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Staff Country Reports

Cameroon: Poverty Reduction Strategy Paper—Joint Staff Advisory Note

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INTERNATIONAL DEVELOPMENT ASSOCIATION
AND INTERNATIONAL MONETARY FUND

CAMEROON

**Strategy Document for Growth and Employment
Joint Staff Advisory Note**

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

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February 3, 2010

I. OVERVIEW

1. In April 2003, the government of Cameroon adopted its first Poverty Reduction Strategy Paper (PRSP) to define the overall framework for its development policies. Since then, progress in implementing the PRSP has been presented in four Annual Progress Reports covering the period 2003-2006. In 2007, the government began a wide-ranging consultative process to fully update the PRSP. At the conclusion of the process, a new growth and employment strategy (DSCE) was adopted by the Cabinet in August 2009 and presented to the public in November 2009 jointly by the Minister of Economy and the Minister of Finance.

2. The DSCE, covering the period 2010-19, is based on lessons learned during the implementation of the first PRSP and explicitly recognizes the feedback from the consultative process undertaken in 2007-08. It acknowledges the overall disappointing progress during 2000-2008 against key socioeconomic indicators: although macroeconomic stability was ensured, weaknesses in structural policies, governance, and the business environment remained. It was recognized that access to basic social services had improved under the PRSP. Progress in reducing poverty continued, however, to be hampered by limited infrastructure, as well as access to appropriate education and health services.

3. The new strategy aims to adjust the overall objectives and address the weaknesses of the various sector policies, including some sectors that had not been prioritized in the first round (e.g. energy, telecom, rural development, and governance). It builds on (i) a long-term vision extending to 2035; (ii) a 2008 household survey; and (iii) a medium-term expenditure framework (MTEF) prepared with technical support by the European Union and the World Bank.

4. In what follows, Section II will describe recent developments in poverty in Cameroon; Section III will discuss the objectives of the DSCE and suggest possible areas for strengthening; Section IV will review the monitoring and evaluation process; and Section V will draw some conclusions.

II. POVERTY DEVELOPMENTS

5. The DSCE presents a candid description of the key trends and determinants of poverty in Cameroon. Cameroon's growth performance is disappointing. Real GDP growth between 2003 and 2007 was limited (3.3 percent on average per annum), and remained below the average annual growth rate of 4.2 percent achieved between 2000 and 2002. In per capita terms, real GDP grew by only 0.6 percent a year on average between 2000 and 2007. As a result, extreme poverty remained unchanged and even worsened in rural areas. The latest household survey (2007) indicates that the poverty headcount has remained high (39.9 percent compared to 40.2 percent in 2001). Poverty remains predominantly rural and is higher in the northern regions: four provinces (Adamaoua, East, North and Far North) experienced a significant increase in poverty incidence between 2001 and 2007, with the two most Northern provinces (North and Far North) seeing the biggest increases (10-14 percentage points). Besides geographical considerations, poverty is also linked to inappropriate education, limited formal employment, and problems in access to land and credit.

6. Malnutrition continues to be a significant issue, with about one third of children in Cameroon being chronically malnourished. While some progress was registered in primary education, recent information from the household survey indicates that Cameroon may not meet the MDG related to the net primary enrolment rate. Cameroon is also unlikely to meet the health MDGs.

III. THE STRATEGIC VISION AND ITS IMPLEMENTATION

7. The Vision 2035, which served as the anchor for the DSCE, spells out the government's ambition to position Cameroon as an "emerging nation, democratic and united in its diversity" by 2035. Its principal objectives include: (i) reducing poverty to less than 10 percent; (ii) becoming a middle-income country; (iii) being an industrialized nation; and (iv) consolidating democracy and national unity.

