### Project Information Document (PID) Application Stage

<table>
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<tr>
<th><strong>Project Name</strong></th>
<th>Transparency and Accountability Capacity Development Project</th>
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<tr>
<td><strong>Region</strong></td>
<td>AFRICA</td>
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<tr>
<td><strong>Sector</strong></td>
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<tr>
<td><strong>Project ID</strong></td>
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<tr>
<td><strong>Borrower(s)</strong></td>
<td>GOVERNMENT OF CAMEROON</td>
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| **Implementing Agency** | MINFI  
Secrétaire Technique de la Plateforme de Dialogue sur les Finances Publiques  
Ministère des Finances, Bâtiment B, porte 419 C ou 419 C bis, Yaoundé / Cameroun  
Tél : (237) 99 50 12 26 ; (237) 99 66 09 26 ; (237) 22 23 35 22 |
| **Environment Category** | A [X]  B [ ]  C [ ]  FI [ ]  TBD (to be determined) |
| **Safeguard Classification** | S1 [ ]  S2 [ ]  S3 [X]  SF [ ]  TBD (to be determined) |
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1. Country and Sector Background
Social, political, and macroeconomic context

1. Cameroon is a country characterized by diversity. In 1961, French Cameroon and the southern part of British Cameroon merged to form the current country, resulting in two administrative systems and two official languages (French and English). The current total population is estimated at 18 million people. Poverty and income inequality are still very high, with more than 40 percent of the population living below the poverty line.

2. Cameroon has enjoyed relative stability in a region prone to turbulence. As a result, Cameroon plays a leadership role in the Central Africa region. However, its democratic institutions and process remain very weak and require significant strengthening. This is particularly crucial given that Cameroon is a key member of the Economic and Monetary Community of Central Africa (in French, Communauté Économique et Monétaire d’Afrique Centrale [CEMAC]), accounting for about half of its population and wealth.¹

3. The revival of the economy following major reforms in the mid-nineties—including the devaluation of the local currency in 1994—appears to be short-lived as economic growth is faltering (See Table 1 below). Real GDP growth rate has decelerated recently with an average annual rate of less than 3.0 percent in the period 2004-2007, down from 4.3 percent in the period 2000-2003. The non-oil sector has been performing poorly as a result of several factors, including erosion in external competitiveness linked to the appreciation of the Euro—to which the local currency is pegged—against the US dollar, the non-conducive business environment evidenced by Cameroon’s modest rank (155th out of 170 countries surveyed) in the Bank’s Doing Business 2008² report, poor infrastructures, and low access to financing. Cameroon’s achievement of its Heavily Indebted Poor Countries (HIPC) completion point in April 2006 has yet to translate into any long-awaited development impact and results because of the persistent poor governance situation reflected in its flawed public sector management.

Table 1 : Cameroon recent macroeconomic performances.

<table>
<thead>
<tr>
<th>Economic growth and prices</th>
<th>Baseline</th>
<th>Updated Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP¹</td>
<td>3.2</td>
<td>2.7</td>
</tr>
<tr>
<td>Of which: nonoil</td>
<td>2.9</td>
<td>3.4</td>
</tr>
<tr>
<td>Consumer prices (period average)</td>
<td>5.1</td>
<td>1.5</td>
</tr>
<tr>
<td>Program oil price (U.S. dollars per barrel)</td>
<td>61.9</td>
<td>66.9</td>
</tr>
<tr>
<td>Gross domestic investment</td>
<td>6.0</td>
<td>13.4</td>
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</table>

<table>
<thead>
<tr>
<th>Fiscal aggregates</th>
<th>Baseline</th>
<th>Updated Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue (excl. grants)</td>
<td>19.3</td>
<td>18.4</td>
</tr>
<tr>
<td>Of which: nonoil¹</td>
<td>13.8</td>
<td>13.9</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>14.5</td>
<td>16.3</td>
</tr>
<tr>
<td>Of which: noninterest current</td>
<td>10.7</td>
<td>11.6</td>
</tr>
<tr>
<td>Current capital</td>
<td>2.9</td>
<td>4.2</td>
</tr>
<tr>
<td>Overall budget balance (excl. grants)</td>
<td>4.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Of which: nonoil primary fiscal balance²</td>
<td>-0.4</td>
<td>-0.5</td>
</tr>
<tr>
<td>Fiscal stimulus³</td>
<td>0.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Balance of payments</td>
<td>Baseline</td>
<td>Updated Scenario</td>
</tr>
<tr>
<td>Current account (excl. grants)</td>
<td>-0.7</td>
<td>-0.5</td>
</tr>
<tr>
<td>Export volume</td>
<td>8.1</td>
<td>2.8</td>
</tr>
<tr>
<td>Of which: nonoil</td>
<td>8.7</td>
<td>5.1</td>
</tr>
<tr>
<td>Import volume</td>
<td>6.6</td>
<td>5.1</td>
</tr>
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</table>

