I. Introduction and Context

Country Context
Economic growth in Cameroon has been slower than other Sub-Saharan countries and too slow to generate substantial poverty reduction. Despite a fairly diversified resource base and a moderate reliance on and prudent management of petroleum revenues, GDP growth only averaged 4.2 percent since 2000 and dropped to 3.0 percent during the peak of the global crisis in 2009. A deteriorating infrastructure base, weak business climate, and poor governance further limits economic growth from reaching the levels needed for sustainable poverty reduction.

As a result, overall poverty reduction has been stagnant since 2001 and poverty has increased in the Northern rural areas. In 2007, 39.9 percent of the population lived in poverty and 26.1 percent lived in chronic poverty. As population growth continues the real number of people living in poverty has increased from 6.2 million in 2001 to 7.1 million in 2007 and is expected to continue to rise. While the incidence of poverty has dropped in urban areas, rural poverty is high and increasing. In the Northern provinces almost two thirds of the population is considered to be below the poverty line.

Moreover, vulnerability and food insecurity levels are elevated affecting long-term human development outcomes. Given that 45 percent of the population in Cameroon is engaged in subsistence agriculture, vulnerability to exogenous environmental, economic and individual shocks is high. Only 37.1 percent of the total population was considered food secure in 2007. Malnutrition in some of the Northern provinces is also very high with 19.3 percent of children under the age of 5 suffering from hunger and food insecurity. The increase in food prices and the slowdown in economic growth and oil revenues in recent years have negatively affected the ability of the government’s long-term development strategy to improve the lives of poor and vulnerable groups.

Sectoral and Institutional Context
The government places significant focus on poverty reduction although efforts have not yet produced tangible impacts. Cameroon’s 2009 poverty reduction strategy “Growth and Employment Strategy” (DSCE) demonstrated strong buy-in for both its vision and policy directions and underpins the government’s stated intention to invigorate the stagnating economic development and slow speed of poverty reduction. Most efforts aimed at benefitting the poor and vulnerable have been focused on the Northern regions where poverty is the most widespread. However, given the persistent poverty levels, repeated risks faced by households in these areas, and the limited scale of the interventions, impacts have not yet been significant.

A recent review of social safety nets in Cameroon confirms that existing safety nets are not adapted to address neither chronic nor transient poverty. Cameroon has a number of small-scale and ad hoc safety net programs ranging from school feeding and fee waivers, to small cash transfers for the indigents and temporary food-emergency assistance. However, there is no national strategy for Social Protection (including safety nets) and there are no coordinated mechanisms for providing targeted support to the poor. Most programs cover only 1 percent of the population. Because coverage of the existing programs is low and targeting towards the most disadvantaged groups is weak, the effectiveness of safety nets in reducing household vulnerability and overall poverty on a significant scale is very limited.

Also, government spending on social programs targeted to the poor and vulnerable is low (only 0.23% of GDP and an average of 4.42% of total government social spending during 2008-10). Around 80 percent of this spending goes to emergency response programs in the event of shocks such as droughts and floods. On the other hand, in 2010 Cameroon spent around 1.4 percent of GDP and 6.4 percent of total government expenditures on general food and fuel subsidies which largely benefit the non-poor and
maintains the operation of the domestic oil refinery (source: see footnote 2). In an effort to mitigate the impact on households during the 2008 rise in food prices and the 2010 economic crisis the government responded by doubling subsidy expenditures. Using general subsidies for addressing these shocks proved to be both a costly and an ineffective response.

There is a need for a stronger and more targeted effort to tackle poverty and better allocate government spending. In 2011, a safety net feasibility study undertaken in the summer and fall of 2011 pointed out that it is possible to transform the current social protection system to be more effective and efficient and reaching all chronic poor in Cameroon with a small monthly transfer for a cost of only about 0.5 percent of GDP (2010 prices) – much less than is currently spent on safety nets and subsidies together. Consequently, the government has taken the decision to make resources better targeted to the poor. As a first step, the proposed World Bank operation would support the borrower by laying the foundations for a targeted safety net system to assist vulnerable people in coping with poverty and shocks. Strategically, the system is also meant to provide sound program alternatives to be used by the government for protecting the poor during an anticipated future gradual transition away from universal subsidies towards targeted programs.

