AFRICAN DEVELOPMENT FUND

COUNTRY : REPUBLIC OF CAMEROON

PROJECT : PUBLIC FINANCE MANAGEMENT STRENGTHENING SUPPORT PROJECT (PARGEFIP)

PROJECT APPRAISAL REPORT

October 2019

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Translated Document

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ACRONYMS AND ABBREVIATIONS

Acronym	Description
ADF	African Development Fund
AER	Rural Electrification Agency
AfDB	African Development Bank
ARMP	Public Procurements Regulatory Agency
ARSEL	Electricity Sector Regulation Agency
CAR	Central African Republic
CONSUPE	Supreme State Audit Office
CSP	Country Strategy Paper
DGEPIP	General Directorate of the Economy and Public Investment Programming
EDC	Electricity Development Corporation
EU	European Union
FEICOM	Special Council Support Fund for Mutual Assistance
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GESP	Growth and Employment Strategy Paper
GHG	Greenhouse Gas
HDI	Human Development Index
ICT	Information and Communication Technologies
IDEV	Independent Development Evaluation
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
MINEE	Ministry of Water Resources and Power
MINEPAT	Ministry of Economy, Planning and Regional Development
MINFI	Ministry of Finance
MINMAP	Ministry of Public Procurement
MINEPIA	Ministry of Livestock, Fisheries and Animal Industries
MINADER	Ministry of Agriculture and Rural Development
MINDCAF	Ministry of State Properties, Surveys and Land Tenure
MINTP	Ministry of Public Works
MINTSS	Ministry of Labour and Social Security
NDC	Nationally Determined Contribution
NSIF	National Social Insurance Fund
PAEDEP	Public Expenditure Effectiveness Improvement Support Project
PAP	Priority Action Plan
PEFA	Public Expenditure and Financial Accountability
PFSC	Public Finance Sector Committee
PIB	Public Investment Budget
PIT	Personal Income Tax
PLANUT	Three-Year Emergency Plan
PMFP	Public Finance Modernisation Plan
PPBM	Planning-Programming-Budgeting-Monitoring-Evaluation
RF	Road Fund

RMF	Road Maintenance Fund
SME	Small and Medium-Sized Enterprise
SONATREL	National Electricity Distribution Company
TFP	Technical and Financial Partners
TIWB	Tax Inspector without Borders
UA	Unit of Account
UNCTAD	United Nations Conference on Trade and Development
WB	World Bank

CURRENCY EQUIVALENTS

October 2019

UA 1	=	USD 1.37
UA 1	=	CFAF 813.31
UA 1	=	EUR 1.24

Fiscal Year

1 January to 31 December

Weights and Measures

1 metric tonne	=	2204 pounds
1 kilogramme (kg)	=	2.200 pounds
1 metre (m)	=	3.28 feet
1 millimetre (mm)	=	0.03937 inch
1 kilometre (Km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres
Km^2	=	square kilometre
m3	=	cubic metre
m^2	=	square metre
ml	=	linear metre
Mm3	=	million cubic metre
m3/h	=	cubic metre per hour
l/s	=	litre per second
l/day/pers.	=	litre per day per person

PROJECT BRIEF

BORROWER : Republic of Cameroon

EXECUTING AGENCY: PIU-PARGEFIP-DREF, Ministry of Finance.

Financing Plan

Source	Amount (UA)	Instrument
ADF	13,234,595.85	Loan
Government	1,470,510.65	
TOTAL COST	**14,705,106.50**	

AfDB Key Financial Information

Loan/Grant Currency	Unit of Account
Interest Type*	
Interest Rate Margin*	
Commitment Fee*	0.50%
Service Charge	0.75%
Maturity	40 years
Grace Period	10 years

**Where applicable*

Time Frame – Main Milestones (expected)

Concept Note Approval	February 2019
Project Approval	November 2019
Effectiveness	December 2019
Project Completion	December 2023
Last Disbursement	December 2024

PROJECT SUMMARY

Project Overview	• **Project Name: -** Public Finance Management Strengthening Support Project (PARGEFIP) • **Geographic Spread:** National • **Total Period:** 2019-2023 • **Financing:** UA 13.234 million loan on ADF.14 resources • **Operational Instrument :** Institutional support project • **Sector :** Public Finance
Needs Assessment	Cameroon's major challenge in public finance today is to (i) successfully mobilise more internal budgetary resources from their average level of 13% of GDP to sustainably finance its transformative infrastructure development programme which absorbs over 36% of total public expenditure and (ii) improve the quality of public expenditure linked to public investment. Government prepared a Global Public Finance Management Reform Plan (PGRGFP) to tackle these challenges. This operation will support the implementation of PGRGFP, working in tandem with other TFPs. In addition, Government embarked on a vast structural adjustment reform programme under an IMF Extended Credit Facility arrangement, targeting mostly PFM, with budget support provided by the Bank, the World Bank, the EU and AFD. PARGEFIP will support this policy reform programme to ensure the sustainable implementation of reform actions in public finance management where institutions need to be strengthened to apply to thee need of increased revenue mobilisation, the new Public Procurements Code, strengthen external audit to improve public investment quality and keep public debt under control. To consolidate the progress achieved, PARGEFIP will be implemented in synergy and complementarity with other TFPs' interventions already underway.
Targeted Beneficiaries	The project area is the entire country. The direct beneficiaries of the institutional support are: DREF/MINFI, DGI/MINFI, CAA/MINFI, DGE/MINEPAT, MINMAP, ARMP, the Supreme State Audit Office and the Audit Bench. The project's final beneficiaries are the population of the whole country who will benefit from economic development financed by additional internal resources mobilized and also enjoy better quality of life owing to effective public expenditure on investments.
Bank's Comparative Advantage and Value Added	The Bank's contribution to this operation will be its wealth of rich experience acquired over the years in designing and implementing a two-phase policy support programme-based operation (Cameroon's Competitiveness and Growth Support Programme) and other institutional capacity-building projects in Cameroon and regional member countries. It carried out two public investment expenditure review studies and also participated in the PEFA review. Having served for long as TFP lead agency on public finance reforms, the Bank has comparative advantage in public investment management issues and applies an integrated, structured approach to its institutional reform operations. Since PARGEFIP is designed as a supplement to ongoing institutional and policy support packages granted by the Bank and other TFPs, it will help to maximize synergy and consolidate progress being made in the area of public finance. The significant leverage created will likely amplify outcomes on the ground.
Knowledge Building	The project will also contribute to knowledge building in Cameroon through studies and knowledge transfer from consultants and trainers to the staff of beneficiary institutions, particularly women. In addition to building institutional capacity, such knowledge transfer will sustain reform actions. The project will generate knowledge on public finance management and build internal budgetary resource mobilization capacity. The quality of public investment expenditure will also improve. Knowledge building will be fostered through various data and information platforms and operating manuals as well as through user training sessions and workshops that will be organized. Knowledge acquired during the project as well as project outputs will be disseminated in and out of the Bank through a strict monitoring and evaluation system of expected outcomes and outputs, supervision missions, the project completion report, seminars and IDEV reports.

Results-Based Logical Framework

Project Country and Name: Cameroon – Public Finance Management Strengthening Support Project (PARGEFIP)

Project Goal: Strengthen PFM efficiency, integrity and transparency as well as compliance with international standards

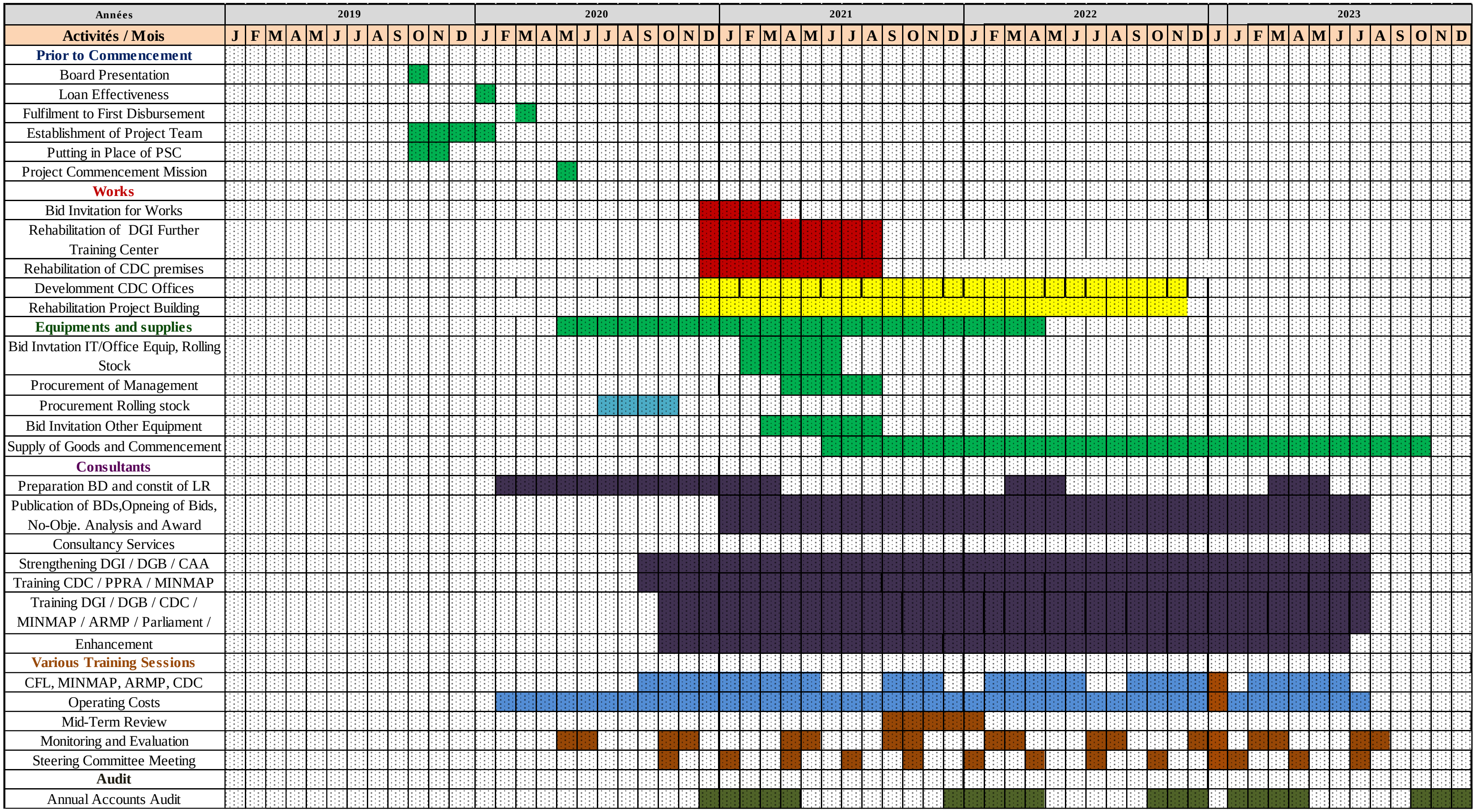
RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS / MITIGATION MEASURES
		Indicator (including CSI)	Baseline Situation	Target		
IMPACT	Increased share of investments financed by equity resources	Financing of public investment with equity resources	55.8% in 2017	62.0% in 2024	MINFI/IMF 2024 Report	
OUTCOMES	**Outcome I :** Tax base broadened and tax administration strengthened	Tax ratio (non-oil revenue/ GDP)	13.4% in 2018	17.0% in 2024	MINFI/IMF 2024 Reports	
		Number of taxpayers of DGI	115,070 in 2018	150,000 in 2024	DGI/MINFI Reports	
	Outcome II : Strategic planning and public investment management improved	Cost of implementing public investment projects	2 to 6 times more in comparable countries in 2016	1 to 3 times more in 2024	MINEPAT/MINFI 2024 Reports	
		Rate of physical implementation of the public investment budget	<50% in 2016	>75% in 2024	MINEPAT/MINFI 2024 Reports	
		Implementation timeframe of public investment projects	7 to 10 years in 2016	4 to 5 years in 2024	MINEPAT/MINTP/ MINEE 2024 Reports	
OUTPUTS	**COMPONENT I : CAPACITY BUILDING TO MOBILISE BUDGETARY RESOURCES**					
	Sub-component I.1 :Broadening of the non-oil tax base through strengthening the Tax Administration and combating tax fraud, tax evasion and illicit financial flows					
	Broadening of tax base	- Establishment of a wealthy taxpayers Unit; - Training of workers of this Unit at least 30% of whom are women	- Wealthy taxpayers Unit non-existent ;	- A wealthy taxpayers Unit is established and operational; - 15 agents including at least 5 women posted and trained to audit wealthy taxpayers	DGI/MINFI Reports	**Risk 1:** Rising socio-political tensions in the South-West and North-West regions. **Mitigation Measure:** Government has set up dialogue mechanisms, including a Commission on Bilingualism, to mitigate the crisis in the North-West and South-West regions. In addition, an emergency humanitarian assistance plan (CFAF 12 billion) and a "disarmament, demobilisation and reintegration
		Formulation and implementation of an action plan to simplify the SME direct tax system	Absence of an action plan. This tax system remains complex and its yields are insufficient – 1.4% of GDP for over 99% of all taxpayers	An action plan is adopted and implemented (2021)	DGI/MINFI Reports	
		- Establishment of a Transfer Price Unit; - Training of workers, at least 30% of whom are women on information exchange for taxation purposes and tax audit in the fight against fraud, tax evasion,	Since 2016, Cameroon is an associate member of the OECD Inclusive Framework on BEPS and information exchange for tax purposes. But there is no Transfer Price Unit; few workers are trained in these areas.	- A Transfer Price Unit is established and operational; - 20 workers, at least 30% of them women are trained in the tax audit of multinational companies	DGI/MINFI Reports	