¹ Other CEMAC members include the Central African Republie, Chad, the Republic of Congo, Equatorial Guinea, and Gabon.
Governance and anti-corruption efforts

4. Sustaining and accelerating improvements in governance and fighting corruption represent the country’s greatest development challenges. To address these challenges, Cameroon has undertaken policy and institutional reforms over the past few years which have led to some progress in the following areas: (i) budget reporting and transparency; (ii) adherence to and implementation of the Extractive Industries Transparency Initiative (EITI); (iii) implementation of public procurement reforms, including: adoption of a new law, establishment of a regulatory agency, and application of sanctions for violations of procurement rules; increased efforts to reduce corruption, including the dismissal and arrest of several high-level public officials suspected of corruption; (iv) establishment of an external audit body, the Audit Chamber (in French, Chambre des Comptes); and (v) the adoption of a revised National Governance Program (in French, Programme National de Gouvernance [PNG]) in November 2005 that led to the approval of several laws, that provide for the following: asset declaration, the creation of an anti-corruption commission, and setting up of the Constitutional Council.

5. Cameroon still has a long way to go to create an environment of strong governance and reduced corruption that is conducive to economic development. Although the country’s Transparency International corruption rating rose from last place in the late 1990s to 138th of 163 countries surveyed in 2006, corruption remains a serious problem. Cameroon’s Country Policy and Institutional Assessment (CPIA) rating of 3.3 for 2006 is close to the Sub-Saharan Africa average of 3.2, but ratings for transparency, accountability, and corruption in the public sector as well as on property rights and rule-based government are a mere 2.5. These ratings are consistent with the World Bank Institute (WBI) Worldwide Governance Indicators for Cameroon. The Government of Cameroon (GoC) recognizes this challenge and has requested further support from international development partners to improve governance and strengthen the fight against corruption by fostering public sector management reforms specifically in the Public Financial Management (PFM) sector.

Public Sector Management Issues

6. Many challenges are still ahead for Cameroon to improve the PFM efficiency and transparency and therefore enhance economic growth prospects and reduce poverty. As pointed out by the 2006 PEMFAR, the growth prospects of the Cameroonian economy and its ability to deliver on the poverty reduction objectives of the Poverty Reduction Strategy Paper (PRSP) will be substantially enhanced if Cameroon makes progress on its Poverty Reduction Strategy (PRS) priorities of improving governance, strengthening human capital, rebuilding infrastructure, improving the climate for private sector investment, and promoting regional integration.

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3 The WBI’s Worldwide Governance Indicators is a composite governance indicator that includes the Transparency International corruption rating and the CPIA rating.
7. The public sector has a major role to play in these areas and the budget is a key instrument for public actions in fostering progress. The recent Public Expenditure and Financial Accountability Report\(^5\), (PEFA), released in January 2008 stressed several weaknesses in the following six core dimensions of PFM performance.

(i) **Budget credibility** remains questionable because gaps between actual out-turns and originally budgeted expenditures continue to be significant (20 percent less in 2004 and 2005) even though actual exceed projected revenues (103 percent in 2005). Moreover, the stock of arrears was not reduced over the last 2 years, mirroring difficulties in controlling the budget.

(ii) **Comprehensiveness and transparency** is still limited since half of the budget operations (mostly donors’ funded projects) are not properly covered, transfers to decentralized entities are not reported, and budget reports made public are either incomplete or unreliable.

(iii) **Policy-based budgeting** is weak though formal budget preparation based on Medium Term Expenditure Framework (MTEF) and budget calendar are applied. Line ministries’ participation in the budget process is limited. Sector strategies do not guide the resources allocation process and there is disconnect between capital and recurrent budget—the latter ignoring the recurrent costs stemming from the former.

(iv) While **budget execution is more or less predictable**, arrangements for controls of budget execution and stewardship in the use of funds are not fully effective. Controls over payroll, which represents more than 40 percent of the total domestically-financed spending, are weakened by the actual situation of the HR and payroll management systems, raising looming concerns over the reliability and security of the current wage bill, salary arrears and size of the personnel. Complex and fragmented nature of the expenditure chain translates into belated spending procedures, excessive use of ad hoc regulations, and exceptional procedures—such as cash budgeting and advance payments—that tend to distort the processes. Procurement controls system does not prevent improper use of sole source service and contracts splitting.

