

**Cameroon: Enhanced Heavily Indebted Poor Countries (HIPC) Initiative—  
Completion Point Document and Multilateral Debt Relief Initiative (MDRI)**

This paper was prepared by staff of the International Monetary Fund and the World Bank in connection with the Executive Board's consideration of Cameroon's Completion Point under the Enhanced Initiative for Heavily Indebted Poor Countries and debt relief under the Multilateral Debt Relief Initiative. It is based on the information available at the time it was completed on April 14, 2006. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of Cameroon or the Executive Board of the IMF.

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INTERNATIONAL DEVELOPMENT ASSOCIATION AND  
THE INTERNATIONAL MONETARY FUND

CAMEROON

**Enhanced Heavily Indebted Poor Countries (HIPC) Initiative  
Completion Point Document and  
Multilateral Debt Relief Initiative (MDRI)**

Prepared by the Staffs of the International Monetary Fund and  
the International Development Association

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April 14, 2006

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## EXECUTIVE SUMMARY

- **The staffs of IDA and the IMF are of the view that Cameroon has met the requirements for reaching the completion point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative.** Most completion point triggers have been met, including satisfactory implementation of the poverty reduction strategy, maintenance of macroeconomic stability, social sector and structural reforms, and actions to improve governance and reduce corruption. Nevertheless, the trigger related to making the regulatory framework in the water sector operational has not been fully implemented. On this trigger, the government decided, following advice from World Bank staff, that the sector should be regulated through a lease contract between the government and the private operator that will manage the provision of water rather than through the creation of a water agency. The regulatory framework is in place and will be operational once the operator is selected and the lease signed. The staffs recommend a waiver of the trigger related to the water sector regulatory agency.
- **In October 2000, Executive Directors agreed that Cameroon's external public debt was above the HIPC Initiative sustainability threshold and the country was eligible for assistance in the amount of US\$1.26 billion in 1999 NPV terms,** after the full use of traditional debt relief mechanisms. Full delivery of this amount of assistance was to reduce the net present value (NPV) of debt-to-exports ratio to 150 percent as of end-June 1999. The total amount of IDA and IMF assistance in NPV terms was determined to be US\$179 million and US\$36.9 million respectively.
- **The debt reconciliation exercise undertaken at the completion point shows that the end-June 1999 stock of debt in NPV terms has been revised upwards by US\$2 million.** Revisions to debt and export data result in an increase of HIPC assistance estimated at decision point from US\$1,260 million in NPV terms to US\$1,267 million. As Cameroon's decision point was reached prior to the approval of the new information reporting decision by the Boards, the country qualifies for an upwards revision of assistance. Accordingly, the NPV of debt of each creditor will be reduced by 27.0 percent, after the application of traditional debt relief, instead of 26.9 percent determined at the decision point.
- **An updated Debt Sustainability Analysis (DSA) shows that Cameroon's external public debt is sustainable after HIPC and MDRI debt relief.** Assuming prudent fiscal policies, and robust non-oil real GDP growth, Cameroon's external public debt is expected to be sustainable over the long term. The NPV of debt-to-exports ratio is expected to increase gradually over the next twenty years but will remain much below the HIPC threshold of 150 percent. The accompanying sensitivity analysis shows that in the presence of large adverse shocks (lower export prices and lower real GDP growth), Cameroon's external debt could become unsustainable in the long run, highlighting the need for continued fiscal prudence and policies in support of export diversification.
- **Financing assurances on the provision of assistance under the enhanced HIPC Initiative have been obtained from creditors representing 94 percent of Cameroon's total debt in NPV terms.** Despite the government's continued efforts, some non-Paris Club bilateral creditors and a few commercial creditors that did not participate in the London Club buy-back operation have not yet agreed to provide their share of HIPC assistance.

- **The staffs of the IMF and IDA recommend that the Executive Directors of the IMF and IDA approve the completion point for Cameroon under the enhanced HIPC Initiative.**

## I. INTRODUCTION

1. In October 2000, the Board of Executive Directors of IDA and the IMF agreed that Cameroon had met the requirements for reaching the decision point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative.<sup>1</sup> The amount of debt relief committed at the decision point was US\$1,260 million in net present value (NPV) terms, calculated to bring the NPV of debt to the equivalent of 150 percent of exports on the basis of end-June 1999 data. This relief represents a reduction of 26.9 percent of the NPV of debt as of end-June 1999 after traditional debt relief and a reduction of 25 percent in the nominal value of the debt service over time. At the same time, the Boards of IDA and IMF agreed to provide Cameroon with interim debt relief until Cameroon reached the floating completion point. Interim assistance under the enhanced HIPC Initiative was also granted by the African Development Bank Group (AfDB), the European Union, and the Paris Club group of creditors (through flow rescheduling on Cologne terms).<sup>2</sup> Executive Directors had determined that the completion point would be reached when Cameroon had complied with the triggers outlined in Box 7 of the decision point document.

2. This paper discusses progress on these triggers and recommends that Executive Directors of IDA and the IMF approve the completion point for Cameroon under the enhanced HIPC Initiative. A full Poverty Reduction Strategy Paper (PRSP) was completed in April 2003 and discussed by the Executive Boards of IDA and the IMF in July 2003. Since the decision point, the authorities have prepared three Annual Progress Reports (APR) of the PRSP. Reforms supported under IDA's Third Structural Adjustment Credit were satisfactorily implemented and the credit was closed in March 2004 after full disbursement of all tranches. The government program supported by the Fund's Poverty Reduction and Growth Facility (PRGF), however, was not fully implemented by 2004. In early 2005, the government adopted strong macroeconomic policy measures and a new arrangement under the PRGF was approved by the IMF Executive Board in October 2005; good performance has been registered under this program.

3. This paper is organized as follows: Section II assesses Cameroon's performance in meeting the requirements for reaching the completion point. Section III reviews the status of creditor participation and the delivery of debt relief to Cameroon under the enhanced HIPC and MDRI Initiatives and updates the debt sustainability analysis (DSA). Sections IV and V present the conclusions and issues for discussion.

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<sup>1</sup> *Cameroon–Enhanced Heavily Indebted Poor Countries Initiative–Decision Point Document* and IDA/R2000-168 (09/18/2000).

<sup>2</sup> In addition, some commercial creditors delivered their full-share of HIPC assistance through participation in the IDA-supported buyback operation. The OPEC Fund also provided some assistance during the interim period, although this was not explicitly framed in the context of the HIPC Initiative.

## II. ASSESSMENT OF REQUIREMENTS FOR REACHING THE COMPLETION POINT

4. The completion point triggers were set out in the decision point document and are as follows: (i) preparation of a full PRSP and satisfactory implementation for at least one year; (ii) maintenance of a stable macroeconomic environment; (iii) satisfactory use of the budgetary savings from the interim debt service relief; (iv) conclusion and satisfactory implementation of structural reforms supported by the Third Structural Adjustment Credit (SACIII); (v) satisfactory implementation of governance and anticorruption measures, including in the areas of judicial and procurement reforms, budget execution, and the creation of regulatory agencies; and (vi) satisfactory implementation of key social reforms, including combating HIV/AIDS.<sup>3</sup>

5. **In the view of the staffs of IDA and the IMF, Cameroon has made good progress in meeting the conditions for reaching the completion point** (Box 1). This section assesses performance relative to these triggers.

### Box 1. Status of Triggers for Reaching the Floating Completion Point

Trigger	Status
<b>Poverty Reduction Strategy Paper</b>	
The full PRSP has been prepared and satisfactorily implemented for at least one year.	<b>Implemented.</b> The PRSP was prepared by the government through an extensive and comprehensive consultation process, adopted by the government in April 2003 and discussed by IDA and Fund Boards in July 2003. The first PRSP Annual Progress Report (APR) was completed in April 2004 and the JSA submitted to the two Boards in May 2005. The second Annual Progress Report (APR) was completed in September 2005 and the JSAN of the second APR, covering the period January 2004-March 2005 was issued in February 2006. The third APR, covering 2005 was completed in February 2006, and the associated JSAN is being issued together with this completion point document. The staffs consider that the implementation of the PRSP was satisfactory in 2005.
<b>Macroeconomic and Structural Reforms</b>	
<ul style="list-style-type: none"> <li>There is continued maintenance of a stable macroeconomic environment and satisfactory implementation of a new three-year PRGF program.</li> </ul>	<b>Implemented.</b> Cameroon has broadly maintained macroeconomic stability since reaching decision point, although policy implementation has at times been uneven. A new three-year PRGF arrangement was put in place in October 2005, following satisfactory policy implementation under an IMF staff-monitored program during the first half of 2005. Performance during the first six months under the PRGF-supported program has been good, and the first review is to be discussed by the IMF Board concurrently with consideration of the HIPC completion point.
<ul style="list-style-type: none"> <li>The budgetary savings from the debt relief have been used in accordance</li> </ul>	<b>Implemented.</b> Interim debt relief assistance has been used in accordance with the criteria set forth at the decision point. The funds were deposited in

<sup>3</sup> Completion point triggers are described in detail in Box 7 of *Cameroon Enhanced HIPC Initiative—Decision Point document*, and IDA/R2000-168 (09/18/2000).



<p>with the criteria set forth at the decision point (control and monitoring mechanisms).</p>	<p>a special account at the BEAC, a HIPC monitoring committee was established and annual audits of the operations conducted. There were initial delays in using the debt resources to fund projects due to delays in putting in place the HIPC Consultative Committee and elaborating disbursement procedures. Once the framework was in place, HIPC debt relief was used to improve public services in education, health, social development, urban sanitation and rural development.</p>
<ul style="list-style-type: none"> <li>• SAC III has been concluded and reforms have been implemented in a satisfactory manner.</li> </ul>	<p><b>Implemented.</b> SACIII was a broad-ranging adjustment operation (six tranches) covering privatization of utilities as well as key reforms in the forestry, transport and financial sectors. The credit was concluded in March 2004 after full disbursement of all tranches. Although implementation of the privatization component was mixed, overall implementation and credit outcomes were, on balance, rated as satisfactory by Bank staff and the Operation Independent Evaluation Group.</p>
<p><b>Governance and anti-corruption</b></p>	
<ul style="list-style-type: none"> <li>• The <b>priority strategy and action plan for improving governance and combating corruption</b> attached to the I-PRSP have been satisfactorily implemented, in particular:             <ul style="list-style-type: none"> <li>○ In the area of <b>judicial reform</b>, (i) the <i>Chambre des Comptes</i> (audit office) and (ii) the <i>Conseil Constitutionnel</i> have been created.</li> <li>○ The public <b>procurement system</b> has been reformed and, in particular, audits for the preceding fiscal year have been completed and appropriate follow-up actions implemented, in accordance with the law.</li> <li>○ In the area of <b>budgetary execution and service delivery</b>, the results of the budget tracking exercises and beneficiary assessments for education and health have been published and the relevant recommendations have been implemented.</li> </ul> </li> </ul>	<p>(i) <b>Implemented.</b> The law specifying the responsibilities, organization, and functioning of the external control audit body for state finances (<i>Chambre des Comptes</i>) of Cameroon’s Supreme Court was adopted by the National Assembly in March 2003 and promulgated by the Head of State on April 2003. The audit chamber became operational in January 2006.</p> <p>(ii) <b>Implemented.</b> The law specifying the responsibilities, organization and functioning of the Constitutional Council was adopted in March 2004 and promulgated in April 2004. In June 2005, the President signed the decree 2005/250 on the organization of the Secretariat of the Constitutional Council; the secretariat is expected to be in place by August 2006, paving the way for making the Council fully operational by 2007.</p> <p><b>Implemented.</b> The public procurement system has been satisfactorily reformed. A regulatory agency has been created and procurement operations are monitored through ex-ante (independent observers) and ex-post controls (independent audit). Audits for fiscal years 2000/01, 2001/02, 2003 and 2004 have been prepared and the main recommendations of these audits have been implemented.</p> <p><b>Implemented.</b> Over the period 2003-2005, the government carried out a budget tracking and beneficiary assessment in the health and education sectors in order to evaluate the quality of public expenditure and identify bottlenecks. The results have been published on the website of the Prime Minister’s Office. Action plans to address identified bottlenecks have been implemented in order to strengthen policy effectiveness in the social sectors.</p>
<ul style="list-style-type: none"> <li>• <b>Regulatory agencies.</b> Regulatory agencies for key sectors (including water, electricity, and telecommunications) are autonomous</li> </ul>	<p><b>Substantially implemented.</b> Regulatory agencies for electricity and telecommunications have been set-up and made operational. In the water sector, the regulatory framework is in place. Following the advice of World Bank staff, the authorities decided that the water sector should be</p>

<p>and are operating in an efficient and professional manner.</p>	<p>regulated through the provisions of a lease contract between the government and the lessee company rather than through the creation of a water regulatory agency. The regulatory framework is ready to be operational once the operator is selected and the lease signed. Indeed, the financial model to be used to regulate the sector through the determination of tariffs and investments has been prepared and presented at a private sector investor conference in February 2006.</p>
<p><b>Social sectors</b></p>	
<ul style="list-style-type: none"> <li>• <b>Education sector.</b> The sector strategy has been satisfactorily implemented in a timely manner, and in particular: (i) 2,500 new classrooms have been built; and (ii) teacher management has been effectively decentralized and new teacher statutes have been adopted and implemented.</li> </ul>	<p><b>Implemented.</b> The sector strategy has been satisfactorily implemented. As a result, there has been significant progress in increasing access and reducing gender and regional disparities in enrollment: (i) the Minister of Basic Education (MINEDUB) completed the construction of 3,768 new classrooms in November 2005; and (ii) teacher management has been decentralized and new teacher statutes have been adopted and implemented.</p>
<ul style="list-style-type: none"> <li>• <b>Health sector.</b> The sector strategy has been satisfactorily implemented in a timely manner, and in particular (i) child immunization rates for DPT have been increased to 70 percent; and (ii) knowledge about protection and prevention measures against malaria will have substantially increased, i.e. 50 percent of pregnant women are using impregnated bed-nets.</li> </ul>	<p><b>Implemented.</b> The government has satisfactorily implemented the health sector strategy.</p> <ul style="list-style-type: none"> <li>(i) Progress on immunization coverage has been substantial with differentials between the poor and non-poor narrowing and immunization coverage for DPT3 reaching more than 76 percent; and</li> <li>(ii) The government has prepared and implemented a national Malaria Strategic Plan, in line with the Roll Back Malaria (RBM) initiative. World Bank staff estimates that roughly 70 percent of pregnant women receive impregnated bed nets. The government is also distributing impregnated bed nets to children under five with resources from the Global Fund.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>HIV/AIDS.</b> Concrete progress has been made to prioritize the fight against HIV/AIDS in the government's overall development agenda and to curb infection rates among the population, with particular emphasis on education to promote the use of condoms by truck drivers, port workers, and soldiers to 50 percent, and by commercial sex workers to 70 percent.</li> </ul>	<p><b>Implemented.</b> The fight against HIV/AIDS has been prioritized in the overall development agenda. Concrete progress has been made through the implementation of the 2000-05 HIV/AIDS strategic plan which provided a sound framework for the multi-sectoral and decentralized approach to combating the HIV/AIDS epidemic.</p> <p>The strategy emphasizes educating the population at high risk including truck drivers, port workers, soldiers and sex commercial workers, through specific communication campaigns and the distribution of condoms. This education campaign has produced very good results. The 2004 DHS survey indicates that (i) 68.7 percent of women and 82 percent of men are aware that using condoms or limiting sexual relations with one partner help reduce contamination risk; and (ii) 54.7 percent of men and 40.5 percent of women who had high risk sexual relations used condoms. A 2004 study indicates that 78 percent of commercial sex workers use condoms.</p> <p>In addition to the education campaign and condom distribution, the government implemented a broad package of curative and preventive measures. These measures were implemented beyond set targets discussed with the World Bank. Notable progress has also been made in expanding access to voluntary counseling and testing, providing care to those living with HIV/AIDS, and expanding access to treatment.</p>

## A. Implementation of the Poverty Reduction Strategy

6. **In April 2003, Cameroon adopted a full PRSP covering the period 2003-15.** The PRSP was prepared through intensive consultations with a broad range of stakeholders, including the poor, civil society, the private sector, and development partners. The PRSP document presents the government's vision and priority actions for fighting poverty in line with the Millennium Development Goals (MDGs) set for 2015. The strategic framework of the PRSP rests on seven pillars: (i) promoting a stable and growth-enhancing macroeconomic environment; (ii) strengthening growth through economic diversification; (iii) empowering the private sector as the main engine of growth and a partner in social services delivery; (iv) developing basic infrastructure and natural resources in an environmentally sustainable manner; (v) accelerating regional integration within the CEMAC framework; (vi) strengthening human resource development and bolstering social services; and (vii) improving governance, including in public administration and the legal and judicial system.

7. **The PRSP was endorsed by the IDA and IMF Boards in July 2003 as a credible framework for concessional assistance.** As noted in the Joint Staff Assessment (JSA), the PRSP contains several features that the staffs consider to be good practice, notably: (i) the breadth and depth of poverty analysis which indicate that the improved growth performance over 1996-2001 has translated into a 13 percentage point reduction in poverty incidence;<sup>4</sup> (ii) clear linkages of PRSP targets to the MDGs; (iii) a comprehensive development framework for sustainable growth and poverty reduction; (iv) a careful identification of the main priorities of the regional integration agenda; and (v) an innovative approach for undertaking the costing of sector strategies, considering both the resource needs (the cost of reaching the sector/MDG) and resource availability (budgetary resource constraint coming from the macro framework).

8. **The government has established the institutional framework for participatory monitoring and evaluation of PRSP implementation.** Two committees were created in September 2003 for this purpose: an "Interministerial Committee" chaired by the Prime Minister; and a "Technical Committee," composed of members from government, civil society and donor community. The mandate of the Technical Committee is to monitor the implementation of the PRSP with assistance from the National Statistical Institute and to produce regular reports on the implementation of the PRSP including the APRs. This committee has produced three annual PRSP progress reports so far.

9. **While implementation of the PRSP got off to a slow start, it has since improved, as evidenced by the last two APRs and the accompanying JSANs.** The first APR, covering April 2003-March 2004, and the accompanying Joint Staff Advisory Note (JSAN) were submitted to IDA and the IMF Boards in May 2005. The JSAN concluded that despite a record of continuing economic growth, low inflation and good external sector performance, there were

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<sup>4</sup> The analysis is based on monetary and nonmonetary indicators and combines quantitative analyses based on household surveys with a qualitative and participatory approach based on how the population and the poor perceive poverty. Results from the last two household surveys indicate that the incidence of income poverty in Cameroon fell from 53 percent to 40 percent over 1996-2001.

risks that weak fiscal performance and the slow pace of improvements in the business climate, notably the restructuring and privatization of public enterprises, could undermine the implementation of the PRSP and the achievement of its goals. The second APR, covering the period January 2004-March 2005, was prepared through a participatory process and noted progress in a number of areas, namely fiscal policy, budget management, governance and social policies and outcomes. The accompanying JSAN, while in agreement with the report on progress in these areas, noted that the pace of structural and governance reforms needed to be accelerated and capital expenditure increased if the objectives of the PRSP were to be achieved.

10. **The staffs consider that the implementation of the PRSP was satisfactory in 2005.** The third APR covering 2005 and accompanying JSAN, was submitted to the IMF and IDA Boards in April 2006. This APR highlights progress in many areas including fiscal and budget management, governance and corruption, and in growth and diversification of the economy. Specifically, during 2005, fiscal policy implementation and performance strengthened substantially, accompanied by an increase in oil and non-oil revenues and control over current spending. The authorities accelerated the preparation of sector strategies in priority sectors<sup>5</sup> and medium-term expenditure frameworks to further enhance the alignment of budget allocations with the PRSP priorities. The government also adopted an updated national program of governance as the framework for improving governance and fighting corruption,<sup>6</sup> as well as taking actions to strengthen economic growth and diversification and further improve social outcomes. The staffs of IDA and the IMF have reviewed progress on each of the PRSP pillars and concluded that PRSP implementation and monitoring have been satisfactory over the past year. Policies in specific areas, underlying the implementation of the PRSP and related to the HIPC completion point triggers are reviewed in the remainder of Section II.

## **B. Macroeconomic Performance during 2001-05**

11. **Since reaching the decision point in October 2000, macroeconomic stability has been broadly maintained (Table 1).** However, uneven policy implementation, particularly slippages in fiscal policy in 2004, posed risks for macroeconomic performance and fiscal sustainability. Consequently, Cameroon was unable to reach the completion point as originally envisaged under the second PRGF-supported program approved in October 2000. Macroeconomic policy implementation improved substantially in 2005, as evidenced by performance under the IMF Staff-Monitored Program (SMP) during the first half of 2005 and a new PRGF-supported program during the second half of 2005. Efforts made in 2005 to correct fiscal slippages contributed to restoring the conditions for macroeconomic stability and strengthening the foundations for sustained growth and poverty reduction.

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<sup>5</sup> The strategies for education and health sectors were updated and new sector strategies were prepared in other sectors including public works, post and telecommunications, social development and tourism.

<sup>6</sup> Progress on implementation of the National Governance Program (PNG I and PNG II) is reported in Section E.

Table 1. Cameroon: Selected Macroeconomic Indicators, 1990-2005								
	Average			2001	2002	2003	2004	2005
	1990-94	1995-2000	2001-05					
(In percentage change, unless otherwise indicated)								
<b>Economic growth and prices</b>								
Real GDP	-1.8	4.7	3.8	4.5	4.0	4.0	3.7	2.6
Oil	-4.0	1.4	-6.5	-4.0	-4.4	-5.0	-9.3	-9.7
Non-oil	-1.1	4.9	4.8	5.5	4.9	4.9	4.9	3.5
Consumer prices (period average)	7.2	3.1	1.9	3.7	2.8	0.6	0.2	2.0
Gross domestic investment	15.0	16.8	19.4	20.3	19.8	18.3	18.9	19.6
(In percent of GDP)								
<b>Government finance</b>								
Total revenue (excl. grants)	13.5	15.5	16.6	18.2	16.2	16.0	15.2	17.2
Oil revenue	3.8	3.9	4.7	5.9	4.9	4.1	3.9	4.9
Non-oil revenue	9.7	11.6	11.8	12.3	11.3	11.9	11.3	12.3
Total expenditure	20.5	17.3	15.6	16.8	15.7	15.3	16.0	14.3
Current expenditure	17.3	14.8	13.2	13.6	13.6	13.2	14.0	11.8
<i>Of which:</i> Non-interest current spending	11.7	9.2	10.9	10.5	10.9	10.9	12.1	10.3
HIPC-related spending	0.0	0.0	0.4	0.0	0.4	0.2	0.5	0.8
Capital expenditure	3.2	2.3	2.3	2.9	2.4	2.1	2.0	2.3
Overall budget balance (commitment basis, excluding grants)	-7.0	-2.9	0.9	1.2	0.5	0.7	-0.8	3.0
<i>Of which:</i> non-oil primary fiscal balance	-2.7	1.1		-0.5	-1.4	-0.7	-2.0	0.0
(In percentage change, unless otherwise indicated)								
<b>Balance of payments</b>								
Current account bal. (excl. grants; in percent of GDP)	-1.7	-2.3	-3.3	-1.7	-6.4	-2.6	-3.6	-2.0
Export volume	-6.2	8.0	-0.5	0.5	-7.0	6.9	1.5	-4.6
Import volume	-4.1	12.4	6.4	18.2	1.9	-0.6	11.7	0.7
Terms of trade	3.4	3.6	0.7	-9.7	0.0	-0.8	-1.3	15.1
Real effective exchange rate (index, 2000=100)	88.4	67.5	70.9	66.3	68.7	72.6	72.8	69.4

Sources: Cameroonian authorities and staff estimates and projections.

12. **Economic growth in the non-oil sector, most closely related to reduction in the income-based measure of poverty, remained robust during 2001-05 following a similar trend during 1995-2000, accompanied by decelerating inflation** (Table 1). Non-oil real GDP growth is estimated at about 4.9 percent per year on average during both these sub-periods, marking a significant turnaround from the negative growth trend registered in the first half of the 1990s. Growth during 2001-05 was driven primarily by a significant increase in tertiary sector activities as well as robust growth in both subsistence and cash-crop agriculture. Real GDP growth, however, is estimated at about 3.8 percent per year on average during 2001-05 owing to the large decline in oil production. The increase in growth was also accompanied by rising investment. The deceleration in inflation, observed in the second half of the 1990s, continued in the first half of the 2000s reflecting (i) efforts to improve the fiscal position—despite the uneven fiscal policy implementation (see below); and (ii) Cameroon’s membership to the Central African Economic and Monetary Community (CEMAC) which fixes its nominal exchange rate vis-à-vis the euro.

13. **Significant improvements were achieved in the fiscal position in 2005, in contrast with uneven budgetary performance during 2001-04** (Table 1 and Box 2).

- The fiscal situation deteriorated significantly in 2004 due to slippages both in non-oil revenues and non-interest spending; both the overall budget balance and the non-oil primary fiscal balance deteriorated significantly. Under the second PRGF-supported

program approved in October 2000, the mobilization of non-oil revenues was a key objective—in view of declining oil production—but the record was uneven.

- The principal achievement of the authorities' program in 2005 was the large fiscal adjustment, which allowed the government to start clearing domestic arrears and strengthen its position vis-à-vis the domestic banking system. The government exercised restraint on its non-interest and non-HIPC-related current spending, while also significantly improving non-oil revenue collection.

14. **The external current account deficit (excluding grants) remained at a relatively low level, despite having deteriorated by about 1 percentage point of GDP per year on average during 2001-05 compared with 1995-2000** (Table 1). This deterioration was due mainly to (i) declining oil exports given the gradual depletion of Cameroon's reserves; (ii) a fall in coffee output, following the sharp decline in world prices; and (iii) the curtailment of lumber exports, following government actions to promote sustainable logging. The small appreciation of the real effective exchange rate may also have adversely affected the performance of the tradable goods sector. Nonetheless, the external current account position strengthened in 2005, reflecting an improvement in the terms of trade, although non-oil exports declined in volume terms primarily as a result of reduced lumber and coffee exports.

15. **The staffs of IDA and the IMF conclude that Cameroon has met the trigger on the maintenance of macroeconomic stability and satisfactory implementation of the PRGF program.** Macroeconomic stability has been broadly maintained throughout the interim period, as evidenced by robust non-oil real GDP growth and decelerating inflation. Although fiscal policy implementation was uneven during this period, significant strides were made in 2005 to improve the country's fiscal position. The reestablishment of fiscal discipline restored the conditions for macroeconomic stability. In the view of the staffs, Cameroon's performance under the PRGF-supported program provides a satisfactory track record of strong and sustainable policy performance.

