

CAMEROON

Public Expenditure Review

Aligning Public Expenditure with the Goals of Vision 2035



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ABBREVIATIONS AND ACRONYMS

ADePT	Software Platform for Automated Economic Analysis
AES	AES Corporation – Cameroon Power Company
AIDS	Acquired Immunodeficiency Syndrome
ANTILOPE	National Application of Data Processing and Logistics of State Personnel (<i>Application nationale des traitements informatiques et logistiques des personnels de l'Etat</i>)
ARMP	Public Procurement Regulatory Agency (<i>Agence de Régulation des Marchés Publics</i>)
ARV	Antiretroviral treatment
CAMAIR	Cameroon Airlines Corporation
CAMTEL	Cameroon Telecommunications
CAMWATER	Cameroon Water Utilities Corporation
CAMRAIL	Cameroon Rail System
CAPP	Regional Drugs Supply Center (<i>Centre d'approvisionnement pharmaceutique provincial</i>)
CAR	Central African Republic
CDC	Cameroon Development Corporation
CEM	Country Economic Memorandum
CEMAC	Central African Economic and Monetary Community (<i>Communauté économique et monétaire de l'Afrique centrale</i>)
CENAME	National Essential Drug Procurement Centre (<i>Centrale Nationale d'Approvisionnement en Médicaments et Consommables Médicaux Essentiels</i>)
CHP	Complementary Health Package
CLGG SA	Maritime Cargo and Freight Company
CMA's	Sub-divisional Medical Centers (<i>Centres médicaux d'arrondissement</i>)
CSIs	Integrated Health Centers (<i>Centres de santé intégrés</i>)
CNIC	Cameroon Shipyard and Industrial Engineering Company (<i>Chantier naval et industriel du Cameroun</i>)
CSPH	Fuel Prices Stabilization Fund (<i>Caisse de Stabilisation des Prix des Hydrocarbures</i>)
CTR	Technical Committee for Restructuring (<i>Comité Technique de Restructuration</i>)
CTPL	Privatization Commission (<i>Commission Technique de Privatization et de Liquidation</i>)
DALYs	Disability-Adjusted Life Years
DHS	Demographic and Health Survey
DRC	Democratic Republic of Congo
DSCE	Growth and Employment Strategy Paper (<i>Document de Stratégie pour la Croissance et l'Emploi</i>)
DPC	Division of Shares and Contributions (<i>Division des Participations et des Contributions</i>)
ECAM	Enquête camerounaise auprès des ménages
ENEO	ENEO Cameroon S.A. – Energy of Cameroon

EPAs	Autonomous Public Agencies (<i>Etablissements Publics Administratifs</i>)
EPI	Extended Program on Immunization
ESS	Education Sector Strategy
FCFA	West and Central African Financial Community Franc (<i>Franc de la Communauté Financière Africaine</i>)
FP	Family planning
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GERs	Gross Enrollment Rates
GFS	Government Finance Statistics
GGE	Government General Expenditure
GHE	Government Health Expenditure
GOC	The Government of Cameroon
HIPC	Heavily Indebted Poor Country
HIV	Human Immunodeficiency Virus
HRM	Human Resource Management
HRMIS	Human Resources Management Information System
HSS	Health Sector Strategy
ICT	Information and Communications Technology
IFMIS	Integrated Financial Management Information System
IFORD	Institute for Demographic Training and Research (<i>Institut de Formation et de Recherche Démographiques</i>)
IHME	Institute of Health Metrics
IMF	International Monetary Fund
IUD	Intra-Uterine Device
KPDC	Kribi Power Development Company
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MHP	Minimum Health Package
MICS	Multiple Indicator Survey
MNFOPRA	Ministry of Public Service and Administrative Reforms (<i>Ministère de la Fonction Publique et la Réforme Administrative</i>)
MINEPAT	Ministry of Economy, Planning and Regional Development (<i>Ministry of Economy, Planning, and Regional Development</i>)
MINMAP	Ministry of Public Contracts (<i>Ministère des Marchés Publics</i>)
MINSANTE	Ministry of Public Health of Cameroon (<i>Ministère de la Santé Publique du Cameroun</i>)
MOH	Ministry of Health
MOPH	Ministry of Public Health
MTBF	Medium-Term Budget Frameworks
MTEF	Medium-Term Expenditure Frameworks
NHA	National Health Accounts
NCD	Non-communicable diseases
NERs	Net enrollment rates
NGO	Non-Governmental Organisation
NHA	National Health Accounts
OECD	Organization for Economic Co-operation and Development

OHADA	Organization for the Harmonization of Corporate Law in Africa (<i>Organisation pour l'harmonisation du droit des affaires en Afrique</i>)
OOPS	Out-of-pocket spending
OOSC	Out-of-school children
PASEC	The Francophonie Programme for the Analysis of Education Systems (<i>Programme d'Analyse des Systèmes Educatifs de la Conférence des ministres de l'Éducation des États et gouvernements de la Francophonie</i>)
PBF	Performance-based financing
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PIMA	Public Investment Management Assessment
PIP	Public Investment Program
PLANUT	Three-year Emergency Plan (<i>Plan d'Urgence Triennal</i>)
PNDP	National Development Health plan (<i>Plan National De Développement Sanitaire</i>)
PPP	Public-private partnership
Pre-OOP	Pre-out-of-pocket
Post-OOP	Post-out-of-pocket
PTAs	Parent-teacher associations
RBF	Results-based financing
RFHP	Regional Funds For Health Promotion
RMNAHN	Reproductive, Maternal, Newborn, Adolescent Health and Nutrition
SARA	Service Availability and Readiness Assessment
SCPs	Public-Owned Companies (<i>Sociétés à Capitaux Publics</i>)
SDG	Sustainable Development Goals
SEMs	Semi-Public Companies (<i>Société d'économie Mixte</i>)
SODECOTON	Cotton Development Company (Société de Développement du Coton)
SOEs	State-owned enterprises
SONARA	National Refining Company Ltd. (<i>Société Nationale de Raffinage SA</i>)
SNH	National Hydrocarbon Corporation (<i>Société Nationale des Hydrocarbures</i>)
SOPECAM	Company Press and Publishing Cameroon (<i>Société de Presse et d'Editions du Cameroun</i>)
SSA	Sub-Saharan Africa
STI	Sexually transmitted infection
SYNAME	National Essential Drugs and Medical Supplies Procurement System (<i>Système National d'Approvisionnement en Médicaments Essentiels</i>)
TB	Tuberculosis
THE	Total Health Expenditure
TVET	Technical Vocational Education and Training
UAS	National Learning Assessment Unit (<i>Unité Nationale des Acquis Scolaires</i>)
UHC	Universal health coverage
UMIC	Upper middle-income countries
UNDP	United Nations Development Program
VCT	Voluntary Counselling and Testing of HIV
WDI	World Development Indicators

WHO
ZEPs

World Health Organisation
Education Priority Zones (*Zones d'Education Prioritaire*)

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CHAPTER 1: OVERVIEW

1.1 Introduction and Country Context

1. **In February 2009, the Government of Cameroon (GOC) adopted an ambitious agenda for economic development and poverty reduction known as “Vision 2035.”** The strategy’s overarching goal was to transform Cameroon into an industrialized, upper-middle-income country with low poverty rates, strong economic growth, and a functioning democracy. To achieve its vision, the government adopted the Growth and Employment Strategy (*Document de Stratégie pour la Croissance et l’Emploi*, DSCE) for 2010–2020, which targeted several objectives, including: (i) increasing the annual GDP growth rate to 5.5 percent; (ii) reducing the underemployment rate from 75.8 percent to less than 50 percent by creating tens of thousands of formal jobs each year; and (iii) lowering the monetary poverty rate from 39.9 percent in 2007 to no more than 28.7 percent.

2. **Nine years later, a protracted slump in global oil prices has prompted Cameroon and other CEMAC member states to refocus their efforts on macro-fiscal stabilization.** While Cameroon’s relatively diversified economy proved more resilient than those of more oil-dependent CEMAC countries, domestic challenges worsened Cameroon’s economic situation. Outbreaks of violence in the North and Far North Regions, coupled with a secessionist movement in the country’s English-speaking areas, suppressed economic activity and spurred a sharp rise in security spending. The annual GDP growth rate slowed to 3.2 percent in 2017, the lowest rate in seven years, and the fiscal deficit peaked at 6.1 percent in 2016. Meanwhile, a significant increase in borrowing to fund large infrastructure projects pushed the debt-to-GDP ratio from 15.9 percent of GDP in 2006 to 35.7 percent of GDP in 2017. Several key socioeconomic indicators have diverged from their Vision 2035 targets, including child and maternal health outcomes, and both monetary and nonmonetary measures of household wellbeing. Consequently, the intermediate objectives of the DSCE may not be achieved.

3. **While restoring fiscal stability is critical in the short term, attaining the longer-term goals of Vision 2035 will require the authorities to reassess the overall effectiveness of public spending.** Years of robust growth appear to have had little impact on the poverty rate, which remained stubbornly high at 37.5 percent in 2014. Poverty is increasingly concentrated in the country’s North and Far North Regions, where the number of people living in poverty more than doubled between 2001 and 2014. In addition, a widening economic gap between rural and urban areas, and between the northern and southern parts of the country, drove a 7 percentage-point increase in inequality as measured by the Gini index between 2007 and 2014. The unemployment rate increased from 3.8 percent in 2007 to 4.3 percent in 2014, led by rising unemployment among young people and rural workers, while the underemployment rate increased from 68.7 percent in 2010 to 77 percent in 2014. About 90 percent of employed workers remain in the informal sector. While macroeconomic aggregates classify Cameroon as a lower-middle-income country, its health and education indicators are closer to the averages for low-income countries and are marked by large regional and rural-urban disparities.

4. **This Public Expenditure Review (PER) presents a detailed assessment of the efficiency, effectiveness, and equity of public spending.** The objective of this report is to assist the GOC as it strives to achieve its development goals in a challenging context marked by tight fiscal constraints and competing priorities. The PER examines public expenditure data over a ten-

year period to evaluate how effectively Cameroon is leveraging its fiscal resources to support the growth and poverty reduction goals of Vision 2035. Cameroon's use of the BOOST framework enables the PER to explore how successive budgets have been allocated and executed by economic and sectoral classification. The analysis focuses on three dimensions of public expenditure management: (i) allocative and technical efficiency, (ii) effectiveness, and (iii) equity.¹ The PER also devotes special attention to three specific policy areas in which spending patterns and outcome indicators present cause for concern: (i) public investment, which increased substantially between 2012 and 2015, (ii) the public-sector wage bill, which is distorted by the excessive use of nonwage compensation, (iii) and transfers to state-owned enterprises, which intensify the risk posed by contingent liabilities. The PER also includes three sector-specific chapters on public health, education, and social protection.

5. While the quality and the level of detail of budget and budget execution data have permitted extensive analysis, and clear conclusions and areas for reform have been identified, inadequacies that persist in GOC budget preparation and execution processes unfortunately affect the reliability and accuracy of the results of the quantitative analyses. Cameroon's budget classification is not in line with international practice, especially with regard to capital expenditure, and capital expenditure is too often equated with public investment by Cameroon's authorities. There are also inconsistencies between budget and accounting data. Thus, amounts spent on goods and services and identified as such in budget data are sometimes recorded in Treasury data as transfers. At the same time, transfers to externally financed projects, transfers to public institutions and enterprises, and equity transfers intended to enable the receiving institutions to make investments are not treated as investments in Treasury data (and thus in the BOOST). The budget execution analysis is also somewhat biased as expenditures budgeted for in a given fiscal year can be executed in subsequent fiscal years, so that the budget execution rates presented in this report could be to be slightly overestimated. Finally, Treasury data does not allow to, for example, clearly identify the share of general administration and financial expenditures that corresponds to common expenses managed and executed by the ministries of Finance and Economy.

1.2 Key Findings

6. The limited efficiency, effectiveness, and equity of public spending present serious obstacles to the achievement of the GOC's stated policy goals. Allocative and technical inefficiency reduce value for money across the public sector. Allocative inefficiency is an especially critical issue in the health sector, where an excessive focus on tertiary hospitals comes at the expense of more cost-effective primary care. Likewise, the cost of the pension scheme for civil servants consumes a large share of the social protection budget, which limits the ability of the social protection system to serve poor and vulnerable households. Meanwhile, the rapid expansion of the investment budget appears have undermined the technical efficiency of capital spending. Technical inefficiency is also a major challenge for the state-owned enterprise (SOE) sector, where the accumulation of contingent liabilities intensifies overall fiscal risks. The effectiveness of public spending is a serious concern in the public administration, as weak

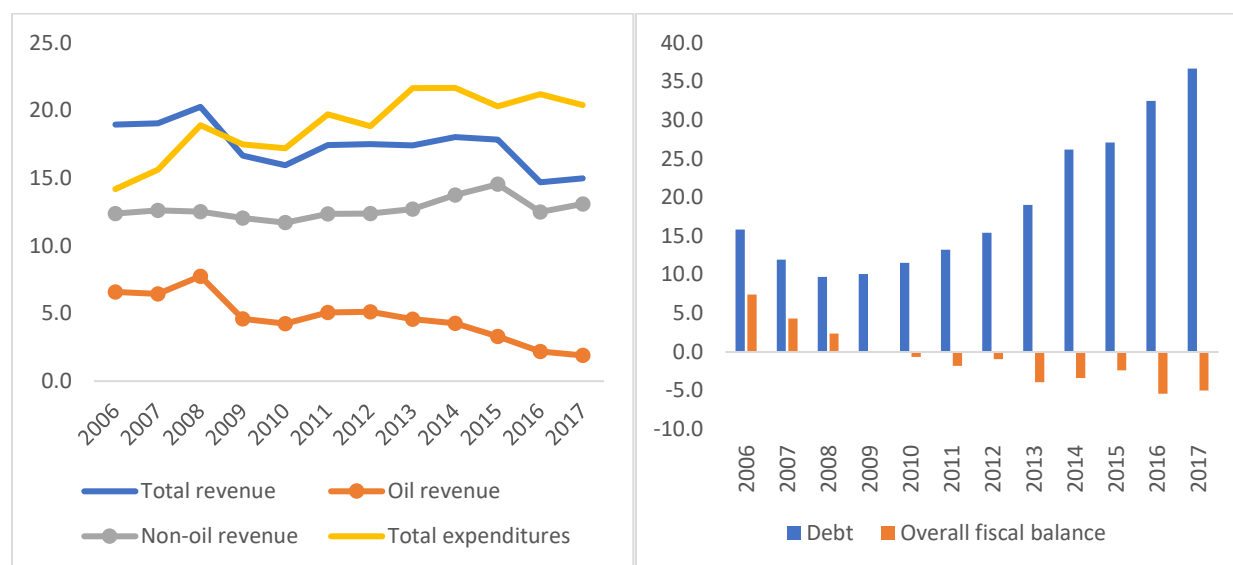
¹ "Allocative efficiency" refers to the division of budgetary resources between policy areas, while "technical efficiency" describes the extent to which those resources are used for their intended purpose. "Effectiveness" is the marginal impact of spending on specific policy objectives, and "equity" refers to the distribution of resources between households in different regional, demographic, and socioeconomic groups.

expenditure controls are facilitating an increase in personnel costs and overhead without any commensurate increase in institutional capacity. Finally, the equity of public spending is compromised by a systematic bias towards urban centers and the country's southern, central, and western regions. Addressing these challenges will be vital to achieve the objectives of the DSCE.

The Size and Distribution of Public Spending

7. **While increased spending, especially capital investment, is consistent with the goals of the DSCE, widening budgetary imbalances threaten fiscal stability.** Public expenditures have risen faster than total revenues over the past decade, weakening the country's fiscal position and threatening debt sustainability (Figure 1). The rollout of the DSCE boosted capital spending from 3.5 percent of GDP in 2007 to 5.8 percent in 2015, even as the slump in global oil prices caused total revenue to fall by an average of 0.4 percent of GDP each year from 2006 to 2015. Diverging revenue and expenditure trends intensified fiscal pressures: the overall balance started to deteriorate in 2010, when the fiscal deficit reached 1.1 percent of GDP, and by 2016 the deficit had widened to 6.1 percent of GDP. New non-concessional borrowing to finance public investment projects drove the public debt stock from 10.1 percent of GDP in 2009 to 33.7 percent in 2017.

Figure 1: Revenues, Expenditures, the Fiscal Balance, and Debt Dynamics (% of GDP)



Source: Cameroonian authorities, IMF, and World Bank.

8. **The GOC took steps to reduce spending, but performance has been below expectations.** The GOC cut spending on goods and services, subsidies and transfers and domestically expenditure by 0.5 percent of GDP, 0.1 percent of GDP and 0.7 percent of GDP, respectively between 2016 and 2017. As a result, the fiscal deficit narrowed but was 2 percent of GDP above the IMF program target (3.1 percent of GDP). Consequently, further fiscal adjustment is required over 2018 and 2019 to achieve the medium-term objective of a 1.7 percent of GDP fiscal deficit by 2020. The GOC will also need to strengthen the prioritization and financing of its public investment projects portfolio.

9. **The continued rationalization of tax expenditures is projected to drive revenue growth over the near term.** Eliminating indirect tax expenditures is expected to yield at least 0.8

percent of GDP in additional revenue during 2018–2019. The 2018 budget law included measures to broaden the property tax base, reduce the number of VAT exemptions, and rationalize the overall system of tax expenditures. Combined, these measures are expected to generate 0.5 percent of GDP in additional revenue in 2018.

10. **While fiscal adjustment is necessary in the short term, in the long term, increased spending in some sectors and overall efficiency gains would both be needed to achieve the strategic goals.** Improving social development indicators to the levels targeted in the DSCE and other strategic documents will require an estimated 1.03 percent of GDP in additional social spending, much of it focused on the country’s northern regions. A minimum of CFAF 6 billion (0.03 percent of 2017 GDP) in additional social protection spending will be needed to develop effective safety-net programs capable of serving all the country’s poor and vulnerable households. In addition, the GOC would need to increase education spending by as much 1 percent of GDP to reach the expenditure targets of the Education Sector Strategy and boost the share of education spending to the Sub-Saharan Africa (SSA) average.

11. **There is significant scope for gains in allocative efficiency, as the current composition of public spending is not well-aligned with the priority sectors identified in the DSCE.** If debt service and sovereignty expenditures are included, less than half of the GOC’s budget is devoted to priority sectors. The GOC spends a disproportionate share of its budget on general and financial administration (Figure 2). Together, these categories accounted for 19 percent of total spending between 2013 and 2015, far above the levels of Senegal (6.1 percent), Kenya (9 percent), and Mali (10 percent). In addition, sector-level administrative costs consume a substantial amount of the limited resources allocated to priority areas under the DSCE. In 2015, administrative costs absorbed 22.1 percent of the infrastructure budget, 31.9 percent of the social affairs budget, 74.4 percent of the education budget, and 84.8 percent of the health budget.

Figure 2: Shares of Public Expenditures by Functional Classification (% of Total)

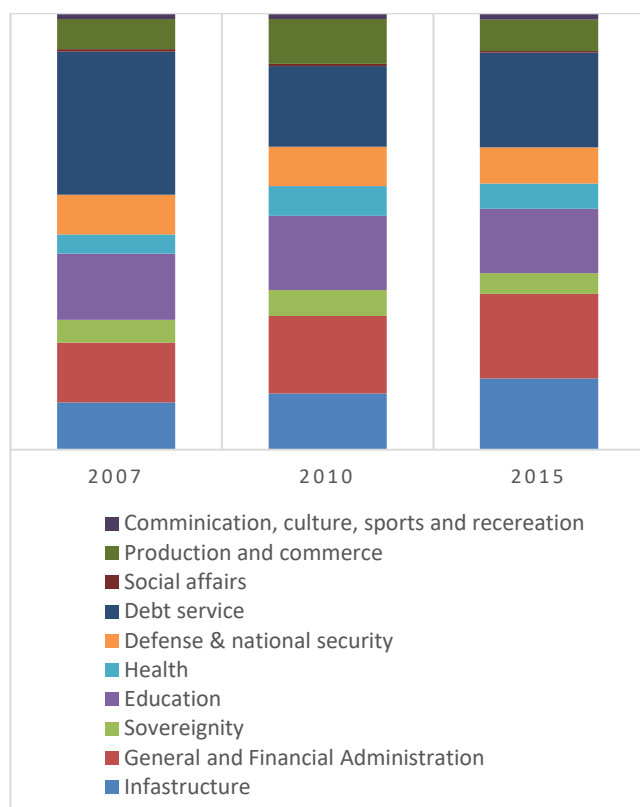
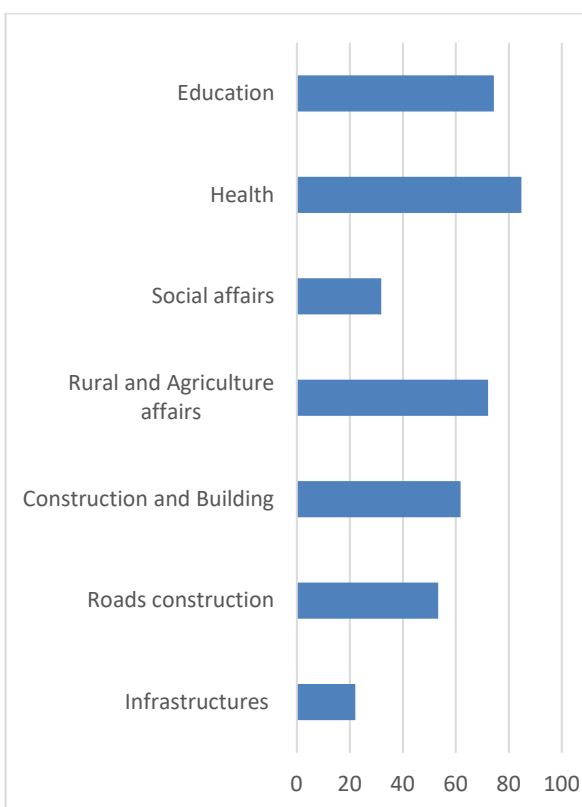
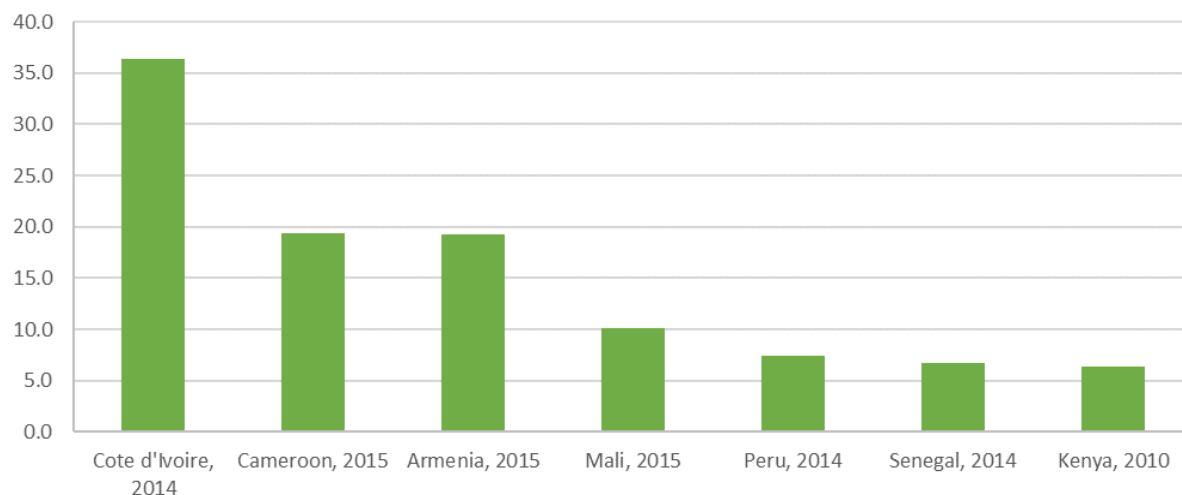


Figure 3: Share of General Administrative Costs in Government Functions, 2015



Source: Authors' calculation based on BOOST data.

Figure 4 : Share of General and Financial Administration costs in Total in Public Expenditures in Cameroon and Comparators



Source: World Bank's Boost international database.

12. **Budgetary expenditures on goods and services are excessively large and marked by serious classification irregularities.** The GOC spends significantly more on goods and services than do comparable countries, and an extremely large share of its goods and services budget is devoted to representation, missions, ceremonies, and external services. In 2015, Cameroon spent 4.3 percent of GDP on goods and services, while most comparator countries spent between 2.5 and 3 percent. Between 2013 and 2015, representation, missions, ceremonies, and external services accounted for just over half of all goods and service expenditures, 8.7 percent of total public spending, or 1.8 percent of GDP. Two-thirds of these resources went to cover participation fees for events and missions within the country. A full 80 percent of spending on external services was classified under the ambiguous “other external services” category, while training, internships, and seminars abroad comprised the other 20 percent. It appears that a significant portion of resources allocated to events and missions, as well as ancillary costs such as vehicle fuel, are in fact non-salary compensation provided to some categories of civil servants to augment their low official wages.

Table 1: The Executed Goods and Services Budget

	2013	2014	2015		2013	2014	2015
	<i>(in percent of total goods and services expenses)</i>				<i>(in percent of total expenses)</i>		
61 Current consumption (purchases of goods and services)	100.0	100.0	100.0		18.4	19.8	12.6
610 Supplies, minor equipment, and routine maintenance	18.9	23.2	13.6		3.5	4.6	1.7
611 Supplies and small technical equipment	10.2	6.4	7.7		1.9	1.3	1.0
612 Fuels and lubricants	7.3	7.3	6.8		1.3	1.4	0.9
613 Transportation charges	4.8	4.5	3.8		0.9	0.9	0.5
614 Water, electricity, gas, and other sources of energy	1.3	2.4	3.4		0.2	0.5	0.4
615 Rent and rental charges	1.3	1.4	0.7		0.2	0.3	0.1
616 Maintenance and security costs	4.8	3.5	3.9		0.9	0.7	0.5
617 Representation, mission, and ceremony expenses	17.6	23.6	19.8		3.2	4.7	2.5
6171 Mission allowance inside	5.4	6.8	5.1		1.0	1.3	0.6
6177 Fees for participation in fairs, exhibitions, and other events	7.3	7.4	10.7		1.3	1.5	1.4
618 External services fees	27.9	27.4	40.2		5.1	5.4	5.1
6187 Training costs, internships, and seminars	3.2	3.3	7.3		0.6	0.6	0.9
6189 Other external services fees	21.9	16.9	25.7		4.0	3.3	3.3
619 Maintenance costs for roads, structures, and other infrastructures	5.9	0.4	0.0		1.1	0.1	0.0
6191 Road maintenance	5.6	0.1	0.0		1.0	0.0	0.0

Source: World Bank BOOST.

13. **High levels of overspending undermine the credibility of the goods and services budget.** Between 2013 and 2015, actual spending on goods and services exceeded their budgets by an average of almost 35 percent, and this varied from 62.5 percent in 2014 to 2.9 percent in 2015. Overspending is a continuing challenge for remuneration for external services (0.7 percent of GDP in 2015) and fees for participation in fairs, exhibitions and other events (0.2 percent of GDP in 2015). Appropriate provisions for recurrent costs, including expenditures on goods and

services associated with ongoing investment projects, in the Medium-Term Expenditure Framework (MTEF) and the Medium-Term Budget Frameworks (MTBF), and a stronger link between these frameworks and annual budgets should help reduce over-execution of goods and services budgets.

The Public-Sector Wage Bill

14. **The low official wage bill obscures a large amount of nonwage compensation, and there appears to be little or no connection between pay and performance.** Cameroon's official wage bill is low, averaging about 5.0-5.5 percent of GDP over the past decade, well below the SSA average of 10 percent. Following a severe terms-of-trade shock in the 1990s, the GOC cut nominal salaries for public employees by an average of about 50 percent. High inflation rates following the devaluation of the Central African CFA franc (CFAF) in 1994 aggravated the loss of real income among civil servants and living standards for most civilian public employees have yet to fully recover.

15. **Mounting pressure to increase compensation in a context of tight wage controls led to a gradual rise in allowances and bonuses, which are not accounted as part of the wage bill and lead to perverse incentives.** Over time, nonwage compensation substantially increased, distorting the pay scale and diminishing the transparency of public resource management. For example, any civil servant who attends an official committee and working group receives a cash per diem of US\$90 to US\$360 per session.² Generous per diems have caused a sharp rise in the number of ad hoc committees and working groups, slowed down administrative processes and decision making, and given rise to institutions with overlapping mandates. In addition, certain ministries appear to have established an informal practice of offering per diem payments for any type of meeting. In addition to per diems, gasoline vouchers and allowances for domestic and international travel also appear to function as nonwage compensation for certain categories of staff. Spending on vouchers and allowances cannot be traced by the public financial management system, and their use is not always governed by clear criteria. Per diems, vouchers, and allowances have exacerbated pay inequalities in the public service, as not all categories of civil servants have access to nonwage compensation.

16. **The GOC has taken important steps to improve the technical efficiency of the public payroll, but this process is far from complete.** The Ministry of Civil Service has begun eliminating payroll irregularities, and the human-resources and payroll-management systems are being merged into a consolidated human resources management information system (HRMIS) that will allow the authorities to cross-check records and identify ghost workers. The GOC has also conducted pilots for performance pay in the Ministries of Finance, Public Works, Health, and Public Service since 2008³ and plans to introduce pilots in three additional ministries in 2018. Performance-based financing (PBF) pilots in the health sector indicate that a shift from centralized input-based planning to pay based on individual performance has significantly improved service-delivery outcomes. Finally, the GOC has established an inter-ministerial committee chaired by the Office of the Prime Minister to discuss a framework for strategic staffing, employment, and skills

² According to the Prime Minister's 2010 circular.

³ Through the introduction of Norms and Performance in the Cameroonian Administration Project (PINORAC).

management, and an ongoing process of civil-service reform is expected to generate further efficiency gains.

State-Owned Enterprises

17. Transfers to SOEs and autonomous public agencies (*établissements publics administratifs*, EPAs) have increased significantly in recent years, and the financial position of some large SOEs creates substantial fiscal risks. The GOC funds several large SOEs and EPAs. While the inadequate disclosure of financial data limits any analysis of SOEs, the available information indicates that their financial performance has recently weakened. The net fiscal impact of the SOE sector has been negative since 2013 and appears to be worsening over time. In 2016, the aggregate losses of all SOEs and autonomous public agencies for which data are available totaled 18 percent of non-oil revenue. However, it is worth noting that SOEs in which the state has minority interests were profitable in 2015, except for CLGG SA, a maritime cargo and freight company. At end-2016, SOE tax arrears reached 22 percent of non-oil revenue (CFAF 438 billion) and were the largest contributor to the fiscal deficit. The National Refining Company (*Société Nationale de Raffinage*, SONARA) owed the GOC CFAF 297 billion, or 12 percent of non-oil revenues, while Cameroon Telecommunications (CAMTEL) owed CFAF 64 billion, or 3 percent of non-oil revenue. Arrears of this magnitude pose a significant fiscal risk to the GOC. Moreover, several large SOEs operate in sectors where the private sector could invest and this may impair economic efficiency and hamper private investment.

Public Investment

18. The launch of the DSCE was accompanied by a substantial increase in public investment, but expenditure efficiency appears to have deteriorated as the capital budget expanded. Between 1986 and 2009, public investment averaged 1.5 percent of GDP, less than half the average for regional comparators⁴ (4.1 percent of GDP) and global comparators⁵ (3.4 percent of GDP). The GOC boosted capital spending significantly between 2011 and 2015 in laudable attempt to narrow its infrastructure gap. Several large infrastructure projects have been completed, but most are not yet operational. A review of five large-scale projects underway since 2010 conducted as part of the present PER, revealed longer than planned implementation periods for all projects, from the three to four years initially planned to seven to ten years. More than seven years after their launch, only one (the Kribi Deepwater Port) has started its operational phase. Costs for these projects are also two to six times higher than costs for similar projects in countries with similar levels of development. Moreover, the inclusion of large overhead costs appears to inflate the official estimates of investment spending. While the share of infrastructure spending in capital expenditures during the period 2013–2015 was 64.7 percent, when excluding expenditures that would not directly result in the net accumulation of assets with a life span greater than a year, this proportion falls to 42.1 percent, which means that for every CFAF spent on direct accumulation of assets, about CFAF 1.4 was spent on overhead.

19. The increase in public investment spending has narrowed Cameroon's infrastructure gap with comparator countries, but infrastructure quality remains inadequate. While increased capital spending should gradually improve infrastructure quality, Cameroon's

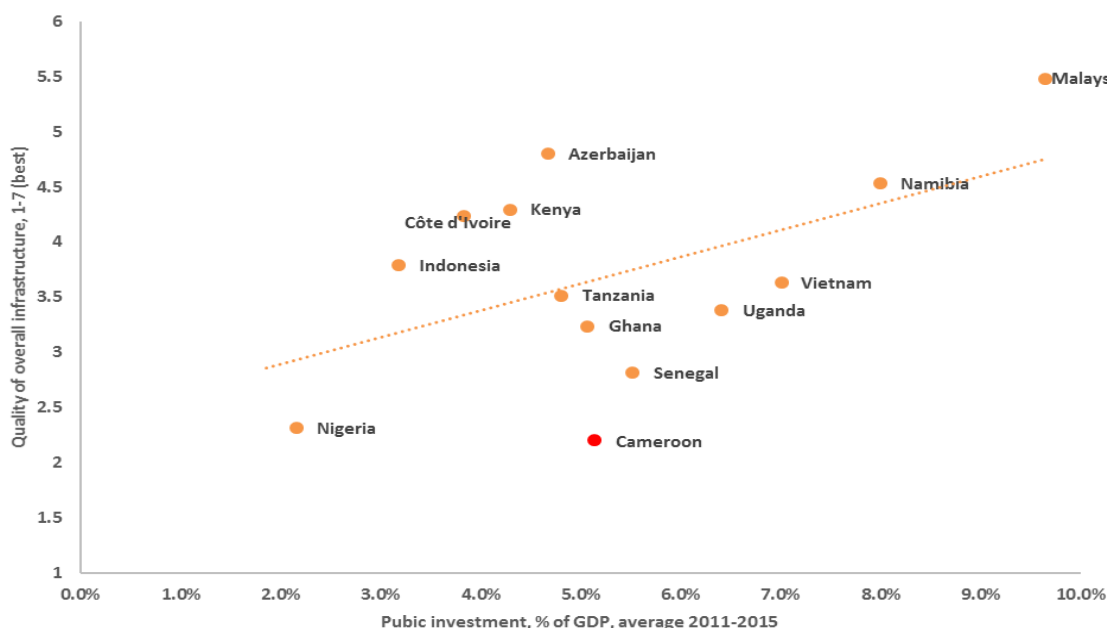
⁴ Angola, Côte d'Ivoire, Ghana, Kenya, Namibia, Nigeria, Senegal, Sudan, Tanzania, Togo, Uganda.

⁵ Azerbaijan, Indonesia, Malaysia, Vietnam, Yemen.

infrastructure-quality indicators show quality declined as infrastructure spending rose. Cameroon's score on the World Economic Forum's Global Competitiveness Index, which measures the quality of roads, railroads, ports, air transportation infrastructure, and the electricity supply, inter alia, fell between 2012 and 2016, and Cameroon ranked 119th out of 138 countries in 2016. Cameroon's score in the World Bank's Logistic Performance Index also declined between 2012 and 2016.⁶ In the World Bank's 2016 Enterprise Survey, all respondent firms cited electricity access as the third most important constraint to doing business, and medium-sized firms cited it as the most important.

20. **The persistence of poor quality of infrastructures in spite of the increase in public investment implies that investment needs to be accompanied by policy and institutional reform as well as adequate maintenance.** A World Bank staff review of five large infrastructure projects, completed for this PER examined closely what factors led to delays and cost overruns in these projects. It revealed that the poor preparation of technical feasibility studies, including costing, combined with a lack of competitive bidding, increase project costs. Also, a lack of sufficient upfront preparation often leads to unforeseen work during project implementation, also contributing to project delays. On the other hand, the inertia to road fund reforms and mounting public debt to local companies constitute a serious threat to road development in Cameroon. Unless remedial measures are taken to restore the road fund to its second-generation status and innovative ways sought to improve efficiency in road contracting, it is most unlikely that the government will achieve the 100% target set in its Vision 2035 for the entire road network to be in good condition by 2025.

Figure 5: Overall Infrastructure Quality versus Public Investment, Cameroon and Comparators, 2011-2015



Source: IMF (2017) and WEF (2017).

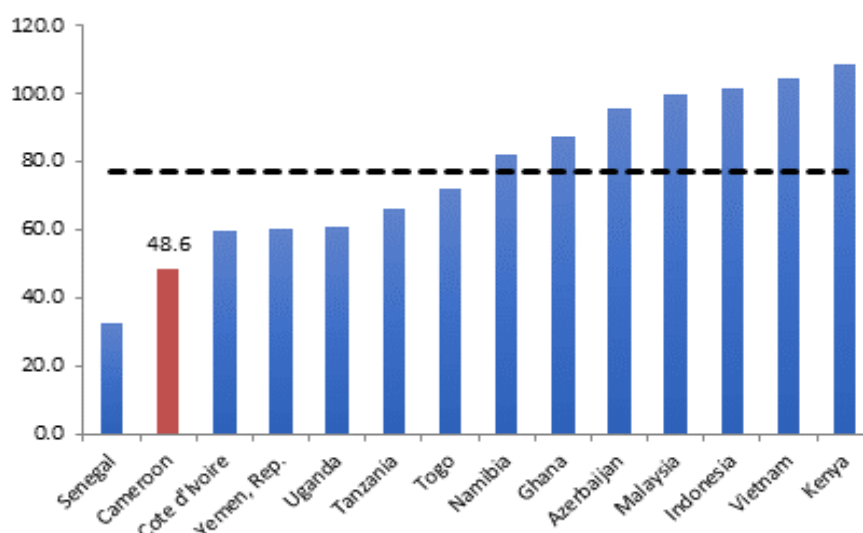
⁶ On a scale of 1 (low quality) to 5 (high quality).

21. **Like public health spending, public education spending is unevenly allocated across the country, with the lowest levels of per student spending observed in the areas with the greatest need.** For example, students in the impoverished North Region receive 2.2 times less than students in the wealthier Littoral Region. Per student spending on teacher salaries is systematically lower in designated Priority Education Zones (*Zones d'Éducation Prioritaires*, ZEPs), which include the North, Far North, East, and Adamawa Regions, than in other regions, particularly the Centre, Littoral, and South. Public primary schools in the ZEP regions are also much less likely to have access to electricity and potable water than are schools in the western or central areas of the country.

22. **Despite the designation of ZEPs and at-risk areas such as borderlands, conflict-affected communities, and refugee zones as education priorities, the distribution of resources remains heavily skewed toward wealthier regions and major cities.** Meanwhile, ZEPs and rural areas are systematically underfunded. Allocating the budget according to a clear set of predetermined criteria could improve the equity of education spending and enhance its effectiveness by reorienting funding to areas where it is likely to have the greatest impact on educational outcomes.

23. **The unequal allocation of resources contributes to substantial disparities in educational outcomes across regions.** In the 2014/15 school year, primary completion rates averaged 90 percent or higher in the South and West Regions, well above the ZEP average of 65.5 percent. Standardized test scores in 2016 were about twice as high in urban areas as in rural areas at the Class 2/CP level, and large differences were observed at the Class 4/CE2 and Class 6/CM2 levels. Standardized tests also revealed sizeable regional achievement gaps, with very low scores observed in the Extreme North, North, and East Regions. The primary school graduation ratio remains well below other regional and aspirational peers (Figure 6).

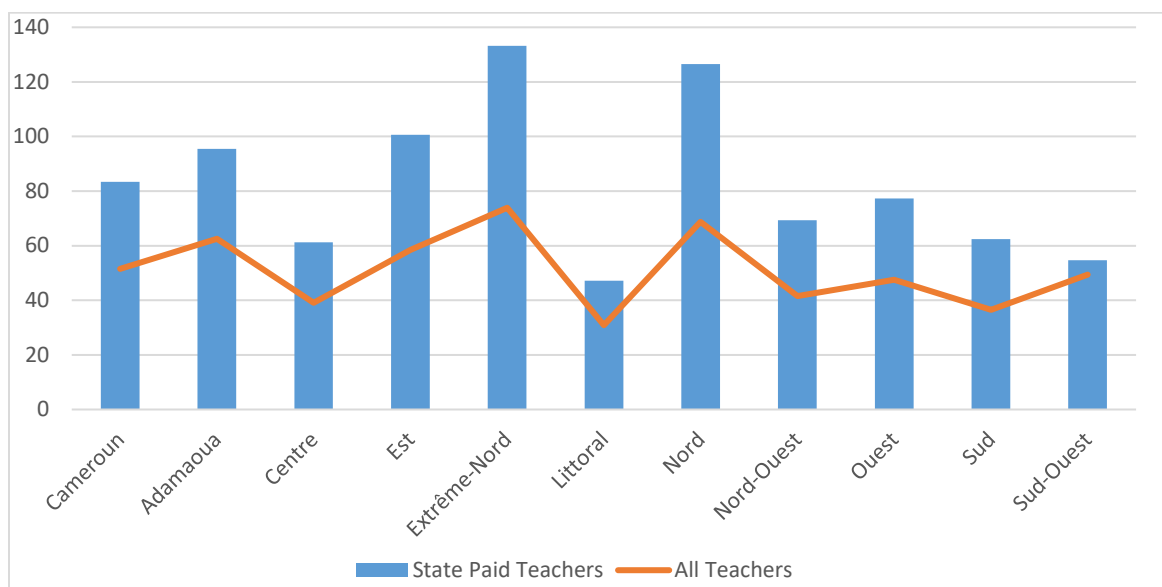
Figure 6: Primary Education Gross Graduation Ratio, 2015 or Latest



Source: WDI, 2017 World Development Indicators, World Bank

24. **While aggregate education indicators have improved over time, the marginal impact of each year of education is relatively weak.** The literacy rate for Cameroonians over the age of 15 rose from 41.2 percent in 1976 to 75 percent in 2015. However, a recent study found that about 37 percent of adults who spent at least six years in school are unable to read a simple sentence.
25. **Gender disparities in education have diminished but remain significant.** The gender-parity index for raw enrollment at the primary level has improved only slightly in recent years and currently stands at about 85 percent. However, gender disparities have narrowed sharply at the secondary level: whereas in 1980 male secondary students outnumbered female students by almost two to one, by 2015 the gender parity index for the secondary level was approaching the primary level's rate of 85 percent. Nevertheless, male students continue to have significantly higher enrollment, intake, and completion rates at both the primary and secondary levels. The results of recent standardized tests show that girls tend to perform better in language, while boys perform slightly better in mathematics, but these differences are modest.
26. **The education budget is largely devoted to operational spending rather than capital investment.** In 2015, operational spending accounted for about 88 percent of the education budget. Salaries are by far the largest expenditure item, accounting for 85 percent of total education spending in 2011, yet student-teacher ratios remain high by international standards.
27. **Systemic inefficiencies in the school-financing system reduce the impact of the education spendings.** Schools are financed via intragovernmental transfers (that is, the *caisse d'avance* and the *paquet minimum*) from the central level to the local level. The system involves many stakeholders—including department delegates, local inspectors, and school principals—and inadequate transparency encourages waste and fraud.
28. **Teacher recruitment, management, and deployment are among the most important challenges facing the Cameroonian education system.** Over the last ten years, the government has recruited almost 50,000 primary-level teachers as part of an effort to reduce student-teacher ratios and increase the equity of teacher deployment. However, due to larger attrition, fewer teachers are now on the public payroll than were in 2007, and the government is unlikely to achieve the personnel targets defined in the 2013–2020 Education Sector Strategy.
29. **Insufficient public education spending imposes a considerable financial burden, especially on poor households.** Public education spending in Cameroon is below both the SSA average and the level envisioned in the Education Sector Strategy 2013–2020. Poorer households with students enrolled in secondary school report devoting as much as 13 percent of their per capita household consumption to education. Moreover, the share of primary teachers paid by parents rose from 25 percent in 2009 to 38 percent during the 2015/16 school year. Leveraging parental contributions to cover some teachers' salaries reduces the government wage bill, which makes both personnel costs and spending per student appear lower than they really are, particularly at the primary level. If the government assumed the full burden of teacher salaries, primary school wage costs would be comparable to the international average, and spending per student at the secondary level would be 25 percent above the international average.

Figure 7: Student-teacher Ratios with and without Parent-paid Teachers, 2016

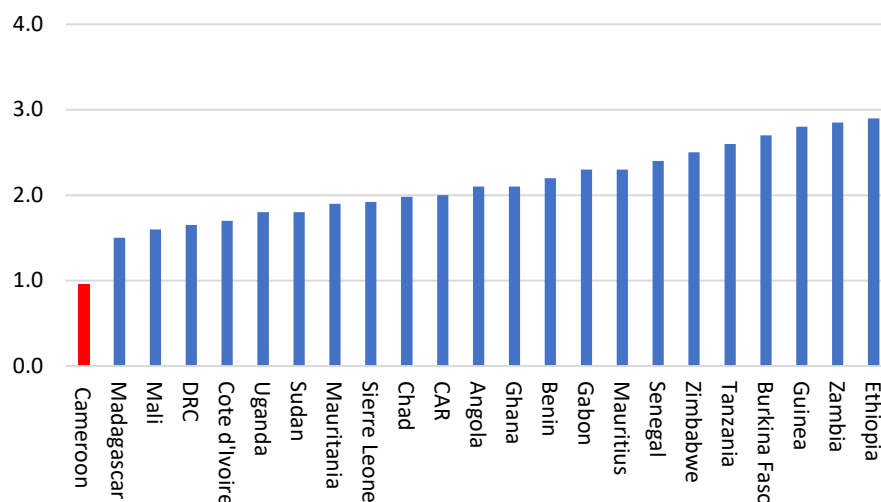


Source: Ministry of Basic Education, 2016

The Health Sector

30. **While Cameroon's health sector has registered modest progress in some health outcomes, other indicators have worsened, and overall spending on the health sector continues to be low when compared with other countries** (Figure 8). Under the Millennium Development Goals (MDGs), Cameroon attempted to reduce the under-five mortality rate from 138 deaths per 1,000 live births in 1990 to 46 in 2015. However, by 2015 the rate had fallen to 88 deaths per thousand live births, significantly below the 1995 level but still well the MDG target of 46 deaths per thousand live births. The maternal mortality ratio increased from 728 deaths per 100,000 live births in 1990 to 782 in 2011. Over the past twenty years, the total fertility rate has decreased by almost one birth per woman, from close to six to just under five. About one-third of children under the age of five suffer from chronic malnutrition, including 13 percent who are severely malnourished. Infectious disease remains the leading cause of morbidity and mortality, and non-communicable disease have risen dramatically over the last two decades.

Figure 8: Total Public Health Expenditure (% of GDP) Among Select African Countries, 2014



Source: WDI 2017

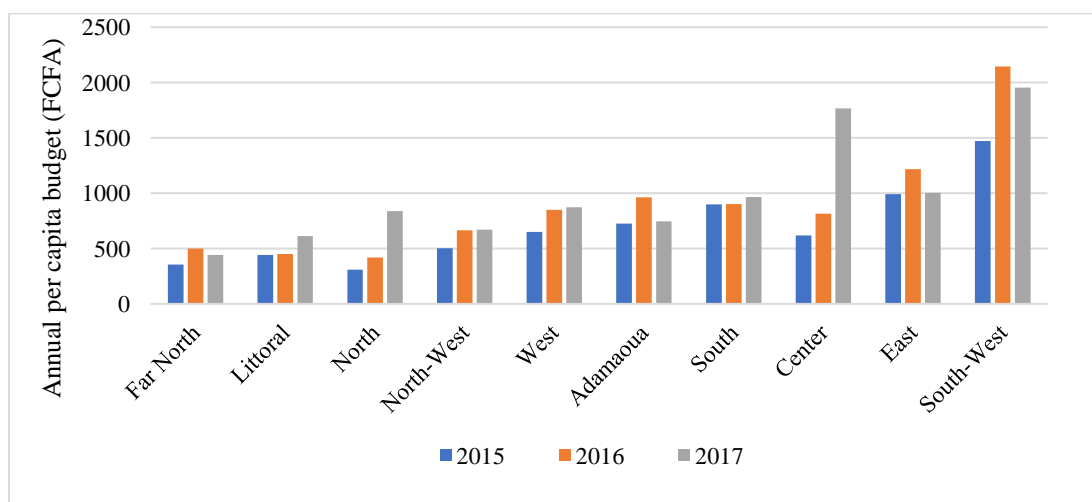
31. **Health outcomes and the coverage of essential maternal and child health services vary substantially across regions.** The Far North, North, Adamaoua, and East Regions consistently experience the worst outcomes for nearly all infant and child mortality and nutrition indicators. For example, the under-five mortality rate in the North (173 deaths per 1,000 live births) is more than four times higher than in Yaoundé (42 deaths per 1,000 live births), and the incidence of acute malnutrition is 11 times higher in the Far North than it is the West. The northern regions also have the lowest coverage rates for child immunization, antenatal care, assisted deliveries, and modern family planning. Coverage for assisted deliveries is approximately three times higher in the West, North-West, Yaoundé and Douala than it is in the North and Far North.

32. **Government spending on health is low and declining as a share of the total national budget.** The GOC's public spending on health as a proportion of Total expenditure and GDP (0.9 percent) remains one of the lowest in Africa. As a share of General Government Expenditure (GGE), public health spending has fallen from 6.2 percent in 2010 to an estimated 5.2 percent in 2016. This is much lower than the average for lower middle-incomes (14 percent) and falls short of the WHO recommendation of 10 percent, and the Abuja commitment of 15 percent. This suggests that, over the last 7 years, health sector spending has not been a priority in the budgeting decisions of Cameroon.

33. **Allocative inefficiencies greatly reduce the impact of public health spending.** The majority of the health budget is allocated to the central administrative level, with less than 10 percent allocated to the point of service delivery at the regional and district level. Moreover, very little funding is allocated to individual primary care facilities, which implement the most cost-effective interventions, while a large share of funding goes to tertiary hospitals that provide more expensive forms of care to a much smaller number of patients. Funds allocated to primary care facilities suffer from severe leakages, and less than 50 percent of allocated resources reach their intended facility.

34. **The regional distribution of the health budget does not reflect the needs of local populations, their socio-economic status, disease burden, or security context.** Per capita budget allocations vary substantially by region, but not due to local differences in population characteristics or public health conditions. Instead, the number of health facilities per capita drives the allocation of resources. The North, Far North, East, and Adamaoua Regions have the highest incidence of under-five mortality, yet because these regions have an underdeveloped health infrastructure, they receive less funding per capita than regions where health facilities are more numerous and more sophisticated (Figure 9). Nationwide, public health funding per capita is inversely correlated with under-five mortality rates. Instead of ameliorating regional disparities in health outcomes, the government’s funding mechanisms systematically provide fewer resources to regions with worse health indicators.

Figure 9: Per Capita Health Budget Allocations by Region, 2015–2017



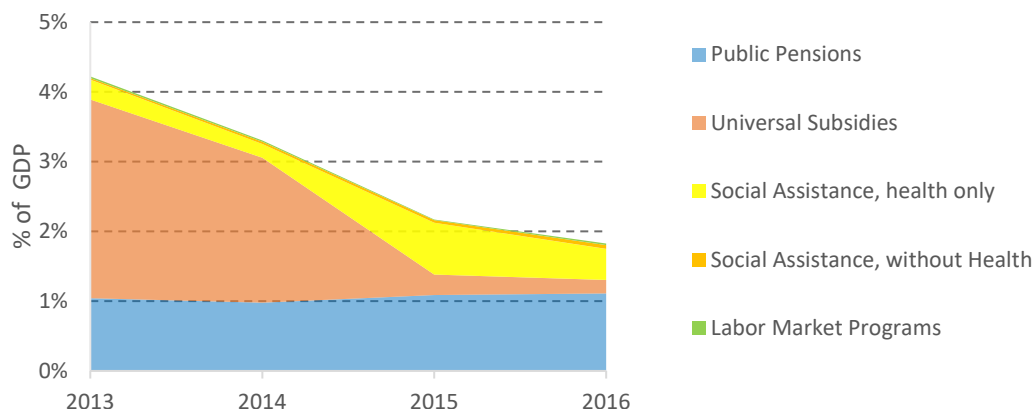
Source: Budget 2015, 2016, and 2017.

The Social Protection System

35. **Cameroon’s social protection system is not aligned with the objectives of Vision 2035. Two-thirds of the social protection spending is devoted to covering the deficit in the civil service pension system, which benefits only a small fraction of the population.** Moreover, the pension system remains insufficiently funded—employee contributions finance only one-quarter of its expenses—and it may generate contingent liabilities as the number of pensioners increases.

36. **Non- targeted subsidies, which are regressive are slated to increase with the increase in oil price.** Spending on non-targeted subsidies is largely regressive, as wealthy households tend to spend more on subsidized goods than poor households. Non-targeted subsidies are also skewed toward the urban population and tend to benefit the old at the expense of the young. Currently, targeted interventions are limited to a set of ad hoc programs that cover a limited share of the population. Spending on all subsidy programs is lowest in the northern regions and in the poorest areas of the country.

Figure 10: Social Protection Spending as a Share of Total Budgetary Expenditures (% of GDP)⁷



Source: 2018 Social Protection PER.

37. **The social protection system does not effectively protect households against shocks or foster productive investment.** The uneven allocation of social protection spending across regions, rural and urban areas, and age groups reduces its overall impact. The system provides especially weak protection against risks to children, and overall expenditures on social assistance are inadequate. Most social assistance programs are funded by donors, and they cover just 2 percent of households below the poverty line.

1.3 Recommendations

38. **The GOC has considerable scope to enhance the efficiency and effectiveness of public spending while reducing inequalities between regions and socioeconomic groups.** This section proposes a set of actions the government can undertake to enhance the efficiency of public spending on specific categories of spending—including the wage bill, transfers and subsidies to SOEs, and the capital budget—which could enable the GOC to continue advancing its policy objectives despite tighter budget constraints. It also recommends actions aiming at refocusing social expenditures on Cameroon’s underserved northern and northeastern regions to align the budget with Vision 2035’s emphasis on reducing poverty and promoting social and economic equity.

The Size and Distribution of Public Spending

39. **Expenditure reallocation and structural reforms could increase the efficiency of public spending without undermining fiscal stability.** The analysis of the recurrent budget by functional and economic classification clearly shows that reducing the large share of general and financial administration in total expenditures—especially spending on representation, missions, ceremonies, fuel, travel and external service fees—could generate substantial fiscal savings. The GOC should ensure that the reference-price list for standard goods and services (*mercuriale*) is indeed used as a reference to reduce variations in procurement costs. The GOC should also ensure that the list includes the lowest prices possible. Finally, the GOC should analyze opportunities to enhance the effectiveness of the public administration by gradually transferring certain centralized

⁷ Universal subsidies composed mainly by fuel subsidies are slated to rise again with the current uptick of oil prices.

functions to lower levels of government. Revenue gains from the reduction tax expenditures, savings on representation, missions, committees and commissions, ceremonies, fuel and travel and cuts in transfers and subsidies could create substantial room for greater spending on social (and other priority) sectors.

The Public-Sector Wage Bill

40. **Civil-service compensation reforms should aim to both enhance the transparency of the compensation structure and strengthen the link between pay and performance.** Curbing the use of improperly classified nonwage compensation would increase the efficiency of personnel spending and diminish perverse incentives that have encouraged the proliferation of unnecessary committees, meetings, events, and official travel. The GOC should comprehensively review the administrative grading structure and pay scale for civil servants, analyze their actual income—including all forms of nonwage compensation—and develop a new remuneration system that consolidates allowances and ad hoc payments into the base salary structure. Going forward, strengthening the performance-evaluation process and creating a recruitment strategy for each ministry would help ensure that adequate skills are available in all public agencies. The rollout of the second-generation Computer System for Integrated Management of State Personnel and Salaries (*Système Informatique de Gestion Intégrée des Personnels de l'État et de la Solde*, SIGIPES 2) and the merging of the human resources and payroll management systems will be critical to the success of these efforts. The GOC could consider to gradually transfer positions to decentralized entities, especially in the education and health sectors.

State-Owned Enterprises

41. **There is an urgent need to improve SOEs performance through strengthening Corporate governance and oversight and monitoring and fiscal risk management.** In the short term the GOC needs to: (i) adopt specific regulations on reporting and transparency obligations; (ii) build a more professional SOE ownership and oversight function and move toward creating a centralized unit; (iii) strengthen the audits and controls of SOEs to ensure the reliability of financial information and the accountability of SOE management. Non-compliant practices should be subject to sanctions and replaced with good financial management practices in a timely manner. In the medium term, the GOC should (i) conduct full diagnostic reviews of the largest SOEs that are experiencing financial losses each year and pose the biggest fiscal risks to the government; (ii) normalize financial relations between the government and SOEs and (iii) ensure that public support to SOEs is based on realistic calculations of public-service obligations.

Public Investment

42. **The GOC's commitment to narrow the country's infrastructure gap is laudable. However, ongoing efforts to increase the effectiveness of public investment must be deepened and accelerated.** The Ministry of Finance and the Ministry of the Economy, Planning and Regional Development should prioritize the existing projects in their portfolio and strengthen the public investment project cycle. An initiative is already underway to rationalize the number of contracted but undisbursed loans (SENDS), which represents an important first step in the prioritization process. To facilitate prioritization, the GOC should adopt a clear set of criteria to determine the state of project maturity and conduct evaluations at each stage of the project, from feasibility through preliminary design, final design, and implementation. Concessional financing

and PPPs should be considered in priority to reduce the country's risk of debt distress. The GOC should strengthen the link between public investment preparation and the budget cycle by integrating the Medium-Term Budget Framework with sector-level Medium-Term Expenditure Frameworks, local development plans, and the annual budget law. Finally, to ensure that accelerated infrastructure development does not increase poverty or exacerbate inequality, the compensation process for households that are resettled due to investment projects should be reviewed and more clearly articulated.

The Education Sector

43. **Expenditure reforms in the education sector must address challenges involving both efficiency and equity.** Efficiency could be improved by financing schools directly via a funding mechanism that reflects their individual needs and incorporates performance incentives. Transferring funds directly to each school would greatly strengthen accountability and boost the amount of spending per student. In addition, adopting or scaling up performance-based financing (PBF) mechanisms at the school level would strengthen performance incentives, improve the quality of education, boost student retention, and enhance school governance by promoting greater accountability, transparency, and stakeholder commitment. An effective system to control the use of the resources allocated to each institution would need to be put in place.

44. **Reallocating the education budget to reflect local needs and refocus resources on priority areas could increase the impact of education spending while helping to address regional disparities.** Allocating the budget according to a clear set of predetermined criteria could improve expenditure equity and enhance overall service delivery by reorienting funding to areas (ZEPs) where it is likely to have the greatest impact on educational outcomes. Operationalizing the Education Monitoring Information System, which is designed to consolidate data from all education ministries and make it accessible to stakeholders at different levels, would facilitate evidence-based decision making, improve accountability, and promote greater expenditure efficiency.

45. **Revising teacher recruitment, compensation, and deployment policies could support a more equitable distribution of education resources and diminish the financial burden that teacher salaries impose on poor households.** More than 80 percent of the education budget goes to teacher salaries, yet the number of teachers in ZEPs is steadily declining. To reverse this trend, the government should reform the teaching career path and strengthen personnel management policies by increasing incentives for teachers to work in remote regions and by tightening controls on absenteeism. A successful reform effort would require the development of a comprehensive teacher-management system based on international best practices and informed by an in-depth analysis of current policies. Strengthening the recruitment, deployment, and retention of teachers will be vital to improve both the efficiency and equity of the education system at the pre-primary, primary, and secondary levels.

The Health Sector

46. **Increasing budgetary allocation to the health sector and improving the efficiency of health spending could both improve key health outcomes and enhance the equity of health services.** Rebalancing the distribution of health resources from the central administrative level to the point of health service delivery at the district level could improve both the efficiency and equity

of health spending, as primary health facilities at the district level tend to implement the most cost-effective interventions and serve the poorest and most vulnerable households. The PBF pilot program has demonstrated its capacity to increase the technical efficiency of the health budget by allowing greater autonomy among service providers, and the GOC should continue to scale up the PBF program nationwide. Efforts to refocus resources on district level facilities and sharpen performance incentives should be complemented by reforms to the current system for procuring pharmaceuticals and medical supplies. Streamlining the pharmaceutical regulation system could boost the supply of high-quality prescription drugs and increase their availability to patients from poor households. Accelerating the decentralization process for functions related to the employment, management, skills mix and training of health personnel will improve responsiveness of service providers to local needs and conditions.

47. **As part of the expanded PBF program, the GOC should implement an equity-budgeting system that uses a transparent formula to deploy additional resources to areas with the most pressing health needs.** Several other countries have adopted formulas that allocate resources according to the specific circumstances of each health facility and the local needs of the population it serves. In the near term, less complex adjustments to the current system could marginally improve budgetary equity without a comprehensive shift to a new formula. For example, policymakers could begin weighting budget allocations by population level (either total population or target population) or by local poverty indicators using straightforward mathematical techniques and information that is already available.

48. **The commitment to the Universal Health Coverage (UHC) presents a unique opportunity to undertake fundamental policy reforms to address supply-and-demand-side challenges in the Cameroon health sector.** Broadly, these include: (i) adopting efficiency and quality assurance mechanisms, like strategic purchasing, which would enhance equity in the distribution of resources, increase efficiency, manage expenditure growth and promote quality in health service delivery. Achieving and sustaining gains made would require additional policies that address some of the system constraints such as monitoring of quality of care, strengthening professional associations and regulatory bodies, increasing the voice of users, and more inclusive governance and accountability systems for health facilities. (ii) The GOC should consider reviewing and reforming existing financing mechanisms in order to expand the fiscal space for the health sector. This would include improving the efficiency of health spending, raising government spending on health through budget re-prioritization and increasing domestic resource mobilization through earmarked taxes, particularly those that target informal sector workers and their families. (iii) To strengthen leadership and governance functions, UHC should be considered as a country-level social contract, and processes should be established to foster societal dialogue.

Social Protection

49. **Finally, strengthening the social protection system will require significantly altering the composition of expenditures to develop social assistance, improve targeting accuracy and provide comprehensive risk coverage.** More than 90 percent of the current social protection expenditures subsidize the public pension scheme and the fuel subsidies. These two types of expenses are neither covering the population in poverty nor covering properly the main lifetime risks. To align the spending with its own objectives, the GoC could:

- **Reform the civil service pension to improve equity and create the fiscal space necessary for the increase in social assistance funding.** Currently both the private and the public pension scheme have a very low coverage of both active and elderly population, with less than 10 percent of all active workers of the country being covered. Despite this small population coverage, the pensions schemes are the largest social protection expense of the GoC.
- **Ensure that retail fuel prices reflect international prices.** As soon as international prices increase, the state has to subsidize the losses the SONARA will incur from having to sell domestically below the international price. As seen in numerous studies, fuel subsidies i) benefit disproportionately richer households and urban areas, ii) distort consumption incentives, iii) endanger the fiscal situation of the government as well as its ability to conduct poverty-reducing investments. Restructure the policy of subsidizing the retail petroleum product prices could be done by setting up a special fund for reallocating the savings to finance targeted social programs can allow Cameroon to take advantage of the resources freed by changes in the prices of oil. The socio-political cost of such a restructuration should not be underestimated. The medium- and long-term gains from reform do however outweigh the costs.
- **Re-direct funding towards poverty-targeted programs: an improvement in targeting will maximize the poverty-reduction effect of spending in social protection.** Given the relative small size of social assistance spending, and the lack of targeting for the social protection system, scaling-up the social safety net project is objectively the best option to reach households in poverty and ensure them against shocks. Securing the continuity of its funding would align the government's actions with its own goals.

