16.2	17.5	18.7	16.4	17.1	17.7	19.0	19.4	19.4
Private sector	-2.6	-2.1	-2.2	-4.6	-6.7	-6.1	-4.5	-2.8	-3.5
Gross national savings	12.5	13.4	14.2	10.5	8.7	9.6	11.6	13.4	13.1
<i>Of which</i> : domestic savings	12.7	12.8	13.5	12.1	10.5	10.6	12.3	13.6	13.1
Gross domestic investment	15.2	15.5	16.4	15.1	15.4	15.7	16.1	16.2	16.6
Central government	-0.2	-0.4	-1.9	2.8	4.2	3.4	1.4	0.3	1.3
Gross national savings 4/	0.8	1.6	0.4	4.2	5.9	5.3	4.3	3.4	4.1
<i>Of which</i> : domestic savings 5/	6.3	6.4	5.0	8.2	9.4	8.8	6.5	5.9	6.2
Gross domestic investment	1.0	2.0	2.3	1.4	1.7	2.0	2.9	3.1	2.8
Memorandum items:									
Gross disposable national income	94.3	95.8	96.2	94.4	94.7	95.4	97.0	97.3	97.9
Total consumption	80.9	80.8	81.6	79.7	80.2	80.6	81.1	80.5	80.7
Private	72.7	71.6	71.6	69.5	69.1	69.4	69.1	68.7	69.1
Central government 6/	8.2	9.2	10.0	10.2	11.1	11.2	12.1	11.8	11.5
Current account balance (including grants)	-2.8	-2.5	-4.1	-1.7	-2.5	-2.7	-3.2	-2.6	-2.2

Sources: Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July.

2/ Gross disposable national income minus total consumption.

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

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

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

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

Table 7. Cameroon: Central Government Operations, 1998/99-2003/04 1/

(In billions of CFA francs, unless otherwise indicated)

	1998/99	1999/00	2000/01								2001/02	2002/03	2003/04		
			July-Sep. Est.	Oct.-Dec. Prog.	Jan-Mar. Est.	Apr.-June Prog.	July-June Proj.	July-Sep. Est.	Oct.-Dec. Prog.	Jan-Mar. Est.				Apr.-June Prog.	July-June Proj.
Total revenue and grants	848	1,093	287	357	371	335	314	364	342	1,342	1,313	285	1,287	1,321	1,432
Total revenue	838	1,093	287	351	365	329	308	351	328	1,316	1,287	285	1,250	1,285	1,382
Oil sector revenue	133	325	89	141	152	113	91	113	97	456	428	69	313	242	225
Non-oil sector revenue	705	768	198	210	213	216	217	238	231	860	859	216	937	1,043	1,157
Direct taxes	174	182	52	53	54	52	53	58	64	215	223	57	248	280	313
Special tax on petroleum products	65	58	13	15	12	17	13	22	16	66	55	14	61	71	82
Taxes on international trade	138	141	33	38	36	40	39	47	44	157	151	37	171	193	213
Other taxes on goods and services	275	326	85	88	91	89	98	100	91	361	365	91	389	431	477
Of which: value-added tax (VAT)	226	269	70	73	77	78	82	85	79	306	308	74	326	361	400
Nontax revenue	53	61	16	16	20	18	13	11	16	61	65	16	68	67	72
Total grants (current)	10	0	0	6	6	7	6	13	14	26	26	0	37	36	50
Of which: HIPC Initiative	...	...	...	...	...	7	6	13	14	20	20	0	31	36	50
Total expenditure	1,023	1,013	280	288	305	293	299	315	279	1,183	1,163	296	1,298	1,342	1,352
Current expenditure	824	847	233	243	249	230	232	240	244	945	958	230	1,002	1,041	1,065
Wages and salaries	275	293	84	82	86	82	81	82	89	330	340	87	387	415	439
Other goods and services	167	191	61	59	58	60	62	59	58	238	238	65	297	310	314
Subsidies and transfers	100	109	32	33	37	33	33	37	27	133	128	30	118	124	132
Scholarships and subsidies	55	58	17	19	22	18	20	16	12	70	71	13	53	57	59
Pensions	43	50	13	13	14	13	13	13	14	53	55	15	60	65	71
Separation grants (POEs)	2	0	0	2	0	3	0	5	2	10	2	1	5	2	2
Interest due	282	254	57	69	69	56	56	62	70	244	252	48	200	192	178
External	254	231	49	65	65	48	48	58	67	221	229	43	186	178	159
Domestic	28	23	7	4	4	8	8	4	3	23	23	5	14	15	19
Capital expenditure	194	156	45	45	51	62	64	75	35	228	195	66	297	301	287
Foreign-financed investment	121	51	9	6	15	16	34	30	4	62	62	15	100	121	127
Domestically financed investment	47	73	26	33	28	39	24	38	26	136	105	44	177	180	160
Restructuring	27	32	9	6	8	7	6	7	6	30	28	7	20	0	0
Unclassified expenditure	4	10	2	0	5	0	3	0	0	10	10	0	0	0	0
Overall balance, commitments basis															
Excluding grants	-185	81	7	63	60	36	9	35	49	133	124	-11	-48	-57	30
Including grants	-175	81	7	69	66	43	15	49	63	159	150	-11	-11	-21	80
Net change in arrears	-46	-99	8	-62	-79	-119	-84	-360	-29	-532	-184	0	-357	0	0
External (interest)	40	-1	25	0	0	-27	-27	-319	31	-319	29	0	-357	0	0
Domestic 2/	-86	-98	-17	-62	-79	-92	-58	-41	-60	-213	-213	0	0	0	0
Overall balance, cash basis															
Excluding grants	-231	-18	15	1	-19	-83	-75	-324	20	-398	-60	-11	-405	-57	30
Including grants	-221	-18	15	7	-13	-76	-69	-311	34	-372	-34	-11	-368	-21	80
Financing	222	18	-15	-110	13	-1	69	-228	-33	-346	35	11	-212	-178	-295
External financing (net)	181	76	-14	-65	33	-4	71	-214	-64	-297	24	16	-132	-205	-247
Amortization	-332	-319	-59	-86	-86	-66	-66	-106	-101	-316	-312	-17	-320	-326	-374
Drawings	514	404	21	21	119	85	160	49	4	176	303	87	412	121	127
Project financing	121	51	9	6	15	16	34	30	4	62	62	15	100	121	127
Program financing (loans)	115	51	0	15	8	19	0	19	0	52	8	0	54	0	0
Debt rescheduling	278	302	12	0	95	50	126	0	0	62	233	72	258	0	0
Of which: HIPC Initiative debt relief	...	...	...	...	...	...	...	...	...	17	17	...	56	54	32
Reduction in arrears (principal)	0	-8	23	0	0	-23	-23	-157	33	-157	33	0	-223	0	0
Domestic financing (net)	41	-58	0	-45	-20	3	-1	-14	32	-48	10	-5	-80	27	-49
Banking system	15	-75	41	-65	-63	-131	2	-9	40	-157	20	-25	-85	132	96
Amortization	0	0	-6	-21	-13	-21	-16	-14	-29	-62	-62	-18	-72	-78	-104
Nonbank financing	-7	-10	-5	-5	-6	-5	-5	-6	-6	-20	-22	0	0	0	0
Privatization proceeds	11	75	0	0	0	102	0	0	0	102	0	50	125	25	15
Reserves	0	0	0	-3	0	-4	0	-3	-3	-10	-3	-2	-10	-10	-10
Financial sector	-4	0	0	-1	0	-1	0	0	0	-2	0	0	0	0	0
Securitization	27	0	0	43	63	65	27	27	45	135	135	0	0	0	0
VAT refund	0	-33	-10	-9	-5	-8	-4	-8	-15	-35	-35	-11	-38	-42	-46
Other	0	-15	-21	15	4	7	-5	0	0	0	-23	0	0	0	0
Remaining financing needs	0	0	0	103	0	77	0	538	-1	719	-2	-1	580	199	215
Of which: possible debt relief 3/	0	0	0	104	0	77	0	538	0	719	0	0	580	199	215
Memorandum items:															
Primary budget balance 4/	247	417	83	146	152	118	105	140	129	479	468	60	276	258	328
Noninterest expenditure	591	676	205	207	214	214	203	216	200	847	821	226	979	1,029	1,047
Total HIPC Initiative assistance	...	...	...	...	...	...	...	...	...	37	37	...	87	90	82
Primary budget balance (in percent of GDP)	4.6	7.2	...	...	...	...	...	...	...	7.6	7.4	...	4.2	3.6	4.4
Overall balance (excl. grants, in percent of GDP)	-3.4	1.4	...	...	...	...	...	...	...	2.1	2.0	...	-0.7	-0.8	0.4
Non-oil revenue (in percent of non-oil GDP)	13.9	13.3	...	...	...	...	...	...	...	16.2	15.9	...	15.8	15.8	16.0
Noninterest expenditure (in percent of GDP)	11.0	11.6	...	...	...	...	...	...	...	13.4	13.0	...	14.7	14.4	13.5
Wages and salaries (in percent of GDP)	5.1	5.0	...	...	...	...	...	...	...	5.2	5.4	...	5.8	5.8	5.7

Sources: Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July.

2/ Following the audit carried out in 2000, CFAF 20 billion remain to be fully validated. If confirmed, this amount will be settled in annual cash payments of CFAF 5 billion over the period 2001/02-2004/05.

3/ For 2001/02, possible debt relief only includes the London Club operation, estimated at CFAF 580 billion.

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

Table 8. Cameroon: Selected Fiscal Indicators, 1996/97 - 2003/04 1/

(In percent of GDP, unless otherwise specified)

	1996/97	1997/98	1998/99	1999/2000 Est.	2000/01 Prog.	2001/02 Proj.	2001/02 Revised projections	2002/03	2003/04
Total revenue and grants	15.1	16.5	15.7	18.8	21.2	20.8	19.4	18.4	18.5
Total revenue	15.1	16.2	15.5	18.8	20.8	20.4	18.9	17.9	17.9
Oil sector revenue	4.1	3.9	2.5	5.6	7.2	6.8	4.8	3.4	3.0
Non-oil sector revenue	11.0	12.3	13.0	13.2	13.6	13.6	14.1	14.5	14.9
Direct taxes	2.1	2.5	3.2	3.1	3.4	3.5	3.7	3.9	4.0
Special tax on petroleum products	1.2	1.1	1.2	1.0	1.0	0.9	0.9	1.0	1.1
Taxes on international trade	2.6	2.7	2.6	2.4	2.5	2.4	2.6	2.7	2.7
Other taxes on goods and services	4.0	4.7	5.1	5.6	5.7	5.8	5.8	6.0	6.1
<i>Of which: value-added tax (VAT)</i>	3.2	3.8	4.2	4.6	4.8	4.9	4.9	5.0	5.1
Nontax revenue	1.1	1.3	1.0	1.0	1.0	1.0	1.0	0.9	0.9
Total grants (current)	0.0	0.3	0.2	0.0	0.4	0.4	0.6	0.5	0.7
Total expenditure	16.1	17.9	18.9	17.4	18.7	18.4	19.5	18.7	17.6
Primary expenditure	9.3	10.2	10.9	11.6	13.2	13.0	14.6	14.3	13.6
Primary current expenditure	8.5	9.2	10.1	10.3	11.1	11.3	12.0	11.8	11.5
<i>Of which: wage bill</i>	4.3	4.9	5.1	5.0	5.2	5.4	5.8	5.8	5.7
goods and services	2.6	2.6	3.1	3.3	3.8	3.8	4.5	4.3	4.1
transfers	1.3	1.6	1.9	1.9	2.1	2.0	1.8	1.7	1.7
Domestic contribution to investment	0.8	1.0	0.9	1.3	2.1	1.7	2.7	2.5	2.1
Investment expenditure (externally financed)	0.6	1.7	2.2	0.9	1.0	1.0	1.5	1.7	1.7
Other	0.2	0.2	0.5	0.5	0.6	0.5	0.4	0.0	0.0
Interest on public debt	6.1	5.7	5.2	4.4	3.9	4.0	3.0	2.7	2.3
Wages/ primary expenditure (in percentage)	46.7	48.3	46.5	43.4	39.4	41.5	39.7	40.4	42.1
Transfers / primary expenditure (in percentage)	13.7	15.9	16.9	16.1	15.9	15.6	12.1	12.1	12.7
Wages/ non-oil revenue (in percentage)	39.4	40.3	39.0	38.2	38.4	39.6	41.3	40.0	38.5
Transfers / non-oil revenue (in percentage)	11.6	13.2	14.2	14.1	15.4	14.9	12.6	11.9	11.6
Expenditure on education and health	1.9	2.7	3.0	...	4.1	3.9	4.7	4.8	5.1
Education	1.4	2.1	2.4	...	3.1	3.0	3.3	3.3	3.4
Health	0.5	0.6	0.6	...	1.0	0.9	1.4	1.5	1.7
Military expenditure	...	1.3	1.2	...	1.3	1.3	...	...	...
Current expenditure	14.3	14.9	15.2	14.5	14.9	15.2	15.1	14.5	13.8
Investment expenditure	1.4	2.7	3.1	2.1	3.1	2.6	4.2	4.2	3.7
Restructuring expenditure	0.1	0.2	0.5	0.5	0.5	0.4	0.3	0.0	0.0
Current balance (+ =surplus)	0.8	1.3	0.3	4.2	5.9	5.2	3.8	3.4	4.0
Primary balance (+ =surplus)	5.8	5.9	4.6	7.2	7.6	7.4	4.2	3.6	4.3
Primary balance, excluding oil (+ =surplus)	1.7	2.0	2.1	1.6	0.4	0.6	-0.6	0.1	1.3
Primary balance (incl. externally financed investment)	5.1	4.0	1.8	5.7	6.0	6.0	2.4	1.9	2.6
Overall deficit (commitment basis)									
Excluding grants	-1.0	-1.7	-3.4	1.4	2.1	2.0	-0.6	-0.8	0.3
Including grants	-1.0	-1.4	-3.2	1.4	2.5	2.4	-0.1	-0.3	0.9
Overall deficit (cash basis)									
Excluding grants	-0.6	-11.5	-4.3	-0.3	-6.3	-0.9	-6.0	-0.8	0.3
Including grants	-0.6	-11.2	-4.1	-0.3	-5.9	-0.5	-5.4	-0.3	0.9
Memorandum items:									
Total external assistance, including IMF (net)	1.6	15.0	10.1	7.4	14.8	5.4	15.3	4.9	4.6
<i>Of which: IMF (net)</i>	0.0	0.6	0.6	0.5	0.7	0.7	0.4	0.4	0.0
Total external assistance, excluding IMF	1.6	14.4	9.5	6.9	14.2	4.8	14.8	4.5	4.6
Project financing	0.6	1.7	2.2	0.9	1.0	1.0	1.5	1.7	1.7
Program financing	0.0	3.1	2.1	0.9	0.8	0.1	0.8	0.0	0.0
Debt relief	1.1	9.6	5.1	5.2	1.0	3.7	3.9	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	11.4	0.0	8.6	2.8	2.9
Duties and taxes on imp./total imp., c.i.f. (in percent)	17.4	19.2	19.0	19.9	22.2	21.4	24.2	27.2	29.7
Duties	8.7	9.1	9.6	10.0	11.2	10.8	12.2	13.7	15.0
Taxes	8.7	10.0	9.4	9.9	11.0	10.6	12.0	13.5	14.7
GDP (in billions of CFA francs)	4,932	5,240	5,406	5,827	6,320	6,320	6,652	7,178	7,680

Sources: Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July.