		corruption and illicit financial flows				programme are being implemented to rehabilitate living environments and restore the well-being and development of communities in the North-West and South-West regions. **Risk 2: <u>Volatility of the prices of key export commodities (oil, cocoa and timber)</u>** **Mitigation Measure:** A macro-budgetary framework was agreed with the IMF and other donors, including the Bank, providing for the constitution of budgetary margins, the streamlining of expenditure and mobilisation of additional resources. Structural reform measures are also being implemented to further diversify the economy and strengthen its resilience to external shocks. **Risk 3: The fiduciary risk is deemed significant** **Mitigation Measure:** Government, with TFP support, implemented a vast reform programme of the PFM regulatory and institutional framework. These reforms will in the medium-term help to reduce to a moderate level, the identified fiduciary risks.
		Study on tax-related illicit financial flows in Cameroon	No study available (2018)	A study is available along with recommendations that were approved during a workshop (2021)	DGI/MINFI	
	Sub-Component I.2 : Strengthening Transparency and Fight Corruption in the Taxation System by Establishing an Online Tax Filing/Payment System					
	Modernisation of the tax collection system through the introduction of online tax filing and payment procedures at the General Directorate of Taxes (DGE), CIMEs and via mobile phone for small and micro enterprises and private individuals	Design and implementation of an action plan to for the implementation of online common law registration procedures	Electronic public procurement and property transfer procedures operational in the cities of Douala and Yaoundé	An action plan is adopted and implemented nationwide (2021). Online tax filing is operational across the national territory (2021)	DGI/MINFI Reports	
		Design and implementation of an action plan to roll out online tax filing via mobile for small and micro enterprises as well as for private individuals	Pilot online filing procedures for small and micro enterprises and for private individuals in Yaounde and Douala	An action plan is adopted and implemented (2020). Online filing and payment are operational (2021)	DGI/MINFI Reports	
	COMPONENT II : STRENGTHENING OF THE INTEGRITY AND EFFECTIVENESS OF THE PUBLIC FINANCE MANAGEMENT FRAMEWORK					
	Sub-Component II.1. Strengthening the Integrity of the Regulatory and Institutional Public Finance Management Framework					
	Building of the capacity of the system and workers / stakeholders involved in public procurement management	Design and implementation of a national capacity-building strategy in the procurement sector in line with the new Code	Current strategy not in line with the new Public Procurement Code	A national capacity-building strategy is prepared in the public procurement sector	ARMP/MINMAP Reports	
		Establishment of an information and archiving system for public procurement data and documents	The information and archiving system is not integrated	An integrated information and archiving system is operational in 2021	ARMP Reports	
	Building of the capacity and skills of workers involved in external control	- Procurement of specialized audit software (IDEA Software) and related computers - Technical assistance for self-review based on the INTOSAI Development Initiative tool; - Training of Audit Bench magistrates, at least 30% of them women, on	- The specialized audit software (IDEA Software) and related computers are available So far, no assessment of Audit Bench magistrates' capacity and training	- The specialized audit software (IDEA Software) and related computers are installed - An assessment report is available during first quarter 2020 and the number of confirmed magistrates, at least one-third of them women, has increased. Quality State account certification reports are available within the prescribed timeframes	Audit Bench Reports	

		international audit standards				
		Training of financial controllers and public accountants, at least 30% of them, women	New responsibilities with the transposition of CEMAC Directives	15/50 of workers, 5 of them women, are trained between 2019 and 2020	DGB/MINFI Reports	
		Training of Parliamentarians and Ministerial Focal Points on gender-sensitive budgeting	No gender-sensitive budgeting	200 Parliamentarians and Ministerial Focal Points, 60% of them women	MINPROFF Report	
	Sub-Component II.2. Improving Investment Expenditure Efficiency and Effectiveness by Strengthening the Strategic Planning and Management Framework					
	Strengthening of the infrastructure projects maturation system	Establishment of a modern projects bank in MINEPAT with a built-in mechanism for monitoring the maturation of investment projects	The existing project bank does not feature all the necessary functionalities	A modern projects bank is operational in 2021	MINEPAT/DGE Reports	
		Computerisation of the infrastructure projects maturation system including sector-based and cross-cutting aspects (climate change and green growth) and financing	Sector-based aspects are not included in financing instruments.	A computerized infrastructure projects maturation system including sector-based and financing aspects implemented since 2020	Study Reports of Directorates in MINEPAT, MINTP and MINEE	
	Strengthening of the system for analysing the effectiveness, feasibility and monitoring and evaluation of the public investment budget.	Training of 60 road sector SMEs, at least 20 of them owned by women, on tendering and contract management.	No training in 2018	60 SMEs, at least 20 of them owned by women, trained yearly between 2019 and 2022	Progress Reports of MINTP and MATGENIE	
		Training of workers of the National Brigade tasked with the Compliance Audit of Public Investment Projects	No worker trained	10 workers, 50% of them women, trained	MINASS Progress Report	
		Equipment and training of staff, at least 30% of them women, on analysis of the effectiveness, feasibility and monitoring and evaluation of public investment projects	System for analysing the effectiveness, feasibility and monitoring and evaluation not operational in 2019	- DGE is equipped with an analysis system in 2020; - 15 workers, at least 5 of them women, are trained in the analysis of the effectiveness, feasibility and monitoring and evaluation of public investment projects in priority sectors	MINEPAT/DGE Progress Reports adopted	
	Strengthening of public debt registration, analysis, and transparent reporting capacity	- Equipment and training of staff on public debt registration, analysis and transparent reporting;	- Reporting is not exhaustive, and the debt registration, analysis and reporting software is available only in English;	- The CSRMS software features all debt agreements and French version is available; - 15 workers, at least 5 of them women, trained	CAA Reports	

		- Training of 15 workers, at least 30% of them women	- Limited training	in debt registration, analysis and transparent reporting		
	COMPONENTS				**RESOURCES**	
	Component I : Building of budgetary resource mobilisation capacity				UA 5.1983 million	
	Component II : Strengthening of the public finance management framework				UA 4.9002 million	
	Component III : Project management				UA 1.9594 million	

PROVISIONAL PROJECT IMPLEMENTATION SCHEDULE



REPORT AND RECOMMENDATION OF BANK GROUP MANAGEMENT TO THE BOARD OF DIRECTORS CONCERNING THE PROPOSAL TO GRANT A LOAN TO THE REPUBLIC OF CAMEROON TO FINANCE THE PUBLIC FINANCE MANAGEMENT STRENGTHENING SUPPORT PROJECT (PARGEFIP)

This proposal, submitted for the Board's approval, concerns the grant of a loan of UA 13,237 million on ADF-14 resources to the Republic of Cameroon to finance the Public Finance Management Strengthening Support Project (PARGEFIP). It involves an institutional support operation to be implemented over the 2019-2023 period. It aims to support the authorities in their efforts to implement the Global Public Finance Management Reform Plan (PGRGFP) and consolidate the outcomes of the public finance reforms implemented with the support of Technical and Financial Partners, including the Bank in the form of budget support operations.

I. STRATEGIC THRUST AND RATIONALE

1.1 Project Linkages with Country Strategy and Objectives

1.1.1 **PARGEFIP is part of implementation of Phase II of Vision 2035[1], and the Growth and Employment Strategy Paper (GESP, 2020-2027).** Implementing Phase I of Vision 2035 and GESP (2010-2019) made it possible to speed up growth at an average rate of 5.8% between 2013-2015, up from 2.8% in 2010. However, this momentum slowed down in 2014 with the drastic fall in the world prices of Cameroon's key export commodities (oil, cocoa and timber). The **development model of GESP is based on the development of transformative infrastructure (via public investments) and good governance** to stimulate growth and generate jobs. However, in an environment plagued by corruption, complex customs/tax procedures and red tape, Phase I of GESP could not meet the expected goals (see Annex III). Based on lessons learned from Phase I of GESP and hoping to build on the outcomes obtained, Government places emphasis during this Phase II on: (i) the consolidation of growth, (ii) the expansion of wealth distribution, (iii) the intensification of agricultural mechanisation, (iv) industrial transformation; and (v) better governance. This strategy requires more stringent public finance management, including a increased mobilisation of internal resources and a more effective and efficient implementation of investment expenditure.

1.1.2 **The proposed project is also in line with the two strategic pillars of the Bank's 2015-2020 Country Strategy Paper:** (i) strengthening of infrastructure for inclusive and sustainable growth, and (ii) Enhancing sector governance for effective and sustainable transformative investments. The proposed project is aligned with the Bank's 2013-2022 Strategy, namely "infrastructure development" and "governance and accountability", and supports one of its High 5s to improve the quality of life for the people of Africa. Lastly, PARGEFIP is consistent with the Bank's Strategic Framework and Action Plan on the Prevention of Illicit Financial Flows in Africa (2017-2020) under Pillar I: "Enhance the capacity of the Bank to combat Illegal Financial Flows".

1.2 Rationale for the Bank's Involvement

1.2.1 **Political and Security Context. The political situation in Cameroon remains relatively stable**. The cycle of elections, starting with presidential elections on 22 October 2018, will continue with Parliamentary and municipal elections in 2020. However, since 2016, the secessionist demands of the North-West and South-West regions have weakened security in a country already affected by other pockets of fragility linked to incursions of the Boko-Haram sect and instability at the borders with CAR. The Government has taken several measures aimed at a peaceful resolution of conflicts,

[1] The third and last phase (2028-2035) of the 2035 Vision of Emergence seeks to: (i) consolidate industrialisation, (ii) enhance social inclusion, (ii) consolidate the business climate and improve governance.

including the holding of a Grand National Dialogue in Yaoundé, from September 30 to October 4, 2019, and the establishment of a Commission on Bilingualism**.** An Emergency Humanitarian Assistance Plan (CFAF 12 billion) and a "disarmament, demobilisation and reintegration programme are also being implemented to restore the living environment and improve the well-being and development of communities in the North-West and South-West regions. The plan aims to provide emergency humanitarian assistance to affected persons, ensure the socio-economic reintegration of the population, promote social cohesion and living-together, and rehabilitate damaged infrastructure especially schools.

1.2.2 **Economic Context. Cameroon's economy, which for a long time has been resilient and the leading and most diversified in CEMAC, was affected by the sharp drop in the global prices of oil and other key export commodities (cocoa and timber) in mid-2014.** The GDP growth rate decelerated from an average of 5.8% over the 2013-2015 period to 4.6% in 2016 and 3.5% in 2017 according to data from the African Development Bank. It was estimated at 4.1% in 2018 during the IMF mission of the 4th review of the three-year economic and financial program supported by an Extended Credit Facility (ECF) to which the AfDB and the World Bank also took part at the end of April 2019. The pursuit of an expansionist fiscal policy in a context of high security and humanitarian spending, to finance the public investment programme drove the public finance deficit[2] to a record 6.2% of GDP in 2016 (against 2% in 2015)[3]. The drop in both the prices and production of export products (oil, cocoa and timber) led to an 18% drop in export revenue between 2015 and 2016. However, the current account deficit contracted from 3.8% in 2015 to 3.2% in 2016 and 2.7% in 2017 owing to fewer imports. The foreign exchange reserves of CEMAC suffered as a result. From a level equivalent to 6 import months in 2015, reserves shrank to 2.3 import months at end 2016, before rising to 3.3 months in 2018. Inflation was contained at 1.1% in 2018, compared to 2.7% in 2015 and could be in 2019 and 2020 below 3%, which remains the norm prescribed by the multilateral surveillance system in force at CEMAC.

Tableau 1: Principaux indicateurs macroéconomiques

	2016	2017	2018	2019 *Est.*	2020 *Proj.*	2021 *Proj.*
Taux de croissance PIB réel (en %)	4.5	3.2	4.1	4.5	4.8	5.0
Taux d'inflation (moy. annuelle)	0.9	0.6	1.1	1.3	2.0	2.0
Recettes publiques totales (dons inclus) *	15.0	15.4	15.8	15.8	15.8	15.9
dont Recettes publiques hors pétrole	*12.5*	*13.1*	*13.4*	*13.7*	*13.9*	14.2
Depenses publiques totales	*21.2*	*20.4*	*18.4*	*17.8*	*17.3*	*17.5*
dont Investissement public	8.4	8.8	6.2	6.1	5.9	6.1
Solde budgétaire *(dons inclus)*	-6.2	-5.0	-2.6	-2.0	-1.5	-1.5
Solde du compte courant *(dons inclus)*	-3.2	-2.7	-3.0	-2.9	-2.8	-2.8
Dette publique	33.3	38.2	39.3	38.6	37.9	36.6
dont Dette exterieure	22.6	25.6	26.3	27.3	27.0	26.4
Réserves de change en mois d'importations	3.7	3.9	4.0	4.0	4.1	4.2

Sources : Autorités camerounaises et services du FMI, mai 2019, * dons inclus

1.2.3 **Financing transformative infrastructure projects through non-concessional public commercial loans under the country's emergency programme led to a rapid accumulation of the public debt.** Consequently, the country's risk of over-indebtedness rose from "moderate to high": the outstanding debt has more than tripled ever since Cameroon reached the completion point of the HIPC Initiative and qualified for the MDRI, rising from 11.6% of GDP to 39.3% between 2008 and 2018. Although moderate, debt servicing is increasing: it absorbed 8% of non-oil public revenue in 2017 against only 2% in 2014. In the long run, this can compromise Cameroon's debt sustainability although its current debt ratio level is still below the community ceiling set at 70% of GDP. This high risk makes it crucial to manage debt more rigorously.

[2] Payment order basis.
[3] Simultaneously, public spending increased by 1.6% of GDP while revenue dropped by 1.9% of GDP (including 0.9% of oil revenue).

1.2.4 **Governance. In 2007, the Government of Cameroon initiated in-depth regulatory and institutional reforms to modernise its public administration.** It prepared successive multi-year Public Finance Reforms Modernisation Plans (PMFP): Phase I (2010-2012), Phase II (2013-2015), and Phase III (2016-2018). Implementing these different plans helped to make significant progress in PFM streamlining, including aspects of **multi-year programme budgeting** like: (i) multi-year budget management with the adoption of the Medium-Term Budgetary Framework (MTBF), Medium-Term Expenditure Framework (MTEF), and programme budgeting, among others; and (ii) setting up of Planning-Programming-Budgeting-Monitoring-Evaluation (PPBS) Units in sector ministries. Since 2018, the promulgation of a public procurement code in line with international standards, establishing the separation of functions of procurement, control and regulation; and the transposition into national legislation of two major CEMAC directives[4] on transparency and good governance codes, are aimed at **promoting integrity and transparency in PFM in Cameroon**.

1.2.5 **Despite this significant progress, several challenges remain to be tackled to align Cameroon's economic and financial governance with international standards**. Most key governance indicators did not improve. All the Worldwide Governance Indicators (WGI)[5] for 2018 deteriorated except for regulatory quality which improved slightly. The Corruption Perception Index (CPI) continued to decline compared to its 2015 level, from a score of 27/100 to 25/100, which is below the Sub-Saharan average of 32/100. The Ibrahim Index of African Governance[6] hardly rose above its 2008 level – Cameroon's score of 46/100 being below the African average of 49.9 in 2018. The CPIA score, which has remained below 4.20 since 2015, confirms this near-stagnation or downward trend of public policy indicator quality. In the same vein, the business climate improved slightly thanks to business creation, contract execution and bankruptcy settlement reforms. Ranked 166th out of 190 countries with a score of 47.7/100 against the African average of 51.6, Cameroon has several challenges to tackle in that regard, especially the payment of taxes and duties, where it is ranked 182nd (see Annex III).