8. From the staffs' perspective, the DSCE correctly identifies the country's inadequate infrastructure and unfavorable business environment as the main structural weaknesses hampering faster economic growth and employment. The strategy also puts considerable emphasis on agricultural diversification and productivity, in particular to achieve food security. Five key priority areas have been identified: (i) infrastructure development in energy, telecoms, and transport; (ii) development of the rural and mining sectors; (iii) improvement in human resources through health, education, and training; (iv) greater regional integration and export diversification; and (v) financial sector deepening and strengthening.

9. In the staffs' view, achieving the goals identified by the strategy rests on the provision that existing financing and administrative capacity constraints are fully lifted. In this regard, the DSCE should clarify how private investment could be enticed in a context of weak governance and an inefficient public sector that heavily constrains absorptive capacity. Improvements in the business environment are critical in this context and would require efforts to (i) reduce the time needed to register property and start business (800 days in Cameroon); (ii) strengthen the judicial system for commercial and financial disputes; and (iii) simplify and facilitate export/import procedures.¹ In addition, greater efforts to strengthen accountability and transparency in the public sector, notably in the sectors given priority in the strategy, would be an important signal of government's willingness to enhance its own effectiveness.

A. MACROECONOMIC FRAMEWORK

10. The DSCE presents two main scenarios:

		Cameroon		
		Reference and Vision Scenarios, 2010-20		
		(Annual averages)		
		2010-14	2015-20	
<ul style="list-style-type: none"> • a reference one, implying limited financing requirements and an external position in surplus, reflecting a decline in trade openness; 		Reference		
		GDP growth (percent change)	5.1	5.9
		GDP deflator (percent change)	3.3	2.4
<ul style="list-style-type: none"> • and a more ambitious one, reflecting the authorities' vision to reduce poverty to a socially acceptable level by 2035. This more pro-active strategy yields faster economic growth, relies more on imports, and requires larger additional financing. 		Overall external balance (percent GDP)	1.2	3.2
		Financing gap (percent GDP)	0.3	0.6
		Vision		
		GDP growth (percent change)	5.5	9.2
		GDP deflator (percent change)	4.0	2.2
		Overall external balance (percent GDP)	0.1	0.1
		Financing gap (percent GDP)	0.5	1.7

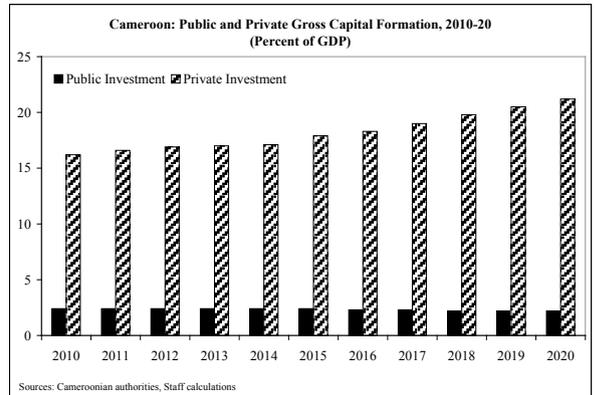
Sources: Cameroonian authorities; and staff calculations.

11. The two scenarios do not differ greatly over the period 2010-14 and the DSCE tends to take the reference scenario as its baseline. Real GDP growth is projected to reach about 5 percent on average in 2010–14 up from an average of 3 percent in 2004–08. The macroeconomic assessment below takes therefore the reference scenario as the basis and focuses on the need to (i) strengthen the investment and growth nexus; (ii) clarify the implications of fiscal decentralization; and (iii) mobilize additional domestic and external resources.

¹ Cameroon comes 171 out of 183 in the Doing Business ranking in 2009.

Strengthening the Investment and Growth Nexus

12. The DSCE recognizes the critical importance of the private sector for achieving the higher growth rates needed to reduce poverty. The projected path of private investment is, however, significantly higher than its historical average and is not expected to be accompanied by a similar expansion in the public sector's contribution to gross capital formation. Moreover, the projections assume a very rapid response of the private sector to the reforms proposed in the strategy. To achieve these very ambitious objectives, substantial steps to enhance rapidly the business environment will be required (including in finance and trade). Bold efforts to improve governance would also reduce regulatory uncertainty.