CHAPTER 2: MACROECONOMIC OUTLOOK, FISCAL POLICY, AND PUBLIC FINANCIAL MANAGEMENT

2.1 Introduction

50. **This chapter discusses Cameroon’s macroeconomic, fiscal and public financial management (PFM) challenges and prospects.** It sets the stage for later chapters and their discussions of key thematic and sector-specific financing and fiscal policy challenges. The chapter also describes the GOC response to the 2014–2015 global oil price shock, particularly the fiscal adjustment measures it took, and evaluates their impact on Cameroon’s macroeconomic and fiscal outlook. The chapter then describes recent PFM developments in Cameroon and concludes with a brief discussion of thematic and sector-specific fiscal policy issues’ links to the country’s social, competitiveness and growth reform agendas.

2.2 Macroeconomic and Human Development Context

51. **Cameroon is increasingly vulnerable to instability and violence.** The country had few episodes of violence or instability until recently.⁸ Yet currently, there are frequent outbreaks of violence in Cameroon’s North and Far North regions, where Boko Haram is waging a low-intensity war. Piracy in the Gulf of Guinea remains a serious challenge, and the ongoing crisis in the Central African Republic (CAR) poses additional security threats. Since late 2016, Cameroon has also faced an increasingly secessionist conflict between several para-military groups (such as the Ambazonian Defense Forces) and the Cameroonian army, in the two Anglophone regions of Cameroon (South West and North-West regions), where about 17 percent of the population is concentrated. A recent count by the International Crisis Group said at least 120 civilians and 43 members of security forces have been killed since the conflict began. Some 20,000 people have fled to Nigeria as refugees, and 160,000 are now displaced within Cameroon, according to the U.N. Office for the Coordination of Humanitarian Affairs. As of August 2017, Cameroon hosted 326,656 refugees (over 70 percent are from CAR, almost 28 percent from Nigeria, 0.5 percent from Chad, and the remainder from other African countries).

52. **Cameroon’s growth performance was weak between 2000 and 2009, but has improved since 2010, as the GOC scaled-up public investment to meet its policy and strategic goals.** Cameroon’s GDP growth weakened throughout the first decade of the century, and remained below peer⁹ and Sub-Saharan Africa (SSA) averages. Cameroon’s growth has however picked up since 2010 and has outpaced comparators’ ever since (Figure 11). The country’s more robust growth performance was notably driven by large public investments made to meet the GOC’s ambitious growth and employment strategy (DSCE). Net exports’ contribution to growth was negative, as domestic demand for and imports of capital goods and inputs for large infrastructure projects grew (Figure 12).

⁸ These few episodes were a failed coup attempt in 1984, conflict with Nigeria over the Bakassi Peninsula in 1981 and again in the 1990s, pro-democracy social unrest in 1990-1991, and urban-based food riots in 2008.

⁹ Peers include both regional peers (Cote d’Ivoire, Ghana, Kenya, Namibia, Nigeria, Senegal, Sudan, Tanzania, Togo and Uganda) and structural peers (Azerbaijan, Indonesia, Malaysia, Vietnam and Yemen).

Figure 11: GDP Annual Growth Rate, 2000–2016

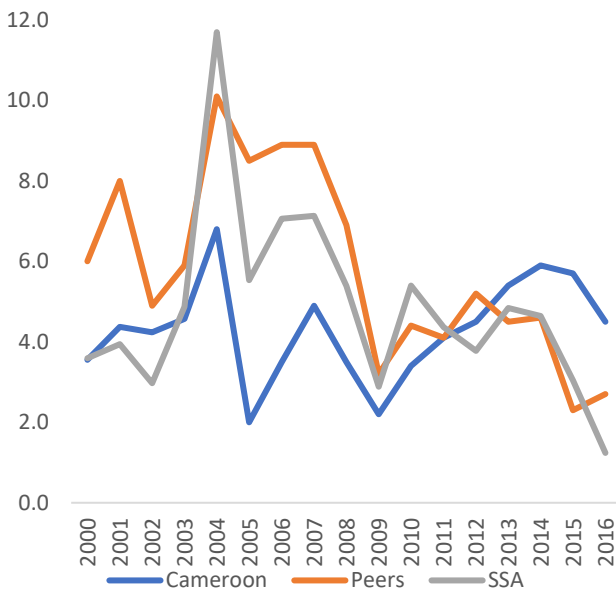
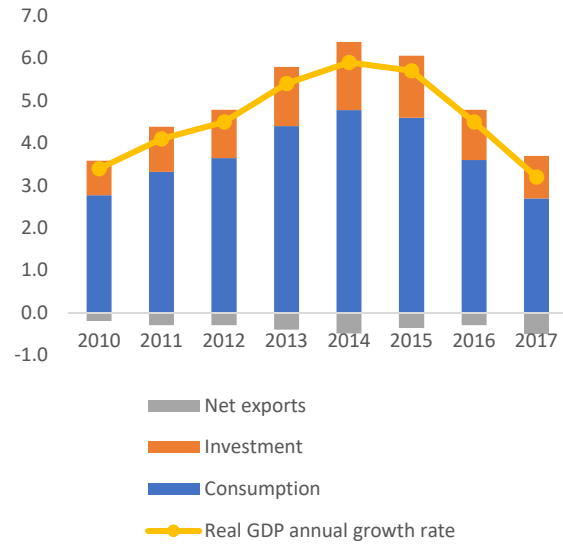


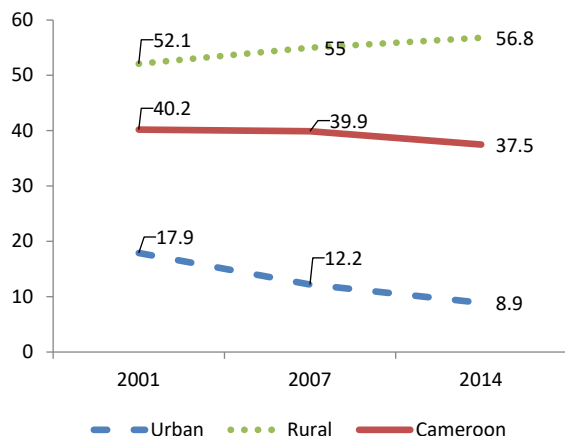
Figure 12: Contributions to GDP Growth (Demand side), 2010–2015



Source: Cameroonian authorities, IMF, and World Bank.

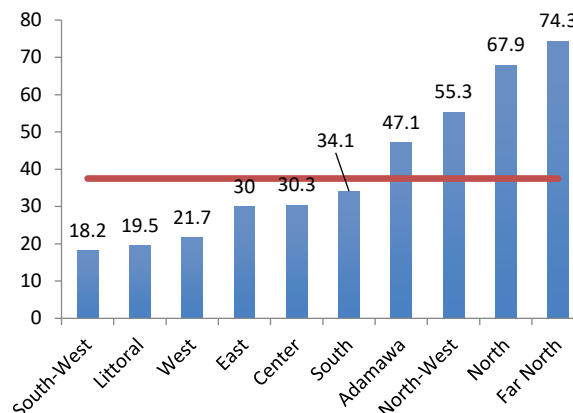
53. **However, Cameroon’s improved growth performance since 2010 has neither translated into significant poverty reduction nor fostered shared prosperity, particularly in rural areas and in the country’s northern regions.** 90 percent of poor Cameroonians live in rural areas, and 56 percent live in the Far North and North regions of the country. Urban poverty declined (from 13 percent in 2007 to an estimated 9 percent in 2014), but rural poverty increased (from 55 percent in 2007 to 57 percent in 2014), so that the countrywide poverty rate only fell from 40 to 38 percent between 2007 and 2014 (Figure 13). Poverty is highest in the Far North, North, North-West and Adamawa Regions, where the population derives most its income from low-productivity subsistence farming, which is extremely vulnerable to drought and floods, and where security risks are high (Figure 14). Overall, the number of poor in Cameroon has increased between 2007 and 2014, by 12 percent, to 8.1 million people, and the number of poor in the North and the Far North regions more than doubled between 2001 and 2014, from 2.1 million to 4.5 million. Inequality, as measured Gini index, increased by 7 percentage points between 2007 and 2014, as the economic gap between rural and urban areas and between the northern and southern parts of the country widened. Social outcomes are also poorer in northern Cameroon. Under-five mortality rates, for example, are 173 per 100,000 live births in the North region and 154 in the Far North region, compared with 84 in the Littoral and 78 in the South West regions.

Figure 13: Cameroon's National Poverty Headcount (percent of population)



Source: ECAM2-ECAM4; population numbers from UN population division 2014.

Figure 14: Poverty Incidence by Region, 2014



Source: INS, Statistical Yearbook 2014 and ECAM4.

54. **In addition to widespread chronic poverty, vulnerability is high.** Especially, households earning their income through subsistence agriculture and pastoralism are vulnerable to shocks as they typically are poorly connected to markets and their incomes are heavily dependent on rainfall. Poor households and particularly those in urban areas are vulnerable when food prices rise and (casual) labor opportunities are absent. For pastoralists, the worst possible combination is one of falling livestock prices and rising food prices, a combination that typically occurs when a covariate shock (drought, insects, insecurity) affects an area. In recent years, severe flooding events have affected urban and rural areas, impacting productive assets, living conditions and livelihoods. Poor health is another source of vulnerability aggravated by the fact that most health service providers require large out-of-pocket contributions.

52. **Limited access to sanitation is a serious health issue.** In 2012, only 45 percent of the population had access to adequate sanitation facilities. In rural areas, 54 percent of the population could only access unsanitary latrines and 12 percent still practised open defecation. In urban areas, sewerage systems and wastewater treatment from municipal and industrial activities are quasi inexistent. On-site sanitation is the norm. People rely on manual and sometimes mechanical pit emptying services, which dispose fecal sludge, with no treatment, in unprotected sites. Health impacts as well as environmental degradation, extreme flooding and groundwater pollution pose serious health risks in densely populated areas.

53. **With respect to education, even though significant improvements have been achieved since the early 2000s, Cameroon's performance still falls short of that of other low-middle-income countries.** As of 2014, more than 85 percent of children aged between six and 11 were enrolled in primary school. At the secondary level, gross enrolment is about 66 percent and net enrolment 53 percent, suggesting a low rate of transition between primary and secondary education. Indeed, the transition rate from primary to secondary increased from 31 percent in 1999 to 65 percent in 2011 but this still trails the performance of other lower middle-income countries which achieve 91 percent on average. Similarly, the lower secondary completion rate almost doubled from 22 percent in 2003 to 40 percent in 2011 but falls short of the lower-middle-income average of 49 percent.

54. **Cameroon is a member of the Central African Economic and Monetary Community (*Communauté Économique et Monétaire de l'Afrique Centrale*, CEMAC).** Regional convergence, stability, growth and solidarity pacts and mutual-surveillance systems help align the macroeconomic fundamentals of CEMAC member states with its common monetary policy, which is anchored by a peg to the euro. These pacts establish floor and ceiling values or convergence criteria for public finance, real sector, balance-of-payments, and monetary indicators. Because CEMAC monetary policy is managed at the regional level, fiscal policy is the government's primary macroeconomic policy tool.

55. **Cameroon's total revenue has fallen between 2006 and 2014, as oil revenue gradually declined overtime, and non-oil revenue did not grow sufficiently to offset the loss in oil revenue.** Oil production and export volumes dropped significantly because of Cameroon's shrinking reserves, aging equipment, and the postponement of key investments in oil field infrastructure. Oil revenue consequently dropped from 6.1 percent of GDP in 2006 to 3.9 percent of GDP in 2014. At the same time, non-oil revenue only grew by 1 percentage point of GDP during the same period, so that overall revenue (excluding grants) fell by 1 percentage point of GDP.

56. **Tax expenditures¹⁰ eroded the tax base and the GOC incurred considerable losses year and after year.** Cameroon collected tax revenue well below its estimated potential of 20 percent of GDP¹¹ in 2014, notably because tax expenditures narrowed and weakened the elasticity of the tax base. GOC tax revenue, at 14.2 percent of GDP in 2014, most of which came from indirect taxes (VAT and customs), was on par with that of peers but significantly lower than the best performers', including Senegal's (20.5 percent of GDP also in 2014). Cameroon's consumption and trade tax revenues (6.5 and 2.2 percent of GDP, respectively) were above the peer average in 2014, but GOC income tax revenue, including oil sector corporate tax revenue (4.3 percent of GDP in 2014) was significantly lower than the peer average of 6 percent of GDP. Meanwhile, tax deductions, special regimes, and tariff exemptions on basic foodstuffs cost the GOC more than 2 percent of GDP.

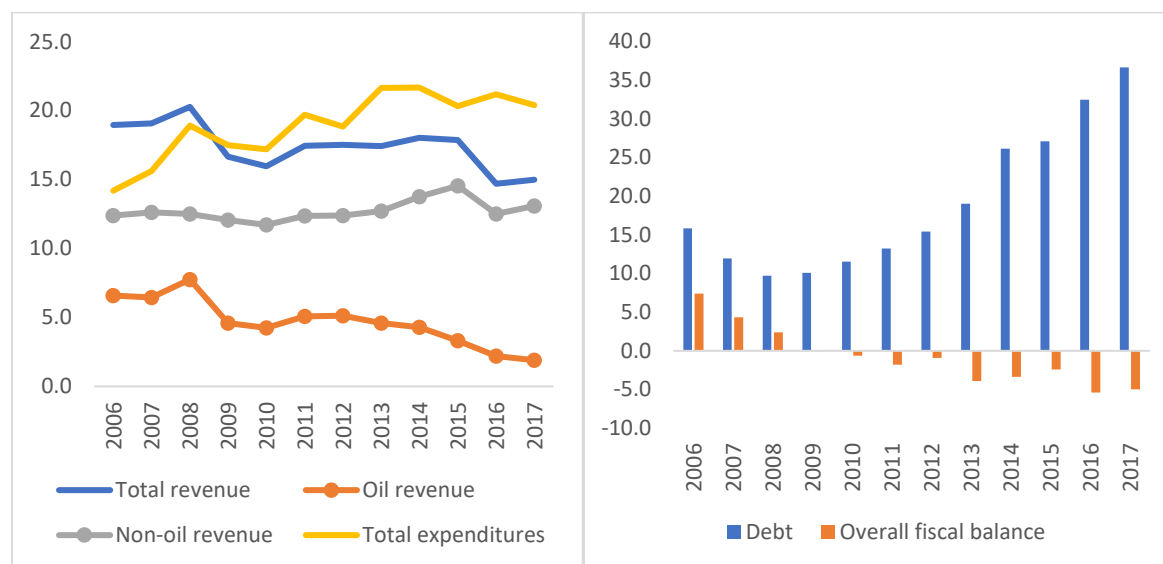
57. **Total expenditures have risen faster than total revenues.** Public expenditures have grown significantly between 2006 and 2014 (by 7 percentage points of GDP), from 13.2 percent of GDP in 2006 to 19.9 percent of GDP in 2014. Capital expenditures rose by 4 percentage points of GDP, from 2.6 percent of GDP in 2006 to 6.7 percent of GDP in 2014 while the increase in recurrent spending was lower (3 percentage points of GDP). The wage bill grew significantly in 2006–2008, as the government recruited 12,000 additional public servants, but remained stable at around 5 percent of GDP thereafter. The goods and services spending pattern mirrored that of the wage bill closely, and expenditures on goods and services increased by 0.7 percent of GDP in 2006–2008, and by 0.8 percent of GDP overall between 2006 and 2014. Expenditure on transfers and subsidies also grew from 2 percent of GDP in 2006 to 3.5 percent in 2014, as higher international oil prices increased the cost of fuel subsidies. Interest payments hovered around 0.4 percent of GDP throughout the 2006–2014 period.

¹⁰ Tax expenditures are “transfers of public revenues due to a reduction in fiscal obligations relative to a national standard” (OECD 2010). Tax expenditures include rate reliefs (reduced rates applied to a class of taxpayers or activities); exemptions (income excluded from the tax base); allowances (amounts deducted from gross income, to arrive at taxable income); credits (amounts deducted from tax liability); and tax deferrals (delays in tax payment).

¹¹ IMF, 2014, *Dealing with the Gathering Clouds, Regional Economic Outlook. Sub-Saharan Africa*.

58. **Fiscal pressures and imbalances mounted between 2010 and 2014.** The overall balance started to deteriorate in 2010 when the balance went from equilibrium in 2009 to a 0.6 percent of GDP fiscal deficit in 2010. Pressure from past unsettled payment orders, fuel subsidies, increased public investment, but also higher security costs (to address the risks, violence and instability at the Nigerian and CAR borders drove expenditures up. By 2014, the deficit had widened to -3.4 percent of GDP (Figure 15).

Figure 15: Revenues, Expenditures, Fiscal Balance, and Debt (% GDP)



Source: Cameroonian authorities, IMF, and World Bank

59. **Public debt increased substantially between 2008 and 2014.** Borrowing for infrastructure projects, most of which was on non-concessional terms, fueled public debt, particularly public and publicly guaranteed external debt. Total public debt rose from 9.7 percent of GDP in 2008 to 21.5 percent of GDP in 2014 (Figure 15). In addition, slow implementation of projects and fast accumulation of new loans resulted in a large volume of contracted but non-disbursed external debt, and high commitment fees. Total debt remained below the SSA regional average and below levels before debt relief granted under the enhanced Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiatives (MDRI), but the pace of accumulation was a double the regional SSA average and is a real concern.

60. **Inflation remained low, but the current account deteriorated between 2006 and 2014 as oil export earnings declined and imports rose.** Inflation, at 2.7 percent on average over 2006–2015, was also below the CEMAC 3-percent convergence criterion, except in 2008 when it reached about 5 percent, as international food prices soared. Oil export volumes dropped because of Cameroon’s shrinking reserves, aging equipment, and the postponement of key investments in oil field infrastructure. At the same time, imports grew substantially to match increased demand for capital goods and inputs for public investment projects, so that the current account, which was in surplus in 2006 (1.6 percent of GDP), steadily declined to a 4.1 percent of GDP deficit in 2014.

2.3 Recent Economic Developments

61. **CEMAC countries were hit hard hit by the 2014 oil price shock.** Oil prices dropped by 45 percent and oil revenue fell by two-thirds between 2014 and 2016 Member countries, including Cameroon, made significant cuts to their budgets, which in turn, hurt non-oil growth; regional growth in 2016 was its lowest in 20 years, at – 1 percent. However, this adjustment was not sufficient to match the decline in revenue, and regional deficits and public debt stocks increased between 2014 and 2016. Monetary policy became accommodative as governments started facing liquidity constraints and growing financing needs. Foreign exchange reserves at the region's central bank, *Banque des Etats de l'Afrique Centrale* (BEAC), declined sharply and fell to two months of imports in December 2016, as the BEAC stepped in to provide advances to member countries, well above the statutory limits in some cases.

62. **Cameroon is less oil-dependent than other CEMAC countries and was therefore less impacted by the oil crisis, but domestic shocks compounded the external fiscal pressures.** Cameroon's fiscal deficit increased sharply, as oil revenues fell from 3.9 percent in 2014 to 2.2 percent of GDP in 2016. Outbreaks of violence in Cameroon's North and Far North Regions and the secessionist movement in country's English-speaking areas also inhibited economic activity, and increased security spending continued to strain public finances. At the same time, the increasing non-concessional debt service payments intensified fiscal pressures.

63. **The GOC had to implement fiscal adjustment measures alongside its CEMAC partners to adjust to the terms of trade shock as well as restore macro stability and confidence in the common currency, but also to address the deterioration of its domestic fiscal position.** President Biya of Cameroon convened a 2016 Head of States summit at which CEMAC members agreed to implement strong measures to accelerate fiscal consolidation and support diversification and to seek financing from the International Monetary Fund (IMF) and other development partners. Cameroon signed a three-year Extended Credit Facility (ECF) program with the IMF in 2017, which requires the implementation of upfront reforms to reduce the non-oil primary deficit, improve the budget process, and accelerate implementation of measures to improve the business climate and safeguard financial sector stability. Spending was reduced drastically, as each ministry's budget was cut by 20 percent, and investment spending was cut. New taxes and duties were also levied (Box 1).

Box 1: Cameroon's Fiscal Consolidation and Debt Policy Measures

The GOC took steps to significantly reduce both short- and medium-term expenditures in 2017. It froze procurement of vehicles, except in strategic and social sectors, and reduced spending on overseas missions and committees and commissions. These cuts in goods and services expenditures were expected to generate about CFAF 60 billion (or 0.3 percent of 2016 GDP) of savings compared to the 2016 budget. The GOC has also chosen to prioritize and fund only public investment projects in line with sectoral priorities in the DCSE and the three year emergency plan (PLANUT), and with resources allocated in 2015 and 2016. The GOC has benefited from the downfall of international oil price to also cut subsidies and transfers spending, on fuel at the pump.

Cameroon also significantly improved fiscal oversight and management of tax expenditures. The government has established a committee to oversee tax expenditures and a joint unit between the tax authority and the customs authority services. The committee prepared a repository of tax expenditures across all tax sources, including quantification of revenue loss and elaborated actions plans to reduce the said loss. So far, a detailed assessment of VAT expenditures was finalized in 2016, and a summary report covering the revenue loss from all indirect tax sources due to tax exemptions and preferential tax rates was included in the 2018 budget law. A separate assessment of tax expenditures related to investment incentives was prepared in 2017, identifying areas of efficiency improvements in the use of incentives. Tax expenditures on income tax sources will be reported in the budget law for 2019.

Measures to raise revenue, especially non-oil revenue, were included in the 2017 budget law. Specific revenue measures include: an increase in the excise tax on petroleum products (TSPP); the introduction of a tourist tax on overnight stays in hotels and other accommodation; a new tax on furnished rental accommodation and the levy of excise duties on vehicles over 10 years old; the reinstatement of a 10 percent customs duty on imports of cement and of a 5 percent duty on fish; and improvement in property tax collections by linking them to electricity bills. Government expected those measures to generate approximately CFAF 55 billion (or 0.3 percent of 2016 GDP) additional revenue in 2017.

Additional tax policy measures were included in the 2018 budget law to broaden the property tax base, reduce the number of VAT exemptions (and increase VAT yield) and, more generally, rationalize tax expenditures. The GOC will also improve tax and customs administration by accelerating VAT refunds, eliminating automatic withholding, strengthening taxpayer information cross-check procedures, introducing biometric taxpayer identification, conducting more frequent and efficient customs audits, and better monitoring exemptions.

New taxes and levies were also created in 2018. These include a 15 percent tax on gambling and entertainment, 15 percent special income tax on non-domiciled persons and companies, and an additional tax on tobacco, and airport stamp duty of CFAF 25,000 per person per trip for international flights, and of CFAF 1,000 per person per trip for domestic flights

Most of the additional revenue should however come from tax expenditure rationalization, particularly measures to be included in the 2019 budget law. Overall, revenue gains of 0.8 percent of GDP are expected to come from the elimination of indirect tax expenditures. Refocusing investment-related incentives to cover mainly new investments, relatively large in size, in strategic sectors should also yield up to 0.3 percent of GDP of additional tax receipts.

Finally, the GOC agreed with the IMF to an external debt ceiling of CFAF 1,700 billion for 2017. The totals for new concessional and non-concessional loans signed in 2017 were to be kept below CFAF 100 billion each. Disbursement on already signed non-concessional loans was also subject to a CFAF 540 billion ceiling in 2017.

Source: Cameroonian authorities, WB and IMF.

64. **Economic growth continued to decline and inflation fell in 2017.** Increased private investment, particularly in agribusiness, natural gas transformation and rising energy supply helped mitigate but did not totally offset the impact of a further drop in oil production and the GOC cuts in capital spending, and real GDP growth fell from 4.5 percent in 2016 to 3.2 percent in 2017. Inflation dropped by 0.3 percent, from 0.9 in 2016 to 0.6 percent in 2017, driven by lower food and nonalcoholic beverages prices.

65. **The fiscal position improved in 2017.** The fiscal deficit narrowed from 6.2 percent of GDP in 2016 to 5 percent of GDP in 2017 thanks to the cuts in domestically financed public investment, goods and services and transfers and subsidies. Overall, total expenditure declined from 21.2 percent of GDP in 2016 to 20.4 percent of GDP in 2017. Total revenue increased to 15 percent of GDP in 2017, 0.4 percent of GDP above the level of 2016 and at the same level as the IMF program target due to weaker oil revenue and customs collections (Annex1).

236. **The external position also improved in 2017.** The current account narrowed to 2.5 percent of GDP in 2017 compared to 3.4 percent in 2016, on account of lower crude oil imports and higher cotton, natural rubber and processed cocoa exports. BEAC's pooled reserves rose from 3.9 months of imports of goods and services in 2016 to an estimated 5 months of imports of goods and services by end December 2017 for Cameroon

66. **Debt continues to grow, albeit more slowly.** Public debt grew from 33.3 percent of GDP in 2016 to an estimated 38.2 percent of GDP in 2017. The stock of loans contracted, but not yet disbursed, has also increased substantially at end-September 2017 to CFAF 4,844 billion, up from CFAF 3,842 billion end-2016, as loan signing once again failed to fully factor in absorption capacity. New loans contracted between January and September 2017 to finance major infrastructure projects, including under the Three-Year Emergency Plan for Accelerated Growth (PLANUT) totaled CFAF 1,485 billion and the 2017 ceiling on contracting of new non-concessional external debt was exceeded by a wide margin.

2.4 Macroeconomic and Fiscal Outlook

67. **Medium-term growth prospects are favorable.** Growth is expected to recover to 3.9 percent in 2018. Improved manufacturing and agri-business sector performance, construction for the 2019 soccer African Cup of Nations, higher supply of energy due the opening of a liquefied gas field in 2018, and the completion of dams, roads, and the port of Kribi should accelerate growth to 4.3 percent by 2020. However, per capita growth will remain modest, averaging 1.4 percent over 2018–2020.

68. **The fiscal deficit is expected to narrow further in 2018–2020.** The government expected to adjust fiscal balances by a total of 5 percent of GDP between 2017 and 2020. However, meeting the deficit target by 2020 will be particularly difficult given the poor fiscal performance (fiscal deficit at 5 percent 1.5 points above the IFM program target) in 2017, and expected increased spending pressures in 2018 and 2019.

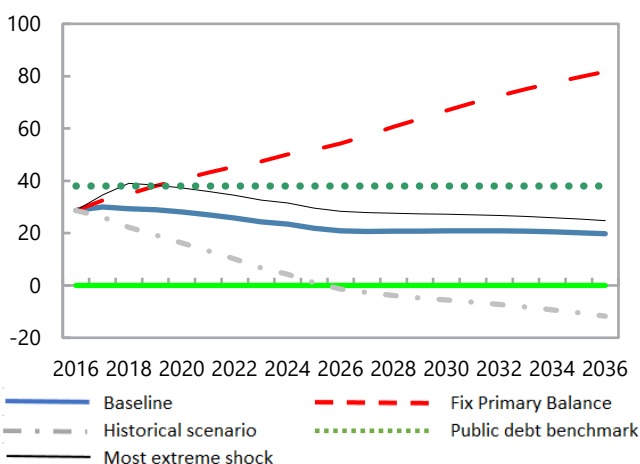
69. **The current account deficit is expected to remain below pre-crisis levels.** The current account deficit is projected to remain stable over 2018-2020, at about -2.2/-2.5 percent of GDP. Oil exports are expected to pick up gradually. Preferential entry into the EU market under trade agreements is also expected to increase other commodity exports, including cocoa, coffee, timber, cotton and aluminum exports.

70. **Debt sustainability will depend heavily on the Government's ability to achieve fiscal targets and rein in additional borrowing, especially on non-concessional terms, while continuing to implement growth-enhancing investments.** Cameroon's high risk of debt distress (despite relatively low debt levels) is largely because the debt to exports ratio breaches the applicable threshold, and is expected to remain at the threshold. High levels of non-concessional

debt and exchange rate risks also explain why Cameroon is at high risk of debt distress. Yet, public debt should decline (in present value terms) from 29 percent of GDP in 2016 to 20 percent of GDP in the long term, if the authorities are successful in canceling non-disbursing debt and limiting non-concessional borrowing and directing non-concessional loans only to high-return projects. Consistent efforts to improve the CPIA rating would also support debt sustainability (Figure 16).

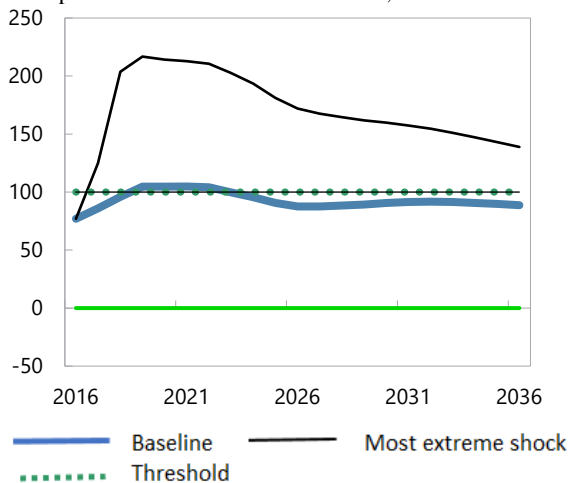
Figure 16: Debt Sustainability Analysis

a. Cameroon: Present Value of Total Public Debt to GDP Under Alternative Scenarios, 2016-2036 1/



Source: IMF and World Bank staff calculations.

b. Cameroon: Present Value of External Public Debt to Exports Under Alternative Scenarios, 2016-2036 1/



Source: IMF and World Bank staff calculations.

71. **Current political risks, both external and internal, can destabilize the macroeconomic situation.** The violent secessionist conflict in the two Anglophone regions (South West and North-West regions) is a major domestic social and economic risk. Cameroon's economic outlook, as well as security and stability will depend, in large part, on the government's ability to successfully handle this crisis along with the Boko Haram-related insecurity issues in the Far North region. The upcoming 2018 presidential, legislative, and municipal elections are also a serious fiscal risk. If Cameroon continues to pursue its public investment program without adequate prioritization and funds it by non-concessional resources, or if structural reforms stall due to upcoming elections or other factors, growth outcomes will disappoint and debt risks will persist. External risks that could affect Cameroon's medium-term prospects include weaker global growth, a decline in oil prices, and tighter global financial conditions. These would increase vulnerability in terms of higher fiscal deficits and fewer options for contingency financing in a situation of tighter domestic liquidity.

2.5 Public Financial Management

72. **The Public Finance Modernization Plan's (PMFP 2009–2015) implementation has been slow.** Cameroon passed a PFM Organic Law (*Loi organique relative au nouveau régime financier de l'Etat*)¹² in 2007 to transition from a traditional, input-based line item budget, to a

¹² Cameroon's PFM Act is mostly but not fully in line with CEMAC PFM Directives promoting a performance-based budgeting system and greater Parliament over- and in-sight. The Chamber of Accounts lacks independence and it focuses on financial and compliance audit only, and does not include performance audit. The spring session of Parliament does not include budget debates. The PFM legislation is unclear on the accountability of public accountants and financial controllers for the mismanagement of public funds.

multi-year program budget, with effect in 2013. PFM Reform Technical Secretariat in the MINFI Directorate of Budget created in 2010 has been in charge of overseeing the implementation of the reform. The PFMP follows recommendations from the 2007 Public Expenditure and Financial Accountability (PEFA) report, and provides a comprehensive monitoring framework for reform. Its main objectives are to: (i) strengthen budget management and redirect public resources away from salaries, fuel subsidies and operational costs towards growth and poverty reduction priorities, (ii) enhance the efficiency and effectiveness of service delivery; and (iii) increase the performance orientation of the civil service.

73. Significant progress has been made in budget programming and reporting. Programming tools and multiyear budgets were developed, and the management and institutional framework of the 2007 reform has improved. The comprehensiveness and the quality of the financial statements also improved in recent years thanks to support from the Africa Regional Technical Assistance Center (AFRITAC) of the International Monetary Fund (IMF), as evidenced by the production of full sets of financial statements, including a balance sheet, profit and loss statements, and cash flow statements since 2012. However, the actual use of most of the new tools developed for budget programming and execution remains a challenge.

74. The implementation of the new PFM Act since 2013 is undermined by the following key weaknesses:

- (a) *Budget preparation*: The link between the Medium-Term Budgetary Framework (MTBF), overall Medium-Term Expenditure Framework (MTEF), sector MTEFs, and ministries' program budgets, as well as the local development plans, needs significant strengthening. In addition, there is no established calendar for budget preparation, which is hence dependent on the annual budget preparation circular. Also, the credibility of the MTEF as the key tool to allocate resources and therefore the overall coherence of program expenditures (particularly on the capital budget expenditures) needs to be improved.
- (b) *Budget execution and reporting* is hampered by (i) lack of coherence between procurement plans and commitment plans and delays in their availability affecting investment budget execution, (ii) redundancy of controls in the expenditure chain between financial controllers and accountants, (iii) in-year cash rationing affecting budget execution and resulting in an increased use of exceptional procedures for budget execution at the end of the fiscal year, and (iv) weaknesses in the financial management (FM) information systems. In the social sectors, for example, the late release of the budget allocation (two to three months after the start of the fiscal year) has been a recurrent issue, leading to disruption in service delivery. Other issues are related to weak capacity at the sectoral level to (i) implement and reap the benefits of the innovations introduced by the program budgeting approach and (ii) adapt to the new procurement procedures, translating into delays in budget execution. The recent creation of a specialized Paymaster in the Ministry of Health (MINSANTE) is expected to improve the execution and reporting issues.

75. Program budgeting has been launched in 2013, but institutional arrangements and implementation have not been adapted to result-based management, and program budgeting has remained theoretical to some extent. Parliament has approved a three-year program-based budget each fiscal year since 2013. Every ministry has designed programs (approximately three each) and identified objectives and indicators (two or three per program). Yet, most indicators are

not suitable or operational. Reporting chains are not clear, timely, and reliable enough to inform the program manager in time to adjust implementation. In some instances, programs and activities are not consistent with the ministries' mission. Lastly, ministries' program budget appropriations are not comprehensive. As an example, the payroll appropriation is missing and continues to be centralized in the MINFI program. An integrated HR/payroll information management system (SIGIPES II) has been developed to improve the management and transparency of the wage bill. However, its deployment in line ministries is not yet effective for lack of financial resources. The deployment of SIGIPES II will improve payroll management and could free fiscal space for additional investment projects, particularly in the health and education sectors where the wage bill absorbs respectively 37 percent and 70 percent of total sector budget envelopes.

76. The Prime Minister recently clearly laid out PFM reform priorities for 2016-2018. The September 2016 circular lays out the PFM reform priority areas, including: (i) completion of the transcription of the CEMAC PFM Directives, (ii) reinforcement of the links between sector policies and program-budgeting, notably by including investment and salary appropriations in Ministry programs, (iii) improvement of budget procedures for multiyear budget management with a focus on public investment project preparation, scope/design of the programs, year-end budget procedures, and so on, (iv) strengthening of accounting procedures and practices, (v) implementation of a change management process in the public administration, and (vi) upgrade of the integrated financial management information system (IFMIS). The Bank financed Strengthening Public Sector Effectiveness and Statistical Capacity Project is designed to support priorities identified in the Prime Minister circular.¹³

The Fiscal Policy Challenge: Supporting Growth and Competitiveness and Reducing Poverty and Inequality, with Significant Budget and Institutional Constraints

77. Beyond the urgent short-term objective of restoring fiscal stability, Cameroon faces important long-term development challenges that will require the Government to reassess how public spending contributes to advancing its development goals. Growth has been constrained by poorly executed investment in critical infrastructure, an unfavorable business climate, poor public financial management, a shallow financial sector, and weak regional trade integration. Secondary and local road network is key to access markets, or education and health facilities. Access to electricity is also an important driver of productivity. Key energy and transport could enhance Cameroon's competitiveness and strengthen its role as a regional hub. Several of Cameroon's regions (the East region, long affected by CAR's instability, and of the four northern regions) are chronically fragile. The northern regions are by far the poorest in Cameroon, and poverty and inequality levels have steadily increased over time relative to the rest of the country where poverty and inequality have declined. The GOC should be careful not to leave these regions behind to ensure progress made elsewhere in the country is not cancelled out.

78. Reaching the country's strategic goals will require substantial reforms in public investment management processes together with sectoral policy reforms. Transforming the economy and attaining national strategic objectives will require upgrades in infrastructure, particularly in the transport and energy sectors. Better-targeted and more generous safety nets could foster rapid poverty reduction. Social safety nets could also help vulnerable populations adjust to shocks, including the effects of climate change, or conflict-related inflows of refugees

¹³ Circular n°003/PM September 2016.

and internally displaced persons. Yet, given the fiscal constraints, a range of options need to be considered, including raising the efficiency of capital expenditure and encouraging greater private sector participation, notably through restructuring or privatizations (for example, in the energy and ICT sectors). Going forward, Cameroon also needs to address both technical and allocative efficiency issues to better mobilize existing resources in support of national priorities.

CHAPTER 3: TRENDS AND COMPOSITION OF PUBLIC SPENDING

79. **This chapter reviews changes in the trends and composition of public expenditures in Cameroon.** The analysis uses annual data from the Government of Cameroon's (GOC) Integrated Financial Management Information System (IFMIS) reorganized into a more user-friendly BOOST database.¹⁴ It also uses data from government audited budgets (*Lois de Règlement*), and summary public finance indicator tables (*Tableau de Bord des Finances Publiques – TABORD*) for 2006–2016. Cross-country comparisons are based on data from other country-specific BOOST public expenditure databases and the International Monetary Fund (IMF) Government Finance Statistics (GFS) database.¹⁵ Data from these sources allow for a detailed study of spending by functional, economic and administrative classification. The overall analysis in this chapter is complemented by in-depth studies in subsequent chapters of the three expenditure categories with a potential to increase expenditure effectiveness and efficiency and budget transparency: public investment spending (Chapter 3), the public-sector wage bill (Chapter 4), and state-owned enterprise spending (Chapter 5).

80. **While the quality and the level of detail of budget and budget execution data have permitted extensive analysis, and clear conclusions and areas for reform have been identified, inadequacies that persist in GOC budget preparation and execution processes unfortunately affect the reliability and accuracy of the results of the quantitative analyses.** Cameroon's budget classification is not in line with international practice, especially with regard to capital expenditure, and capital expenditure is too often equated with public investment by Cameroon's authorities. There are also inconsistencies between budget and accounting data. Thus, amounts spent on goods and services and identified as such in budget data are sometimes recorded in Treasury data as transfers. At the same time, transfers to externally financed projects, transfers to public institutions and enterprises, and equity transfers intended to enable the receiving institutions to make investments are not treated as investments in Treasury data (and thus in the BOOST). The budget execution analysis is also somewhat biased as expenditures budgeted for in a given fiscal year can be executed in subsequent fiscal years, so that the budget execution rates presented in this report could be to be slightly overestimated. Treasury data does not allow to, for example, clearly identify the share of general administration and financial expenditures that corresponds to common expenses managed and executed by the ministries of Finance and Economy. Finally, certain extraordinary budget execution procedures (cash advances, release of funds, advances and direct payments by the National Hydrocarbons Corporation (SNH), for example) limited until very recently the reliability of the data on the distribution of expenditures.¹⁶

3.1 Introduction

81. **Cameroon's main strategic and long-term goals are outlined in the government's 2009 strategy paper 'Vision 2035'.** The Vision gives broad policy orientations to transform Cameroon into an emerging economy by 2035. The Growth and Employment Strategy Paper

¹⁴ See <http://wbi.worldbank.org/boost/boost-initiative> for more details about BOOST.

¹⁵ This chapter compares Cameroon to regional and structural peers, including Angola, Côte d'Ivoire, Ghana, Kenya, Tanzania, and Senegal, but also Malaysia and Azerbaijan. A subset of these comparator countries, together with other relevant countries, is used in the analysis, as data allows.

¹⁶ These procedures are now severely limited as per the economic and financial program supported by the IMF.

(*Document de Stratégie pour la Croissance et l'Emploi*, DSCE) operationalizes the Vision and further describes government objectives for 2010–2020, particularly policies to address infrastructure bottlenecks, foster economic diversification, boost annual economic growth to 5.5 percent, and reduce under-employment from 75 to 50 percent and the poverty rate from 39.9 percent to 28.7 percent by 2020.

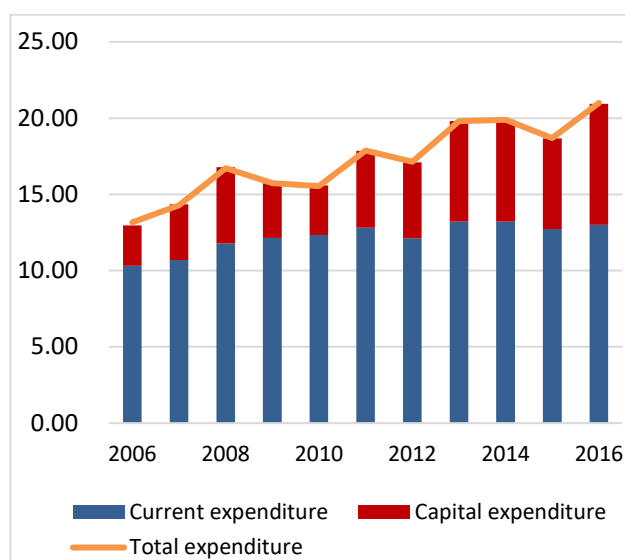
82. **Vision 2035 and the DSCE call for substantial investments in national and local road infrastructure, ports, energy efficiency, power generation and distribution capacity, communications, agriculture, social housing, and water and sanitation.** The DSCE calls for the government to increase the share of capital expenditures in total expenditure from 20 to 30 percent and make large investments in hydroelectric dams, thermal and gas electricity generation and rural electrification (CFAF 6,516 billion or about US\$12.2 billion over 2010–2020) to double the country's energy production capacity to 3,000 MW. Other DSCE objectives include rehabilitating 2,000 km of tarred road, adding 3,500 km of tarred road to the road network and 1,000 km to the railway network, and building deep-sea ports in Kribi and Limbe between 2010 and 2020.

83. **The GOC adopted a three-year emergency plan in 2014, for the 2015–2017 period, to accelerate progress toward Vision 2035 goals.** This CFAF 925 billion (or US\$1.5 billion) three-year Emergency Plan (*Plan d'Urgence Triennal - PLANUT*) focuses on large key infrastructure investment projects, including Douala and Yaoundé urban infrastructure (for example, lighting and secondary roads) rehabilitation, secondary cities' water and sanitation supply system extensions and social housing construction, but also foresees higher capital transfers and subsidies' spending, notably the distribution of seeds, fertilizer and pastoral and fishery equipment at the government's expense.

3.2 Public Expenditure Trends, Composition, and Efficiency

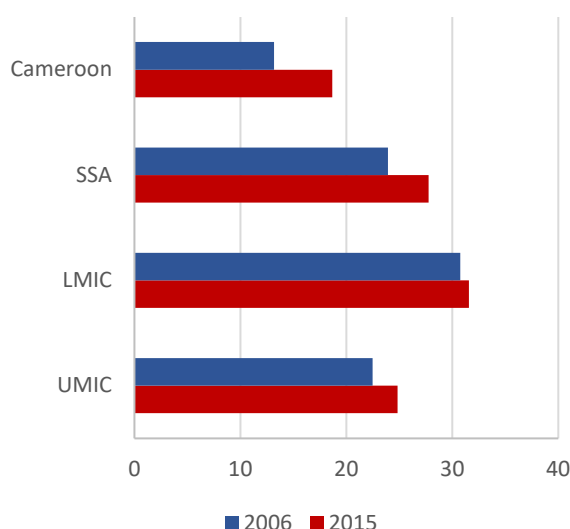
84. **Cameroon's public expenditures have increased substantially over the past decade, but the GOC still spends relatively little compared to peers.** The country's total public spending rose substantially from 13 percent of GDP in 2006 to 21 percent of GDP in 2016. This increase financed the Vision 2035, the DSCE and the PLANUT, resulting in an increase capital expenditure from 2.6 percent in 2006 to 7.9 percent of GDP in 2016 (Figure 17). Despite the increase in overall public spending, Cameroon's 2015 public expenditures (19 percent of GDP) were lower than the Sub-Saharan Africa (SSA), upper middle-income countries (UMIC), and lower middle-income countries (LMIC) averages of 28 percent, 25 percent and 31.5 percent respectively (Figure 18).

Figure 17: Cameroon's Trend in Public Expenditures (% of GDP), 2006–2016



Source: Authors' calculation based on national authorities' summary public finance indicator tables (TABORD) and World Development Indicators.

Figure 18: Government Expenditure in Cameroon and Comparator Countries (% of GDP)



Source: Authors' calculation based on Cameroon BOOST database and WDI.

3.3 Economic Composition of Public Expenditures

85. **The share of capital expenditures in Cameroon's total public expenditure has risen considerably over the last decade, particularly since 2010, as the authorities scaled up public investments to meet Vision 2035, DSCE and PLANUT goals.** Public spending rose by 2.6 percent of GDP between 2006 and 2009, from 13.2 percent of GDP to 15.7 percent of GDP. The increase was somewhat evenly distributed among wages and salaries (1 percent of GDP increase, from 4.1 to 5.1 percent of GDP), capital expenditures (0.9 percent of GDP increase, from 2.6 percent of GDP to 3.6 percent of GDP), and goods and services (0.8 percent of GDP rise, from 3.7 to 4.4 percent of GDP), as the GOC recruited more civil servants, started to increase investments to address infrastructure bottlenecks, and paid goods and services arrears. Transfers and subsidies' spending also increased, but more modestly (0.4 percent of GDP increase during the same period), as the GOC replaced SONARA (the national oil refinery) tax exemptions with higher explicit subsidies. Interest payments declined from 0.5 to 0.3 percent of GDP, following the country's substantial 2006 debt relief under the Heavily Indebted Poor Country (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI). In contrast, since the implementation of the DSCE began (that is, since 2010), the increase in public spending was almost totally driven by an increase in capital expenditures. Capital expenditures absorbed 71 percent of the total increase in public spending over 2010–2016, and rose by as much as 4.7 percent of GDP between 2010 and 2016. The increase in recurrent spending was more modest. The wage bill remained stable at 5 percent of GDP. Interest payments rose from 0.3 percent of GDP in 2010 to 0.8 percent in 2016 because of new non-concessional loans contracted by the government to fund investment projects. Goods and services spending also increased, but only by 0.3 percent of GDP between 2010 and 2016. Transfers and subsidies were reduced by 0.2 percent of GDP over the same period following a decline in consumer fuel subsidies (Figure 19 and Figure 20) resulting from the decline in oil prices.

Figure 19: Shares of Public Expenditures by Economic Classification (% GDP)

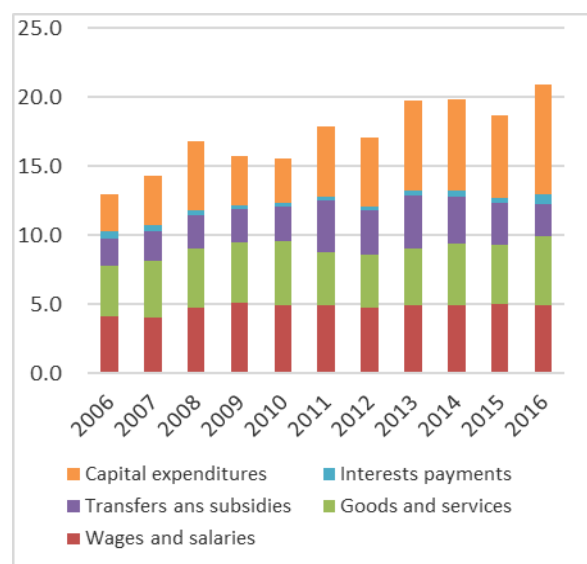
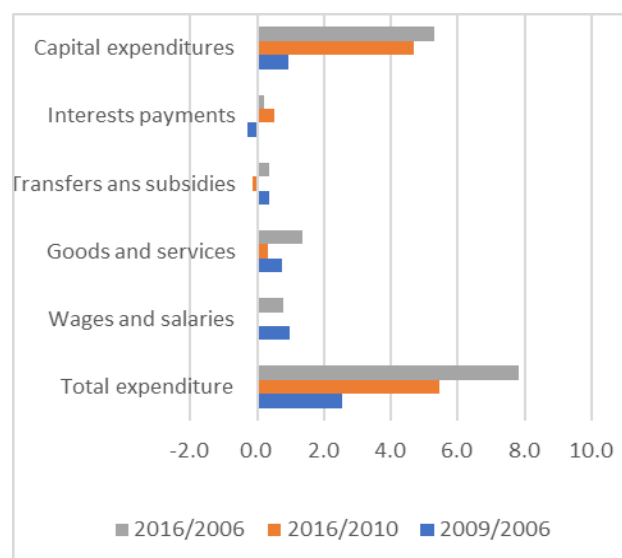


Figure 20: Increases in Public Expenditure, 2006–2015 (% of GDP)



Source: Authors' calculation based on national data from Cameroonian authorities (TABORD).

86. **Cameroon spends more than regional peers, but less than structural peers on capital spending.**¹⁷ The GOC spent 5.1 percent of GDP on average on capital spending over 2011–2015, compared to an average of 4.7 percent of GDP for regional peers, and 5.7 percent of GDP for structural peers over the same period.¹⁸

87. **Cameroon also spends less on payroll and interest, but more on goods and services and subsidies and transfers than most peers.** The GOC spent 5 percent of GDP on wages and salaries in 2015, while Angola spent 11.3 percent of GDP, Namibia 16.3 percent of GDP, and Malaysia, Cote d'Ivoire and Senegal expended 6.1, 6.3 and 6.5 percent of GDP respectively on payroll the same year. Cameroon's interest payments (at 0.4 percent of GDP in 2015) were also comparatively low. Most peers' interest spending was of the order of 1.5–2.5 percent of GDP. At the same time, Cameroon spent 4.3 percent of GDP in 2015 on goods and services, while Malaysia, Azerbaijan, Uganda and Cote d'Ivoire spent about 3 percent of GDP on goods and services the same year. Kenya and Tanzania spent even less on goods and services in 2015 (2.8 and 2.6 percent of GDP, respectively). The GOC also spent about 1 percent of GDP more on subsidies and transfers than peers in 2015.

88. **Almost half of goods and services' expenditures are representation, missions, ceremonies, and external services' expenditures.** Goods and services' expenditures include all current government operating expenses, including office supply costs; transportation costs; purchase of fuel, water, and electricity; maintenance and security costs; representation; mission and reception expenses; external service fees;¹⁹ and subcontracting and advisory expenses.

¹⁷ Regional peers include Cote d'Ivoire, Ghana, Kenya, Namibia, Nigeria, Senegal, Sudan, Tanzania, Togo and Uganda. Structural peers include Azerbaijan, Indonesia, Malaysia, Vietnam and Yemen.

¹⁸ See chapter 3 for more details.

¹⁹ External services (*618- Rémunérations des services extérieurs*) are services purchased outside the country and include the following: insurance; subscriptions and consumption of telephone, fax, telex, mobile telephones, websites, subscriptions, and internet consumption; radiocommunication subscriptions and consumption; postage;

Between 2013 and 2015, representation, missions, ceremonies, and external services fees absorbed on average 52 percent of total goods and services' expenditures (Table 3), 8.7 percent of total government expenditures (Figure 21), or 1.8 percent of GDP. Moreover, two thirds of resources allocated to representation, missions, and ceremonies during this period were spent on participation fees for fairs and exhibitions and missions within the country, while 80 percent of allocations to external services were absorbed by the "other external services" category. Expenses for representation, missions, and ceremonies decreased significantly in 2015 but still represented 2.5 percent of total public expenditures, or 0.5 percent of GDP. Training, internships, and seminars abroad absorbed a fifth of external services expenditures. Furthermore, supplies, equipment, fuel, and lubricants represented on average a third of allocations to goods and services between 2013 and 2015, while infrastructure maintenance, rent, and energy expenditures represented a mere 6 percent of all expenditures on goods and services (about 1.2 percent of total public expenditures). However, a significant portion of resources allocated to missions, representations, and fuel are disguised non-salary compensations provided to some categories of civil servants to compensate for low formal public-sector wages.

Table 2: Executed Goods and Services Budget (Payments Orders)

	2013	2014	2015		2013	2014	2015
	<i>(in percent of total goods and services expenditures)</i>				<i>(in percent of total expenses)</i>		
61 Current consumption (purchases of goods and services)	100.0	100.0	100.0		18.4	19.8	12.6
610 Supplies, minor equipment, and routine maintenance	18.9	23.2	13.6		3.5	4.6	1.7
611 Supplies and small technical equipment	10.2	6.4	7.7		1.9	1.3	1.0
612 Fuels and lubricants	7.3	7.3	6.8		1.3	1.4	0.9
613 Transportation charges	4.8	4.5	3.8		0.9	0.9	0.5
614 Water, electricity, gas, and other sources of energy	1.3	2.4	3.4		0.2	0.5	0.4
615 Rent and rental charges	1.3	1.4	0.7		0.2	0.3	0.1
616 Maintenance and security costs	4.8	3.5	3.9		0.9	0.7	0.5
617 Representation, mission, and ceremony expenses	17.6	23.6	19.8		3.2	4.7	2.5
6171 Mission allowance inside	5.4	6.8	5.1		1.0	1.3	0.6
6177 Fees for participation in fairs, exhibitions, and other events	7.3	7.4	10.7		1.3	1.5	1.4
618 External services fees	27.9	27.4	40.2		5.1	5.4	5.1
6187 Training costs, internships, and seminars	3.2	3.3	7.3		0.6	0.6	0.9
6189 Other external services fees	21.9	16.9	25.7		4.0	3.3	3.3
619 Maintenance costs for roads, structures, and other infra-structures	5.9	0.4	0.0		1.1	0.1	0.0

diplomatic bag; military franchise; publications; press releases; and radio, television, and advertising costs; fees and associated costs; training costs; internships and seminars; exterior security services; and other remuneration for external services.

	2013	2014	2015		2013	2014	2015
	(in percent of total goods and services expenses)				(in percent of total expenses)		
6191 Road maintenance	5.6	0.1	0.0		1.0	0.0	0.0

Source: World Bank BOOST.

89. **Cameroon spends a disproportionate share of its goods and services on representation, missions, and ceremonies compared to comparator countries** (Figure 22). While Cameroon spent 20 percent of public goods and services' spending on representation, missions, and ceremonies in 2015, these expenses represented only a small share of goods and services expenditures in comparator countries. For instance, Burkina Faso and Senegal allocated only 1.6 percent and 7.8 percent, respectively, of their goods and services to this category. Conversely, comparators allocated a higher share of resources to rent and energy, while the share of goods and services allocated to material and supplies were roughly the same for all countries, except for Tanzania.

Figure 21: Composition of Goods and Services in Cameroon (% of Total of Expenditures)

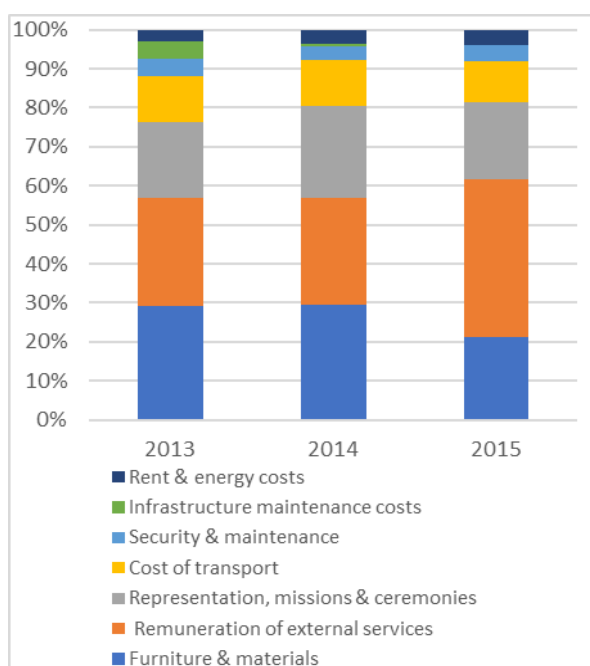
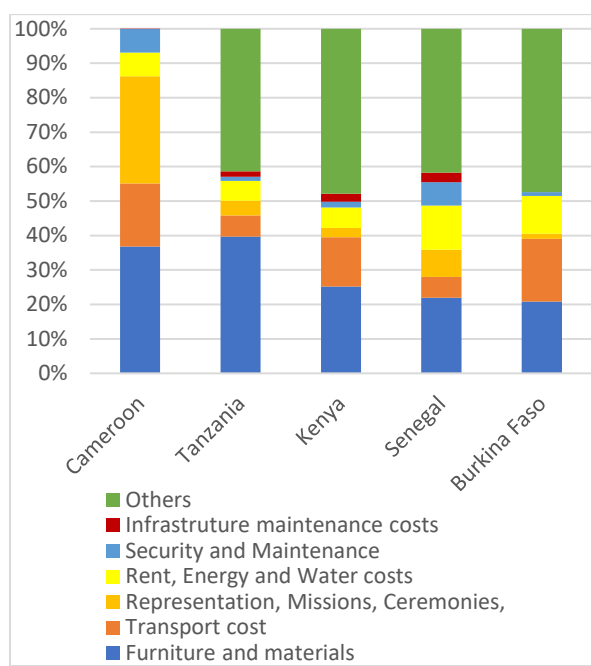


Figure 22: Composition of Goods and Services in Cameroon and Comparators (% of Total Expenditures, 2015)



Source: Authors calculations based on Cameroon's BOOST database and comparator countries' BOOST databases.

90. **The GOC allocates a large share of its subsidies and transfers to support public participation in commercial activities and public service delivery.** Public expenditures on subsidies and transfers consist of: (i) transfers and subsidies to autonomous public agencies (*établissements publics administratifs*, EPAs)²⁰ and state-owned enterprises (SOEs); (ii) pensions and other transfers to households; and (iii) "other transfers," which includes transfers to local

²⁰ There are about 176 EPAs in Cameroon, mostly government regulatory agencies or specialized technical agencies, including professional schools and universities and hospitals. These agencies are generally entirely reliant on transfers from the public budget for their activities.

collectivities and civil society, and contribution to international organizations. Between 2006 and 2011, total subsidies and transfers averaged 2.3 percent of GDP, before leaping to an average of 2.9 percent of GDP in 2010–2013 due to a rise in fuel subsidies to protect consumers from high oil prices (Figure 24). As global oil prices fell, consumer fuel subsidies declined from 1.05 percent of GDP in 2012–2013 to 0.25 percent of GDP in 2014–2015. However, the GOC’s total spending on subsidies and transfers has continued to increase, driven by an increase in public resources to SOEs and EPAs. Public spending on SOE’s and EPAs increased from 8.8 percent of total government expenditures in 2010 to 13.4 percent in 2015 (Figure 23). Over the same period, pensions have been stable at 5 percent of public spending (and 1 percent of GDP) while transfers and subsidies in the “others” category have declined (Figure 23) and (Figure 24). Public expenditure on social assistance has increased in recent years but remains low at 0.04 percent of GDP in 2016.²¹ The recent increase, driven by the scaling up of public spending on social safety nets shows the Government’s commitment to developing poverty-targeted social transfers and boost resilience.

91. **It is difficult to ascertain the reliability of data on subsidies and transfers to SOEs and EPAs.** The GOC’s financial documents do not distinguish the transfers and subsidies allocated to SOEs from those allocated to EPAs. Cameroonian authorities have also indicated that a portion of resources reported as total transfers and subsidies to SOEs and EPAs includes payments for government consumption of public services delivered by these entities or public services delivered on behalf of the GOC.²²

²¹ Public expenditure on social assistance may be underestimated because of budget classification issues. Development technical and financial partners’ social assistance interventions were long treated as and recorded as investments in both GOC budget and Treasury data.

²² The GOC needs to carry out a thorough census of EPAs and SOEs and an exhaustive evaluation of their net fiscal impact on the budget and the economy. It has started, with the support of the World Bank, a review of the country’s SOEs, including an assessment of SOE financial performance by sector and ownership category, current corporate governance practices; fiscal costs and net fiscal impact of SOEs, and the new legal framework for SOEs

Figure 23: Subsidies and Transfers in Cameroon
(% of Total Public Expenditure)

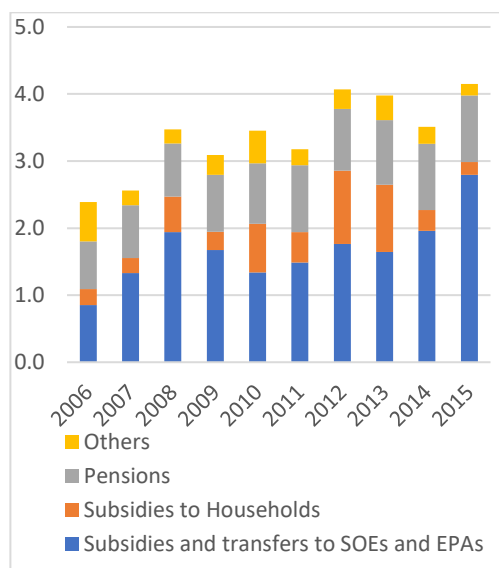
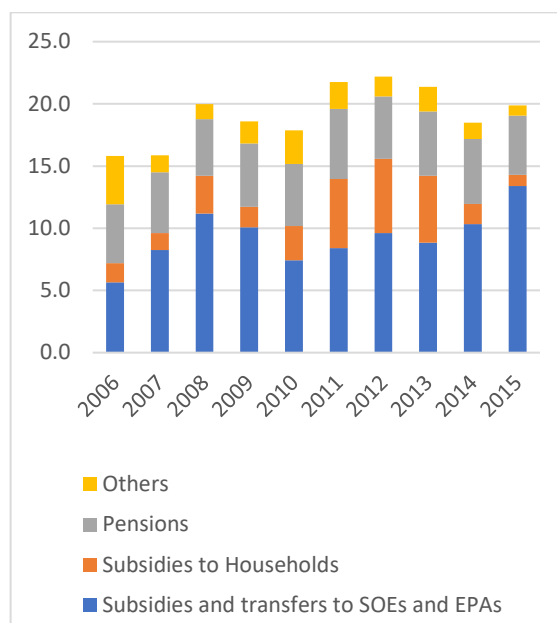


Figure 24: Subsidies and Transfers in Cameroon
(% of GDP)



Source: Cameroon's BOOST database.

3.4 Functional Composition of Public Expenditures

92. **Cameroon spends a relatively large share of total public spending on general public administration** (Figure 25). General and financial administration services and sovereignty expenditures absorbed roughly a quarter of the GOC's total budget between 2013 and 2015. If debt service was added,²³ less than half of the budget was allocated to infrastructure, social sectors, production, commerce, and communication. Allocations to the General and Financial Administration function (that is, the government's territorial administration, financial and budgetary affairs, planning and statistics, and general administrative staff and services), almost doubled from 2007 to 2015 and accounted for 9.4 percent of the public sector budget in 2015. Debt-service allocations, declined from 32.7 percent of total public expenditures in 2007 to 18.4 percent in 2010, (following debt relief) before reaching 21.7 percent in 2015. The increase in debt-service spending is attributed to the rapid accumulation of non-concessional loans to implement the DSCE.

93. **The high share of resources allocated to overhead (including payroll) costs is widespread in almost all the main government functions, resulting in less resources for public service delivery.** Resources allocated to priority sectors contain a large share of payroll and other administrative costs (Figure 26). For example, in 2015, the share of payroll and other administration costs in the social affairs, health, and education budgets were 31.9, 84.8, and 74.4 percent, respectively, while they represented 22.1 percent and 35.4 percent of all expenditures in

²³ Only the interest payment portion of debt service costs is usually included in international definitions of government expenditures. Amortization spending is however particularly large in Cameroon and is discussed here because it crowds-out other expenditures.

the infrastructure and production and commerce sectors, respectively. Non-payroll expenditures in education and health are particularly low.