1.2.6 **With regard to PFM, the 2017 PEFA assessment report[7] revealed shortcomings in budget discipline, domestic budget resource mobilisation, strategic resource allocation and service delivery effectiveness.** At the level of total actual revenue, the review showed fluctuations in actual versus projected rates in Finance Laws (5 to 10% of the target) implying persistent weaknesses in both tax revenue forecasts and collection. Total actual expenditure remained generally within the limits authorized by the Finance Laws of the period. However, the review noted that actual expenditure was under-estimated because: (i) all State/enterprises compensation operations; (ii) arrears; and (iii) subsidies paid to households were not captured. In particular, the 2017 PEFA review observed significant gaps between the current state of public finances and international standards, especially with regard to the macroeconomic framework, budget forecasting, budget implementation, financial reporting, internal/external audits, procurement and extra-budgetary tracking. In this context of institutional weakness, corruption is likely to weaken the functions of the public sector, including its capacity to levy taxes and spend equitably and efficiently. Generally, low-income countries, where

4 The six (6) CEMAC directives are on: (i) the transparency code, (ii) good governance code, (iii) appropriation acts, (iv) general rules of public accounting, (v) the State budget nomenclature and (vi) the table of Government Financial Operations. The underlying goal of these directives is to promote modern, transparent and effective public finance management to better consolidate the multilateral surveillance of data that is more reliable and more comparable.

5 D. Kaufmann, A. Kraay and M. Mastruzzi (2018). (see Annex III: Governance Profile in Cameroon).

6 Cameroon is ranked 36th out of the 54 countries assessed. (see Annex III: Governance Profile in Cameroon).

7 See Annex V: Trend of PEFA reviews 2007 and 2017.

the perception of corruption is equally low, collect additional budgetary revenue equivalent to 4% of GDP and are more efficient in their investment expenditure[8].

1.2.7 **As regards public expenditure**, **public investment expenditure efficiency and effectiveness need to be improved owing to persistent weaknesses in the regulatory and institutional framework characterised by an inefficient planning and maturation process and bottlenecks in the expenditure chain**. Since 2014, Government is implementing a vast economic infrastructure development programme under the Three-Year Emergency Plan (PLANUT). PLANUT was designed as an emergency programme to bridge the two-decade infrastructure gap, and provided with substantial financial resources and more flexible mechanisms to fast track the implementation of transformative projects. In this framework, the public investment budget (PIB) has absorbed over 36% of the total State budget since 2016 against 26% in 2011; while recurrent expenditure increased only modestly[9]. Meanwhile, the PIB has been under-utilised for several years (below 40% on average) due to the poor quality at entry of projects, bottlenecks in the public expenditure chain, longer than expected implementation periods (7 to 10 years instead of 3 to 4), and higher costs (2 to 6 times more) than for similar projects in comparable countries[10]. Additionally, low sustainability of some works and ineffective governance in key sectors, including energy and transport, are factors that negatively affect the development of the transformative infrastructure that will help to improve the competitiveness of the Cameroonian economy and boost growth. Besides, internal budgetary resources to finance this vast infrastructure programme are limited to about 13% of GDP[11] versus total expenditure averaging 20% of GDP over the last three years. This relatively low level of domestic budgetary revenue prompted Government to resort to massive indebtedness (see § 1.2.3).

1.2.8 **Budgetary Policy**. **To preserve macroeconomic framework stability, the Government undertook to address the budget consolidation challenge.** With TFP support, it is implementing a vast macroeconomic and structural reforms programme since 2016 the results of which are becoming perceptible. The budget deficit fell from 6.2% of GDP in 2016 to 5% in 2017 and 2.6% in 2018, thanks to satisfactory non-oil revenue notwithstanding the expenditure overrun observed at end-2017, bringing total expenditure to 21.6% of GDP, against 18.2% in 2015. To maintain the budget adjustment momentum in 2018, Government applied corrective measures through the revised 2018 Finance Law which placed emphasis on the increased mobilisation of domestic budgetary resources, tighter expenditure control, transparent and efficient investment budget execution and strict tracking of disbursements for externally-funded projects. These measures, supported by the programme concluded with the IMF, aimed to set the public expenditure ceiling at 17%-18% between 2018 and 2019. In this context, Government had to continue creating additional budgetary space to address the significant expenditure pressure linked to the financing of its infrastructure development programme and ad-hoc activities such as Parliamentary elections, first scheduled in 2019, then postponed in 2020,

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8 Fiscal Monitor, IMF, April 2019. Corruption is generally defined as the misuse of public office for private gain. Public investment efficiency is the extent to which countries convert public investment expenditure to physical capital. A country that spends less is more efficient than one that spends more. The difference between spending less and spending more is the efficiency gap which can reflect corruption and other factors such as poor project design or inadequate resource allocation.

9 Between 2010 and 2016, salaries remained at 5.4% of GDP; Although interests rose slightly from 0.4% to1.1% of GDP, goods and services decreases from 4.8% to 3.8% of GDP; and transfers and subsidies from 3.8% to 2% of GDP.

10 World Bank. 2018. *Cameroon - Public Expenditure Review: Aligning Public Expenditures with the Goals of Vision 2035.* 1. Energy sector public expenditure review Ref - ADF/BD/IF/2014/171; 2. Road transport sector public expenditure review Ref: ADF/BD/IF/2015/184; and 3. Analysis of the public investment management framework, Ref ADF/BD/IF/2017/44. For example, the cost of rehabilitating a kilometre of road ranges between CFAF 300 million and 410 million, which is 20 to 140 times higher than in other comparable countries. Comparable regional countries are Côte d'Ivoire, Ghana, Kenya, Namibia, Nigeria, Senegal, Sudan, Tanzania, Togo and Uganda. Structurally comparable countries are Azerbaijan, Indonesia, Malaysia, Vietnam and Yemen.

11 See Technical Annex A4. Overview of taxation in Cameroon

ongoing security operations and the organisation of the African Cup of Nations Football tournament in 2021.

1.2.9 **Conscious of these challenges, Government, in December 2018, adopted a Global Public Finance Management Reform Plan (PGRGFP) for the 2019-2021 period**. PGRGFP consolidates outputs achieved so far, but also continues and strengthens reforms linked mainly to the transposition of CEMAC directives into national legislation (see §1.2.4). Gradual application of these directives, which define international standards and best practices, will help to modernise PFM in Cameroon and address most of the shortcomings noted in the 2017 PEFA review. The goals of PGRGFP are grouped into five strategic thrusts: (i) Building of budget preparation capacity and improvement of programme budgeting; (ii) Strengthening of responsible tax behaviour and budgetary resource mobilisation capacity; (iii) Capacity building for budget control and management; (iv) Development of internal audit and external control; and (v) Establishment and strengthening of PFM support functions.

1.2.10 **The proposed project is part of the effective implementation of PGRGFP to support Government efforts on two public finance fronts namely**: (i) mobilisation of domestic budget revenue; and (ii) streamlining of investment expenditure. Therefore, the project will contribute to this two-pronged effort of widening the budgetary space and streamlining public expenditure. This will be done by leveraging more non-oil domestic revenue and more efficient and effective public expenditure. The project will also help to tackle two challenges: the persistence of high costs and the poor quality of investment expenditure, largely attributable to the weakness of the PFM regulatory and institutional framework in Cameroon (aspects like project maturation, budget preparation and implementation, financing, public procurement, internal/external control, audit, and monitoring and evaluation). In addition, PARGEFIP will make it possible to implement reform actions supported by the Bank's programme-based budget support (PACCE), including the strengthening of the PFM regulatory and institutional framework, strategic planning and public investment management. One of the lessons learned from the two phases of PACCE is that the vast reform programme undertaken by the Cameroon Government should be supported through institutional support operations to ensure that reform actions are sustainably implemented. In the area of public finance management in acute need of institutional strengthening, reforms supported by Phases I and II concern the adoption of regulatory instruments. Phase III of PACCE will concern critical reforms like the application of the new Public Procurement Code, the strengthening of external control to improve public investment quality and the control of public debt.

1.2.11 **The proposed project complements the Bank's past and ongoing operations in Cameroon**. Ongoing Bank operations in the area of economic governance are the programme-based budget support operation, the Competitiveness and Growth Support Programme (PACCE, 2017-2019) whose two phases have been fully disbursed; and the Cadastral Survey and Business Climate Modernisation Support Project (PAMOCCA) approved in November 2010 with ADF financing and in 2013 with NTF financing (see Annex IV). So far, PAMOCCA has recorded disbursement rates of 62.5% and 25% respectively, due to late effectiveness. The Government's signature of the Public Expenditure Efficiency Improvement Support Project (PAEDEP) approved by the Bank in 2016 had been postponed. In the meantime, the environment has evolved, allowing PARGEFIP to reformulate the activities identified under PAEDEP, also taking into account the country's new priority needs. The main lessons learned from previous operations and the Independent Development Evaluation Department's (IDEV's) Review of Bank Group assistance in Cameroon during the period 2004-2013 are: (i) realistically assess reform implementation timeframes, mindful of government capacity; (ii) ensure as from the design stage that programme reforms are owned by ministries in charge of implementing them; (iii) avoid encumbering the programme with a high number of logical framework measures and indicators; and (iv) maintain ongoing dialogue between the Bank and Borrower when implementing an operation. Considering these lessons, PARGEFIP will support PGRGFP, a reform programme designed by the Ministry of Finance with clearly identified activities, an action plan and realistic implementation deadlines.

1.2.12 **Main Development Problems Targeted by the Project.** Cameroon currently faces a two-fold challenge in public finance management. It must: (i) successfully mobilise more domestic resources to ensure the sustainable budgetary financing of its transformative infrastructure development programme; and (ii) improve the quality of public expenditure, especially those linked to public investment within a regulatory and institutional framework that promotes efficiency, effectiveness, transparency and accountability. The proposed project was designed to tackle these fundamental developmental issues facing Cameroon.

1.3 Aid Coordination

1.3.1 The Bank works closely with Cameroon's key Technical and Financial Partners (TFP) especially the Big Five comprising the World Bank, IMF, EU, AFD and JICA to enhance the coordination and complementarity of interventions. Co-financed projects are subject to joint missions. Review missions of the IMF economic and financial programme and those of other TFPs, budget support donors in Cameroon, including with regard to PACCE, provide the Bank, the IMF, the UE and the World Bank the opportunity to work closely. The Public Finance Sector Committee (CSFP), in which the Bank played the lead role in the last five years, also worked to strengthen coordination on budgetary and fiduciary framework reforms. CSFP also offers a platform to TFPs to coordinate the institutional support given to the Government of Cameroon in the form of studies, capacity building, and technical assistance (see Annex II: Mapping of TFP support for the 5 thrusts of PGRGFP below). On 1 July 2014, the Bank became the lead partner of the Transport Infrastructure Sector Group, handing over the Chair of CSFP to the European Union. In addition, it actively participates in the Multi-Donor Committee's (MDC's) other sector groups which are formal frameworks for TFP and Government to harmonise their approaches.

II. PROJECT DESCRIPTION

2.1 Project Objectives and Components

2.1.1 **The project's global objective is to enhance the performance, integrity and transparency of the PFM system and its compliance with international standards** by improving budgetary resource mobilisation as well as the quality and impact of public investment expenditure[12]. The specific objectives are to (i) optimise the mobilisation of domestic budgetary resources; (ii) limit budgetary risks through the control and proper management of budget execution; (iii) align the institutional framework and internal/external audit practices with international standards; and (iv) Build PFM human and IT capacity.

2.1.2 **Detailed Project Description:** The project has three components.

2.1.2.1 The first component focuses on budgetary resource mobilisation capacity building. The activities of this component will be implemented in synergy[13] with those supported by GIZ on the issue of domestic budgetary resources mobilisation by modernising the tax administration and strengthening tax compliance. The objective of this component is to broaden the non-oil tax base in Cameroon by

[12] In its operations, the World Bank places emphasis on public investment expenditure in the social sectors (education and health) and social expenditure linked especially to salaries, transfers and subsidies as well as the management of public enterprises one of whose mandates is to provide certain basic goods and social services. (see Figure 1.)

[13] see Figure 1 above and Technical Annex A5 on the synergy and complementarity of TFP support operations.

strengthening the tax administration and combating fraud, tax evasion and illicit financial flows. In supporting the General Directorate of Taxes (DGI) to have action plans for broadening and simplification, as well as new specialised units including a Transfer Price Unit, a system for exchange of tax information internationally, trained staff and online filing equipment, the project will help to build control capacity, protect the tax base from fraud and tax evasion, minimize interactions between taxation workers and taxpayers in order to limit corruption and foster transparency. Tax evasion, fraud and the illicit transfer of funds abroad cannot take place without corruption, and these malpractices are more likely when facilitated by taxation workers in exchange for tips[14]. Since corruption is universal, PARGEFIP will also support the implementation of the BESP (Base Erosion and Profit Shifting) Action Plan, as well as information exchanges for tax purposes and train workers on the tax audit of multinational companies.

2.1.2.2 The second component aims to strengthen the PFM framework, including that for public debt. The risk of corruption in the procurement of goods and services by the State and the management of public enterprises are generally high. A study by PwC [15] conducted in 8 EU countries in 5 sectors estimates that between 7% to 43% of the amount of individual procurement contracts is lost directly to corruption. These amounts reflect over-invoicing, late implementation and effectiveness losses (for instance, poor quality). By building capacity to manage public procurements and perform external budget controls, the project will enhance the integrity of the PFM regulatory and institutional framework and hence improve expenditure effectiveness and efficiency. As concerns strategic planning of investment projects, activities linked to project maturation will be supported so as to improve public expenditure quality and effectiveness and promote results-based management. This will expedite the achievement of SDGs with a sustainable budgetary debt level. This component is an institutional support of reform measures that are backed by the Bank's budget support operation. Activities under this component are also complementary with those supported by the World Bank, EU, and AFD (See §8.1.13).

