

Cameroon: 2002 Article IV Consultation, Third Review Under the Poverty Reduction and Growth Facility, and Request for a Waiver of Performance Criterion—Staff Report; News Brief and Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Cameroon

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussion with members, usually every year. In the context of a combined discussion of the 2002 Article IV consultation with Cameroon, third review under the Poverty Reduction and Growth Facility, and request for a waiver of performance criterion, the following documents have been released and are included in this package:

- the staff report for the 2002 Article IV consultation, third review under the Poverty Reduction and Growth Facility, and request for a waiver of performance criterion, prepared by a staff team of the IMF, following discussions that ended on **May 15, 2002**, 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 August 29, 2002.** 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 News Brief** summarizing the **views of the Executive Board as expressed during its September 18, 2002 Executive Board discussion** of the staff report that concluded the Article IV consultation, the third review under the Poverty Reduction and Growth facility, and request for a waiver of a performance criterion, respectively.
- a statement by the Executive Director for Cameroon.

The documents listed below have been or will be separately released.

Letter of Intent*
Memorandum of Economic and Financial Policies*
Statistical Appendix

*May also be included in Staff Report

**Inadvertently omitted

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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CAMEROON

**Staff Report for the 2002 Article IV Consultation,
Third Review Under the Poverty Reduction and Growth Facility,
and Request for a Waiver 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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August 29, 2002

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EXECUTIVE SUMMARY

Recent economic developments and prospects

- **During the last five years, the Cameroonian economy has benefited from improved macroeconomic performance and the progress made in implementing key structural reforms.** To promote macroeconomic stability, the fiscal position was substantially strengthened through improved revenue mobilization and prudent expenditure policies. The process of implementing important structural reforms in the transportation and forestry sectors was started, the banking system was rehabilitated, and some progress was made under the privatization program.
- **During the first half of the second annual program (October 2001-March 2002), economic activity expanded at a somewhat slower pace than projected, but continued to be strong. The growth prospects for 2002 remain good.** The 12-month national consumer price inflation rate increased to 4.8 percent in March 2002, driven by high foodstuff prices. The fiscal primary surplus (excluding HIPC spending) was somewhat smaller than programmed. Cameroon's external position strengthened. All end-March 2002 quantitative performance criteria and benchmarks were observed.
- **While all the structural benchmarks were observed, the end-March 2002 performance criterion** (on the computerized link between the information system of the treasury and that of the budget department for government expenditures) **was missed.** However, as a result of intensified efforts, **this measure is now in place.**
- **Good progress continued in implementing policies to strengthen non-oil revenue mobilization, and steps were taken to improve governance.** However, progress in HIPC completion point-related structural reforms, particularly under the World Bank's SAC III, was very slow during the first half of the second annual program.
- **Looking ahead, however, Cameroon will need to achieve much higher growth rates of real GDP on a sustained basis, in order to reduce poverty substantially.** This will be a particularly challenging task, in light of a steeper than initially projected decline in oil production over the medium and long term.
- **The medium-term macroeconomic outlook is less favorable than at the inception of the PRGF arrangement.** With the revenue outlook weakened by declining oil output, the authorities will be faced with the difficult challenge of allocating more resources for the development of the social sectors and investment in basic infrastructure.

Report on the discussions

- **The authorities concurred with the staff that, in order to ensure more rapid economic growth and to fight poverty on a durable basis, the policy stance** would need to continue to focus on (i) maintaining macroeconomic stability through further fiscal consolidation with a focus on improving expenditure management, strengthening

tax and customs administration, and accelerating governance reforms; (ii) speeding up the implementation of efficiency-enhancing structural reforms, including HIPC completion point triggers; and (iii) tackling the urgent issues of education, health, and rural and urban development in the context of the PRSP.

Issues highlighted in the staff appraisal

- **The staff endorses the prudent fiscal stance embodied in the transition budget for July-December 2002.** In light of the projected decline in oil output, the fiscal consolidation effort will need to be sustained.
- **The authorities' focus on further strengthening public expenditure management and mobilizing non-oil revenue is appropriate** to maintain fiscal sustainability over the medium term. The authorities need to adhere strictly to the established timetable for the implementation of their action plan to introduce before the end of the PRGF arrangement in September 2003 an integrated computerized fiscal and accounting information system to manage government revenue and expenditure.
- **Substantial delays have been incurred in implementing HIPC-related programs and projects.** Given the pressing need to develop the key social services of health and education and invest in basic economic infrastructure, the staff supports the authorities' decision to give priority to the implementation of the HIPC-related projects.
- **The authorities are urged to complete the preparation of the full PRSP on a timely basis.**
- **The authorities need to intensify their efforts to improve governance and to move forward with the implementation of structural reforms,** including those required to reach the HIPC completion point by end-September 2003. More rapid progress in this area is needed to promote private investment and growth in non-oil output and exports.
- **Cameroon has an important role to play in fostering regional integration within the CEMAC,** by supporting more actively regional initiatives in the areas of trade, customs harmonization, bank supervision, and money laundering.
- **While the quality of available data on budget execution and their timeliness have improved since the last Article IV consultation, greater efforts need to be made to generate comprehensive data to facilitate policy analysis and formulation.**
- **The staff recommends that the Executive Board complete the third review and grant a waiver for the nonobservance of the end-March 2002 structural performance criterion noted above, as it was implemented in July 2002.**

I. INTRODUCTION

1. The discussions for the 2002 Article IV consultation and the third review under the Poverty Reduction and Growth Facility (PRGF) arrangement were carried out in Douala and Yaoundé during May 1–15, 2002.¹ In a supplementary letter of intent (LOI) to the Managing Director, dated August 28, 2002 (Appendix I), the Cameroonian authorities indicate that economic performance during the first half (October 2001–March 2002) of the second annual program under the PRGF arrangement was broadly on track. In the letter, they outline the objectives and policies for the second half (April–September 2002) of the second annual program and the transition budget for the second half of calendar-year 2002.² They also take stock of the progress achieved in implementing the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative), including the preparation of the full poverty reduction strategy paper (PRSP) and the HIPC completion point-related structural measures. Finally, the authorities request a waiver for the nonobservance of the end-March 2002 structural performance criterion on the completion of the computerized link between the information system of the treasury and that of the budget department in the Ministry of Economy and Finance for government expenditures, both by the central government and by the local branches of government (hereafter referred to as “treasury/budget information link”).

2. The Executive Board concluded the last Article IV consultation with Cameroon on July 16, 2001, and, on January 30, 2002, it completed the second review under the PRGF

¹ The Cameroonian representatives were the Minister of Economy and Finance, the two Ministers-Delegate for the Stabilization Plan and Economic Reforms and for the Budget, respectively, in the Ministry of Economy and Finance, the Minister of Public Investment, the Minister of Justice, the Minister of Health, the Minister of Education, other 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 Vice-Governor of the regional central bank, the Bank of Central African States (Banque des Etats d’Afrique Centrale, the BEAC), and the National Director of the BEAC. It also met with representatives of employers’ associations and of the oil, banking, and other private sectors, and members of the international community in Cameroon. The staff team consisted of Mr. Maciejewski (Head), Mr. Kpodar and Mr. Ndiaye (both AFR), Mr. Keller (Resident Representative), Mr. Le Borgne (FAD), Mr. Loko (PDR), and Ms. Haddi (Staff Assistant-AFR). The mission was assisted by Mr. Nguenang, Economic Assistant at the Resident Representative’s office. It worked closely with a parallel World Bank team. Mr. Kudiwu, Assistant to Mr. Barro Chambrier, Executive Director for Cameroon, participated in some of the policy meetings.

² The beginning of Cameroon’s fiscal year will shift from July 1 to January 1, effective January 1, 2003, consistent with the budget cycle of the other member countries of the Central African Economic and Monetary Community (CEMAC).

arrangement.³ Cameroon has accepted the obligations of Article VIII and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. Directors stressed the importance of (i) enhancing non-oil revenue mobilization, in particular by limiting tax exemptions and reforming the income tax system; (ii) improving public expenditure management, including notably the full and timely implementation of the agreed action plan to put in place a fully integrated fiscal and accounting system to manage government revenue and expenditure; and (iii) tackling weaknesses in governance, especially in the judiciary system.

II. OVERVIEW OF KEY ISSUES AND MAJOR LONG-TERM CHALLENGES

3. **During the last five years, the Cameroonian economy has benefited from improved macroeconomic performance and the progress made in implementing key structural reforms.** Real GDP growth averaged 5 percent per annum during 1996/97–2000/01, in sharp contrast to the negative growth rates of the previous decade (Figure 1). While income from the oil sector fluctuated, the expansion of the non-oil sector contributed importantly to the improved overall growth performance. In these years, the annual inflation rate was contained to single-digit levels, averaging 3 percent annually (Figure 1).

4. **To promote macroeconomic stability, the fiscal position was substantially strengthened** through efforts to improve revenue mobilization, especially non-oil revenues, and prudent expenditure policies (Figures 2 and 7). Steps were taken to promote good governance, transparency, and accountability in both public expenditure management and tax administration. With these policies, the authorities were able to restore macroeconomic stability, normalize relations with external official and commercial creditors, and increase spending in the key social sectors of health and education. To address some of the serious structural problems, the domestic banking system was rehabilitated; the process of implementing important reforms in the transport and forestry sectors was started; and a major public utility company, as well as part of the largest agribusiness company (covering one crop) were privatized.

³ The Executive Board approved a new three-year PRGF arrangement (October 1, 2000–September 30, 2003) for Cameroon on December 21, 2000, in an amount equivalent to SDR 111.42 million (60 percent of quota) (PR/00/86, 12/22/00). A first disbursement, equivalent to SDR 15.92 million, was made upon Board approval, and two other disbursements of the same amount were made following the completion of the first and second reviews in July 2001 and January 2002, respectively. On May 31, 2002, Cameroon's outstanding use of Fund resources amounted to the equivalent of SDR 209.88 million, or 113.02 percent of quota (Table 1). Summaries of Cameroon's relations with the Fund and the World Bank Group are provided in Appendices II and III, respectively; statistical issues are discussed in Appendix IV. A statistical annex, including updates on the tax and the exchange and trade systems, accompanies this staff report.

5. **Looking ahead to the medium and long term, Cameroon will need to achieve much higher growth rates of real GDP on a sustained basis, in order to reduce poverty substantially. This will be a particularly challenging task, because of the steeper than initially projected decline in oil production over the medium and long term.** Building on the efforts made so far, more needs to be done to expand the health and education services, invest in basic economic infrastructure, improve governance, and accelerate the structural reforms that are essential for promoting private investment and growth in non-oil output and exports.

6. **With the revenue outlook weakened by declining oil output, the authorities will be faced with the difficult challenge of allocating more resources for the development of the social sectors and investment in basic infrastructure, while maintaining an overall fiscal position that is consistent with macroeconomic stability.** This challenge will have to be addressed by further broadening the non-oil revenue base and through continued improvements in public resource management, with a focus on appropriate prioritization and restructuring of public expenditures. Other elements of the policy environment will also have to be strengthened. In the area of governance, stronger efforts will be needed to tackle entrenched corruption and implement appropriate reforms of the judicial system. Finally, it will be important to move forward decisively with structural reforms in several key areas. These areas include the privatization program; reforms in the agricultural, forestry, transport, and oil sectors; financial sector reforms; and regional integration and related trade liberalization initiatives.

III. RECENT ECONOMIC DEVELOPMENTS AND PROGRAM IMPLEMENTATION DURING THE FIRST HALF (OCTOBER 2001-MARCH 2002) OF THE SECOND ANNUAL PROGRAM

7. **During the first half of the second annual program, economic activity expanded at a somewhat slower pace than projected, reflecting recurrent shortages in electricity supply, but remained strong (growing at an annual rate of 4.6 percent).** There was notable growth in the services sector because of the ongoing construction of the Chad-Cameroon oil pipeline. The 12-month rate of consumer price inflation increased to 4.8 percent in March 2002, exceeding the program target of 2.9 percent. Inflation was mainly driven by a rise in foodstuff prices. This rise reflects long-standing structural problems in the agricultural sector (such as poor transportation infrastructure, low productivity, and inadequate access to land and credit for small farmers) and, more recently, both domestic demand pressure and demand from neighboring countries (e.g., Equatorial Guinea, Chad, Gabon, and Nigeria).

8. **To address the long-term challenges facing the economy, the authorities continued to focus their efforts on fiscal consolidation, broadening the revenue base, strengthening expenditure management, improving governance, and implementing structural reforms.** Overall, Cameroon's good record of program implementation continued during the first half of the second annual program.

9. **The government continued to maintain a surplus in the primary fiscal balance (excluding HIPC spending), although it was somewhat smaller than programmed.**

Noninterest current expenditure was slightly above target, as moderate overruns in outlays on transfers and subsidies were not offset by savings derived from holding spending on the wage bill and on other goods and services below the program ceiling. No HIPC spending took place during the period. Based on preliminary data for the second quarter of 2002, the fiscal outcome for the fiscal year ended June 2002 is estimated to have been broadly as programmed, as a result of a better-than-expected non-oil revenue performance, world oil prices that were somewhat more favorable than initially projected, and close adherence to the expenditure program.

10. **The government continued to make good progress in implementing policies to strengthen non-oil revenue mobilization and took steps to improve governance.** The authorities pursued their efforts to improve domestic tax administration and collection. To strengthen the value-added tax (VAT) collection and reduce tax exemptions, revised decrees were issued to restrict VAT exemptions for computer equipment exclusively to computers and to limit the exemptions granted in support of HIV/AIDS programs to products specifically required to ensure detection and treatment of the HIV/AIDS virus. Moreover, a new General Tax Code (*Code Général des Impôts*), including a manual of tax procedures, was promulgated. In the governance area, the benchmarks relating to the adoption of the new budget classifications and of an action plan for the establishment of a body to conduct external audits of the state finances were met. However, the reform of the public procurement system slowed, and the implementation of the treasury/budget information link was delayed.

11. **On the monetary front, broad money increased by 2.7 percent over the first half of the second annual program.** As the increase in net credit to the central government (2 percent) was held below the (adjusted) program target, Cameroon increased its contribution to the net foreign assets position of the BEAC during January–March 2002. All end-December 2001 quantitative benchmarks and all end-March 2002 quantitative performance criteria and benchmarks were observed (Tables 2 and 3).

12. **While all structural benchmarks for the period October 2001–March 2002 were observed** (Table 4), the implementation pace of other structural reforms, including notably the measures to be taken before the HIPC completion point and covered under the World Bank's SAC III, remained very slow. In addition to the above-mentioned benchmarks in the fiscal area, the benchmark relating to the completion of the investigation of 48 identified cases of *saisie-attribution*⁴ was also met. **However, the end-March 2002 structural performance**

⁴ This term refers to 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, along with the imposition of excessive penalties (*astreintes*) and limited recourse to appeal.

criterion on the completion of the treasury/budget information link was not observed as scheduled. The nonobservance of this criterion was due to unforeseen technical difficulties at the level of the local branches of government and to problems associated with staff reassignments during the transition from the manual system to a computerized system of tracking government expenditure. There was also a need to strengthen coordination among departments within the Ministry of Economy and Finance and other government agencies. However, as a result of intensified efforts, **the treasury/budget information link—a critical measure for enhancing public expenditure management—was put in place in late July 2002.**

IV. REPORT ON THE DISCUSSIONS

13. The discussions for the 2002 Article IV consultation and the third review under the PRGF arrangement focused on (i) the medium-term macroeconomic prospects, especially in light of the steeper decline in oil output than initially expected; (ii) the near-term macroeconomic prospects and policies for the remainder of the year, including the interim six-month budget (July-December 2002);⁵ (iii) the plans for accelerating the structural reforms that are essential for promoting private investment and efficient use of resources, including those to be implemented prior to the HIPC completion point; (iv) foreign borrowing and other external sector policies; and (v) the preparation of the full PRSP, the associated social and poverty reduction policies, and HIPC-related projects. The World Bank staff has taken the lead in discussing issues relating to social policies, privatization, and reforms in the forestry, port, and petroleum sectors (Box 1).

A. Medium-Term Macroeconomic Prospects and the Balance of Payments Outlook

14. **The latest downward revisions to the medium-term projections for oil output⁶ imply an adverse impact on real GDP growth, oil exports, and government oil revenue. The growth rate of real GDP over the period 2002/03–2006/07 is projected to be 1 percentage point lower than what was forecast at the inception of the PRGF-supported program (Table 5).⁷**

15. **The authorities agreed with the staff that the current surge in activity in the services sectors, stemming from the ongoing construction of the Chad-Cameroon pipeline, would be only temporary, and that one could not rely only on the forestry sector alone to achieve a significant increase in the real GDP growth rate.** They also

⁵ The National Assembly has approved a new budget cycle based on calendar years, starting from January 1, 2003. The interim budget provides for a transition to this new budget cycle.

⁶ Oil output is now projected to decline by 9 percent annually over the period 2002/03–2006/07, compared with an initially projected decline of 4 percent.

⁷ Compared with an initial projection of 2.4 percentage points of GDP.

acknowledged that an accelerated implementation of structural reforms was needed to achieve a sufficiently broad-based expansion of the non-oil sectors that could offset the impact of the decline in oil output. They recognized that the adverse income effects of the latter could be compounded by a fall in world oil prices. Buttressed by continued efforts to improve governance and develop the education and health services and basic economic infrastructure, it will be important to promote sustained increases in private investment, particularly in agriculture and agribusiness, where there is considerable potential for generating growth and reducing poverty.

16. **Oil exports and government oil revenue are projected to drop cumulatively by 3.1 and 2.3 percentage points of GDP, respectively, over 2002/03–2006/07.** In light of this, the staff observed that, given the magnitude of the projected oil revenue losses over the medium term, the fiscal consolidation process should be continued with a focus on improving expenditure management, strengthening tax and customs administration, and accelerating governance reforms. Based on such a fiscal adjustment strategy and the accelerated implementation of the efficiency-enhancing structural reforms discussed below, the medium-term macroeconomic framework and balance of payments projections were updated for the period 2002/03–2006/07 (Table 5 and Figure 7). Under this baseline (policy-driven) scenario, the volume of non-oil exports is projected to grow at an average annual rate of 4.9 percent (Table 14 and Figure 5). However, after accounting for the decline in oil output, total export volume would grow at an annual average rate of some 1 percent. Import volume is projected to rise at an average annual rate of 3.6 percent over the same period, reflecting the construction of the Chad-Cameroon pipeline, some increase in private consumption, and the spending of HIPC-related resources. As a result, the trade surplus is projected to decline from 1.9 percent of GDP in 2001/02 to 0.3 percent of GDP in 2004/05. The current account deficit (including grants) is projected to widen slightly in 2002/03 and thereafter to start narrowing at a slow pace. Provided the policies needed to attract national and foreign private investment are in place—and taking into account the increase in private capital inflows related to the construction of the Chad-Cameroon pipeline—the capital account balance is projected to turn into a surplus in 2004/05. As a result, the overall balance of payments deficit would narrow from 4.6 percent of GDP in 2002/03 to 3.2 percent of GDP in 2004/05, and the financing gaps for the period 2002/03–2004/05 would be covered by the substantial debt relief obtained under the enhanced HIPC Initiative on both official and commercial debt.

B. Prospects and Policies Under the Second Annual Program and for the Year 2002

Macroeconomic prospects

17. **Estimates suggest a modest slowdown in economic activity in 2002.** The construction of the Chad-Cameroon pipeline is providing a boost to transportation, trade, and other services, while growth remains strong in the textile, light manufacturing, and construction sectors. However, taking into account the moderating impact of the constrained electricity supply situation on the growth of industrial output, real GDP growth in fiscal-year

2001/02 (ended June 30) is now estimated at 4.4 percent, compared with the program projection of 4.6 percent (Table 7 and Figure 1); in calendar-year 2002, real GDP growth is expected to be close to the initial projection of 4.7 percent (Box 2). On an average annual basis, national consumer prices are projected to rise by 4.0 percent during the program period (October 2001–September 2002), compared with the program targets of 2.9 percent for end-September and 3.5 percent for end-December 2002. The authorities expressed the view that the supply of foodstuffs would not improve significantly in the short run, although they noted that the planned efforts to improve transport and the overall business climate and accelerate the privatization of agribusiness could help alleviate the pressures on food toward the end of the year. The staff stressed the need for sustained implementation of these actions.

Fiscal policy stance⁸

18. **The government has introduced a six-month transition budget for the period July-December 2002**, following the approval by the National Assembly of a new annual budget cycle beginning January 1, 2003. The budget aims at generating a primary surplus of 1.4 percent of GDP and limiting the overall fiscal deficit, on a commitment basis and excluding grants, to 0.6 percent of GDP (Table 8). To achieve these targets, the authorities will continue their efforts to strengthen tax and customs administration, and, as detailed in paragraph 8 of the LOI, noninterest current expenditure will be limited to 5.9 percent of GDP. Public investment is budgeted at 1.9 percent of GDP (including HIPC-related spending of 0.4 percent of GDP). The authorities indicated that the government had decided to give priority to the implementation of the approved HIPC-financed projects and the ongoing projects that are being financed from the national budget. The staff noted that achieving the spending target for HIPC-related projects would help to address the concerns that representatives of both the civil society and the donor community had expressed about past delays in implementing HIPC-financed projects.

19. **Strengthening non-oil revenue continues to be a key objective.** To this end, the programmed measures to improve customs and tax administration will continue to be implemented, along the lines of the Fund's technical assistance recommendations. As detailed in paragraph 11 of the LOI, these measures include, in particular, (i) broadening further the tax base (by expanding the taxpayer master file and establishing a large-taxpayer unit in Yaoundé); (ii) restricting value-added tax (VAT) exemptions; (iii) pursuing the ongoing personal income and property tax reforms; and (iv) strengthening the single processing window for external trade and ensuring the operational exchange of data between the tax department and customs. The government has already started to implement the action plan that was agreed with Fund staff for VAT credit reimbursement (end-September 2002 structural benchmark).

⁸ Fiscal policy is the only macroeconomic policy instrument directly available to the Cameroonian authorities.

20. **Improving public expenditure management remains at the core of the government's fiscal program, both in the short run and over the medium term.** The authorities have reaffirmed their intention to implement the action plan to introduce, by the end of the current PRGF arrangement in September 2003, a fully integrated computer-based fiscal and accounting information system at the Ministry of Economy and Finance for managing government revenues and all expenditures, from the commitment to the payment stage (see para. 9 of the LOI). Following the completion of the treasury/budget information link in late July 2002 (prior action), the government will ensure that the new expenditure management becomes fully operational and is applied in practice in the context of the latest available expenditure management software to track spending on goods and services by end-September 2002 (performance criterion), consistent with the program formulated with Fund technical assistance. The authorities indicated that actions would also be taken to improve the tracking of poverty-reducing expenditures, and a related implementation status report would be provided at the time of the fourth review.

Monetary prospects

21. **Under the monetary program for the second half of the second annual program (April–September 2002), Cameroon's net foreign assets position at the BEAC is targeted to remain at the same level as that of end-March 2002.** Based on the fiscal targets of the second annual program and the interim budget for the second half of this year, net bank credit to the government is programmed to increase by 0.3 percent of GDP over the six-month period that ends on September 30, 2002. However, excluding the drawdown of deposits to finance HIPC-related spending, net bank credit to the government would decrease by 0.2 percent of GDP over this six-month period. In light of the above target for net foreign assets and the ceiling on net credit to the government, and taking into account a projected increase in money demand that is broadly in line with the growth rate of nominal GDP, the program provides for an increase in credit to the private sector of 8 percent during this period (Tables 12 and 13 and Figure 4).

C. HIPC Completion Point-Related Structural Reforms and Other Structural Reforms

Governance

22. **A key element of the authorities' governance program is the reform of the judiciary system, which is designed to foster the rule of law and help rebuild investor confidence.** The programmed technical audit of the judiciary system was launched as scheduled but has not yet been completed. The selected consultants failed twice to deliver the expected product, reflecting their incompetence in performing the assigned tasks and their failure to conduct the required consultation with the key parties concerned. The authorities are discussing with the World Bank ways and means to redo the work on the technical audit of the judiciary, with a view to formulating an action plan by end-December 2002. As detailed in paragraph 20 of the LOI, the other measures aimed at improving governance include, in

particular, the formulation of a plan to establish a Constitutional Council (Conseil Constitutionnel) by end-September 2002 (structural benchmark and HIPC completion point trigger) and the ongoing establishment of public procurement commissions (see para. 20 of the LOI). The staff urged the authorities to move forcefully on their commitment to take concrete actions.

23. **The authorities recognized that the proliferation of cases of *saisie-attribution*⁹ in recent years had the potential of undermining the soundness of the commercial banking system and was a deterrent to private investment.** Hence, following the completion of an investigation of 48 identified cases of *saisie-attribution* earlier this year, they have started to take a number of steps to address its findings. The staff observed that, while the investigation yielded very useful insights into the legal and procedural problems of the *saisie-attribution* procedure (Box 3), the initial recommendations to address the issue needed to be strengthened. While the authorities shared the staff's concerns about the potential threat to macroeconomic and financial stability from the pervasive abuse of the *saisie-attribution* procedure, they noted that the investigation had already led to the resolution of several cases and the release of funds sequestered at the regional bank. The authorities reiterated their resolve to tackle this issue through a number of actions (see para. 19 of the LOI), including the issuance of a circular to specify the nature of the executory titles (*titres exécutoires*) and to clarify the computation methodology for calculating penalties (*astreintes*) (structural benchmark for end-September 2002).¹⁰

24. **The authorities have decided to implement a number of measures to strengthen internal controls of public finance operations,** in line with Fund technical assistance recommendations. As detailed in paragraph 10 of the LOI, these measures include both steps that were already programmed (e.g., full implementation of the agreed multiyear settlement plan to clear domestic arrears) and some new steps (e.g., the evaluation of the stock of commitments executed without payment orders and the completion of an audit of the stock of public domestic debt as of end-June 2002 (both are structural benchmarks for end-September 2002)). These steps are essential to help improve transparency in the state finances.

⁹ See explanation provided in footnote 4.

¹⁰ In parallel, the BEAC is proceeding to amend its agreement (*Accord de siège*) with Cameroon, with a view to clarifying its status and immunities with respect to Cameroonian law; it intends to accept Cameroonian court orders only after all instances of recourse to appeal have been exhausted by the defendant.

Other HIPC completion point-related structural reforms

25. **The authorities affirmed their determination to implement the structural measures that were completion point triggers under the enhanced HIPC Initiative.¹¹ They agreed that these measures were prerequisites for broadening the non-oil production and export base.** In response to the concerns expressed by Fund and Bank staffs about the slow pace of these reforms, the authorities noted that they had established a firm timetable for moving forward decisively with several key reforms. In particular, following discussions with the sectoral ministries, understandings were reached between the authorities and the World Bank in June 2002 on conditionalities in support of the authorities' request for an extension of the SAC III beyond end-June 2002, thereby keeping the SAC III-supported program on track. These conditionalities, which are detailed in paragraphs 21, 22, and 23 of the LOI, relate to the privatization program, the transport (port) sector, and the forestry sector, respectively.

Other structural reforms

26. **Reforms in the financial sector are proceeding at a satisfactory pace.** By end-March 2002, all the banks under the management of the Société de Recouvrement de Créances (SRC) had been liquidated, and the process of assessing and approving microfinance institutions had been concluded. As indicated in paragraph 24 of the LOI, the authorities support the implementation of the recently adopted draft regional regulatory framework for microfinance that has been submitted to the Executive Secretariat of the CEMAC. They are also continuing to implement the restructuring plan for the financially troubled Postal Savings Bank, with a view to completing its rehabilitation by December 2002. The reform of the regional payments system, executed by the BEAC and supported by Fund and World Bank technical assistance, is progressing according to schedule. The authorities reaffirmed their intention to complete the implementation of the other measures recommended by the Financial Sector Assessment Program (FSAP) of May 2000 to strengthen and modernize the financial

¹¹ The HIPC completion point triggers are (i) the preparation of a full poverty reduction strategy paper (PRSP) and its satisfactory implementation for at least one year; (ii) maintenance of a stable macroeconomic environment and satisfactory implementation of the current three-year PRGF-supported program; (iii) use of the budgetary savings from the debt relief in accordance with the control and monitoring mechanisms set up at the decision point; (iv) satisfactory implementation of the three components of the World Bank's SAC III (privatization, and reforms in the forestry and transport sectors); (v) governance and anticorruption measures, in particular in the areas of the judiciary reform, public procurement system, budgetary execution and delivery, and regulatory agencies; and (vi) specific targets in the social sectors of education and health and related to addressing HIV/AIDS (see Box 7 of the HIPC Decision Point document for the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative (Sept. 15, 2000)).

expected to be completed by October 2002, with World Bank support, so that the reform could be in place by end-September 2003.

27. **The authorities stated that, overall, Cameroon's commercial banking system was financially sound**, although three out of the ten banks did not yet meet the minimum capital requirements.¹² The staff noted that, according to the rating system of the regional banking supervision agency, the COBAC, the same three banks were considered to be in a "fragile" condition. The authorities responded that one (the smallest) of the three small banks had been put into receivership, and that the financial situation of the other two banks was being closely monitored by the newly strengthened Directorate of Economic Affairs in the Ministry of Economy and Finance, in close cooperation with the COBAC. The staff encouraged the authorities to support actively the efforts of the BEAC to strengthen the COBAC's capacity to effectively conduct bank supervision.