13. Public expenditure policy will be geared towards containing total current spending and reorienting outlays to productive uses, including infrastructure investment. The magnitude of the envisaged increase in public spending is, however, rather small in light of the country's significant infrastructural bottlenecks.² In addition, savings across various expenditure categories, while welcome, seem undefined and could lead to a compression in priority spending. The strategy should be more explicit about the measures that would help attain these expenditure re-allocations, and could consider a more ambitious path for public investment provided financing is available at terms that would continue to safeguard debt sustainability. In this context, the authorities should continue (i) reinforcing public expenditure tracking and training of personnel; and (ii) improving administrative and absorptive capacity to prepare, evaluate, and execute public investment projects.

14. Staffs welcome the envisaged modernization plan for public finances. The plan aims at (i) a better allocation and management of financial and human resources; (ii) improved budget execution; and (iii) enhanced effectiveness in public service delivery. The plan includes among other important measures the full implementation of the new public finance law, and a strengthening of cash management to settle existing arrears and avoid the accumulation of new ones. In this context, the recent increase in the treasury float, if left unchecked, could hamper the desired improvement in the quality of public spending and strain the execution of the subsequent budgets. Staffs would suggest, however, that (i) the timeframe for the implementation of these reforms be clarified; (ii) the consistency between the DSCE, the medium-term expenditure framework (MTEF), and annual budgets be

² With public gross capital formation remaining broadly unchanged over the projected period, the national accounts in the PRSP do not seem to reflect the expected increase in public spending presented in the fiscal accounts. Hence the discrepancy between the chart on gross domestic capital formation and the one on public investment as variations in percent of GDP.

strengthened; and (iii) DSCE progress reports would discuss ways to protect priority spending.

15. Concerning the structural reforms needed to improve the business environment, efforts to strengthen the legal and judicial systems, as well as accelerate the development of a market for government securities, are appropriate. The DSCE also includes, however, the proposal to create new specialized financial institutions (SFIs). In the past, such institutions have been vulnerable to non-commercial decisions, leading to low repayment rates and an increase in government debt. If these new institutions were to be established, an appropriate governance structure should be put in place to contain any possible contingent liabilities for the budget. More specifically, staffs recommend that SFIs (i) have a mandate and capacity to carry out technical assistance, project support, and investment functions; (ii) be subject to robust internal governance procedures; (iii) be subject to independent oversight; and (iv) be required to make timely and accurate disclosures of their activities. In particular, staffs underscore the importance of ensuring adequate supervisory oversight of SFIs' operations.

16. The strategy also recognizes the need to improve competitiveness and encourage export industries. As a step towards realizing its development objectives, the DSCE emphasizes the need for Cameroon to accelerate regional integration. In particular, the strategy calls for the promotion of commercial relations in the framework of CEAAC and CEMAC, and reinforcing relations with Nigeria. Regional integration could contribute to improving competitiveness and helping member countries successfully access global markets. Closer integration would also bring greater stability and reduced price volatility which has shown to be quite taxing on the rural population in 2008.

17. In this regard, needed trade reforms are envisioned, such as the establishment of an export promotion agency, improvements in distribution networks, and a simplification of international trade regulations and processes. However, the DSCE falls short of recognizing the main impediments of the CEMAC trade regime (such as high and dispersed external tariffs) and of signaling a clear willingness to foster greater liberalization. For instance, the strategy does not provide a clear indication of moving away from a system of free trade zones and exemptions. The current regime of export taxes/fees is non-transparent and applies to a wide range of products. Removal or consolidation of export taxes, fees, and other restrictions would be important in fostering export competitiveness.

Clarifying the Implications of Fiscal Decentralization.