### **Box 2. Performance Under Fund-Supported Programs, 2001-05**

**Second PRGF-supported program.** Following the successful completion of the first PRGF-supported program (PRGFI) in 2000, the IMF Executive Board approved in October 2000 a new three-year PRGF arrangement (PRGFII) covering the period 2000-03 (and later extended to 2004) concurrently with the decision point. The first three reviews under PRGFII were concluded as scheduled, but the fourth review was completed with a one-year delay in December 2003. The fifth review could not be concluded because: the quantitative performance criteria on the primary fiscal surplus and net bank credit to government were missed; eight out of ten quantitative benchmarks, largely in the fiscal area, were missed; and two structural performance criteria were not observed and the arrangement expired in December 2004. The program went off-track in 2004 owing primarily to fiscal slippages, including a significant decline in non-oil revenues and expenditure overruns, accompanied by unpaid bills by the government to utilities and suppliers. In addition, the financial situation of several public-owned enterprises, including the national airline (CAMAIR), deteriorated and adversely affected public finances.

**Staff-monitored program.** With the view of reestablishing the conditions for macroeconomic stability, along with sustained growth and poverty reduction, the government adopted a staff-monitored program (SMP) in early 2005. Public finances improved markedly in the first half of 2005, exceeding the SMP targets. This outcome reflected high oil prices and revenue, enhanced non-oil revenue collection, and improved expenditure control. Payments were made on domestic arrears, partly with the help of windfall oil revenue. At the same time, the composition of expenditure continued to be skewed towards current spending and investment execution remained low. Progress on structural reforms was mixed. The government improved its financial management substantially and enhanced transparency in the oil sector.

**Third PRGF-supported program.** Following satisfactory performance under the SMP during the first half of 2005, the IMF Executive Board approved a new three-year PRGF arrangement (PRGFIII) in October 2005. Under PRGFIII, policy implementation strengthened and all quantitative and structural performance criteria and benchmarks for the period July 2005-January 2006 were met. The overall fiscal position strengthened considerably in 2005 with the increase in non-oil revenues, reflecting strong improvement in tax administration and some progress in customs administration. Current spending and domestically-financed investment were in line with the program. The government continued clearing domestic arrears and replenishing the HIPC account. Progress was made in structural reforms. Privatization strategies for CAMAIR and CAMTEL were adopted. Significant strides were made in the areas of transparency and governance including: adoption of an updated National Governance Plan; progress towards implementing the EITI and publication of information on budget execution and oil sector data.

### **C. The Use of the Interim Debt Relief**

16. **HIPC debt relief grants were computed at the decision point assuming that Cameroon would reach the completion point by April 2003.** As the interim period lasted three additional years, interim assistance from IDA ceased when the ceiling of interim relief of one third of expected total debt relief was reached. More specifically, IDA has delivered interim assistance in the amount of US\$60 million in NPV terms through March 2003 and the IMF granted interim debt relief of US\$14.6 million in NPV terms as of end 2005. Total assistance during the interim period amounted to US\$201 million in NPV terms.

17. **Interim debt relief assistance has been used in accordance with the criteria set forth at the decision point.** This assessment takes into account, as noted below, the initial

delays in the implementation of HIPC funded projects. To ensure the effective use of interim assistance for poverty reduction, at decision point, Cameroon agreed to: (i) establish a special Treasury account at the Bank of Central African States (BEAC) where the budgetary savings from HIPC relief would be deposited; (ii) establish a monitoring committee (HIPC Consultative Committee) consisting of representatives from the donor community and civil society; and (iii) undertake and disseminate technical and financial audits to ensure effective use of these resources in the form of the delivery of goods and services.

- A special account was opened at the BEAC in October 2000 and the government started to make required deposits in this account including resources on account of HIPC Initiative debt service relief from official bilateral creditors. In 2003/2004, the government fell behind in depositing HIPC relief funds into the account but it is now up to date with the deposits and has cleared the arrears.
- The HIPC Consultative Committee was established in October 2002 and initially provided guidance for the selection of good projects that could be eligible for the use of HIPC resources, including a percentage earmarked for civil society projects. Also, the government adopted in 2003 a budget nomenclature which allows the identification of poverty-related programs and projects. Delays had occurred in the implementation of HIPC-funded projects due to difficulties in putting the HIPC Consultative Committee in place, preparing high-quality projects and establishing transparent disbursement procedure. Execution rates of HIPC-financed projects were thus low in 2003 and 2004. The government has taken steps to improve the programming and execution of HIPC-financed projects including streamlining disbursement procedures, strengthening the capacity of the national consultative committee, and putting in place an information system for monitoring project implementation. As a result, the execution rate increased from 25 percent in 2003 to almost 100 percent in 2005. HIPC projects were targeted at improving public services delivery in areas ranging from education (construction and rehabilitation of schools, recruitment of temporary teachers), health care (including improving immunizations and combating malaria and HIV/AIDS), social development (including literacy projects), urban sanitation, rural development (including rural infrastructure), and justice.
- Two technical and financial audit reports covering the use of HIPC resources respectively during July 2001–December 2003 and January–December 2004 have been produced, discussed with the Consultative Committee<sup>7</sup> and made accessible to the public. The audits found that some projects were implemented without prior approval by the HIPC Consultative Committee and that part of the HIPC spending did not observe proper public procurement and execution procedures (e.g., spending without prior commitment orders). The government is implementing the recommendations of the audits focused on improving the management of HIPC resources by line ministries and on compliance with proper procurement and public spending procedures. The government has taken actions to address these problems. It has put emphasis on improving the procedures for preparing project proposals and established a control unit within the HIPC Consultative Committee to strengthen the monitoring of project implementation. In addition, special projects

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<sup>7</sup> These reports were presented to the HIPC Consultative Committee respectively in September 2004 and October 2005.



coordinators were designated in line ministries to supervise implementation of HIPC projects. The Consultative Committee is also encouraging the involvement of local communities and NGOs in the execution of HIPC projects. For example, 350 local associations and communities were involved in road maintenance projects. This package of measures has started to pay off and the execution rate for HIPC projects, including capital projects, has gradually picked up.

#### **D. Reforms Under IDA's Third Structural Adjustment Credit (SACIII)**

18. **SACIII was concluded and the reforms were implemented in a satisfactory manner; therefore the related completion point trigger has been met.** SACIII was closed in March 2004 after full disbursement of all tranches and the Bank's Implementation Completion Report (ICR) rated the implementation as satisfactory overall, a rating confirmed by the Bank's Independent Evaluation Group.<sup>8</sup> The primary objective was to help improve Cameroon's competitiveness and thus to enhance economic growth, job creation and poverty reduction. Its components were (a) reforms of the financial sector; (b) restructuring/privatization of public enterprises, especially public utilities and agricultural parastatals; (c) reforms in the forestry sector, in order to enhance its sustainable development; and (d) reforms in the transport sector to improve the efficiency of transportation services.

19. **SACIII was a politically and technically complex adjustment operation involving several components and sectors.** The operation provided an umbrella for dialogue between the Bank and the government on structural/governance reforms and for building national ownership of the complex reform agenda. Although there was high level political support for the reforms, the commitment and technical capacity at the management level for the implementation of these measures were uneven and the reforms of SACIII were demanding on the national administrative apparatus. These factors, as well as a strong resistance to reforms by vested interests, particularly on the forestry, port and privatization areas, slowed the pace of reform. Nevertheless, SACIII achieved its development objectives in the financial, forestry and transport sectors and the privatization of agro-industries partially met its objectives. With the exception of the mobile telephone sub-sector, the privatization of utilities did not meet their development objectives although the actions taken on them met the credit requirements. Since the closing of SAC III, the government building on the experience under the credit, has continued its efforts to fully complete the privatizations. With assistance from the World Bank, it has prepared the water and telecom companies for privatization. In most cases, the process is now in advanced stages and the prequalification processes have indicated significant investor interest.

#### **Financial sector**

20. **SACIII development objectives were achieved and all financial sector conditions linked to SACIII were satisfactorily implemented.** The objectives of the reform program were to develop a stable, sound and efficient financial sector, boost public confidence in the financial system, and increase its capacity to finance productive economic activity. The

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<sup>8</sup> World Bank, *Implementation Completion Report, Republic of Cameroon, Third Structural Adjustment Credit*, Report No29996, November 30, 2004.

banking and insurance systems were restructured. The state-owned commercial bank (BICEC) and insurance (SOCAR) were privatized, while the state-owned reinsurance company (CNR) was closed down. New banks have entered the market today and Cameroon has several banks that are solvent and profitable and meet international prudential standards.

### **Privatization of utilities and agro-industries**

21. **The objective of privatizing the utilities was to improve the availability and efficiency of services.** The privatization of these utilities was politically sensitive, as these enterprises were not only among the largest employers in Cameroon, but also important instruments of political patronage. Progress in this area has differed across sectors. With respect to mobile telecommunications, the government opened the sector to competition by issuing two cellular licenses which has led to improved service and lower costs (particularly on international calls). The number of mobile subscribers (prepaid and postpaid subscriptions) now exceeds 2 million compared to less than 3,500 before the privatization began in 1997. The electricity company was also successfully privatized in 2001. However, while the fixed telecommunications (CAMTEL) and water (SNEC) companies were brought to the point of sale, fulfilling the requirements of the credit, the negotiations with the successful bidders were unsuccessful, the companies were not privatized<sup>9</sup> and the development objective was not achieved. As noted earlier, the government has continued its efforts to privatize these utilities.

22. **With regard to CAMTEL**, the government has focused its efforts on establishing a policy, legal, and regulatory framework as well as strengthening of the incumbent operator, with the intention to re-launch the privatization process. For this purpose, in 2002, the government issued an interim concession to CAMTEL in 2002 with performance and minimum investments targets. A specialized international firm was recruited in 2003 to assist CAMTEL's management to prepare its privatization, repositioning the company to operate in a very competitive sector and enhancing its value. The management introduced new business practices and made some essential investments. In May 2005, the government hired a consortium, led by an investment bank, to re-launch the privatization in accordance with the new telecommunication and privatization strategies. The transaction envisages the sale of at least 51 percent of the company to a strategic partner with the fiber optic cable installed along the oil pipeline and SAT3 (the international submarine fiber optic cable laid between South Africa and Portugal and linking more than ten African countries) included in the privatization package. The pre-qualification process was launched in February 2006 and several international operators have expressed interest in bidding.

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<sup>9</sup> On CAMTEL, negotiations with the first and second ranked bidders could not be concluded; as a result, the interministerial committee declared the bidding process unsuccessful in April 2002. On SNEC, the bidder notified the government in July 2003 that it was no longer interested in proceeding within the agreed framework; the government thus declared the bidding process unsuccessful in September, 2003. Details can be found in the IDA tranche release memo of the second privatization support floating tranche (IDA/R2004-0047, March 5, 2004).

23. **With regard to the water utility**, the award of a concession for SNEC could not be completed because of limited investor interest. There was only one bid,<sup>10</sup> and after a long negotiating process, the bidder notified the government in July 2003 that it was no longer willing to proceed within the agreed framework. The government appointed an interim administrator in March 2002 to manage SNEC and stem the deterioration of the company, which was on the verge of bankruptcy, while it considered its options for moving forward. The approach has met with some success. The new management team improved the operating performance and the financial position of SNEC—through strengthened billing and collection and made some essential investments. As a result, the “distribution ratio”<sup>11</sup> significantly improved (reaching 77 percent in 2004) and the company enjoyed a slight positive surplus in 2003 and 2004. In 2004, the government decided to restructure SNEC as a public-private partnership (PPP). The government created the asset holding company CAMWATER that will carry the investment responsibilities, while the private partner will operate the facilities and deliver services under a lease contract. The prequalification process for the private partner was launched in January 2006 and several international operators expressed interest. The investment conference was organized in February 2006, and the invitation for bids is expected to be launched by mid-2006. Once a successful bidder is selected, the government and the operator will negotiate a lease contract, which will be one of the instruments of the regulatory framework for the sector (para. 40).

24. **In agro-industries, the objective was to lift barriers to entry and attract new operators with capital, production and marketing know-how.** This reform was to be completed through the sale of the four largest remaining public enterprises: Cameroon Development Corporation (CDC), Cameroon Palm Oil Company (SOCAPALM), Cotton Development Company (SODECOTON), and Cameroon Sugar Company (CAMSUCO) in order to mobilize the investments required to finance a large replanting and extension program. SOCAPALM and CAMSUCO were successfully privatized which has led to increases in planted surface and production. But the privatization of SODECOTON and the main agro-industrial complex CDC were unsuccessful. The sale of SODECOTON on a non-competitive basis prior to 1998 to a group of private investors was later cancelled by the government. The investors contested this action in court but the latter ruled in favor of the state in 2002, effectively nullifying the transaction. For CDC, the tea estates, a small part of its assets, were sold in October 2002. The three other crop units (palm oil, rubber, and bananas) received no bids. The government is working on a new strategy to ensure the successful privatization of SODECOTON and the palm oil and rubber plantations of CDC. The banana plantations have been under private management since 1987 and will remain so until 2010.

### **Transport sector**

25. **In the transport sector, the objective was to ensure that the sector contributed to growth and poverty reduction through lower costs and more widely available, higher-quality services, both internationally and domestically.** To this end, the SACIII called for

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<sup>10</sup> There was limited interest in concession contracts in the water sector of Sub-Saharan African countries.

<sup>11</sup> The “distribution indicator” is computed as the ratio of “invoiced water” over “produced water”, which takes into account technical and commercial losses.

regulatory, institutional, and management reforms in the port sector, maritime, rail and air transport and road maintenance.

26. For the **port sector**, institutional and regulatory reform, privatization of port activities, the rehabilitation of facilities, and the introduction of the single trade processing window made the port more efficient and operationally focused, and increase the availability and quality of port services. The Autonomous Port of Douala (PAD) is considered one of the principal gateways to West and Central Africa, and hence improvement in its operational efficiency was of major importance. The National Port Authority (APN) was created with responsibility for overall management and oversight of the four main ports including the PAD.<sup>12</sup> Operations at each port were put under the management of autonomous teams and a consultative committee with private sector representation was created in the PAD. Commercial and industrial port activities of the PAD, including the container terminal, were privatized. The maintenance of the access channel, piers and basins was carried out through contracts awarded under competitive bidding processes. As a result, the maritime access to the PAD was improved and dwelling times were reduced, with the average stay in quay per ship reduced from 3.8 days to 1 day and the availability of navigation aids to the access channel improved. A single trade processing window was set up to expedite the services involved in the import/export of goods. A facilitation committee chaired by the private sector to closely monitor the efficiency of port and clearance operations, was established. As a result, clearance time has been shortened.

27. In the **road sector**, SACIII development objectives were achieved through a steady increase in the amount and quality of road maintenance financed by the Road Fund since its creation, which has led to a decrease in transportation costs. The reforms reorganized the Ministry of Public Works and established an autonomous Road Fund and made it operational. The government took actions to: (i) strengthen the planning and programming capacity of the Ministry of Public Works; (ii) ensure the adequacy and timely disbursement of the funds for road maintenance activities; and (iii) train private contractors and communities to incorporate environmental considerations into road maintenance. The Road Fund has improved the programming of road maintenance operations, revitalized private civil engineering and construction firms and reduced delays in payments to private contractors. Recently, the government has enlarged the mandate of the Road Fund to include rehabilitation work.

28. In the **railways sector**, a concessionaire, CAMRAIL, was selected in 1999, and has proved successful in raising the traffic level, while eliminating the need for government financial support to the sector. This concession is progressing well. CAMRAIL's operational performance<sup>13</sup> has improved while CAMRAIL's financial performance in 2005 was the best since 1999, with a total turnover of CFAF48.4 billion and net profit of about CFAF2 billion. The rail sector has become a net income provider to the government (through tax and duty payments), which more than offset the remaining subsidies for passenger services. In 2005, the concession was amended (as per the conditions of the initial concession agreement) to clarify the respective responsibilities of the government and the concessionaire for investments and

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<sup>12</sup> This includes the Autonomous Port of Douala, Kribi, Limbe and Garoua. For the latter, its management was delegated to the Urban Community of Garoua.

<sup>13</sup> Operational performance is measured in terms of wagon turnaround time, personnel productivity, personnel costs and annual kilometers per locomotive.

passenger services. Investments will be needed to expand overall traffic volume and improve service reliability, and this is currently under discussions between the government and lenders.

29. In the **air transport sector**, reforms aimed at improving competition and efficiency, are still under implementation. Key actions included: (i) revision of the civil aviation code to enforce competition in the sector and increase security in air transport; (ii) auction to private sector of the traffic rights to the twenty-seven international and regional routes not being operated; and (iii) privatization of the airline company (CAMAIR). Only the first objective was achieved. The financial losses at CAMAIR continued to increase and in 2004, the government decided to privatize the airline through a process wherein CAMAIR would be liquidated with the government settling all its debts, and a new private airline would inherit its route rights. In January 2006, the government accepted the recommendations of the team of advisers from the International Finance Corporation and the transaction has now moved into the implementation phase, commencing with the prequalification of potential airline partners. In March 2006, the government pre-selected four international airline companies. The process for orderly liquidation of CAMAIR has begun and will require the government to make the requisite funds available in a timely fashion.

### **Forestry sector**

30. **Reforms in the forestry sector were to promote sustainable exploitation of Cameroon's forests and contribute to economic growth and poverty reduction.**

Specifically, these reforms focused on: (i) preservation of ecological stability; (ii) promotion of economically efficient, high value-added, unsubsidized processing industries; and (iii) encouraging participation of all stakeholders in forest conservation and management. The main actions included: adoption of new legislation on community forests, the environment, social and environmental impacts, and a new approach for managing protected areas; demarcation of the permanent forest estate into commercial, protected, and community and communal zones; suspension of all unmonitorable logging permits and the introduction of competitive bidding for all harvesting rights; the award of longer and more predictable concession contracts; definition of forest management requirements with clarity and the enforcement of the obligation to design and implement forest management plans; use of public information and independent observers to ensure transparency in forest allocation and law enforcement in a weak institutional environment; adoption of new forest taxation structure and revenue recovery system; and obligation to hold bank guarantees to facilitate compliance with fiscal and environmental regulations.

31. **Overall, the forestry sector has been reformed in fundamental ways.** These reforms have introduced and institutionalized new approaches to forest governance, brought transparency in awarding concessions, and led to the distribution of public forest revenues between local and national governments. Revenues from forestry to the state and local communities increased substantially. Access to “production” forests has become competitive, and a functioning market for forestry operations emerged for the first time. The forest industry has been restructured significantly; volumes harvested have declined; a number of companies have sold their activities to new investors and new firms have been established. New investments, focused on advanced processing, have resulted in strong employment growth in the sector.

32. **Nonetheless, there is need for continuing vigilance to ensure that the gains of the reform are enhanced and preserved and that the sector adapts to evolving challenges.** The strides made against illegal logging in Cameroon's formal sector show little parallel results in the informal sector. While the establishment of community forests addresses the imbalance between corporate and local stakeholders, the capacity of forest dependent communities to utilize the resources newly available to them remains weak. Capacity building for government ministries and agencies therefore needs to be extended downwards to support forest communities and local municipalities. A recently-approved IDA Forestry Development Policy operation is part of these on-going efforts to further strengthen forestry management.<sup>14</sup>

### E. Governance

33. In June 2000, the government adopted the five-year (2000-05) National Governance Program (PNG), a comprehensive package of measures aimed at improving governance, which includes: fighting corruption, strengthening public financial management, transparency, accountability and participation in public affairs, and improving justice and human rights. In addition, a subset of priority actions from the PNG was attached to the I-PRSP as a Priority Action Plan (PAP) for improving governance.<sup>15</sup> The adoption of the PNG and the preparation of the priority action plan reflected acknowledgements of Cameroon's poor record of governance at the time of the decision point. In 2000, Transparency International's Corruption Perception Index for Cameroon was 2.0 (on a scale of 0 to 10, with a higher number indicating better governance), and Cameroon was 84<sup>th</sup> out of 90 countries ranked. As a result of the reforms under the PNG in the last five years, including on public procurement and financial management, and the participation of the civil society in public affairs, there have been gains in governance and some improvements in governance rankings. Nevertheless, the challenges to improving governance remain significant and, with the institutional frameworks in place in many areas, sustained emphasis on implementation is required to progressively achieve concrete results. On balance, the staffs' judgment is that progress has been made in the area of governance, including fulfilling the specific triggers of the enhanced HIPC Completion Point and that prospects for further improvement are good.

#### Enhanced HIPC Triggers

34. **The actions have been implemented satisfactorily and the completion point triggers have been met.** The enhanced HIPC triggers, a sub-set of the PAP are the: (i) creation of the *Chambre des Comptes* (Audit Chamber) of the Supreme Court and the Constitutional Council called for by the 1996 Constitution; (ii) reform of the public procurement system; (iii) completion of budget tracking and beneficiary assessments for education and health; and (iv) establishment of autonomous regulatory agencies for key sectors (including water, electricity and telecommunications).

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<sup>14</sup> The Executive Directors of the Bank and IDA approved a Development Policy Grant of SDR 17.3 million (about US\$25 million) and a grant from the Global Environment Facility (GEF) of US\$10 million to Cameroon for a Forest and Environment Sector Development Program (GEF/R2006-001 and IDA/R2006/0015; February 6, 2006).

<sup>15</sup> The Priority Strategy and Action Plan for Improving Governance and Combating Corruption consists of a subset of priority actions from the PNG.

35. **The *Chambre des Comptes* has been created.** The law specifying the responsibilities, organization, and functioning of the *Chambre des Comptes* was adopted by the National Assembly in March 2003, promulgated by the Head of State on April 21, 2003. In October 2003, the authorities set up an *ad-hoc* committee to prepare and implement a plan to make the Chamber operational. The Committee was charged *inter alia* with the (i) preparation of the content and format of the administrative and management accounts; (ii) preparation of the text defining the statutes of its members; (iii) preparation of the budget; (iv) recruitment of financial magistrates and support staff; and (v) development of training modules. Twenty two magistrates were recruited in late 2005, and the *Chambre des Comptes* became operational in January 2006 and started examination of the 2004 financial accounts.

36. **The Constitutional Council has been created.** The enabling legislation for its establishment was adopted by the National Assembly in March 2004 and promulgated on April 21, 2004. In June 2005, the President signed the decree 2005/250 on the organization of the Secretariat of the Constitutional Council. The related secretariat is expected to be in place by August 2006, paving the way for making the Council fully operational by 2007.

37. **The public procurement system has been reformed.** The centerpiece of the reforms was a new Procurement Code of 2004, which has a legal and regulatory framework that conforms to international standards and is characterized by respect for competition, transparency, efficiency and economy. A regulatory authority (ARMP) to oversee the public procurement function was created in February 2001. Procurement committees have been set up in agencies at national and local level and independent observers have been appointed to these committees. Annual audits of public procurement contracts have been conducted by an independent consulting firm for the period July 2000-June 2001, July 2001-December 2002, January-December 2003, and January-December 2004. On the basis of the conclusions of the audit reports and an evaluation of the first years of the reform, in 2004 the government organized a round table in 2004 with private partners, donors and government officials and discussed the progress and obstacles in the implementation of the reforms and made recommendations for strengthening implementation including:

- **Sanctions:** In line with the identified need for systematic sanctions on violations of the procurement rules, the ARMP has conducted a study to develop a framework for the application of sanctions and prepared a manual of procedures. With regard to the dissemination of information on non-compliance, the government has published all sanctions taken since 2004. It is now enforcing the statute barring any enterprise that has violated the procurement rules from bidding for contracts and all enterprises are now required to provide a certificate of “*non exclusion*” from the ARMP in order to compete.
- **Addenda and slicing of contracts:** The legal position on contract addenda (additional work to an existing contract) and the slicing of contracts to fall below the threshold requiring public tender have been addressed in the Procurement Code. Furthermore, to discourage slicing, the payment of registry fees has been made mandatory for all contracts.
- **Operational manuals:** To facilitate the implementation of the reforms, the ARMP has prepared and published several operational manuals, including a user’s guide, a draft manual of procedures for executing agencies, and a draft General Conditions of Contracts, as well as draft models of tender documents.

38. **In 2005, the government and the World Bank, in collaboration with the civil society, the private sector and other donors, carried out a country procurement assessment review (CPAR).** Following this, a procurement improvement action plan for the period 2006-2008 was adopted and is now under implementation. The CPAR, which used the baseline indicators developed by OECD-DAC,<sup>16</sup> concluded that significant progress had been made over the last five years and that the foundations of the national procurement system are in place, with a score of 69 on a scale of 100. The authorities have also agreed to make the CPAR public.

39. **In 2003-2005, the government carried out budget tracking and beneficiary assessment surveys in the health and education sectors.** These surveys found a number of problems related to omission of some facilities from the budget, lack of timely information of facilities on amounts of budget allocations, and poor record keeping on finances at the facility level. The findings and recommendations of the surveys have been disseminated and actions have since been taken to deal with the bottlenecks. There are ongoing efforts by the government to use (i) the media to keep the public informed of the progress in the preparation of the budget and its approval by the legislature, and (ii) the participatory PRSP monitoring system to disseminate information on the budget and assess performance. Civil society organizations have become engaged in budget monitoring, independent of the government.

40. **Autonomous regulatory agencies have been established for key sectors.** The agencies for the electricity and telecommunications sectors are in place and are operating satisfactorily. For the water sector, following the advice of World Bank staff, a simplified regulatory framework that does not involve a self-standing agency has been adopted.

- **In the telecommunications sector**, an autonomous and independent regulatory telecoms agency (ART) has been established and is developing its capacity as a regulator. ART has tackled several key regulatory issues with the advent of competition in the sector such as issuance and monitoring of licenses and authorizations, and tariff and interconnection regulation. The government and ART are currently reviewing the mobilization of the Universal Access Fund and its allocation mechanisms in order to start investing in selected areas.
- **In the power sector**, an independent electricity regulatory agency (ARSEL) was created and began operating in 2001. It is not financed by the government but draws its resources from a surcharge on power tariffs collected by the power company, AES Sonel. ARSEL, which started exercising its mandate effectively in 2004, is fully operational and compares well with regulators in neighboring countries. It reviews and authorizes changes of power tariffs requested by AES Sonel, assesses the business plan of the utility and its long-term investment plan, monitors the process for the granting of licenses, and participates in power sector planning. In addition, it has coordinated the preparation of the complex studies for the Lom Pangar dam project. It is therefore active in the key functions of power sector

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<sup>16</sup> This evaluation system includes twelve indicators under the four pillars of a modern procurement system i.e., (i) the legislative and regulatory framework, (ii) institutional framework, (iii) procurement operations and private sector practices, and (iv) integrity of the public procurement system.



regulation. The government and ARSEL have prepared, with the support of the World Bank, a plan for the reinforcement of the capacity of ARSEL.