28. **The reform of the petroleum sector has gained renewed importance against the background of the stronger-than-anticipated decline in oil production.** The Fund and World Bank staffs pointed out the need to establish a timetable for the implementation of the reform plan adopted in 2000,¹³ including the formulation without further delay of a strategy and action plan for promoting private sector investment in the sector. They noted, moreover, that little progress had been made toward the privatization of the petroleum storage facility (SCDP). The authorities indicated that, as suggested by the World Bank, the national petroleum company (SNH) would need to be involved in implementing the 2002 reform plan and, to this end, had initiated discussions with the company. They also stated that the government intended to launch, by February 2003, a bidding process for the sale of its SCDP shares to a private manager (see para. 25 of the LOI). The authorities also reaffirmed that they would continue to monitor the setting aside of provisions by the SNH for the depletion of oil wells, in order to prevent the emergence of potential off-budget liabilities by 2010–11, when the implementation of the rehabilitation program is expected to begin.

D. Foreign Borrowing and Other External Sector Policies

Foreign borrowing

29. **With regard to external debt, the authorities reaffirmed their determination to maintain a prudent borrowing policy and to continue their efforts to further improve external debt management** (see para. 27 of the LOI and Box 4). As a result, although

¹² These three small banks account for 10 percent of the total deposits of the ten commercial banks.

¹³ The plan envisaged the redefinition of the respective roles and responsibilities of the private sector, the national petroleum company (SNH), the ministry in charge of hydrocarbons, and other entities involved in the hydrocarbon sector.

exports are projected to be significantly lower than anticipated at the decision point, preliminary forecasts suggest that the net present value (NPV) of debt-to-exports ratios is likely to remain below 150 percent through 2004/05, reflecting mainly lower new borrowings (Tables 15, 16, and 19, and Figure 6). Over the same period, the debt service-to-exports ratios would remain slightly above the decision point projection of 10 percent before declining to under 10 percent from 2013/14 onward (Table 19). The authorities have intensified their efforts to speed up the conclusion of bilateral agreements with Paris Club and non-Paris Club creditors (Box 5). Paris Club creditors have approved a further extension, to end-October 2002, for the conclusion of the bilateral agreements. On May 24, 2002, agreement was reached with the London Club on commercial debt, with the terms resulting in a discount of some 95 percent (compared with the required HIPC Initiative debt relief of 76 percent).

30. **Cameroon has had a good record of servicing its debt to the Fund** 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 17 and 20).

Exchange rate and exchange and trade reforms

31. **Cameroon has maintained a large part of the competitiveness gains that resulted from the January 1994 devaluation of the CFA franc.**¹⁴ The consumer price index-based real effective exchange rate for Cameroon appreciated by 1.5 percent between January 2001 and April 2002, reflecting the inflationary pressures from late 2001 onward (Figure 3). As regards the newly adopted CEMAC foreign exchange regulations, the authorities stated that they were still discussing with both the BEAC and the commercial banks some of the specific, practical details with respect to the implementation of the regulations, which they planned to clarify through an upcoming information campaign. The new regulations would be effectively implemented soon after the completion of the campaign. The staff observed that Cameroon's potential economic growth rate could be enhanced if further tariff reforms, in the context of the regional integration efforts in the CEMAC, were implemented faster. The authorities agreed, and, to this end, reaffirmed their intention to support initiatives aimed at reducing further the common external tariff (CET) to a maximum rate of 20 percent and the number of bands from five to four¹⁵ (including the zero percent rate), and to reach agreement with the other member countries of the CEMAC on a reasonable timetable to implement these measures. Based on available data, Cameroon presently has an open trade regime, with a

¹⁴ Cameroon's currency, the CFA franc, is pegged to the euro at the fixed rate of CFAF 655.957 = €1.

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. Cameroon's average effective import duty rate was 10 percent in 2000/01.

rating of 3 on the overall 10-point trade restrictiveness index. The very few nontrade barriers remaining are enforced for health and environmental reasons (e.g., export of logs).¹⁶

Regional surveillance¹⁷

32. **From Cameroon's perspective, regional integration—both within the CEMAC and with neighboring non-CEMAC countries—and macroeconomic policy convergence within the CEMAC have advanced in recent years.** Cameroon has become a major supplier of foodstuffs and light manufacturing items to most of the other CEMAC countries and Nigeria. Its compliance record with respect to the CEMAC's four regional convergence indicators was good over the period from end-1998 to end-2001.¹⁸ The authorities stated that they were determined to meet fully the four criteria by end-2002. The staff encouraged the authorities to support the BEAC's initiative aimed at amending the CEMAC treaty to deal with the issue of anti-money laundering (AML), so that the needed AML legislation could be passed as soon as possible.

E. PRSP Preparation, Social and Poverty Reduction Policies, and HIPC Project Implementation

33. **The preparation of a full, high-quality PRSP is under way.** The authorities explained that the preparation of the PRSP had benefited from a second round of nationwide participatory consultations to reconfirm and specify the findings of the April–May 2000 consultations. In preparing the PRSP, the authorities have relied extensively on (i) preliminary medium-term strategies for the key social sectors of health and education, and for basic infrastructure; (ii) the comprehensive household consumption survey that was completed in late May 2002; and (iii) other ongoing analytical and empirical studies (notably on the future

¹⁶ WTO trade policy review, Cameroon, June 2001.

¹⁷ In March 1993, the six CEMAC member countries set up a Committee on Multilateral Surveillance (Conseil de Surveillance), with a view to ensuring that national macroeconomic policies are compatible with the objectives of stability of the common currency and sustained economic growth. The CEMAC treaty on the convergence of macroeconomic policies was signed in 1994, shortly after the devaluation of the CFA franc, and was ratified by all member countries by March 1999.

¹⁸ As per the decision of the Council of Ministers of the CEMAC of August 2001, the four convergence criteria are (i) a positive or zero fiscal primary base balance; (ii) an annual inflation rate of less than 3 percent; (iii) a ratio of outstanding public debt to GDP lower than 70 percent; and (iv) the nonaccumulation of payments arrears. Cameroon met three (basic fiscal balance, consumer price inflation, and change in payments arrears) of the four convergence indicators, missing one indicator (level of public debt) at end-1999, end-2000, and end-2001.

sources of growth in Cameroon). The timetable had to be revised from the one submitted to the Executive Boards of the IMF and the World Bank in late December 2001 together with the PRSP preparation status report, owing to delays in completing the processing and analysis of the results of the consumption survey and because of the June 30 municipal and legislative elections. The authorities plan is to submit the full PRSP to the Boards of the IMF and the World Bank in September–October 2002. The staffs of the Fund and the Bank noted that the final PRSP draft was unlikely to be ready for submission to the Boards of the IMF and the World Bank before October–November 2002, based on the current status of preparations, including the need to cost more firmly the medium-term strategies for the key sectors, adequately discuss the paper with civil society and donors, and to have it fully endorsed by the government.

34. **The government is committed to poverty reduction as a key priority and to implementing the HIPC-related projects without further delays.** While preparing the full PRSP, the authorities are implementing their interim poverty reduction strategy paper (interim PRSP). Budgetary allocations to priority social sectors have been increased in line with the interim PRSP. However, progress in addressing effectively the urgent issues of education, health, and rural and urban development has faltered. A first series of programs and projects to be financed through the savings resulting from debt relief under the enhanced HIPC Initiative was adopted on October 26 and on December 6, 2001. As indicated in paragraph 16 of the LOI, effective implementation of these projects is expected to start in early September 2002, following the resolution of technical problems associated with the disbursements of the HIPC funds deposited at the special account opened at the BEAC and a necessary streamlining of cumbersome administrative and monitoring procedures. The staffs of the Fund and the World Bank noted that the preparation of projects to be financed through the HIPC debt relief on account of 2001/02 had yet to be effectively initiated. The authorities responded that the work was expected to be completed later in the summer, as priority was being given to the preparation and finalization of the PRSP.

F. Technical Assistance and Statistical Issues

Technical assistance

35. **Cameroon is receiving substantial amounts of technical assistance from the Fund and other multilateral and bilateral sources,** in line with its comprehensive institution-building and human capacity requirements and structural reform needs. In recent years, Fund technical assistance has centered on the reforms needed to enhance fiscal management and improve transparency in public finances. It has been effective in supporting the implementation of the structural reforms in these areas. Technical assistance from the World Bank and a number of other multilateral and bilateral donors has been instrumental in addressing the institutional and capacity constraints that have impeded good governance and the development of the social sectors (Box 6). **The implementation of the objectives of the full PRSP will depend on an adequate provision of technical assistance and on its increased effectiveness.** In particular, attainment of Cameroon's objectives and targets for poverty

effectiveness. In particular, attainment of Cameroon's objectives and targets for poverty reduction and social sector development will require a firm commitment, including from donors, to provide technical assistance on a stable, long-term basis. Technical assistance will also need to be better coordinated in order to more effectively and credibly support sustained development and poverty reduction.

Statistical issues

36. **Cameroon has made some progress in improving its statistical database, particularly as regards national accounts—including, notably, consumption data—fiscal operations, and balance of payments since the last Article IV consultation.** Progress is also being made on the collection of socioeconomic indicators, and the results of the recently completed household consumption survey are being processed and analyzed. Such data have started to be used as inputs for the preparation of the full PRSP. Moreover, the ongoing integration of the various information and computer systems in the Ministry of Economy and Finance aims at improving the consistency and comprehensiveness of fiscal data.

37. **However, weaknesses in data quality and timeliness remain in most areas of statistics, thereby complicating policy analysis and formulation.** The dissemination to the public of core statistics in several areas, notably the fiscal accounts and balance of payments, also needs to be enhanced.¹⁹ 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, they are carrying out the short- and medium-term projects that they initiated in mid-2001 to improve data quality and timeliness. A comprehensive macroeconomic framework is being developed at the Directorate of Statistics, with a view to keeping track of developments and preparing projections and simulations for economic growth and national poverty. These projects, which have benefited from UNDP and World Bank technical support, are expected to be completed by calendar-year 2004.

G. Request for a Waiver and Program Monitoring

38. **The government has requested a waiver for the nonobservance of the end-March 2002 structural performance criterion** on the completion of the treasury/budget information link that was needed for tracking—from the commitment stage to the payment stage—all expenditure carried out both by the central government and by the local branches of the central government (*déconcentré*). This information link became operational for the transition budget for July-December 2002 on July 31, 2002, following a consensus reached earlier within the government on retraining and redeploying the personnel affected by the implementation of the measure. It was used by the Ministry of Economy and Finance to

¹⁹ A Report on the Observance of Standards and Codes (ROSC) data module was issued on August 24, 2001 (CR/01/150).

operations registered by the treasury for the period April 22–May 31, 2002 from the commitment to the payment stage (prior action).

39. **To monitor policy implementation under the program, the LOI specifies a number of indicative quantitative targets for end-June 2002 and benchmarks for end-September 2002, and relevant quantitative performance criteria for end-September 2002 (Appendix I, Table 1).**²⁰ The program will continue to contain a built-in contingency mechanism for the adjustment of the quantitative benchmarks and performance criteria, so as to take into account deviations from the program's assumptions for oil prices, external program assistance, and debt relief (see technical memorandum of understanding (Appendix I, Annex I)). In addition, **a number of reform measures will serve as structural performance criteria and benchmarks for the second half of the second annual program, as detailed in the LOI (Appendix I, Table 2).** The fourth review under the PRGF-supported arrangement will focus on medium-term fiscal sustainability, public expenditure management, budgetary non-oil revenue performance, customs and tax reforms, improvements in governance, actions to strengthen the tracking of poverty-reducing public spending, poverty reduction strategies under the full PRSP, and general progress in implementing the triggers for reaching the HIPC Initiative completion point in September 2003.

V. STAFF APPRAISAL

40. **Cameroon has achieved a significant improvement in macroeconomic performance over the past five years, after more than a decade of disappointing results.** Over the years since 1995/96, the real GDP growth rate has annually averaged 5 percent, compared with negative growth over the previous decade. The annual inflation rate has averaged 3 percent, after a brief spike in the wake of the 1994 devaluation of the CFA franc. These achievements have reflected strong efforts to strengthen the fiscal position and progress in implementing structural reforms aimed at boosting non-oil output and revenues, achieving better public expenditure management, promoting good governance, and tackling the problems of the transport, forestry, oil, and financial sectors. More recently, overall economic activity has benefited from the construction of the Chad-Cameroon pipeline, which has led to the expansion of transportation, trade, and other related services.

41. **Looking to the medium and long term, Cameroon needs to achieve much higher growth rates on a sustained basis, in order to reduce poverty substantially.** As oil output is projected to decline more steeply than initially envisaged, it will be important to sustain a

²⁰ The following two disbursements are expected to take place over the next six months: the fourth disbursement (SDR 15.92 million) will be available upon completion of the third review and observance of the end-March 2002 performance criteria; and the fifth disbursement (SDR 15.91 million) will be available upon observance of the end-September 2002 performance criteria and completion of the fourth review (Tables 1, 20, and 21).

strong fiscal adjustment effort, continue to improve governance, and accelerate structural reforms that are essential for promoting private investment and growth in non-oil output and exports.

42. **The fiscal policy stance for the remainder of the second annual program and under the transition six-month budget for July–December 2002 is consistent with the PRGF-supported program.** To achieve the targeted primary fiscal surplus, it will be essential to adhere strictly to the expenditure ceilings for the wage bill and transfers and subsidies, and to sustain the efforts to improve revenue collection, especially by containing tax exemptions. The authorities' readiness to adjust retail petroleum prices, as needed, is reassuring.

43. **The authorities' focus on further strengthening public expenditure management and mobilizing non-oil revenue to maintain fiscal sustainability over the medium term is appropriate.** While progress continues to be made in enhancing efficiency and transparency, the authorities are urged to adhere strictly to the established timetable for the implementation of their action plan to introduce by end-September 2003 a fully integrated fiscal and accounting information system to manage government revenue and expenditure. The resolution, in early July 2002, of the difficulties encountered in implementing the second phase of the action plan to enhance public expenditure management (a structural performance criterion for end-March 2002) is a major step forward. In this context, it will be important to continue to reinforce cooperation between the treasury and budget departments in the Ministry of Economy and Finance, as well as among other ministries and government agencies, to prevent slippages in discretionary spending on goods and services, transfers, and subsidies. Strict adherence to this policy stance will be critical in the years ahead.

44. **Substantial delays have been incurred in implementing HIPC-related programs and projects. Given the pressing need to develop the key social sectors of health and education and invest in basic economic infrastructure,** the staff supports the authorities' decision to give priority to the implementation of the already approved HIPC-related projects and of other ongoing projects included in the six-month transition budget. The authorities are, nevertheless, urged to speed up their actual implementation as the technical and procedural problems associated with the disbursements of HIPC funds are resolved. As part of the preparatory work for the 2003 Budget Appropriations Bill, which is to be submitted to the National Assembly in November 2002, there is an urgent need to accelerate the preparation of high-quality programs, which are expected to be financed with the HIPC resources of fiscal-years 2001/02 and 2002/03. It is also hoped that steady progress will be made in addressing the urgent development issues in the education and health sectors, and in promoting rural and urban development. Intensified efforts in all these areas will help to address the concerns that have emerged in civil society and among donors.

45. **The authorities are encouraged to complete the ongoing work on the preparation of the full PRSP,** and it is hoped that, following discussions with civil society and the donor community, a high-quality PRSP can be finalized by October–November 2002.

46. **The authorities' decision to address the weaknesses in governance is welcome.** The proliferation of cases involving the abuse of the *saisie-attribution* procedure in the financial sector carries the risk of undermining the soundness of the commercial banking system and is a deterrent to private investment. Hence, effective implementation of the actions planned in this area is essential. The staff also supports the authorities' decision to redo the technical audit of the judiciary system, following the failure of the consultants selected to deliver the expected product, and to formulate an action plan for judicial reform by end-December 2002. The staff encourages the authorities to implement effectively and in a timely manner the measures envisaged under the program to improve the internal and external control of the state finances.
47. **The authorities are to be commended for taking decisive steps to move forward with the implementation of other structural reforms.** It is also encouraging that understandings have now been reached between the authorities and the World Bank on measures to give a new impetus to the implementation of the privatization program, as well as to other key reforms in the forestry and port sectors, in support of the authorities' request for an extension of the World Bank's SAC III. Progress is also expected in moving forward with the structural reforms in the oil and financial sectors. With these actions, Cameroon should be able to reach the HIPC completion point as scheduled, and the authorities will have to put in place some of the policies needed to boost domestic and foreign investment.
48. **Cameroon has an important role to play in fostering regional integration within the CEMAC.** Cameroon's progress in meeting the convergence criteria under the regional surveillance is commendable. The authorities' stated intention—to continue to support regional initiatives, particularly in the areas of trade, customs harmonization, bank supervision, and money laundering—is welcome. However, a more active stance with respect to addressing some of these regional issues, including the early implementation of the newly introduced foreign exchange regulations and the proposal to amend the CEMAC treaty to deal with anti-money laundering, would be helpful.
49. **The authorities have continued to improve data for surveillance and program implementation and monitoring. While the quality of available data on budget execution and their timeliness have improved since the last consultation, there is still a need to generate comprehensive data to facilitate policy analysis and formulation.** The staff encourages the authorities to complete the analysis of the results of the recently completed household survey as quickly as feasible, with a view to producing analytical socioeconomic development indicators and establishing a poverty profile for Cameroon. The authorities' stated intention to complete this work and to continue to improve data quality, coverage, and timeliness in the context of the General Data Dissemination System (GDDS) is encouraging. The staff urges the authorities to complete the work on the GDDS in a timely manner.
50. In light of Cameroon's overall good macroeconomic performance, renewed structural reform efforts, and commitment to sound macroeconomic policies in response to the

prospective decline in oil output over the medium term, **the staff recommends that the Executive Board conclude the review and grant a waiver for the nonobservance of the end-March 2002 structural performance criterion on the completion of the link between the information system of the treasury and that of the budget department in the Ministry of Economy and Finance for government expenditure.**

51. It is recommended that the next Article IV consultation with Cameroon be held on the 24-month cycle, subject to the provisions of the decision on consultation cycles approved on July 15, 2002.

Box 1. Structural Conditionality

Coverage of structural conditionality in the current arrangement under the PRGF

Conditionality under the ongoing three-year PRGF-supported 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 administration**—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, actions to address the pervasive abuse of *saisies-attributions*, 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, and **three prior actions for the completion of the second review** in the areas of public expenditure management and governance. There is **one prior action for the completion of the third review** in the area of government expenditure management.

Structural conditionality in the above areas covered by the PRGF-supported program are critical for (i) consolidating macroeconomic stability, improved budgetary performance, and government fiscal policy credibility; and (ii) reaching the HIPC completion point by the end of the current arrangement in September 2003, while creating 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.

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 are also HIPC completion point triggers. SAC III 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.
- **Forestry tranche.** This tranche was initially expected to be released in September–October 2001 once conditionalities had 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 now be released in August–September 2002, following the completion of several conditionalities (e.g., institutional and regulatory reforms, privatization of all commercial, industrial and selected port services, and reduction in port clearance delays).

The World Bank's Executive Board is expected to approve the authorities' request for the extension of SAC III and the Fifth Dimension credit for the forestry tranche in September 2002.

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

Box 2. Selected Economic and Financial Indicators (Calendar-Year Basis), 2001-04¹

	2001		2002		2003	2004
	Rev. prog.	Prel.	Prog.	Rev. prog.	Revised projections	
(Annual percentage changes, unless otherwise indicated)						
National income and prices						
GDP at constant prices	5.0	4.8	4.7	4.6	4.9	5.1
<i>Of which: non-oil GDP</i>	5.3	5.2	5.0	5.0	5.4	5.6
Consumer prices (12-month average)	2.5	3.4	3.0	3.5	2.7	2.2
Nominal GDP (in billions of CFA francs)	6,468	6,474	6,802	6,808	7,204	7,684
Oil output (in thousands of barrels a day)	112	109	103	102	90	79
External trade						
Export volume	1.7	0.8	1.0	0.2	0.4	0.9
Import volume	8.6	8.0	3.5	3.5	3.4	3.7
Average oil export price (U.S. dollars per barrel)	22.3	23.0	20.2	20.6	19.9	18.9
Money and credit (end of period)						
Net domestic assets ²	7.8	3.0	8.4	4.9	7.8	6.0
Net credit to the public sector ²	2.3	0.9	2.6	2.0	2.8	0.5
Credit to the private sector	13.1	11.1	11.2	11.8	9.9	10.5
Broad money (M2)	11.4	16.1	7.6	9.9	5.8	5.7
Discount rate (TIAO)	6.5	6.5	...	...	...	...
(In percent of GDP, unless otherwise indicated)						
Gross national savings	14.7	15.3	14.7	14.8	15.3	15.6
Gross domestic investment	18.3	18.2	19.1	19.0	19.6	19.6
Central government operations						
Total revenue	19.8	19.3	19.0	19.3	18.6	18.4
<i>Of which: non-oil</i>	14.0	14.1	14.5	14.3	15.0	15.6
Total expenditure ³	18.9	18.3	19.3	18.8	18.8	17.9
Overall fiscal balance (excl. grants)	1.0	1.0	-0.2	0.5	-0.2	0.4
Overall fiscal balance (incl. grants)	1.5	1.5	0.3	1.0	0.4	1.0
Primary balance ^{4,5}	6.1	6.0	4.3	4.6	3.7	3.9
<i>Of which: non-oil sector</i>	0.3	0.8	-0.3	-0.4	0.1	1.2
Noninterest expenditure ⁴	13.8	13.3	14.9	14.7	15.0	14.5
Domestic public debt	14.0	16.8	13.8	15.5	13.2	10.9
External sector						
Current account balance (including grants)	-3.4	-2.9	-4.4	-3.9	-4.3	-4.0
External public debt	70.6	73.5	63.2	65.9	57.9	50.2
(In percent of government revenue)						
External debt service						
Scheduled	42.8	42.5	40.6	40.1	38.0	34.4

Sources: Staff estimates and projections, based on data provided in Tables 7, 8, and 16.

1/ Fiscal year matches the calendar year.

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

3/ Including restructuring expenditure. HIPC-related expenditure envisaged for 2001 has been postponed to 2002.

HIPC-related expenditure envisaged for 2002 has been postponed to 2003 and 2004.

4/ Excluding restructuring expenditure.

5/ Excluding foreign-financed investment and privatization proceeds.

Box 3. The Procedure of *Saisie-Attribution*

Saisie-attribution is the execution of a judiciary order under which a debtor's assets in possession or under control of another entity (e.g. a commercial bank) are used to pay debt owed to the claimant. Such assets can be attached and seized from any other location or institution where they may be held. The *saisie-attribution* has evolved in the Cameroonian judiciary and governance context from a legitimate procedure to streamline business transactions under the Uniform Acts of the Organization for the Harmonization of Business Law in Africa (OHADA) into a major governance issue. As evidenced by their proliferation since 2001, they could have major repercussions for macroeconomic and financial stability, private sector investment, and the business climate. As national laws and rules were not adapted when the OHADA Acts were adopted, loopholes for frivolous lawsuits and court orders were created.

Fund staff, in cooperation with World Bank staff, has raised the issue with the Cameroonian authorities and the BEAC. In the 2001 Article IV consultation report (CR/01/127), the staff noted complaints from Cameroonian commercial banks on abusive practices of *saisie-attribution*, the imposition of excessive penalties (*astreintes*), and very limited recourse to appeal.

The issue was discussed at the November 21, 2001 meeting of the Conseil National de la Magistrature, the highest organ of the judiciary branch, and since then some actions and sanctions have been taken against abuse, including the reassignment of magistrates to different locations.

A broad array of nonfunctioning features (see below) were discovered in an investigation of 48 identified cases of *saisie-attribution* brought forward by commercial banks which was carried out in a transparent manner under the oversight of the Ministry of Justice. In parallel, the Ministry of Economy and Finance mandated an audit of the practice of *saisie-attribution* in the context of the OHADA Uniform Acts from a private consultant, which basically reached the same conclusions.

The structural benchmark on *saisie-attribution* for end-September 2002 represents a follow-up action based on the findings of the two investigations referred to above. The investigations noted procedural weaknesses and abuses of competence concerning judiciary orders (*titres exécutoires*), their communication to commercial banks, and the determination and amounts of penalties, legal fees, accruing interest, and a wide array of other fees and charges. Both investigations brought to the fore a concentration of cases, recurrently involving the same plaintiffs and jurisdictions and delays in liberating mandated funds. However, as an immediate result of transparency created by the investigation, several claims have been abandoned and unblocked since the completion of the investigation. Necessary corrective actions are to be taken and appropriate sanctions imposed, as required. The authorities will also propose legislative, regulatory, and other provisions that are necessary to correct the nonfunctioning features of the *saisie-attribution* procedure, as specified in their supplementary letter of intent (para. 19 of the LOI).

Box 4. External Debt Management

Cameroon has been implementing a prudent external debt policy since the country reached the enhanced HIPC decision point in October 2000. The authorities have taken steps to strengthen the external debt management unit, and they have been borrowing essentially on highly concessional terms since the decision point. The average grant element is 63.4 percent (excluding two loans from the IBRD and the European Union for the Cameroon-Chad pipeline project, which were contracted on nonconcessional terms). In addition, actual and projected new borrowings have turned out to be lower than anticipated at the decision point. However, the NPV of debt-to-export ratios are now projected to be higher than anticipated at the decision point, reflecting mainly lower exports, owing to a steeper than initially envisaged decline in oil output. Actual debt service-to-exports ratios are also projected to be higher than anticipated at the decision point but would remain only slightly above the decision point projection of 10 percent over the period 2001/02-2004/05.

The autonomous debt management agency (Caisse Autonome d'Amortissement—CAA) has been considerably strengthened through the computerization of its database and analysis and by providing it with increased human and technical resources. Debt management practices had significantly improved over the past two years with respect to (i) recording and providing up-to-date data on virtually all external debt aggregates; (ii) ensuring timely debt servicing; (iii) analyzing the existing debt stock; (iv) evaluating the impact of new borrowings; and (v) conducting debt renegotiations. However, more needs to be done mainly as regards public access to debt information and coordination between external debt management and the formulation of other macroeconomic policies.

Box 5. External Debt Relief

The authorities have concluded bilateral agreements following the Paris Club agreement of January 24, 2001 with seven countries (Austria, Canada, Denmark, Japan, Switzerland, the United Kingdom, and the United States). In almost all cases, Cameroon has received debt relief going beyond HIPC terms. The Paris Club creditors have approved a further extension, through end-October 2002, for the conclusion of the bilateral agreements. Regarding non-Paris Club official bilateral debt, agreements were signed with Kuwait and China, and negotiations are ongoing with Saudi Arabia.

On May 24, 2002, an agreement was reached between Cameroon and a committee of its main commercial creditors on a debt restructuring agreement, in accordance with the informal "London Club" procedure. The agreement involves a cash buyback operation at a discount of 85.5 percent on the principal and total forgiveness of all interest payment obligations. Total commercial debt amounts to about US\$830 million or 13 percent of external debt, of which 88.3 percent is owed to commercial banks. Full reconciliation of nonbank debt and interest charges of second generation (late interest charges) were the main factors behind the increase in the actual stock of commercial debt. Commercial debt consists of US\$273.3 million in principal (32.9 percent) and US\$556.8 million (67.1 percent) on account of first-generation and late interest charges. Creditors that participated in the meeting hold a total of about 78 percent of Cameroon's commercial debt. The up-front costs for the operation are estimated at about CFAF 28 billion (US\$40 million), representing a discount of about 95 percent of the face value and corresponding to a buyback price of 4.8 percent. Consequently, the agreement provides for total debt relief of about US\$790 million.

As follow-up steps, bilateral agreements will have to be signed with each commercial creditor. It can reasonably be expected that all creditors will accept the terms, including Winslow and Del Favero Spa with whom there is ongoing litigation and which together hold only about 2.9 percent of Cameroon's commercial debt. The Cameroonian authorities have indicated that these two banks had expressed their willingness to join the ongoing London Club operation. Given that nonbank commercial creditors have already agreed in principle to the terms, the participation rate in the operation is likely to be higher than 95 percent. The nonbank creditors accepted the offer (settlement price of 12.5 percent) offered by the authorities on May 23, 2001. However, it was agreed that the settlement price will be revised and adjusted in accordance with the one agreed with the commercial banks.