2.1.2.3 The third and last component concerns project management. The choice of these components reflects the priorities that were identified in PGRGFP and the Bank's CSP as confirmed with the Cameroon authorities. Through technical assistance activities, better logistical means, institutional capacity building and training programmes, the project will support Government to mobilise more budgetary resources to sustainably finance its transformative infrastructure development programme – while avoiding excessive debt – and enhance the effectiveness and efficiency of investment expenditure to create better impact on competitiveness, growth and the well-being of the population. The following table details the contents of components, sub-components and activity areas.

Table 2.1:Detailed description of activities by component (in UA)

2.1.3 *Component I. Strengthening of Budgetary Resource Mobilisation Capacity*

No.	Sub Component	Potential Activities
Cost: UA 5,198,300		
I.1.	Broadening of the non-oil tax base by strengthening the Tax Administration and by combating tax evasion and fraud and illicit financial flows	▪ *Design and implementation of an action plan to broaden PIT to eligible taxpayers* ▪ *Establishment of a Transfer Price Unit and a Wealthy Taxpayers Unit* ▪ *Training of workers of the Transfer Price Unit and the Wealthy Taxpayers Unit, at least 30% of them women* ▪ *Training of workers, at least 30% of them women, on the exchange of information for tax purposes and tax control of multinational companies* ▪ *Study on Cameroon's non-oil tax potential* ▪ *Study on local taxation* ▪ *Etude sur les Flux Financiers Illicites liés à la fiscalité au Cameroun*
I.2	Strengthening of transparency and fighting corruption in the tax system by putting in place an online tax filing and payment system	▪ *Preparation and implementation of an action plan on the widespread use of common law online registration procedures* ▪ *Preparation of an action plan to set up the online tax filing and payment system at DGE, in CIMEs and via mobile for small and micro enterprises and for private individuals*

14 Alm, Martinez-Vasquez, and McClellan, 2016. "Corruption and Firm Tax Evasion." Journal of Economic Behavior and Organization 124: 146-63.

15 PricewaterhouseCooper (PwC). 2012. "Identifying and Reducing Corruption in Public Procurements in the EU". PwC EU Services.

2.1.4 *Component II : Strengthening of the Public Finance Management Framework*

No.	Sub-Component	Potential Activities
Cost : UA 4,900,200		
II.1.	Strengthening of the integrity of the Public Finance Management Regulatory and Institutional Framework	▪ *Preparation and implementation of a public procurement capacity building action plan in in accordance with the new Code* ▪ *Technical assistance in formulating a national capacity-building strategy on public procurement* ▪ *Training of ARMP/MINMAP workers and stakeholders involved in the award and control of public contracts pursuant to the new Code* ▪ *Preparation, publication and dissemination of audit reports for the years 2015, 2016, and 2017* ▪ *Training of Parliamentarians and Focal Points of ministries in gender-sensitive budgeting* ▪ *Technical assistance in assessing the performance of independent observer missions and assistance in the optimisation of public procurement audits performed by ARMP* ▪ *Technical assistance to establish an information and archiving system of public procurement related data and documents* ▪ *Procurement of specialized audit software (IDEA Software) and related computers* ▪ *Technical assistance to assess the capacity of the Audit Bench* ▪ *Equipment and training of staff on registration, analysis and transparency in public debt reporting* ▪ *Training and capacity building for Audit Bench magistrates* ▪ *Technical assistance to build the capacity of MINFI financial controllers and public accountants*
II.2	Improvement of the efficiency and effectiveness of investment expenditure through strengthening of the strategic planning and management framework.	▪ *Opening of a data bank in MINEPAT including functionalities for tracking the maturation of investment project* ▪ *Establishment of a system to analyse the effectiveness, feasibility and monitoring and evaluation of the public investment budget* ▪ *Training of road sector SMEs in bidding and contract management* ▪ *Training of workers of the National Public Investment Projects Compliance Control Brigade* ▪ *Study on the state of contingent liabilities* ▪ *Study on the quality and impact of public investments in Cameroon*

2.1.5 *Component III : Project operational management*

No.	Sub Component	Potential Activities
Cost : UA 1,959,400		
III.1.	Project coordination	▪ *Project management* ▪ *Audit*

2.2 Technical Solutions Adopted and Alternatives Explored

2.2.1 The technical solution adopted for this project was presented in paragraphs 2.1.1, 2.1.2, 2.1.3, 2.1.4 and 2.1.5 above. PARGEFIP is consistent with Cameroon's development framework, the Growth and Employment Strategy Paper (GESP, 2010-2019) and the Global Public Finance Management Reform Plan (PGRGFP, 2019-2021) adopted by Government in December 2018. PGRGFP is the reference framework of public finance reform in Cameroon for all TFPs. It will continue to implement the public finance management reform and modernisation programme after the 2017 PEFA and PMFP III (2016-2018) review revealed shortcomings in the performance, organisation and operation of bodies tasked with public revenue and expenditure. The aim is to create favourable conditions for the heightened mobilisation of non-oil budgetary resources and improve investment expenditure quality by building the capacity of field services. It will entail strengthening the outputs of the Bank's interventions, through implementation of the reform programme supported by PACCE and other budget support operations of the EU, the World Bank, IMF and AFD. It will also entail increased mobilization of internal budgetary resources and greater accountability in the management of public funds. No alternative solution was envisaged.

2.3 Project Type

2.3.1 This institutional support project is financed by an ADF loan. This type of operation was preferred so as to continue the much-needed support to consolidate the outputs of programme-based operations financed by TFPs, including the Bank, and being implemented as part of the PFM reform. The focus is on its regulatory/institutional framework, strategic planning and public investment management.

2.4 Project Cost and Financing Arrangement

2.4.1 The cost of the project, all taxes and duties included, is estimated at UA 14.705 million. It is proposed that the loan proceeds finance 100% of the taxes and duties under the project. The justification for this is outlined in Annex I. The ADF will contribute up to UA 13.234 million and the Government will make an in-kind contribution (offices, staff and working equipment) of UA 1.470 million, equivalent to 10% of the total project cost.

Table 2.2 : Project Cost Estimate by Component (in Thousand CFAF and UA)

	Cost in CFAF			Cost in Thousand UA			
Components	**Foreign Exchange**	**Local Currency**	**Total**	**Foreign Exchange**	**Local Currency**	**Total**	**%**
Component I : Strengthening of budgetary resource mobilisation capacity	3,137,783.6	784,445.9	**3,922,229.5**	3,923.3	980.8	**4,904.1**	41%
Component II: Strengthening of the integrity and effectiveness of the PFM framework	1,478,872.0	2,218,308.0	**3,697,180.0**	1,849.1	2,773.6	**4,622.7**	38%
Component III. Project operational management	591,386.6	887,079.8	**1,478,466.4**	740.3	1,108.3	**1,848.6**	15%
Total Base Cost	**5,208,042.2**	**3,889,833.7**	**9,097,875.9**	**6,512.7**	**4,862.7**	**11,375.4**	**94%**
Physical contingencies 4%	145,566.1	218,349.0	**363,915.0**	182.0	273.0	**455.0**	4%
Price escalation 2%	72,783.0	109,174.6	**181,957.6**	90.9	136.4	**227.3**	2%
Total Project Cost	**5,426,391.3**	**4,217,357.3**	**9,643,748.5**	**6,785.6**	**5,272.1**	**12,057.7**	**100%**
Provisions all taxes included (20%)	846,912.2	1,270,368.4	2,117,280.6	1,059.0	1,588.3	2,647.3	
Total Project Cost all taxes included	**6,273,303.5**	**5,487,725.7**	**11,761,029.1**	**7,844.6**	**6,860.4**	**14,705.0**	

Table 2.3 : Source of financing (in UA thousand)

Source of Financing	Cost in Foreign Currency	Cost in Local Currency	Total	% of total
AfDB Loan	**7,844.6**	**5,389.9**	**13,234.5**	90%
Government		1,470.5	1,470.5	10%
Total Cost	**7,844.6**	**6,860.4**	**14,705.0**	**100%**

Table 2.4 : Summary cost estimates by expenditure category (in UA thousand)				
Expenditure Category	AfDB			
	0.0	559.2	559.2	5%
A. Works	2,391.8	265.8	**2,657.6**	25%
B. Goods	2,917.7	1,027.4	**3945.1**	37%
C. Services	0.0	2,826.1	**2,826.1**	27%
D. Operating Costs	**5,309.5**	**4,678.5**	**9,988.0**	94%
Total Base Cost	318.5	280.7	**599.2**	6%
Provisions (Physical contingencies + price escalation 6%)	**5,628.0**	**4,959.2**	**10,587.2**	100%
Total Project Cost	2,216.6	430.7	**2,647.3**	
Provisions all taxes included (20%)	**7,844.6**	**5,389.9**	**13,234.5**	
Total Project Cost all taxes included				

Table 2.5: Expenditure schedule by component (in CFAF Thousand)					
Components	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Total**
Component I : Strengthening of budgetary resource mobilisation capacity	784,445.9	1,176,668.9	1,176,668.9	784,446.0	**3,922,229.5**
Component II: Strengthening of the integrity and effectiveness of the PFM framework	739,436.0	1,109,154.0	1,109,154.0	739,436.0	**3,697,180.0**
Component III. Project operational management	295,693.2	443,539.8	443,539.9	295,693.3	**1,478,466.4**
Total Base Cost	**1,819,575.1**	**2,729,362.7**	**2,729,362.8**	**1,819,575.3**	**9,097,875.8**
Provision for physical contingencies 9%	109,174.5	163,761.8	163,761.8	109,174.5	545,872.7
Total Project Cost	**1,928,749.6**	**2,893,124.5**	**2,893,124.6**	**1,928,749.8**	**9,643,748.5**
Provisions all taxes included (20%)	529,320.1	529,320.1	529,320.1	529,320.1	2,117,280.6
Total Project Cost all taxes included	**2,458,069.7**	**3,422,444.6**	**3,422,444.7**	**2,458,069.9**	**11,761,029.1**

2.5 Project Target Area and Beneficiaries

2.5.1 **Target Beneficiaries:** The direct beneficiary is the State of Cameroon, through the Ministries and departments in charge of Finance, Economy and Planning and Regional Development. The private sector, particularly road sub-sector SMEs, including those managed by rural women and youths, are the indirect beneficiaries of PARGEFIP. Project activities aiming to improve the quality of public investments in the energy, transport and rural development sectors will enable the populations to, in the medium term, enjoy better access to electricity, better maintained roads, equitable access to public procurement and a conducive environment to develop their activities. The project's end-beneficiaries are the whole population of the country for whom better mobilisation of internal resources will translate into ready and effective economic development financing. In addition, improved expenditure efficiency/effectiveness, transparency and accountability in the management of public finance will help to improve how mobilised resources are used, especially in priority basic sectors.

2.6 Participatory Approach in Project Identification, Design and Implementation

2.6.1 During the design of this project, the appraisal team organised a broad-based consultation with the main direct project beneficiaries including DGI, DGEPIP, ARMP/MINMAP, CONSUPE, the Audit Bench and DGB which coordinates public finance reforms in Cameroon. To enhance complementarity, the preparation team also organised consultation sessions with all active TFPs of the Public Finance Sector Committee including the IMF, World Bank, AFD and European Union. Their viewpoints were reflected in the project design, formulation of components and institutional implementation arrangements of PARGEFIP.

2.7 Bank Group Experience and Lessons Reflected in Project Design.

2.7.1 **The Bank in the past financed several governance-related operations, which are now completed.** The last operation was the Governance Reforms Support Project (PARG, 2006-2012) which aimed to: (i) improve the effectiveness of the public administration and justice system; (ii) improve public finance management (build the capacity of structures tasked with internal and external budgetary control, and the public procurement system); and (iii) step up the fight against corruption. After a three-year extension, project outcomes were mixed with a 35% implementation rate. The completion report, which was prepared in November 2012, scored overall implementation of activities at 2/4, concluding that: (i) poor project ownership at the national level; (ii) the very broad areas covered; and (iii) the Project Implementation Unit's weak capacity, were the main factors that hindered the achievement of outcomes. Experience gained from implementing PARG was reflected in the project design.

2.7.2 **As at 30 September 2019, the portfolio comprised 26 projects for total commitments of UA 1,368.63 million for the public sector (18 national projects and 8 regional projects) and UA 534.06 million for the private sector (7 projects).** The main intervention sectors of public sector projects are: Transport and ICT (43%); Governance (20%); Agriculture and the Environment (13%); Energy (20%); Water and Sanitation (2%) and Social (2%). The performance of the active national public sector portfolio is deemed satisfactory with a score of 3.10 on a scale of 1 to 4, in decline relative to 2017 (3.04). The global portfolio's average age is 3.7 years with a cumulative disbursement rate of 27.75%. The Bank's two ongoing operations in the governance sector are the programme-based budget support, the Competitiveness and Growth Support Programme (PACCE, 2017-2019) and the Cadastral Survey Modernisation and Business Climate Support Project (PAMOCCA).

2.7.3 **The last portfolio review conducted in December 2018 during the CSP mid-term review revealed the following important lessons**: (i) Macroeconomic stability must be preserved with a debt ceiling set at CFAF 3,000 billion and a limit set on disbursements for projects financed by non-concessional resources under the three-year agreement signed by the IMF and the Government. This forced the Bank to adopt a flexible programme for some of its operations, phasing implementation to match their amount; (ii) Support for private sector development should be continued for greater economic diversification in order to further strengthen resilience to external shocks which affect the national economy; (iii) The country's graduation to "Blend Country" status in 2014 made it possible to leverage significant financing and further intensify efforts to develop operations in synch with the private sector; (iv) The requirement of social conformity and imperatives of vocational training should be reflected in project design and implementation as recommended by Government; and (v) Operations in the remaining CSP period need to capture new risks and constraints, including the impact of security crises at the country's borders and in the North-West and South-West regions on the national economy. These lessons were reflected in PARGEFIP design (see Table 2. below).