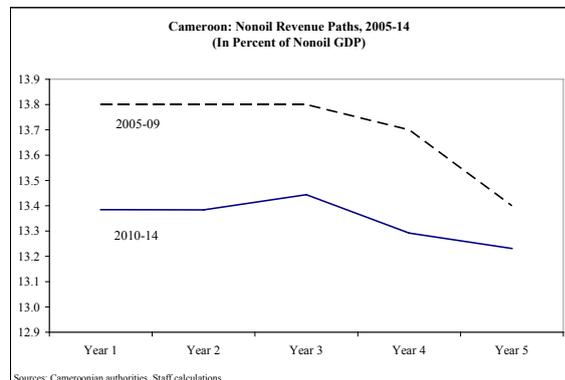
18. Effective fiscal decentralization to local levels of government where citizens could better monitor service delivery is presented in the DSCE as an essential component of the efforts to improve governance and administrative effectiveness. However, in order for any local level of government to take responsibility for its actions, there must be clarity in its functions, its mechanisms for appropriating funds, prioritizing spending, and ensuring that spending is actually carried out and accounted for. There must also be in place a timely and accurate reporting system to the respective legislature and higher levels of administration. If these mechanisms are weak or absent, any advantage that might be inherent in bringing public services closer to local communities is likely to be absent. Caution is therefore called

for in moving toward fiscal decentralization. Effective decentralization should be pursued in manageable steps. Local governments should have strong administrative capacity in resource management, and spending commitment control should be in place as well as central government oversight.

19. The DSCE recognizes in principle the need for devolving spending responsibilities to local governments while transferring at the same time the appropriate resources to meet these new responsibilities and avoid unfunded mandates. The nature of these resources seems, however, unclear, as well as the design of any equalization transfer mechanism to allow all local governments to deliver the same quality of public services irrespective of their own revenue base. In addition, the borrowing policy of local governments and the mechanism by which the center will enforce hard budget constraints need to be discussed.

Mobilizing Additional Domestic and External Resources.

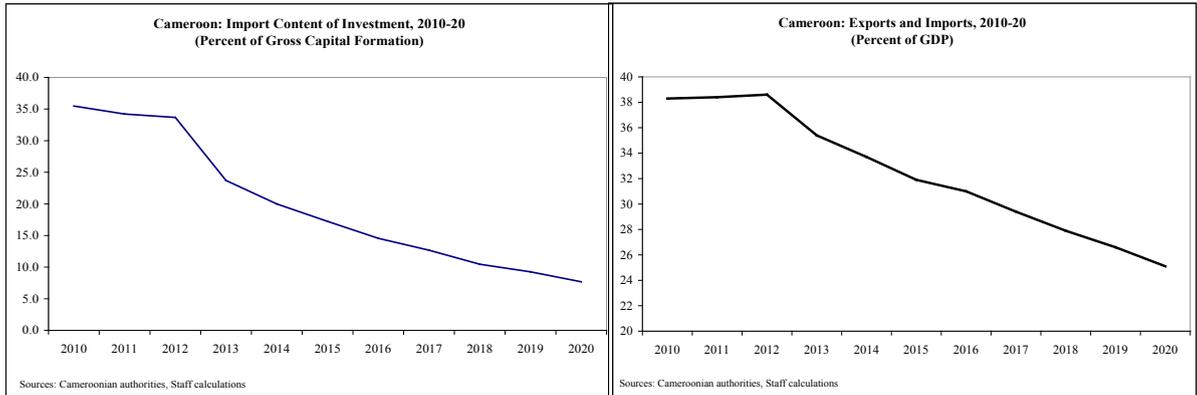
20. The DSCE recognizes the declining importance of oil revenue and trade taxes, and stresses the need to achieve greater nonoil revenue mobilization. It appropriately includes efforts to reduce the high cost of tax compliance (e.g. by simplifying tax procedures) and improve the exchange of taxpayer information through the connection of IT systems. At the same time, however, the strategy envisages a number of fiscal incentives eroding further an already narrow tax base. The expected decline in nonoil revenues as a share of nonoil GDP could further worsen the country's vulnerability to oil price fluctuations, and run the risk of widening financing gaps. Staffs recommend bolder measures to mobilize nonoil revenue and more restraint in granting fiscal incentives.