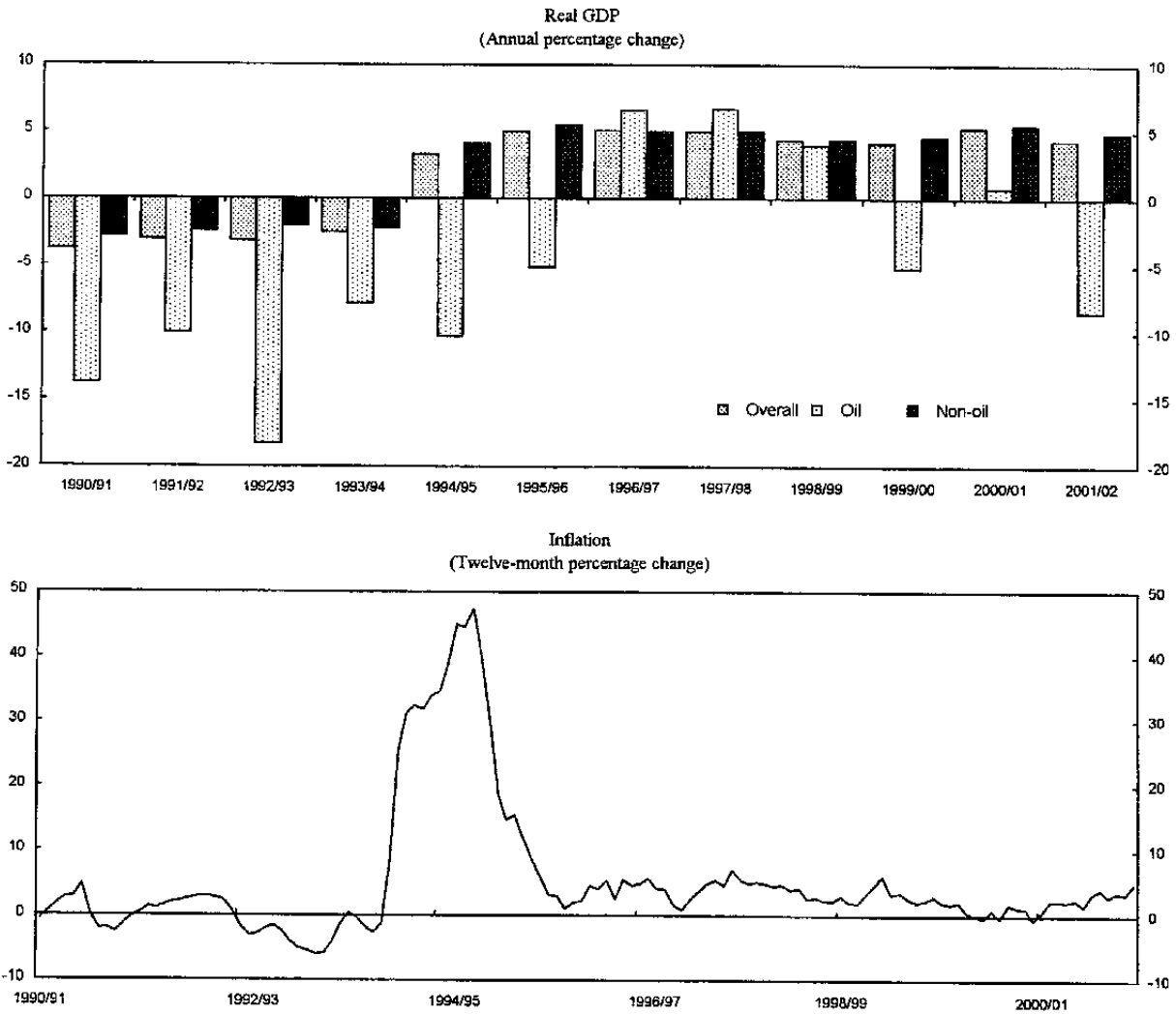
The agreement is contingent on external financial assistance becoming available to cover the up-front costs. The authorities will need to mobilize funds from bilateral donors, with the assistance of the World Bank, which may also make available a grant from the Debt Reduction Facility for IDA-only countries to fill a possible remaining gap.

Box 6. Technical Assistance

Since the inception of the PRGF-supported program, the Fund's technical assistance has consistently been provided to support the elaboration and implementation of the action plan for the full integration of the various computer systems at the Ministry of Economy and Finance, and expenditure monitoring, including an audit of the treasury and the proposal of a system of poverty tracking (developed jointly with the World Bank). The efforts to streamline the revenue and expenditure management procedures (*chaîne de recettes et de dépenses publiques*) have been supported by substantial FAD technical advice, to improve tax and customs administration, including the introduction of the VAT, the reorganization of the tax department, and the reform of the income tax.

World Bank technical assistance has mainly been concentrated on—in addition to assistance for sectoral reforms under SAC III—the areas of financial sector rehabilitation, privatization, judiciary and procurement reforms, private sector development, and social sector surveys. Assistance has also been provided in the context of the Bank's Country Financial Accountability Assessment to, inter alia, analyze the quality and reliability of public expenditure management mechanisms. Other multilateral donors, including the UNDP, have been predominantly involved in sector and donor coordination, and in policy strategies for social sector development. One bilateral donor (France) has a comprehensive multisectoral technical assistance program; most others have opted for focusing on specific sectoral programs, such as forestry and the environment, microfinance, or the judiciary.

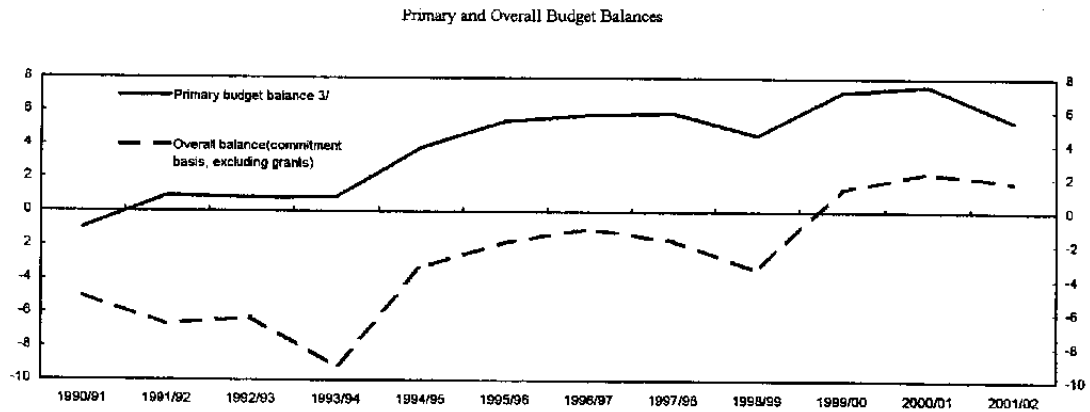
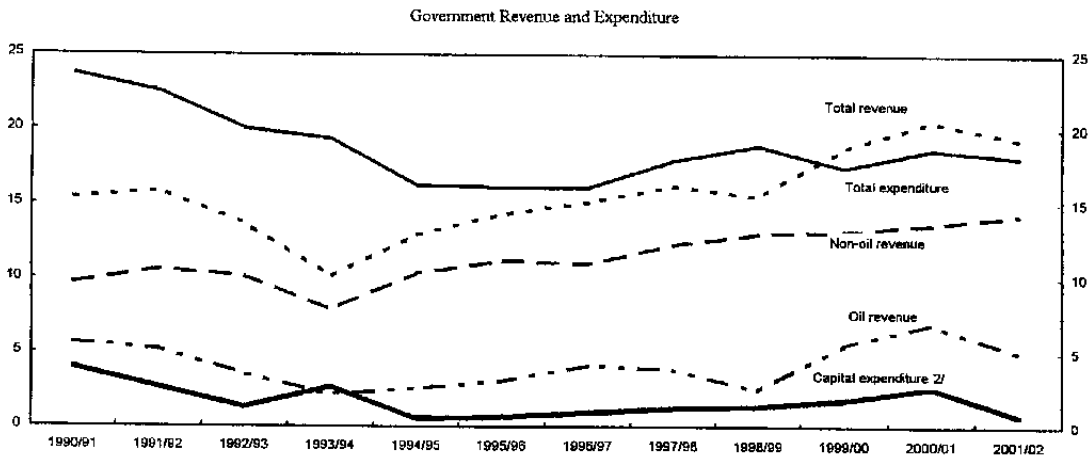
Figure 1. Cameroon: Developments in Output and Prices, 1990/91-2001/02 1/



Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

Figure 2. Cameroon: Fiscal Developments, 1990/91-2001/02 1/
(In percent of GDP)



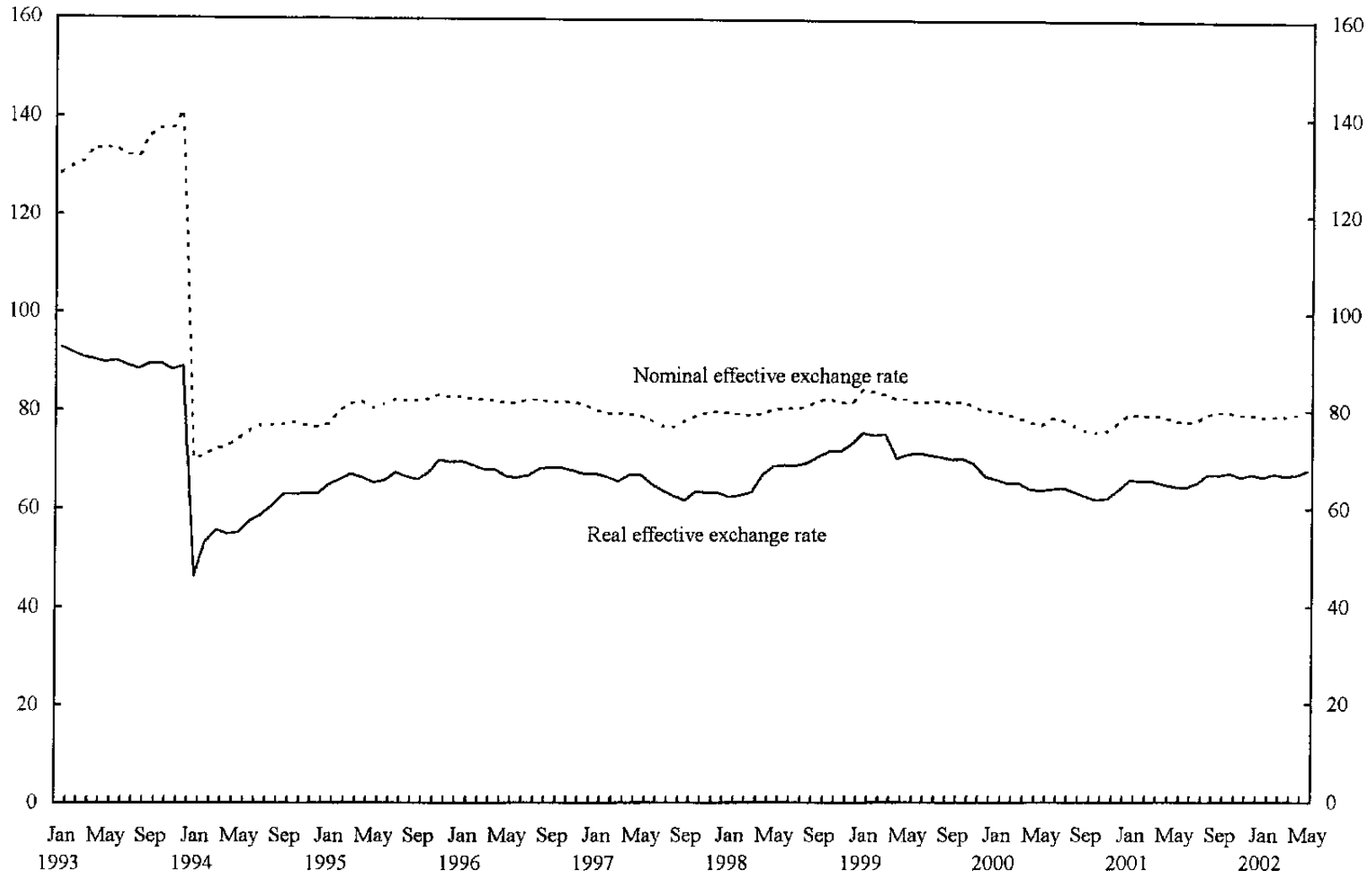
Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

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

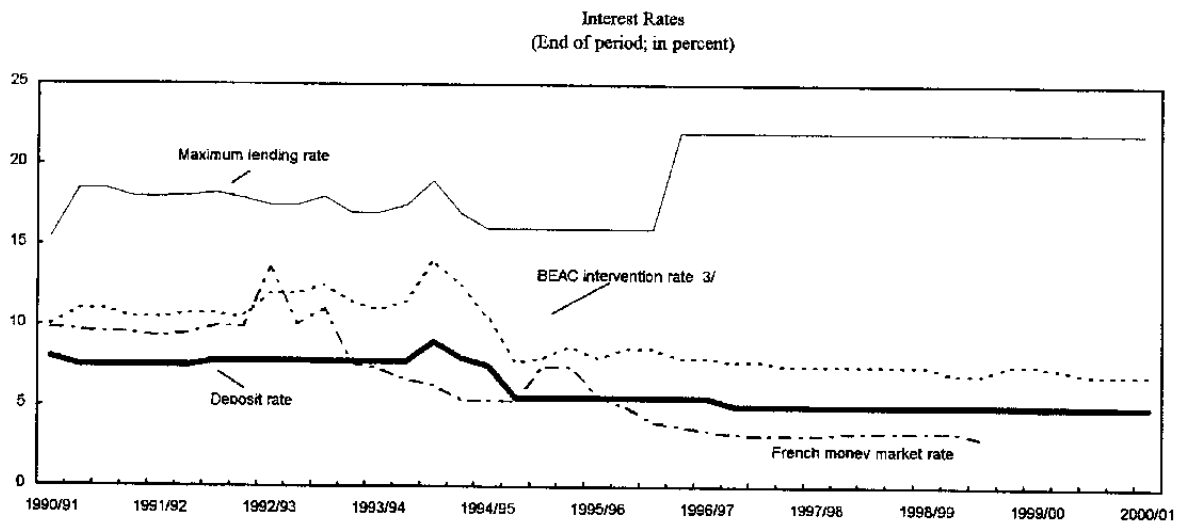
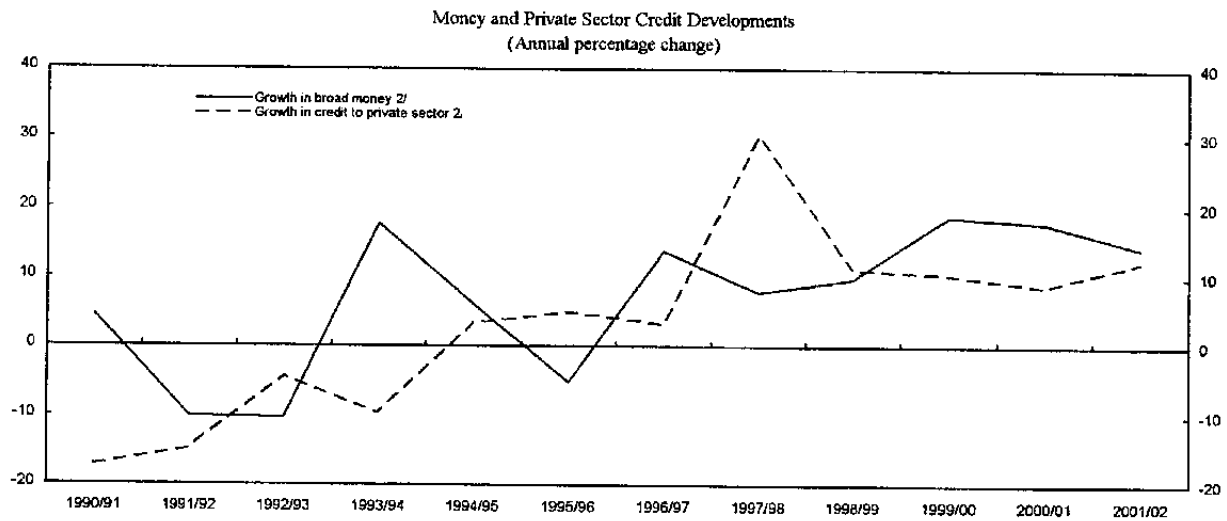
3/ Defined as government revenue (excluding privatization proceeds) minus noninterest expenditure (excluding foreign-financed investment and restructuring expenditure).

Figure 3. Cameroon: Real and Nominal Effective Exchange Rates, January 1993-May 2002
(Index, 1990=100)



Source: IMF, Information Notice System (INS)

Figure 4. Cameroon: Monetary Developments, 1990/91-2001/02 1/



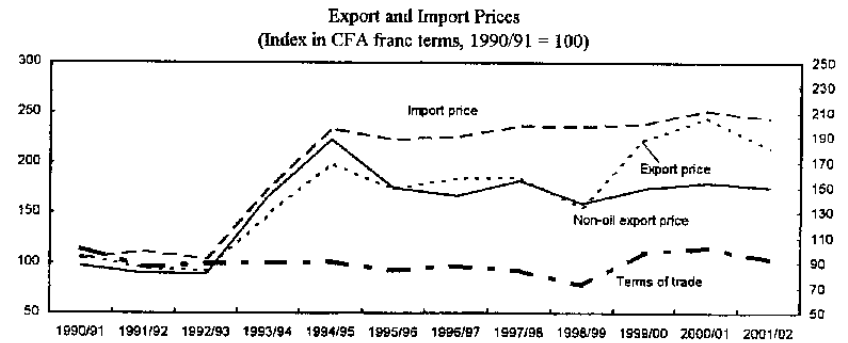
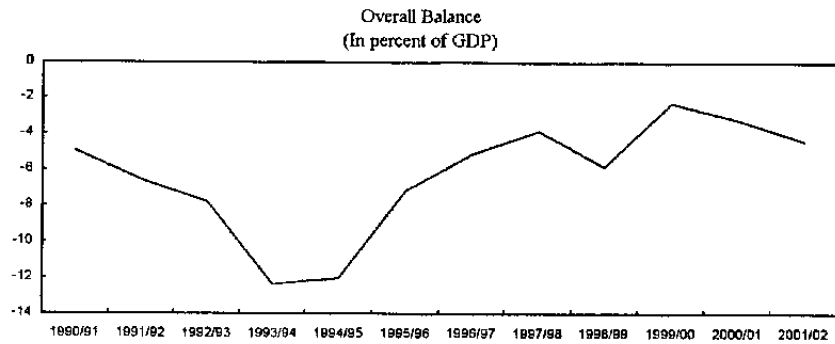
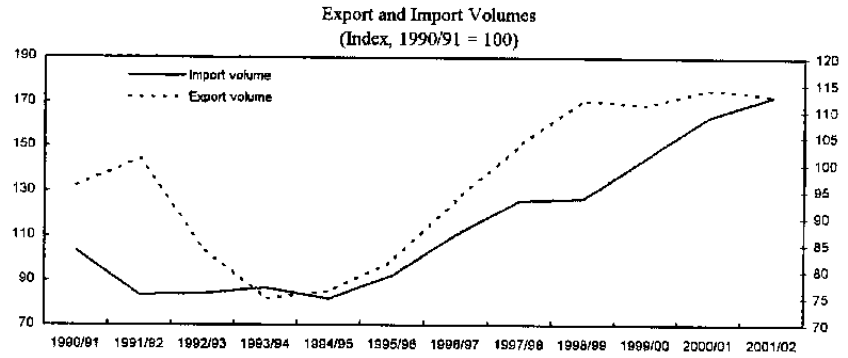
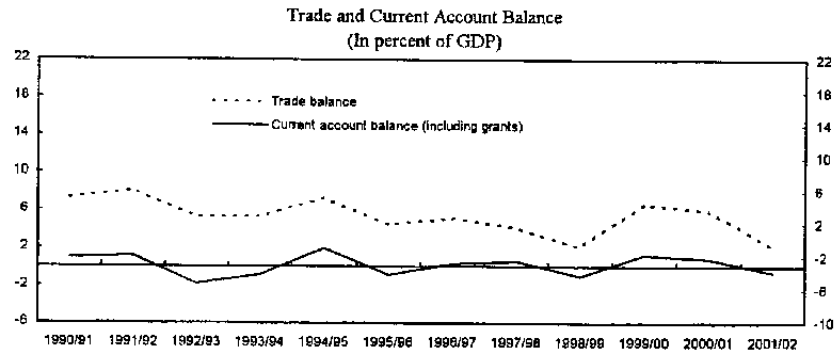
Sources: Cameroonian authorities; and staff estimates.

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.

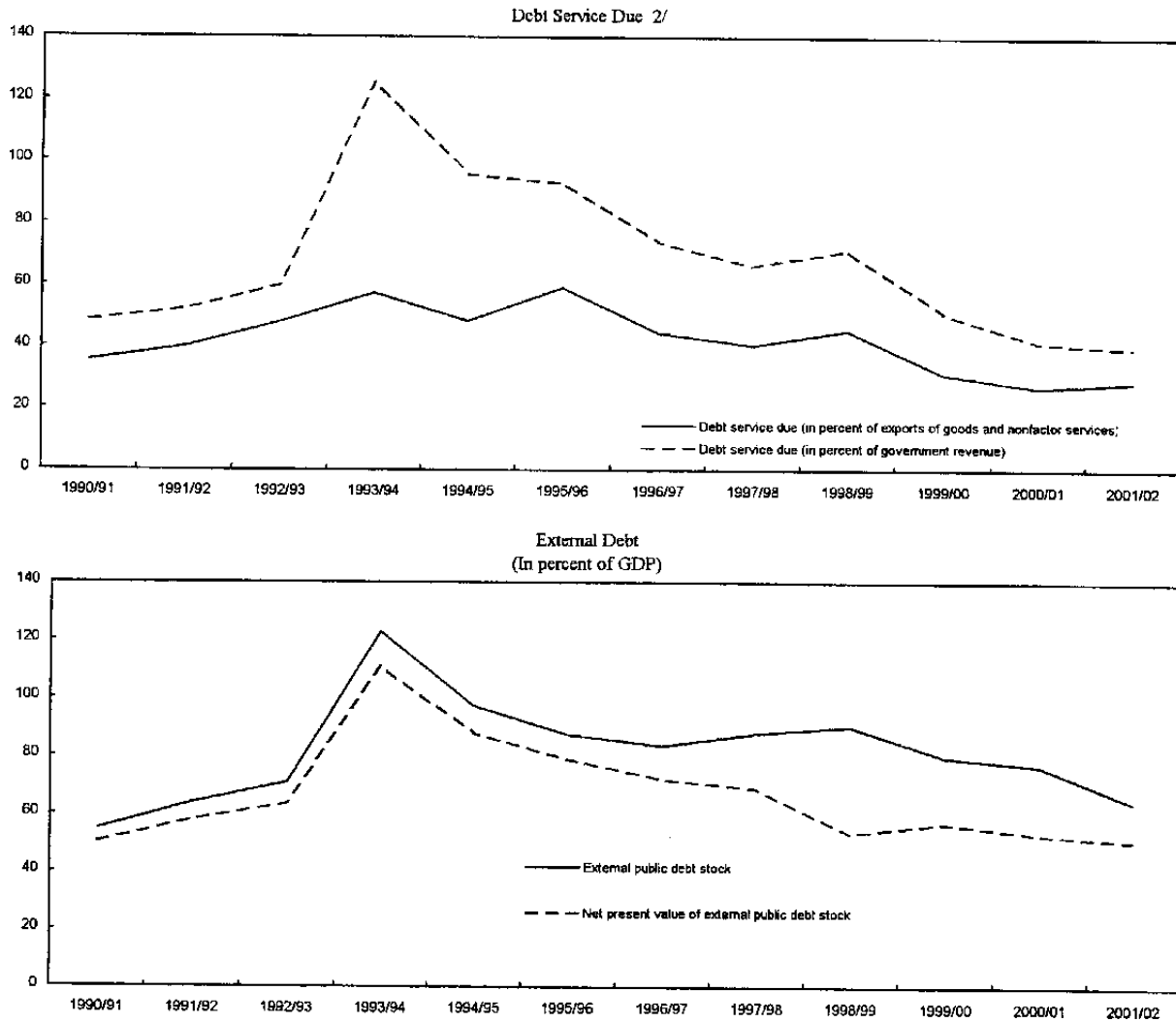
Figure 5. Cameroon: External Sector Developments, 1990/91-2001/02 1/



Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

Figure 6. Cameroon: External Public Debt and Debt Service, 1990/91-2001/02 1/

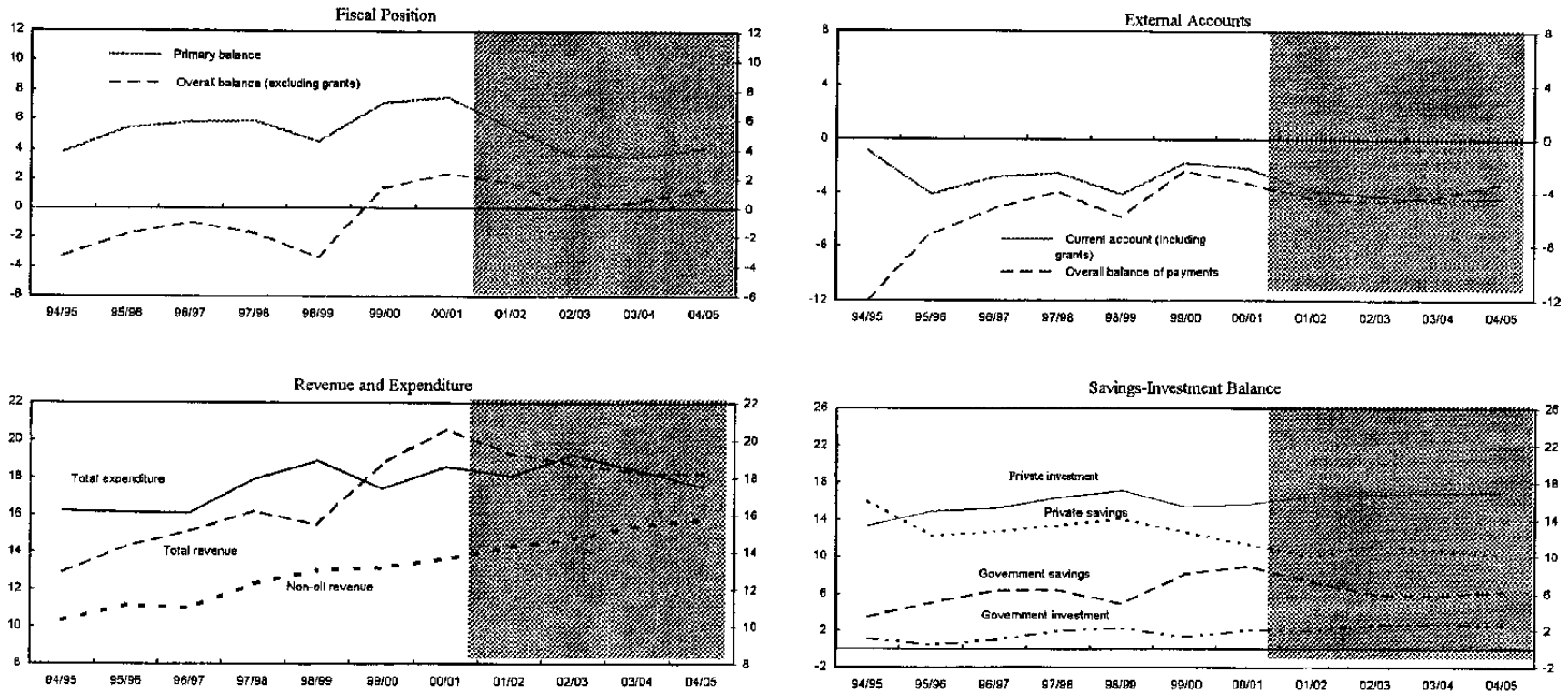


Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July.

2/ After debt rescheduling.

Figure 7. Cameroon: Adjustment Profile, 1994/95-2004/05 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, 2001/02-2004/05 1/

	Outstanding on September 30, 2001	2001/02			Year	2002/03	2003/04	2004/05
		Oct.-Dec.	Jan.-March	April-June					Projections
(In millions of SDRs)								
Transactions during the period (net)		0.00	15.92	0.00	31.83	29.13	18.32	-23.42
Tranche policies and special facilities (net)		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repurchases		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Poverty Reduction and Growth Facility (net)		0.00	15.92	0.00	31.83	29.13	18.32	-23.42
Disbursements		0.00	15.92	0.00	31.83	31.83	31.83	0
Repayments		0.00	0.00	0.00	0.00	2.70	13.51	23.42
Total Fund credit outstanding (end of period)	193.96	193.96	209.88	209.88	209.88	239.01	257.33	233.92
Tranche policies and special facilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Poverty Reduction and Growth Facility	193.96	193.96	209.88	209.88	209.88	239.01	257.33	233.92
(In percent of quota)								
Total Fund credit outstanding (end of period)	95.87	104.4	113.0	113.0	113.0	128.7	138.6	126.0
Tranche policies and special facilities	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Poverty Reduction and Growth Facility	95.87	104.4	113.0	113.0	113.0	128.7	138.6	126.0

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

1/ Fiscal year begins in July. Starting in January 2003, the fiscal year will match the calendar year.

Table 2. Cameroon: Quantitative Performance Criteria and Benchmarks During the Second Annual Program Under the Poverty Reduction and Growth Facility, October 1, 2001-September 30, 2002
Situation as of End-December 2001

(In billions of CFA francs; cumulative from October 1, 2001, unless otherwise indicated)

	December 31, 2001						Met (M) or not met (N)
	Program	Adjustments ¹		Adjusted program target	Cumulative estimated outcome	Excess or shortfall over adjusted target	
		Oil revenue	Program financing and external debt relief				
Ceiling on the increase in net claims of the banking system of the central government excluding privatization receipts ^{2 3 4 5 6}	23	-9	-1	33	29	-4	M
Floor on the primary budget balance ^{2 5 7}	89	-9	...	80	83	3	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 ^{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 ^{6 11 12}	327	-18	...	309	312	3	M
<i>Of which</i> : non-oil revenue ^{6 12}	237	...	...	237	240	3	M
Floor on reduction of domestic arrears ¹²	-8	...	...	-8	-11	-3	M
<i>Of which</i> : cash payments	-8	...	...	-8	-11	-3	M
Memorandum items:							
Assumed external debt relief ¹³	68	...	...	68	76 ¹⁴	...	...
External program financing ¹⁵	25	...	...	25	6	...	...
<i>Of which</i> : IMF disbursements	15	...	...	15	0	...	...
Privatization proceeds	0	...	...	0	0	...	...
Stock of net credit to the central government	362	...	...	362	370	...	...