Figure 25: Shares of Public Expenditures by Functional Classification (% of Total)

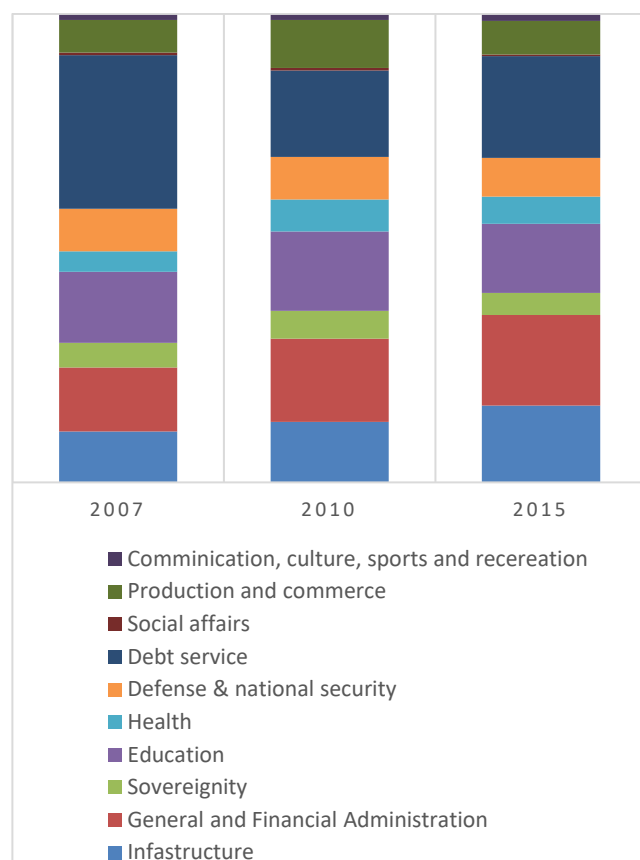
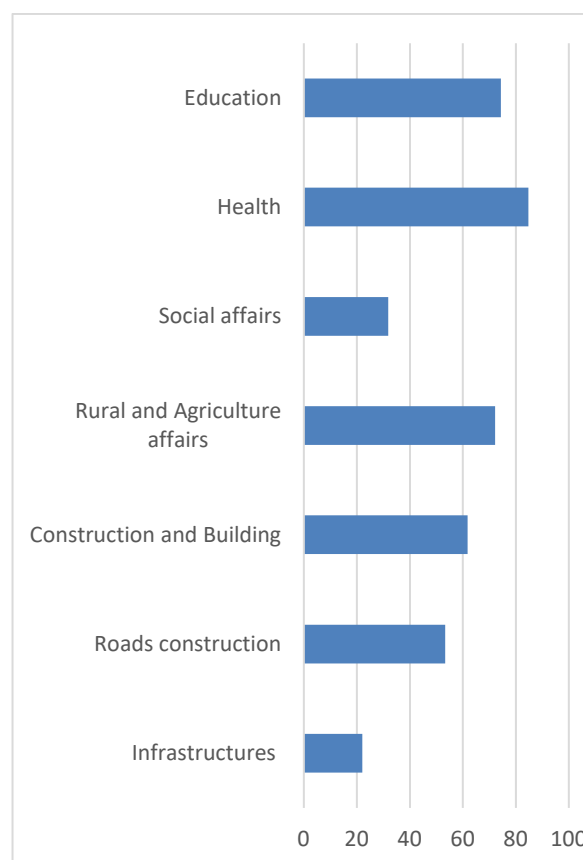


Figure 26: Share of General Administrative Costs in Government Functions, 2015



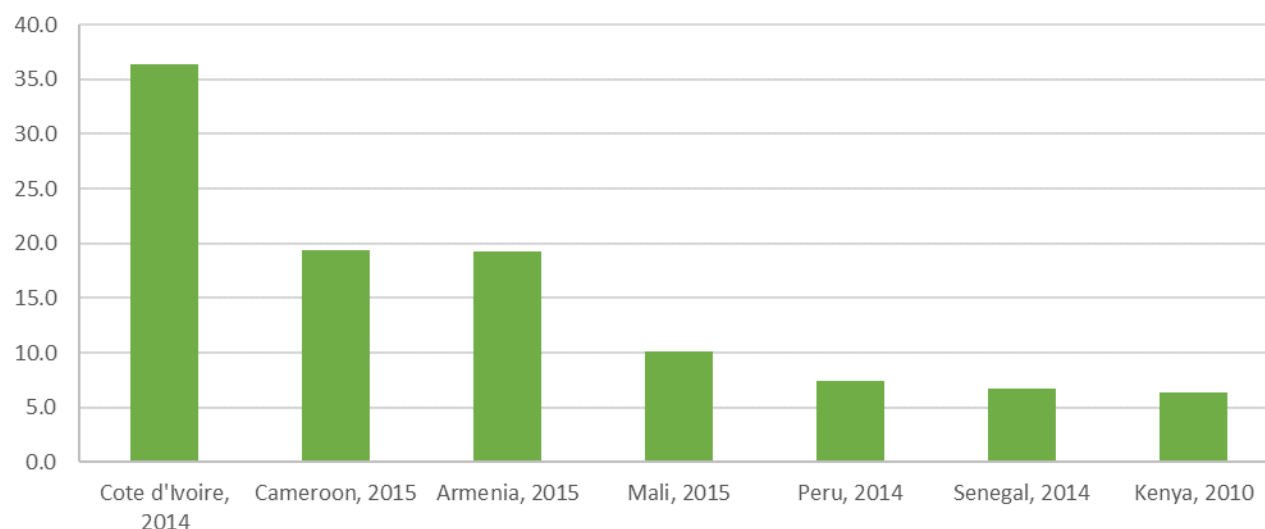
Source: Authors' calculation based on BOOST data.

94. **The GOC spends a disproportionate share of its budget on general administration and financial functions compared to most comparator countries** (Figure 27). Cameroon allocates between two and four times more resources to cover general and financial administration costs than non-oil-exporting peers.²⁴ Regional comparators such as Senegal, Kenya, and Mali spent 6.1 percent (2014), 9 percent (2010), and 10 percent (2015), respectively, of their public budgets on this category of expenditures, compared to Cameroon's 19 percent (2015). The Government of Armenia is the only non-oil exporter among peers with general administration expenditures similar in size to the GOC's. Cameroon's share of public administration spending in total expenditures is however typical of oil exporters, especially in Sub-Saharan Africa. Angola, for instance, spent 20.4 percent of total government spending on general public services and administration in 2015, and Cote d'Ivoire spent a staggering 36.4 percent of GDP on general and financial public administration in 2014.²⁵

²⁴ A portion of these general and financial administration costs corresponds to common expenses managed and executed by the ministries of Finance and Economy. This portion cannot be accurately estimated given the weaknesses of the current budget classification.

²⁵ IMF GFS data.

Figure 27: Share of General and Financial Administration Costs in Total in Public Expenditures in Cameroon and Comparators



Source: World Bank's Boost international database.

95. **Public social spending is low in Cameroon compared to its regional peers** (Table 3). Social spending in Cameroon, particularly in the health sector, lags that of peer countries. The country spent 1.2 percent of GDP on health in 2015, about half of the SSA average. Although Cameroon spent more on education in 2015 (3 percent of GDP) than the average in SSA (1.7 percent), regional peers such as Senegal (7.3 percent of GDP), Ghana (6.2 percent), and Kenya (5.2 percent) all allocated more to their education sectors. The country's low level of social spending is one of the main reasons behind its poor social sector outcomes and hence its very low ranking in the United Nations Development Program's Human Development Index (153 out of 179 countries in 2016).²⁶

96. **Spending on social protection is also below peers, and skewed towards spending on civil service pensions.** Cameroon spends less on social protection than other countries in Africa. Moreover, as of 2016, two thirds of spending classified as social protection spending goes to fund civil service pensions, where the sustainability of future spending is questionable and which benefits a small fraction of the population. Social assistance represents less than a quarter of the spending, while over 90 percent of social assistance spending is allocated to health-related programs. Spending on labor market programs is barely 1.3 percent.²⁷

²⁶ Structural issues related to Cameroon's education and health sectors are analyzed in chapters 4 and 5 of this PER, while its public spending on social protection is analyzed in a standalone PER.

²⁷ "Social Protection Financing Diagnostic in Cameroon", World Bank (draft), March 1, 2018.

Table 3: Public Social Spending in Cameroon and Comparators, 2015

Social Sector Expenditures	Cameroon	Senegal	Cote d'Ivoire	Uganda	Kenya	Ghana	SSA
Education (% of government expenditure)	14.7	24.8	21.2	11.7	16.5	21	
Education (% of GDP)	3	7.3	5.3	2.2	5.2	6.2	1.7
Health (% of government expenditure)	5.8	8	7.3	10.9	12.8	6.8	
Health expenditure, public (% of GDP)	1.2	2.4	1.7	1.8	3.5	2.5	2.3

Source: WDI 2015

97. **Cameroon also spends less than peers on infrastructure sectors.**²⁸ The GOC spent 3.8 percent of GDP in 2014 and 3.5 percent of GDP in 2015 on infrastructure sector spending, compared to Malaysia's 4.7 percent of GDP, Angola's 5.1 percent of GDP, Namibia's 8.6 percent of GDP and Azerbaijan's 11.8 percent of GDP. Cote d'Ivoire also spends more than Cameroon on infrastructure sectors (5.3 percent of GDP in 2014).²⁹

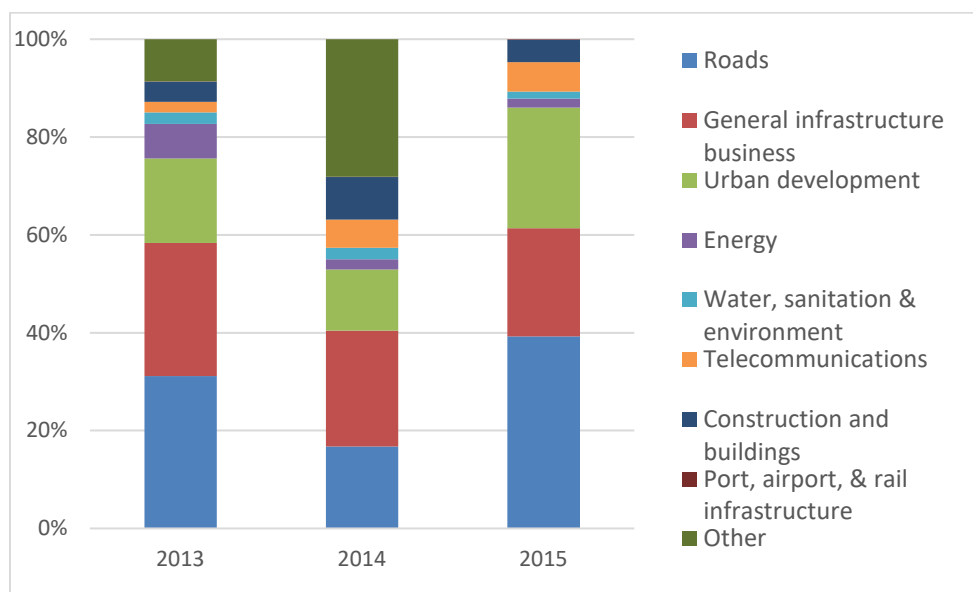
98. **Infrastructure public spending focuses on transport (particularly road transport) and urban development at the expense of water and sanitation, energy, and telecommunications, and is not in line with the distribution of resources envisaged in Vision 2035 and DSCE (Figure 28).** Public spending for transport, including for constructing roads, ports, airports, and rails, averaged 55 percent of all public infrastructure sector expenditures between 2013 and 2015. However, funding for road projects has been volatile, as it was reduced by half between 2013 and 2014, before more than doubling between 2014 and 2015. Weak planning and management of road projects undermine the effective absorption of budget allocations. Moreover, urban development expenditures increased by almost 50 percent from representing 17 percent of the infrastructure sector budget in 2010 to 25 percent in 2015. The lower level of public expenditure allocated to energy and telecommunications, reflected the shift towards more investments in the form of PPPs, from 2011 onward, rather than a lack of focus or investment in these sectors. General infrastructure business (overhead costs) was the third largest category of infrastructure expenditures in 2015 and absorbed nearly a quarter of the budget, pointing to inefficiencies in the spending of infrastructure allocations. Public resources allocated to water and sanitation, energy, and telecommunications are however significantly below what was called for in both Vision 2035 and the DSCE.³⁰

²⁸ Infrastructure sectors include energy, water and sanitation, urban development, transport, telecommunications and environmental protection. Cameroon's infrastructure sector spending is roughly equivalent to IMF GFS combined COFOG economic affairs, environmental protection and housing and communal amenities spending.

²⁹ IMF GFS data

³⁰ See chapter on Public investment for a discussion of the impact on energy and water and sanitation infrastructure quality.

Figure 28: Breakdown of Public Expenditures in Infrastructure (% of Total)



Source: Authors' calculation based on BOOST data.

3.5 Administrative and Geographic Composition of Public Expenditures

99. **More than a third of the GOC's budget is managed centrally by the Ministries of Finance and the Economy, Planning and Regional Development.** This part of the budget has not been explicitly allocated to a specific ministry or public agency within the IFMIS, and averaged 35.4 percent of total public expenditures between 2006 and 2015 (Table 4). Its expenditure recipients include debt service, pensions, various government interventions, transfers to central and regional administrations, operational units, program and project implementation agencies, and decentralized national bodies.

100. **Another third of the public budget is spent by five central government ministries.** These are the ministries in charge of public works, basic and secondary education, defense, and health. The executed spending of these five ministries decreased slightly from representing an average of 34 percent of total public expenditures in 2006–2009 to an average of 32 percent in 2010–15. However, this decrease in spending was not evenly distributed across sectors, as public works and health ministries' expenditures increased from 7.5 percent of total public spending on average in 2006–2009 to 8 percent on average in 2010–2015, while basic and secondary education ministries' expenditures' share in total GOC spending declined by an average of 1 percent over the same period.

Table 4: Executed Goods and Services Expenditures (Payment Order Basis)

	2006	2008	2010		2011	2013	2015
	(in percent of total expenditure)				(in percent of total expenditure)		
Unallocated Expenditures	36.3	35.4	37.9		34.3	36.9	38.7
Public works	5.5	7.6	7.9		8.1	7.5	7.5
Secondary education	8.5	7.1	7.6		7.1	7.2	6.5
Defense	7.7	6.1	6.2		6.4	6.0	5.5
Basic Education	5.9	6.4	6.2		5.5	5.6	4.7
Public Health	4.8	3.8	5.2		5.9	5.0	5.5
Agriculture and rural development	1.8	2.4	2.9		2.8	3.0	2.8
General Delegation to national security	2.4	2.2	2.6		2.6	2.6	2.5
Urban development and habitat	1.7	3.1	1.6		1.8	2.5	3.8
Energy and water	0.8	1.1	1.7		3.6	3.3	3.4
Economy and Finance	2.8	2.0	1.8		1.7	1.5	1.1
Presidency of the republic	2.0	1.7	2.1		1.8	1.7	1.2
Higher education	1.4	1.5	1.4		1.3	1.5	1.4
Territorial administration and decentralization	1.1	1.1	1.2		1.2	1.1	1.1
External relations	1.2	0.9	1.0		0.9	0.5	0.5
Justice	0.8	0.9	0.9		0.6	0.6	0.8
Other 34 Administrative Units	15.2	17.1	13.0		12.0	13.3	13.1

Source: Cameroon BOOST

101. **Cameroon has a highly centralized budget management system.** The geographic classification of the GOC's budget does not contain the spatial distribution of budget allocations, but rather the administrative levels where the budgets are managed. As of 2015, 87 percent of public expenditures are managed at the central government level. The weak technical capacity of local governments is the main reason for the concentration of public spending management and execution at the central level. This centralized budget management system may have contributed to local communities feeling left behind, and the crisis in the English-speaking as well as in the Far North regions of the country.

102. **Further decentralization efforts could help to solve the country's regional and social crises and increase poverty reduction.** Local governance has improved in recent years. For instance, nearly all local councils manage their finances through the SIM_BA software since 2012, and some councils have core teams of competent staff. The GOC's 2013 fiscal decentralization report recommended considering a gradual transfer of certain central government functions and/or sub-functions to lower levels of government. The recent creation of the Ministry of Decentralization and Local Development (MINDDEVEL) and the adoption in 2019 of municipality-level budget approach signal the GOC's desire to strengthen decentralization in terms of the volume of resources and competences and powers of local authorities.

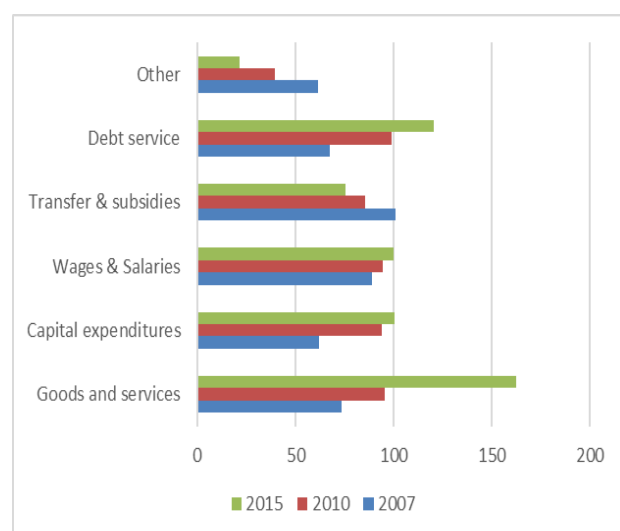
3.6 Budget Execution

103. **Official high public-sector execution rates mask weaknesses in budget accounting.** Cameroon's execution rates for public budget items improved overall in 2010–2015 (Figure 28), implying that the overall public expenditures envelope was generally contained within the limits

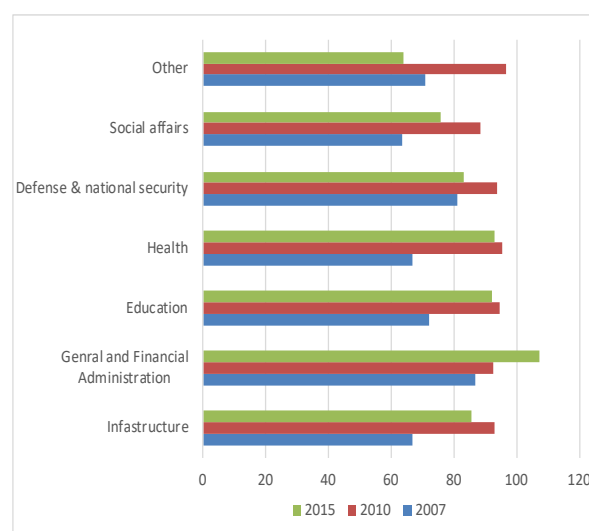
of approved budget ceilings. However, public spending on goods and services greatly exceeded the allocated budget in 2015 (Figure 29). The 2017 Public Expenditure and Financial Accountability (PEFA) assessment notes that a high level of public expenses still needs to be regularized, and irregular budget execution practices (for example, cash advances, release of funds, advance funds, and direct payments by the *Société nationale des hydrocarbures* (SNH)) compromised until very recently³¹ the reliability of the data on the distribution of actual expenditures. As a result, government accounting and financial documents do not reflect the reality of the actual distribution of expenditures.

Figure 29: Execution Rates of Public Expenditures in Cameroon, 2007–2015

A. By Economic Classification (%)



B. By Functional Classification (%)



Source: Authors calculation based on BOOST Data.

104. **A significant share of the goods and services budget is highly overspent.** Between 2013 and 2015, actual spending on goods and services exceeded their budgets by an average of almost 35 percent, and this varied from 62.5 percent in 2014 to 2.9 percent in 2015 (Table 5). High levels of overspending undermine the credibility of the goods and services budget. Overspending is a continuing challenge for remuneration for external services (0.7 percent of GDP in 2015) and fees for participation in fairs, exhibitions and other events (0.2 percent of GDP in 2015). While overspending for fees for participation in fairs, exhibitions, and other events calls for the rationalization of this type of expenditure, the deviation of spending for other external services might be due to direct payments (out of the normal expenditure chain) by the *Société Nationale des Hydrocarbures* (SNH) for unplanned emergency security or humanitarian expenditures. Conversely, actual spending on road maintenance is surprisingly low compared to the budget. In 2014 and 2014 the deviation between actual expenditure and the budget was 99.1 percent and 99.9 percent, respectively, implying that the budget allocated to the road fund was not executed. Recording recurrent spending costs, notably goods and services spending associated with on-going investment projects within the MTEF and the MTBF, and closer integration of the frameworks

³¹ These budget execution practices are now severely limited as per the economic and financial program supported by the IMF.

with the annual budgets should help bring actual goods and services spending within the appropriate ceilings.

Table 5: Over Execution in the Goods and Services Budget

	2013	2014	2015		2013	2014	2015
	<i>(Executed budget minus allocated budget,</i>				<i>(Executed budget deviation from</i>		
	<i>in percentage points of GDP)</i>				<i>allocated budget, in percent)</i>		
61 Current consumption (purchases of goods and services)	0.9	1.4	0.1		35.7	62.5	2.9
610 Supplies, minor equipment and routine maintenance	0.2	0.4	-0.2		32.1	84.5	-31.3
611 Supplies and small technical equipment	0.1	0.1	-0.1		45.3	31.8	-22.9
612 Fuels and lubricants	0.0	0.1	0.0		14.6	36.2	-15.1
613 Transportation charges	0.0	0.0	0.0		24.7	31.5	-22.9
614 Water, electricity, gas and other sources of energy	-0.1	-0.1	-0.1		-70.9	-38.8	-39.8
615 Rent and rental charges	0.0	0.0	-0.1		-35.8	-13.4	-76.7
616 Maintenance, maintenance and security costs	0.0	0.0	0.0		15.3	5.1	-27.0
617 Representations, Missions and Ceremonies Expenses	0.2	0.5	0.1		44.1	134.5	29.2
<i>6171 Mission allowances inside</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>		<i>-1.5</i>	<i>49.2</i>	<i>-28.0</i>
<i>6177 fees for participation in fairs, exhibitions and other events</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>		<i>363.4</i>	<i>514.7</i>	<i>546.1</i>
618 Remuneration of external services	0.6	0.7	0.7		189.2	224.0	216.0
<i>6187 Training costs, internships and seminars</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>		<i>-19.9</i>	<i>-8.3</i>	<i>37.3</i>
<i>6189 Other remuneration for external services</i>	<i>0.7</i>	<i>0.6</i>	<i>0.6</i>		<i>3,564.2</i>	<i>3,318.4</i>	<i>2,333.5</i>
619 Maintenance costs for roads, roads, structures and other infrastructures	-0.1	-0.3	-0.3		-39.0	-95.5	-99.7
<i>6191 Road Maintenance</i>	<i>-0.1</i>	<i>-0.3</i>	<i>-0.3</i>		<i>-23.2</i>	<i>-99.1</i>	<i>-99.9</i>

Sources: World Bank BOOST, World Development Indicators.

3.7 Conclusions and Recommendations

105. **There is significant room to improve the allocative efficiency of the GOC's public spending.** Data quality issues aside, clear conclusions and reform areas emerge. The public budget undeniably includes a disproportionate share of overhead costs and funds allocated to servicing the debt, leaving insufficient resources for the DSCE's priority sectors. Moreover, a significant portion of goods and services expenditures is disguised as non-salary compensations. Finally, the very centralized management of the state budget is socially and politically costly.

106. **To increase allocative efficiency in public spending, the GOC should:**

- Reduce tax expenditures to increase the fiscal space;
- Develop and implement an action plan to gradually reduce the government's overhead costs, which will create the fiscal space needed to increase spending on social (and other priority) sectors;

- Ensure that the reference price list for key and standard goods and services (*mercuriale*) is used as a reference and that the list includes the lowest prices possible to reduce variations in public procurement costs across public entities, and contain spending in goods and services;
- Reallocate a portion of external service fees to maintenance and energy costs;
- Conduct a thorough review of EPAs to assess their net fiscal impact on public finances and their relevance with respect to service provision;
- Reduce significantly the use of non-debt unallocated expenditures by explicitly allocating such expenditures against specific functions of the Government; and
- Consider a gradual transfer of certain central government functions and/or sub-functions to lower levels of government.

107. Revenue gains from the reduction of tax expenditures, savings on representation, missions, committees and commissions, ceremonies, fuel and travel and cuts in transfers and subsidies could create substantial room for greater spending primarily on social sectors, but also on other priority sectors.



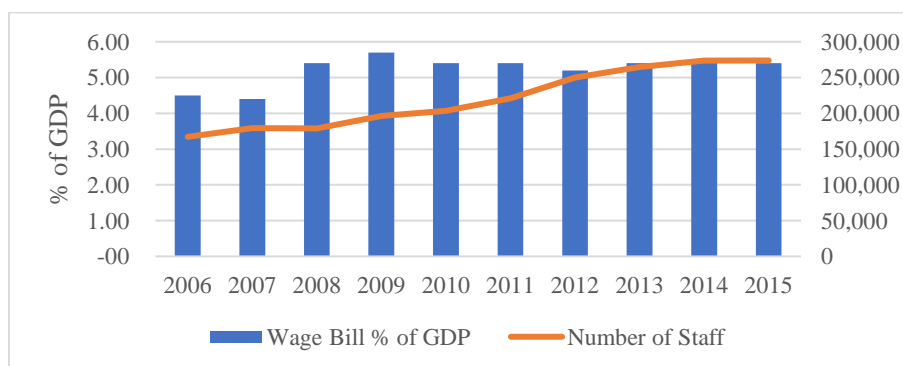
View of the Yaoundé administrative district

CHAPTER 4: THE WAGE BILL AND HUMAN-RESOURCE MANAGEMENT

4.1 Introduction

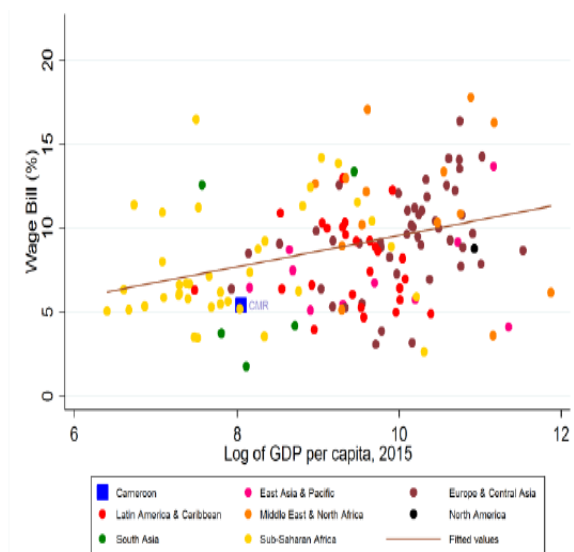
108. **Cameroon's public sector wage bill has remained stable between 5.0 percent and 5.5 percent of GDP over the past 10 years and represented 25 percent of total public expenditures in 2016.** This is relatively low compared to the 10 percent of GDP average for Sub-Saharan African (SSA) countries as well as the average of other geographical regions (Figure 31). Despite a recent increase in the number of civil servants, the size of the civil service in Cameroon remains within the average of SSA countries (Figure 30).

Figure 30. Wage Bill and Size of Public Service in Cameroon



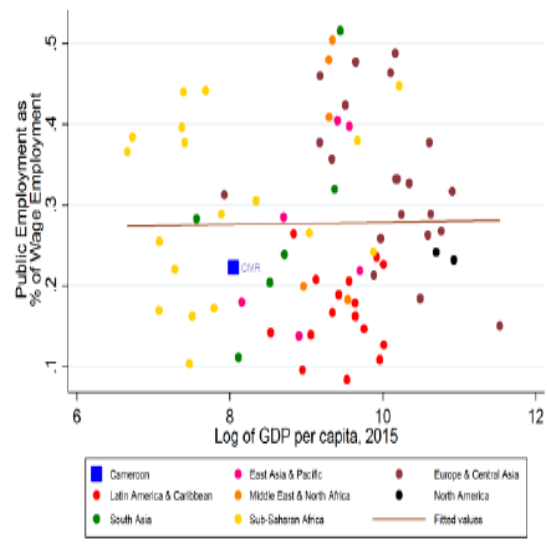
Source: Ministry of Finance.

Figure 31: Wage Bill as a Percentage of GDP



Source: World Bank staff, 2016.

Figure 32: Public Employment as a Share of Wage Employment

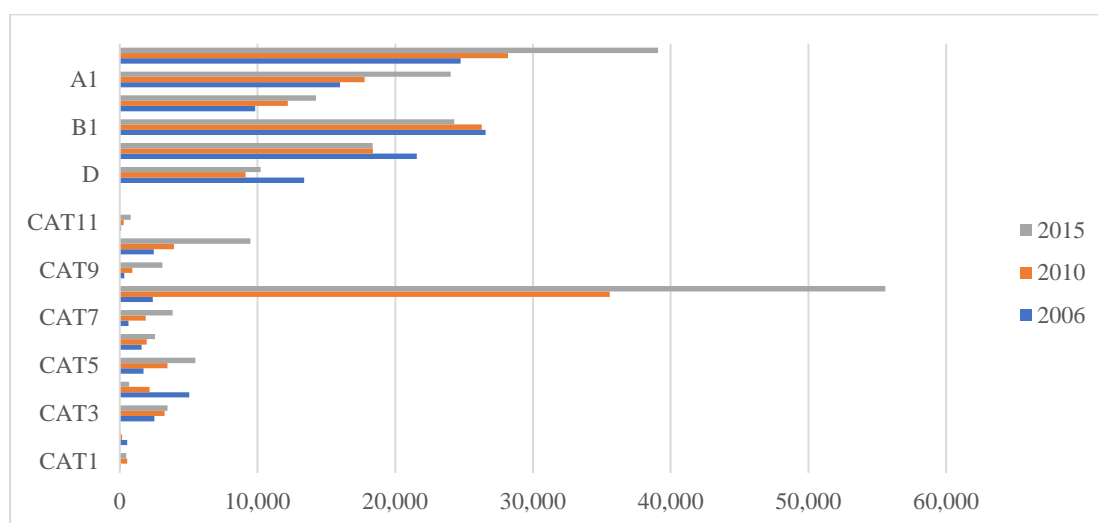


109. **The low wage bill reflects the historical legacy.** After independence in 1960, Cameroon's public administration became the largest employer in the country and the main actor in the

economy, as the GOC pursued a state-led development model with a high number of SOEs. However, the GOC made large cuts in public expenditures, including public salaries and wages, and suspended hiring, after a severe terms-of-trade shock hit the country in the mid-1980s. Moreover, a wave of privatizations of SOEs led to a reduction in the number of public servants. The GOC also implemented two pay cuts in January and November 1993 that reduced nominal salaries for public sector employees by about 50 percent on average, with the exception of military personnel and magistrates whose pay was cut by only 15 percent. This massive income loss was aggravated by high inflation rates following the devaluation of the CFA franc in 1994. As a result, average base salaries declined by 51 percent between 1991/92 and 1995/96, entailing a severe deterioration in living standards and social status for most civilian public employees. Since the drastic cut in the wage bill in 1993, only modest increases in public sector wages occurred in April 2008 when the indemnity related to the lack of housing was increased from 10 to 20 percent; in July 2014 when the minimum wage was increased by 5 percent; and in 2015 when the GOC increased family benefits from 7.0 percent to 8.4 percent. However, the impact of these increases has not been significant since the base salary has been and continues to be relatively low.

110. Due to a hiring freeze in the public sector, many public servants, mostly teachers, were hired as contractual workers. In 2016, there were total 226,076 public sector workers in Cameroon, of which 140,533 were permanent staff (Grades A (highest) through D (lowest) and 85,543 were contractors (Categories 1 (lowest) through 12 (highest), representing approximately 2.2 percent of the population (Figure 33). To compensate for low salaries, the GOC promoted civil servants on a mass scale, resulting in almost 40 percent more managerial (Grade A) than technical (Grades B and C) staff in the public workforce. Moreover, the GOC hired a significant number of contractual workers to supplement the technical workforce, especially in Category 8, which is equivalent to Grade B1 or B2 in the Statutory Act. As a result, the number of contractual workers reached 42 percent of the public-sector workforce in 2012, before falling to 37 percent in 2015, as some contractual teachers were regularized as permanent staff.

Figure 33: Structure and Number of Staff per Grade and Category



Source: Ministry of Public Service.

4.2 Distortions in the Pay System

111. **Cameroon's low public sector base salary has been supplemented by a number of allowances.** In the latest salary scale that was adopted on July 1st, 2014, the highest basic salary for Grade A2 is US\$573 per month, while the lowest for Grade D is US\$76 per month, which is low in comparison with peer countries in SSA (Table 6). For example, the highest and lowest monthly public salaries in Zambia are US\$4,302 and US\$301, respectively, whereas they are US\$2,200 (permanent secretary) and US\$297 (secretary), respectively, in Rwanda. Therefore, the GOC supplements public sector wages with a large number of allowances and bonuses such as specific and special bonuses, technical allowances, performance bonuses, hardship allowances, risk allowances etc. Moreover, Cameroon's pay structure is extremely complex, as the provision of allowances is not standardized. For example, managerial positions (Grades A1 and A2) and specific categories of professions receive additional allowances such as technical allowances and allowances for special duty, vehicle maintenance, water, electricity, and telephone.

Table 6: Pay Scale and Allowances in Cameroon (CFAF)

	Base Pay		Housing Allowance		Allowances linked to Grade and Professional Group		Share of Allowances in total Remuneration	
	Min	Max	Min	Max	Min	Max	Min (%)	Max (%)
Civil Servants in Managerial Positions (A1/A2)	150,968	342,809	30,194	68,562	10,500	52,500	21	26
Primary Teachers/Ministry of Basic Education (A1,2,3)	150,968	342,809	30,194	68,562	27,650	27,650	22	28
Secondary Teachers/Ministry of Secondary Education (A1/A2)	150,968	342,809	30,194	68,562	25,150	25,150	21	27
University Teachers/Ministry of Higher Education (A Grade)	150,968	342,809	30,194	68,562	120,000	190,000	43	50
Doctors/Ministry of Public Health (A2)	150,968	342,809	30,194	68,562	41,000	72,000	29	32
Ministry of Justice (Index 530 to 1400)	179,978	342,809	70,000	200,000	70,000	205,000	44	54

Source: Ministry of Finance, Directorate General of Budget.

Note: Family allowance is not included in the calculation.

112. **The GOC has also introduced a per-diem system to supplement the formal pay of public sector workers that attend special committees, commissions, or meetings. This caused considerable distortions in the public sector compensation system.** This practice has become an important source of income for certain categories of civil servants, as it provides workers between US\$90 and US\$360 per session (Table 7), which is almost 70 to 100 percent of the monthly base pay for civil servants (Figure 34). The per-diem practice has resulted in the proliferation of committees and meetings, delays in administrative processes and decision-making, and has generated bloated and duplicating public institutions with overlapping mandates. It has also worsened inequality in the compensation system, as not all the categories of civil servants have access to committees. In addition to per diems, staff in managerial positions also receive

vouchers for gasoline and subsistence for both domestic and international travel, which represent between 10 to 25 percent of the public budget for goods and services.

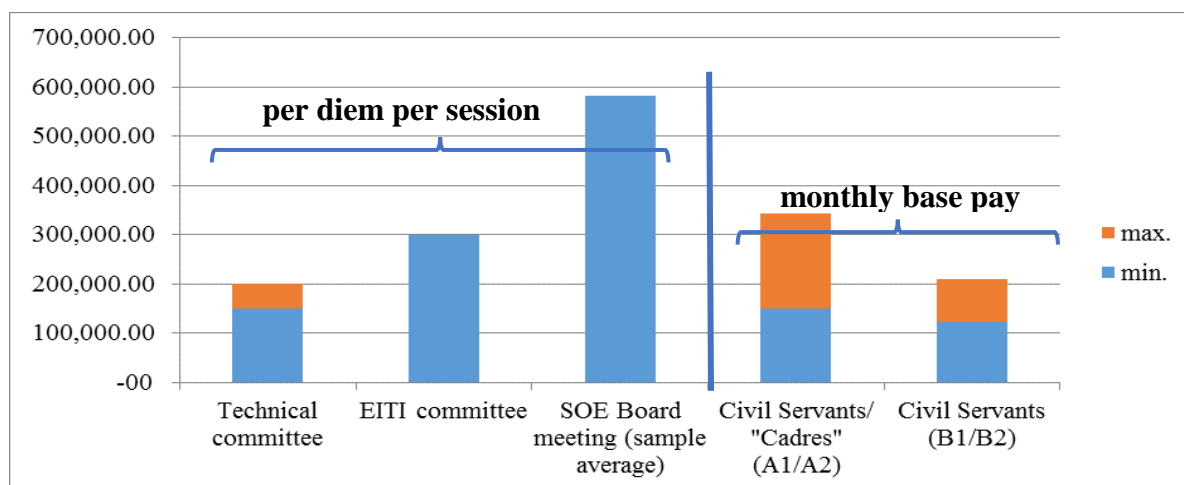
Table 7: Per Diem Rate for Technical Committee and Secretariat Members

	Franc CFA	US\$ equivalent
President of Committee	200,000	362
Vice President of Committee	175,000	317
Committee Members and Experts	150,000	272
Coordinator for the Secretariat of Committee	125,000	226
Members of Secretariat	100,000	181
Supporting Staff of Committee	50,000	91

Source: Government of Cameroon (circular, No 006/CAB/PM du 27 mai 2010).

Note: exchange rate: December 2017.

Figure 34: Comparisons of Amount of Per Diem and Monthly Base Pay



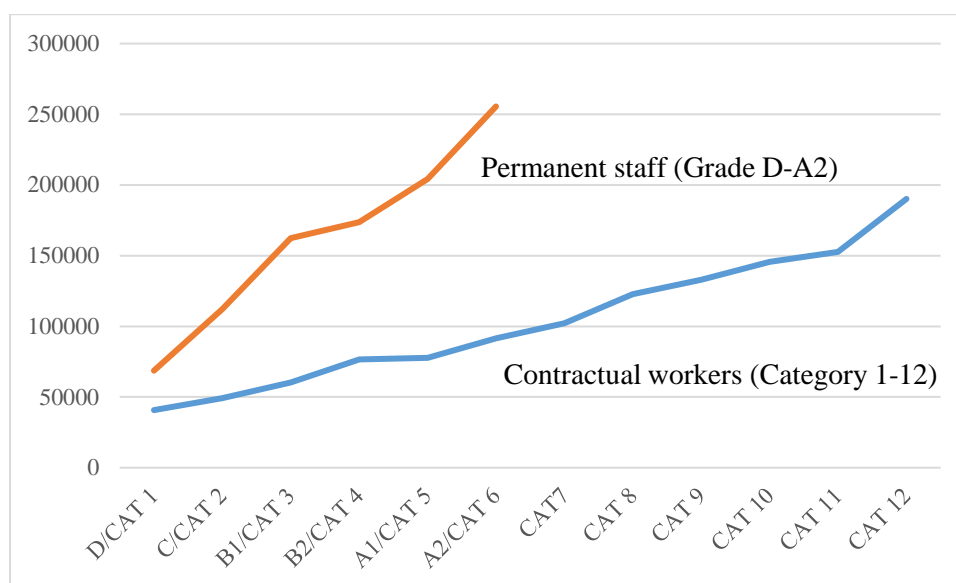
Source: Ministry of Finance.

113. Informal compensation encourages inefficient practices and is neither traceable nor controlled since it is not accounted for in the wage bill. First, informal transfers are not easily traceable since they are mainly paid from the operational budget of each ministry and aggregated with other recurrent expenditures. Also, per diems are paid in cash to those who sign a session's attendance list and are therefore not part of a worker's pay slip. Second, even though some records on the distribution and payment of benefits exist on paper, systematic internal control seems to be completely absent. Finally, there are no clear and established rules for the allocation of informal benefits. In most of cases, they are distributed by management based on arbitrary judgements. For example, certain ministries distribute fuel vouchers evenly to the directorates who subsequently distribute them equally among staff, regardless of need. These practices are detrimental for public sector performance, as in fact, it provides financial incentives to delay administrative processes and decision-making. Informal compensation is also disconnected from results and performance and even encourages rent-seeking practices.

114. While contractual workers consist of the critical mass in public workforce, they do not have the same level of job security or receive adequate incentives with a salary level and benefits considerably less than permanent staff. The survey on Civil Service Management for

Civil Servants³² confirms that 90 percent of staff, especially in non-managerial positions and with contractual status, are not satisfied with their level of compensation. Moreover, the internal training programs that are available for permanent staff are not provided to contractual workers. Although the public service is dependent on contractual workers, their compensation and benefits do not appear to be fair. Figure 35 indicates that contractual workers receive between 20 and 30 percent less salary than permanent staff in the equivalent grades.³³ This impacts the quality of service delivery and development outcomes.

Figure 35: Level of Basic Salary for Civil Servants and Contractual Workers (CFA)



Source: Ministry of Finance.

4.3 Human-Resource Management

115. **Though the Civil Service Act³⁴ defines the statutory basis for the country's civil service, its enforcement is a challenge.** The Act includes reasonably clear rules and principles around hiring, career management, evaluation and promotion, disciplinary regimes, and compensation for civil servants. However, its application appears to be challenging, as the provision of compensation in Cameroon does not appear to be in compliance with the Act. Moreover, the lack of an evaluation mechanism makes it difficult to evaluate the performance of civil servants, and inequality in career management and compensation appears to be persistent across the public administration.

116. **The lack of an effective establishment control process has resulted in the ad-hoc hiring of public sector staff.** Since there are no establishment frameworks that defines organizational charts, number of posts, and public employment profiles and qualifications, the hiring of public workers has been organized in an ad-hoc manner. For example, under the President's initiative, the 25,000 young graduates and 1,000 bilingual teachers were recruited in 2011. However, this recruitment took place without an establishment framework defining clear need for additional

³² World Bank, 2015.

³³ Category 6-9 is roughly considered equivalent to Grade B, and Above the category 10, to Grade A.

³⁴ *Statut General de la Fonction Publique* – Decree No. 94/199 of October 7, 1994 and revised by No. 2000/287 of October 12, 2000

positions. Also, the lack of an establishment control process has led to a significant increase in contractual workers in the public sector.

117. **The GOC's career management system is not conducive to performance.** The current civil-service grading structure was created in 1994. It has six overlapping grades, and a set of 12 notches within each grade between Grades D (lowest) and A1 (higher) and 18 notches within Grade A2 (Highest). Despite the Civil Service Act that clearly stipulates merit-based career advancement and evaluation mechanisms (Chapter III, Article 42), one notch of promotion is automatically provided to all civil servants each year without evaluation. The current grading structure appears to have too many steps (78 notches) and gives little incentive for promotion, as one notch of promotion provides an average of only US\$10-20 of monthly salary increase. The GOC needs to redefine a rational pay structure that reflects the value of different employment positions, and provides financial incentives for better performance.

118. **The current HRM practice and architecture require reforms to align with public mandates and functions, fulfill real manpower needs, and ensure service delivery.** The current inverted structure with many contractual workers does not appear to be conducive to frontline service delivery. Though there is no optimal model of civil service structure, international practices suggest that mid-career staff (Category B in Cameroon) who can provide substantive and technical work, facilitate decision-making, and ensure policy implementation, should be the critical mass. The first step would be for the GOC to create establishment frameworks (*Referentiel d'Emplois et des Competences: REC*) to determine employment positions across the administration with job description, and introduce establishment control including hiring, deployment and transfer of staff in compliance with establishment frameworks. To improve the performance of public services, it is also important that authorities ensure full compliance with the Civil Service Act, particularly the enforcement of performance-based HRM.

119. **The GOC has initiated a Public Administration Reform to address a number of issues in HRM.** In March 2012, the president issued a decree on deconcentrating HRM to line ministries to better manage the public workforce and the wage bill at both the central and decentralized levels. The first step was to clean up the human resources records and the old payroll and pension system (ANTILOPE) before creating an integrated Human Resources Management Information System (HRMIS) called SIGIPES. The GOC eliminated a significant number of irregular cases through its civil service census in 2000, 2005, and 2006. The Ministry of Civil Service and Public Administration Reform (*Ministère de la Fonction Publique et de la Réforme Administrative*, MINFOPRA) conducted an additional census in 2016 that identified 3,000 irregular cases, including ghost workers, and removed them in March 2018 after the thorough examination process at the disciplinary committees. Cleaning up human resources records and establishing an HRMIS are expected to have a positive fiscal impact and provide public authorities with a strategic HRM tool to efficiently hire and manage public sector staff. A completed version of the HRMIS (SIGIPES 2) is expected to be operational across the public administration in 2019. MINFOPRA has also created a framework for strategic staffing, employment, and skills management, and a ministerial committee chaired by the Office of the Prime Minister has been established to discuss it. While 34 out of 36 public administrative units have updated their organizational charts,³⁵ no establishment control has so far been introduced.

³⁵ According to the midterm evaluation of the implementation of the DSCE for the period (2010–2012).

120. **The GOC has introduced performance evaluations on a pilot basis across the public administration.** MINFOPRA has conducted pilots in the Ministries of Finance, Public Works, Health, and Public Service since 2008,³⁶ introduced pilots in its own ministry in 2015, and planned to introduce pilots in three additional ministries in 2018. Also, the Customs and Tax Office introduced performance contracts in 2007, resulting in a significant increase in customs revenue. Performance-based financing (PBF) pilots in the health sector indicate that a shift from centralized input-based planning to pay based on individual performance has significantly improved service-delivery outcomes. The GOC is considering a similar approach for public procurement with an incentive compensation mechanism based on the delivery of results. GOC could analyze lessons learned across the public administration to further develop performance evaluations for the other critical public services.

4.4 Conclusions and Recommendations

121. **The current compensation system, HR structure, and management require major reforms to provide adequate incentives for better public sector performance, in a transparent and equitable manner.** While the country's official wage bill is smaller than that of peer countries, informal compensation for civil servants appears to be significant and makes it difficult to estimate the real size of wage bill. Current HRM practices, including for hiring, career management, and compensation, and the country's overall human resources architecture are not conducive to performance, and in fact, it provides disincentives. Despite a significant increase in the number of public sector workers over the past 10 years, the GOC has not been able to improve service delivery, as most of Cameroon's human development indicators stagnated and most of its Sustainable Development Goals were not achieved. In addition to the GOC's ongoing efforts to reform the public administration, authorities should consider additional reforms to improve the efficiency and effectiveness of public wage expenditures and HRM.

122. **In the short to medium term (one to three years), the following policy options could be considered:**

(a) Human Resource and Payroll Controls

- Deploy the HRMIS SIGIPES 2 to merge human resources and payroll management systems which will ensure consistency, integrity and traceability in the HR and payroll records;
- Review and develop the establishment frameworks (*Référentiel d'Emplois et des Competences: REC*) of each ministry that should be budgeted in the program budget and include it in the finance law; and
- Keep cleaning up the HR records and migrate it into the SIGIPES 2.

(b) Compensation Policies

- Conduct a detailed review of the grading and pay structure, perform an analysis of the actual income of public servants, and develop a new pay system that consolidates some

³⁶ Through the introduction of Norms and Performance in the Cameroonian Administration Project (PINORAC).

allowances and ad-hoc payments into the base salary to ensure a fair and transparent pay system;

- Clarify and reclassify the budget for expenditures that are of a compensation nature such as per-diems and include it in the wage bill in compliance with the PFM directives;
- Suspend payments of per-diem for meetings which can be considered part of work duties and are not authorized on a legal basis;
- Rationalize and reduce unessential expenditures that are not spent for intended purpose but as part of an incentive for increase in revenues (that is, fuel and travel subsistence) and reallocate its potential savings to the program budget that will directly contribute to improving service delivery;

123. In the medium term (two to three years), the following policy options could be considered:

(a) Compensation Policies

- Continue to strengthen the traceability, control, and accountability of fuel and travel allowances, and redefine the criteria for allocating resources to and within ministries;
- Pilot a performance-based bonus system and classify its budget line in the wage bill;

(b) Human Resource and Payroll Controls

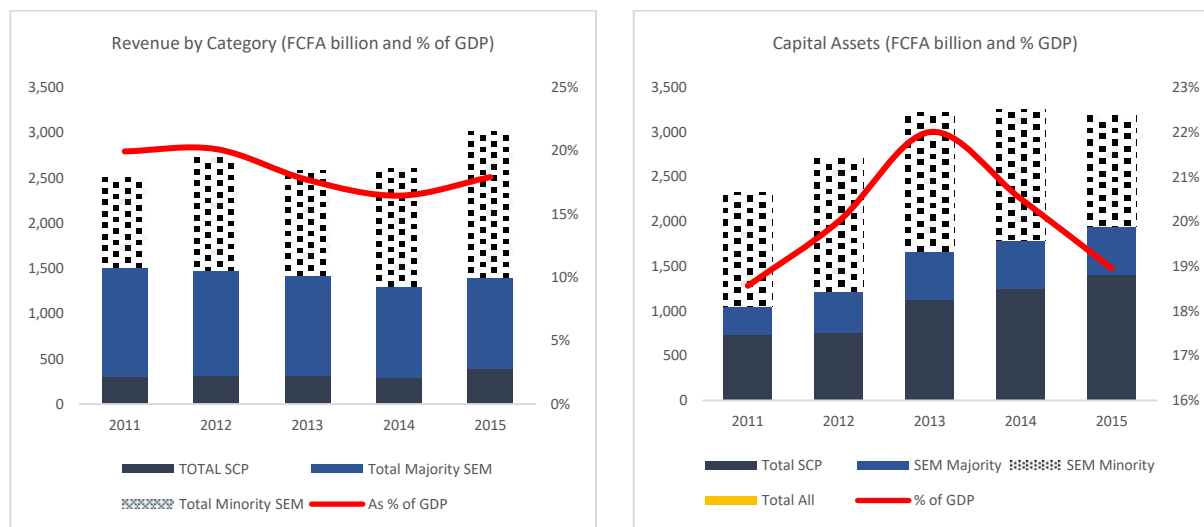
- Introduce performance evaluations in priority sectors and ministries and apply them across the public administration;
- Create an effective establishment control process based on the establishment frameworks; and
- Finally, create a recruitment strategy for each ministry based on a functional review of data from SIGIPES 2 and a gap analysis of the establishment frameworks to ensure the adequacy of skills in the public sector workforce.

CHAPTER 5: PUBLIC ENTERPRISES

5.1 Introduction

124. **Cameroon's public enterprise sector is large and has a substantial impact on the economy.** There were 54 commercial state-owned enterprises (SOEs) in the country at the end of 2016, including fully public-owned companies (*societes a capital publique*, SCPs) and companies in which the state was a majority or minority shareholder, so-called semi-public companies (*société d'économie mixte*, SEMs) (**Box 2**). The agro-industrial and processing sector has the largest number of SOEs, followed by the manufacturing, banking and finance, energy utilities, media, and transport sectors. The combined annual revenue of commercial SOEs averaged 18 percent of GDP over the 2011–2015 period, above the Sub-Saharan African (SSA) average of 14 percent (Figure 36). In 2015, SCPs constituted the smallest category of SOEs with CFAF 400 billion in revenue (2 percent of GDP), while the revenue of majority- and minority-owned SEMs totaled CFAF 1 trillion (6 percent of GDP) and CFAF 1.6 trillion (10 percent of GDP), respectively. In terms of capital assets, SCPs held the largest share at CFAF 1.4 trillion (8.3 percent of GDP) in 2015, while the assets of majority government-owned and minority government-owned SEMs were approximately CFAF 550 billion (3.2 percent of GDP) and CFAF 1.2 trillion (7.4 percent of GDP), respectively. Finally, Cameroon's public enterprise sector also includes more than 80 autonomous government agencies or specialized technical agencies (*Etablissements Publics Administratifs*, EPAs) which deliver public services in the areas of health (hospitals and health centers), sanitation (garbage collection) and education (universities).

Figure 36: Revenues and Capital Assets of SCPs and SEMs (majority and minority owned) (CFAF Billion and % of GDP), 2011–2015



Source: Ministry of Finance (Livre Verts).

Box 2: The Public Enterprise Sector in Cameroon

Cameroon's public enterprise sector (*Secteur Parapublique*) is organized into three broad categories³⁷ of institutions:

- *Societes a Capital Publique* (SCPs) are companies where the government is the sole shareholder. There are currently 28 Cameroonian SCPs, including the telecom company, the national airline and smaller institutions such as the national veterinary laboratory.
- *Societes d'Economie Mixte* (SEMs) are companies where the central government is a joint shareholder (majority or minority) with the private sector and/or with other public institutions. There are currently 26 SEMs in Cameroon, including a large international bank, an energy utility, an aluminum manufacturer, the airports company, the railway company, and several agro-processing companies.
- *Etablissements Publics Administratifs* (EPAs) are autonomous government agencies or specialized technical agencies, including the investment promotion agency, the national public administration school, regulatory agencies, and several hospitals and schools. There are more than 80 EPAs in Cameroon, and they are generally entirely reliant on transfers from the public budget for their activities, although a few generate substantial revenue from commercial activities.

The number of companies listed each year varies mainly due to weak reporting compliance but also due to changes in company portfolios. There is also some inconsistency in the legal distinction of some SOEs, with some still listed as public industrial and commercial enterprises (*Enterprises Public de Caractere Industrielle et Commerciale - EPIC*), public institutions (*Etablissements Publics - EP*), and development organizations (*Societies de Developpement - SD*).

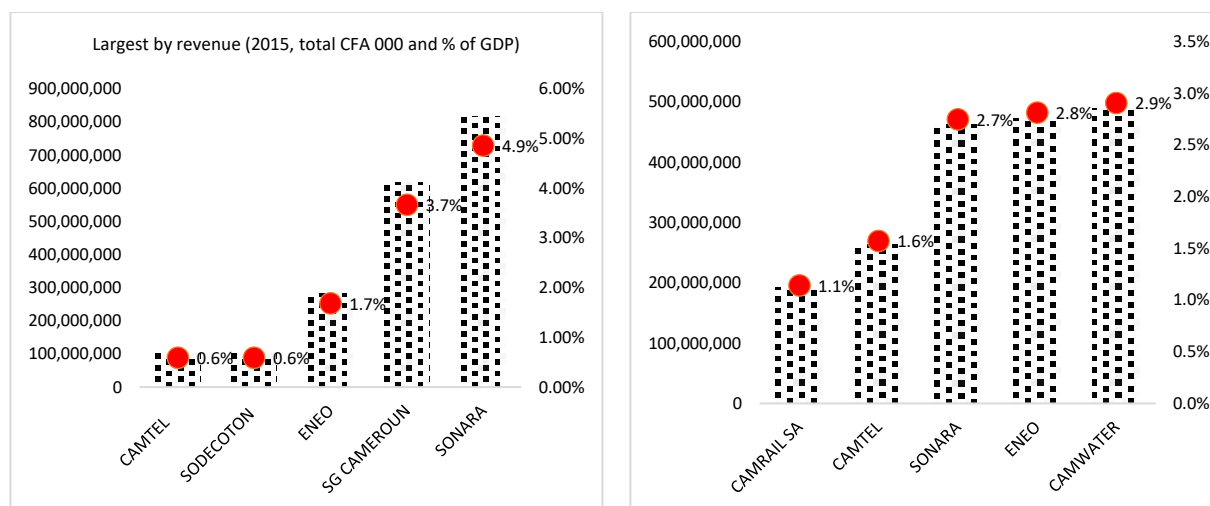
Source: World Bank

125. In 2015, Cameroon's top five SOEs were responsible for approximately 73 percent of total turnover in the SOE sector, and their combined revenues reached CFAF 2.2 trillion³⁸ The National Refining Company (*Societe Nationale de Raffinage SA*, SONARA) was the largest SOE at 4.85 percent of GDP in 2015, followed by the bank *Societe Generale Cameroun* (3.67 percent), the energy utility ENEO (1.68 percent), the cotton producer *Société de Développement du Coton* (SODECOTON) (0.6 percent), and Cameroon Telecommunications (CAMTEL) (0.6 percent). In terms of fixed assets, the Cameroon Water Utilities Corporation (CAMWATER) was the largest at 2.9 percent of GDP in 2015, followed by ENEO (2.8 percent), SONARA (2.75 percent), CAMTEL (1.6 percent), and CAMRAIL (1.1 percent).

³⁷ This classification of the Cameroonian public enterprise sector differs from the current official classification. The changes in the classification were introduced in the July 2017 laws on public enterprises and institutions.

³⁸ Approximately US\$3.7 billion.

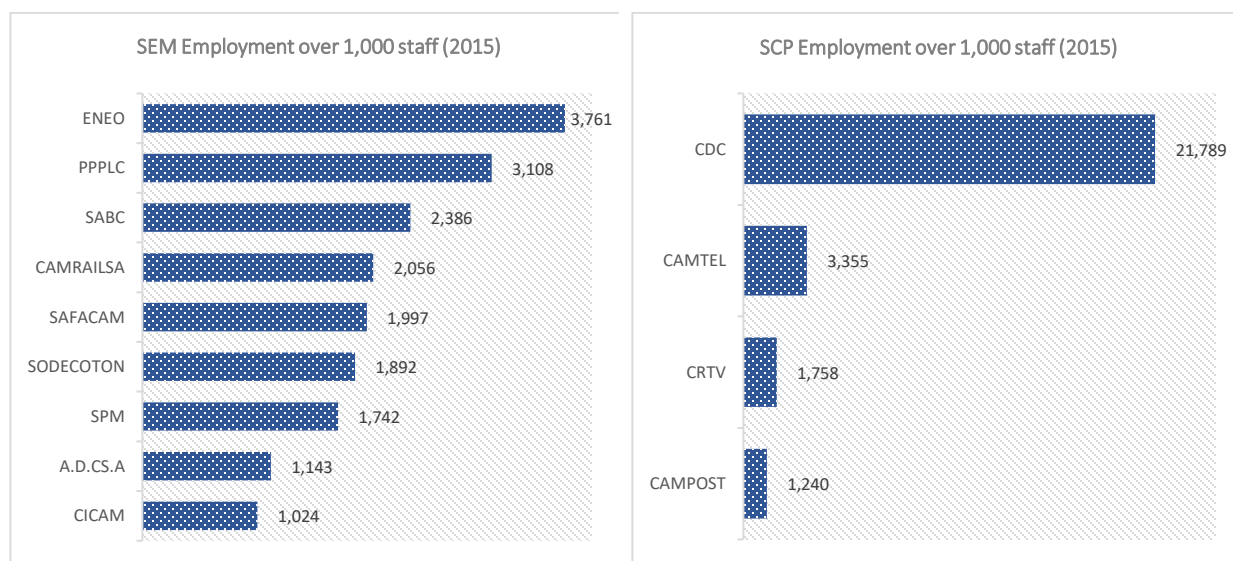
Figure 37: Largest SOEs by Turnover and Fixed Assets (CFAF and % GDP), 2015



Source: Ministry of Finance (Livre Verts).

126. **Employment in the country's SOE sector represents a significant share of both public sector and formal-sector employment.** As of end 2015, commercial SOEs employed a total of 59,543 staff, including 33,881 employees in SCPs and 25,662 employees in SEMs, which was equivalent to 16 percent of the public sector workforce and nearly 6.5 percent of all formal employment (Figure 38). The Cameroon Development Corporation (CDC), an agro-industrial company that produces rubber, bananas, and palm oil, was the largest employer with 21,789 staff.

Figure 38: SEMs and SCPs with over 1,000 Employees



Source: Government of Cameroon, Ministry of Finance, Livre Verts

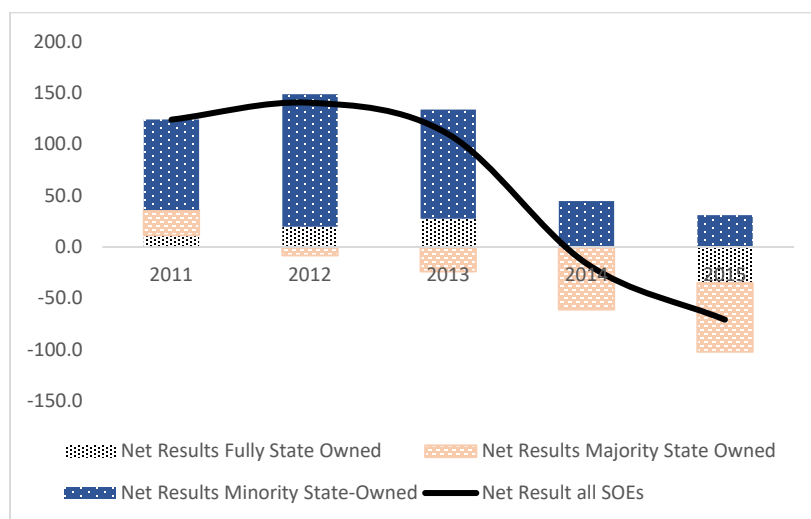
5.2 Financial Performance of Public Enterprises

127. **The financial performance of SOEs deteriorated in 2014 and 2015, especially for fully and majority state-owned companies.** The combined financial results of Cameroon's fully and partially state-owned companies deteriorated from over CFAF 100 billion in net profits in 2011-13 to net losses of CFAF 19.6 billion and CFAF 25.6 billion in 2014 and 2015, respectively (Figure 39). However, performance varied greatly among SOEs. Majority state-owned companies experienced the biggest losses, largely driven by SONARA's and SODECOTON's combined financial losses of close to CFAF 71 billion in 2015. Moreover, fully state-owned companies recorded losses of CFAF 35 billion in 2015, with the Cameroon Shipyard and Industrial Engineering company (*Chantier naval et industriel du Cameroun*, CNIC), the Cameroon Airlines Corporation (CAMAIR), and the CDC posting a combined loss of about CFAF 65 billion. On the contrary, all of Cameroon's minority state-owned companies were profitable in 2015, except for CLGG SA, a maritime cargo and freight company.



Airplane company Camair Co

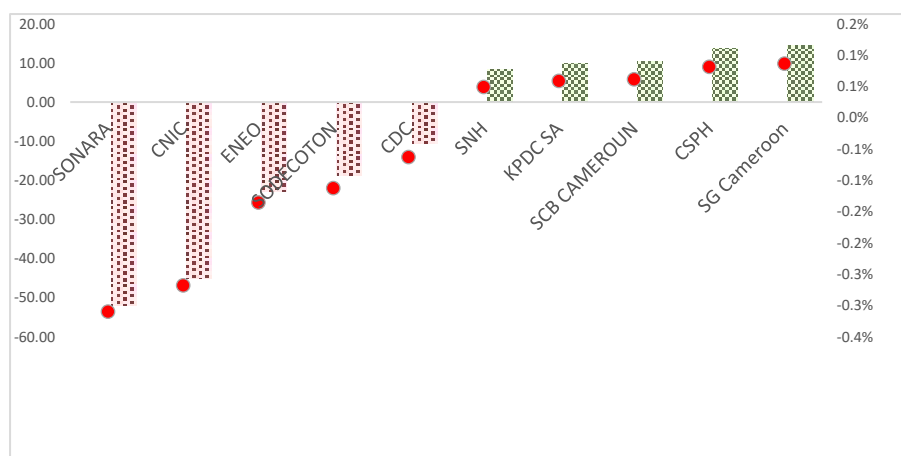
Figure 39: Average Net Results in the SOE Sector (CFAF, Billion and Average Net Margin by share of Government Ownership %), 2010–2015



Source: Ministry of Finance (Livres Verts) and author's calculations.

128. **SOEs with a higher share of government ownership performed worse than SOEs with more private sector participation.** Between 2011 and 2015, the average net margin for fully state-owned companies was -10.7 percent, while it was -3 percent for majority state-owned companies and 10 percent for minority state-owned companies.³⁹ The poor performance of fully state-owned companies was likely driven in part by large public utilities that are not set up to maximize profits or other companies with public-service obligations that affect their bottom lines. However, all SOEs need to be properly compensated for loss-making activities to avoid a sustained erosion of their assets and a deterioration in the quality of their service delivery.

Figure 40: Largest Net Profits and Losses (CFAF Billion and % of GDP), 2015



Source: Ministry of Finance.

129. **The combined profits of the 10 most profitable Cameroonian SOEs in 2014–2015 totaled CFAF 96.4 billion.** In 2015, the following SOEs achieved the largest profits: Société Générale Cameroon (SG), the fuel storage company CSPH, Société Commerciale de Banque

³⁹ Average for all SOEs with available data between 2009 and 2015, including companies that have since been liquidated.