Table 9. Cameroon: Central Government Operations, Including HIPC Initiative Expenditure, 2000/01-2001/02 1/

(In billions of CFA francs, unless otherwise indicated)

	2000/01 Est.	2001/02 Proj.
Total revenue and grants	1,313	1,287
Total revenue	1,287	1,250
Oil revenue	428	313
Non-oil revenue	859	937
Total grants	26	37
of which : HIPC assistance	20	31
IMF	2	0.3
World Bank group	15	19
AfDB group	3	12
Total expenditure	1,163	1,298
Current expenditure	958	1,002
Wage and salaries	340	387
Other goods and services	238	297
<i>Of which</i> : HIPC Initiative spending	0	45
Subsidies and transfers	128	118
Interest due	252	200
Capital expenditure	195	297
Foreign financed	62	100
Domestically financed	105	177
<i>Of which</i> : HIPC Initiative spending	0	50
Restructuring	28	20
Unclassified expenditure	10	0
Overall balance, commitment basis		
Excluding grants	124	-48
Including grants	150	-11
Overall balance (excl. grants, in percent of GDP)	2	-1
Non-oil revenue (in percent of non-oil GDP)	16	16
Memorandum items :		
Total HIPC Initiative assistance 2/	37	87
Total use of HIPC Initiative assistance	0	95

Sources : Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July.

2/ In 2000/01, the contribution to HIPC assistance by the African Development Bank, amounting to CFA 3.3 billion, may not materialize and be postponed to the following fiscal year.

Table 10. Cameroon: Oil Sector Contribution to the Government Budget, 1998/99-2003/04 1/

(In billions of CFA francs, unless otherwise indicated)

	1998/99	1999/00	2000/01						2001/02				2002/03	2003/04
			Q1 Actual	Q2 Est.	Q3 Proj.	Q4	Year		Q1 Prog.	Q2 Prog.	Year			
							Prog.	Proj.	Prog.	Proj.	Proj.	Rev. proj.	Revised projections	
Production, uses, and exports														
Production and uses (in millions of barrels)														
Production	43.6	41.4	10.4	11.0	10.2	10.2	39.5	41.8	10.4	9.5	39.1	38.1	37.7	37.3
Percentage change	4.0	-5.2	...	...	...	...	-4.5	1.1	...	...	-1.0	-9.0	-1.0	-1.0
Uses	43.3	41.4	9.9	11.7	9.7	10.3	39.5	41.7	10.8	9.1	39.1	38.1	37.7	37.3
Exports	43.3	41.4	9.9	11.7	9.7	10.3	39.5	41.7	10.8	9.1	39.1	38.1	37.7	37.3
By SNH 2/	28.6	26.2	7.3	6.1	6.8	6.5	25.1	26.7	7.6	5.5	24.0	23.5	22.9	22.3
By petroleum companies	14.7	15.2	2.6	5.7	2.8	3.8	14.4	14.9	3.2	3.6	15.1	14.6	14.8	15.0
Value of uses	309.7	651.0	200.8	232.9	163.8	157.2	807.6	754.6	191.9	141.4	721.8	578.0	523.4	480.1
Exports	309.7	651.0	200.8	232.9	163.8	157.2	807.6	754.6	191.9	141.4	721.8	578.0	523.4	480.1
By SNH	205.8	412.2	148.3	120.5	115.8	98.9	515.1	483.5	134.9	85.4	442.5	357.1	318.1	287.0
By petroleum companies	103.9	238.8	52.5	112.4	48.0	58.3	292.5	271.1	56.9	56.0	279.2	221.0	205.3	193.1
SNH accounts 3/														
Revenue	253.6	412.5	148.3	120.5	115.8	98.9	515.1	483.5	134.9	85.4	442.5	357.1	318.1	287.0
Of which: export receipts	205.8	412.2	148.3	120.5	115.8	98.9	515.1	483.5	134.9	85.4	442.5	357.1	318.1	287.0
Expenditure	-140.6	-94.3	-28.6	-29.7	-33.6	-33.1	-129.0	-125.0	-28.6	-113.2	-103.5	-102.5	-99.0	-90.0
Brass imports	-47.5	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
Cost sharing of 50 percent with oil companies	-71.1	-69.8	-26.3	-24.8	-25.1	-24.6	-89.4	-100.8	-18.4	-18.3	-75.5	-73.0	-69.3	-61.1
Projects	-44.9	-50.4	-13.9	-14.0	-12.6	-12.2	-50.8	-52.7	-13.1	-12.0	-49.7	-48.0	-49.6	-51.4
Investment	-8.7	0.0	-1.3	-1.2	-1.5	-1.5	-4.4	-5.5	0.0	0.0	0.0	0.0	0.0	0.0
Financial costs	-2.6	-2.9	-1.2	-1.1	-0.9	-0.7	-3.8	-3.9	-0.8	-0.5	-3.7	-2.1	-2.1	-2.1
Debt amortization	-14.8	-16.5	-5.0	-4.7	-5.7	-5.8	-22.5	-21.2	-4.5	-5.7	-22.0	-22.9	-17.6	-7.6
Other expenses	-6.7	-7.5	-4.9	-3.8	-4.4	-4.5	-32.5	-17.6	-2.2	-2.2	-15.4	-11.9	-12.4	-12.9
Payments to oil companies by government to ensure minimum 13 percent profit margin	-15.3	-17.0	-2.3	-1.1	-4.0	-4.0	-15.1	-11.5	-8.0	-8.0	-22.3	-18.6	-20.9	-16.0
Disposable income	113.0	318.3	119.7	90.9	82.2	65.8	386.1	358.5	106.4	56.9	329.3	253.8	215.6	197.0
Oil companies' accounts														
Export receipts	103.9	238.8	52.5	80.4	63.4	58.4	292.5	254.7	56.9	56.0	279.2	220.9	205.3	193.1
Expenditure	-67.2	-71.1	-24.0	-45.8	-40.3	-42.1	-136.0	-147.2	-10.4	-10.3	-130.9	-119.3	-78.6	-76.6
Cost sharing of 50 percent with government	-71.1	-69.8	-26.3	-21.0	-20.7	-20.2	-81.5	-83.2	-18.4	-18.3	-75.5	-73.0	-69.3	-61.1
Projects	-44.9	-50.4	-13.9	-14.0	-12.6	-12.2	-50.8	-52.7	-13.1	-12.0	-49.7	-48.0	-49.6	-51.4
Investment	-8.7	0.0	-1.3	-1.2	-1.5	-1.5	-4.4	-5.5	0.0	0.0	0.0	0.0	0.0	0.0
Financial costs	-2.6	-2.9	-1.2	-1.1	-0.9	-0.7	-3.8	-3.9	-0.8	-0.5	-3.7	-2.1	-2.1	-2.1
Debt amortization	-14.8	-16.5	-5.0	-4.7	-5.7	-5.8	-22.5	-21.2	-4.5	-5.7	-22.0	-22.9	-17.6	-7.6
Theoretical tax obligations 3/	-11.4	-18.3	0.0	-25.9	-23.6	-25.9	-69.6	-75.4	0.0	0.0	-77.8	-64.9	-30.2	-31.5
Payments to oil companies by government to ensure minimum 13 percent profit margin	15.3	17.0	2.3	1.1	4.0	4.0	15.1	11.5	8.0	8.0	22.3	18.6	20.9	16.0
Contribution to government budget														
Calculated	133.3	336.5	119.7	116.8	105.8	91.7	455.8	436.3	106.4	56.9	407.1	318.7	245.9	228.5
SNH	113.0	318.3	119.7	90.9	82.2	65.8	386.1	358.5	106.4	56.9	329.3	253.8	215.6	197.0
Oil companies' profit tax	20.4	18.3	0.0	25.9	23.6	25.9	69.8	77.8	0.0	0.0	77.8	64.9	30.2	31.5
Actual (accrual basis)	144.3	333.3	119.7	116.8	105.8	91.7	455.6	433.9	107.4	57.9	407.5	319.0	246.2	228.9
SNH's contribution	120.9	315.0	119.7	90.9	82.2	65.8	386.1	358.5	107.4	57.9	329.7	254.1	216.0	197.4
Of which: SONARA arrears repayments 4/	21.3	...	...	...	...	...	...	...	...	...	...	...	...	...
Oil companies' profit tax	23.5	18.3	0.0	25.9	23.6	25.9	69.6	75.4	0.0	0.0	77.8	64.9	30.2	31.5
Actual (cash basis) 5/	144.3	333.3	89.0	152.4	101.5	91.0	455.6	433.9	82.4	57.9	407.5	319.0	246.3	228.9
SNH's contribution	120.9	315.0	89.0	126.5	77.9	65.1	386.1	358.5	82.4	57.9	329.7	254.1	216.0	197.4
Oil companies' profit tax	23.5	18.3	0.0	25.9	23.6	25.9	69.6	75.4	0.0	0.0	77.8	64.9	30.3	31.5
Memorandum items:														
Oil price (U.S. dollars per barrel)														
World Economic Outlook series	13.1	24.4	30.4	29.7	27.7	25.8	30.3	38.2	27.2	25.0	27.1	24.5	21.3	19.9
Discount for lower quality of Cameroon's crude	1.0	0.5	2.3	3.4	3.7	4.3	2.0	3.4	2.0	3.0	2.5	3.0	1.5	1.5
Price for Cameroon's crude	12.1	23.9	28.1	26.3	24.0	21.4	28.3	24.8	25.2	22.0	24.6	21.5	19.8	18.4
Exchange rate (CFA francs per U.S. dollar, average)	588.5	658.2	719.1	754.5	707.0	709.3	...	723.9	...	707.2	...	706.3	703.0	700.0

Sources: Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July.

2/ SNH (Société Nationale des Hydrocarbures).

3/ As reported by SNH.

4/ SONARA (Société Nationale de Raffinage).

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

Table 11. Cameroon: Monetary Survey, March 1998-September 2001

	1998				1999				2000				2001				
	March	June	Sep.	Dec.	March	June	Sep.	Dec.	March	June	Sep. Est.	Prog.	Dec. Proj.	Est.	Mar. Est.	Jun. Revised projections	Sep.
(In billions of CFA francs, unless otherwise indicated; end of period)																	
Net foreign assets	-246.5	-220.5	-202.3	-170.5	-183.9	-216.9	-199.5	-150.2	-59.3	-44.2	-13.6	7.8	31.2	50.5	74.0	14.1	77.1
Bank of Central African States (BEAC)	-252.1	-251.3	-228.9	-191.3	-226.8	-249.2	-248.0	-204.2	-112.6	-90.0	-66.7	-38.0	-14.6	-14.6	11.5	-48.5	14.5
Commercial banks	5.5	30.8	26.5	20.7	42.9	32.3	48.5	54.0	53.3	45.8	53.1	45.8	45.8	65.1	62.5	62.6	62.6
Net domestic assets	941.0	933.0	905.3	930.6	943.3	998.4	1,010.8	1,018.8	956.5	972.7	1,004.0	988.5	972.1	996.4	978.6	1,034.9	995.8
Domestic credit	865.3	891.3	875.1	905.8	912.7	959.0	986.6	990.0	956.9	948.4	1,004.9	986.7	970.3	998.5	981.2	1,033.1	1,024.0
Net claims on the public sector	472.9	472.9	437.8	462.2	474.6	503.0	528.9	503.5	467.0	447.8	495.5	431.9	426.0	449.9	432.6	467.5	440.7
Net credit to the central government	426.3	429.4	389.3	398.6	418.8	444.5	470.2	438.4	402.5	371.1	419.6	355.2	349.3	350.0	351.5	390.8	366.6
Claims	504.2	514.6	482.8	522.5	540.6	566.7	565.8	566.4	549.2	527.8	560.1	573.8	573.2	592.0	585.5	546.9	547.1
Deposits	-77.9	-85.2	-93.6	-123.9	-121.8	-122.2	-95.6	-128.0	-146.7	-156.7	-140.5	-218.6	-223.9	-242.0	-234.0	-156.1	-180.5
Credit to autonomous agencies	9.3	10.0	11.4	9.7	9.6	9.7	9.7	10.7	10.6	12.2	10.3	12.2	12.2	10.7	10.5	12.2	9.8
Credit to public enterprises	37.4	33.5	37.1	53.9	46.2	48.8	49.0	54.4	53.9	64.4	65.5	64.4	64.4	89.2	70.6	64.4	64.3
Credit to financial institutions	13.3	14.3	14.6	14.8	13.8	6.9	6.4	5.5	10.2	4.4	6.1	6.9	6.9	4.6	6.3	4.4	4.9
Credit to the private sector	379.1	404.1	422.7	428.8	424.3	449.1	451.3	481.0	479.7	496.1	503.2	547.9	537.4	544.0	542.3	561.3	578.4
Other items (net)	75.7	41.7	30.2	24.8	30.6	39.4	24.2	28.8	-0.3	24.3	-0.8	1.8	1.8	-2.2	-2.6	1.8	-28.2
Money and quasi money	694.5	712.5	702.9	760.1	759.4	781.5	811.3	868.5	897.2	928.5	990.4	996.3	1,003.2	1,046.9	1,052.6	1,049.0	1,072.9
Currency outside banks	158.4	169.8	163.4	205.8	196.8	191.8	201.6	235.7	223.8	222.5	221.8	245.0	245.0	265.0	244.4	275.0	277.5
Deposits	536.1	542.7	539.5	554.3	562.6	589.7	609.7	632.8	673.4	706.0	768.6	751.3	758.2	781.9	808.2	774.0	795.4
Memorandum items:	(Annual percentage change, unless otherwise indicated)																
Contribution to the growth of broad money																	
Net foreign assets	-4.2	-4.8	-3.9	1.2	9.0	0.5	0.4	2.7	31.2	22.1	22.9	18.2	20.9	23.1	2.3	6.3	5.9
Net domestic assets	12.5	12.7	5.1	6.1	0.3	9.2	15.0	11.6	-13.1	-3.3	-0.8	-3.5	-5.4	-2.6	15.0	6.7	3.7
Of which : credit to the central government	2.2	0.8	-6.6	-3.5	-1.1	2.1	11.5	5.2	-2.2	-9.4	-6.2	-4.7	-10.3	-10.2	-5.7	2.1	-4.0
Private sector credit	17.3	30.3	37.1	23.2	11.9	11.1	6.8	12.2	13.1	10.5	11.5	13.9	11.7	13.1	13.0	13.1	14.9
Broad money	8.2	7.8	1.4	7.4	9.3	9.7	15.4	14.3	18.1	18.8	22.1	14.7	15.5	20.5	17.3	13.0	9.5
Currency	34.1	23.6	8.7	14.1	24.3	12.9	23.4	14.6	13.7	16.0	10.0	3.9	3.9	12.4	9.2	23.6	25.1
Deposits	2.3	3.7	-0.6	5.0	4.9	8.7	13.0	14.2	19.7	19.7	26.1	18.7	19.8	23.6	20.0	9.6	3.5
Claims on government/domestic credit 1/	49.3	48.2	44.5	44.0	45.9	46.4	47.7	44.3	42.1	39.1	41.8	36.0	36.0	35.1	35.8	37.8	35.8
Currency outside banks/deposit 1/	29.5	31.3	30.3	37.1	35.0	32.5	33.1	37.2	33.2	31.5	28.9	32.6	32.3	33.9	30.2	35.5	34.9
Velocity (non-oil GDP/average M2)	...	6.9	...	...	...	6.6	...	...	...	5.8	5.9	5.8	5.9	5.7	5.5	5.3	5.8
Velocity (GDP/average M2)	...	7.6	...	...	...	7.1	...	...	...	6.8	7.0	7.0	6.9	6.7	6.4	6.2	6.4
Net claims on the public sector 2/	417.6	408.8	382.3	398.2	422.9	447.4	460.1	428.9	382.5	367.8	399.1	328.2	329.6	360.6	327.1	371.1	344.3

Sources: Cameroonian authorities; and staff estimate and projections.

