

# Findings

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## Cameroon

### Debt Relief Grant under the Enhanced Heavily Indebted Poor Countries (HIPC) Debt Initiative

The objective of this operation was to provide Cameroon the assistance required by IDA under the enhanced HIPC Debt Initiative upon Cameroon reaching the Completion Point, thus contributing to improving Cameroon's overall debt sustainability and supporting the government's implementation of its poverty reduction strategy through increased spending from the fiscal savings.

The policy areas supported by the program are those linked to the conditions for reaching the completion point under the enhanced HIPC debt initiative, namely: (i) preparation of a poverty reduction strategy paper (PRSP), and satisfactory implementation for at least one year; (ii) the maintenance of a stable macroeconomic framework and continued satisfactory performance under the IMF's Poverty Reduction and Growth Facility (PRGF) program; (iii) use of budgetary savings from the interim debt service relief; (iv) the satisfactory implementation of the structural reforms supported by the Third Structural Adjustment Credit (SAC III) financed by IDA; (v) implementation of governance and anti-corruption measures in the areas of judicial reform, budget execution, procurement reform, and the creation of regulatory agencies; and (vi) implementation of key social reforms, including combating malaria and HIV/AIDS.

#### Context

When Cameroon reached the Decision Point under the enhanced HIPC Debt Initiative in October 2000, the Executive Directors approved the provision of an IDA supplemental credit to prepay outstanding IBRD debt at the Completion Point as part of IDA's contribution to overall HIPC debt relief initiative.

Slippages in macroeconomic management and difficulties in the implementation of the poverty reduction strategy delayed the completion point date. In 2005, the macroeconomic framework was strengthened through improved fiscal management, and there was progress in PRSP implementation and the adoption of governance measures. As these progresses were sustained in early 2006, Cameroon reached completion point in April 2006 after fulfilling all agreed conditions.

## Impact

- The program development objectives were fully achieved. IDA assistance under this program has been fully disbursed, allowing Cameroon to repay outstanding IBRD debt. As a result of that assistance and additional debt relief from IDA and other multilateral and bilateral creditors under the HIPC and the Multilateral Debt Relief Initiative, Cameroon's debt burden has significantly improved relative to the situation before completion point. Nominal external debt declined from US\$ 6.5 billion in 2005 to US\$2.1 billion in 2006, or from 39 to 11 percent of GDP. Cameroon now faces a low risk of debt distress.

- A satisfactory implementation of the PRSP — including increased spending for social and other priority sectors — was a condition for HIPC completion point, and this condition was deemed met in the HIPC completion document and in the third PRSP annual progress report discussed by Executive Directors in February 2006..

- Cameroon is pursuing the policies needed to maintain debt sustainability and improve PRSP implementation with the support of its development partners, including IDA. Cameroon is implementing a fiscal strategy anchored on preserving debt sustainability. Since 2005, fiscal policy implementation and performance strengthened substantially as evidenced by the completion in June 2007 by the IMF Board of the third review of the PRGF.

- In addition, Cameroon is preparing a debt management strategy that will guard against the risk of over borrowing. As for PRSP implementation, Cameroon is preparing a revised poverty strategy with a greater focus on results. The completion of the revised strategy is expected in the first half of 2008.

## Lessons learned

Lessons from this operation — prepared and approved in a three-month span period — cannot be drawn independently of the Third Structural Adjustment Credit (SAC II) and the HIPC process. For the latter, a close coordination with the IMF team was critical to the successful dialogue with the authorities along the path to completion point, thus allowing the approval of this operation.

Other lessons could be drawn from the ICR of SAC III and include:

- Formulate a realistic timeframe for the government to meet the triggers of the completion point

- Ensure that the government puts in place a strong focal point/unit to coordinate and monitor the implementation of the completion point triggers and facilitate related post completion point actions.

*This brief was based on Implementation Completion Report No.567, from which more detailed information can be obtained.*