- **In the water sector**, following the advice of World Bank staff, the authorities decided that the framework for the regulation of the sector should be through the provisions of the lease contract between the government and the lessee company rather than through the creation of a water regulatory agency. Such a framework is more efficient for regulating a single provider. The regulatory framework is in place and will be operational once the operator is selected and the lease signed, a process that is underway (para. 23). The framework consists of (i) a lease contract provisions that set up performance incentives and penalties for the private operator; (ii) a performance contract between the government and the public asset-holding company; (iii) the use of a sectoral financial model to set tariffs and investments; and (iv) a Technical Monitoring Committee to monitor both the lease contract and the performance contract and propose the tariff revisions on the basis of the outcomes of the sectoral financial model. The financial model was completed by end-November 2005 and was presented and discussed at the private investor conference in February 2006.

### **Progress on Governance and anti-Corruption Reforms**

41. Since reaching the Decision Point, Cameroon has carried out a range of reforms under the PNG, focusing on those actions in the PAP. Actions have been taken to improve public financial management, enhance the transparency of petroleum sector operations, strengthen the judicial sector, and enhance the participation of civil society in public affairs and their access to public information. Furthermore, the structural reforms undertaken in forestry (para. 30-32), transport (para. 25-29), social sectors (para. 52), and procurement (para. 37) have stressed transparency, accountability and participation and thus contributed to better governance. Box 3 provides a summary of the actions in the areas of governance and anti-corruption reforms. Although the implementation of these reforms began slowly, its pace and scope has picked up in the last two years. As a result of the reform efforts, Cameroon's rankings on corruption, such as those from Transparency International's Corruption Perception Index (from 2.0 in 2000 to

**Box 3: Cameroon: Summary of Actions to Improve Governance and Reduce Corruption**

The government, concerned about the adverse impact of poor governance and corruption on socio-economic development, adopted the National Governance Program (PNG) in 2000 to support sustainable growth, poverty reduction, and social inclusion. It established anti-corruption institutions such as the National Anti-Corruption Observatory (under the leadership of the Prime Minister), a permanent watchdog body in the education sector; anti-corruption units in all ministries and some public agencies, and positions of inspector-general in ministries to liaise with the anti-corruption units in fighting corruption. It also adopted and is implementing a new public procurement code; established a regulatory agency to oversee public procurement; and has imposed and published sanctions for violations of public procurement rules in the Public Procurement Journal. To improve public financial management, it implemented reforms in budget preparation and execution, and strengthened budget management information systems (Box 4). Together with reforms in the forestry, maritime, air and road transport sectors, these measures represent a major departure from the earlier decades. The reforms under the PNG have also resulted in more openness in the economy and, inspired by the PRSP, a greater participation of the civil society in public affairs.

Following the elections in 2004 and the appointment of a new government in November, the authorities have stepped up the pace of implementation of fiscal, structural and governance reforms. Since then, Cameroon has moved expeditiously on governance related actions to: (i) improve budget reporting and transparency; (ii) establish and make operational the Audit Chamber (*Chambre des Comptes*); (iii) adhere to and implement the EITI; (iv) apply sanctions for violations of procurement rules; (iv) sensitize the population on corruption; (v) publish in local newspapers the names of more than 70 top civil servants accused of embezzling public funds; and (vi) dismiss and arrest a number of top public officials including ministers suspected of corruption. A revised national governance program was adopted in November 2005 and is under implementation.

2.2 in 2005) and the Governance Research Indicator Country Snapshot (GRICS) indices of governance and control of corruption compiled by WBI, have been improving. In the latter, Cameroon's index on control of corruption has consistently improved since 2000 with the percentile rank rising from 7.5 in 2000 to 25 in 2004. With the essential elements of the legal and institutional framework for improving governance and combating corruption in place, the challenge going forward is to put emphasis on and sustain implementation

42. **Progress has been made in improving public finance management (PFM).** While the PFM system still faces many challenges, the reforms undertaken over the years with the support of the World Bank, the IMF and other donors, have resulted in systemic improvements. In the HIPC AAP reviews, Cameroon has progressed from satisfactory ratings in 4 out of 15 areas in 2001 to 7 out of 16 areas in 2004. Box 4 contains an assessment of the Cameroonian budget management system, based on the HIPC monitoring framework.<sup>17</sup> Budget allocations to the priority sectors of the PRSP, particularly education, health and infrastructure, have progressively increased since 2000. An integrated public finance information system (SIGEFI) is in place and functioning and has improved the monitoring of the flow of resources and the timeliness of fiscal reporting. As noted earlier, a supreme audit body (the *Chambre des Comptes*) has become operational. The government intends to expand the mandate of the Chamber to conform to the

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<sup>17</sup> In collaboration with the World Bank, IMF and other partners, the government has gradually implemented the recommendations called for in the Country Financial Accountability Assessment conducted in 2001 and the 2001 and 2004 HIPC AAP reports.

#### **Box 4: Progress in Public Finance Management Since Reaching the Decision Point**

##### **Budget formulation**

- **The budget is now more comprehensive** as it incorporates central government operations, the road fund, and more recently the integration into the budget framework spending that used to be financed directly through national oil company (SNH).
- **The budget preparation process now involves pre-budget and budget conferences** to strengthen involvement of line ministries and allow sufficient prior detailed discussion of their proposals.
- **The budget nomenclature** adopted in 2003 allows expenditure classification on an administrative, economic and detailed functional basis. The functional nomenclature permits the tracking of expenditures devoted to the fight against poverty. The new nomenclature is detailed and comprehensive but lacks program and output/results codes. Further work will be needed to simplify it and provide for program classification.
- **Sector strategies and MTEFs** have been developed, with World Bank support, for the ministries of education, health, rural development and public work to support budget preparation and align the budget to its strategic priorities. The preparation of sector strategies and MTEFs for a number of other ministries (including justice, telecommunications, and social development) is underway.
- **Budget allocations to the priority sectors** of the PRSP, particularly education, health and infrastructure, have been progressively increased since 2000.

##### **Budget execution**

- **An integrated public finance information system** (SIGEFI) was introduced. It has improved the tracking of the flow of resources through the budget execution chain, facilitated the preparation of budget execution reports and the regular reconciliation of receipts and payments, and improved the transparency of budget management.
- **Budget execution management improved through** (i) computerizing budget transactions; (ii) discontinuing the use of special procedures that bypass the expenditure chain in January 2006; (iii) payment of domestic debt and arrears according to a multi-year payment plan adopted in 2000; and (iv) regular payment by the government of its quarterly bills to public utilities (water, telecommunications, electricity, and transport services) and the monitoring of public enterprises, including their external debts.
- **Procurement reforms have included** (i) the decentralization of procurement responsibility by individual ministries, with oversight by a regulatory agency; (ii) the appointment of independent observers in the deliberation of all public procurement committees; (iii) annual independent audits of public procurement since 2001; and (iv) posting of prices for various services provided by the government to reduce the scope for corruption.
- **An internal control system** exists but remains weak due in part to the lack of clarity of the mandates of the various control units and some difficulties caused by the transition from manual data to computerized information systems.
- **The payroll management** is being decentralized in order to make line ministries accountable to the daily management of their personnel. This program is now operational within several pilot ministries—primary and secondary education, health, finance and civil service. A computer management information system (SIGIPES) has been introduced to facilitate and coordinate this decentralization. In 2005, the government updated the personnel file, which led to the elimination of about 3,000 so-called “ghost” employees. The authorities are now tightening the security of the payroll management system against fraud and mismanagement before extending this decentralization process to other ministries.
- **Treasury and debt management:** The majority of government accounts held in commercial banks have been closed and their balances transferred to the single treasury account at the BEAC. Procedures have been adopted to centralize cash management through the creation of a permanent committee in charge of managing the treasury. An independent audit of domestic debt was undertaken and a new debt service schedule for 2006 and beyond is being implemented.
- **The quality and timeliness of fiscal reporting have improved.** Monthly fiscal data are now available within one month of the reporting period and are consistent on a commitment and cash basis. The government has begun publishing monthly budget execution monitoring documents on a regular basis since mid-2005. The accounting nomenclature has been adapted and harmonized with the budget nomenclature, thus facilitating the preparation of financial accounts. The Audit Chamber became operational in the beginning of 2006.

norms of the International Organization of Supreme Audit Institutions (INTOSAI) after two years of operations within its current mandate and once the appropriate capacity has had a chance to develop.<sup>18</sup> The foundations for the introduction of the MTEF approach to budget management are in place, with the development of sector strategies and expenditure plans consistent with the strategies. Indeed, the government has defined several criteria to guide resource trade-offs in budget allocation and is revising the budget preparation calendar to make the MTEF the cornerstone of budget preparation. The staffs estimate that Cameroon is now ready to use its global MTEF to prepare the 2007 budget.<sup>19</sup>

43. **The task now facing the authorities is to build on the past reforms to progressively enhance the effectiveness of the financial management system.** The Donor Public Finance Platform has recently been organized to assist the government in a coordinated manner in this task. In this context, discussions have been held with the government on a multi-year plan for improving the PFM and provide the basis for government reform actions and coordinated donor support. A number of tasks are underway to support the preparation of this plan. In the meantime, the government is revising the Public Finance Act (which dated from 1962) to: (i) improve the accountability of public managers and the management of appropriations; (ii) streamline public finance procedures and simplify the accounting system to further improve transparency; and (iii) introduce performance-based multi-year budgeting system anchored on programs with monitorable indicators. This will facilitate the implementation of the medium-term expenditure framework (MTEF) that is critical for aligning the budget with the PRSP.

44. **In the oil sector, the government has adhered to the Extractive Industries Transparency Initiative (EITI) and has moved rapidly to the implementation phase.** In 2005, past audits of the national oil company (SNH), certified by a public accounting firm, were made public and subsequently, SNH published production, sales and revenue data for the first half of 2005 and pledged to update this information quarterly.<sup>20</sup> In October 2005, a multi-stakeholder EITI Committee was created with the mandate to formulate an action plan to implement the EITI. Prior to its adoption on January 16, 2006, this plan was published in major newspapers and discussed with the civil society and oil companies. Civil society and other stakeholders have since then been increasingly involved in the efforts to increase transparency in the oil sector. In particular, the authorities approached oil companies to agree to publish key parameters of production sharing. The government has created a technical EITI Secretariat, established a steering committee and is recruiting a qualified independent conciliator to collect and reconcile data on petroleum production, payments made by the companies to the government and the corresponding receipts by the government for 2001-2004 and 2005. The first EITI report is expected to be available by July 2006. This report will consist of a compilation and analysis of

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<sup>18</sup> The mandate of the audit chamber will be revised to empower it with the legal competence, beyond its current focus on examining the accounts, required to judge the management performance of budget authorizing officers within the public administration as well as within any public structure using/managing public funds.

<sup>19</sup> A few ministries already use their MTEF during the 2005 budget conferences.

<sup>20</sup> These accounts are available on the website of SNH: [www.snh.cm](http://www.snh.cm).

production and financial data of the oil companies, including payments made to the government and its agencies, and the payments received and recorded by the government and its agencies.

45. **Some progress has been made in strengthening the judicial sector.** The government conducted a technical diagnostic study in 2002 that identified the causes of poor performance of the Cameroon justice system. The study recommended actions to improve the operations of the courts and the application of judicial procedures, improvements in remuneration of judges and other justice staff, capacity building renovation and expansion of facilities, and the reforms of judicial organization and procedures. Consequently, a new penal code was approved in June 2005 and promulgated in July 2005. A priority action plan to reform the judicial sector is under implementation. This plan aims to (i) consolidate judicial independence; (ii) step up the anti-corruption drive in the judicial system; and (iii) improve the application of laws, court decisions and penalties. To help reduce bottlenecks in the system, the Ministry of Justice has been recruiting and training magistrates. The government also ratified the UN Convention against cross border crime.

46. **Since the decision point, the participation of the civil society in public affairs has been strengthened.** Some examples already include the presence of independent observers in procurement committees, the establishment of a facilitation committee chaired by the private sector in the Port of Douala, the presence of independent observers in bidding process for forestry allocations and in monitoring the implementation of forestry management plan, and the participation of the civil society in the EITI process. The authorities have also institutionalized stakeholder participation in the implementation and monitoring of the PRSP. This arrangement was recognized as good practice in a World Bank comparative assessment of PRS processes.<sup>21</sup> In particular, the government has made significant efforts to strengthen transparency through the regular publication of: budget execution reports, accounts of the SNH, various audits reports (e.g., execution of HIPC expenditure, compliance with forestry rules<sup>22</sup>) as well as sanctions (e.g., for violating procurement or forestry rules), and the use of the media to publicize government policies and other activities.

47. **In November 2005, the government adopted an updated PNG (PNGII) and its priority action plan, with emphasis on high-impact results to be measured through monitorable performance indicators.** This PNG covers democratic, administrative and economic governance, with a specific subcomponent on the fight against corruption. The government intends to sustain the recent accelerated pace of reforms in 2006 and beyond to underpin its efforts to accelerate economic growth and meet the ambitious targets of the PRSP. It has launched the implementation of PNG with two important actions: (i) establishing an independent agency to spearhead the anti-corruption drive; and (ii) presenting a draft bill to the 2006 parliamentary session that would require asset declaration by public officials, including the

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<sup>21</sup> See *Enabling Country Capacity to Achieve Results: 2005 CDF Progress Report*, World Bank, 2005, in which Cameroon was cited as one of only 7 (out of 59) countries with well-developed arrangements for participation by civil society in the PRS process.

<sup>22</sup> The reports of the Independent Observer in the Forestry sector are posted on the web: [www.observation-cameroun.info](http://www.observation-cameroun.info).

President, the Prime Minister, other ministers, high officials in government and public enterprises and members of the National Assembly.

**48. The progress on governance reforms since the Decision Point, and especially in the past two years, provides the basis for belief that the government will sustain the pace of implementation of these reforms, with continued improvements in governance trends.**

Apart from the commitment of the government to these reforms and the involvement and support of other domestic stakeholders, the continued support of Cameroon's main development partners will be crucial for sustaining the momentum of the implementation of the reforms. The government has worked closely with the development partners in finalizing the PNGII and is seeking donor support in its implementation. The Donor Platform for public finance, created initially to support the government on improving public financial management, will also work with the authorities to provide coordinated support for the broader governance agenda of the PNGII.

## **F. Social Sector Policies**

### **Education sector**

**49. The staffs have concluded that the government has met the triggers for education.** In 2000, the government launched reforms of the education system based on the sectoral strategy prepared with the participation of major stakeholders. This has resulted in significant progress in enrollment as well as gender and regional equity in primary and secondary education. Recent statistics show that the admission rate of six year-old children into grade one has reached 95 percent, the gender parity index 85 percent and the gross enrollment rate 101 percent in primary education, compared with significantly lower rates a few years before. However, progress in the quality of education has been relatively modest, and efficiency rates remain low. In particular, only six children out of ten currently complete their primary education and repetition rates in primary and secondary education remain at about 25 percent. Recognizing the ineffectiveness of current assessment practices and their adverse impact on repetition rates, the Ministry of Basic Education (MINEDUB) has introduced modern assessment methods and is retraining all teachers in their use. At the same time, administrative measures<sup>23</sup> have been introduced to curb the higher-grade repetition in primary education. The government completed an in-depth review of its education system in 2004 (Country Status Report, 2004) and is currently updating the 2000 strategy to address shortcomings in quality and efficiency, explore long-term financing options, and prepare an action plan for universal basic education by 2015.

**50. With regard to school construction, by November 2005, the MINEDUB completed the construction of 3,768 new classrooms.** Given the inadequate supply of classroom and the expected growth of enrollment, this effort would need to continue while rationalizing the distribution of new classrooms among provinces to reduce current disparities.

**51. Regarding teacher statutes and the decentralization of teacher management, new teacher statutes were adopted in December 2000 and the decentralization of the management of teachers started in 2001.** For the implementation of decentralization policy,

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<sup>23</sup> *Arrêté No. 315/B1/1464/MINEDUB; 02/21/2006.*

the Ministry of Basic and Secondary Education have adopted the SIGIPES software as a centerpiece of its teacher management system. The system is currently implemented at the central government level and its deployment in the ten provinces is planned over the next few years. Provincial decentralization needs further empowerment to take teacher assignment decisions that are necessary to reduce disparities among schools.

52. The Ministry of Education has confronted corruption by encouraging the audit of schools and administrative entities by a permanent regulatory body (*Observatoire de la Gouvernance*). The members of the *Observatoire* comprise prominent and independent-minded citizens, and report directly to the Minister of Education. The *Observatoire's* missions are to: (i) monitor the administration of the education system; (ii) signal cases of dysfunctional activities and practices; and (iii) propose corrective measures. Since its establishment three years ago the *Observatoire* has been documenting and reporting corruption cases, and has triggered a number of sanctions on corrupt public officials.

### **Health sector**

53. **The staffs have concluded that the government has met the triggers for the health sector.** The Health Sector Strategy, prepared through extensive consultations with key stakeholders, was issued in July 2002. Its main goals were to: (i) decentralize health services, promote partnerships and improve transparency and efficiency in public resource management; (ii) clarify roles and responsibilities of all stakeholders in the provision and financing of health services; and (iii) prepare sub-sectoral strategies for addressing priority public health issues (e.g., HIV/AIDS, malaria, children's health, reproductive and maternal health) and for improving access to basic health services. Implementation has been satisfactory. The Ministry of Health has been restructured and a number of the major public health programs (e.g., immunization, malaria, HIV/AIDS) have been revamped. The government has also tackled the issue of human resources that is central to improving access to health services. In 2001, new legal statutes were adopted, to allow salary supplements for work in underserved areas, lay out rules on staff conduct, and assign personnel management responsibilities previously handled centrally to the Ministry of Health. The ministry is putting in place a computerized personnel management information system and a human resource plan that deals with, inter alia, performance incentives, deployment of personnel and the recruitment of contractual staff for underserved areas on a competitive basis.<sup>24</sup>

54. **Progress on immunization coverage has been excellent with the narrowing of differentials between the poor and non-poor.** The coverage rate for DPT3 (diphtheria, pertussis, tetanus) increased from 43 percent in 1998 to 76 percent in 2005. While in 1998 coverage rates for children in the highest wealth quintile were 2.2 times higher than in the lowest, by 2004 this differential was narrowed to 1.5. These improvements were achieved through the introduction of important organizational, financial, and programmatic measures. The national program has adopted the "Reach Every District" strategy to address inequality in coverage rates by focusing on poorly performing districts. The program has begun contracting

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<sup>24</sup> Some 1800 staffs were recruited to serve in 50 districts experiencing difficulties in attracting staff.

health districts and making them accountable for results. In parallel, financing of immunization services has also received a major boost from HIPC resources particularly in the acquisition of vaccines and equipment. Specific efforts are also being made to monitor individual children and program performance through the reintroduction of vaccination cards.

55. **Progress has been made on restructuring, reinforcing and implementing the malaria program.**<sup>25</sup> The World Bank estimates that roughly 69 percent of pregnant women received impregnated bed nets.<sup>26</sup> This demonstrates considerable progress compared to the situation prevailing at the decision point where the use of impregnated bed nets was close to zero. HIPC resources and resources from the Global Fund were instrumental in the distribution of free impregnated bed nets to pregnant women and children under five through the establishment of 10 NGO-run provincial impregnation centers. In addition, over 300,000 bed nets were distributed to children under five through the Global Fund executed grant. This progress has resulted from the government's implementation of a national Malaria Strategic Plan, in line with the Roll Back Malaria (RBM) initiative. A RBM committee has been established, and technical groups were formed and training provided at central and provincial levels, and an excellent national communications plan was launched with some 100,000 fliers distributed in 2005.

## **HIV/AIDS**

56. **Cameroon has satisfactorily implemented the measures to fulfill the triggers on HIV/AIDS.** The government has made the fight against HIV/AIDS a priority in its development agenda. The 2000-05 HIV/AIDS strategic plan provided a sound framework for the multi-sectoral and decentralized approach to combating the HIV/AIDS epidemic. According to the 2004 Demographic and Health Survey (DHS), the HIV infection rate is estimated at 5.5 percent with substantially higher rates for females (6.8 percent) than males (4.1 percent). Notable progress has been made in increasing the availability of condoms (i.e., 37 million distributed in 2005), carrying out mass media campaigns with special actions targeted at high risk groups, rapidly scaling up and implementing the prevention of Mother to Child Transmission Program through the establishment of some 420 sites nationwide, expanding access to voluntary counseling and testing through the establishment of nationwide network of 19 sites which have tested over 53,000 persons, providing care to those living with HIV/AIDS, and expanding access to treatment through the decentralization of the 21 accredited treatment centers to an additional 30 sites to bring services closer to those in need and facilitate follow up.

- **Condom use:** Condom use has improved substantially. The 2004 DHS survey indicated that 54.7 percent of men and 40.5 percent of women who had high risk sexual relations used

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<sup>25</sup> Malaria remains the main cause of morbidity in Cameroon, representing up to 50 percent of outpatient consultations, 23 percent of hospitalizations and 40 percent of household health spending.

<sup>26</sup> In total over 555,000 impregnated bed nets were distributed to pregnant women over the 2003-2005 period. Based on the results of the 2004 DHS, the number of pregnant women is estimated at 800,000.



condoms. A 2004 study in 2004 found that 78 percent of commercial sex workers use condoms.

- **Communication campaign:** The DHS survey indicates that (i) 97.8 percent of women and 99.2 percent of men are aware of HIV/AIDS; and (ii) 68.7 percent of women and 82 percent of men are aware that using condoms or limiting sexual relations with one partner, help to reduce the risk of contamination.
- **The Prevention of Mother to Child Transmission program:** In total, about 80,000 pregnant women or 13 percent of all pregnant women attending antenatal clinics are covered through the program.
- **ARV treatment:** Cameroon has also made good progress in scaling up access to treatment for people living with AIDS. As of the end of 2005, roughly 18,000 people are estimated to benefit from the government's subsidized anti-retroviral therapy program. The cost of treatment for AIDS patients has been reduced in 2005 (i.e., from CFAF 16,000 to CFAF 3,000) to cover exams in addition to the drugs.

### G. Staff Assessment

57. **The staffs recommend a waiver for the nonobservance of the completion point trigger related to the establishment of a regulatory agency in the water sector.** In the case of the water regulatory agency, the authorities decided, following advice by World Bank staff, that the sector should be regulated through the provision of a lease contract between the government and the lessee company, rather than through the creation of a water regulatory agency. The regulatory framework is already in place and will become operational as soon as the lessee company will be recruited. Given the satisfactory implementation of the reform in the water sector, staffs are of the view that a waiver be granted.

## III. DEBT SUSTAINABILITY ANALYSIS UPDATE

### A. Updated Data Reconciliation and Revision of Assistance

58. Staffs of IDA and the IMF, together with the Cameroonian authorities, have reviewed the stock of debt at end-June 1999 against creditor statements. Nominal stock of debt at end-June 1999 has increased by US\$17 million to US\$7,819 million and the NPV of debt after the delivery of traditional debt relief increases by US\$2 million to US\$4,693 million (Table 2). Revisions to debt and export data<sup>27</sup> result in an increase of HIPC assistance estimated at decision point from US\$1,260 million in NPV terms to US\$1,267 million. As Cameroon's decision point was reached prior to the approval of the new information reporting decision by the Boards, the country qualifies for an upwards revision of assistance.<sup>28</sup> Accordingly, the NPV of debt of each

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<sup>27</sup> The average of exports for the three fiscal years before the decision point were revised downwards to US\$2,284 from US\$2,287 as estimated at decision point.

<sup>28</sup> "Information Reporting in the Context of HIPC Initiative Assistance", approved by the members of the Executive Board of the IMF and IDA (IDA/SECM2002-0131), March 4, 2002.

creditor will be reduced by 27.0 percent, after the application of traditional debt relief, instead of 26.9 percent determined at the decision point (Table 3).

59. The somewhat higher stock of debt outstanding at the time of the decision point reflects new information pertaining to the debt of state-owned enterprises (SOEs) and revisions in the outstanding stock of debt at the time of the decision point. In particular, the newly reconciled stock of debt at end-June 1999 includes US\$19 million in loans contracted by SOEs, not considered at the time of the decision point. Discrepancies with the decision point data were noted during consultations with creditors after the decision point document was published. The main data revisions are as follows:

- **Multilateral Creditors.** The NPV of debt to IDA was revised downwards from US\$359 million to US\$345 million as a result of revised debt service projections.<sup>29</sup> Similarly, a revision of repayment terms lowered the NPV of debt to the African Development Fund (AfDF) from US\$30.3 million to US\$29.7 million. The NPV of debt of the Islamic Development Bank (IsDB) was revised downwards from US\$7.3 million to US\$6.0 million to account for lower arrears than considered at the time of the decision point. Finally, the NPV of debt owed to the Central African States Development Bank (BDEAC) was revised upwards from US\$2.7 million to US\$6.2 million to account for a loan to a SOE not included in the stock of debt at the time of the decision point.
- **Bilateral creditors.** The NPV of debt to Austria and France after delivery of traditional debt relief was revised upwards by US\$0.9 million and US\$2.6 million respectively. The NPV of debt to Germany after traditional debt relief was revised downwards by US\$1.4 million.<sup>30</sup>
- **Commercial creditors.** The NPV of Cameroon's commercial debt after delivery of traditional debt relief was revised upwards by US\$12 million.<sup>31</sup>

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<sup>29</sup> Principal and interest repayments to IDA were simulated according to the full committed amount of the credits and not on the basis of the amount actually disbursed at decision point. Therefore, principal repayments projected on loans not fully disbursed were higher than principal repayments projected according only to the disbursed amounts. Accordingly, repayment periods of loans not fully disbursed did not extend to the full maturity of the loans, but were truncated at the year when the outstanding debt at decision point would have been fully repaid. Repayment periods of not fully disbursed loans were generally shorter than the normal IDA maturity period, resulting in an overestimation of the NPV of debt to IDA.

<sup>30</sup> Cameroon's debt *vis-à-vis* Austria and Germany was revised due to new information provided by the creditors on the nominal stock of debt. With respect to France, the upwards revision is due to the addition of public enterprise loans omitted at the time of the decision point.

<sup>31</sup> The increase in Cameroon's debt *vis-à-vis* commercial creditors is due to the addition of public enterprise loans omitted at the time of the decision point.

## B. Status of Creditor Participation in the Enhanced HIPC Initiative

60. Cameroon has received financing assurances of participation in the enhanced HIPC Initiative from creditors representing 94 percent of the NPV of HIPC assistance estimated at the decision point. Most multilateral and Paris Club creditors have confirmed their participation in the HIPC Initiative and the authorities are working towards reaching agreements with all remaining creditors (Table 4).

### Multilateral creditors

61. The amount of HIPC assistance from multilateral creditors totals US\$322 million in NPV terms or 25 percent of total HIPC assistance (Table 3). IDA, the IMF, the AfDB, and the European Union, have provided interim assistance.<sup>32</sup> All creditors, with the exception of BDEAC have committed to provide the required assistance once Cameroon reaches the completion point.<sup>33</sup>

62. **The IMF.** Enhanced HIPC assistance from the IMF amounts to SDR28.6 million (US\$37.0 million) in NPV terms at decision point. Of this amount, the IMF has already disbursed as of end-2005 SDR11.3 million (US\$14.6 million) in the form of interim assistance.<sup>34</sup> At completion point, the IMF will provide the remaining amount of HIPC assistance totaling SDR22.3 million (equivalent to US\$28.8 million).<sup>35</sup> IMF assistance is estimated at SDR35.0 million (US\$ 45.3 million) in nominal terms and represents a reduction in debt service of 21 percent on average over the period 2000-10, excluding the year of suspension (Table 5).

63. **The World Bank.** Debt relief from the World Bank amounts to US\$176 million in NPV terms at decision point (Table 4). Of this amount, IDA has delivered US\$60 million in NPV terms (US\$64 million in nominal terms) as interim relief<sup>36</sup> through IDA grants providing a reduction of 45 percent of IBRD debt service falling due from September 2000 to March 2003.<sup>37</sup>

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<sup>32</sup> The OPEC Fund provided some assistance during the interim period (arrears clearance) which counts as part of its share of HIPC assistance to be delivered at the completion point.

<sup>33</sup> BDEAC has provided some debt relief as a result of the clearance of outstanding arrears at end-2005. Nevertheless, it has not formally agreed to provide assistance under the HIPC Initiative.

<sup>34</sup> Interim assistance was suspended in 2004 with the termination of the original PRGF arrangement but has resumed in 2005 with the approval of a new PRGF arrangement.

<sup>35</sup> The amount of HIPC assistance to be disbursed at the completion point includes completion point interest.

<sup>36</sup> In March 2003, interim relief reached the ceiling of one-third of total NPV of HIPC relief from the World Bank Group.

<sup>37</sup> Cameroon is one of three countries for which IDA needs to provide debt relief on IBRD debt outstanding. This is due to the composition of World Bank debt service in the medium-term, with 74 percent of total World Bank debt service during 2000-06 attributable to IBRD loans. The other two countries are Honduras and Côte d'Ivoire. The approved debt relief modality is outlined in paragraph 14 of the paper "Heavily Indebted Poor Countries (HIPC) Initiative: Note

At the decision point, Executive Directors agreed that IDA would provide the remaining debt relief at completion point through (i) a supplemental IDA HIPC debt relief credit to repay outstanding IBRD debt; and (ii) a reduction of IDA debt service falling due after completion point. Following the adoption of the IDA14 grant allocation framework, countries are eligible for IDA financing through credits or grants according to their risk of debt distress.<sup>38</sup> Under this framework, Cameroon is eligible for 100 percent grant financing from IDA in fiscal year 2006. It is therefore proposed that the remaining debt relief be provided through (i) an IDA grant to prepay US\$26 million of IBRD debt outstanding at completion point, corresponding to a reduction of US\$20 million in NPV terms at decision point; and (ii) a reduction of 57 percent of debt service on IDA debt disbursed before end-June 1999 for the period May 2006–June 2020, resulting in a reduction of US\$97 million in NPV terms at decision point (Table 6). Executive Directors of IBRD will need to decide whether to grant a waiver of the IBRD prepayment penalty that would normally be applied. The nominal assistance is estimated at US\$94 million from 2000 to 2011 in respect of debt to IBRD and US\$204 million for debt to IDA from 2006 to 2020, amounting to a total of US\$298 million in nominal debt relief in respect of debt to the World Bank.

64. **The African Development Bank (AfDB).** Debt relief from the AfDB amounts to US\$79 million in NPV terms (Table 4). Of this amount, the AfDB has already provided US\$38 million as interim relief.<sup>39</sup> At completion point, the AfDB is assumed to provide the remaining amount of relief through an 80 percent reduction of debt service on debt outstanding at end-June 1999, applied from July 2006 through to June 2009.

65. **The European Commission (EC) and the EIB.** Combined debt relief from the EC/EIB amounts to US\$18 million in NPV terms (Table 4). Interim relief amounted to US\$7.4 million in NPV terms (US\$8.8 million in nominal terms) and was delivered through a cancellation of debt service falling due over the period from July 2002 to April 2006 on selected loans. At completion point, remaining relief will be provided through cancellation of debt service on selected EC loans from July 2006 to October 2018.

66. **Other multilateral creditors.** The modalities of assistance for all other multilateral creditors are summarized in Table 4.

#### **Bilateral and commercial creditors**

67. **Paris Club creditors** have agreed in principle to provide their share of assistance under the enhanced HIPC Initiative (US\$866 million in NPV terms) (Tables 4 and 7). Interim

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on modalities for Implementing HIPC Debt Relief Under the Enhanced Framework”, IDA/R2000-4, January 10, 2000.

<sup>38</sup> See *Additions to IDA resources: Fourteenth Replenishment (IDA14)—Working Together to achieve the Millennium Development Goals*, March 10, 2005; and *Debt Sustainability and Financing Terms in IDA14: Further Considerations on Issues and Options*, November 2004.

<sup>39</sup> Interim assistance was provided during October 2000–October 2003. It was suspended in October 2004 when the 40 percent ceiling of total AfDB HIPC relief provided as interim relief was reached.

assistance has been provided through a flow treatment under Cologne terms, as agreed on January 24, 2001. In the corresponding agreed minute, participating Paris Club creditors declared their readiness in principle to provide their full share of assistance through a stock of debt operation at the completion point, provided Cameroon maintained satisfactory relations with the participating creditor countries. Bilateral agreements following the extension of the consolidation period to end-March 2006 have been signed with most Paris Club creditors with the exception of Belgium, Denmark, Germany, Italy, and United Kingdom, with whom Cameroon has exchanged draft agreements.<sup>40</sup> Most creditors have also indicated that they would provide additional assistance beyond HIPC relief, estimated at about US\$1,010 million in end-2005 NPV terms.

68. **Non-Paris Club bilateral creditors** are expected to provide treatment comparable to that of the Paris Club, with assistance under the enhanced HIPC Initiative amounting to US\$13.2 million in NPV terms. While only one creditor has committed to provide HIPC assistance, some creditors have already provided part of their assumed share of traditional debt relief.<sup>41</sup> To meet their obligations under the HIPC Initiative, all non-Paris Club creditors are expected to provide their share of traditional debt relief, as well as enhanced HIPC assistance at the completion point.

69. **Commercial creditors** are also expected to provide treatment comparable to that of the Paris Club. In August 2003, Cameroon settled part of its commercial debt through an IDA-supported buy-back operation at 14.5 percent of face value, resulting in a debt cancellation of US\$870 million. As a result, participating commercial creditors delivered their full share of HIPC assistance. Some non-participating creditors, however, put pressure on Cameroon to settle claims by resorting to litigation and other unilateral action.<sup>42</sup>

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<sup>40</sup> The consolidation period was extended following the approval of the current PRGF arrangement to March 2006.

<sup>41</sup> The People's Republic of China and Saudi Arabia are among the non-Paris Club bilateral creditors which provide debt relief on a case by case basis. During the interim period, the People's Republic of China cancelled in November 2001 some of Cameroon's obligations representing US\$20.4 million in NPV terms, and Kuwait provided in July 2001 debt relief through a stock rescheduling under ODA terms, representing US\$0.2million in NPV terms.

<sup>42</sup> Twenty-two commercial creditors, holding about 20 percent (US\$240 million in claims, including US\$78 million principal) of the total debt to commercial creditors in August 2003, did not accept the buy-back deal, and some sold claims in the secondary market. Recently, four commercial creditors (Winslow Bank, Del Favero SPA, Sconset Ltd., and Grace Church Capital) have pursued legal recourse through litigation and seizure of Cameroonian assets abroad. In early 2005, Winslow sued, and under a court ruling seized US\$50 million from Cameroon's state oil company's deposits in France, while Del Favero froze the account of the Cameroonian embassy in London. Five other commercial creditors have formally requested repayment.

### C. Creditor Participation in the Multilateral Debt Relief Initiative

70. Contingent upon approval of the completion point under the enhanced HIPC Initiative, Cameroon will qualify for additional debt relief from the IMF, IDA and the African Development Fund (AfDF) under the Multilateral Debt Relief Initiative (MDRI).<sup>43</sup>

71. MDRI relief to Cameroon would imply a stock of debt reduction of US\$1,124 million in nominal terms at completion point (Table 8). This would result in debt service savings of US\$38.2 million on average over the period 2006-25.

72. **Debt Relief from the IMF.** The IMF would provide debt relief under the MDRI amounting to SDR173.3 million (or US\$248.2 million), covering the full stock of debt owed to the IMF at end-2004 that remains outstanding at the completion point. Of this amount, SDR149.3 million would be financed from the MDRI-II Trust and the remainder from the HIPC Umbrella sub-account (Tables 5 and 8).<sup>44</sup> MDRI relief from the Fund would imply average debt service savings net of projected HIPC assistance of SDR20.1 million (or US\$29 million) per year over the next 8 years.

73. **Debt Relief from IDA.** IDA would provide debt relief to Cameroon under the MDRI amounting to SDR557 million (or US\$794 million) in nominal terms, to be delivered upon the effectiveness for IDA of the MDRI, which is expected at the beginning of FY07 (Table 6).<sup>45</sup> Debt relief under the MDRI would cover all remaining debt service obligations on eligible IDA credit balances through the end of maturity, after any debt service relief available under the enhanced HIPC Initiative. IDA would provide MDRI debt forgiveness by irrevocably canceling the borrower's payment obligations under the eligible credits. MDRI debt relief from IDA would imply average debt service savings for Cameroon of SDR 15.1 million (or US\$21.5 million) per year over the next 37 years. This debt relief would decrease the stock of debt owed to IDA by US\$886 million on July 1, 2006 (Table 8) and would correspond to a reduction in the NPV of debt owed to IDA by US\$383 million in NPV terms at completion point after HIPC assistance.

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<sup>43</sup> Decisions to grant debt relief are taken by each institution individually, in accordance with the specific implementation modalities adopted for each institution. For IDA, the Board of Executive Directors approved the MDRI implementation modalities on March 28, 2006, and IDA is scheduled to start implementing the MDRI upon its effectiveness, which is expected to be as of the beginning of FY07. The IMF started providing relief from January 1, 2006. The AfDF is expected to approve the modality of implementing MDRI in April 2006 (consideration by the Board of Governors is scheduled for May 2006), with implementation starting retroactively from January 1, 2006.

<sup>44</sup> The MDRI relief would come from the MDRI-II Trust because the annual per capita income for Cameroon exceeds US\$380.

<sup>45</sup> This amount is calculated based on debt disbursed as of December 31, 2003 and still outstanding at the end of FY2006, the fiscal year during which the country reaches its completion point.

74. **Debt Relief from the AfDF.** The AfDF would provide debt relief to Cameroon under the MDRI amounting to UA156.5 million (US\$243 million)<sup>46</sup> in nominal terms, starting on July 1, 2006.<sup>47</sup> This amount is calculated based on debt disbursed as of December 31, 2004 and still outstanding on July 1, 2006. The debt stock cancellation would be delivered by forgiving Cameroon's post-completion-point repayment obligations in full. MDRI debt relief from the AfDF would imply average debt service savings for Cameroon of US\$5.1 million per year over the next 48 years. This debt relief would decrease the NPV of debt owed to AfDF by US\$91 million in NPV terms at completion point after HIPC assistance.

#### **D. Updated Debt Sustainability Analysis**

##### **Debt sustainability at end-2005**

75. The DSA included in the decision point document was updated on the basis of end-2005 loan-by-loan debt data, using updated exchange and interest rates (Table 10).<sup>48</sup> Based on 94 percent debt data reconciliation,<sup>49</sup> Cameroon's nominal stock of external debt reached US\$6.2 billion at end-2005, compared with US\$7.8 billion at end-June 1999 (Tables 11). Bilateral creditors accounted for 64 percent of total debt, while multilateral and commercial creditors for 30 percent and 6 percent respectively. France, the World Bank (IBRD and IDA) and Germany remain Cameroon's largest creditors, accounting for 25 percent, 18 percent and 17 percent respectively of total outstanding debt.

76. **The NPV of Cameroon's external debt at end-2005, after full delivery of the assistance committed under the HIPC Initiative at the decision point, is estimated at US\$2.2 billion, equivalent to 61 percent of exports,** compared with a decision point projection of 109 percent (Table 12). Taking into account bilateral debt relief beyond the HIPC Initiative, the NPV of debt is further reduced to US\$1.2 billion or 31 percent of exports.

77. **The NPV of debt-to-exports ratio after HIPC assistance is considerably lower than what was projected at the time of the decision point, mainly due to the delay in reaching the completion point, lower new borrowing and better export performance than anticipated at the time of the decision point** (Table 12). At decision point, Cameroon was expected to reach the completion point in May 2003. Because of compounding, the nearly three-year delay in reaching the completion point means that the amount of HIPC assistance required to reach the NPV of debt-to-exports ratio of 150 percent at decision point has increased in today's terms. As

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<sup>46</sup> The cost of MDRI for the AfDF is estimated using the UA/U.S. dollar exchange rate at end-December 2004 (UA/US\$=1.55301).

<sup>47</sup> According the AfDF implementation modality, each country reaching completion point would be entitled to MDRI relief from the beginning of the calendar year following the completion point date. For 2006 only, countries reaching completion point in the first 6 months of 2006 would be entitled to MDRI relief from July 1<sup>st</sup> 2006.

<sup>48</sup> The DSA covers public and publicly guaranteed external debt outstanding and disbursed.

<sup>49</sup> This corresponds to a full reconciliation of multilateral debt data and a 92 percent reconciliation of bilateral and commercial debt data at end-2005.

a result, the NPV of debt-to-exports ratio at decision point terms is reduced by about 31 percentage points. Lower borrowing than projected at the decision point accounts for about one third of the total reduction in the NPV of debt-to-exports ratio. In particular, new borrowing from end-June 1999 to end-June 2005 was expected to amount to US\$1.2 billion in end-June 1999 NPV terms according to projections at decision point.<sup>50</sup> Instead, from end-June 1999 to end-December 2005, the NPV of new borrowing amounted to only US\$739 million in decision point terms. This reduction reflects the net effect of lower borrowing and reduced concessionality.<sup>51</sup> Higher exports than projected at the decision point also account for about 25 percent of the reduction in the NPV of debt-to-exports ratio at end-2005. At decision point, the three year backward-looking average of exports of goods and services was projected to reach US\$3,292 million in FY05 or 12 percent lower than the actual three-year backward-looking average of US\$3,692 calculated over 2003-05. Finally, the combined effect of changes in discount and exchange rates used to calculate the NPV of debt at decision and completion point (Table 10) increases the NPV of debt by 9 percent at end-2005.

### **Debt sustainability Outlook, 2005-25**

78. **The macroeconomic framework underpinning the medium- to long-term debt sustainability outlook has been revised to take into account recent developments** (Tables 13-14). Over the medium-term, the macroeconomic framework is in line with the government's medium-term program supported under the current PRGF arrangement. Long-term assumptions are based on the latest WEO prices, recent trends, and information provided by the authorities over sectoral strategies. The main elements of the long-term macroeconomic framework underpinning the debt sustainability analysis are outlined in Box 5.

79. **It is expected that growth will be generated primarily from export agriculture, manufacturing and services.** Agriculture is projected to grow at about 5 percent, influenced by strong demand in neighboring oil exporting countries; nevertheless improvements in transportation and communications are essential for achieving and sustaining this growth rate. Manufacturing currently hampered by energy shortages, can grow considerably faster with improved energy supplies. The commercial services sector can also experience strong growth in the medium-term, driven by developments in telecommunications; sustaining this growth in the long term will hinge on adequate investment. Overall, real GDP growth is projected to grow on average by about 5.5 percent per year in the long-term.

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<sup>50</sup> *Cameroon HIPC Debt Initiative: Decision Point Document*, and IDA/R2000-168, Table 8. Total net disbursement was projected to amount to US\$ 2.0 billion in nominal terms, equally divided between multilateral creditors and bilateral and commercial creditors. In NPV terms at decision point, net new disbursements were projected to amount to US\$ 589 million from multilateral creditors and to US\$604 million from bilateral and commercial creditors.

<sup>51</sup> Borrowing during the interim period was expected to amount to about 4.2 percent of GDP according to projections at the time of the decision point. Actual borrowing turned out to be considerably lower, averaging about 0.8 percent of GDP. The lower borrowing than projected at the decision point reflects primarily slippages in program implementation, and administrative capacity constraints.



80. **While increased public capital spending will provide stimulus for the economy and accelerate growth in the medium-term, long-term growth will depend on the pace of governance and structural reforms.** Investments in infrastructure and human development are essential for long-term growth. To this end, governance reforms and concrete progress in addressing corruption will play a key role in attracting official development assistance, private investment and know-how. Governance reforms can also act as a catalyst for reducing the cost of doing business and enhancing productivity growth, further stimulating growth. Trade liberalization and regional integration also provide opportunities for growth.

81. **The full delivery of HIPC and MDRI debt relief at the completion point would further reduce Cameroon's external public debt.** In NPV terms, the stock of debt would be reduced from US\$5.7 billion at end-2005 to US\$525 million at end-2006 (Table 15). Nominal debt service relief in 2006 would amount to US\$128 million. Of that amount MDRI would total US\$47 million.

**Box 5: Main Macroeconomic Assumptions, 2006-25**

**Real GDP growth** is expected to accelerate to 6 percent in 2011 reflecting economic stimulus from increased capital spending, and the implementation of structural reforms under the PRGF-supported program. Over the long-term, growth in the non-oil economy is expected to stabilize at about 5.5 percent, while oil GDP will gradually decline. Investment is expected to remain at about 21.5 percent of GDP, a level considered to be supportive of long-term economic growth. The average non-oil growth rate over the entire projection period is 5.4 percent, slightly higher than the 10-year average of 4.9 percent during 1995-2005.

**Inflation** is assumed to hold steady at 2 percent over the long-term, in line with recent historical experience and reflecting the regional central bank's commitment to keep inflation under control.

**Fiscal policy** would be supportive of economic growth and poverty reduction, although over the medium-term the non-oil primary balance is expected to deteriorate, reflecting considerable social and infrastructure needs.

- **Government revenues** are projected to decline over time as a result of declining oil proceeds. Non-oil revenues are expected to rise from 12 percent of GDP in 2005 to 15 percent at the end of the projection period, reflecting sustained implementation of measures to strengthen tax and customs administrations.
- **Government expenditure** is expected to rise over the medium-term and then gradually decline to the more sustainable level of 17 percent of GDP. This path is consistent with a gradual increase in capital expenditure over the medium-term, control of current spending growth, and a rise in pro-poor spending.

**Exports of goods and services** are projected to gradually decline over time reflecting the decline in petroleum exports. Non-oil exports in real terms are projected to accelerate over the medium-term reflecting increased investment in key sectors of the economy (primarily services). Thereafter, they are expected to grow by an average of 6.6 percent, somewhat higher than the average in recent years. The share of oil exports is assumed to decline gradually from about 50 percent in 2005 to 11 percent in 2025.

**Imports of goods and services** will increase modestly over the medium-term before gradually declining to about 16 percent at the end of the projection period. In real terms, non-oil imports will accelerate in the medium-term in line with non-oil GDP, and then decline to an average annual growth rate of 4.8 percent over the outer period, consistent with the economy's needs.

**Current account deficit, including grants**, is expected to increase to about 4 percent of GDP over the medium-term, and gradually improve thereafter. The deficit is expected to be financed through foreign direct investment and loans, a mixture of which will be from IDA and the rest from other creditors on less concessional terms.

**External borrowing** is expected to rise gradually to 1.8 percent of GDP in 2015 (compared to an average of 0.8 percent of GDP during 2001-05) and then to decline gradually to about 1 percent by 2025. IDA borrowing is assumed to constitute 47 percent of new borrowing, with the remainder originating from other multilateral and bilateral creditors on less concessional terms. Assuming that Cameroon will cross the IDA-only threshold in 2010, disbursements from the Bank will also be on less concessional terms.

82. **Cameroon's external public debt is expected to remain sustainable throughout the projection period** (Table 16). After HIPC relief, the NPV of debt-to-exports ratio for Cameroon is projected to remain well below the average of the 18 post-completion point HIPCs at end-2004 (NPV of debt-to-exports of 140 percent), even when assuming less concessional borrowing starting from 2011.<sup>52</sup> Following enhanced HIPC assistance, as well as additional bilateral and MDRI relief at the completion point, the NPV of debt-to-exports ratio would drop from 153 percent at end-2005 to 13 percent at end-2006. It would subsequently rise to 96 percent by the end of the projection period. The NPV of debt-to-GDP ratio<sup>53</sup> would decrease from 33 percent at end-2005 to 3 percent at end-2006. It is expected to rise modestly over the medium-term while staying at about 13 percent in the long-run. Finally, the NPV of debt-to-revenue ratio<sup>54</sup> would decline from 194 percent at end-2005 to 17 percent in 2006 and would average 83 percent in 2016-25. The increase in the NPV of debt assumes that Cameroon would borrow on IDA "hardened" terms<sup>55</sup> after 2010 when its per capita income exceeds the IDA-only threshold. The grant element of new borrowing is assumed to decline from 41 percent on average during the period 2006-10 to 35 percent thereafter.

83. **Debt service is projected to increase over the medium-term reflecting in part less concessional new borrowing and the government's increased financing needs.** After HIPC relief, annual debt service would average US\$207 million on average during 2006-15, the equivalent of less than 5 percent of exports of goods and services. This is well below the average of 7.3 percent for all 28 HIPCs that reached the decision point by end-2004.<sup>56</sup> After additional bilateral relief and MDRI, debt service would not exceed US\$73 million on average during 2006-15, or 1.5 percent of exports of goods and services. During 2016-25 debt service would increase to almost 4 percent of exports of goods and services.<sup>57</sup>

### E. Sensitivity Analysis and Long-Term Debt Sustainability

84. **Cameroon's debt could become unsustainable in the long run if faced with large adverse shocks (see below).** Cameroon is expected to be able to withstand adverse shocks over the medium-term, reflecting its favorable starting position. Nevertheless, over the long-term the

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<sup>52</sup> *The G8 Debt Relief Proposal: Preliminary Costs and Issues*, August 4, 2005, IDA/SecM2005-0414.

<sup>53</sup> The country-specific sustainability threshold for the NPV of debt to GDP is 40 percent under the Low Income Country DSA framework.

<sup>54</sup> The country-specific sustainability threshold for the NPV of debt to revenue is 250 percent under the Low Income Country DSA framework.

<sup>55</sup> IDA credits at hardened terms have 20 years of maturity and 10 years of grace, compared to the normal IDA lending terms of 40 years of maturity period, 10 years of grace. The charge fee remains at 0.75 percent.

<sup>56</sup> *Heavily Indebted Poor Countries (HIPC) Initiative—Status of Implementation*, August 19, 2005.

<sup>57</sup> The country-specific sustainability threshold for the debt service ratio is 20 percent under the Low Income Country DSA framework.

NPV of debt-to-exports ratio is expected to exceed the HIPC threshold of 150 percent in both scenarios. Thus, the sensitivity analysis underscores the importance of pursuing export diversification and prudent borrowing policies in order to avoid potential risks for debt sustainability.

### **Scenario 1: Lower export prices**

85. This scenario (Figure 2) assumes a permanent deterioration in the prices of Cameroon's three main exports: oil, cocoa, and aluminum. In particular, oil prices are assumed to fall by 40 percent relative to the baseline, while the prices of cocoa and aluminum are assumed to decline by 20 percent relative to the baseline scenario.<sup>58</sup> The deterioration in export prices leads to a reduction in nominal exports by about 24 percent in 2006. The volume of exports is assumed to decline by 10 percent for cocoa and aluminum.<sup>59</sup> As a result of these changes, real GDP growth falls only marginally relative to the baseline scenario as the contribution of cocoa and aluminum in the real economy is rather small. The reduction in oil revenues and nominal GDP growth result in a net financing need, and the government is assumed to resort to additional borrowing to finance its expenditures. As a result, the NPV of debt-to-exports ratio rises rapidly and exceeds the HIPC threshold of 150 percent by 2015. The ratio levels off towards the end of the projection period, but it remains above 150 percent.

### **Scenario 2: Lower growth**

86. This scenario assumes a permanent reduction in real non-oil GDP growth by one percentage point relative to the baseline scenario. The volume of exports is permanently reduced as a result of a weakening of confidence and reduced investment. Import volume adjusts in line with the reduction in real GDP growth. As lower growth has a negative net effect on public finances, it is assumed that the government closes the ensuing financing need through borrowing. Hence, the NPV of debt-to-exports ratio rises steadily over time, exceeding the HIPC threshold of 150 percent at the end of the projection period.

87. The results of the sensitivity analysis need to be viewed with caution as the size of the shocks analyzed (primarily in the case of the lower export prices shock) was intentionally large in order to ascertain the worst-case scenario for debt sustainability. Nevertheless, given the current volatile environment for commodity prices (in particular oil), these results highlight the importance for the authorities to remain committed to the reform process and to follow prudent borrowing policies.

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<sup>58</sup> The size of these shocks was determined after examining the prices of Cameroon's three main exports during the past twenty years. The objective was to determine how a return of Cameroon's three main export prices—which currently are at an all-time high (oil, aluminum) or above average (cocoa beans)—to more representative levels would affect debt sustainability. Based on past experience, the average deviation (shock) from the mean is about 40 percent for oil and 20 percent for aluminum and coco beans. These shocks can therefore be viewed as representative of the shocks that Cameroon is likely to face in the future.

<sup>59</sup> The volume of oil exports does not respond to the oil price decline as Cameroon's oil reserves are fixed and no new investments are envisaged under the baseline.

#### IV. CONCLUSIONS

88. **The staffs of the IMF and IDA consider that Cameroon's performance on the conditions established in October 2000 for reaching the completion point under the enhanced HIPC Initiative has been broadly satisfactory.** The poverty reduction strategy is grounded in a broad ranging reform agenda, laid out in consultation with civil society and embedded in a sound macroeconomic framework. The government has recently prepared its third PRSP annual progress report. Cameroon's implementation of the PRSP has been satisfactory. Following some slippages in fiscal policy implementation in 2004, a satisfactory track record of performance has been established under the current PRGF-supported program. Cameroon has also made progress in implementing its structural reform agenda as evidenced by the satisfactory conclusion of the IDA Third Structural Adjustment Credit. Cameroon has carried out a range of governance reforms which have focused on actions to fight corruption, improve public financial management, enhance the transparency of petroleum sector operations, strengthen the judicial sector, and enhance the participation of civil society in public affairs. These reforms took off slowly but the pace of implementation has accelerated in the last two years. Regarding the completion point triggers, the staffs recommend that a waiver be granted on the establishment of the water regulatory agency. The government has satisfactorily implemented its education and health strategies as attested by the improvement in key social indicators.

89. **Achieving and sustaining strong economic growth will require, in addition to maintaining a sound macroeconomic framework, sustained effort on structural and governance reforms.** It will require that the government sustain the recent accelerated pace of implementation of reforms, increase and implement better its public investment program, strengthen partnership with donors and work with the other member countries of CEMAC to make the institution a more effective instrument for development. Coordinated technical assistance from the Donor Platform on Public Finance will reinforce ongoing efforts to strengthen the government's expenditure management system, particularly the budget planning and programming using the MTEF approach to consolidate the alignment of budget appropriations with the Poverty Reduction Strategy.

90. **The staffs consider that with enhanced HIPC assistance, Cameroon will achieve a sustainable debt profile as defined under the Initiative.** Assurances have been obtained regarding participation in the enhanced HIPC Initiative from creditors representing more than 94 percent of the relief to be provided. After full delivery of the enhanced HIPC Initiative and additional debt relief from some Paris Club creditors and MDRI, the NPV of debt-to-exports ratio would be reduced to about 13 percent in 2006. Nevertheless, Cameroon's economy remains vulnerable to external shocks. The sensitivity analysis shows that Cameroon's external debt sustainability could be jeopardized by a failure to implement strong macroeconomic and structural reform policies, supported by prudent external debt management.

91. **Important challenges and risks remain on Cameroon's development path.** First, pressures for higher spending in the post-completion point period, financed by external borrowing, could jeopardize macroeconomic sustainability, undermine debt sustainability, and endanger external competitiveness. Second, uncertainties continue to exist about the projected commodity output and prices; a sharp fall in these prices could jeopardize the sustainability of the external position. Third, the government needs to maintain the pace of governance and

structural reforms beyond the completion point to attract private and official resources in order to sustain strong economic growth and reduce poverty.

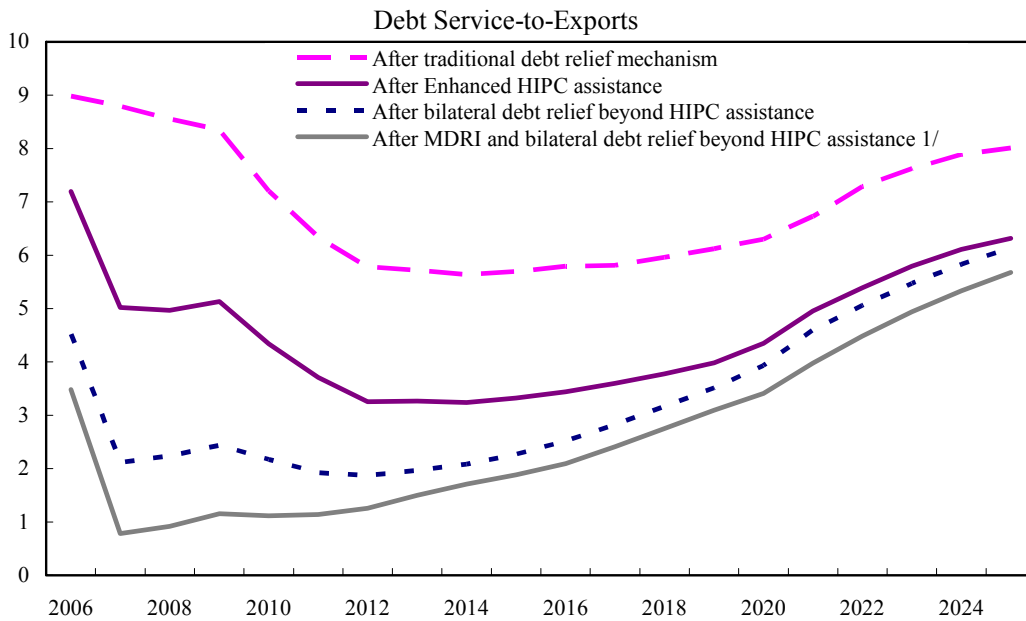
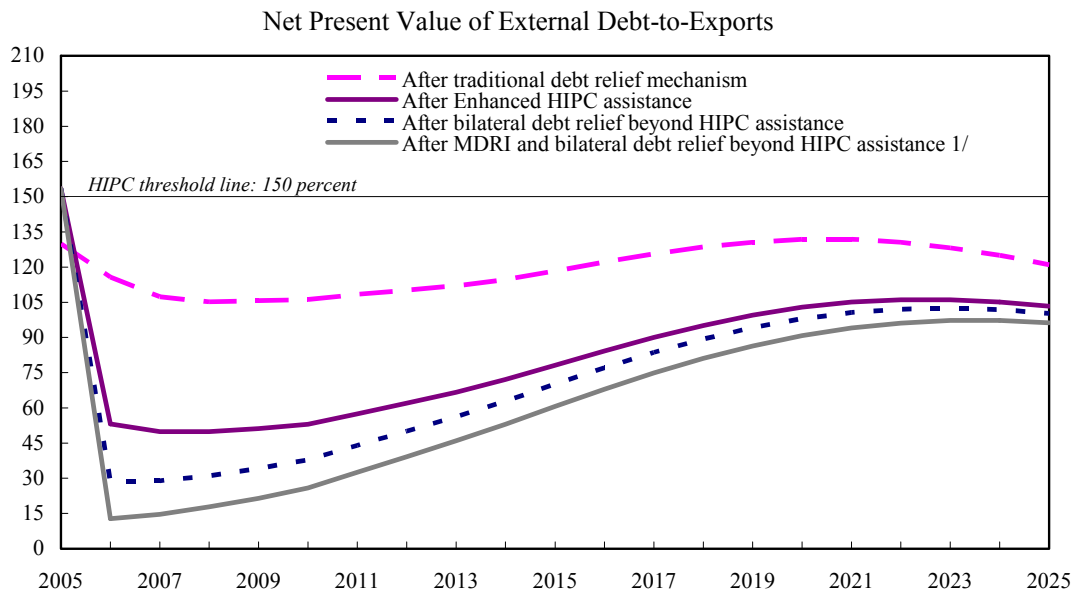
92. **In light of the above, the staffs of the IMF and IDA recommend that the Executive Directors determine that Cameroon has reached the completion point under the enhanced HIPC Initiative.**

#### V. ISSUES FOR DISCUSSION

93. Executive Directors may wish to focus on the following issues and questions:

- **Completion point:** Do Directors agree that Cameroon has met all but one floating conditions for reaching the completion point under the enhanced HIPC Initiative, as established at the time of the decision point?
- **Data correction:** Do Directors agree with staffs' recommendation that the proposed revision in the stock of debt in NPV terms warrants a revision in the amount of HIPC Initiative assistance?
- **MDRI:** Do IMF Directors agree that Cameroon qualifies for an amount of debt relief by the Fund equal to SDR173.3 million, of which SDR149.3 million would be financed from the MDRI-II Trust and the rest from Cameroon's HIPC Umbrella sub-account? Do Directors agree that the authorities have adequate monitoring mechanisms to ensure that debt relief is used according to its intended purposes?
- **Creditor participation:** Do Directors agree that sufficient assurances have been given by Cameroon's creditors to commit HIPC assistance to Cameroon on an irrevocable basis?
- **Debt Sustainability:** Do Directors agree with staffs' assessment that Cameroon's debt sustainability is likely to be maintained over the medium and long-term? Do Directors share the staffs' assessment regarding possible risks that may emerge if the authorities do not actively pursue policies that encourage export diversification and prudent fiscal and debt management policies?
- Do the Directors agree that Cameroon should continue to seek debt relief from its non-Paris Club creditors within the framework of the HIPC Initiative and that the staffs should continue to monitor the delivery of the debt relief from all creditors?

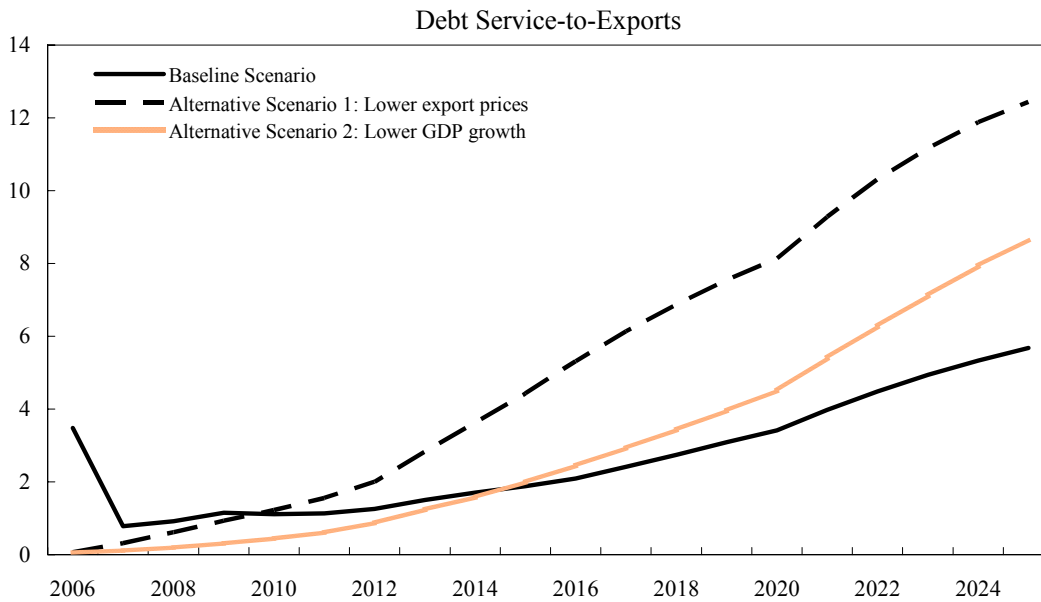
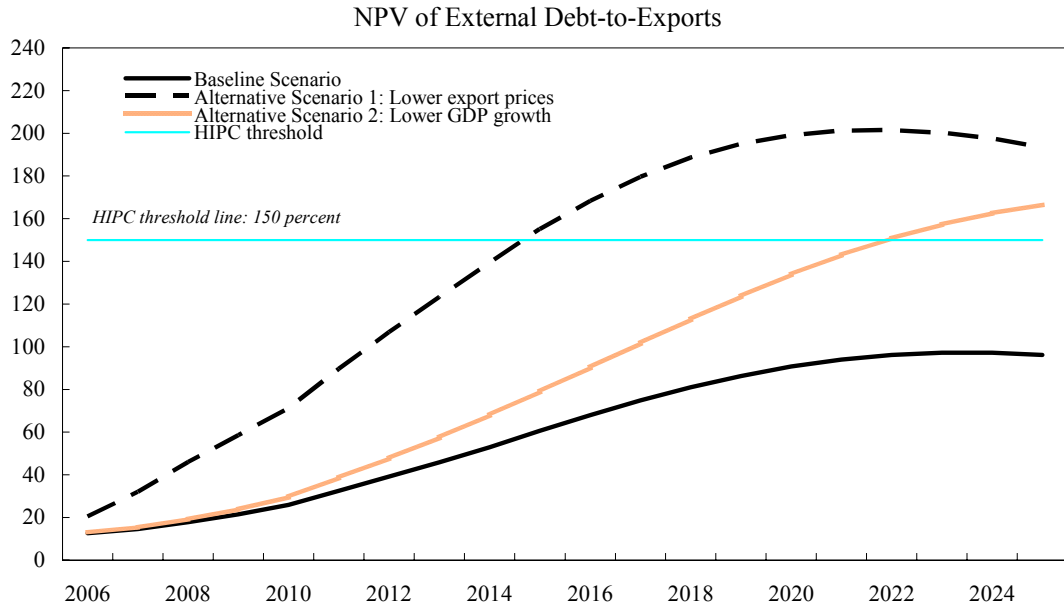
**Figure 1. Cameroon: External Debt and Debt Service Indicators for Medium- and Long-Term Public Sector Debt, 2005-25  
(In percent)**



Sources: Cameroonian authorities; and IDA and IMF staff estimates and projections.

1/The projected NPV of debt and debt service ratio after MDRI assumes MDRI implementation modalities presented in "ADF-X: Additions to ADF Resources Financing the Multilateral Debt Relief Initiative," expected to be approved by the AfDF Board of Directors in May 2006.

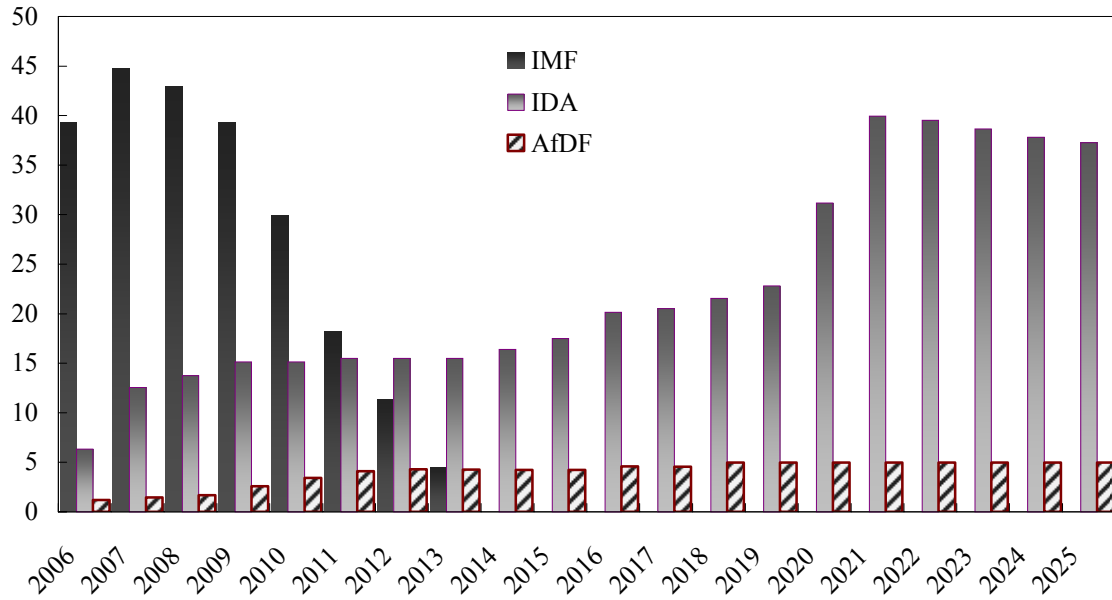
**Figure 2. Cameroon: Sensitivity Analysis, 2006-25 1/**  
(In percent)



Sources: Cameroonian authorities; and Bank-Fund staff estimates and projections.

1/The projected NPV of debt and debt service ratio after MDRI assumes MDRI implementation modalities presented in "ADF-X: Additions to ADF Resources Financing the Multilateral Debt Relief Initiative," expected to be approved by the AfDF Board of Directors in May 2006.

**Figure 3. Cameroon: Implied Savings under the MDRI 1/**  
(In millions of US dollars)



Sources: IMF and World Bank staff estimates.

1/ Assumes MDRI implementation modalities presented in "ADF-X: Additions to ADF Resources Financing the Multilateral Debt Relief Initiative," expected to be approved by the AfDF Board of Directors in May 2006.



Table 2. Cameroon: Revised Nominal Stocks and Net Present Value of Debt at Decision Point by Creditor Groups as of end-June, 1999 1/

	Nominal Debt Stock at End-June 1999				NPV of Debt After Rescheduling 2/			
	At Decision Point		Revised At Completion Point		At Decision Point		Revised At Completion Point	
	US\$ million	Percent of total	US\$ million	Percent of total	US\$ million	Percent of total	US\$ million	Percent of total
Total	7,802	100	7,819	100	4,691	100	4,693	100
Multilateral	1,642	21	1,641	21	1,206	26	1,195	25
African Development Bank Group	304	4	304	4	293	6	292	6
African Development Bank	230	3	231	3	262	6	262	6
African Development Fund	74	1	74	1	30	1	30	1
World Bank Group	1,023	13	1,018	13	666	14	653	14
International Bank for Reconstruction and Development	294	4	294	4	307	7	307	7
International Development Association	728	9	724	9	359	8	345	7
International Monetary Fund	176	2	176	2	137	3	137	3
International Fund for Agricultural Development	15	0	15	0	11	0	12	0
Arab Bank for Economic Development in Africa	7	0	7	0	7	0	7	0
Central African States Development Bank	3	0	6	0	3	0	6	0
European Union	94	1	94	1	68	1	68	1
European Investment Bank	20	0	20	0	20	0	20	0
European Development Fund	74	1	74	1	47	1	47	1
OPEC Fund	1	0	1	0	1	0	1	0
Islamic Development Bank	7	0	6	0	7	0	6	0
Nordic Investment Bank	13	0	13	0	13	0	13	0
Paris Club	5,365	69	5,368	69	3,205	68	3,207	68
Post-cutoff date	1,276	16	1,275	16	1,094	23	1,093	23
Pre-cutoff date	4,088	52	4,092	52	2,111	45	2,115	45
ODA	834	11	851	11	562	12	564	12
Non-ODA	3,254	42	3,239	41	1,549	33	1,548	33
<i>by country:</i>								
Austria	512	7	512	7	267	6	268	6
Belgium	206	3	206	3	124	3	124	3
Canada	309	4	309	4	128	3	127	3
Denmark	118	2	118	2	59	1	59	1
Finland	1	0	1	0	1	0	1	0
France	1,955	25	1,959	25	1,548	33	1,551	33
Germany	1,410	18	1,410	18	536	11	535	11
Italy	199	3	199	3	130	3	130	3
Japan	34	0	34	0	35	1	35	1
Netherlands	58	1	58	1	27	1	27	1
Spain	100	1	100	1	91	2	91	2
Sweden	124	2	124	2	48	1	48	1
Switzerland	47	1	47	1	32	1	32	1
United Kingdom	209	3	209	3	132	3	132	3
United States	82	1	82	1	48	1	48	1
Other official bilateral	99	1	100	1	49	1	49	1
Post-cutoff date	23	0	24	0	23	0	23	0
Pre-cutoff date	76	1	76	1	26	1	27	1
ODA	51	1	51	1	20	0	20	0
Non-ODA	25	0	25	0	6	0	6	0
<i>by country:</i>								
The People's Republic of China	51	1	51	1	18	0	18	0
Kuwait	25	0	25	0	21	0	21	0
Saudi Arabia	24	0	24	0	10	0	10	0
Commercial	696	9	711	9	230	5	242	5

Sources: Cameroonian authorities and staff estimates.

1/ Information based on latest data available at completion point.

2/ Stock of debt operation on Naples terms from official bilateral and commercial creditors.

Table 3. Cameroon: Estimated Assistance at Decision Point (Amended) 1/  
(In millions of U.S. dollars in end-June 1999 NPV terms, unless otherwise indicated) 2/

	Total	Multilaterals	Bilaterals	Commercial Banks	Common Reduction Factor 3/ (Percent)
Assistance (decision point document)	1,260	324	874	62	26.9
Assistance (revised)	1,267	322	879	65	27.0
Memorandum items:					
NPV of debt 4/ 5/	4,693	1,195	3,257	242	
Three-year export average	2,284				
NPV of debt-to-export ratio (percent) 6/	205				
Paris Club creditors:	3,207				
of which: pre-cutoff date non-ODA	1,548				
Non-Paris Club Creditors:	49				
of which: pre-cutoff date non-ODA	6				
Commercial creditors	242				

Source: Cameroonian authorities; and staff estimates and projections.

1/ Assumes proportional burden-sharing as described in "HIPC Initiative: Estimated Costs and Burden-Sharing Approaches" IDA/SEC M97-306;7/7/97), that is, after full application of traditional debt relief mechanisms.

2/ Using six-month backward-looking discount rates at end-June 1999 and end-June 1999 exchange rates.

3/ Each creditor's NPV reduction at the decision point in percent of its exposure at the decision point.

4/ Applies a hypothetical stock-of-debt operation on Naples terms for data at end-June 1999.

5/ Based on revised data at end-June 1999 after full application of traditional debt-relief mechanisms.

6/ Uses the latest annual data at the completion point on the three-year average of exports of goods and nonfactor services.

Table 4. Cameroon: Status of Creditor Participation Under the Enhanced HIPC Initiative

	Debt Relief in NPV Terms (US\$ mil.)	Percentage of Total Assistance	Satisfactory Reply to Participate in Initiative	Modalities to Deliver Debt Relief
The World Bank Group (IDA/IBRD)	176	14	Yes	Interim debt relief provided from Oct. 2000 to March 2003 in the form of grants equal to 45% of IBRD debt service falling due. At the Completion Point an IDA debt relief grant will repay outstanding IBRD debt and 57% of the IDA debt service falling due will be reduced between the Completion Point and June 2020.
International Monetary Fund	37	3	Yes	Assistance to be delivered through partial payment of debt service falling due to IMF by the PRGF-HIPC Trust. Interim relief started as of October 2000. The share of debt service due on current IMF obligations covered by total IMF assistance averages 21% over 2000-2010.
African Development Bank Group (AfDB/AfDF)	79	6	Yes	Interim debt relief provided from Oct. 2000 to Oct. 2003. Completion point assistance would cover 80% of the debt service falling due through June 2009.
European Union (EDF/EIB)	18	1	Yes	Interim debt relief provided on identified EDF and EIB loans. Debt relief at completion point will be provided through grants to pay off EDF loans.
International Fund for Agricultural Development	3	0	Yes	100% debt service relief until NPV target is achieved. Relief will begin at the Completion Point.
Arab Bank for Economic Development in Africa	2	0	Yes	Concessional clearance of arrears; concessional rescheduling of debt and reduction of interest rates.
Central African States Development Bank	2	0	Pending	
OPEC Fund	0	0	Yes	Restructuring of existing and projected debt.
Islamic Development Bank	2	0	Yes	Rescheduling of debt over a maximum period of 25 years.
Nordic Investment Bank	4	0	Yes	NIB will make a country specific contribution from Completion Point.
<b>Total multilateral</b>	<b>322</b>	<b>25</b>		
Paris Club creditors	866	68	Yes	Interim assistance is being provided through Cologne flow, and some creditors have cancelled 100% of flow during interim period. Stock of debt operation under cologne terms (90 percent in NPV reduction) is expected at completion point.
Non-Paris Club creditors	13	1	Some	
People's Republic of China	5	0	No	The People's Republic of China has provided debt relief on a bilateral basis under their own terms. They have already cancelled in November 2001 some of Cameroon's obligations which represented a substantial share of traditional debt relief.
Kuwait	6	0	Yes	Kuwait has agreed to provide HIPC assistance to Cameroon. In July 2001, creditor provided debt relief through a stock rescheduling under ODA terms which counted as part of their assumed share of traditional debt relief.
Saudi Arabia	3	0	No	Saudi Arabia agreed to an arrears repayment plan in 2000 but has not indicated its intention to provide HIPC debt relief to Cameroon.
Commercial creditors	65	5	Some	In August 2003, an IDA buyback operation was accepted by some creditors which delivered their full share of HIPC assistance. The remaining creditors still refuse the standing buyback offer and have not provide any debt relief.
<b>Total bilateral and commercial</b>	<b>944</b>	<b>75</b>		
<b>Total</b>	<b>1,267</b>	<b>100</b>		

Sources: Cameroonian authorities, and staff estimates.

Table 5. Cameroon: Delivery of IMF Assistance under the Enhanced HIPC Initiative and the MDRI, 2000-2010 1/  
(In millions of SDRs, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006		2007	2008	2009	2010	
								Jan-April	May-Dec	Projections			
	Actual												
<b>I. Pre-MDRI Debt relief (under the HIPC Initiative only) 2/</b>													
HIPC-eligible Debt Service due on IMF obligations 3/	3.2	4.3	1.6	9.6	20.4	28.6	12.8	17.4	30.1	21.9	11.0	2.9	
Principal	2.5	2.5	--	8.1	18.9	27.0	12.6	16.2	28.8	20.7	9.9	1.8	
Interest	0.8	1.9	1.6	1.5	1.5	1.6	0.2	1.2	1.3	1.2	1.1	1.1	
HIPC assistance—deposits into the HIPC Umbrella Account													
Interim assistance	2.240		0.290	3.019		5.702							
Completion point disbursement							22.3						
Completion point assistance 4/							17.4						
Completion point interest							4.9						
HIPC assistance—drawdown from the HIPC Umbrella Account													
IMF assistance without interest	0.9	0.9	0.3	0.0	3.4	0.9	3.3	5.8	9.6	7.3	2.1	0.4	
Estimated interest earnings 5/	--	--	0.0	0.0	0.0	0.0	0.0	0.0	1.6	2.1	0.2	0.1	
Debt service due on IMF obligations after HIPC assistance	2.3	3.4	1.3	9.6	17.0	27.7	9.5	11.6	20.5	14.6	8.9	2.5	
Delivery schedule of IMF assistance (in percent of total assistance; on a flow basis)	3.2	3.2	1.0	--	12.0	3.0	11.3	14.5	26.0	18.2	6.5	1.1	
Share of debt service due on IMF obligations covered by HIPC assistance (in percent)	28.6	21.1	19.6	0.1	16.8	3.1	25.6	33.3	31.8	33.5	18.9	14.7	
Proportion (in percent) of each principal repayment obligation falling due during the period to be paid by HIPC assistance from the principal deposited in Umbrella Account	37.3	37.3	--	--	18.1	47.5 6/	25.6	25.6	25.8	25.1	18.8	18.2	
<b>II. Post-MDRI Debt relief (under both MDRI and HIPC Initiatives)</b>													
Projected credit outstanding at completion point 7/							173.3						
Delivery of debt relief (on stock basis):							173.3						
from the MDRI-II Trust 8/							149.3						
from the HIPC Umbrella Account							24.0						
of which: unused interim HIPC assistance							1.7						
completion point disbursement							22.3						
<b>III. Debt service due to the IMF after HIPC and MDRI debt relief 9/</b>													
<b>Memorandum items:</b>													
<b>(Based on debt service data and exchange rates as of end-2005)</b>													
Debt service due on IMF obligations after HIPC and MDRI debt relief (in millions of U.S. dollars)	--	--	--	--	--	--	--	--	0.9	1.2	1.2	1.2	
Debt service due on current IMF obligations after IMF assistance 4/	0.12	0.19	0.07	0.43	0.67	0.94	0.30	0.37	0.03	0.03	0.03	0.03	
(in percent of exports)													

Source: IMF, Finance Department and staff estimates.

1/ Total IMF assistance under the HIPC Initiative is SDR 28.62 million calculated on the basis of data available at the decision point, excluding interest earned on Cameroon's account and on committed but undischursed amounts, as described in footnote 5. The amount of IMF assistance committed at the decision point is adjusted upwards from SDR 28.51 million to SDR 28.62 million owing to data revisions.

2/ Reflects the projected delivery of HIPC assistance in the absence of MDRI decision.

3/ Forthcoming obligations estimated based on rates and principal schedules in effect as of December 1999. Interest obligations include net SDR charges and assessments.

4/ A final disbursement of SDR 17.37 million assumed to be deposited into Cameroon's Umbrella Account at the completion point in April 2006.

5/ Includes estimated interest earnings on: (1) amounts held in Cameroon's account; and (2) up to the completion point, amounts committed but not yet disbursed. The projected interest earnings are estimated based on assumed interest rates which are gradually increasing to 5 percent in 2010; actual interest earnings may be higher or lower. Interest accrued on (1) during a calendar year will be used toward the first principal repayment obligation(s) falling due in the following calendar year except in the final year, when it will be used toward payment of the final obligation(s) falling due in that year. Interest accrued on (2) during the interim period will be used toward principal repayment obligations falling due during the three years after the completion point.

6/ This proportion for 2005 will apply only to eligible repayment obligations falling due from November to the end of 2005.

7/ Associated with disbursements made prior to December 31, 2004.

8/ Credit outstanding at end-2004 that has not been repaid by the member or with HIPC assistance at the completion point and is not scheduled to be repaid by HIPC assistance, as defined in the MDRI-II Trust Instrument.

9/ As of end-February 2006, reflecting obligations associated with disbursements made after January 1, 2005.



Table 7. Paris Club Creditors' Delivery of Debt Relief Under Bilateral Initiatives  
Beyond the HIPC Initiative 1/

Countries covered	ODA (in percent)		Non-ODA (in percent)		Provision of relief	
	Pre-cutoff date debt	Post-cutoff date debt	Pre-cutoff date debt	Post-cutoff date debt	Decision point (in percent)	Completion point (in percent)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Australia	HIPCs	100	100	100 2/	2/	2/
Austria	HIPCs	100	-	100	Case-by-case, flow	Stock
Belgium	HIPCs	100	100	100	100 flow	Stock
Canada	HIPCs 3/	- 4/	100	100	100 flow	Stock
Denmark	HIPCs	100	100 5/	100 5/	100 flow	Stock
France	HIPCs	100	100	- 7/	100 flow 6/	Stock
Finland	HIPCs	100	100	100	-	-
Germany	HIPCs	100	100	100	100 flow	Stock
Ireland	-	-	-	-	-	-
Italy	HIPCs	100	100 9/	100 9/	100 flow	Stock
Japan	HIPCs	100	100	100	-	Stock
Netherlands, the	HIPCs	100 10/	100	100	90-100 flow 10/	Stock
Norway	HIPCs	11/	11/	12/	-	-
Russia	Case-by-case	-	-	-	-	Stock
Spain	HIPCs	100	Case-by-case	100	Case-by-case	Stock
Sweden	HIPCs	-	- 13/	100	-	Stock
Switzerland	HIPCs	100	100	100	100, flow 14/	Stock
United Kingdom	HIPCs	100	100	100 15/	100 flow 15/	Stock
United States	HIPCs	100	100	100 16/	100 flow	Stock

Source: Paris Club Secretariat.

1/ Columns (1) to (7) describe the additional debt relief provided following a specific methodology under bilateral initiatives and need to be read as a whole for each creditor. In column (1), "HIPCs" stands for eligible countries effectively qualifying for the HIPC process. A "100 percent" mention in the table indicates that the debt relief provided under the enhanced HIPC Initiative framework will be topped up to 100 percent through a bilateral initiative.

2/ Australia: post-cutoff date non-ODA relief to be applied to debts incurred before a date to be finalized: timing details for both flow and stock relief are to be finalized.  
3/ Canada: including Bangladesh. Canada has granted a moratorium of debt service as of January 2001 on all debt disbursed before end-March 1999 for 13 out of 17 HIPCs with debt service due to Canada. Eligible countries are Benin, Bolivia, Cameroon, Dem. Rep. Of Congo, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Rwanda, Senegal, Tanzania, and Zambia. 100% cancellation will be granted at completion point. As of July 2004, Canada has provided completion point stock of debt cancellation for Benin, Bolivia, Guyana, Senegal and Tanzania.

4/ 100 percent of ODA claims have already been cancelled on HIPCs, with the exception of Myanmar's debt to Canada.

5/ Denmark provides 100 percent cancellation of ODA loans and non-ODA credits contracted and disbursed before September 27, 1999.

6/ France: cancellation of 100 percent of debt service on pre-cutoff date commercial claims on the government as they fall due starting at the decision point. Once countries have reached their completion point, debt relief on ODA claims on the government will go to a special account and will be used for specific development projects.

7/ Finland: no post-COD claims

8/ Germany proposes to cancel all debts incurred before June 20, 1999 depending on a consensus within Paris Club creditors

9/ Italy: cancellation of 100 percent of all debts (pre- and post-cutoff date, ODA and non-ODA) incurred before June 20, 1999 (the Cologne Summit). At decision point, cancellation of the related amounts falling due in the interim period. At completion point, cancellation of the stock of remaining debt.

10/ The Netherlands: 100 percent ODA (pre- and post-cutoff date debt will be cancelled at decision point); for non-ODA: in some particular cases (Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Mali, Mozambique, Nicaragua, Rwanda, Tanzania, Uganda and Zambia), the Netherlands will write off 100 percent of the consolidated amounts on the flow at decision point; all other HIPCs will receive interim relief up to 90 percent reduction of the consolidated amounts. At completion point, all HIPCs will receive 100 per cent cancellation of the remaining stock of the pre-cutoff date debt.

11/ Norway has cancelled all ODA claims.

12/ Due to the current World Bank/IMF methodology for recalculating debt reduction needs at HIPC completion point, Norway has postponed the decisions on whether or not to grant 100% debt reduction until after the completion point.

13/ Sweden has no ODA claims.

14/ Switzerland: in principle 100 percent cancellation of Pre-cutoff date non-ODA debt. However, Switzerland claims the right at the decision point to forgive only 90 percent in case of major political and/or political weaknesses.

15/ United Kingdom: "beyond 100 percent" full write-off of all debts of HIPCs as of their decision points, and reimbursement at the decision point of any debt service paid before the decision point.

16/ United States: 100 percent post-cutoff date non-ODA treated on debt assumed prior to June 20, 1999 (the Cologne Summit).

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Table 8. Cameroon: Stock of Debt Relief under MDRI and HIPC  
at the Completion Point 1/

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(In millions of U.S. dollars)

	MDRI	HIPC	Total
IMF	213	34	247
IDA	721	165	886
AfDF	190	2	192
Total	1,124	201	1,325

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Sources: Bank-Fund staff estimates.

1/ Assumes MDRI implementation modalities presented in "ADF-X: Additions to ADF Resources Financing the Multilateral Debt Relief Initiative," expected to be approved by the AfDF Board of Directors in May 2006.

Table 9. Cameroon: Projected Additional Resources Available Resulting from the IMF MDRI Debt Relief 1/  
(In millions of SDRs)

	2006 May-Dec.	2007	2008	2009	2010	2011	2012	2013	2014	Total
A. Principal	21.2	40.4	37.1	29.4	21.3	12.7	8.0	3.2	-	173.3
B. Interest 2/	0.9	0.7	0.5	0.3	0.2	0.1	0.0	0.0	-	2.6
C. Projected HIPC Assistance	5.8	9.5	7.3	2.1	0.4	-	-	-	-	25.1
<b>D. Net savings (D=A+B-C)</b>	16.3	31.5	30.3	27.7	21.1	12.8	8.0	3.2	-	150.8

Sources: IMF Finance Department.

1/ Assuming Cameroon is going to reach HIPC completion point at end-April 2006.

2/ Estimated PRGF principal and interest repayments associated with disbursements made prior to end-2004.



Table 10. Cameroon: Comparison of Discount Rate and Exchange Rate Assumptions

	Discount Rates 1/ 2 (in percent per annum)		Exchange Rates (US dollar per currency)	
	At decision point End-June 1999	At completion point End-December 2005	At decision point End-June 1999	At completion point End-December 2005
Currency				
Austrian schilling	4.61	3.95	0.08	0.09
Belgian franc	4.61	3.95	0.03	0.03
Canadian dollar	6.02	4.69	0.68	0.86
CFA franc	4.61	3.95	0.00	0.00
Swiss franc	3.74	2.76	0.64	0.76
Chinese yuan	4.87	4.30	0.12	0.12
Deutsche mark	4.61	3.95	0.53	0.60
Danish krone	4.81	3.88	0.14	0.16
Euro	4.61	3.95	1.03	1.18
Finnish markkaa	4.61	3.95	0.17	0.20
French franc	4.61	3.95	0.16	0.18
U.K. pound	5.82	5.28	1.57	1.72
Italian lira	4.61	3.95	0.00	0.00
Japanese yen	2.32	1.91	0.01	0.01
Kuwaiti dinar	4.87	5.08	3.26	3.42
Dutch guilder	4.61	3.95	0.47	0.54
Norwegian kronor	6.02	4.17	0.13	0.15
Saudi Arabian riyal	4.87	4.30	0.27	0.27
Special Drawing Rights	4.87	4.30	1.34	1.43
U.S. dollar	6.00	5.08	1.00	1.00

Sources: European Central Bank; IMF, *International Financial Statistics*; OECD; and staff estimates.

1/ The discount rates used are the average commercial interest reference rates (CIRRs) for the respective currencies over the six-month period ending in December 2005 for the completion point and in June 1999 for the decision point.

2/ For all Euro area currencies, the Euro CIRR is used. For the Kuwaiti Dinar, the US dollar CIRR is used for completion point calculations (compared to the decision point calculations, when the SDR CIRR was used), in accordance to the explicit peg of the Dinar to the US dollar in the beginning of 2003. For all currencies for which the CIRRs are not available, the SDR discount rate is used as a proxy.

Table 11. Cameroon: Nominal and Net Present Value of External Debt outstanding at End-December 2005 1/  
(In millions of US\$, unless otherwise indicated)

	Legal Situation 2/				Net Present Value of Debt 3/		
	Nominal Debt	Percent of total	NPV of debt	Percent of total	After enhanced HIPC relief	After additional bilateral relief	After additional bilateral relief (in percent of total debt)
Total	6,200	100	5,671	100	2,241	1,154	100
Multilateral	1,847	30	1,277	23	988	988	86
African Development Bank Group	310	5	220	4	168	168	15
African Development Bank	100	2	109	2	61	61	5
African Development Fund	210	3	111	2	108	108	9
World Bank Group	1,112	18	686	12	516	516	45
International Bank for Reconstruction and Development	84	1	82	1	457	457	40
International Development Association	1,028	17	604	11	55	55	5
International Monetary Fund	272	4	249	4	212	212	18
International Fund for Agricultural Development	19	0	13	0	9	9	1
Arab Bank for Economic Development in Africa	4	0	3	0	0	0	0
European Union	98	2	79	1	62	62	5
OPEC Fund	4	0	3	0	3	3	0
Islamic Development Bank	25	0	20	0	18	18	2
Nordic Investment Bank	3	0	3	0	-	-	0
Paris Club	3,914	63	3,970	70	1,209	121	11
Post-cutoff date	1,071	17	976	17	870	27	2
Pre-cutoff date	2,844	46	2,994	53	339	94	8
ODA	696	11	655	12	115	27	2
Non-ODA	2,148	35	2,338	41	224	67	6
<i>by country:</i>							
Austria	353	6	343	6	10	10	1
Belgium	164	3	166	3	15	5	0
Canada	190	3	196	3	11	11	1
Denmark	71	1	67	1	8	2	0
France	1,551	25	1,576	28	858	24	2
Germany	1,080	17	1,132	20	224	25	2
Italy	123	2	115	2	25	4	0
Japan	71	1	75	1	19	8	1
Netherlands	14	0	15	0	4	0	0
Spain	32	1	29	1	27	27	2
Sweden	65	1	61	1	1	1	0
Switzerland	33	1	29	1	1	1	0
United Kingdom	136	2	133	2	4	4	0
United States	32	1	33	1	1	1	0
Other official bilateral	63	1	48	1	4	4	0
Post-cutoff date	33	1	25	0	3	2	0
Pre-cutoff date	31	0	23	0	2	2	0
ODA	31	0	23	0	2	2	0
Non-ODA	-	0	-	-	-	-	0
<i>by country:</i>							
China	43	1	34	1	4	3	0
Kuwait	13	0	8	0	0	0	0
Saudi Arabia	7	0	6	0	1	1	0
Commercial	376	6	376	7	40	40	3

Sources: Cameroonian authorities and staff estimates.

1/ Figures are based on data as of end-2005.

2/ Includes the 1995 and 1997 Naples flows as well as the 2001 Cologne flow and the 2003 IDA buyback.

3/ Assumes full delivery of HIPC assistance as of end-2005.

Table 12. Cameroon: Breakdown of the Decrease of NPV of Debt-to-Export Ratio as of end-2005 1/

	Percentage Points	Percent of Total
<b>NPV of debt-to-exports ratio (as projected at Decision Point)</b>	<b>108.6</b>	
<b>NPV of debt-to-exports ratio (actual)</b>	<b>60.7</b>	
<b>Total increase</b>	<b>-47.9</b>	<b>100</b>
<b>1. Due to changes in the parameters</b>	<b>8.9</b>	<b>-19</b>
o/w due to changes in the discount rates	3.3	-7
o/w due to changes in the exchange rates	5.6	-12
<b>2. Due to unanticipated new borrowing</b>	<b>-13.8</b>	<b>29</b>
o/w due to lower than expected disbursements	-23.6	49
o/w due to lower concessionality of the loans	9.8	-21
<b>3. Due to changes in exports</b>	<b>-11.8</b>	<b>25</b>
<b>4. Other factors 2/</b>	<b>-31.3</b>	<b>65</b>
Memorandum item:		
NPV of debt after HIPC assistance as projected in the decision point document 3/	3576.3	
NPV of debt after HIPC assistance as estimated at completion point 4/	2241.4	
Projected exports in the decision point document 5/	3291.6	
Actual exports 5/	3692.4	

Sources: Bank-Fund staff estimates.

1/ NPV of debt-to-exports ratio after enhanced HIPC assistance.

2/ Due to revisions in the end-June 99 database and changes in the timing and mechanisms of delivery of assistance compared to the assumptions in the decision point projections (mainly due to delays in reaching the Completion Point).

3/ At decision point terms, at end fiscal year 1998/99.

4/ At completion point terms, at end-2005.

5/ Three-year backward looking average (2003-05).

Table 13. Cameroon: Selected Economic and Financial Indicators, 2001-09 1/

	2001	2002	2003	2004		2005		2006		2007	2008	2009
				Est.	Prog.	Est.	Prog.	Proj.	Proj.	Proj.		
(Annual percentage changes, unless otherwise indicated)												
National income and prices												
GDP at constant prices	4.5	4.0	4.0	3.7	2.8	2.6	4.2	4.2	4.3	4.3	5.1	
Oil	-4.0	-4.4	-5.0	-9.3	-9.0	-9.7	6.0	6.1	2.7	-8.2	-3.0	
Non-oil	5.5	4.9	4.9	4.9	3.7	3.5	4.1	4.1	4.5	5.1	5.6	
GDP deflator	2.2	3.2	0.7	1.1	1.7	4.8	2.9	2.3	0.7	1.7	1.8	
Consumer prices (12-month average)	2.8	2.8	0.6	0.3	1.3	2.0	1.8	2.6	1.0	2.1	2.0	
Nominal GDP (in billions of CFA francs)	6,837	7,583	7,946	8,334	8,757	8,959	9,395	9,546	10,033	10,638	11,381	
Oil	608	535	486	541	618	714	752	788	696	614	578	
Non-oil	6,229	7,048	7,460	7,792	8,139	8,246	8,642	8,758	9,337	10,024	10,803	
Oil output (in thousands of barrels a day)	114	102	98	89	82	82	88	88	89	82	79	
External trade												
Export volume	2.5	-7.0	6.9	1.5	-5.3	-4.6	6.2	5.8	4.0	2.2	4.1	
<i>Of which</i> : Non-oil sector	4.1	-6.6	12.3	5.9	-3.7	-3.6	4.8	4.8	4.9	5.4	5.9	
Import volume	12.5	1.9	-0.6	11.7	1.0	0.7	2.8	6.0	2.3	2.7	3.3	
Average oil export price (U.S. dollars per barrel)	25.5	23.6	27.3	34.9	45.3	50.4	48.0	49.2	43.3	42.0	41.0	
Nominal effective exchange rate	-2.8	6.6	4.1	1.6	...	-3.3	...	...	...	...	...	
Real effective exchange rate	-4.9	5.8	1.9	0.4	...	-2.0	...	...	...	...	...	
Terms of trade	4.5	0.0	-0.8	-1.3	9.0	15.1	4.9	3.1	-7.6	-4.9	-3.8	
Non-oil export price index (in CFA francs)	3.4	2.8	-5.5	-6.1	7.8	6.2	5.4	8.5	-0.2	0.2	-3.2	
Money and credit (end of period)												
Net domestic assets 2/	4.1	4.1	1.8	0.3	1.1	-5.3	2.7	5.4	3.3	4.6	3.3	
Net credit to the public sector 2/	0.6	1.0	-0.6	0.1	-0.7	-8.7	-0.9	1.6	-0.7	0.4	-0.9	
Credit to the private sector	8.7	11.6	8.9	1.4	6.0	10.9	7.0	7.2	7.7	8.0	8.0	
Broad money (M2)	17.9	18.3	-0.9	7.3	4.7	4.2	9.0	9.7	6.0	7.0	6.1	
Velocity (GDP/average M2)	6.0	6.0	5.8	5.8	5.9	6.0	6.2	5.8	5.7	5.7	5.7	
Central government operations												
Total revenue	-6.1	0.5	3.6	-0.4	16.7	21.8	12.8	9.0	2.7	2.7	5.6	
<i>Of which</i> : Non-oil revenue	1.3	-2.8	10.4	-0.7	15.1	17.3	6.4	5.7	8.8	7.4	9.7	
Total expenditure	1.8	0.2	2.4	9.2	0.2	-4.0	19.4	25.9	6.1	8.4	8.9	
(In percent of GDP, unless otherwise indicated)												
Gross national savings	14.9	14.6	16.3	15.5	17.4	18.1	19.6	20.1	19.6	18.8	18.6	
Gross domestic investment	18.6	19.8	18.3	18.9	19.8	19.7	20.7	21.5	21.5	21.5	21.5	
Central government operations												
Total revenue (excluding grants)	19.4	16.2	16.0	15.2	16.9	17.2	17.8	17.6	17.2	16.7	16.4	
Oil revenue	6.8	4.9	4.1	3.9	4.5	4.9	5.5	5.4	4.6	3.8	3.3	
Non-oil revenue	12.6	11.3	11.9	11.3	12.4	12.3	12.3	12.2	12.7	12.8	13.1	
Non-oil revenue (in percent of non-oil GDP)	13.8	12.2	12.7	12.1	13.3	13.4	13.3	13.3	13.6	13.6	13.9	
Total expenditure	17.2	15.7	15.3	16.0	15.3	14.3	17.0	16.9	17.0	17.4	17.7	
Noninterest expenditure 3/	12.0	12.4	12.4	13.1	12.5	12.3	13.4	13.4	14.7	15.0	15.4	
Capital expenditure 4/	2.6	2.0	1.9	1.9	2.4	2.3	3.7	3.7	4.0	4.6	4.9	
Fiscal balance (excluding net changes in arrears)												
Excluding grants	2.2	0.5	0.7	-0.8	1.6	3.0	0.7	0.8	0.2	-0.7	-1.2	
Including grants	2.6	1.8	1.4	-0.5	2.0	3.5	1.2	1.4	0.6	-0.4	-1.0	
Primary balance 5/	6.5	3.5	3.4	1.9	3.9	4.9	3.4	3.3	2.2	1.4	0.9	
Non-oil primary balance (in percent of non-oil GDP) 5/	0.1	-1.5	-0.7	-2.1	-0.7	0.0	-2.3	-2.3	-2.5	-2.6	-2.5	
External sector												
Current account balance (including grants)	-3.7	-5.2	-2.0	-3.4	-2.4	-1.5	-1.2	-1.4	-1.9	-2.7	-2.9	
Gross official reserves	5.7	11.3	8.5	9.5	9.1	8.7	9.9	10.9	9.4	11.1	10.1	
(In percent of exports of goods and services, unless otherwise indicated)												
NPV of external debt after HIPC, bilateral relief beyond HIPC, and MDRI 6/	...	...	...	25.7	...	10.3	...	10.6	13.4	16.8	20.3	
External debt service 7/	10.1	10.0	8.7	7.0	6.7	6.4	3.6	3.6	0.9	1.0	1.3	
External debt service (as a percent of government revenue) 7/	15.7	15.5	13.0	10.8	9.7	9.2	4.8	5.2	1.0	1.2	1.5	

Sources: Cameroonian authorities and IMF staff estimates and projections.

1/ Data for 2001 refer to the fiscal year 2000/01.

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

3/ Excluding foreign-financed investment, restructuring expenditure, and separation grants.

4/ Excluding restructuring expenditure.

5/ Excluding external grants and foreign-financed investment.

6/ NPVs calculated using the LIC DSA methodology developed in 2004.

7/ Actual payments through 2004 and after all expected debt relief from 2006 onward.

Table 14. Cameroon: Key Macroeconomic Indicators, 2005-25 1/

	2005	2006	2007	2008	2009	2010	2015	2020	2025	Averages					
										1990-94	1995-2000	2001-2005	2006-15	2016-25	
<b>Economic growth and prices</b>															
Real GDP	2.6	4.2	4.3	4.3	5.1	5.5	5.1	5.3	5.4	5.4	3.8	3.8	5.0	5.3	
Oil	-9.7	6.1	2.7	-8.2	-3.0	-2.0	-5.0	-5.0	-5.0	-5.0	-6.5	-6.5	-0.9	-5.0	
Non-Oil	3.5	4.1	4.5	5.1	5.6	5.9	5.5	5.5	5.5	5.5	4.8	4.8	5.3	5.5	
Real GDP per capita	-0.2	1.4	1.5	1.5	0.2	3.0	2.6	2.8	2.9	2.9	1.9	1.9	2.2	2.8	
Consumer prices (period average)	2.0	2.0	1.0	2.1	2.0	2.0	2.0	2.0	2.0	2.0	3.1	3.1	2.0	2.0	
Per capita GDP (US dollars)	952	940	963	996	1,038	1,090	1,386	1,743	2,206	2,206	621	787	1,136	1,802	
<b>National accounts</b>															
(In percent of GDP, unless otherwise indicated)															
Gross domestic investment	19.7	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	16.8	19.4	21.5	21.5	
Government	1.7	2.8	3.0	3.5	3.7	3.8	3.8	3.1	2.8	2.8	1.7	2.2	3.6	3.1	
Other	18.0	18.7	18.5	18.0	17.8	17.6	17.7	18.4	18.7	18.7	13.2	15.4	17.2	18.4	
Gross domestic savings	19.6	21.2	20.3	19.1	18.8	18.3	18.0	18.2	19.5	19.5	18.5	18.9	18.8	18.5	
Government	6.7	6.5	5.5	4.9	4.5	4.1	3.4	2.6	2.9	2.9	1.3	6.4	4.5	2.8	
Other	12.9	14.7	14.7	14.2	14.2	14.3	14.5	15.6	16.6	16.6	17.1	12.5	14.1	15.7	
Savings/investment balance	-1.5	-1.4	-1.9	-2.7	-2.9	-3.2	-3.3	-2.9	-1.6	-1.6	-2.2	-3.4	-2.9	-2.6	
<b>Government finance</b>															
(In percent of GDP, unless otherwise indicated)															
Total revenue	17.2	17.6	17.2	16.7	16.4	16.1	15.8	15.3	15.4	15.4	13.5	14.4	16.4	15.3	
Oil revenue	4.9	5.4	4.6	3.8	3.3	2.9	1.9	0.9	0.4	0.2	4.6	5.0	3.2	0.9	
Non-oil revenue	12.3	12.2	12.7	12.8	13.1	13.2	14.0	14.4	14.9	14.9	9.7	11.6	13.3	14.4	
Total expenditure 2/	14.3	16.9	17.0	17.4	17.7	18.0	17.9	17.1	16.4	16.4	20.5	17.2	15.6	17.0	
Current expenditure of which on:	11.8	12.2	12.6	12.6	12.6	12.7	12.8	13.0	12.7	12.7	17.3	14.8	12.6	12.9	
Domestic interest	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	1.0	0.6	0.2	0.1	
External interest	1.2	1.1	0.9	0.8	0.7	0.6	0.4	0.3	0.2	0.2	4.6	5.0	2.0	0.3	
Capital expenditure	2.3	4.7	4.4	4.8	5.1	5.3	5.1	4.1	3.7	3.7	3.2	2.3	5.0	4.1	
Non-oil primary balance 3/	0.0	-2.1	-2.4	-2.4	-2.4	-2.5	-1.8	-1.2	-0.3	-0.3	-2.7	1.1	-0.9	-2.2	
Overall balance (commitment basis, excluding grants)	3.0	0.8	0.2	-0.7	-1.2	-1.8	-2.1	-1.8	-1.0	-1.0	...	-2.9	0.9	-1.2	
<b>Balance of payments</b>															
Exports of goods and services	24.7	26.1	24.3	22.9	21.4	20.6	17.7	15.3	14.1	14.1	21.2	25.9	24.7	21.0	
Imports of goods and services	-24.8	-26.4	-25.6	-25.3	-24.2	-23.7	-21.2	-18.6	-16.1	-16.1	-17.4	-23.8	-23.5	-23.7	
Current account, including grants	-1.5	-1.4	-1.9	-2.7	-2.9	-3.2	-3.3	-2.9	-1.6	-1.6	-2.8	-3.0	-2.7	-2.9	
Current account, excluding grants	-2.0	-1.9	-2.1	-2.9	-3.1	-3.3	-3.4	-3.0	-1.6	-1.6	-1.7	-2.8	-3.3	-3.0	
Gross official reserves (in weeks of imports of GS)	8.7	10.9	9.4	11.1	10.1	10.6	11.1	10.7	9.4	9.4	3.5	0.4	8.4	9.5	
Export volume growth (percentage change)	-4.6	5.8	4.0	2.2	4.1	4.6	3.9	5.5	6.8	6.8	-6.2	8.0	-0.5	4.5	
Of which: Non-oil	-3.6	4.8	4.9	5.4	5.9	6.2	5.5	6.5	7.5	7.5	-7.2	11.5	2.0	5.7	
Import volume growth (percentage change)	0.7	6.0	2.3	2.7	3.3	4.4	4.4	4.6	4.7	4.7	-2.3	12.4	6.4	4.1	
Of which: Non-oil	-0.7	2.7	3.3	3.7	4.4	4.7	4.7	4.8	4.8	4.8	-4.1	14.2	9.4	4.2	
Terms of trade (percentage change)	15.1	3.1	-7.6	-4.9	-3.8	-3.3	-1.6	-1.2	-0.8	-0.8	3.4	3.6	0.7	-2.5	
Oil prices for Cameroon (US dollars per barrel) 4/	50.4	49.2	43.3	42.0	41.0	40.5	40.5	40.5	40.5	40.5	17.3	17.6	31.9	41.8	
<b>Memorandum items:</b>															
Nominal GDP	16,991	17,240	18,155	19,315	20,684	22,267	32,032	45,568	65,240	65,240	10,308	8,993	13,387	23,740	
In millions of U.S. dollars	82	88	89	82	79	78	74	57	44	44	101	111	96	80	
Oil output (in thousands of barrels a day)	3,692	4,120	4,376	4,446	4,422	4,477	5,464	6,644	8,693	8,693	2,217	2,200	3,024	4,701	
Exports of goods and services (3 year avg. avg)	3,016	3,145	3,189	3,278	3,453	3,642	5,104	7,005	10,064	10,064	1,424	1,348	2,276	3,927	
In millions of U.S. dollars															
Government revenues															
In millions of U.S. dollars															

Sources: Cameroonian authorities and staff estimates and projections.  
 1/ Data for 1990-94 and 1995-00 are on a fiscal year basis. For example, the data for 1995 refer to the year 1995/96. The fiscal year begins in July.  
 2/ Including unclassified expenditure.  
 3/ Excluding grants, and foreign financed investment.  
 4/ WEO oil prices discounted to reflect lower quality of Cameroon's crude oil.

Table 15. Cameroon: Net Present Value of External Debt 1/  
(In millions of U.S. dollars, unless otherwise indicated)

	Projections										Averages	
	2005	2006	2007	2008	2009	2010	2015	2020	2025	2005-15	2016-25	
<b>I. After traditional debt-relief mechanisms 2/</b>												
1. NPV of total debt (2+6)	4,795	4,767	4,698	4,677	4,675	4,755	6,467	8,755	10,514	5,163	8,860	
2. NPV of outstanding debt (3+4)	4,795	4,587	4,390	4,198	4,010	3,860	3,340	2,880	2,254	3,956	2,793	
3. Official bilateral and commercial	3,518	3,405	3,294	3,187	3,076	2,981	2,607	2,277	1,816	3,021	2,211	
Paris Club	3,344	3,234	3,129	3,027	2,922	2,832	2,475	2,169	1,757	2,869	2,111	
Other official bilateral and commercial	174	171	165	160	154	149	133	108	59	152	100	
4. Multilateral	1,277	1,182	1,096	1,011	934	878	733	603	438	935	582	
World Bank Group	686	667	658	647	635	623	563	463	330	623	446	
IMF	249	206	156	108	69	40	0	0	0	78	0	
AfDB/AIDF	220	194	176	158	139	131	124	117	98	150	113	
Others	122	114	106	99	92	84	46	23	10	83	23	
<b>II. After enhanced HIPC assistance</b>												
1. NPV of total debt (2+6)	5,666	2,190	2,184	2,220	2,262	2,376	4,273	6,834	8,978	3,086	6,989	
2. NPV of total debt after full delivery 3/	2,241	2,010	1,876	1,741	1,597	1,481	1,146	959	718	1,568	922	
3. NPV of outstanding debt (3+4)	5,666	2,010	1,876	1,741	1,597	1,481	1,146	959	718	1,879	922	
Paris Club	4,394	1,076	985	898	808	736	490	359	281	1,072	355	
Other official bilateral and commercial	3,970	1,036	945	858	768	696	451	326	263	997	325	
4. Multilateral	424	40	40	40	40	40	39	33	19	75	30	
World Bank Group	1,272	934	891	843	788	745	656	600	437	807	566	
IMF	686	511	512	510	508	494	463	330	222	522	433	
AfDB/AIDF	250	180	152	144	139	131	124	117	98	144	113	
Others	121	87	82	76	71	65	38	21	9	167	20	
<b>III. After bilateral debt relief beyond HIPC assistance 4/</b>												
1. NPV of total debt (2+6)	5,666	1,180	1,263	1,383	1,511	1,695	3,827	6,514	8,721	2,463	6,670	
2. NPV of total debt after full delivery 3/	1,184	1,001	955	904	846	800	700	639	461	846	602	
Multilateral	988	934	891	843	788	745	656	600	437	846	602	
Bilateral and commercial	166	67	64	61	58	55	44	38	24	64	36	
2. NPV of outstanding debt (3+4)	5,666	1,001	955	904	846	800	700	639	461	1,256	602	
3. Official bilateral and commercial	4,394	26	24	21	18	15	5	38	24	449	36	
Paris Club	3,970	26	24	21	18	15	5	38	24	374	5	
Other official bilateral and commercial	424	40	40	40	40	40	39	33	18	75	30	
4. Multilateral	1,272	934	891	843	788	745	656	600	437	807	566	
<b>IV. After MDRI assistance and bilateral debt relief beyond HIPC assistance</b>												
1. NPV of total debt (2+6)	5,666	525	640	792	951	1,158	3,313	6,030	8,363	1,957	6,215	
2. NPV of total debt after full delivery 3/	480	346	331	313	286	263	186	155	103	279	147	
3. NPV of outstanding debt (3+4)	5,666	346	331	313	286	263	186	155	103	750	147	
Official bilateral and commercial 5/	4,394	67	64	61	58	55	44	38	24	449	36	
4. Multilateral	1,272	279	267	252	228	208	142	117	79	302	111	
World Bank Group	686	117	114	110	106	101	77	73	59	151	70	
IMF	244	11	11	10	9	8	0	0	0	27	0	
AfDB/AIDF 6/	220	64	61	55	42	33	27	23	12	56	21	
Others	121	87	82	76	71	65	38	21	9	67	20	
<b>Memorandum items:</b>												
6. NPV of new borrowing	...	180	309	479	665	895	3,127	5,875	8,260	1,328	6,068	

Sources: Cameroonian authorities; and Bank-Fund staff estimates and projections.

1/ Refers to public and publicly guaranteed external debt only and is discounted on the basis of the average commercial interest reference rate for the respective currency, derived over the six-month period prior to the latest date for which actual data are available (December 2005).

2/ Assumes a stock-of-debt operation on Naples terms (67 percent NPV reduction) as of end-2005, and at least comparable action by other official bilateral and commercial creditors.

3/ NPV of total debt assuming the entire HIPC Initiative assistance is fully delivered as of end-2005.

4/ Includes additional debt relief provided on a voluntary basis by the Paris Club and some commercial creditors beyond the requirements of the enhanced HIPC framework as specified on table 17.

5/ This corresponds to the situation after MDRI assumes MDRI implementation modalities presented in "ADF-X: Additions to ADF Resources Financing the Multilateral Debt Relief Initiative", expected to be approved by the AIDF Board of Directors in May 2006.

6/ Projected NPV of debt after MDRI assumes MDRI implementation modalities presented in "ADF-X: Additions to ADF Resources Financing the Multilateral Debt Relief Initiative", expected to be approved by the AIDF Board of Directors in May 2006.

Table 16. Cameroon: Key External Debt Indicators, 2005-25 1/  
(in percent, unless otherwise indicated)

	2005 Actual	2006 Estimate	2007	2008	2009	2010	2015	2020	2025	Annual Averages	
										2006-15	2016-25
<b>After traditional debt relief</b>											
NPV of debt-to-GDP ratio	28.2	27.7	25.9	24.2	22.6	21.4	20.2	19.2	16.1	22.4	18.6
NPV of debt-to-exports ratio	129.9	115.7	107.4	105.2	105.7	106.2	118.4	131.8	120.9	110.4	127.5
NPV of debt-to-exports ratio (existing debt only)	129.9	111.3	100.3	94.4	90.7	86.2	61.1	43.3	25.9	83.6	41.5
NPV of debt-to-revenues ratio	...	156.9	150.4	145.3	137.4	132.2	127.4	125.7	104.9	135.6	121.4
Debt service ratio	...	9.0	8.8	8.6	8.4	7.2	5.7	6.3	8.0	7.1	6.8
Debt service-to-government-revenue ratio	...	13.3	12.4	11.7	10.9	9.2	6.3	6.3	7.4	9.2	6.7
<b>After enhanced HIPC assistance</b>											
NPV of debt-to-GDP ratio	33.3	12.7	12.0	11.5	10.9	10.7	13.3	15.0	13.8	11.8	14.5
NPV of debt-to-exports ratio	153.4	53.2	49.9	49.9	51.1	53.1	78.2	102.9	103.3	59.4	99.7
NPV of debt-to-exports ratio (existing debt only)	153.4	48.8	42.9	39.2	36.1	33.1	21.0	14.4	8.3	32.6	13.7
NPV of debt-to-revenues ratio	...	72.1	69.9	69.0	66.5	66.1	84.2	98.1	89.5	72.1	94.6
Debt service ratio	...	7.2	5.0	5.0	5.1	4.3	3.3	4.4	6.3	4.3	4.8
Debt service-to-government-revenue ratio	...	10.7	7.1	6.8	6.7	5.5	3.7	4.3	5.8	5.7	4.7
<b>After additional bilateral assistance</b>											
NPV of debt-to-GDP ratio	33.3	6.8	7.0	7.2	7.3	7.6	11.9	14.3	13.4	8.7	13.8
NPV of debt-to-exports ratio	153.4	28.6	28.9	31.1	34.2	37.9	70.0	98.0	100.3	44.4	94.9
NPV of debt-to-exports ratio (existing debt only)	153.4	24.3	21.8	20.3	19.1	17.9	12.8	9.6	5.3	17.6	9.0
NPV of debt-to-revenues ratio	...	38.9	40.4	43.0	44.4	47.1	75.4	93.5	87.0	53.1	89.9
Debt service ratio	...	4.5	2.1	2.2	2.4	2.2	2.3	3.9	6.1	2.4	4.3
Debt service-to-government-revenue ratio	...	6.7	3.0	3.1	3.2	2.8	2.5	3.9	5.6	3.1	4.2
<b>After MDRI 5/</b>											
NPV of debt-to-GDP ratio	33.3	3.0	3.5	4.1	4.6	5.2	10.3	13.2	12.8	6.2	12.8
NPV of debt-to-exports ratio	153.4	12.8	14.6	17.8	21.5	25.9	60.6	90.8	96.2	32.4	88.2
NPV of debt-to-exports ratio (existing debt only)	153.4	8.4	7.6	7.0	6.5	5.9	3.4	2.3	1.2	5.6	2.2
NPV of debt-to-revenues ratio	193.6	17.3	20.5	24.6	27.9	32.2	65.3	86.6	83.4	38.1	83.4
Debt service ratio	...	3.5	0.8	0.9	1.2	1.1	1.9	3.4	5.7	1.5	3.8
Debt service-to-government-revenue ratio	...	5.2	1.1	1.3	1.5	1.4	2.1	3.4	5.2	1.9	3.7
Memorandum items:											
NPV of debt after traditional debt relief	4,795	4,767	4,698	4,677	4,675	4,755	6,467	8,755	10,514	5,199.7	8,860.4
Debt service after traditional debt relief	...	405	389	378	370	330	322	438	739	339.9	501.7
NPV of debt after HIPC assistance	5,666	2,190	2,184	2,220	2,262	2,376	4,273	6,834	8,978	2,828.1	6,989.2
Debt service after HIPC assistance	...	324	222	219	228	199	188	303	583	207.1	359.2
NPV of debt after additional bilateral relief	5,666	1,180	1,263	1,383	1,511	1,695	3,827	6,514	8,721	2,142.3	6,669.5
Debt service after additional bilateral relief	...	204	94	99	108	100	128	273	566	113.6	327.2
NPV of debt after MDRI and additional bilateral relief 2/	5,666	525	640	792	951	1,158	3,313	6,030	8,363	1,586.4	6,214.6
Debt service after MDRI and additional bilateral relief 2/	...	157	35	41	51	51	106	237	524	73.1	291.4
GDP	16,991	17,240	18,155	19,315	20,684	22,267	32,032	45,568	65,240	23,739.7	48,263.1
Exports of goods and services 3/	4,202	4,506	4,420	4,414	4,433	4,583	5,657	6,957	9,231	4,859.4	7,299.7
Exports of goods and services (3-year myg. avg.) 4/	3,692	4,120	4,376	4,446	4,422	4,477	5,464	6,644	8,693	4,701.5	6,955.0
Government revenue 5/	2,927	3,037	3,124	3,219	3,402	3,595	5,075	6,965	10,027	3,879.0	7,396.7

Sources: Cameroonian authorities; and staff estimates.

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

2/ Projected NPV of debt, debt service and debt ratios after MDRI assumes MDRI implementation modalities from the ADF as presented in

"ADF-X: Additions to ADF Resources Financing the Multilateral Debt Relief Initiative", expected to be approved by the ADF Board of Directors in May 2006.

3/ As defined in IMF, *Balance of Payments Manual*, 5th edition, 1993.

4/ Based on a three-year average of exports on the previous year (e.g., export average over 1997-99 for NPV of debt-to-exports ratio in 1999).

5/ Revenues are defined as central government revenues, excluding grants.

Table 17. Cameroon: External Debt Service After Full Implementation of Debt-Relief Mechanisms  
(In millions of U.S. dollars, unless otherwise indicated)

	Annual Averages									
	2006	2007	2008	2009	2010	2015	2020	2025	2006-15	2016-25
<b>After traditional debt-relief mechanisms 1/</b>										
Total debt service including new borrowing	405	389	378	370	330	322	438	739	340	502
Total debt service on outstanding debt	404	384	370	359	313	234	216	230	308	225
Multilateral	151	138	132	121	96	54	57	53	96	55
World Bank Group	49	39	40	41	40	39	45	43	40	44
IMF	53	60	55	44	32	2	0	0	29	0
ADB/AFDF	35	26	26	25	13	6	7	8	16	7
Others	13	12	12	11	11	8	5	2	11	5
Official bilateral	253	247	238	238	217	180	159	177	213	169
Paris Club	242	234	226	226	206	171	148	162	202	158
Other official bilateral and commercial	11	12	12	12	12	9	11	16	10	12
<b>After enhanced HIPC assistance</b>										
Total debt service including new borrowing	324	222	219	228	199	188	303	583	207	359
Total debt service on outstanding debt	323	217	212	216	182	99	81	74	176	82
Multilateral	97	83	86	91	77	36	48	52	67	47
World Bank Group	29	21	23	25	24	24	36	43	25	36
IMF	40	46	44	41	31	2	0	0	25	0
ADB/AFDF	19	8	10	17	13	6	7	8	10	7
Others	9	9	9	9	9	5	5	2	8	4
Official bilateral	226	134	126	125	104	63	33	21	108	36
Paris Club	220	132	124	123	103	61	29	17	106	32
Other official bilateral and commercial	6	2	2	2	2	2	3	5	2	3
<b>After bilateral debt relief beyond HIPC 2/</b>										
Total debt service including new borrowing	204	94	99	108	100	128	273	566	114	327
Total debt service on outstanding debt	203	89	91	97	83	40	51	57	82	50
Multilateral	97	83	86	91	77	36	48	52	67	47
Official bilateral	106	6	6	4	5	3	3	5	15	5
Paris Club	100	4	4	4	4	1	0	4	13	0
Other official bilateral and commercial	6	2	2	2	2	2	3	5	2	3
<b>After MDRI assistance and bilateral debt relief beyond HIPC assistance</b>										
Total debt service including new borrowing	157	35	41	51	51	106	237	524	73.1	291
Total debt service on outstanding debt	156	30	33	40	34	18	15	15	42	15
Multilateral	50	25	27	34	29	15	12	10	27	11
World Bank Group	23	8	9	9	9	6	5	6	10	5
IMF	1	1	1	1	1	2	0	0	1	0
ADB/AFDF 3/	17	7	9	15	9	2	2	3	7	2
Others	9	9	9	9	9	5	5	2	8	4
Official bilateral 2/	106	6	6	5	5	3	3	5	15	4
<b>Memorandum items:</b>										
Debt service of new borrowing	1	4	8	12	17	89	222	509	31	277
Nominal debt relief										
Under the enhanced HIPC initiative	81	167	158	143	131	134	135	156	133	143
Under the MDRI	47	59	58	57	49	22	36	42	40	36

Sources: Cameroonian authorities; and Bank-Fund staff estimates and projections.

1/ Assumes a stock-of-debt operation on Naples terms (67 percent NPV reduction) as of end of 2005, and at least comparable action by other official bilateral and commercial creditors.

2/ Includes additional debt relief provided on a voluntary basis by the Paris Club and some commercial creditors beyond the requirements of the enhanced HIPC framework.

3/ Projected debt service after MDRI assumes MDRI implementation modalities presented in "ADF-X: Additions to ADF Resources Financing the Multilateral Debt Relief Initiative," expected to be approved by the ADF Board of Directors in May 2006.



Table 18. Cameroon: Sensitivity Analysis, 2006-2025 1/  
(In percent, unless otherwise indicated)

	2006	2007	2008	2009	2010	2015	2020	2025	Averages	
	Projections								Averages	
<b>A. Baseline Scenario</b>										
NPV of debt-to-exports ratio 2/	12.8	14.6	17.8	21.5	25.9	60.6	90.8	96.2	32.4	88.2
Debt service-to-export ratio	3.5	0.8	0.9	1.2	1.1	1.9	3.4	5.7	1.5	3.8
Debt service-to-revenue ratio	5.2	1.1	1.3	1.5	1.4	2.1	3.4	5.2	1.9	3.7
Memorandum items (in millions of U.S. dollars)										
NPV of debt	525.4	639.9	791.7	950.6	1157.9	3312.6	6030.4	8363.0	1586.4	6214.6
of which: new debt	179.7	308.7	479.1	664.8	894.9	3126.7	5875.3	8259.9	1327.7	6067.6
Debt service	157.0	34.7	40.5	51.1	51.1	106.5	237.3	524.2	73.1	291.4
of which: new debt	1.1	4.4	7.5	11.6	17.0	88.5	222.1	509.0	31.4	276.8
Exports of goods and services, three year average	4120.4	4375.7	4446.3	4422.1	4476.5	5463.8	6644.0	8693.0	4701.5	6955.0
Exports of goods and services 3/	4505.8	4419.5	4413.6	4433.2	4582.9	5656.9	6956.7	9231.3	4859.4	7299.7
Government revenue	3037.5	3124.3	3219.2	3401.9	3595.4	5074.8	6965.3	10026.6	3879.0	7396.7
<b>B. Sensitivity Analysis</b>										
<b>Alternative scenario I 4/</b>										
NPV of debt-to-exports ratio 2/	20.5	32.0	46.1	58.6	71.3	155.2	199.1	193.4	84.2	192.5
Debt service-to-export ratio	4.2	1.1	1.5	2.0	2.1	4.8	8.4	12.6	2.8	9.1
Debt service-to-revenue ratio	6.1	1.6	2.0	2.5	2.6	5.2	8.1	11.2	3.4	8.7
Memorandum items (in millions of U.S. dollars)										
NPV of debt	791.7	1241.7	1721.4	2204.1	2743.2	7477.5	12029.3	15638.2	3606.3	12278.2
of which: new debt	446.0	910.5	1408.8	1918.3	2480.2	7291.6	11874.3	15535.2	3347.5	12131.3
Debt service	157.0	41.6	55.8	74.5	82.3	239.9	532.4	1086.7	121.5	636.0
of which: new debt	1.1	11.3	22.9	35.0	48.2	222.0	517.2	1071.4	79.8	621.4
Exports of goods and services, three year average	3861.3	3880.7	3736.3	3763.2	3848.5	4818.9	6043.0	8085.1	4109.3	6346.2
Exports of goods and services 3/	3728.6	3711.8	3768.6	3809.2	3967.7	5018.8	6360.3	8614.5	4203.0	6693.9
Government revenue	2582.7	2586.4	2724.4	2938.3	3145.8	4639.1	6607.7	9721.0	3414.2	7041.1
<b>Alternative scenario II 5/</b>										
NPV of debt-to-exports ratio 2/	13.0	15.3	19.2	23.9	29.6	79.0	133.9	166.5	39.2	134.3
Debt service-to-export ratio	3.5	0.8	1.0	1.2	1.2	2.3	4.7	8.8	1.6	5.5
Debt service-to-revenue ratio	5.2	1.1	1.3	1.6	1.5	2.6	4.8	8.2	2.1	5.4
Memorandum items (in millions of U.S. dollars)										
NPV of debt	535.7	667.0	842.7	1036.7	1287.9	4043.4	7948.3	12295.1	1845.4	8432.1
of which: new debt	190.0	335.7	530.1	751.0	1024.9	3857.5	7793.2	12192.0	1586.7	8285.1
Debt service	157.0	35.0	41.2	52.4	53.3	122.3	292.1	686.6	77.9	366.9
of which: new debt	1.1	4.7	8.2	12.9	19.2	104.4	276.9	671.4	36.2	352.3
Exports of goods and services, three year average	4111.7	4348.9	4391.1	4336.8	4358.0	5117.8	5937.3	7382.3	4548.6	6159.1
Exports of goods and services 3/	4479.6	4365.5	4328.2	4316.6	4429.1	5254.0	6156.8	7761.4	4668.2	6400.7
Government revenue	3019.9	3084.9	3157.0	3311.2	3472.9	4706.7	6145.5	8407.1	3717.3	6457.3

Sources: Cameroonian authorities, and Bank-Fund staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed debt after full delivery of debt relief (including debt relief beyond the HIPC Initiative and MDRI relief).

2/ Projected NPV of debt, debt service and debt ratios assume MDRI implementation modalities from the AIDF as presented in

ADf-X. Additions to ADF Resources Financing the Multilateral Debt Relief Initiative, expected to be approved by the AIDF Board of Directors in May 2006.

3/ Based on a three-year backward looking moving average of exports of goods and services.

4/ Scenario I assumes a simultaneous permanent decline in export prices of oil, cacao and aluminium by 40, 20 and 20 percent respectively.

5/ Scenario II assumes a permanent reduction in real GDP growth by one percentage point with a concomitant effect on export and import volumes.

Table 19. HIPC Initiative: Status of Country Cases Considered Under the Initiative, March 14, 2006

Country	Decision Point	Completion Point	Target NPV of Debt-to-Gov.		Assistance Levels 1/ (In millions of U.S. dollars, present value)				Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)	
			Exports (in percent)	revenue	Total	Bilateral and commercial	Multi-lateral	IMF			World Bank
<b>Completion point reached under enhanced framework</b>											
Benin	Jul. 00	Mar. 03	150		265	77	189	24	84	31	460
Bolivia					1,302	425	876	84	194		2,060
<i>original framework</i>	<i>Sep. 97</i>	<i>Sep. 98</i>	225		448	157	291	29	54	14	760
<i>enhanced framework</i>	<i>Feb. 00</i>	<i>Jun. 01</i>	150		854	268	585	55	140	30	1,300
Burkina Faso					553	83	469	57	231		930
<i>original framework</i>	<i>Sep. 97</i>	<i>Jul. 00</i>	205		229	32	196	22	91	27	400
<i>enhanced framework</i>	<i>Jul. 00</i>	<i>Apr. 02</i>	150		195	35	161	22	79	30	300
<i>topping-up</i>	<i>...</i>	<i>Apr. 02</i>	150		129	16	112	14	61	24	230
Ethiopia					1,982	637	1,315	60	832		3,275
<i>enhanced framework</i>	<i>Nov. 01</i>	<i>Apr. 04</i>	150		1,275	482	763	34	463	47	1,941
<i>topping-up</i>	<i>...</i>	<i>Apr. 04</i>	150		707	155	552	26	369	31	1,334
Ghana	Feb. 02	Jul. 04	144	250	2,186	1,084	1,102	112	781	56	3,500
Guyana					591	223	367	75	68		1,354
<i>original framework</i>	<i>Dec. 97</i>	<i>May 99</i>	107	280	256	91	165	35	27	24	634
<i>enhanced framework</i>	<i>Nov. 00</i>	<i>Dec-03</i>	150	250	335	132	202	40	41	40	719
Honduras	Jul. 00	Mar-05	110	250	556	215	340	30	98	18	1,000
Madagascar	Dec. 00	Oct-04	150		836	474	362	19	252	40	1,900
Mali					539	169	370	59	185		895
<i>original framework</i>	<i>Sep. 98</i>	<i>Sep. 00</i>	200		121	37	84	14	43	9	220
<i>enhanced framework</i>	<i>Sep. 00</i>	<i>Mar. 03</i>	150		417	132	285	45	143	29	675
Mauritania	Feb. 00	Jun. 02	137	250	622	261	361	47	100	50	1,100
Mozambique					2,023	1,270	753	143	443		4,300
<i>original framework</i>	<i>Apr. 98</i>	<i>Jun. 99</i>	200		1,717	1,076	641	125	381	63	3,700
<i>enhanced framework</i>	<i>Apr. 00</i>	<i>Sep. 01</i>	150		306	194	112	18	62	27	600
Nicaragua	Dec. 00	Jan. 04	150		3,308	2,175	1,134	82	191	73	4,500
Niger					663	235	428	42	240		1,190
<i>enhanced framework</i>	<i>Dec. 00</i>	<i>Apr. 04</i>	150		521	211	309	28	170	53	944
<i>topping-up</i>	<i>...</i>	<i>Apr. 04</i>	150		143	23	119	14	70	25	246
Rwanda					696	65	631	63	383		1,316
<i>enhanced framework</i>	<i>Dec. 00</i>	<i>Apr-05</i>	150		452	56	397	44	228	71	839
<i>topping-up</i>	<i>...</i>	<i>Apr-05</i>	150		243	9	235	20	154	53	477
Senegal	Jun. 00	Apr. 04	133	250	488	212	276	45	124	19	850
Tanzania	Apr. 00	Nov. 01	150		2,026	1,006	1,020	120	695	54	3,000
Uganda					1,003	183	820	160	517		1,950
<i>original framework</i>	<i>Apr. 97</i>	<i>Apr. 98</i>	202		347	73	274	69	160	20	650
<i>enhanced framework</i>	<i>Feb. 00</i>	<i>May 00</i>	150		656	110	546	91	357	37	1,300
Zambia	Dec. 00	Apr-05	150		2,499	1,168	1,331	602	493	63	3,900
<b>Decision point reached under enhanced framework</b>											
Burundi	Aug. 05	Floating	150		826	124	701	28	425	92	1,465
Cameroon	Oct. 00	Floating	150		1,260	874	324	37	179	27	2,800
Chad	May. 01	Floating	150		170	35	134	18	68	30	260
Congo, Democratic Rep. of	Jul. 03	Floating	150		6,311	3,837	2,474	472	831	80	10,389
Congo Rep. of	Mar. 06	Floating	250		1,679	1,561	118	8	49	32	2,881
Gambia, The	Dec. 00	Floating	150		67	17	49	2	22	27	90
Guinea	Dec. 00	Floating	150		545	215	328	31	152	32	800
Guinea-Bissau	Dec. 00	Floating	150		416	212	204	12	93	85	790
Malawi	Dec. 00	Floating	150		643	163	480	30	331	44	1,000
São Tomé and Príncipe	Dec. 00	Floating	150		97	29	68	-	24	83	200
Sierra Leone	Mar. 02	Floating	150		600	205	354	123	122	80	950
<b>Decision point reached under original framework</b>											
Côte d'Ivoire	Mar. 98 3/	...	141	280	345	163	182	23	91	6 4/	800
<b>Total assistance provided/committed</b>					<b>34,749</b>	<b>17,234</b>	<b>17,379</b>	<b>2,588 5/</b>	<b>8,205</b>		<b>59,104</b>
<b>Preliminary HIPC document issued</b>											
Côte d'Ivoire 6/	...	...	91	250	2,569	1,027	918	166	438	37	3,900

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

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

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

3/ Côte d'Ivoire reached its decision point under the original framework in March 1998. The total amount of assistance committed thereunder was US\$345 million in NPV terms.

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

5/ Equivalent to SDR 1,804 million at an SDR/USD exchange rate of 0.6972, as of March 14, 2006.

6/ It is suggested that enhanced HIPC relief for Côte d'Ivoire overtake the commitments made under the original HIPC framework.

## Debt Sustainability Analysis for Low-Income Country Framework—Update

1. **This appendix updates the debt sustainability analysis (DSA) prepared in October 2005** (Country Report No. 05/413). The DSA, which is prepared jointly by the IMF and the World Bank, is based on the common standard framework for low-income countries approved by the Executive Boards of the IMF and IDA.<sup>60</sup> Three key differences underpin the results of this update relative to those in Country Report No. 05/413: (i) this update uses the reconciled debt database and debt service projections of the HIPC completion point DSA; (ii) it includes full MDRI debt relief in the baseline; and (iii) new borrowing has been revised in line with the long-term framework discussed with the authorities.
2. **The update confirms that Cameroon remains in the category of low-income countries with a low risk of debt distress.** After the full delivery of HIPC assistance, bilateral debt relief beyond the HIPC Initiative and MDRI, Cameroon’s external debt is projected to remain comfortably below the country-specific policy dependent thresholds in the long run. Standard stress tests reveal that, after Cameroon crosses the IDA-only threshold, the risk of debt distress would increase if external debt is contracted at terms less concessional than IDA “hardened” terms.

### Background

#### 3. Recent developments concerning Cameroon’s public and publicly guaranteed (PPG) external debt have been positive.

Nominal PPG debt declined from US\$ 7.0 billion in 2004 to US\$6.2 billion in 2005, corresponding to 7.7 percentage points of GDP decrease in the stock of debt. External debt service was reduced from 8.8 percent of GDP in 2004 to 6.8 percent in 2005, reflecting debt relief by Paris Club creditors as well as HIPC assistance notably by the IMF and the European Union. Debt service

#### Public External Debt

(In U.S. dollar)

	2004	2005
Total	6,984	6,200
Multilateral	2,056	1,847
World Bank	1,194	1,112
African Development Bank	331	310
IMF	318	272
Other	213	530
Bilateral	4,696	3,977
Paris Club	4,560	3,914
Non Paris Club	136	63
Commercial	233	376

Source: Staff estimates; and Cameroonian authorities.

<sup>60</sup> For the IMF, see *The Acting Chairs Summing Up, Operational Framework for Debt Sustainability Assessments in Low-Income Countries—Further Considerations*. The Bank’s Executive Board endorsed the framework on April 12, 2005. For additional information on the LIC DSA framework, see the following joint Fund-World Bank staff papers: *Debt Sustainability in Low-Income Countries—Proposal for an Operational Framework and Policy Implications*, *Debt Sustainability in Low-Income Countries—Further Considerations on an Operational Framework and Policy Implications*, and *Operational Framework for Debt Sustainability Assessments in Low-Income Countries—Further Considerations*.

is well below the average of 7.3 percent for all 28 HIPCs that reached the decision point by end-2004.

### **Medium Term Macroeconomic Framework**

4. **The underlying macroeconomic assumptions of the HIPC DSA and the LIC DSA are identical.** GDP growth is expected to accelerate over the medium-term to 6 percent in 2011, reflecting economic stimulus from higher capital spending, and the implementation of structural reforms (Table 1). Over the long-term, growth in the non-oil economy is expected to stabilize at about 5.5 percent, while oil GDP will gradually decline. Investment is expected to remain at about 21.5 percent of GDP, a level considered to be supportive of long-term economic growth. Inflation will average 2 percent in line with the central bank long-term commitment to low inflation. Exports of goods and services are projected to gradually decline over time reflecting the decline in petroleum exports. Non-oil exports in real terms are projected to accelerate over the medium-term reflecting increased investment in key sectors of the economy (primarily services). Thereafter, they are expected to grow by an average of 6.6 percent, somewhat higher than the average in recent years. The share of oil exports is assumed to decline gradually from about 50 percent in 2005 to 11 percent in 2025. The current account deficit, including grants, is expected to increase to about 4 percent over the medium-term, and gradually improve thereafter. The external current account deficit is expected to be financed through foreign direct investment and loans, a mixture of which will be from IDA and the rest from other creditors on less concessional terms.

5. **New public borrowing is assumed to gradually increase over the medium-term** to help finance new investment. External borrowing is expected to rise gradually to 1.8 percent of GDP in 2015 and then to gradually decline to about 1 percent by 2025. IDA borrowing is assumed to constitute 47 percent of new borrowing, with the remainder loans originating from other multilateral and bilateral creditors on less concessional terms. When Cameroon crosses the IDA-only threshold in 2010, disbursements from the Bank will also be on less concessional terms.

### **Debt Sustainability Analysis**

6. **All debt ratios have improved relative to the results of the LIC DSA** conducted last October because of the impact of MDRI relief in the baseline scenario. All debt indicators will remain substantially below the relevant country-specific debt burden threshold in the long run (Box 1 and Table 1). Nevertheless, as in the October 2005 LIC DSA debt indicators are expected to steadily increase in the long term, reflecting additional borrowing to meet the country's development needs and reduced concessionality from 2010 onwards. The risk of debt distress will remain low assuming that GDP and export growth in the non-oil sector remain robust in the long run, and the authorities maintain a prudent fiscal and borrowing policies. The debt sustainability outlook also hinges on the ability of Cameroon to attract significant foreign direct investment by the private sector.

7. **The combined effect of HIPC relief at completion point and MDRI sets the stage for long-term debt sustainability.** Assuming full delivery of HIPC relief and MDRI in 2006, the NPV of debt would decrease from US\$5.7 billion at end-2005 to US\$480 million or 2.8 percent

of GDP at end-2006 (Table 1).<sup>61</sup> Debt burden indicators are projected to increase steadily over the long term, while remaining comfortably below the country-specific policy dependent thresholds. Debt service is projected to decrease from 3.6 percent of exports in 2006 to 2.1 percent in 2015, before rising to 5.8 percent in 2025.

### **Risks and Vulnerabilities**

8. **There are some risks to debt sustainability in the presence of exogenous shocks.** If new borrowing is contracted on less concessional terms than under the baseline, all debt ratios will start deteriorating, and the NPV of debt-to-exports ratio may exceed the indicative thresholds (Figure 1 and Table2).<sup>62</sup>

9. **The sustainability of Cameroon's long-term debt hinges on continuing strong macroeconomic performance and sound policies.** These include an average real GDP growth of about 5.5 percent annually, low inflation, strong tax effort, and expenditure restraint. Further advances on governance, a strong commitment to reforms, export diversification, and prudent borrowing policies will be essential for maintaining debt sustainability.

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<sup>61</sup> The NPV of debt is calculated by applying a single discount rate of 5 percent to debt service converted in dollar terms using the WEO average exchange rate with respect to the U.S. dollar, and maintaining the exchange rates constant thereafter. This differs from the HIPC methodology, where the NPV of debt is calculated by applying currency specific discount rates to debt service converted into dollar at fixed end-2005 exchange rates.

<sup>62</sup> The historical scenario implies a growth rate of 4 percent in line with the assumptions of the low growth scenario used in the sensitivity analysis (section E of the main text). The reason that debt indicators under the historical scenario appear more favorable than those resulting from the sensitivity analysis is primarily due to differences in the non-interest external current account balance. Specifically, under the historical scenario the external current account balance is more favorable than that assumed under the sensitivity analysis. As a result, the financing need is lower, which implies less borrowing and more favorable debt indicators.

Box 1. Cameroon: Debt Sustainability Indicators

	Indicative thresholds 1/	
	2015	2025
NPV of debt in percent of GDP	40	10.1
Exports	150	57.3
Debt service (percent of exports)	20	2.1
	3.6	5.8

Source: Staff estimates and Cameroonian authorities.  
1/ Based on the quality of policies and institutions of the country as ranked in the Country Policy and Institutional Assessment (CPIA) Index, see *Operational Framework for Debt Sustainability Assessments in Low Income Countries-Further Consideration*, March 28, 2005.

Table 1. Cameroon: External Debt Sustainability, Baseline Scenario, 2005-25 1/  
(In percent of GDP, unless otherwise indicated)

	Actual Average 5/ 2005	Projections										2012-25 Average		
		2006	2007	2008	2009	2010	2011	2011 Average	2012	2013	2014		2015	2020
External debt (nominal) 1/ of which: public and publicly guaranteed (PPG)	36.5	32.4	31.8	31.2	30.4	29.8	29.1	28.6	28.3	27.9	27.7	24.9	20.0	20.0
Change in external debt	-7.7	32.4	31.8	31.2	30.4	29.8	29.1	28.6	28.3	27.9	27.7	24.9	20.0	20.0
Identified net debt-creating flows	0.4	-4.1	-0.6	-0.6	-0.6	-0.6	-0.7	-0.8	-0.4	-0.3	-0.2	-0.8	-1.1	-1.1
Non-interest current account deficit	1.1	-0.2	0.4	1.1	1.3	1.5	1.5	1.8	1.9	1.8	1.9	1.6	0.5	0.5
Deficit in balance of goods and services	0.7	1.0	1.8	2.6	2.8	3.1	3.1	3.2	3.2	3.1	3.1	2.7	1.3	1.3
Exports	24.7	3.0	3.3	4.1	4.2	4.4	4.5	4.5	4.5	4.4	4.4	3.8	2.3	2.3
Imports	27.9	29.1	27.6	26.9	25.6	25.0	24.4	23.9	23.4	22.7	22.0	19.1	16.5	16.5
Net current transfers (negative = inflow)	-1.3	-1.2	-1.1	-1.0	-1.0	-0.9	-0.9	-0.9	-0.8	-0.8	-0.8	-0.7	-0.6	-0.6
Other current account flows (negative = net inflow)	-0.8	-0.7	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5
Net FDI (negative = inflow)	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Endogenous debt dynamics 2/	-0.6	-1.1	-1.2	-1.3	-1.4	-1.4	-1.5	-1.3	-1.2	-1.2	-1.1	-1.0	-0.8	-0.8
Contribution from nominal interest rate	0.4	0.4	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2
Contribution from real GDP growth	-1.1	-1.5	-1.3	-1.5	-1.5	-1.5	-1.6	-1.4	-1.4	-1.4	-1.3	-1.3	-1.1	-1.1
Residual 3/	-8.1	-3.8	-1.0	-1.7	-2.1	-2.2	-2.2	-2.2	-2.2	-2.1	-2.1	-2.3	-1.6	-1.6
o/w exceptional financing	-2.5	-2.5	-2.6	-2.3	-1.9	-1.5	-1.2	-1.0	-0.9	-0.9	-0.9	-0.7	-0.6	-0.6
NPV of PPG external debt	2.6	2.8	3.3	3.8	4.3	5.0	6.0	7.1	8.1	9.1	10.1	13.0	12.7	12.7
In percent of exports	10.3	10.6	13.4	16.8	20.3	24.1	30.1	36.4	42.9	49.7	57.3	85.4	89.5	89.5
PPG ratio debt service to exports ratio (in percent)	6.8	3.6	0.9	1.0	1.3	1.3	1.4	1.4	1.7	1.9	2.1	3.5	5.8	5.8
<b>Key macroeconomic assumptions</b>														
Real GDP growth in US dollars terms (in percent)	2.6	4.2	4.3	4.9	5.1	5.5	6.0	5.3	5.3	5.3	5.1	5.3	5.4	5.3
GDP deflator in US dollar terms (change in percent)	4.9	-2.6	0.9	2.0	1.9	2.1	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0
Effective interest rate (percent) 4/	1.1	1.1	0.3	0.4	0.4	0.5	0.6	0.6	0.7	0.8	0.9	1.1	1.2	1.0
Growth of exports of G&S (US dollar terms, in percent)	15.0	7.7	-1.9	-0.1	0.4	3.4	5.0	4.7	4.3	4.3	3.2	4.9	6.4	4.8
Growth of imports of G&S (US dollar terms, in percent)	7.9	6.1	-0.1	3.6	1.9	5.1	5.7	5.4	4.8	4.3	4.0	4.3	4.6	4.4
Grant element of new public sector borrowing (in percent)	40.7	40.9	40.9	41.0	41.4	41.4	34.7	40.1	34.7	34.7	34.7	34.7	34.7	34.7
<i>Memorandum item:</i>														
Nominal GDP (billions of U.S. dollars)	17.0	17.2	18.2	19.3	20.7	22.3	24.1	25.9	27.8	29.9	32.0	45.6	65.2	65.2

Source: Staff simulations.

1/ Includes only public and publicly guaranteed external debt.

2/ Derived as  $(r - g - \rho)(1 + g + p + \rho g)$  times previous-period debt ratio; with  $r$  = nominal interest rate;  $g$  = real GDP growth rate; and  $\rho$  = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 2. Cameroon: Sensitivity Analyses of Public and Publicly Guaranteed External Debt, 2005-25  
(In percent)

	Projections												
	2005	2006	2007	2008	2009	2010	2015	2020	2021	2022	2023	2024	2025
<b>NPV of debt-to-GDP ratio (threshold=40)</b>													
<b>Baseline</b>	3	3	3	4	4	5	10	13	13	13	13	13	13
<b>A. Alternative scenarios</b>													
A1. Key variables at their historical averages in 2006-20 1/	3	3	4	4	4	4	5	6	6	6	7	7	8
A2. New public sector loans on less favorable terms in 2006-20 2/	3	3	3	4	5	7	16	23	24	24	25	25	25
<b>B. Bound tests</b>													
B1. Real GDP growth at historical average minus one standard deviation in 2006-07	3	3	3	4	5	5	10	13	13	14	13	13	13
B2. Export value growth at historical average minus one standard deviation in 2006-07 3/	3	4	6	7	7	7	12	14	14	14	14	14	13
B3. U.S. dollar GDP deflator at historical average minus one standard deviation in 2006-07	3	3	4	4	5	6	11	15	15	15	15	14	14
B4. Net non-debt creating flows at historical average minus one standard deviation in 2006-07 4/	3	3	4	5	5	6	11	13	13	13	13	13	13
B5. Combination of B1-B4 using one-half standard deviation shocks	3	4	4	5	5	6	11	14	14	14	14	14	13
B6. One time 30 percent nominal depreciation relative to the baseline in 2006 5/	3	4	5	6	6	7	15	19	19	19	19	19	18
<b>NPV of debt-to-exports ratio (threshold=150)</b>													
<b>Baseline</b>	10	11	13	17	20	24	57	85	88	90	91	91	89
<b>A. Alternative scenarios</b>													
A1. Key variables at their historical averages in 2006-20 1/	10	12	15	16	17	17	28	37	40	42	45	49	53
A2. New public sector loans on less favorable terms in 2006-20 2/	10	10	12	16	24	34	92	150	158	166	172	176	179
<b>B. Bound tests</b>													
B1. Real GDP growth at historical average minus one standard deviation in 2006-07	10	11	13	17	21	25	58	86	89	90	91	91	90
B2. Export value growth at historical average minus one standard deviation in 2006-07 3/	10	17	27	31	36	40	75	101	104	105	105	104	102
B3. U.S. dollar GDP deflator at historical average minus one standard deviation in 2006-07	10	11	13	17	21	25	58	86	89	90	91	91	90
B4. Net non-debt creating flows at historical average minus one standard deviation in 2006-07 4/	10	12	17	21	25	29	61	88	91	92	93	92	91
B5. Combination of B1-B4 using one-half standard deviation shocks	10	15	17	21	25	28	61	87	90	91	92	91	90
B6. One time 30 percent nominal depreciation relative to the baseline in 2006 5/	10	11	13	17	21	25	58	86	89	90	91	91	90
<b>Debt-service ratio (threshold=20)</b>													
<b>Baseline</b>	7	4	1	1	1	1	2	4	4	5	5	5	6
<b>A. Alternative scenarios</b>													
A1. Key variables at their historical averages in 2006-20 1/	7	3	1	1	1	1	2	2	2	2	2	2	3
A2. New public sector loans on less favorable terms in 2006-20 2/	7	3	1	1	1	2	5	11	12	13	14	14	13
<b>B. Bound tests</b>													
B1. Real GDP growth at historical average minus one standard deviation in 2006-07	7	3	1	1	1	1	2	3	4	5	5	5	6
B2. Export value growth at historical average minus one standard deviation in 2006-07 3/	7	4	1	1	2	2	3	5	5	6	6	7	7
B3. U.S. dollar GDP deflator at historical average minus one standard deviation in 2006-07	7	3	1	1	1	1	2	3	4	5	5	5	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2006-07 4/	7	3	1	1	1	1	2	4	4	5	5	6	6
B5. Combination of B1-B4 using one-half standard deviation shocks	7	4	1	1	1	1	2	4	4	5	5	6	6
B6. One time 30 percent nominal depreciation relative to the baseline in 2006 5/	7	3	1	1	1	1	2	3	4	5	5	5	6
<i>Memorandum item:</i>													
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	36	36	36	36	36	36	36	36	36	36	36	36	36

Source: Staff projections and simulations.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Assumes that new borrowing is not concessional with the interest rate of 8 percent, while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

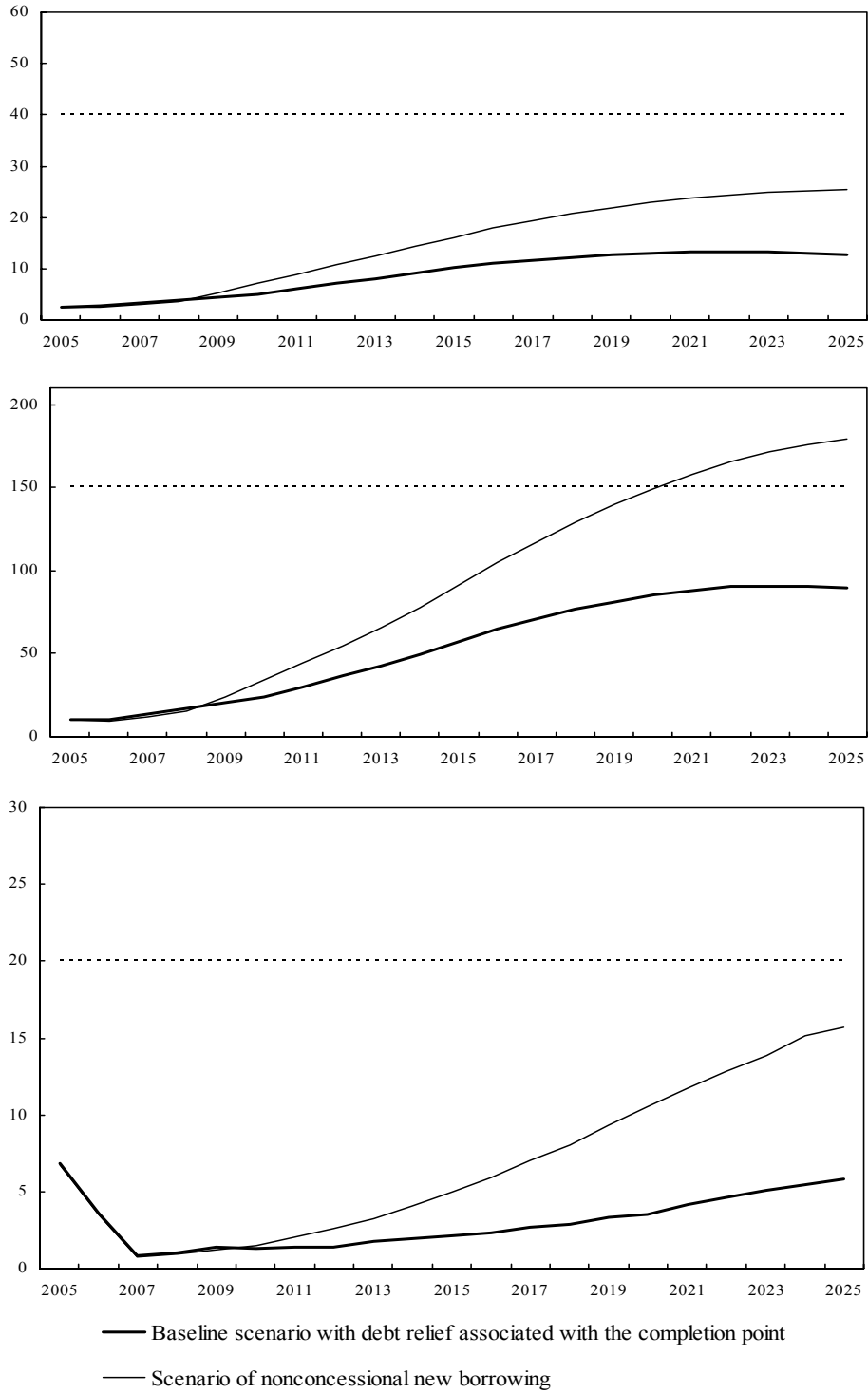
4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.



Figure 2. Cameroon: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2005-25 (In percent)



Source: staff projections and simulations.

## Cameroon—Debt Management

1. Since 1990, Cameroon's public debt has been managed by an autonomous government agency, the *Caisse Autonome d'Amortissement* (CAA), which has its own board of directors. By law, the CAA acts on behalf of the government in the following areas: (i) managing the public and publicly guaranteed external debt and the public domestic debt; (ii) safekeeping all loan agreements and related documents; (iii) ensuring timely disbursements of negotiated loans and making regular debt service payments; (iv) participating in the renegotiation of debt agreements with official and commercial creditors; and (v) providing regular statistics on the external and domestic debt for official publications. The CAA participates in the definition of medium-term macroeconomic policy with other government's agencies.
2. Internal directives establish the tasks of different units and the staff is adequate to fulfill the main tasks of debt management. Considerable technical assistance has been given in recent years by the Commonwealth Secretariat, the *Agence Française de Développement*, Debt Relief International, the IMF, and the World Bank.
3. Since 2000, CAA staff received training in debt rescheduling techniques, the use of debt management software, the regulatory framework of debt management, portfolio analysis, debt sustainability analysis and the formulation of borrowing strategies. The debt management practices at the CAA have considerably improved and the debt management unit provides up-to-date data on all external and domestic debt aggregates. CAA uses a dated version of the Commonwealth Secretariat's Debt Recording and Management System (CS-DRMS 7.2), the main application for record keeping and debt service projections. This software is set up in a broad-band network environment, which is fully operational. The CAA plans to update the current version of the CS DRMS to a Windows-based version (CS-DRMS 2000+) in order to improve its user-friendliness. The upgrade of the debt management software to CS-DRMS 2000+ would improve the quality and timeliness of debt reporting (including to the Debt Recording System of the World Bank) by facilitating data transfers among different software using the same operative system. The DebtPro software is also used for debt rescheduling simulations such as Paris Club reschedulings and the HIPC completion point. It thus serves as a tool for debt service projections, and feeds into the macroeconomic framework. Staff cooperated closely with the joint IMF-World Bank mission to complete the debt reconciliation exercise.
4. **The CAA lacks sufficient internal and external control procedures.** The CAA should establish procedures to verify debt aggregates with creditors' statements on a regular basis. Even though the CAA maintains regular contact with all creditors, payment data available through the debt management system often differ from creditors' invoices. In addition, disbursements or cancellations are not regularly recorded. The debt reports and repayments made through autonomously managed bank accounts should be regularly audited by an independent agency.
5. **Coordination with other agencies involved in debt management needs to be strengthened.** The coordination among the CAA, the Treasury and the Central Bank (BEAC) should improve to avoid overpayments or delays in making payments, which are sanctioned with the accrual of interest penalties. Delays in the past have often occurred because the treasury has tended to "bunch-up" payments instead of effecting regular transfers on a daily or weekly basis. The delays are also due to major weaknesses in cash management at the treasury.

6. **The quality of debt management in the future depends critically on the CAA's ability to assess risks.** The current government debt strategy aims at borrowing on only highly concessional terms. However, the level of concessionality of Cameroon's external debt could be reduced beginning in 2010 when its per capita income crosses the IDA-only threshold.<sup>63</sup> It is essential that CAA staff acquire the necessary skills to assess the risks of borrowing at different terms, and to convey effectively to the government these risks.

7. **Domestic debt management has improved.** The government has made substantial progress in auditing domestic arrears and launching a securitization program. Since the conclusion of the audit of domestic arrears in 2004, the government has started repaying the securitized debt according to a schedule that the government agreed with the IMF. Progress is also being made in reaching agreements with creditors of non securitized domestic debt.

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<sup>63</sup> The operational cutoff for IDA eligibility for FY06 is US\$965. In 2004, Cameroon's GNI per capita amounted to US\$800 and the country has limited access to capital market in the oil sector.