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

1 Cumulative since end-September 2001.

2 These targets were structural benchmarks for end-December 2001.

3 This target has been adjusted (a) upward for a shortfall in program financing, and external debt relief up to an amount equivalent to 50 percent of the shortfall (for a total cumulative shortfall of CFAF 35 billion); (b) downward 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.

4 The flows have been adjusted on the basis of end-December 2001 actual data.

5 The targets have been adjusted upward/downward for 50 percent of the windfall/shortfall in oil revenue.

6 Excluding privatization receipts.

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

8 Excluding reschedulable external payments arrears. The targets have been adjusted for deviations from projected program financing.

Performance criterion, which is 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). 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. Performance criterion, which is monitored on a continuous basis.

11 This target has been adjusted for the full amount of higher/lower-than-programmed oil revenue.

12 Benchmarks.

13 Including the financing gap.

14 Excluding government-owned provisions amounting to CFAF 10 billion to cover commercial debt operation (London Club).

15 Including IMF disbursements.

Table 3. Cameroon: Quantitative Performance Criteria and Benchmarks During the Second Annual Program Under the Poverty Reduction and Growth Facility, October 1, 2001-September 30, 2002
Situation as of End-March 2002

(In billions of CFA francs; cumulative from October 1, 2001, unless otherwise indicated)

	Program	Adjustments ¹		Adjusted program target	Cumulative estimated outcome	Excess or shortfall over adjusted target	Met (M) or not met (N)
		Oil revenue	Program financing and external debt relief				
Ceiling on the increase in net claims of the banking system of the central government excluding privatization receipts ^{2 3 4 5 6}	-3	-6	-5	9	6	-3	M
Floor on the primary budget balance ^{2 5 7}	181	-6	...	175	188	14	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 ^{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 ^{6 11 12}	650	-13	...	637	643	6	M
<i>Of which</i> : non-oil revenue ^{6 12}	479	...	...	479	486	7	M
Floor on reduction of domestic arrears ¹²	-16	...	...	-16	-18	-2	M
<i>Of which</i> : cash payments	-16	...	...	-16	-18	-2	M
Memorandum items:							
Assumed external debt relief ¹³	135	...	...	135	149 ¹⁴	...	...
External program financing ¹⁵	60	...	...	60	25	...	...
<i>Of which</i> : IMF disbursements	15	...	...	15	15	...	...
Privatization proceeds	0	...	...	0	0	...	...
Stock of net credit to the central government	337	...	...	337	346	...	...

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

1 Cumulative since end-September 2001.

2 These targets are performance criteria for end-March 2002.

3 This target have been adjusted (a) upward for a shortfall in program financing, and external debt relief up to an amount equivalent to 50 percent of the shortfall (for a total cumulative shortfall of CFAF 35 billion); (b) downward 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.

4 The flows have been adjusted on the basis of end-December 2001 actual data.

5 The targets have been adjusted upward/downward for 50 percent of the windfall/shortfall in oil revenue.

6 Excluding privatization receipts.

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

8 Excluding reschedulable external payments arrears. The targets have been adjusted for deviations from projected program financing. 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). 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. Monitored on a continuous basis, from the date of completion of the second review.

11 This target has been adjusted for the full amount of higher/lower-than-programmed oil revenue.

12 Benchmarks.

13 Including the financing gap.

14 Excluding government-owned provisions amounting to CFAF 21.5 billion to cover commercial debt operation (London Club).

15 Including IMF disbursements.

Table 4. Cameroon: Structural Performance Criterion and Benchmarks for the First Half of the Second Annual Program Under the Poverty Reduction and Growth Facility October 1, 2001–March 31, 2002

Performance Criterion and Benchmarks	Target Dates	Status
Criterion		
Complete the link between the information system of the treasury and that of the budget department in the Ministry of Economy and Finance in order to follow all expenditures from the commitment to the payments stage, carried out both at the central government level and by the local branches of the central government (<i>déconcentré</i>).	End-March 2002	Not met
Benchmarks		
Complete the link between the information system of the treasury and that of the budget department in the Ministry of Economy and Finance in order to follow all expenditures from the commitment stage to the payment stage at the central government level.	End-December 2001	Met
Finalize and validate the new budget classifications.	End-December 2001	Met
Complete the investigation of the existing cases of <i>saisie-attribution</i> and forward the recommendations to the relevant government bodies, in order to <ul style="list-style-type: none"> • take all necessary corrective actions and appropriate sanctions, as required; and • propose legislative, regulatory, and other provisions that are necessary to correct the non functioning features in the <i>saisie-attribution</i> procedures. 	End-March 2002	Met
Complete the bank liquidation process run by the Société de Recouvrement des Créances (SRC), except for the BMBC and BCCI.	End-March 2002	Met
Adopt an action plan for the implementation of an audit body for external control of the state finances.	End-March 2002	Met

Table 5. Cameroon: Medium- to Long-Term Economic and Financial Indicators, 2000/01-2006/07 1/

	2000/01		2001/02			2002/03		2003/04		2004/05		2005/06		2006/07	
	Rev. prog. EBS/01/105	Prel.	Prog. EBS/01/105	Rev. prog. EBS/01/215	Rev. proj.	Rev. prog. EBS/01/215	Rev. proj.	Rev. prog. EBS/01/215	Rev. proj.	Rev. prog. EBS/01/215	Rev. proj.	Rev. prog. EBS/01/215	Rev. proj.	Rev. prog. EBS/01/215	Rev. proj.
(Annual percentage change, unless otherwise indicated)															
GDP at constant prices	5.3	5.3	5.5	4.6	4.4	4.9	4.7	5.2	5.0	5.4	5.2	6.3	5.3	6.5	5.1
<i>Of which</i> : non-oil GDP	5.5	5.5	6.1	5.0	4.9	5.3	5.1	5.7	5.7	5.8	5.5	6.7	5.6	6.8	5.4
Consumer prices (12-month average)	2.0	2.8	2.0	2.9	4.0	2.5	3.0	2.2	2.3	2.0	2.0	2.0	2.0	2.0	2.0
Export volume	2.8	2.5	3.2	0.5	-1.0	-0.5	1.5	0.1	-0.7	0.9	2.5	3.2	1.6	4.3	2.0
Import volume	13.6	12.5	5.0	3.6	3.5	3.6	3.5	2.9	3.3	4.4	4.1	6.9	3.7	6.0	3.9
Current account balance (incl. grants, in percent of GDP)	-2.7	-1.7	-3.2	-4.4	-4.1	-4.9	-4.3	-4.5	-4.2	-4.4	-3.9	-4.6	-3.6	-4.2	-3.4
(In percent of GDP, unless otherwise indicated)															
Total revenue	20.4	20.6	18.9	19.2	19.4	18.0	18.9	17.9	18.4	17.6	18.3	17.7	18.1	17.8	18.1
Non-oil revenue	13.6	13.6	14.1	14.3	14.3	14.6	14.7	15.2	15.4	15.7	15.7	16.2	16.1	16.5	16.4
Oil revenue	6.8	6.9	4.7	4.9	5.1	3.3	4.2	2.7	3.0	1.9	2.6	1.5	2.1	1.3	1.7
Total non-interest expenditure	14.4	14.7	16.5	16.3	15.0	16.0	16.3	15.5	15.9	15.7	15.1	15.8	14.7	15.9	14.4
Primary expenditure	13.0	13.0	14.6	14.4	13.9	14.1	15.2	13.6	14.8	14.0	14.1	14.2	13.7	14.3	13.4
Current expenditure	11.3	11.4	12.0	11.9	11.8	11.7	12.4	11.3	12.1	11.6	11.6	11.7	11.5	11.7	11.3
Capital expenditure (domestically financed)	1.7	1.6	2.7	2.5	2.1	2.4	2.8	2.3	2.7	2.4	2.5	2.5	2.2	2.6	2.0
Primary balance	7.4	7.5	4.2	4.8	5.5	3.9	3.7	4.3	3.6	3.6	4.3	3.5	4.5	3.6	4.8
Overall fiscal balance (excl. grants)	2.0	2.0	-0.7	0.0	1.3	-0.7	-0.4	-0.1	0.0	-0.4	0.8	-0.2	1.3	-0.1	1.7
Overall fiscal balance (incl. grants)	2.4	2.4	-0.2	0.5	1.7	-0.2	0.2	0.6	0.6	0.1	1.4	-0.2	1.8	-0.1	2.0
Memorandum item:															
WEO oil prices (U.S. dollar per barrel)	28.2	28.2	27.1	22.9	22.4	20.5	22.9	19.5	21.5	19.0	21.0	19.0	21.0	19.0	21.0

Source: Table 7.

1/ Fiscal year begins in July. Starting in January 2003, the fiscal year will match the calendar year.

Table 6. Cameroon: Savings-Investment Balances, 1997/98–2004/05 1/

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

	1997/98	1998/99	1999/00	2001/01		2001/02		2002/03	2003/04	2004/05
			Est.	Rev. prog. EBS/01/105	Prel.	Rev. prog. EBS/01/215	Rev. proj.	Revised projections		
Total economy (current account balance)	-2.5	-4.3	-1.7	-2.5	-1.7	-4.4	-4.1	-4.3	-4.2	-3.9
Gross national savings 2/	15.0	14.4	14.7	14.6	16.1	14.4	14.5	14.5	14.6	15.1
Of which: domestic savings 3/	19.2	18.4	20.3	19.8	20.5	17.0	17.2	16.6	15.9	16.3
Gross domestic investment	17.5	18.7	16.4	17.1	17.8	18.8	18.6	18.8	18.9	19.0
Non-government	-2.1	-2.2	-4.5	-6.7	-5.2	-5.9	-6.7	-5.2	-5.2	-5.5
Gross national savings	13.4	14.2	10.5	8.7	10.5	10.0	9.8	11.0	10.9	10.8
Of which: domestic savings	12.8	13.5	12.2	10.5	11.5	10.0	9.7	10.5	10.0	9.9
Gross domestic investment	15.5	16.4	15.1	15.4	15.7	16.0	16.6	16.1	16.1	16.4
Non-oil sector	-5.9	-5.7	-11.3	-14.5	-13.4	-11.6	-12.5	-10.2	-8.7	-8.5
Gross national savings	8.2	9.9	3.3	0.5	1.8	4.0	3.7	5.7	7.3	7.8
Of which: domestic savings	7.3	8.8	2.3	-1.0	0.4	2.4	2.3	3.9	5.3	6.0
Gross domestic investment	14.1	15.6	14.6	15.0	15.2	15.6	16.3	15.9	16.0	16.2
Oil sector	3.9	3.5	6.7	6.8	8.2	6.7	5.8	5.0	3.4	2.9
Gross national savings	5.2	4.2	7.2	7.3	8.7	6.1	6.1	5.3	3.6	3.1
Of which: domestic savings	5.5	4.6	9.9	9.7	11.0	7.5	7.5	6.6	4.6	3.9
Gross domestic investment	1.4	0.8	0.5	0.5	0.5	0.4	0.3	0.2	0.2	0.1
Central government	-0.4	-2.1	2.8	4.2	3.4	1.5	2.7	0.9	1.0	1.7
Gross national savings 4/	1.6	0.3	4.2	5.9	5.5	4.3	4.7	3.6	3.7	4.3
Of which: domestic savings 5/	6.4	5.0	8.2	9.4	9.0	7.0	7.4	6.1	6.0	6.4
Gross domestic investment	2.0	2.3	1.4	1.7	2.1	2.8	2.0	2.7	2.7	2.6
Memorandum items:										
Gross disposable national income	95.8	96.0	94.4	94.7	95.5	97.4	97.3	97.7	98.5	98.6
Total consumption	80.8	81.6	79.7	80.2	79.5	83.0	82.8	82.6	83.1	82.9
Non-government	71.6	71.6	69.5	69.1	68.3	71.0	71.2	70.1	70.9	71.3
Central government 6/	9.2	10.0	10.2	11.1	11.2	12.0	11.6	12.5	12.2	11.6
Current account balance (including grants)	-2.5	-4.3	-1.7	-2.5	-1.7	-4.4	-4.1	-4.3	-4.2	-3.9
Oil output (in millions of barrels)	41.9	43.6	41.4	41.8	41.7	39.3	38.2	36.0	29.7	28.2
Cameroon's oil price (U.S. dollars per barrel)	15.4	12.1	23.9	24.8	25.5	19.9	20.3	20.6	19.2	18.7

Sources: Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July. Starting in January 2003, the fiscal year will match the calendar year.

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: Selected Economic and Financial Indicators, 1999/2000-2004/05¹

	1999/00	2000/01		2001/02			2002/03	2003/04	2004/05
	Actual	Rev. prog. EBS/01/105	Prel.	Prog. EBS/01/105	Rev. prog. EBS/01/215	Rev. proj.	Revised projections		
(Annual percentage changes, unless otherwise indicated)									
National income and prices									
GDP at constant prices	4.2	5.3	5.3	5.5	4.6	4.4	4.7	5.0	5.2
<i>Of which: non-oil GDP</i>	4.6	5.5	5.5	6.1	5.0	4.9	5.1	5.7	5.5
GDP deflator	3.5	3.0	3.0	-0.2	0.1	0.5	0.7	1.1	1.8
Consumer prices (12-month average)	0.8	2.0	2.8	2.0	2.9	4.0	3.0	2.3	2.0
Consumer prices (end of period)	-0.7	2.0	4.8	2.0	3.2	4.8	3.7	2.9	2.0
Nominal GDP (in billions of CFA francs)	5,827	6,320	6,320	6,652	6,615	6,628	6,988	7,419	7,949
Oil output (in thousands of barrels a day)	113	115	114	104	108	105	99	81	77
External trade									
Exports (in SDRs)	27.5	3.8	5.5	-3.8	-11.5	-13.0	1.7	-1.7	5.0
<i>Of which: crude oil</i>	88.9	6.7	11.4	-19.4	-23.2	-24.5	-5.6	-23.0	-7.6
Imports (in SDRs)	4.6	12.6	10.7	5.4	5.0	3.8	3.7	4.3	5.0
Export volume	-0.7	2.8	2.5	3.2	0.5	-1.0	1.5	-0.7	2.5
<i>Of which: non-oil sector</i>	1.2	4.1	4.1	8.3	2.1	1.8	4.4	5.5	4.7
Import volume	14.8	13.6	12.5	5.0	3.6	3.5	3.5	3.3	4.1
Average oil export price (U.S. dollars per barrel)	23.9	24.6	25.5	21.5	19.9	20.5	20.6	19.2	18.7
Nominal effective exchange rate	-2.6	...	-2.8	...	...	...	...	...	...
Real effective exchange rate	-4.2	...	-4.5	...	...	...	...	...	...
Average exchange rate (CFA francs per SDR)	874	...	938	...	...	...	...	...	...
Terms of trade	41.4	1.8	4.5	-7.1	-13.1	-12.4	0.0	-1.9	1.5
Non-oil export price index (in CFA francs)	9.5	2.3	3.4	-1.7	-5.1	-4.9	3.9	6.0	5.3
Money and credit (end of period)									
Net domestic assets ²	-3.3	6.7	4.1	-1.5	8.9	2.0	7.8	7.7	4.2
Net credit to the public sector ²	-7.1	2.1	0.6	-8.2	2.4	1.2	2.8	2.8	-1.8
Credit to the private sector	10.5	14.0	8.7	12.2	12.2	13.4	10.2	9.5	11.4
Broad money (M2)	18.8	13.0	17.9	8.8	9.7	14.3	5.4	6.2	5.2
Velocity (GDP/average M2)	6.8	6.2	6.2	6.4	6.0	5.8	5.8	5.8	5.9
Discount rate (end of period, in percent)	7.0	7.0	7.0	7.0	6.5	6.5	...	...	...
Central government operations									
Total revenue	30.5	17.7	19.0	-2.9	-2.2	-1.2	2.6	3.4	6.7
<i>Of which: non-oil revenue</i>	9.0	11.9	12.3	9.1	9.8	9.8	8.2	11.3	9.7
Total expenditure ³	-1.0	14.8	16.0	11.7	8.5	2.1	11.6	2.1	1.7
Current expenditure	2.8	13.1	12.3	4.5	3.9	2.4	9.5	1.8	2.4
Capital expenditure (domestically financed)	42.4	11.9	12.6	48.2	38.6	18.4	33.8	-2.3	-4.6
(In percent of GDP, unless otherwise indicated)									
Gross national savings	14.7	15.0	16.1	15.9	14.4	14.5	14.5	14.6	15.1
Gross domestic investment	16.4	17.7	17.8	19.0	18.8	18.6	18.8	18.9	19.0
Central government operations									
Total revenue	18.8	20.4	20.6	18.9	19.2	19.4	18.9	18.4	18.3
<i>Of which: non-oil</i>	13.2	13.6	13.6	14.1	14.3	14.3	14.7	15.4	15.7
Total expenditure	17.4	18.4	18.6	19.5	19.3	18.1	19.2	18.4	17.5
Overall fiscal balance (excl. grants)	1.4	2.0	2.0	-0.6	0.0	1.3	-0.3	0.0	0.8
Overall fiscal balance (incl. grants)	1.4	2.4	2.4	-0.1	0.5	1.9	0.2	0.6	1.4
Primary balance ^{4,5}	7.2	7.4	7.5	4.2	4.8	5.5	3.7	3.6	4.3
<i>Of which: non-oil sector</i>	1.6	0.6	0.6	-0.6	-0.1	0.4	-0.5	0.6	1.7
Noninterest expenditure ⁴	11.6	13.0	13.0	14.7	14.5	13.9	15.2	14.8	14.1
Domestic public debt	20.0	14.6	17.0	11.1	13.3	16.7	14.3	12.1	9.8
External sector									
Current account balance (including grants)	-1.7	-2.7	-1.7	-3.2	-4.4	-4.1	-4.3	-4.2	-3.9
External public debt	79.5	75.6	76.3	62.6	65.6	63.1	60.9	54.8	45.5
(In percent of exports of goods and services, unless otherwise indicated)									
Net present value (NPV) of external public debt	192.2	179.0	191.4	197.7	197.7	194.8	126.7	133.3	130.6
External debt service									
Scheduled	31.1	27.6	26.7	27.5	28.9	28.7	26.8	27.9	25.1
Scheduled (in percent of government revenue)	51.0	41.7	41.3	40.5	39.8	39.4	37.1	37.3	33.2
Actual	14.0	...	...	...	...	...	...	...	...
Actual (in percent of government revenue)	23.0	...	...	...	...	...	...	...	...
(In millions of SDRs)									
Current account balance (including grants)	-114	-181	-117	-231	-314	-290	-321	-337	-329
Overall balance of payments	-153	-277	-218	-175	-278	-317	-345	-340	-275
Net international reserves (end of period)	-103	-51	38	65	32	192	158	137	151

Sources: Cameroonian authorities, and staff estimates and projections.

1/ Fiscal year begins in July. Starting in January 2003, the fiscal year will match the calendar year.

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

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

HIPC-related expenditure envisaged for 2001/02 has been postponed to 2002/03 and 2003/04.

4/ Excluding restructuring expenditure.

5/ Excluding foreign-financed investment and privatization proceeds.

Table 8. Cameroon: Central Government Operations, 1998/99-2004/05 1/

(In billions of CFA francs, unless otherwise indicated)

	1998/99	1999/00	2000/01	2001/02								2002/03				2003/04	2004/05		
			Est.	July-Sep.		Oct-Dec		Jan-March		Apr.-June		June-July		Jul-Sep.	Oct-Dec	Jul-Dec	Jul-June	Rev. proj.	Rev. proj.
				Prog.	Est.	Prog.	Est.	Prog.	Est.	Prog.	Proj.	Rev. prog.	Rev. proj.	Rev. proj.	Rev. proj.				
Total revenue and grants	848	1093	1326	285	297	337	318	330	336	344	364	1309	1315	304	343	647	1355	1415	1501
Total revenue	838	1093	1301	285	291	327	312	323	331	331	351	1272	1285	297	336	632	1319	1365	1456
Oil sector revenue	133	325	438	69	69	89	72	81	86	86	112	325	339	64	80	144	295	224	205
Non-oil sector revenue	705	768	863	216	222	237	240	242	245	245	239	947	947	232	256	489	1025	1141	1252
Direct taxes	174	182	220	57	58	61	70	60	67	69	71	248	266	64	75	138	286	319	353
Special tax on petroleum products	65	58	63	14	16	16	13	18	16	16	13	66	58	13	15	28	63	70	77
Taxes on international trade	138	141	148	37	44	40	40	44	39	39	41	167	164	44	46	89	177	196	214
Other taxes on goods and services	275	326	373	91	95	96	96	105	107	101	100	397	398	102	103	205	427	477	522
Of which: value-added tax (VAT)	226	269	312	74	79	82	82	87	89	83	83	332	334	85	88	173	359	401	438
Nontax revenue	53	61	59	16	10	24	22	15	17	20	14	69	62	10	18	28	71	79	86
Total grants (current)	10	0	26	0	6	10	6	8	4	13	13	37	30	7	7	15	36	50	44
Of which: HIPC	...	...	19	0	6	...	6	...	4	...	5	32	22	...	...	...	30	44	44
Total expenditure	1023	1013	1175	296	293	319	302	325	282	337	323	1274	1199	336	340	675	1339	1367	1390
Current expenditure	824	847	951	230	241	251	247	240	234	258	252	989	974	272	271	542	1067	1086	1112
Wages and salaries	275	293	338	87	89	96	94	96	92	107	99	387	374	104	104	208	416	433	455
Other goods and services 2/	167	191	236	65	64	71	65	75	70	78	71	288	270	83	83	166	332	346	340
Subsidies and transfers	100	109	133	30	39	30	33	25	25	25	29	118	126	39	31	70	122	123	129
Scholarships and subsidies	55	58	80	13	27	13	19	8	10	4	8	53	64	20	14	34	53	57	61
Pensions	43	50	53	15	12	15	14	15	15	18	16	60	57	17	17	34	65	63	68
Separation grants (POEs)	2	0	0	1	0	1	0	1	0	3	0	5	0	2	0	2	4	3	3
Interest due	282	254	245	48	49	54	56	44	47	49	53	196	205	46	53	99	197	184	188
External	254	231	221	43	42	52	52	40	40	49	49	182	182	39	49	88	176	165	167
Domestic	28	23	24	5	7	2	4	5	7	0	4	14	23	7	4	11	21	19	22
Capital expenditure	194	156	208	66	52	68	44	85	43	80	71	286	211	64	69	133	272	281	279
Foreign-financed investment	121	51	75	15	12	21	9	45	6	22	25	100	52	15	15	30	60	74	81
Domestically financed investment 2/	47	73	103	44	35	43	29	37	32	51	41	166	137	45	48	93	193	197	197
Restructuring	27	32	31	7	5	5	6	4	5	6	5	20	21	4	6	10	19	10	0
Unclassified expenditure	4	10	15	0	0	0	11	0	5	0	0	0	15	0	0	0	0	0	0
Overall balance, commitments basis																			
Excluding grants	-185	81	126	-11	-2	8	10	-2	50	-6	28	-2	86	-39	-4	-43	-20	-2	66
Including grants	-175	81	152	-11	4	18	16	5	54	7	42	35	116	-32	4	-28	16	48	110
Net change in arrears	-46	-99	-186	0	-11	-8	-11	-11	-8	-363	-363	-391	-392	-7	-7	-13	-26	-18	-10
External (interest)	40	-1	-9	0	0	0	0	-3	0	-357	-357	-357	-357	0	0	0	0	0	0
Domestic	-86	-98	-177	0	-11	-8	-11	-8	-8	-6	-6	-34	-35	-7	-7	-13	-26	-18	-10

Table 8. Cameroon: Central Government Operations, 1998/99-2004/05 1/ (concluded)

(In billions of CFA francs, unless otherwise indicated)

	1998/99	1999/00	2000/01		2001/02								2002/03				2003/04	2004/05		
			July-Sep.		Oct-Dec		Jan-March		Apr-June		June-July		Jul-Sep.	Oct-Dec	Jul-Dec	Jul-June	Rev. proj.	Rev. proj.		
			Est.	Prog.	Est.	Prog.	Est.	Prog.	Est.	Prog.	Proj.	Rev. prog.	Rev. proj.	Rev. prog.	Rev. proj.					
Overall balance, cash basis																				
Excluding grants	-231	-18	-59	-11	-12	0	-1	-13	42	-370	-335	-393	-306	-46	-10	-56	-46	-20	56	
Including grants	-221	-18	-34	-11	-6	10	5	-6	46	-356	-322	-356	-277	-38	-3	-41	-10	30	100	
Financing	222	18	34	11	6	-10	-5	6	-46	-224	322	-224	277	38	3	41	10	-185	-278	
External financing (net)	181	76	118	16	19	2	8	65	17	-212	352	-129	397	20	-1	19	104	-73	-81	
Amortization	-332	-319	-312	-71	-71	-87	-87	-75	-75	-90	-90	-322	-322	-46	-137	-183	-310	-329	-293	
Drawings	514	404	430	87	90	88	95	139	91	101	666	417	942	66	135	201	414	256	212	
Project financing	121	51	75	15	12	21	9	45	6	22	25	100	52	15	15	30	60	74	81	
Program financing (loans)	115	51	16	0	0	0	0	27	0	27	27	54	27	0	35	35	60	40	40	
Debt rescheduling 3/	278	302	339	72	78	68	86	67	85	52	614	263	863	51	85	136	294	142	91	
of which: HIPC debt relief	...	...	17	...	...	...	13	...	15	...	...	57	56	...	...	...	54	38	14	
Reduction in arrears (principal)	0	-8	0	0	0	0	0	0	0	-223	-223	-223	-223	0	0	0	0	0	0	
Domestic financing (net)	41	-58	-84	-5	-13	-11	-13	-59	-63	-12	-31	-95	-120	18	4	22	-94	-112	-198	
Banking system	15	-75	-23	-25	-5	19	30	-25	-24	38	27	26	29	33	26	59	35	37	-25	
IMF (net)	34	28	32	0	8	0	2	16	0	0	29	30	29	0	0	0	27	17	-22	
Other	-19	-103	-55	0	-13	0	29	-40	0	0	-114	-3	-1	0	0	0	8	20	-3	
Amortization	0	0	-63	-18	-2	-14	-11	-18	-30	-33	-36	-72	-78	-2	-11	-13	-78	-104	-108	
Nonbank financing	-7	-10	-23	0	-2	-3	-11	-3	-3	-4	-4	-12	-19	0	0	0	0	0	0	
Privatization proceeds	11	75	0	50	23	0	0	0	0	0	0	23	23	0	3	3	3	15	0	
Reserves	0	0	0	-2	0	-3	0	-3	0	-3	-3	-10	-3	-3	-3	-5	-10	-10	-10	
Financial sector	-4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Securitization	27	0	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
VAT refund	0	-33	-27	-11	-10	-10	-9	-9	-9	-10	-15	-38	-43	-11	-11	-22	-45	-50	-55	
Other	0	-15	-48	0	-18	0	-13	0	3	0	0	-12	-28	0	0	0	0	0	0	
Remaining financing needs	0	0	0	0	0	0	0	0	0	580	0	580	0	0	0	0	0	155	178	
Of which: possible debt relief	0	0	0	0	0	0	0	0	0	580	0	580	0	0	0	0	0	155	178	
Memorandum items:																				
Primary budget balance 4/	247	417	476	60	65	89	81	92	107	73	111	318	364	28	70	98	260	269	338	
Noninterest expenditure	591	676	824	226	227	239	231	232	224	260	240	959	922	271	266	537	1063	1099	1121	
Total HIPC assistance	...	...	37	...	...	...	...	...	...	...	...	89	78	...	...	...	84	82	59	
Primary budget balance (in percent of GDP)	5	7	8	...	...	...	...	...	...	...	...	5	5	...	...	...	4	4	4	
Overall balance (excl. grants, in percent of GE)	-3	1	2	...	...	...	...	...	...	...	...	0	1	...	...	...	0	0	1	
Non-oil revenue (in percent of non-oil GDP)	14	15	16	...	...	...	...	...	...	...	...	16	16	...	...	...	16	16	17	
Noninterest expenditure (in percent of GDP)	11	12	13	...	...	...	...	...	...	...	...	14	14	...	...	...	15	15	14	
Wages and salaries (in percent of GDP)	5	5	5	...	...	...	...	...	...	...	...	6	6	...	...	...	6	6	6	

Sources: Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July. Starting in January 2003, the fiscal year will match the calendar year.

2/ Including restructuring expenditure. HIPC-related expenditure envisaged for 2000/01 was postponed to 2001/02.

HIPC-related expenditure envisaged for 2001/02 has been postponed to 2002/03 and 2003/04.

