AFRICAN DEVELOPMENT BANK GROUP

CAMEROON

STRUCTURAL ADJUSTMENT PROGRAMME II (SAP II)

OPERATIONS EVALUATION DEPARTMENT
(OPEV)

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EXCHANGE RATES AND ABBREVIATIONS

Currency Equivalents

At Appraisal (September 1997)	At Time of PCR Preparation Mission (August 2000)	A Time of PPER Preparation Mission (August 2002)
UA 1 = US$1.36538	UA 1 = US$ 1,31355	UA 1 = US$ 1,33046
UA 1 = CFAF 824.693	UA 1 = CFAF 932,056	UA 1 = CFAF 874,915
US$ 1 = CFAF 604.8	US$ 1 = CFAF 709,678	US$ 1 = CFAF 657,603

Weights and Measures

Metric System

Financial Year

1st July to 30 June

ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
ADF	:	African Development Fund
ANAFOR	:	National Forestry Development Support Agency
ANTILOPE	:	Payroll management software
BEAC	:	Bank of Central African States
BICEC	:	International Credit and Savings Bank of Cameroon
CAA	:	Caisse autonome d'amortissement (Autonomous Sinking Fund)
CAMAIR	:	Cameroon Airlines
CAMRAIL	:	Railway Authority
CAMSUCO	:	Cameroon Sugar Company
CAMTEL	:	Cameroon Telecommunications
CAPP	:	Pharmaceutical Supply Center
CDC	:	Cameroon Development Corporation
CEMAC	:	Central African Economic and Monetary Community
CENAME	:	National Essential Drugs Supply Center
CFAF	:	African Financial Community Franc
CIMA	:	Inter-African Insurance Markets Conference
CIS	:	Inter-ministerial Supervision Committee
CNR	:	National Reinsurance Board
COBAC	:	Central African Banking Commission
COOPEC	:	Savings and Credit Cooperatives
CTS	:	Technical Monitoring Committee
ECAM	:	Cameroonian Households Survey
ENS	:	Teacher Training College
ENSET	:	Technical Training Institute
ESAF	:	Enhanced Structural Adjustment Facility
FFT	:	Flow of Funds Table
GDP	:	Gross Domestic Product
HIPC	:	Heavily Indebted Countries
IMF		International Monetary Fund
INTELCAM	:	Cameroon’s International Telecommunications Company

Interim PRSP	:	Interim Poverty Reduction Strategy Paper
MINEDUC	:	Ministry of Education
NGO	:	Non-Governmental Organization
ONADEF	:	National Forestry Development Office
ONCC	:	National Office for Coffee and Cocoa
PCR	:	Project Completion Review
PFP	:	Policy Framework Paper
PIB	:	Public investments budget
PIP	:	Public Investment Programme
PNG	:	National Governance Programme
POE	:	Staff and Organisation Plan
PPER	:	Project Performance Evaluation Report
PPER	:	Programme Performance Evaluation Report
PRGF		Poverty Reduction and Gross Fixed Capital Formation
REGIFERCAM	:	Cameroon's National Railway Authority
SAC	:	Structural Adjustment Credit
SAP	:	Structural Adjustment Programme
SEP	:	Social Emergency Programme
SGS	:	General Surveillance Company
SIGIPES	:	Integrated Staff and Payroll Data Processing System
SISEP	:	Public Enterprises Monitoring Computer System
SME	:	Small and Medium Enterprises
SNEC	:	Cameroon's National Water Authority
SNH	:	National Hydrocarbons Company
SOCAPALM	:	Oil Palm Development Company
SOCAR	:	Cameroonian Insurance and Reinsurance Company
SODECOTON	:	Cotton Development Company
SONARA	:	National Refining Company
SONEL	:	National Electricity Company
SPRA	:	Permanent Secretariat for Administrative Reform
SRC	:	Cameroon's Debt Collection Company
UA	:	Unit Accounts
UDEAC	:	Central African Customs and Economic Union
US$	:	United States Dollar
VAT	:	Value-added tax

RATINGS

Relevance	:	Satisfactory
Attainment of Objectives	:	Satisfactory
Efficiency	:	Satisfactory
Institutional Impact	:	Satisfactory
Sustainability	:	Satisfactory
Aggregate Performance Indicator	:	Satisfactory
Borrower Performance	:	Satisfactory
Bank Performance	:	Barely Satisfactory

PREFACE

1. The present Report deals with Cameroon's Second Structural Adjustment Programme (SAP II), covering the period 1997/98-1999/2000 in favour of which the ADF granted Loan N° F/CAM/SAP-2/98/12 for an amount of UA 13.02 million in December 1997.

2. This Programme was a follow-up to SAP I cofinanced by the Bank in 1989. It aimed at restoring internal and external macroeconomic balances with the view to achieving sustainable and equitable growth. The Programme's components were the following: (i) budgetary policy centered on the increase in receipts and the management and rationalization of expenditures; (ii) public sector reform with the view to stimulating the efficiency of the sector and readjusting the State's economic parameters; (iii) liberalization and creation of a secure climate for investments and private business; (iv) rehabilitation of the financial sector; (v) adjustment policies for the agricultural, energy and transport sectors; (vi) social policies aimed at poverty reduction, human resource development and the improvement of health services; (vii) a rational exploitation of natural resources, forestry in particular, through the implementation of appropriate local government, taxation and land development measures; and (viii) statistical monitoring of public enterprises, monitoring of internal debt as well as health and poverty indicators.

3. The objective of the ADF Loan was to sustain Cameroon's balance of payments through the financing of imports over the period 1997/98-1999/2000.

4. The Bank prepared the SAP-II Completion Report in August 2000. The document reveals that the implementation of the Programme undoubtedly contributed to restoring aggregate macro-economic balances and enabling Cameroon to return to the growth path and check the fall in the purchasing power of the population. However, the report revealed that some components of the programme, namely the privatization of public enterprises or the restructuring of the forestry sector had registered significant delays. In all, 106 measures out of the 131 envisaged by the Programme, or 80.9 %, had been or were in the process of being implemented.

5. This Report was written following a performance evaluation mission to Cameroon from 5 to 18 August 2002. It makes references to SAP-II's appraisal and completion reports and is based on (i) information available at the Bank's Headquarters; (ii) statistical data on the country's macroeconomic, sectoral and institutional trends compiled during the mission, and (iii) discussions and exchanges of views with the relevant Cameroonian public service officials.

6. The PPER makes an independent evaluation of performance of the Programme, the Borrower and the Bank Group, based on criteria of effectiveness, efficiency and sustainability of programme outcomes. It complements the findings, analysis and conclusions of the PCR. The PPER takes into account comments and observations of the Borrower and the Bank's operations departments.

BASIC PROGRAMME DATA

A. Preliminary Data

1. Loan Number	:	F/CAM/PAS-2/98/12
2. Borrower	:	Government of the Republic of Cameroon
3. Beneficiary	:	Government of the Republic of Cameroon
4. Executing Agency	:	Ministry of the Economy and Finance

B. Loan Basic Data

		Estimates	**Actual**
1. Loan amount (million UA)	:	13.02	13.02
2. Commitment charge	:	0.5% yearly on undisbursed loan amount with effect from 120 days following the loan agreement signature.	0.5% yearly on the undisbursed amount with effect from 120 days following the loan agreement signature.
3. Service charge	:	0.75% yearly on the amount disbursed and outstanding.	0.75% yearly on the undisbursed amount.
4. Repayment period	:	50 years	50 years
5. Grace period	:	10 years	10 years
6. Loan negotiation date	:	-	13 to 17 November 1997
7. Loan approval date	:	-	4 December 1997
8. Agreement signature date	:	-	13 February 1998
9. Loan effectiveness	:	-	30 April 1998

C. Project Data

		Estimates		Actual		Gap	
Financing plan	:	UA (million)	CFAF (billion)	UA (million)	CFAF (billion)	UA	CFAF
ADF	:	13.02	10.74	13.02	10.457	0	0.28
IMF	:	157.1	129.56	157.1			
World Bank	:	206.2	170.05	170			
European Union	:	19.04	15.70	19.04			
France	:	134.06	110.56	134.06	110.56		0
Total	:	529.42	436.61				
Date of first disbursement	:	May 1998		07 May 1998			
Commencement of programme implementation activities	:	December 1997		December 1997			
Date of completion of programme activities	:	July 1999		Some activities are still ongoing			

D. Performance Indicators

1. Number of extensions of date of last disbursement : None
2. Programme implementation status : Completed
3. Implementation performance : Satisfactory
4. Bank performance : Barely satisfactory
5. Programme outcome performance : Satisfactory

E. Missions

Type of mission	Number of Persons	Dates	Staff/months
Identification	-	-	-
Preparation	01	March-April 1996	0.5
Evaluation	02	June 1997	01
Supervision	01	24 November-12 December 1998	0.5
Mid-term review	01	-	-
PCR	01	28 June to 10 July 2000	0.5
Performance evaluation	02	5 to 18 August 2002	01

F. Disbursements (in UA million)

	Estimates at Appraisal	Actual	Percentage
Total disbursed	10.02	10.02	100%
1st tranche	8.0	8.0	100%
2nd tranche	5.02	5.02	100%
Amount cancelled	-	-	-
Unused balance	0.0	0.0	-
Annual disbursement			
1998	8.0	8.0	100%
1999	5.02	5.02	100%

G. Other Structural Adjustment Programmes Financed by the Bank in Cameroon

	Year of Approval	Loan (in UA million)	Implementation Status	Date of Completion	Status of PEAS
SAP I	1989	100	Completed	10/07/1995	-
SAP III	2001	20.5	Ongoing	-	-

EVALUATION SUMMARY AND RECOMMENDATIONS MATRIX

1. Objectives

1.1 The present Performance Evaluation Report is on Cameroon's Structural Adjustment Programme II (SAP II) covering the period 1997/98-1999/2000 and in favour of which the ADF granted Loan N° F/CAM/SAP-2/98/12 for an amount of UA 13.02 million in December 1997.

1.2 The Programme's main objective was to restore internal and external balances with the view to ensuring sustainable and equitable growth. The sector goal was to restore aggregate macroeconomic balances, in particular to achieve (i) an average growth rate of 5% with a low inflation rate (2% per annum) and (ii) a stabilization of external accounts, with a current accounts deficit of less than 2.5% of GDP.

1.3 SAP II comprised the following components: (i) a budgetary policy centred on increase in revenues as well as expenditure control and rationalization; (ii) public sector reform to stimulate the efficiency of the administration and increase the government's economic context; (iii) liberalization and efforts to secure the investment and business climate; (iv) adjustment of the financial sector; (v) adjustment policies for the agricultural, energy and transport sectors; (vi) social policies geared towards poverty alleviation, human resource development and improvement in the provision of health services; (vii) rational tapping of natural resources, particularly in forestry, through the implementation of appropriate local administration, taxation and land management measures; and (viii) statistical monitoring of state-owned enterprises, internal debt, and poverty and health indicators. The appraisal report (ref. ADF/BD/WP/97/184) and completion report (ref. ADF/BD/IF/2001/37) give the detailed measures implemented.

2. Implementation Performance

The Interministerial Committee, which was the Programme Executing Agency, functioned well and procedures were followed. The loan was disbursed in two tranches as envisaged; programmed financing contributions were honoured by the donor agencies in keeping with their commitments. The total amount of he loan was disbursed and there were no cost overruns. Procurement of goods and services procedures were followed, but it should be pointed out that the expenditure statement showed that from the beginning Government included some imports originating from countries which are not members of the Bank Group. However, the Government regularized the situation after being notified by the Bank. Status reports were submitted on a regular basis.

3. Institutional Performance

Borrower Performance

3.1 The performance of the Borrower was satisfactory, despite delays registered in the implementation of several important measures. The progress achieved enabled Cameroon to reach decision point for the HIPC Initiative in October 2000.

Bank Performance

3.2 The Bank performance was barely satisfactory, given that the Bank did not create value-added in the formulation and implementation of the Programme, which comprised too many measures and components.

4. Programme Impact

The implementation of SAP II made possible the institutional capacity building of the Government in several key areas. Thus, in the area of resource mobilization, the smooth introduction of VAT as well as the modernization of the tax administration made it possible to improve the recovery of tax revenue. In addition, the programme facilitated the establishment of a mechanism which guaranteed the regular transfer of oil revenue to the Government budget. Similarly, the Programme helped to improve the programming, monitoring and implementation of the public investment programme which is now computerized. Furthermore, SIGIPES whose implementation was initiated during the Programme, currently makes it possible to reconcile payroll and civil service files at the level of the four pilot ministries and will, from now until the year 2002 when it will be extended to all ministries, facilitate control of the wage bill.

5. Sustainability

The implementation of the Programme clearly contributed to restoring the key macro-economic balances of Cameroon, which since has returned to the growth path. It further made it possible to halt the decline in the purchasing power of the population and to reduce the incidence of poverty by more than ten points. It is in the course of the Programme that Cameroon adopted its poverty reduction declaration strategy which made way for the rapid preparation of the I-PRSP. Equally, given the good macroeconomic results of the Programme, Cameroon attained decision point of the HIPC Initiative and, today benefits from a substantial reduction of its external debt.

6. Conclusions

After a decade of economic crisis, and following the devaluation of the CFA Franc, Cameroon restored economic growth, as a result of the efforts undertaken by the Government within the framework of the various economic reform programmes agreed upon with the Bretton Institutions and the Bank Group. The implementation of SAP II enabled Cameroon to restore the key macroeconomic balances, return to the growth path and halt the decline in the purchasing power of the population. In addition, the Programme made possible institutional capacity building of the administration, in particular in the area of resource mobilization, modernization of the tax administration, improvement in the programming of the monitoring and implementation of the public investment programme. Despite these performances, several key measures of the programme were not implemented by the date of the loan closure in May 1999, and some of them have still not been introduced, such as the establishment of a tax register, social security reform or the privatization of some state-owned enterprises. Nevertheless, the implementation of the Programme enabled Cameroon to prepare a satisfactory I-PRSP, reach the decision point for the HIPC Initiative, and reduce by ten points the incidence of poverty.

