Statement by Anna Brandt  
Date of Meeting: June 15, 2000  

**Cameroon: CAS Progress Report and Preliminary HIPC Document**

**Country Assistance Strategy Progress Report**

We commend the Progress Report for being frank and to-the-point on positive as well as negative features effecting the Bank’s assistance strategy in the Cameroon.

The good news is that in spite powerful vested interests inside and outside the government, progress has been made on economic reform efforts in Cameroon over the last few years. Although the situation is fragile, the present economic management team offers some hope that the reform process will continue.

However, considering Cameroon’s potential for sustained economic and social development and the economic and social progress in the late ‘70s and early ‘80s, the overall picture is depressing. The downward trend in the country’s situation is sadly illustrated by the deroute from Cameroon being an IBRD only country, to becoming and IBRD/IDA blend country, to now being an IDA only country eligible for HIPC debt relief.

In para. 11 in the CAS Progress Report it is stated that "*Education quality and enrollment rates have deteriorated to such and extent that the decline is virtually unique for a country that has not experienced civil war or other severe social conflict*". This more than anything illustrated the negative trend as far as social development is concerned. The broader picture is characterized by more than half of the population living below the poverty line, increasing disparity between the few relatively well-off and the majority of the population (with women and rural population being particularly vulnerable), poor public services, weakness in public expenditure quality and management, governance problems and endemic corruption, and a dysfunctional judiciary system.
Against this background we are generally in agreement with the approach taken in the CAS. The lending operations are concentrated on a few selected areas and the proposed non-lending services have a strong focus on the area of governance and corruption. However, we would not rule out that even the modest base case lending scenario could be too optimistic and, as indicated in the CAS Progress Report, that a low case scenario could occur.

As far as lending operations are concerned we find that it could be justified to embark on an HIV/AIDS operation at an early time. Although the CAS Progress Report describes the situation as a potentially catastrophic new threat to Cameroon’s development, no HIV/AIDS operation is included in the three-year CAS period.

Regarding non-lending services we propose that a full Public Expenditure Review is carried out as a matter of priority. On the poverty situation the CAS Progress Report recognizes a need for an updated household survey, but we wonder why a Poverty Assessment is not proposed. A PER as well as a PA seem particularly relevant as underpinnings to the interim PRSP and the full PRSP and in the lead up to HIPC treatment of Cameroon.

**Preliminary HIPC Document**

We commend staff for the document, which compared to previous preliminary HIPC documents seems to give a more candid picture of the challenges facing the country in question and to focus more on policy implementation. Too often earlier documents have paid too much attention to policy objectives without adequately assessing the realism of the policies. While there still is room for improvements in this regard, the document before us is nevertheless a step in the right direction.

The debt sustainability analysis shows that Cameroon is eligible for HIPC treatment and debt relief, as soon as conditions permit. We note that certain positive developments - especially with regard to macroeconomic stability – have taken place over the past few years and that Cameroon is in the process of completing satisfactorily the mid-term review of the third annual PRGF arrangement as well as implementing – albeit slowly – the SAC III. However, as is evident from the document, there are currently certain serious impediments and constraints that must be overcome if resources freed up by HIPC debt relief are to contribute efficiently and effectively to fight poverty.

The main concerns, which also are interrelated, are poor governance and widespread corruption, insufficient attention to poverty issues at the governmental and political levels, and inadequate mechanisms for participatory processes. Moreover, the political commitment to address these serious problems are only slowly beginning to emerge.

We welcome the preparation of an overall governance strategy, the establishment of a high-level committee for the fight against corruption and a governance watchdog, but just a few months prior to the envisioned decision point, poor governance, corruption and mismanagement still seem to be pervasive. Due to the considerable reluctance to address these issues in earnest, we share the skepticism of many observers regarding the authorities’ commitment, and it remains to be seen whether these initiatives will entail tangible results.
The document states that the government will continue to implement its action plan for the improvement of public expenditure management. In that respect, we note that no mention is made of a medium-term expenditure framework (MTEF) or similar instrument. We would urge that an MTEF based on a PER be prepared, as MTEFs have been regarded as potentially highly useful instruments to link the PRSP and efforts to combat poverty closer to the budget process in other cases.

The weak basis for participatory processes, clearly insufficient local involvement in the political decision-making, and lack of decentralized service delivery – and the reluctance to address these issues – compound the difficulty to vigorously attack poverty. Annex III, reporting from the joint Bank-Fund consultations with the government, is not reassuring in this respect, as it seems that the government only reluctantly accepts that participation is a crucial element in the fight against poverty in general as well as for preparing a credible PRSP. We welcome the fact that several processes now underway are being built i.a. on tentative participatory processes, but there is clearly a long way to go before such processes are mainstreamed into the key decision-making mechanisms.

In light of the above concerns, we broadly support the proposed reforms and conditions for the decision (DP) and completion points (CP) outlined in box 9. The CP conditions may appear to be quite tough, but we believe that the conditions are necessary for efficiently addressing Cameroon’s poverty reduction challenges. As regards the CP conditions, we – as always - reserve the right to take a fresh look at them when the DP is discussed. Given the very serious impediments – including deficient political commitment - to attacking poverty, we do however question whether the conditions for the DP are sufficiently strong. Under the current circumstances, which may be difficult to improve adequately over the next few months, we fail to see how interim debt relief can be efficiently used for poverty reduction. Thus, we fear that the term “satisfactory progress” in the first bullet under the decision point conditions in box 9 may leave too much room for discretion and should be interpreted as meaning strong and tangible progress. Moreover, the interim PRSP must be very clear and credible on the commitment to poverty reduction, especially in light of the striking deterioration in the social sectors and the alarming HIV/AIDS crisis.

In view of the above constraints, we find the indicative timeline – suggesting that the DP may be reached in September 2000 and that a full-fledged PRSP may be finalized by summer 2001 – to be overly optimistic. Of course, we would like the PRSP process to progress smoothly, but we should not sacrifice quality for speed. Given Cameroon’s past track record, we would also like to underline the need to ensure that reforms are given the necessary time to take root and become genuinely owned. Thus, to conclude, the DP discussions should not take place until the required conditions are met – even if that may be later than September this year.