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

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

Table 9. Cameroon : Central Government Operations, Including HIPC Initiative Expenditure, :

(In billions of CFA francs, unless otherwise indicated)

	2000/01	2001/02	2002/03	2003/04	2004/05
	Est.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	1,326	1,315	1,355	1,415	1,501
Total revenue	1,301	1,285	1,319	1,365	1,456
Oil revenue	438	339	295	224	205
Non-oil revenue	863	947	1,025	1,141	1,252
Total grants	26	30	36	50	44
<i>of which</i> : HIPC assistance	19	22	30	44	44
IMF	2	0.3	1	3	5
World Bank group	11	19	21	34	33
African Development Bank	7	2	8	7	6
Total expenditure	1,175	1,199	1,339	1,367	1,390
Current expenditure	951	974	1,067	1,086	1,112
Wages and salaries	338	374	416	433	455
Other goods and services	236	270	332	346	340
<i>Of which</i> : HIPC spending	0	5	56	53	23
Subsidies and transfers	133	126	122	123	129
Interest due	245	205	197	184	188
Capital expenditure	208	211	272	281	279
Foreign financed	75	52	60	74	81
Domestically financed	103	137	193	197	197
<i>Of which</i> : HIPC spending	0	5	60	60	35
Restructuring	31	21	19	10	0
Unclassified expenditure	15	15	0	0	0
Overall balance, commitment basis					
Excluding grants	126	86	-20	-2	66
Including grants	152	116	16	48	110
Overall balance (excl. grants, in percent of GDP)	2.0	1.3	-0.3	0.0	0.8
Non-oil revenue (in percent of non-oil GDP)	16.2	16.0	16.2	16.4	16.7
Memorandum items					
Total HIPC assistance	37	78	84	82	59
of which bilaterals 2/	15	54	47	3	3
Total use of HIPC assistance	0	10	116	113	59

Sources : Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July. Starting in January 2003, the fiscal year will match the calendar year.

2/ Following FAD and PREM (Poverty Reduction and Economic Management - World Bank) guidance on HIPC accounting (December 4, 2000), bilateral assistance is recorded as financing, while multilateral assistance is treated as grants.

Table 10. Cameroon: Selected Fiscal Indicators, 1998/99 - 2004/05 1/

(In percent of GDP, unless otherwise specified)

	1998/99	1999/00	2000/01		2001/02		2002/03	2003/04	2004/05	
			Rev. prog.	Est.	Prog.	Rev. prog.				Rev. proj.	Rev. proj.
Total revenue and grants	15.7	18.8	20.8	21.0	19.3	19.8	19.8	19.4	19.1	18.9
Total revenue	15.5	18.8	20.4	20.6	18.8	19.2	19.4	18.9	18.4	18.3
Oil sector revenue	2.5	5.6	6.8	6.9	4.7	4.9	5.1	4.2	3.0	2.6
Non-oil sector revenue	13.0	13.2	13.6	13.6	14.1	14.3	14.3	14.7	15.4	15.7
Direct taxes	3.2	3.1	3.5	3.5	3.7	3.7	4.0	4.1	4.3	4.4
Special tax on petroleum products	1.2	1.0	0.9	1.0	0.9	1.0	0.9	0.9	0.9	1.0
Taxes on international trade	2.6	2.4	2.4	2.3	2.6	2.5	2.5	2.5	2.6	2.7
Other taxes on goods and services	5.1	5.6	5.8	5.9	5.8	6.0	6.0	6.1	6.4	6.6
Of which: value-added tax (VAT)	4.2	4.6	4.9	4.9	4.9	5.0	5.0	5.1	5.4	5.5
Nontax revenue	1.0	1.0	1.0	0.9	1.0	1.0	0.9	1.0	1.1	1.1
Total grants (current)	0.2	0.0	0.4	0.4	0.6	0.6	0.5	0.5	0.7	0.6
Total expenditure	18.9	17.4	18.4	18.6	19.5	19.3	18.1	19.2	18.4	17.5
Primary expenditure	10.9	11.6	13.0	13.0	14.6	14.4	13.9	15.2	14.8	14.1
Primary current expenditure	10.1	10.3	11.3	11.4	12.0	11.9	11.8	12.4	12.1	11.6
Of which: wage bill	5.1	5.0	5.4	5.3	5.8	5.9	5.6	6.0	5.8	5.7
goods and services	3.1	3.3	3.8	3.7	4.5	4.4	4.1	4.7	4.7	4.3
transfers	1.9	1.9	2.0	2.1	1.8	1.8	1.9	1.7	1.7	1.6
Domestic contribution to investment	0.9	1.3	1.7	1.6	2.7	2.5	2.1	2.8	2.7	2.5
Investment expenditure (externally financed)	2.2	0.9	1.0	1.2	1.5	1.5	0.8	0.9	1.0	1.0
Other	0.5	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.0
Interest on public debt	5.2	4.4	4.0	3.9	3.0	3.0	3.1	2.8	2.5	2.4
Wages/ primary expenditure (in percentage)	46.5	43.4	41.5	41.0	39.7	40.6	40.6	39.3	39.5	40.7
Transfers / primary expenditure (in percentage)	16.9	16.1	15.6	16.1	12.1	12.4	13.6	11.5	11.2	11.5
Wages/ non-oil revenue (in percentage)	39.0	38.2	39.6	39.1	41.3	40.9	39.5	40.6	38.0	36.4
Transfers / non-oil revenue (in percentage)	14.2	14.1	14.9	15.4	12.6	12.5	13.3	11.9	10.8	10.3
Expenditure on education and health	3.0	3.2	3.9	3.9	4.8	4.4	4.4	4.8	5.1	5.1
Education	2.4	2.6	3.0	3.0	3.3	3.4	3.4	3.3	3.4	3.4
Health	0.6	0.6	0.9	0.9	1.5	1.0	1.0	1.5	1.7	1.7
Military expenditure	1.2	1.6	1.3	1.3	...	...	...	...	...	...
Current expenditure	15.2	14.5	15.2	15.1	15.1	14.9	14.7	15.3	14.6	14.0
Investment expenditure	3.1	2.1	2.6	2.8	4.2	4.0	2.9	3.6	3.7	3.5
Restructuring expenditure	0.5	0.5	0.4	0.5	0.3	0.3	0.3	0.3	0.1	0.0
Current balance (+ =surplus)	0.3	4.2	5.2	5.5	3.7	4.3	4.7	3.6	3.8	4.3
Primary balance (+ =surplus) 2/	4.6	7.2	7.4	7.5	4.1	4.8	5.5	3.7	3.6	4.3
Primary balance, excluding HIPC spending (+ =surplus)	4.6	7.2	8.0	7.5	5.6	6.2	5.6	5.4	5.1	5.2
Primary balance, excluding oil (+ =surplus)	2.1	1.6	0.6	0.6	-0.6	-0.1	0.4	-0.5	0.6	1.7
Primary balance (incl. externally financed investment)	1.8	5.7	6.0	5.9	2.3	2.9	4.4	2.5	2.5	3.2
Overall deficit (commitment basis)										
Excluding grants	-3.4	1.4	2.0	2.0	-0.7	0.0	1.3	-0.3	0.0	0.8
Including grants	-3.2	1.4	2.4	2.4	-0.2	0.5	1.7	0.2	0.6	1.4
Overall deficit (cash basis)										
Excluding grants	-4.3	-0.3	-0.9	-0.9	-6.1	-5.9	-4.6	-0.7	-0.3	0.7
Including grants	-4.1	-0.3	-0.5	-0.5	-5.5	-5.4	-4.2	-0.1	0.4	1.3
Memorandum items:										
Total external assistance, including IMF (net)	10.1	7.4	5.5	7.3	15.3	15.5	14.7	6.3	5.8	4.6
Of which: IMF (net)	0.6	0.5	0.7	0.5	0.4	0.4	0.4	0.4	0.2	-0.3
Total external assistance, excluding IMF	9.5	6.9	4.8	6.8	14.9	15.1	14.2	5.9	5.5	4.9
Project financing	2.2	0.9	1.0	1.2	1.5	1.5	0.8	0.9	1.0	1.0
Program financing	2.1	0.9	0.1	0.3	0.8	0.8	0.4	0.9	0.5	0.5
Debt relief	5.1	5.2	3.7	5.4	3.9	4.0	13.0	4.2	1.9	1.1
Financing gap	0.0	0.0	0.0	0.0	8.7	8.8	0.0	0.0	2.1	2.2
Duties and taxes on imports/total imports, c.i.f. (in										
Duties	19.2	17.9	19.2	18.9	21.8	20.9	20.8	22.6	25.0	27.3
Taxes	9.7	9.4	10.0	9.9	11.4	10.9	10.9	11.8	13.1	14.3
GDP (in billions of CFA francs)	5,406	5,827	6,320	6,320	6,652	6,615	6,628	6,988	7,419	7,949

Sources: Cameroonian authorities; and staff estimates and projections.

1/ Fiscal year begins in July. Starting in January 2003, the fiscal year will match the calendar year.

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

Table 12. Cameroon: Monetary Survey, March 1999-December 2002

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

	1999				2000				2001					2002				
	Mar.	June	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.		
									Est.	Est.	Est.	Rev. prog. EBS/01/215	Est.	Rev. prog. EBS/01/215	Est.	Rev. Proj.		
Net foreign assets	-183.9	-216.9	-199.5	-150.2	-59.3	-44.2	-13.6	50.5	76.3	83.7	145.4	128.2	128.2	102.7	214.8	218.4	237.7	223.5
Bank of Central African States (BEAC)	-226.8	-249.2	-248.0	-204.2	-112.6	-90.0	-66.7	-14.6	11.5	35.7	90.0	71.8	69.2	43.4	171.9	177.6	190.8	169.6
Commercial banks	42.9	32.3	48.5	54.0	53.3	45.8	53.1	65.1	64.8	48.0	55.4	56.5	59.0	59.3	42.9	40.8	46.9	53.9
Net domestic assets	943.3	998.4	1,010.8	1,018.8	956.5	972.7	1,004.0	996.4	983.1	1,010.6	1,016.7	1,020.1	1,056.4	1,045.6	978.7	1,032.3	1,119.3	1,125.3
Domestic credit	912.7	959.0	986.6	990.0	956.9	948.4	1,004.9	998.4	985.3	1,000.2	1,027.8	1,018.3	1,079.7	1,043.8	1,031.5	1,016.4	1,099.5	1,100.6
Net claims on the public sector	474.6	503.0	528.9	503.5	467.0	447.8	495.5	449.9	435.5	453.1	443.4	436.3	463.5	410.8	433.1	431.3	461.9	478.6
Net credit to the central government	418.8	444.5	470.2	438.4	402.5	371.1	419.6	350.0	354.1	347.5	339.7	362.2	369.9	336.7	345.6	333.6	362.7	383.5
Claims	540.6	566.7	565.8	566.4	549.2	527.8	560.1	592.0	585.5	591.4	609.2	552.0	654.3	550.5	649.0	529.5	540.2	534.8
Deposits	-121.8	-122.2	-95.6	-128.0	-146.7	-156.7	-140.5	-242.0	-231.4	-243.9	-269.5	-189.8	-284.4	-213.8	-303.4	-195.8	-177.5	-151.3
Of which HIPC 1/	...	...	...	...	...	...	...	...	-6.1	-19.4	-25.5	...	-59.4	...	-81.0	-94.4	...	...
Credit to autonomous agencies	9.6	9.7	9.7	10.7	10.6	12.2	10.3	10.7	10.6	12.4	11.0	9.8	10.5	9.8	10.4	10.5	10.5	10.5
Credit to public enterprises	46.2	48.8	49.0	54.4	53.9	64.4	65.5	89.2	70.8	93.1	92.7	64.3	83.1	64.3	77.1	87.1	88.6	84.6
Credit to financial institutions	13.8	6.9	6.4	5.5	10.2	4.4	6.1	4.6	6.3	7.8	8.0	4.9	7.2	4.9	5.2	4.9	4.7	4.4
Credit to the private sector	424.3	449.1	451.3	481.0	479.7	496.1	503.2	544.0	543.5	539.3	576.4	577.1	608.9	628.1	593.3	580.2	633.0	617.6
Other items (net)	30.6	39.4	24.2	28.8	-0.3	24.3	-0.8	-2.1	-2.2	10.4	-11.1	1.8	-23.3	1.8	-52.9	15.9	19.8	24.8
Money and quasi money	759.4	781.5	811.3	868.5	897.2	928.5	990.4	1,046.9	1,059.4	1,094.3	1,162.1	1,148.4	1,184.7	1,148.4	1,193.4	1,250.6	1,357.0	1,348.8
Currency outside banks	196.8	191.8	201.6	235.7	223.8	222.5	221.8	265.0	246.9	241.1	247.0	277.5	296.1	277.5	250.5	257.5	253.5	286.0
Deposits	562.6	589.7	609.7	632.8	673.4	706.0	768.6	781.9	812.5	853.1	915.1	870.9	888.6	870.9	942.9	993.1	1,103.5	1,062.8
Memorandum items:																		
Contribution to the growth of broad money																		
Net foreign assets	9.0	0.5	0.4	2.7	31.2	22.1	22.9	23.1	2.6	13.8	16.1	9.7	7.4	1.7	13.1	12.3	7.9	8.3
Net domestic assets	0.3	9.2	15.0	11.6	-13.1	-3.3	-0.8	-2.6	15.5	4.1	1.3	4.8	5.7	7.4	-0.4	2.0	8.8	8.9
Of which: credit to the central government	-1.1	2.1	11.5	5.2	-2.2	-9.4	-6.2	-10.2	-5.4	-2.5	-8.1	1.3	1.9	-1.4	-0.8	2.3	5.7	5.4
Private sector credit	11.9	11.1	6.8	12.2	13.1	10.5	11.5	13.1	13.3	8.7	14.5	6.1	11.9	17.2	9.1	7.6	9.8	8.0
Broad money	9.3	9.7	15.4	14.3	18.1	18.8	22.1	20.5	18.1	17.9	17.3	14.5	13.2	9.0	12.7	14.3	16.8	17.2
Currency	24.3	12.9	23.4	14.6	13.7	16.0	10.0	12.4	10.3	8.4	11.3	13.3	11.7	2.8	1.5	6.8	2.6	3.1
Deposits	4.9	8.7	13.0	14.2	19.7	19.7	26.1	23.6	20.7	20.9	19.1	14.9	13.6	11.2	16.0	16.4	20.6	21.7
Claims on government/domestic credit ratio 2/	45.9	46.4	47.7	44.3	42.1	39.1	41.8	35.1	35.9	34.7	33.1	35.6	34.3	32.3	33.5	32.8	33.0	34.8
Currency outside banks/deposit ratio 2/	35.0	32.5	33.1	37.2	33.2	31.5	28.9	33.9	30.4	28.3	27.0	31.9	33.3	31.9	26.6	25.9	23.0	26.9
Velocity (non-oil GDP/average M2)	...	6.6	...	...	...	5.8	5.9	5.6	5.4	5.2	5.5	5.6	5.3	5.4	5.2	5.2	5.3	5.6
Velocity (GDP/average M2)	...	7.1	...	...	...	6.8	7.0	6.7	6.4	6.2	6.2	6.2	6.0	6.1	5.8	5.8	5.8	5.9
Net claims on the public sector 3/	422.9	447.4	460.1	428.9	382.5	367.8	399.1	360.6	328.0	347.4	300.8	339.9	355.6	314.4	302.1	334.9	365.5	382.2

Sources: Cameroonian authorities; and staff estimates and projections.

1/ End-March 2002 data are provisional.

2/ In percent.

3/ 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 13. Cameroon: Central Bank Balance Sheet, March 1999-December 2002

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

	1999				2000				2001					2002				
	March	June	Sept.	Dec.	March	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.		
									Est.	Est.	Est.	Rev. prog.	Est.	Rev. prog.	Est.	Rev. Proj.		
Net foreign assets	-226.8	-249.2	-248.0	-204.2	-112.6	-90.0	-66.7	-14.6	11.5	35.7	90.0	71.7519	69.2	43.43359	171.9	177.6	190.8	169.6
Foreign assets	6.2	6.1	6.3	7.6	16.9	51.4	80.4	12.6	6.8	8.9	7.4	12.646	9.0	12.646	10.7	9.0	9.0	9.0
Foreign liabilities	-233.0	-255.3	-254.3	-211.8	-129.5	-141.4	-147.1	-27.2	4.6	26.9	82.6	59.1059	60.2	30.78759	161.1	168.6	181.8	160.6
IMF credit	-89.7	-111.5	-124.8	-127.7	-127.7	-140.0	-144.9	-165.8	-166.7	-171.6	-179.6	-190.1091	-181.3	-188.6326	-196.8	-207.0	-221.6	-221.2
Position in the French Treasury	-141.7	-140.3	-127.4	-82.1	9.1	44.6	73.6	142.6	176.6	204.3	268.1	251.215	244.2	221.4202	360.6	378.3	406.1	384.5
Other foreign liabilities	-1.6	-3.5	-2.1	-2.0	-1.8	-1.4	-2.2	-4.0	-5.3	-5.9	-5.9	-2	-2.7	-2	-2.7	-2.7	-2.7	-2.7
Net domestic assets	423.6	441.0	449.6	440.0	336.5	312.5	298.2	279.5	235.4	205.4	157.2	205.7481	226.9	234.0664	78.7	79.9	62.7	116.4
Net domestic credit	266.5	283.0	295.8	286.1	199.4	161.2	154.9	124.1	86.5	58.5	15.6	62.4481	86.3	90.76641	-34.7	-60.7	-77.9	-24.2
Net credit to central government	329.4	365.9	375.4	346.6	326.7	293.0	326.5	264.6	272.0	268.9	269.2	269.62	288.5	244.13	269.3	241.3	270.4	291.2
Credit to central government	375.3	401.0	402.7	403.2	385.0	363.2	400.4	434.2	429.7	438.2	459.2	387.0091	499.8	385.5326	500.0	364.8	375.5	370.1
Credit under statutory ceiling	130.2	139.2	132.7	135.3	122.2	93.3	130.8	148.9	148.8	157.8	176.1	69.1	220.4	69.1	210.6	69.1	69.1	69.1
Credit for bank restructuring	155.4	150.3	145.3	140.2	135.1	129.9	124.7	119.5	114.2	108.9	103.5	127.8	98.1	127.8	92.7	88.7	84.8	79.8
Counterpart of IMF credit	89.7	111.5	124.8	127.7	127.7	140.0	144.9	165.8	166.7	171.6	179.6	190.1091	181.3	188.6326	196.8	207.0	221.6	221.2
Deposits of central government	-45.9	-35.1	-27.3	-56.6	-58.3	-70.2	-73.9	-169.6	-157.6	-169.3	-190.0	-117.3891	-211.3	-141.4026	-230.7	-123.4	-105.1	-78.9
Net claims on banks	-62.9	-82.9	-79.6	-60.5	-127.3	-131.8	-171.6	-140.5	-185.6	-210.4	-253.6	-207.1719	-202.2	-153.3636	-304.0	-302.0	-348.3	-315.4
Claims on banks	5.0	2.7	2.7	2.2	2.2	1.7	1.7	1.1	1.1	0.6	0.8	1.65	0.2	1.65	0.1	0.2	0.2	0.2
Bank reserves	-67.9	-85.6	-82.3	-62.7	-129.5	-133.5	-173.3	-141.6	-186.7	-211.0	-254.4	-208.8219	-202.4	-155.0136	-304.2	-302.2	-348.5	-315.5
Other items (net)	157.1	157.9	153.8	153.8	137.1	151.3	143.3	155.4	148.9	146.9	141.6	143.3	140.6	143.3	113.4	140.6	140.6	140.6
Currency outside banks	196.8	191.8	201.6	235.7	223.8	222.5	221.8	265.0	246.9	241.1	247.0	277.5	296.1	277.5	250.5	257.5	253.5	286.0
Memorandum items:																		
Reserve money	264.8	277.4	283.9	298.4	353.3	356.0	395.1	406.6	433.6	452.1	501.4	486.3219	498.4	432.5136	554.7	559.7	602.0	601.5
External currency coverage 1/	1.3	1.2	1.3	1.6	3.8	12.3	18.5	25.3	31.1	34.2	39.2	42.77668	35.3	39.98357	46.4	55.2	57.2	56.4

Sources: Cameroonian authorities; and staff estimate and projections.

1/ In percent, using the definition of the 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.

Table 14. Cameroon: Balance of Payments, 2000/01-2004/05 1/

	2000/01		2001/02		2002/03	2003/04	2004/05
	Prog EBS/01/05	Prel.	Rev. prog EBS/01/215	Rev. proj	Revised projections		
(In billions of CFA francs)							
Current account balance	-157	-109	-291	-268	-301	-315	-306
Trade balance	415	381	120	127	106	26	27
Exports, f.o.b.	1,696	1,583	1,346	1,358	1,399	1,369	1,433
Oil and oil products	806	779	575	580	554	425	391
Non-oil sector	889	804	771	778	844	945	1,041
Imports, f.o.b.	-1,281	-1,202	-1,226	-1,231	-1,293	-1,343	-1,406
Services (net)	-662	-579	-517	-494	-520	-470	-457
Interest due on public debt	-221	-221	-184	-184	-178	-167	-168
Other	-441	-358	-334	-311	-342	-304	-289
Transfers (net)	90	88	106	99	113	129	124
Of which: official	26	26	37	30	36	50	44
Inflows	101	100	117	110	126	140	134
Outflows	-11	-12	-11	-11	-12	-11	-10
Capital account balance	3	-95	33	-25	-23	-2	50
Official capital (net)	-202	-222	-168	-243	-189	-215	-172
Program loans	52	16	54	27	60	40	40
Project loans	62	75	100	52	60	74	81
Amortization	-316	-312	-322	-322	-310	-329	-293
Private capital (net)	205	127	202	219	166	213	222
Oil sector	-19	-24	0	4	2	7	10
Non-oil sector	223	151	202	214	164	206	213
Of which: direct investment	96	102	101	112	120	136	138
privatization receipts	0	0	23	23	3	15	0
Errors and omissions	0	0	0	0	0	0	0
other, including short term	25	49	78	80	41	55	74
Errors and omissions, net	0	0	0	0	0	0	0
Overall balance	-155	-204	-258	-293	-324	-317	-256
Financing	154	204	258	293	324	317	256
Bank of Central African States (BEAC)	-200	-126	-5	10	30	20	-13
Use of Fund credit (net)	43	27	30	29	27	17	-22
Use of Fund credit	43	27	29	29	27	17	-22
Change in arrears vis-à-vis the Fund, net	0	0	0	0	0	0	0
Other reserves (net)	-243	153	-35	-19	3	3	9
Debt rescheduling 2/	62	339	263	863	294	142	91
Debt cancellation	0	0	0	0	0	0	0
Net change in arrears 3/	-453	-9	-580	-580	0	0	0
Financing gap 4/	745	0	580	0	0	155	178
Memorandum items:							
Exports of goods and nonfactor services	2,156	2,013		1,764	1,829	1,825	1,924
Imports of goods and nonfactor services	1,983	1,843		1,857	1,970	2,028	2,120
(In percent of GDP)							
Trade balance	6.6	6.0	1.8	1.9	1.5	0.4	0.3
Current account balance							
Excluding grants	-2.9	-2.1	-5.0	-4.5	-4.8	-4.9	-4.4
Including grants	-2.5	-1.7	-4.4	-4.1	-4.3	-4.2	-3.9
Overall balance	-2.4	-3.2	-3.9	-4.4	-4.6	-4.3	-3.2
(Annual percentage changes, unless otherwise indicated)							
Export volume	1.3	2.5	0.5	-1.0	1.5	-0.7	2.5
Oil sector	-4.5	-0.7	-3.0	-7.1	-5.7	-17.4	-5.0
Non-oil sector	4.0	4.1	2.1	1.8	4.4	5.5	4.7
Import volume	14.5	12.5	3.6	3.5	3.5	3.3	4.1
Of which: non-oil sector	15.6	13.0	4.3	4.5	3.6	4.1	4.5
Terms of trade	7.4	4.5	-13.1	-12.4	0.0	-1.9	1.5
Non-oil export price index (CFA francs)	9.7	3.4	-5.1	-4.9	3.9	6.0	5.3
Import price index (CFA francs)	8.9	5.6	-1.6	-1.1	1.5	0.6	0.5
Exchange rate (CFA francs per U.S. dollar)	...	743.5	...	...	...	...	...
Exchange rate (CFA francs per U.S. dollar)	722.3	743.5	...	739.9	748.2	744.3	740.9

Sources: Cameroonian authorities, and staff estimates and projections.

1/ Fiscal year begins in July. Starting in January 2003, the fiscal year will match the calendar year.

2/ From Paris Club and other non-Paris Club creditors. For 2001/02, includes the London Club operation.

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 2003/04 and 2004/05, the financing gap will be covered through debt relief under the Enhanced HIPC Initiative. The authorities intend to reach the HIPC completion point by end-September 2003.

Table 15. Cameroon: External Public Debt Stock, 1998/99-2004/05 1/
(In billions of CFA francs unless otherwise indicated)

	1998/99 Est. 2/	1999/00 Est.	2000/01	2001/02 Rev. proj.	2002/03 Revised projections	2003/04 Revised projections	2004/05
Total external debt	4,876	4,632	4,889	4,181	4,256	4,067	3,615
External debt (excluding arrears)	4,408	4,156	4,309	4,181	4,256	4,067	3,615
Multilateral	1,045	902	1,177	1,153	1,219	1,237	1,283
<i>Of which</i> : IMF	108	139	177	152	177	170	181
Bilateral official	3,284	3,153	3,049	2,964	2,982	2,788	2,290
Pre-cutoff-date debt	2,441	2,509	2,380	2,310	2,381	2,250	1,807
Previously rescheduled debt	2,088	2,110	2,035	1,993	2,100	1,996	1,574
First Paris Club agreement	1	1	1	1	1	1	0
Second Paris Club agreement	450	427	378	355	346	315	263
Third Paris Club agreement	512	542	454	444	442	386	331
Fourth Paris Club agreement	400	400	398	385	385	369	369
Fifth Paris Club agreement	725	740	709	677	660	614	611
Sixth Paris Club agreement			96	131	267	311	311
Unrescheduled pre-cutoff-date debt	353	400	345	318	281	254	233
Paris Club	329	303	269	246	215	194	178
Nonparticipants	24	96	76	72	66	60	55
Post-cutoff-date debt	843	644	669	653	601	538	483
Banks	18	14	8	0	0	0	0
<i>Of which</i> : World Bank cofinancing	5	6	2	0	0	0	0
Short-term and other debt	62	87	75	65	54	42	42
Financing gap (cumulative)		0	0				
Arrears 3/ 4/	468	476	580	0	0	0	0
Multilateral	0	0	0	0	0	0	0
Bilateral official	13	0	0	0	0	0	0
Pre-cutoff-date debt	13	0	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	0	0	0
Unrescheduled pre-cutoff-date debt	13	0	0	0	0	0	0
Paris Club	0	0	0	0	0	0	0
Nonparticipants	13	0	0	0	0	0	0
Post-cutoff-date debt 5/	0	0	0	0	0	0	0
Banks 6/	424	476	512	0	0	0	0
<i>Of which</i> : World Bank cofinancing	0	0	512	0	0	0	0
Short-term and other debt 7/	31	0	68	0	0	0	0
<i>Of which</i> : Paris Club deferred	0	0	0	0	0	0	0
Memorandum items:							
Total debt/GDP (in percent)	90.2	79.5	77.3	63.1	60.9	54.8	45.5
<i>Of which</i> : total arrears/GDP	8.6	8.2	9.2	0.0	0.0	0.0	0.0
NPV of debt/GDP (in percent) 8/	53.9	57.0	55.1	53.1	50.9	48.7	46.0
Nonreschedulable debt	40.7	35.4	51.2	44.7	44.0	44.7	50.0
Multilateral debt	21.4	19.5	24.1	27.6	28.7	30.4	35.5
Post cut-off-date debt	17.3	13.9	13.7	15.6	14.1	13.2	13.4
World Bank cofinancing	0.1	0.1	10.5	0.0	0.0	0.0	0.0
Other nonreschedulable debt	1.9	1.9	2.9	1.6	1.3	1.0	1.2
Bank debt	9.1	10.6	10.6	0.0	0.0	0.0	0.0

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

1/ Fiscal year begins in July. Starting in January 2003, the fiscal year will match the calendar year.

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

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

4/ Discrepancies between stocks and flows of arrears stem largely from fluctuations in exchange rates. For the 2001/02, the elimination of arrears reflected the expected agreement with the London Club.

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 is concluded, it is assumed that arrears are not 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.

8/ After traditional debt-relief mechanisms.