1/ In percent.

2/ In billions of CFA francs, using the definition of the Central Bank of African States, that is, including deposits of public enterprises and autonomous agencies.

Table 12. Cameroon: Central Bank Balance Sheet, March 1998-September 2001

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

	1998				1999				2000				2001				
	Mar.	June	Sep.	Dec.	March	June	Sep.	Dec.	March	June	Sep. Est.	Dec. Prog.	Proj.	Est.	Mar. Est.	Jun. Revised projections	Sep.
Net foreign assets	-252.1	-251.3	-228.9	-191.3	-226.8	-249.2	-248.0	-204.2	-112.6	-90.0	-66.7	-38.0	-14.6	-14.6	11.5	-48.5	14.5
Foreign assets	6.1	6.1	6.3	5.6	6.2	6.1	6.3	7.6	16.9	51.4	80.4	6.2	6.2	12.6	6.8	12.6	12.6
Foreign liabilities	-258.2	-257.4	-235.2	-196.8	-233.0	-255.3	-254.3	-211.8	-129.5	-141.4	-147.1	-44.2	-20.8	-27.2	4.6	-61.1	1.9
IMF credit	-54.7	-73.7	-67.6	-87.4	-89.7	-111.5	-124.8	-127.7	-127.7	-140.0	-144.9	-186.0	-185.3	-165.8	-166.7	-185.4	-185.2
Position in the French Treasury	-201.8	-182.6	-166.9	-107.9	-141.7	-140.3	-127.4	-82.1	9.1	44.6	73.6	143.3	166.1	142.6	176.6	125.6	189.1
Other foreign liabilities	-1.6	-1.1	-0.7	-1.5	-1.6	-3.5	-2.1	-2.0	-1.8	-1.4	-2.2	-1.6	-1.6	-4.0	-5.3	-1.4	-2.0
Net domestic assets	410.5	421.1	391.4	397.0	423.6	441.0	449.6	440.0	336.5	312.5	298.2	283.0	259.6	279.5	232.9	323.5	263.0
Net domestic credit	245.6	260.7	239.3	241.3	266.5	283.0	295.8	286.1	199.4	161.2	154.9	139.7	116.3	124.1	84.0	180.2	119.7
Net credit to central government	303.5	317.4	289.4	296.4	329.4	365.9	375.4	346.6	326.7	293.0	326.5	277.0	271.1	264.6	272.1	298.5	274.0
Credit to central government	341.9	352.2	318.9	358.6	375.3	401.0	402.7	403.2	385.0	363.2	400.4	409.2	408.5	434.2	429.7	382.3	382.1
Credit under statutory ceiling	112.4	108.5	86.1	110.9	130.2	139.2	132.7	135.3	122.2	93.3	130.8	93.3	93.3	148.9	148.8	69.1	69.1
Credit for bank restructuring	174.8	170.0	165.2	160.3	155.4	150.3	145.3	140.2	135.1	129.9	124.7	129.9	129.9	119.5	114.2	127.8	127.8
Counterpart of IMF credit	54.7	73.7	67.6	87.4	89.7	111.5	124.8	127.7	127.7	140.0	144.9	186.0	185.3	165.8	166.7	185.4	185.2
Deposits of central government	-38.4	-34.7	-29.5	-62.2	-45.9	-35.1	-27.3	-56.6	-58.3	-70.2	-73.9	-132.1	-137.4	-169.6	-157.6	-83.7	-108.1
Net claims on banks	-57.9	-56.7	-50.2	-55.1	-62.9	-82.9	-79.6	-60.5	-127.3	-131.8	-171.6	-137.4	-154.9	-140.5	-188.1	-118.3	-154.3
Claims on banks	10.5	5.0	5.6	13.5	5.0	2.7	2.7	2.2	2.2	1.7	1.7	5.0	5.0	1.1	1.1	1.7	1.7
Bank reserves	-68.4	-61.8	-55.8	-68.6	-67.9	-85.6	-82.3	-62.7	-129.5	-133.5	-173.3	-142.4	-159.9	-141.6	-189.2	-120.0	-156.0
Other items (net)	164.9	160.5	152.1	155.7	157.1	157.9	153.8	153.8	137.1	151.3	143.3	143.3	143.3	155.4	148.9	143.3	143.3
Currency outside banks	158.4	169.8	163.4	205.8	196.8	191.8	201.6	235.7	223.8	222.5	221.8	245.0	245.0	265.0	244.4	275.0	277.5
Memorandum items:																	
Reserve money	226.8	231.6	219.2	274.4	264.8	277.4	283.9	298.4	353.3	356.0	395.1	387.4	404.9	406.6	433.6	395.0	433.5
External currency coverage 1/	1.3	1.3	1.4	1.2	1.3	1.2	1.3	1.6	3.8	12.3	18.5	28.1	27.0	25.3	31.1	28.8	36.6

Sources: Cameroonian authorities; and staff estimate and projections.

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

Table 13. Cameroon: Balance of Payments, 1998/99-2003/04 1/

	1998/99	1999/2000 Est.	2000/01		2001/02		2002/03 Revised projections	2003/04 Revised projections
			Prog.	Proj.	Prog.	Proj.		
(In billions of CFA francs)								
Current account balance	-222	-101	-157	-152	-182	-181	-156	-141
Trade balance	117	386	415	345	322	221	229	209
Exports, f.o.b.	990	1,398	1,696	1,545	1,697	1,439	1,507	1,603
Oil and oil products	311	651	806	743	722	578	523	480
Non-oil sector	679	747	889	802	965	861	984	1,123
Imports, f.o.b.	-873	-1,012	-1,281	-1,200	-1,365	-1,218	-1,278	-1,394
Services (net)	-408	-551	-662	-587	-611	-508	-491	-459
Interest due on public debt	-254	-231	-221	-221	-205	-186	-178	-159
Other	-154	-319	-441	-366	-406	-323	-314	-300
Transfers (net)	69	64	90	89	106	106	107	109
Of which : official	10	0	26	26	37	37	38	40
Inflows	79	75	101	101	117	117	118	120
Outflows	-10	-11	-11	-12	-11	-10	-11	-11
Capital account balance	-93	-32	3	-108	64	22	-84	-124
Official capital (net)	-96	-217	-202	-242	-113	-167	-205	-247
Program loans	115	51	52	8	75	54	0	0
Project loans	121	51	62	62	103	100	121	127
Amortization	-332	-319	-316	-312	-290	-320	-326	-374
Private capital (net)	4	185	205	134	177	189	122	133
Oil sector	-18	-18	-19	-3	-8	-10	-8	-7
Non-oil sector	21	203	223	137	185	199	130	140
Of which : direct investment	67	70	96	102	106	101	108	107
privatization receipts	11	75	102	0	25	125	25	0
other, including short term	-57	58	25	35	54	-27	-3	33
Overall balance	-314	-133	-155	-260	-118	-158	-239	-255
Financing	314	133	154	261	118	158	239	255
Bank of Central African States (BEAC)	-2	-159	-200	-90	-83	-100	40	40
Use of Fund credit (net)	32	25	43	43	30	29	27	2
Other reserves (net)	-35	-184	-243	-133	-113	-129	13	38
Debt rescheduling 2/	277	302	62	289	0	258	0	0
Net change in arrears 3/	40	-9	-453	62	0	-580	0	0
Financing gap 4/	0	0	745	0	201	580	199	215
(In percent of GDP)								
Trade balance	2.2	6.6	6.6	5.5	4.7	3.3	3.2	2.7
Current account balance								
Excluding grants	-4.3	-1.7	-2.9	-2.8	-3.2	-3.3	-2.7	-2.4
Including grants	-4.1	-1.7	-2.5	-2.4	-2.7	-2.7	-2.2	-1.8
Overall balance	-5.8	-2.3	-2.4	-4.1	-1.7	-2.4	-3.3	-3.3
(Percentage change, unless otherwise indicated)								
Export volume	8.2	-0.7	1.3	2.8	4.5	3.2	5.2	5.3
Oil sector	13.2	-4.5	-4.5	0.0	-1.0	-8.0	-1.0	-1.0
Non-oil sector	5.8	1.2	4.0	4.1	6.8	8.3	7.6	7.6
Import volume	0.8	14.7	14.5	12.6	8.8	6.0	4.4	8.1
Of which : non-oil sector	4.3	16.6	15.6	13.2	10.1	7.3	4.7	8.5
Terms of trade	-15.7	41.1	7.4	2.2	-2.7	-5.7	-1.0	0.1
Non-oil export price index (CFA francs)	-12.4	9.5	9.7	3.2	1.7	-0.8	6.2	6.1
Import price index (CFA francs)	-0.2	1.2	8.9	5.2	-2.1	-4.2	0.6	0.8
Exchange rate (CFA francs per U.S. dollar)	588.5	658.2	...	...	...	...	...	...

Sources: Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July.

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

3/ The net change in arrears in the 1999/2000 program largely reflects arrears to private commercial creditors for which the authorities are seeking rescheduling under the London Club. This operation was initiated on May 23, 2001.

4/ For 2001/02, possible debt relief includes the London Club operation (initially scheduled for 2000/01). The amount under the London Club operation is estimated at CFAF 580 billion. For 2002/03 and 2003/04, the financing gap will be closed once debt relief has been obtained from the Paris Club and other bilateral official creditors following the signature of bilateral agreements.

Table 14. Cameroon: External Public Debt Stock, 1997/98-2003/04 1/

	1997/98 Revised 2/	1998/99 Est. 2/	1999/2000 Est.	2000/01	2001/02 Proj.	2002/03 Proj.	2003/04
(In billions of CFA francs; end of period)							
Total external debt	4,600	4,876	4,620	4,844	4,167	4,079	3,878
External debt (excluding arrears)	4,060	4,408	4,144	4,264	4,167	4,079	3,878
Multilateral	870	1,045	889	1,025	1,042	1,103	1,129
<i>Of which</i> : IMF	73	108	127	143	151	185	171
Bilateral official	3,074	3,284	3,153	3,156	3,061	2,922	2,707
Pre-cutoff-date debt	2,543	2,441	2,509	2,502	2,439	2,337	2,172
Previously rescheduled debt	2,161	2,088	2,110	2,149	2,126	2,056	1,918
First Paris Club agreement	1	1	1	1	1	1	1
Second Paris Club agreement	458	450	427	427	368	305	242
Third Paris Club agreement	533	512	542	471	469	426	370
Fourth Paris Club agreement	407	400	400	414	406	397	381
Fifth Paris Club agreement	761	725	740	748	704	660	614
Sixth Paris Club agreement	...	...	...	89	178	267	311
Unrescheduled pre-cutoff-date debt	382	353	400	353	313	281	254
Paris Club	344	329	303	277	241	215	194
Nonparticipants	38	24	96	76	72	66	60
Post-cutoff-date debt	531	843	644	654	622	585	535
Banks	25	18	14	8	0	0	0
<i>Of which</i> : World Bank cofinancing	5	5	6	2	0	0	0
Short-term and other debt	92	62	87	75	65	54	42
Arrears 3/ 4/	540	468	476	580	0	0	0
Multilateral	0	0	0	0	0	0	0
Bilateral official	60	13	0	0	0	0	0
Pre-cutoff-date debt	60	13	0	0	0	0	0
Previously rescheduled debt	0	0	0	0	0	0	0
First Paris Club agreement	0	0	0	0	0	0	0
Second Paris Club agreement	0	0	0	0	0	0	0
Third Paris Club agreement	0	0	0	0	0	0	0
Fourth Paris Club agreement	0	0	0	0	0	0	0
Fifth Paris Club agreement	0	0	0	0	0	0	0
Sixth Paris Club agreement	...	...	...	0	0	0	0
Unrescheduled pre-cutoff-date debt	60	13	0	0	0	0	0
Paris Club	0	0	0	0	0	0	0
Nonparticipants	60	13	0	0	0	0	0
Post-cutoff-date debt 5/	0	0	0	0	0	0	0
Banks 6/	480	424	476	512	0	0	0
<i>Of which</i> : World Bank cofinancing	0	0	0	0	0	0	0
Short-term and other debt 7/	0	31	0	68	0	0	0
<i>Of which</i> : Paris Club deferred	0	0	0	0	0	0	0
(In percent of total debt, unless otherwise indicated)							
Memorandum items:							
Total debt/GDP (in percent)	87.8	90.2	79.3	76.6	61.3	55.6	49.0
<i>Of which</i> : total arrears/GDP	10.3	8.6	8.2	9.2	0.0	0.0	0.0
NPV of debt/GDP (in percent) 8/	68.9	53.9	50.2	50.7	47.7	44.8	42.3
Nonreschedulable debt	32.5	40.7	35.2	37.6	41.5	42.7	44.0
Multilateral debt	18.9	21.4	19.3	21.2	25.0	27.0	29.1
Post cut-off-date debt	11.5	17.3	13.9	13.5	14.9	14.3	13.8
World Bank cofinancing	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Other nonreschedulable debt	2.0	1.9	1.9	3.0	1.6	1.3	1.1
Bank debt	11.0	9.1	10.6	10.7	0.0	0.0	0.0

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

1/ Fiscal year begins in July.