7. Lessons Learnt, Recommendations and Follow-up Actions

7.1 In addition to lessons learned from the PCR, Programme implementation provides the following lessons:

(i) the increase in revenues during the Programme is due more to a better mobilization of oil revenue than the success of the tax reform whose implementation turned out to be more complicated than initially envisaged. Finally, the income tax and the establishment of a fiscal cadastre envisaged within the framework of SAP II will not become effective even at the end of SAP III. (4.2.4);

(ii) the implementation of complex and sensitive measures such as putting in place a fiscal cadastre or carrying out the social security reform should not be included in a reform programme without reliable preliminary studies which would help determine the difficulties in a more precise manner (4.1.4 and 4.2.22);

(iii) the programme did not succeed in improving the competitiveness of the Cameroonian economy, owing to lack of funding to ensure the operation of the Competitiveness Committee (4.2.9);

(iv) the Bank should learn that a programme which is too vast and too complex is difficult to implement. And yet, SAP I already had 185 measures formulated around eleven components. Hence, the PCR of that Programme pointed out that for a country undergoing its first experience in adjustment, the borrower lacked the technical and institutional capacities required to ensure smooth implementation. These considerations were not taken into account in SAP II, which comprises 131 measures formulated around nine components. This situation, which was also reported in the PCR on SAP II, is nonetheless repeated in SAP III currently under implementation (1.3.4 and 4.1.2);

(v) SAP II comprised eight components covering macroeconomics as well as public finance, the financial sector, privatization of state-owned enterprises, agriculture, energy, transport, forestry and the social sectors. And yet, the preparation and appraisal were conducted by only two macro-economists and as a result, the Bank's value-added into the formulation of the programme was lacking. Hence, the composition of the Bank preparation and appraisal missions should be further reinforced (4.1.3); and

(vi) the acquisition of SONEL by an American firm whose share value plummeted following the ENRON scandal raises the fundamental problem of confronting ill-prepared African economies with the world market. The Bank should assist African economies in their efforts to integrate into the world market (4.2.15).

7.2 Recommendations

To consolidate the results obtained, in addition to the PCR recommendations and the generic recommendations relating to compliance with the commitments made in the loan agreement (submission of quarterly reports, compliance with disbursement procedures), it is recommended.

- To the Government, to:

  (i) complete the tax reform by introducing personal income tax and land tax based on the fiscal cadastre (4.2.4);
  (ii) complete all the studies prior to programming dates for the implementation of complex reforms such as the social security reform or the introduction of a fiscal (4.1.4) and (4.2.22);
  (iii) comply with financial commitments, particularly the actual financing of programme components from equity (4.2.8);
  (iv) take necessary precautions before selecting successful bidders in the context of the privatization of strategic state-owned enterprises (4.1.15); and
  (v) complete the privatization of SNEC, CDC, CAMTEL, SODECOTON and CAMAIR (4.2.18).

- To the Bank, to:

  (i) heighten the Government's awareness, not only to the need for the rationalization of public expenditure, but also to the increase in revenue, given that oil fields are running out of reserves (4.2.4);
  (ii) ensure that necessary preliminary studies have been conducted before incorporating, in the reform programme, components as complex and sensitive as the establishment of a fiscal cadastre or social security reform (4.1.4 and 4.2.22);
  (iii) ensure that the financing will be available for components as important as the operation of the competitiveness committee (4.2.9);
  (iv) circumscribe adjustment programmes to a limited number of key sectors, depending on the Bank policy, and not comprising scores of measures (1.3.4 et 4.1.2);
  (v) in view of the complexity of adjustment programmes, it is worth, on the one hand, to strengthen the composition of preparation and appraisal missions, and on the other hand, to increase the number of supervision missions as well as the scope of expertise of mission members (4.1.3) ; and
  (vi) provide more support to African economies in their integration in the world economy to assist them meet the uncertainties of the commodity market (4.2.15).

7.3 Follow up actions:

a. By the Government

(i) promote the private sector by taking into account its concerns through the competitiveness committee (4.2.8 and 4.2.9);
(ii) accelerate the promotion of the exploitation of natural gas (4.2.25);
(iii) follow the guidelines for the preparation of project completion reports (3.3.1); and
(iv) enhance environmental protection (4.2.30).

b. By the Bank

(i) strengthen the operational guidelines relating to the formulation and monitoring of reform programmes, especially by determining the frequency, duration and composition of follow-up missions depending on the complexity of the programmes and measures (4.8);
(ii) take into account more effectively the risks identified during evaluation (4.1.10).

I. THE PROGRAMME

1.1 Economic Background

1.1.1 Cameroon, which covers an area of 475 000 km², including 466 464 km² of land and 8 536 km² of water in river mouths and lakes, has a population of 15.3 million inhabitants, i.e. a density of 31 inhabitants per km². It has considerable potential in the agricultural field, but also in the mining sector which could be exploited further. The country has oil resources which, in 2001, generated nearly half of export earnings and accounted for 8.6% of GDP.

1.1.2 The Cameroonian economy registered a sustainable annual growth rate of 5% on the average until 1978, attributable to agricultural exports. Oil discovery in 1978 made it possible to raise this growth rate to 7% until 1986, given its contribution of 20% to GDP, 44% to Government revenue and 54% of exports. However, the Cameroonian economy entered into a crisis during the period 1987-1993 owing to the combined effects of a downturn in oil production, the fall in the prices of the major exports and the rise of approximately 40% in the real effective exchange rate of the CFA Franc. This led to a fall in per capita GDP of over 40%, the disruption of the macroeconomic balances and recourse to external borrowing.

1.1.3 To reverse this trend, the Authorities put in place early 1987, a series of internal measures to reduce Government expenditures, backed by economic reform programmes with the support of the international community. These programmes were mainly based on policies aimed at: (i) reduction in budget deficits through the increase in the rate of taxation and a reduction in both the wage bill and subsidies to state-owned enterprises; (ii) restoration of external competitiveness centered on the reduction in factor costs; and (iii) the restructuring of state-owned enterprises. Within this context, the Government introduced drastic reductions in civil service salaries in the range of 50% in 1993, which led to a significant deterioration in the socio-economic conditions of civil servants. Nevertheless, in the absence of monetary adjustment, the results obtained as a result of the implementation of these programmes remained very limited.

1.1.4 Following the devaluation of the CFA Franc in January 1994, Cameroon obtained a standby credit from the IMF in March 1994 to support its reform efforts. The Programme was interrupted owing to its inadequate performances, in the area of public finance as well as structural adjustment. However, the reforms were resumed in September 1995, following the signature of a new standby arrangement with the IMF. The objective was to capitalize on competitiveness gains registered as a result of the monetary adjustment. The first Programme review was positive, but performance criteria for the subsequent periods were not complied with. The IMF, the World Bank and the Government thus convened to put in place a staff-monitored programme covering the period from July 1 to December 30, 1996.

1.1.5 The structural reforms undertaken during this programme made it possible, not only to reduce the public sector workforce, but also to contain the wage bill at 30.4% of current expenditures in 1996/97 as against 50.5% in 1992/93. The legal framework of the civil service, together with the organization charts of all the Ministries were revised. In addition, a general charter of public enterprises, giving the latter greater autonomy, was enacted and implemented. The financial system reform, underway since the devaluation of the CFA Franc, affected insurance companies and banks and thus made possible to recapitalise and restructure two banks and one insurance company and liquidate three banks and one insurance company.

1.1.6 In spite of these efforts, economic growth remained constrained by the instability of the Treasury, the huge internal and external payments arrears and the weakness of savings to fund the required investments. At the structural level, the banking sector was hindered by the absence of a specialized institution for the mobilization of long-term funds and financing for investments, while businesses remained cautious, despite two successive structural adjustments. In the civil service, the cut in salaries effected in 1993 led to a lack of staff motivation to a certain degree, to which was added the recurrent problem of bureaucratic redtapes and inadequate resources. Furthermore, the weight of public enterprises was still significant while the sectors in which they were operating were not liberalized. Finally, the existence of export tax hindered investments into export-oriented industries and import surcharges on certain goods (wheat and cement) limited competition.

1.1.7 At the sectoral level, the agricultural sector encountered difficulties for the supply of inputs, overexploitation and mismanagement of natural resources and the inefficient and costly State interventions in the production, marketing and processing of agricultural products. In addition, the deterioration of economic and social infrastructure made difficult and financially costly the evacuation of food crops, thus worsening the poverty situation in rural areas. Productive activities in industry, commerce and services were faced with the ill functioning of the financial system, the rigidity of the regulatory framework, high transport costs and deficiencies of the public services. Finally, the relative decline in resources allocated to the social sectors led to a significant reduction in the access to basic social services, in particular health and education whose cost became exhorbitant. Hence, the incidence of poverty reached 50.5% in 1996.

1.1.8 Confronted with these problems and in the light of encouraging results obtained during the implementation of the staff-monitored programme, with the assistance of the Bretton Woods Institutions, the Government prepared a medium-term Economic and Financial Policy Framework Paper -EPFP) (1997/98 – 1999/2000), and made a firm undertaking to implement the required reforms as from the second semester of 1997. This programme was supported by the IMF's ESAF, the World Bank's SAC III and the ADF's SAP II.

1.1.9 SAP II was formulated with the view to restoring Cameroon's internal and external balances with a view to sustainable and equitably-distributed growth. Its implementation was coordinated, at the first level, by a monthly Cabinet Committee meeting presided by the Prime Minister. At the second level, the Programme coordination and implementation was entrusted to an Interministerial Supervision Committee (CIS), chaired by the Minister of the Economy and Finance. The CIS is assisted by a Technical MonitoringCommittee (CTS), comprised of high level public officers from the Offices of the President, the Prime Minister, Economic-oriented Ministries, representatives of BEAC, CAA, as well as Chairpersons of technical commissions for the rehabilitation of state-owned enterprises and for privatization.

1.2. Programme Formulation

1.2.1 The Structural Adjustment Programme II (1997/98 – 1999/2000) is part of the actions undertaken by Cameroon to reverse the downward trend of the economy and capitalize on competitiveness gains achieved as a result of the devaluation of the CFA Franc in January 1994. To this end, it falls within the scope of the Reform Programme (Economic Policy Framework Paper - EPFP) prepared by the authorities during the first Semester of 1997 and

supported by, among others, the IMF's Enhanced Structural Adjustment Facility (ESAF) and the World Bank SAC II and III. The programme's components and measures were determined on the basis of constraints identified in the Policy Framework Paper (EPFP).

1.2.2 SAP II was prepared following a coordination process between the Bank and the Bretton Woods Institutions. To this end, in March-April 1996, at the request of the Cameroonian Authorities the Bank was first associated to the joint World Bank-IMF mission for the preparation of the EPFP, and then to its finalization in June 1997, during negotiations with the Bretton Woods institutions. However, it is worth noting that the various summary records do not mention the Bank's specific points of interest, let alone its value-added.

1.3 Objectives at Appraisal

1.3.1 In view of the situation at the start, the fundamental objective of the Programme was, on the one hand, to restore aggregate macroeconomic balances as well as a sustainable and equitable growth, thanks to an increase in revenues and a rationalization of expenditure, on the one hand, and on the other, to reduce poverty through the redeployment of resources toward priority sectors and requirements. Quantitative objectives were: (i) the achievement of an average growth rate of 5% with a low inflation rate (2% per year); and (ii) a stabilization of the external accounts with a current account deficit below 2.5% of GDP.

1.3.2 Programme components were the following: (i) budgetary policy centered on the increase in revenues as well as the control and rationalization of expenditure; (ii) public sector reform aimed at stimulating the efficiency of the public service and rightsizing the Government's economic parameters; (iii) liberalization and making secure the business and investment climate; (iv) rehabilitation of the financial sector; (v) adjustment policies for agricultural, energy and transport sectors; (vi) social policies aimed at poverty reduction, human resource development and improvement in the provision of health services; (vii) viable exploitation of natural resources, in particular forestry resources, through the implementation of local government, taxation and appropriate management measures; and (viii) statistical monitoring of state-owned enterprises, internal debt and the poverty and health indicators.

1.3.3 The implementation of SAP II was aimed at consolidating growth, promoting sustainable development and reducing poverty. The rehabilitation of public finances through an increase in revenues and rationalization of expenditure were intended to enable the Government to redirect public expenditure toward the social sectors, in such a way as to guarantee a minimum level of social services for the most disadvantaged section of the population. With regard to public investment, the Programme envisaged to increase credit allocations for construction, operation and maintenance of economic and social infrastructure in order to reduce transport costs and support the marketing of agricultural products.

1.3.4 At appraisal, the risks associated with the Programme's implementation concerned above all, the debt burden and non-mobilization of concessional financing, and subsequently the privatization programme, which was to be accelerated and its scope expanded. Finally, another risk pertained to the large number of programme measures which could lead to slippages in the schedule. If the debt burden was reduced, in contrast the privatization programme turned out to be too complex to implement, to the extent that this programme is still underway and was to be pursued at least until 2003. Similarly, with regard to the very high number of measures, the results of the implementation of matrix measures under the PCR indicate that out of 131 programme measures, 75 measures, or 57.2 % were implemented (of which 39 within the Programme schedule provided and 36 were delayed).

1.4 Financing Arrangements

The financial arrangements envisaged concerned the Bank's and other donors' commitments, in line with the financing plan provided in the appraisal report. On that basis, the total amount of the financing stood at UA 529.42 million, broken down as follows: ADF (UA 13.02 million); IMF (UA 157.10 million); World Bank (UA 206.20 million); European Union (UA 19.04 million); and France (UA 134.06 million). However, the total financial assistance mobilized reached only UA 493. 22 million, due to the fact that the World Bank disbursed only UA 170 million owing to major delays encountered during the implementation of the privatization programme. This potential loss further hindered the scheduled programme implementation given the lack of funds required for the implementation of some components.