Table 2..6 : Lessons learned and reflected in PARGEFIP	
Main lessons learned	**Measures taken to reflect lessons in the Programme**
(i) The need to preserve macroeconomic stability with the setting of a debt ceiling	PARGEFIP aims to support the implementation of PGRFP whose objective is to strengthen domestic budgetary resource mobilisation, debt management, and expenditure efficiency and effectiveness to promote macroeconomic stability and growth
(ii) and (iii) Support the development of the private sector with a view to economic diversification	By contributing to macroeconomic stability, PARGEFIP will create conducive conditions for growth driven by the private sector
(iv) The consideration of social compliance and the imperatives of vocational training	PARGEFIP will lay special emphasis on building human capacity in PFM, especially for women
(v) The implementation of operations in the remaining CSP period will factor in new risks and constraints	The implementation of PARGEFIP, especially its components related to the mobilisation of domestic budgetary receipts and strengthening of the expenditure management framework will reflect the new environment

2.7.4 **The design of PARGEFIP was also informed by the results of analytical works conducted by the Bank and the other Technical and Financial Partners**. These include public expenditure review studies conducted by the Bank[16], economic and sector work reports prepared by other TFPs and the Cameroonian authorities themselves, including the GESP 2010-2019 mid-term review report, the EU-financed 2017 PEFA review, the World Bank's 2018 public expenditure review and IMF programme reports and reviews. The key recommendations of these analytical works bore on: (i) the promotion of more robust and more inclusive green growth through higher productivity of companies; (ii) strengthening of public finance management to preserve medium-term macroeconomic stability; and (iii) streamlining of the public investment programme to improve efficiency and effectiveness and boost the competitiveness of Cameroon's economy. Discussions with the other TFPs also informed the project design, helping to identify synergies and complementary areas of intervention. Lessons were also learned from previous operations of the Bank and other TFPs. Consultations with stakeholders during project preparation and appraisal missions also yielded lessons.

2.8 Key Performance Indicators

2.8.1 The key selected performance indicators and expected outcomes at project completion are indicated in the logical framework. The expected outcome of the first Component "***Strengthening of budgetary resource mobilisation capacity***" is an enlarged tax base and stronger tax administration, measured using the tax burden and number of taxpayers of DGI. The expected outcome of the second component "***Strengthening of the public finance management framework"*** is an improved strategic public investment planning and management, measured using the: (i) cost of implementation of public investment projects; (ii) the PIB execution rate; and (iii) the implementation timeframe of public investment projects.

[16] These are: 1. Energy sector public expenditure review, Ref: ADB/BD/IF/2014/216- ADF/BD/IF/2014/171; 2. Road transport sector public expenditure review, Ref: ADB/BD/IF/2015/248- ADF/BD/IF/2015/184; and 3. Analysis of the public investments management framework, Ref: ADB/BD/IF/2017/69 -ADF/BD/IF/2017/44.

III. PROJECT FEASIBILITY

3.1 Economic Benefits

3.1.1 **This project's economic and financial benefits will be significantly higher than the UA 14,707 million cost**. Being an institutional capacity building project, PARGEFIP is not a productive-type project aimed at obtaining immediate financial profitability or returns on investment. Therefore, the conventional cost-benefit analysis done for projects will not apply to this project: institutional capacity building hardly generates cash flows (costs/proceeds) enabling thorough financial analysis. As such, given the project's nature and specific objectives, only economic analysis can capture the overall economic benefits it generates and how these are spread among beneficiaries.

3.1.2 **PARGEFIP will contribute to increased mobilisation of domestic resources and better quality of public investment**. When combined, these two aspects will broaden the budgetary space, and help to improve public resource allocation and use. Bigger budgetary allocations stemming from better resource mobilisation will make it possible to finance infrastructure with internal resources to support economic development and improve quality of life. Part of the allocation will go to the basic social sectors (health and education), and this will, in turn, contribute to long-term poverty reduction, creating job opportunities especially for women, thanks to better education and healthcare. This will also help to build the population's resilience to climate change.

3.2 Impact on the Environment, Climate, the Social Sector and Fragility

3.2.1 **Environment:** Since the project has no negative environmental impact, it has been classified in Environmental Category III.

3.2.2 **Climate Change:** Cameroon, under its Nationally Determined Contribution (NDC), committed to reduce greenhouse gas (GHG) emissions by 32% by 2035. This commitment is reflected in the mitigation and adaptation measures factored into investment projects, including strategy papers and policies. To align the project with NDC, aspects related to climate change will be incorporated in the public finance planning, budgeting, programming and monitoring and evaluation process through sub-component II (Support to strengthen the strategic public investment planning and management framework). This will help to implement the African Development Bank's second Climate Change Action Plan.

3.2.3 **Gender:** Cameroon has ratified several international and regional instruments on gender promotion and prepared national plans on other legal frameworks and instruments to guide the promotion of equal opportunities for men and women (Constitution of Cameroon; Law No. 92/006 of 14 August 1992; Ordinance No. 74/1 of 6 June 1974; Decree No. 2016/1430/PM of 27 May 2016; National Gender Policy Paper-2014; Land and State Property Code, 2009, etc.). Initiatives such as the appointment of focal points in most Government ministries and departments facilitate gender mainstreaming in the administrative decision-making process including gender-sensitive planning (MTEF, Annual Work Plan of ministries), reforms of organic instruments and awareness-raising to sustain actions. In spite of this progress, the gender issue in Cameroon is undermined by structural constraints linked to customs, habits, cultures and the ineffective application of existing instruments. The Ministry in charge of gender lacks sufficient funds to carry though certain reforms, update strategic instruments, produce knowledge on the gender status and build the capacity of focal points and experts. PARGEFIP will facilitate reforms already initiated by Government especially the capacity building of local committees, ministerial focal points and training in gender-sensitive budgeting. The project will also consider gender-related issues by encouraging gender parity in its reform activities in other sectors. Priority will be given to female candidates in order to foster the participation and autonomy of women in institutional capacity building and training activities at higher levels. Since the project will make limited contribution to gender equality and women's empowerment, it can be placed in category 3 in the Gender Marker System (GMS).

3.2.4 **Social:** The project's quest for efficiency and effectiveness in public finance management in Cameroon aims, among other things, to bolster Government's ability to mobilise more internal resources, carry out reforms and increase social services delivery. An increase in public finances will evidently improve the level of investment in the social sectors (education, health, social affairs) in terms of social facilities and, therefore, the provision of more social services. The fall in budgetary revenue caused by the sudden drop in the prices of export commodities (oil, timber, cocoa) in 2014, at a time when expenditures were already high on account of the need to preserve peace across the country, this strongly affected the State's ability to finance social services. PARGEFIP's advantage lies in the fact that it widens the budgetary space while improving public expenditure effectiveness. It will strengthen and build on the national budget's impact on service delivery and the higher level of execution of the investment budget in the priority sectors, in line with the strategic thrusts of GESP. The project will also produce positive externalities through the training of small and medium-sized road sector enterprises (SME), leading to an upturn in activities for these structures and the creation of more jobs. Besides, to facilitate better governance in tracking public investments, PARGEFIP will help to train workers of the National Public Project Compliance Control Brigade of the Ministry of Social Affairs.

3.2.5 **Fragility and Security Situation:** The security crisis in the North-West and South-West regions of Cameroon is characterised by prolonged work stoppages in some sectors of activity, temporary interruption of activities on certain days of the week, and the destruction of production tools and facilities. This situation has economic ramifications, hence an undeniable impact on tax resource mobilisation. The drop in activity has strongly and negatively affected taxpayers' discipline, amplifying their non-compliance with their obligations of filing tax returns and paying tax. The tax yield of the Large Taxpayer's Department/DGI in the first quarter of 2019 is 66.7% in the North-West and 72.1% in the South-West.

3.2.6 **Involuntary Resettlement:** The project will not lead to any population displacement.

IV. IMPLEMENTATION

4.1 Implementation Arrangements

4.1.1 The project will be placed under the supervision of the Ministry of Finance through the General Directorate of the Budget (DGB), the executing agency. DGB was chosen to coordinate overall project implementation because of its central role in steering the Global Public Finance Management Reform Plan (PGRGFP 2019-2021) through the Budget Reform Division. DGB, the institutional anchoring of past PFM reform projects, currently implements the Financial Governance Support Project (PAGFI), financed by AFD.

4.1.2 **Project Steering Committee (PSC)**: To guarantee effective direction and coordination of **PARGEFIP** activities, **PSC** will be responsible for supervision and implementation monitoring. As such, it will approve the budgets and progress reports prepared by the **Project Implementation Unit (PIU)- PARGEFIP**. PSC will comprise: (i) the Secretary-General of the Ministry of Finance who shall chair it; (ii) the Director-General of the DGB or his representative; (iii) the Director General of DGI/MINFI or his representative; (iv) the Director-General of DGEPIP/MINEPAT or his representative; (v) Representative of MINMAP; (vi) Representative of ARMP; (vii) the President of the Audit Bench or his representative; (viii) the Director of DREF/MINFI or his representative; (ix) the Director-General of Regional Cooperation and Integration/MINEPAT or his representative and (x) The Director General of CAA or his representative. The secretariat of PSC meetings will be managed by PIU- PARGEFIP. **The establishment of this structure is a condition precedent to first disbursement.**

4.1.3 **PARGEFIP will be implemented by PIU-PARGEFIP,** the operational project management structure, which will implement all project components and prepare periodic progress reports. For that, the project management team will be composed as follows: (i) a Project Coordinator; (ii) a Procurement Specialist; (iii) an Accountant or an Administrative and Financial Officer (AFO); (iv) a Monitoring and Evaluation Officer; (v) a Tax Expert; (vi) an Administrative Assistant; (vii) a Driver; and (viii) a Messenger. **Evidence of establishment of the PIU-PARGEFIP as executing agency to serve as interlocutor to the Bank and appointment of focal points will be considered as a condition precedent to first disbursement.**

4.1.4 **Financial Management:** PIU-PARGEFIP will be responsible for the project's overall coordination and financial management. It will set up an internal control mechanism helping to guarantee with reasonable assurance that project funds will be used effectively, economically and for the intended purpose. The Unit is expected to meet the financial management requirements of Bank projects/programmes, namely: (i) update the administrative, accounting and financial procedures manual prepared by CAA for financial management of externally-funded development projects, also factoring in the novelties of the revised SYSCOHADA, applicable in January 2018; (ii) prepare an implementation manual including the project organisational chart describing all project stakeholders involved in its implementation, the roles, responsibilities and activities of each, and the objectives and expected outcomes of each activity; (iii) procure the TOM2PRO integrated management system via procurement facilities put in place by CAA. Financial management arrangements, including risk assessment and financial management capacities are detailed in Technical Annex B.3.

4.1.5 **Procurement Arrangements**

4.1.5.1 **Applicable Procurement Policy:** The procurement of goods and consultancy services financed by Bank resources shall be done pursuant to the Procurement Policy for Bank Group-Funded Operations (AfDB Procurement Policy), October 2015 version and the provisions of the Financing Agreement. Both the country's procurement system (PPS) and the Bank's procurement system will be used during project implementation. The details of procurement implementation (system, cost, schedule, method, review type) agreed between the Borrower and the Bank are described in Technical Annex B.2.

4.1.5.2 **Organisation of Procurement Implementation:** Project procurements will be implemented by the PIU Procurement Officer. This Officer will be recruited on a competitive basis at project commencement to implement procurement activities as defined in Technical Annex B2.

4.1.5.3 **Procurement Capacity and Risk Assessment (PCRA**): To take into account the project's specificities, the Bank assessed: (i) risks at country, sector and project level; and (ii) the capacity of the executing agency. The results of these assessments concluded on a significant level of procurement risk[17]. Appropriate mitigation measures were proposed in the PERCA action plan indicated in paragraph 5.9 of Technical Annex B.2, to enable a satisfactory implementation of the project.

4.1.6 **Disbursement**: Disbursement of ADF resources under this project will be done pursuant to the provisions of the Disbursement Manual in force at the Bank. The disbursement methods proposed

[17] For further details, consult Technical Annexes B2 and B3.

for the programme are: (a) the special account method (for operating costs, capacity building activities and management of certain partnership agreements); (b) direct payment method used to pay for works, goods and service contracts; and (c) reimbursement method in case counterpart funds are used to pre-finance expenditure chargeable to AfDB resources and authorized by the Bank. In Cameroon, the Autonomous Sinking Fund (CAA) is responsible for opening special accounts. It will open a bank account in the name of the project denominated in local currency (XAF) and pursuant to relevant regulations in force in the country to receive external development resources.

4.1.7 **External Accounts Audit**: Mindful of the principle of independence in the external audit of project financial statements and as per provisions governing the external audit of public finance management, external audit remains the responsibility of the Audit Bench. As such, MINFI will officially request the Audit Bench of Cameroon to perform the financial audit. In case of need to respect deadlines for the submission of audit reports, the Audit Bench can also: (i) recruit the auditor with the support of the PIU's Procurement Officer; (ii) sign the auditor's contract; (iii) monitor the auditor's work; and (iv) approve and forward audit reports to the Bank within six months of closing of the financial year concerned. To that end, MINFI and the Audit Bench will sign an agreement within six months of effectiveness of the Bank loan. The auditor will be recruited on a competitive basis and according to terms of reference approved by the Bank. The audit contract will not exceed three years and continuation of the auditor's services will be contingent on the Bank's acceptance of the first audit report.

4.2 Monitoring and Evaluation

4.2.1 The monitoring and evaluation system will rest on (i) the regular monitoring of activities by the Country Office (COCM); (ii) periodic supervision, at least two per year, and periodic reports of the Project Management Unit (PIU) and audits; (iii) mid-term review to assess project implementation performance; and (iv) regular supervision missions by the ECGF. These supervisions will be conducted preferably in collaboration with the other development partners and will culminate in the systematic drafting of an Implementation Progress and Results (IP) Report after each mission. A monitoring and evaluation mechanism will be established, capturing the character and specificities of the project. A quarterly progress report will also be prepared. At project completion, a completion report will be drafted. The key indicative milestones are presented in the following table:

Table 4.1: Monitoring milestones and feedback loop

Schedule	Milestones	Monitoring activities/Feedback loop
November 2019	Board approval of the Loan	Notice to Government
December 2019	Loan effectiveness	Signing of Loan Agreement and fulfilment of conditions precedent to first disbursement
January 2020	Commencement mission	Training of project officials
February 2020	NGA and NSA	UNDB ; national and regional journals
February 2020	Fulfilment of conditions for 1st disbursement	Opening of special accounts, creation and decision members of IPP
February 2020	Launching of first activities	Preparation of work plan and training of Project Implementation Unit
February 2020	Preparation and publication of bidding document	Preparation by beneficiary structures and the Project Implementation Unit
March 2020	Bids assessment and contract adjudication	Evaluation by PIU and approval by authorities
2020-2023	Implementation of activities, other project activities	Quarterly and annual progress reports
2020-2023	Commencement, supervision, and mid-term review missions	Mission Reports
2021- 2023	Annual project audits	Audit Reports
December 2023	Project completion	Completion Report

4.3 Governance

4.3.1 Procurements under PARGEFIP will be implemented by the Project Implementation Unit which will be established in the Ministry of Finance and placed under the General Directorate of the Budget. The PIU will be supported by an experienced Procurement Officer to be recruited on a competitive basis. A Special Public Procurement Commission (SPPC) will be set up in PIU by Order of the Minister in charge of Public Procurements pursuant to Article 10 paragraph 3 of Decree No. 2018/366 of 20 June 2018. Ex-ante control shall be done by Central Public Procurement Commissions placed under the Ministry of Public Procurement, for contracts within their competence thresholds. The PIU-PARGEFIP will ensure that the national procurement circuit is followed before files are transmitted to the Bank for no-objection. The specific roles of the PIU and SPPC are described in Technical Annex B2.