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

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

4/ Discrepancies between stocks and flows of arrears stem largely from fluctuations in exchange rates. For 2001/02, the elimination of arrears reflected the expected agreement with the London Club. Only the net impact of such an agreement is reflected in the balance of payments and fiscal accounts, pending the formulation of a concrete debt- and debt-service-reduction proposal by commercial creditors in the first quarter of calendar year 2002.

5/ Excluding the deferral of arrears stemming from the second, third, and fourth Paris Club agreements.

6/ Until an agreement on the restructuring of commercial debt has been concluded, it is assumed that arrears have not been cleared.

The figures are subject to change once updates on late interest calculations have been made.

7/ Including the deferral of arrears stemming from the Second, Third, and Fourth Paris Club agreements. The 2000/01 figure reflects arrears on commercial non-bank debt (suppliers and trade credit) following debt reconciliation for the London Club operation.

8/ After traditional debt-relief mechanisms.

Table 15. Cameroon: External Debt Service Due, 1999/2000-2003/04 1/

(In billions of CFA francs)

	1999/2000			2000/01			2001/02			2002/03			2003/04		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	Est.						Projections								
Total external public debt service	319.0	232.0	551.0	312.2	220.6	532.8	320.4	185.5	506.0	307.0	181.2	488.2	336.5	176.6	513.1
Debt service on debt outstanding at end-June 1997 2/	308.7	193.2	501.9	312.2	216.6	528.8	320.4	179.5	500.0	307.0	159.5	466.5	336.5	145.8	482.3
Multilateral	66.6	41.5	108.1	71.0	33.6	104.6	69.1	28.5	97.6	66.0	24.4	90.5	67.1	22.8	90.0
Of which: IMF	11.8	1.8	13.6	4.6	0.9	5.5	0.0	1.6	1.6	2.4	0.6	3.1	12.2	1.6	13.8
Official bilateral	203.7	136.7	340.3	189.2	158.3	347.5	190.5	144.2	334.8	229.6	131.8	361.4	257.3	120.7	378.0
Paris Club	144.2	135.1	279.2	181.8	155.5	337.2	184.5	141.5	326.0	223.9	129.1	353.0	250.1	117.9	368.0
Pre-cutoff date debt	116.2	110.8	227.0	153.3	127.6	280.8	152.0	117.8	269.9	186.2	108.3	294.5	200.4	96.5	296.9
Previously rescheduled	64.1	91.7	155.8	110.4	119.7	230.1	109.7	112.8	222.5	160.5	105.0	265.5	179.4	94.5	273.9
First Paris Club agreement	31.3	4.9	36.2	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.1
Second Paris Club agreement	32.8	37.2	70.0	57.9	33.6	91.5	54.8	28.0	82.8	63.0	23.6	86.6	62.5	20.0	82.5
Third Paris Club agreement	0.0	23.4	23.4	1.6	25.7	27.2	1.9	30.4	32.3	43.1	29.7	72.8	55.6	26.7	82.3
Fourth Paris Club agreement	0.0	26.3	26.3	7.0	27.7	34.7	8.0	24.2	32.2	10.2	23.8	34.0	15.0	22.7	37.7
Fifth Paris Club agreement	0.0	0.0	0.0	43.8	32.8	76.6	44.8	30.3	75.1	44.1	27.9	72.0	46.2	25.1	71.3
Not previously rescheduled	52.1	19.0	71.1	42.9	7.8	50.7	42.4	5.0	47.4	25.7	3.3	29.0	21.0	2.0	23.0
Post-cutoff-date debt 3/	28.0	24.3	52.2	28.5	27.9	56.4	32.5	23.7	56.1	37.7	20.8	58.5	49.7	21.4	71.1
Non-Paris Club	59.5	1.6	61.1	7.4	2.9	10.3	6.0	2.7	8.7	5.7	2.7	8.4	7.2	2.8	10.0
Commercial banks	20.6	8.0	28.6	2.8	0.3	3.1	4.2	0.7	4.9	0.0	0.0	0.0	0.0	0.0	0.0
Of which: World Bank cofinancing	2.4	1.6	4.0	2.8	0.3	3.1	4.2	0.0	4.2	0.0	0.0	0.0	0.0	0.0	0.0
Short term and Paris Club deferred	17.8	7.1	24.9	9.3	4.1	13.4	13.7	4.1	17.8	11.4	3.3	14.7	12.1	2.3	14.4
Other 4/	10.3	32.2	42.5	40.0	20.2	60.2	43.0	2.0	45.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service on new loans	0.0	6.7	6.7	0.0	4.0	4.0	0.0	6.0	6.0	0.0	21.7	21.7	0.0	30.7	30.7

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

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

2/ To account for the impact of the Fifth Paris Club agreement in this table, it is assumed for simplicity that the agreement took effect as at July 1, 1997, instead of October 1, 1997. The original agreement, which expired in August 2000, was extended to end-December 2000.

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

4/ Including cushion (for future debt conversion, London Club operation, exchange rate movements...) built into the projections.

Table 16. Cameroon: Indicators of External Vulnerability, 1995/96 -1999/2000 ¹

	1995/96	1996/97	1997/98	1998/99
Exports (percent change, 12-month basis in U.S. dollars)	-3.0	13.1	-0.9	-6.6
Imports (percent change, 12-month basis in U.S. dollars)	11.8	12.2	6.9	2.9
Terms of trade (percent change, 12 month basis)	-8.6	5.1	-4.5	-15.7
Current account balance (in percent of GDP)	-4.1	-2.8	-2.5	-4.1
Capital and financial account balance (in percent of GDP)	3.3	1.2	2.5	4.1
Gross official reserves (in millions of U.S. dollars) ²	...	...	...	...
(in months of imports of goods and services of the following year) ²	...	...	...	...
Gross reserves of the banking system (in millions of U.S. dollars) ²	...	...	...	...
(in months of imports of goods and services of the following year) ²	...	...	...	...
Central bank short-term foreign liabilities (in million of U.S. dollars) ²	...	...	...	...
Official reserves/broad money (M2) (in percent) ²	...	...	...	...
Total short-term external debt by original maturity (in millions of U.S. dollars)	182.4	70.3	28.2	29.6
Total short-term external debt by remaining maturity (in millions of U.S. dollars)	893.8	737.1	299.3	547.7
Total short-term external debt/reserves by original maturity (in percent) ²	...	...	...	...
Total short-term external debt/reserves by remaining maturity (in percent) ²	...	... #	...	...
Total Public and Publicly guaranteed debt (in millions of U.S. dollars)	7,894	6,922	7,519	7,652
Total external debt to exports of goods and services (in percent)	385.4	300.2	326.1	341.5
External interest payments to exports of goods and services (in percent)	25.3	21.9	19.4	19.3
External amortization payments to exports of goods and services (in percent)	34.2	22.4	21.0	25.9
Exchange rate (per U.S. dollars, period average)	502	541	602	588
Exchange rate (per U.S. dollars, end of period)	515	588	612	621
Net foreign assets of commercial banks (in millions of U.S. dollars)	6.7	73.0	51.1	54.8

Sources: Cameroonian authorities; and staff estimates.

¹ Fiscal year begins in July.

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

Table 17. Cameroon: Indicators of Fund Credit, 1994/95-2004/05 1/

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01 Est.	2001/02	2002/03	2003/04	2004/05
								Projections			
Fund credit outstanding											
(end of period)											
In millions of SDRs	27.9	52.1	47.4	90.5	131.7	159.3	204.2	236.0	265.1	267.6	243.2
In millions of U.S. dollars	43.8	75.4	64.4	119.2	175.9	200.6	279.4	308.7	347.5	351.0	319.4
In billions of CFA francs	21.2	38.9	37.8	72.9	109.2	142.6	194.0	214.0	240.0	241.7	219.3
In percent of quota	15.0	28.1	25.5	48.7	70.9	85.8	110.0	127.1	142.8	144.1	131.0
Debt service to the Fund											
In millions of SDRs	4.7	7.0	10.8	14.2	15.8	9.7	5.9	1.8	4.5	15.3	26.0
In millions of U.S. dollars	7.1	10.4	15.3	19.2	21.2	13.2	7.7	2.4	5.9	20.0	34.1
In billions of CFA francs	3.7	5.2	8.3	11.6	12.5	8.7	5.6	1.7	4.1	14.0	23.4
In percent of:											
Export of goods and nonfactor services	0.3	0.5	0.7	0.8	0.9	0.5	0.3	0.1	0.2	0.7	1.0
Total debt service due	0.7	0.9	1.5	2.1	2.1	1.6	1.1	0.3	0.8	2.6	5.2
Government revenue	0.7	0.8	1.1	1.4	1.5	0.8	0.4	0.1	0.3	1.0	1.6
GDP	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.0	0.1	0.2	0.3
Quota	2.5	3.8	5.8	7.7	8.5	5.2	3.2	1.0	2.4	8.2	14.0
Debt service to the Fund											
(in millions of SDRs)											
Charges	2.7	3.0	3.3	3.3	3.0	1.3	1.0	1.8	1.8	1.8	1.6
Repurchases/repayments	2.0	4.0	7.5	11.0	12.8	8.5	4.9	0.0	2.7	13.5	24.3

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

1/ Fiscal year begins in July.

Table 18. Cameroon: Review and Phasing of Disbursements
Under the Three Year PRGF Arrangement

(In millions of SDRs)

Date of Disbursement	Conditions	Disbursement
December 21, 2000	Disbursed upon Board approval of the three year PRGF arrangement	15.9
On or after July 11, 2001	Completion of the first review of the program by the Board; end-March 2001 performance criteria.	15.9
On or after December 30, 2001	Completion of the second review of the program by the Board; end-Sept. 2001 performance criteria.	15.9
On or after June 30, 2002	Completion of the third review of the program by the Board; end-March 2002 performance criteria.	15.9
On or after December 30, 2002	Completion of the fourth review of the program by the Board; end-Sept. 2002 performance criteria.	15.9
On or after June 30, 2003	Completion of the fifth review of the program by the Board; end-March 2003 performance criteria.	15.9
On or after December 30, 2003	Completion of the final review of the program by the Board; end-Sept. 2003 performance criteria.	15.9

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

Dear Mr. Köhler:

1. To consolidate the progress made since 1997, the government of Cameroon has decided to accelerate and broaden its reform efforts, and has therefore embarked on a new medium-term economic and financial program (October 1, 2000-September 30, 2003). The program is supported under a new three-year arrangement under the Poverty Reduction and Growth Facility (PRGF), approved by the IMF Executive Board on December 21, 2000. The main goal of the policies and reforms is to achieve a sustainable reduction in poverty through high economic growth, increased private investment, improved efficiency of public expenditure, well-targeted poverty reduction measures, and strengthened governance. This letter, which supplements the one dated December 6, 2000, reviews Cameroon's performance during the first half of the first annual program under the three-year PRGF arrangement. It also outlines the government's objectives and policies for the second half (April-September 2001) of the first annual program. In addition, Cameroon requests from the IMF's Executive Board a waiver for the nonobservance of the end-March 2001 performance criterion on net bank credit to the government, as well as a modification of this performance criterion to exclude privatization receipts from its definition for the remainder of the first year of the arrangement.

Performance during the first half (October 2000-March 2001) of the first annual program

2. The good record of performance established under the previous arrangement in both the macroeconomic and the structural areas continued during the first six months (October 2000-March 2001) of the first annual program. Program implementation was satisfactory and broadly consistent with its objectives. All quantitative benchmarks for end-December 2000 were met, except for the cash settlement of domestic arrears, which was missed by a small margin. In the same vein, all quantitative performance criteria for end-March 2001 were met, with the exception of the ceiling on net bank credit to the central government. The quantitative benchmarks were also observed, except for the floor on the reduction of domestic arrears, owing to a slower-than-envisaged pace of the securitization of domestic arrears. Net bank credit to the central government was missed by 0.8 percent of GDP because of unexpected delays in the completion of the privatization of the telecommunications company, CAMTEL, and of a shortfall in oil revenue reflecting lower-than-programmed world oil prices. In view of the magnitude of the combined shortfalls in privatization receipts and oil revenue, it was difficult to fully offset their impact, even after taking into account the program's built-in contingency mechanism.

3. With regard to structural reforms, all the end-December 2000 structural benchmarks and other governance-related measures were observed, except for the development of a computer interface that would keep the government payroll file updated in the future. The nonobservance of the latter was due to unexpected technical difficulties encountered in making the recently computerized updated payroll file compatible with the various systems used within the Ministry of Economy and Finance and the personnel administration files used in the Ministry of Civil Service. The two structural performance criteria for end-March 2001 were met, namely, the recruitment of independent observers for the interim public procurement system and the introduction of a security system for the computer network at customs. The six structural benchmarks for the period from end-December 2000 to end-March 2001 were also respected. These include, in particular, the adoption of (a) a reform strategy for the oil sector and of a rehabilitation plan for the state-owned Postal Savings Bank; and (b) the completion of the physical and legal census of public servants. As regards governance, both the financial audit for fiscal-year 1999/2000 (July–June) and the second phase of the organizational and operational audit of the oil company (SNH) have been completed. However, there have been delays in the privatization of the three public utilities (the national water company (SNEC), the fixed telecommunications company (CAMTEL), and the electricity company (SONEL)), as well as of the Cameroon Development Cooperation (CDC). Although the successful bidders for the three utility companies had been selected by end-2000–early 2001, the privatization process could not be completed because of difficult negotiations on remaining issues that are related, inter alia, to financial disclosure, tariffication, tax arrears, and cross debts between the government and the companies.

4. The pace of economic activity has been fairly steady during the first six months of the program. The work on the Chad-Cameroon pipeline is proceeding; other private residential and business construction has gained momentum; and investment in the wood processing sector is expanding. The 12-month national consumer price inflation accelerated to 2.2 percent in March 2001 (versus a programmed annual rate of 2 percent), driven by higher foodstuff prices following a drought in the northern provinces and increased demand from neighboring countries. Budgetary performance was weaker than projected. In particular, total expenditure was CFAF 23 billion (0.4 percent of GDP) higher than envisaged. Domestically financed spending was in line with the target, with lower-than-programmed domestically financed public investment offsetting slippages in current expenditure, notably the wage bill and other goods and services. Total government revenue was lower than expected (by 0.1 percent of GDP), owing to the decline in oil prices. Non-oil revenue was consistent with the program target. Monetary developments during the first nine months of the fiscal year 2000/01 (first half of the program year) showed a moderate expansion of credit to the private sector and a net repayment to the banking system by the central government of CFAF 20 billion (compared with an adjusted target of CFAF 72 billion). Cameroon's contribution to the improvement of the net foreign assets position of the regional central bank (BEAC) further strengthened, and broad money increased by 13 percent, reflecting mainly a recovery in deposits.