II. EVALUATION

2.1 Evaluation Methodology and Approach

2.1.1 The methodology used consisted in making use of the documentation available in the Bank pertaining to: (i) the devaluation of the CFA Franc, the accommodating measures for this monetary adjustment, particularly the third and fourth Standby Agreements signed with IMF in March 1994 and September 1995, respectively, as well as the Staff-Monitored Programme over the period from 1st July to 31st December 1996; (ii) SAP II, particularly the EPFP, ESAF and SAC II and III of the World Bank; and (iii) SAP III and the PRSP. Collection of the basic data in Yaounde put emphasis on an exchange of views with officials of the Ministry of Economy and Finance, particularly CTS members responsible for the monitoring of the various components of the reforms, officers of the sector ministries (health, education), as well the Competitiveness, Privatization and Social Security Reform Committees. The CTS is well organized, has a good database and was able to coordinate the mission activities with little effort. Discussions with development partners and donors made it possible to have their views on the achievements of SAP II and on their overall operations in Cameroon.

2.1.2 The evaluation used the "before" and "after" programme approach to assess its achievements and impacts. The corresponding periods are 1994-96 and 2000-01, respectively. All the available information was processed on the basis of this breakdown into the different periods, especially the assessment of the programme's quantitative objectives (macro-economic indicators and budgetary allocations).

2.2 Performance Indicators

2.2.1 The Programme performance indicators were primarily concerned with the restoration of a minimum 5% GDP growth rate as well as the recovery of macroeconomic balances (reduction of budget and external deficits, and control of inflation). The relevance of these indicators is amply justified by the worrisome situation that prevailed at the time of the CFA Franc devaluation. The indicators also took into account the level of mobilization of receipts, in order to measure the success of the operation of replacing the turnover tax with VAT, introduction of a mechanism to guarantee the regular transfer of oil revenues to the budget and the establishment of a fiscal cadastre. Furthermore, the programme included indicators relating to the management of the civil service workforce (progress in the establishment of a computerized Integrated Staff and Payroll Data Processing System - [SIGIPES] in the civil

service), the consolidation of external competitiveness (trend of exports, in particular non-oil exports, enacting laws on dumping and competition) and private sector promotion (trend of private investments and credits allocated to the private sector and privatization of public enterprises). Lastly, performance indicators were concerned with poverty reduction (trend of the school enrollment ratio, the rate of access to health services and the per capita GDP).

2.2.2 These performance indicators were relevant at the time of appraisal, given the difficult situation that the country had recently been through (severe crisis between 1987 and 1993, failure of the third standby agreement signed in March 1994 with the IMF and mixed results of the fourth standby agreement of September 1995). Nevertheless, performance indicators relating to some programme components, such as the privatization programme or the setting up of a fiscal cadastre for example, were not satisfactory, in spite of considerable efforts deployed by the authorities. These performance indicators take into account only the final results, whereas. The overall complex nature of these operations had not been well determined at the time of appraisal.

III. IMPLEMENTATION PERFORMANCE

3.1 Loan Effectiveness, Start-up and Implementation

The loan agreement entered into force on 30 April 1998, or approximately one and half months following its signature on 13 February 1998. The first tranche was disbursed one week after the loan effectiveness, i.e. on 7 May 1998. The second tranche was disbursed on 19 January 1999, or eight months after that of the first tranche. All these actions were accomplished without any difficulties.

3.2 Compliance with the Costs Schedule, Disbursement Procedures and Sources of Financing

The loan was disbursed in two tranches as envisaged. The programmed financing contributions were met by the donors that made the commitments, with the exception of the World Bank, which disbursed only UA 170 million out of UA 206,2 million due to delays registered in the implementation of the privatization programme. The total amount of the ADF loan was disbursed and there were no overruns. Furthermore, there was no need to extend the loan closing date, given that the Programme was completed before 31 December 2000. Procedures for the procurement of goods and services were adhered to, but the Government had reported, in the statement of expenditure supporting documents, some imports originating from countries which are not members of the Bank Group. After being informed by the Bank, the Government rectified the situation.

3.3 Programme Management, Reports, Monitoring and Evaluation

3.3.1 At the level of the Bank, only one supervision report was prepared for SAP II (24 November to 12 December 1998). There was no mid-term review report, given the short timeframe between the loan effectiveness (30 April 1998) and the disbursement of the second tranche (19 January 1999), i.e. less than a year. Furthermore, the Bank did not carry out a financial supervision mission of the Programme. The fact that there was no mid-term Programme review did not have a direct bearing on the Programme's results because all the conditions set by the Bank for the disbursement of the second tranche were fulfilled within schedule. During Programme implementation, the Borrower transmitted, on a regular basis to

the Bank, quarterly progress reports on Programme performances as well as the summary records of joint IMF and World Bank review missions of the ESAF. The Bank did not consider satisfactory the first version of the Government's completion report and the audit report was submitted late.

3.3.2 The actual implementation of the matrix of measures reveals that, out of the 131 measures, 89 measures, or 68,9 % were implemented, of which 39 within the programmed schedule and 50 with delays. Out of the latter, 14 were implemented after the preparation of the PCR. Of the remaining 42 measures, 17 are in progress, while 25, i.e. 19% of the measures are yet to see the beginning of implementation. In all, 106 measures out of 131, or 80.9%, were carried out or are in the process of implementation. Most of the measures not yet implemented concern, on the one hand, the restructuring and/or privatization of public enterprises which is encountering some delays, but is well advanced, and, on the other hand, the setting up of a fiscal cadastre which turns out to be more complex than originally envisaged. Overall, the authorities show a real willingness to fully carry out the Programme reforms whose results are satisfactory overall.

IV. PROGRAMME PERFORMANCE EVALUATION AND RATINGS

4.1 Relevance of Goals and Objectives, and Quality at Entry

4.1.1 SAP II was aimed at assisting Cameroon to restore internal and external balances, for a sustainable and equitable growth. Indeed, the real adjustment process adopted by the countries of the CFA Franc Zone before 1994 did not make it possible to stop the economic decline. The malfunctioning of the reel sector as well as the imbalances in public finances and the external accounts had worsened, despite SAP I approved by the Bank in 1989. Thus, from 1989/90 to 1992/93, GDP shrank by more than 20%, the budget deficit increased from 5% to 8% of GDP, while the balance of payments deficit worsened from 3% to 7,3% of GDP. Thus, the monetary adjustment became indispensable and the devaluation of the CFA franc took place in January 1994. Nevertheless, the third and fourth standby agreements with the IMF, in support of the reform efforts, did not yield the expected results.

4.1.2 It is under these conditions that a new medium-term reform programme (1997/98-1999/2000) contained in the PFP and supported by the IMF's ESAF, the World Bank's SAC and ADF's SAP II were put into place. This reform programme supported by SAP II targeted almost all sectors of the economy and intended to solve all the problems: (131 measures to be implemented in three years with civil servants whose salaries had been reduced by half and who were demotivated).

4.1.3 At the time of the Programme's appraisal, the Bank was aware that the programme involved too many measures as reported in the section on the programme risks. Yet, it was not considered useful to concentrate on specific components, instead of trying to do everything at the same time. The various documents consulted show that at the request of the Cameroonian authorities, the Bank was associated with the preparation and finalization of the EPFP, but do not indicate what the Bank's contribution was. Furthermore, given the large number of sectors affected by the programme, it was not clear whether the presence of a macroeconomist during the preparation and finalization of the EPFP had a significant impact on the formulation of the programme.

4.1.4 Regarding the increase in revenue, the programme envisaged an important tax reform comprising not only the shift from the turnover tax to the VAT and the establishing of a fiscal cadastre based on value, but also the broadening of the tax base, the introduction of income tax, a new agricultural tax and a reform of the entire forestry taxation system. Obviously, the introduction of this reform, which was implemented in all the countries of the Franc zone, was relevant and was carried out without too many difficulties. In contrast, the implementation of the other components of the tax reform was not well conceived, given that the difficulties were largely underestimated. Hence, works to set up a land tax based on a fiscal cadastre did not start by the end of the programme, neither did those relating to the income tax. Nevertheless, work on the latter tax made progress and a bill was submitted to the National Assembly in November 2002.

4.1.5 With regard to expenditure, thanks to improvement in budgetary transparency, the consolidation of the budget preparation process, and the simplification of its implementation, the Programme succeeded in controlling expenditure, which was already significantly cut before the devaluation, with wage squeezes and the liquidation of public enterprises. Given the increase in poverty that may derive from the implementation of such reforms, the Programme judiciously envisaged social accommodating measures to combat poverty, namely the increase in budgetary appropriations to priority sectors.

4.1.6 In the financial area, the programme provided for the strengthening of regional monetary policy based on reform of indirect instruments of monetary policy with a view to having interest rates reflect market conditions and facilitating the development of a money market and a financial market. This policy was relevant and consistent with the ambition to build a modern CEMAC that must integrate the world market.

4.1.7 One of the most delicate components of the programme concerns the privatization and/or restructuring of public enterprises which, given the magnitude of public resources wasted, constituted one of the major factors that triggered the economic crisis at the end of the 1980s. The privatization and restructuring, or even liquidation of most of the state-owned enterprises was thus inevitable within the context of rationalization of public expenditure. If the principle is not debatable, it is however obvious that this component of the programme also suffered from too much rush, while performance criteria in the form of deadlines were set without having fully considered the obstacles to the privatization operations. Hence, this programme component experienced considerable delays due to issues that were not well grasped, but which were sometimes foreseeable.

4.1.8 In spite of these shortcomings, the programme components and measures targeted Government priorities given that they followed from the Economic Policy Framework Paper. The main objective was to restore a strong, sustainable and equitable rate of growth. Public finances were to be restored through the increase in revenues and rationalization of expenditures, to enable the State reallocate public expenditure toward social sectors in such a way as to guarantee the minimum social service to the most disadvantaged segments of the population. Structural reforms (i.e. the rehabilitation of the banking sector, restructuring and/or privatization of public enterprises, rationalization of the civil service and environmental protection) were meant to increase the overall efficiency of investments and make it possible for the private sector to play a greater role in the development process.

4.1.9 Government priorities tallied with those of the Bank, which favoured the fight against poverty, environmental protection and private sector development. Thus, in its assistance programme for Cameroon for the period 1996-98, the Bank earmarked 60% of its financing (project lending) to social development, especially education and health, and 40% to agriculture and rural development, notwithstanding the amount allocated to policy-based loans (SAP II).

4.1.10 Whereas some programme risks were well assessed, others were largely underestimated and in some case even ignored. Thus, the first risk did not occur (namely debt burden not relieved and concessional financing not obtained), owing to the determination on the part of the authorities, which made it possible to rationalize expenditures and deal with the debt burden. In contrast, the other two risks identified at the time of appraisal, namely the scope and speed of the privatization programme and the very high number of measures in the programme were underestimated. Therefore, the question arises as to why the programme was not refocused from the start? Lastly, risks inherent to the Government's capacity to implement measures as complex as the fiscal cadastre or the social security reform were ignored.

4.2 Achievement of Objectives and Output (Effectiveness)

4.2.1 The programme's achievements were in the following areas: (i) macroeconomic trends (ii) civil service reform; (iii) public enterprises reform and private sector promotion; (iv) financial sector restructuring; (v) debt management; (vi) sectoral reforms (agriculture, energy and transport); (vii) poverty reduction and improvement in the provision of health services and education; and (viii) forest protection

Macroeconomic Trends

4.2.2 **Trend of the Aggregate Macroeconomic Balances**: Prior to the devaluation of the CFA Franc in January 1994, the Cameroonian economy was in crisis due to the combined effects of a 60% deterioration in the terms of trade, the fall in oil production, both in terms of volume and value as well as the overvaluation of the CFA Franc. This led to the fall in real per capita GDP by approximately 40% between 1987 and 1993. However, soon after the CFA Franc devaluation, GDP growth rate which dropped by nearly 3% per annum in 1992/93 and 1993/94 regained a positive rate of 3.3% in 1994/95, and 5% the following year. However this rate fell back to 4.4% in 1998/99 and even to 4.2% in 1999/2000, mainly owing to the decline in timber exports. It should be noted that in the year 2000/01, the growth rate of the Cameroonian economy reached 5.3%, proving that the rate of growth did not reverse soon after the programme ended.

4.2.3 In addition to rekindling growth, the Programme comprised an important tax reform, namely the introduction of a real estate tax based on a fiscal cadastre and a personal income tax reform of the entire forestry tax system, the shift from the Turnover Tax to the VAT system and the reduction in tax exemptions. At the end of the programme in 2000, only the shift from the Turnover Tax to the VAT system and the reduction in tax exemptions had been carried out, the other reforms turned out to be more complex to implement than originally envisaged, in particular the personal income tax and drawing up of a land fiscal cadastre. These two components are still under formulation. Furthermore, budget revenue increases equally required the improvement and modernization of the financial administrations (taxes, customs and Treasury) which were not completed at the end of the programme, but were

implemented within the framework of PAAFIE. Finally, the success of this component required a vigorous fight against tax fraud which was also largely underestimated, owing to widespread tax evasion.

4.2.4 Despite these inadequacies, under the combined effect of the broadening of the tax base, the shift from the turnover tax to VAT (Budget Law N° 98/009 dated 1st July 1998) and the streamlining of tax exemptions, but also, and more importantly, the establishment of a mechanism guaranteeing the regular transfer of oil revenues to the Government budget. However, this positive result stems from a better mobilization of oil revenue rather than the tax reform which is still under implementation.

4.2.5 Efforts deployed within the framework of the plan of actions to ensure the rationalization and improvement of procedures made it possible to contain expenditure at about 19% of GDP and transform a budget deficit of 2.8% of GDP in 1996/97 into a surplus of 1.4% in 1999/00 which was consolidated to 2.1% in 2000/01.