Relationship to CAS

The proposed project is directly linked to the second strategic theme in the Bank FY10-13 Country Assistance Strategy (CAS) for Cameroon: “improving service delivery”. Specifically, the project will address the second main area under this theme: “to help establish an effective safety net system based on targeted programs”. During the development of the CAS, the government, the Bank, and other development partners initiated an intense dialogue on food security and safety nets which resulted in the preparation of an analytical report on safety nets (see footnote 2) as well as several background papers such as a) a review of existing programs; b) the impact of price hikes and the financial crisis on the poor, c) the efficiency of food and fuel subsidies, c) the feasibility of safety nets such as cash transfers and public works, including targeting options for those programs. On the basis of this work, and the discussions at a series of workshops, including that held in Yaoundé in November 2011 a dialogue has started on the development of an IDA project. Moreover, the discussions at the Ministry of Finance, confirmed the government interest in understanding the impact of general subsidies on the poor and the need to create viable alternatives to universal subsidies. The project is also consistent with the World Bank’s Africa Strategy in terms of reducing vulnerability and improving resilience for Africa’s poor by strengthening public agencies to share resources more fairly and limit the damaging consequences on households from shocks. Moreover, consistent with the Bank’s global and Africa Social Protection Strategies, the project aims to develop the cornerstones and foundation for a coordinated and targeted social safety net system in Cameroon.

II. Proposed Development Objective(s)

Proposed Development Objective(s)

The project development objective (PDO) is to build the foundations for an effective safety net system in Cameroon to improve access of poor and vulnerable people to targeted safety nets.

Key Results

PDO level indicators will include:

1. Number of eligible households benefitting from the cash transfer program.
2. Share of beneficiaries of the cash transfer program who are poor or food insecure (targeting efficiency).
3. The share of beneficiary households who receive transfers in a timely manner...
4. A framework which links safety net programs to an overarching framework for social protection is developed by …
5. An effective targeting mechanism for existing safety net programs is developed by …

III. Preliminary Description

Concept Description

The proposed project will be implemented using a Specific Investment Loan (SIL) for a period of X years starting in FY13. The project is expected to be financed by an IDA credit of US$50.00 million.

The proposed operation reflects the main recommendations from the sector work carried out by the government, the Bank, and other development partners. One key recommendation of the analytical work was to establish targeted cash transfers and a public works program as the cornerstones of a broad national social safety net. Laying the foundations for a safety net system would facilitate the possibility of shifting from small-scale ad hoc interventions and universal subsidies to a set of coordinated targeted programs for reducing poverty and making economic growth more equitable. While the project will mainly focus on establishing effective safety net programs in poor rural areas of the four northernmost provinces of Cameroon, the inclusion of large urban areas may also be considered. Another key recommendation of the feasibility study was the establishment of a coordinating unit in charge of policy setting and supervision of safety net interventions.

The project will achieve the PDO by: i) designing and implementing the main building blocks of an national safety net, such as a cash transfer program, and ii) assist the borrower in establishing mechanisms for coordinating existing safety net programs and improving their poverty targeting. To this end, the project will have 3 components:
Component 1: Cash transfer program (US$XX.XX million).
This component will support the development and implementation of a cash transfer program to serve as one of the cornerstones of the social safety net. The cash transfers will help poor and vulnerable groups by increasing household income initially for an extended period of 24 months. The targeted groups may include chronic poor and/or food insecure households, households with young children, and young mothers. In addition, providing regular payments may help households invest in human capital or other productive household assets. The imposition of conditionalities is difficult in contexts without universally accessible basic services but simple moral contracts may be used with beneficiary families to encourage investment in health care and nutrition. The component will finance cash transfer to beneficiary households as well as technical assistance and administrative costs for developing and implementing the program. With the technical assistance of the Bank, the government will finance and undertake a pilot cash transfer program in parallel with project preparation. The design of the pilot will be based on the recommendations from the feasibility study which outlined key design parameters for the activities in the proposed project. For instance it recommended a benefit level of FCFA15,000 per month per household and a combination of proxy means and community based targeting. The project will support the scaling up of the cash transfer program taking advantage of the experiences of the pilot.