Macroeconomic and budgetary prospects for the second half (April-September 2001) of the first annual program

5. Based on recent data on economic activity and international trade, real GDP growth in fiscal-year 2000/01 is estimated to remain close to the initial projection of 5.4 percent; it is

projected at 5.5 percent for fiscal-year 2001/02. The 12-month national consumer price inflation is expected to ease to less than 2 percent in the second half of the program year, benefiting from an expected improvement in the supply of foodstuff. However, the decline in oil prices¹⁸ would result in a deterioration of Cameroon's terms of trade, with a potential negative impact on government oil revenue and national income.

6. The outcome for fiscal-year 2000/01 is expected to be weaker than initially programmed. While non-oil revenue is estimated to be on target, a shortfall in oil revenue equivalent to 0.4 percent of GDP is likely to materialize. Also, as a result of delays in setting up the required institutional framework, the government decided to start implementing the expenditures initially budgeted for fiscal-year 2000/01 related to the Initiative for Heavily Indebted Poor Countries (HIPC Initiative) (CFAF 37 billion) in 2001/02. As regards non HIPC Initiative-related expenditure, the government intends to keep it at about the initially programmed level. To this end, measures have been taken to correct the slippages that had occurred by end-March 2001. These include, notably, the discontinuation of new commitments on discretionary expenditures on goods and services by end-May 2001. On this basis, total expenditure, excluding HIPC Initiative-related spending, is now estimated at 18.3 percent of GDP for 2000/01, exceeding the corresponding budget ceiling by 0.2 percentage point of GDP. As a result, the primary surplus (excluding HIPC Initiative-related spending) for 2000/01 would reach 7.4 percent of GDP only, compared with the corresponding program target of 8.1 percent of GDP; and the overall surplus (excluding HIPC Initiative-related spending and grants) would decline by 0.6 percentage point of GDP to 2.1 percent of GDP.

Elements of the 2001/02 budget

7. The government will continue to adhere to a cautious fiscal stance in fiscal-year 2001/02. With the average oil price for Cameroon for 2001/02 projected at US\$21.5 per barrel, oil revenue would amount to 4.7 percent of GDP. Non-oil revenue is projected to stay around 15.8 percent of non-oil GDP, reflecting the anticipated negative impact of the new fiscal measures (i.e., forestry taxation, value-added tax (VAT) exemptions, and introduction of the World Trade Organization (WTO) valuation system), which the government intends to introduce with the next Budget Appropriations Act. Their negative budgetary effects may not be fully offset by the gains anticipated from further improvement in the tax and customs administrations. The government is committed not to introduce any new tax and customs exemptions, except for computers and supplies related to the HIV/AIDS program. In order to limit the magnitude of the negative budgetary effects of the new exemptions, the government has decided to restrict their scope. Moreover, the exemption for the computers will be granted only for the duration of the remainder of the current three-year program. With respect to the exemption for equipments imported by the media and the editing sector (which have been introduced with the 2000/01 Budgetary Appropriations Act), the list of exempted items will be limited to those items only that are foreseen in the 2994 and 2894 Central African Customs Economic Union (UDEAC) Acts

¹⁸ New average oil prices for Cameroon are now projected at US\$24.6 per barrel for 2000/01 and US\$21.5 per barrel for 2001/02, compared with US\$28.3 per barrel and US\$26.1 per barrel initially.

under the Florence Convention. A special unit, comprising representatives from the Ministry of Communications and the customs and tax administrations, will be established for the issuance of exemption certificates to eligible companies, as specified in the 2000/01 Budget Appropriations Act, on a case-by- case basis.

8. Total expenditure is projected to increase to 19.5 percent of GDP in fiscal-year 2001/02, being mainly driven by HIPC Initiative spending (CFAF 95 billion or 1.4 percent of GDP), and by a higher wage bill to allow for selective new recruitments in the context of the medium-term sectoral strategies in education and health and by the implementation of new statutes for the various professions within the civil service. On this basis, the primary surplus is targeted at 4.2 percent of projected GDP, and the overall fiscal deficit, on a commitment basis and excluding grants, is to be limited to 0.7 percent of GDP. The 2001/02 budget, based on the new functional classification developed with the assistance of the European Union, will be attached to the 2001/02 Budget Appropriations Act.

9. Fiscal revenue is projected to amount to CFAF 285 billion during the first quarter of fiscal-year 2001/02, as lower oil revenue and the effect of the VAT exemption for computers will more than offset the positive effect of continued improvement in the tax and customs administrations. Total expenditure is projected to reach CFAF 296 billion, driven mainly by the implementation of HIPC Initiative-related spending (CFAF 29 billion). As a result, an overall fiscal deficit, on a commitment basis but excluding grants, of CFAF 11 billion is targeted for the final quarter (July-September 2001) of the first annual program (October 2000-September 2001).

10. To achieve the revised fiscal objectives for the first annual program, the government will continue to strengthen its capacity to mobilize non-oil revenue through measures to enhance the customs and tax administrations and combat fraud. The latter include, notably, (a) broadening the tax base; and (b) strengthening the VAT and forestry tax collection. To this end, the government will further strengthen the taxation directorate through a reorganization and improved tax and customs computerized interfaces. It will also speed up the implementation of the recommendations of the World Bank-sponsored study of the forestry sector, as specified in paragraph 16 of the Memorandum of Economic and Financial Policy (MEFP) of December 6, 2000, with a view to enhancing the securitization of forestry receipts while preserving the environment. Particular emphasis will be placed on (a) the effective application of the (17.5 percent) exit tax on timber at the *points francs* entrance (*entrée points francs*); and (b) the implementation of a system of adjudication for export quotas of unprocessed logs.

11. In the customs area, the government has been engaged in an ambitious reform program, including the implementation of a single processing window ("*guichet unique*") for processing the external trade formalities; the window has been operational since August 2000 and has already registered satisfactory results. Additionally, the government will carry out other priority measures to improve the administration of customs, increase revenue, and simplify international trade procedures, in line with recommendations of the IMF, the World Bank, and the European Union. In particular, it will ensure that physical and documentary controls for the release of goods are completed within 24 hours for imports and 6 hours for exports, and adopt measures to facilitate progress toward the objective of reducing the time required for the processing of containerized merchandise at the Port of Douala (see para. 23 below). Furthermore, the control

and monitoring of special-status traffic (transit, bonded warehouses (*entrepôts*), and temporary admissions) will be reinforced, and a special unit established at the customs headquarters to monitor and control exemptions.

12. At the same time, a number of other steps will be taken to further strengthen the customs administration. These include, in particular, (a) the generalization of the use of the unique taxpayer identification number (TIN), following the completion of the securitization of the computer network at customs; (b) an increase in budgetary allocation for the customs department to acquire the equipment needed to sustain the securitized computer system; (c) the implementation of rigorous internal audit and inspection schemes, and the adoption and effective implementation of a code of conduct at customs; and (d) the reinforcement of the control mechanism for both processed and unprocessed logs at Cameroon's border with the Republic of Congo and with the Central African Republic (with the assistance of the national authorities of these two border countries). Other measures to ensure the restructuring and modernization of the customs administration, which are indicated in Annex I of the MEFP of December 6, 2000, will continue to be implemented.

13. The government is committed to intensifying its efforts to improve public expenditure management in the context of the action plan adopted in December 1998, following the recommendations of the IMF, World Bank, European Union, and other development partners. Specifically, the government has already taken steps to (a) improve the monitoring of delegated credits; (b) produce monthly treasury balances and budget execution tables; and (c) strengthen the operational capacities of spending departments with respect to the programming, monitoring, and execution of operations, as well as the quality of their expenditures. The government is also aware that the implementation of these steps needs to be strengthened to, in particular, ensure consistency between the treasury balances and the table on central government financial operations (*Tableau de bord*), as well as to further enhance budgetary procedures and the quality of public expenditure.

14. The government is aware that a swift improvement in public expenditure management is critical to achieve its budgetary targets, further consolidate macroeconomic stability, and enhance Cameroon's fiscal policy credibility. Thus, it is determined to introduce a fully integrated computerized fiscal and accounting information system by the end of the current three-year PRGF arrangement to manage central government revenue and expenditure from commitment to payment (*chaîne des dépenses*). To this end, it will prepare an action plan for the implementation of the integrated information system by end-September 2001, with technical assistance from the IMF, the World Bank, and other partners. As a first step, it will complete the implementation of the interface for the government payroll file by end-September 2001 to keep the file updated in accordance with the action plan that has been worked out. To ensure timely completion, the ad hoc government committee set up by the Prime Minister, Head of the Government, will monitor closely the work of the consulting firm that has been asked to implement the interface system.

15. The government will also pursue the implementation of the other key measures that are contemplated under the program, including notably the multiyear settlement plan to clear domestic debt and arrears and the review of the internal and external audit procedures in the existing expenditure control system. Finally, the government will speed up the implementation of

the measures for improving the public procurement system that are spelled out in paragraph 21 and Section 3 of Annex I of the MEFP of December 6, 2000. In particular, it will render operational the regulatory agency for the modified procurement system established in February 2001.

16. The financial program has been revised to reflect monetary developments in the first half of the first annual program and the impact of the deterioration in the terms of trade on the balance of payments. The program for the second half aims at enabling Cameroon to contain the reduction of its contribution to the strengthening of the net foreign assets position of the regional central bank (BEAC). Net bank credit to the central government will increase by CFAF 14 billion during the second half of the first program year. Money growth, which was faster than expected in the first half of the first program year, should progressively slow.

Governance

17. The government is determined to speed up the implementation of the programmed measures included in the MEFP of December 6, 2000. As a first step, it will finalize the terms of reference for the technical audit of the judiciary system, in agreement with the World Bank and IMF staffs, and launch the scheduled technical audit of the justice system by end-September 2001. In the meantime, the government will make sure that steps are taken very quickly to address the growing judicial deficiencies that have an adverse impact on private sector investment. These steps include (a) holding a meeting with the Heads of Court to bring to their attention the concerns of the private sector, particularly those related to the actions taken by judges, notably the "*juges des requêtes*," the "*juges en référé*," their judicial court decisions (including the "*saisie-attributions*"), and the imposition and implementation of penalties ("*abstreintes*"); (b) conducting seminars at the provincial level to inform and train magistrates about the legal provisions of the Organization for the Harmonization of Business Law in Africa (OHADA) Treaty and their interpretation and implementation; (c) rendering the General Inspection Office of the judicial system operational, and effectively implementing controls by the Heads of Court in their respective jurisdictions; (d) codifying the OHADA's legal provisions and communicating them to all magistrates; and (e) promulgating the Cameroonian laws as foreseen under the OHADA Uniform Acts.

18. Among the other measures included in the priority strategy and action plan for improving governance and combating corruption (as spelled out in paras. 32 and 33 of the MEFP of December 6, 2000), a particular emphasis will be placed on (a) establishing institutional arrangements for comanagement in the education and health sectors; (b) improving access by citizens to information on the management of public affairs; (c) implementing, before end-September 2001, the regulations relating to Decree 2000/287 (dated October 2, 2000) governing private sector activities and situations of potential conflict of interest for civil servants; and (d) adopting an action plan, before end-December 2001, for the implementation of the jurisdictional bodies called for in the Constitution (including the *Chambre des Comptes* and the *Conseil Constitutionnel*). Finally, the government will continue to further enhance the quality and timeliness of the quarterly budget execution reports of key ministries (including education, health, and public works).

Structural and sectoral policies

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

20. In the financial sector, the government will start implementing, by August 2001, the recently adopted rehabilitation plan for the financially troubled state-owned Postal Savings Bank, which had been prepared with World Bank assistance, with a view to completing the rehabilitation by March 2002. The financial cost of this rehabilitation, which is estimated at CFAF 3–5 billion (about 0.1 percent of GDP), is incorporated in the budget for fiscal-year 2001/02. The registration requests (“*dossiers d’agrément*”) of the saving and loan cooperatives (COOPECs) that had been surveyed at end-March 2001 will be submitted to the Central African Banking Commission (COBAC) by end-June 2001. Their registration is expected to be completed by end-December 2001. The liquidations monitored by the Société de Recouvrement des Créances (SRC) should also be completed at the latest by end-June 2001. As indicated in paragraph 17 above, measures will be taken, with a view to resolving quickly the difficulties facing the commercial banks as a result of certain judicial court decisions taken against them. Finally, with the assistance of the World Bank and the IMF, the authorities will implement the corrective measures that have been recommended by the Financial Sector Assessment Program (FSAP) of May 2000, in order to strengthen the financial system and ensure its viability and resilience.

21. The government considers that the privatization of the three main public utility companies (CAMTEL, SNEC, and SONEL) is critical to the provision of better services, increased investment and growth, and poverty reduction. To this end, it will quickly address the remaining issues in order to complete the privatization process within a reasonable time frame (see para. 28).

22. In the petroleum sector, the authorities have reviewed the automatic petroleum retail price mechanism that was capped at the equivalent to a crude oil price of US\$25 a barrel, with a view to gradually phasing it out. Thus, the government has decided to cut by half the related subsidy during fiscal-year 2001/02 through two upward price adjustments, of CFAF 10 per liter for the price of gasoline (super) and of CFAF 10 per liter for the price of gas oil, in July 2001 and again in January 2002. The subsidy will be completely eliminated in fiscal-year 2002/03. Moreover, the shares held by the SCDP (the petroleum storage facility) on behalf of the government will be sold to the private sector by end-December 2001, which will thereafter manage the SCDP. Finally, the government intends to start implementing the recommendations of the action plan to reform the petroleum sector.

23. In the transport and the agro-industrial sectors, which are two critical areas for improving competitiveness and enhancing job creation opportunities, the government will give priority to (a) implementing the action plan for restructuring the Port of Douala, including actions consistent with the reform of the customs, to reduce the time for processing containerized merchandise at the Port of Douala to seven days for imports and to two days for exports; (b) continuing the implementation of the rehabilitation project for the newly created railroad

company (CAMRAIL), which is financed in part by the World Bank Group; and (c) privatizing the financially troubled airline (CAMAIR). In the agro-industrial sector, the government is determined to move forward the privatization of the remaining agro-industrial enterprises, including the cotton development company (SODECOTON).

Social and poverty reduction policies, PRSP preparation, and use of HIPC Initiative-resources

24. The main focus of the government's social policies is to ensure that strengthened economic performance translates into tangible results in terms of poverty reduction, job creation, and a genuine improvement in the economic welfare of the population as a whole. To this end, the authorities will strengthen the technical and administrative capacities of sectoral ministries in order to timely finalize the sectoral strategies in the priority sectors, including health, education, and urban and rural development. The government has already elaborated an action plan for the preparation of a full poverty reduction strategy paper (PRSP). It is aware that timely completion of the ongoing household consumption survey is critical for adherence to the envisaged timetable for the production of the PRSP, which the government intends to complete by January–February 2002. The government recognizes the need to speed up the process. Accordingly, it will take the necessary actions to produce a quality PRSP by enhancing the participatory approach and improving the formulation of the sectoral strategies and projects to be financed through HIPC Initiative resources.