4.2.6 Lastly, at the end of the programme in 2000, the current account deficit had narrowed from 2.4% to 1.7%, due in large part to an increase in world prices of oil, but according to projections, it was expected to widen again to 3.2% in 2001/02. Similarly, the inflation rate was contained to 0.8% at the end of the programme and remained under control at around 2% per annum. Finally, the programme's greatest achievement was the restoration of Cameroon's key macroeconomic balances.

4.2.7 **Restoration of Competitiveness**: To restore the competitiveness of the Cameroonian economy, the Budget Law of 1997/98 reduced export taxes from 13.5 to 10%, except for undressed timber; thereafter they were abolished (except for undressed timber) by the Budget Law of 1999/00. The Laws N° 98/012 and 98/013 of 14 July 1998 pertaining to dumping and the marketing of subsidized imported products and competition, respectively were enacted, but the implementation texts have still not been adopted. In fact, this weakness reveals the difficulties in the start-up of activities of the competitiveness committee.

4.2.8 Indeed, the rekindling of a robust growth rate with equity implied the establishment of a Competitiveness committee since 1997, with a view to: (i) identify the obstacles to competitiveness; (ii) propose all the measures aimed at reducing transaction costs; and (iii) monitor the implementation of decisions taken, in the interest of the parties. Furthermore, the Committee was supposed to initiate and reinforce dialogue between the Government and the private sector and promote productive investment within a concerted framework. Even if these actions were well conceived to address the real issues of the Cameroonian economy, it is clear that the implementation of this programme component was not properly managed. Problems were largely underestimated, while some actions were programmed even though the requisite financing for their implementation was not available.

4.2.9 Thus, while the Competitiveness Committee was, indeed, established by decree in December 1997, its permanent secretary did not assume duty until February 2000, and the premises were only made available in December 2000 because of a shortage of funds. Nevertheless, the Committee succeeded in preparing a plan of action, following a strategic seminar-workshop organized in March 2000, which was approved by the World Bank. However, this plan of action soon proved not to meet the concerns of the private sector, because it was not in keeping with the Government's poverty reduction strategy and its goal of robust and sustainable growth. Hence, given the complexity of the competitiveness

concept, the diversity of its determinants and the many possible foci of strategic operations, the conduct of a diagnostic study on the competitiveness of the Cameroonian economy is considered as a prerequisite for the preparation of an entirely new plan of action. Nevertheless, it is curious to observe that it is only four years after the 1997 Decree establishing the Competitiveness Committee that a diagnostic study is being considered. As a result, the volume of private investments declined from 15.5% of GDP in 1997/78 to 15.1% in 1999/00, whereas it should have risen to above 16.5% according to programme estimates. Nevertheless, the volume of private investments, based on initial estimates, reached 16% of GDP in 2001/02.

4.2.10 Finally, difficulties persist with regard to the harmonization of investment incentives within UDEAC. To this end, a new law governing investments was enacted in April 2002, even though there is already a community charter. The performance indicators on this component of the programme concerned the volume of exports that was expected to exceed 20.3% of GDP in 1999/00 and the volume of non-oil exports that was to account for more than 77% of exports. In 1999/00, these two ratios stood at 24% and 53% respectively and at 24.9% and 50% respectively in 2000/01. The trend in these indicators shows clearly that Cameroon did not succeed in increasing its non-oil exports.

Civil Service Reform

4.2.11 Within the framework of the civil service reform underway since 1987, aimed at improving government efficiency, the Ministries for the Rural Sector and the Ministry of Culture were to be restructured, the organization and staffing plans(OSP) were to be completed in all the Ministries before 31/12/97, involving the departure of an additional 2496 employees and the civil service staff strength was to be limited to nearly 1% of the population, while the Computerized Integrated Personnel and Payroll Management System (SIGIPES) was to be put in place in all the Ministries before 31/12/99. Furthermore, the salary schedule be gradually upgraded in order to correct salary cuts that occurred since 1993.

4.2.12 Regarding achievements, the staff reduction plans resulted in the departure of 1229 civil servants in 1997/98, but the legal and statutory framework of the civil service organization remains inadequate. Hence the Permanent Secretariat for Administrative Reform (SPRA) currently enjoys Bank support within the framework of the National Governance Programme (NGP) Support Project. The salary schedule has still not improved, but the conduct of the civil service inventory which started at the end of June 2000 is now completed, and on the basis of the new Reforms Programme, the results of this census will form the basis for assessing the new civil service staffing and salaries levels. Nevertheless, it appears already that the civil service is faced with understaffing in several Ministries, particularly in the Education and Health Ministries in which recruitment is in progress within the framework of poverty alleviation. The civil service staff strength which is below 130 000 (excluding the armed forces), remains below 1% of the total population estimated at 15.3 million inhabitants. The setting-up of SIGIPES, which, for now, is limited to four pilot-Ministries (Economy and Finance, National Education, Health and Civil Service), enables the daily updating of the payroll file, through the effective operation of the interface ANTILOPE-SIGIPES since December 2001. This programme, which was due for extension to all Ministries before year-end 1999 is running into considerable delays and evidently was poorly appraised.

Public Enterprises Reform

4.2.13 The Government had already carried out two privatization programmes in 1990 and 1994 which targeted 30 enterprises. SAP II planned to make up the delays in these two programmes through the finalization of the restructuring/privatization of REGIFERCAM, CDC, SOCAPALM, SODECOTON, CAMAIR, SCT and CAMSUCO. It further intended to speed up and expand the scope of implementation of the privatization programme and restructure enterprises still in the State portfolio. Thus, new regulatory frameworks were to be adopted to enable private sector participation in the water sectors (SNEC), electricity (SONEL) and telecommunications (INTELCAM). In spite of tangible results, this component of the programme is the one that registers the most significant delays for not having perceived from the beginning, a number of constraints, sometime foreseeable.

4.2.14 As far as achievements are concerned, CAMSUCO was privatized in December 1998, REGIFERCAM was liquidated and the railway operations transferred to a private company (CAMRAIL). In addition, laws N° 98/022 dated 24/12/98 governing the electricity sector and N° 98/014 dated 14/7/98 governing telecommunications were promulgated to allow the private sector entry into SONEL and INTELCAM operations. To this end, an implementing order dated 8 September led to the setting up of CAMTEL which merged INTELCAM with the marketing activities of CAMTEL Telecommunications management. CAMTEL owns a branch, CAMTEL MOBILE, which manages the mobile telephone network. CAMTEL MOBILE was privatized in February 2000, but in January 2000, a second licence for a mobile telephone operation was attributed to France câbles et radios. It can also be noted in the context of achievements, the privatization of SOCAPALM which has been effective since 29/6/00 and that of SONEL since July 2001.

4.2.15 Nevertheless, the case of SONEL (Société nationale d'électricité) reveals all the complexities of such operations. In fact, the first results of this privatization operation do not meet Government expectations. The required investments were not made, to the extent that the drought that occurred in 2001/2002 led the newly successful contractor to ration electricity, which was not appreciated by the population. Even worse, this enterprise whose shares collapsed with the ENRON affair in the United States now plans to layoff nearly 2000 employees, whereas it made the commitment not to layoff any employee. The privatization of this strategic enterprise has proved disappointing at the moment and draws attention to the precautionary measures that must be taken when dealing with this type of operation.

4.2.16 In contrast, several privatization operations such as CAMTEL (fixed telephone), CDC, SODECOTON, CAMAIR or SNEC turned out to be more complex than initially envisaged and experienced significant delays. Thus, regarding CAMTEL, which was due for privatization, with effect from 2000, TELECEL had designated the bid winner in December 2000, but after a detailed analysis of the bids, this firm rescinded its bid. Negotiations lasted until 2002, date on which the invitation to tender was finally declared unsuccessful. As for CDC, the privatization process, which should have been closed since 1999, is still dragging because the privatization strategy adopted for this enterprise envisaged its sale by branch of activity (banana, tea, rubber and palm oil). Even though the bids for the sale of these four branches had been launched since December 1998, only the tea branch received an acceptable bid. This situation even more worrisome since the Government has been considering declaring the bidding unsuccessful and reviewing, between now and October 2002, the privatization strategy for this strategic enterprise which employs nearly 13 000 workers.

4.2.17 The SODECOTON case is an example of a poorly prepared file. One of the company's shareholders, considering himself wronged by the privatization strategy adopted, filed a court case against the State of Cameroon and won the case in August 2001. Hence, the selling strategy of this enterprise is to be completely revised . Regarding SNEC, negotiations with the provisional bid winner turned out to be more complex than initially envisaged; however, they should be completed by January 2003. Finally, the CAMAIR privatization process is less advanced, but is expected to be launched during the second semester of 2003. Furthermore, this programme component was aimed at completing all the liquidations of public enterprises initiated before 30 June 1995, not later than 31 December 1998. However, no liquidation has as yet been completed.

4.2.18 In short, the programme for the privatization/restructuring of public enterprises did make headway, even though it is true that at the end of SAP II, most of the actions envisaged were not implemented. The Cameroon civil service did not have the required experience, while dossiers were fairly complex. The remaining privatizations are incorporated into the World Bank SAP III which envisaged that they should all be completed in June 2002; but as shown in the above analysis, the privatization of SNEC, CAMTEL, SODECOTON, CDC and CAMAIR encountered major delays for various reasons.

Financial Sector Restructuring

4.2.19 The programme was aimed at strengthening regional monetary policy, by providing support for the reform of indirect monetary policy instruments to allow interest rates to reflect market conditions. The programme also aimed to facilitate the development of both a money market and a financial market, as well as the strengthening and control of commercial banks. Within this context, viable, but unprofitable commercial banks were restructured since 1997, insolvent banks were liquidated, and legal provisions allocating at least one third of the banks' capital to Cameroonian interests, were abolished, the State disengaged from BICEC within the framework of privatization operations, while an interest rate policy anchored on the maintenance of an adequate positive differential vis-a-vis the French money market rate, was adopted. Furthermore, the COBAC's bank supervision mission, in particular monitoring of compliance with the prudential rules, was strengthened and the Government established a trust fund to ensure payment of the principal on 30-year maturities issued within the framework of commercial banks privatization.

4.2.20 In the final analysis, reforms carried out in the banking sector turned out to be effective, to the extent that they made it possible to stabilize the sector which became once again profitable and able to finance the economy. Banks have again become liquid and their net equity exceeds the levels generally required in the profession. Nevertheless, over-prudent behavior in the allocation of credits, combined with a reduction in the number of bankable projects, resulted in a liquidity ratio of 99.3% in 1999/00, while the required prudential ratio was 100%. Regarding insurance companies, the sector was completely reorganized, the prudential ratios and actuarial reserves in accordance with the CIMA Code Treaty were strictly applied, SOCAR was privatized with effect from June 1999 and CNR was liquidated.

4.2.21 Despite these positive outcomes,, it should, however, be pointed out that interest rates continue to be fixed by BEAC, while the refinancing mechanism for medium-term credits (Window B) has not yet been abolished. Window B still exists because CEMAC member countries still do not agree on the establishment of the regionally oriented capital market. Obviously, the conclusions of the feasibility study completed since May 1998 were not

enough to convince Cameroon and Gabon, each one now wanting to create a national stock exchange. The creation of this stock market has seriously strained efforts towards regional integration in the CEMAC zone, in view of the stiff competition between these two countries to host the regional stock market headquarters. This risk, somewhat foreseeable, was underestimated at the time of the programme appraisal. Finally, the project relating to the prudential and financial regulation of savings and credit cooperatives (COOPEC) which was due for implementation on 31 December 1998 was approved until the last quarter of the year 2000, within the framework of the new reforms programme.

4.2.22 Furthermore, the programme involved social security reform making it possible to redefine the institutional framework and review and harmonize the legal and regulatory texts which today are not in line with the new technical norms and the demographic data. The reform plans for the social protection security system were to be ready as from December 1998 and its implementation was to start as from January 1999. Once again, the initial assessments were not conclusive, as this reform turned out to be more complex than envisaged. The strategy for the social security reform was not finalized until December 1999, while the preparation of the action plan for the implementation of this strategy turned out to be particularly difficult. Several preliminary studies (actuarial studies, health insurance, treatment of social action, the role of the State, etc …) are still not completed. Nevertheless, considering the present programming, they are scheduled for completion before year-end 2002 and the new strategy should be under implementation in September 2003.

External Debt Management

4.2.23 The objective of this programme component was to reduce the external debt burden. Within this context, a major step has been made, thanks to the agreement reached in October 1997 with the Paris Club, whose effectiveness made possible a rescheduling equivalent to a 50% reduction in net present value terms of arrears and debts due during the programme. The volume of the external debt estimated at the end of December 1999 stood at US$ 7.8 billion in nominal terms, or US$ 6.6 billion in net present value terms (NPV). The good performances recorded during the programme implementation made it possible for Cameroon to reach the decision point for the enhanced HIPC initiative in October 2000. Within this framework, Cameroon was granted debt relief for an amount of US$ 1.2 billion in NPV terms in 1999. The Bank participates in the HIPC initiative for amount of US$ 79 million in NPV. The resources released within this framework are managed by a Monitoring Consultative Committee and must be allocated to poverty reduction. Furthermore, the Government pursues its efforts aimed at reaching an agreement with commercial banks and private creditors before year-end 2002.

Sectoral Reforms

4.2.24 **Food and Agriculture** : To improve competitiveness and the sector's contribution to growth, the programme envisaged the publication of a Declaration on the Orientation of Agricultural Policy and the transfer from ONCC to the private sector, of the responsibility for quality control of coffee and cocoa exports. In this context, the new agricultural policy of the Government in force since 1999, is focused on the modernization of the sector institutional framework, the improvement in the incentive framework (through the abolition of tax on inputs and materials) and the reinforcement of actions aimed at improving the competitiveness of exports and the quality of agricultural products, especially in the cocoa and coffee sub-sectors. Within this context, export quality control is no longer the responsibility of ONCC, but rather of SGS.