Cameroon (SCB), and the Kribi Power Development Company (KPDC), a special purpose vehicle set up jointly between the GOC and the AES group to operate a public-private partnership (PPP) for the development of a natural gas power plant (Figure 40). However, many SOEs have experienced continued losses and a lack of investment in assets and infrastructure. SONARA and CNIC were the worst performing SOEs in 2015, with combined losses of approximately CFAF 73 billion, or 0.45 percent of GDP. In general, the poor performances of SOEs were due to, inter alia, a lack of compensation for public-service obligations, regulation that sets low prices for products and services (such as water and electricity), poor management, and a lack of accountability for performance. In addition, large explicit and implicit subsidies and other advantages given to SOEs mask poor results in many companies that are recording profits. For example, the public cost of providing the Alucam aluminum smelter with subsidized energy (US\$2.3 cts kwh versus a general rate of US\$8–11 cts kwh) is approximately US\$80 million per year, which should be factored in when assessing the performance of Alucam, as it essentially constitutes a cross subsidy from the energy sector.

5.3 Financing of Public Enterprises

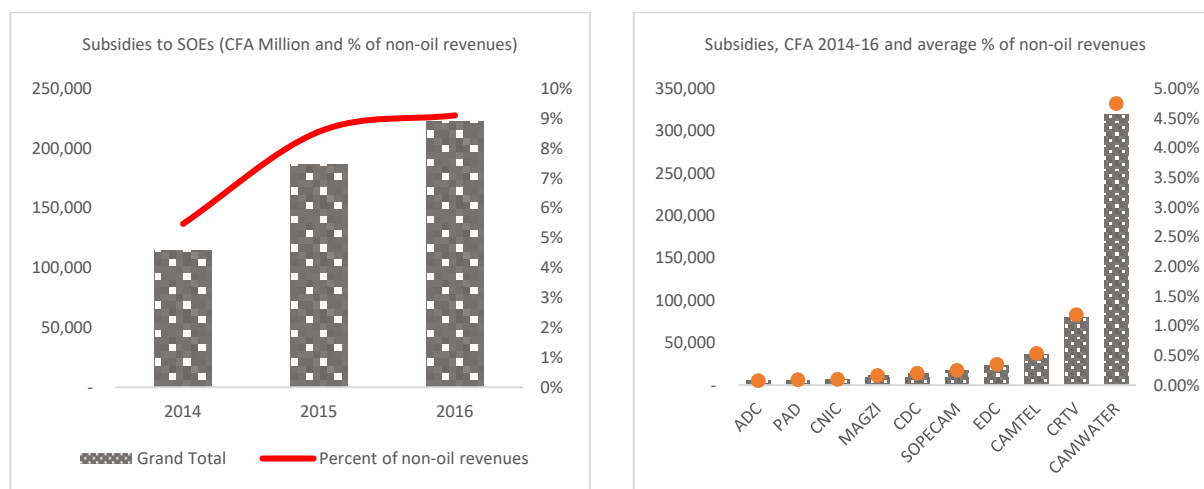
130. **Public enterprises⁴⁰ in Cameroon are financed in a multitude of ways.** These include direct subsidies for operations, capital subsidies for investments, recapitalizations, and government guarantees for commercial loans taken directly by the enterprises and on-lending. It is very difficult to get a complete overview of public enterprise financing due to the lack of a centralized system to collect and analyze SOE related finances, resulting in separate and incomplete datasets.

131. **Government subsidies to commercial SOEs increased from CFAF 114 billion in 2014 to CFAF 222 billion in 2016 (9 percent of non-oil revenue) (Figure 41).**⁴¹ Cameroon's water utility (CAMWATER) was the largest beneficiary of these subsidies, followed by the public radio and television company (CRTV), the telecoms company (CAMTEL), and the company in charge of managing public assets in the energy sector (EDC). Subsidies to autonomous public agencies (EPAs) stayed stable at just over 72 billion CFA per year, equal to 3.25 percent of non-oil revenues and 28 billion for other public agencies, around 1 percent of non-oil revenues. The ten largest beneficiaries of these transfers were eight regional universities and the hospitals of Yaounde and Douala (Figure 41). Subsidies to other public agencies mainly benefitted garbage collection agencies and a dialysis treatment center (Figure 42).

⁴⁰ Fiscal risk can be understood as the potential deviation in fiscal variables from what was expected at the time of the budget or other forecast. The International Monetary Fund (IMF) defines fiscal risk as a deviation in fiscal variables compared with what was anticipated in the government budget or other fiscal forecasts, arising from macroeconomic shocks and the realization of contingent liabilities. The government's ability to effectively manage such risks depends on its ability to assess these various sources of risks and plan for and/or put in place measures to mitigate them. From the perspective of the SOE sector, fiscal risks stem from several sources, including the risk related to government backed debt and the requirement of subsidies and/or capital transfers to SOEs. Other risks include the buildup of various arrears, such as tax arrears and social security arrears, as well as arrears to suppliers of SOEs but also implicit burdens placed on the government by public expectations or political realities (for example, recurring cost of investment projects and SOE bailouts). The following section provides some information on the situation with regards to such fiscal risks for the SOE sector in Cameroon.

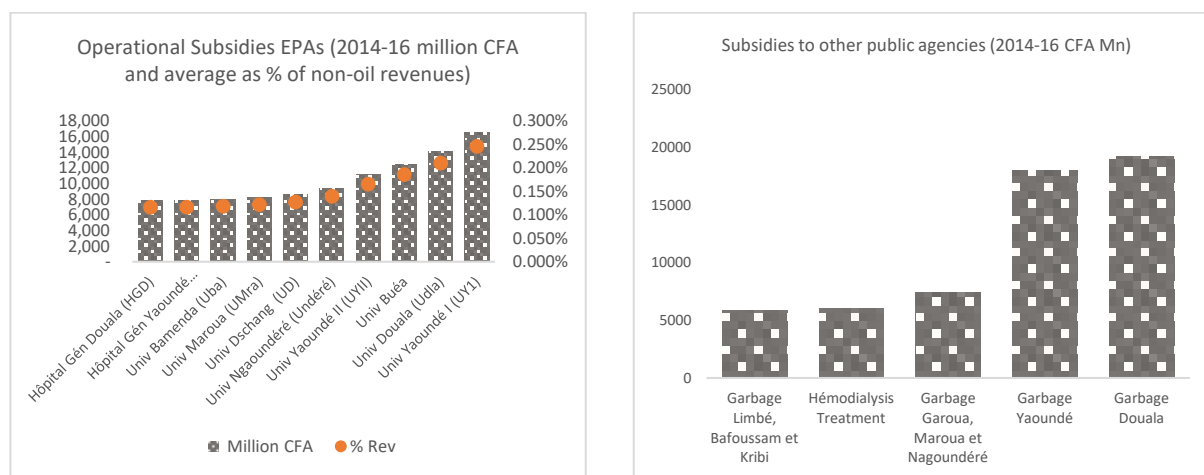
⁴¹ These subsidy estimates are upper-bound estimates and include payments for government consumption of public services delivered by these entities or public services delivered on behalf of the GOC, which unfortunately cannot be separated from subsidies with the available data.

Figure 41: Subsidies to SOEs and % of Non-oil Revenues, Largest SOE Recipients of Subsidies (CFA Million and % of non-oil revenue)



Source: BOOST, CTR and author's calculations.

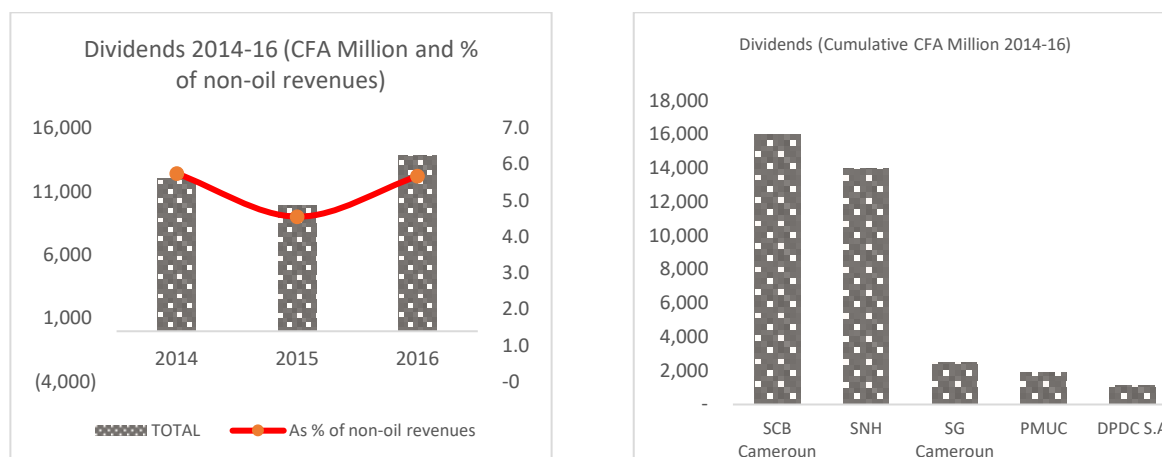
Figure 42: Subsidies to EPAs and Other Public Agencies 2014–2016 (CFA million and % of non-oil revenues)



Source: BOOST, CTR and author's calculations

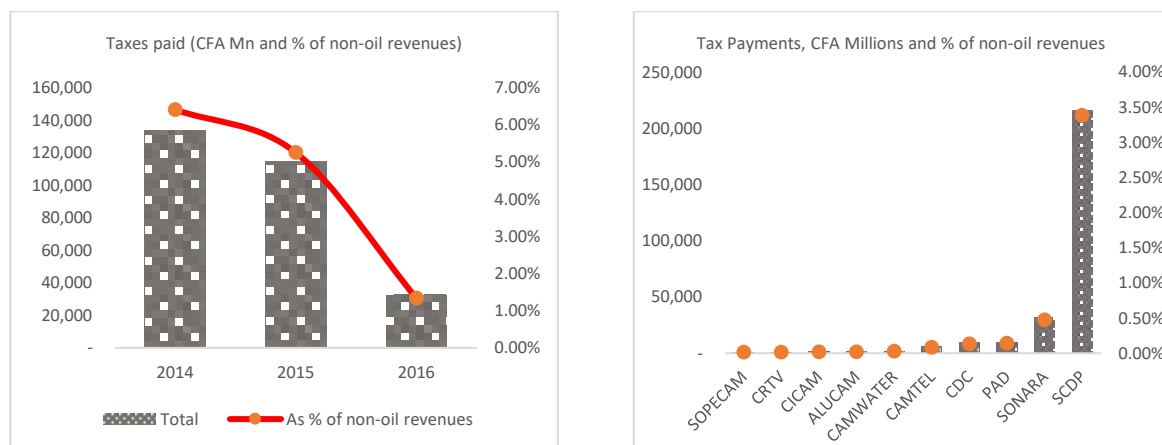
132. **Transfers from SOEs to the state come mainly from Dividends and Tax contributions.** Few SOEs pay dividends to the GOC: Between 2014 and 2016 only five SOEs paid dividends. In 2016 total dividends were CFAF 13.8 billion, equivalent to 0.57 percent of non-oil revenue (Figure 43). During the same period, taxes paid by SOEs decreased from CFAF 133 billion in 2014 to CFAF 32 billion in 2016 (from 6.4 to 1.3 percent of government revenue). On average, taxes paid by SOEs totaled 4.3 percent of non-oil revenue in 2014–2016, while subsidies to commercial SOEs constituted 7.7 percent of non-oil revenue and subsidies to EPAs and other agencies were around 4.3 percent of non-oil revenues.

Figure 43: Dividends (CFA Million and % of Non-oil Revenues, Dividends by SOE (Cumulative in CFA million 2014–2016)



Source: DPC (Livre Vert) and author's calculations.

Figure 44: Taxes Paid 2014–2016 (CFA Million and % of non-oil revenues), Taxes paid by SOE (CFA million and % of non-oil revenues)



Source: CTR and author's calculations.

133. **The net fiscal impact of the SOE sector has been negative and worsened between 2014 and 2016.** The net fiscal cost of SOEs and public agencies was on average 13.5 percent between 2014–2016, reaching 18 percent of non-oil revenues in 2016. This includes all transfers between the GOC and SOEs and public agencies for which we have data, including subsidies and capital transfers to SOEs and public agencies as well as dividends and taxes paid by SOEs to the GOC, and including the taxes and fees owed by SOEs to the government. It also included outstanding payments from the government to SOEs. Taxes owed by SOEs to the GOC (i.e, the fiscal debt) contributed the most to the negative fiscal balance, reaching 22 percent of public revenues in 2016 (CFAF 438 billion). As of the end of 2016, the largest debtor was SONARA (CFAF 297 billion, 12 percent of non-oil revenues), followed by CAMTEL (CFAF 64 billion, 3 percent of non-oil revenues). Arrears of this magnitude pose a significant fiscal risk to the GOC.

Table 8: Net Fiscal Impact of SOEs and Public Agencies (% of non-oil revenues)

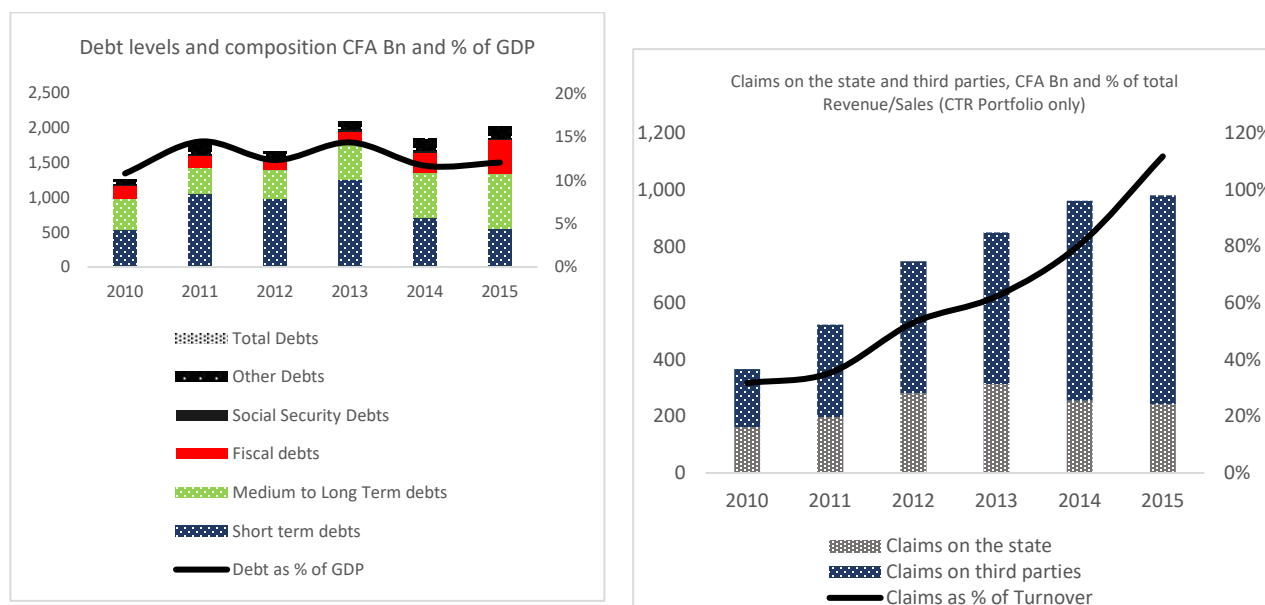
	2014 (%)	2015 (%)	2016(%)
Dividends	0.6	0.5	0.6
Taxes paid	6.4	5.2	1.3
Claims on State	2.6	3.2	2.2
Subsidies to SOEs	-5.5	-8.6	-9.1
Fiscal debts	-14.1	-22.1	-17.9
Social security debt	-1.4	-1.3	-1.6
Subsidies and Transfers to Public Agencies	5.2	6.8	6.6
Net Fiscal Impact	-6.1	-16.2	-18.0

Source: BOOST, Livres Vert, CTR and authors calculations.

134. **The total debt of Cameroonian SOEs averaged 12 percent of GDP between 2010 and 2015, approximately half of which had explicit government guarantees.** In 2015, the debt of SOEs monitored by the Technical Committee for Restructuring (*Comité Technique de Restructuration*, CTR) was equally split between short-term debts, fiscal debts, and medium- to long-term debts. The total debt of the country's SOEs reached CFAF 2 trillion in 2013 (14 percent of GDP), before falling to CFAF 1.44 trillion (9 percent of GDP) in 2015. Most of this debt is short term and is expected to be paid as planned. While the GOC is only legally required to cover the debt for which it has issued explicit guarantees, equal to around 1.5 percent of GDP in 2015, the historical record shows that governments are likely to bail out failing SOEs, covering their entire debt.

135. **SOEs also have significant debts and outstanding claims or accounts receivables from the GOC and other parties, mainly other SOEs.** Outstanding claims or accounts receivables constituted on average 44 percent of total sales in 2014–2015, reaching CFAF 1.1 billion at the end of 2015 (Figure 45). While there is no information about how long overdue these claims were or how much was paid as planned, written off, or dealt with through lengthy and cumbersome debt settlement/netting exercises, such high levels of outstanding claims can significantly complicate the management of company finances and lead to cash shortages, especially in smaller companies. In addition, the GOC could eventually be required to provide additional support to cover these claims. The increase in outstanding claims between 2010 and 2015 also suggests that these continue to build up.

Figure 45: SOEs' Debt Levels and Composition, Claims on State and Third Parties (CFAF billion, % of GDP, and % of Revenues), 2010–2015



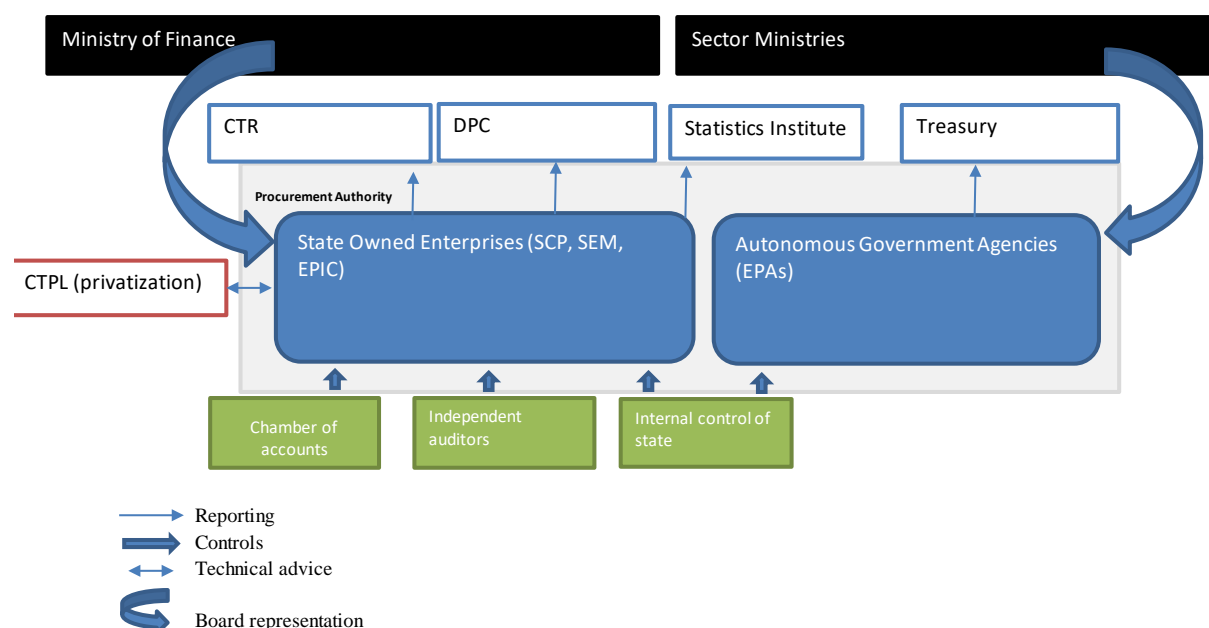
Source: CTR and authors calculations.

5.4 Ownership Arrangements, Monitoring, and Oversight of SOEs

136. **Cameroon has a dual model for overseeing and monitoring SOEs, with the Ministry of Finance and sector ministries both participating on SOE boards.** The monitoring of the SOE portfolio is carried out by two units in the Ministry of Finance: The Division of Shares and Contributions (*Division des Participations et de Contributions*, DPC), which is part of the budget department, and the CTR, which is directly under the Minister of Finance. The Privatization Commission (*Commission Technique de Privatization et de Liquidation*, CTPL) is charge of the technical preparation for the privatization and liquidation of SOEs.

137. **The DPC prepares an overview of the performance and subsidies of SOEs, which is annexed to the annual public budget (Livre Vert).** The overview includes basic information on each SOE's initial capital, the net equity position as of the previous year, total turnover, net profit/loss dividends paid, assets, and balance brought forward. It also includes information on debt with and without government guarantees, and staffing numbers broken down in three categories (that is, *Cadres*, *Agents de Maitrise*, *Agents ou Ouvriers*). Finally, the overview includes data on SOE liabilities to service providers. The overview is presented as a series of tables without any analysis of trends or risk rating related to company performance or contingent liability risks. It does include data on subsidies allocated to EPAs for the following year, but data from prior years are not updated to include actual expenditures.

Figure 46: Overview of SOE Oversight Institutions



Source: CTR

138. While the CTR has the mandate to monitor all SOEs, it has focused in recent years on a sub-set of companies that are under restructuring or otherwise subject to increased follow-up.⁴² The CTR produces an annual report to the Minister of Finance that analyzes SOE performance and classifies companies into several categories: (i) well-performing companies with a capacity to access capital markets without sovereign guarantees, (ii) low-risk companies that require increased monitoring, and (iii) high-risk, poorly performing companies that require government support. Neither the report nor any other data on SOEs are publicly available. Also, the CTR does not have a website and there is no mention of SOEs on the Ministry of Finance's website.

139. Most SOEs do not provide the CTR with their financial statements in a timely manner. Only an estimated 40 percent of SOEs produce their financial data as required by law. While CTR technical staff members communicate regularly with SOEs, they are often unable to get the full cooperation of management teams and boards that have powerful political connections. SOE board members that represent the Ministry of Finance should in theory receive financial reports from the SOEs they oversee and submit these to the CTR and other relevant institutions, although this is rarely done. The CTR operates an old database software system (SISEP) that is used to enter basic information on each company, including information on board members and management teams as well as key data from financial statements. The system then calculates some basic financial ratios that are used for performance monitoring and analysis. However, the CTR has not been able to use the problematic and outdated database for the last three years. Instead, CTR reports include basic summary tables, but data in these tables appear incomplete, include errors and omissions, and sometimes differ significantly from the information presented in the

⁴² 16 of the 28 SCPs and 4 of the 10 SEMs.

Livre Vert (which is prepared by the DPC). Currently, the CTR is preparing a risk map for the SOE portfolio based on financial and operational indicators.

140. **The GOC has recently adopted a more centralized model for SOE monitoring.** To improve the availability of data and oversight of public enterprises, the GOC established a working group in April 2017 with a mandate to centralize the collection and analysis of financial data on SOEs and EPAs. The group is chaired by the DPC within the budget department of the Ministry of Finance and includes all institutions that depend on SOE data for their work (that is, the CTR, the CTPL, the national statistics institute, and the debt department).

5.5 Transparency and Reporting

141. **Cameroon's public enterprise sector suffers from weak disclosure and transparency of financial data.** Open access to information enables accountability and helps prevent self-serving interventions. Without detailed and reliable financial information, it is difficult for authorities to assess company and board performance, set targets, and efficiently allocate capital. Although most public enterprises in Cameroon are not listed on a stock exchange, they are funded with taxes and should therefore be even more transparent than listed companies. In Cameroon, all public enterprises are required to submit to the Ministry of Finance on an annual basis their (i) activity reports (ii) reports prepared by financial controllers (in the case of EPAs) or reports of statutory auditors (*commissaires aux comptes*) (in case of the SCPs and SEMs), and (iii) annual financial statements and certified accounts. In addition, public enterprises must publish a summary note of their financial and operational performance in a legal journal and in the national press. In practice, compliance with these requirements is very uneven, and reports are often incomplete or submitted with significant delays. Very few SOEs publish their financial reports on their websites. SOEs are also required by law to undergo an annual audit and required to submit a copy of the audit report to the Ministry of Finance.

142. **The central government units in charge of monitoring SOEs do not publish any information relative to the companies under their purview.** The tables produced by the CTR and the DPC are not comprehensive and include no analysis of SOE performance or on the transfers between the GOC and the SOEs, and there is no analysis on the fiscal risks stemming from contingent liabilities or other sources of risk. Best practices on SOE reporting recommend that governments provide a comprehensive overview of all SOEs by category, their financial and operational performance, and their corporate governance arrangements (that is, management and board composition) as well as all transfers between the SOEs and the government, including tax arrears and debt levels.

143. **The legal framework governing the SOE sector was updated in 2017 with the passage of two new SOE framework laws, one for commercial SOEs and another for public agencies.** The new legal framework aims to bring more clarity to the SOE landscape and to give greater autonomy to SOEs with the objective to increase performance. A strategy for the roll-out of the new legislation is under preparation. The evolving legal framework and ongoing reforms are timely and bring opportunities to further strengthen SOE transparency, accountability and the state's capacity for oversight and management of fiscal risks associated with SOEs.

5.6 Conclusions and Recommendations

144. This chapter provided an overview of the public enterprise sector, with a focus on the public costs and fiscal risks associated with state owned enterprises and public agencies in Cameroon. It has not covered broader corporate governance issues, which are critical for understanding SOE performance. The following recommendations are therefore focused on the SOE related fiscal risk management.

Short-term Priorities

145. **There is an urgent need to improve SOEs performance through strengthening corporate governance and oversight and monitoring and fiscal risk management.** In particular, the GOC needs to:

- **Adopt specific regulations on reporting and transparency obligations.** Annual reporting does not allow the GOC to closely monitor public enterprises. To ensure more regular reporting and fiscal risk monitoring, SOEs should be required to send quarterly unaudited financial statements to the SOE unit, in addition to the annual audited financial reports. There is also a need to clearly define what should be included in the annual performance and operational reports, and the GOC as the public shareholder needs to define what kind of reports the SOE unit should be produce. Moreover, authorities need to clearly define the level of public access to SOE's financial information. Ideally, companies should publish all audited financial statements and their annual reports online, and the SOE unit should publish their annual SOE analytical reports online as well. In addition to financial reporting, SOEs should also be required to report on the main operational events that occurred during the year (that is, investments, divestments, and major events) as well as key operational indicators, including board composition, board remuneration, and progress towards achieving social targets, if any.
- **Build a more professional SOE ownership and oversight function and move toward creating a centralized unit.** The SOE oversight model in Cameroon is quite complex, with overlapping mandates and lack of clarity. Therefore, the GOC should consider consolidating its monitoring functions into one central monitoring unit. This central unit should possess the necessary tools and capacity to be able to prepare regular performance and fiscal risk reports that focus on SOE's financial and operational performance, debt levels, and corporate governance practices. The GOC should use the standards outlined in the OECD's corporate governance principles and the World Bank's SOE toolkit as reference points in their evaluations. The recent creation of a committee with a clear mandate to improve data collection and analysis is a step in the right direction.
- **Strengthen the audits and controls of SOEs.** The GOC needs to ensure the reliability of financial information and the accountability of SOE management. Non-compliant practices should be subject to sanctions and replaced with good financial management practices in a timely manner. The authorities should require SOEs to undergo independent financial audits on an annual basis and publish the audited reports in addition to the financial controls carried out by statutory auditors. SOEs that do not have audit committees should also be required to urgently establish them.

Medium- to Long-term Priorities

- **Conduct full diagnostic reviews of the largest SOEs.** These should focus on SOEs that are experiencing financial losses each year and pose the biggest fiscal risks to the government. When necessary, the GOC should prepare and implement restructuring and/or performance improvement programs based on the findings of the reviews. Each diagnostic study should be tailored to each SOE and include the full quantification of the costs of its public-service obligations.
- **Normalize financial relations between the government and SOEs.** Public support to SOEs should be based on realistic calculations of public-service obligations. In the absence of good estimates, it is difficult to know whether SOE losses are due to their service obligations or due to other inefficiencies. Subsidies and transfers are usually negotiated between the Ministry of Finance and individual SOEs during the annual budget preparation exercise. An informal and protracted negotiation process to determine the level of public support can delay transfers to SOEs, which may complicate their cash management, resulting in a buildup of arrears and additional financing costs.



Obstetrics Hospital of Yaoundé

CHAPTER 6: TRENDS AND QUALITY OF PUBLIC INVESTMENT

6.1 Introduction

146. This chapter reviews trends in capital expenditure levels, composition and execution in Cameroon. The chapter also evaluates public investment management processes and the adequacy of capital budget allocations and utilization across sectors given Cameroon's investment needs and national priorities, and recommends ways to strengthen public investment processes for improved public investment efficiency and better infrastructure quality.

6.2 Public Infrastructure Quality

147. There are large infrastructure gaps in Cameroon's transport, electricity, and ICT sectors, all of which are priorities in the DSCE. On transport, the gap translates into a poor accessibility with only 27 percent of the rural population having access to an all-season road within 2 km of their home. In urban centers, citizens and businesses are confronted daily to congestion and poorly functioning public transit with multiple negative impacts in terms timely commuting or delivery of goods and service, pollution, and so on and so on. The absence of roads that direct traffic around the city rather than through its center and poor road quality are the major causes.⁴³ Nevertheless, the road infrastructure ensures 85 percent of the traffic of persons and goods due to low coverage of the railway network and underdeveloped/ unreliable air transport system. Moreover, the road infrastructure is in poor condition and 78 percent of it is unpaved. Figure 47 shows also that there is a spatial dimension to the gap with two main clusters (coastal/center and Far north) with limited connectivity between them.

Figure 47: Road Network Accessibility

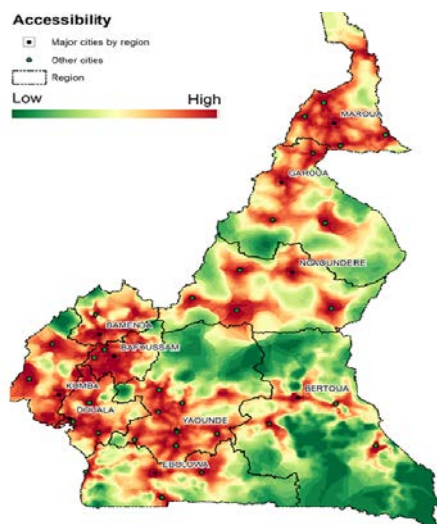
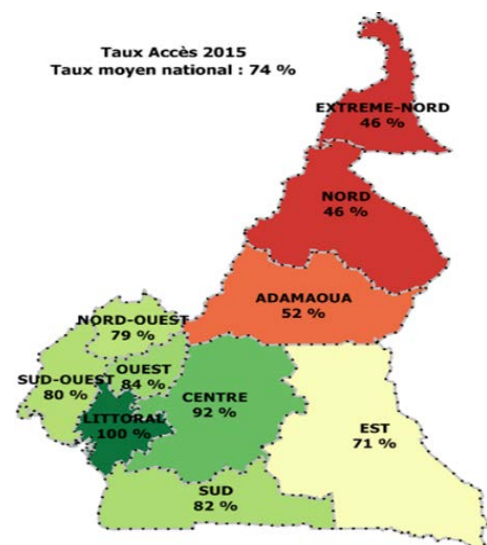


Figure 48: Access Rate to Electricity



Source: Cameroon WB 2016 SCD

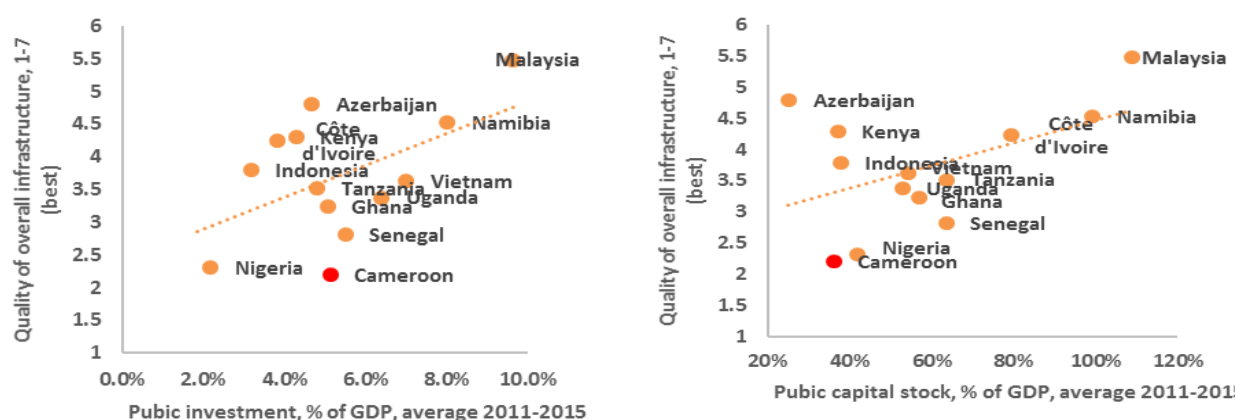
⁴³ World Bank-Cameroon City Competitiveness Diagnostic, June 2018.

148. The situation in the electricity sector is like the transport sector. Half of the population does not have access to electricity even though 74 percent lives in areas served by the electricity network. However, there are disparities between the underserved regions (Far North, North, Adamawa) and the rest of the country as illustrated by figure 48 above. Overall access in underserved areas is 47 percent versus 88 percent in the rest of the country. The transmission system is composed of three sub-system not interconnected creating a suboptimal operation and additional constraint to the access agenda. Finally, supply-demand balance is still precarious despite the important progress made to bridge the gap. Cameroon will need to quadruple its generation capacity to meet the Vision 2035 goals.

149. In the Telecom sector, access to broadband Internet remains low and is a major constraint to the development of digital economy and financial inclusion. CAMTEL has established an 8,000-km fiber optic backbone serving the ten regional capitals, sixty departmental or district capitals, several hundred rural localities. The target is to expand the backbone to reach 20,000 km in the medium term. However, the main challenges remain on institutional and regulatory reforms needed to double the contribution of the digital economy to the GDP as planned under the *Plan Stratégique Cameroun Numérique 2020* adopted early 2016.

150. **The country performs worse than structural and regional peers with the same level of capital stock on quality of infrastructure indicators.** Despite having a similar level of public capital stock and twice as high investment-to-GDP ratio as Kenya and Indonesia in 2011-15, Cameroon's perceived quality of infrastructure is much lower, pointing to serious concerns about the efficiency and effectiveness of public investment spending in Cameroon (Figure 49). Among its peers, Cameroon has the lowest score for perceived quality of overall transport infrastructure, and the scores for the quality of its railroad and air transport infrastructure and roads are very low, (2.3, 2.8 and 2.6 respectively in the WEF's 2017 Global Competitiveness Report, on a scale of 1 to 7). The perceived quality of the country's electricity supply is also behind that of its peers. However, Cameroon does perform better than the average of structural and regional peers in terms of the quality of its ports, and the percentage of the country's population with access to improved water sources and sanitation facilities is above the average of regional peers.

Figure 49: Quality of Overall Infrastructure versus Public Investment and Public Capital Stock for Cameroon and Structural and Regional Peers, 2011–2015



Source: IMF Public investment and capital stock (2017), WEF (2017).

Box 3: The Challenges of Road Asset Management in Cameroon

Road Maintenance: The Cameroonian road network comprises some 100,000 km of which only 27,000 km is rated as priority. About 5,000 km or 22 percent of the priority network is paved (against an average of 15 percent in the ECCAS). The National Road Fund (RF) can mobilize as much as XAF 100 billion (about US\$213 million) annually from various levies. Unfortunately, only half of this amount is currently being allocated to road maintenance. Consequently, Government funding represents only approximately 10 percent of road maintenance needs. The private sector does not contribute to road maintenance at all. Limited resources and weak implementation capacity of SMEs are having a very damaging effect on the quality of the road network. An audit of road maintenance quality financed by the European Union in 2011,⁴⁴ rated as good or fair barely 45 percent of works executed with RF financing. As much as 48 percent of the paved road network and 85 percent of the unpaved road network are in poor condition.

Another constraint to road maintenance sector appears to be a huge domestic debt owed to local construction companies,⁴⁵ a situation which is having an equally damaging effect on local small holder companies and driving up construction costs as a result of speculation.⁴⁶ A related consequence of this situation is the reluctance of the banking sector to support the local construction industry even in the basic circumstances of providing guarantees and pre-financing required under road contracts. The inertia to road fund reforms and mounting public debt to local companies constitute a serious threat to road development in Cameroon. Consequently, unless remedial measures are taken to restore the road fund to its second-generation status and innovative ways sought to improve efficiency in road contracting, it is most unlikely that the government will achieve the 100 percent target set in its Vision 2035 for the entire road network to be in good condition by 2025. The Ministry of Public Works (MPW) is conscious of these shortcomings and is eager to step up absorptive capacity and efficiency in road maintenance contract delivery, notably through improved governance and more aggressive use of innovative methods, including systematic implementation of results-based road maintenance contracts on major road corridors.

Axle load control: The percentage of overloaded trucks has decreased steadily from 85 percent in 1998 to 9.5 percent in 2012 (13 percent in 2011). The network of weighing scales is still being extended (17 are currently operational, all managed and maintained by the private sector) and the number of trucks effectively controlled has steadily increased from 606 in 2010 to 1,178 thousand in 2011, 1,544 thousand in 2012 and 1,850 thousand in 2014. 99 percent of the overloads are below 5 tons. A recent study on Cost-effectiveness of enforcing axle-load regulations in Cameroon,⁴⁷ revealed that axle-load regulations have been reasonably well applied in Cameroon and have contributed to maintaining the Douala-N'Djamena corridor in fair condition. In spite of the fact that significant traffic increases are presently counterbalancing the damage avoided by axle-load limits, benefits provided by axle-load control have been substantial: in the period of 2000–2015, every € invested or spent on axle-load control has generated more than €20 of savings in road user costs and in road maintenance and rehabilitation expenditure, which represents, in absolute terms, more than €500 million." The same study revealed that, in 2014, about 1 848 332 trucks excluding tankers were controlled in the 17 operational weighing stations. Among these, 109 479 were found overloaded (which represents a national average rate of 5.92 percent). Trucks with less than five tons of overload, represented the largest share (98.57 percent numbering 107 913 vehicles). Vehicles with gross vehicle weight overloading represented 13.88 percent of the total overloaded vehicles, while those with axle-load overloading stood at 86.12 percent. As of today, the enforcement law does not apply to tankers who still constitute a big challenge. It is estimated that 75 percent of these tankers are overloading with consequential damaging effects to the road network. It is estimated that the average cost of constructing and equipping a weighing station varies from €150,000 to €750,000. Despite these advances recorded in axle load control in Cameroon, the general view within the sector and among road users is that management of excess load control still requires improvements notably to render it more efficient and sustainable.

Source: World Bank staff, 2016.

⁴⁴ Source: Overview of Maier audits on firms and supervision firms. *Récapitulatif des appréciations Maier sur les entreprises et les missions de contrôle* ; EU, Janvier 2011.

⁴⁵ It is important to conduct an independent assessment of the magnitude of this debt with a view to mainstreaming its payment into the government's priority payments.

⁴⁶ Major efforts to reduce domestic debt are being made under the IMF-supported economic and financial program. The establishment of a reliable financing mechanism for regular road maintenance, as part of the World Bank budget support operation, is also underway.

⁴⁷ By Antonio José Torres Martínez et al, 2018

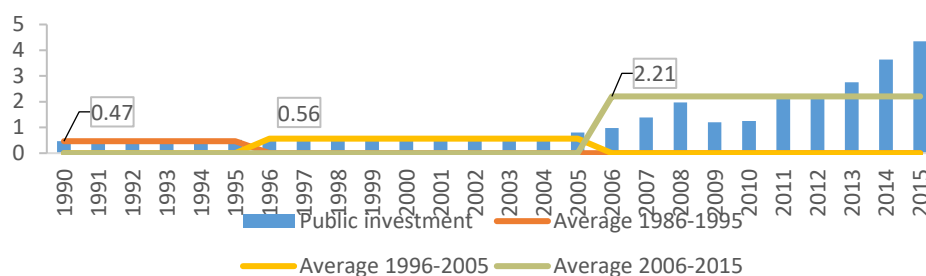
151. **Cameroon's infrastructure gaps are contributing to the deterioration of the country's competitiveness.** The GOC's objective to improve infrastructure quality through increased capital spending has had limited success, as the country's competitiveness has deteriorated in recent years. Cameroon's infrastructure quality score in the Global Competitiveness Index,⁴⁸ which measures the quality of roads, railroads, ports, air transport infrastructure, and electricity supply, and so on., fell from 2.5 in 2012 to 2.1 in 2016,⁴⁹ placing the country at 119th out of 138 countries in 2016. Moreover, Cameroon's score in the Logistic Performance Index⁵⁰ fell from 2.6 in 2012 to 2.2 in 2016.⁵¹ The lack of adequate and effective road maintenance and the poor enforcement of axle load limits are among the main factors contributing to the overall poor quality of road infrastructures in Cameroon (Box 3).

152. The 2016 Enterprise Survey also shows that access and quality of electricity (that is, days to obtain an electrical connection, number of electrical outages, and losses due to electrical outages) is the third most important constraint to all firms and the most important constraint for medium-sized firms operating in Cameroon.

6.3 Public Investment Trends

153. **Public investment increased significantly between 2012 and 2015** (Figure 50). While the growth of public investment slowed in 2008–2010, as the country grappled with the global financial crisis, by 2015 Cameroon had doubled its public-investment-to-GDP ratio and quadrupled its ten-year average public investment levels. The country's annual public-investment-to-GDP ratio increased from 15 percent in 2013 to 25 percent in 2014, before falling to 13 percent in 2015. The GOC increased public investment spending to meet the goals set out in the DSCE, which focuses on infrastructure projects in the transport (for example, for roads, mass transit, and ports), energy, information and communications technology (ICT), urban and housing, and water and sanitation sectors.⁵²

Figure 50: Public Investment and Public Capital Stock, Ten-year Averages in 2011 U.S. Dollars



Source: International Monetary Fund Investment and Capital Stock Dataset, 1960–2015.

Note: General government capital stock is constructed based on general government investment flows.

*In constant 2011 US\$ Billion.

⁴⁸ World Economic Forum, Global Competitiveness Index, 2017.

⁴⁹ On a scale of 1 (low quality) to 7 (high quality).

⁵⁰ The World Bank's Logistic Performance Index is composed of the following: efficiency of customs clearance process, quality of trade and transport-related infrastructure, competence and quality of logistics services, frequency with which shipments reach consignee within scheduled or expected time, and ability to track and trace consignments.

⁵¹ On a scale of 1 (low quality) to 5 (high quality).

⁵² See chapter 2 for more details on the specific goals and policy context of the DSCE.

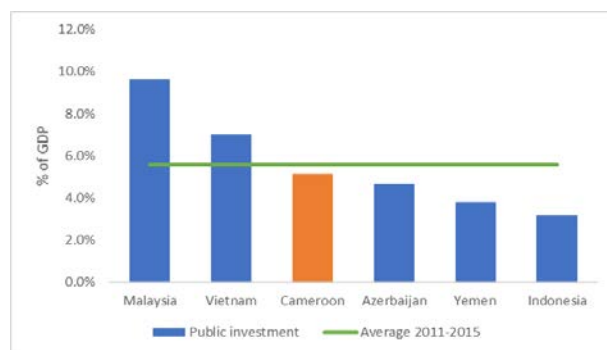


Port and industrial complex of Kribi

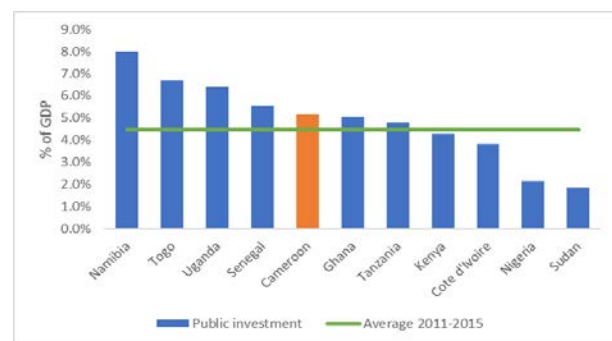
154. The increase in public investment between 2011 and 2015 narrowed the infrastructure gap between Cameroon and comparator countries (Figure 51). Cameroon's public investment levels averaged 1.5 percent of GDP between 1986 and 2009, less than half of the average for regional⁵³ (4.1 percent of GDP) and structural⁵⁴ peers (3.4 percent of GDP), resulting in a low level of capital stock in Cameroon (30 percent of GDP in 2006) compared to regional peers (except Sudan whose capital stock was as low as 20 percent of GDP the same year). Between 2011 and 2015, the country's public investment spending averaged 5.1 percent of GDP, placing Cameroon below the average of structural peers (5.7 percent of GDP), but above the average of regional peers⁵⁵ (4.7 percent of GDP). However, Cameroon's public capital stock (39 percent of GDP in 2015) remains far lower than structural (60 percent) and regional (59 percent) peers'.⁵⁶

Figure 51: Public Investment and Capital Stock in Cameroon and Regional/Structural Peers, 2011–2015

(a) Public Investment, Structural Peers, 2011–2015



(b) Public Investment, Regional Peers, 2011–2015



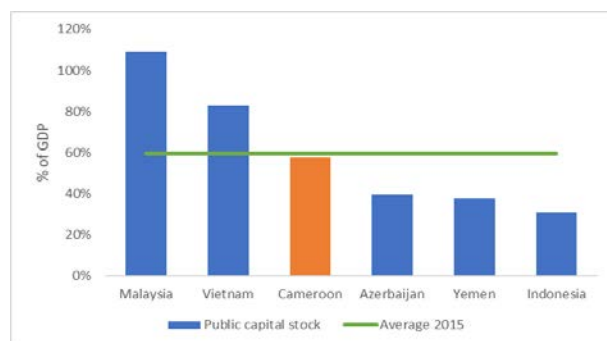
⁵³ Regional peers: Angola, Cote d'Ivoire, Ghana, Kenya, Namibia, Nigeria, Senegal, Sudan, Tanzania, Togo, Uganda (World Bank's 2016 Systematic Country Diagnostic for Cameroon).

⁵⁴ Structural peers: Azerbaijan, Indonesia, Malaysia, Vietnam, Yemen (World Bank's 2016 Systematic Country Diagnostic for Cameroon).

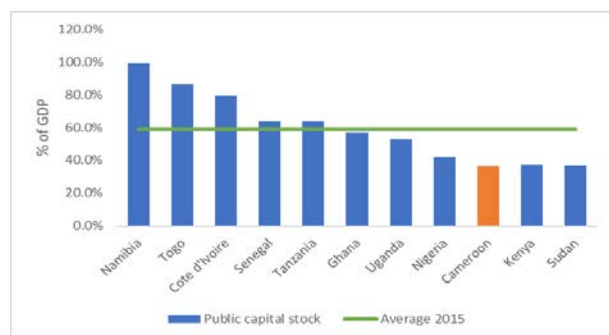
⁵⁵ This average excludes Angola, which had an exceptionally large hike in the period (average public investment equivalent to 20 percent of GDP).

⁵⁶ Excludes Angola.

(c) Public Capital Stock, Structural Peers, 2015



(d) Public Capital Stock, Regional Peers, 2015



Source: International Monetary Fund's Investment and Capital Stock Dataset, 1960-2015.

155. **71.5 percent of all public capital spending was allocated to infrastructure sectors and administration in 2015** (Figure 52).⁵⁷ Government investment spending on infrastructure sectors, which represented 2.5 of GDP in 2015, encompasses the administration, construction, and maintenance of public economic, social, and administrative infrastructure projects, including buildings and structures; roads, waterways, and port facilities; airports; railways; and postal and telecommunications facilities. It also includes public investment in water supply, urban planning, housing and environmental protection. General and financial administration capital expenditures, which represented 1.7 percent of GDP in 2015, are mostly focused on land developments and construction works for administrative buildings as well as subsidies and transfers to public enterprises. The share of investment spending on infrastructure sectors increased from 25.6 percent in 2013 to 42.7 percent in 2015, overtaking general public administration capital spending, which decreased from 31.4 percent to 28.8 percent of all government capital expenditures in 2013 and 2015, respectively.

156. **Between 2013 and 2015, the share of the health sector share in total capital expenditures increased, while it decreased for the education and production and commerce**⁵⁸ sectors. As a percentage of total public investment spending, capital spending on health increased from 4.6 percent in 2013 to 5.1 percent in 2015, while investments in production and commerce fell from 11.4 percent in 2013 to 9.1 percent in 2015. Finally, capital spending on education fell slightly from 7 percent of the investment budget in 2013 to 6 percent in 2015 (Figure 52).

157. **Public spending on roads, urban development, and general infrastructure business accounted for 89.8 percent of infrastructure sector capital expenditures, or 2.2 percent of GDP in 2015.** Spending on roads⁵⁹ was the largest infrastructure sector expenditure in 2013–2015 and constituted 0.6 percent of GDP in both 2013 and 2014, before reaching 0.9 percent in 2015. General infrastructure business increased from 6.1 percent of infrastructure capital expenditures

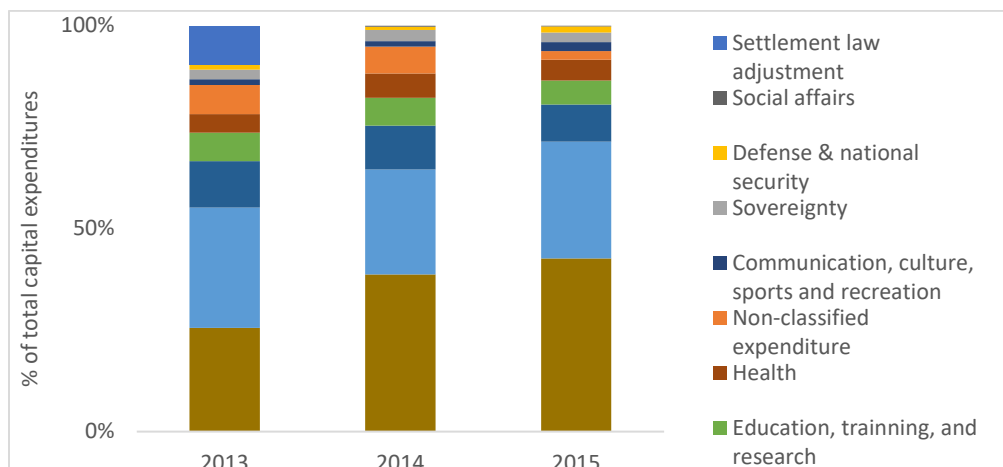
⁵⁷ Data analyzed in this section come from a BOOST database and are therefore on payments order basis while those in the chapter 2 comes from the Tabord and are cash basis.

⁵⁸ The production and commerce sector concerns the development and control of the productive sector in general. It encompasses the development and control of companies in the mining and processing industries, small and medium-sized enterprises, trade, tourism, transport and all tertiary activities. First, it includes the administration and support of rural and agricultural affairs, food security, extension and professionalization, and the financing and equipment of farms. It also encompasses the control of logging and forestry, and the promotion and control of livestock, fisheries, aquaculture, and crop production. Finally, the sector includes agricultural schools and training courses.

⁵⁹ Roads and civil engineering works, urban roads, transit roads and tracks.

in 2013 to 26.9 percent in 2015, while investment spending in urban development fell from 28.4 percent to 11.6 percent between 2013 and 2014, respectively. In 2015, investment spending in urban development and general infrastructure business was equivalent to 0.6 percent and 0.7 percent of GDP, respectively.

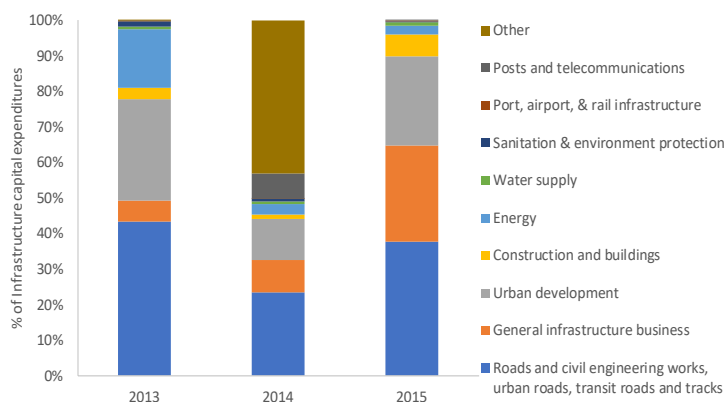
Figure 52: Distribution of Capital Expenditures in Total Public Expenditures in Cameroon, 2013–2015



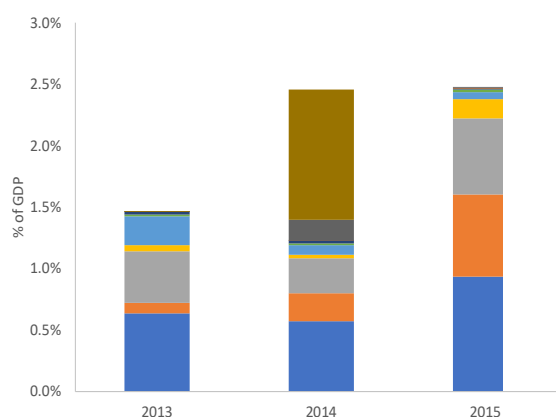
Source: Cameroon's BOOST database.

Figure 53: Functional Distribution of Infrastructure and Administration Capital Expenditures in Cameroon, 2013–2015

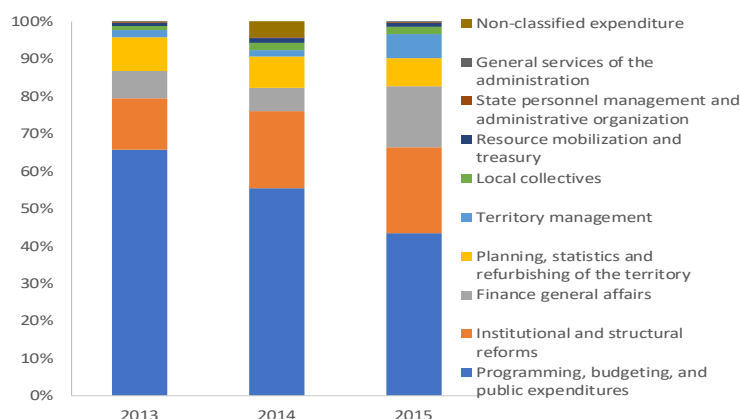
(a) Infrastructure Capital Expenditures



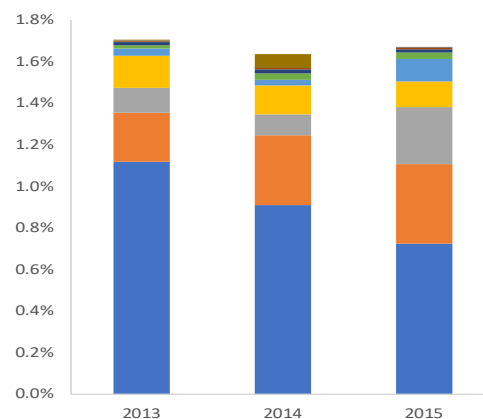
(b) Percentage of GDP of Infrastructure capital expenditures



(c) Administration Capital Expenditures



(d) Administration Capital Expenditures (% GDP)



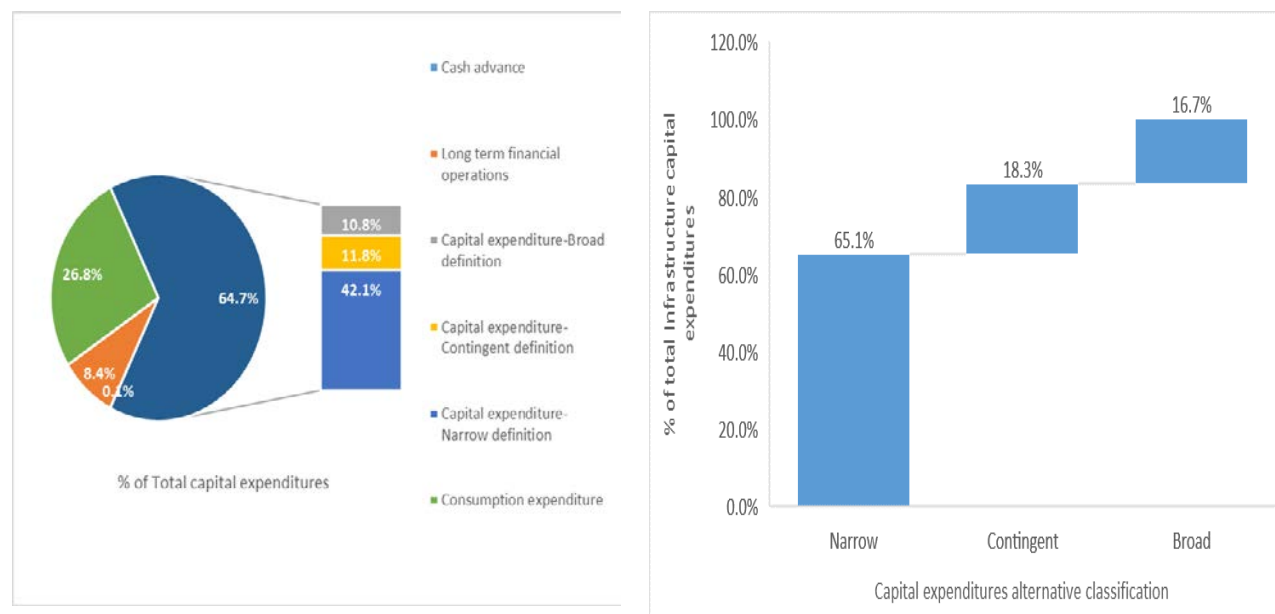
Source: Cameroon's BOOST database.

158. **The misclassification of capital expenditure in Cameroon may be a reason behind the country's low quality of public infrastructure.** The Government's investment budget classification, which considers all spending related to the projects as investment overestimates the level of capital expenditure, but also masks real trends in the functional composition of actual public investment. When one applies the definition of capital expenditure (Box 3) which excludes expenditures that would not directly result in the net accumulation of assets with a life span greater than one year⁶⁰ to public investment spending, it appears that a significant share of the investment budget in Cameroon is not capital expenditure. The investment budget includes recurrent expenditure such as spending on goods and services and salaries. When data is reclassified to account for these issues, infrastructure sector capital expenditures were between 65.1 percent to 83.3 percent of official estimates in 2013–2015 (**Figure 54**), depending on the narrowness of the classification (Annex2). The 35 to 15.7 percent of infrastructure sector spending that would not directly result in net accumulation are in addition to an already large share of current expenditures that are associated with the implementation of infrastructure projects. Moreover, this narrower definition of capital spending would reduce the share of capital spending in the overall infrastructure budget from an average of 64.7 percent to 42.1 percent over the 2013–2015 period, resulting in CFAF 1.4 spent on overhead for every CFAF spent on the direct accumulation of assets.

⁶⁰ International Monetary Fund (2009).

Figure 54: Alternative Classification of Infrastructure Expenditures, Cameroon, 2013–2015

(a) Total Capital Expenditures by Economic Classification **(b) Total Infrastructure Capital Expenditures**



Source: BOOST database and World Bank calculations.

159. **The narrower the definition of public investment, the less Cameroon’s distribution of investment by sector reflects DSCE priorities.** The bulk of GOC investment spending is on general and financial administration and roads. Yet, DSCE priority sectors include water and rail transport, in addition to road transport. Other DSCE infrastructure priority sectors such as and water and sanitation are also neglected. The small share of capital expenditure is due to more private sector investment, mostly in generation.

6.4 Public Investment Management Processes

160. **Weak project planning and implementation has resulted in lengthy delays and cost overruns for public investment projects.** A World Bank staff review of five large infrastructure projects, completed for this PER identified factors led to delays and cost overruns in these projects (Box 4). The poor preparation of technical feasibility studies, including costing, combined with a lack of competitive bidding, increase project costs. Also, a lack of sufficient upfront preparation often leads to unforeseen work during project implementation, also contributing to project delays.

Box 4: Assessing Six Major Infrastructure Projects: High Costs, Long Delays

To understand the effectiveness and quality of the management of public investments in Cameroon, the World Bank undertook a review of public investment projects in the country, studying the implementation of five large-scale projects underway since 2010. The projects reviewed were as follows:

Project Name	Total Cost (CFAF, billions)	Disbursement Rate (%)	Duration of Project
Kribi deep-water port	470	100	6 years 2008–2014**
Sanaga River Water Supply	589	30	5 years 2014–2019
Yaoundé-Douala expressway	399.211	17	7 years 2011–2018
Memve'ele hydroelectric dam	356.8 + 91.5*	70	7 years 2010–2017
Social housing units in Yaoundé and Douala	67.5 (first 1675 units)	59	Not known

Note: *Costs not included in the planning phase.

**the disbursement rate has reached 100 percent in 2014 but has become operational only in 2018.

The assessment revealed unexplained deadline extensions for all projects, from the three to four years initially planned to seven to ten years (for example, the Memve'ele, Yaoundé-Douala expressway, and social housing units). Moreover, the projects that are sufficiently advanced cannot be completed due to delays with some project components (that is, power evacuation for Memve'ele hydroelectric dam and water and electricity supply for social housing). Indeed, more than seven years after their launch, except the Kribi deep-water, none of the projects has started its operational phase.

Costs for these projects are also two to six times higher than costs for similar projects in countries with similar levels of development. While cost per MW in the region range from US\$0.96 million (Ethiopia's GILGEL GIBE III) to US\$2.19 million (Guinea Conakry's Kaleta project), Cameroon's Memve'ele hydroelectric project is approaching US\$3.25 million per MW. The costs of these projects seem high even compared to other national projects: the Yaoundé-Douala expressway will reach US\$11 million per kilometer (compared to US\$3.5 in Cote d'Ivoire and US\$3 million in Morocco), while the Yaounde-Nsimalen expressway cost US\$6.12 million per kilometer; and externally financed 1,500 social housing units cost US\$36,792 each, whereas domestically financed construction of the housing units cost US\$65,602 each.

Source: World Bank staff

161. The following sections of the chapter describe the strengths and weaknesses of Cameroon's public investment management system as revealed by the World Bank's in-depth review of five major investment projects. The review covers the entire project cycle, but focuses on the stages most critical for improved public investment management and outcomes in Cameroon, 'front-end' processes (project design, preliminary screening, appraisal and selection), budgeting/planning and implementation procedures (including procurement), and monitoring of project performance, and how these affect the quality of spending.

Project Design and Selection

162. The design of public investment projects is led by the line ministries' contracting agencies and is technically based on a project-cycle guide prepared by the Ministry of Economy, Planning, and Regional Development (MINEPAT).⁶¹ The guide covers the entire process from the definition and clarification of needs and preliminary study approvals to project

⁶¹ Le Ministère de l'Economie, de la Planification et de l'Aménagement du Territoire

formulation and feasibility studies, which should clarify the feasibility of projects and provide a reliable estimate of project costs).

163. Cameroon is on a pathway to improve capital budget management for better efficiency. Within this process and under ongoing IMF program-supported reforms, projects are inserted in the finance law only if they are mature and included in an MTEF. In addition, the maturation guide of the investment projects is being revised to redesign the maturation process and aligned it with internationally recognized best practices.⁶² It is being backed up with a decree under preparation too that will set the institutional and operational framework. A new public procurement code has been adopted and the legal basis for a performance-based remuneration system of procurement actors now exists.

164. Several shortcomings affect the selection process of public investment projects and lead to poor readiness and slow execution of investment projects. These shortcomings include (i) the absence of clear processes and accountability mechanisms throughout the capital budget preparation processes, both between the decentralized and central levels and between MINEPAT and MINFI, (ii) the lack of human and financial resources to carry out feasibility studies and cost-benefit analyses, (iii) insufficient professional motivation of actors along the preparation chain, (iv) the lack of clarity on the resettlement's compensation process, and (v) delays in mobilizing counterpart funds (including the complexities in the management of taxes and customs duties) which affect the execution of the major infrastructure resulting in low disbursement ratio.