Component 2: Public works program pilot (US$XX.XX million).
This component will develop and pilot a labor intensive public works program (HIMO) aimed to address the seasonal/transitional nature of poverty. The program is meant to complement the cash transfer programs during particular hard times and help vulnerable households cope with shocks especially during the slack agricultural season from February to May, when agricultural activities are reduced. The component will finance small community level projects which create valuable public goods (such as rural road maintenance, reforestation activities, small irrigation systems, hillside terracing, etc.). Details of how the particular sub-projects will be selected will be developed during preparation. Available unskilled local labor will be selected to work on these projects at wage rates equal or less than current wage rates for similar unskilled labor in the same localities. The salaries earned by the workers of the public works will help to smooth household income during this especially difficult season. The program will primarily use the wage level as a method of self-targeting poor households, complemented by other direct methods if necessary. The component will finance wages and as well as inputs, technical assistance, and administrative costs for the pilot.

The development and piloting of the public works component will be phased in after the cash transfer program is in place, in order to facilitate its introduction and the coordination between the two programs. The scope of the public works pilot will be determined during preparation. Moreover, the link between the public works and cash transfer programs at geographical and implementation level will be further developed during project preparation.

Component 3: Lay the foundations for a coordinated safety net system (US$XX.XX million).
This component will assist the borrower in developing mechanisms for coordinating existing safety net programs and develop systems that can be used for making existing safety net programs, such as school feeding and nutritional programs, better targeted to the poor and vulnerable. The component will also support the management of the overall project.

First, component 3 will include activities to strengthen institutions for coordinating, implementing, and monitoring government social safety net programs. The component would finance technical assistance, capacity building, and inputs geared at building administrative systems for beneficiary identification, targeting and payment, as well as for monitoring and evaluation, coordination, and governance arrangements for a safety net system. The overall policy guidance will be guaranteed by an inter-ministerial steering committee on social protection. One important aspect of the new safety net system will be the capacity to expand to respond to shocks. The expansion can be achieved by: a) adjusting the level of transfer of current beneficiaries; b) expanding the cash transfer program to additional beneficiaries, albeit for shorter period of time; and c) providing additional opportunities to public work activities.

Secondly, this component will contribute to financing project management, coordination, and monitoring and evaluation activities related to the first two project components. Given limited capacity, the proposed operation will ensure the most feasible design and implementation requirements by sequencing design, piloting and implementation of the cash transfer and public work programs. Starting with the cash transfer program, in parallel to the project preparation the government will undertake and finance a pilot with the technical support of the Bank. The design of the pilot will be based on the findings from the feasibility study as detailed above. The project will then support the scaled up cash transfer program on the experiences of the pilot. Based on the pace of implementation of the cash transfer program, the current project will support a small pilot of the public works program. A full timeline of how the program design, piloting and implementation will be sequenced and supported during the project preparation and implementation phases will be further developed.

The implementation of the project will rely, wherever possible, on existing administrative structures. Because of the inter-sectoral nature of safety net programs, it is essential that the coordination and management unit be placed under a strong and influential ministry with a mandate for coordination. This would also ensure adequate short term implementation capacity as well as ensuring a long run institutional home for coordinated social protection programs. Following the recommendation of the feasibility study, the Ministry of Economy, Planning and Regional Development (MINEPAT), with its strong capacity and broad institutional mandate would be the home for project oversight and central management. First, the MINEPAT chair an inter-ministerial steering committee on social protection that will provide overall policy guidance. Second, within the MINEPAT, the Technical Committee for Monitoring (CTS), a technical unit with a long history of coordinating and supervision of programs across ministries, would provide oversight to a project management team that will also manage safety nets in the government. The CTS would also put in place a smaller
technical team for piloting the cash transfer program. Project preparation will further develop the institutional arrangements for implementation. For instance, the management unit may delegate the responsibility for implementation of different social safety net programs to relevant agencies or ministries (such as Ministry of Agriculture).

Project preparation will focus on the key design features of the program and the main program implementation processes that will include: Identification of potential beneficiaries, targeting, registration, payments, reconciliation, complaint mechanisms. Program processes will rely on strong management and control mechanisms to be put in place.

### IV. Safeguard Policies that might apply

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### V. Tentative financing

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### VI. Contact point

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**Borrower/Client/Recipient**

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**Implementing Agencies**

Name: MINEPAT (CTS), MINFI, MINFOPRA, MINJUS, ARMP, NIS

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