4.2.25 **Energy and Natural Resources**: The Programme's objective in this sub-sector was mainly to supply energy at low cost. To this end, the Government has adopted and implemented a global strategy on the oil sector reform which redefines the respective roles of the private sector and the Société nationale des hydrocarbures (SNH) and carried out an audit of the latter's accounts for more transparency. Furthermore, a new mechanism was put in place to guarantee the transfer of oil royalties to the State budget. In contrast, the enactment of a new law to ensure the development of natural gas has encountered undue delays. A bill may be adopted in November 2002. Finally, the new mining code, which was due for adoption before 31 December 1998, was finally promulgated in April 2001 within the scope of the new reforms programme.

4.2.26 **Transport and Infrastructure:** The Programme's objective in this area was to provide efficient transport services through real economic costs, liberalization and competitiveness. To this end, the Government carried out a complete reform of the transport sector under the Programme. Thus, an action plan was put in place with effect from March 2000, aimed at the restructuring of the Douala Port and another aimed at reducing port waiting time to seven days for imports and two days for exports. Nevertheless, this action plan has suffered significant delays and is part of the SAP III reforms. Delays at the Douala Port are currently 18 days. Furthermore, since 31 December 1997, national preferences and shipping quota agreements have been abolished. Similarly, in the field of air transport, the Law of 24 December 1998 liberalized and opened Cameroonian airspace to competition.

4.2.27 Finally, in the area of road transport, the road fund established by Law N° 96/07 of 8 April 1996 has been operational since 26/08/98. This fund is largely supplied through a user charge partly made up of oil tax (20 CFAF per liter of premium grade fuel and 45 CFAF per liter of gas-oil), and partly by the road user charge, and road tolls, road vehicle weighing and financial revenue. For its first financial year in 1998/99 (which lasted less than a year), the road fund mobilized CFA.F 11.960 billion derived mainly from the road user charge. The first full fiscal year 1999/00, recorded an increase in resources to CFAF 20.709 billion (including CFAF 9.903 billion from road user charges). In accordance with the option retained, these resources were primarily used to finance the maintenance of the inter-urban priority road network (62.5%), the maintenance of other roads and sanitation, road security, etc. Today, this fund makes it possible to pay for the works done, within a maximum of 15 days. Furthermore, within the scope of poverty alleviation, the Government decided to have work carried out, where possible, by local SMEs. For the financial year 2001/02, the fund collected CFAF 23.980 billion, representing an 18% increase as compared to 2000/01. The establishment of this fund permitted a significant improvement in the condition of roads in Cameroon.

4.2.28 **Forest Protection:** To encourage an ecologically viable exploitation of forestry resources while preserving the interests of the riparian communities, the programme aimed to redefine the modalities for the transfer of a share of revenues to the riparian communities, as well as the publication of a detailed strategy on the community forests. If a proposal has been prepared on the distribution of resources generated from the charge, its adoption is not yet effective but could be in force before year-end 2002. In contrast, the strategy on the community forests was adopted in December 2001.

4.2.29 Furthermore, the economic and financial audit of the forestry sector was carried out in February 2000 and led to the reform of the forestry tax system, in particular the effective application of an exit tax of 17.5% levied on undressed timber at ports of entry in the free

zones and the implementation of an export quota allocation system for unprocessed timber. ONADEF is being restructured. This has already resulted in the establishment of a new company called Agence nationale d'appui au développement forestier (ANAFOR) (National Forestry Development Support Agency), whose sole function will be to assist communities and the private sector to create forests. ANAFOR was established in June 2002, but is still not operational.

4.2.30 However, it appears from the programme's content rather than action taken that the Government was more concerned with the collection of forest taxation than with environmental considerations. The preparation of a real environmental protection policy remains a necessity, in particular the implementation of the Yaounde Declaration on the conservation and sustainable management of tropical forests within the framework of the Bank SAP III.

Poverty Reduction and Improvement in the Provision of Health and Education Services

4.2.31 **Poverty Reduction Strategy**: At the time of programme design in 1996, poverty had spread widely in Cameroon and affected 50.5% of the population. In addition, public provision of basic social services, in particular health and education was significantly hampered by the financial difficulties facing the State. These difficulties were reflected in a human development index of 0.536 which ranked Cameroon 134th out of 174 countries in 1997. Consequently, the programme already focused its economic policy concerns on poverty reduction and envisaged the adoption of a poverty reduction strategy.. Within this framework, the Government adopted a declaration on poverty reduction strategy on 31/12/98. The policy adopted consisted, principally, in ensuring that improvements in economic results translate into concrete results in terms of poverty reduction, employment creation and a tangible improvement in living conditions for the entire population.

4.2.32 Furthermore, since corruption, and more generally, poor governance in the management of public affairs were reported by the population as the major determinants of poverty, the Government adopted, in June 2000, a National Governance Programme (NGP). The NGP, places special emphasis on the reinforcement of transparency, accountability and improvements in basic social services. The NGP received Bank assistance within the framework of the National Governance Programme Support Project (ADF/BD/WP/2001/118 dated 31 August 2001). The Interim Poverty Reduction Strategy Paper (I-PRSP) was completed in August 2000. It envisages the implementation of a poverty reduction strategy focused on a programme of reform measures intended to (i) promote robust and sustainable growth; (ii) put in place sectoral and specific policies to fight poverty; and (iii) reinforce good governance with a view to maximizing the potential impact of growth on poverty. On this basis, and thanks to the good results of the reforms programme, Cameroon reached the decision point for the HIPC Initiative in October 2000. The full-fledged PRSP is not due for completion before 2003. . The positive programme results, as well as the efforts deployed by the authorities are reflected today in a significant fall in the overall incidence of poverty, which dropped from 50.5% in 1996 to 40.2% in 2001, i.e. a 10.3% reduction in 5 years. Nevertheless, efforts made are yet to lead to the improvement in the human development index which stood at 0.512 in 2002 ranking Cameroon 135th out of 173 countries.

4.2.33 **Education:** in addition to the restoration of aggregate macroeconomic balances, the programme was also designed to significantly reduce poverty. To this end, it envisaged to cover private sector requirements for qualified personnel through human resource development, in particular through improvements in education. In this context, the programme aimed at facilitating access of disadvantaged groups to state schools and raising public education standards by ensuring that all primary schools are provided with sufficient, appropriately trained teachers. The enrolment ratio is expected to rise above 62% at the end of the programme, thanks to budgetary allocations representing at least 14% of the budget for the fiscal year 1997/98. The programme, further envisaged the formulation of a national policy on school textbooks as well as an implementation plan to increase their availability and lower their price.

4.2.34 In this context, budgetary allocations to education increased from CFAF 69.3 billion in 1996/97 to 118.9 billion in 1999/00 (16% of the budget), representing a 71.5% increase in three years. Furthermore, thanks to resources generated from the HIPC Initiative, budgetary allocations to education increased significantly in 2000/01 to CFAF 175.3 billion, and CFAF 199.3 billion in 2001/02, which represents a 67.5% increase in two years. The budget execution rate was 84% in 2000/01. In addition, the CEPR monopoly was abolished in April 2000, with a view to increasing the supply of school textbooks and other notebooks. In June 2000, the Government adopted an Education Sector Strategy aimed at improving the quality of education and increasing the enrolment rate (this measure was planned for 31/12/97). Its implementation is still ongoing, but some components have encountered significant delays, such as the production of the school map which is still not completed. The positive impacts of these efforts are beginning to be felt. As can be seen from the first results of the Cameroonian Households Survey II (ECAM II) published in May 2002, it appears that in 2000/01, out of 10 children aged 6 to 14 years, nearly 8 were enrolled in school. This indicator improved from 76.3% to 78.8% between 1996 and 2001. Likewise, ECAM reveals a roll back in the country illiteracy rate, with the literacy rate rising from 61% in 1996 to 68% in 2001.

4.2.35 **Health** : Like education, the improvement in health was one of the major components of the fight against poverty. The programme's objectives were to improve the population's access to primary health care, in particular in the provinces, and to increase the participation of local communities in the management and the financing of health districts. Furthermore, it was planned under the programme to gradually increase health budgetary expenditure by 5% of current expenditure excluding school in 1995/96 to 10% in 1999/00.

4.2.36 In this context, an action plan for putting in place health districts was prepared and implemented since September 1998 as part of the health, fertility and nutrition project. The health map was prepared in June 1998, while funds allocated to primary health care continue to increase throughout the programme period. Hence, the budget of the Health Ministry has increased from CFAF 30 billion in 1996/97 to CFAF 53 billion in 1999/00 (nearly 9% of current expenditure, excluding schools), representing a growth of 78.6%. Furthermore, as in the case of education, health receives resources from the HIPC Initiative, to such an extent that budgetary allocations increased to CFAF 65 billion in 2000/01, and then to CFAF 72.3 billion in 2001/02, or a growth of 34% in two years.

4.2.37 Besides, co-management of the Pharmaceutical Supply Depots (Centres d'approvisionnement pharmaceutiques -CAPP) and health facilities has been effective since fiscal year 1997/98, while health training facilities were authorized to keep 100% of their revenue since 30 June 1998. Finally, the National Essential Drugs Supply Depot (la Centrale

nationale d'approvisionnement en médicaments essentiels -CENAME) has been operating since September 1997 and an awareness campaign for the use of generic drugs has been launched since. The combined effects of these efforts have began to yield results: annual health expenditure per capita rose from CFAF 13 000 in 1996 to CFAF 22 000 in 2001, while 69% of households were satisfied regarding access to health centers.

4.3 Effectiveness

4.3.1 The economic efficacy over the period was assessed by estimating the incremental capital-output ratio using the investment/real economic growth ratio. The results of the estimate are mixed as to the efficacy of resources invested during the period under review. Indeed, the incremental capital-output ratio, estimated at 3.17, at the beginning of the programme in 1996/97, rose to 3.90 in 1999/00 at the end of the programme and even reached 4.27 in 2001/02, thus reflecting a decrease in the marginal productivity of capital. This increase in the incremental capital-output ratio reflects a fall in the productivity of capital and could be interpreted as the Cameroonian economy's inability to obtain an adequate return on invested capital. This explains the excess liquidity position of Cameroonian banks which are apparently engaged in a fruitless search for profitable investment opportunities.

4.3.2 This result can, in part be explained by the delays registered in the preparation and implementation of the Competitiveness Committee's action plan, in particular the consideration of the major concerns of the private sector, as well as the necessity for further diversification of the Cameroonian economy. Indeed, diversification efforts were not vigorous, even though the potential for improved economic efficacy was significant in the non-oil sectors. Under these conditions, the Government must pursue efforts to improve the regulatory framework and the business climate, but also to diversify the economy and increase productivity gains, particularly in agricultural and industrial activities.

4.3.3 Furthermore, the efficacy of the programme cannot only be limited to aspects relating to capital. The restoration of growth and aggregate macroeconomic balances required an increase in revenues (non-oil) from 13.4% in 1997/98 to 16% of GDP in 2001/02. These considerable efforts made possible a more than 10-point reduction in the incidence of poverty, due to the rationalization of expenditure within the framework of the programme.

4.4 Institutional Development Impact

4.4.1 The implementation of SAP II made it possible to build the institutional capacity of the administration in several key areas. Thus, in the field of resource mobilization, the smooth introduction of VAT, together with the modernization of the tax authority improved the collection of tax revenues. Furthermore, the programme made it possible to put in place a mechanism to guarantee the regular transfer of oil revenues to the State budget. The programme also helped to improve the programming, monitoring and implementation of the public investment programme, which is now computerized. Furthermore, SIGIPES, whose installation was initiated during the programme, makes it possible at present to reconcile the payroll and effective civil service complement in the four pilot Ministries and to control the wage bill when it has been extended to all the Ministries..

4.4.2 SAP II also made it possible to establish the Road Fund which, by significantly reducing payment delays to service providers, has improved the quality of roads in Cameroon, while creating jobs for regional SMEs which are prioritized under the option retained by the Government. Furthermore, the country now has a Competitiveness Committee and a Privatization Committee which gained much from the different experiences. Finally, from the institutional viewpoint, the Interministerial Supervisory Committee (CIS), assisted by the Technical Committee for monitoring economic programmes (CTS) has now acquired proven experience in programme management: there is no doubt that the process of internalization of this type of programme registered a real headway in the economic culture of Cameroonian policy makers, without forgetting that CTS constitutes an operational library on the history of adjustment programmes in Cameroon. Finally, and above all, the implementation of the programme made it possible for Cameroon to formulate an interim poverty reduction strategy and to reach the decision point for the HIPC Initiative.

4.5 Sustainability

4.5.1 The implementation of the programme has evidently contributed to restoring the aggregate macroeconomic balances and made it possible for Cameroon to return to a sustainable growth path. Thus: (i) the GDP recorded an average annual growth rate of 4.5 % over the programme period, which then increased to 5.3% in 2000/01 ; (ii) the budget deficit was transformed from 2.8% of GDP in 1995/96 to a surplus of 2.1% in 1999/00 at the end of the programme, and then consolidated at 2.1% in 2000/01 ; (iii) the inflation rate was brought down from 4.2% in 1996/97 to 0.8% in 1999/00, but it reached 2.8% in 2000/01 ; and (iv) the current account deficit narrowed from 2.4% to 1.7% during the programme, but widened again in 2000/01 to 2.1% of GDP. It is worth noting here, that one of the programme's major and sustainable results is that Cameroon now has a mechanism which guarantees the transfer of oil taxes and duties to the state budget.

4.5.2 These satisfactory results made it possible to check the falling purchase power of the population and to reduce the incidence of poverty by over ten points. Furthermore, it is in the course of the programme that Cameroon adopted its declaration on poverty reduction strategy which facilitated the preparation of the I-PRSP. Hence, because of the programme's good macroeconomic results, Cameroon was able to reach the decision point for the HIPC Initiative and benefit from a substantial relief of its external debt.

4.5.3 The programme also improved the position of Cameroonian banks whose prudential ratios now comply with professional standards. It also enabled the Cameroonian Government to further streamline public expenditure by enabling it to liquidate and/or restructure or privatize several State-owned enterprises, even though the privatization of SONEL calls for more prudence and precautions in this area. Finally, the key factor for the sustainability of the programme impacts is the political will shown by the Government to complete the ongoing reforms, leading to the inclusion of t most of the measures which were not carried out before the end of the programme, in the SAP III..