165. Despite the existence of technical guidance, there are no established methods or processes for appraising projects, leading to deficient appraisals with unfounded cost estimates. Some project appraisals are incomplete, failing to account for components that are fundamental to the effectiveness of the project (Table 9).



Lom Pangar Dam

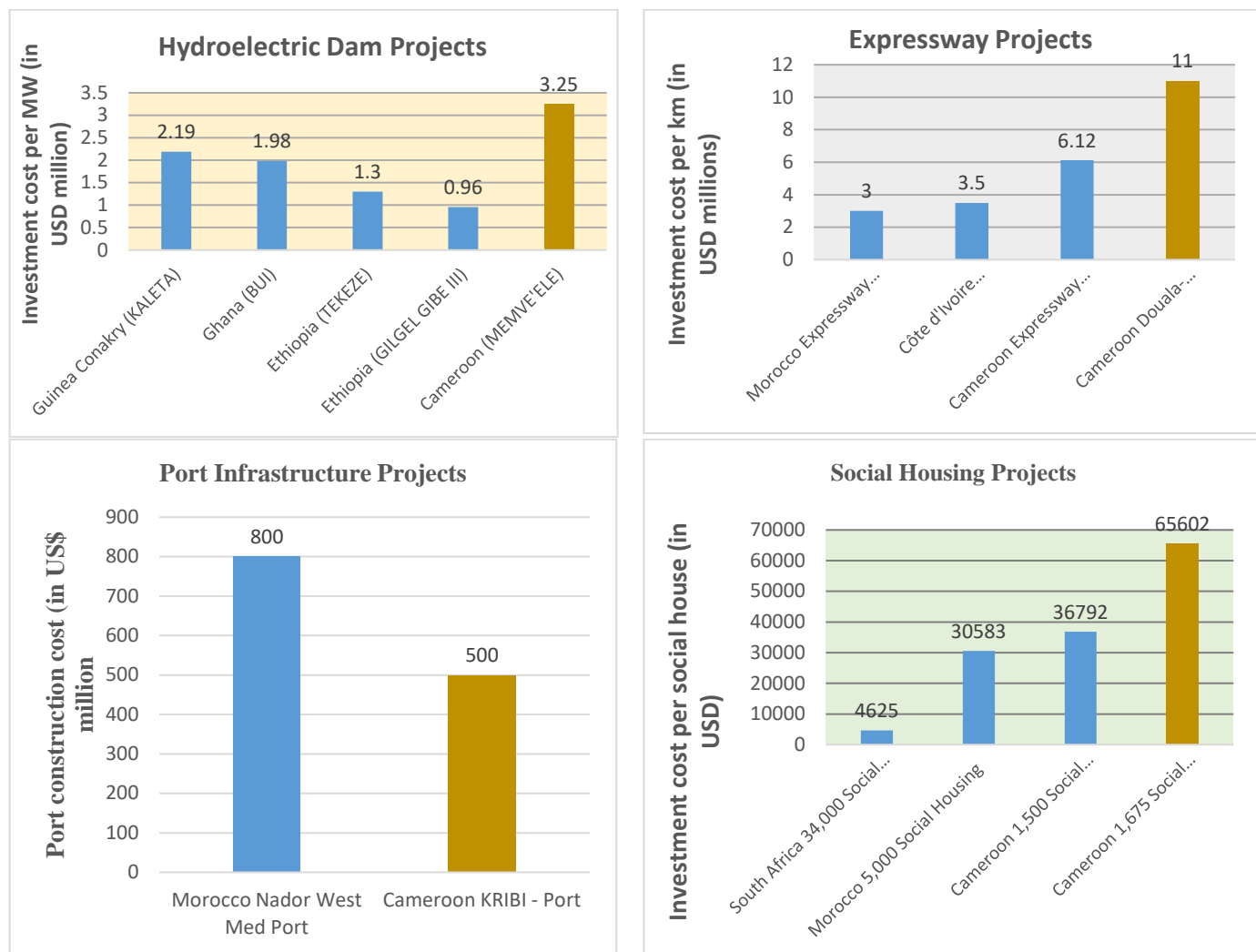
⁶² Maturation as redefined is until the actual payment of compensation. It also includes aspects related to the maintenance and operation of infrastructure. A maturity certificate is established and an independent second (expert) opinion is required for all major projects.

Table 9: Summary of Planned and Unplanned Activities for 6 Major Projects

Project	Planned Aspects	Planned costs (XAF)	Unplanned Aspects	Unplanned Costs (XAF)	% Unplanned / total	Impact
DOUALA–YAOUNDE Expressway	Roadway construction	399.2 billion	Connection with road network	n.a.		Commissioning target highly jeopardized
			Toll and weigh stations			
			Electricity and telephone networks			
			Optical fiber and water			
			Expressway equipment			
Social Housing	House building	300 billion	Water supply	n.a.		Uninhabitable housing and difficult to sell
			Electricity			
			Access roads			
			Basic social services (hospitals, schools, sports fields, and so on)			
MEMVE'ELE Dam	Construction of dam	356.8 billion	Works for electricity transportation	91.5 billion	13.29%	Jeopardized commissioning and delayed operations
	Plant		Project owner housing			
KRIBI Deepwater Port	Port phase 1:	470 billion	Communication channels	N/A		Operations delayed by more than 3 years
	Access routes		Works to supply water and electricity			
	Various studies		Customs			
	Compensation					
	Operating expenses					
	Relocation					
	30 kV power line					
Sanaga River Water Supply	Water catchment and pumping station	589 billion				
	Water treatment station					
	Two stations to pump treated water					
	Electrical power line					
	90/30 kV transformer substation					

Source: World Bank staff

Figure 55: Benchmarking of Cameroon's Large Public Infrastructure's Implementation Costs



Source: World Bank staff

166. **External parties perform feasibility studies and appraisals but there are no additional reviews before project selection.** Projects owners (that is, line ministries) are not involved in the review of feasibility studies, and other aspects of appraisals, and are only involved once the project has been selected. As a result, cost estimates are accepted without review after project selection.

167. **Deficient feasibility studies cause significant delays as implementation teams must carry out the appropriate technical studies after a contract has been awarded.** Contrary to the requirements of the procurement code, all contracts of the six reviewed projects were awarded on the basis of a simplified preliminary design study, which caused implementation delays as multiple studies had to be carried out after contracts had been awarded.

168. **The absence of clear processes and accountability mechanisms in the capital budget cycle has adversely impacted the selection and budgeting of public investment projects.** MINEPAT improved the planning, programming, and budgeting of capital expenditures with the establishment of a planning, programming, budgeting and monitoring committee in the general secretariat of each line ministry in 2009. However, many challenges remain, particularly in the

preparation of public investments, as there are no clear procedures for preparing budgets (with several actors carrying out duplicate tasks) since the decree on public investment project cycle guide (*Decret fixant les dispositions applicables en matière de maturation des projets d'investissement public au Cameroun*) has not yet been approved.

169. The link between the preparation of public investment projects and the budget preparation cycle needs to be significantly strengthened. Specifically, there needs to be stronger linkages between the medium-term budgetary framework, the medium-term expenditure frameworks (both at the central and sector level), program budgets, the annual budget law, and local development plans. A review⁶³ found that 25.6 percent of projects in the 2016 public investment budget, equivalent to 19.7 percent of total investment resources allocated that year, were not foreseen or called for in the medium-term expenditure frameworks.

Project Planning and Programming

170. There are several weaknesses in the planning of investment activities in Cameroon. First, incomplete feasibility studies necessitate additional studies and research to evaluate the actual needs of the project during implementation. Moreover, the project planning stage does not fully take into account project components such as:

- Time (that is, the time estimates for each project component and the project as a whole);
- Funding (that is, all expenditure items, recurring costs, and revenue generating activities);
- Quality (that is, quality management of the project);
- Information (that is, information management of project activities and environmental sustainability); and
- Human resource management (that is, the identification, definition, and timeframe of the job profiles necessary to execute the project).

171. Payments for resettlement and compensations are an example of components that are often not considered in feasibility studies and are challenging to incorporate during the planning stage. A lack of clarity on the resettlement and compensation process for groups affected by the project is particularly difficult to address during project planning and often delays implementation.

Project Execution and Closure

172. The complex and lengthy public procurement process often delays the implementation of investment projects. In 2015, the GOC's procurement process lasted an average of 167 days and involved 28 administrative stages for the inter-ministerial procurement committee,⁶⁴ and an average of 366 days and 58 administrative stages for the Ministry of Public Contracts (*Ministère des Marchés Publics*, MINMAP) (Box 5). There are no procedures or tools in Cameroon to comprehensively track the procurement process for specific tenders to identify delays and bottlenecks, preventing effective performance monitoring and enforcement of

⁶³ Examen de la Cohérence entre le BIP 2016 et le CDMT 2016–2018. Ministère de l'Economie, de la Planification et de l'Engagement du Territoire.

⁶⁴ Commission Spéciale de Passation des Marchés.

accountability. Line ministries also lack competent staff to expedite the process, and the drafting of procurement plans and tender documents during the preparation stage is rare, resulting in further delays. Finally, the government agencies involved in public procurement management lack both the necessary (human and financial) resources and expertise to ensure the quality of programming, records of tenders, tender evaluation reports, and contract monitoring.

Box 5: An Unfinished Procurement Reform

MINMAP was created in December 2011 to oversee public procurement and address the low capital budget execution rate, the lack of technical skills within line ministries, and corruption and lack of transparency in the public procurement process. MINMAP is directly attached to the presidency and performs the following functions: (i) undertakes procurement and contracting processes of contracts above predefined thresholds; (ii) provides quality control and clearance of procurement and contracting processes for contracts below the predefined thresholds; (iii) handles complaints from bidders in collaboration with the Public Procurement Regulatory Agency (Agence de Régulation des Marchés Publics, ARMP); (iv) provides clearance on requests for payment of contracts; (v) oversees the execution of contracts; and (vi) initiates policy reforms and capacity development in liaison with ARMP.

The main challenges of the current systems are: reducing delays in procurement processes, improving regulations, standardizing practices, enhancing the competencies of officials responsible for procurement execution, and initiating the use of modern information technology to process transactions and monitor system performance.

Recently, a new procurement Code was issued on June 20, 2018. The main changes are:

- The Sector Ministries will carry out the procurement process, sign and execute all contracts.
- MINMAP is in charge of prior review control, external control and is designated as Procurement Authority, overseeing all the procurement functions, signing all procurement texts
- The complaint body is transferred at the level of ARMP.

The signed Code provides significant improvements in the separation of the functions, but the bill could have been better in how complaints are handled. Additionally, the decree could have benefited from a simpler structure to minimize interpretations and loopholes.

Source: World Bank staff

173. Inadequate tendering and contract award processes also cause inefficiencies in project implementation. A competitive bidding process is especially important for poorly appraised projects, as competition will likely reduce project costs. No one of the five reviewed was competitively awarded. The systematic recourse to single source contracting does not guarantee the optimization of the costs during the procurement process. As a result, the final costs have been two to six times higher than those of comparable projects in neighboring countries. For example, the Douala-Yaounde Highway project costs 3 to 3,5 higher than similar project in Cote d'Ivoire. Moreover, although the contracts reviewed were not competitively awarded to private firms, contracts took more than six months to be awarded,⁶⁵ rather than 45 days confirming inefficiencies in the contract award process as well.

Monitoring of Project Execution

174. The monitoring of project execution has recently improved. MINEPAT monitors the execution of decentralized public investment projects by consolidating data from the Treasury and public investment monitoring committees at the national, regional, district, and local levels on a quarterly basis. These committees compile data on project execution from de-concentrated line ministries, local elected representatives, and civil society. The public investment project database

⁶⁵ Instead of the 45 days stipulated in the PPC for private contracts.

(*Journal des Projets*) has been widely disseminated at the beginning of each year since 2008. Other central government institutions in charge of monitoring public investments are: (i) the MINEPAT Brigade Control; (ii) the Ministry of State Control, which is attached to the presidency; (iii) the Anti-Corruption Agency, which is also attached to the presidency; and (iv) MINMAP.

175. **However, the involvement of multiple actors does not translate into the efficient (financial and physical) monitoring and control of public investments.** Cameroon lacks a comprehensive information management system to consolidate information from multiple sources. Also, the limited time and resources allocated to project monitoring and control are largely spent on basic information gathering and less on field missions. Physical monitoring of project implementation is therefore particularly weak. Finally, some financial management practices prevent the effective control and monitoring of investment projects, such as: (i) using inadequate reporting formats; (ii) carrying over unused budget allocations in the treasury account, and (iii) insufficient management accounting practices that affect the timeliness and reliability of reporting

176. **In addition, project implementation monitoring lack effectiveness.** It is a regulatory requirement that all infrastructure projects above CFAF 11 million be systematically overseen by project supervisors who ensure their technical quality and that implementation activities are in compliance with project specifications. However, the World Bank's review of five large infrastructure projects found that project owners neither review nor make use of these reports.

177. **Lack of operating funds for project implementation teams is also a reason for the low monitoring capacity of some investment projects.** Project execution is monitored by project teams, a steering and monitoring committee, or units set up by the project owner. The World Bank review found that adequately funded teams performed better than those without or with inadequate resources. The review also found that steering and monitoring committees were not effective in reviewing projects or producing management reports.

6.5 Conclusions and Recommendations

Short-Term Recommendations

178. **In a context of falling public revenues and tightening government spending, the GOC may want to conduct a strategic review of its public investment program (PIP).** Authorities need to systematically review the performance of public investment projects to identify and remove implementation bottlenecks for priority investments. The GOC also needs to properly fund the operating budgets of implementation teams to improve the management of the project cycle.

179. **To improve the quality of delivery public investment project, the GOC could conduct a review of the PIP and design a distinct strategy for each of the following groups of public investment projects:**

- **Undisbursed or very low disbursed projects.** The adoption and the execution of the plan to reduce the amount of contracted but not disbursed loans (SENDS) could reduce the number of nonperforming projects;
- **Dormant and underperforming projects.** Projects in the medium-term expenditure framework that have not received budget allocations during the last two budget cycles or have received erratic allocations in recent years;

- **Large, medium, and small projects.** Projects with steady budget allocations, which will be grouped by their relative size within the PIP; and
- **Projects close to completion.** Projects with disbursement rates higher than 80 percent.

180. **The Government should consider adopting a multi criteria Public Investment prioritization framework for projects to include in the PIP, and developing a project management system which would help identify a portfolio of pipeline projects eligible for inclusion in the budget. These criteria could include the following criteria:**

- Contribution to the Vision 2035's goals (inclusive growth, human capital formation, poverty reduction, conflict prevention);
- Coherence with sector plans;
- Potentially high economic returns (including lessening of impediments to growth);
- Availability of concessional financing terms;
- Readiness of the projects (for example, feasibility studies complete, environmental and social studies complete, process of involuntary resettlement underway, some procurement packages ready);
- Social and environmental impact.

181. **The government can also implement actions in both the short and medium term to strengthen the efficiency of public investment.** In the short term, the authorities could consider (i) strengthening the link between the public investment preparation and the budget preparation cycle through a better articulation of the Medium-Term Budgetary Framework (MTBF), sector Medium-Term Expenditure Framework MTEFs, local Development Plans, and the annual budget law⁶⁶; (ii) Defining projects' evaluation criteria to determine the state of project maturity and conduct evaluation at each stage of the project (feasibility, preliminary design, detailed engineering design, technical implementation study); (iii) improve the integration of civil works contracts into the budget preparation process in order to enable a more effective management of multi-year commitments and in-year cash flows related to their execution; and (iv) Clarify and rationalize the resettlement's compensation process for investment projects affecting the population with the project maturation guide and associated processes.

Medium Term Recommendations

182. **In the medium term, the GOC needs to build the skills and provide the resources necessary to implement the legal framework of previous reforms.** This includes training more skilled staff in line ministries to conduct project appraisals and creating a capacity-building strategy for MINEPAT. Moreover, authorities need to improve the monitoring of projects, including building a reliable information management system that can compile and present data

⁶⁶ Strict criteria for the degree of project preparedness required for projects to be included in the budget should be established to limit the risk of inclusion of projects for which the preparation process was rushed and incomplete.

from different sources and instituting a process for the efficient consumption of project monitoring information.

183. The development of PPPs is one the options to increase infrastructure investment and efficiency in Cameroon. The PPP capital stock in Cameroon was estimated at only about 6 percent of GDP at end-2011. The Government of Cameroon's PPP pipeline includes economic infrastructures (transport, energy, water, sanitation and telecoms sectors), as well as social infrastructures projects (health, affordable housing and education in particular). According to the "*Cellule de Préparation des Grands Projets*" of MINEPAT, the Government PPP pipeline of projects amounted F CFA 18,627 in 2016. To increase its potential PPP investments, the GoC has requested and obtained a financial and technical support from the Worldbank. The Worldbank technical assistance will focuses on: (i) strengthening the legal and institutional PPP framework and the Government's capacity to implement its PPP Program (through analytical work on PPP related issues as well as technical assistance to PPP institutions such as the PPP Unit (CARPA, line ministries (MINFI, MINEPAT, MINMAP, and so on). The World bank will help the GoC's to improve its capacity to review its pipeline of projects to determine if the projects meet three basic criteria: (i) Is enough information available on the project? (ii) Can the project generate interest from private investors in terms of its size and ability to generate revenue? (iii) Is the project suitable for a PPP tender? The technical assistance will also include the preparation of pre-feasibility studies (business cases) for three (3) to four (4) infrastructure projects selected in agreement with the Client. This selection will be based on discussion with the PPP Unit (CARPA), the PPP Orientation Committee and relevant ministries. The business cases will target at least two (2) priority transport PPP projects which are in the scope of the WB Transport Sector Development Project. The project is scheduled to start in July 2018 with deliverables expected over a 12 months period.

Box 6: An Example of a Successful Project: Lom Pangar Hydropower Project (IPF)

- **The Project:** The Lom Pangar Hydropower Project (LPHP) consists of a regulating dam, a hydroelectric power plant (30MW) at the foot of the dam, a transmission line between the power plant and the Eastern Network, a rural electrification scheme along this transmission line, environmental and social measures, and support for technical assistance and project management.
 - **Strategic importance:** The project is key to improve access to reliable low-cost hydropower supply for economic growth and poverty reduction. By storing water during rainy months and releasing it during dry periods, the reservoir increases the guaranteed water flow to the Sanaga River thereby reducing seasonal variability. In the short-term, the LPHP will increase the year-round production capacity of the two existing Edea and Song Loulou hydropower plants on the Sanaga River by 120 MW. The hydroelectric power plant at the foot of the dam will generate an additional 30 MW of low-cost, hydropower for rural electrification of the Eastern Region.
 - In the medium-term, the LPHP opens the possibility of incrementally constructing a cascade of downstream hydropower plants on the Sanaga River. The first of these, the Nachtigal hydropower Project (420 MW) will be developed under a public-private partnership.
 - **Project progress to date:** The project was launched in March 2013, after an intensive preparation including the project's environmental and social impacts. Significant and robust studies were undertaken to assess, minimize, and mitigate potentially adverse environmental impacts. The Project's environmental and social management plan outlines specific measures to be undertaken by the project related to i) management of the construction sites, ii) management of the reservoir and downstream areas, iii) social measures, and iv) management of the Deng Deng forest massif.
 - The partial impoundment of the dam has been successfully completed in September 2015. The last sluice was successfully closed September 26, 2015 at 8:30 am, triggering the partial filling of the reservoir. The reservoir reached its highest possible level on November 26, 2015. The first full impoundment took place in 2016 and the dam was commissioned in June 2017. Works for the hydroelectric power plant (30MW) at the foot of the dam, the transmission line between the power plant and the Eastern Network, and the rural electrification scheme along this transmission line will start in 2018. The current disbursement rate is 95 percent and the project is expected to close in December 2018, as originally planned.
- Key lessons:** The project benefited from a long period of intensive preparation including in relation to the project's environmental and social impacts. The Project is an example of close collaboration with the Client and successful capacity building, as the Project Implementation Unit, EDC, is now a leading agency in the Cameroonian hydropower sector, with strong competencies in technical oversight of hydropower construction, safeguards monitoring and procurement processes associated to large dams. This Project was a first of its kind in the last 20 years in Cameroon and paves the way for future development of hydropower projects in the country.

Source: World Bank staff

**Box 7: An Example of a Successful Project: the 10th European Development Fund (EDF)
Road Infrastructure Program in the Republic of Cameroon**

The program: The 10th EDF road infrastructure program has two components (i) the Garoua Boulai - Nandéké road improvement project (*projet d'aménagement de la route Garoua Boulai – Nandéké*) in the Northern Region and the National Road 3 securization project (*projet de sécurisation de la Route Nationale 3 ; Douala – Yaoundé*) in the Center and Littoral regions and; (ii) the rehabilitation of 50 km on the Douala-Ndjamena sub regional corridor and the continuation of technical assistance to the Ministry of Public works (MINTP) started under the 9th EDF program.

Strategic Importance: The built and rehabilitated roads are key for national and regional integration and for the development of trade with neighboring countries.

Program Performance: The total length of paved roads (construction and rehabilitation) is 171 km. The work was completed in a timely manner: the operational implementation of the first components lasted 48 months (from April 22, 2009 to April 21, 2013) and that of the second installment 48 months (from May 6, 2010 to May 5, 2014). The total disbursement rate of the program is 98.80 percent. The institutional support to MINTP is in place since 2012 and has allowed the deconcentration of the Ministry. The implementation of socio-economic support measures is satisfactory and the environmental and social aspects were considered during roads construction and rehabilitation.

Impact of the program: Road investments have led to a sharp increase in the volume of traffic on the Garoua Boulai - Nandéké road (+ 191 percent) and on the Figuil-Magada road (+ 89 percent). The time of transport was reduced from (i) 15 hours to 8 hours between Bertoua and N'Gaoundéré (ii) from 2 to 3 days to 7 hours between Garoua Boulai and N'Gaoundéré; (iii) from 3 hours to 2 hours with checks and at 1 hour without control between Garoua Boulai and Meiganga (iv) from 15 hours to 9 hours on the Bertoua - N'Gaoundéré - Maroua axis, and (v) from 3 hours to 2 hours and 30 minutes between Garoua -Magada-Maroua. The program has also improved access to public services and markets for the populations in the intervention zones, reduced vehicle operating costs per kilometer and transportation prices.

Lessons learned: A good collaboration between the Government, the companies and the Donors allowed to finalize the works a timely manner. However, the sustainability of road investments is a challenge as road maintenance is not carried out rigorously.

Source : Rapport sur l' Evaluation finale des programmes du 10ème FED dans le secteur des infrastructures routières en République du Cameroun

CHAPTER 7: EDUCATION

7.1 The Cameroonian Education System

Overview and Context

184. **Cameroon's education sector is officially divided into parallel French - and English-language systems, and it includes a large share of private education providers.** The GoC is responsible for regulating the entire sector - Francophone and Anglophone, public and private - and it issues rules governing educational curricula, textbooks, examinations, academic calendars, and the opening of new schools.

185. **Both the Francophone and Anglophone systems encompass five levels.** Children ages four to five may attend preschools, and a nursery program for three-year-old children is offered in urban areas. Compulsory primary education begins at age six and includes six grade levels. Lower- and upper-secondary education are divided into general and technical tracks, and each cycle lasts for two to five years depending on level, track, and language. Higher education includes a range of university programs, as well as professional and post-secondary vocational training. Vocational-training tracks are also available at the post-primary and post-secondary levels. Teacher-training colleges are open to upper secondary graduates, and teacher training is divided into general and technical tracks.

186. **Cameroon has five separate education ministries, and institutional fragmentation poses a serious administrative challenge.** Four ministries are responsible for various levels of education—the Ministry of Basic Education, the Ministry of Secondary Education, the Ministry of Higher Education, and the Ministry of Employment and Vocational Training—and the Ministry of Youth oversees civic education and outreach programs for out-of-school youth. In addition, the Minister of Economy, Planning and Territorial Administration is responsible for the coordination of the Education Sector Strategy. The presence of multiple ministries with parallel or overlapping mandates greatly complicates the management of the education sector, and its institutional fragmentation is further complicated by both the dual-language structure and the prominent role of private education providers. Furthermore, lack of overarching coordination and integrated education information management system makes it difficult to estimate and plan for increasing flows of students between different education levels.

187. **Cameroon's population is young, rapidly growing, and increasingly urban.** Cameroon has an estimated population of 24 million, which is growing at an annual rate of about 2.6 percent.⁶⁷ In 2015, over one-quarter of Cameroonians were between the ages of five and 14, and over one-third were between the ages of five and 19.⁶⁸ The number of children between the ages of five and 14 is projected to increase from just over 6 million in 2015 to more than 10.5 million by 2050.⁶⁹ For the past several decades, the urban population has expanded rapidly, both in absolute and relative terms. In 1960, less than 15 percent of the population lived in cities, but by 2017 this share had risen to nearly 57 percent. The major cities are Douala and Yaoundé—

⁶⁷ UN, 2017.

⁶⁸ Worldometers (www.Worldometers.info). Elaboration of data by United Nations, Department of Economic and Social Affairs, Population Division. World Population Prospects.

⁶⁹ United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision, custom data acquired via website.

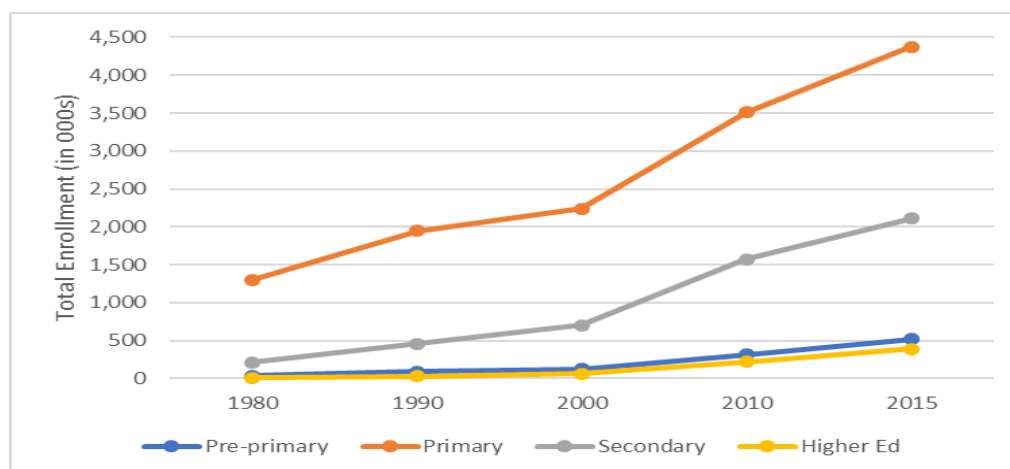
Cameroon's economic and political capitals, respectively—and the Far North Region is among the most populous and most densely populated parts of the country.

188. **A rising number of refugees from Nigeria and Central African Republic is posing serious challenges and exacerbating regional inequalities.** As of August 2017, Cameroon hosted 326,656 refugees, with over 70 percent from Central African Republic, almost 28 percent from Nigeria, 0.5 percent from Chad, and the remainder from other African countries. In addition, nearly 200,000 Cameroonians are internally displaced, due largely to inter-community conflicts in the Far North Region. The U.N. estimates that the total number of refugees and displaced people in Cameroon is over 600,000.⁷⁰ The concentration of refugees and displaced persons in the north of the country further complicates an already difficult situation for the education sector, as schooling outcomes tend to be especially poor in displaced and violence-affected communities.

Enrollment Trends

189. **A combination of population growth and a shift to free basic education⁷¹ led to a massive increase in basic education enrollment over the last 15 years.** Between 2000 and 2015, the number of children enrolled in primary school roughly doubled from 2.2 million to nearly 4.4 million (Figure 56). All secondary education cycles experienced an even larger surge in enrollment, which tripled from just under 700,000 in 2000 to just over 2.1 million in 2015. Enrollment also grew rapidly at the pre-primary and tertiary levels, though large percentage changes reflect a low baseline. For example, the number of pre-primary students rose from 120,000 in 2000 to over 500,000 in 2015, more than a fourfold increase. In the 2014/15 school year, Francophone and Anglophone subsectors accounted for 78 and 22 percent of primary enrollment, respectively.⁷²

Figure 56: Total Enrollment by Education Level, 1980–2015



Source: UNESCO UIS Data (data.uis.unesco.org).

190. **Higher education enrollment rates are steadily increasing.** Cameroon has eight state universities and about 150 private higher education institutions.⁷³ In 2014, nearly 350,000 students

⁷⁰ UNHCR Factsheet, 2017 (<https://data2.unhcr.org/fr/documents/download/51194UNHCR>).

⁷¹ Primary education in Cameroon has officially been free since 2001. However, parent-teacher associations may collect funds from parents to address the needs of individual schools.

⁷² Ministry of Basic Education, 2017.

⁷³ Ministry of Higher Education, 2017.

were enrolled in higher education institutions, including public universities (230,000), private institutes (97,000), and non-university public higher education institutes (24,000).⁷⁴

191. Gross enrollment rates⁷⁵ (GERs) have steadily risen across all levels of the education sector. The increase in the GERs is not nearly as pronounced as the increase in raw⁷⁶ enrollment, especially at the primary level where the GER rose from roughly 95 percent in 1980 to just under 120 percent in 2015. Enrollment growth accelerated in the 2000–2015 period, especially at the secondary level, where the GER rose from just over 20 percent in 2000 to nearly 60 percent in 2015. Pre-primary and tertiary GERs have also steadily increased over time.

192. Net enrollment rates⁷⁷ (NERs) have also improved significantly across the pre-primary, primary, and secondary levels. The pre-primary NER rose from 13 percent in 2007 to 27 percent in 2015. The primary and secondary NERs rose from 66 percent and 14 percent, respectively, in 1980 to 92 percent and 44 percent in 2015. At the primary level, Cameroon was among better performing countries in Sub-Saharan Africa and comparable to some East Asian countries, for example, primary NER in 2015 was 91 and 97 percent in Ghana and Vietnam, respectively. However, at the secondary level Cameroon is lagging behind these comparators: secondary NER in Ghana was 55 percent. Furthermore, improvements in primary and overall secondary NERs slowed between 2011 and 2015, and the same is true for the lower and upper secondary levels between 2013–2015, the only years for which data are available.

193. There exists substantial variation in primary and secondary school attendance by region and gender in Cameroon. In 2015, approximately 7 children out of 10 have completed primary education in Cameroon. However, while primary completion rates were 85 percent or more in the South and West Regions, the average completion rate in ZEP⁷⁸ was 66.6 percent and in the Adamawa Region only 61.1 percent (Figure 59). Also, there are substantial differences in completion rates between girls and boys in different regions. While in non-ZEP areas girls' primary completion rate was equivalent or higher than that of boys', it was 20 percentage points lower than boys' in ZEPs areas, 55.6 percent and 77.8 percent respectively. Furthermore, the completion rates are especially low for girls from the poorest and rural households, which represent a large share of the population in the three Northern Regions of Cameroon. Consequently, while girls account for approximately 50 percent of secondary students in non-ZEP regions, they only represent 30–40 percent of total student secondary population in ZEPs.

194. A small share of the working-age population has a TVET certificate or diploma. Like general education, TVET has two cycles: the four-year *Certificat d'Aptitude Professionnelle* program and the three-year *Baccalauréat de Technicien*, *Brevet de Technicien*, and *Brevet Professionnel* programs. The Ministries of Employment and Vocational Training, Secondary Education, and Higher Education are primarily responsible for providing public TVET programs,

⁷⁴ Ministry of Higher Education Statistical Yearbook, 2014.

⁷⁵ Gross Enrollment Rate: number of students enrolled in a given level of education, regardless of age, expressed as a percentage of the official school-age population corresponding to the same level of education. Source: UNESCO Institute for Statistics)

⁷⁶ In term of absolute value

⁷⁷ Net Enrollment Rate: total number of students in the theoretical age group for a given level of education enrolled in that level, expressed as a percentage of the total population in that age group. Source: UNESCO Institute for Statistics)

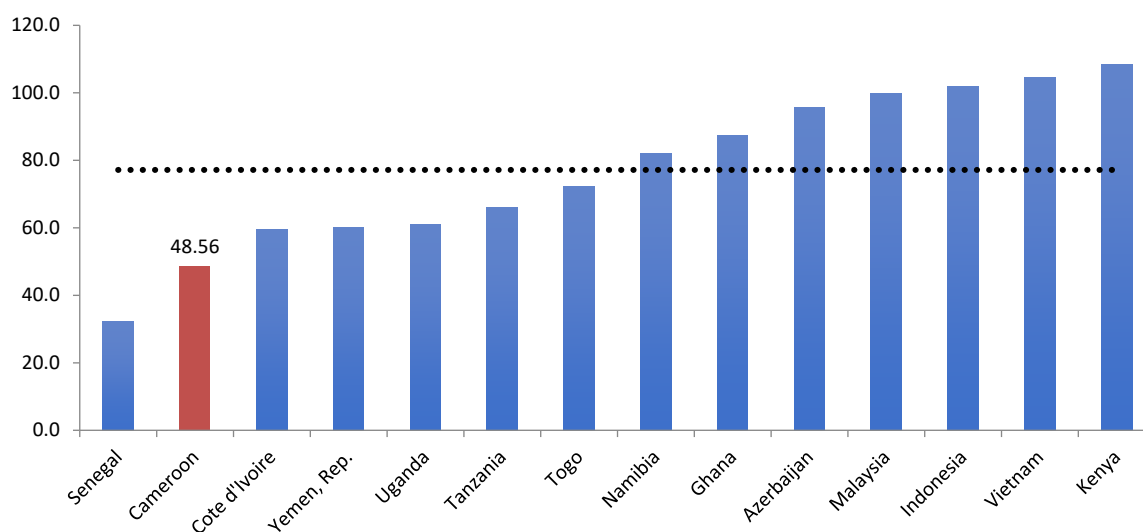
⁷⁸ ZEP: *Zones d'Education Prioritaire* (North, Far-north, Adamawa, East)

establishing TVET policies, and overseeing private and other public TVET providers. However, 2.8 percent, 2 percent, and 4.2 percent of the working-age population has a formal TVET qualification at the lower-secondary, upper-secondary, and tertiary levels, respectively.⁷⁹

Education Efficiency and Out-of-School Children

195. **Both the primary and secondary systems have low rates of internal efficiency.** In 2014, only 65.8 percent of children who entered primary school completed CM2, the final grade at the primary level. Cameroon's primary education gross graduation ratio⁸⁰ (48.6 percent in 2015) is significantly lower than all its structural and regional peers, except Senegal, and the peer average of 77.2 percent (Figure 57). There is also a significant drop in enrollment between the primary and lower secondary levels, and in 2014, only 68 percent of students who completed CM2 enrolled in secondary school. Repetition is a major cause of low efficiency. In 2015 the overall repetition rate in primary school was high at 12.2 percent, albeit down from 25 percent in 2006.

Figure 57: Primary Education Gross Graduation Ratio, 2015 or Latest



Source: World Bank EdStats database.

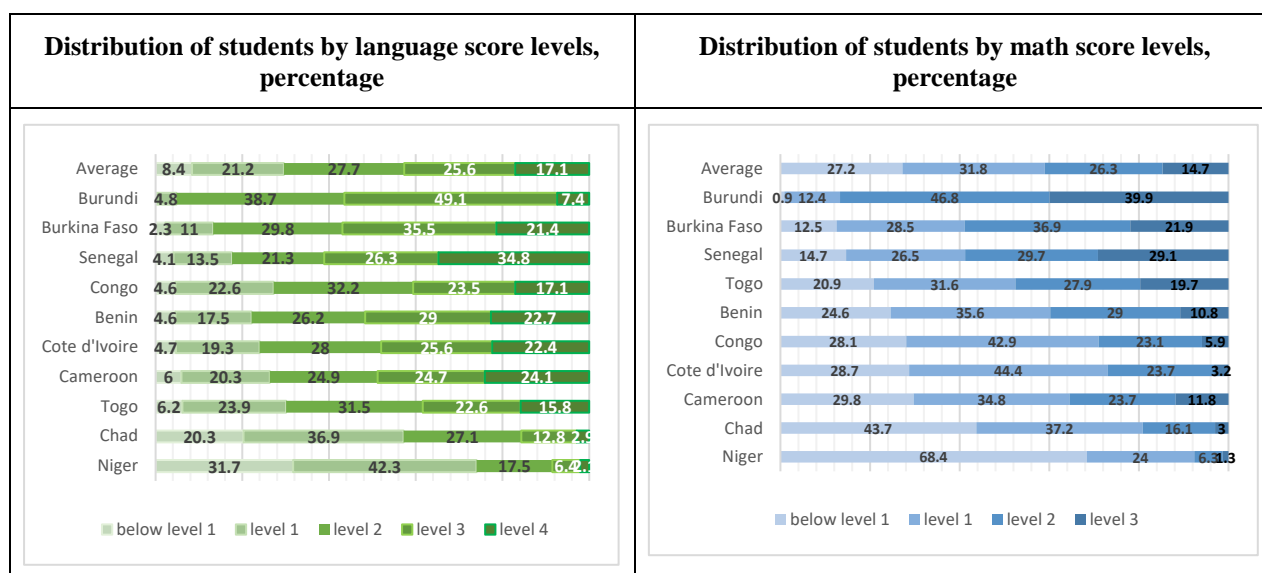
196. **As enrollment rates have risen, the number of out-of-school children (OOSC) has steadily declined.** The percentage of primary-aged OOSC declined from roughly 16 percent in 2004 to 5 percent in 2015. The total number of OOSC dropped from approximately 550,000 in 2008 to 182,000 in 2015 (UNESCO Institute of Statistics). However, estimates of the number of OOSC vary by data source, and household survey figures tend to be higher. The government is currently preparing a UNICEF-funded study of OOSC, which should yield a more complete picture of the situation and to provide specific policy recommendations. The preliminary numbers show that OOSC has increased between 2015 and 2018 in Cameroon.

⁷⁹ World Bank, 2016. Cameroon: Skills for Jobs and Economic Diversification: Policy Note.

⁸⁰ The primary education gross graduation ratio is the total number of graduates from the last grade of primary education, regardless of age, expressed as a percentage of the population at the theoretical graduation age. The ratio can exceed 100 percent due to over-aged and under-aged children who enter primary school for the first time early/late or/and repeat a grade.

197. **Cameroonian primary students performed slightly better than the regional average on the 2014 PASEC standardized test⁸¹ assessment was slightly above the regional average, but there is considerable room for improvement.** Cameroon slightly outperformed the average scores for Francophone countries in Sub-Saharan Africa (SSA) in language and mathematics at the second-grade level and in language at the sixth-grade level (Figure 58). However, less than 30 percent of second-grade students scored above “sufficient” in language, and about 39 percent scored in the lowest ranges of the test. Just over 50 percent of sixth-grade students scored above “sufficient” in language, but nearly one-quarter scored in the two lowest levels. Sixth-grade students scored below the PASEC average for mathematics, and nearly 65 percent of students scored in the two lowest levels. Students in the second, fourth and sixth grades also performed poorly on a recent national assessment, the 2016 UAS, scoring 25–35 percent correct on almost all tests.⁸²

Figure 58: PASEC Language and Mathematics Scores, Grade Six, Cameroon and SSA Comparators, 2014



Source: PASEC Cameroon Country Report, 2014.

Note: The minimum required score/competency level is level 3 for language and level 2 for math.

198. **Learning outcomes are correlated with schools' location and type of schools (public/private).**⁸³ Learning outcomes of students from schools in the three Northern Regions and public schools from the anglophone regions are below national average. Also, schools from rural areas tend to have inadequate learning environment (temporary classrooms, absence of learning materials, etc.) and have weakest results in standardized evaluations. Student test scores on the 2016 UAS were about twice as high in urban areas as in rural areas at the Class 2/CP level, and large differences were observed at the Class 4/CE2 and Class 6/CM2 levels (Figure 60). The 2016

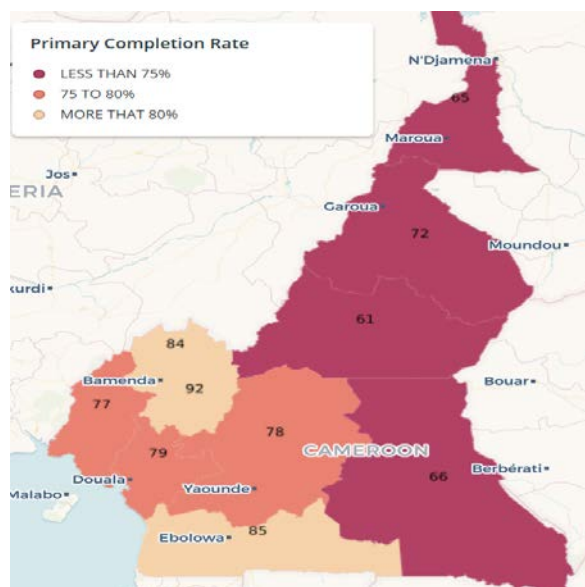
⁸¹ The PASEC is the *Programme d'Analyse des Systèmes Educatifs de la Conférence des ministres de l'Éducation des États et gouvernements de la Francophonie*, a standardized test administered to second- and sixth-grade students in French-speaking countries worldwide.

⁸² Unité National des Acquis Scolaires (UAS). 2017 "Rapport de l'Évaluation des Acquis des élèves de CP/CL2, CE2/CL4 et CM2/CL6 en Langue d'Enseignement et Mathématiques", draft.

⁸³ PASEC, 2014

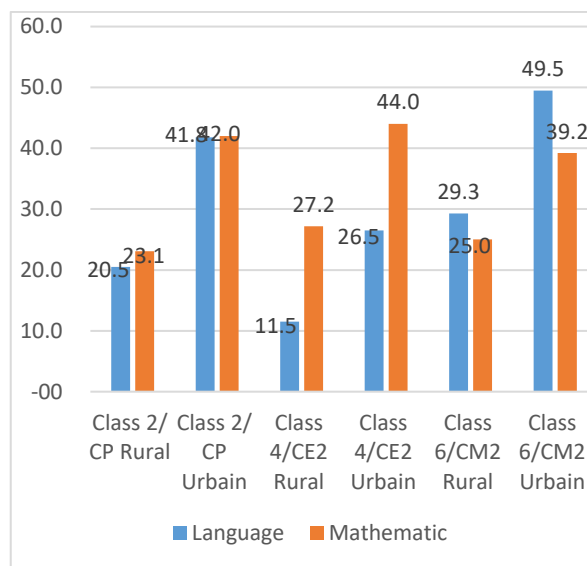
UAS also revealed sizeable differences in achievement across regions, with very low scores in the Extreme North, North, and East Regions.

Figure 59: Primary Completion Rates by Region, 2015–2016



Source: Ministry of Basic Education, 2016

Figure 60: UAS Scores by Grade Level in Rural and Urban Areas, 2016 (percent correct)



Source : Unité Nationale des Acquis Scolaires (UAS), 2017

199. **Literacy data provide further evidence of the deficient quality of language education.** The literacy rate for Cameroonians over the age of 15 rose from 41.2 percent in 1976 to 75 percent in 2015.⁸⁴ However, a recent study found that about 37 percent of adults who spent at least six years in school are unable to read a simple sentence.⁸⁵

Gender Equity

200. **Gender disparities in education have diminished over time, but remain significant.** The gender parity index for raw enrollment at the primary level has improved only slightly in recent years and stands at around 85 percent. However, gender disparities have narrowed sharply at the secondary level: whereas in 1980 male students outnumbered female students by almost two to one, by 2015 the gender parity index was approaching the primary level's rate of 85 percent.⁸⁶ Male students continue to have significantly higher enrollment, intake, and completion rates at both the primary and secondary levels. The results of both the PASEC and the 2016 UAS show that girls tend to perform better in language, while boys perform slightly better in mathematics; however, these differences are modest.

⁸⁴ World Bank, 2015.

⁸⁵ UNESCO, 2013. <http://unesdoc.unesco.org/images/0022/002256/225654e.pdf>

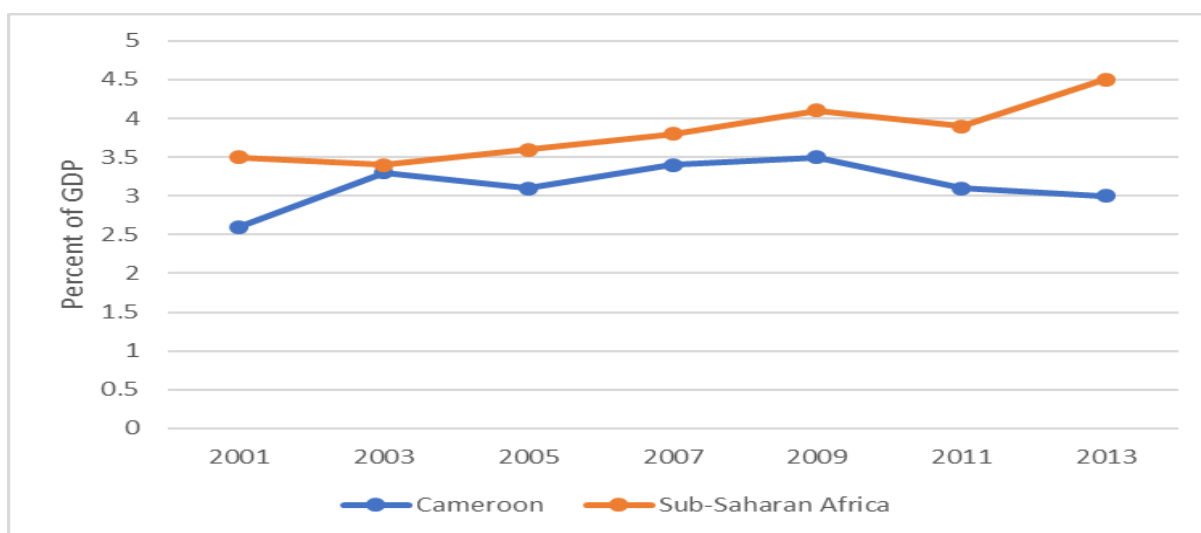
⁸⁶ The 2014 Country Status Report provides a more detailed overview of a range of participation metrics by gender.

7.2 Education Financing

Amounts, Trends, and Sources

201. **Government spending on education in Cameroon is slightly below the SSA average and has been inconsistent over the past two decades.** Increased education spending in recent years contributed to a rise in per capita operational spending, which increased by 2.7 percent in real terms between 2005 and 2010, from CFAF 29,000 to CFAF 81,000.⁸⁷ However, education spending has been volatile in relative terms, with total sectoral expenditures ranging from 2.5 to 3.5 percent of GDP over the last 15 years (Figure 61). Between 2000 and 2013 the government spent an average of 17.8 percent of the national budget on education, though this share fluctuated between a low of 11.7 percent in 2000 and a high of 21.6 percent in 2007.⁸⁸ In 2015, education spending accounted for 13.6 percent of Cameroon’s budget, below the most recent available SSA average of 16.6 percent, which was recorded in 2013.⁸⁹

Figure 61: Public Spending on Education as a Share of GDP, Cameroon and SSA Average, 2001–2013 (%)



Source: World Bank Development Indicators data.worldbank.org).

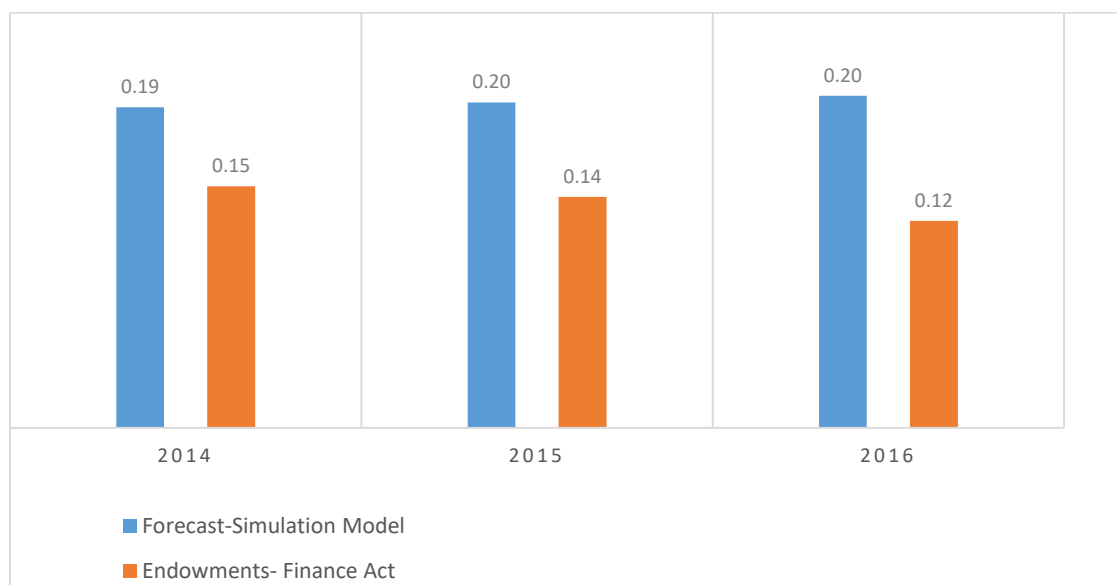
202. **Actual education spending is below both the levels envisioned in the 2013–2020 Education Sector Strategy (ESS) and other sectoral plans.** When it adopted the ESS, the government’s stated objective was to increase education spending to 20 percent of the national budget. However, education spending shrank from 14.6 percent of total spending in 2014 to 12.5 percent in 2016, and the government is unlikely to reach its spending goal by 2020 (Figure 62). This is especially critical in the context of increasing enrollment rates at all education level as well as improving the quality of service delivery at all education levels as highlighted in World Development Report 2018. Furthermore, developing mechanisms for coordinated planning and information sharing between four ministries of education about projected student flows is important to allocate necessary budgets in accordance with growing student population.

⁸⁷ Ibid.

⁸⁸ UNESCO, 2013.

⁸⁹ World Bank, 2015).

Figure 62: Education Spending as a Share of Total Spending, Planned versus Actual, 2014–2016



Source: Simulation Model (March 2013) and Finance Act (2014, 2015, and 2016).

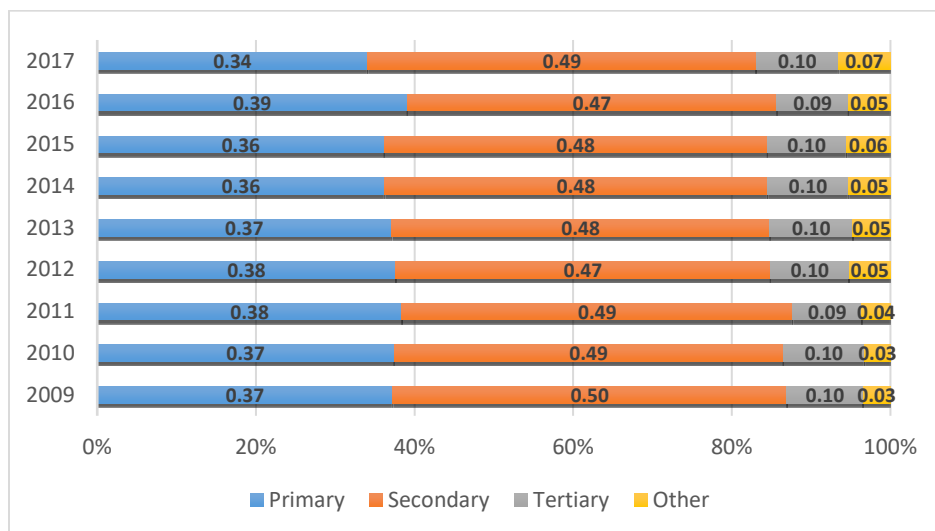
203. **Cameroon relies on external funding to close the gap between planned and actual education expenditures.** National education funding comes from three main sources: the government budget, external support from development partners, and contributions from parents. During the 2014–2016 period, 5 percent of total education spending—or 13 percent of basic education spending—was planned⁹⁰ to be financed by development partners.

Education Spending by Subsector

204. **Government education spending is tilted toward the secondary level, and this imbalance will likely widen over time.** In 2017, the secondary level received 49 percent of the education budget, while the primary level received 34.1 percent, and the tertiary level received 10.4 percent. These shares have remained broadly stable over the last 10 years (Figure 63), even though the number of primary students is larger, and rising faster, than the number of secondary students. By contrast, in 2011 the SSA average was 32 percent for the secondary level, 45 percent for primary, and 21 percent for tertiary. The latest budget projections indicate that the largest share of education funding will continue to go to the secondary level.

⁹⁰ Education Sector Strategy, 2013.

Figure 63: Government Education Spending by Level, 2006–2017 (percent)



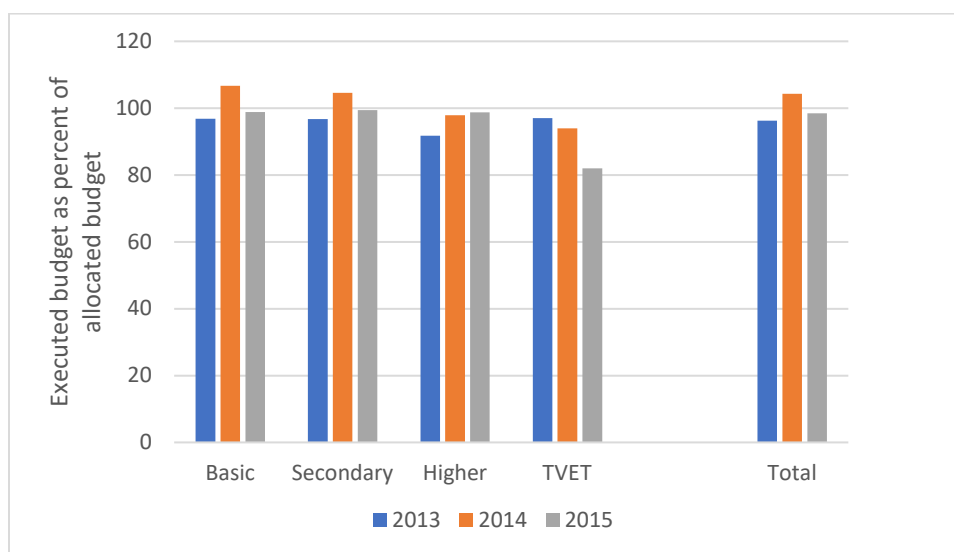
Source: Boost data, Ministry of Youth Affairs, and Ministry of Employment and Training.

Budget Allocation and Execution

205. **Most of the education budget is devoted to operational spending, with relatively little classified as investment.** In 2014 and 2015, operational spending accounted for about 88 percent of the budget, while investment made up the remaining 12 percent. In 2015, the total education budget was CFAF 183.6 billion, of which CFAF 165.1 billion was spent on operations. Salaries are by far the largest item in the education budget, accounting for 85 percent of total spending in 2011.

206. **Budget execution rates were approximately 100 percent in 2013–2015** (Figure 64). All education ministries executed almost 100 percent of allocated budget over 2013–2015. However, budget execution rate for the ministry responsible for TVET has been declining over time and in 2015 only around 80 percent of the allocated budget was executed.

Figure 64: Budget Execution by Level, 2013–2015



Source: BOOST Database, World Bank 2017.

207. Recent trends in per-student spending vary by education level, but all have important implications for the quality of both public and private spending. During the last ten years, per-student spending at the primary level has increased by 18 percent, due largely to the gradual replacement of teachers paid by parent contributions with teachers on government contracts. Meanwhile, the opposite trend at the secondary level caused per student spending to fall by 22 percent, as the slow pace of government recruitment prompted parents to finance new teachers. At the tertiary level, total spending has failed to keep pace with rapidly rising enrollment rates, resulting in a 38 percent decrease in per-student spending. Per student spending at Cameroonian universities is about 50 percent lower than the average for countries with a similar GDP per capita.⁹¹

208. Although teacher salaries account for 80-85 percent of total education spending, education expenditure level and efficiency of spending are not sufficient to cover needs. The small share of nonwage spending is a serious concern, as the education system devotes few resources to school supplies and facilities, with negative implications for education quality. At the same time, the share of primary teachers paid by parents to fill the gap of state-paid teachers rose from 25 percent in 2009 to 38 percent during the 2015/16 school year.⁹² Leveraging parental contributions to cover some teachers' salaries reduces the wage burden on the government, which makes both personnel costs and spending per student appear lower than they really are, particularly at the primary level. If the government assumed the total wage burden, primary school wage costs would be comparable to the international average, and spending per student at the secondary level would be 25 percent above the international average.⁹³

7.3 The Efficiency and Equity of Public Education Expenditures

Expenditure Efficiency

209. Despite the high share of personnel spending in education spending at the primary level, student-teacher ratios in Cameroon remain high by international standards. While Cameroon's share of payroll spending in total primary education spending is of the order of 80 percent, it is significantly lower for non-SSA peers (72 percent in Indonesia, 74 percent in Malaysia, and 63 percent in Vietnam) as well as Uganda (62.8 percent in 2014). At the same time, even including parent's paid teachers, Cameroon's primary education pupil-to-trained-teacher ratio⁹⁴ (41.5 in 2015) is higher than the selected 15 regional and structural peers⁹⁵ average of 35, and even higher than the non-SSA peer average of 18.1 (Figure 65).

⁹¹ DSSEF, 2013.

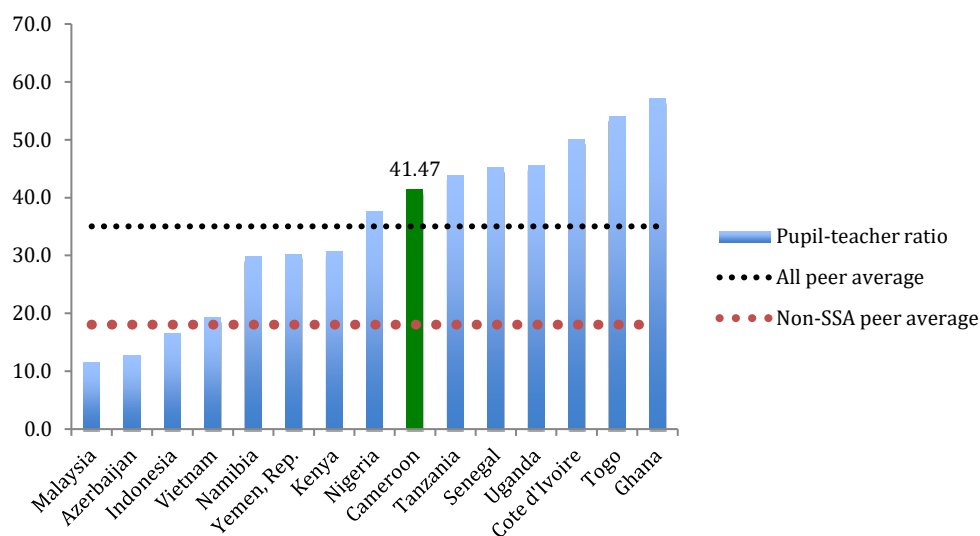
⁹² Ministry of Basic Education Statistical Yearbook, 2017.

⁹³ Ibid.

⁹⁴ Average number of pupils per trained teacher at primary level, based on headcounts of both pupils and teachers; a trained teacher is defined as a teacher who has fulfilled at least the minimum organized teacher-training requirements (pre-service or in-service) to teach a specific level of education according to the relevant national policy or law. In Cameroon, it includes both state paid teachers and qualified parent's paid teachers.

⁹⁵ Regional and structural peers are Azerbaijan, Cote d'Ivoire, Ghana, Indonesia, Kenya, Malaysia, Namibia, Nigeria, Senegal, Sudan, Tanzania, Togo, Uganda, Vietnam, and Yemen.

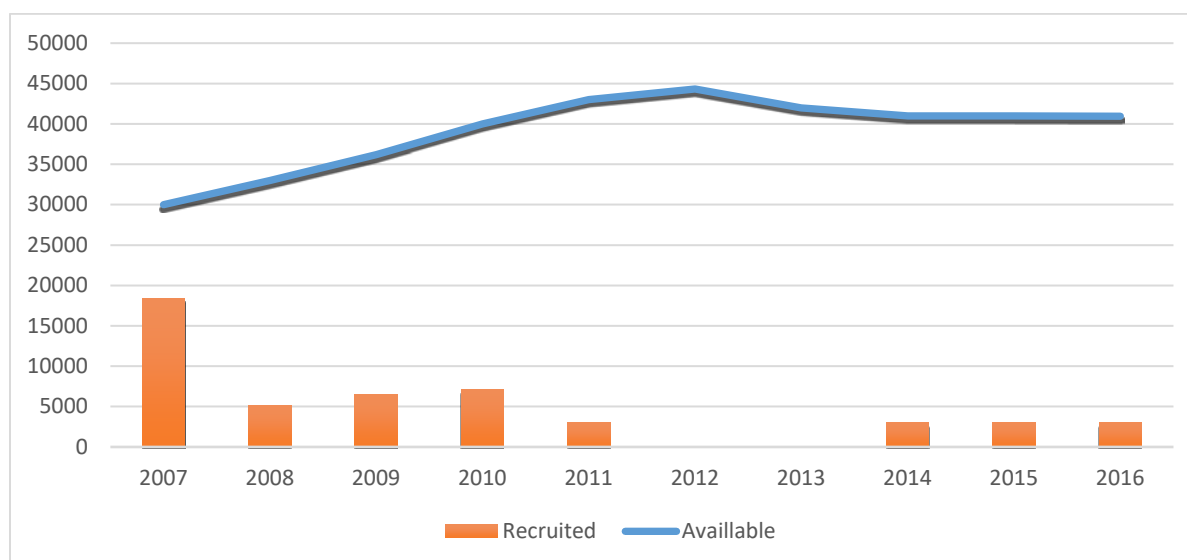
Figure 65: Primary Education Pupil-to-Trained Teacher Ratio, Cameroon and Peers, 2015 or Latest



Source: UNESCO Institute for Statistics.

210. **Teacher recruitment, management, and deployment remain among the most important challenges facing the Cameroonian education system.** At the primary level, almost 50,000 teachers have been recruited in under 10 years in an effort to decrease the student-teacher ratio and more equitably deploy teachers throughout the country. However, the government is unlikely to meet its personnel targets in two years left until the end of implementation period of the 2013–2020 Education Sector Strategy. Despite successful recruitment efforts, fewer state paid teachers are now effectively teaching in public primary schools than in 2007, reflecting large-scale attrition (Figure 66).

Figure 66: Recruited Teachers versus Available Teachers at the Primary Level, 2016



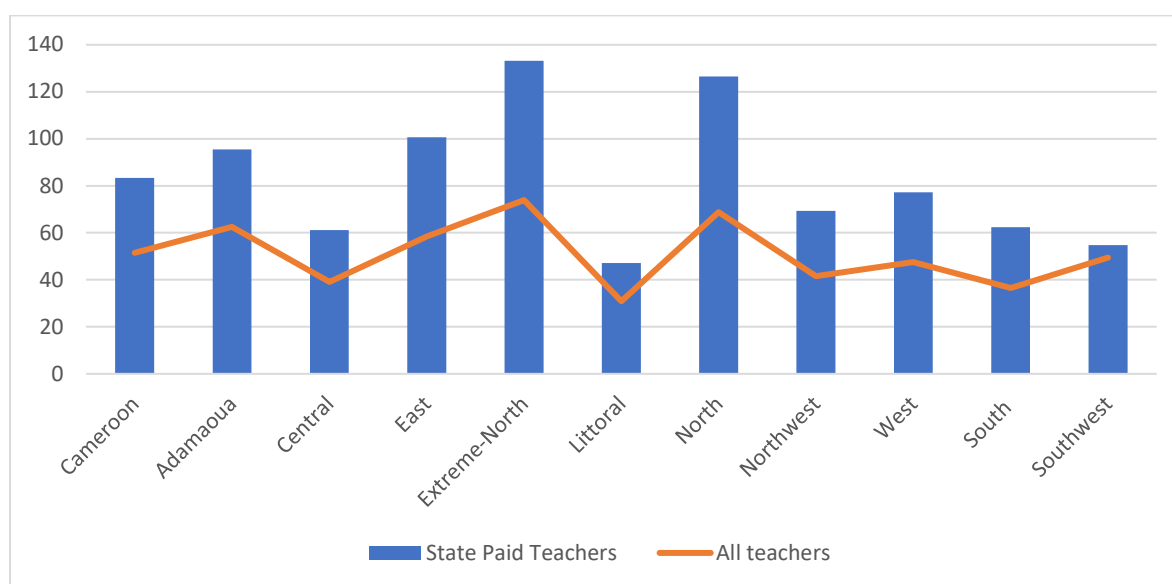
Source: Ministry of Basic Education and ICR EFA-FTI estimates for 2016

211. **The Ministry of Basic Education cites three main causes of teacher attrition.** Two are “natural” causes: retirement and death. The third cause is the migration of newly recruited teachers

to other ministries. Once recruited teachers have been registered as civil servants, they frequently seek employment in other ministries instead of teaching.

212. **The decline in the number of primary teachers is not uniform across the country, and regions designated as Priority Education Zones (*Zones d'Éducation Prioritaires*, ZEPs) are most affected.** Although recruitment efforts are intended to target ZEPs, which include the North, Far North, East, and Adamawa Regions, these areas continue to have an insufficient supply of government-financed teachers. Between 2012 and 2016, all regions lost teachers except the Centre Region, where the capital is located. Meanwhile, the ZEPs, where the need for teachers is most acute, lost a combined 1,500 teachers over the period. Teacher attrition has driven many parents to hire additional teachers, especially in ZEPs. While overall student-teacher ratios are comparable across regions, when parent-paid teachers are excluded, these ratios vary dramatically (Figure 67).

Figure 67: Student-teacher Ratios with and without Parent-paid Teachers, 2016



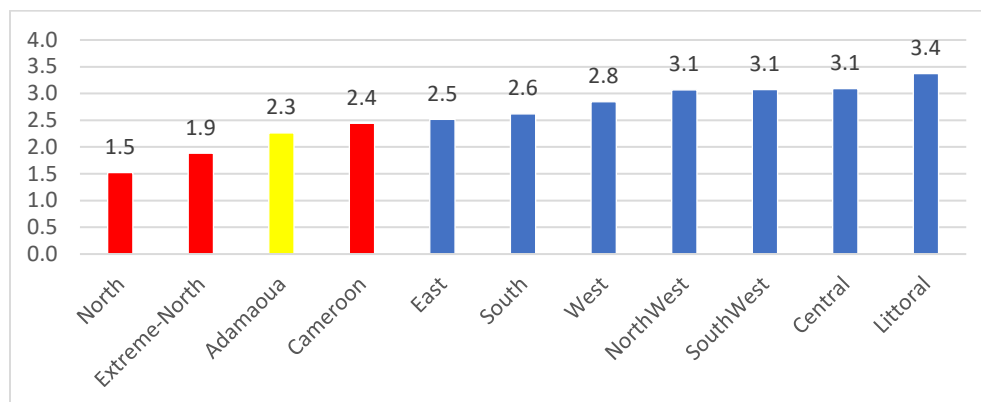
Source: Ministry of Basic Education, 2016.

Disparities in Education Spending

213. **Education spending varies substantially by region in a way that the regions with the highest poverty incidence are systematically underfunded.** In 2000, the limited availability and low quality of education services in the North, Far North, East, and Adamawa prompted the government to designate these regions as ZEPs.⁹⁶ The lack of government-paid teachers in ZEPs is compounded by their weak institutional infrastructure, leading to poor educational outcomes (Figure 68). Despite their prioritization, the ZEPs remain the areas of the country most in need of additional education funding, capital investment, and school supplies.

⁹⁶ These observations have been also confirmed by a technical background paper Ndip, Alvin. 2018. “*Public Spending on Education and Health in Cameroon: Do the poor benefit?*”

Figure 68: School-level Non-teacher Allocations per Student by Region, 2016 (US\$)

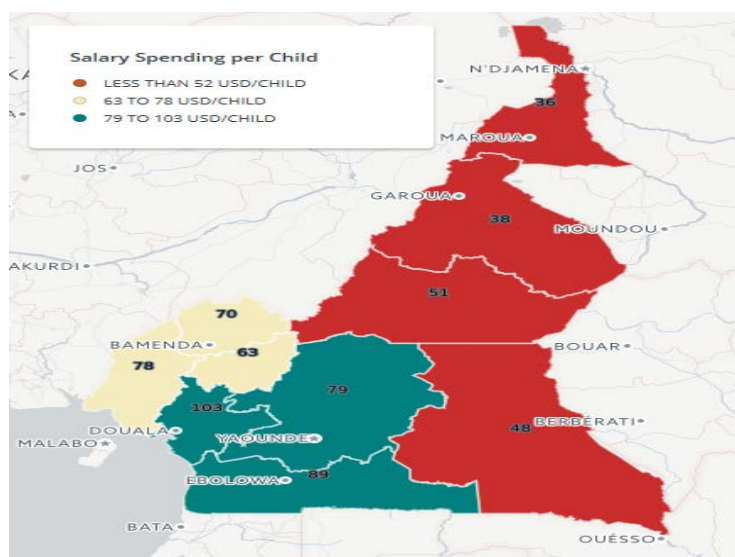


Source: Boost data, 2017.

214. **ZEPs are systematically underfunded.** The government transfers funds to departmental delegates. These funds (*caisses d'avances*) are then distributed to schools based on the number of enrolled students. ZEPs receive significantly less per student than non-ZEP areas. For example, students in the North Region receive 2.2 times less than students in the Littoral Region. Moreover, qualitative field surveys indicate that even less funding actually reaches ZEP schools. The government also provides a decentralized-service transfer to regional authorities (*paquet minimum*), but these funds are also inequitably distributed. In both cases, school officials are not made aware of the amount of funding allocated, which reduces accountability and encourages corruption and waste.

215. **The allocation of human resources follows a similar pattern.** Per student spending on teacher salaries is systematically lower in ZEPs than in other regions, particularly the Centre, Littoral, and South (Figure 69).

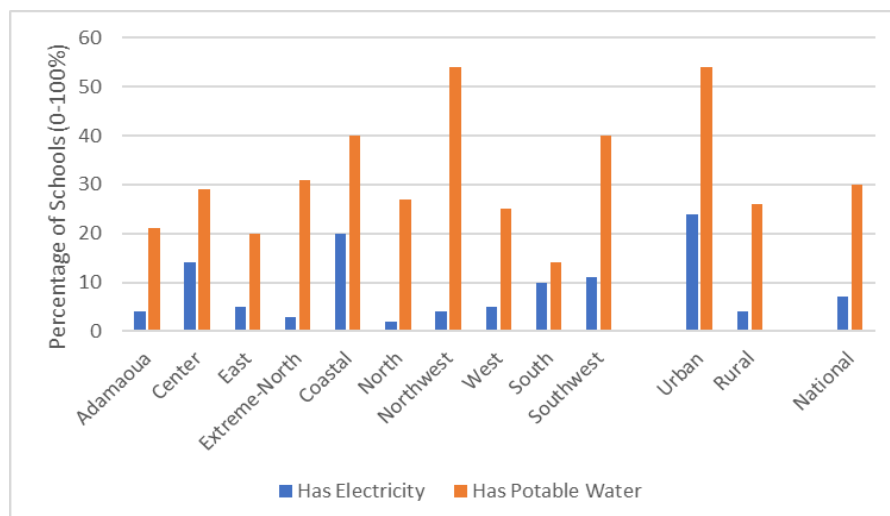
Figure 69: Per Student Spending on Teacher Salaries by Region



Source: Estimation based on BOOST (2017) Ministry of Basic Education Data (2016) and staff calculation

216. **Disparities in school infrastructure and service access mirror inequalities in funding.** Public primary schools in the ZEP regions are much less likely to have access to electricity and potable water than schools in the western or central areas of the country (Figure 70).

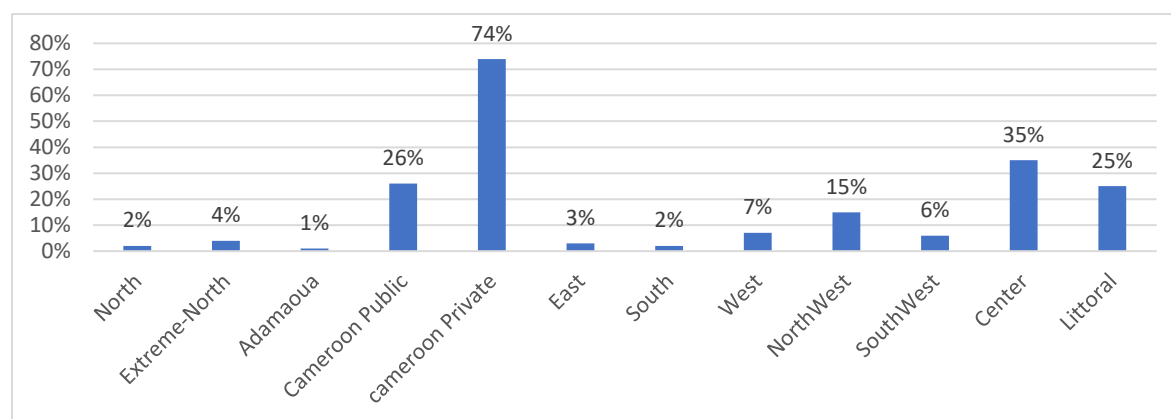
Figure 70: Percentage of Public Primary Schools with Access to Electricity and Potable Water by Region, 2015



Source: Ministry of Basic Education, 2017.

217. **TVET centers are also unevenly distributed throughout the country, and most TVET providers are private entities.** In 2013, almost 60 percent of TVET facilities were located in the Centre and Littoral Regions. By contrast, less than 10 percent of the country's TVET centers (or an estimated 30 facilities) operate in the Adamawa, East, North and South Regions (Figure 71). Only about 26 percent of all TVET centers are classified as public.

Figure 71: The Distribution of Vocational Training Centers by Region and Sector



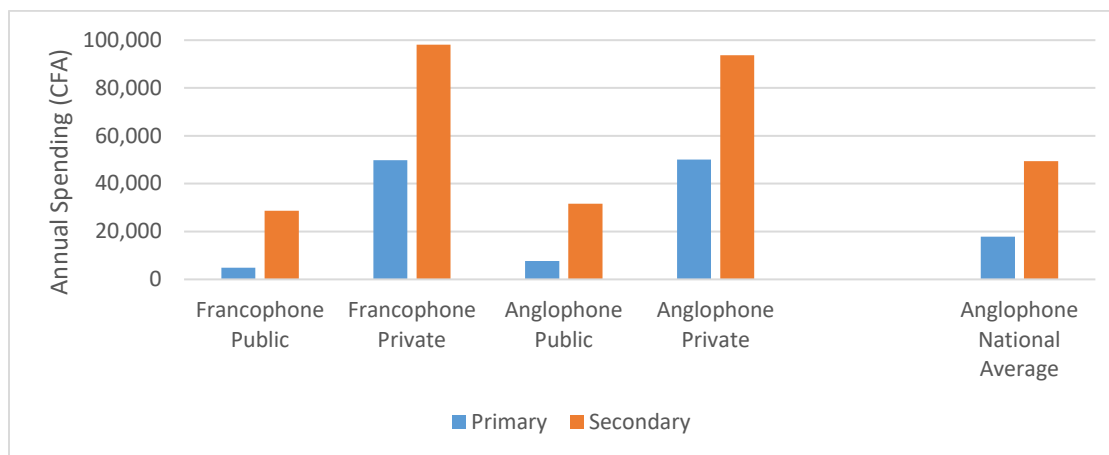
Source: MINEFOP Statistical Yearbook (2014).

The Level and Distribution of Household Spending on Education

218. **Household spending on education varies substantially across education levels and school types.** In the 2013/14 school year, household spending averaged less than CFAF 30,000 (or US\$60) per student at the primary level and nearly CFAF 50,000 (US\$102) at the secondary level (Figure 72). Among public schools, household spending averaged CFAF 5,000 CFA per

student at the primary level and CFAF 29,000 at the secondary level. Among private schools, household spending averaged CFAF 51,000 at the primary level and CFAF 99,000 at the secondary level. Household spending levels were nearly identical in the French- and English-language subsectors.

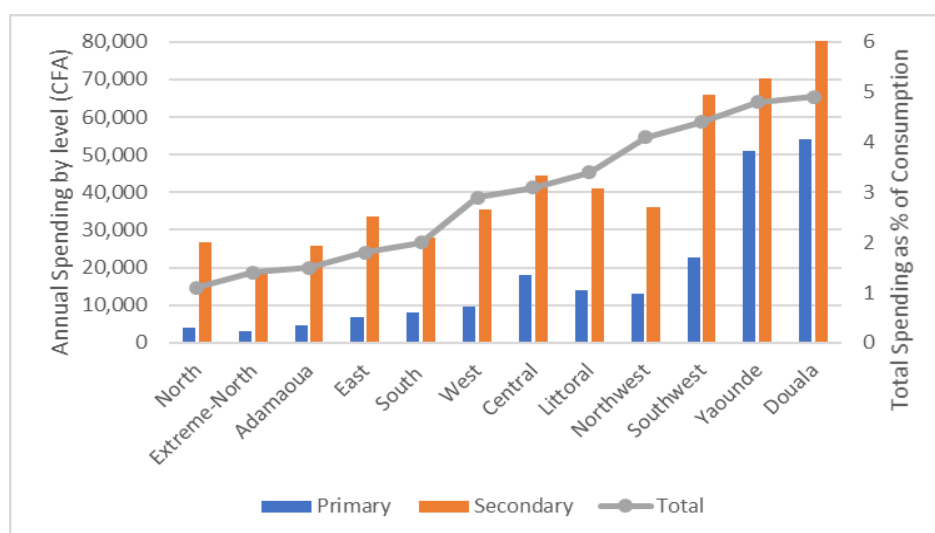
Figure 72: Total Household Spending on Education by Level, School Type, and Subsector, 2013/14



Source : Fourth Cameroonian Household Survey (*Quatrième Enquête Camerounaise Auprès des Ménages*, ECAM 4), 2017.

219. **Household spending on education also varies substantially across regions.** Families in Douala and Yaoundé report rates of education spending per child that are far above the national average. Nationwide, families in the wealthier Centre, Littoral, and Southwest Regions report spending four-to-six times more per child at the primary than families in the poorer North and Extreme North Regions (Figure 73). Relatively few children from poor households are enrolled in secondary school, and spending gaps are smaller on a percentage basis, but still substantial.

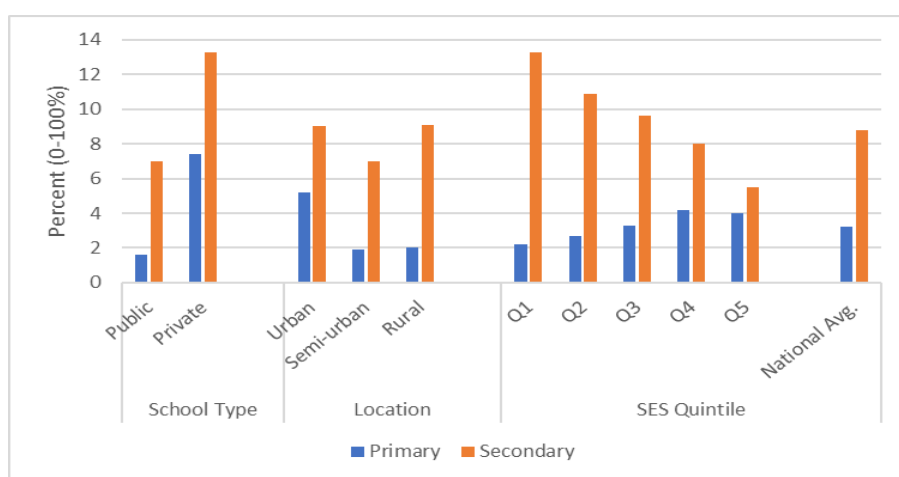
Figure 73: Household Spending on Education by Level and Region, and Total Education Spending as a Share of Household Consumption, 2013/14



Source: ECAM 4.

220. **While overall households spending on primary education is relatively low as a share of consumption, spending on secondary education imposes a much greater financial burden, especially for poorer households.** At the regional level, household education spending closely tracks total education spending: households in regions with high levels of total education spending report devoting a larger share of their income to education than household in regions with low education spending levels. While primary education spending as a share of household consumption increases among wealthier households, spending on secondary education as a share of household consumption falls. Consequently, households in the wealthiest quintile devote comparable shares of consumption to primary and secondary education, while households in the poorest quintile spend over six times more on secondary education, as a share of consumption, than on primary (Figure 74). Poorer households with students enrolled in secondary school report devoting as much as 13 percent of their per capita household consumption to education.

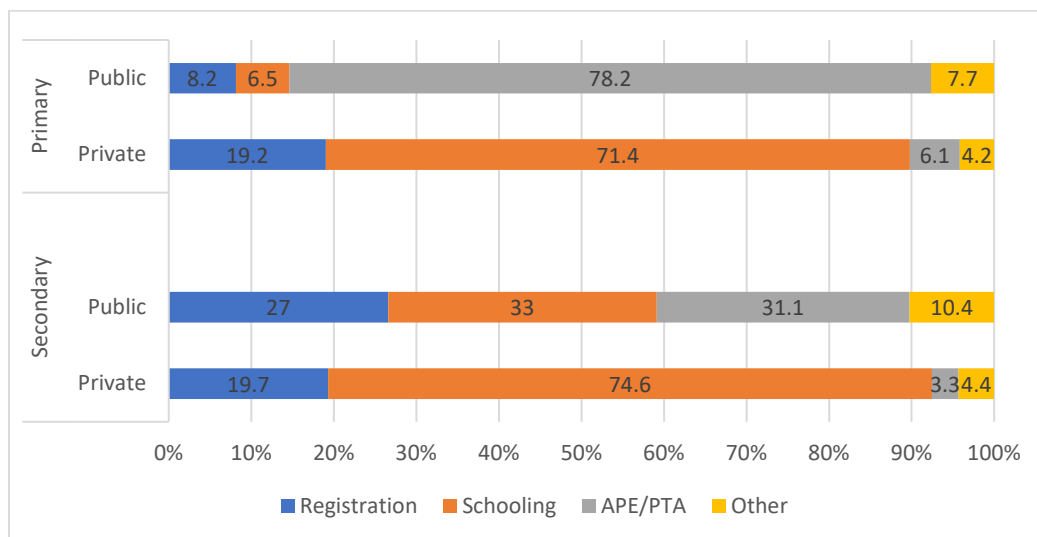
Figure 74: Household Spending on Education by Level as a Share of per Capita Household Consumption, 2013/14



Source: ECAM 4.

221. **The education expenditures financed by household differ by school type and level.** Among private schools, the largest share of household spending goes to registration and tuition, while a relatively small share is devoted to parent-teacher associations (PTAs). By contrast, in public primary schools over 78 percent of household spending goes to PTAs, which primarily fund teacher salaries. In public secondary school, household spending is more evenly divided between fees, tuition, and teacher salaries (Figure 75).

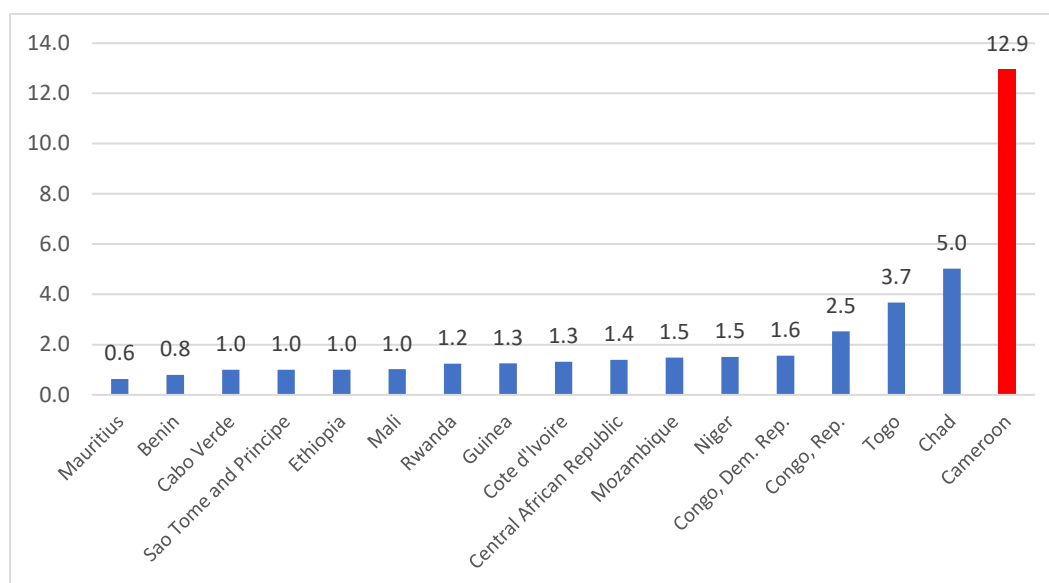
Figure 75: Distribution of Household Education Spending by School Type and Level, 2013/14 (%)



Source: ECAM 4.

222. **Cameroon faces serious challenges with textbook availability and affordability.** While many SSA countries have difficulty maintaining an adequate supply of affordable textbooks, this challenge is particularly acute in Cameroon, where textbook-to-student ratios are among the lowest in the world, averaging 1:14 nationally, reaching as high as 1:30 in some regions (Figure 76).

Figure 76: Pupils-textbook Ratio (Average Number of Pupils Per Mathematics and Reading Textbook in Primary Education) by Country, 2012/13



Source: World Bank EdS data, 2017.

The government is currently unable to provide schools with the minimum quantity of textbooks necessary for instruction. For the last two years, the only textbooks provided in public schools have been financed through international assistance, including a joint Global Partnership for Education-World Bank financed project. This situation derives from the prohibitive cost of textbooks, which are funded by families, and unavailability of textbooks outside the major cities.

In most comparable countries, textbooks are available to students at a unit price of about US\$1–3, but in Cameroon a unit price of a primary level textbook is in the range of US\$5.5–9. The high costs of textbooks in Cameroon can be explained by the lack of an appropriate textbook policy framework, including the absence of: (i) minimum textbook harmonization standards, which means that textbooks may differ across schools and may change every year. This, in its turn, prevents economies of scale and encourages rent-seeking behaviors; (ii) measures to ensure the availability of textbooks in the most remote – thus least profitable – areas of the country; and (iii) any public funding, for example, for essential subject textbooks or for the poorest households. The absence of the policy framework has been identified as the main cause behind the unavailability of textbooks.⁹⁷

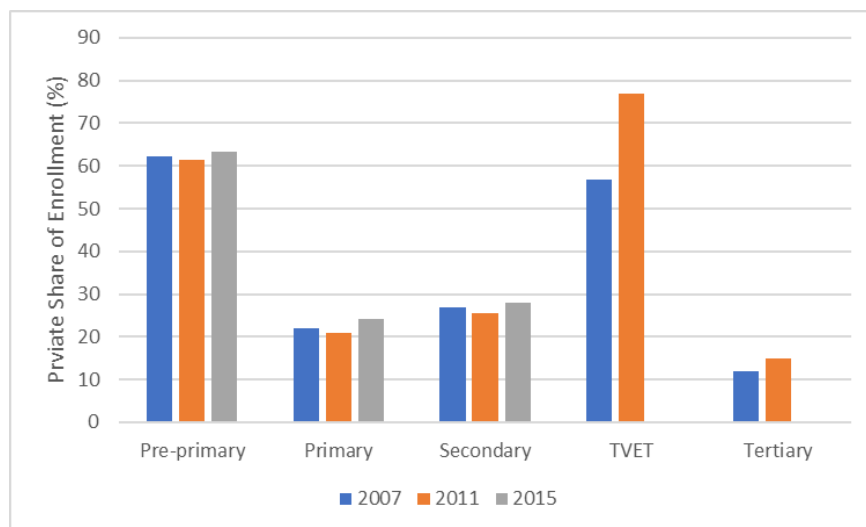
223. The authorities have been formulating a national textbook policy for at least three years, and in November 2017 the Prime Minister endorsed a statement of principles on the subject. The statement establishes that the chief goal of the government’s textbook policy should be to increase the quality and availability of textbooks in primary and secondary schools. It also calls for consolidating the number of approved textbooks to a single title per subject per grade, extending the period in which textbooks are utilized, and providing public financing for textbooks in public primary schools.

Private Education

224. The share of private education providers at the pre-primary, primary, and secondary levels has remained steady over the past decade. About 60 percent of pre-primary students are enrolled in private schools, and private primary and secondary schools account for about 30 percent of total enrollment (Figure 77). The share of private providers is smallest at the tertiary level, where just 15 percent of students are enrolled in private institutions. Private providers dominate the TVET level, where they account for over three-quarters of total enrollment. While the number of students enrolled in public TVET programs remained relatively unchanged between 2006 and 2011, the number of students at private institutions more than doubled, rising from 18,000 to over 41,000.

⁹⁷ World Bank. 2016. ‘Improving Textbook Availability and Accessibility in Cameroon’. Policy Note.

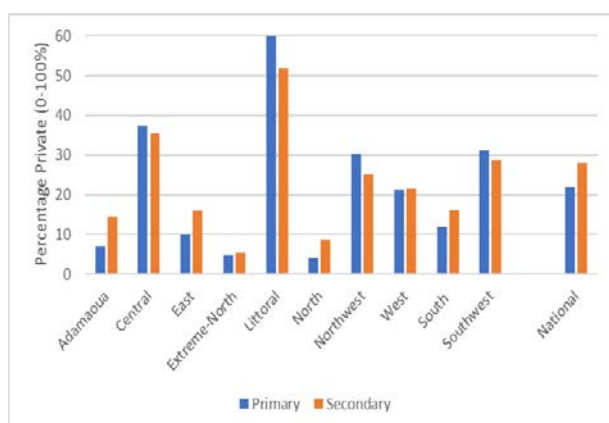
Figure 77: The Share of Private Education Providers in Total Enrollment by Level, 2007–2015



Source: UNESCO UIS Data (data.uis.unesco.org).

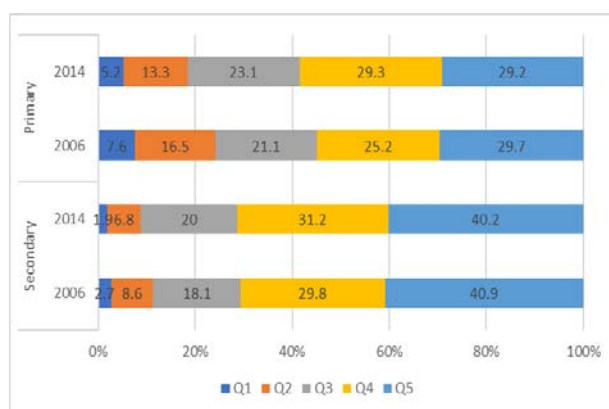
225. **Private schools are concentrated in the relatively wealthy Centre, Littoral, and Southwest Regions, and very few are located in the poorer North and Extreme North Regions** (Figure 78). Most private-school students come from households in the highest consumption quintiles, especially at the secondary level, and the share of students from households in each consumption quintile remained broadly stable between 2006 and 2014 (Figure 79).

Figure 78: The Share of Private Education Providers in Total Primary and Secondary Enrollment by Region, 2015



Source: Ministry of Secondary Education, 2015; Ministry of Basic Education, 2017.

Figure 79: Private School Students by Consumption Quintile and Level, 2006–2014



Source: ECAM3-4.

7.4 Conclusions and Recommendations

Budget Management

226. **Increasing the level of education spending would facilitate the achievement of the government's goals for the sector.** At the national level, public education spending remains well below the levels envisioned in the ESS and other government commitments, and Cameroon spends

significantly less on education than comparable countries in SSA. While the authorities are unlikely to achieve the ESS goals of devoting 20 percent of the budget to education, there is sufficient fiscal space to substantially increase spending.

227. **The government should focus additional resources on capital investment.** The current capital budget is inadequate, both in absolute terms and as a share of total education spending. Insufficient capital investment results in poor-quality learning environments, which contribute to weak educational outcomes. Low rates of capital investment are especially problematic at the tertiary and TVET levels, where a lack of appropriate supplies and equipment prevents students from acquiring the knowledge and skills demanded by employers.

228. **Given that private sector already plays a significant role in Cameroonian education system, this role could be strengthened further to help the Government to allocate more funding to needy areas and to increase overall quality.** Particularly, there is room for an increased participation of private sector at each level of schooling (from preschool to higher education, and TVET), especially in urban and wealthier areas. However, to ensure the quality service delivery, the GoC should consider designing quality assurance systems for these schools and structures as well as incentivizing inclusion of children from the poorest backgrounds in private schools.

Expenditure Efficiency

229. **Strengthening budget monitoring could increase execution rates and reduce corruption and waste.** Closer budgetary oversight would help to ensure Cameroon's limited resources are spent efficiently.

230. **Improving efficiency of education budget allocations could be achieved through direct school-financing and linking financing to schools needs and performance incentives.** The intergovernmental transfers from centralized to deconcentrated level that finance schools (that is, the *caisse d'avance* and the *paquet minimum*) involve many stakeholders (for example, department delegates, local inspectors, head teachers), and their distribution mechanisms lack transparency. The resulting systemic inefficiencies reduce the financing that reaches individual schools. Transferring funds directly to each school would greatly strengthen accountability and boost the amount of actual spending per student. Further, the implementation and scale up of Performance-based Financing (PBF) at school level would help to link financing directly to school needs, and would improve the quality of schooling, student retention, and school governance by promoting an increased level of accountability, transparency and commitment of involved stakeholders, including teachers, parents, inspectors and decentralized services. An effective system to control the use of the resources allocated to each institution would need to be put in place.

231. **Revising teacher policies is necessary to promote a more equitable distribution government spending and diminish the financial burden that teacher salaries impose on poor households.** More than 80 percent of the education budget goes to teacher salaries, yet the number of teachers in ZEPs is steadily declining. To reverse this trend, the government should reform career path and personnel management, to both strengthen incentives for teachers to work in remote regions and tighten controls on absenteeism. This reform would require (i) in-depth analysis of the current teacher recruitment and management policy, including a thinking on the respective responsibilities at local and central level; (ii) development of a comprehensive teacher

management system, based on international best practices; and (iii) implementation of this policy ensuring effective recruitment, efficient deployment and retention of teachers. This reform would be instrumental for improving both efficiency and equity of education system at pre-primary, primary and secondary level.

Aligning the Budget with Sectoral Priorities

232. Tertiary education and TVET spending levels have not kept pace with rising enrollment rates. The share of education spending allocated to the secondary level is large and growing, but tertiary and TVET spending remains low despite steadily increasing enrollment. Adequate tertiary education and TVET spending levels are vital components of a balanced approach to human capital formation. These education levels are also the most capital intensive, as advanced subjects require relatively sophisticated equipment and training materials. However, capital investment in tertiary education and TVET are particularly low. A more detailed analysis of expenditure efficiency at the tertiary and TVET levels could reveal opportunities to reduce waste and maximize the impact of existing resources.

233. Reallocating the education budget to reflect local needs could reduce regional disparities and refocus resources on priority areas. Despite the designation of ZEPs and at-risk areas such as borderlands, conflict-affected communities, and refugee zones as education priorities, the distribution of resources remains heavily skewed toward wealthier regions and major cities. Meanwhile, ZEPs and rural areas are systematically underfunded. Allocating the budget according to a clear set of predetermined criteria could improve equity and enhance overall service delivery by reorienting funding to areas where it is likely to have the greatest impact on educational outcomes. The overarching Education Monitoring Information System, which incorporates data of all education ministries and is accessible to stakeholders at different levels, would facilitate evidence-based decision making, greater accountability and more efficient resource allocation.

234. Reducing household spending, especially at the primary and secondary level, could lower dropout rates and facilitate education access for students from poor households. While in theory free primary public education should benefit the poor, in practice per-student public expenditure in the poorest regions is the lowest in the country. Consequently, to compensate for lack of public investment out-of-pocket expenditures represent a substantial share of consumption among the poorest households. Designing financing mechanisms that reduce schools' reliance on household spending could help narrow the achievement gap between students from the wealthiest and poorest households.

Textbooks Policy Reform

235. Design a full-fledged textbook policy, based on the recently published principles and decrees, to lower the price of textbooks, increase their availability and include a regular public financing of essential textbooks at the primary school level. The Government of Cameroon has taken a huge step forward in signing and publishing new guidelines for textbook policy. These guidelines specify a number of principles to guide the design of a new textbook policy: (i) the extension of the lifetime of textbooks to six years; (ii) the approval of only one textbook for each subject at each grade; (iii) the establishment of a technical unit to support the textbook development; (iv) the provision of free essential textbooks at the primary level in public schools; and (v) the participation of civil society in textbook selection and accreditation.

237. **Ensure the full application of the reform, including setting up the technical unit in charge of the textbook cycle implementation and to integrate the provision of a regular budget allocation for textbooks.** Specifically, the next steps would include: (i) rationalizing planning for national textbook needs based on demographic projections and enrollment trends; (ii) defining quality standards and criteria for textbooks selection; and (iii) initiating the process to procure and distribute three “essential textbooks” per student, based on the new curriculum, to public primary schools.



Primary School in the Northern Region

CHAPTER 8: HEALTH

8.1 Introduction

238. **This chapter provides an overview of expenditure patterns in Cameroon’s public health sector; analyzes the efficiency, effectiveness and equity of public spending in the sector; assesses the extent to which expenditures align with the policies and objectives of Vision 2035 and provides recommendations to improve this alignment.** The chapter reviews the key characteristics and challenges of the health sector, health outcomes and health spending, with a focus on levels, sources, composition and allocation, to derive recommendations on how to increase the adequacy, sustainability and efficiency of health spending: a critical objective in this time of fiscal consolidation.

239. **This chapter also presents a section on Result-Based Financing (RBF) approaches in Cameroon’s health sector, and progress towards Universal Health Coverage (UHC), which is now on the political agenda.** The chapter reviews the ongoing Performance-Based Financing (PBF) program and Maternal health voucher (*système de chèque santé*) program. These innovative financing mechanisms were introduced by the GOC to address critical challenges in the health system related to governance, equity, quality of care and service delivery, with the aim to improve health outcomes, particularly for women and children.

240. **This chapter is structured into six sections** which provide an overview on: (i) the GOC’s objectives and health policies (ii) the organization of the health sector, (iii) recent patterns and trends in health indicators (iv) health-system expenditures in Cameroon, with special attention to efficiency and equity considerations, (v) progress towards UHC, and Cameroons PBF and Maternal health voucher programs, and lastly, (vi) conclusions and recommendations. Data used for this chapter were taken from multiple sources, and the analyses were done with the most recent data and information available. These include: household survey data (Demographic and Health Survey (DHS) and Multiple Indicator Cluster Surveys (MICS)); specialized data produced by the Institute of Health Metrics (IHME), the World Bank (World Development Indicators, WDI and BOOST),⁹⁸ and the World Health Organization (WHO) (National Health Accounts, NHA)); Country level data produced by the Ministry of Public Health (MOPH) and Ministry of Finance and a fiscal space analysis report of the health sector.⁹⁹

8.2 Health Sector Objectives and Policies

Government Policy: The Health Sector Strategy 2016–2027 and Vision 2035

241. **Cameroon’s Growth and Employment strategy paper reaffirms the GOC’s commitment to developing the health sector with the aim of moving towards UHC.** Improving the health status of the population, a critical determinant of the quality of human capital, aligns with the GOC’s goals for social development and sustained economic growth. The GOC’s vision for the health sector, derived from Vision 2035, is that Cameroon becomes “a country where

⁹⁸ BOOST is not an acronym. It is the name of a data tool developed by the World Bank to enhance public sector performance.

See <http://wbi.worldbank.org/boost/boost-initiative> for more details about BOOST.

⁹⁹ Brikci N.; Murray-zmijewski, A.; Gheorghe, A. Njoumeme, Z. (2017). Fiscal space analysis for the Cameroon Health Financing Strategy report

universal access to quality health services is ensured for all social strata by 2035, with full participation of the communities”.¹⁰⁰ The Government plans to achieve this through the implementation of the Health Sector Strategy (HSS) 2016–2027.

242. The primary objective of the HSS 2016–2027 is to contribute to the development of a human capital that is productive and able to bring a strong, inclusive and sustainable growth. More specifically, the HSS 2016–2027 prioritizes 5 strategic axes and objectives, that align with the development objectives of Vision 2035, the national development strategy¹⁰¹ and the health-related Sustainable Development Goals (SDGs) (Box 8). The health system strengthening and governance axes are critical drivers for the success of the strategy, and have been prioritized for the first five years (2016–2020). The five strategic axes do not deviate profoundly from those prioritized in the previous HSS (2001–2015),¹⁰² which ensures sustained progress on previously identified areas of weaknesses, while simultaneously addressing emerging challenges in the health sector.

Box 8: Strategic Axes with Corresponding Objectives (2016–2027)

1. Health promotion – By 2027, bring the population to adopt behaviors conducive to their health.
2. Disease prevention – Reduce premature death due to preventable diseases.
3. Management of curative cases – Reduce hospital and community lethality.
4. Health system strengthening – Improve institutional capacity in 80 percent of districts for sustainable and equitable access of the population to health care and services.
5. Governance and strategic steering – Improve the performance of the health system at all levels.

Source: The Health Sector Strategy (HSS) 2016–2027

243. The estimated budget for successful implementation of the HSS 2016–2027 is US\$10.5 Billion (CFAF 5824 billion) over the 12 year-period, with an annual average cost of US\$878 Million (CFAF 485 billion) or 2.5 percent of GDP.¹⁰³ The costs are distributed across the strategic priorities as follows: health system strengthening, CFAF 3.1 Trillion (53.3 percent); health promotion, CFAF 362.8 Billion (6.2 percent); disease prevention, CFAF 682.2 Billion (11.7 percent); case management CFAF 1.3 Trillion (23.8 percent); and governance and strategic steering, CFAF 291.9 Billion (5.0 percent). However, current projections reveal a funding gap of CFAF 594 Billion due to insufficient financing of the health sector.

8.3 Health Sector Organization

Organizational Structure of the Cameroon Health Care System

244. Cameroon’s public health system is pyramidal, and characterized by two structures (administrative and health care) each of which is sub-classified into three levels (central, intermediate and peripheral) (Table 10). Cameroon’s centralized administration system provides strategic and technical support from the central, through the intermediary and cumulating

¹⁰⁰ Government of Cameroon (2015). Growth and Employment Strategy Document

¹⁰¹ MOPH (2016). Plan National De Développement Sanitaire (PNDS) 2016–2020.

¹⁰² Strategic axes of the Health Sector Strategy (2001–2015) were aligned with the Millennium Development Goals and include: (i) health system strengthening; (ii) disease prevention (iii) health promotion) and (v) dissemination of the minimum package of activity (MPA) and complementary package of activity (CPA) in the health district

¹⁰³ MOPH (2015). Health Sector Strategy (2016–2017)

at the peripheral level.¹⁰⁴ The central level is overseen by the MOPH and other national health-sector agencies. The intermediate level encompasses Cameroon's 10 administrative regions, which are administered by regional delegations. At the peripheral level, 189 health districts form the foundation of the health system. Each health district represents between 20,000 and 500,000 inhabitants, and structures at the district level are primarily responsible for implementing public health programs. Health care structures are responsible for the delivery of health services, and provide primary, secondary and tertiary level health services.

Table 10: Organization of the Cameroon Health System

		Structures		Sub-sectors	Function
		Administrative	Health care*		
Level	Central	Minister's Office, Secretariat general, Departments and Similar Structures	General hospitals; Central hospitals and other structures ranked as such for example National Essential Drug Procurement Centre (<i>Centrale Nationale d'Approvisionnement en Médicaments et Consommables médicaux Essentiels ; CENAME</i>)	Public Private Traditional	Development of concept, policies and strategies, coordination, regulation
	Intermediate	10 Regional Delegations	Regional hospitals and others ranking as such for example Regional Drugs Supply Centers (<i>Centre d'Approvisionnement pharmaceutique provincial ; CAPP</i>)	Public Private Traditional	Technical support to health districts
	Peripheral	189 health Districts	District hospitals, sub-divisional medical centers (<i>centres médicaux d'arrondissement, CMAs</i>), integrated health centers (<i>Centre de santé intégrés, CIS</i>), ambulatory health centers	Public Private Traditional	Implementation of programs

Sources: Adapted from MOPH. HSS 2016–2027

Note: * Health facilities are classified into seven categories based on the level of care they provide and referral level in the national referral system: (i) general hospitals (fourth referral level); (ii) central hospitals (third referral level); (iii) regional hospitals (second referral level); (iv) district hospitals (first referral level); (v) sub-divisional medical centers; (vi) integrated health centers (vii) ambulatory health centers.¹⁰⁵

245. Each level of the administrative and health care structure is further sub-classified into three sub-sectors: public, private and traditional medicine.¹⁰⁶ The public sector includes all public and parapublic health establishments and provides services to 55 percent of the population. Approximately 45 percent of health services in Cameroon are provided by the private

¹⁰⁴ Tandi, et al. (2015) International Journal of Equity in Health 14:43

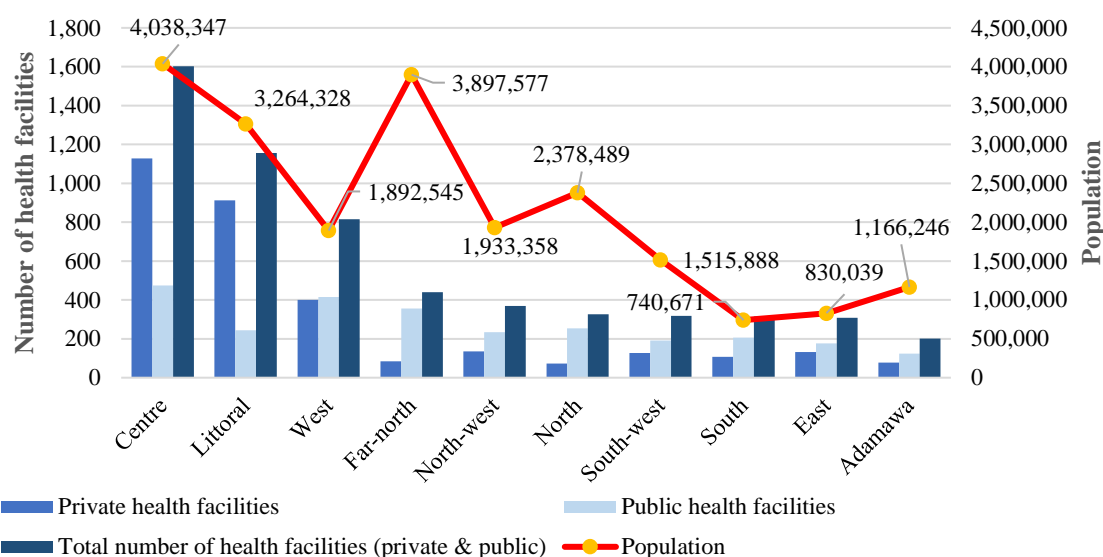
¹⁰⁵ MINSANTE (2004). *Enquête sur le suivi Des dépenses publiques et la satisfaction des bénéficiaires dans les secteurs de l'éducation et de la sante, Phase I : Volet Santé.*

¹⁰⁶ MINSANTE (2012) *Plan de développement des ressources humaines du système de sante du Cameroun 2013 – 2017.*

sector; which includes both non-profit (for example, faith-based and secular) and for-profit establishments. The for-profit private sector is mainly concentrated in urban areas, while the non-profit private sector is distributed throughout the country, particularly in rural areas where numerous faith-based organizations are located. The traditional medicine sector is highly unregulated, and the rate of utilization is unknown.

246. In 2016, Cameroon's health sector had 5853 health facilities, including 2675 facilities in the public sector (45.7 percent) and 3178 (54.3 percent) in the private sector (Figure 80). Cameroons private sector consists of a large number of nonprofit facilities operated by civil-society groups (1948 facilities; 61.3 percent) and faith-based organizations (747 facilities; 23.5 percent), and a smaller number of for-profit health care facilities (483 facilities; 15.2 percent) (Figure 80).¹⁰⁷ In absolute terms, the number of health facilities is satisfactory (0.8 hospitals per 100,000 population); and on par with the Sub-Saharan African estimate (0.8).¹⁰⁸ However, their geographic distribution is inequitable. The majority of health facilities are located in the urban regions of Cameroon, such as Central region (1602 health facilities), while there is a low number and concentration of health facilities in the poorer and more rural regions like Adamawa (201 health facilities), North (327) and Far-North (440) regions (Figure 80). Almost half of all private, for-profit facilities are located in the main cities of Douala (23.8 percent) and Yaoundé (25.7 percent).¹⁰⁹

Figure 80: Distribution of Public and Private Health Facilities in Cameroon, 2016



Source : MINSANTE (2016) Plan National De Développement Sanitaire (PNDP) 2016–2020.

¹⁰⁷ An estimated 1000 unauthorized private health facilities are not accounted for in the official statistics.

¹⁰⁸ WHO (2015). World Health Statistics 2015: Densities calculated by adding both public sector and private sector data; hospitals include district, rural, provincial, specialized, teaching and research hospitals.

¹⁰⁹ Ministry of Public Health, 2017.

247. **Public and private health facilities are organized into three levels providing primary, secondary and tertiary care** (Table 11). Health facilities at the district level offer a minimum (MHP) and complementary health package (CHP),¹¹⁰ which consist of interventions orientated towards health promotion, diseases prevention, and curative management of common diseases in the community. The Regional hospitals at the intermediate level offer secondary level health care services, including the management of complicated medical and surgical cases. Health facilities at the central level (Central and General hospitals) provide tertiary level health care services, including specialized health services in surgery, pediatrics, obstetrics and gynecology, medical imaging, dental care and hemolysis. Cameroon has one teaching hospital that is based in the Central region.

248. **Only 10 of the 189 (5.4 percent) health districts in Cameroon are functional.** In functional health districts, 80 percent of health problems are managed at primary care facilities and 20 percent are referred to the district hospital (primary referral level) (Table 11). Similarly, district hospitals should manage 80 percent of referred patients, and refer complicated cases (about 20 percent of cases) for more appropriate management at the Regional hospital (second referral level). The most complicated health conditions, requiring the most specialized care are eventually referred to the Central hospital (third referral level) and General hospitals (fourth referral level) (Table 11). In the majority of districts in Cameroon, there is poor application of these principles and primary care facilities and district hospitals are unable to provide quality MHP and CHP to the population. Consequently, Regional hospitals and central level health facilities also provide the MHP and CHP services, which is a key area of inefficiency.

Table 11: The Distribution of Public and Private Health Facilities by Region and Level, 2014

Health Sector Level		District		Intermediate	Central		
Level of care provided		Primary		Secondary	Tertiary		
Region	Health district	Primary care facilities (CSIs & CMAs)	District hospitals (district/private)	Regional hospitals	Central/general hospitals	Total	Number of people per primary care facility
Adamaoua	9	148	8	1	0	157	7,604
Center	30	797	29	1	11	838	4,902
East	14	213	13	1	0	227	4,172
Far North	30	296	30	3	0	329	13,030
Littoral	24	575	39	2	3	619	5,523
North	15	257	14	1	0	272	8,840
North-West	19	336	30	1	0	367	5,952
West	20	595	32	1	0	628	2,574
South	10	298	9	2	1	310	5,660
South-West	18	271	14	2	0	287	3,325
Total	189	3,786	218	15	15	4,034	5,680

Source: MOPH (2015) Cameroon Health Sector Strategy, 2016–2027.

Note: These figures do not include unauthorized private health facilities.

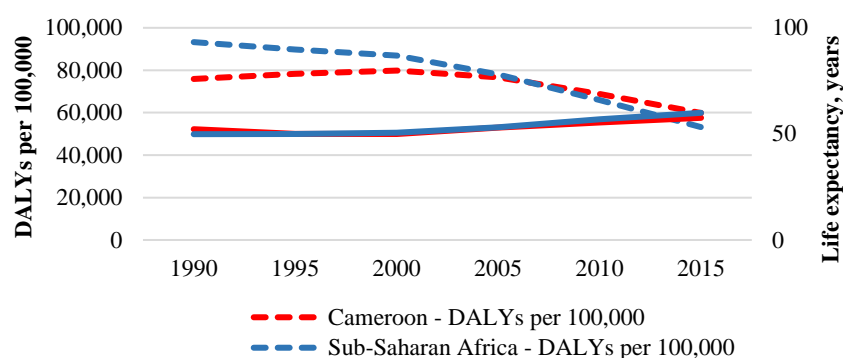
¹¹⁰ The MHP is provided by primary care facilities, and the CHP is provided by hospitals.

8.4 Status of the Performance of Cameroons Health System

Epidemiological Profile and Recent Trends in Health Outcomes

249. **Over the last two decades, Cameroon has made considerable progress on social indicators.** Between 1990 and 2015, Cameroon significantly reduced the burden of disease among its population by 16,000 Disability-Adjusted Life Years (DALYs) per 100,000 individuals (81).¹¹¹ It increased life expectancy from 52 years to 58 years, reduced under-5 deaths from 138 deaths to 88 deaths per 1,000 live births (Figure 82), and over the past twenty years, the total fertility rate decreased by almost one birth per women, from close to six to just under five.¹¹²

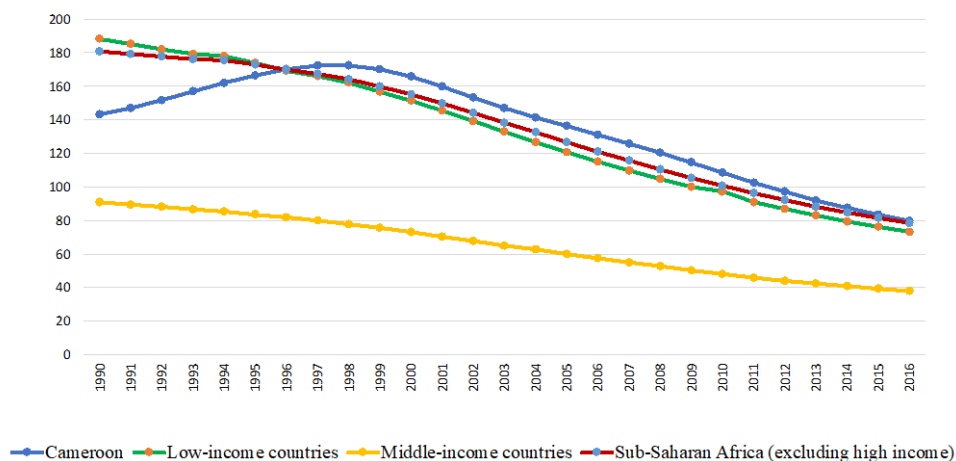
Figure 81: Trends in Life Expectancy Compared to the Total Burden of Disease



(DALYs per 100,000 individuals), 1990-2015

Source: IHME, WDI May 2018.

Figure 82: Trends in Under-5 Deaths per 1,000, 1990–2015



Source: WDI May 2018.

¹¹¹ DALYs: Disability Adjusted Life Years, is a measure of overall disease burden expressed as the number of years lost due to ill-health, disability or early death.

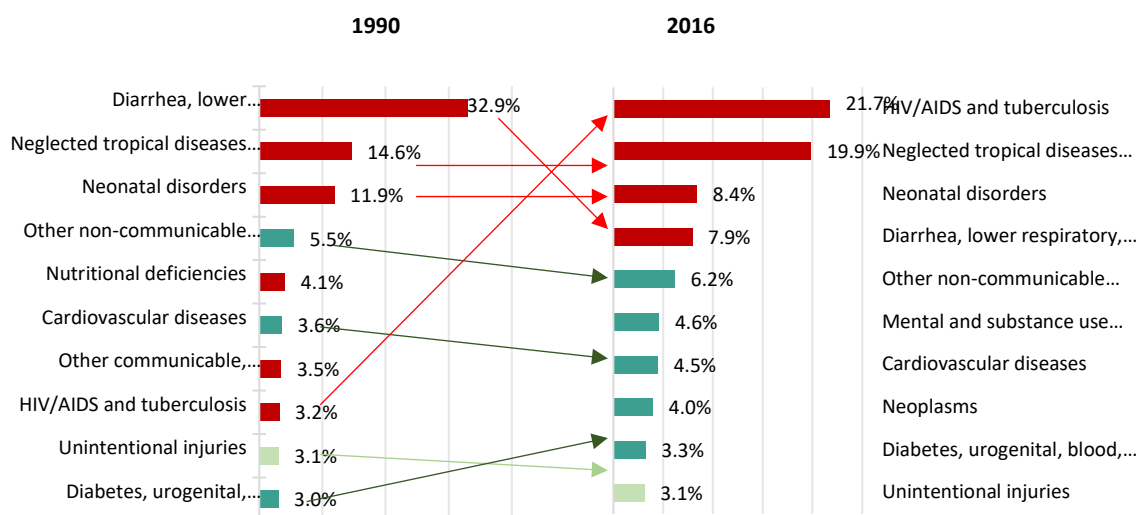
¹¹² Source: MICS 2014.

Despite these achievements, Cameroon's epidemiological profile remains comparable to many low-income countries, and its performance remains poor. Communicable, maternal, neonatal and nutritional diseases contribute to 64 percent of Cameroons total disease burden, and are the leading causes of disability and death

Figure 83). Over the last two decades, the burden of non-communicable diseases (NCD) has increased (250. Figure 83), which results in a dual burden of disease that will tax an already fragile health system. When compared to 11 other lower-middle-income Sub-Saharan African countries, Cameroon consistently ranked as one of the worst performers for key indicators including, life expectancy, HIV-prevalence, malaria incidence, under-5 and maternal deaths (Table 12).

Infectious diseases, including HIV-and Malaria, remain the leading causes of death in Cameroon (251. Figure 83). The HIV-prevalence in Cameroon is high compared to other lower-middle-income countries in the region (3.8 percent) (Table 12), particularly among women (5.6 percent), who are twice as likely to be infected as men (2.9 percent). Only 37 percent of HIV-positive individuals have access to antiretroviral, and in 2016, 29,000 people died from acquired immunodeficiency syndrome (AIDs)-related complications, accounting for 13.4 percent of all deaths in Cameroon.¹¹³ Malaria contributes to the largest disease burden in Cameroon (absolute DALYs): 2,035,765.50,¹¹⁴ and remains the leading cause of death among children under-5 years, and pregnant women. It accounts for 40–50 percent of medical consultations, 40 percent of deaths among children under-5 years and 23 percent of hospitalizations.

Figure 83: Total Burden of Disease in Cameroon in DALYs Rate, 1990 and 2016



Source: IHME 2016.

¹¹³ WHO. Cameroon: WHO statistical profile. Source: <http://www.who.int/gho/countries/cmr.pdf?ua=1> . Accessed on 11/21/2017

¹¹⁴ DALYs: Disability Adjusted Life Years, is a measure of overall disease burden expressed as the number of years lost due to ill-health, disability or early death. It represents two categories, Years of life lost (YLLs) and years lived with disability (YLDs).

252. **Poor maternal, reproductive and child health and nutrition outcomes in Cameroon continue to be profound and a pervasive problem.** Cameroon did not achieve the maternal and child-related Millennium Development Goals (MDGs), and ranks 145 out of 179 countries on the mother's index, lagging behind poorer countries like Mozambique, Uganda, and Zimbabwe.¹¹⁵ Maternal mortality increased between 1990 and 2014 (from 430 to 782 maternal deaths per 100,000 live births).¹¹⁶ Almost one-third of children under-5 years test positive for malaria (30 percent) and suffer from diarrhea (20 percent); and 35 percent of children under two years are not fully immunized.¹¹⁷ Malnutrition affects a large proportion of children in Cameroon, and the overall percentage of wasting among children under-5 years doubled between 2004 and 2011, and more than quadrupled in the fourth quintile.¹¹⁸ In 2014, one-third (32 percent) of children in Cameroon were stunted,¹¹⁹ and malnutrition is the contributing cause of almost half (48 percent) of under-5 deaths.¹²⁰ Undernutrition is a major cause of lost human capital in the Cameroonian population, through direct losses in productivity linked to poor physical status, indirect losses due to poor cognitive function, learning deficits, and losses resulting from increased medical costs.

Table 12: Comparison of Health Indicators Across Lower Middle-income Sub-Saharan African Countries, 2016

	The per capita (US\$), 2015		Life Expectancy at Birth (years)		HIV-Prevalence		Incidence of Malaria (per 1,000 population at risk), 2015		Under-5 Death Rate (per 1,000 live births)		Maternal Mortality Ratio (per 100,000 live births), 2015	
		Rank		Rank		Rank		Rank		Rank		Rank
Angola	108.6	5	61.5	10	1.9	6	124	4	82.5	11	477	8
Carbo Verde	145.8	4	72.8	3	0.8	4	0.2	1	21.4	2	42	1
Cameroon	63.6	11	58.1	11	3.8	10	264.2	8	79.7	9	596	10
Congo, Republic of	58.8	12	64.6	6	3.1	9	173.3	6	54.1	6	442	7
Cote d'Ivoire	75.4	8	53.6	12	2.7	7	348.8	10	91.8	12	645	12
Ghana	79.6	7	62.7	8	1.6	5	266.4	9	58.8	7	319	6
Kenya	70.1	9	67.0	4	5.4	11	166	5	49.2	5	510	9
Mauritania	53.6	13	63.2	7	0.5	3	74.2	3	81.4	10	602	11
Morocco*	159.8	3	75.8	1	0.1	1	—	—	27.1	3	121	3
Nigeria	97.3	6	53.4	13	2.9	8	380.8	11	104.3	13	814	13
Sao Tome and Principe	159.9	2	66.6	5	—	—	17.8	2	33.8	4	156	4
Tunisia *	258.0	1	75.7	2	0.1	2	—	—	13.6	1	62	2
Zambia	69.4	10	61.9	9	12.4	12	173.7	7	63.4	8	224	5
Sub-Saharan Africa	84.9	—	60.4	—	4.3	—	234.3	—	78.3	—	547	—

Source: WDI May 2018.

Note: * Economies with improved outcomes – not ranked.

¹¹⁵ “State of the World’s Mothers. 2015. Save the Children.” Indicators of the 2013 mother’s index include (a) lifetime risk of maternal death, (b) under-5 mortality rate, (c) expected years of formal education, (d) gross national income per capita, and (e) participation of women in national government.

¹¹⁶ Source: MICS 2014.

¹¹⁷ Idem

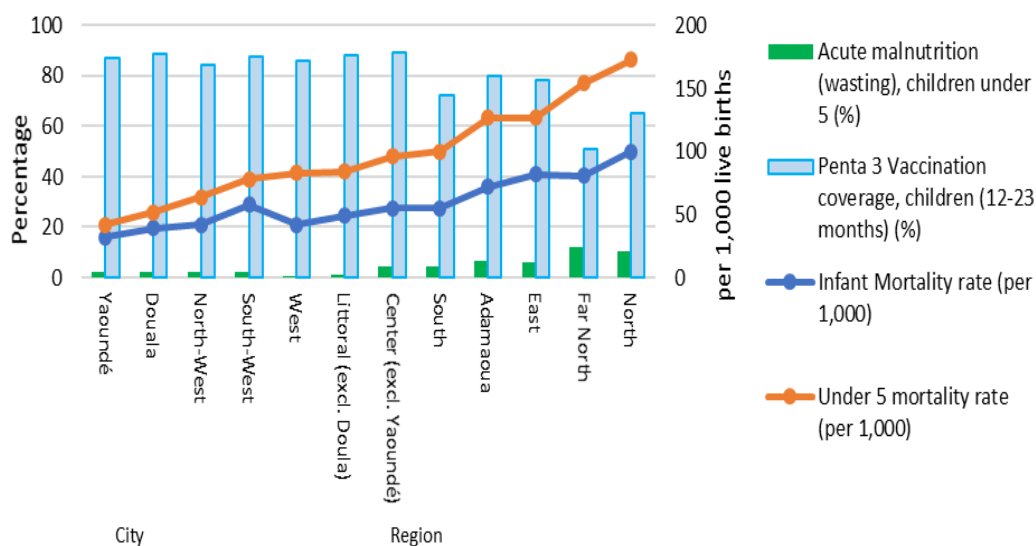
¹¹⁸ Idem.

¹¹⁹ Stunting, defined as low height-for-age, is an indicator of chronic malnutrition. Source: MICS 2014.

¹²⁰ Source: MICS 2014.

253. **Health outcomes and the coverage of essential maternal and child health services vary substantially across regions** (Figure 84). The Far North, North, Adamawa, and East regions consistently experience the worst outcomes for nearly all infant and child mortality and nutrition indicators (Figure 84). For example, the under-5 mortality rate in the North (173 deaths per 1,000 live births) is more than four times higher than in Yaoundé (42 deaths per 1,000 live births), and the incidence of acute malnutrition is 11 times higher in the Far North (11.8 percent) than it is in the West (0.7 percent). Furthermore, in comparison to urban areas (22 percent), stunting in the rural areas (41 percent) is significantly higher, particularly in the poorest regions; Far North (44 percent), North (40 percent), Adamawa (40 percent), and East (38 percent) (Figure 85).¹²¹ These regions also have the lowest coverage rates for child immunization, antenatal care, assisted deliveries, and modern family planning (Figure 85). Coverage for assisted deliveries is approximately three times higher in the West, North-West, Yaoundé and Douala than it is in the North and Far North regions (Figure 85).

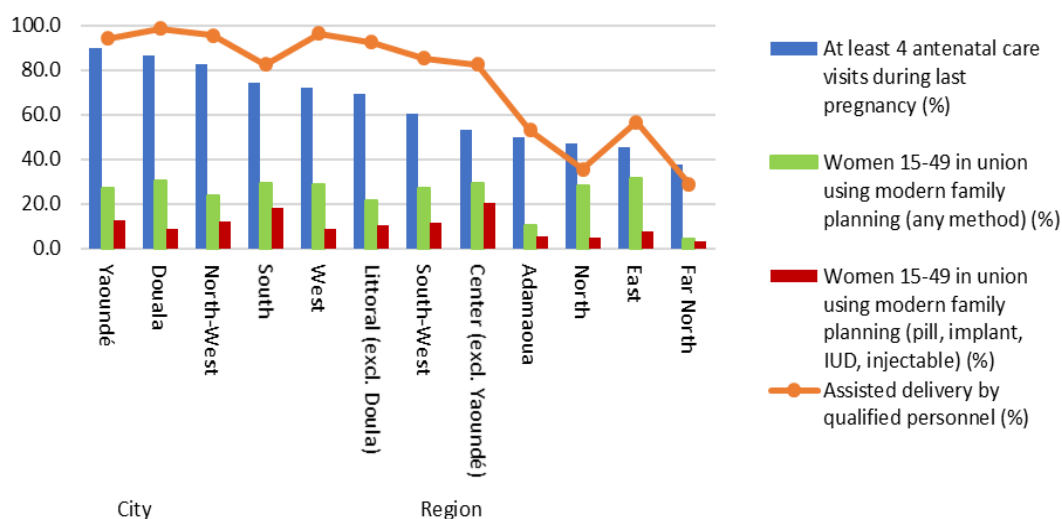
Figure 84: Child Health Outcome and Service Coverage Indicators, 2014



Source: MICS 2014.

¹²¹ Source: MICS 2014.

Figure 85: Maternal Health Outcomes and Service Coverage Indicators, 2014



Source: MICS 2014.

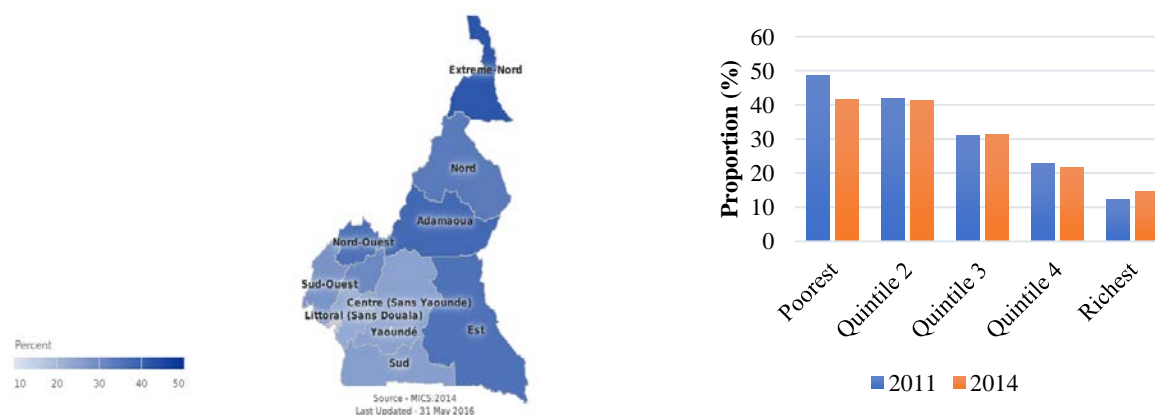
254. **Health outcomes vary substantially across income quintiles.** Children in the wealthiest quintiles have the lowest incidence of all major diseases (Table 13). Stunting rates are almost four times higher in the poorest quintile than in the wealthiest, the largest gap of any indicator (Figure 86). Despite their lower disease incidence, wealthier households are systematically more likely to use health services. For example, although diarrhea is most common among children in the poorest quintiles, children in the wealthiest quintiles are most likely to be treated for diarrhea. The same pattern applies to treatment for respiratory infections and fever—a key symptom of malaria. Malnutrition rates are highest in the bottom three quintiles of the income distribution, rising to over 41 percent in the first two quintiles and 31 percent in the third. 41.6 percent of children in the poorest quintile suffers from chronic malnutrition, compared to 14.5 percent of children in the wealthiest quintile.

Table 13: The Prevalence of Major Diseases and Access to Preventative Care and Treatment Among Children Under-5 years by Income Quintile, 2011

	Poorest quintile	Q2	Q3	Q4	Richest quintile	Total	Concentration index
<i>Illness prevalence</i>							
Fever (%)	31.1	24.9	27.7	24.9	25.0	26.8	-0.0419
Acute respiratory infections (%)	21.2	15.6	14.7	17.8	17.6	17.4	-0.0258
Stunting (%)	47.5	42.5	32.8	24.6	12.6	32.5	-0.2170
Diarrhea (%)	32.6	21.5	20.5	18.6	13.8	21.7	-0.1610
<i>Access to treatment and preventive services</i>							
Treatment for acute respiratory infections (%)	7.3	25.7	29.9	28.7	36.2	24.2	0.239
Diarrhea treatment (%)	7.9	18.3	25.6	34.7	46.7	22.4	0.336
Malaria treatment (%)	4.6	11.1	17.7	17.2	15.6	13.1	0.179
Measles immunization (%)	52.4	66.4	76.1	77.9	87.6	71.7	0.096

Source: ADePT analysis with 2011 DHS data, Diagnostic chapter of Health Financing Strategy

Figure 86: Incidence of Moderate and Severe Stunting Among Children Under-5 Years by Region (left) and Income Quintile (right), 2011 and 2014



Source: DHS-MICS 2011, MICS 2014.

Barriers to Accessing Quality Health Services

255. Contextual factors contribute to Cameroon’s poor health outcomes, including obstacles to care on both the supply-and-demand-side. Supply-side barriers include the availability and quality of care, while demand-side constraints include financial resources, employment and household-labor obligations, and social and cultural norms. Both sets of factors affect households’ decisions to seek preventive or curative care in Cameroon, and both contribute to the large differences in health outcomes observed across regions and population groups.

A. Supply-side constraints

256. Four key supply-side constraints can be considered: (i) poor availability of basic medical equipment and essential medicines; (ii) inadequate pool of trained and motivated health care workers; (iii) limited physical access to health facilities and (iv) poor quality services.

- **Poor availability of basic medical equipment and essential medicines**

257. The first critical supply-side bottleneck is the poor availability of basic medical equipment and essential medicines. Overall indicators of the availability of medical supplies and equipment are relatively poor in all six regions assessed, indicating systemic challenges. The availability index for basic medical equipment ranges from a low of 70 percent in the North region, to a high of 94 percent in the North-west region.¹²² The availability index for essential medicines¹²³ is low across all regions, especially Adamawa (54 percent) and the North (50 percent), while the North-West and Far North have the highest index scores (71 percent). Similar patterns are observed for emergency obstetric supplies¹²⁴ and medicines for treating malaria.¹²⁵ As with health-outcome

¹²² Per the World Health Organization’s Service Availability and Readiness Assessment (SARA) methodology, basic equipment includes at least one child scale, adult scale, tension meter, thermometer, stethoscope, and electric light source

¹²³ That is, ophthalmologic tetracycline ointment, paracetamol/acetaminophen, amoxicillin, packets of oral rehydration solution, zinc, iron, folic acid, and vitamin A supplements, and cotrimoxazole.

¹²⁴ Magnesium sulfate, diazepam injections, misoprostol, and oxytocin.

¹²⁵ Quinine, artemisinin-based combination therapy, and sulfadoxine-pyrimethamine (“Fansidar”).

indicators, supply-side barriers to the provision of quality health services tend to be most acute in the northern regions.

258. **A key contributor to drug shortages are difficulties in procurement, poor management and inadequate transport equipment at all levels of the National Essential Drugs and Medical Supplies Procurement System (SYNAME).** CENAME, which oversees SYNAME at the central level, is responsible for the procurement of medicines and medical products, and is the main provider of drugs in Cameroon. However, the absence of a harmonized information system for drug logistic management in the country hinders the efficient management of drugs and consumable stocks. The purchase of drugs and medical consumables constitutes about 40 percent of current health expenditure. However, due to deficiencies in the quality assurance system of drugs in the public sector, an informal sector of drug sales has developed (for example, illegal pharmaceutical deposits, street vendors), which represents 25 percent of the market. Moreover, inspections of pharmaceutical structures for counterfeit drugs is irregular due to the lack of logistical and financial resources.

- **Inadequate pool of trained and motivated health care workers:**

259. **An inadequate pool of trained health care workers constitutes a second critical supply-side bottleneck.** The latest census of health personnel was carried out in 2011. It found that 101 obstetrician-gynecologists were practicing in Cameroon, far less than the 470 that were deemed necessary to meet the needs of the population.¹²⁶ In addition, the closure of public midwifery schools by the government between 1987 and 2011 led to a serious deficit in skilled birth attendants. Only 167 midwives and assistants were registered in 2011, only a fraction of the 5,400 required.¹²⁷ While the MOPH reintroduced the training of midwives in 2012, problems regarding their integration into the civil service have led to the nonpayment of salaries, leading many of the newly trained midwives to abandon their posts.

260. **Health care workers are unevenly distributed across the country.** Half of Cameroon's health workforce is employed in three regions: Littoral, West and the Center regions. The Center region, which is home to only 18 percent of the population, accounts for almost 40 percent of the countries physicians.¹²⁸ The number of health personnel per capita in the South-West region is four times that of the Far North region and almost five times that of Adamawa and North regions. A recent survey of health personnel found that in the Adamawa, Far North, North and East regions, 20-30 percent of health staff were absent from their facility for unknown reasons on the day of the survey (Table 14). In addition, the four regions with the highest rates of absenteeism among health care workers were also found to have the greatest workload per staff member (Table 14).

¹²⁶ UNDP, 2011.

¹²⁷ United Nations Fund, 2011.

¹²⁸ World Bank (2013). Cameroon Economic Update: Towards greater equity. A special focus on health.

Table 14: Quality-of-Care Indicators for Primary Care Facilities, 2015

Indicator	Region					
	Adamaoua	Far North	North	East	North-West	South-West
Electricity (%)	68	60	54	92	90	95
Potable water (%)	33	59	65	70	94	95
Basic consultation equipment (% that have all 6)	82	79	70	89	94	92
Essential medicine (availability index)	54	71	50	63	71	66
Malaria treatment (availability index)	63	56	43	53	65	70
Obstetric medicine (availability index)	13	28	22	35	51	48
Density of nurses (per 1000)	0.2	0.22	0.37	0.53	0.6	0.51
Density of other qualified personnel (per 1,000)	0.2	0.15	0.13	0.72	0.51	1.32
Absenteeism rate (% of qualified staff)	27	24	27	24	14	19
*Case load (district hospital)	10			2.5		
*Case load (primary care facility with doctor)	2.1			1.3		
*Case load (primary care facility)	6.5			3		
Clinical vignette knowledge score (nurse)	53			58		
Clinical vignette knowledge score (nurse aide)	52			56		

Source: IFORD, World Bank, MOPH: PBF impact evaluation surveys, 2015

Note: *Case load refers to the reported number of patients served by a health care worker per day.

- **Poor quality of care**

261. **The quality of health care services in the public and private sector is generally low, and varies across regions and between urban and rural areas** (Table 14).¹²⁹ Health-facility surveys conducted in 2015 in six regions (North, Far North, Adamawa, East, North-West, and South-West) assessed the availability of essential medicines and other key inputs, the distribution of health care workers, and the clinical quality of maternal and child health services. Approximately 500 public and private primary care facilities and secondary hospitals were surveyed across 29 districts. In the Adamawa region, only 33 percent of facilities had clean water, compared with 94 percent in the North-West and 95 percent in the South-West. In the three northern regions (Adamawa, North, Far North), about 60 percent of facilities had a reliable source of electricity, versus 90 percent in the North-West, South-West, and East (Table 14).

262. **Inadequate clinical quality and comprehensiveness seriously undermine maternal and child health care.** Direct observations of outpatient consultations for children under five with diarrhea revealed that only 20 percent of health care providers perform a comprehensive clinical assessment of the child.¹³⁰ This estimate varied across regions, and was lowest in the North region (13 percent). Similarly, direct observations found that most health care providers in the North-West, South-West and East regions offered high-quality antenatal consultations,¹³¹ but in the

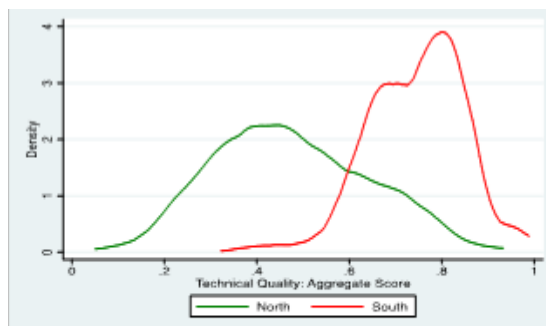
¹²⁹ McIntyre et al. 2016: Quality refers to the extent to which health services achieve the desired health outcomes or improve health status

¹³⁰ A comprehensive clinical assessment of diarrhea would require the provider to take three essential actions: asking questions related to the onset of the illness, determining the presence or absence of blood in the stool, and pinching the skin to check for dehydration.

¹³¹ The quality of antenatal care for pregnant women is also measured by a list of key actions providers are supposed to take during consultations, including soliciting a medical history, testing for HIV, anemia, and sexually transmitted

Adamawa, Far North and North regions the quality of consultations varied, with most receiving a quality score of about 40 percent or below (Figure 87).

Figure 87: Aggregate Score for the Technical Quality of Antenatal Consultations, 2015

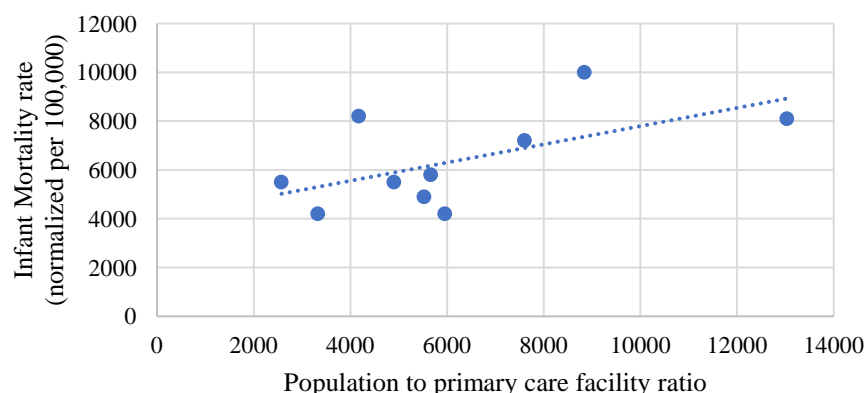


Source: IFORD, World Bank, Ministry OF Public Health: PBF impact evaluation surveys, 2015
 North refers to the aggregate score of the Adamawa, Far North and North regions;
 South refers to the aggregate score of the North-West, South-West and East regions;

- **Limited physical access to health facilities**

263. **The distribution of health facilities does not always reflect the distribution and needs of the population.** Cameroon's supply of public primary care facilities (CSI or CMA) appears to be satisfactory at the national level, with an average ratio of 5,000 people per facility (Table 14). However, the number of facilities per capita is much higher in some regions than it is in others. For example, the South, West and East Regions have the most primary care facilities per capita, averaging one CSI or CMA per 2,574, 3,325 and 4,172 people, respectively. However, the North, Far North and Adamawa regions have the fewest primary care facilities per capita, averaging just one facility per 13,030, 8,840 and 7604 people, respectively. Moreover, across regions, the number of primary care facilities per capita is strongly correlated with infant mortality rates (Figure 88).

Figure 88: Health Facilities per Capita and Infant Mortality Rates by Region, 2014



Source: Cameroon Health Sector Strategy 2016–2027, MICS 2014.

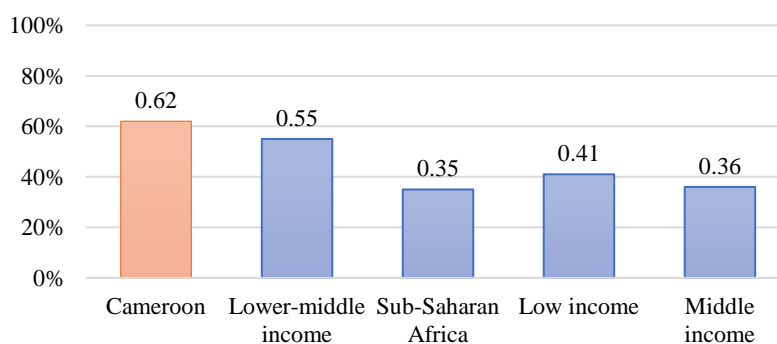
infections, providing counseling, and offering preventive services such as intermittent preventative treatment and iron supplements, among others.

B. Demand-side constraints

- Out-of-pocket costs

264. Since the early 2000s, household expenditures account for two thirds (an estimated 60-70 percent) of funds that support the health care system,¹³² which places the population at significant risk of financial catastrophe and impoverishment.¹³³ This level of household spending is well above the regional average, as well as averages for low and middle-income countries (Figure 89). A recent household study in Cameroon's three northern regions (Adamawa, Far North and North) revealed that 64 percent of patients who did not seek care at a health center or from a health professional cited cost as the most important reason.¹³⁴ Large out-of-pocket costs and limited insurance coverage (less than 3 percent of the population)¹³⁵ constitute major financial barriers to accessing health services, especially among the poor and vulnerable. High out-of-pocket costs reduce demand for preventative care, which can lead to extremely negative health outcomes and catastrophic treatment costs.

Figure 89: Out-of-Pocket Payments by Households as a Share of Total Health Spending, 2013



Source: World Bank World Development Indicators (WDI), 2016.

265. In 2012, the prevalence of catastrophic health expenditure ranged from 4.7 to 21 percent of households (Table 15).¹³⁶ In Cameroon, health expenditures increase the poverty rate by almost 2 percentage points, and exacerbate the depth of poverty by almost 12 percentage points (Table 16). Among wealthier households, catastrophic health expenditures are more likely to impose a very heavy cost in percentage terms, in some cases even pushing them below the poverty line (Figure 90). Health expenditures among the poorest households tend to be modest in percentage terms; however, they are the most likely to face catastrophic health costs, which contribute to keeping these households in poverty. Reducing out-of-pocket health spending in Cameroon could directly reduce both the incidence and severity of poverty.

¹³² NHA, 2012; WDI, 2016.

¹³³ World Health report (2010). It states that “it is only when direct payments fall to 15–20 percent of THE that the incidence of financial catastrophe and impoverishment falls to negligible levels”.

¹³⁴ IFORD, 2015.

¹³⁵ Ministry of Public Health (2016) Health Analytic Profile: Cameroon 2016, Observatoire National de la Santé Publique, Yaounde

¹³⁶ Wagstaff, et al. (2018). Health spending is defined as catastrophic when it exceeds 10 percent or 25 percent of household consumption.

Table 15: Health Care Costs as a Share of Household Income (% of population), 2012

	5%	10%	15%	25%	30%	40%
Prevalence	36.3	21.0	14.6	8.6	6.6	4.7
Surpassing	8.4	7.0	6.2	5.0	4.7	4.1
Average overrun	23.1	33.4	42.2	58.9	70.3	88.0
Concentration index	0.083	0.116	0.148	0.256	0.315	0.393

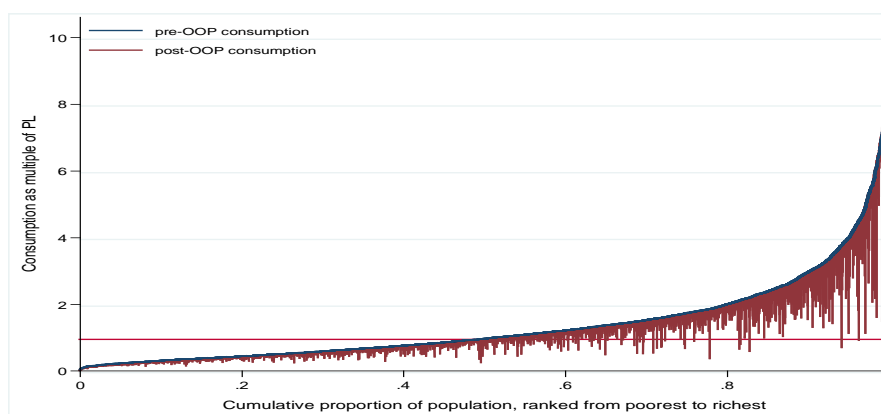
Source: ADePT analysis with 2012 NHA data, Diagnostic chapter of Health Financing Strategy.

Table 16: The Impact of Health Costs on Poverty Indicators, 2012

	Prior to Health Expenditures (gross)	Post Health Expenditures (net)	Difference in Percentage Points	Difference in %
Poverty rate	50.3	52.4	1.9	3.6
Poverty depth	206.0	217.8	11.8	5.4

Source: ADePT analysis with 2012 NHA data, Diagnostic chapter of Health Financing Strategy.

Figure 90: Changes in Household Economic Status due to Health Expenditures, 2012



Source: ADePT analysis with 2012 NHA data, Diagnostic chapter of Health Financing Strategy.

Note: Households are ordered from the lowest income left to the highest income right.

Legend: (i) pre-out-of-pocket (pre-OOP) consumption, illustrated as a blue smooth line: income per household; (ii) red horizontal line: poverty line; (iii) post-out-of-pocket consumption (post-OOP consumption) illustrated as vertical red lines: fall in income due to health expenditure.

266. **In summary, inadequate physical access to providers, low and variable service quality and high out-of-pocket costs undermine health outcomes in Cameroon.** Moreover, because each of these constraints are especially severe in the Adamawa, Far North and North regions and among low-income households nationwide, they tend to deepen and perpetuate larger socioeconomic inequalities. Conversely, reforms that improve health care indicators among poorer households and in disadvantaged regions will tend to have positive effects on both poverty and distributional equity.

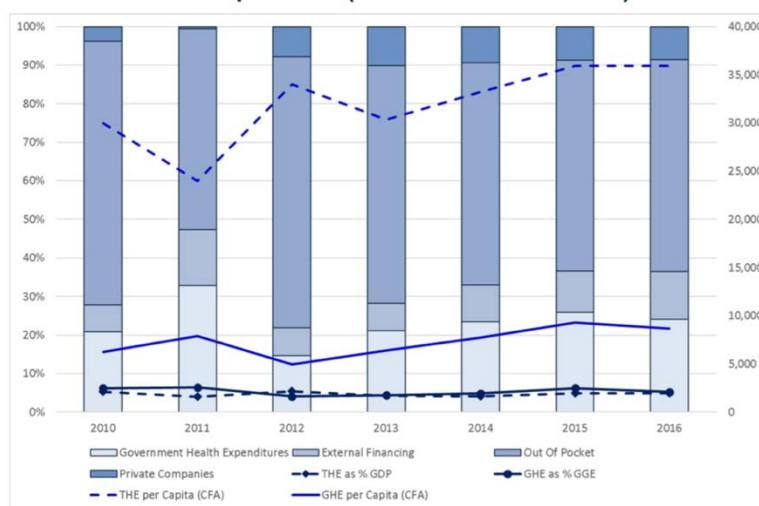
8.5 Health Expenditures in Cameroon

Revenue Sources

267. **Cameroon's Total Health Expenditures (THE) per capita is relatively high at around US\$61, but has remained stagnant for almost a decade.** Over the past seven years, THE in Cameroon have risen 40 percent, from CFAF 612 billion in 2010 to 851 billion in 2016 (Figure 91). However, with a rapid population growth, this has translated to a per capita rise of only 20 percent; from CFAF 30,000 to CFAF 35,000, remaining relatively stable at US\$61. Cameroons THE per capita is relatively high compared to other African countries, and above the average for SSA excluding South Africa (US\$51). Over the same period, THE as a share of GDP has declined by 0.4 percent, (from 5.3 percent in 2010 to 4.9 percent in 2016), averaging 4.7 percent, which is lower than the regional average of 5.6 percent of GDP.

268. **Total funds spent on health care in Cameroon¹³⁷ have four main sources, including households, the GOC, external partners and the private sector (Figure 91).**

Figure 91: Historic Health Expenditure (as a share of THE and in CFA)



Source: Briki, N, et al. (2017). Fiscal space analysis for the Cameroon health financing strategy report¹³⁸

269. **Household out-of-pocket payments (60 percent of THE) is the main source of health financing in Cameroon (Figure 91).** In 2015, out of 52 African countries with available data Cameroon had the third highest level of out-of-pocket spending relative to total health spending, behind Nigeria and Equatorial Guinea. This poses serious concerns in terms of sustainability, ownership and efficiency of existing resources, and places the population at significant risk of financial catastrophe and impoverishment.

270. **Government spending on health (23 percent of THE) is low and declining as a share of the total national budget.** Government Health Expenditure (GHE) per capita increased

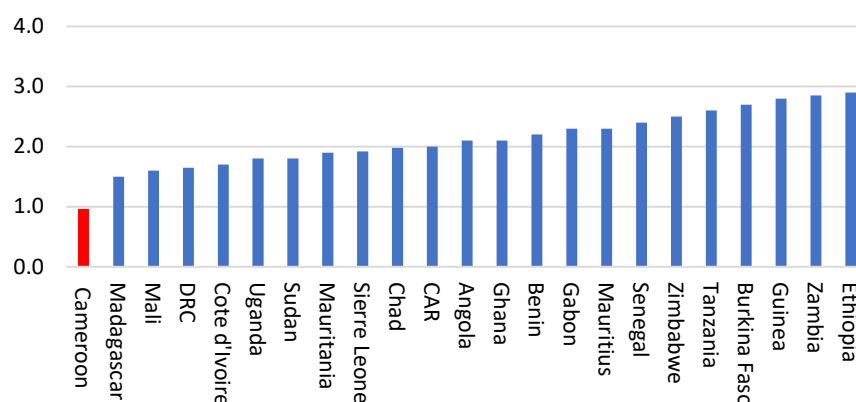
¹³⁷ This refers to the Total Health Expenditure (THE), which is the summation of both public and private spending on all health-related goods and services.

¹³⁸ Briki N.; Murray-zmijewski, A.; Gheorghe, A. Njournemi, Z. (2017). Fiscal space analysis for the Cameroon health financing strategy report

moderately from US\$13 to US\$15 between 2010 and 2016. However, the GOC's public spending on health as a proportion of THE and GDP (0.9 percent) remains one of the lowest in Africa (Figure 92). As a share of General Government Expenditure (GGE), public health spending has fallen from 6.2 percent in 2010 to an estimated 5.2 percent in 2016. This is much lower than the average for lower middle-incomes (14 percent)¹³⁹ and falls short of the WHO recommendation of 10 percent, and the Abuja commitment of 15 percent. This suggests that, over the last 7 years, health sector spending has not been a priority in the budgeting decisions of Cameroon.

271. Financing from external partners constitute 10 percent of Cameroons THE. Between 2011–2015, external partners contributed an estimated US\$1.9 billion to the Cameroon health sector.¹⁴⁰ The majority of these funds are highly concentrated into critical vertical programs such as HIV/AIDS, antiretroviral treatments, maternal and child health and immunizations.

Figure 92: Total Public Health Spending as a Percentage of GDP, 2014 (select African countries)



Source: WDI

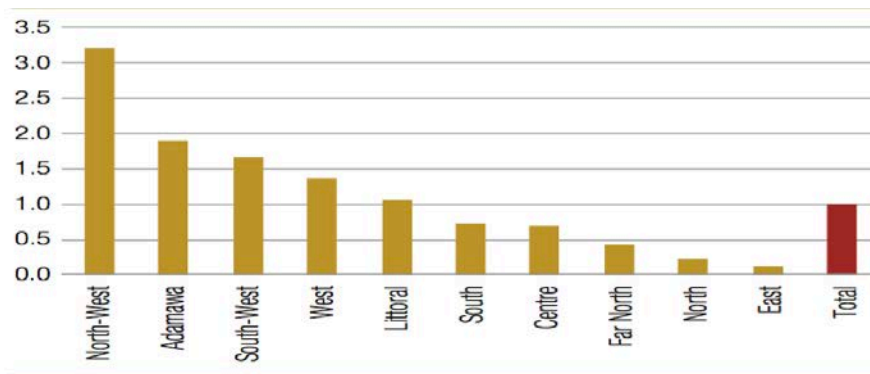
272. Financing by the private sector only represents 7 percent of Cameroons THE. In Cameroon, private health insurance membership, including community-based insurance schemes “*mutuelles de santé*”, is low (Figure 93), and only 1 percent of household expenditures goes towards risk pooling mechanisms or third parties.¹⁴¹ In 2006 only 1 percent of the population were covered by health prepayment schemes, and the GOC implemented the Strategic Plan for the Promotion and Development of mutual health insurance (2005–2015), to increase coverage to at least 40 percent of the population using mutual health insurance schemes. However, in 2014, only 3 percent of the population was covered by health risk mechanisms, including 16 private insurance companies, and 43 community-based insurance schemes. To improve financial protection, it will be critical to expand prepayment and risk-pooling mechanisms, like mutual health organizations and mandatory formal sector insurance, and promote cross-subsidization within and across pools.

¹³⁹ Lievens et al (2015). Data refers to 2015. Countries: Angola, Botswana, Lesotho, Mauritius, Namibia, Seychelles, South Africa, Swaziland and Zambia.

¹⁴⁰ PNDP 2015–2022.

¹⁴¹ PNDP 2016–2020.

Figure 93: Health Insurance Coverage, 2009 (in percentage of population)



Source: World Bank (2013) Cameroon Economic Update.

Public Health Expenditure

273. **Between 2010 and 2017, public financial resources allocated to the Cameroon health sector increased by 68.3 percent (from CFAF 123 Billion in 2010 to CFAF 208 Billion in 2017).** In Cameroon, public funding for health includes resources mobilized through the national budget, health facilities through cost recovery, and external funding from international development agencies.¹⁴² Funds were fairly evenly distributed between recurrent and capital expenditures (Table 17). In 2016, capital expenditures mostly included investments in infrastructure, medical and laboratory equipment, while recurrent expenditures mostly included salaries, the purchase of medication, vaccines and other operating costs (Table 18). Budget execution rates were approximately 100 percent for 2013 to 2016.¹⁴³

Table 17: Allocation of MOPH Budget by Type of Expenditure: 2011–2015

(Billions CFAF)		2011		2012		2013		2014		2015	
	Spending		%		%		%		%		%
Planned allocation	Current	150.6	71.0	155.2	66.5	165.5	59.9	173.1	57.4	183.5	57.4
	Capital	61.4	28.9	78.3	33.5	111.0	40.2	128.7	42.6	136.1	42.6
	Total	212.1	100.0	233.4	100.0	276.4	100.0	301.8	100.0	319.6	100.0
Actual allocation	Current	74.6	49.2	84.5	59.8	90.9	56.0	91.4	55.1	106.7	51.5
	Capital	77.2	50.8	56.9	40.2	71.5	44.0	74.5	44.9	100.4	48.5
	Total	151.8	100.0	141.4	100.0	162.4	100.0	165.9	100.0	207.1	100
Difference between planned and allocated											
Billions CFAF		60.3		92.0		114.0		135.9		112.5	
%		71.6		60.6		58.8		55.0		64.8	

Source: PNDS 2011-2015, Budget (2011, 2012, 2013, 2014, 2015)

¹⁴² Cameroon receives two types of international assistance: one is external financing by external partners that support public health services provided and managed by the Cameroon government. MOPH records these funds as part of its budget and executes them (that is, budget support). This type of external support is considered as part of the public health spending portfolio. The second source of funding is technical assistance funds that are executed directly by donors based on a framework agreement the GOC.

¹⁴³ Boost Database, World Bank 2017.

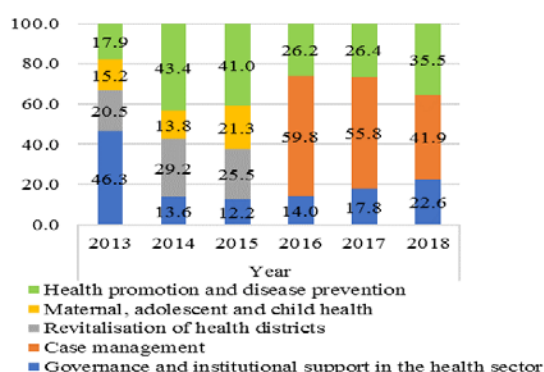
Table 18: MOPH Expenditures, 2016

Expenditure	% of MOPH budget, 2016
Prevention and public health programs*	29.9
Salaries	19.4
Construction	16.9
Support for PBF program*	7.3
Medical and laboratory equipment, and furniture	8.0
Per diem/travel bonus/gratification	1.9
Medicines and vaccines	1.9
Transfers	0.3
Other: for example, stationary, utilities, training, M&E, administration	14.3
Total	100

Note: * Public health spending funded by development partners including programs on HIV/AIDS, malaria, tuberculosis, extended program on immunization (EPI), malaria, reproductive, maternal, adolescent, child and nutrition.

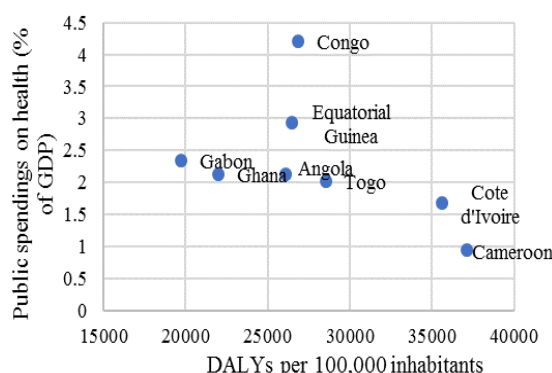
274. **Budget allocations to health have consistently been lower than required to meet Cameroons health goals.** The 2013–2018 health budgets are organized around the programmatic areas (strategic axes) specified in the HSS reports and National Health Development Plans¹⁴⁴ (Figure 94). Between 2011 and 2015, the GOC allocated less resources than was envisioned in the National Health Development plan (2011–2015) (Table 17), and a third of all public health spending (37.0 percent) was financed by development partners (Table 19). Public investments in health in Cameroon has consistently been lower than most African countries, including countries with a lower GDP (Figure 95). Consequently, Cameroon only met one of the eight MDGs,¹⁴⁵ it did not achieve the health goals set out in the HSS 2001–2015 that were monitored,¹⁴⁶ and when compared to other countries, Cameroon performs worse in terms of health achievement (Figure 95).

Figure 94: Budget Allocation by Programmatic Disease Area, 2013–2018



Source: Budget 2013–2018.

Figure 95: Public Health Spending (2014) Relative to Burden in Total DALYs (2016)



Source: IHME 2018, WDI 2018.

¹⁴⁴ HSS 2000–2015, and HSS 2015 – 2027

¹⁴⁵ Cameroon met the requirement for MDG 6A: Have halted by 2015 and to reverse the spread of HIV/AIDS

¹⁴⁶ MOPH: HSS 2015–2027: The GOC did not completely capture the baseline and target values of the monitoring indicators, rendering follow-up difficult.

A. Expenditure for key programs

275. **There is insufficient public spending on programs addressing the leading causes of morbidity and mortality in Cameroon** (Figure 94). The programmatic budget allocation suggests that the Government is allocating the majority of resources towards diseases that contribute to 64 percent of Cameroons total disease burden (Figure 94). However, budget appropriations on preventative and curative services, and programs with high positive externalities, mainly consist of administrative expenditures at the central administrative level. As a result, the delivery of these services at the provider level are almost entirely financed by external partners and household, which is concerning. External partners also finance Cameroons PBF program and maternal health voucher program, which will be discussed in more detail later.

276. **Strategic purchasing is currently limited to a handful of free or subsidized programs, almost exclusively financed by external partners.** These include immunization programs and programs focused on the prevention and treatment of HIV/AIDS, malaria, and tuberculosis, which are primarily financed by external partners (Table 19). This shows the precarious nature of funding for these priority programs. National budget documents do not provide adequate information on these programs or how their resources are allocated, either geographically or between different levels of the health sector. This information could shed light on the extent of strategic purchasing, and successful donor-supported programs could provide a model for expanding strategic purchasing to programs financed by the government.

Table 19: Priority Public Health Programs in Cameroon, 2016

Program	% of MOPH budget
HIV/AIDS	13.3
Malaria	2.0
RMNAHN*	4.8
Tuberculosis	1.0
EPI	5.9
Total	27.1

Source: Budget 2016.

Note: AIDS = Acquired Immunodeficiency Syndrome; EPI = extended program on immunization; HIV = Human Immunodeficiency Virus; RMNAHN = Reproductive, Maternal, Newborn, Adolescent Health, and nutrition

* Summation of a number of maternal, child and reproductive health and nutrition programs

B. Expenditure by level of the health system

277. **Recent increases in financial resources appear to have been directed primarily toward the central administrative level, at the expense of service delivery at the intermediate and peripheral levels.** Since 1996, Cameroon has pursued an administrative decentralization process, which it further highlighted as a major objective of the HSS 2001–2015.¹⁴⁷ However, the decentralization process has not been accompanied by a redistribution of resources between the levels of the health care system. In 2014 and 2015, more than 90 percent of the public health budget was allocated to the central administrative level (Figure 96). While the central agencies do transfer some resources to the regional and district levels to finance certain activities, these transfers are not clearly defined in the budget. Moreover, funds allocated to the regional and district level suffer

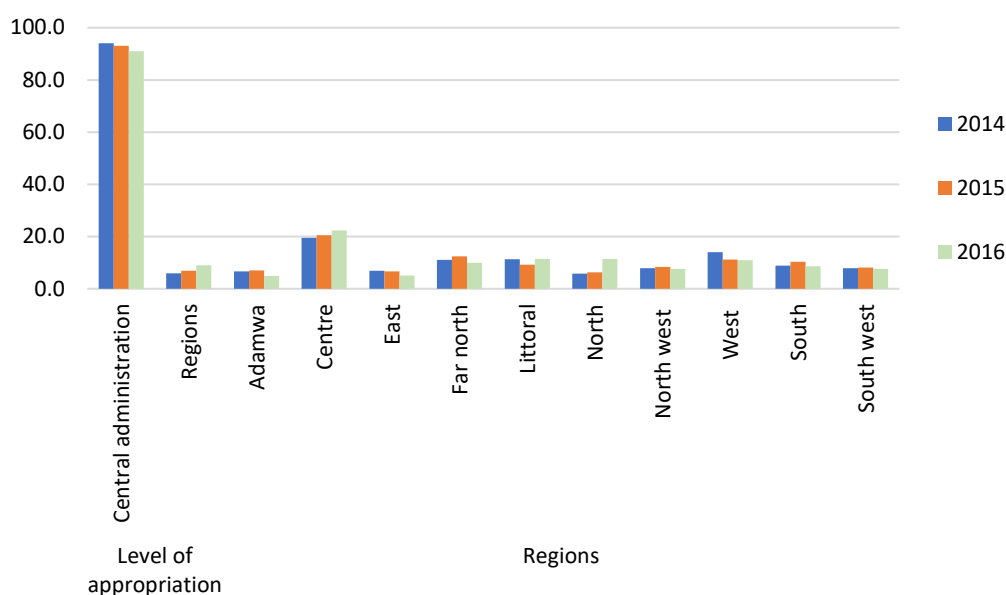
¹⁴⁷ HSS 2001–2015.

from severe leakages. A 2009 Public Expenditure Tracking Survey found that less than 50 percent of the resources allocated to CSIs and CMAs reached their intended facility.¹⁴⁸

C. Expenditure at the regional level

Because Cameroon's budget-allocation methodology is based on the operational costs of existing health facilities, resource allocation at the regional level is highly correlated with the development of each region's health infrastructure. Between 2014 and 2016, only 7 percent of the public budget was allocated towards the 10 regions of Cameroon, which is a serious concern (Figure 96). This ranged from 6 in 2014 to 9 percent of the health budget in 2016. Regions with more health facilities, and more sophisticated types of facilities, receive more funding than regions with fewer and more basic facilities. As a result, per capita budget allocations are significantly higher in more developed regions, like the South and East regions, than in the poorer regions, like the North and Far North. Indeed, the South region receives twice the per capita budget of the Far North (Figure 97). Although the North and Far North regions face especially severe health challenges, their per capita resource allocations are among the lowest in the country (Figure 97).

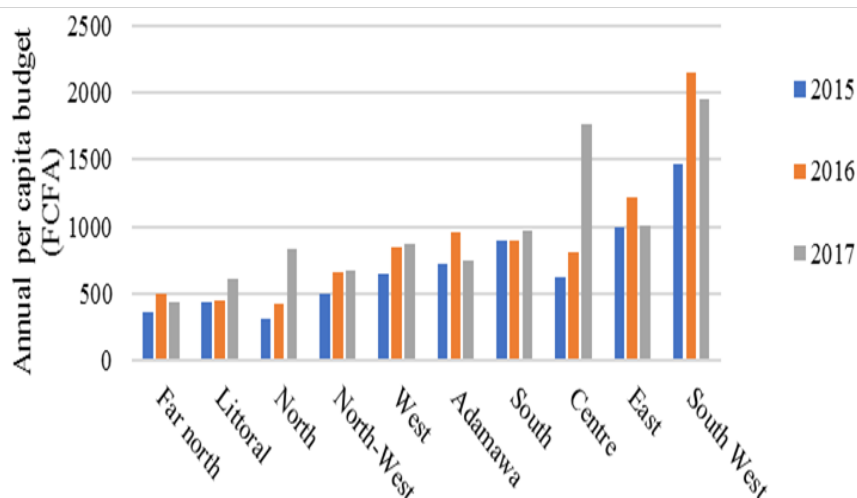
Figure 96: Distribution of Budget Allocation by Region, 2014–2016



Source: Budget 2014, 2015, and 2016.

¹⁴⁸ World Bank, 2009.

Figure 97: Per Capital Health Budget Allocation by Regions, 2015–2017

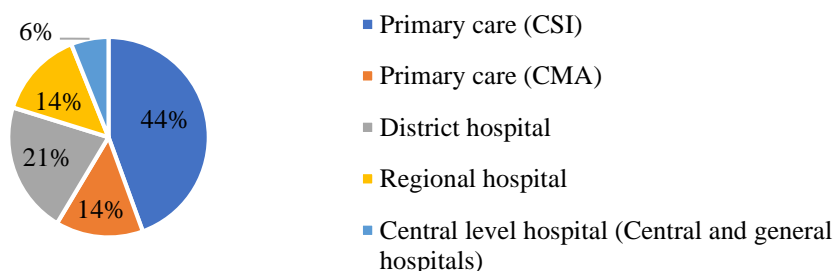


Source: Budget 2015, 2016, and 2017.

D. Expenditure at the health care facility level

278. **Budget allocation below the central level focuses on covering the operating costs of existing health facilities, which perpetuates regional disparities in health care coverage.** Cameroon’s health budget is allocated according to an “institutional egalitarian” logic, under which each facility receives a fixed amount according to its type (that is, district hospital, CMA, CSI, and so on). Health districts also receive a fixed amount, which does not reflect local differences in the disease burden, population size, geography, or socioeconomic context. While the majority of the budget is devoted to primary care, budget allocations per facility are very small at the service delivery level. About 58 percent of all funding allocated directly to health facilities goes to Cameroon’s 3,786 CSIs and CMAs, while 42 percent goes to the 200 district hospitals, 15 regional hospitals and 15 central level hospitals (central and general hospitals) (Figure 98). In 2016, CSIs received CFAF 1.5 million, CMAs received CFAF 4.5 million, and district hospitals received CFAF 6.5 million. Changes in the investment budget drive year-on-year fluctuations, especially for central and regional hospitals.

Figure 98: The Allocation of the Health Facility Budget by Facility Type, 2016



Source: Budget 2016.

279. **Weak budget management further undermines the ability of primary care facilities to deliver high-quality care.** The 2009 Public Expenditure Tracking Survey found that about one-

third of CSIs had not received transfers from the recurrent budget.¹⁴⁹ 56 percent of CSI and CMA managers had not been informed whether an investment budget had been allocated to their facility, and only 50 percent had received resources from the investment budget. Many facilities in rural and remote areas had almost no patients or health care providers and offered a very poor quality of care. When government transfers and user fees are insufficient to finance basic operating costs, facilities cannot invest in improving service delivery.

280. Cost recovery at the health facility level is neither efficient nor equitable. Even though primary care facilities receive the smallest budgetary allocations, they are obliged to return 10 percent of their revenue generated through user fees to the central level via contributions to the “Solidarity Fund.”¹⁵⁰ However, it is not clear what the Solidarity Fund resources are used for. Moreover, in 1998 the law was revised to allow hospital-level facilities to retain 100 percent of their revenue, yet CSIs and CMAs are still obligated to transfer funds back to the central level. These funding transfers are a key source of revenue-side inefficiency.

281. The systematic underfunding of primary care facilities shift the burden of health care costs onto households. Ninety-nine percent of household health expenditures consist of direct payments to health care providers at the point of service delivery, both for clinical care and for medication. Finances generated through user fees and the sale of medication accounts for between 50 to 100 percent of the operating budget of public and private health facilities in Cameroon. This is inefficient, inequitable and a barrier to access for the poor. While user fees can be an important component of health financing, they should not be the primary source of funds for health facilities.

Efficiency of Public Health Spending in Cameroon

A. Allocative inefficiencies

282. A number of inefficiencies exist in Cameroons health sector, starting with its implementation of the program-based budgeting approach. The rationale for a move to program or output based budgeting is that performance-based budget systems are designed to shift the focus from inputs to outputs or programs including the services to be delivered by Ministries, the targeted results for these services, and the reporting on these services.¹⁵¹ In principle, program-based budgeting allocates funds according to specific activities, and these allocations are summed to create budget lines. However, the calculations that produce Cameroon’s budget lines are unclear. For example, it is unknown how the government budgets expenditures that are common to more than one program. Secondly, budget lines have been created for several thousand individual health facilities, health districts, regional health delegations and central-level agencies within the MOPH; each with its own budget lines containing details on inputs (disguised as “activities”). In 2016, the number of individual budget lines (excluding those with a value of zero) exceeded 13,600. The vast majority of the budget is allocated to a relatively modest number of high-value budget lines.¹⁵² This problem is not restricted to the national level, the budget lines of

¹⁴⁹ Institut National de la Statistique, 2010

¹⁵⁰ The GOC has created a public solidarity fund, financed to the tune of 10 percent of payments made to health facilities. This fund was created to solve urgent health issues and guarantee fairness in the health system; however, there is still no legislation about its use.

¹⁵¹ Farooq, K and Schaeffer, M (2017). Public Financial Management Blog. Making Public Money Count – Fiscal Affairs Department – International Monetary Fund – Washington DC – USA.

¹⁵² In 2016, 59.1 percent of the 11,715 budget lines had less than FCFA 1 million each. Meanwhile, 5.1 percent of the budget lines had more than FCFA 10 million each.

individual facilities also fail to adequately define specific expenditures, obscuring the relationship between resource allocation and the implementation of different health programs and activities (Table 20). The lack of a clear allocation methodology complicates efforts to isolate individual program costs and assess their contribution to the overall budget. Adopting global budgets, with a single line for each facility could improve allocative efficiency.

Table 20: The Budget for the Alou Locality CMA, 2016 (CFAF)

Alou CMA	
Purchases of office supplies and minor office maintenance	1,000,000
Other routine purchases of goods and services, excluding office and medical supplies	1,000,000
Purchases of drugs and medical supplies	1,500,000

Source: Finance Law 2016, Chapter 40 MINSANTE.

283. Public spending on key public health programs is low, and almost entirely financed by external partners. Spending priorities do not give sufficient emphasis to critical public health programs with high potential effectiveness and positive externalities.¹⁵³ Moreover, the over-reliance on external funding is a serious concern for the sustainability of these programs, especially given the volatility of aid in fragile contexts, and also potentially raises issues in terms of alignment, harmonization and overall efficiency. To effectively address the country's public health priorities, the government needs to better prioritize the health sector in its overall Government budget by increasing domestic financing to the health sector and devoting additional resources to the implementation of these critical programs at the district and regional level.

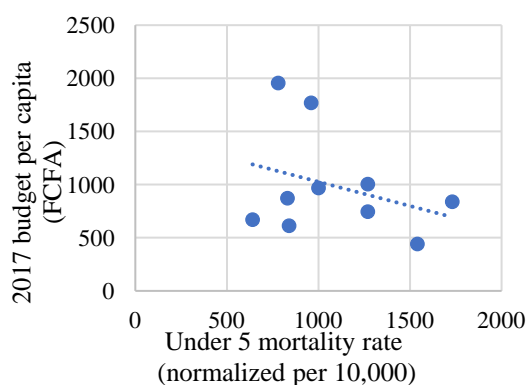
284. Budget execution is highly centralized. Ninety percent of public resources are allocated to the central administrative level. The decentralization process cannot advance if regional- and district-level facilities lack the resources to provide adequate care or remain dependent on the central level to provide those resources. Distributing budgetary resources more equitably among the different levels of the health sector would shift financing toward district level facilities that provide the most cost-effective forms of care, including primary care, preventive care, and community health services. To reduce leakages, funds should be transferred directly to individual bank accounts of regional and district level facilities. The experience of countries such as Uganda, Kenya, and Ghana, which have made substantial progress in decentralizing health services, could help Cameroon to advance its own decentralization process.

285. There is a concerning mismatch between available resources and the demand for health care. Public investments do not seem to relate to the needs of the population. For example, regions with the highest incidence of under-5 mortality receive on average less budget allocations in health per capita (Figure 99). Similarly, regions with lower coverage rates for assisted deliveries receive on average less public funding (Figure 100). Moreover, the distribution of health professionals is highly urban-focused. To allocate the health budget more equitably, the government should consider implementing an intra-regional budgeting system to deploy resources where the need is greatest. Once more personnel and funds are more equitably distributed, basic health services will improve, contributing to better health outcomes in the country.

¹⁵³ Public health programs for HIV/AIDS, tuberculosis, immunizations, maternal and child health, malaria, and nutrition.

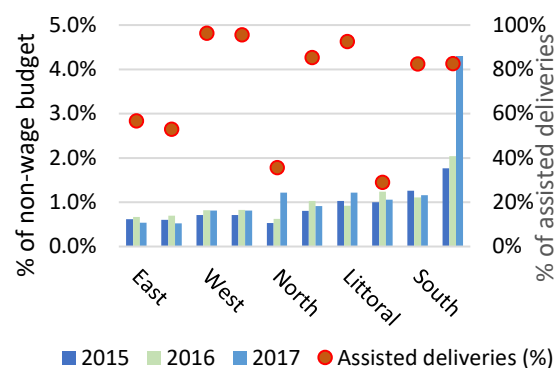
286. **Boosting budgetary allocations to primary health care facilities would increase both the technical efficiency of these facilities and the allocative efficiency of health spending.** Primary care facilities are frontline providers responsible for managing endemic diseases and providing essential services, yet they are accorded a low budgetary priority that negatively affects their quality of care. Primary care facilities also deliver a wide range of vital health services—particularly maternal and child care—more efficiently than regional or central level hospitals (central and general hospitals). As Cameroon’s proposed UHC program would rely heavily on primary care providers, the Government should focus on strengthening their capacity by allocating a larger share of the public budget to the district level health care facilities. The increase in resource allocation should be coupled with an expansion of supply-side interventions, like PBF explicitly linked to the benefits package, to incentivize health providers to increase the quantity and improve on the quality of services delivered.

Figure 99: Per Capita Public Health Spending (2017) and Under-five Mortality Rate by Region (2014)



Source: Budget 2017, MICS 2014. Source: Budget 2015, 2016, 2017 and MICS.

Figure 100: Allocation of Nonwage Public Health Budget (2015–2017) and Coverage Rates for Assisted Deliveries (2014) by Region



287. **Eliminating revenue transfers from health care providers to central-level agencies would improve the administrative efficiency of the health sector.** Collecting revenue from health facilities negatively affects the ability of health facilities to provide quality services by reducing their available financial resources and compelling them to devote scarce and valuable administrative capacity to revenue management and auditing. Upward revenue transfers can also create perverse incentives for health facilities to underreport revenues and performance, and they ultimately fail to substantially increase the overall resource envelope for the health sector. As part of Cameroon’s PBF program, health facilities under performance contracts have been allowed to retain all their own source revenue. This combination of additional financial resources and performance incentives has enabled and encouraged these facilities to improve the quality of service provision.

B. Technical inefficiencies

288. **In the health sector, technical efficiency refers to how financial resources and other inputs are used to influence health outcomes.** Key technical efficiency challenges arise from poor planning or a failure to adapt the health system to a changing health context. An inappropriate composition and/or distribution of health staff, facilities that are either too large and sophisticated

or too small and basic to meet the needs of the population, the absence of necessary specialized facilities or the presence of unnecessary ones can all negatively impact technical efficiency. In addition, perverse incentives to over or underutilize medical technology and prescription drugs, or to otherwise provide an inadequate quality of care, can further undermine technical efficiency.

289. **In Cameroon, the composition and distribution of the health workforce, the quality of care, the supply of medicines, and problems with corruption and leakages reduce the technical efficiency of health spending.** These problems are also directly related to the allocative efficiencies described above. However, the international experience provides several potential solutions for each technical efficiency challenge (Table 21).

Table 21: Sources of Technical Inefficiency in Cameroon's Health Sector and Potential Solutions

Sources of Technical Inefficiency	Potential Solutions
The inadequate quantity, training, and distribution of health professionals	<ul style="list-style-type: none"> • Increase the number of health professionals, particularly in areas with greater disease burdens • Decentralize the management of human resources • Strengthen incentives for health staff to work in remote locations • Reduce absenteeism through individual performance-based payments • Revamp certain training programs to better address patient needs (for example, training in adolescent and reproductive health services)
Inadequate medical infrastructure and excessive clinical errors	<ul style="list-style-type: none"> • Increase and decentralize investment budget execution to level of the service provider, ideally through a PBF system • Provide greater on-the-job training and mentorship opportunities and tighten supervision of clinical staff
Inappropriate pharmaceutical use	<ul style="list-style-type: none"> • Strengthen the public pharmaceutical supply chain and its regulatory bodies • Reinforce regulation of the private pharmaceutical sector • Allow service providers to procure medicines and equipment from any accredited supplier, either public or private
Endemic corruption and leakages	<ul style="list-style-type: none"> • Clarify the budget, especially large budget lines • Reduce service providers' dependence on user fees by increased public investment in service delivery • Improve price transparency by publishing price schedules and assigning a single cashier for each health facility

Equity of public health spending

290. **There are large disparities in access and availability of health services across Cameroon.** The review of health outcomes, resources and funding sections has already shown the following:

- Health outcomes vary greatly with socioeconomic factors.
- Access to health care varies with socioeconomic factors.
- Distribution of health resources is not equitable.
- Under-developed regions with the worse health outcomes receive fewer resources.

- The scarcity of prepayment mechanisms, combined with a regressive cost recovery system exacerbates health inequities in Cameroon.

291. **While public spending on health is generally progressive, it is not pro-poor.** A benefit incidence analysis estimates benefits across consumption quintiles in terms of utilization. It allows one to assess how progressive public health spending is, and whether health spending is pro-poor. The analysis combines administrative data on public spending in 2014 with the latest national household survey data (ECAM 4, conducted in 2014) to identify who benefits from public spending on health. The household survey data do not allow to distinguish between different kinds of health facilities. To assess the progressivity of spending on health, we identify individuals in the household survey who use the public health care system and allocate the per capita health benefits to them. The results show that spending on health care is ubiquitously progressive without being pro-poor (Figure 101 and Figure 102) This holds for health spending across the regions of Cameroon (Figure 103).

Figure 101: Incidence and Concentration of Spending on Health

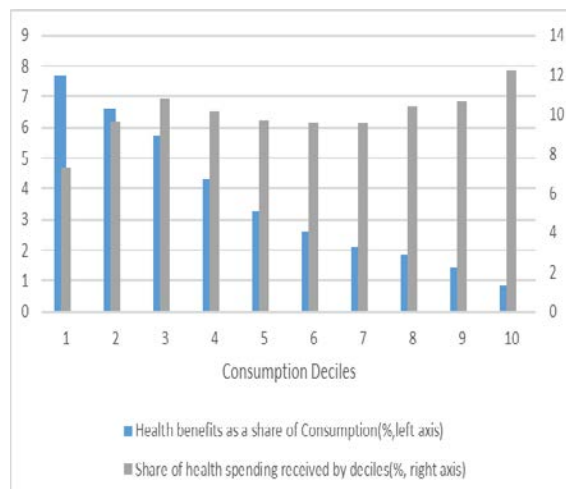
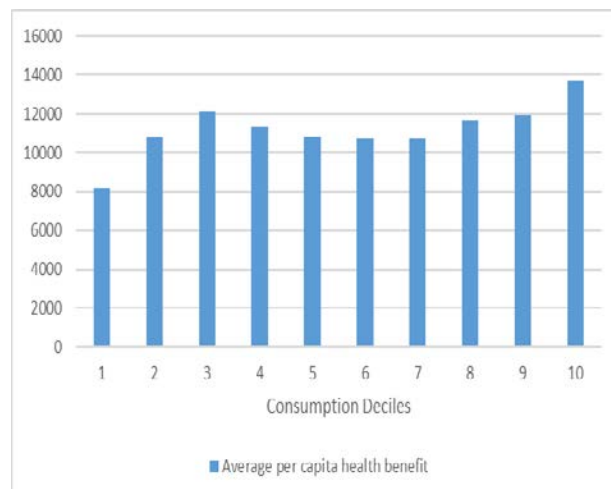


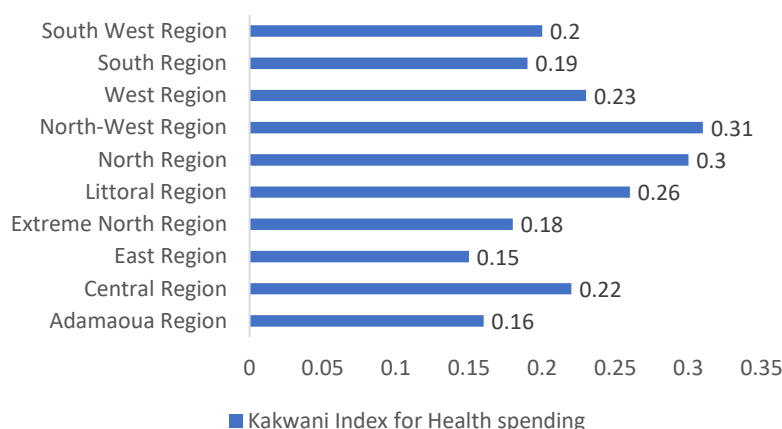
Figure 102: Average Per Capita Health Benefit (CFAF)



Source: Estimation based on BOOST¹⁵⁴ (2017) and ECAM 4 data.

¹⁵⁴ BOOST is not an acronym. It is the name of a data tool developed at the World Bank to enhance public sector performance. Source: <http://siteresources.worldbank.org/INTECA/Resources/KB43onBOOST.pdf>

Figure 103: Kakwani Index for Health Spending by Region



Source: Estimation based on BOOST (2017) and ECAM 4 data.

8.6 Progress on UHC and RBF Programs in Cameroons health sector: Performance-Based Financing and Maternal health voucher

Progress on UHC

292. **The GOCs strong and sustained political commitment to the UHC agenda has yielded significant results (Box 9), and presents a unique opportunity to introduce key reforms to address supply-and-demand-side challenges already described, many of which are key drivers for the successful implementation of an affordable and equitable UHC strategy.** Considering the supply and demand-side constraints highlighted above, a number of recommended options ought to be considered to strengthen the UHC strategy, including:

293. **The broad implementation of reforms like PBF, strategic purchasing and accreditation, would go a long way in improving the quality and efficiency of health service delivery for UHC.** These approaches have been shown to improve the availability and quality of health services in a relative short time, even in highly constrained settings, and without major additional investments in other health inputs.¹⁵⁵ Incorporating strategic purchasing mechanisms would enhance equity in the distribution of resources, increase efficiency, manage expenditure growth and promote quality in health service delivery.¹⁵⁶ Providers would need a significant degree of administrative autonomy and the ability to reorganize the use of resources (including human resources) to achieve results. Achieving and sustaining gains made would require additional policies that address some of the system constraints. These include monitoring of quality of care, strengthening professional associations and regulatory bodies, increasing the voice of users, and more inclusive governance and accountability systems for health facilities.¹⁵⁷

294. **Consider reviewing and reforming existing financing mechanisms to expand the fiscal space for the health sector.** The projected annual cost of implementing UHC in Cameroon between 2016 and 2035 range from approximately 8 to 38 percent of GGE annually, depending on

¹⁵⁵ World Bank (2016). UHC in Africa: A framework for Action

¹⁵⁶ WHO (2010). The World Health Report: Financing for Universal Coverage

¹⁵⁷ World Bank (2016). UHC in Africa: A framework for Action.

the UHC benefits package.¹⁵⁸ This is high in relation to recent government allocation to the health sector (5 percent annually on average for the past five years). In order to increase the fiscal space, the following mechanisms should be explored: (i) Improving the efficiency of public and private health spending (see section 7.5.3). One mechanism which has been effective in improving the efficiency of the health system in Rwanda was to introduce PBF at each level of the health pyramid;¹⁵⁹ (ii) Raising government spending on health through budget re-prioritization and increasing domestic resource mobilization through earmarked taxes, particularly those that target informal sector workers and their families. The majority of workers in Cameroon are employed in the informal sector (including the agricultural sector. This ranges from 90.4 percent of Cameroonian workers in 2000 to 88.6 percent in 2014; contributing to an estimated 57.6 percent of Cameroons GDP (2003).¹⁶⁰ Conversely, in 2018 an estimated 19 million Cameroonians had a mobile phone subscription (90 percent penetration). Introduction of an airtime levy or using mobile technology to facilitate contributions could yield significant gains.¹⁶¹

295. Subsidizing mandatory enrollment of low-income groups in pre-payment mechanisms will help pool out-of-pocket resources. Cameroon could learn from the experience of several countries, including Rwanda, Senegal, Ghana and Kenya, who have subsidized the enrollment of low-income groups in pre-payment mechanisms, which significantly increased access to care. In Ghana, the insured poor have greater access to quality health services, lower copayments and better health outcomes than the non-insured poor.¹⁶² The heavy reliance on out-of-pocket spending and absence of an integrated financing mechanisms results in very poor pooling in Cameroon. The design of Cameroons UHC scheme (Box 8) has the potential to improve risk-pooling and increase coverage, and its implementation can be used as an avenue to reduce fragmentation in the smaller risk pools of community-based insurance schemes and private health insurance schemes.

296. To strengthen leadership and governance functions, UHC should be considered as an outcome of a country-level social contract, where the voices of all stakeholders¹⁶³ are considered in terms of their choice of public policy and priorities.¹⁶⁴ There is a need to actively foster societal dialogue; ensure continued robust political commitments to UHC and translate commitments into funding, actions, multisectoral coordination and results.¹⁶⁵ National institutions and organizations would need to be strengthened to lead implementation of reforms for UHC. Considering the challenges in monitoring progress made on targets set out in the HSS 2001-2015, it would be important to build and institutionalize national capacity for monitoring and evaluation of UHC targets to increase accountability towards UHC. Moreover, it is important to ensure that

¹⁵⁸ Cameroon fiscal space analysis report (2017): Cameroon is yet to complete a costing of health needs so the analysis uses the domestic costing developed by the MOPH in the HSS (2016–2027) to determine the minimum cost of UHC, at 8 percent of GGE. International norms for achieving UHC recommended public health funding of at least US\$86 (2012 dollars) per capita (McIntyre & Meheus, 2014), which inflates the cost to 38 percent of GGE.

¹⁵⁹ World Bank (Under preparation). *Couverture sanitaire universelle et secteur informel en Afrique de l'Ouest francophone*

¹⁶⁰ *Organisation internationale du travail* (2017). *Enquete aupres des entreprise informelles du Cameroun*.

¹⁶¹ World Bank (Under preparation). *Couverture sanitaire universelle et secteur informel en Afrique de l'Ouest francophone*.

¹⁶² World Bank (2016). *UHC in Africa: A framework for Action*.

¹⁶³ Stakeholders include: Government, citizens, health providers, professional and regulatory organizations, private sector, civil society and development partners and so on

¹⁶⁴ *Idem*.

¹⁶⁵ *Idem*

citizens have access to data and information on UHC, as part of the societal dialogue and participatory processes.

Box 9: Progress on the UHC Agenda in Cameroon

Cameroon should be lauded for its tireless and strong commitment to the UHC agenda, which dates back to 1996 and stretches to the highest level of office.

- In 1996, the GOC set an objective to “improve the health status of the population through improved access to integrated and quality health services, with full community participation in the management and financing of health activities” (Law No 96/03, 1996).
- In 2016, it launched a national consultation process as the first step in developing and operationalizing the UHC program supported by a new health-financing strategy.
- In 2017, in his end of year address, the President of Cameroon instructed the Government to move forward with steps to progressively operationalize UHC.
- In 2017, the Laws on UHC and that of the administrative structures for UHC (*Etablissement Publique Administrative*) (EPA)) were drafted and shared with the Prime minister, and remain under discussion before adoption.

The GOC’s efforts aim to reduce household spending and mitigate the financial risk associated with illness, while also improving the quality of care, pooling risk more effectively, strengthening regulatory standards, and promoting decentralization. The UHC agenda is being coordinated by a National Technical Group, which is co-chaired by the MOPH and Ministry of work. Multiple studies and analyses have been conducted since 2015, which have informed the design of the National UHC scheme. Key progress made on the design of UHC includes:

- **Health benefits package:** UHC will be implemented gradually, initially targeting women, children (birth-15 years), pandemics (HIV/AIDS, tuberculosis, malaria) and health promotion.
- **Organizational structure of the purchaser:** The technical and financial management of the UHC program will be conducted by a public administrative structure (EPA) at the central level. This single insurer will mobilize and manage resources from beneficiaries (contributions), government and partners. A number of oversight mechanisms will be put in place to ensure transparency and governance.¹⁶⁶ The Government should consider building on already existing structures with a proven record of managing national funds, like Public Interest Groups (*groupement d’interest public*), to reduce costs and promote efficiency. Moreover, contrary to EPAs, Public Interest Groups like the Regional Fund for Health Promotion (RFHP) are constituted of the Government, beneficiaries and development partners (technical and financial) in the health sector, which has an inherent advantage of ensuring that the perspectives and priorities of all stakeholders are equally voiced and represented.
- **UHC will be implemented through a decentralized approach with regions and districts—the main vehicles for delivery of services—at the forefront.** The MOPH envisions that existing administrative structures will continue to play a role in UHC at the regional and district level and registration of beneficiaries will be done by Communes.
- **Mandatory contributions** will be implemented for (i) workers in the formal sector (ii) pensioners and (iii) workers in the informal sector. Organizations working with informal sector workers will collect contributions from this population, and be remunerated based on the number of beneficiaries they register and contributions collected. The poor and vulnerable will be exempted from contributing. The GOC has proposed that an estimated CFAF 358 Billion can be mobilized through contributions made by approximately 13 million Cameroonian citizens, and CFAF 25 Billion annually would need to be contributed by development partners, leaving a funding gap of an estimated at 985 Billion CFAF annually. This proposal would need to be refined for implementation in coordination with development partners. Studies are currently underway to assess mechanisms to increase the fiscal space for the health, including through the re-organization of the state budget and earmarked taxes.