(v) **Accounting, recording, and reporting** are among the weakest part of the PFM due to obsolescence and partial integration of the existing financial management information system (FMIS). Timely production of the Treasury balance and budget settlement law (in French, *Loi de Reglement*)—which represent the budget and state financial reports—is not a practice and reliability and consistency of financial documents remain to be achieved.

(vi) **External scrutiny and audit** is formally organized around the *Chamber des Comptes* and the National Assembly Finance and Budget Committee (NAFBC) but their independence and effectiveness are still questionable since they lack capacity and are still not fully operational.

8. Given that such a broad public sector development program cannot be covered by a specific donor or GoC intervention alone, there is a consensus over a joint-working agenda in line with the Paris Declaration objective, to have a broad review of PFM institutions, policy and performance, and to develop a shared action plan to foster fiscal discipline, consolidate strategic allocation of resources and increase operational efficiency and delivery of service.

2. Objectives

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9. The Project Development Objective (PDO) is to contribute (i) to enhance transparency and efficiency in PFM, and (ii) to strengthen accountability in the use of public resource. The project will play a key role in Cameroon acceleration of the pace toward a more orderly and open PFM and thus more efficient service delivery.

10. To monitor the project’s impact and outcomes, twelve (12) indicators have been chosen with emphasis on indicators from the 2005 PEFA standard.

11. The progress toward more transparency and efficiency in PFM will be monitored through one key indicator derived from the 2005 PEFA Report (Indicator PI-23 of PEFA). This indicator on availability of information on resources received by service delivery units (PI-23) which score is D in the PEFA Report should gradually increase to …. level in 2012. It will help measure the impact of project activities in GoC’s ability to effectively implement the budget supporting the service delivery in two critical priority sectors, Health and Education.

12. Accountability in the use of public resources strengthening will be measured through one indicator (Public access to key fiscal information—PEFA PI-10) also drawn from the PEFA set. It should progress from the current B score to an A by end of the project, in 2012. This indicator will capture how the project is influencing the extent to which the general public and interest groups have access to relevant and quality fiscal plans, position, and performance.

13. Project primary target beneficiaries will be crosscutting government agencies involved in financial and human resources management (HRM). Ultimate recipients of project outcomes will be the users of the Cameroon public service who would benefit from greater transparency, efficiency, and accountability in the management of core public resources.

3. Rationale for Bank Involvement

14. The rationale for Bank involvement is to contribute to the implementation of the three pillars of the 2006 Interim Strategy Note (ISN): (i) better service delivery (pillar #2), (ii) good governance and anti-corruption (pillar #1), and (iii) enhanced cooperation between donors (pillar #3) which are key PRSP development challenges for Cameroon to reach the Millennium Development Goals (MDGs). As defined in the 2006 ISN, which proposes a support strategy in FY07-08, the Bank intends to focus its assistance in: (i) addressing governance and corruption issues; (ii) managing for results; and (iii) strengthening partnerships, alignment, and harmonization. The proposed operation would assist GoC lay solid foundations for a transition to increased budgetary assistance, including from the Bank, under Poverty Reduction Strategy Credits (PRSCs).

15. In addition, the Bank’s experience shows that strengthening PFM is critical to building institutions that can sustain good governance and positively affect long-term development prospects. Concurrently, the Bank can be instrumental in helping the GoC develop and maintain stronger demand for good governance through interaction with parliamentarians, civil servants, and civil society organizations. Finally, discussions with GoC have confirmed the need for the Bank financial and technical support given its expertise in these areas.

4. Description

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16. The proposed PDO will be achieved through the following four project components which were identified during the appraisal mission and which reflect government priorities—for an estimated IDA financing of US$15.0 million (including an advance Project Preparation Facility (PPF) of US$ 0.7 million, and contingency fund of $0.9 million):

   ③ Component 1: Improving Budget Management including Procurement (US$4.1M);
   ③ Component 2: Integration and development of the FMIS including the HRM and Payroll Management systems (US$5.9M);
   ③ Component 3: Strengthening External Oversight and M&E (US$1.9M)
   ③ Component 4: Support to the Project Focal Point for PFM reforms coordination (US$1.5M)

Component 1—Improving Budget Management including Procurement (US$4.1M)

17. In line with the 2006 PEMFAR, and 2007 PEFA reports recommendations, the objective of this component would be to support the implementation and deepening of the ongoing budget management reforms following the adoption of the new Organic Law (adopted in December 2007) in a bid to improve and accelerate budget execution and to enhance budget controls.