4.6 Overall Performance Rating

4.6.1 The Tables on the performance rating of the programme are shown in Annex1. The overall programme performance is considered satisfactory. The programme is consistent with the Government strategy (since it stems from the operational implementation of the CSP) and that of the Bank (for it is consistent with the priorities of the CSP; the macroeconomic and

sectoral policies are in keeping with the constraints identified; it provides a way to contribute to the development of human resources. However, its relevance is uncertain as it by far exceeded institutional capacities, covered all sectors and attempted to resolve all the issues in three years. This situation is the result of the failure of the IMF Third and Fourth Standby Arrangements. Indeed, at the time of each new Standby Arrangement, measures that were not implemented under the previous Arrangements were carried forward, to the extent that the programme was formulated with 131 measures focused on eight components. In such conditions, it is not surprising that a review of the implementation of the matrix of measures in the PPER reveals that out of the 131 programme measures, 75 measures, or 57.2% were implemented (of which only 39 within the estimated time frame under the programme and 36 with delays).

4.6.2 In spite of these shortcomings, the Government is determined to complete the reforms programme , with the result that the bulk of the remaining measures are in the process of implementation under the Bank's SAP III. The implementation of the programme made it possible to restore aggregate macroeconomic balances, put an end to the fall in purchasing power of the population and enable the country to have access to resources under the HIPC Initiative.

4.6.3 Furthermore, economic efficacy did not improve during the programme, owing to the persistence of factors inhibiting investments promotion. Within this framework, the diagnostic study on the competitiveness of the Cameroonian economy remains urgent, so as to rapidly promote the non-oil sector. In contrast, the programme fostered institution building within the Administration, particularly in the areas of resource mobilization, the modernization of the tax administration system, the improvement in the programming of monitoring and implementation of the public investment programme. It also made it possible to initiate the installation of SIGIPES which will enable, from now until year-end 2002, the reconciliation of files on payroll and public service personnel and thus the management of the wage bill. Finally, thanks to programme implementation, Cameroon now has an operational road fund and a Technical Committee for monitoring economic programmes (CTS) which has accumulated proven programme management experience.

4.7 Borrower Performance

The Borrower performance is satisfactory. In fact, in spite of the significant delays registered in the implementation of programme measures, the progress made enabled Cameroon to reach the decision point for the HIPC Initiative. Macro-economic equilibria have been redressed, Cameroon has returned to the path of sustainable growth and the incidence of poverty has been reduced by ten points since 1996. In addition, during programme implementation, the Bank regularly received from the Borrower quarterly follow-up reports, as well as the quarterly performance reviews of the ESAF (which became PRGF during the programme). Nevertheless, it should be mentioned that the first version of the Government Completion Report was not found satisfactory by the Bank and that the Special Account Audit report was prepared with delays.

4.8 Bank Performance

Bank performance in the programme design and implementation was, on the whole unsatisfactory. Indeed, while it is true that the Bank participated in the IMF – World Bank mission in March-April 1996 for the preparation of the draft economic and financial PFP, then in its finalization in June 1997, at the request of the Cameroonian Authorities, its value-added does not appear. SAP II does not concentrate on areas of interest to the Bank, but is too sweeping.. In addition, the two loan tranches were disbursed in record time, because less than one year lapsed between loan effectiveness (30 April 1998) and disbursement of the second tranche (19 January 1999), whereas nearly half of the programme measures had not been implemented. This situation, in addition to preventing the Bank from undertake adequate supervision (only one supervision mission and no mid-term review mission), raises the issue of Bank added-value to the structural adjustment programmes, as well as that of the composition of Bank missions during the appraisal and supervision of this type of programme, generally one or two macroeconomists. Under these conditions, the Bank performance is unsatisfactory.

4.9 Factors that Affected Implementation, Performance and Output

The positive trend in oil prices, as well as the setting up of a mechanism guaranteeing the regular transfer of oil tax to the State budget contributed to the increase in Government revenues, thus to the restoration of the macroeconomic equilibria. In contrast, the Asian crisis hindered the export of undressed timber and reduced expected revenue from this sector. Furthermore, the haste with which some of the components had been designed, such as the initiation of the fiscal cadastre, the introduction of income tax, the social security reform or the privatization of some State-owned enterprises (CAMAIR, for instance) prevented their implementation during the programme.

V. CONCLUSIONS, LESSONS LEARNT AND RECOMMENDATIONS

5.1 Conclusions

5.1.1 After a decade of economic crisis, and following the devaluation of the CFA.F, economic growth revived, due to the efforts made by the Government within the framework of the various economic reforms programmes concluded with the Bretton Woods institutions and the Bank. SAP II implementation enabled Cameroon to restore the key macroeconomic balances, to return to the path of sustainable growth and put an end to the fall in the purchasing power of the population. Thus, GDP grew by an average annual rate of 4.5 % over the programme period, and even reached 5.3% in 2000/01, while the budget deficit of 2.8% of GDP in 1995/96 was transformed into a surplus of 2.1% in 2000/01. Meanwhile, the current account deficit narrowed from 2.4% to 1.7% during the programme, but widened again in 2000/01 to 2.1% of GDP. Furthermore, the programme made possible institutional capacity building of the public administration, particularly in the areas of resource mobilization, the modernization of the tax administration system, and improved programming of the monitoring and implementation of the public investment programme. It also made it possible to initiate the installation of SIGIPES which will enable, from now until year-end 2002, the reconciliation of payroll and public service personnel files, and thus the control of the wage bill. Finally, as a result of the programme,, Cameroon now has an operational road fund and a Technical Committee for monitoring economic programmes (CTS) which has accumulated proven programme experience.

5.1.2 In spite of these performances, several important measures had not been implemented at the time of loan closure in May 1999, and some of them are still not, such as the initiation of the fiscal cadastre, social security reform or the privatization of some State-owned enterprises. Nevertheless, the implementation of the programme enabled Cameroon, on the one hand, to formulate a satisfactory I-PRSP and to reach the decision point for the HIPC Initiative, and on the other, to reduce the incidence of poverty by ten points.

5.2 Lessons Learnt

In addition to lessons learned from the PCR, Programme implementation provides the following lessons :

(i) the increase in revenues during the Programme is due more to a better mobilization of oil revenue than the success of the tax reform whose implementation turned out to be more complicated than initially envisaged. Finally, the income tax and the establishment of a fiscal cadastre envisaged within the framework of SAP II will not become effective even at the end of SAP III. (4.2.4);

(ii) the implementation of complex and sensitive measures such as putting in place a fiscal cadastre or carrying out the social security reform should not be included in a reform programme without reliable preliminary studies which would help determine the difficulties in a more precise manner (4.1.4 and 4.2.22);

(iii) the programme did not succeed in improving the competitiveness of the Cameroonian economy, owing to lack of funding to ensure the operation of the Competitiveness Committee (4.2.9);

(iv) the Bank should learn that a programme which is too vast and too complex is difficult to implement. And yet, SAP I already had 185 measures formulated around eleven components. Hence, the PCR of that Programme pointed out that for a country undergoing its first experience in adjustment, the borrower lacked the technical and institutional capacities required to ensure smooth implementation. These considerations were not taken into account in SAP II, which comprises 131 measures formulated around nine components. This situation, which was also reported in the PCR on SAP II, is nonetheless repeated in SAP III currently under implementation (1.3.4 and 4.1.2);

(v) SAP II comprised eight components covering macroeconomics as well as public finance, the financial sector, privatization of state-owned enterprises, agriculture, energy, transport, forestry and the social sectors. And yet, the preparation and appraisal were conducted by only two macro-economists and a s a result, the Bank’s value-added into the formulation of the programme was lacking. Hence, the composition of the Bank preparation and appraisal missions should be further reinforced (4.1.3); and

(vi) the acquisition of SONEL by an American firm whose share value plummeted following the ENRON scandal raises the fundamental problem of confronting ill-prepared African economies with the world market. The Bank should assist African economies in their efforts to integrate into the world market (4.2.15).

5.3 Recommendations

To consolidate the results obtained, in addition to the PCR recommendations and the generic recommendations relating to compliance with the commitments made in the loan agreement (submission of quarterly reports, compliance with disbursement procedures), it is recommended.

- To the Government, to:

  (i) complete the tax reform by introducing personal income tax and land tax based on the fiscal cadastre (4.2.4);
  (ii) complete all the studies prior to programming dates for the implementation of complex reforms such as the social security reform or the introduction of a fiscal (4.1.4) and (4.2.22);
  (iii) comply with financial commitments, particularly the actual financing of programme components from equity (4.2.8);
  (iv) take necessary precautions before selecting successful bidders in the context of the privatization of strategic state-owned enterprises (4.1.15); and
  (v) complete the privatization of SNEC, CDC, CAMTEL, SODECOTON and CAMAIR (4.2.18).

- To the Bank, to:

  (i) heighten the Government's awareness, not only to the need for the rationalization of public expenditure, but also to the increase in revenue, given that oil fields are running out of reserves (4.2.4);
  (ii) ensure that necessary preliminary studies have been conducted before incorporating, in the reform programme, components as complex and sensitive as the establishment of a fiscal cadastre or social security reform (4.1.4 and 4.2.22);
  (iii) ensure that the financing will be available for components as important as the operation of the competitiveness committee (4.2.9);
  (iv) circumscribe adjustment programmes to a limited number of key sectors, depending on the Bank policy, and not comprising scores of measures (1.3.4 et 4.1.2);
  (v) in view of the complexity of adjustment programmes, it is worth, on the one hand, to strengthen the composition of preparation and appraisal missions, and on the other hand, to increase the number of supervision missions as well as the scope of expertise of mission members (4.1.3) ; and
  (vi) provide more support to African economies in their integration in the world economy to assist them meet the uncertainties of the commodity market (4.2.15).

5.4 Follow-up Actions

a. By the Government

(i) promote the private sector by taking into account its concerns through the competitiveness committee (4.2.8 and 4.2.9);
(ii) accelerate the promotion of the exploitation of natural gas (4.2.25);
(iii) follow the guidelines for the preparation of project completion reports (3.3.1); and
(iv) enhance environmental protection (4.2.30).

b. By the Bank

(i) strengthen the operational guidelines relating to the formulation and monitoring of reform programmes, especially by determining the frequency, duration and composition of follow-up missions depending on the complexity of the programmes and measures (4.8);
(ii) take into account more effectively the risks identified during evaluation (4.1.10).

Republic of Cameroon
Second Structural Adjustment Programme (SAP II)
Programme Performance Outcome

N°	INDICATOR	Rating (1 to 4)	REMARKS
1.	**Relevance and quality at entry**	**3.0**	
i)	Consistency with country overall development strategy	3.0	The programme and the operational implementation of the economic and financial PFP are thus in accordance with priorities determined by the government.
ii)	Consistency with Bank Assistance Strategy	3.0	The Government's priorities tallied with those of the Bank as contained in the CSP which focused on poverty reduction, and private sector development and environmental protection.
iii)	Macro-economic policy	4.0	Restoring key macro-economic balances was necessary to return to the path of sustainable growth and check the fall of purchasing power.
iv)	Sector Policy	3.0	The sector policy aimed at restoring the financial sector's credibility restructuring the agricultural sectors, reducing energy and transport costs and viable exploitation of forest resources.
v)	Public Policy Reform	3.0	The introduction of VAT and guaranteeing the allocation to government budget of oil-taxes, reform of the civil service and privatization of public enterprises were in accordance with government priorities.
vi)	Poverty Reduction	3.0	It consisted in channeling budget allocations to priority sectors having a significant impact on the welfare of the majority of the population especially education and health, and improving the efficacy of the execution of public expenditures.
vii)	Social and Gender Equality	2.0	The programme did not contain specific measures concerning gender.
viii)	Environment concerns	2.0	The programme lay emphasis on the collection of taxes and the protection of the environment.
ix)	Human Resources Development	3.0	The programme gave priority to education and health which contribute to human resources development.
x)	Institutional Development	3.0	The programme contributed to institutional capacity building of the administration especially the mobilization of resources, modernization of tax administration, improvement of programming the monitoring and implementation of the investment programme. It also made it possible to begin the installation of SIGIPES which will enable, by the end of year 2002, the reconciliation of the payroll files and civil service staff complement and thus to manage the wage bill.
xi)	Private Sector Development	3.0	The promotion of the private sector aimed at the privatization of public enterprises and the adjustment of the financial sector, creating a Competitiveness Committee and using SME's for road maintenance.
xii)	Regional Integration	2.0	Since Cameroon is a member of the Franc zone, certain measures such as the application of CIMA code or the strengthening of the supervision mission of the COBAC. On the other hand, the regional financial market has not yet been created.
xiii)	Quality at Entry	2.0	The programme was too complex, covered too many sectors and comprised too many measures.