¹⁶⁶ To ensure transparency and governance, oversight structures will be put in place including: (i) a supervisory board, (ii) an administration board, with representatives from all stake holder groups including workers, civil society; (iii) regional committees (iv) a monitoring commission of partners between the national management structure and health care providers and (v) a Director General.

- **Provider payments:** Framework conventions will be signed at a national level between the purchaser and the MOPH, professional bodies for health care professional (for example, medical doctors) and the professional body of pharmacists. Contracts will also be signed between the purchaser and each of the 10 RFHPs found in each of the countries regions. The RFHPs already play a role in the supervision and payment mechanism of health facilities under the PBF program, and will play a similar role under UHC. Health facilities will submit invoices of health services to the RFHP, who will transmit verified invoices to the purchaser. The purchaser will make payments directly into the bank accounts of health facilities.
- **The GOC plans to incorporate and enforce existing reforms and mechanisms that have been successful and align with the goals of UHC.** These include reforms to improve efficiency, equity and quality of health services like PBF, and targeting mechanisms to identify the poor and vulnerable such as those used in the national social protect program, as well as mechanisms being implemented by health facilities under performance contracts. The maternal health voucher program has been extremely useful in demonstrating the capacity of women to make financial contributions to UHC. However, due to the slow update of this mechanism in the pilot regions, it will remain independent from the UHC scheme.

Source: World Bank staff

Performance-based Financing (PBF)

297. **The GOC has adopted the PBF program as a central strategy to address the health system challenges and contribute towards achieving UHC.** In 2004, the Dutch NGO COR-DAID launched the first PBF pilot in the East region of Cameroon. In 2011, with support from the World Bank, the GOC initiated its own PBF program in 26 health districts in the Littoral, North-West, South-West and East regions, covering a total population of 3 million. The program has since been scaled up, now covering 78 of Cameroons 189 districts, including 47 percent of the Cameroon population, with the aim of national coverage by 2019. Currently, the program is almost entirely supported by the World Bank. However, the GOC has begun allocating domestic funds towards the program by converting annual budget allocations to health facilities, into PBF subsidies. In 2014, CFAF 670 Million was allocated to finance PBF subsidies in the Littoral region; in 2017 CFAF 200 million was allocated to the East regions; and in 2018 CFAF 1.1 Billion is to be allocated as PBF subsidies across three regions (East, Adamawa and North) that have reached 100 percent PBF coverage.

298. **PBF is a mechanism by which health care facilities under a performance contract, earn monthly financial incentives (that is, subsidies) on the basis of achieving pre-specified and verifiable service utilization and quality-of-care results.**¹⁶⁷ The PBF program in Cameroon includes public, faith-based, nonprofit and for-profit facilities. Primary health care facilities are subsidized for the provision of (quality) health services included in the MHP package, and district hospitals are subsidized for services included in CHP package. Preventive and outreach activities, as well as activities with positive externalities (for example, treatment of tuberculosis) receive higher marginal subsidies than curative services (Figure 104), incentivizing providers to focus on cost-effective prevention and outreach services rather than more expensive curative care. Similarly, a marginal higher subsidy is paid for the provision of services to a proportion (for example, 10 percent) of the poor and vulnerable¹⁶⁸ who do not pay user fees. Monthly subsidies are paid directly into the health facility's bank account after results have been verified, thus reducing leakages. Moreover, PBF promotes autonomous management of health facilities, including staff recruitment, positive (and negative) incentives for staff performance (bonuses), and procurement of inputs. This combination of additional financial resources, performance incentives

¹⁶⁷ The definition is adapted adapted from Gergen, J, et al. (2017) Global Health Sci Pract. Quality of Care in Performance-Based Financing: How it is incorporated in 32 programs across 28 countries.

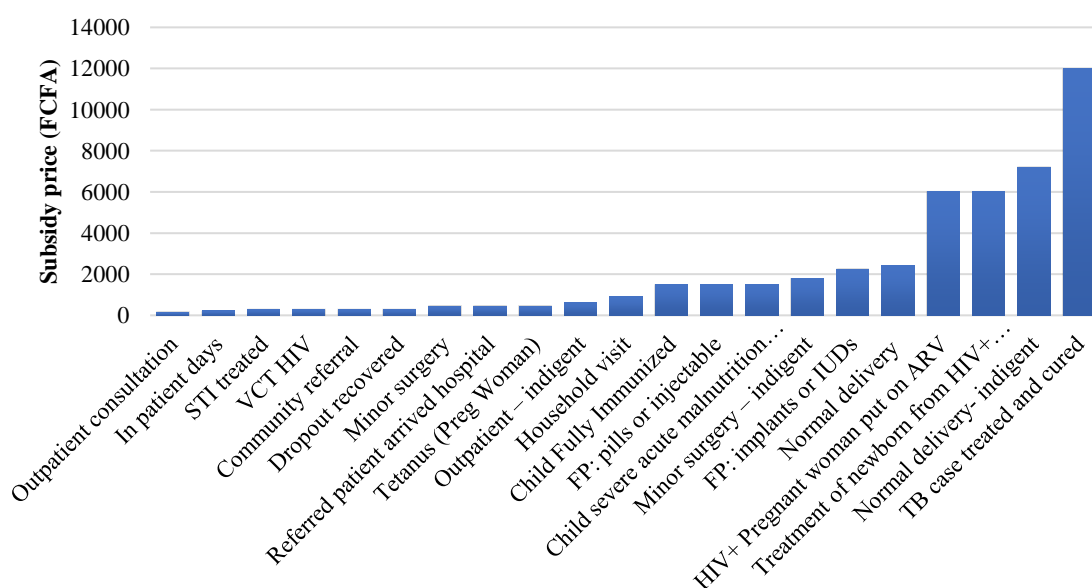
¹⁶⁸ The poor and vulnerable are identified by the health facilities in partnership with the communities.

and autonomous management of the facility enables these facilities to improve the quality of service provision.

299. **The PBF program accounts for regional disparities by providing an “equity bonus” to each health facilities.** In addition to basic subsidies, equity bonuses ensure that the allocation of resources is based purely on performance (that is, the quantity and quality of services provided) by creating an “equity score” for each region, district and health facility that reflects the local conditions.¹⁶⁹ Funding is weighted according to equity scores, and health facilities that face higher structural costs and greater contextual challenges receive increased subsidies relative to less-vulnerable health facilities. Applying the PBF program’s “equity bonus” methodology to public health financing could realign the distribution of resources to support high-performing health facilities, regardless of their location.

300. Implementation of the PBF program in Cameroon has improved the technical and allocative efficacy of the health system, and has enhanced the coverage and quality of health services. Health facilities under performance contracts have observed a significant increase in the coverage of maternal and child health services, and preventative services, like family planning and immunizations, particularly for the poor and vulnerable and improvements in the quality of service indicators, and patient and provider satisfaction (Figure 105). There has been a reduction in informal payments, out-of-pocket costs and absenteeism of health personnel. The program has strengthened administrative and technical oversight, and generates timely, detailed data to inform sectoral decision-making. Scaling up the PBF program would address key weaknesses in the health sector and improve both the allocative efficiency and the distributional equity of health spending.

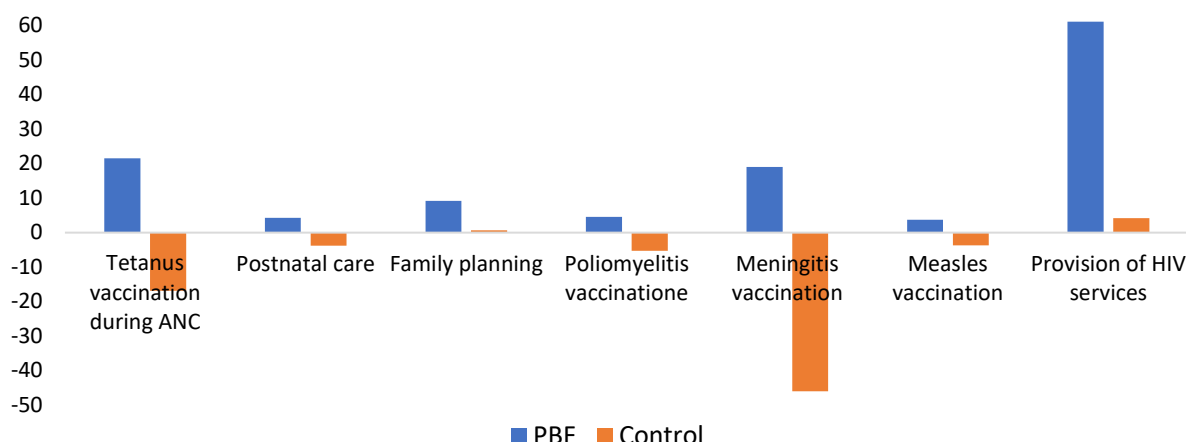
Figure 104: PBF Program Subsidies for Selected Preventative, Outreach, and Curative Services at Primary Care Facilities



Source: Ministry of Public Health.

¹⁶⁹ This includes: population size, geography, infrastructure, access, poverty rates, safety (humanitarian crisis) and so on

Figure 105: Changes in the Average Monthly Number of Services Provided in Public (67%) and Private (33%) Health Facilities, interventions, and Control Groups, 2012–2015



Source: Cameroon PBF impact evaluation data, 2016.

Maternal Health Voucher Program

301. **The maternal health voucher program is a demand-side financing intervention, which aims to reduce preventable maternal and neonatal death by reducing financial barriers to access and increasing utilization of health services for pregnant women and new borns.** The maternal health voucher program was initiated by the GOC in May 2014, and is being implemented in the Adamawa, North, and extreme north regions with support from external partners including the French Development Agency and the Development Bank of Germany. The maternal voucher can be purchased by pregnant women at accredited primary health care facilities (CSI, CMA) by pregnant women at 6000CFAF (approximately US\$10), and provide a comprehensive health package worth 60,000 CFAF. The benefit package includes: pregnant at least 4 antenatal visits; one pregnancy ultrasound to determine the overall condition of the fetus, health services for any medical condition that may arise during pregnancy, including Malaria, anemia and infections. The voucher also covers the cost of the delivery of the baby, emergency transport to the health facility during labor and referral to a secondary hospital for the patient, the fetus and an accompanying birth attendant. The mother and newborn will also be supervised for at least 42 days after the delivery of the baby by medical experts.¹⁷⁰ Health care facilities are reimbursed for the services they provide. Before this program, women paid at least CFAF 10,000 for delivery in a health facility, which could rise to an estimated CFAF 50,000 if a caesarean section was deemed necessary. An impact evaluation of this program is yet to be conducted to determine whether it truly improves access to and utilization of maternal health services.

¹⁷⁰ PLMI: Chèque Santé. Source : <http://plmi.cm/index.php/fr/programmes/xx/cheque-sante-fr>



Polio vaccination, Bertoua hospital

8.7 Conclusions and Recommendations

302. Based on the analysis presented above, the following reforms could significantly enhance the adequacy of financing, improve the allocative and technical efficiency of Cameroon's health sector, and substantially improve public health outcomes:

- ***There is a need to better prioritize the health sector in the overall Government budget by increasing budgetary allocation to the health sector:*** In the short-term budget allocation should at least meet levels envisioned in the HSS and National Health Development Plan, with the goal of reaching levels recommended by the WHO in the long-term.
- ***Rebalancing the allocation of resources from the central administrative level to the point of service delivery at the district level, and toward poorer, more remote, and more vulnerable regions and populations:*** Increasing the share of resources allocated to CMAs and CSIs would enhance allocative efficiency, as these facilities provide the most cost-effective forms of care. Adjusting the resources allocated to each region to account for local differences in the cost of operating health facilities would improve distributional equity and establish a foundation for PBF. This adjustment could be accomplished by weighting resource allocations according to the local population size, poverty rate, public health and safety indicators, infrastructure quality indicators, and/or geographic characteristics.
- ***Government should prioritize the financing of critical public health programs.*** This could be achieved by rebalancing the distribution of nonwage expenditures to support the delivery of these programs. External donors may finance priority public health programs over a finite period, and assist with the piloting of health projects to provide evidence of

effectiveness. Government would then need to adopt and scale-up these programs, and decline reliance on external financing, to accelerate country ownership of these programs and guarantee their sustainability.

- ***Enhancing expenditure efficiency among health care providers:*** Simplifying the budget and replacing the current system of multiple budget line items with a single overall budget line allocated to each health facility would facilitate financial monitoring and accountability. Expenditure tracking is vital to budget planning at both the sector and facility levels, and financial oversight is essential to reduce the risk of corruption. Further consolidating the use of PBF among participating facilities could yield additional improvements in technical efficiency, especially in terms of expanding preventive care and public outreach, enhancing service quality, and strengthening personnel management.
- ***Implementing the PBF program nationwide to support the government's goal of achieving UHC:*** This program has proven successful in addressing the specific health needs of local populations, incentivizing the provision of high-impact interventions, encouraging sound financial management, boosting the supply of health services to poor and vulnerable households, and enhancing performance monitoring among health facilities. It can also improve the distributional equity of financial resources and lessen facilities' dependence on out-of-pocket payments. Considering the critical role of demand-side incentives in improving access to and utilization of health service, particularly for the poor, Government should consider conducting a rigorous evaluation of the maternal health voucher program to assess its impact and potential contribution to the UHC agenda.
- ***Allowing greater autonomy and decentralized decision-making among service providers:*** Offering health facilities greater discretion over the use of their resources would enable them to respond more effectively to local needs. Encouraging more active collaboration between the regional and district levels of the health system, especially with regard to the investment budget, and would provide policymakers with a more accurate understanding of local needs in terms of equipment, construction and renovation, and human resources.
- ***The Government should move forward with its proposal for the decentralized, local recruitment and management of health personnel:*** Transferring of authority to the local level for functions related to employment (hiring and firing, defining compensation package), management (transfers, promotions, and sanctions), skills mix and training would increase efficiency, effectiveness and fairness in the recruitment and retention of health personnel. Moreover, it would improve the responsiveness of service providers to local conditions, including market conditions, citizen preferences, patient needs, staff availability and available resources. The decentralization process would need to be accompanied by financial, technical and administrative resources needed to carry out the human resource functions.
- ***Creating a platform for effectively managing, distributing, and regulating pharmaceuticals:*** Efforts to strengthen the public pharmaceutical supply chain and its regulatory agencies should be complemented by measures to tighten regulation of the private pharmaceutical sector. Allowing service providers to procure medicines and equipment from all accredited suppliers, both public or private, could stimulate competition among suppliers and reduce costs.

- ***Achieving a pro-poor orientation of public health spending will be critical to reduce poverty in Cameroon:*** The results show that although poor households benefit more from public health spending relative to their income level, wealthier households benefit more in nominal terms. Policies should be designed to reduce the financial burden for poor households imposed by relatively high health costs.
- ***The high level of political momentum on the UHC agenda presents an opportunity to improve the equity, health and financial wellbeing of households in Cameroon, and move rapidly towards the development goals of Vision 2035.*** For this vision to be realized, drivers for the successful implementation of UHC should be addressed by; (i) implementing efficacy and quality assurance mechanisms, like strategic purchasing, to improve health service delivery (ii) reviewing and reforming financing mechanisms to expand fiscal space for health (iii) establishing platforms and processes to foster societal dialogue and robust engagement of all stakeholders, thus promoting transparency, accountability and good governance.

CHAPTER 9: SOCIAL PROTECTION

9.1 Introduction

303. **This chapter gives an overview of Cameroon’s social protection system’s financing; analyzes the efficacy, efficiency and equity of spending in the sector; and makes recommendations for improved alignment with National Social Protection Policy and Vision 2035 objectives (reduce poverty and vulnerability, and increase the resilience of individuals and households to social, environmental, food and economic shocks and risks).** The chapter reviews the components of the social protection system, its financing, spending, coverage of the population and of risks, targeting methods, and overall efficiency and equity. More specifically, it (a) discusses the sources of vulnerabilities and risks and identifies the most vulnerable groups in the country; (b) identifies budgeting and expenditure patterns, and assesses the relevance and effectiveness of program mix and resource allocation; (c) describes the core national-level social protection programs; (d) assesses the equity and adequacy of priority social protection interventions with respect to the context/needs; and (e) recommends priority actions to develop and finance a robust social protection system.

304. **A well-designed and comprehensive social protection system would be desirable in Cameroon.** Studies have shown that a well thought-out social protection system can protect people against risk and boost prosperity (The World Bank, 2012), enable households to satisfy their basic needs as well as to smooth out consumption and increase their resilience to shocks. It can also help reduce regional disparities.

Social protection spending is divided in this chapter into the four categories adopted in the World Bank’s Social Protection Atlas for Resilience and Equity (ASPIRE) database. These categories are: i) social insurance (SI), ii) social assistance (SA), iii) labor market (LM) programs and iv) general subsidies (GS). This chapter analyzes the evolution of spending in each of these, as well as the coverage, equity, targeting, and efficiency of key social protection programs within these categories.

9.2 Population Vulnerabilities: Sources and Most Vulnerable Groups

305. **The poor and those just above the poverty-line in Cameroon face a series of life risks that make them vulnerable.**¹⁷¹ The type of shocks experienced by households varies across regions and wealth groups.¹⁷² The most frequently reported shocks are illness or death of a household member (39.7 percent of households), loss of job or of income sources (26.1 percent of households surveyed) and delayed rains or droughts (25.4 percent of those surveyed). Loss of job or income source and increases in food prices are the most frequently reported shocks in urban areas, while erratic rainfalls and pests, together with unusual diseases of livestock or crops represent the most frequently reported shocks in Far-North, North, North-West and West, where agriculture is the main income generating activity. These shocks are important, as environmental

¹⁷¹ These risks can be i) economic (including risk emanating from inflation, exchange rate fluctuation, decline in commodity prices, export price volatility, depressed export demand, and declines in remittances and foreign direct investment, and the basic structure of the economy); ii) environmental, including flooding, droughts, desertification, and famine conditions, which occur repeatedly in the extreme northern regions of Cameroon, and iii) social risks (low levels of education, particularly for women; inadequate nutrition; high fertility; isolation).

¹⁷² World Food Programme 2017 Comprehensive Food Security and Vulnerability Analysis

shocks not only directly impact the livelihoods of the 45 percent of the population that is engaged in subsistence agriculture, but also the food security of the rest of the population. Overall, one in five households have adopted coping mechanisms that had a negative impact on their livelihoods, such as reducing food, health or education spending, borrowing or depleting savings.¹⁷³

306. Around one quarter of households have inadequate food consumption.¹⁷⁴ The situation has deteriorated from 2011 to 2017, with a 35 percent increase in the number of rural households consuming inadequate diets. The most significant increase in food vulnerability occurred in the Far North (+22 percentage points), North West (+27 percentage points) and Adamawa (+ 8 percentage points). Two thirds of the country's food-insecure households are in the northern regions. Childhood malnutrition remains widespread and has only slowly fallen for over the past 20 years. From 1998 to 2004, wasting prevalence declined from 6.2 percent to 5.2 percent, and stunting declined from 38 percent to 32 percent, although most the decline happened in the southern regions.¹⁷⁵

9.3 Evolution of Spending and Main Social Protection Programs

307. Social protection spending decreased significantly between 2013 and 2016, as the authorities had to spend less on universal food, fuel and gas subsidies given the fall of international food and fuel prices. Cameroon's total spending on social protection decreased from 616.7 billion CFAF (4.3 percent of GDP) in 2013 to 317.6 billion CFAF (1.8 percent of GDP) in 2016. The fall in the international prices of fuel and food automatically implied a reduction in the subsidies from 416 billion to 34 billion CFAF and went from representing a cost of 2.9 percent of GDP to only 0.2 percent of GDP (Figure 106).

308. Before the fall in the international energy prices, most of Cameroon's social protection spending was on subsidies for electricity, food, fuel and agricultural inputs. The expenditures on universal energy subsidies peaked at more than 3 percent of GDP in 2012 (or 400 billion CFAF, almost 15 percent of the government's budget), decreasing to 2.85 percent of GDP in 2013, and 2.1 percent in 2014. The collapse of oil prices in 2015–2016 implied subsidies below 0.3 percent of GDP.

309. Energy subsidies benefit mostly richer households at a great fiscal cost for the country and at the expense of more targeted social protection measures. A detailed distributional impact (Del Nino et al, 2012)¹⁷⁶ found that fuel and food subsidies mostly benefited the richest quintile of households. In 2011, 43 percent of all expenses on subsidies were captured by the richest 20 percent of households, as shown in Figure 106. This distributional result is in line with the same observed effect across numerous countries. All the international evidence confirms that fuel subsidies benefit disproportionately richer households, as their consumption of fuel is much higher in absolute terms than the one of poorer households. For example, an IMF simulation for

¹⁷³ World Food Programme 2017 Comprehensive Food Security and Vulnerability Analysis

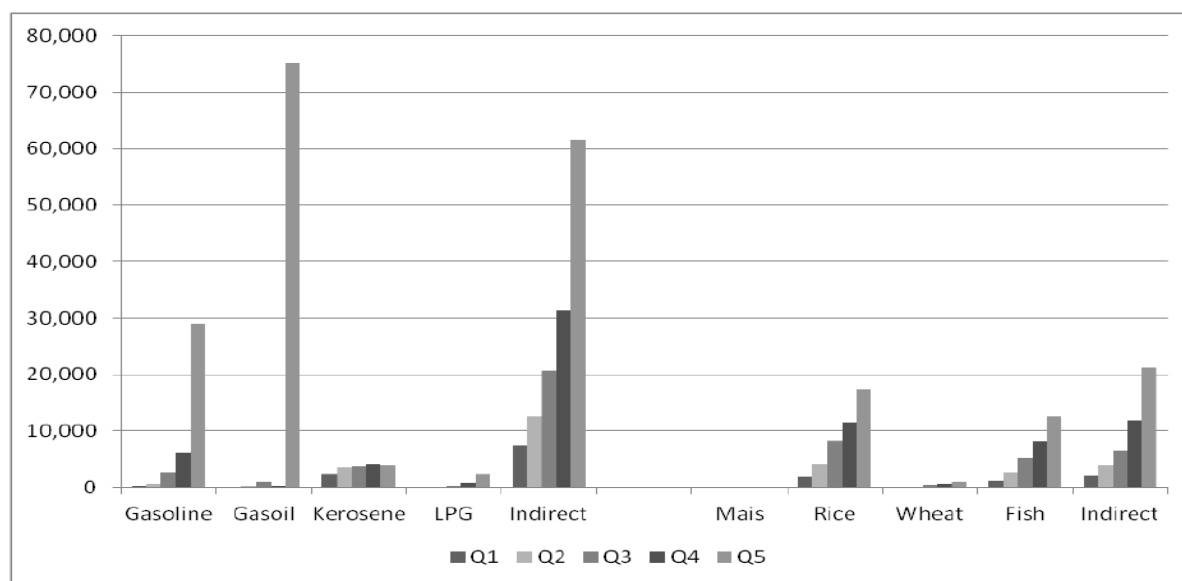
¹⁷⁴ World Food Programme, Cameroun Suivi De La Securite Alimentaire Bulletin No 2, Janvier 2017

¹⁷⁵ World Food Programme 2017 Comprehensive Food Security and Vulnerability Analysis and 2011 Comprehensive Food Security and Vulnerability Analysis

¹⁷⁶ World Bank (2012) – the Social Safety Nets in Cameroon report showed that food and fuel subsidies costed the government 213 billion FCFA in 2008, averaged 6.3 percent of the government budget in 2008-2010, and increased in the subsequent year until their peak in 2012. The study also estimated that half of the subsidies were being consumed by the top quintile of the population.

Brazil estimated that half of the amount spent in fuel subsidies were benefitting the richest quintile of the country.¹⁷⁷ A detailed study on Nigeria¹⁷⁸ showed that the richest 10% of households consumed on average 7 times more fuel than the households in the middle of the income distribution. This latest study estimated that eliminating fuel subsidies and giving a universal cash transfer instead (thus a revenue-neutral policy) would reduce the national poverty rate by 3 percentage points. Petrol, gas and food universal price subsidies can have substantial budgetary implications: in Cameroon, they have been, and still are partly responsible for the deterioration of the government's budget and endangered the fiscal sustainability of the country.

Figure 106. Energy Subsidies: Amount Captured by Each Quintile, in 2011 in Cameroon



Source: IMF

310. **The current situation in mid-2018, with increasing oil prices, suggests that unless the GOC lets retail energy prices fluctuate following international prices, then subsidies will automatically increase to their unsustainable level reached at the beginning of the decade.** In fact, the GoC is already foreseeing a 70 billion subsidy expenditure in the revised 2018 budget, to palliate for the increase in oil prices.

311. **The large decline in the amount spent on subsidies was accompanied by a minor increase in spending on targeted social assistance, although most of it was donor-funded.** Spending on social assistance almost doubled (in current terms) from 44.8 to 86.8 billion CFAF. However, it represents only 0.5 percent of GDP. More specifically, spending on targeted social assistance health programs went from 41.3 billion (0.28 percent of GDP) to 77.5 billion (0.45 percent of GDP) and non-health targeted social assistance spending went from 3.5 billion (0.02 percent of GDP) to 9.4 billion (0.04 percent of GDP) (Figure 106).

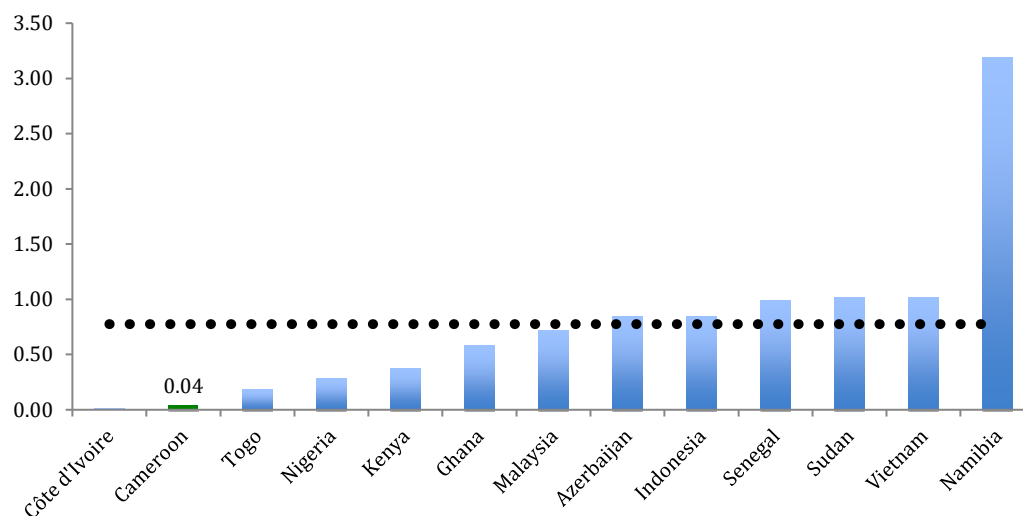
312. **GOC spending on targeted social assistance programs is very low by international and regional standards.** The 0.04 percent of GDP spent by the GOC on social assistance in 2016

¹⁷⁷ IMF (October 2016) - A New Tool for Distributional Incidence Analysis: An Application to Fuel Subsidy Reform, Stefania Fabrizio, Alexei Goumilevski and Kangni Kpodar, IMF Fiscal Affairs Department.

¹⁷⁸ Jun Rentschler, Incidence and impact: The regional variation of poverty effects due to fossil fuel subsidy reform, Energy Policy, Volume 96, 2016,

pale in comparison with regional and structural peers' levels of spending.¹⁷⁹ Only Cote d'Ivoire spent less than Cameroon (an estimated 0.01 percent of GDP). The peer average was 0.78 percent of GDP and Namibia spent as much as 3.2 percent of GDP on social assistance in 2016 (Figure 107).

Figure 107: Social Assistance Spending as a Share of GDP, Cameroon and Peers, 2016 or latest



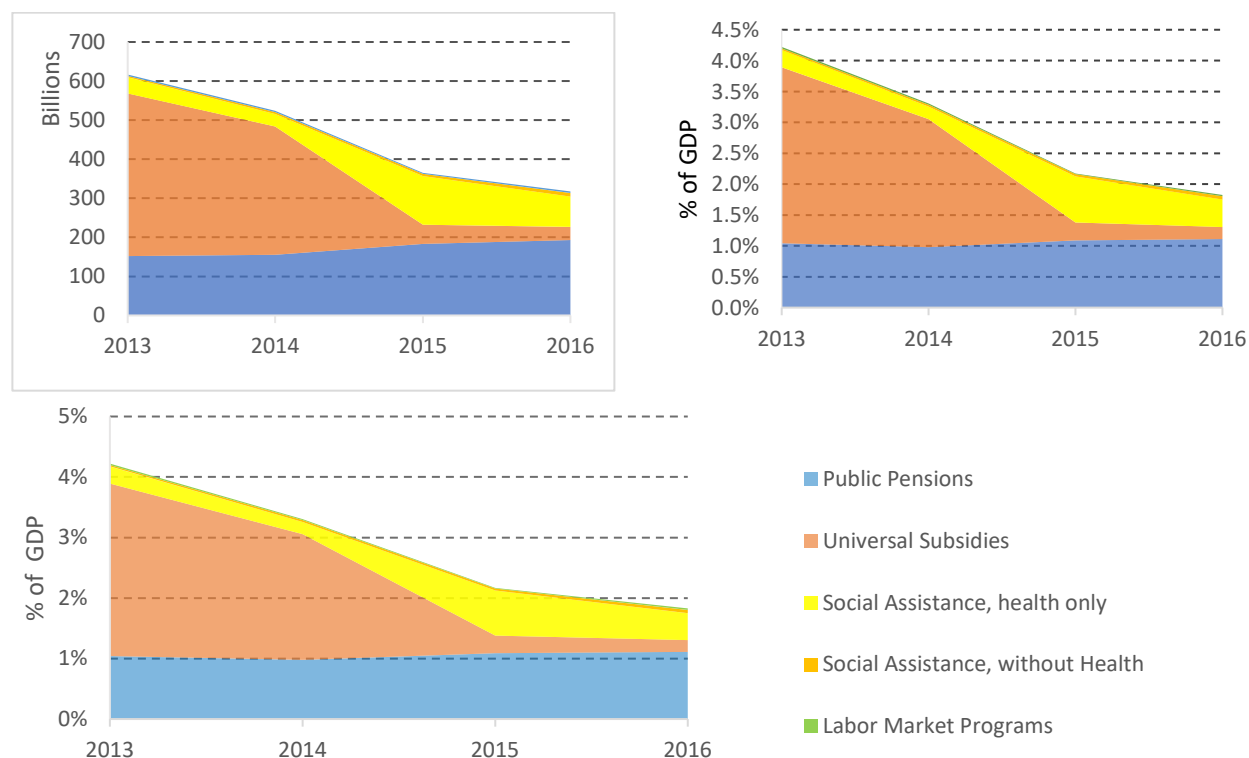
Source: World Bank ASPIRE database.

313. **Spending on the pensions scheme of the civil service is currently the largest budgetary item in social protection, at about 60 percent of total social protection spending.** Spending on public pensions has been relatively stable in the past 5 years, at around 5 percent of total government outlays. Spending on pensions went from 152 billion CFAF in 2013 to 193 billion CFAF (or 1 percent of GDP) in 2016 (Figure 108).

314. **Public spending on labor market programs is comparatively very small.** Spending on labor market programs increased from 3.4 billion to 3.9 billion during the period considered. They represented only 0.02 percent of GDP and 0.11 percent of government spending in 2016.

¹⁷⁹ Public expenditure on social assistance may be underestimated because of budget classification issues. Development technical and financial partners' social assistance interventions were long treated as and recorded as investments in both GOC budget and Treasury data.

Figure 108: Social Protection Spending by Type, 2013–2016



Source: 2018 Social Protection PER.

315. Health benefits and reduced medical fees for various vulnerable groups absorb nearly 90 percent of all social assistance spending. Poverty alleviation and food distribution programs as well as scholarships and programs for direct job creation make up the remaining 10 percent. As shown in the Health policy chapter, Cameroon has embarked on a path aiming at providing a universal health coverage (UHC) on gradual basis. As of May 2018, the GOC has progressed in developing strategic directions related to the scope and financing of the initiative and it is expected that the UHC will first focus on pregnant women and children. While non-health social assistance spending has been expanded in the past few years, international donors finance most of this expansion. Non-health social assistance programs, while on the rise, remain few and do not always benefit the section of the population that needs it most.

Box 10: Cameroon's *Filets Sociaux* Program and Its Poverty Reducing Impact

The Government of Cameroon is committed to improving its social safety net system through the implementation of an unconditional targeted cash transfer program, *Filets Sociaux*. A pilot project launched in 2013 had three main objectives: (i) to improve the living conditions of poor and vulnerable households, (ii) to develop national skills in the implementation of social safety net programs, and (iii) to test the methodology of social safety net programs. The project has since been expanded to four regions and is currently in the process of being scaled-up even further.

Pilot Project Coverage Areas:

Cash transfers benefited 2,000 households (around 15,000 individuals), selected in two different communes. A rural commune (Soulédé-Roua in the Far-North region with 1,500 beneficiary households) and a semi-urban commune (Ndop in the North-West region with 500 beneficiary households). The pilot project was implemented in 15 districts of the commune of Soulédé-Roua and in 7 districts of the commune of Ndop.

Targeting of beneficiaries:

The choice of recipients of cash transfers combined three targeting methods:

(i) *Geographical targeting*: in the beneficiary regions, departments and communes were chosen on the basis of the poverty map drawn up with data from the Third Cameroon Household Survey 2007 (ECAM3) and data from the Third General Census of the Population of 2005 (RGPH3).

(ii) *Community targeting*: (a) in each beneficiary municipality a Communal Working Group (CWG) was created which has chosen villages receiving cash transfers on the basis of poverty criteria previously agreed and (b) in each beneficiary village a Local Targeting Group (GLC) was created which drew up the list of potential beneficiary households of the village under the control of the Local Group of Citizen Control (GLCC). The CWG is made up of representatives of the sector ministries (MINSANTE, MINEDUB, MINAS, MINPROFF), NGOs, local associations, traditional leaders, religious authorities, and the poor.

(iii) *Proxy Means Test (PMT)*: collects data on the living conditions of households, and calculates a score allowing them to be classified by income.

Moral Contract:

Each head of household is committed through a moral contract to ensure that his/her household follows several guidelines in the field of health, education, nutrition, income-generating activities, and hygiene:

- Education: pay school fees; buy school supplies; and send children to school every day of class.
- Health: take children to a health facility when they are sick; vaccinate children according to the vaccination schedule; have prenatal consultations for pregnant women in the household, and give birth in a health facility.
- Nutrition: give children, pregnant women and the elderly two to three meals a day.
- Income generating activities: saving a portion of the cash transfer to create a revenue-generating activity.
- Public utility works: involve a member of the household (major and able-bodied) in public works organized in the locality including things such as: the collection of local materials (sand, stones) for the construction of classrooms, reforestation, maintenance of roads, cleaning of public places, development of existing water points and participation in water supply works, among others.
- Other: always ask children to wash their hands with soap and clean water before each meal, after using the toilet, after playing games; establish birth certificates for children at birth and children without such certificate, and participate in all awareness and training sessions organized as part of the project.

Payment of beneficiaries:

Each beneficiary household receives 12 payments for 24 months (10 payments of 20,000 CFAF and 2 payments of 80,000 CFAF, at the 6th and 12th payments). In 96 percent of the beneficiary households, women were the person of reference.

Beneficiary training:

Before each payment of 80,000 CFAF, beneficiaries received training in areas of their choice (agriculture, livestock and small trade). From July 2015 until the end of payments, the beneficiaries were sensitized each month on the moral contract. At the end of the Project, the PMU presented gifts to beneficiary households who respected the moral contract through reward ceremonies organized publicly in the presence of the Sub-Prefect.

Impact assessment:

The Project was designed to facilitate impact assessment (carried out in 2016).¹⁸⁰ The effects of the cash transfer program were estimated by a double difference method between the Soulédé-Roua beneficiary households and the Hina control households. The analysis of the use of cash transfers shows that the cash transfer program has reduced poverty and food insecurity significantly among beneficiary households but also among non-beneficiary households. Housing conditions have improved. While mixed the effects on human capital are encouraging. Health behaviors have improved as has school enrollment. Finally, the program also had a positive effect on national identification registration.

Source: World Bank, forthcoming (2018) Cameroon Social Protection Public Expenditure Review.

¹⁸⁰ Cheung, Sonne and Stoeffler (2018), From safety to productive net? Unconditional Cash Transfer and agricultural outcomes in Cameroon, mimeo.

316. **The pension sector in Cameroon is comprised of two separate pension schemes.** The first one covers private sector workers and is managed by the National Social Security Fund (CNPS), while the second covers public sector workers and is managed by the State through the Ministry of Finance. The CNPS scheme is a defined benefit (DB) pension scheme financed on a pay-as-you-go (PAYG) basis. The CNPS scheme provides three sets of benefits: 1) family benefits, 2) old, disability and survivor pensions and 3) benefits for work accidents and occupational diseases. The public sector pension scheme is also a DB scheme where pension benefits accrue at a rate of 2 percent of base salary per year. The scheme includes the three main categories of pension benefits, namely old age, disability, and survivorship (reversion). The system features a retirement age of 55 for staff employed in categories A and B and a lower retirement age of 50 for staff in category D. As of 2016, the system covered about 246,000 active public civil servants and provided pensions to 96,000 old age beneficiaries, 8,500 disability beneficiaries and around 30,000 survivors (including widows and orphans).

The CNPS Scheme

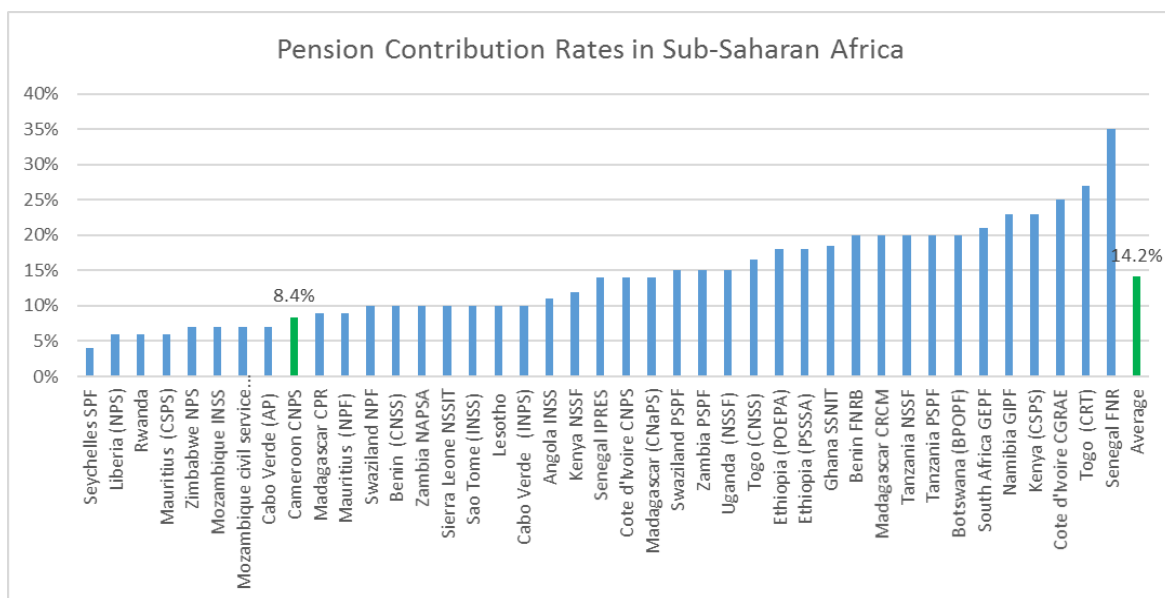
317. **CNPS old age, disability and survivor pensions are financed from employee and employer contributions at the rate of 8.4 percent of wages (the contribution rate is split evenly between employees and employers) which is lower than the regional average, but very close to the average contribution rate in private sector schemes in Sub-Saharan Africa (Figure 109).** Across the entire region, contribution rates in public sector schemes tend to be higher than those in private sector schemes. There is a contribution floor equivalent to the minimum wage (36,270 CFAF in 2016) and a contribution ceiling equal to 750,000 CFAF (it was 300,000 CFAF until 2015). The contribution used to be 4.2 percent for employers and 2.8 percent for employees (with a contribution ceiling on salary of 300,000 per month) until 2015 when it was increased to its current rate of 8.4 percent.

318. **The CNPS benefit formula is similar to that of comparable schemes in other countries in the Sub-Saharan Africa region, but does not follow international best practice.** The CNPS benefit formula includes a non-linear accrual rate – members receive 2 percent of pensionable salary per year for the first 15 years of contributions and 1 percent per year thereafter. This means that a worker can expect to receive 45 percent of previous earnings after a 30-year long career. In comparison, the regional average accrual rate is 1.9 percent, which results in close to 60 percent replacement rate. Despite falling on the lower end of the regional spectrum with respect to this parameter, CNPS accrual rate is still higher than the average of 1.2 percent per year observed in high-income countries. Accrual rates in high-income countries are generally considered fiscally sustainable and international best practice. Most OECD countries have also moved to linear accrual rates given the potential distortions in behavior that non-linear accrual schedules (such as the one of CNPS) may cause. The wages on which the pension benefit is calculated – the pension's assessment base – include the average of either the final 3 or 5 years of salary (whichever is greater). While this is not especially unusual for the region, computing pensions based on the average salary of the last few years could prove expensive for the pension system as contributions paid earlier in the career on a lower salary are not accounted for in the calculation of the pension. International best practices recommend basing pensions on lifetime average wages.

319. **Pensions post-retirement in the CNPS scheme are increased on an ad-hoc basis which follows regional trends but is yet another departure from international best practice.** The

vast majority of countries in Sub-Saharan Africa adjust pensions to wage growth or on an ad-hoc basis, which approximates wage growth and is typically higher than inflation. International best practice suggests indexation post-retirement by inflation only, with the logic that an individual's purchasing power should be maintained from the first day of retirement throughout the retirement period.

Figure 109: Pension System Contribution Rates in Select Sub-Saharan Africa Pension Systems

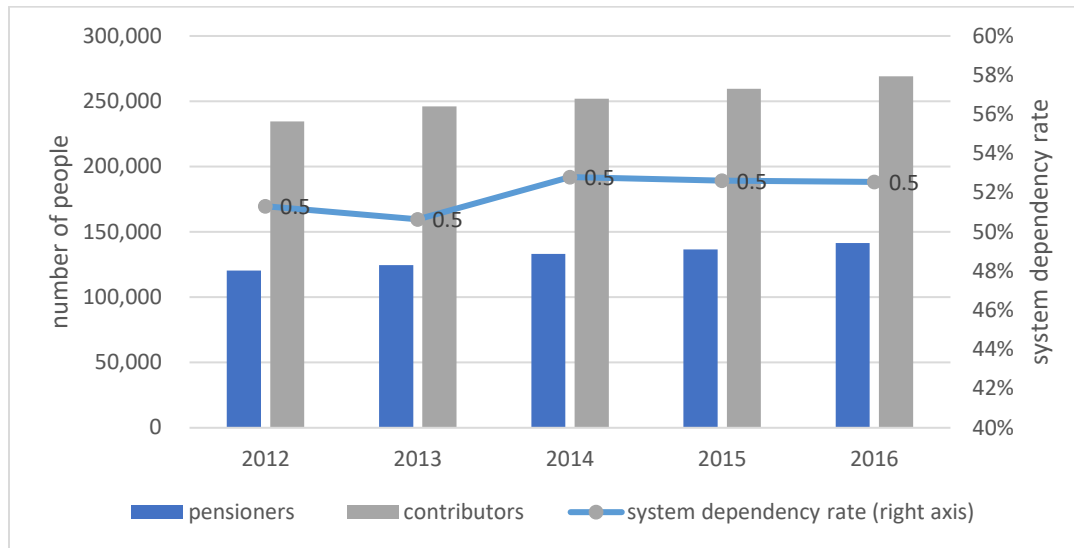


Source: Africa Pensions Database.

The Public Sector Pension Scheme

320. **The public sector pension scheme paid pensions to 141,388 pensioners in 2016 – which is more than the number of pensioners receiving benefits from the CNPS scheme (109,304 pensioners).** At the same time, the public pensions scheme had only 269,081 contributors, which is a third of the number of individuals contributing to the CNPS scheme, resulting in a very high system dependency rate of 53 percent. This means that each pensioner is supported by just 2 contributors (Figure 110). Due in part to these unfavorable system demographics, the public sector pension scheme has consistently run a fiscal deficit where contribution revenue accounts for only about a third of public pension expenditures.

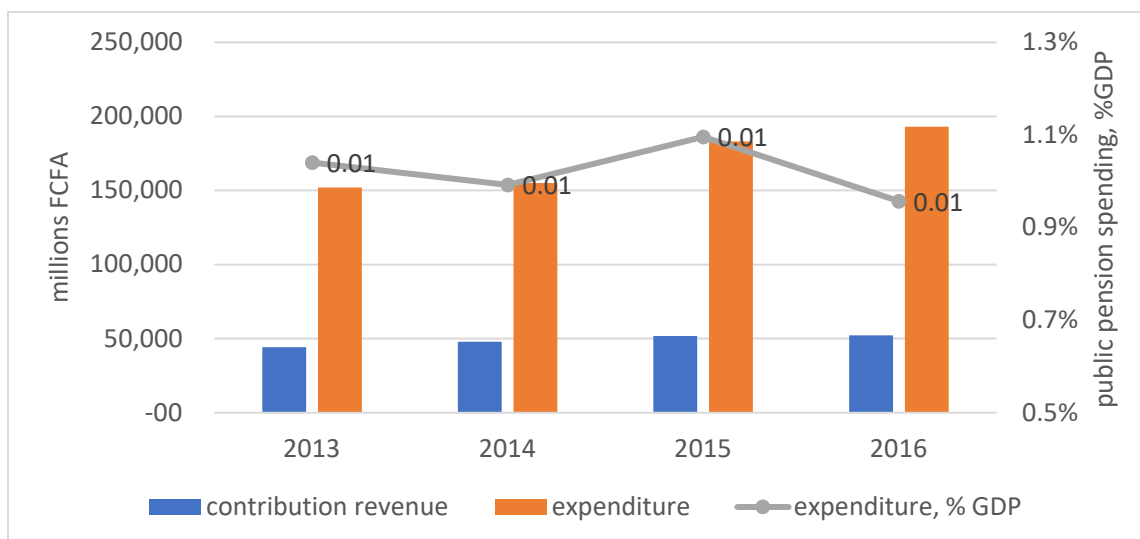
Figure 110: Public Sector Pension Scheme Membership



Source: 2018 Social Protection PER.

321. In 2016, public pension expenditures amounted to 1 percent of GDP, which is very high compared to the number of people drawing pension benefits from the system; public pension expenditure per pensioner were more than one and a half times the GDP per capita of the country (Table 22). The gap between revenue from contributions and the public sector scheme's expenditures is also growing overtime. Expenditures were 4 times higher than revenue from contributions in 2016 (Figure 111). It is difficult to properly assess the adequacy and generosity of pension benefits without having access to the distribution of pension amounts, however, this rough measure raises important questions regarding the level of the benefits paid by the public sector pension scheme as it signals a significant level of generosity and inequity between private and public sector workers, as well as between public sector workers and the overall population at large.

Figure 111: Financial Performance of the Public Sector Pension Scheme



Source: 2018 Social Protection PER.

Table 22: Snapshot of Key Measures and Parameters of the Public-Sector Pension Scheme

Key Performance Indicators	
Expenditure on pensions	171,217,994,037
Number of pensioners	141,388
Expenditure per pensioner per month	100,915
GDP per capita	62,313
Expenditure per pensioner per month, % GDP per capita	1.6
Pension System Parameters	
Accrual rate	2% per year
Retirement age	Categories A and B: Age 55 Category D: Age 50
Minimum length of service required	15
Indexation	none

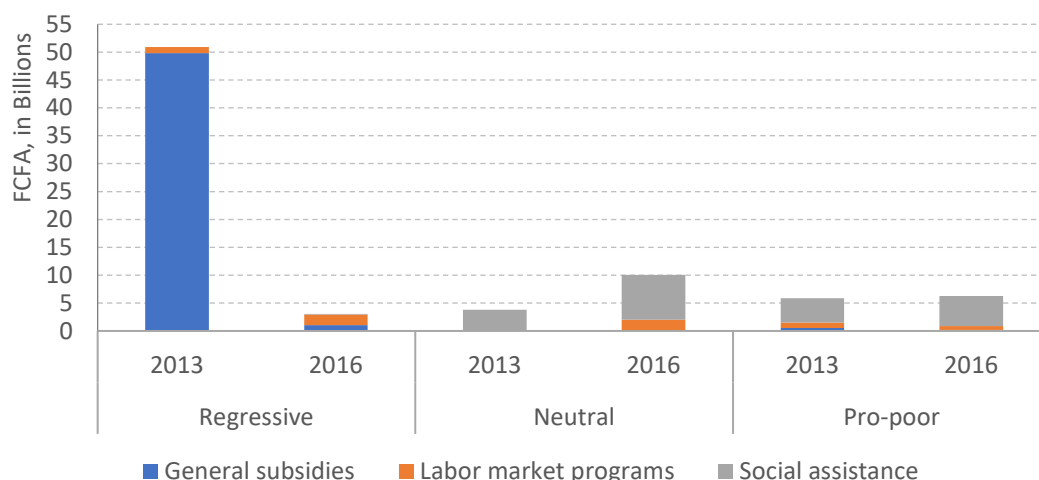
Source: 2018 Social Protection PER.

9.4 Equity

322. **During almost a decade ending in 2015, most of the spending on social protection went to energy and food subsidies benefiting disproportionately richer households.** The recent rise in oil prices in 2018 will automatically re-instate those subsidies unless domestic retail fuel prices can fluctuate following international prices. For example, in 2013 more than 400 billion CFAF were spent on these subsidies, while less than 4 billion CFAF were spent on pro-poor targeted non-health social assistance.

323. **The two largest categories of social protection spending are pensions and subsidies, and both are disproportionately benefiting richer and urban households.** Excluding those two categories, public spending on the other social protection instruments is mostly neutral or pro-poor. Most new spending on social assistance had a neutral redistributive effect. The amount of social assistance spending in programs with a neutral redistributive effect doubled from 4 to 8 billion while that spent on pro-poor programs remained relatively the same at 5 billion. The amount spent on social assistance programs with a regressive effect remained nil. In 2013, labor market programs were either neutral or regressive. In 2016, on average spending on labor market programs were slightly regressive. Most spending was directed either towards neutral or regressive programs and only a smaller share went to pro-poor programs. Government spending on labor market programs that have a neutral redistributive effect has increased (Figure 112).

Figure 112: Spending in SP (excluding pensions) by Poverty Incidence, 2013–2016



Source: 2018 Social Protection PER.

9.5 Conclusions and Recommendations

324. **Cameroon’s social protection spending has fluctuated with the international prices of fuel and commodities.** During the decade to 2015, universal price subsidies to food and energy endangered the fiscal sustainability of the country, and disproportionately benefited the consumption of the richer households. The fall observed in subsidies during 2015–2017 is mostly explained by the fall in international prices of commodities. This automatically reduced fiscal pressure and made the spending look less regressive. However, the country has not re-directed those resources to targeted social assistance programs. An opportunity has been lost. At present, international energy prices are rising again and since the country has not reformed its subsidies scheme, fuel subsidies are slated to rise accordingly.

325. **Most social protection spending is now directed towards public pensions, which benefits the old and civil servants only.** Given that Cameroon is a country with a young population with vulnerabilities emanating in many from lack of access to infrastructure, services and shocks like drought, floods, conflict, and ill health, social assistance and labor market interventions need to gain momentum if social protection is to be fully inclusive and to address the main risks and vulnerability conditions of the population. The spending mix of the system is currently not adequate and fails in its mission to protect against shocks and in fostering productive investment. As it stands, this design is not aligned with the country’s own Vision 2035 objectives.

326. **Two thirds of social protection spending cover the financing deficit of civil service pensions.** The GOC spends around ten times more in civil service pensions than it does in social assistance. This public sector pension scheme benefits only a small fraction of the population; is currently insufficiently funded as only a quarter of its expenses are covered by employee contributions, despite the small number of pensioners.

327. **Given the current spending mix in social protection, the current coverage and the vulnerabilities of the population, four key recommendations are made.** These recommendations broadly aim at improving the efficiency and equity of spending, redirecting

spending from the old to the youth, ensuring the fiscal sustainability of the pensions, and directing the spending towards governments' own goals. The recommendations are as follows:

- **Re-direct funding towards poverty-targeted programs:** an improvement in targeting will maximize the poverty-reduction effect of spending in social protection. By increasing spending in social assistance programs aimed at improving the living conditions of children, the vulnerable and the poor, efficiency of spending will be higher. Given the relative small size of social assistance spending, and the lack of targeting for the social protection system, scaling-up the social safety net project is objectively the best option to reach households in poverty and ensure them against shocks. Securing the continuity of its funding would align the government's actions with its own goals.
- **Identify risks not covered among the poor, and design interventions to mitigate/palliate those risks:** most spending in social protection goes to the old and to the urban areas, while most un-addressed risks are in early childhood and in the livelihoods in rural areas, particularly in the north of the country. The social protection system has a gap in targeting. Re-directing funding towards early childhood risks (malnutrition, health, education) and towards the livelihoods in rural areas (productive inclusion programs for example) will balance the current spending.
- **Improve the sustainability of the public pension system:** with low coverage and high spending per beneficiary, the public pension scheme is deficitary and mostly financed through the government budget. Reforming the civil service pension scheme will improve equity and create the fiscal space necessary for the increase in social assistance funding. Currently both the private and the public pension scheme have a very low coverage of both active and elderly population, with less than 10 percent of all active workers of the country being covered.
- **Let domestic fuel prices fluctuate following international prices:** As demonstrated in numerous studies, fuel subsidies i) benefit mostly richer households and urban areas, ii) distort consumption incentives, iii) endanger the fiscal situation of the government as well as its ability to conduct poverty-reducing investments. Eliminating fuel subsidies would allow setting up a special funds for reallocating the economies made on subsidies to finance targeted social programs can allow Cameroon to take advantage of the resources freed by changes in the prices of oil. The socio-political cost of such a restructuration should not be underestimated. The medium- and long-term gains from reform do however outweigh the costs.



Beneficiary of the Social Nets project, Yaoundé

ANNEX 1: CAMEROON: KEY MACROECONOMIC INDICATORS, 2014–2020

	2014	2015	2016	2017p	2018p	2019p	2020p
Real economy	(Annual percentage change, unless otherwise indicated)						
Nominal GDP (CFAF, billion)	17,276	18,285	19,105	20,256	20,923	23,848	23,902
Real GDP	5.9	5.7	4.5	3.2	3.9	4.1	4.3
Per Capita GDP (in US\$, Constant prices)	1,395	1,438	1,465	1,473	1,491	1,513	1,540
per Capita GDP (annual percentage change)	3.2	3	1.9	0.5	1.2	1.4	1.7
Contributions to Growth							
Demand side							
Consumption	4.2	4.2	2.9	3.1	2.7	3.3	3.8
Investment	3.3	0.7	1.7	2.3	1.3	1.8	1.1
Net exports	-1.6	0.8	-0.1	-2.2	-0.1	-1	-0.6
Supply side							
Agriculture	0.8	0.7	0.9	0.8	0.9	0.9	0.9
Industry	1.5	2.5	0.9	0.7	0.9	0.9	1.0
Services	2.6	1.9	2.3	1.6	1.8	2.1	2.4
Net Taxes on Products	1	0.6	0.4	0.1	0.3	0.2	0
Imports	8.6	-0.3	-3.1	-2.0	3.0	2.5	3.7
Exports	5.3	6.4	-5.7	-1.1	0.8	1.5	2.5
GDP deflator	2.1	0.2	0	2.8	-0.5	9.5	-3.9
CPI (eop)	2.6	1.5	0.3	1	1	1.2	2
Oil price (\$/bbl) ^a	75	92.6	93.2	76.4	71.7	59	48.5
Fiscal Accounts	(As a percentage of GDP)						
Total expenditure	20.8	20.9	21.2	20.4	18.4	17.9	17.3
Total revenue	16.6	16.5	15.1	15.4	15.8	15.8	15.8
General Government Balance	-4.2	-4.4	-6.2	-0	-2.6	-2.2	-1.7
Public and Publicly guaranteed debt (eop)	21.5	30.9	31.6	36.7	37.7	37.8	36.0
Selected monetary accounts	(Annual percentage change, unless otherwise indicated)						
Credit to the economy	14.4	11.4	7.2	2.	4.4	5.5	6.3
Broad money	10.8	9.2	5.5	5.9	5.5	58	6.6
External accounts	(Percentage of GDP, unless otherwise indicated)						
Current account balance	-4	-3.8	-3.4	-2.7	-3.0.5	-2.9	-2.9
Imports of goods and services	-27.7	-25.2	-22.0	-19.3	-9.0	-17.4	-18.1
Exports of goods and services	17.0	14.7	16.1	15.0	14.7	13.2	14.0
Foreign direct investment	2.6	1.9	1.7	1.6	1.6	1.7	1.8
Gross official reserves imputed to Cameroon (US\$, billions, eop)	3.2	3.5	2.3	3.2	3.6	3.8	3.8
External Debt	14.6	19.8	21.1	23.8	25.3	26.9	27.2
Terms of Trade	0.4	-8.5	1.1	7.3	-4.1	1.3	1.3

Source: National authorities, IMF, World Bank

Note: a. Crude oil, average price of Brent, Dubai and West Texas Intermediate, World Bank Commodities Price Forecast (nominal U.S. dollars).

ANNEX 2: CAMEROON – TOWARD A BETTER DEFINITION OF PUBLIC INVESTMENT

1. **Capital expenditure definitions vary considerably across countries.** Capital spending generally refers to the acquisition of physical assets with a period of use superior to a year as well as improvements in and rehabilitation of those assets, but definitions may include intangibles such as education and research and virtually all expenditures on items whose benefits are expected to spread over time. Capital spending however usually refers, in international classifications of expenditures,¹⁸¹ to (i) the acquisitions of fixed assets (building, structures, machinery and equipment), strategic or emergency stocks, land, or intangible assets, (ii) refurbishments of assets or major repairs, and (iii) capital transfers.¹⁸² Capital expenditure excludes project-related expenditure on wages and salaries, current transfers¹⁸³ and the purchase of goods and services. Such expenditure should be included in countries' recurrent rather than capital budgets.
2. **Public investment definitions also vary across countries.** Public investment is not synonymous with capital spending in international practice, but is rather a subset of capital expenditure. The narrowest definitions of public investment include only expenditures to acquire fixed assets, strategic or emergency stock. Renovations, reconstructions or enlargements that significantly increase the productive capacity or extend assets' period of use (also referred to as refurbishments, overhauls and major repairs) are treated as acquisitions of fixed assets and also generally considered investments in laxer definitions. Capital transfers are, on the other hand, more often than not, not included in investment spending totals.¹⁸⁴
3. **The Government of Cameroon's official public investment figures overestimate actual investment spending.** They include recurrent spending, notably investment project-related expenditure on wages and salaries, current transfers¹⁸⁵ and the purchase of goods and services. All capital expenditures are also considered investments by the Cameroonian authorities (Box 11).

¹⁸¹ See, for instance, the International Monetary Fund's 1986, 2001 and 2014 Government Finance Statistics (GFS) Manuals, the United Nations' 2008 System of National accounts (SNA), and the 2010 European System of National and Regional Accounts (*ESA 2010*)

¹⁸² Capital transfers include both transfers of ownership of fixed assets, and transfers of funds linked to acquisition or disposal of fixed assets.

¹⁸³ Current transfers are all transfers that are not capital transfers. Current transfers most notably include pensions, safety net and other cash and in-kind transfers and scholarships.

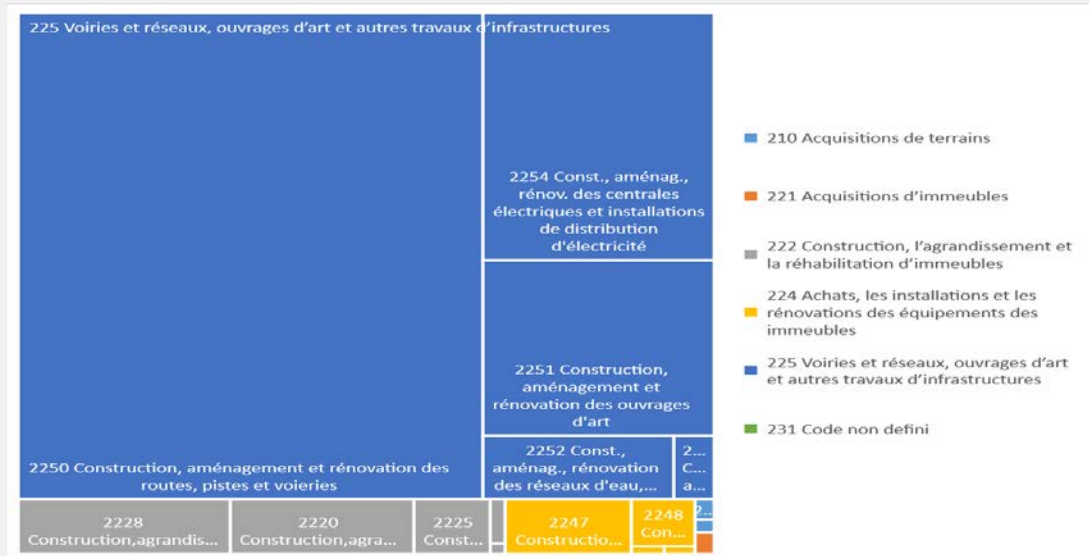
¹⁸⁴ Capital transfers are included in the recurrent portion of the budget in the IMF's 2001 and 2014 GFS classifications.

¹⁸⁵ Current transfers are all transfers that are not capital transfers. Current transfers most notably include pensions, safety net and other cash and in-kind transfers and scholarships.

Box 11: Narrowing Down Public Investment Figures

A narrow definition, contingent definition, or broad definition of capital expenditures limit public investment spending to expenditures that are dedicated to generating production units (of public goods or services) with a life span greater than one year and/or to expenditures aimed at expanding the production capability of an existing unit.

Distribution of Narrowly Defined Capital Expenditures in the Infrastructure Budget in Cameroon, 2013–2015



Narrow definition: expenditure items that are dedicated to generating production units (of public goods or services) with a life span greater than one year and/or to expenditures aimed at expanding the production capability of an existing unit. In Cameroon, narrow capital expenditures include the construction, development, expansion, and rehabilitation of buildings and networks (for example, for phones and water) for public purposes as well as the acquisition of land for construction.

Contingent definition: expenditure items that may or may not comply with the narrow definition but are contingent on information not possible to discern through the BOOST data. These expenditures include items for which the destination and use cannot be determined such as land valorization, capital transfers to entities, renovation, or major maintenance of buildings.



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