25. A ring-fencing mechanism has been worked out for the use of resources freed by the enhanced HIPC Initiative, with the opening of a special account at the central bank (which has a current balance of CFAF 12.4 billion). The consultative committee for the follow-up on the implementation of the HIPC Initiative has been put in place, with all the members designated, including representatives from the nongovernmental organizations (NGOs); and the recruitment of technical staff is about to be completed. The first full meeting of the committee took place on June 21, 2001 and reached agreement on the first batch of expenditure projects to be financed through available HIPC Initiative resources. The government is fully aware of the importance of starting the implementation of HIPC Initiative-financed projects as quickly as feasible, and is determined to effectively launch the first batch of selected projects by July 2001 in the education and health sectors (including specific HIV/AIDS projects). The preparation and costing of the strategy in the education sector are nearly completed, while efforts have been intensified with a view to finalizing the strategy in the health sector by August 2001. The initially projected HIPC Initiative-financed expenditures, for a total amount of CFAF 37 billion for fiscal-year 2000/01, have been integrated in the Budgetary Appropriations Act for 2001/02.

External sector policies and debt management

26. A key objective of Cameroon's external policy remains to enhance external competitiveness, in order to achieve external viability and strengthen growth prospects. To this end, the government will continue to implement and even further strengthen the efficiency-enhancing measures of the program. It intends to take the lead in promoting enhanced regional integration in the Central African Economic and Monetary Community (CEMAC) zone through further reductions in the common external tariff (to a maximum of 20 percent rate) and in the

number of bands (from five to four), as well as through the enactment of a common investment charter.

27. Following the Paris Club agreement of January 24, 2001 to support Cameroon's program with a comprehensive and concessional treatment under the enhanced HIPC Initiative, the government will accelerate the conclusion of bilateral agreements. Preparations for a London Club debt-relief operation are proceeding; the official launching of the operation took place in Paris on May 23, 2001, and its completion is targeted for March 2002. With the assistance of its partners, the government will endeavor to ensure that the terms under all the agreements with non-Paris Club creditors are at least as favorable as those obtained recently from the Paris Club under the enhanced HIPC Initiative.

Prior actions, requests for waiver and modification of a performance criterion, and program monitoring and review

28. The government understands that the following measures constitute prior actions for the IMF staff support for completion of the first review:

1. forwarding, by June 21, 2001, to the IMF and the World Bank, the Head of State's notification letter validating the recommendations on privatization of the Interministerial Committee (CIM) with respect to the final offers of the provisional adjudicators for the privatization of CAMTEL and SONEL; and
2. holding the first meeting of the national consultative committee for the follow-up on the implementation of the HIPC Initiative.

29. The government requests a waiver for the nonobservance of the end-March 2001 performance criterion on net bank credit to the central government. As explained in paragraph 2 above, this performance criterion was missed because of delays in the completion of the privatization of the telecommunications company (CAMTEL) and a shortfall in oil revenue. As regards CAMTEL, the government has taken steps to intensify negotiations with the selected bidder to resolve the pending issues. The agreement on the sale of the company is expected to be signed in the near future.

30. To protect the PRGF arrangement from uncertainties related to the implementation of the privatization program, the government also requests that all privatization receipts be excluded from the definition of the ceiling on net bank credit to the central government, as indicated in the attached updated technical memorandum of understanding (TMU). In the event privatization receipts materialize, they would be fully deposited in the treasury's account opened at the BEAC; the government will reach understandings with the staff on the specific uses of these resources.

31. To monitor program implementation, a number of quantitative benchmarks are proposed for end-June 2001 and quantitative performance criteria and benchmarks for end-September 2001, as specified in the attached Table 1. In addition, the reform measures indicated in Table 2 have been adopted as structural performance criteria and benchmarks for the second half of the first annual program (October 2000-September 2001).

32. In view of the uncertainties about external debt relief and oil prices, the program will continue to contain a built-in contingency mechanism for the adjustment of the quantitative benchmarks and performance criteria, as spelled out in the TMU. Disbursement of the third tranche under the new PRGF arrangement will be subject to (a) the observance of the end-September 2001 performance criteria; and (b) the completion of the second review no later than end-December 2001. The review will focus mainly on the budgetary non-oil revenue performance, customs reform, public expenditure management, detailed strategies in the education and health sectors, advancement in the preparation of the full PRSP, and progress in governance, privatization, and the liberalization of the petroleum and transport sectors.

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

Sincerely yours,

Peter Mafany Musonge
Prime Minister
Head of Government

Table 1. Cameroon: Quantitative Performance Criteria and Benchmarks During the Second Half of the First Annual Program Under the Poverty Reduction and Growth Facility, October 1, 2000-September 30, 2001

(In billions of CFA francs; cumulative from July 1, 2000, unless otherwise indicated)

	March 31, 2001 ¹			June 30, 2001	September 30, 2001
	Prog.	Adj.	Est.		
Ceiling on the increase in net claims of the banking system on the central government excluding privatization receipts ^{2,3,4,5,6}	-147	-72	-20	20	46
Floor on the primary budget balance ^{2,5,7}	338	333	338	469	529
Floor on the nonaccumulation of external payments arrears of the central government ^{2,8}	-50	-50	-50	0	0
Ceiling on new medium- and long-term nonconcessional external debt contracted or guaranteed by the central government of one year or more ^{2,9}	0	0	0	0	0
Ceiling on the net disbursement of external debt contracted or guaranteed by the central government with a maturity of less than one year ^{2,9,10}	0	0	0	0	0
Floor on total revenue of the central government ^{4,12,13}	967	956	960	1287	1572
<i>Of which</i> : non-oil revenue ^{12,13}	622	622	628	859	1075
Floor on reduction of domestic arrears	-172	-172	-154	-213	-213
<i>Of which</i> : cash payments	-64	-64	-64	-78	-78
Memorandum items:					
Assumed external debt relief ¹⁴	243	243	233	233	305
External program financing ¹⁵	79	79	52	81	81
<i>Of which</i> : IMF disbursements	32	32	32	47	47
Privatization proceeds	102	102	0	0	50
Stock of net credit to the central government	224	224	352	468	441

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

1 Cumulative since end-June 2000.

2 These targets will constitute performance criteria for end-March 2001 and end-September 2001.

3 This target will be adjusted (a) upward for a shortfall in program financing, privatization proceeds, and external debt relief up to an amount equivalent to 50 percent of the shortfall (for a total cumulative shortfall of CFAF 35 billion); (b) downward by the full amount of any excess of the programmed levels in program financing and external debt relief; and (c) downward by the full amount of any shortfall in the reduction of domestic arrears, on a net basis, in comparison with the program. See technical memorandum of understanding (TMU).

4 The flows have been constructed on the basis of end-June 2000 data; they will be adjusted on the basis of the actual outcome.

5 The targets will be adjusted upward/downward for 50 percent of the windfall/shortfall in oil revenue. For a windfall/shortfall beyond a threshold of

6 This ceiling excludes privatization receipts except for end-March 2001.

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

8 Excluding reschedulable external arrears. The targets will be adjusted for deviations from projected program financing. To be monitored on a continuous basis.

9 In millions of U.S. dollars. Nonconcessional debt (including leases) is defined as debt with a grant element of less than 35 percent, using discount rates based on the commercial interest reference rates (CIRRs). Exception will be made during 2000/01 for the contracting of a nonconcessional IBRD loan CFAF 35 billion; the authorities will consult with Fund staff to formulate policies to adjust performance criteria. See TMU.

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

11 This target will be adjusted for the full amount of higher/lower-than-programmed oil revenue. See TMU.

12 These benchmarks do not constitute performance criteria.

13 Excluding privatization proceeds.

14 Including the financing gap.

15 Including IMF disbursements.

Table 2. Cameroon: Structural Performance Criteria and Benchmarks
for the Second Half of the First Annual Program, October 1, 2000–September 30, 2001

Criteria and Benchmarks	Target Dates
Performance criteria	
Complete the development of the computer interface (Antilope-SIGIPES) for the government payroll system, to ensure that the salary file remains current.	End-September 2001
Render operational the regulatory agency for the modified procurement system (put in place the Executive Board and organizational structure, and recruit staff).	End-September 2001
Benchmarks	
Resume discussions with the successful bidder for the water company (SNEC), based on the evaluation of the offer of the successful bidder conducted with World Bank assistance.	End-June 2001
Formulate an action plan for the introduction of a fully integrated computerized fiscal and accounting information system to manage central government revenue and expenditure from commitment to payment (<i>chaîne de la dépense</i>).	End-September 2001
Close effectively the budgetary operations and finalize the treasury balances (after reconciliation and taking into account budgetary and accounting charges) for all operations relating to the 1999/2000 fiscal year.	End-September 2001
Launch the technical audit of the judiciary system on the basis of the defined terms of reference, as agreed with Bank and Fund staffs.	End-September 2001
Start the implementation of the rehabilitation plan for the Postal Savings Bank, which has been prepared with World Bank assistance.	August 2001

Cameroon: Technical Memorandum of Understanding on the Definitions and Modalities of the Built-In Contingency Mechanism for the Adjustment of Quantitative Performance Criteria and Benchmarks Under the First Annual PRGF Arrangement

A. Introduction

30. This memorandum sets out the understandings between the Cameroonian authorities and the staff of the International Monetary Fund regarding the definitions of the quantitative performance criteria and benchmarks for the program supported by the PRGF arrangement, and the built-in contingency mechanism, as well as the related reporting requirements.

B. Definitions

External debt

31. The size and rate of growth of external indebtedness are an important factors in the design of a program for a country, especially one benefiting from the Initiative for Heavily Indebted Countries (HIPC) assistance like Cameroon. Consistent with the Guidelines on Performance Criteria with respect to Foreign Debt (Decision N° 12274- (00/85), August 24, 2000), external debt will be understood to mean a current, that is, not a contingent, liability created under a contractual arrangement by the government of Cameroon, or guaranteed by the government of Cameroon, with a nonresident party through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debt can take a number of forms, the primary ones being the following:

- **Loans.** These are advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements).
- **Suppliers' credits.** These are contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided.
- **Leases.** These are arrangements under which property is provided that the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of this memorandum, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

32. Under this definition of debt, arrears, penalties, and judicially awarded damages arising from failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

Concessionality of external debt

33. Debt is considered concessional if it has a grant element equivalent to 35 percent or more using the available currency-specific commercial interest reference rate (CIRR) and following the methodology set out in staff paper SM/96/86 (4/8/96) and approved by the IMF Executive Board on April 15, 1996.

Cash relief from external debt rescheduling

34. For the purpose of the program, the only debt relief that will be subject to the contingency mechanism described below is one that leads to an effective reduction in programmed debt service. This excludes debt relief given on debt that has been in drawn-out rescheduling/restructuring negotiations with non-Paris Club creditors and for which no debt service has been paid in the past year, for example, debts to be considered under the debt- and debt-service reduction operation with commercial creditors, and for which no provision in debt service has been explicitly made in the fiscal program (except for up-front costs).

Domestic arrears

35. Domestic arrears include nonstructured domestic debt contracted by the government. Nonstructured debt is defined to be a liability for which there has been neither a formal agreement, nor a cash payment, nor securitization. Specifically, this debt includes salary arrears; commercial debt; rental/lease arrears; debt on account of indemnities and expropriations; fees and tax refunds or reimbursements; and debt on account of social adjustment programs arising from the restructuring of public enterprises. The government intends to settle 37 percent of these liabilities in the form of cash payments and to securitize the remainder.

Net claims of the banking system on the central government

36. Net claims of the banking system on the central government comprise the stock of all outstanding claims on the central government (loans, advances, and all other government debt instruments, such as long-term government securities) by the banking system, less all deposits held by the central government with the banking system. Privatization receipts are excluded from the definition of the ceiling on net claims of the banking system on the central government.

Primary balance of the budget

37. The primary budget balance is calculated as total central government revenue (oil and non-oil), excluding foreign grants and privatization proceeds (counted as financing), less noninterest expenditure, excluding foreign-financed investment and restructuring expenditure.

Privatization receipts

38. For the purpose of this memorandum, privatization receipts will be understood to mean all monies received by the central government through the sale or concessioning of a public company, organization, or facility to a private company(ies) (including ones fully owned by foreign governments), organization(s), or individual(s). To the extent possible, receipts should be presented on a gross basis; if costs are incurred in the sale or concessioning, they should be recorded separately as expenditure.

C. Modalities of the Built-In Contingency Mechanism for the Adjustment of Quantitative Performance Criteria and Benchmarks

39. In view of uncertainties about program financing and oil prices, the program contains a built-in contingency mechanism for the adjustment of the quantitative criteria and benchmarks relating to the ceilings on the increase in the net claims of the banking system on the central government (performance criterion).

Deviations from programmed oil revenue

40. The programmed oil revenue for the period April 2001 to September 2001 is based on oil prices assumptions of US\$21.4 and US\$22.0 per barrel (for Cameroon) for the third and fourth quarters of the first annual program, and on volume estimates of 10.2 and 9.5 million barrels, respectively. Based on these assumptions, the oil revenue contribution to the central government's budget is estimated at CFAF 95 billion and CFAF 69 billion in the third and fourth quarters.

41. In case of lower-than-programmed oil revenue (owing to events outside the government's control), the government will compensate 50 percent of the shortfall by expenditure savings and/or additional revenue from other sources. For the remaining 50 percent of the shortfall, the above-mentioned quantitative performance criteria and benchmarks will be adjusted upward. For a shortfall beyond a threshold of CFAF 35 billion per quarter, the authorities will consult Fund staff to formulate corrective policies to adjust performance criteria.

42. The entire amount of the oil revenues above those programmed will be placed in a treasury account at the Bank of Central African States (BEAC). A maximum of 50 percent of the windfall will be used to (a) increase high-priority infrastructure investment and social expenditures; and (b) reduce domestic arrears. The remainder of the windfall revenue will be sterilized by lowering the ceilings on the above-mentioned quantitative performance criteria and benchmarks.

Deviations from programmed external assistance and reductions in domestic and external arrears

43. The above-mentioned quantitative performance criteria and benchmarks will be adjusted (a) upward for a shortfall in exceptional external financing (i.e., program financing and external debt relief) up to an amount equivalent to 50 percent of the shortfall (for a total cumulative

shortfall of CFAF 35 billion); (b) downward for the full amount of any excess in external assistance (i.e., program financing and external debt relief); and (c) downward by the full amount of any shortfall in the reductions of domestic and external payments arrears in comparison to the program.