18. Activities envisaged under the TACD project. In this component, focus will be mostly on giving support to revision of processes, methods and regulations for budget programming, budget execution including procurement, budget monitoring and controls, and Treasury accounting in the context of the new budget Organic Law, in order to primarily address deficiencies in capital budget management and limitation in the execution of investment projects. Since the European Commission (EC), Germany, the African Development Bank (AfDB), and another IDA project (PRSP Trust Fund) are supporting the development of a central MTEF and the extension of the sector MTEFs to other ministries, the project therefore will not provide assistance to the MTEF work. Proposed activities under this component will include:

   • Assisting GoC implement the changes and reforms introduced by the new Organic Law and by the Procurement Code (adopted in 2004) through technical assistance, training, and provision of goods and equipment;
   • Streamlining the expenditure chain as well as the public contract execution chain, including the implementation of current regulations that govern multi-annual commitments authorization and annual payment appropriations for capital spending;
   • Strengthening line ministries’ capacity for project identification, costing and planning through the design and implementation of project preparation procedures and tools (Procedure manuals and guidelines, database, legal framework, etc.) and training on project cycle;
   • Modernizing the Treasury through rationalization of its current organization, revision of the accounting chart, and professional development of State accountants and Treasury internal auditors.

19. Furthermore, in a bid to accelerate capital budget execution, the proposed project will focus on improving the performance of procurement system and procedure. This would be achieved mainly through implementation of the action plan from the 2005 Country Procurement Assessment Review (CPAR), and capacity building. Specific activities will include:

   • Contribution to the set-up of a public contracts planning system by improving the capacity of 50 ministries and public bodies, to plan their procurement operations. This exercise is expected to take place within the entire administration; and

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• Assistance to 7 spending ministries and public bodies that consume most of the public expenditure (Health, Education, Agriculture, Public Works, Finance, and the Douala and Yaoundé Municipalities) to improve the efficiency and transparency of their procurement units (optimize suppliers selection methods, optimize the preparation of tender bids and requests for submissions, evaluation of bids, negotiations, preparation of contracts and the follow-up of contract execution).

20. The main beneficiaries of this assistance will be the units responsible for budget planning and execution and procurement in the Ministry of Finance (MINFI), the Ministry of Economic Affairs, Programming and Regional Development (MINEPAT) and in line ministries: Budget Directorate, (in French, Direction Generale du Budget [DGB]); Treasury Directorate (in French, Direction Generale du Tresor [DGT]); Capital expenditures Directorate (in French, Direction de l’Investissement); Financial Resources Management Directorate (in French, Direction des Affaires Financiere, DRFi); and Planning Departments (in French, Direction de la Planification); as well as the Douala and Yaoundé Municipalities; and the Regulatory Agency for Public Procurement (in French, Agence de Regulation des Marchés Publics [ARMP]).

Component 2—Integration and development of the FMIS including the HRM and Payroll Management (US$5.9M)

21. This component consists of 2 sub-components related respectively to the development and integration of the FM Information applications and to upgrading of the HRM and Payroll systems.

Sub-component 2-1: Integration and development of the FM information applications (US$1.7M)

22. MINFI—and more globally, the entire government—does not have a coherent long-term strategic framework for the development, use, and maintenance of Information and Communication Technology (ICT). There is also a lack of capacity in MINFI for modern and professional management of a PFM system in a decentralized environment where the emphasis is on virtual collaboration between various governmental teams and structures. The objective of this subcomponent is to assist MINFI develop and implement a coherent ICT strategy and plan for incremental upgrades and linkage of the key applications across the ministry (Treasury, Budget, Payroll, Debt, Tax, Customs, etc.) in order to enhance financial reporting and transparency.

23. Activities envisaged under the TACD project. The project will provide technical assistance to MINFI for ICT project management and implementation. The main activities will include support for: (i) definition and implementation of a coherent ICT strategy and an action plan for continuous upgrade of the FM system applications; (ii) set-up the appropriate institutional and adequate technical capacity into the ministry; (iii) design and installation of new systems or enhancements to existing systems; (iv) purchase of some hardware and software; (v) upgrade of and interconnection among critical financial applications (Treasury, Customs, Tax, Debt Management, Budget, Payroll, etc.); and (vi) training and change management. In addition, the project will support the design and installation of MINFI’s website and intranet in order to scale up the level of collaboration and teamwork. The website will be a powerful transparency tool for providing information to public and interested groups about budget implementation and performance of MINFI’s departments.