Republic of Cameroon
Second Structural Adjustment Programme (SAP II)
Programme Performance Outcome

2	**Achievement of objectives and outcomes**	**3.0**	
i)	Public policy goals	3.0	
	- Macro-economic Stabilization	3.0	- The programme made possible the restoration of the key macroeconomic balances, a return to growth and control of inflation
	- Public Investment and expenditures	3.0	- The programme enabled the rationalization of the public expenditures, the improvement of procedures as well as the computerization of PIP
	- Debt Management	3.0	- The satisfactory performance registered during the programme's implementation enabled Cameroon to reach in October 2000, HIPC enhanced initiative on decision – making point. In this context, Cameroon benefited from a debt relief to the tune of 1.2 billion dollars in January 1999.
	- Civil Service Reform	2.0	- The programme made it possible to launch an inventory of the civil service as well as the introduction of the SIGIPES.
ii)	Physical Objectives	N.A	NA
iii)	Financial targets	3.0	The introduction of a mechanism guaranteeing the regular transfer oil revenues to the State budget. Domestic revenue excluding privatization totaled 1 0.93 billion CFAF in 1990/00 or an increase from 15.1% of GDP in 1996/97 to nearly 21% in 1999/00.
iv)	Institutional Development Objectives	3.0	The implementation of SAP II enabled the modernization of the tax authorities, the introduction of a mechanism guaranteeing the regular transfer of oil revenues to the State budget, the monitoring and implementation of the public investment programme and the initiation of SIGIPES.
v)	Social Objective and Targets	3.0	The programme made it possible to check the fall of the population's purchasing power and reduce poverty by more than ten points. In addition, it was during the programme that Cameroon adopted its declaration concerning combating poverty which enabled the rapid formulation of DRSP; In addition, budgetary appropriation for education increased from 69.3 billion CFAF in 1996/97 to 118.9 billion in 1999/00 (16% of budget), or an increase of 75% in three years; those for the Ministry of health rose from 30 billion CFAF in 1996/97 to 53 billion in 1999/00 (nearly 9% of current expenditure excluding salaries), or an increase of 78.6%.
vi)	Environmental Objectives	2.0	The programme aimed at viable ecological exploitation of forest resources.
vii)	Private Sector Development	2.0	The promotion of the private sector centred on the privatization of public enterprises, adjustment of the financial sector, setting up a competitiveness committee and using SMEs for road maintenance.
3	**Efficacy**	**2.0**	The implementation of the programme helped to increase the return on capital invested in Cameroon.

Republic of Cameroon
Second Structural Adjustment Programme (SAP II)
Programme Performance Outcome

4	**Institutional Development Impact**	**3.0**	
	-Economic Management	3.0	-Cameroon personnel manage better their economy since reforms were carried out major balances have been restored, governance improved and poverty reduced.
	-Poverty Reduction	3.0	-The progress made it possible to reduce poverty by more than ten points.
	-Sectoral Capacity	3.0	- The new government agricultural policy is centred on modernizing the institutional framework of the agricultural sector, improving the incentive context (by abolishing taxes on inputs and equipment) and reinforcing actions to improve the competitiveness of exports and the quality of agricultural products especially in the coffee and cocoa sectors. In the energy sector, the Government has adopted and implemented a global reform strategy for the oil sector which redefines the respective roles of the private sector and the National Hydrocarbons Company (SNH) and will carry out an audit of the latter's accounts for more transparency. Lastly, the road fund established by law no. 96/07 of 8 April 1996 is operational since the 26/08/98.
5	**Sustainability**	**3.0**	
i)	Technical Soundness	NA	
ii)	Continued Borrower Commitment	3.0	Despite considerable delays recorded in the implementation of important measures such as public enterprises privatization, initiation of the fiscal cadastre or the social security reform, the Government showed its determination and achieved a lot in three years.
iii)	Social Political Support (including beneficiary participation, vulnerable groups protection, political stability)	3.0	The Government made sure that economic results are reflected by concrete results in terms of poverty reduction, job creation and tangible improvements in the living conditions of the entire population. The positive results of the programme as well as the efforts made by the authorities are reflected in the overall reduction of poverty which fell from 50.5% in 1996 to 40.2% in 2001, or a drop of 10.30% in five years. In the health area, the joint management of Pharmaceutical Supply Depots (CAPP) end health services is operational with effect from the 1997/98 financial year while health services are authorized to keep 100% of their revenues with effect from 30 June 1998.
iv)	Economic Viability	2.0	Despite the efforts accomplished, the economic viability remains fragile, the return on capital has not increased and obstacles to competitiveness still exist.
v)	Institutional Arrangements (organizational management)	3.0	The programme's achievements made possible financial planning, the collection of taxes and the management of the civil service.
vi)	Environmental Viability	2.0	The formulation of the proper environmental protection policy remains necessary especially the implementation of the Yaounde declaration and sustainable management of tropical forests provided for in the Bank's SAP III.
vii)	Resilience to exogenous factors	2.0	The Cameroonian economy is still very dependent on oil exports which account for nearly half of the country's exports.
6	**Aggregate Performance Indicator**	**30**	**Satisfactory**

Republic of Cameroon
Second Structural Adjustment Programme (SAP II)
Programme Performance Outcome

Indicators	**Rating (1 to 4)**	**Remarks**
Overall Borrower Performance	**3.0**	**Satisfactory**
Quality of Preparation		
- Ownership, Beneficiaries Participation	3.0	-The programme follows the operational implementation of PFP to which all ministries are associated.
- Government commitment	3.0	-The government was fully committed even though several important measures were delayed.
- Macro-economic and Sector	3.0	-The Government's determination made it possible to restore key macroeconomic balances, guarantee the appropriation to government budget oil taxes and to rationalize public expenditures.
- Institutional Arrangements	3.0	- The Cameroonian government benefited from institutional building actions during the implementation of the programme.
Quality of Implementation - Managerial Performance	3.0	- Although half of the programme measures were not implemented because the programme was too vast the interministerial committee and the technical steering committee operated very well.
- Adherence to time schedule and costs	3.0	- Programme costs were respected, the loan became effective and its two tranches were disbursed within less than a year ; however, several measures were not implemented.
Compliances with Covenants	3.0	Loan conditions were met.
Adequacy of Monitoring and Evaluation and quarterly progress reporting	3.0	The first version of the Government's completion report was deemed unsatisfactory and the special account audit report was submitted late to the Bank. On the other hand, quarterly monitoring reports of the programme and of the ESAF were submitted regularly.

Republic of Cameroon
Second Structural Adjustment Programme (SAP II)
Programme Performance Outcome

Indicators	**Rating (1 to 4)**	**Remarks**
Overall Bank Evaluation Performance	**2.0**	**Unsatisfactory. The Bank was satisfied in following the Bretton Woods institutions.**
At identification	2.0	The Bank did not take part in programme identification in conformity with priorities set by the Bank in the CSP.
At preparation - Relevance of Bank Support - Timely Bank Support	 3.0 2.0	 The Bank was associated with the IMF and World Bank mission in the preparation of the economic and financial PFP The Bank's value-added is not obvious.
At appraisal - Quality of technical, economic, financial, institutional, social, environmental analyses - Relevance of conditions and covenants - Adequacy of lending instrument - Financial package adequacy - Quality of coordination with other donors/partners - Implementation and supervision plans (including performance indicators,..)	 2.0 3.0 3.0 3.0 3.0 2	 - These analyses were carried out by Bretton Wood Institutions and were endorsed by the Bank. - The conditions required were necessary and within the scope of the government and standard agreement. - The structural adjustment was appropriate owing to interaction between different components of the programme on the one hand, those that preceded on the other. - It was adequate. - Coordination with other donors/partners especially the Bretton Woods Institutions was very good. - The measures implementation schedule was too ambitions and could not be kept
At Supervision	2.0	There was only one supervision mission for the programme.

Republic of Cameroon
Second Structural Adjustment Programme (SAP II)
Factors affecting implementation Performance and Outcome

Factors	Substantial	Partial	Negligible	NA	Remarks
1. Not subject to Government Control					
1.1 World market prices	-				The fact that oil prices well maintained contributed to the increase in government revenues but the crisis in Asia restrained the export of wood.
1.2 Natural events				NA	
1.3 Bank Performance	+				Despite the Bank's shortcomings in programme design, its financial contribution was useful in restoring growth.
1.4 Performance of contractors//consultants				NA	
1.5 Civil war				NA	
1.6 Regional and Internal Socio-political instability				NA	
2. Subject to Government control					
2.1 Macroeconomic policies	+				The implementation of the programme made it possible to restore macroeconomic balances
2.2 Sector policies	+				The sector policy aimed at restoring the credibility of the financial sector, restructuring of the agricultural sector, reducing energy and transport costs and viable exploitation of forest resources.
2.3.Government commitment	+				The Government's commitment helped to spread up reforms despite considerable delays.
2.4. Appointment of key staff		+			Certain appointments took to long to be made
2.5 Counterpart funding				NA	
2.6. Administrative capacity	+				Despite the scope and complexity of the programme the Cameroonian staff capacity was decisive. CTS has acquired sound experience in programme management
3. Competence of Executing Agency	+				CTS has acquired good experience in programme management
3.1. Management	+				Despite delays concerning certain programme components, the management of the programme was correct
3.2 Staffing				NA	
3.3 Use of technical assistance Monitoring and Evaluation				NA	
3.4. Monitoring and Evaluation	+				Programme monitoring reports were provided in good time
3.5 Beneficiary participation	+				The programme followed from the implementation of the PFP in which all ministries were involved

Republic of Cameroon
Second Structural Programme (SAP II)
Factors affecting implementation on Performance and Outcome

4. Factors affecting implementation					
4.1 Changes in progress scope/scale/design				NA	
4.2 Deficiency in estimating physical inputs, the base unit costs				NA	
4.3 Inadequacy of physical contingencies				NA	
4.4 Changes in exchange rates, in financial and institutional arrangements				NA	
4.5 Unrealistic implementation duration	-				The implementation schedule of programme measures was unrealistic
4.6 Quality of management including financial management	+				The programme was managed in conformity with covenants
4.7 Delays in selecting staff/consultants				NA	
4.8 Inefficient procurement and disbursement procedures				NA	

Logical Framework Matrix SAP –II - Cameroon

Hierarchy of objectives (HO)	Objectively Verifiable Indicators (OVI)			Means of Verification (MOV)	Assumption and critical risk factors
	At Appraisal June 1997	**At completion August 2000**	**At Post evaluation August 2002**		
1 – Super Goal 1.1- Return to path of sustainable and fairly distributed growth	1.1.1 Minimum of 5% annual GDP rate of growth evenly distributed from 1997 to 1999.	The growth of GDP reached 5.1% and 5% in 97 and 98. It was reduced to 4.4% in 1999.	The GDP growth rate stood at 5.3% in 2001.	1.1.1 National Statistics	
2 – Programme Objectives 2.1- Restore major macroeconomic balances	2.1.1 External Account deficit below 2.3% of GDP by year 1999/2000 2.1.2 Budgetary deficit (commitment base) brought down to 1.8% of GDP 2.1.3 Inflation reduced from 4.2% to 2% in 1999/2000	External account deficit in 1999/00 represents 1.7% of GDP The GDP showed a 1.4% surplus in 1999/00 The rate of inflation of 2.9% in 1998/99 was reduced to 0.8% in 1999/00	The external account deficit to reach 3.2% of GDP in 2001/02 The budget surplus was consolidated to 2.1% in 2000/01 Inflation reached 2% in 2001/02	2.1 National Statistics; annual programme reviews; mid-term supervision reports	2.1 Pursuit of economic reforms; full commitment of economic agents; political stability and donor support; debt relief.
3 – Programme Outcomes 3.1 Improve the mobilization of revenues and control expenditures	3.1.1 Overall revenue equivalent to 17.9% if GDP in 1999/2000 3.1.2 Overall expenditures limited to 19.8% of GDP in 1999/2000	Overall revenues excluding privatization accounted for 21% of GDP in 99/00 In 1990/00 overall govt. exp. reduced to 19.4% of GDP	Revenue amounted to 19% of GDP in 2001/02 Public expenditure reduced to 18% of GDP in 2001/02.	3.1.1 Statistics of national accounts : Flow of funds table	3.1.1 Improvement of tax administration; debt relief

Hierarchy of objectives (HO)	Objectively Verifiable Indicators (OVI)			Means of Verification (MOV)	Assumption and critical risk factors
	At Appraisal June 1997	**At completion August 2000**	**At Post evaluation August 2002**		
3 – Programme Outcomes (cont'd)					
3.2 Consolidation of external competitiveness	3.2.1 Exports accounting for over 20.3% of GDP in 1999/2000	Exports value rose to 24% of GDP in 1999/00	The exports value rose to 20.3% of GDP in 2001/02	3.2.1 Balance of payments; customs statistics	3.2.1 Economic recession; fall of oil prices and staple commodities.
	3.2.2 Non-oil goods exports exceeding 77% of exports in 1999/2000	Non-oil exports value only represented 55% of total exports value	Non-oil exports represented 55% of total exports	3.2.2 Balance of payments; customs statistics	
3.3 Private sector development	3.3.1 Private investments accounting for 16.5% of GDP in 1999/2000	-	Private investments reached 16% of GDP in 2001/02	3.3.1 National statistics	3.1 Promulgation of texts concerning business and investment law, and tax incentives harmonized within CACEV
	3.3.2 A minimum of 55% of domestic credit allocated to private sector	The private sector only received 47% in 1999 of domestic credit	In 2001/02 the private sector received 57% of domestic credit compared to 54.6% in 2000/01	3.3.2 BEAC Account	
3.4 Human resource development and poverty reduction	3.4.1 School enrolment rate exceeding 62%	The enrollment rate in primary was 97% in 1997		3.4.1 National Social statistics	3.4 .1 Effective implementation of policies described in the PFP
	3.4.2 Health services access rate higher than 41%	The health services access ratio is estimated at 41%			
	3.4.3 GDP per capita high above US$ 680 in 2000	GDP per capita is estimated at US$ 650			

Hierarchy of objectives (HO)	Objectively Verifiable Indicators (OVI)			Means of Verification (MOV)	Assumption and critical risk factors
	At Appraisal June 1997	**At completion August 2000**	**At Post evaluation August 2002**		
4 – <u>Activities</u> 4.1 Improve tax and customs administration and combat tax evasion and fraud	4.1.1 Increase overall revenue budget to 17.9% of GDP in 1999/2000	Overall revenue excluding privatization reached 19% of GDP in 1999/00	Revenues dropped to 19% of GDP in 2001/02 having reached 20.6% in 2000/01	4.1.1 SNA	4.1.1 Drafting, and enforcement of new tax texts
4.2 Reform the Civil Service	4.2.1 Reduce the workforce to 1% of the working population	The census of the workforce has not been completed	Census completed but the workforce has not been reduced	4.2.1 Statistics of the Civil Service	4.2.1 Compensation to laid off workers to minimize trade union protests
	4.2.2 Put in place SIGIPES in all ministries in 1999/2000	In progress	On-going in 4 pilot ministries	4.2.2 Report on the mode of operation of ministries mid-term review programme	4.2.2 Delays in the implementation of SIGIPES
4.3 Lighten the debt burden	4.3.1 Amount rescheduled (arrears and current due debts up to nearly CFAF 1086 billion	Not achieved	Cameroon reached the HIPC decision point initiative in October 2000	4.3.1 National Statistics; Paris and London Clubs reports	4.3.1 Down support
4.4 Restructure or privatize public enterprises	4.4.1 Privatization of SODECOTON, SOCAPALM, CDC , CAMAIR	- SOCAPALM effectively privatized on 29/06/00 - SODECOTON, CAMAIR dossiers very late - CDC in progress Tenders issued on 31/12 /98.	- SODECOTON, CDC and CAMAIR not yet privatized	4.4.1 Government portfolio status report	4.4.1 Resistance to state asset disposal, lack of rescuers