4.4 Sustainability

4.4.1 **Country Commitment, Project Ownership and Policy Justifying Support**: PARGEFIP comes in a context of budgetary adjustment to preserve macroeconomic stability given the sharp fall in the global prices of export products and secure sufficient budgetary leeway to pursue the transformative infrastructure development programme. The project is mainly rooted in the Cameroon Government's commitment to steer this structural adjustment exercise by implementing the Global Public Finance Management Reform Plan (PGRGFP, 2019-2021) aimed specifically at modernising the tax administration and public finance management in order to further mobilise domestic budgetary resources and achieve better quality expenditure. Thanks to this dual effort – mobilisation of more domestic budgetary revenue and efficient and effective public investment expenditure – infrastructure can be financed with equity resources to support economic development and improve the quality of life of Cameroonians. The Bank Group's intervention also aims to consolidate the progress made with the vast public finance management reform project already underway, with TFP support in the form of budget support.

4.5 Risk Management

4.5.1 The potential risks and mitigation measures are summarised in Table 3 below.

Table 4.2: Potential Risks and Mitigation Measures

Risks	Probability	Mitigation Measures
Rise of socio-political tensions: Since 2017, secessionist demands in the North-West and South-West regions have weakened the security situation	Average	**Mitigation Measures**: Government multiplies initiatives to bring back peace in the fragile areas especially through dialogue mechanisms to quell social tensions, including the holding of a Grand National Dialogue and the establishment of a Commission for Bilingualism. An Emergency Humanitarian Assistance Plan (CFAF 12 billion) and a "disarmament, demobilization and reintegration" programme are being implemented to rehabilitate the living environment and foster the well-being and development of communities in the North-West and South-West regions
Volatility of the prices of key export products (oil, cocoa and timber): The volatility of prices might destabilise PFM and divert the authorities' attention away from reforms	Average	**Mitigation Measures**: A macroeconomic framework providing for the constitution of budgetary margins was agreed upon with the IMF and different donors including the Bank, alongside the streamlining of expenditure and increased mobilisation of non-oil revenue. Furthermore, structural reform measures are implemented to further diversify the economy and strengthen its resilience to external shocks
Fiduciary risk: Given the latest budget management trends, the overall fiduciary risk is deemed substantial.	Average	**Mitigation Measures**: Reforms undertaken by Government with the support of TFPs including the Bank will strengthen the procurement system and financial management and mitigate this risk.

4.6 Knowledge Building

4.6.1 **The project will also contribute to building knowledge and expertise in this critical area of public finance management in Cameroon**. Knowledge will be acquired through skills transfer from technical assistants and consultants to the staff of project beneficiary institutions, particularly women. Knowledge will also be built through different studies, data/information platforms and user manuals as well as through various user training sessions and workshops to be organised. Knowledge acquired through this project will be disseminated within and outside the Bank through strict monitoring and evaluation of expected outcomes and outputs, project supervision missions, the completion report, IDEV seminars and reports.

V. LEGAL FRAMEWORK

5.1 Legal Instrument: The proposed legal instrument is a loan agreement that will be signed between the Republic of Cameroon and the Fund.

5.2 Conditions Associated with the Bank's Intervention

A. Condition precedent to effectiveness of the Loan Agreement

5.2.1 The Government will fulfil the conditions applicable to Loan Agreements and Guarantees determining standard methods and principles governing African Development Bank Group financing.

B. Conditions precedent to first disbursement

5.2.2 In addition to the entry into force of the Loan Agreement, the first disbursement of the resources of the Fund is subject to the fulfilment by the Borrower, to the satisfaction of the Fund, of the following conditions:

i) Provide evidence of the establishment of the Project Steering Committee (PSC) and the appointment of its members; and

ii) Provide evidence of the Coordinator of the Project Implementation Unit (PIU) whose qualifications and experience would have been found satisfactory by the Fund.

C. Other conditions

5.2.3 The Borrower shall in addition submit to the Fund, no later than two (2) months after the first loan disbursement evidence of the appointment of key PIU members, namely: (i) a procurement expert; (ii) an accountant or administrative and financial officer (AFO); and (iii) a monitoring and evaluation officer. The qualifications and experience of these staff would have been found satisfactory by the Fund.

5.3 Compliance with Bank Policies

5.3.1 This project complies with applicable Bank policies. It should be noted that in accordance with the Policy on Eligible Expenditures of Bank Group Financing, it is proposed that the proceeds of the loan finance all taxes and duties under the project. As required by the policy, a justification is attached under Annex I.

VI. RECOMMENDATION

6.1 Management hereby recommends that the Board of Directors: (i) approve the proposed ADF loan of UA 13.234 million to the Republic of Cameroon for the purpose and under the terms set out in this report; and (ii) approve the utilization of the loan proceeds to finance the taxes and duties under the project.

ANNEX I : CAMEROUN - RATIONALE FOR THE PAYMENT OF DUTIES AND TAXES IN FINANCING THE PUBLIC FINANCIAL MANAGEMENT IMPROVEMENT SUPPORT PROJECT (PARGEFIP)

1. **The Public Financial Management Improvement Support Project (PARGEFIP), worth UA 13.234 million, is an institutional support operation that will be implemented over the period 2019-2023.** Its objective is to support the Government's efforts to implement the Global Public Financial Management Reform Plan (PGRGFP) and to consolidate the achievements of the public finance reforms undertaken with the support of development partners in the context of budget support operations.

2. **Specifically, PARGEFIP will support the implementation of the Global Public Financial Management Reform Plan (PGRGFP) to support the Government's efforts in this area.** PARGEFIP will also make it possible to implement sustained reform actions within the framework of the Bank's Programme-based Competitiveness and Economic Growth Support Programme (PACCE).

3. **Board presentation of this operation comes at a time when Cameroon's economy is affected by the negative effects of security, humanitarian and oil-related shocks** (linked to the fall in global oil prices, which began in June 2014). This has narrowed the national fiscal space, created substantial arrears, particularly to the private sector, and contributed to the increase in public debt.

4. **Indeed, the implementation of transformative infrastructure projects financed largely by non-concessional commercial and public loans, as part of the country's emergence policy, has led to strong debt growth.** Despite Cameroon's achievement of the completion point of the HIPC Initiative and the MDRI in 2006, outstanding debt has risen sharply and has tripled between 2008 and 2018, rising from 11.6 percent GDP at 39.3% according to the IMF. Although Cameroon's public debt ratio remains below the CEMAC ceiling of 70% of GDP, the country's risk of debt distress has risen from "moderate to high" and now implies prudent and more rigorous debt management.

5. **The use of an inflexible price structure in the main state-owned companies is likely to affect their financial profitability and, consequently, the level of public debt.** The amount of debt contracted and not disbursed amounted to 24.5% of GDP in March 2018 compared to 20.4% in December 2016. A debt ceiling of CFAF 3000 billion, or nearly USD 5.33 billion, as well as a threshold limit on disbursements of projects financed from non-concessional resources, were introduced (CFAF 596 billion for 2018, or nearly USD 1.05 billion) as part of the three-year agreement (2017-2019) supported by an extended credit facility signed between the International Monetary Fund (IMF) and the Cameroon Government in June 2017. The Bank plans to strengthen its support to the private sector during implementation of the 2nd phase of the CSP with Cameroon, in line with the Government's measures to promote the private sector. This may help to reduce public debt to finance growth.

6. **These findings warrant more prudent and rigorous debt management. To mitigate the risk of over-indebtedness, the institutional debt management system has been strengthened.** The opinion of the National Public Debt Committee (CNDP), which was advisory at its establishment,

has been mandatory since 2016 and is a prerequisite for any borrowing decision. The measures planned by the Government will help to stabilize public debt over the period 2017-2029. At the project level, this situation has a negative impact on project implementation, particularly because of the difficulties in mobilizing counterpart funds.

7. **In response to this situation, the Government has intensified its efforts to mobilize its domestic resources and taken various tax measures to this end, in particular those contained in the 2019 Finance Law**, which now makes financing agreements, including for externally or jointly financed public procurement, subject to the payment of duties and taxes[18].

8. **In accordance with the provision of Section 4.2.1 of the Policy on Expenditures Eligible for Bank Group Financing** (revised version of 19 March 2008), the possibility of the Bank paying duties and taxes has been determined on the basis of the following two criteria: (i) the country's tax system imposes reasonable taxes and duties and (ii) taxes and duties do not constitute a high percentage of the project costs and do not specifically target Bank-financed projects, activities or expenditures.

I- The country's tax system imposes reasonable taxes and duties

9. **The structure of the CEMAC Common External Tariff (CET), considered to be of a reasonable level, is shown in the following table**

Table 1 : Import duties and taxes applicable to companies in Cameroon

Duties and taxes	Calculation basis	Rate	Explanations
Customs duties (CD)	**Cost**, **Insurance**, and **Freight** (**CIF**) value	5% to 30%	- **CEMAC rates** (a) Category I: Basic necessities 5%. (b) Class II: Raw materials and capital goods 10%; (c) Category III: Intermediate goods and miscellaneous 20%; (d) Category IV: Consumer Staples 30%.

10. **After concluding a transitional agreement with the European Union under a Regional Economic Partnership Agreement (REPA)** in July 2014, Cameroon signed a bilateral agreement that entered into force on 4 August 2016. It was expected to ultimately contribute to lowering the country's level of customs duties.

II- Taxes and duties do no constitute a high percentage of the project costs and do not specifically target Bank-financed projects, activities or expenditures

[18] Section 115 provides that: "Financing agreements, including those for public contracts with external or joint resources, must be concluded inclusive of taxes".

Section 116 provides that: “(1) The tax regime defined in Section Article 115 new above shall apply to all financing agreements entered into as from 1 January 2019'." (2) Ongoing projects shall continue, where appropriate, to be subject payment of the value added tax on the basis of the provisions in force at the time of conclusion of their financing agreement.”

11. **In terms of taxation, for nearly a decade, the tax burden in Cameroon has been around 14% of GDP.** With regard to Value Added Tax (VAT), the rate is 19.25% in Cameroon. Exemptions are strictly managed under the various laws and codes providing tax incentives for investment.

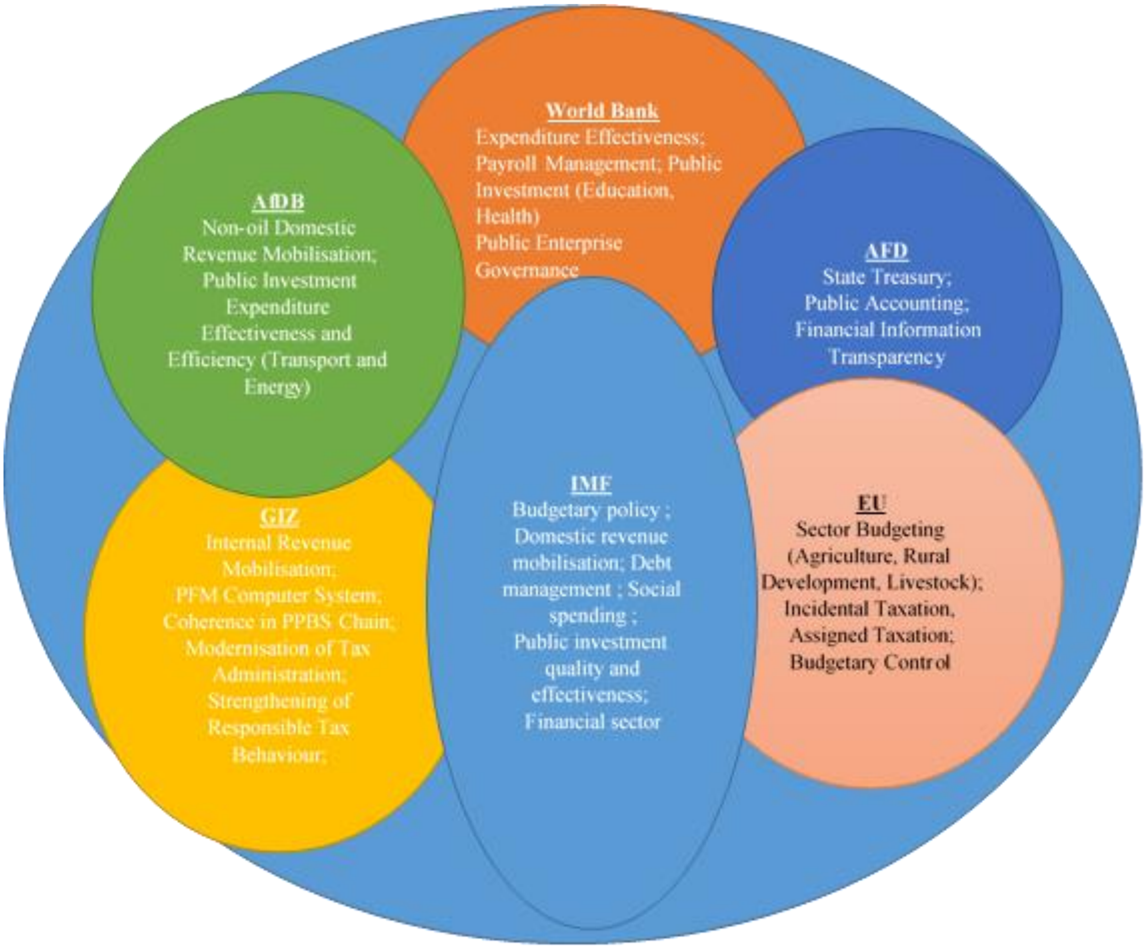
12. **Recommendations**

It is recommended that the Bank should finance the project duties and taxes as they are not discriminatory or excessive in nature.