24. Essentially, the main focus in this component will be to provide strategic advice to GoC in organizing and managing a complex ICT project, devising and choosing appropriate options for the ICT (development and integration of the existing applications versus turnkey solutions) and ensuring proper
planning and procurement for the adopted option. Therefore, most of this component funding will have to be secured from GoC’s own resources and other donors to purchase equipment, train staff, and develop applications. The project will mostly address critical ICT issues and solutions that are likely to be implemented within the framework of PFM reform but are not currently financed by government or donors. All other enhancements that are needed outside this scope should be undertaken under a more focused IT project geared towards the implementation of an online administration (E-Government) similar to projects carried out in Ghana, Rwanda, Sri-Lanka, Morocco and Vietnam.

Sub-component 2-2: Modernization of the HRM and Payroll management systems (US$4.2M)

25. The objective of this subcomponent will be primarily to enhance efficiency, transparency, controls, and checks and balances in the management of personnel and payroll through improvement of the current information system. Another important objective is to contribute into accelerating the implementation of the ongoing HRM reform, in particular the decentralization of the personnel and payroll management database, which is a key component of PFM reform. To achieve this, the GoC, is striving to install a new system for HRM and payroll management.

26. **Activities envisaged under the TACD project.** The project will focus on assisting MINFI and the Ministry of Public Service and Administrative Reforms (in French, Ministère de la Fonction Publique et des Reformes Administratives [MINFOPRA]) to properly manage and implement the current HRM and payroll systems work program. Technical assistance will be provided to (i) conduct an audit of the existing HRM system (the Computerized System of Integrated Management of State Personnel (in French, Système Informatique de Gestion Intégrée des Personnels de l’Etat, [SIGIPES]) and payroll system (the Computerized System of Administrative and Logistics Management for State Personnel (in French, Application Nationale pour le Traitement Informatique et Logistique des Personnels de l’Etat [ANTILOPE])); (ii) accelerate and complete the ongoing efforts to clean up, harmonize, and secure personnel and payroll files to match budget appropriations for staff’s salaries with the actual number of civil servants; (iii) select, set up, configure, stabilize and deploy the most adequate integrated personnel and HRM tool in most of the line Ministries; and (iii) develop administrative procedure manuals (APMs) which would be accessible on-line in order to increase transparency in public administration, and to strengthen collaborative work and reduce case file processing times. Training activities will be financed to strengthen the capacity of staff involved in the implementation of the HRM reform as well as the HR personnel of the various ministries in the use and maintenance of new HRM and payroll systems. Finally, some equipment will be provided to complete the network and broaden the availability of the new HRM and payroll applications to key ministries.

27. Some analytical work on civil service remuneration will also be financed, but on a very small scale, because this is a very complex task, which cannot realistically be achieved within the budget for the proposed project. However, it is expected that the work on civil service remuneration would be moving in parallel with, or slightly in advance of other IDA-supported operations, such as the DPL, which would be used as a leverage instrument for in-depth civil service reform and in-depth policy, fiduciary, and institutional transformation.

Component 3—Strengthening external oversight and M&E (US$1.9M)

28. The objective of this component will be to enhance external oversight, communication, and M&E, because these are necessary to allow national stakeholders to carry out the effective management and use of public resources, and fight corruption, while enabling the legislature and citizens the ability to exercise scrutiny and increase their demand for more accountability. Given the assistance already secured
from other donors and geared to most fiduciary services, the IDA proposed project will focus on strengthening the capacity of the National Assembly and the Capital Budget Monitoring Local Committees (in French, Comités Locaux de Suivi des Investissements Publics) in monitoring the execution of investment projects, (thereby complementing the CHOC program, which is supporting civil society organizations that exercise budget oversight) and of the National Institute of Statistics (in French, Institut National de la Statistique [INS]) in carrying out the evaluation of the public expenditure impact.

29. **Activities envisaged under the TACD project.** First, the project is expected to provide support to the National Assembly to strengthen legal oversight on use of public resources, in particular to the NAFBC, given its primary role in this regard. This will involve working in close collaboration with the Secretariat General of the National Assembly in order to provide strategic and technical support to the NAFBC itself and to the Secretariat General’s staff. This will also involve the development of effective procedures for the NAFBC, in particular in examining the Loi de Règlement. This will take the form of consultancy advice, training, and office equipment including establishment of a web-site to provide information to the public on the Commission’s works and reports. To that end, preparatory work will be undertaken under the PPF to diagnose and propose strategic options for the NAFBC, in the context of the new Organic Law.

30. Second, to increase demand side for transparency and accountability, the project will also promote consultative mechanisms between the legislature, civil society organizations, the media and other users of information. In this regard, one key action would be to support the development of the Local Committees in monitoring the execution of investment projects in local districts. Local Committees, which were set-up in 2006 in all Cameroonian provinces, involve local government authorities, elected personnel, and civil society organizations, and is still developing. The TACD project will assist in assessing the effectiveness of the Local Committees, as well as feasibility of the expansion of its role to other categories of expenditure (recurrent budget) and in ensuring publication of its reports to the public. This would link to, and reinforce the transparency dimensions of the first three components of the project.