Table 16. Cameroon: External Debt Service Due, 2000/01-2004/05 1/

(In billions of CFA francs)

	2000/01			2001/02			2002/03			2003/04			2004/05		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	Projections														
Total external public debt service	312.2	220.6	532.8	322.4	183.6	505.9	312.1	176.6	488.7	341.9	166.6	508.5	308.7	166.6	475.3
Debt service on debt outstanding at end-June 1997 2/	312.2	216.6	528.8	322.4	177.6	499.9	312.1	159.5	471.6	341.9	145.9	487.8	293.0	125.8	418.8
Multilateral	71.0	33.6	104.6	69.0	28.5	97.5	66.1	24.4	90.6	67.5	22.9	90.4	51.7	14.6	66.2
Of which: IMF	4.6	0.9	5.5	0.0	1.7	1.7	2.5	0.6	3.2	12.6	1.6	14.2			
Official bilateral	189.2	158.3	347.5	190.5	144.2	334.8	229.6	131.8	361.4	257.3	120.7	378.0	238.1	106.4	344.5
Paris Club	181.8	155.5	337.2	184.5	141.5	326.0	223.9	129.1	353.0	250.1	117.9	368.0	233.4	104.1	337.6
Pre-cutoff-date debt	153.3	127.6	280.8	152.0	117.8	269.9	186.2	108.3	294.5	200.4	96.5	296.9	157.9	81.1	239.0
Previously rescheduled	110.4	119.7	230.1	109.7	112.8	222.5	160.5	105.0	265.5	179.4	94.5	273.9	142.2	78.5	220.7
First Paris Club agreement	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0
Second Paris Club agreement	57.9	33.6	91.5	54.8	28.0	82.8	63.0	23.6	86.6	62.5	20.0	82.5	60.0	9.9	69.9
Third Paris Club agreement	1.6	25.7	27.2	1.9	30.4	32.3	43.1	29.7	72.8	55.6	26.7	82.3	55.5	27.8	83.3
Fourth Paris Club agreement	7.0	27.7	34.7	8.0	24.2	32.2	10.2	23.8	34.0	15.0	22.7	37.7	21.2	23.3	44.5
Fifth Paris Club agreement	43.8	32.8	76.6	44.8	30.3	75.1	44.1	27.9	72.0	46.2	25.1	71.3	5.6	17.5	23.0
Not previously rescheduled	42.9	7.8	50.7	42.4	5.0	47.4	25.7	3.3	29.0	21.0	2.0	23.0	15.6	2.7	18.3
Post-cutoff-date debt 3/	28.5	27.9	56.4	32.5	23.7	56.1	37.7	20.8	58.5	49.7	21.4	71.1	75.6	23.0	98.6
Non-Paris Club	7.4	2.9	10.3	6.0	2.7	8.7	5.7	2.7	8.4	7.2	2.8	10.0	4.7	2.3	7.0
Commercial banks	2.8	0.3	3.1	4.2	0.7	4.9	0.0	0.0	0.0	0.0	0.0	0.0	1.3	3.7	5.1
Of which: World Bank cofinancing	2.8	0.3	3.1	4.2	0.0	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term and Paris Club deferred	9.3	4.1	13.4	13.7	4.1	17.8	11.4	3.3	14.7	12.1	2.3	14.4	1.9	1.1	3.0
Other 4/	40.0	20.2	60.2	45.0	0.0	45.0	5.0	0.0	5.0	5.0	0.0	5.0	0.0	0.0	0.0
Debt service on new loans	0.0	4.0	4.0	0.0	6.0	6.0	0.0	17.1	17.1	0.0	20.7	20.7	15.7	40.8	56.5

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

1/ Before debt relief. Fiscal year begins in July. Starting in January 2003, the fiscal year will match the calendar year.

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

Table 17. Cameroon: Indicators of External Vulnerability, 1995/96 -2000/01 1/

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01
Exports (percent change, 12-month basis in U.S. dollars)	-3.0	13.1	-0.9	-6.6	26.4	0.2
Imports (percent change, 12-month basis in U.S. dollars)	11.8	12.2	6.9	2.9	3.7	5.1
Terms of trade (percent change, 12-month basis)	-8.6	5.1	-4.5	-15.7	41.4	4.5
Current account balance (in percent of GDP)	-4.1	-2.8	-2.5	-4.3	-1.7	-1.7
Capital and financial account balance (in percent of GDP)	3.3	1.2	2.5	4.3	1.7	1.6
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)	25.8	22.0	11.0	6.8	4.6	0.5
Total short term external debt by remaining maturity (in millions of U.S. dollars)	893.8	737.1	299.3	547.7	437.2	349.9
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	6,520	6,164
Total external debt to exports of goods and services (in percent)	385.4	300.1	326.1	341.5	239.6	227.6
External interest payments to exports of goods and services (in percent)	25.3	21.9	19.4	19.3	12.9	11.0
External amortization payments to exports of goods and services (in percent)	34.2	22.4	21.0	25.9	18.2	15.7
Exchange rate (per U.S. dollar, period average)	502	541	602	588	658	744
Exchange rate (per U.S. dollar, end of period)	515	588	612	621	711	751
Net foreign assets of commercial banks (in millions of U.S. dollars)	6.7	73.0	51.1	54.8	69.5	64.5

Sources: Cameroonian authorities; and staff estimates.

1/ Fiscal year begins in July. Starting in January 2003, the fiscal year will match the calendar year.

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

Table 18. Cameroon: International Environment, 1997/98-2004/05 1/

	1997/98	1998/99	1999/2000	2000/01 Prel.	2001/02		2002/03	2003/04 Projections	2004/05
					Rev. prog. EBS/01/215	Rev. proj.			
Commodity price (WEO) 2/									
	(In units indicated)								
Oil (U.S. dollars/barrel) 3/	16.2	13.1	24.4	28.2	22.9	22.4	22.5	21.5	21.0
Robusta coffee (U.S. cents/lb)	83.5	76.5	54.8	34.7	28.4	28.2	30.5	33.5	37.5
Cocoa beans (U.S. dollars/ton)	1,710.5	1,453.0	1,190.0	997.5	1,075.2	1,145.5	1,250.0	1,325.0	1,375.0
Logs (U.S. dollars/cubic meter)	209.8	178.3	188.5	175.1	162.1	157.6	160.0	180.0	205.0
Cotton (U.S. cents/pound)	73.3	60.2	59.8	53.5	47.1	47.0	49.0	54.0	58.0
Aluminum (U.S. dollars/ton)	1,510.5	1,276.5	1,278.0	1,499.1	1,470.1	1,448.4	1,500.0	1,600.0	1,675.0
Commodity price (Cameroon) 4/									
	(Percentage change, in CFA francs)								
Oil	-13.9	-22.9	120.7	20.3	-20.1	-20.7	2.3	-7.2	-3.0
Robusta coffee	7.3	-8.3	-19.8	-36.6	-18.8	-18.9	8.3	9.8	11.9
Cocoa beans	26.6	-17.0	-8.4	-5.3	8.3	14.3	10.4	5.4	3.3
Logs	-6.3	-16.9	18.3	4.9	-9.5	-10.5	2.7	11.9	13.4
Cotton	4.0	-19.7	11.0	1.2	-13.5	-12.6	5.4	9.6	6.9
Aluminum	11.1	-17.4	12.0	32.5	-3.2	-3.9	4.7	6.1	4.2
Export volume growth									
	(Annual percentage change, unless otherwise indicated)								
Oil	1.2	13.2	-4.5	0.5	-3.0	-8.3	-5.7	-17.4	-5.0
Robusta coffee	2.2	-4.7	68.7	3.0	2.0	-0.7	4.0	4.0	4.5
Cocoa beans	1.6	-0.8	-7.2	3.0	2.0	7.6	7.0	10.0	7.0
Logs 5/	26.4	-5.8	-23.0	2.5	4.0	-0.6	5.0	7.0	5.7
Cotton	-10.4	3.7	6.0	4.0	1.5	6.7	7.0	10.0	7.0
Aluminum	-13.6	15.0	15.7	6.0	4.0	-1.0	5.0	5.0	5.0
Imports									
Price growth (in CFA francs)	4.8	-0.2	1.1	5.6	-1.6	-1.6	-1.1	0.0	1.5
Volume growth	13.5	0.8	14.8	12.5	3.6	3.6	3.5	0.0	3.5
<i>of which</i> : non-oil sector	13.3	4.3	16.7	13.0	4.3	4.3	4.5	0.0	3.6
Terms of trade	-4.5	-15.7	41.4	4.5	-13.1	-13.1	-12.4	0.0	0.0
Exchange rate (CFA francs per U.S. dollar average)	602.1	588.5	658.2	743.5	...	...	...	...	...

Sources: IMF, Research Department, and staff estimates and projections.

1/ Fiscal year begins in July. Starting in January 2003, the fiscal year will match the calendar year.

2/ Latest projections are based on March 2002 WEO data.

3/ WEO data undiscounted.

4/ Includes adjustments to reflect Cameroonian data.

5/ Assumes no change in export regime (presumably higher exports of sawn wood should offset lower exports of logs).

Table 20. Cameroon: Indicators of Fund Credit, 1997/98-2004/05 1/

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
				Est.	Rev. proj.	Projections		
Fund credit outstanding								
(end of period)								
In millions of SDRs	90.5	131.7	159.3	188.3	220.1	249.2	267.6	244.1
In millions of U.S. dollars	119.2	175.9	195.9	234.9	270.6	312.0	335.5	306.5
In billions of CFA francs	72.9	109.2	139.2	176.5	203.6	233.5	249.7	227.1
In percent of quota	48.7	70.9	85.8	101.4	118.5	134.2	144.1	131.5
Debt service to the Fund								
In millions of SDRs	14.2	15.8	9.7	5.9	1.8	4.5	15.3	25.1
In millions of U.S. dollars	19.2	21.2	12.9	7.4	2.3	5.6	19.1	31.5
In billions of CFA francs	11.6	12.5	8.5	5.5	1.7	4.2	14.2	23.3
In percent of:								
Export of goods and nonfactor services	0.8	0.9	0.5	0.3	0.1	0.2	0.8	1.2
Total debt service due	2.1	2.1	1.5	1.0	0.3	0.9	2.9	5.1
Government revenue	1.4	1.5	0.8	0.4	0.1	0.3	1.0	1.6
GDP	0.2	0.2	0.1	0.1	0.0	0.1	0.2	0.3
Quota	7.7	8.5	5.2	3.2	1.0	2.4	8.2	13.5
Debt service to the Fund								
(in millions of SDRs)								
Charges	3.3	3.0	1.3	1.0	1.8	1.8	1.8	1.6
Repurchases/repayments	11.0	12.8	8.5	4.9	0.0	2.7	13.5	23.4

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

1/ Fiscal year begins in July. Starting in January 2003, the fiscal year will match the calendar year.

Table 21. Cameroon: Reviews and Phasing of Disbursements
Under the Three Year PRGF Arrangement

(In millions of SDRs)

Date of Board Approval	Conditions	Disbursement
December 21, 2000	Disbursed upon Board approval of the new three-year PRGF arrangement.	15.92
July 16, 2001	Disbursed upon Board approval of the first review under the arrangement and observance of end-March 2001 performance criteria.	15.92
January 30, 2002	Disbursed upon Board approval of the second review under the arrangement and observance of end-September 2001 performance criteria.	15.92
On or after July 15, 2002	Completion of the third review under the arrangement by the Board and observance of end-March 2002 performance criteria.	15.92
On or after January 15, 2003	Completion of the fourth review under the arrangement by the Board and observance of end-September 2002 performance criteria.	15.91
On or after July 15, 2003	Completion of the fifth review under the arrangement by the Board and observance of end-March 2003 performance criteria.	15.91
On or after January 15, 2004	Completion of the sixth and final review under the arrangement by the Board and observance of end-September 2003 performance criteria.	15.92

August 28, 2002

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

Dear Mr. Köhler:

1. The government of Cameroon has continued to implement its medium-term economic and financial program, which is supported by a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) approved by the IMF Executive Board on December 21, 2000. This letter, which supplements that of December 6, 2000 and the two supplementary letters of June 28 and December 28, 2001, reviews Cameroon's performance during the first half (October 2001–March 2002) of the second annual program. It also outlines the government's objectives and policies for the second half (April–September 2002) of the second annual program. Finally, it takes stock of the progress achieved in implementing the enhanced Heavily Indebted Poor Countries (HIPC) Initiative, including in particular the preparation of a full-fledged poverty reduction strategy paper (PRSP) and steps toward meeting the HIPC completion point triggers. The government reiterates its resolve to achieve the objectives set forth under the program. These are (i) creating the conditions for private sector-led growth; (ii) diversifying non-oil production; and (iii) expanding the export base, particularly in light of the prospective decline in oil output, which is much steeper than envisaged at the inception of the PRGF arrangement, and of delays incurred in implementing core structural reforms to promote non-oil growth.

Performance during the first half (October 2001-March 2002) of the second annual program

2. Overall, the good record of macroeconomic performance continued during the first half of the second annual program. All the end-December 2001 quantitative benchmarks and end-March 2002 performance criteria and benchmarks were met. The five structural benchmarks for the first half of the annual program were also observed, including in particular the completion of the investigation of 48 identified cases of *saisie-attribution*, and the adoption of new budget classifications and of an action plan for the implementation of an audit body for external control of the state finances. However, the end-March 2002 structural performance criterion (on the completion of a computerized link between the treasury and the budget department in the Ministry of Finance and Budget, for government expenditures both at the central government level and at the local branches of government (*déconcentré*)), was not observed as scheduled (see also paras. 29 and 30). Moreover, the decrees to restrict value added tax (VAT) exemptions on computer material exclusively to computers and to limit those granted to support HIV/AIDS program to products specifically required to ensure detection of the HIV/AIDS virus and treatment were revised and issued in May 2002, consistent with the government's commitment to reduce tax exemptions. Moreover, a new

General Tax Code (*Code Général des Impôts*), including a manual of tax procedures, has been promulgated. Finally, retail domestic petroleum prices were adjusted in April 2002, with a view to preventing the reemergence of government subsidies and consistent with the automatic petroleum retail adjustment price mechanism.

3. As regards governance, in addition to completing the investigation of the cases of *saisie-attribution*, a Country Financial Accountability Assessment (CFAA) has been prepared by the World Bank, and a precise action plan has also been agreed with the World Bank to improve transparency and accountability in the public sector. However, while the technical audit of the judiciary system had been launched as scheduled, the consultants failed to produce a satisfactory report by late April 2002. The consultants have been asked to expand and complete the discussions with the concerned legal and judiciary entities, including in the context of direct meetings with relevant officials of the Ministry of Justice (*Chancellerie*) and relevant magistrates more generally, and to prepare a new draft. Moreover, the effective implementation of the new procurement system has been somewhat delayed. Delays are persisting in the privatization of three major public companies, including the agricultural company Cameroon Development Corporation (CDC), the fixed telecommunications company (CAMTEL), and the water company (SNEC). As regards the CDC, an interim adjudicator has been selected for the tea crop component. As regards the SNEC, an interim administrator was appointed in April 2002 to help speed up the process. The implementation of most of the structural reforms under the World Bank's SAC III, notably in the transport and forestry sectors, also encountered further delays.

4. Economic activity was somewhat slower than projected under the program, but remained sustained during the first half (October 2001–March 2002) of the second annual program, reflecting spillover effects of the construction of the Chad-Cameroon pipeline, a strong expansion in the textile and other light manufacturing industries and in construction, and increased private sector income. The 12-month national consumer price inflation rate accelerated to 4.8 percent in March 2002 (versus a programmed annual rate of 2.9 percent), mainly driven by higher foodstuff prices. This development reflected a slow supply response in agricultural production, as the primary sector is facing many constraints (including access to land and credit for small farmers, and low productivity), as well as a strong increase both in domestic private demand and in external demand from neighboring countries. The fiscal primary surplus for the first half of the second annual program (CFAF 7 billion, or 0.1 percent of GDP) was somewhat smaller than envisaged in the program. Despite continued good performance in non-oil revenue, total revenue was 0.1 percent of GDP lower than programmed, reflecting lower oil revenue and grants. Noninterest current expenditure was somewhat above its target, reflecting higher-than-programmed outlays on transfers and subsidies. Domestically financed capital expenditure remained significantly below the target, mainly reflecting the fact that the scheduled disbursements on account of the HIPC Initiative-related projects approved by end-December 2001 did not materialize. Monetary developments during the first half of the second annual program showed a moderate expansion of credit to the private sector and an increase in drawings from the banking system by the central government of CFAF 5.9 billion (0.1 percent of GDP). Cameroon's contribution to the improvement of the net foreign assets position of the regional central bank

(BEAC) further strengthened. Broad money increased by 2.7 percent by end-March 2002, reflecting mainly an increase in bank deposits.

Macroeconomic and fiscal prospects for the second half (April–September 2002) of the second annual program

5. Based on recent data on economic activity and international trade, and taking into account the negative impact of constrained electricity supply on the output of some industries, real GDP growth in fiscal-year 2001/02 (fiscal year ended June 30) is now estimated at 4.4 percent, with non-oil GDP growth at 4.9 percent. This outcome is expected to continue in the second half of calendar-year 2002. The 12-month national consumer price inflation rate is projected at 4.0 percent for the second annual program as a whole, as the supply of foodstuffs is not expected to improve significantly in the short run. The projected increase in world oil prices should result in a slight improvement of Cameroon's terms of trade.

6. The fiscal outcome for 2001/02 is expected to be broadly as envisaged, reflecting better-than-projected oil and non-oil revenue performance and close observance of the expenditure program through end-March 2002. On this basis, the primary fiscal surplus (excluding HIPC Initiative-related spending) would reach 5.6 percent of GDP, and the overall fiscal surplus, on a commitment basis and excluding HIPC Initiative-related spending and grants, would slightly exceed the program target. No HIPC Initiative-related spending took place prior to end-June 2002, as disbursement procedures were still being put in place (see para. 17 below).

Elements of the transition budget for June–December 2002

7. In April 2002, in line with Cameroon's commitment under the CEMAC, the National Assembly adopted a new fiscal year, beginning on January 1 (to replace the former fiscal year beginning on July 1), effective January 1, 2003. It also authorized the government to implement a six-month transition budget to cover the second half of calendar-year 2002, which is consistent with the PRGF program targets.

8. The government will continue to adhere to a cautious fiscal stance during the second half (April–September 2002) of the second annual program. Oil revenue is projected to amount to 2.6 percent of GDP, based on (i) an average oil price for Cameroon of US\$20.3 per barrel (versus an initial projection of US\$19.9 per barrel); and (ii) an oil output projection of 38.2 million barrels (versus an initial projection of 39.3 million), reflecting the long-term decline in production as the major known oil fields are expected by the oil industry and the authorities to be depleted by 2010/11. With a further strengthening of the tax and customs administrations and based on a projected growth in the non-oil sector of 5.0 percent for calendar-year 2002, non-oil government revenue should remain at 7.0 percent of non-oil GDP during July–December 2002. Noninterest expenditure is targeted to increase to no more than 7.9 percent of GDP, mainly driven by HIPC-related spending of CFAF 58 billion (0.8 percent of GDP) and a larger wage bill. The latter reflects (i) the gradual impact of selective new recruitments in the context of the medium-term sectoral strategies in education

and health; (ii) the gradual implementation of new statutes for the various professional categories within the civil service; and (iii) the integration of the wage bill of the Ministry of Post and Telecommunications into the State's budget, following the elimination of this ministry's special budget (*budget annexe*). Transfers and subsidies will be limited to 1.0 percent of GDP, and domestically-financed and foreign-financed public investments are targeted at 0.4 percent of GDP and 1.3 percent of GDP, respectively. On this basis, the primary fiscal surplus should reach 1.4 percent of GDP during July–December 2002, and the overall fiscal deficit, on a commitment basis and excluding grants, would be limited to 0.6 percent of GDP. Excluding expenditure financed by the savings from the debt relief resulting from the enhanced HIPC Initiative, noninterest total expenditure would be limited to 7.9 percent of GDP, with total public investment expenditure targeted at 1.9 percent of GDP.

9. Improving public expenditure management will continue to be at the core of the government's fiscal program. This is critical to achieve our fiscal targets, further consolidate macroeconomic stability, improve governance and transparency, and enhance Cameroon's fiscal policy credibility. To this end, the government will continue to implement the action plan developed with the Fund's Fiscal Affairs Department (FAD) and other donors' technical assistance, with a view to completing the implementation of a fully integrated computerized information and management system for government revenue and expenditure (from the commitment to the payment stage (*chaîne des recettes et des dépenses publiques*)) by end-September 2003. Consistent with this action plan, the government has adopted the new budget classifications and integrated them into the budget application (PREBIC). It will ensure that the new expenditure management becomes fully operational and is applied in practice in the context of the latest available expenditure management software to track spending on goods and services, including the integration of the new budget classifications, by end-September 2002 (performance criterion). The next priorities are ensuring (i) the effective availability of government's key analytical financial tables (such as a summary document that traces the different stages of the expenditure process (*document retraçant les dotations, les engagements, les ordonnancements et les paiements*)) for policy analysis and decision making, by end-September 2002; and (ii) the continuation of the work on improving the quality of fiscal data, with a view to eliminating inconsistencies between the treasury balances and the budget execution tables (including, notably, the table on central government financial operations (*tableau de bord*)).

10. Furthermore, the government will (i) continue to strengthen internal controls, along the lines of the recommendations of the September 2001 FAD mission on the treasury; and (ii) start implementing the recently adopted action plan to ensure proper external control of central government finances (through, notably, the introduction of an external audit body (*Chambre des Comptes*)). The government will also pursue the implementation of the other key measures that are already contemplated under the three-year PRGF-supported program. These include, notably, (i) steps to further enhance budgetary procedures and the quality of public expenditure and reduce the supplementary period for closing the treasury accounts of the preceding fiscal year to no more than 60 days; (ii) the multiyear settlement plan to clear domestic arrears, as specified at the onset of the ongoing three-year PRGF arrangement; (iii) actions to further enhance the quality and timeliness of the quarterly reports on the

financial and physical execution of the budget of key ministries (including the Ministries of Education, Health, Public Works, and Agriculture); (iv) improved coordination between the debt agency (*Caisse Autonome d'Amortissement* (CAA)) and the relevant departments in the Ministry of Finance and Budget (including the treasury and the budget department), with respect, particularly, to the monitoring of domestic public debt; in this regard, the CAA will effectively start collecting information on domestic and external loans contracted by public enterprises; (v) the launching of an audit of the CAA operations during 2000/01 and 2001/02, including transactions on account of the domestic public debt other than domestic and external debt service (structural benchmark); and (vi) an evaluation, by end-September 2002, of the stocks of commitments that have been executed without issuance of payment orders (*bons non mandatés*), and of public domestic debt, both as of end-June 2002 (structural benchmarks).

11. On the revenue side, the government will continue to strengthen its capacity to mobilize non-oil revenue through measures that have already been taken to enhance customs and tax administration, as specified in paragraphs 9 and 10 of its supplementary letter of intent of December 28, 2001. These include (i) measures to improve the administration of the value-added tax (VAT) and forestry taxation, including the securitization of forestry receipts; (ii) the adoption of an action plan for the implementation of a comprehensive reform of the income tax system for individual taxpayers, which has been formulated with Fund technical assistance and will be submitted to the National Assembly in November 2002; (iii) the initiation of the preparatory work to extend the income tax system to nonindividual taxpayers, and the pursuit of the preparatory work for the introduction of a property tax, based on the land survey (*cadastre fiscal*) that is being put in place; (iv) the computerization of the single processing window (*guichet unique* (GUCE)) for external trade, by March 2003; (v) actions to improve the physical and documentary controls for the release of goods (*prise en charge des marchandises*) and enhance the control system for exemptions and special-status traffic (transit, bonded warehouses (*entrepôts*), and temporary admissions); and (vi) steps to strengthen the valuation office within the customs and improve the collaboration with the Société générale de surveillance (SGS), especially with a view to double-checking the valuation of imported merchandise. Finally, the government will (i) strengthen the control of the use of the unique taxpayer identification number (*identifiant unique*) for all taxpayers and importers and exporters, that is, assign the same unique number to a given physical or moral person; (ii) strengthen effectively the joint tax-customs unit, to render it truly operational by end-September 2002; and (iii) restructure the tax department while establishing within it a special unit for large taxpayers, by end-December 2002.

12. The government remains committed to not introducing any new tax and customs exemptions, and to enhancing VAT refund procedures. The first step in the area of exemptions was the revision of the decrees related to computer equipment and the HIV/AIDS program (see para. 2 above). As regards exemptions to support the development of the press, the government will ensure a proper functioning of the special unit that has been established for the issuance of exemption certificates to eligible companies on a case-by-case basis and in a transparent manner. In addition, the government will pursue the work on the evaluation of the revenue loss stemming from the existing exemptions on VAT and on the special tax on petroleum products (TSPP). It will also effectively implement an action plan to reduce VAT

exemptions over a five-year period in order to return to the basic regime as specified in the 1998/99 Budget Appropriations Bill. Finally, the government will implement the schedule for VAT credit reimbursement during June 1–September 30, 2002, as agreed with the IMF staff, by end-September 2002 (structural benchmark).

13. The monetary projections for April–September 2002 have been revised, taking into account recent economic developments and the prospects for calendar-year 2002 as a whole. The expectation is for Cameroon's net foreign assets at the BEAC to be maintained at its end-March 2002 level, while net bank credit to the central government would decrease by CFAF 6 billion (on a cumulative basis from October 2001) by end-June 2002. Net bank credit to the central government would amount to CFAF 23 billion (on a cumulative basis) by end-September 2002 (performance criterion), and to CFAF 44 billion (on a cumulative basis) by end-December 2002. These projections reflect the rephased disbursements of the HIPC-related funds held at the special account at the BEAC. Broad money is projected to increase gradually during April–September 2002.

Implementation of steps toward the HIPC completion point and creation of conditions conducive to productive investment and non-oil growth

14. The government reiterates its commitment to accelerate the implementation of the measures relating to the completion point as specified in box 7 of the HIPC Initiative decision point document of September 2000, so as to reach the completion point by end-September 2003. These are (i) the preparation of a full poverty reduction strategy paper (PRSP) and its satisfactory implementation for at least one year; (ii) maintenance of a stable macroeconomic environment and satisfactory implementation of the current three-year PRGF-supported program; (iii) the use of the budgetary savings from the debt relief in accordance with the control and monitoring mechanisms set up at the decision point; (iv) satisfactory implementation of the World Bank's SAC III; (v) governance and anticorruption measures, in particular in the areas of the judiciary reform, public procurement system, budgetary execution and delivery, and regulatory agencies; and (vi) specific targets in the social sectors of education and health and HIV/AIDS.

15. With regard to the full poverty reduction strategy paper (PRSP), the government is actively pursuing the preparation of a high-quality PRSP. The process relies on a nationally based and enhanced participatory approach. It also draws extensively on the results of the sectoral strategies, the household consumption survey (ECAM II), and other pertinent analytical and empirical studies, including, notably, those on the sources of growth in Cameroon, which are already available or are under preparation. In the meantime, a PRSP preparation status report was prepared and submitted to the Executive Boards of the IMF and the World Bank in late December 2001. Based on the progress achieved to date and given the scheduled municipal and legislative elections of June 30, 2002, the government aims at having a first-draft PRSP ready by mid-September 2002 for discussion with the civil society and donors in late September 2002, and to submit the final PRSP document to the Executive Boards of the IMF and the World Bank in October 2002.

16. Our main focus of social policies remains to ensure that strengthened economic performance translates into tangible results in terms of job creation, poverty reduction, and

improved economic welfare of the population as a whole. Satisfactory implementation of our strategies for the health and education sectors is one of the specific steps among the HIPC completion triggers. Their respective preliminary costings have been taken into account in the medium-term macroeconomic framework. Significant progress is being made in formulating strategies in the other priority sectors of rural development and urban infrastructure. The government recognizes that intensified efforts are needed to ensure that reliable expenditure-tracking procedures are in place in the education and the health sectors. A first series of programs and projects to be financed through the savings resulting from debt relief under the enhanced HIPC Initiative was adopted on October 26 and on December 6, 2001, for a total amount of CFAF 35 billion (0.5 percent of GDP). The selected programs and projects are concentrated in the priority poverty reduction-related sectors of education, health, urban sanitation and rural road infrastructure, and safe drinking water. In line with the orientations specified in the decision point document, the main objective of these programs and projects is to improve the delivery of social services.

17. Steps have been taken to improve the functioning of the national consultative committee for the follow-up on the implementation of the HIPC Initiative. The committee has adopted a set of provisional internal rules (*réglement interne*), as well as a provisional manual of procedures (*code de procédure*), for processing HIPC-related projects, and the responsibilities of the two supporting technical units (the permanent secretariat and the operational unit in charge of the follow-up on the preparatory work on the projects) have been clarified. The government has also taken measures to ensure that HIPC project- and program-related expenditures are carried out through a treasury special account (*compte d'affectation spéciale*) that has been set up within the legal budgetary framework in place and is funded from the special account opened at the BEAC on the basis of a request from the general paymaster, as supported by the relevant documentation (*justificatifs*); a copy of the payment authorization and supporting documentation is to be sent to the consultative committee simultaneously for information and monitoring of project implementation purposes. The follow-up of approved HIPC project implementation by the national consultative committee will be ensured by the information system (SAGE) set up within the consultative committee. The second series of programs and projects to be financed through the savings from the debt relief under the enhanced HIPC Initiative, for the total amount that was expected in fiscal-year 2001/02 of CFAF 58 billion (0.8 percent of GDP), will be discussed by the national consultative committee for the follow-up on the implementation of the HIPC Initiative in early September 2002.

18. The government remains committed to pursuing its policy of making deposits at the special account opened at the BEAC (the regional central bank), including the savings from official bilateral debt relief. It will make sure that the national consultative committee for the follow-up on the implementation of the HIPC Initiative holds meetings on a regular basis to monitor closely the proper and effective use of the HIPC resources. The government understands that the use of these resources will remain consistent with the ongoing efforts to improve public expenditure management, the policy orientations specified in the September 2000 decision point document, and the priorities being discussed in the context of the preparation of the full PRSP.

19. As regards governance, following the investigation of the 48 cases of *saisie-attribution* and the relevant recommendations, the government will (i) ensure that all necessary corrective actions are taken and appropriate sanctions imposed, as required; and (ii) propose legislative, regulatory, and other provisions as necessary to correct the nonfunctioning features of the procedure of *saisie-attribution*. In this context, it will issue a circular specifying the nature of the executory titles (*titres exécutoires*) and clarifying the computation methodology for calculating penalties (*astreintes*) by end-September 2002 (structural benchmark). As regards the technical audit of the judiciary system, the government will formulate an action plan, satisfactory to the IMF and the World Bank, based on the recommendations of the audit, by end-December 2002. Moreover, it will pursue the actions that have already been undertaken, notably, to conduct seminars at the provincial level to inform and train magistrates regarding the legal provisions of the Organization for the Harmonization of Business Law in Africa (OHADA) Treaty and their interpretation and implementation. The government will also effectively implement the steps that have already been taken to (i) render the general inspection office of the judiciary system operational, and effectively implement controls by the Heads of Court in their respective jurisdictions; (ii) codify the OHADA's legal provisions and communicate them to all magistrates; (iii) adjust the Cameroonian legislation to make it compatible with the OHADA Acts; and (iv) promulgate the Cameroonian laws as foreseen under the OHADA Acts. Finally, the government will ratify shortly the agreement between the BEAC (headquarters and national branches) (*Accords de siège*) and Cameroon.

20. Furthermore, the government remains determined to implement the other programmed measures included in its letter of intent of December 6, 2000 and supplementary letters of intent of June 28 and December 28, 2001, as well as those that are included among the HIPC completion point triggers. Among the latter, and consistent with the government's priority action plan of August 2000 for improving governance and combating corruption, the government has already started to put in place the public procurement commissions (as established under decree No. 2002/03, dated January 28, 2002), in accordance with the understandings reached with the World Bank. It will also adopt an action plan, with a view to establishing a Constitutional Council (*Conseil Constitutionnel*) by end-September 2002 (structural benchmark).

21. The government reaffirms its determination to pursue the reforms included in the World Bank's SAC III, whose satisfactory implementation is also a HIPC completion point trigger. With regard to the privatization program, it will continue to address the remaining issues, with a view to completing within a reasonable time frame the privatization of SNEC and CAMTEL, which is critical to the provision of better services, an increase in investment and growth, and the reduction of poverty. As regards the SNEC, following the appointment of the interim administrator in April 2002, the government hopes to reach an agreement shortly. As regards CAMTEL, following the failure to reach an agreement with the interim adjudicator and to conclude negotiations with the second bidder, the government is redefining its strategy and will relaunch the privatization process, based on the recommendations of the recent evaluation by the World Bank, with a view to completing the privatization by end-September 2003.

22. In the transport, forestry and agro-industrial sectors, which are critical for improving competitiveness and enhancing job creation opportunities, the government will pursue the reforms agreed under the World Bank's SAC III and with other donors. As regards air transportation, the government has selected the consultant, who is expected to complete a comprehensive evaluation of the national airline (CAMAIR) by end-November 2002, with a view thereafter to recruiting an adviser to help launch the process of privatizing the company. In the port sector, in particular, the port of Douala (PAD), the key priorities are to (i) complete the institutional and financial reforms, including the adequate financing of the PAD and the liquidation of the former *Office National des Ports du Cameroun* (ONPC); (ii) launch an invitation to bid for the computerization of the port platform (*plateforme portuaire*); and (iii) launch the bids for the transfer of industrial and commercial activities to the private sector by September 15, 2002.

23. In the forestry sector, the government has (i) signed the contracts and/or conventions required to ensure satisfactory implementation and supervision, and provision of bank guarantees (*cautionnement*) for the management plans; and (ii) signed the decree on the restructuring of the National Forestry Development Office (ONADEF) and the related joint circular (*arrêté*) of the Ministry of Finance and Budget and the Ministry of Environment and Forestry, and adopted an action plan for the transitory phase up to the point when the new structure will become operational. Moreover, the government will apply legal sanctions for serious violations of forestry rules and management plans, and will publish the cases that have been dealt with. To this end, it has already established a list of all the cases of serious violations since November 2000. In the agro-industrial sector, the key policy actions remain the privatization of the remaining agro-industrial activities and enterprises, including, in particular, (i) SODECOTON (following the completion of the review of the cotton sector strategy by end-October 2002); and (ii) the CDC (following the completion of the sale of the tea crop component and the formulation of a new strategy for the privatization of the three other crop components, with a view to relaunching the bidding process).

24. Beyond the commitments under the World Bank's SAC III, in the financial sector, the government will continue to follow up on the progress in implementing the single commercial bank licensing system within the Central African Economic and Monetary Community (CEMAC). It is also determined to complete the implementation of the other key measures it committed itself to in its December 20, 2000 letter of intent and its June 28, 2001 and December 28, 2001 supplementary letters of intent, in line with the recommendations of the Financial Sector Assessment Program (FSAP) of May 2000 to strengthen the financial system and ensure the viability and resilience of Cameroon's financial system. To this end, we will continue to (i) implement the restructuring plan for the financially troubled state-owned Postal Savings Bank, with a view to completing its rehabilitation by end-December 2002; (ii) support the implementation of the recently adopted regional regulatory framework for microfinance; (iii) ensure the effective implementation of the reform of the payments system, undertaken with the assistance of the World Bank and the IMF, as defined by the Brazzaville workshop of December 2001 and validated by the general managers of all the commercial banks on January 8, 2002; and (iv) pursue the reform of the social security system, in accordance with the strategy adopted by the interministerial committee in November 1999. In this regard, the government intends to complete the preparatory

implementation studies by October 2002 and complete the reform of the social security system by end-September 2003 at the latest.

25. In the petroleum sector, the authorities will continue to make sure that the national oil company, the SNH, sets aside the required provisions on account of the depleted oil wells on a regular basis and in line with the arrangements in place. The bidding process for the sale of the shares held by the SCDP (the petroleum storage facility) on behalf of the government will be launched by end-February 2003, so as to transfer these shares to the private sector, which will thereafter manage the SCDP. Acting on the recommendations of the action plan to reform the petroleum sector formulated in late 2000, the government will, by the end of 2002, (i) redefine the role and responsibilities of the private sector, the SNH, the ministry responsible for hydrocarbons, and other entities involved in the hydrocarbons sector and provide a timetable for the implementation of the reform program; (ii) submit to parliament the new natural gas code; and (iii) prepare a strategy and an action plan for promoting private sector investment in the hydrocarbon sector. It will also ensure that the SNH completes the installation of its upgraded financial management and accounting system. Finally, should world oil prices rise above the threshold of US\$25 per barrel, the government stands ready to adjust upward the prices of gasoline (super) and gas oil, according to the automatic petroleum retail price adjustment mechanism in place, so as to prevent the reemergence of petroleum subsidies.

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 the growth prospects. To this end, the government will continue to implement and further strengthen the efficiency-enhancing measures of the program. It will also continue 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 rate of 20 percent) and in the number of bands (from five to four). Cameroon has adopted a national investment charter, which is consistent with the CEMAC's common investment charter. Finally, it reiterates its commitment to effectively implement the new CEMAC foreign exchange regulations (*réglementation des changes*) by September 2002, following the completion of an information campaign.

27. Following the agreement with the Paris Club on January 24, 2001 to support Cameroon's program with a comprehensive and concessional treatment under the enhanced HIPC Initiative, the government has signed bilateral agreements with seven creditors. The deadline for signing the bilateral agreements with the remaining creditors was initially extended through end-June 2002 and has been further extended through end-October 2002. The government reaffirms its intention to provide debt relief for Chad, under the enhanced HIPC Initiative. As regards commercial debt, the negotiations with the commercial bank creditors were concluded on May 24, 2002. The resulting cash buyback agreement involves a discount of 85.5 percent on the initial nominal amount of the principal due and total forgiveness of all interest payment obligations, and opens the way for an IDA financing operation to finance the cash payment in the context of the enhanced HIPC Initiative. We

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. The government will also activate, by end-September 2002, the reporting system within the Ministry of Economic Affairs, Programming, and Regional Development (*Ministère des Affaires Economiques, de la Programmation et de l'Aménagement du Territoire*) for project-related external financing commitments and disbursements; the system was set up in December 2000 with World Bank assistance, to enhance the timeliness of such external financing data.

Prior action, waiver, program monitoring, and review

28. The government understands that the submission to the Fund of a report by the budget department of the Ministry of Finance and Budget, stating the expenditure process from the commitment to the payments stage for all operations registered by the treasury for the period April 22–May 31, 2002, constitutes a prior action that would need to be in place before Cameroon's documents for the third review under the PRGF arrangement are issued for Executive Board's consideration.

29. The government requests a waiver for the nonobservance, on March 31, 2002, of the structural performance criterion on the completion of the link between the information system of the treasury and that of the budget department in the Ministry of Finance and Budget in order to follow all expenditures from the commitment to the payments stage carried out both at the central government level and by the local branches of government (*déconcentré*). The government completed the implementation of the system, which also became operational for the transition budget for July–December 2002, on July 31, 2002, following the implementation of the related prior action specified in paragraph 28 above.

30. To monitor program implementation, a number of quantitative benchmarks and performance criteria for end-September 2002 have been established, as specified in the attached Table 1. In addition, the reform measures specified in Table 2 constitute either structural performance criteria or structural benchmarks for the second half (April–September 2002) of the second annual program. The government considers that these are essential for (i) achieving the macroeconomic objectives on the program; (ii) improving public expenditure management; and (iii) enhancing the prospects for increased private sector investment.

31. In view of the uncertainties about external debt relief and oil prices, the program contains a built-in contingency mechanism for the adjustment of the quantitative benchmark and performance criteria, as spelled out in the attached technical memorandum of understanding (TMU). In the same vein, given the uncertainties surrounding the implementation of the privatization program, the related receipts are excluded from the definition of the ceiling on net bank credit to the government. If the privatization receipts materialize, the government will reach agreement with Fund staff on the specific use of these resources.

32. The fifth disbursement under the PRGF arrangement will be subject to (i) the observance of the end-September 2002 performance criteria; and (ii) the completion of the fourth review by no later than end-January 2003. The review will focus on medium-term fiscal sustainability, public expenditure management, budgetary non-oil revenue performance, customs and tax administration reform, improvements in governance, poverty reduction strategies under the PRSP, actions to strengthen the tracking of poverty-reducing public spending, and general progress in implementing the HIPC completion point triggers and the full PRSP. The discussions with the IMF staff on the third annual program supported by the PRGF arrangement and of progress toward the HIPC completion point will be held in late October–early November 2002.

33. Program implementation will be regularly reviewed in cabinet meetings chaired by the Prime Minister, Head of Government. Moreover, the Minister of Finance and Budget and the Minister of Economic Affairs, Programming, and Regional Development will coordinate program implementation, according to their respective responsibilities, with the assistance of the technical committee for the implementation of the economic programs (CTS). The CTS will provide Fund staff with all the necessary data on a timely basis to effectively monitor the program. To this end, the government will endeavor to effectively improve data quality, coverage, and timeliness, notably 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 Second Annual Program Under the Poverty Reduction and Growth Facility, October 1, 2001-September 30, 2002

(In billions of CFA francs; cumulative from October 1, 2001, unless otherwise indicated)

	March 31, 2002 ¹			June 30, 2002	September 30, 2002
	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}	-3	9	6	-6	23
Floor on the primary budget balance ^{2, 5, 7}	181	175	188	299	327
Floor on the nonaccumulation of external payments arrears of the central government ^{2, 8}	0	0	0	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 ^{6, 11, 12}	650	637	643	994	1290
<i>Of which: non-oil revenue</i> ^{6, 12}	479	479	486	725	957
Floor on reduction of domestic arrears ¹²	-16	-16	-18	-25	-31
<i>Of which: cash payments</i>	-16	-16	-18	-25	-31
Memorandum items:					
Assumed external debt relief ¹³	135	135	149	763	814
External program financing ¹⁵	60	60	25	66	87
<i>Of which: IMF disbursements</i>	15	15	15	15	29
Privatization proceeds	0	0	0	0	0
Stock of net credit to the central government	337	337	346	334	363

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

¹ Cumulative since end-September 2001.

² These targets constitute performance criteria for end-March 2002 and end-September 2002.

³ This target will be adjusted (a) upward for a shortfall in program financing, and external debt relief up to an amount equivalent to 50 percent of the shortfall (for a total cumulative shortfall of CFAF 35 billion); (b) downward 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.

⁴ The flows have been adjusted on the basis of the end-December 2001 actual data.

⁵ The targets will be adjusted upward/downward for 50 percent of the windfall/shortfall in oil revenue. For a windfall/shortfall beyond a threshold of CFAF 35 billion, the authorities will consult with Fund staff to formulate policies to adjust performance criteria.

⁶ Excluding privatization receipts.

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

⁸ Excluding reschedulable external payments 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). 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, from the date of completion of the second review.

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

¹² These benchmarks do not constitute performance criteria.

¹³ Including the financing gap.

¹⁴ Excluding government-owned provisions amounting to CFAF 21.5 billion to cover commercial debt operation (London Club).

¹⁵ Including IMF disbursements.

Table 2. Cameroon: Structural Performance Criterion and Benchmarks
for the Second Half of the Second Annual Program,
October 2001–September 30, 2002

Performance criterion for end-September 2002

- Ensure that the new expenditure management becomes fully operational and is applied in practice in the context of the latest available expenditure management software to track spending on goods and services, including the integration of the new budget classifications.

Benchmarks for end-September 2002

- Implement the action plan for value-added tax (VAT) credit reimbursement, as agreed with the Fund staff.
 - Launch an audit of the debt agency (Caisse Autonome d'Amortissement–CAA) operations during 2000/01 and 2001/02, including transactions on account of the domestic public debt other than domestic and external debt service.
 - Evaluate the stocks of commitments, which have been executed without issuance of payment orders (*bons non mandatés*), and of the domestic public debt, both as of end-June 2002.
 - With respect to the procedure of *saisie-attribution*, issue a circular specifying the nature of executory titles (*titres exécutoires*) and clarifying the computation methodology for calculating penalties (*astreintes*).
 - Formulate an action plan for the establishment of a Constitutional Council (Conseil Constitutionnel).
-

CAMEROON

Technical Memorandum of Understanding on the Definitions, Including Prior Actions and Structural Performance Criteria and Benchmarks, and Modalities of the Built-In Contingency Mechanism for the Adjustment of Quantitative Performance Criteria and Benchmarks Under the Second Annual Program Under the PRGF Arrangement

A. Introduction

1. This memorandum supplements the technical memorandum of understanding annexed to the memorandum of economic and financial policies of December 6, 2000, the supplementary technical memorandum of understanding annexed to the letter of intent of June 28, 2001, and the supplementary technical memorandum of understanding annexed to the letter of intent of August 28, 2002. It sets out the understandings between the Cameroonian authorities and the staff of the International Monetary Fund regarding the definitions of the quantitative and structural performance criteria and benchmarks for the program supported by the Poverty Reduction and Growth Facility (PRGF) arrangement and the built-in contingency mechanism, as well as the related reporting requirements.

B. Definitions

Prior action, structural performance criterion, and structural benchmarks

2. The prior action relating to “the submission to the Fund of a report by the budget department of the Ministry of Economy and Finance, stating the expenditure process from the commitment to the payment stage for all operations registered by the treasury for the period April 22-May 31, 2002” will be deemed to be in place if the government can produce, for each key budget item, a statement of all operations from the authorization stage to the effective payment stage.
3. The structural performance criterion for end-September 2002 relating to the action of the government to “ensure that the new expenditure management becomes fully operational and is applied in practice in the context of the latest available expenditure management software to track spending on goods and services, including the integration of the new budget classifications,” will be deemed to have been observed, upon submission of a formal report (*procès verbal*) on the completion of the work by the committee in charge which also certifies that the migration of the expenditure management application (DM) in an Oracle environment has effectively been completed.
4. The benchmark for end-September 2002 relating to the implementation of the action plan for value-added tax (VAT) credit reimbursement, as agreed with Fund staff, will be deemed to have been observed upon verification that the stock of all the VAT credits due to

be reimbursed from May 15, 2002 onward has effectively been eliminated. This stock consists of all the VAT credit claims that have been validated by the tax department of the Ministry of Economy and Finance as of May 15, 2002. To this end, the government will submit to the Fund the list of all VAT credit to be reimbursed as of May 15, 2002; this list should itemize each of the claimants of a VAT refund, the amount due for refund, the period from which the VAT refund arose, the date at which the claim for the refund was submitted to the tax department, and the date when the refund was approved by the tax department.

5. The benchmark for end-September 2002 relating to the “launching of an audit of the debt agency (Caisse Autonome d’Amortissement–CAA) operations during 2000/01 and 2001/02, including transactions on account of the domestic public debt other than domestic and external debt service” will be deemed to have been observed once (i) the terms of reference of the auditor in charge of the above-mentioned audit have been approved by the Fund staff, and (ii) that above-mentioned auditor has effectively started the said audit.

6. The benchmark for end-September 2002 relating to the evaluation of the stock of the domestic public debt (as of end-June 2002) will be deemed to have been observed upon verification that the authorities have produced a reconciliation of quarterly stocks and flows from end-September 2000 to end-June 2002.

External debt

7. The size and rate of growth of external indebtedness are important factors in the design of a program for a country, especially one benefiting from the Initiative for Heavily Indebted Poor Countries (HIPC Initiative) assistance, like Cameroon. Consistent with Point 9 of the Guidelines on Performance Criteria with respect to Foreign Debt (Decision N^o. 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, 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.

8. 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.

Concessional external debt

9. 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 and approved by the IMF Executive Board on April 15, 1996.

Cash relief from external debt rescheduling

10. 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

11. Domestic arrears include nonstructured domestic debt contracted by the government. Nonstructured debt is defined as 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 these liabilities in the form of cash payments.

Net claims of the banking system on the central government

12. 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

13. 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

14. 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). All privatization 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

15. 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

16. The programmed oil revenue for the period April 2002 to September 2002 is based on oil price assumptions of US\$22.0 and US\$21.4 per barrel (for Cameroon) for the third and fourth quarters of the second annual program (October 1, 2001–September 30, 2002), and on volume estimates of 9.7 and 9.0 million barrels, respectively. Based on these assumptions, the oil revenue contribution to the central government's budget is estimated at CFAF 84 billion and CFAF 64 billion in the third and fourth quarters of the second annual program, respectively.

17. In case of lower-than-programmed oil revenue (owing to events beyond 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 the performance criteria.

18. The entire amount of the oil revenue above the programmed amounts 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 (i) increase high-priority infrastructure investment and social expenditures; and (ii) 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

19. The above-mentioned quantitative performance criteria and benchmarks will be adjusted (i) 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); (ii) downward for the full amount of any excess in external assistance (i.e., program financing and external debt relief); and (iii) 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

20. Amounts denominated in SDRs will be converted to U.S. dollars at the fixed exchange rate of US\$1.283 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 to a similar adjustment in the ceiling on the net claims of the banking system on the central government.

D. Reporting Requirements

21. The Cameroonian authorities will send to the Fund the data in Table 2 within the time limits set out in that table. 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	Target Date
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
	Status report of government deposits at the BEAC	Monthly	10 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
	VAT refund balances	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

Table 1. Cameroon: Data- Reporting Requirements

Category of Data	Table/Report	Frequency	Target Date
Real sector data	Consumer price index, Yaoundé and Douala	Monthly	10 th of month for previous month's data
	National consumer price index	Quarterly	20 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
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 September 30, 2002)

I. **Membership Status:** Joined 07/10/1963; Article VIII

II.	General Resources Account:	<u>SDR million</u>	<u>%Quota</u>
	Quota	185.70	100.0
	Fund holdings of currency	185.14	99.7
	Reserve position in Fund	0.56	0.3

III.	SDR Department:	<u>SDR million</u>	<u>%Allocation</u>
	Net cumulative allocation	24.46	100.0
	Holdings	1.07	4.35

IV.	Outstanding Purchases and Loans:	<u>SDR million</u>	<u>%Quota</u>
	PRGF arrangements	225.80	121.59

V **Financial Arrangements:**

<u>Type</u>	<u>Approval date</u>	<u>Expiration date</u>	<u>Amount approved (SDR million)</u>	<u>Amount drawn (SDR million)</u>
Poverty Reduction and Growth Facility (PRGF)	12/21/2000	12/20/2003	111.42	63.68
ESAF/PRGF Stand-By Arrangement	08/20/1997	12/20/2000	162.12	162.12
	09/27/1995	09/26/1996	67.60	28.20

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

	Overdue	Forthcoming				
	05/31/02	2002	2003	2004	2005	2006
Principal	0.0	0.0	8.1	18.9	27.0	35.6
Charges/interest	0.0	0.7	1.6	1.6	1.4	1.3
Total	0.0	0.7	9.7	20.5	28.5	36.9

VII. **Implementation of HIPC Initiative:**

	Enhanced framework
Commitment of HIPC assistance	
Decision point date	10/11/2000
Assistance committed (NPV terms) ¹	
Total assistance (US\$ million)	1,260
<i>Of which:</i> Fund assistance (SDR million)	28.51
Completion point date	Floating
Delivery of Fund assistance (SDR million)	
Amount disbursed	2.53
Interim assistance	2.53
Completion point ²	...
Amount applied against member's obligations (cumulative)	2.53

VIII. **Safeguards Assessments:**

Introduction

Under the Fund's safeguards assessment policy, the Bank of the Central African States (BEAC), of which Cameroon is a member, is subject to a full safeguards assessment. An off-site safeguards assessment of the BEAC was completed on March 29, 2001. The assessment concluded that high

¹ Net present value (NPV) terms at the completion point under the original framework; and NPV terms at the decision point under the enhanced framework.

² Under the enhanced HIPC Initiative, the nominal amount of assistance disbursed will include an additional amount corresponding to interest on amounts committed but not disbursed during the interim period, calculated using the average return (during the interim period) on the investment of resources held by, or for, the benefit of the PRGF-HIPC Trust.

risks may exist in the financial reporting framework and the internal audit mechanism, and recommended an on-site assessment. The on-site assessment was completed on July 20, 2001. The staff's findings and recommendations are reported in the Poverty Reduction Strategy Paper Status Report of December 28, 2001.

Safeguards Areas and Main Remedies

The external audit mechanism. The auditing function and the quality control procedures of the external auditor are adequate. The safeguards assessment proposed that (i) the external auditor refer explicitly to the international standards of auditing (ISA) in its opinion; (ii) the external auditor become more cognizant of the accounting rules applicable to the recording of Fund's balances; and (iii) the BEAC should include the audit opinion in the annual publication of the financial statements. The management of the BEAC has agreed to implement these actions for the fiscal-year (FY) 2002 accounts.

Legal structure and independence. The legislation governing BEAC is adequate.

Financial reporting. The monthly statements of the bank's financial position are not published in any form, and the December 31, 2000 audited financial statements were not published in a timely manner. The staff recommended that the BEAC (i) enhance the readability and the credibility of the published annual accounts by including detailed notes explaining the accounting methods followed, and whether these methods referred explicitly to a generally accepted accounting framework; (ii) adopt International Accounting Standards; and (iii) change the accounting of some of its operations with the Fund, especially with regard to the revaluation of the IMF accounts. The management of the BEAC has agreed to implement these recommendations by FY 2002.

Internal audit mechanism. The quality of the personnel, the rigorous methods followed for the audit of branches, the training program in place, and the risk assessment methods in place are satisfactory. However, certain weaknesses remain and staff recommended that the BEAC (i) establish a charter for the Internal Audit Department (IAD); (ii) expand the audit scope and coverage of IAD to include activities at headquarters; (iii) prepare an annual rolling multiyear audit program describing risk assessment, activities scheduled, and staffing and financial resources required; and (iv) increase the number of qualified staff.

In its response to the Stage Two report, the management of the BEAC has specifically agreed to expand the scope and coverage of the audit department, and increase the number of qualified staff. A charter for the audit department will also be prepared, with the assistance of Fund staff, that will provide the BEAC with the relevant documentation. A gradual implementation of these recommendations should be completed by end-2002. The management of the BEAC did not specifically cover in its answer to the report the recommendation related to the risk-based rolling multiyear audit program.

The system of internal controls. On the whole, the risks are relatively well captured, although uncertainties exist because of insufficient a posteriori controls exercised on some activities at headquarters. The bank has a codified system of rules, selects its personnel carefully, maintains a segregation of duties in the branches, and has recently increased resources for control purposes. Nevertheless, the staff recommended that the BEAC (i) strengthen the coordination among the audit bodies; (ii) examine in depth the segregation of duties at headquarters; and (iii) put in place a more

systematic follow-up of all recommendations made by the external auditor to allow the Governor and the Board of Directors to better exercise their oversight responsibilities.

In its response to the Stage Two report, the management of the BEAC has agreed to establish an audit committee by 2002. Regarding the proposed segregation of duties, management noted that an internal assessment was under way, but that for budgetary reasons a formal audit could not be undertaken before end-2001.

Regarding late payments of Fund obligations, which has been an issue for all of the BEAC's member countries at some time in the last three years, the staff concluded that, while the BEAC's own payment procedures and related management controls in this area were functioning adequately, procedures should be modified with respect to BEAC's relations with member countries. The staff recommended that the BEAC repay the Fund directly, using its own resources for those countries with borrowing capacity with the central bank; for countries facing fiscal difficulties, the staff recommended that they at least maintain sufficient borrowing capacity with the BEAC to repay IMF obligations falling due within the next year. In its answer to the Stage Two report, the management of the BEAC did not follow the mission's recommendation that the BEAC should repay the Fund directly. The management also commented that, apart from direct statutory advances to treasuries, the BEAC could not grant loans to member countries.

IX. Exchange Arrangements:

Cameroon's currency, the CFA franc, is pegged to the French franc at the fixed rate of CFAF 100 per French franc, and through the French franc to the euro at the fixed rate of CFAF 655.957 per euro.

Local currency equivalent: CFAF 880.68 = SDR 1, as of October 1, 2002.

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

X. Article IV Consultation:

The last Article IV consultation with Cameroon was concluded by the Executive Board on September 18, 2002.

XI. FSAP Participation, ROSCs, and Offshore Financial Center (OFC) Assessments:

The Financial System Stability Assessment (FSSA) report of May 24, 2000 is based on the findings of the joint IMF-World Bank mission that visited Cameroon during February 29-March 14, 2000. The findings of the Financial Sector Assessment Program (FSAP) mission were presented to the authorities on March 13-14, 2000 in the context of the 2000 Article IV consultation.

Report on the Observance of Standards and Codes (ROSC). Fiscal transparency and transparency of monetary and financial policies	June 16, 2000	
Report on the Observance of Standards and Codes. Data module	Aug. 24, 2001	CR/01/150

XII. Technical Assistance:

- May 2002: FAD mission on public expenditure management.
- April 2002: FAD mission follow-up on the personal income tax system.
- March 2002: FAD mission on the implementation of the action plan for government revenue and expenditure.
- October–November 2001: FAD mission on tax and customs administration.
- September 2001: FAD missions on treasury audit and poverty tracking.
- June 2000: FAD mission on the modernization of customs.
- April 2000: STA mission on General Data Dissemination System (GDDS/ROSC).
- November 1999: FAD mission on modernization of the 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 for the introduction of the VAT.
- November 1998: Placement of an FAD resident advisor on public expenditure management.
- October–November 1998: STA mission on METADATA project.
- September 1998: Placement of FAD advisor for the VAT.
- July 1998: FAD mission on preparation of a VAT.
- February 1998: FAD technical assistance mission on review of public expenditure management.
- November 1997: FAD technical assistance mission on preparation for the introduction of the VAT.
- January–February 1997: AFR/PDR mission, in collaboration with experts from the World Bank and the French government, on external debt statistics.

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

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

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

XIII. Resident Representatives:

The post of resident representative has been maintained in Yaoundé continuously since early 1989. Mr. Keller, the current IMF Resident Representative, took up his assignment in September 2001.

Cameroon: Relations with the World Bank Group

(As of June 30, 2002. To be updated)

1. During fiscal-year 2001/02, no new loans were made by the World Bank Group to Cameroon.
2. Seven investment projects in the portfolio are being implemented, covering agricultural extension, the Chad-Cameroon pipeline, environment, education, HIV/AIDS, the public/private partnership for growth and poverty reduction, and transport. There is one adjustment project and one grant project. The total value (original principal) of these projects amounts to US\$408.8 million, of which US\$53.4 million is IBRD, US\$6 million is grants, and US\$349.4 million is IDA (see table for detailed breakdown).

Bank Group Portfolio	
(As of June 24, 2002)	
(US\$ million)	
IDA total	349.4
SAC	102.4
Agriculture	5.6
Transport	41.6
Education (LII.)	1.8
Public Private Partnership	4.0
Environment Capacity Building	0.1
HIV/AIDS Multi-Sector	3.9
Undisbursed IDA amount	168.7
IBRD	
Chad-Cameroon Pipeline	40.4
Chad-Cameroon Pipeline disbursed	13.0
Undisbursed	27.4
IFC total	51.2
Energy	48.0
Financial sector	1.7
Food and agribusiness	1.5
MIGA : No investment guarantecs issued	

3. The Board of the World Bank approved on June 25, 1998 a third structural adjustment credit (SAC III) 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 "fixed" tranche (US\$50 million) was disbursed in September 1998, the

second "fixed" tranche (US\$26 million) in June 1999, and a "floating" tranche of US\$26 million was disbursed in June 2000 for the privatization component of the adjustment program. It is hoped that the remaining three floating tranches (forestry reform, privatization, and port reform) of SAC III will be disbursed by June 2003. Supplemental IDA reflow credits (so-called Fifth Dimension credits) continue to be made on an annual basis. That for FY 2001 (SDR 6.3 million) was signed in late June 2001 and will be disbursed at the same time as the forestry floating tranche. The credit for FY 2002 (SDR 4.24 million) was signed on June 28, 2002 and will be released at the same time as the privatization floating tranche. Investment projects will be presented to the IDA's Board in early FY 2003 to support rehabilitation of urban infrastructure in Douala and capital improvements in the rail sector. IDA is also planning to support the recently negotiated buyback concluded between Cameroon and its commercial bank and nonbank creditors.

Cameroon: Statistical Issues

1. The Cameroonian authorities have recently made some progress in improving their statistical database, particularly on national accounts, the balance of payments, and fiscal operations. Work has also been initiated on the collection of social indicators. However, improvements are needed in data quality, 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: the 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). Following the GDDS regional workshop in Yaounde (January 2002), an updated version is being finalized by the authorities.

Real sector

3. The authorities have switched to the 1993 *System of National Accounts (SNA)* for national accounts compilation. GDP data from 1989/90 to 1997/98 (July-June) on the new basis were published in 1999, and the methodology in April 2001. Despite the improvements made, the quality of the source data 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 also weak. However, the authorities are updating the surveys on which the data are based. They also participate in the harmonized consumer price index project of the Central African Economic and Monetary Community (CEMAC) region, and initially planned to publish the 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 a 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 improving the sociodemographic 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 processing of the results of the recently completed comprehensive household consumption survey (ECAM II) and 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 does not include information on the transactions of local governments. Weaknesses in the fiscal data include (i) insufficient coverage of foreign grants; (ii) inconsistencies between the summary table of fiscal operations TOFE and the treasury's accounts; (iii) insufficient geographical coverage of government operations; (iv) a lack of information on the financial operations of the local governments; (v) a lack of clarity regarding domestic arrears; and (vi) a 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. Nevertheless, the lag in data reporting, at three months, is too long. 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. However, according to detailed data on banknotes sorted in each country and reported monthly to STA, Cameroon is least affected by these cross-border currency movements within the CEMAC, as 74 percent of the currency circulating in the country is nationally issued; about 8 percent originates from the Central African Republic, 6 percent from Gabon, and the rest from the other CEMAC members.

7. A new chart of accounts for commercial banks is being implemented, along with new monthly return from commercial banks to the Banking Commission of Central Africa (COBAC). A monetary and financial statistics mission, which visited the headquarters of the BEAC in April 2001, reviewed the procedures for collecting and compiling monetary statistics, and addressed the outstanding methodological issues that concern the member countries of the CEMAC. In May 2002, the BEAC organized a workshop for monetary statistics compilers in the zone to discuss the adoption of the new methodology in the IMF's *Monetary and Financial Statistics Manual*.

Balance of payments

8. The compilation of the balance of payments statistics is done by the Ministry of Economy and Finance (while in other CEMAC 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 (i) a lack of qualified staff and equipment; (ii) data deficiencies related to private debt; and (iii) 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 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 *International Financial Statistics (IFS)* refer to 1995.

Cameroon: Core Statistical Indicators
(As of June 30, 2002)

	Exchange Rates	International Reserves	Reserve/ Base Money	Central Bank Balance Sheet	Broad Money	Interest Rates	Consumer Price Index	Exports/ Imports	Current Account Balance	Overall Government Balance	GDP/GNP	External Debt/Debt Service Paid
Date of latest observation	06/30/02	03/02	03/02	03/02	03/02	03/02	03/02	03/02	1999/00 1/	03/02	1999/00 1/	04/02
Date received	06/30/02	06/02	06/02	06/02	06/02	06/02	03/02	06/02	06/02	06/02	03/02	06/02
Frequency of data 2/	D	M	M	M	M	W	M	M	S	M	A	M
Frequency of reporting 2/	D	M	M	M	M	W	M	M	S	M	A	M
Source of data 3/	A	A	A	A	A	A	A	A	A	A	A	A
Mode of reporting 4/	E	C/M	C/M	C/M	C/M	C/M	C/M	C/M/V	C/M/V	C/M/V	C/M/V	C/M/V
Confidentiality 5/	P	P	P	P	P	P	P	P	P	P	P	P
Frequency of publication 2/	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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EXTERNAL
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International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Concludes 2002 Article IV Consultation with Cameroon

On September 18, 2002, the Executive Board concluded the Article IV consultation with Cameroon.¹

Background

During the last five years, the Cameroonian economy has benefited from improved macroeconomic performance and the progress made in implementing structural reforms. Real GDP growth averaged 5 percent per annum during 1996/97–2000/01, in sharp contrast to the negative growth rates of the previous decade. While income from the oil sector fluctuated, the expansion of the non-oil sector contributed importantly to the improved overall growth performance. To promote macroeconomic stability, the fiscal position was substantially strengthened through improved revenue mobilization and prudent expenditure policies. Steps were taken to promote good governance, transparency, and accountability in both public expenditure management and tax administration. With these policies, the authorities were able to restore macroeconomic stability, normalize relations with external official and commercial creditors, and increase spending in the key social sectors of health and education. The process of implementing important structural reforms in the transportation and forestry sectors was also started, the banking system was rehabilitated, and some progress was made under the privatization program.

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, expected to be held every other 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. In this PIN, the main features of the Board's discussion are described. Cameroon is a member of the Central African Economic and Monetary Community (CEMAC) and the CFA franc zone.

Looking ahead, however, Cameroon will need to achieve much higher growth rates of real GDP on a sustained basis, in order to reduce poverty substantially. This will be a particularly challenging task, in light of a steeper than initially projected decline in oil production over the medium and long term. With the resulting weaker oil revenue outlook, Cameroon will be faced with the difficult challenge of allocating more resources for the development of the social sectors and investment in basic infrastructure while maintaining macroeconomic stability. Building on the efforts made so far, more needs to be done to expand the health and education services, invest in basic economic infrastructure, improve governance, and accelerate the structural reforms that are essential for promoting private investment and growth in non-oil output and exports.

During the first half of the second annual program (October 2001-March 2002), economic activity expanded at a somewhat slower pace than projected, reflecting recurrent shortages in electricity supply, but remained strong (growing at an annual rate of 4.6 percent). There was notable growth in the services sector because of the ongoing construction of the Chad-Cameroon oil pipeline. The 12-month national consumer price inflation rate increased to 4.8 percent in March 2002, driven by high foodstuff prices.

The fiscal primary surplus was somewhat smaller than targeted. Noninterest current expenditure was slightly above target, as moderate overruns in outlays on transfers and subsidies were not offset by savings derived from holding spending on the wage bill and on other goods and services below the budget ceiling. Cameroon's external position strengthened. All end-March 2002 quantitative performance criteria and benchmarks were observed. Based on preliminary data for the second quarter of 2002, the fiscal outcome for the fiscal year ended June 2002 is estimated to have been broadly as budgeted. The growth prospects for 2002 remain good.

On the policy front, the authorities pursued their efforts to improve domestic tax administration and collection. A new General Tax Code (Code Général des Impôts), including a manual of tax procedures, was promulgated. In the governance area, new budget classifications were adopted and an action plan for the establishment of a body to conduct external audits of the state finances was formulated. The investigation of 48 identified cases of saisie-attribution (execution of a judiciary order under which a person's money in possession or under control of another entity, such as a bank, is applied to the payment of debt owed to a third party, along with the imposition of excessive penalties and limited recourse to appeal) was completed as scheduled. However, the reform of the public procurement system slowed. Notwithstanding some delay, the implementation of the second stage of the action plan to introduce, by September 2003, an integrated computerized fiscal and information system to manage government revenue and expenditure—a critical measure for enhancing public expenditure management—was put in place in late July 2002. Progress in HIPC completion point-related structural reforms has resumed since May, resulting in an extension of the World Bank's SAC III. Work on the preparation of the Poverty Reduction Strategy Paper is proceeding.

Executive Board Assessment

Executive Directors were in broad agreement with the thrust of the staff appraisal. They noted that Cameroon had achieved a significant improvement in macroeconomic performance over the past five years, as a result of strong efforts to strengthen the fiscal position and progress in implementing structural reforms. Performance continued to be satisfactory in 2001/02, with real GDP growth, as well as the fiscal and external positions, remaining strong.

Directors indicated that despite these achievements, Cameroon's medium to long-term outlook remains fragile, particularly in view of the steeper-than-projected decline in oil output. They stressed that progress in reducing poverty on a sustained basis would require much higher growth rates. In that respect, they underscored the need for diversifying the economy and promoting private investment by speeding up the implementation of key structural reforms, and consolidating the fiscal position.

Directors welcomed the authorities' efforts to strengthen revenue administration and budget management in 2001/02, and their adherence to a cautious fiscal stance, as evidenced by the transition budget for July-December 2002. Further efforts are needed in the period ahead, in particular to strengthen non-oil revenue—including through streamlining the valued-added tax and by a reduction in tax exemptions—and to contain spending on the wage bill, transfers, and non-priority areas. In this connection, Directors expressed concern about the delays in implementing HIPC-related programs and projects in the context of their public expenditure program. They welcomed the authorities' decision to give priority to the implementation of these projects—especially in the areas of health, education, and basic infrastructure. Directors also encouraged the authorities to pursue efforts to strengthen public expenditure management, and urged them to enhance coordination efforts among key ministries so as to ensure timely decision making.

Some Directors took note of the pick up in consumer prices in recent months. They considered that future price developments should be monitored carefully to ensure the preservation of Cameroon's competitiveness. In the financial sector, Directors welcomed the authorities' efforts to implement the recommendations of the recent Financial Sector Assessment Program review, and saw as the main priorities in this area the strengthening of COBAC's capacity to conduct bank supervision consistent with international norms—with the support of the regional central bank—and the restructuring of the Postal Savings Bank.

Directors encouraged the intensification of efforts to pick up the pace of structural reforms, with emphasis on the privatization program and the reforms of the forestry, transport, and petroleum sectors. In addition, they welcomed the authorities' efforts to address the weaknesses in governance, improve transparency, and fight corruption, in part, by proceeding with the reform of the judiciary system in a timely fashion. Directors stressed the importance of implementing concrete actions to resolve the problems associated with the abuse of the saisie-attribution procedure, which could potentially undermine the soundness of the commercial banking system.

Directors commended the authorities' commitment to regional integration and Cameroon's macroeconomic policy convergence within the CEMAC. They encouraged the authorities to support more actively regional initiatives in the areas of trade, customs liberalization, and banking supervision. Some Directors urged the Cameroonian authorities to take steps to participate in the United Nations' anti-money laundering initiative.

Directors urged the authorities to continue to improve the provision of data for surveillance and program implementation and monitoring. They welcomed the completion of the household consumption survey, the results of which would help improve the quality of social indicators. They also took note of the authorities' intention to continue to improve data quality, coverage, and timeliness in the context of the General Data Dissemination System.

It is expected that the next Article IV consultation with Cameroon will be held on the 24-month cycle, subject to the provisions of the decision on consultation cycles approved on July 15, 2002.

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. The Staff Report for the 2002 Article IV Consultation with Cameroon is also available.

Cameroon: Selected Economic Indicators, 1996/97-2001/02 1/

	1996/97	1997/98	1998/99	1999/2000	2000/01 2/	2001/02 3/
	In percent					
Domestic economy						
Change in real GDP	5.1	5.0	4.4	4.2	5.3	4.4
Change in consumer prices (end of period)	7.0	2.2	2.2	-0.7	4.8	4.8
Change in the terms of trade	5.1	-4.5	-15.7	41.4	4.5	-12.4
	In millions of U.S. dollars 4/					
External economy						
Exports, f.o.b	1,816	1,800	1,682	2,124	2,128	1,835
Imports, f.o.b	1,347	1,441	1,483	1,538	1,615	1,664
Current account balance 5/	-257	-217	-377	-154	-147	-362
Direct investment	126	140	143	107	137	151
Portfolio investment	148	113	73	185	162	194
Capital account balance	-358	-120	-157	-49	-128	-34
Current account balance (percent of GDP) 5/	-2.8	-2.5	-4.1	-1.7	-1.7	-4.1
Change in real effective exchange rate (in percent) 6/	-1.8	-0.6	8.5	-4.2	-4.5	...
	In percent of GDP 4/					
Financial variables						
Gross national savings	13.4	15.0	14.6	14.7	16.1	14.5
Gross domestic investment	16.2	17.5	18.7	16.4	17.8	18.6
Central government budget balance 7/	-1.0	-1.4	-3.2	1.4	2.4	1.9
Primary budget balance	5.8	5.9	4.6	7.2	7.5	5.5
Change in broad money (in percent)	13.8	7.8	9.7	18.8	17.9	14.3
Interest rate (in percent) 8/	7.5	7.5	7.5	7.6	7.0	6.5
Total External Public Debt	83.5	87.8	90.2	79.5	77.3	63.1
Actual External Public Debt Service 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/ Preliminary IMF estimates.

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  BRIEF

FOR IMMEDIATE RELEASE

News Brief No. 02/96
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September 18, 2002

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

IMF Completes Review Under Cameroon's PRGF Arrangement and Approves US\$21 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the third review of Cameroon's performance under the three-year Poverty Reduction and Growth Facility (PRGF) arrangement. The Board also granted a waiver for the non-observance of a structural performance criterion. As a result, Cameroon will be able to draw an amount equivalent to SDR 15.92 million (about US\$21 million).

The PRGF is the IMF's concessional facility for low income countries. 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. This is to ensure that PRGF-supported programs are consistent with a comprehensive framework for macroeconomic, structural and social policies to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5 percent and are repayable over 10 years with a 5 ½-year grace period on principal payments.

Following the Executive Board's discussion on Cameroon, Anne Krueger, First Deputy Managing Director and Acting Chair, stated:

"During the last five years, the Cameroonian economy has benefited from improved macroeconomic performance and the progress made in implementing key structural reforms. Overall, macroeconomic stability has strengthened, reflecting substantial progress toward fiscal sustainability. Looking ahead, however, Cameroon will need to achieve much higher real

GDP growth rates on a sustained basis, in order to reduce poverty substantially. With a revenue outlook weakened by declining oil output, the key challenge facing Cameroon is to allocate more resources for the development of key social sectors and investment in basic infrastructure, while maintaining an overall fiscal position that is consistent with macroeconomic stability.

"Our discussions today have underscored the need for the authorities to continue to enhance non-oil revenue mobilization and to strengthen further public expenditure management. On the revenue side, priority should continue to be given to broadening the tax base, restricting VAT exemptions, and pursuing the personal income and property tax reforms. Also, it is crucial for Cameroon to complete as scheduled, the programmed third stage of the implementation of the action plan to introduce, by September 2003, an integrated computerized fiscal and accounting information system to manage government revenue and expenditure.

"Turning to the main elements of the reform agenda, it is critical to intensify the efforts to improve governance, including implementation of concrete actions to address the abusive recourse to the *saisie-attribution* procedure and timely completion of the audit of the judiciary system. It is also essential to complete the privatization program and implement the reforms in the forestry and transport sectors; continue to reform the petroleum sector; and strengthen financial sector supervision.

"Additional short-term challenges facing Cameroon are to address the substantial delays that have been incurred in implementing HIPC-related programs and projects; complete the ongoing work on the preparation of a high-quality PRSP before the end of 2002; support more actively regional initiatives in the areas of trade, customs liberalization, and banking supervision; and take steps to participate in the UN anti-money laundering initiative," Ms. Krueger said.

Statement by Damian Ondo Mañe, Executive Director for Cameroon
September 18, 2002

I. Introduction

Cameroon's continued satisfactory implementation of Fund-supported programs over the last five years is a testimony of strong program ownership of economic reforms. Indeed, economic performance during the first half of the second annual program was broadly in line with the program targets, thanks to the continued implementation of sound macroeconomic policies and key structural reforms. Economic growth was strong, albeit slower than projected, inflation was low, the fiscal stance improved and the external position was strengthened. All the December 2001 and March 2002 performance criteria and structural benchmarks were met, except the structural performance criterion on the completion of a computerized link between the treasury and the budget department in the Ministry of Finance and Budget. This was mainly due to unforeseen technical difficulties at the local branches of government and to staffing problems. The link has now been put in place and the authorities are requesting a waiver for nonobservance of this performance criterion.

The authorities have also continued to strengthen non-oil revenue mobilization and to improve governance notably by addressing the long standing issues of *saisie-attribution* and implementing anti-corruption units in the line Ministries. Furthermore, my Cameroonian authorities have stepped-up their efforts to finalize the full PRSP, accelerate the disbursement of the interim assistance and speed-up the implementation of the reforms needed to reach the completion point under the Enhanced HIPC Initiative.

In assessing Cameroon's economic performance, it should be noted that the authorities have built a strong and sustained track record over the last five years, that has helped foster economic growth, improve governance, restore macroeconomic stability, normalize relations with external creditors and reduce domestic arrears. Cameroon's economy is at a critical juncture. The key challenge facing the authorities is to consolidate economic performance and diversify economic growth. Although medium-term economic prospects remain favorable, the economy is still vulnerable to a number of shocks, including the expected decline in oil production. In this context, my authorities are aware that to reduce poverty substantially, they need to ensure more rapid economic growth on a sustainable basis. To this end, they intend to maintain macroeconomic stability, intensify their efforts to further improve governance, accelerate the implementation of the structural measures, including HIPC completion point triggers.

II. Program Implementation and Recent Economic Developments

During the first half of the second annual arrangement, Cameroon's economic performance was satisfactory and broadly in line with the program targets. Fuelled by stronger growth in the services sector and the impact of the ongoing construction of the Chad-Cameroon pipeline, real GDP remained strong, albeit slower than projected; reflecting recurrent shortages in electricity supply. Despite a sharp rise in foodstuff prices, inflation was

contained at 4.8 percent against a program target of 2.9 percent, reflecting long-standing structural problems in the agriculture sector and increased domestic and regional demand of locally produced agricultural products from neighboring countries.

In the fiscal area, the program's objectives were broadly met, as the authorities continued to maintain a primary fiscal balance (excluding HIPC spending) although smaller than programmed and to have an overall fiscal surplus, on a commitment basis (excluding HIPC Initiative-related spending and grants). The authorities pursued their efforts to strengthen non-oil revenue mobilization, and improve expenditure management. They have also promulgated a new general tax code.

As regards governance, a number of measures were taken, notably in the judicial area. The authorities completed the investigation of cases of *saisie-attributions* and adopted an action plan to improve transparency and accountability in the public sector, as a follow up of a Country Financial Accountability Assessment (CFAA) that was conducted with the assistance of the World Bank. They also launched a technical audit of the judiciary system as scheduled, but the consultants encountered some technical difficulties in delivering the work on time. The authorities are now working with them to finalize an action plan to be submitted to the World Bank before end-December 2002. Moreover, the authorities adopted a new budget classification and stepped up efforts to accelerate the implementation of the new procurement system.

In the structural area, while all the structural benchmarks were observed, the pace of other structural reforms to be taken before the completion point under the World Bank SAC III was slower than expected, despite the strong commitment of the authorities. Accordingly, recognizing the difficult circumstances facing the authorities in the privatization of major utilities such as the water company (SNEC) or the telecommunications company (CAMTEL) in the context of a global slowdown and the financial difficulties facing potential buyers in the international utility sectors, the World Bank awarded an extension of the SAC III to the authorities. Indeed, while the privatization of CDC proceeded as scheduled, with the selection of an interim adjudicator for the tea crop component, the first round of negotiations failed with the sole bidder of the water company (SNEC) because of its insufficient financial offer. As regards the privatization of CAMTEL, a new strategy is being finalized, following the inconclusive negotiations with the second bidder who could not-like the first one- raise enough funds to acquire the company.

III. Medium-Term Program and Policies for the Remainder of 2002

The growth prospects in the medium-term are less favorable than at the inception of the PRGF arrangement, reflecting a number of shocks, including among others, the international economic slowdown and the steeper than initially expected decline in oil output. Consequently, real GDP growth has been revised downward to 4.4 percent in the fiscal year 2001/02 (ended June 30) from 4.6 percent projected, equivalent to 1 percentage point lower than what was forecast at the inception of the PRGF-supported program. This highlights the

need to further diversify the economy. To achieve a broad-based private sector-led growth, the authorities intend to implement a policy-mix consistent with their economic objectives.

Fiscal Policy

The authorities have introduced a six-month transition budget for the period July-December 2002, following the approval by the National Assembly of a new annual budget cycle beginning January 1, 2003, consistent with Cameroon's commitment under the CEMAC. They are committed to continuing to adhere to a cautious fiscal stance during the second half of the second annual program. Oil revenue is expected to decline more than expected to only 2.6 percent of GDP, reflecting the depletion of the major known oil fields. Thus, stronger fiscal adjustment will be necessary in the medium-term. To achieve their fiscal objectives, the authorities will base their efforts on further strengthening their capacity to mobilize non-oil revenue while containing public expenditure and accelerating governance reforms.

On the revenue side, the authorities will continue to strengthen their capacity to mobilize non-oil revenue through a strict implementation of measures to enhance customs and tax administration and broadening the tax base. *In the tax area*, the authorities will take a number of measures, including *inter alia*, measures to improve the administration of the value-added tax (VAT) and forestry taxation, the adoption of an action plan for the implementation of a comprehensive reform of the income tax system for individual tax payers, the launching of the preparatory work to extend the income tax system to nonindividual taxpayers and to introduce a property tax, based on the land survey that is being put in place. The authorities are also committed to restricting VAT exemptions and to enhancing VAT refunds. In this regard, they have effectively started the implementation of an action plan to reduce VAT exemptions over a five-year period and accelerate the VAT credit reimbursement as agreed with the Fund, and intend to pursue the work on the evaluation of the revenue loss stemming from the existing exemptions.

In the customs area, the authorities will pursue the strengthening of customs administration through, notably, the computerization of the single processing window for external trade, taking actions to improve the physical and documentary controls for the release of goods and to enhance the control system for exemptions and special status traffic (transit and bonded warehouses) and temporary admissions and, taking steps to strengthen the valuation office within the customs and improve the collaboration with the *Société Générale de Surveillance* (SGS). Finally the authorities will strengthen the collaboration between the customs and tax administrations through extending the use of the taxpayer identification number for all taxpayers and importers and exporters and strengthening the joint tax-customs unit to render it operational.

On the expenditure side, the authorities intend to contain public expenditure in non-priority sectors, while improving spending, as well as the implementation of HIPC-related projects in line with the poverty reduction objectives of the PRSP. In this context, the authorities will strictly adhere to the expenditure ceilings for the wage bill and transfers and subsidies. Nonetheless, non-interest expenditure is targeted to increase to about 7.9 percent of GDP,

mainly driven by HIPC-related projects and a larger wage bill stemming from selective recruitment in the health and education sectors, the gradual implementation of new statutes for the various professional categories in the civil service and the integration of the wage bill of the Ministry of telecommunications into the State's budget. As regards HIPC expenditures, the six-month transition budget will give high priority to the implementation of the already approved HIPC-related projects and the authorities have put in place new procedures to avoid further delays in the disbursement of HIPC resources. They also intend to accelerate the preparation of high quality programs, so as to address the urgent development issues in the education and health sectors, and promoting rural and urban development.

In order to improve transparency and fiscal credibility, my Cameroonian authorities are taking steps to improve the external and internal control systems through, *inter alia*, implementing the action plan to establish an external audit body "*Cour des Comptes*", enhancing budgetary procedures, reducing the supplementary period for closing the accounts, taking action to further enhance the quality and timeliness of the quarterly reports on the financial and physical execution of the budget of key ministries. They are also taking action to further enhance the coordination between the debt agency *Caisse Autonome d'Amortissement (CAA)* and the relevant departments in the Ministry of Finance and Budget, and launch an audit on the operations of the CAA and strengthen its management structure.

Monetary Policy and Financial Sector Reforms

Monetary policy, which is conducted at the regional level by the BEAC will remain consistent with the objectives of preserving the exchange rate arrangements under the currency union and maintaining adequate level of reserves. Broad money is expected to increase gradually. As a result of improvements in the fiscal stance, net credit to the central government will decrease, but at a lower pace, reflecting the rephased disbursements of the HIPC-related funds held at the special account at the BEAC. In the financial sector, my Cameroonian authorities will continue to implement measures in line with the Financial Sector Assessment Program (FSAP) recommendations, in order to strengthen the financial system and support the implementation of regional policies. To this end, they will continue to implement the restructuring plan for the state-owned Savings Bank, support the implementation of the recently adopted regional regulatory framework for microfinance, ensure the effective implementation of the reform of the payments system and pursue the reform of the social security system.

Structural Policies

In the structural area, the main objective of the authorities is to accelerate the implementation of the efficiency-enhancing measures necessary to stimulate private sector investment, enhance the competitiveness of the economy and diversify the sources of growth.

To this end, the authorities intend to improve governance by taking a comprehensive set of measures aimed at correcting the nonfunctioning features of the procedure of *saisie-*

attribution, strengthening the judiciary system and fostering the implementation and dissemination of the provisions of the OHADA Treaty. In particular, on *saisie-attributions*, following the investigation of the 48 cases, the authorities will take all the necessary corrective actions and sanctions, including legislative, regulatory and other provisions specifying the nature of the executory titles and, ratify the agreement between the BEAC and Cameroon to mitigate the impact of *saisie-attribution* on the assets of the banking system. On the action plan for improving governance and combating corruption, the authorities have already put in place the public procurement commissions with the assistance of the World Bank and anti-corruption units within the line ministries.

The authorities are determined to accelerate the implementation of the World Bank SAC III-supported reforms, whose satisfactory implementation is a completion point trigger. As regards the privatization program, the authorities will continue to address the remaining issues, so as to privatize the telecommunications (CAMTEL), water (SNEC) and agro-industrial (CDC and SODECOTON) companies. While the privatization of SNEC is expected to be completed soon with the sole bidder, CAMTEL's privatization is more complex given the current financial difficulties facing companies in the international telecommunications sector. Following two unsuccessful attempts to privatize CAMTEL and, in light of the current crisis in the telecommunications sector, the World Bank has rightly advised the authorities to redefine the privatization strategy and postpone the privatization of CAMTEL to September 2003. The experience with the privatization of utility sectors in Cameroon, especially the telecommunications, water and electricity sectors shows that despite the strong commitment of the authorities, the pace and outcome of privatization can adversely be affected by the international crisis in these sectors. In this context, the number of potential buyers is limited and bidders seem to use the deadline set by the program or the HIPC Initiative, as a leverage in their negotiations with the authorities.

The authorities will also pursue the reforms in the transport, forestry and agro-industrial sectors which are critical for improving competitiveness and enhancing job creation. In the transport sector, the authorities will launch the privatization of the national airline company (CAMAIR) and take a number of actions to improve the competitiveness of the port of Douala. In the forestry sector, the authorities will proceed with the restructuring of the National Forestry Development Office (ONADEF) and intend to apply legal sanctions for serious violations of forestry rules and management plans, and publish the cases that have been dealt with. In the petroleum sector, the authorities will accelerate the privatization of the petroleum storage facility company (SCDP), redefine the role of the key stakeholders in the hydrocarbon sector, prepare an action plan for private sector involvement in the sector, and improve transparency and the financial sustainability of the national oil company (SNH). Furthermore, the authorities have indicated that they stand ready to adjust upward the petroleum prices, if needed, so as to prevent the reemergence of subsidies.

Poverty Alleviation and HIPC

The main objective of the authorities is to ensure that improved economic performance translates into tangible results in terms of job creation, poverty alleviation and an

improvement in the economic welfare of the average citizen. To this end, my Cameroonian authorities reiterate their commitment to accelerate the implementation of measures relating to the completion point as specified in box 7 of the HIPC Initiative decision point documents. They have also stepped-up their efforts to complete the final PRSP and will have a last series of consultations soon with the staffs to finalize the PRSP. They have already increased budgetary outlays in the key sectors of health, education and rural infrastructure, in line with the PRSP objectives and recently approved a first series of programs and projects to be financed through the savings resulting from debt relief under the enhanced HIPC Initiative. In order to improve the effectiveness of these outlays, the authorities took steps to improve the functioning of the national consultative committee through the adoption of a provisional set of internal rules, a procedure manual, and more transparent and predictable operating guidelines. The authorities also improved coordination between the Ministry of Finance, the consultative committee and the permanent secretariat of the HIPC, in order to ensure a better preparation, implementation and monitoring of HIPC-related projects.

IV. Conclusion

Cameroon has achieved a significant improvement in macroeconomic performance over the past five years. These positive developments have reflected strong efforts to strengthen the fiscal position and accelerate progress in the structural area. However, the situation remains fragile, as evidenced by the long-term decline in oil production that would adversely affect the fiscal performance and the external situation. In this context, my Cameroonian authorities are determined to strengthen their adjustment efforts. They will do their utmost to achieve their economic objectives and reduce poverty. They are hopeful they can continue to rely on an adequate, additional, predictable and timely international financial and technical assistance. In view of the strong track record of my Cameroonian authorities and their commitment to the adjustment program, I would like to request the Board's support for the completion of this review and a waiver for nonobservance of a performance criterion.