21. The DSCE envisages financing the limited fiscal deficits by drawing on government deposits at the regional central bank and returning to statutory advances. Such an approach would erode the country's buffers and exacerbate its vulnerability to external shocks. Maintaining government deposits at an appropriate level is important, given the volatility of oil revenues and the risk of contingent liabilities materializing in the banking sector. This underscores the need to further strengthen nonoil revenue collection and pursue a more proactive stance in developing a market for government securities to mobilize domestic resources. Additional external assistance from development partners could also be called for. In this regard, the inclusion of greater detail on financing sources and a more elaborate debt sustainability analysis in the document would be welcome.

22. The DSCE may be underestimating financing requirements. It assumes a substantial decline in the import content of investment. As a result, the country's reliance on imported capital goods is expected to decline substantially, despite the projected expansion in investment. More generally, the strategy implies a reduction in the country's openness to

trade: projected growth for both exports and imports are slower than GDP, with the consequence that trade openness is projected to be cut by about half between 2008 and 2020. Should these projections fail to materialize, the resulting overall external balance would be weaker and the financing gap wider, strengthening the case for identifying additional external financing.



B. SECTOR STRATEGIES AND POLICIES

23. **Energy.** The DSCE correctly identifies an increase in reliable electricity supply and the realization of Cameroon's significant hydropower potential as key to achieving nonoil growth and improving the investment climate.³ Unreliable and costly electricity supply is cited among the top five constraints to doing business in Cameroon. Electricity access rates are low and unequal (48 percent for the whole of Cameroon, but only 14 percent for rural areas, with significant regional differences), and Cameroon's current installed generation capacity is not sufficient to meet an electricity demand growing at 6 percent annually on average.

24. Staffs agree that investments in the Kribi gas to power plant and the Lom Pangar hydropower project are the next least cost investments in the sector. In particular, the realization of the Lom Pangar hydropower project, creating a regulating dam for the Sanaga River, will provide access to substantial future hydropower capacity from existing and future downstream investments, thus reducing power costs. The list of proposed additional power generation projects provided in the DSCE remains, however, to be validated by an updated least cost development plan. Staffs recommend that targeted sector indicators in the DSCE focus on access rates and the least cost of power rather than the number of investments realized.

25. The DSCE does not highlight sufficiently the important role of private sector investment in the power sector. Public spending on electricity (1.9 percent of GDP between 2005 and 2008) is significantly below the expected investment needs in Sub-Saharan Africa (exceeding 6 percent of GDP). Further improvements in the investment climate and

³ Existing installed hydropower capacity (721 MW) is well below potential (12,000 MW).

governance, including improved regulation, planning and oversight and increased public sector capacity to negotiate complex projects, would be required to attract future private investment in Cameroon's electricity sector.

26. The DSCE does not address the distributional and fiscal challenges created by the aluminum smelter Alucam. Alucam consumes 40 percent of the electricity produced. The 30-year power purchase agreement (PPA) for Alucam provided electricity at subsidized rates. This agreement expired in 2009 and staffs welcome the recent signature of a new PPA setting future electricity tariffs for Alucam at cost-reflective levels, thereby eliminating cross-subsidies paid by low-(LV) and medium-voltage (MV) consumers. A regulatory review of this PPA is now being conducted based on adequate cost accounting. Any residual subsidies to Alucam (e.g. tax breaks) should be reported transparently in the budget with an appropriate budgetary appropriation. Consumer tariffs will be reviewed as part of the transition from a cost-plus to revenue cap tariff regulation in 2011. An improved regulation of the tariff base for LV and MV consumers, and a larger share of low-cost hydropower production could, all else being equal, lead to a tariff reduction. At the same time, the impact of new generation costs and the introduction of water rights will need to be evaluated.

27. Staffs welcome the government's initiative to improve access to modern sources of energy in rural areas through the recent creation of a Rural Energy Fund (REF). Rural electrification has historically suffered from the absence of clear policy targets, an efficient institutional framework and adequate financing. The REF, managed by the Rural Electrification Agency, will pool and manage more transparently budget and donor resources to achieve clearly-defined access targets, thereby increasing the effectiveness of rural energy projects. This reinforces the need to update the rural electrification master plan at the earliest.

28. **Mining.** The DSCE proposes to develop exploration and exploitation of the country's mineral resources. It correctly identifies as a requirement the need for improved geological knowledge, as well as specialized training to ensure employment generation. Staffs underscore the importance of ensuring that proper legal and regulatory mechanisms are put in place for the mining sector and that the State does not combine the functions of operator and regulator. In addition, the strategy could pay more attention to small-scale mining.

29. **Transport.** The DSCE outlines a very ambitious vision for developing transport and road infrastructure. It fails, however, to show the needed synergy among different public institutions required for achieving set objectives, in particular for the coordination and harmonization of various key transport actions. The development priorities of the various transport modes (roads, rail, air, water) do not seem to converge towards a mutually reinforcing transport development strategy.

30. Improved road transport would have a significant impact on the fluidity of key export commodities such as oil, timber, rubber, aluminum. In staffs' view, this emphasis on road transport is appropriate, as Cameroon has under spent in the sector for many years compared to the regional average (US\$6 per capita per year against US\$7 and US\$22 in low income

and middle income African countries respectively). The financial challenge is equally true for investments in rural and non-prioritized road networks.

31. Staffs support the government's pursuit of a road network paving program focused on regional corridors and the CEMAC network. The twin objectives of paving 17 percent of roads before 2020 and ensuring 100 percent rural accessibility with current levels of budget seem, however, too ambitious. The rehabilitation and upgrading needs of the existing corridor network is expected to absorb significant resources in the coming years, therefore limiting the scope for expanding new paved roads.⁴ The planned network rehabilitation and expansion is also undermined by the absence of a consistent, reliable and effective maintenance scheme. In this context, the government will need to intensify efforts to (i) improve expenditure management; (ii) strengthen implementation capacity; and (iii) assure better planning, procurement, and quality control.

32. The plan to enhance the country's ports and railways represents a useful complement to road intensification. In the staffs' view, there is room for improving the consistency of the whole transport network to take into account linkages between the road network and ports/railways, and to promote greater regional integration which is a key issue for Cameroon, given its strategic geographic location in Central Africa. A stronger emphasis would also be called for on the development of concrete plans for the construction or rehabilitation of selected ports and railways, and a focus not only on hardware development but also on the policy environment to improve services as well as the capacity of various agencies. Development of deep sea ports, a very high government priority, will be successful only if the government shows more selectivity between uses as demand is not likely to justify three major ports in one country (Douala, Kribi and Limbé) and other countries in the Gulf of Guinea are also developing large deep sea ports (e.g., Guinea-Bissau, Nigeria, Sao Tome and Principe).

33. Finally, very little is said about the development and expansion of air transport to meet international standards, in a context where the country and its neighbors have considerably suffered from the lack of a carrier in Cameroon. The government is encouraged to provide an integrated vision of carrier and airport development in order to complement the scope of services offered to businesses in the country. Specifically, the strategy to revive CAMAIR is not clear at this stage.

34. **Telecom and IT.** The government has joined the Central African Broadband (CAB) Program financed by the WB and the AfDB. The CAB Program in Cameroon aims to increase geographical reach and usage of regional broadband network services, and reduce their prices by (i) accelerating the physical roll-out of backbone infrastructure (investment intervention based on PPPs to leverage private sector investment in infrastructure); and (ii) removing monopoly regimes through policy and regulatory support to ensure that once in place, the infrastructure is accessible to all operators on open, transparent, and non-discriminatory terms. The CAB program will also contribute to improve governance and

⁴ 76 percent of roads already require rehabilitation.

transparency through the establishment of a common ICT legal and regulatory framework, and the implementation of government activities. A better communications infrastructure, capable of delivering advanced ICT services throughout the country, would reduce the cost of doing business and significantly contribute to efficiency in public sector service delivery.

35. **Rural development and agriculture.** On the basis of lessons learned from the food crisis in 2008, special attention needs to be paid to rural development. The strategy embedded in the DSCE addresses the key constraints in the sector with an emphasis on decentralization and local capacity development. Early implementation of laws recently passed aimed at improving the legal and regulatory framework, including for setting up the institutional apparatus for close coordination and monitoring, together with the transfer of financial resources and staffing to communes (and regions) scheduled for early 2010, could provide greater opportunities for improving results and impact on poverty reduction.

36. As for agriculture development, the DSCE explicitly recognizes the failures and weaknesses of the previous sector strategy of rural development, and identifies measures to address some of the issues and impediments in the sector. However, planned interventions are unprioritized and the lack of coordination among involved institutions and stakeholders remain a constraint. Staffs recommend that more emphasis be given to the development of market access, irrigation facilities, and land security and management. Partnership amongst key actors would also need to be strengthened and capacity of producer organizations reinforced. Furthermore, it would be advisable to further recognize the strategic importance of commercial agriculture and contract farming for enhancing the competitiveness in selected areas with high potential.

37. **Human development.** On its current trajectory, Cameroon will not meet its MDGs in health and education. The DSCE correctly identifies low access to basic services and insufficient level of spending compared to international standards as the main deficiencies. The inclusion of social development as one of the pillars of the strategy indicates that human development is considered a critical factor for growth. The challenge will be to increase the share of public health spending from 8 percent of total expenditures currently to the Abuja norm of 15 percent. Given the expected tight resource constraint over the next few years, Cameroon will need to move more forcefully toward effective decentralization of responsibilities, partnership between government, private sector and civil society organizations. The current strategy would also benefit from actions to strengthen the targeting of the most vulnerable populations.

38. In the education sector, the DSCE acknowledges that progress has been disappointing. Except for some advances in primary education, all indicators are well below the MDG targets. The government's resolve to address education sector issues over the DSCE period is welcome. In the staffs' view, the strategy would benefit from greater prioritization. The low completion rates at the primary level coupled with access limitations at the secondary level (which is extremely low for a country with Cameroon's level of development) require careful planning of actions across subsectors. In this context, the Law on Secondary Education discussed by the National Assembly in 2008 should be adopted and submitted for Presidential signature. The implementation of the sectoral strategy would also

need to rely extensively on additional analysis of differences in education access between the poor and the rest of the population. Based on consultations with concerned beneficiaries, for example, access to education in the North is explained not only by cultural/traditional barriers, but also by increasing school fees. Considerable advances can be made in this area similar to the commendable progress that has already been made in the past few years regarding gender disparities at the primary level.

39. **Environment.** The poverty impact of Cameroon's growth strategy could be significantly enhanced by more forceful actions in the area of environmental protection, particularly regarding flood management, soil collapse, and respiratory diseases. Consideration could be given to incorporate in the strategy measures to mitigate disasters (e.g. early warning for floods). Staffs recommend that more explicit targets be defined, particularly in key sectors such as renewable energy and forestry. A strengthening of the National Agency for Forestry Support seems a prerequisite for effective implementation of new policies in the sector. In addition, the strategy could be enhanced by integrating more closely climate change issues with, as a first step, the setting up of a Climate Change Observatory, a long standing engagement of the government. This should be accompanied with efforts to improve data collection on climatic conditions in the Northern part of the country, in particular, where climate impact appears significant. Lastly, policies would need to be developed for the management of sanitation and pollution.