31. Finally, dissemination of budget and financial information among ordinary citizens will be critical to transparency and accountability and to consolidation of external oversight. Since at present, the information available to internal and external stakeholders is limited, the project would support the development and implementation of an M&E framework involving systematic and timely production and publication of user-friendly communications including key information, analysis, progress reporting and performance measures in the use of public resources. To this end, the project will assist in strengthening and extending the tracking of public expenditures, which is a powerful tool for identifying whether intended resources reach the front line service providers. Funds will therefore be provided to INS to develop its methodology for public expenditure tracking surveys, and to deliver training on the methodologies to practitioners in the public sector and civil society. Support will also be granted for increased public access to information regarding PFM performances, principally via population of MINFI, ARMP, and National Assembly websites with reference to key international standards such as the PEFA and the IMF Code of Good Practice on Fiscal Transparency. Other measures would include improving the publication of information on public finances through other available government websites.

**Component 4—Support to the Project Focal Point for PFM reforms coordination(US$1.5M)**

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8 The EC and the ADB are implementing on-going projects with technical assistance to the Chambre des Comptes while the Canadian are planning support in 2008 to the controls units within MINFI and other line ministries.
9 Changer d’Habitudes, s’Opposer a la Corruption in French, meaning Change Habits, and Oppose Corruption
32. Institutional arrangements for project preparation and implementation will be embedded in the country’s systems to consolidate and sustain GoC’s leadership in, ownership of, and commitment to the reforms envisaged. The main objective of this component will be to support capacity building activities for MINFI and the PFM reforms structures to properly carry out their coordination, monitoring, and leadership roles in PFM reforms in line with Paris Declaration objectives.

33. **Activities envisaged under the TACD project.** In coordination with other partners involved in PFM reforms activities, the TACD project will provide technical assistance, equipment and training to PFMTS in order to manage the project as well as the upcoming PFMRAP with focus on the following activities: (i) setting-up of functioning and adequate organizational and implementation arrangements for PFM reforms including coordination of donors’ contributions; (ii) execution of its fiduciary responsibilities (project financial and procurement management); (iii) coordination and monitoring day-to-day activities; and (iv) M&E activities, which are critical to effective PFM reforms management (see section C-3- M&E). The project will fund a study to explore the available options for pooling financial resources and deepen donors and government partnership around PFM reforms.

5. Financing

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<tr>
<td>INTERNATIONAL DEVELOPMENT ASSOCIATION</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
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</tr>
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6. Implementation

1. **Partnership Arrangements**

34. The proposed operation will be an IDA contribution to joint donor support to GoC in the implementation of PFMRAP that is currently under preparation. The support from this project would complement assistance planned and on-going from other donors in the areas of PFM and HRM (see above, section B-3 on project components and Table 2). The minimum conditions are in place for effective partnerships. This follows efforts to implement the principles of the Paris Declaration on aid effectiveness in Cameroon through the CMB (see box…) set up by donors interested in PFM reforms. However, it is agreed that donors should scale up and deepen those cooperation and collaboration efforts during PFM reforms implementation so to minimize transactions costs for the GoC. In that regard, the Bank team will discuss and advocate for signature of a Memorandum of Understanding between donors in order to have a common framework for supervision and M&E.
2. Institutional and implementation arrangements

35. Cameroon has a number of operating technical committees that have been very instrumental in coordinating government’s efforts towards economic reforms. In the PFM area, GoC established the PFM Dialogue Steering Committee (PFMDSC) in February 2007, which comprises representatives from GoC, from the donors and from civil society to (i) further dialogue on PFM reforms, (ii) share common assessment of the PFM system; and (iii) define an Action Plan which will be the common platform for intervention of development partners as well as GoC. This entity could have been able to provide the technical leadership and institutional capacity needed to prepare and implement the proposed TACD project, as well as the other donors’ support. Still, its composition (ministers and ambassadors) and responsibilities are not adequate for operational needs.

36. **Overall and Technical Management.** Therefore, GoC has agreed to set-up a new institutional arrangement with the Public Financial Management Steering Committee (PFMSC), which is more involved in the execution of the reforms, and PFMTS, which is well endowed to coordinate the work on the ground. Hence, the primary responsibility for the project preparation, execution, and monitoring would be vested in MINFI agencies, using their systems, structures, and procedures so to consolidate Government’s commitment and ownership, while strengthening its capacity and creating enabling conditions for sustainability of the envisaged reforms.