Program exchange rate

44. Amounts denominated in SDRs will be converted to U.S. dollars at the fixed exchange rate of US\$1.324 per SDR, and converted into CFA francs in accordance with the exchange rates agreed with the authorities. IMF liabilities, which are included in the definition of net claims on the central government by the banking system, will be valued at this exchange rate. Any deviations in the exchange rate will lead to a full adjustment in the valuation of the stock of IMF liabilities at the central bank, and a similar adjustment in the ceiling on the net claims of the banking system on the central government.

D. Reporting Requirements

45. The Cameroonian authorities will send to the Fund the following data within the time limits set out in the attached Table 1. Except as otherwise indicated, data transmission will take the form previously agreed between the authorities and the Fund. The authorities will supply the Fund with any additional information that the Fund requests in connection with monitoring performance under the program on a timely basis.

Table 1. Cameroon: Data Reporting Requirements

Category of Data	Table/Report	Frequency	Deadline
Financial and monetary data	Central bank balance sheet, consolidated commercial bank balance sheet, monetary survey	Monthly	25 th of the month for the previous month
	Interest rates	Irregular	One week after new changes announced
	HIPC Initiative BEAC account transactions	Monthly	25 th of the month for the previous month
Fiscal data	<i>Tableau de bord</i> , including details on revenues, expenditures, financing and domestic debt payments (including settlement of arrears)	Monthly	25 th of the month for the previous month
	Treasury balances	Monthly	25 th of the month for the previous month
	Treasury "flash" reports	Monthly	10 th of the month for the previous month
	Domestic debt settlement plan execution report	Monthly	25 th of the month for the previous month
	Investment budget execution report	Quarterly	One month after end of quarter
	Expenditure reports by selected ministries	Quarterly	One month after end of quarter
	National oil company (SNH) operations, including export volumes, exchange rates, prices and values, transferable balance, and summary accounts	Monthly	25 th of the month for the previous month
	HIPC Initiative spending plans and budget execution	Quarterly	One month after end of quarter
Real sector data	Consumer price index, Yaoundé	Monthly	10 th of month for previous month's data
	National consumer price index	Quarterly	10 th of month for previous quarter's data
	Index of industrial production	Quarterly	One month after end of quarter
	National accounts	Annual	Summary estimates: six months after the end of year

Table 1. Cameroon: Data Reporting Requirements

Category of Data	Table/Report	Frequency	Deadline
Balance of payments data	Imports by use and exports by major product, trade balance	Monthly	25 th of the month for the previous month's data
	Price and volume indices of imports and of exports	Quarterly	One month after end of quarter
	Consolidated estimates of the balance of payments	Annual	Summary estimates: six months after the end of year
External debt	Debt service due before and after debt relief	Quarterly	At beginning of fiscal year; updates as needed
	Cash debt service paid	Monthly	25 th of the month for the previous month's data
	Debt service reconciliation table ("access table")	Quarterly	25 th of the month for the previous quarter's data
	Stock of outstanding debt and arrears	Quarterly	25 th of the month for the previous quarter's data
	Drawings on new loans	Quarterly	25 th of the month for the previous quarter's data
External grants	Disbursements	Monthly	25 th of the month for the previous month's data

Cameroon: Relations with the Fund
(As of May 31, 2001)

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

A. Financial Relations

General Resources Account:	SDR million	% Quota
Quota	185.70	100.0
Fund holdings of currency	185.19	99.7
Reserve position in the Fund	0.52	0.3

SDR Department:	SDR million	% Allocation
Net cumulative allocation	24.46	100.0
Holdings	0.07	0.3

Outstanding Purchases and Loans:	SDR million	% Quota
PRGF arrangements	178.04	95.9

Financial Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
Poverty Reduction and Growth Facility (PRGF)	12/21/00	12/20/03	111.42	15.92
ESAF/PRGF	8/20/97	12/20/00	162.12	162.12
Stand-By	9/27/95	9/26/96	67.60	28.20

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

	Overdue 05/31/2001	Forthcoming				
		2001	2002	2003	2004	2005
Principal	0.0	0.0	0.0	8.1	18.9	27.0
Charges/interest	0.0	1.3	1.8	1.8	1.7	1.6
Total	0.0	1.3	1.8	9.9	20.6	28.6

B. Nonfinancial Relations

Exchange Rate Arrangement

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

Local currency equivalent: CFAF 960.63 = SDR 1 as of June 22, 2001

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

Article IV Consultation with the Fund

The last Article IV consultation with Cameroon was concluded by the Executive Board on June 7, 2000.

Resident Representative

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

Recent Technical Assistance

June 2000: FAD mission on the modernization of customs.

April 2000: STA mission on General Data Dissemination System (GDDS)/Report on the Observance of Standards and Codes (ROSC).

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

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

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

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

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

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

September 1998: Placement of FAD advisor on the VAT.

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

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

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

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

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

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

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

Cameroon: Relations with the World Bank Group

(As of April 30, 2001)

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

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

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

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

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

5. The Board of the World Bank approved on June 25, 1998 a third structural adjustment credit for an amount of US\$180 million focusing on privatization (public utilities and agro-industries), private sector development, and the transport, financial, and forestry sectors. The first tranche (US\$50 million) was disbursed in September 1998, the second tranche (US\$26 million) in June 1999, and the third tranche of US\$26 million in June 2000. A supplemental credit in an amount of US\$13 million was disbursed in April 1999. Another supplemental

credit was made effective on September 26, 2000. There are five investment projects in the portfolio, which are in implementation and cover agricultural extension; health, fertility, and nutrition; vocational training; privatization; and a transport sector road project that supports road maintenance. There are three projects pending effectiveness, one for environmental capacity building, the Chad-Cameroon pipeline, and the public-private partnership for growth and poverty reduction. The total value (original principal) of these credits amounts to US\$216.3 million.

Cameroon: Preparation of Full Poverty Reduction Strategy Paper—Timetable

I. Synthesis

Participatory Process	Activities		Timetable
	ECAM II	Other Sources	
	1. Preparatory and mapping work for ECAM II household survey		October 2000–June 2001
		1. Reinforcement of the arcas/pillars of the growth and poverty reduction strategy based on recommendations from seminar held on October 30-31, 2000	January–October 2001
1. Technical consultation with development partners			April 2001
2. Seminar on establishment of a national poverty reduction network			June 2001
3. Pilot discussions in the Far North province for: <ul style="list-style-type: none"> • Presentation of I-PRSP • Presentation of HIPC projects and their relationship to 2000 discussions, based on I-PRSP • Gathering of suggestions for finalization of PRSP • Regional focal points of national poverty reduction network • Presentation of consultative committee and monitoring of HIPC resource management • Poverty reduction indicators 			June 2001
4. Choice/selection of indicators for monitoring progress made in reducing poverty			June–July 2001
	2. Gathering of ECAM II data		June–September 2001

Participatory Process	Activities		Timetable
	ECAM II	Other Sources	
5. Participatory discussions in all provinces, in the light of lessons learned from the pilot consultation			July–August 2001
	3. Development of data and publication of initial ECAM II results		July–December 2001
6. National seminar on reconciling results from participatory discussions <ul style="list-style-type: none"> • Summary of suggestions for finalizing the PRSP • Selection of priority indicators for monitoring poverty reduction • Examination of project architecture and operational modalities of national poverty reduction network, in the light of observations regarding the network at the time of discussions 			August 2001
7. Retreat to draft the preliminary version of the full PRSP			September 2001
		2. Consideration of data from survey on women and children (multi-purpose survey)	September 2001
		3. Consideration of data from survey on household expenses and living conditions in Douala and Yaounde (urban poverty)	September–October 2001
8. Incorporation of ECAM II data in preliminary version of full PRSP			November–December 2001
9. Seminar on presentation and finalization of PRSP			December 2001
10. Adoption and publication of PRSP			January–February 2002

II. Detailed Schedule of Activities

Participatory Process	Activities		Timetable
	ECAM II	Other sources	
1. Participatory discussions and seminar on establishment of national poverty reduction network	1. Preparatory and mapping work for ECAM II	1.1 Reinforcement of the areas/pillars of the growth and poverty reduction strategy	
	1.1 Preparatory office work		October 2000–May 2001
		1.2 Reinforcement of the areas/pillars of the growth and poverty reduction strategy, based on recommendations from the seminar held on October 30-31, 2000	January–October 2001
	1.2 Mapping		February–April 2001
		<i>Area 2: Preparation and implementation of policies for high quality growth</i>	
		2.1 Development of policy papers and other sectoral strategy inputs available in Ministry departments (MINAGRI, MINEPLA, MINEF, MINREST (IRAD), MINDIC, MINTOUR, MINMEE, ARE, AER, CTR)	April–June 2001
		2.2 Identification of robust actions that could reinforce medium-term growth and contribute significantly to poverty reduction in each sector	April–June 2001
		<i>Area 7: Governance and combating corruption</i>	
		Expression in the PRSP of relevant priority actions to improve governance and combat corruption approved by the government and monitored with partners	April–June 2001

Activities			Timetable
Participatory Process	ECAM II	Other sources	
		1.1 Borrowing ideas from the common United Nations Initiative for job creation in Cameroon and the work of the Jobs for Africa Network	April-May 2001
		1.2 Reinforcement based on relevant recommendations from the April 10-12, 2001 meeting of the Inter-ministerial Council, which is expanded to include the private sector concerning conditions for creating jobs in Cameroon	April-May 2001
	1.3 Hiring and training of surveyors and auditors		April-May 2001
		<i>Area 5: Urban poverty</i>	
		5.1 Incorporation of programs financed with HIPC resources to clean up and rehabilitate urban refuse dumps	April-May 2001
	1.4 Pilot survey		May 2001
		1.5 Recourse to HIMO techniques for urban construction projects	May-June 2001
		<i>Area 3: Rehabilitation and development of basic infrastructure</i>	
1.1 Preparation of discussion methodology		3.1 Consideration of HIPC projects	May-June 2001
1.2 Formation of teams to conduct participatory discussions in the various provinces		3.2 Development of infrastructures through BOO and BOT policies	May-June 2001

Participatory Process	Activities		Timetable
	ECAM II	Other sources	
1.3 Identification of HIPC projects by region		3.3 Preparation of an action plan to reinforce use of labor-intensive (HIMO) techniques in road maintenance	May-June 2001
1.4 Preparation of TORs for seminar on establishing national poverty reduction network			May-June 2001
	1.5 Consciousness-raising		May-October 2001
		<i>Area 4: Social policies and strategies</i>	
1.5 Seminar on national poverty reduction network with participation of NGOs and associations involved in the process since it began in 2000	1.6 Final technical documents (particularly questionnaires and manuals)	Strengthening of the document content, based on improvements made to the health and education sector strategy papers and related implementation programs, in the context of medium-term budget frameworks	June 2001
1.6 Identification of discussion participants in each region			June-July 2001
	2. Gathering ECAM II data		June-September 2001
	3. Utilization of data and publication of initial results from ECAM II		
1.7 Directives on preparing summary regional reports on the results of the first phase of discussions	3.1 Hiring and training of data entry staff		July 2001
1.8 Preparation of summary regional reports on the results of the first phase of discussions			July 2001
1.9 Preparation of summary I-PRSP			July 2001

Participatory Process	Activities		Timetable
	ECAM II	Other Sources	
1.10 Seminar to update members of the various teams responsible for conducting participatory discussions and presentation of (i) methodology for the 2 nd phase of discussions, (ii) summary regional reports on the first phase of discussions; and (iii) summary I-PRSP			July 2001
1.11 Implementation of participatory discussions and gathering of data on urban poverty			July-August 2001
	3.2 Data entry		July-October 2001
	3.3 Clearance of files		August-November 2001
2. Retreat for drafting preliminary version of full PRSP			September 2001
3. Partnership, participation and capacity building (Area 6 of strategy)			
3.1 Organization of seminars to build capacity of members of the national poverty reduction network			September-October 2001
3.2 Building programming capacities in the basic infrastructure sectors			September-October 2001
3.3 Strengthening of capacities in the programming, execution and monitoring/evaluation of government investment programs in social sectors			September-October 2001
3.4 Building capacities in the programming, execution, and monitoring/evaluation of government investment programs in urban setting			September-October 2001

Participatory Process	Activities		Timetable
	ECAM II	Other Sources	
3.5 Strengthening of capacities of members of panels monitoring governance and units combating corruption in the identification, prevention, and elimination of corrupt acts			September–October 2001
	3.4 Output of initial results		November–December 2001
4. Incorporation of ECAM II data in the preliminary version of full PRSP			November–December 2001
5. Seminar for the presentation and finalization of PRSP			December 2001
6. Adoption and publication of PRSP			January–February 2002

Cameroon: Statistical Issues

1. The Cameroonian authorities have recently made some progress in improving their statistical database, particularly on national accounts, the balance of payments, and fiscal operations. Work has also been initiated on the collection of social indicators. In addition, the authorities are current in reporting information for publication in the *Government Finance Statistics (GFS) Yearbook*. However, improvements are needed in data quality, coverage, and timeliness. In light of the remaining deficiencies of the national economic and social data system, the government has formulated and initiated projects for statistical development.
2. Cameroon is participating in the General Data Dissemination System (GDDS) and has designated the Director of the Direction de la Statistique et de la Comptabilité Nationale (DSCN) as the GDDS coordinator. STA missions visited Cameroon in November 1998 and April 2000 to assist the authorities in producing metadata in all statistical areas covered by the GDDS: real, external, government finance, and money and banking sectors, as well as in the social and demographic sector. These metadata, which include a description of the existing statistical systems and plans for statistical development, are available on the Internet via the Fund's Dissemination Standards Bulletin Board (DSBB).

Real sector

3. The authorities have adopted the 1993 SNA for the national accounts compilation. GDP data for 1989/90 through 1997/98, estimated on the new basis, were published in 1999, and the methodology in April 2000. Despite the improvements made, the quality of the data sources is still weak, as many estimates are based on outdated census and surveys. Regarding the consumer price index, monthly data are reported to the Fund but their quality is weak, as well. However, the authorities are updating the surveys on which the data collection is based. They also are participating in the harmonized consumer price index project of the Central African Economic and Monetary Community (CEMAC) region and expect to publish the new index in January 2002.
4. The sociodemographic statistics need significant improvements in many respects. Available population and demographic statistics are outdated. Most current estimates are based on the results of a census that took place in 1987. The coverage of health and education statistics is poor. There is a lack of communication of information among the statistical units, as well as lack of resources, training, and material to guarantee an adequate collection of raw data. In order to facilitate an effective monitoring of the Poverty Reduction and Growth Facility (PRGF) arrangement, projects for improvement in the socio-demographic indicators would need an urgent impetus from the Cameroonian authorities. An important step that would significantly improve many real and social sector statistics would be to expedite the undertaking of the Third General Census of Population and Housing.