40. **Governance and Public Sector Management.** The DSCE recognizes that improvements in governance are critical for Cameroon's development and reduction of poverty. Progress has been registered in some specific areas such as implementation of the Extractive Industries Transparency Initiative (EITI),⁵ reactivation of the Audit bench of the Supreme Court and of the Anti-Corruption Commission (CONAC), and implementation of the new public finance law. Overall progress has, however, been mixed despite reliable information on the source and areas of weak governance. Progress in public sector reform and decentralization has been slow. Implementation of the National Program of Governance should be accelerated, the authorities' anti-corruption campaign stepped up, and the Assets Declaration Law effectively implemented. Providing timely information to the public could empower citizens and foster a dialogue among stakeholders to improve governance.

IV. MONITORING AND EVALUATION

41. The new growth objective if realized will provide the appropriate foundations for poverty reduction even though halving poverty in 2015 is most likely out of reach. Staffs recommend continued focus on reducing regional and socio-economic disparities. It will be critical during the monitoring phase to use available information produced by the recent survey and population census to adequately address poverty disparities in regions, and between gender and social groups, and focus actions on vulnerable populations over the

⁵ The independent conciliators' report was published in December 2006 and subsequent reports in 2007. Nonetheless production of the 2006/07 and 2008 reports and of its independent audit needs to be accelerated to be compliant with the EITI principles and criteria by March 2010.

DSCE period (i.e. putting in place efficient social safety nets). The government's decision to work closely with the Bank and donors in carrying out analytical work in this area is most welcome. Full involvement of the government, the private sector, civil society and the international community would provide useful insights in this regard.

42. Building on the experience in implementing the previous PRSP, the updated strategy aims at strengthening the national monitoring and evaluation (M&E) system. The strategy outlines an M&E framework along with indicators and targets. In general, the indicators seem to be appropriately centered on investments, production, and desired impact. Staffs recognize the challenges of building an effective M&E data base and consider the reinforcement of the capacities of the Statistical Office resting on the National Strategy for the Development of Statistics as a key objective to promote evidence-based decision making.

43. The link between the outcomes indicators and the policy matrix could be made more explicit. In particular, given spatial disparities and poverty rates, staffs would recommend that the monitoring framework also include indicators by regions to monitor effectiveness of operations. Staffs also encourage the government to undertake further analytical work to understand better the implications of policy measures for poverty reduction. It is encouraging that the strategy envisages widening the M&E process to include increased involvement of all stakeholders and the intention to prepare semi-annual report for the Inter-ministerial Committee.

V. CONCLUSIONS

44. Bank and Fund staffs believe that the DSCE outlines a comprehensive framework for growth and employment in Cameroon. The document lays emphasis on infrastructure, rural development, and governance to accelerate growth while maintaining macroeconomic stability.

45. The DSCE would benefit greatly from an analysis of the risks to the strategy. Among these are: (i) a resource shortfall to finance the infrastructure development plan; (ii) constraints on institutional and technical capacity to implement planned structural reforms; and (iii) the persistent vulnerability to exogenous shocks—such as adverse terms of trade developments or the possible materialization of contingent liabilities.

46. Looking ahead, staffs consider that further work is needed to strengthen the implementation tools of the strategy. Priority areas are (i) strengthening the macroeconomic framework, especially its medium-term fiscal aspects, the identification of ways to protect priority spending, and the link between nonoil revenue projections and growth assumptions; (ii) strengthening the link between the DSCE, the MTEF, and the annual budgets; (iii) ensuring adequate resources for the medium- to long-term objectives (infrastructures, rural development and human development); and (iv) strengthening the implementation of the governance and anti-corruption program.

47. In considering the DSCE and associated JSAN, Executive Directors may wish to focus on the following issues:

- Do Directors agree with the areas identified by staffs as priorities for strengthening the implementation of the DSCE?
- Do Directors agree that the implementation of the DSCE would benefit from stronger efforts to improve the effectiveness in the allocation of resources in light of the expected decline in oil revenue and the need to make substantive improvements in the business environment (particularly in infrastructure)?