Hierarchy of objectives (HO)	Objectively Verifiable Indicators (IOV)			Means of Verification (MOV)	Assumption and critical risk factors
	At Appraisal June 1997	**At completion August 2000**	**At Post evaluation August 2002**		
4 – <u>Activities</u> (cont'd)	4.4.2 Participation of the private sector in the running of public services (SNEC, SONEL, INTELCAM)	- Participation of the private sector in running SONEL, INTELCAM (laws n0 98/022 of 24/12/ 98 and concerning the energy sector system n0 98/ 014 of 14/7/98 concerning telecommunications) - SNEC: in progress (provisional award to lyonnaise des eaux)	- The privatization of SNEC has not been completed - SONEL privatized - CAMTEL (private telephone not yet privatized)	4.4.2 Legal and statutory framework authorizing the private sector to intervene; contracts award to private enterprises	4.4.2 Idem
4.5 Stabilize the financial sector	4.5.1 Restructuring of Banks and insurance companies completed (BICEC, SOCAR and CNR privatized) 4.5.2 State participate in Banks' capital limited to 20% maximum 4.5.3 Action plans for reforms of SRC and social security 4.6.1 Reduction from 13.5% to 10% for wood and then gradual elimination	- BICEC: privatized in May 2000. It is taken over by the mutual banks group - CNR: liquidated (liquidation decree issued on 06/00 - SOCAR: in process of privatization -Effective (budget law n0 97/014 of 18 July 1997) - Reform of CRC carried out - Social security reform being prepared Export duties abolished by the budget law in 1999/2000 Efforts have been made in the health 99/00).	- Privatization of SOCAR completed The social security reform is at the studies stage area (health budget doubled)	4.5.1 Government economic reports; Programme mid-term reviews 4.5.2 Implementing order 4.5.3 Action plans 4.6.1 Budget law for the fiscal years 1997/98 to 1999/2000	4.5.1 Government commitment and rescuers interested in conditions of recovery 4.5.2 Pursuit of restructuring of the financial sector and involvement of the COBAC 4.5.3 Pursuit of the restructuring of the financial sector 4.6.1 Filling the programme financing gap and rationalization of expenditures
4.6 Reduce export duties					
4.7 Budget consolidation giving priority to fight against poverty and human resource development	4.7.1 A minimum of 14% of the budget allocated to health and education from year 1997/98. With regard to subsequent years over 14% will be allocated to the above sectors	The good has been reached in the field of education. In 1997/98, 16% of the budget was allocated to that sector	Budget appropriations to education were increased from 67.5% since 1990 and those to health reached 34%	4.7.1 Budget implementation schedule, and annual review of GDP and PIP	4.7.1 Respect the objective of rationalization of expenditures

Annex 4

Cameroon : Financial and Economic Indicators 1997/1998-2001-2002

	1997/98	1998/99	1999/00	2000/01	2001/02
	Annual variation in % unless otherwise indicated				
National accounts and prices					
GDP at constant prices	5.0	4.4	4.2	5.3	4.4
Including : Non-oil GDP	5.0	4.4	4.6	5.5	4.9
GDP deflator	1.1	-1.2	3.5	3.0	0.5
Consumer price index (average 12 months)	3.9	2.9	0.8	2.8	4.0
Consumer price index (end of period)	2.2	2.2	-0.7	4.8	4.8
Oil production (in thousand barrels/day)	115	119	113	114	105
External Sector					
Exports (in SDRs)	-6.3	-6.1	27.5	4.9	-13.0
Oil included	-16.7	-10.3	88.9	10.8	-24.5
Imports (in SDRs)	12.5	3.4	4.6	10.7	3.8
Export (Volume)	11.1	8.2	-0.7	2.5	-1.0
Including Non-oil sector	16.5	58.8	1.2	4.1	1.8
Imports (volume)	13.5	0.8	14.8	11.8	3.5
Average export price of oil (U.S. dollars/barrels)	15.5	12.2	23.9	25.5	20.5
Effective foreign exchange rate	-1.9	4.1	-2.6		
Real effective exchange rate	-0.6	8.5	-4.2		
Cfa/sdr	815	810	874	938	
Terms of trade	-4.5	-15.6	41.1	3.4	-12.4
Export price index (excluding non-oil in CFAF)	9.2	-12.3	9.5	2.9	-4.9
Money and credit (end of period)					
Net domestic assets	12.7	9.2	-3.3	4.1	2.0
Net credit to public sector	1.8	4.2	-7.1	0.6	1.2
Credits to private sector	30.3	11.2	10.5	8.7	13.4
Money supply (M)	7.8	9.7	18.8	17.9	14.3
Velocity of money (Average GDP M2)	7.6	7.2	6.8	6.2	5.8
Rediscount rate (end of period)	7.0	7.6	7.0	7.0	6.5
Government Operations					
Total revenue	17.1	-1.2	30.5	19.0	-1.2
Including non-oil revenues	23.8	9.5	9.0	12.3	9.8
Total expenditure	18.2	9.1	-1.0	16.0	2.1
Current expenditure	10.6	5.7	2.8	12.3	2.4
Capital expenditures (financed from internal resources)	41.7	12.7	42.4	12.6	18.4
	(in % of GDP unless otherwise indicated)				
Gross National Savings	15.0	14.6	14.7	15.5	14.5
Gross domestic investment	17.5	18.7	16.4	17.8	18.6
Central government operations					
Total revenue	12.3	15.5	18.8	20.6	19.4
Including non-oil revenue	13.4	13.0	13.2	13.6	14.3
Total expenditure	17.9	18.9	17.4	18.6	18.1
Total fiscal balance (excluding grants)	-1.7	-3.4	1.4	2.0	1.3
Fiscal balance (including grants)	-1.4	-3.2	1.4	2.4	1.9
Primary balance	5.9	4.6	7.2	7.5	5.5
Including : non-oil sector	2.0	2.1	1.6	0.6	0.4
Expenditures excluding interests	10.3	11.0	11.6	13.0	13.9
External public debt	25.5	23.3	18.7	15.6	16.7
External Sector					
Current balance (including grants)	-2.5	-4.1	-1.7	-2.3	-4.1
External public debt	87.8	90.2	79.5	76.5	63.0
	(% of exports of goods and services unless otherwise indicated)				
Net present value of external public debt	210	213.9	192.2	179	194.8
External debt service	40.4	45.2			
Programme	66.2	71.2	31.1	26.8	28.7
Programme (in % of fiscal revenue)	16.1	17.8	51.0	41.3	39.4
Actual	26.4	28.1	14.0		--
Current account balance (including grants)	-161	-278	-114	-152	-290
Total balance of payments	-249	-396	-153	-218	-317
Net foreign exchange reserves (end of period)	-312	-298	-103	38	192

Source : Cameroon authorities

Cameroon : Government financial operations, 1997/98-2001/02
(In CFAF billion, unless otherwise indicated)

	1997/98	1998/99	1999/00	2000/01	2001/02
Revenue and grants	863	848	1093	1326	1290
Total receipts	848	838	1093	1301	1257
Revenue from oil sector	204	133	325	438	303
Revenue from non-oil sector	643	705	768	863	954
Direct taxes	131	174	182	220	260
Special tax on oil products	58	65	58	63	63
Tax on foreign trade	143	138	141	148	167
Other taxes on goods and services	246	275	326	373	396
Including TVA	200	226	269	312	332
Non tax revenue	66	53	61	59	67
Grants	15	10	0	26	33
Including HIPC				19	31
Total expenditure	937	1023	1013	1175	1193
Current expenditure	780	824	847	951	953
Wages and salaries	259	275	293	338	385
Other goods and services	136	167	191	236	252
Grants and transfers	85	100	109	133	120
Education grants	45	55	58	80	58
Pensions	39	43	50	53	59
Separation packages	1	2	0	0	4
Projected interest	299	282	254	245	196
External	270	254	231	221	182
Internal	29	28	23	24	14
Capital expenditure	153	194	156	208	231
Investment financed from foreign resources	88	121	51	75	86
Investment financed from foreign resources	53	47	73	103	123
Restructuring	12	27	32	31	21
Non classified expenditures	4	4	10	15	9
Overall balance (commitment based)					
Grants excluded	-89	-185	81	126	64
Grants included	-74	-175	81	152	97
Net change in arrears	-515	-46	-99	-186	-193
External	-324	40	-1	-9	-357
Domestic	-190	-86	-98	-177	-36
Overall balance (cash based)					
Excluding grants	-604	-231	-18	-59	-329
Including grants	-589	-221	-18	-34	-296
Financing	589	222	18	34	-284
External financing (net)	471	181	76	118	-133
Amortization	-282	-332	-319	-312	-322
Drawdowns	753	514	404	430	413
Project financing	88	121	51	75	86
Programmes financing	162	115	51	16	54
Debt rescheduling	503	278	302	339	272
Including HIPC (Relief)				17	56
Rescheduling of arrears (principal)	0	0	-8	0	-223
Domestic financing (net)	118	41	-58	-84	-151
Banking system	6	15	-75	-23	-26
Amortization	0	0	0	-63	-58
Financing from outside the banking system	-25	-7	-10	-21	-22
Privatizations	1	11	75	0	23
Reserves	0	0	0	0	-3
Financial system	-13	-4	0	0	0
Securitization	150	27	0	100	0
VAT refund	0	0	-33	-27	-36
Others	0	0	-15	-48	-29
Residual borrowing requirements	0	0	0	0	580
Of which possible debt rescheduling	0	0	0	0	580

Cameroon : Government financial transactions, 1997/98-2001/02
(In CFAF billion, unless otherwise indicated)

	1997/98	1998/99	1999/00	2000/01	2001/02
Memo item					
Primary fiscal balance	310	247	417	476	371
Expenditures (excluding interests)	537	591	676	824	890
HIPC Assistance (total)				37	87
Primary fiscal balance (in % of GDP)	5.9	4.6	7.2	1.7	5.6
Total balance (grants excluded in % of GDP)	-1.7	-3.4	1.4	2.0	1.0
Non-oil revenue (in % of GDP excluding oil)	13.4	13.9	15.3	16.2	16.0
Expenditure excluding interests (in % of GDP)	10.3	11.0	11.6	13.0	13.4
Wages and salaries (in % of GDP)	4.9	5.1	5.0	5.3	5.8

Source : Cameroon authorities

Annex 6

Cameroon : Balance of payments, 1997/98-2001/02

	1997/98	1998/99	1999/00	2000/01	2001/02
	(In CFAF billion)				
Current account balance	-131	-222	-100	-135	-268
Balance of trade	216	117	387	381	127
Exports f.o.b	1084	990	1399	1583	1358
Oil and oil products	356	311	652	779	580
Non-oil sector	728	669	747	804	778
Imports f.o.b	-867	-873	-1012	-1202	-1231
Services (net)	-410	-408	-551	-579	-194
Projected interests from debt	-270	-254	-231	-221	-184
Others	-141	-154	-319	-358	-311
Transfers (net)	63	69	64	63	99
Of which : officials	15	10	0	0	30
Inflows	72	79	75	75	110
Outflows	-9	-10	-11	-12	-11
Capital account balance	-72	-93	-33	-69	-25
Official capital (net)	-32	-96	-217	-222	-243
Programme loans	162	115	51	16	27
Project loans	88	121	51	75	52
Amortization	-282	-332	-319	-312	-322
Private capital (net)	-40	4	184	152	219
Oil sector	-26	-18	-18	-24	4
Non-oil sector	-14	21	202	176	214
Of which : Direct investments	63	67	70	102	112
Privatisations	1	11	75	0	23
Others	-78	-57	57	75	80
Overall balance	-203	-314	-133	-204	-293
Financing	203	314	133	204	293
BEAC	23	-2	-159	-126	10
IMF credits	35	32	24	27	29
Other reserves	-12	-35	-183	-153	-19
Debt rescheduling	504	277	302	339	283
Variation in arrears	-324	40	-9	-9	-580
Borrowing requirements	0	0	0	0	580
	(In % of GDP)				
Trade balance	4.1	2.2	6.6	6.0	1.9
Current account balance					
Excluding grants	-2.8	-4.3	-1.7	-2.1	-4.5
Including grants	-2.5	-4.1	-1.7	-2.1	-4.1
Overall balance	-3.9	-5.8	-2.3	-3.2	-4.4
	(Change as a % unless otherwise indicated)				
Volume of exports	11.1	8.2	-0.7	2.5	-1.0
Oil sector	1.2	13.2	-4.5	-0.7	-7.1
Non-oil sector	16.5	5.8	1.2	4.1	1.8
Volume of imports	13.5	0.8	14.8	12.5	3.5
Including : Non-oil sector	13.3	4.3	16.7	13.0	4.5
Terms of trade	-4.5	-15.7	41.4	4.5	-12.4
Export price index (excl. oil) (CFAF)	9.2	-12.4	9.5	3.4	-4.9
Export price index (CFAF)	4.8	-0.2	1.1	5.6	-1.1
Exchange rate (CFAF for 1 US $)	602.1	588.5	658.2	743.5	--

Source: Cameroon authorities