37. Oversight and guidance of project activities will be in MINFI, via PFMSC that will be headed by the Deputy Minister of Finance and Vice-Chaired by the MINFI Secretary General. This entity will be created before project negotiation and will comprise all beneficiaries in and out MINFI at managerial level. Each year, PFMSC will approve an indicative three-year budget program that will have a clearly defined first year annual work program. It will oversee progress in program implementation and take decisions on policy, institutional, and technical issues of relevance to the project. It is also envisioned that all PFM reforms including other donors’ projects activities supervision will be brought under PFMSC responsibility once consensus is reached within MINFI and between MINFI and donors. Therefore,
PFMDSC will still exist but its responsibilities will need to be revised so to reflect the tasks trusted to the new PFMSC. The Bank team has suggested commissioning PFMDSC with PFM dialogue between donors and GoC and coordination of PFM donors’ activities as well as M&E of PFMRAP.

38. **Coordination of activities and FM.** The focal point for the daily management of project activities will rest upon a new PFM Technical Secretariat (PFMTS), to be set up into MINFI to coordinate and monitor all the PFM reforms activities preparation and implementation. PFMTS is integrated into MINFI structure to harmonize the reform process, assist in activity planning and budgeting, facilitate contracting, manage the activities and technical assistance from various donors, and play a critical role in M&E for both the IDA project and the future government PFMRAP. Headed by a coordinator, PFMTS will be staffed by technical experts who will specialize in the main areas of the reform including (i) Public Finance (Budget, Treasury, and Revenues); (ii) Information Systems; and (iii) Capacity Building. These three professional staff will have to be recruited, as a condition for Effectiveness. GoC has not yet made a decision on whether or not the current PFMDTS will merge into the new PFMTS.

39. Participating beneficiaries will be responsible for implementing project activities in their respective fields as defined in annual work plans. Specifically, beneficiaries are most of the agencies at the central level involved in budget preparation and execution as well as financial control and audit (see target groups, section B.3—Project Components).

40. Institutional and management capacity in coordinating units (PFMTS and DRFi) as well as in implementing agencies is weak. Therefore, limited technical assistance and careful balancing will be required to ensure that project’s objectives can be achieved. The Japanese Policy and Human Resources Development (PHRD) grant will finance a capacity needs assessment for implementing agencies which will result in an action plan. This effort made during project preparation to build up capacity will be further reinforced during project implementation (component 4) with technical assistance.

41. **FM and Procurement.** The flow of funds from the IDA credit and GoC will be managed by MINFI, in accordance with appropriate IDA rules and procedures in effect. To ensure ownership and foster capacity building in project management, FM will be trusted to PFMTS while procurement management will rest upon MINFI’s DRFi, in line with their existing responsibilities in national budget management. A procurement specialist and an FM specialist, familiar with World Bank procedures are being hired, as condition for negotiation, to strengthen management capacities within the two units.

42. To warrant timely and reliable flow of funds, a Designated Account (DA) will be opened in a local commercial bank under conditions satisfactory to IDA. The DA will be replenished based on documentary evidence, justifying the payments made from the account for works, goods and services that are eligible for financing under the credit. All supporting documents will be made available for review by periodic Bank supervision missions and external auditors.

43. Qualified, experienced, and independent auditors will be appointed in accordance with terms of reference (TORs) approved by IDA to audit use of IDA funds and government resources by PFMTS. The audits will be carried out once a year and will be financed under the project. The independent auditor mandate could be enlarged to other donor funds related to GoC’s PFMRAP, should it be necessary.

44. **Bank Management.** On the Bank side, the primary responsibility for project performance and management relies on a Task Team Leader who will work from Ndjamena (Chad) in close collaboration with a Yaoundé-based team for local perspective and direct interface with the client.

7. Sustainability
45. There are some signals that indicate the proposed project will be implemented successfully and the impact of expected outcomes will be sustainable. First, since the Paris High Level Forum on aid effectiveness in March 2005, the Cameroonian Government has taken a leadership role in starting implementation of the Paris Declaration, and international partners have significantly stepped up their collaboration. On PFM in particular, the establishment of PFMDSC and its PFMDTS could be viewed as recognition by the GoC of the severity of the country’s governance issues and Government’s “commitment” to resolutely address them. Second, the design and preparation of the proposed project are driven by the GoC, which would facilitate project implementation. In addition, the Minister of Finance is taking the lead to advance some critical action towards the full PFMRAP development. The PEFA Report was finalized in January 2008 following a much-appreciated participatory process. Meanwhile the new Budget Organic Law setting the framework for budget reforms has been approved by the National Assembly since mid-December 2007. Based on this law, it is expected MINFI will meet its commitment to develop PFMRAP as well as its implementing strategy by the end of 2008 to signal its political will in the process. Third, primary responsibility for project execution, monitoring, and accountability will rely on government’s structures and agencies, which would consolidate country’s ownership.