The need to comply with Sections 115 and 116 of the 2019 Finance Law in order to meet, among other things, the financing needs of the State of Cameroon, its treasury difficulties and the decision of development partners to cover them, also argue in favour of this option. *Other technical and financial partners are already paying the taxes related to implementation of the projects they finance. However, in the context of dialogue with the Government, the TFPs, including the Bank, stressed the need to strengthen efforts to reduce treasury difficulties in order to ensure that the State of Cameroon effectively assumes responsibility for the taxes and duties.*

It is also proposed that the implementation of this approach be based on a case-by-case assessment, in agreement with the Government, in order to ensure that the payment of all or part of these charges does not unduly affect the project cost.

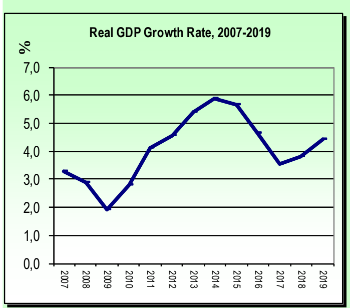
ANNEX II : Mapping of TFP Support to PGRGFP

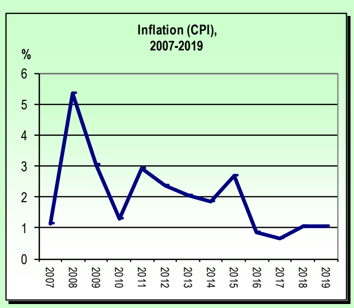


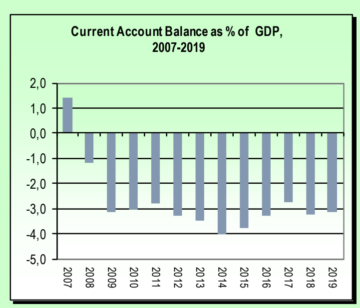
ANNEX III.A : CAMEROON'S SOCIO-ECONOMIC INDICATORS

Cameroon
Selected Macroeconomic Indicators

Indicators	Unit	2010	2014	2015	2016	2017	2018 (e)	2019 (p)
National Accounts								
GNI at Current Prices	Million US $	27 797	34 387	34 316	33 733	33 584	...	...
GNI per Capita	US$	1 392	1 546	1 503	1 439	1 396	...	...
GDP at Current Prices	Million US $	26 144	34 943	30 916	32 622	33 548	39 034	41 672
GDP at 2000 Constant prices	Million US $	12 806	15 559	16 438	17 203	17 813	18 488	19 310
Real GDP Growth Rate	%	2,8	5,9	5,7	4,6	3,5	3,8	4,4
Real per Capita GDP Growth Rate	%	0,0	3,1	2,9	1,9	0,9	1,2	1,8
Gross Domestic Investment	% GDP	23,2	24,1	22,4	22,6	23,9	24,6	25,2
Public Investment	% GDP	3,7	4,7	4,5	4,8	4,6	4,1	3,7
Private Investment	% GDP	19,5	19,3	17,9	17,8	19,3	20,5	21,5
Gross National Savings	% GDP	25,5	25,3	23,9	24,0	23,0	24,1	25,0
Prices and Money								
Inflation (CPI)	%	1,3	1,9	2,7	0,9	0,6	1,1	1,1
Exchange Rate (Annual Average)	local currency/US$	495,3	494,4	591,4	593,0	582,1	530,2	524,2
Monetary Growth (M2)	%	13,0	9,6	9,1	5,4	2,9	...	...
Money and Quasi Money as % of GDP	%	29,2	29,6	30,5	30,4	31,0	...	...
Government Finance								
Total Revenue and Grants	% GDP	15,0	16,8	16,5	14,7	15,6	16,4	16,3
Total Expenditure and Net Lending	% GDP	15,5	20,3	18,7	20,3	20,4	19,0	18,4
Overall Deficit (-) / Surplus (+)	% GDP	-0,6	-3,5	-2,2	-5,7	-4,9	-2,6	-2,1
External Sector								
Exports Volume Growth (Goods)	%	-3,8	17,6	17,8	-6,0	-0,3	0,7	4,0
Imports Volume Growth (Goods)	%	1,7	12,7	1,8	-5,7	-3,5	2,6	2,5
Terms of Trade Growth	%	11,5	-7,3	-13,8	2,4	-2,6	-3,9	-3,7
Current Account Balance	Million US $	-800	-1 400	-1 174	-1 066	-922	-1 257	-1 306
Current Account Balance	% GDP	-3,1	-4,0	-3,8	-3,3	-2,7	-3,2	-3,1
External Reserves	months of imports	6,7	3,9	5,4	3,8	4,2	3,9	...
Debt and Financial Flows								
Debt Service	% exports	3,1	3,5	6,1	5,9	7,0	7,8	9,0
External Debt	% GDP	5,6	14,9	19,4	19,6	22,5	23,6	25,5
Net Total Financial Flows	Million US $	235	986	1 331	372	1 701	...	...
Net Official Development Assistance	Million US $	540	856	663	757	1 213	...	...
Net Foreign Direct Investment	Million US $	-1	554	620	128	...	...	...







Source : AfDB Statistics Department: African; IMF: World Economic Outlook,October 2018 and International Financial Statistics, October 2018;
AfDB Statistics Department: Development Data Portal Database, October 2018. United Nations: OECD, Reporting System Division.

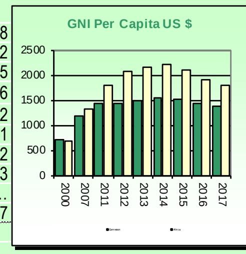
Notes: ... Data Not Available (e) Estimations (p) Projections Last Update: March 2019

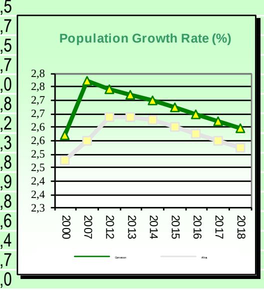
ANNEX III.B : COMPARATIVE SOCIAL INDICATORS

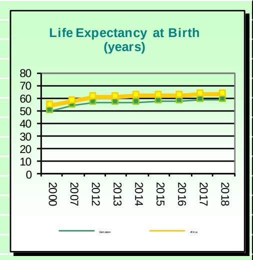
Cameroon

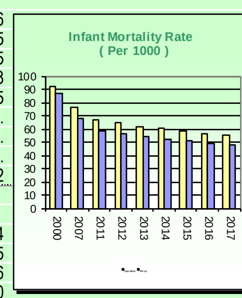
COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Cameroon	Africa	Develo-ping Countries	Develo-ped Countries
Basic Indicators					
Area ('000 Km²)	2018	475	30 067	92 017	40 008
Total Population (millions)	2018	24,7	1 286,2	6 432,7	1 197,2
Urban Population (% of Total)	2018	56,4	42,5	50,4	81,5
Population Density (per Km²)	2018	53,1	43,8	71,9	31,6
GNI per Capita (US $)	2017	1 370	1 767	4 456	40 142
Labor Force Participation *- Total (%)	2018	76,4	65,9	62,1	60,1
Labor Force Participation **- Female (%)	2018	71,4	55,5	47,6	52,2
Sex Ratio (per 100 female)	2018	100,2	99,8	102,3	99,3
Human Develop. Index (Rank among 189 countries)	2017	151	...	...	...
Popul. Living Below $ 1.90 a Day (% of Population)	2007-2017	23,8	...	11,9	0,7
Demographic Indicators					
Population Growth Rate - Total (%)	2018	2,6	2,5	1,2	0,5
Population Growth Rate - Urban (%)	2018	3,7	3,6	2,3	0,7
Population < 15 years (%)	2018	42,5	40,6	27,5	16,5
Population 15-24 years (%)	2018	19,7	19,2	16,3	11,7
Population >= 65 years (%)	2018	3,2	3,5	7,2	18,0
Dependency Ratio (%)	2018	81,9	79,2	53,2	52,8
Female Population 15-49 years (% of total population)	2018	24,0	24,1	25,4	22,2
Life Expectancy at Birth - Total (years)	2018	59,1	63,1	67,1	81,3
Life Expectancy at Birth - Female (years)	2018	60,2	64,9	69,2	83,8
Crude Birth Rate (per 1,000)	2018	35,2	33,4	26,4	10,9
Crude Death Rate (per 1,000)	2018	9,5	8,3	7,7	8,8
Infant Mortality Rate (per 1,000)	2017	55,1	47,7	32,0	4,6
Child Mortality Rate (per 1,000)	2017	84,0	68,6	42,8	5,4
Total Fertility Rate (per woman)	2018	4,6	4,4	3,5	1,7
Maternal Mortality Rate (per 100,000)	2015	596,0	444,1	237,0	10,0
Women Using Contraception (%)	2018	33,6	38,3	61,8	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-2016	8,3	33,6	117,8	300,8
Nurses and midwives (per 100,000 people)	2010-2016	52,0	123,3	232,6	868,4
Births attended by Trained Health Personnel (%)	2010-2017	64,7	61,7	78,3	99,0
Access to Safe Water (% of Population)	2015	75,6	71,6	89,4	99,5
Access to Sanitation (% of Population)	2015	45,8	39,4	61,5	99,4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2017	3,7	3,4	1,1	...
Incidence of Tuberculosis (per 100,000)	2016	203,0	221,7	163,0	12,0
Child Immunization Against Tuberculosis (%)	2017	91,0	82,1	84,9	95,8
Child Immunization Against Measles (%)	2017	77,0	74,4	84,0	93,7
Underweight Children (% of children under 5 years)	2010-2016	14,8	17,5	15,0	0,9
Prevalence of stunding	2010-2016	31,7	34,0	24,6	2,5
Prevalence of undernourishment (% of pop.)	2016	7,3	18,5	12,4	2,7
Public Expenditure on Health (as % of GDP)	2014	0,9	2,6	3,0	7,7
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-2017	113,2	99,5	102,8	102,6
Primary School - Female	2010-2017	107,2	97,4	102,0	102,5
Secondary School - Total	2010-2017	61,8	51,9	59,5	108,5
Secondary School - Female	2010-2017	57,1	49,5	57,9	108,3
Primary School Female Teaching Staff (% of Total)	2010-2017	54,5	48,7	53,0	81,5
Adult literacy Rate - Total (%)	2010-2017	71,3	65,5	73,1	...
Adult literacy Rate - Male (%)	2010-2017	78,3	77,0	79,1	...
Adult literacy Rate - Female (%)	2010-2017	64,8	62,6	67,2	...
Percentage of GDP Spent on Education	2010-2015	2,8	4,9	4,1	5,2
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2016	13,1	8,0	11,3	10,4
Agricultural Land (as % of land area)	2016	20,6	38,2	37,8	36,5
Forest (As % of Land Area)	2016	39,3	22,0	32,6	27,6
Per Capita CO2 Emissions (metric tons)	2014	0,3	1,1	3,5	11,0









Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports. *last update : Febuary 2019*

*Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)*
*** Labor force participation rate, female (% of female population ages 15+)*

ANNEX IV: GOVERNANCE PROFILE IN CAMEROON

I. *Public Sector Governance*

Cameroon's strategic development thrusts are built on Vision 2035, of which the **Growth and Employment Strategy Paper (GESP)** is part. The desire to become an emerging democratic country united in its diversity targets four overall objectives: (i) reducing poverty to socially acceptable levels; (ii) becoming a middle-income country; (iii) reaching New Industrialised Country status; and (iv) strengthening national unity and consolidating democracy. The goals of GESP are (i) Increasing growth to an annual average of approximately 5.5 per cent during the 2010-2020 period ; (ii) Reducing the underemployment rate from 75.8 per cent to less than 50 per cent in 2020 by creating some ten thousand formal positions per year over the next ten years; and (iii) reducing monetary poverty from 39.9% in 2007 to 28.7% in 2019.

However, in its implementation, GESP did not achieve the expected objectives. Growth averaged only 4.7% instead of the expected 5.5%; and **under-employment rate** is on an upward trend (from 75.8% to 77.6%, between 2005 and 2014), mostly among the youth. **Governance** was unsatisfactory, especially on aspects dealing with climate change, undermined by corruption, complex customs and tax procedures, and red tape.

All the *Worldwide Governance Indicators*[19] *of* 2018 deteriorated except for regulatory quality which improved slightly; the **Corruption Perception Index** (CPI) declined steadily from its 2015 level, from a score of 27/100 to 25/100, which is below the Sub-Saharan average of 32/100; the Ibrahim Index on African Governance[20] was hardly better than its 2008 level, Cameroon's score of 46/100 was below the African average of 49.9 in 2018. The Country Policy and Institutional Assessment (CPIA) confirms this near-stagnation or downward trend of the quality of public policy indicators.

Macroeconomic Management. Cameroon's economy, which for a long time has been resilient and the leading and most diversified in CEMAC, was affected by the sharp drop in the global prices of oil and other export commodities (cocoa and timber). As a result, the GDP growth rate slowed down from an average of 5.8% in the 2013-2015 period to 4.5% in 2016, 3.2% in 2017 and 3.8% in 2018. In a context of high security and humanitarian expenditure, the pursuit of an expansionist fiscal policy to finance the public investment programme had driven the public finance deficit[21] as high as 6.2% of GDP in 2016 (against 2% in 2015)[22]. The combined fall in price and production of key export products (oil, cocoa and timber) led to an 18% drop in export revenue between 2015 and 2016. However, the current account deficit was reduced from 3.8% in 2015 to 3.3% in 2016 and 2.7% in 2017 due to lower imports. The level of foreign exchange reserves of CEMAC suffered from this deficit: from a level equivalent to 6 export months in 2015, it dropped to 2.3 months in 2016, before rising to 2.4 months in 2017 and 3.1 months in 2018. Inflation was contained at 1% in 2018, 0.6% in 2017, 1.1% in 2016 against 2.7% in 2015, which is below the CEMAC 3% convergence threshold. The financing of transformative infrastructure projects with commercial non-concessional public loans contracted as part of the country's emergence policy led to a rapid accumulation of public debt. The risk of over-indebtedness for the country, therefore, rose from moderate to high, because the outstanding debt more than tripled since achievement of the completion point of the HIPC Initiative and MDRI, rising from 11.6% of GDP to 38.2% between 2008 and 2018. In the long run, this might compromise the country's debt sustainability, even though Cameroon's current debt ratio remains below the community ceiling set at 70% of GDP. However, this high risk now makes a more stringent debt management absolutely necessary.

Public Finance Management (PFM) is characterised by an expansionist budgetary policy based on the financing of transformative infrastructure development programmes through the Three-Year Emergency Plan (PLANUT). While the public expenditure level ranges between 18%-21% of GDP, including 36% for the Public Investment Budget (PIB), the level of domestic budgetary revenue remains at the ceiling of about 14% of GDP. This makes the mobilisation of domestic budgetary revenue a priority for the Government.

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19 D. Kaufmann, A. Kraay and M. Mastruzzi (2018). "The Worldwide Governance Indicators are: (i) Voice/Accountability; (ii) Political Stability and Absence of Violence/Terrorism; (iii) Government Effectiveness; (iv) Regulatory Quality; (v) Rule of Law; and (vi) Control of Corruption. Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance).

20 Cameroon is ranked 36th of the 54 countries reviewed. The Ibrahim Index of African Governance measures the following components: (i) Security and Rule of Law, (ii) Participation and Human Rights, (iii) Sustainable development opportunities, and Human Development. Cameroon performance was higher than the African average only on one aspect, Human Development.

21 Payment oder basis.

22 Public expenditure rose by 1.6% of GDP while revenue dropped by 1.9% of GDP (including 0.9% of oil receipts).

PF Management and Performance. PFM efficiency and effectiveness are weak on account of the inefficient regulatory and institutional framework.

Public Debt Management. The expansionist fiscal policy in a context of low public revenue has more than tripled the public debt since the country reached the completion point of the HIPC Initiative and qualified for MDRI, rising from 11.6% of GDP to 38.2% between 2008 and 2018. This situation might in the long run compromise the country's debt sustainability due to low returns on public investments.

Natural Resource Governance. Cameroon attained EITI-compliant country status in 2013. It has already published reports covering the 2001-2015 period. The 2016 report was presented to the public in February 2019. The results of this report show that cash payments made by extractive companies were up to CFAF 176.99 billion. In-kind payments during the same period were estimated at CFAF 473.81 billion, bringing total payments made by extractive companies in 2016 to CFAF 650.80 billion. Oil companies account for the bulk of these payments with a share of 92.72%. SNH and DGI are the main recipients of these payments, with 71.33% and 21.63% respectively. In 2016, the extractive sector generated CFAF 500.12 billion (USD 842.32 million) in revenue for the State budget, accounting for 76.8% of total payments by extractive companies in the same period. Tax revenue of the sector declined compared to 2015, partly due to the slow-down of the extractive oil sector which witnessed a fall in global prices of crude oil. Meanwhile, the oil extraction sector remains the biggest contributor with a total of CFAF 461.71 billion, making 92.32% of total budgetary revenue generated by the extractive sector in 2016. In terms of financial flows, SNH-Mandat transfers coming mainly from marketing Government shares in oil fields are the main contributors with 63.18% of the extractive sector's tax revenue, followed by PIR and intellectual property transit rights (COTCO) representing respectively 22.9% and 6.39% of extractive industry revenue. Crude oil forms the bulk of extractive sector production and exports in Cameroon, followed by gas and gold. The sector's total contribution has reduced compared to 2015, partly because of the oil and gas sector, which witnessed a drop in world crude prices.

II. Competitiveness and Private Sector-Friendly Environment. The competitiveness of Cameroon's economy is hindered by high factor costs and the slow implementation of business climate-related reforms. The Global Competitiveness Index improved only slightly reaching a score of 44.1/100 in 2018. The Conducive Environment component degraded because of the very poor performance on the issue of transparency of institutions and access to ICTs. The "Markets" component improved slightly thanks to reforms related to the goods and job markets. The "Innovative Eco-system" component is undermined by innovation capacity,but shows signs of improvement due to business dynamism. According to the World Bank 2019 **Doing Business Report**[23], the business climate has not improved: Cameroon is ranked 166th out of 190 countries with a score of 47.7/100.

The Cameroon-Business-Forum (CBF) was instituted as a platform of dialogue between the State and the private sector, meant to consensually identify second-generation reforms. However, **weaknesses persist in the business environment's institutional, legal and regulatory framework attributable to high factor costs in Cameroon in the transport, ICT and energy sectors**. Electricity shortage seen in outages and irregular electricity supply to households and agro-industries hampers industrial processing activities and the creation of decent jobs. The poor quality of road and railway network, the high cost and small supply of ICT products and the poor performance of the Douala Port lead to additional costs for business operators and hinder Cameroon's competitiveness compared to other African countries, limiting access to domestic and regional markets and its capacity to attract Foreign Direct Investments in the non-extractive sectors.

III. Public Enterprise Governance, Basic Service Delivery and Inclusive, Sustainable Growth. Cameroon has 54 government business enterprises (EPC) including State-owned companies (SCP) and joint stock companies (SEM). EPCs are distributed in order of importance in the agro-industry, manufacturing, banking and finance, energy, media and transport sectors. Their combined annual revenue was 18% between 2011-2015, above the Sub-Saharan average (SSA) of 14 %. The capital of SCPs accounted for 8.3% of GDP in 2015, against 3.2% and 7.4% respectively for SEMs where the State is the majority and minority shareholder. In addition to SPCs and SEMs, the Cameroon State has public establishments which are agencies for implementing public policy in a given area. **PE governance operates on a dual PE control and monitoring model** with the Ministry of Finance (MF) and sector ministries sitting on their Boards of Directors. Within the MF, the Division of Equity and Contributions (DPC) and the Technical Committee

[23] World Bank, Doing Business Report, 2019.

for Restructuring (CTR) have the mandate to periodically assess the performance of the PE portfolio. However, most PEs do not produce financial statements as prescribed by the law. Similarly, financial reports and information related to risk sources and contingent commitments are not published in time, which **undermines accountability and transparency in PE governance in Cameroon**. In 2017, Government adopted a centralised PE monitoring model to improve the availability and control of PEs. The legal framework was strengthened with a law on EPCs and another on public agencies. The aim of this new legal framework is to lend greater clarity to the PE landscape and greater autonomy to PEs to improve their performance.

The weak PE governance framework (regulatory, legal, and institutional) negatively affects the State's capacity to provide basic services through its PEs. As an illustration, the electricity access rate in 2016 was 63.2%, below the 70% projected. The goal of raising the drinking water access rate to 75% by 2020 remains a challenge because this rate was only 55% in 2017. According to available data from 2004 and 2011, the maternal mortality rate is on an upward trend, rising from 669 to 782 cases out of 100,000 live births against a target of 195 in 2020. The infant mortality rate remains high at 60 for 1,000 in 2014 against a target of 15 in 2020. According to the findings of the 4th Cameroonian Household Survey (ECAM4), the poverty threshold improved by 2.4 points between 2007 and 2014, falling from 39.9% to 37.5%, against 40.2% in 2001. However, inequalities have widened. The GINI coefficient for the whole country was 0.44 in 2014 against 0.39 in 2007 and 0.40 in 2001. According to ECAM4, the incidence of urban poverty fell from 18% in 2001 to 12.2% in 2011 and then to 8.9% in 2014. Poverty receded the most in the East, Littoral and Centre regions. Inversely, the incidence of rural poverty has risen since 2001 from 52.1% to 55% in 2007, and stood at 56.8% in 2014. In gender, the challenge remains empowerment, seen especially in poor access to credit due to lack of collateral and to land in some regions of the country as well as the still low representation of women in top jobs in the public administration and management positions in the private sector.

ANNEX V: TABLE OF AfDB PORTFOLIO IN CAMEROON as on 30/09/2019 (amount in UA)

SECTORS	PROJECTS	Approval Date	Signature Date	Effectiveness	Fulfilment Disbursement	Date 1st Disbursement	Disbursement Deadline	Bank Financing (UA Million			
								AfDB Loan	ADF/FSN Loan	Grant	Disburs Rate
Governance	Support Project for Modernization of the Land Registration System and Business Climate (PAMOCCA 1).	15.11.2010	05.01.2011	17.05.2011	10.02.2012	21.03.2012	30.12.2020		7.00		62.50%
	Support Project for Modernization of the Land Registration System and Business. Climate (PAMOCCA 2).	17.12.2013	08.06.2014	29.10.2014	29.10.2014	24.04.2015	30.12.2020		5.00		25.00%
	Budget Support Programme	22.11.2017	15.12.2017	05.01.2018	05.01.2018	22.01.2018	30.06.2018	148.05			100.00%
Emergency	Aid to Refugees in the Far North	12.07.2017	13.01.2018	13.01.2018	13.01.2018		30.06.2018			0.70	0.00%
Transport	Kumba-Mamfe Road Project	21.11.2012	09.02.2013	16.09.2013	07.11.2013	27.01.2014	30.11.2019		47.26		64.41%
	Road Programme 1 : Batchenga-Léna	26.11.2014	28.03.2015	09.02.2016	12.04.2016	13.09.2016	31.12.2019	126.71	12.45		12.82%
	Road Programme 2 : Yaoundé-Bafoussam	23.11.2016	08.06.2017	25.08.2017	30.10.2017	06.03.2018	31.12.2020	222.20	12.82		11.75%
Info-Com Techno.	Central African Backbone	09.07.2015	29.10.2015	14.01.2016	14.01.2016	24.05.2016	31.12.2019	30.68		1.22	2.15%
Water and Sanitation	Yaounde Sanitation Project (PADY 2)	19.06.2013	11.09.2013	17.03.2014	01.10.2014	13.11.2014	31.12.2018		20.99	2.85	30.19%
	Rain Water Mobilisation Studies (PEMVEP)	20.06.2016	21.10.2016	21.10.2016	24.02.2017		31.12.2018			1.07	0.00%
Energy	Reinforcement of Electricity Transmission and Distribution Networks (PREREDT)	15.09.2010	15.10.2010	20.04.2011	22.01.2013	25.02.2013	30.06.2020		31.64		36.78%
	Lom Pangar Hydropower Development Project	10.11.2011	18.01.2012	14.06.2012	14.12.2012	25.07.2013	31.12.2020		44.93		11.77%
Agriculture	Rural Infrastructure Support - Grassfield 2	23.10.2013	16.12.2013	10.04.2014	15.09.2014	07.10.2014	31.12.2019		13.61	3.19	40.70%
	Agricultural Value Chains Development Project (PD-CVA)	20.01.2016	21.10.2016	23.12.2016	23.12.2016	15.03.2017	31.01.2022	73.44			3.06%
Total National Public Operations: UA 805,853,821 = CFAF 629.331 Billion								**601.08**	**195.70**	**9.03**	**32.57%**
Private Sector	Cameroon Shipyard and Industrial Engineering Company Ltd (CNIC)	12.12.2002	02.06.2003	29.04.2005	29.04.2005	13.05.2005	31.12.2018	32.10			67.9%
	AES-SONEL Investment Programme	10.05.2006	08.12.2006	13.02.2007	15.02.2007	20.02.2007	31.12.2020	49.54			100%
	Dibamba Thermal Power Plant	28.04.2010	11.05.2011	11.05.2011	15.07.2011	22.07.2011	01.06.2023	18.39			100%
	Kribi Thermal Power Plant	15.07.2011	22.12.2011	22.12.2011	27.08.2012	13.09.2012	15.11.2025	23.60			100 %
Total National Private Operations: UA 123,646,973 = CFAF 96.562 Billion								**123.64**			**91.68%**
Regional Environment	Protection of Central African Elephants	22/07/2013	16.12.2013	11.11.2014	16.01.2015	30.04.2015	30.06.2018		0.25		80.57%
	Lake Chad Basin Rehabilitation (PRESIBALT)	17/12/2014	02/07/2015	11.11.2015	15.03.2016	25.07.2016	30.09.2019		12.5		9.72%
Regional Transport	Bamenda-Enugu Transport Facilitation	25.11.2008	13.05.2009	04.11.2009	01.12.2009	24.12.2009	31.12.2019		90.39		83.20%
	Brazza -Yaoundé Corridor (Ketta –Djoum 2)	21.10.2015	05.04.2016	05.08.2016	06.09.2016	01.11.2016	31.12.2020	51.04			2.56%
	Bridge on Logone River Between Cameroon-Chad	11.12.2017	24.05.2018				31.12.2022	27.98	9.40		0.0%
Total Multilateral Public Operations: UA 191,567,968 = CFAF 149.604 Billion								**79.02**	**112.54**		**40.68%**
GRAND TOTAL PORTFOLIO: UA 1,368.63 million								**803.74**	**308.24**	**9.03**	**40.47%**

ANNEX VI: TREND OF PUBLIC FINANCE MANAGEMENT SYSTEM REVIEWS IN CAMEROON BETWEEN 2007 and 2017, BASED ON 2016 PEFA METHOD

Indicators / Components	2007 Score	2017 Score
PI-1. Aggregate expenditure out-turn compared to original approved budget **(M1)**[24]	D	A
PI-2. Composition of expenditure out-turn compared to original approved budget (M1)	B	NN
PI-3. Aggregate revenue out-turn compared to original approved budget (M1)	C	A
PI-4. Stock and monitoring of expenditure payment arrears (M1)	D	D
PI-5. Classification of the budget (M1)	A	C
PI-6. Comprehensiveness of information included in budget documentation (M1)	B	B
PI-7. Extent of unreported government operations (M1)	C+	D
PI-8. Transparency of inter-governmental fiscal relations **(M2)**[25]	C	D+
PI-9. Oversight of aggregate fiscal risk from other public sector entities (M1)	D	D
PI-10. Public access to key fiscal information (M1)	B	B
PI-11. Orderliness and participation in the annual budget process (M2)	C+	C+
PI-12. Multi-year perspective in fiscal planning and expenditure policy and budgeting (M2)	C	C+
PI-13. Transparency of taxpayer obligations and liabilities (M2)	A	A
PI-14. . Effectiveness of measures for taxpayer registration and tax assessment (M2)	C	C+
PI-15. Effectiveness of collection of tax payments (M1)	D+	D+
PI-16. Predictability in the availability of funds for commitment of expenditures (M1)	C+	D+

[24] **Method M1**: Method used for single- or multi-component indicators when the poor performance of only one component is likely to negatively affect the performance of other components of the same indicator.

[25] **Method M2**: Method recommended for multi-component indicators, especially when a low score in one of the components does not necessarily lessen the impact of a high score in another component of the same indicator. Hence, although the components are all of the same domain of the public finance management system, progress achieved at the level of one component may not affect the other components of the PFM.

ANNEX VII: ADMINISTRATIVE MAP OF CAMEROON