Public finance

5. Detailed monthly fiscal data for the period through July 2000 have been provided to the Fund. The data do not include information on the transactions of local governments. Weaknesses in the fiscal data include the following: (a) insufficient coverage of foreign grants; (b) inconsistencies between the TOFE and the treasury's accounts; (c) insufficient geographical coverage of government operations; (d) lack of information on the financial operations of the local governments; (e) lack of clarity regarding domestic arrears; and (f) lack of documentation on the methodology used to prepare the analytical accounts (*tableau de bord*). The authorities have formulated plans to tackle these weaknesses.

Monetary accounts

6. Monetary statistics for Cameroon, as well as for the other member countries of the regional central bank (BEAC), are reported to the Fund by the BEAC on a monthly basis. The lag in data reporting has been reduced over the last 12 month period and is now satisfactory. Although the coverage of the data is comprehensive, the quality is affected by large cross-border movements of currency among member countries of the CEMAC.

Balance of payments

7. The compilation of the balance of payments statistics is done by the Ministry of Finance (while in other BEAC countries it is done by the BEAC). The most recent technical assistance mission on balance of payments statistics visited Cameroon during 1995. However, since 1994, no official balance of payments data have been released, owing to a considerable delay in implementing the data compilation reform. The substantial lag in producing balance of payments data is mainly due to: (a) lack of qualified staff and equipment; (b) data deficiencies related to private debt; and (c) weak cooperation between the BEAC, which assumes the responsibility of collecting the raw data, and the Ministry of Economy and Finance. Balance of payments data are not published but are disseminated, though only to policymakers and donors. Provisional external sector data have been provided to AFR for the period through December 1999, and balance of payments data in the *IFS* statistics pertain to 1995.

Cameroon: Core Statistical Indicators
(As of May 31, 2001)

	Exchange Rates	International Reserves	Reserve/ Basic Money	Central Bank Balance Sheet	Broad Money	Interest Rates	Consumer Price Index	Exports/Imports	Current Account Balance	Overall Government Balance	Current Account Balance	External Debt/Debt Service Paid
Date of latest observation	05/31/01	03/01	04/01	04/01	03/01	04/01	03/01	03/01	1999/00 1/	03/01	1999/00 1/	03/01
Date received	05/31/01	05/01	06/01	06/01	05/01	05/01	05/01	05/01	05/01	05/01	05/01	05/01
Frequency of data 2/	D	M	M	M	M	M	M	M	S	M	A	M
Frequency of reporting 2/	D	M	M	M	M	M	M	M	S	M	A	M
Source of data 3/	A	A	A	A	A	A	A	A	A	A	A	A
Mode of reporting 4/	E	C/M	E	E	E	E	C/M	C/M/V	C/M/V	C/M/V	C/M/V	C/M/V
Confidentiality 5/	P	P	P	P	P	P	P	P	P	P	P	P
Frequency of publication 2/	D	M	M	M	M	W	M	M	S	M	A	M

1/ Fiscal year begins in July.
 2/ A = annually; D = daily; M = monthly; Q = quarterly; S = semiannually; W = weekly.
 3/ A = direct reporting by the Central Bank or the Ministry of Finance.
 4/ C = cable or facsimile; E = electronic data transfer; M = mail; V = staff visits.
 5/ P = publicly released information; C = confidential.



INTERNATIONAL MONETARY FUND

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Public Information Notice (PIN) No. 01/72
FOR IMMEDIATE RELEASE
July 26, 2001

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Concludes 2001 Article IV Consultation with Cameroon

On July 16, 2001, the Executive Board concluded the Article IV consultation with Cameroon.¹

Background

Cameroon's good record of performance in the macroeconomic and structural areas under the previous three-year Poverty Reduction and Growth Facility (PRGF) arrangement remained broadly satisfactory during the first six months (October 2000-March 2001) of the first annual program under the new three-year PRGF arrangement approved by the Executive Board in December 2000.

Under the previous PRGF arrangement, the government made good progress in implementing macroeconomic policies and structural reforms to strengthen the public finances, liberalize the economy and foreign trade, and stimulate private sector initiative. At the same time, in the area of social and poverty alleviation policies, a sectoral strategy for education was drawn up and an interim Poverty Reduction Strategy Paper was prepared, incorporating the outcome of comprehensive participatory consultations. A governance and anticorruption strategy, including an associated action plan, was adopted. These reforms allowed Cameroon to make significant progress toward achieving sustained economic growth, controlling inflation, and reducing internal and external imbalances. Cameroon has reached the decision point under the enhanced HIPC initiative in October 2000 and some creditors, especially the IMF and the World Bank, have started to provide interim assistance.

During the first six months of the current PRGF program, the overall economic and financial situation continued to improve. Program implementation was broadly on track and all the quantitative performance criteria and benchmarks for end-March 2001 were met, with the exception of the performance criterion on net bank credit to the central government and the benchmark on the reduction of domestic arrears. The Executive Board granted a waiver for the

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. This PIN summarizes the views of the Executive Board as expressed during the July 16, 2001 Executive Board discussion based on the staff report.

nonobservance of the performance criterion on net bank credit to the central government, and modified this criterion for the remainder of the first year of the arrangement. Also, all the structural benchmarks and performance criteria, as well as the other governance-related measures, were observed, except for the development of a computer interface for the government payroll file.

The pace of economic activity has remained fairly steady; real GDP growth is projected at 5.3 percent for 2000/01 and 5.5 percent for 2001/02. The 12-month national consumer price inflation is expected to ease down to 2 percent in 2000/01, following an acceleration to 2.2 percent in March 2001, driven by higher foodstuff prices as a result of a drought in the northern provinces. The external current account deficit (excluding official grants) is projected to widen slightly to 2.7 percent of GDP in 2000/01, as a result of a lower-than- envisaged improvement in the terms of trade.

Government finances continue to improve. In 2000/01, the primary and the overall fiscal surpluses are projected to reach 7.4 percent of GDP and 2 percent of GDP, respectively. While revenue mobilization efforts have continued, the government is now also focusing on strengthening expenditure management and control, and improving transparency in government operations. To this end, annual audits of public agencies are being conducted and quarterly reports on budgetary execution of key ministries are being issued; also, an overhaul of the procurement system was completed. In addition, an action plan is being prepared by the government for end-September 2001, with a view to introducing an integrated computerized fiscal and accounting information system to manage government revenue and expenditure by the end of the current PRGF arrangement in September 2003. Steps are also being undertaken to address the deficiencies in the judiciary system.

Monetary developments point to a weaker-than-anticipated contribution by Cameroon to the net foreign assets position of the Bank of Central African States in 2000/01, an increase in net bank credit to government, and a somewhat lower growth in credit to the private sector than earlier envisaged. Broad money is estimated to have increased by 13 percent in 2000/01, reflecting mainly a recovery in deposits.

Progress in structural reforms has continued, notably in the financial, transport, forestry, and petroleum sectors. However, there have been delays in public expenditure management reform and the privatization of the national water company, the fixed telecommunications company, the electricity company, and the agro-industrial company.

Executive Board Assessment

Executive Directors welcomed Cameroon's continued satisfactory performance, characterized by strong economic growth, rising private investment in non-oil activities, low inflation, and an improving foreign asset position.

Directors, however, saw these achievements as still fragile, partly in view of the economy's heavy dependence on the oil sector, output from which is expected to decline in the longer term.

Against this background, they encouraged the authorities to proceed forcefully with their policy agenda. Priorities should be to further strengthen the fiscal position—by a combination of expenditure and revenue measures—and to intensify efforts to improve governance, notably in the judiciary system. Directors were encouraged that these priorities are fully endorsed by the Cameroonian authorities at the highest level.

In the fiscal area, Directors welcomed the authorities' determination to correct the recent expenditure slippages, and the cautious approach adopted in setting revenue and expenditure targets for the next fiscal year. They encouraged the authorities to improve non-oil revenue mobilization by strengthening custom and tax administration, combating fraud, and avoiding potentially costly tax exemptions. Directors also urged the authorities to ensure that the government wage bill remains under firm control, as well as to adhere strictly to their plan to phase out the petroleum subsidy. In this regard, Directors welcomed recent price adjustments for petroleum products.

For the medium term, Directors emphasized the importance of continuing to strengthen the efficiency and transparency of public revenue and expenditure management. In particular, they underscored the need for timely introduction of an integrated computerized fiscal and accounting information system to manage central government revenue and expenditure by the end of the current PRGF-supported program.

Directors expressed concern that Cameroon's low implementation capacity could affect the quality of government expenditures, including those financed by savings from the HIPC Initiative. They recommended that absorptive and capacity constraints be carefully taken into account in implementing HIPC-related expenditure initiatives. In this regard, Directors noted that projects would require endorsement by the national consultative committee on the implementation of the HIPC Initiative. They also noted the important role of consultations with civil society in selecting expenditure priorities, and, more generally, in fostering social support and understanding for the needed policies.

Directors strongly encouraged the authorities' efforts to tackle weaknesses in governance, improve transparency, fight corruption, and uphold the rule of law, in order to create a favorable environment for private economic activity. Some serious deficiencies in the functioning of the judiciary system need to be addressed swiftly to help foster investor confidence and prevent a possible deterioration of the financial health of the banking system. Directors welcomed the authorities' intention to launch a technical audit of the judicial system in the very near future.

Regarding other structural reforms, Directors urged the authorities to implement without delay their welcome decision to focus on early completion of the ongoing privatization program. They also supported the importance the authorities are giving to further consolidation of the domestic financial system, including through the establishment of sound microfinance institutions, and to reform of the petroleum sector. Directors looked forward to early implementation of the reforms envisaged in the forestry, transport, and agro-industrial sectors in order to enhance competitiveness, job creation, and diversification of the economy.

Directors welcomed progress in resolving debt-related issues with bilateral creditors and took note of ongoing negotiations with other creditors.

Directors urged the authorities to continue their efforts to improve economic data, including in the context of PRSP preparation and of the General Data Dissemination System.

Public Information Notices (PINs) are issued, (i) at the request of a member country, following the conclusion of the Article IV consultation for countries seeking to make known the views of the IMF to the public. This action is intended to strengthen IMF surveillance over the economic policies of member countries by increasing the transparency of the IMF's assessment of these policies; and (ii) following policy discussions in the Executive Board at the decision of the Board.

Cameroon: Selected Economic Indicators, 1995/96-2000/01 1/

	1995/96	1996/97	1997/98	1998/99	1999/2000 2/	2000/01 3/
	In percent					
Domestic economy						
Change in real GDP	5.0	5.1	5.0	4.4	4.2	5.3
Change in consumer prices (end of period)	4.6	7.0	2.2	2.2	-0.7	2.0
Change in the terms of trade	-8.6	5.1	-4.5	-15.7	41.1	1.8
	In millions of U.S. dollars 4/					
External economy						
Exports, f.o.b	1,605	1,816	1,800	1,682	2,124	2,134
Imports, f.o.b	1,201	1,347	1,441	1,483	1,538	1,657
Current account balance 5/	-375	-257	-217	-377	-154	-211
Direct investment	120	126	140	143	107	152
Portfolio investment	146	148	113	73	185	165
Capital account balance	-352	-358	-120	-157	-49	-147
Current account balance (percent of GDP) 5/	-4.1	-2.8	-2.5	-4.1	-1.7	-2.7
Change in real effective exchange rate (in percent) 6/	6.4	-1.8	-0.6	8.5	-4.2	...
	In percent of GDP 4/					
Financial variables						
Gross national savings	11.2	13.4	15.0	14.6	14.7	15.0
Gross domestic investments	15.4	16.2	17.5	18.7	16.4	17.7
Central government budget balance 7/	-1.3	-1.0	-1.4	-3.2	1.4	2.4
Primary budget balance	5.4	5.8	5.9	4.6	7.2	7.4
Change in broad money (in percent)	-5.1	13.8	7.8	9.7	18.8	13.0
Interest rate (in percent) 8/	8.0	7.5	7.5	7.5	7.6	7.3
Total External Public Debt	87.4	83.5	87.8	90.2	79.3	75.6
Actual External Public Debt Service 9/	24.9	19.6	16.1	17.8	14.0	...

1/ Fiscal years begin in July.

2/ Data provided by the Cameroonian authorities and IMF staff estimates.

3/ Revised IMF projections for the first annual arrangement under the PRGF.

4/ Unless otherwise indicated.

5/ Including grants.

6/ (+) = appreciation.

7/ Including grants.

8/ Bank of Central African States (BEAC) discount rate (end of period).

9/ In percent of exports of goods and nonfactor services.

NEWS  BRIEFFOR IMMEDIATE RELEASE

News Brief No. 01/62
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July 16, 2001

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

**IMF Completes Cameroon Review Under PRGF
and Approves US\$ 20 Million Disbursement**

The Executive Board of the International Monetary Fund (IMF) today completed the first review of Cameroon's three-year arrangement under the Poverty Reduction and Growth Facility (PRGF).¹ As a result, Cameroon will be able to draw an amount equivalent to SDR 15.92 million (about US\$20 million) from the arrangement immediately.

Cameroon's three-year PRGF arrangement was approved on December 21, 2000 (see Press Release 00/86) for SDR 111.42 million (about US\$139 million). So far, Cameroon has drawn SDR 15.92 million (about US\$20 million).

¹ On November 22, 1999, the IMF's facility for low income countries, the Enhanced Structural Adjustment Facility (ESAF), was renamed Poverty Reduction and Growth Facility (PRGF), and its purposes were redefined. It is intended that PRGF-supported programs will in time be based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners, and articulated in a Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that each PRGF-supported program is consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. Cameroon's full PRSP is expected to be finalized in early 2002. PRGF loans carry an annual interest rate of 0.5 % and are repayable over 10 years with a 5 ½-year grace period on principal payments.

After the Executive Board's discussion on Cameroon, Shigemitsu Sugisaki, Deputy Managing Director and Acting Chairman made the following statement:

"The Cameroonian authorities have made commendable progress in implementing their three-year, PRGF-supported program. Economic and financial conditions have substantially improved, inflation remains low, and progress toward fiscal sustainability has continued.

"Continued determined efforts are essential to reinforce the fiscal position by further strengthening public expenditure and revenue management, and to improve governance. These priorities are endorsed by the Cameroonian authorities at the highest level. The execution of the budget will be closely monitored to ensure that fiscal targets are met. The privatization program is to be brought to an early closure. Efforts in the near term to improve governance will focus on the judiciary system.

"The challenge facing Cameroon is to consolidate the fiscal and structural reform gains achieved so far and to create an environment conducive to increased private investment, job creation, and sustained growth. Determined policy implementation in these areas, together with effective and efficient use of the savings from HIPC assistance, are key to achieving Cameroon's poverty reduction objectives," Mr. Sugisaki said.