8. Lessons Learned from Past Operations in the Country/Sector

46. Main issues related to preparation and implementation of past and ongoing projects in Cameroon, as highlighted in the last Country Portfolio Performance Review (CPRR) include: (i) Narrow and weak political leadership and commitment to reforms; and (ii) fragmented and complex project agenda which lacks a clear operational focus and M&E systems. In addition, past experience from other country PFM projects suggests to the team to pay close attention (iii) to the project implementation arrangements in order to avoid Project Implementation Units flaws, and (v) to the strategy for introducing modern IFMIS which calls for prior development of a clear vision and implementation plan before starting any meaningful investment in the system.

47. The Cameroon country team has recognized that continued IDA support for improvements in PFM could only be secured through strong political commitment reflected in an operational action plan which is agreed upon by all donors. To foster this political commitment and leadership, a PFM Platform led by GoC has been established to work with all PFM stakeholders (including civil society and donors) to develop a credible PFMRAP and implementation strategy.

48. In addition, the Project Team has requested anchoring the reform program in the structures of the Ministry of Finance (MINFI) so to prevent the implementing agency from becoming an isolated enclave within the ministry, as is true in many IDA-financed operations. The approach was discussed and agreed upon with the MINFI during the appraisal missions, and is set as a condition for negotiations which are scheduled to end of April 2008. Others donors including the EC and the AfDB also agreed to the proposal and are considering ways to join the projected institutional arrangements. The Project Team in the field includes procurement and FM specialists, and the Task Team Leader is conveniently located in neighboring Chad. The Project Team will supervise the activities on a continuous basis in coordination with other donors. Periodic supervision missions will be carried out jointly with specialists from World Bank headquarters.

49. Component 4 of the project will strengthen GoC’s own institutional arrangements for coordination of PFMRAP to ensure adequate annual programming of activities, budget costing, and M&E of progress as well as satisfactory project FM. The future PFMRAP will be a basis for donor coordination in mobilizing financial support and for joint M&E of progress. The project has addressed the need for an
operational and effective M&E system which will be strategically designed upfront around the future government PFMRAP. The PEFA Report, completed in January 2008, will be the core tool around which a sound M&E system will be implemented with the coordination and harmonization of all donors. The PPF will finance the establishment of the M&E system within PFMTS before Effectiveness.

50. To overcome shortfalls of the on-going ICT strategy, which heavily focuses on software development and equipment selection without careful assessment and clarification of the available options, the proposed project will support the upfront adoption and implementation of a well-defined strategy (see project component 3) before starting any meaningful ICT financing.

9. Safeguard Policies (including public consultation)

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<th>Safeguard Policies Triggered by the Project</th>
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<td>Environmental Assessment (OP/BP/GP 4.01)</td>
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<td>Projects on International Waterways (OP/BP/GP 7.50)</td>
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10. List of Factual Technical Documents

Documents for project preparation:

1. The country’s PRSP
2. the National Governance Program
3. the Bank’s FY04-06 Country Assistance Strategy (CAS)
4. the 2001 Country Procurement Assessment Review (CPAR)
5. the 2002 Country Financial Accountability Assessment (CFAA)
6. the 2003 technical study of the justice system
7. the 2004 Public Expenditure Tracking Survey (PETS) in the health and education sectors
8. the 2004 Development Policy Review (DPR) which has benefited from important analytical work done at the Bank and in Cameroon within the context of the PRSP, namely:
   ① a study on the Sources of Growth;
   ③ a comprehensive Growth/Poverty modeling experiments;
   ③ the preparation of a medium-term expenditure framework (MTEF); and
   ③ sector assessment papers produced by the Bank (health, rural, education, urban sector, etc.)
11. The Devolution of the Management of State Human Resources and SIGIPES: How far have we gone? What steps to take next?, published by the Ministry of Public Service and Administrative Reforms, under the supervision of the Permanent Secretariat for Administrative Reforms (SPRA), Yaounde, November 2003.


11. Contact point

Contact: Mamadou Lamarane DEME
Title: Sr Public Sector Mgmt. Spec.
Tel: (235) 252. 32.47
Fax: (235) 252.44.84
Email: mdeme1@worldbank.org

12. For more information contact:
The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-5454
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop