



Report

# Analysis of factors restraining the capacity of Cameroon to absorb foreign aid

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## CONTENT

<b>LIST OF ABBREVIATIONS .....</b>	<b>3</b>
<b>A. EXECUTIVE SUMMARY.....</b>	<b>5</b>
<b>B. INTRODUCTION .....</b>	<b>11</b>
<b>C. METHOD AND DEFINITIONS .....</b>	<b>13</b>
<b>D. OVERVIEW OF CURRENT DISBURSEMENT PROCESS AND PROJECT EXECUTION STRUCTURE IN THE CAMEROONIAN GOVERNMENT .....</b>	<b>15</b>
I. OVERVIEW OF ALLOCATION OF FUNDS AN THEIR DISBURSEMENT (PROJECT LIFE CYCLE) .....	15
II. CURRENT PROJECT EXECUTION AND CONTROL STRUCTURE IN THE CAMEROONIAN GOVERNMENT.....	16
<b>E. OVERVIEW OF CURRENT DISBURSEMENT PROBLEMS .....</b>	<b>18</b>
I. LACK OF A COMMON PRIORITIZATION OF DEVELOPMENT GOALS AND THE RESULTING WEAK POLITICAL OWNERSHIP OF SOME PROJECTS.....	19
II. WEAK CAPACITY AND SKILL LEVEL OF PROJECT MANAGEMENT UNITS AND PROCUREMENT COMMISSIONS.....	20
III. LACK OF FUNCTIONING BODIES FACILITATING ACCESS TO INFORMATION AND COOPERATION .....	22
IV. PRIORITIZATION OF DISBURSEMENT PROBLEMS BY STAKEHOLDERS.....	23
<b>F. KEY TECHNICAL AND FINANCIAL PARTNERS ACTIVE IN CAMEROON AND THEIR RESPECTIVE DISBURSEMENT PROBLEMS .....</b>	<b>25</b>
I. EUROPEAN UNION (EDF) .....	26
II. FRANCE (AFD) .....	28
III. GERMANY (GTZ AND KfW) .....	29
IV. WORLD BANK .....	31
V. AFRICAN DEVELOPMENT BANK (AFDB).....	32
VI. COOPERATION WITH THE ISLAMIC WORLD .....	33
VII. COOPERATION WITH CHINA .....	35
<b>G. PROJECT SPECIFIC DISBURSEMENT PROBLEMS.....</b>	<b>36</b>
I. FOREST AND ENVIRONMENT .....	37
1. <i>Sector Budget Support</i> .....	38
2. <i>Basket Fund</i> .....	40
II. HEALTH .....	41
1. <i>SWAp</i> .....	41
2. <i>Global Fund To Fight AIDS, Tuberculosis and Malaria</i> .....	44
III. BASIC EDUCATION .....	45
1. <i>Programme d'Appui au Système Educatif (PASE)</i> .....	45
2. <i>C2D education initiative</i> .....	46
<b>H. RECOMMENDATIONS .....</b>	<b>47</b>
I. RECOMMENDATIONS FOR DISBURSEMENT PROBLEMS RELATED TO LACK OF COMMON PRIORITIES AND THE RESULTING WEAK POLITICAL OWNERSHIP .....	47
II. RECOMMENDATIONS FOR DISBURSEMENT PROBLEMS RELATED TO COMPETENCIES, CAPACITIES AND WORK MOTIVATION	48
III. RECOMMENDATIONS FOR DISBURSEMENT PROBLEMS RELATED TO INSTITUTIONAL SHORTCOMINGS.....	51
IV. PRIORITIZATION OF RECOMMENDATIONS .....	53
V. OUTLOOK .....	54
<b>ANNEX 1: LITERATURE .....</b>	<b>56</b>
<b>ANNEX 2: LIST OF INTERVIEWEES .....</b>	<b>58</b>

## List of abbreviations

AFD	Agence Française au Développement, French Development Agency
AfDB	African Development Bank
BADEA	Arab Bank for Economic Development in Africa
C2D	Contrat de Désendettement et de Développement, Debt Reduction Development Contract
CAA	Caisse Autonome d'Amortissement, Autonomous Sinking Fund
CAON	Cellule d'Appui à l'Ordonnateur National du Fonds Européen de Développement, EDF National Authorizing Officer Services
CCM	Country Coordinating Mechanism
CMB	Comité Multi Bailleurs, Multi Donor Committee
CPIA	Country Policy and Institutional Assessment
DFID	Department for International Development
DSCE	Document de Stratégie pour la Croissance et l'Emploi, Growth and Employment Strategy Document
DSP	Document de Stratégie Pays, Country Strategy Paper
EDF	European Development Fund
FAO	Food and Agricultural Organization
FEM	Fonds pour l'Environnement Mondial, Global Environment Facility
Global Fund	Global Fund To Fight AIDS, Tuberculosis and Malaria
GTZ	Gesellschaft für Technische Zusammenarbeit, German Technical Cooperation
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IDB	Islamic Development Bank
KFAED	Kuwait Fund for Arab Economic Development
KfW	Kreditanstalt für Wiederaufbau, German Development Bank
MINEPAT	Ministère de l'Economie de la Planification et de l'Aménagement du Territoire, Ministry of Economy, Planning and Regional Development

MINFI	Ministère des Finances, Ministry of Finance
NAO	National Authorizing Officer
NGO	Non-Governmental Organization
NIP	National Indicative Program
OFID	OPEC Fund for International Development
OIC	Organization of the Islamic Conference
PAEDP	Projet d'Appui à l'Exécution de la Déclaration de Paris, Paris Declaration Implementation Support Project
PASE	Programme d'Appui au Système Educatif, Education Development Capacity Building Project
PBA	Program-Based Approach
PC	Procurement Commission
PIU	Project Implementation Unit
PRSP	Poverty Reduction Strategy Paper
PSFE	Programme Sectoriel Forêt Environnement, Forest and Environment Sector Program
PTBA	Plan de Travail Budgétisé Annuel, Detailed Annual Budgeted Work Plan
PTF	Partenaires Techniques et Financiers, Technical and Financial Partners
SCAC	Service de Coopération et d'Action Culturelle, Service for Cooperation and Cultural Action
SFD	Saudi Fund for Development
SWAp	Sector-Wide Approach
UNDP	United Nations Development Program
WEF	World Economic Forum
WFP	World Food Program

## A. Executive Summary

The absorption capacity of foreign aid is perceived as weak by the Cameroonian government and the technical and financial partners alike. As a consequence, the Ministry of Economy, Planning and Regional Development (MINEPAT) has solicited German Technical Cooperation (GTZ / PAEDP) to commission a study identifying the key problems restraining the absorption of foreign aid and proposing recommendations. The MINEPAT has emphasized that it is mainly interested in the shortcomings on the Cameroonian side since it wishes to identify the improvement potential within its own sphere of influence.

The study addressed the absorption capacity problems by looking at key constraints to the disbursement of committed funds. Despite the fact that disbursement problems vary greatly between the technical and financial partners, between different sectors, and from one project to the other, some general constraints were identified. These are

- **The lack of a common prioritization of development goals by the Cameroonian government and the technical and financial partners, as well as the resulting weak political ownership of some projects;**
- **The capacity and skill level within the Cameroonian government, especially with respect to staff responsible for project management and procurement procedures;**
- **A lack of functioning bodies facilitating access to information and cooperation between the different ministries.**

Nearly every interviewee, both from the technical and financial partners and the Cameroonian side, invoked the **lack of a common prioritization of development goals** by the Cameroonian government and the technical and financial partners as well as **the resulting weak political ownership** as a key disbursement problem. This lack of shared priorities and of ownership was partly attributed to severe shortcomings in the communication between the actors. It was also attributed to the perception of the Cameroonian partner that projects sometimes are “imposed” by the technical and financial partners and primarily in their interest. In cases of such perceived imposition project progress is often slow due to the lack of Cameroonian ownership. Technical and financial partners on the other hand have a legitimate interest in only contributing funds to projects they deem valuable for improving the regulatory environment and thus the development of the country, for example by strengthening good governance and the management of public finances. These objectives are not necessarily congruent with the priorities of the political leaders in power. While they may be aware of problems in these areas, they often disagree with the volume of funds attributed to address them.

The **lack of shared priorities** manifests itself in numerous examples where activities required for disbursement were delayed by the Cameroonian side. This refers to project-specific activities that were planned by the respective management unit and approved by the technical and financial partners in order to achieve the objectives of the projects. Interviewees named examples like the establishment of institutional bodies such as regional funds in the health sector, the transfer of competencies or the presentation of documents such as adequate terms of reference for planned procurements. This lack of cooperation rarely leads to repercussions from the concerned technical and financial partners in terms of withdrawing projects funds altogether as the technical and financial partners themselves often have a political interest in assuring the outflow of funds. In most cases, delays of activities only lead to a delay in disbursement.

Furthermore, most interviewees on both sides referred to **insufficient capacities of the Cameroonian government, especially with respect to managing donor-funded projects and conducting public procurements**. This is partly due to the fact that the required capacities do not exist in the ministries and partly due to the fact that the existing skills remain unused thus significantly discouraging qualified staff. Several incidences have been reported where the selection of project managers or procurement commission members was based on favoritism rather than skills, leaving existing capacities unused. Public procurements in the case of donor-funded projects need to adhere to a mixture of requirements based on the national “code des marchés publics” and the respective “manuel de procédures”, as well as the additional requirements by the respective technical and financial partner. Weak capacities of the procurement commissions significantly delay procurement processes and thus the disbursement of funds. An often-cited example is the case of the Agence Française de Développement (AFD) trying to purchase fridges for vaccinations that took well over two years. While the source of these delays has been alleged to be the complexity of procurement procedures, most interviewees also from the Cameroonian side emphasized that both the revised “code des marchés publics” as well as the respective “manuel de procédures” match international standards and that the specific requirements by the technical and financial partners are manageable. According to them, the problem is mainly related to the inadequate application of the procedures rather than to the procedures themselves or to the multitude of diverging procedures.

Implementation problems are partly due to the fact that project implementation units send inadequate documents such as terms of references and calls for tenders to the procurement commissions, and partly due to capacity shortcomings of the members of the procurement commissions. These shortcomings are exacerbated by the fact that technical and financial partners sometimes invest insufficiently in capacity building to familiarize the Cameroonian counterpart with their respective requirements. Having said that, it has to be emphasized that the long-term objective for technical and financial partners committed to the Paris Declaration is to rely exclusively on national procedures. The application of additional specific requirements by the technical and financial partners contra-

dicts that objective. However, as long as technical and financial partners apply specific additional requirements, the lack of mastery for these necessary requirements constitutes a disbursement problem.

The mentioned problems are aggravated by an **unclear distribution of steering responsibilities between ministries and the lack of high-level functioning bodies for information exchange**. The interviewees have identified two main problems on this level: firstly, the absence of a regular high-level meeting between the Cameroonian partners and the technical and financial partners to discuss the progress in each sector in the light of accomplishing the Document de Stratégie pour la croissance et l'emploi (DSCE) objectives; and secondly, the lack of a functioning institution within the Cameroonian government to regularly exchange information and guarantee the cooperation between the ministries on a ministerial level. Related to this is the fact that Cameroon has **no centralized tracking mechanism** to monitor sector and /or project progress and disbursement. In theory, this information should be available at the MINEPAT. However, the MINEPAT has not yet established a functioning database that can readily provide the necessary information and thus function as a tracking mechanism. The establishment of such a database is planned.

In the preparatory stage of this study the **slow mobilizations of counterpart funds** has been invoked as a key constraint for disbursement. However, during the course of the interviews interviewees from the Cameroonian side and from the technical and financial partners confirmed that even though counterpart funds may formally be a condition for disbursement, only few technical and financial partners actually implement it. It therefore does not constitute a true constraint.

The results of the interviews were presented at a stakeholder workshop in Yaoundé on January 28, 2010, to which all interviewees, as well as other concerned stakeholder were invited. The problems listed above were ranked by the participants of the workshop in order to determine their respective adverse impact on disbursement (see details of this report for results). Based on the results the following **recommendations** were selected to be pursued further given their respective impact on disbursement and the ease of implementation (for a full set of recommendations, as well as the assessment regarding the ease of implementation see the details of this report):

- **Introduce mechanisms and incentives schemes that yield high-performing project implementation units and that use the existing capacities in the ministries**
- **Ensure competent procurement commissions and an incentive scheme aimed at promoting the timely treatment of dossiers.**
- **Develop a tracking mechanism for project progress and disbursement** and publish the results of project benchmarking exercises
- **Improve the cooperation between the different ministries**

**In order to improve the performance of the project implementation units the following activities should be pursued:**

Introduce a **competitive selection process for project managers**: The competitive selection process for project managers should be based on clear criteria established in a “process manual for nomination”. To avoid favoritism, the final decision should be taken by the government requiring a “non-objection” by the technical and financial partner in charge of the project. If the technical and financial partner does not react with respect to the “non-objection” request within due course, the nomination will be assumed to be approved.

Provide **detailed annual budgeted work** plans for all public servants in the project implementation unit: Clear definition of objectives, activities and responsibilities for each public servant in the project implementation unit should be established to address the lack of clear responsibilities. The results should be included in the detailed annual budgeted work plan (PTBA) including a set of additional activities, the completion of which should result in a bonus payment (see performance contract below for details). The allocation of responsibilities should be based on the optimal utilization of existing capacities in the ministries.

Create **support unit(s)** as an interface between the sector ministries and the technical and financial partners assuring quality control and capacity building: A support unit should be established that can act as an interface between the project implementation unit and the technical and financial partners to ensure technical and financial quality standards are met. It should improve the mastery of different procedures from the technical and financial partners through regular reunions with project managers in the respective sector. The support unit could be attached to each sector ministry or in form of a centralized support unit attached to the MINEPAT in charge of all donor-funded projects.

Conclude **performance contracts** with public servants on donor-funded projects: To motivate and increase performance in the project implementation unit, a performance contract with each involved public servant should be developed defining clear objectives and activities to attain and a bonus payment scheme. The bonus payments should be attached to a set of “bonus-relevant” additional activities and made transparent to other staff members. The bonus incentive scheme should replace the existing sit-in-fees and be complemented by a personalized capacity development plan of each staff member. In this context, special emphasis should be given to the adequate development of terms of references and calls for tenders. The motivation scheme and performance assessment need to be adequate for the cultural context in Cameroon. The performance contract should equally include a general code of conduct for public servants.

**In order to ensure competent procurement commissions and an incentive scheme aimed at promoting the timely treatment of dossiers the following activities should be pursued:**

Change the **incentive schemes** for reunions of **procurement commissions** and select commission members based on skills: In order to address lengthy procurement procedures the current incentive-scheme based on sit-in-fees for each reunion needs to be amended. Rather than paying the commission members on a number-of-reunion-basis they should be paid based on the number of dossiers and time needed for concluding the procurement. This necessitates a benchmarking exercise defining precisely the time certain procurements are allowed to last depending on e.g. whether goods or services are purchased, the number of commissions involved, the complexity of the procurement, etc.. A tracking mechanisms needs to be established to unequivocally identify the respective member of the procurement commission responsible for the delay. This includes a tracking mechanism on the side of the technical and financial partners monitoring the delays due to belated “non-objections”. These bonus payments must be high enough to actually constitute an incentive to treat dossiers quickly and to outperform the maximum timeframe allowed. Furthermore the selection of members for the special procurement commission should be based on clearly defined competencies and be complemented by a capacity development plan to ensure that procured goods respond to actual project needs. To improve the cooperation between the different ministries other concerned ministries should be included in the technical sub-commissions in charge of the implementation.

Furthermore, **MINEPAT should continue its efforts to establish a database recording existing projects. The database should be complemented by a tracking mechanism for project progress as well as expected and actual annual disbursements.** The database should be constructed in a way that it allows sector ministries as well as technical and financial partners to upload relevant information on projects in order to share the responsibility for regularly updating the information. The database should be used to regularly publish a comparative analysis on average project and disbursement delays across different sectors and different technical and financial partners. The MINEPAT should be responsible for assuring that regular updates take place.

**In order to improve political ownership of the ministries implementing the projects as well as the cooperation between the different ministries** all concerned sector ministries should be included in the feasibility study as well as the subsequent negotiation of the financial agreement for the respective projects under the lead of MINEPAT. Furthermore they should be included in negotiations determining necessary project amendments or necessary restructuring.

Following the acceptance of these recommendations by the Cameroonian government, a feasibility study needs to be conducted, determining clear responsibilities, costs, time and

capacities required for implementation. The implementation of the recommendations and their impact on disbursement rates need to be monitored.

## B. Introduction

The government of Cameroon has formulated an ambition for change in its “Vision 2035”. It defines the basis for the new Poverty Reduction Strategy Paper (PRSP), the Growth and Employment Strategy (Document de stratégie pour la croissance et l’emploi - DSCE), and envisions Cameroon as an “emerging nation, democratic and united in its diversity” by 2035. The main objectives include the reduction of poverty to less than 10%, becoming a middle-income country, being considered an industrialized nation as well as consolidating democracy and national unity.

Currently, Cameroon receives bad rankings throughout international benchmarking exercises measuring development and conditions for growth. The World Bank’s Doing Business 2010 report lists Cameroon 171 of 183<sup>1</sup>, the WEF’s Global Competitiveness Index as 111 of 133<sup>2</sup>, Transparency International ranks Cameroon 146 of 180 countries in terms of perceived corruption<sup>3</sup> and UNDP’s Human Development Report lists Cameroon 153 of 182 countries<sup>4</sup>. The Transformation Index<sup>5</sup> of the Bertelsmann Foundation, which is looking at whether and how developing countries undergo societal change towards democracy and market economy, ranks Cameroon 101 out of 128 developing countries with respect to its status quo. With respect to assessing the quality of its transformation management the ranking is even poorer with 111 out of 128.

In order to achieve its vision, it is paramount that Cameroon uses the financial means at its disposal, including foreign aid, to achieve its development goals as described in the DSCE, as well as the Millennium Development Goals. Currently, Cameroon’s absorption capacity with respect to foreign aid seems to be limited. Whilst quantitative data does not exist on an aggregated level, the responsible ministry for coordinating foreign aid, the Ministry of Economy, Planning and Regional Development (MINEPAT), as well as the technical and financial partners perceive the absorption capacity to be weak. In this context, absorption capacity was understood to be the capacity of Cameroon to disburse project funds according to schedule. In the past, incidences of severe delays in disbursement have occurred. As a consequence, MINEPAT has solicited German Technical Cooperation (GTZ / PAEDP) to commission a study identifying the key problems restraining the absorption of foreign aid and propose recommendations for change. The MINEPAT has emphasized that it is mainly interested in the shortcomings on the Cam-

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<sup>1</sup> Doing Business 2010 at: <http://www.doingbusiness.org>.

<sup>2</sup> The Global Competitiveness Report 2009-2010 at: <http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>.

<sup>3</sup> Corruption Perception Index 2009 at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009/cpi\\_2009\\_table](http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table).

<sup>4</sup> Human Development Report 2009 at: <http://hdr.undp.org/en/statistics/>.

<sup>5</sup> <http://www.bertelsmann-transformation-index.de/bti/>.

eroonian side since it wishes to identify the improvement potential within its own sphere of influence.

The study looked at factors restraining the disbursement of funds through the entire project cycle, starting with the commitment of funds (financial agreements) and ending with the disbursement order given to the Autonomous Sinking Fund (CAA), or the disbursement directly by the technical and financial partner. Special attention in this context was given to the procurement procedures and management capabilities as they emerged as key restraining factors during the interviews. The project cycles were analyzed across the different aid modalities present in Cameroon.

## C. Method and Definitions

The study addressed the absorption capacity problems in Cameroon looking at institutional and structural problems as well as project and sector specific constraints. The problems were assessed based on a series of interviews with stakeholders from the Cameroonian side as well as from the technical and financial partners (see Annex 2) and on documents provided by the interviewees (see Annex 1). The interview partners were selected to be representative of the three jointly selected sectors (health, primary education, forest and environment) and the key activities in these sectors (the Health Sector-Wide Approach (Health SWAp) and funds from the Global Fund To Fight AIDS, Tuberculosis and Malaria, the Programme Sectoriel Forêt Environnement (PSFE), as well as the Programme d'Appui au Système Educatif (PASE) and the C2D education initiative). The analysis was limited to five jointly selected key donors (Germany, France, the World Bank, the African Development Bank, and the European Union). In addition, the study briefly looked at foreign aid in the context of the Organization of the Islamic Conference and China.

The following definitions apply:

- **Absorption capacity** for the purpose of this study was defined in the narrow sense of disbursement of project funds for which financial agreements have been signed.
- **Projects are generally** defined in relation to **program-based approaches (PBA)**. Program-based approaches are a way of engaging in development cooperation based on the principles of coordinated support for a locally owned program of development, such as a national development strategy, a sector program, a thematic program or a program of a specific organization. Projects are normally smaller and less comprehensive than these program-based approaches. However, this distinction is not always strictly applied in the terminology of the Cameroonian counterparts and the technical and financial partners in labeling their activities. Therefore the **notion “project” in the context of this report refers to both projects and PBA.**
- To accommodate both the preferences of the technical and financial partners and Cameroonian government, **foreign aid** in this context was defined as funds by foreign donors in the form of credits or grants dedicated to either projects, program based approaches, basket funds or sector budget support.
- **Absorption or disbursement rates** were defined as the amount of money actually disbursed versus the amount of money planned to be disbursed by end of 2009.
- The term **“disbursement procedures”** refers to all procedures, both Cameroonian and from the technical and financial partners, which are required for the ac-

tual disbursement of funds to take place, e.g. the documentation of contracts for goods and services purchased, “non-objection” from the technical and financial partners, transfer order by the Autonomous Sinking Fund etc.

- Finally, the term “**procurement procedures**” refers to the procedures applied in the context of aid projects. These are regularly a mixture between the national “code de passation des marchés” and the respective “manuel de procédures”, as well as the additional requirements by the technical and financial partners.

The following methods were applied:

- **Absorption capacity:** Since the availability of data with respect to disbursement quotas was inadequate, the study firstly focused on primary data collection on the side of the technical and financial partners to assess the magnitude of the disbursement problem. However, due to the scope of this study the assessment was limited to jointly selected core projects in the core sectors.
- **Absorption or disbursement rates:** Where information on planned disbursement did not exist, proxies were calculated assuming a linear disbursement throughout the project cycle.

The following limitations apply:

- The study was limited to looking at **factors restraining disbursement**. At no point was it within the mandate of the author to evaluate whether additional spending will actually lead to a reduction of poverty or to a completion of other development goals in the respective sectors. Similarly, the study did not involve an evaluation of aid effectiveness so as to analyze whether or not the coordination of foreign aid could be improved with respect to harmonizing project cycles and sector specific activities.
- Due to the scope of the study the analysis had to be limited to **key sectors** of foreign aid activity. Based on the matrix of the Multi Donor Committee (CMB) from spring 2009<sup>6</sup> and on discussions with MINEPAT, the following sectors were selected as key sectors: health, primary education and forestry & environment.
- The study was limited to the **key technical and financial partners** in Cameroon in terms of foreign aid committed to the country. They were identified by the CMB and the MINEPAT to be France (AFD), Germany (GTZ and KfW), the European Union (EDF), the World Bank and the African Development Bank (AfDB) as well as the Islamic Development Bank (IDB) and China.

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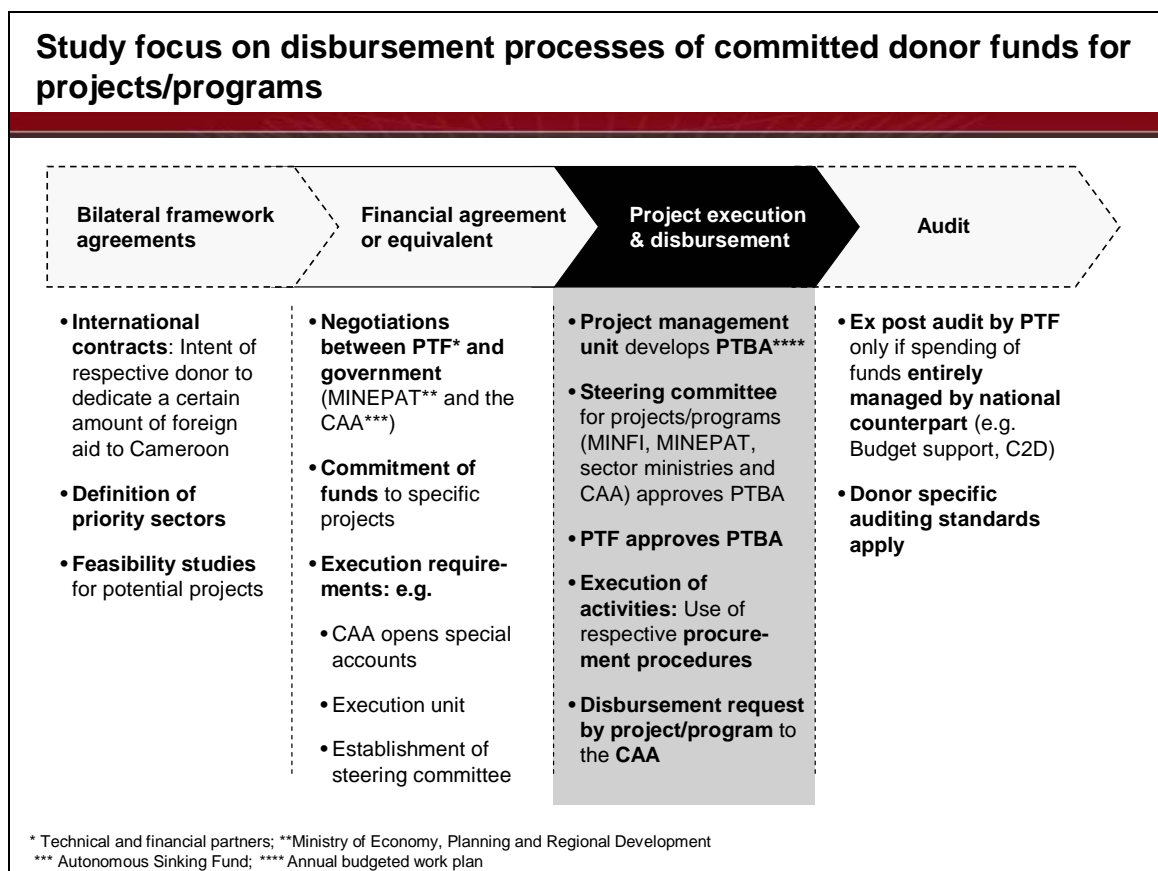
<sup>6</sup> Comité Multi Bailleurs Cameroun: *Interventions des Bailleurs des Fonds au Cameroun*, Yaoundé, spring 2009, S.5.

## D. Overview of current disbursement process and project execution structure in the Cameroonian government

This report focuses on problems restraining Cameroon’s absorption capacity with respect to foreign aid. Due to the limited scope of the study, absorption capacity has been defined as disbursement of project funds for which financial agreements have been signed. The study looked at factors restraining disbursement throughout the entire project cycle.

### I. Overview of allocation of funds and their disbursement (project life cycle)

The life cycle of a project starts with the allocation of funds to Cameroon by means of a **financial agreement** between the respective technical and financial partner and the Cameroonian government. These financial agreements are based on preceding feasibility studies. For certain technical and financial partners these agreements are based on bilateral negotiations leading to an “envelope” commitment defining the overall amount of funds reserved for Cameroon and key strategic sectors. The Cameroonian government in principle is represented by the MINEPAT, the sector ministry hosting the project and the CAA.



## II. Current project execution and control structure in the Cameroonian government

In order to better understand existing disbursement problems, the following chapter gives a brief overview of the current project execution structure:

Projects are generally implemented by a **project implementation unit** that is headed by a project manager/director in the respective ministry. The management is supervised by the respective unit in charge, which can be either the general director, the secretary general's office or the minister's office.

The prime minister can establish **special procurement commissions** exclusively in charge of procurements for a specific project. Projects that do not have these special procurement commissions are supported by the general procurement commission that exists in each sector ministry. Whether a special procurement commission is established depends largely on the demands of the respective technical and financial partner and the terms of the financial agreement. Technical and financial partners that regularly demand special procurement commissions are the European Union, the World Bank, the IDB and the AfDB. The KfW and the AFD normally rely on the general procurement commissions in the respective ministries. Procurement is based on a mix between national regulations and specific requirements of the technical and financial partners. It is regularly controlled by the technical and financial partners through "non-objection" or other approval requirements. This mixture of regulations varies between different technical and financial partners. Some technical and financial partners use exclusively their own procurement procedures, such as the European Union. Only in the case of general budget support do technical and financial partners rely exclusively on national procedures. However, no technical and financial partner is currently granting general budget support to Cameroon.

Project implementation units for donor-funded projects are generally coordinated by a **division of cooperation**. That division does not have the mandate to supervise projects or to intervene in cases where projects advance poorly. Its role is mainly political and focuses on coordinating the activities of different technical and financial partners within one ministry. Apart from this coordinating function, the division is responsible for conducting feasibility studies for future projects and for preparing financial agreements.

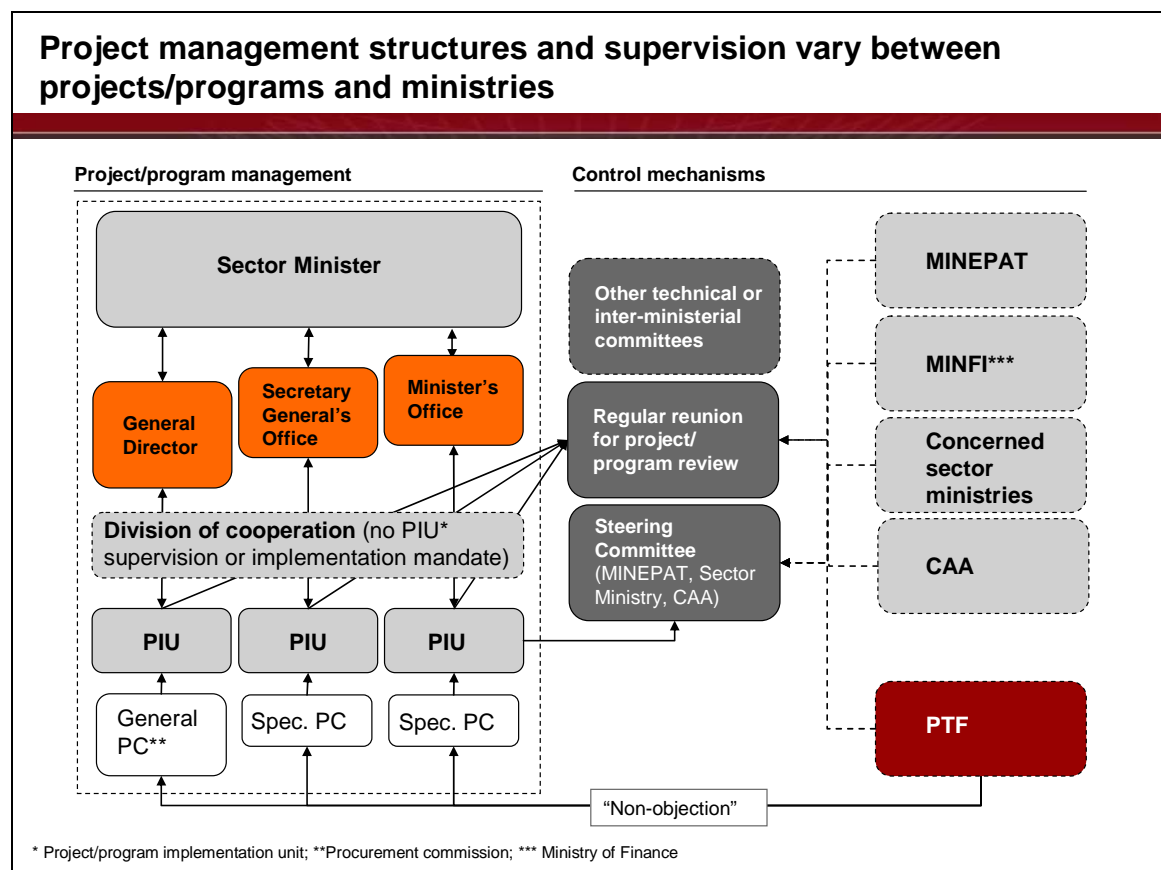
Sector ministries establish **steering committees** when they determine that they cannot execute a project independently and with their own resources. The establishment of a steering committee can also be determined by the financial agreement. The role of the steering committee depends on the respective project and can range from monitoring the progress of a national sector strategy to the specific control of progress in a concrete project. The role can thus be political and technical and the emphasis depends on the steering committee. Members of the steering committee are typically the concerned sector ministry, the MINEPAT, other sector ministries involved in the implementation, the

Autonomous Sinking Fund and the Ministry of Finance (MINFI) if the project is funded by counterpart funds or budget support.

In addition, **the MINEPAT regularly convenes reunions for project review** with each technical and financial partner. The reunion has no authoritative power over the project execution. Membership of these reunions is decided by the MINEPAT and regularly includes the project managers and delegates from the sector ministries, the Autonomous Sinking Fund and other concerned ministries.

Depending on the respective project, other commissions can be established such as an inter-ministerial commission or a technical commission.

**The current project execution and control structure:**



## E. Overview of current disbursement problems

Disbursement problems vary between different technical and financial partners and from one project to another. Therefore, in-depth analyses of disbursement problems were conducted separately for different technical and financial partners and for three separate projects. Key disbursement problems that resulted from this analysis and that are prevalent across all projects and for all technical and financial partners are:

- **The lack of a common prioritization of development goals by the Cameroonian government and the technical and financial partners, as well as the resulting weak political ownership of some projects;**
- **The weak capacity and skill level within the Cameroonian government, especially with respect to staff responsible for project management and procurement procedures;**
- **A lack of functioning bodies facilitating access to information and cooperation between the different ministries.**

### Disbursement problems\* involve the lack of common understanding, political ownership, as well as capacity and institutional shortcomings

Problem categories	Details
Common priorities and political ownership	<ul style="list-style-type: none"> <li>• <b>Lack of common prioritization of development objectives</b> by the Cameroonian government and donors leading to weak political leadership in implementation</li> <li>• Government agencies <b>lack ownership</b> partly due to absence of implementing sector ministries in feasibility analysis and financial agreement negotiations</li> <li>• <b>Poorly designed projects/programs</b> due to unrealistic conditionalities</li> </ul>
Competency, capacity and work motivation	<ul style="list-style-type: none"> <li>• <b>Poor competency of project managers</b> due to favoritism in designation process</li> <li>• <b>Poor competency</b> in applying national and PTF <b>procurement regulations</b></li> <li>• <b>Lack of performance-based motivation</b> both of Cameroonian partners and PTF</li> <li>• <b>Lengthy procurement processes</b> due to interventions in procurement decisions from both sides and delays in obtaining „non-objection“ from PTF</li> <li>• <b>Suspension due to misallocation of funds</b></li> <li>• <b>Lack of clear responsibilities and use of existing in-house capacities</b></li> </ul>
Institutions	<ul style="list-style-type: none"> <li>• Weak communication and <b>cooperation between different ministries</b></li> <li>• Lack of <b>high-ranking functioning bodies for information exchange</b></li> <li>• Lack of centralized <b>tracking mechanism</b> for project/program advancement and disbursement rates</li> </ul>

In the preparatory stage of this study, the **slow mobilization of counterpart funds** had been invoked as a key constraint for disbursement. However, interviewees from both the Cameroonian side and the technical and financial partners confirmed that even though counterpart funds may formally be a condition for disbursement, they are rarely actually made a precondition for disbursement and thus do not constitute a key restraint. According to one interviewee, the slow mobilization of counterpart funds is partly due to the fact that the treasury does not have access to the individual annual budgeted working plans and thus no insight on how much money will be required from the counterpart funds on a monthly or even quarterly basis. In turn, the treasury often faces shortages of liquidity when the requests arrive. Since counterpart funds are not categorized as “priority” by the government, payments are often delayed significantly. However, the slow mobilization of counterpart funds partly also shows the limited interest of the Cameroonian partner in some projects. To facilitate disbursement of counterpart funds, a budgetary line at the level of the MINEPAT was created in 2009 to take care of the needs of projects co-financed by counterpart funds.

#### **I. Lack of a common prioritization of development goals and the resulting weak political ownership of some projects**

A severe issue directly jeopardizing timely disbursement seems to be the **lack of a common prioritization of development goals** based on the **lack of converging interests between the Cameroonian partner and the technical and financial partners**. As a consequence, the necessary project-specific activities required for disbursement are not implemented despite the fact that the Cameroonian partner has previously approved the project and that the project is aligned with Cameroon’s Growth and Employment Strategy DSCE. An example in this context is the Sector-wide approach in the health sector (Health SWAp). The creation of “Fonds spéciaux pour la promotion de la santé” responsible for spending decisions in the regions was an agreed precondition for disbursing funds. To date, the legal situation of these funds remains such that they cannot receive government or donor funds and thus cannot perform the role they were designed for. The situation necessitates a new law rectifying the legal status which has not been passed to date and has caused a significant disbursement blockage. In January 2010 the ministry of public health issued a notification agreeing to continue to collaborate with the funds under their current constitution. However, the legally ambiguous situation has not been resolved yet. Numerous similar examples have emerged during the interviews citing that strategy papers necessary for the progress of projects were not finalized by the Cameroonian counterpart, working groups were not established, necessary information not passed between the ministries involved, decisions for implementation postponed and required documents not signed.

Several interviewees, especially from the technical and financial partners, emphasized the resulting **lack of government ownership and the lack of a Cameroonian self-**

**perception as a key driver for implementation** to be another main problem. The projects are sometimes perceived to be mainly driven by the technical and financial partners. Interviewees from the Cameroonian side complain about the fact that technical and financial partners “dictate” their terms and projects without an actual demand on the Cameroonian side. This is partly due to the fact that projects are often developed by technical and financial partners without much involvement by the Cameroonian partner in the planning phase. Fearing for a project to be suspended by headquarters, technical and financial partners in the countries often start implementing the projects themselves rather than to wait for the Cameroonian partner to be involved.

Furthermore, there is a **lack of ownership on the level of the project managers**. This is partly due to the fact that the division in charge of developing the feasibility study is not charged with implementation. This leads not only to a loss of competency, but also causes frustration and a lack of ownership.

A diverging understanding about the nature of foreign aid manifests itself in the phenomenon of “**sit-in-fees**”. Technical and financial partners support Cameroon through technical assistance in the form of trainings which is often conceived as additional work instead of a benefit on the Cameroonian side. As a consequence, officials refuse participation in trainings if sit-in-fees are not paid. The same holds true if the technical and financial partner offers support in managing administrative processes. The Cameroonian counterpart in the ministry often expects additional benefits in order to be supported in his or her work. The sense of entitlement to these additional payments is prevalent and strongly articulated in Cameroon. Not only do these payments show the lack of understanding about the nature of trainings as a benefit rather than a burden, they also show the lack of actual interest in the respective training on the Cameroonian side. Numerous incidences have been reported where projects do not advance without indemnity payments. By continuing to pay these fees, technical and financial partners perpetuate a system where the absence of actual interest in implementation on the Cameroonian side is generally accepted.

## **II. Weak capacity and skill level of project management units and procurement commissions**

**Several interviewees from both sides emphasized that capacity shortcomings of some project managers are a key disbursement problem.** Following the Paris Declaration, most technical and financial partners should try to use project implementation units that are staffed with public servants and located within the ministries. However, technical and financial partners have increasingly started to hire external consultants to manage these project implementation units due to severe capacity shortcomings and low working morale in the ministries. Since all technical and financial partners depend on local project implementation units, a project cannot advance unless the project manager performs

well. Shortcomings are partly linked to the fact that resources are insufficient, i.e. a lack of staff, offices and working supplies. However, they are mainly due to the fact that existing competencies in the ministries remain unused as the designation of posts is often based on favoritism rather than skills. The problem is exacerbated by the fact that public servants have little performance incentive, since poor performance is not sanctioned and excellent performance not rewarded. These capacity shortcomings manifest themselves in particular in the inadequate preparation of terms of references and calls for tender which frequently have to be returned by the procurement commission and thus cause severe delays. The inadequate preparation of terms of references is also a cause for misallocations of funds if goods and services purchased do not exactly meet the requirements of the project.

The **multitude and complexity of procurement procedures** were frequently mentioned as a key constraint during the preparatory stage of this study. Three sets of potential problems related to procurement processes need to be distinguished in order to assess this allegation: Firstly, the multitude of technical and financial partners involved and the resulting **multitude of diverging procurement requirements**; secondly, **the complexity of the procurement procedures**, including the “code de passation des marchés” and the respective “manuel de procédures”; and thirdly, **capacity levels** with respect to mastering these procedures.

Interviewees on the Cameroonian side emphasized the **divergence of special requirements by the different technical and financial partners** as a key constraint. While it is true that procedures between the technical and financial partners are not harmonized, this has rarely proven to be a problem on the project level. Those in charge of applying procurement procedures for a specific project reported a lack of understanding of the procedures themselves, but did not necessarily complain about the existence of different procedures. These complaints were mostly made by interviewees who were themselves not involved in implementation but reported these problems from hearsay<sup>7</sup>.

Secondly, interviewees have reported that **procurement procedures** are overly complex. However, examples cited by the interviewees to support this claim mostly referred to the application of the procedures rather than the procedures themselves. In most cases both the revised “code de passation des marchés”<sup>8</sup> and the respective “manuel de procédures” have been **assessed to match international standards**. Similarly, most interviewees from the Cameroonian side have assessed the **specific additional procurement requirements by the different technical and financial partners**, e.g. obtaining a “non-objection”, as **manageable**.

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<sup>7</sup> For budget support programs the problem of diverging procedures does not arise since disbursement procedures are solely national. However, budget support is hardly granted to Cameroon since the administrative structures are not judged to be satisfactory.

<sup>8</sup> Supposed to enter into force beginning 2010.

**The problem of procurement procedures seems to be mainly one of capacity deficits.** Interviewees from the technical and financial partners mentioned poor quality or lack of documents such as terms of reference, calls for tender, documentation of costs incurred etc. that did not meet necessary requirements. Some interviewees from the Cameroonian side on the other hand perceived these requirements as overly stringent. In addition, several interviewees reported severe delays in obtaining the necessary “non-objections”.

The problem of lengthy procurement processes is exacerbated by the fact that **officials use their authority to intervene in the process to achieve their desired outcome.** Interviewees also reported incidences, where technical and financial partners intervene to ensure that specific companies win a tender. This causes additional delays due to repeated procurement processes and results in decisions that are not necessarily in the best interest of the country or the project.

Given these difficulties, the degree to which technical and financial partners depend on national planning and procurement processes proved to be a key differentiating factor as to whether or not disbursement runs smoothly. Technical and financial partners such as the KfW, the AFD, and the World Bank that heavily rely on domestic structures reported sometimes severe disbursement problems, while technical and financial partners that solely rely on their own procedures such as the GTZ and the European Union reported fewer disbursement problems.

The precarious situation with respect to capacity shortages in Cameroon has led to a dilemma for the technical and financial partners: On the one hand, the long term objective, according to the Paris Declaration, is to rely exclusively on national procedures. On the other hand, the national application of procurement regulations jeopardizes timely disbursement and thus the development of the country.

### **III. Lack of functioning bodies facilitating access to information and cooperation**

Another key problem significantly slowing down disbursement is the **lack of clearly defined responsibilities.** The MINEPAT in principle is responsible for managing foreign aid including the negotiation of financial agreements with the technical and financial partners together with the respective sector ministries. In practice, however, the sector ministries, especially in the case of grants, tend to circumvent this division of authority and negotiate directly with the technical and financial partners in addition to implementing and managing projects. Due to this de facto blurring of responsibilities, it frequently remains unclear who is in charge of addressing blockages for disbursement and negotiating with the technical and financial partners.

This problem is not limited to the relationship between the MINEPAT and the sector ministries. Disbursement problems have also been attributed to the **lack of cooperation between the sector ministries.** This shortcoming is partly due to the fact that not all sec-

tor ministries concerned by the project are present during the feasibility study and the subsequent negotiations of the financial agreement. This also leads to lack of understanding about their respective roles. Furthermore, the procurement sub-commissions in charge of the technical elaborations are similarly not always composed of members from all concerned ministries leading to inadequate procurements.

**The problem of non-transparent responsibilities and limited cooperation between the ministries is exacerbated by the lack of high-level functioning bodies for information exchange.** The interviewees have identified two main problems: The absence of a regular high-level meeting between the Cameroonian government and the technical and financial partners to discuss progress in each sector; and the lack of a regular high-level inter-ministerial meeting within the Cameroonian government to exchange information and ensure cooperation between the ministries.

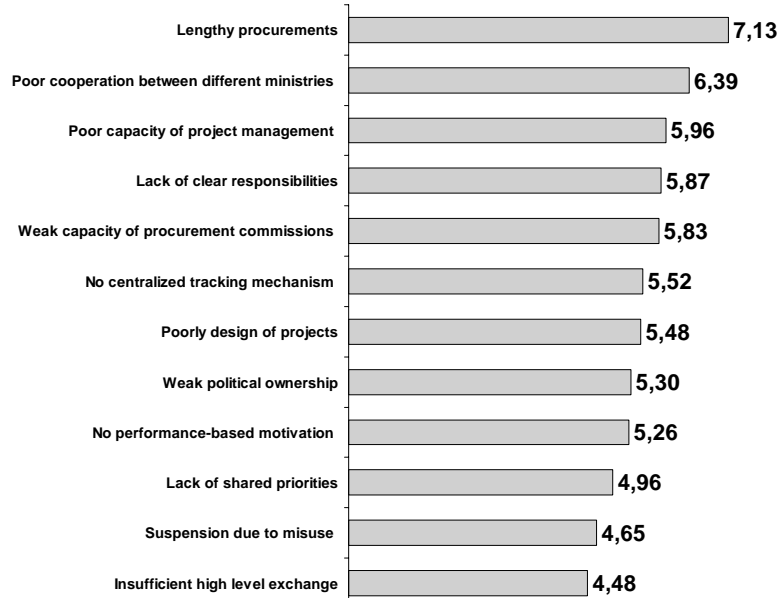
**Last but not least, Cameroon has no centralized tracking mechanism** to monitor sector and /or project progress and disbursement. Given the lack of an overview about disbursement levels, high-level political interventions to alleviate disbursement barriers cannot happen. The MINEPAT plans to establish such a tracking mechanism. The necessary information concerning project progress and disbursement, in principle, is available and can be provided by the project implementation units and the respective technical and financial partners. Collecting information on disbursement within the Cameroonian government, however, may prove complex: Whilst the Autonomous Sinking Fund (CAA) is in charge of monitoring disbursement, they only have an overview over the accounts directly managed by them. Some technical and financial partners such as the World Food Program (WFP), and Food and Agricultural Organization (FAO) do not have CAA-managed accounts for disbursement and sometimes fail to inform the CAA about their disbursements. The same holds true for all forms of sector budget support directly managed by the treasury.

#### **IV. Prioritization of disbursement problems by stakeholders**

The results of the interviews were presented at a stakeholder workshop in Yaoundé on January 28, 2010, to which all interviewees, as well as other concerned stakeholders were invited. The problems listed above were ranked by the participants of the workshop in order to determine their respective adverse impact on disbursement with the following result:

## Prioritization of disbursement problems

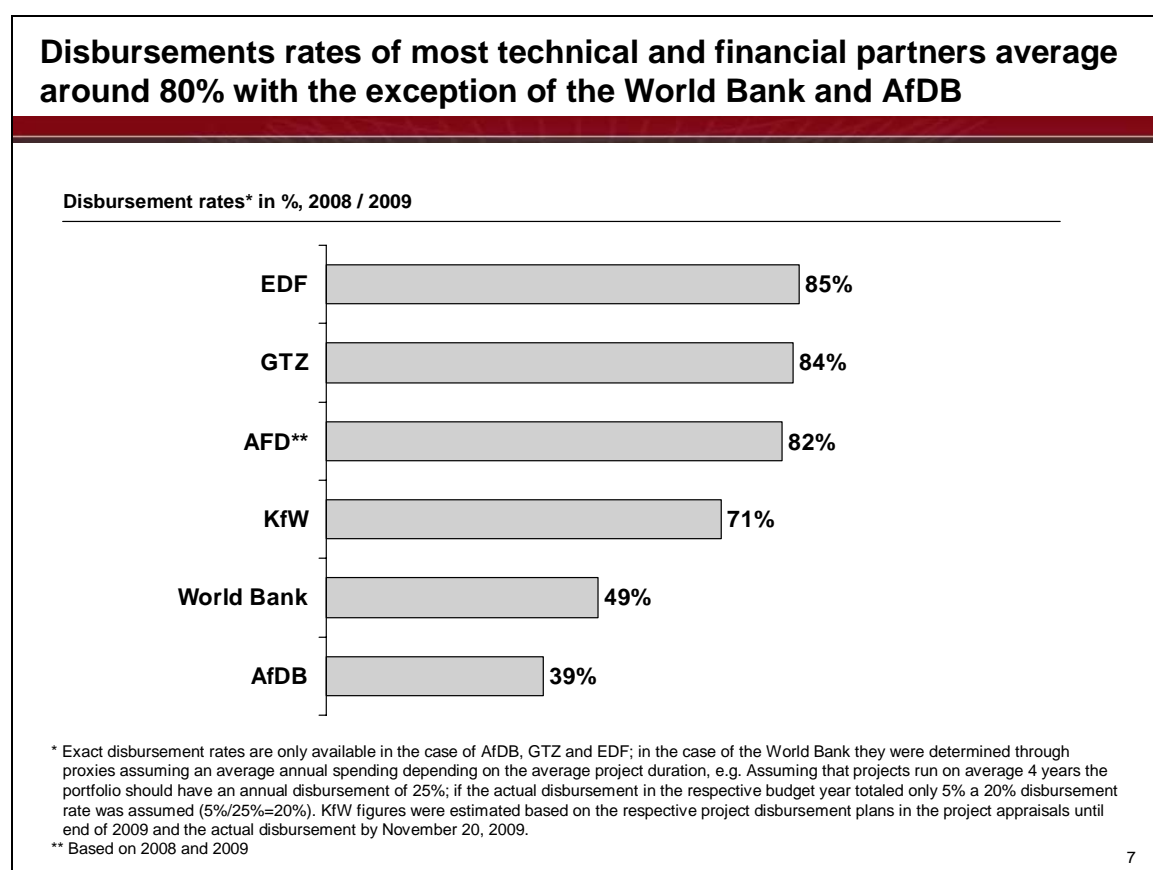
Prioritization by the participants of the closing workshop: 1= little negative impact on disbursement  
10 = strong negative impact on disbursement



## F. Key technical and financial partners active in Cameroon and their respective disbursement problems

This chapter focuses on absorption problems specific to different technical and financial partners. It aims at demonstrating that the perception and prioritization of disbursement problems differs between them. Due to the scope of this study, the analysis focused on key technical and financial partners. Together with the Cameroonian government the European Union (EDF), France (AFD and SCAC), Germany (GTZ and KfW), the World Bank (IDA) and the African Development Bank (AfDB) were identified as key partners. In addition, the study briefly looked at foreign aid in the context of the Organization of the Islamic Conference and China.

A rough assessment shows that disbursement rates are typically around 80%, with the exception of the World Bank and the AfDB:

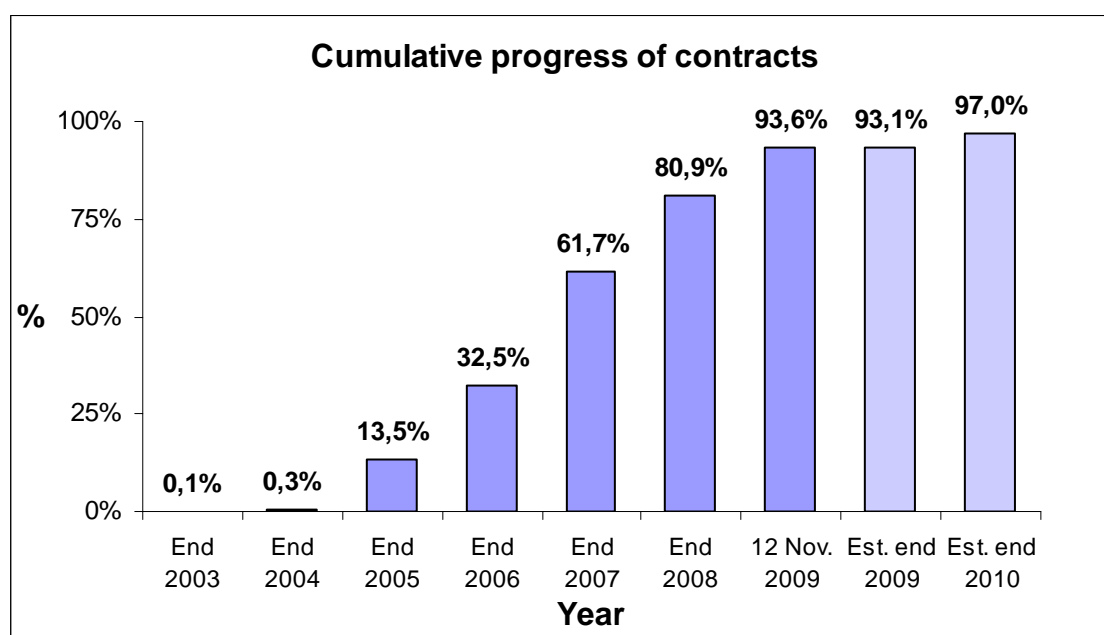


Interviews suggested that the main driver for this variation is the degree of integration into Cameroonian administrative processes in terms of project management and procurement processes, as well as the specificities of the respective sector and the activity promoted. However, it seems to be also determined by the quality of local supervision by the respective technical and financial partner.

## I. European Union (EDF)

The European Union is active in Cameroon mostly through the European Development Fund (EDF). It operates within the framework of a bilateral agreement with Cameroon that is negotiated for five years laying out the principle areas of intervention and an overall amount of aid (National Indicative Program (NIP)). Based on the NIP, the European Union develops projects that, once approved, are turned into financial agreements.<sup>9</sup> Initially, the total 9<sup>th</sup> EDF (2004 – 2009) amounted to 231 million €<sup>10</sup>. After a mid term review, the 9<sup>th</sup> EDF was reduced to 178 million €, due to the elimination of the budget support component. The elimination followed the poor performance notably in the modernization of public financial management. Once EDF funds are committed, project management is given three years to contract for the procurement of goods and services necessary to complete the project. If projects funds are not contracted within three years, they have to be returned to the EDF. For the 9<sup>th</sup> EDF ending in 2008, 97% of the funds are expected to be contracted by 2010.

### Contracting of funds:



Source: Data made available to the author by the CAON

<sup>9</sup> Alternatively the EU can engage in budget support, but in the case of Cameroon has not done so yet. The financial agreement also determines the amount under domestic management and under EU control. The former will be managed through Cameroonian counterparts with an ex post control of implementation and finances by the EU. The latter is managed by the Cameroonian counterpart respecting EDF regulations under control by the EU through an approval system.

<sup>10</sup> This includes the envelope A for NIP projects and the envelope B for urgent projects, e.g. following natural disasters, as well as the unused funds that were transferred to the 9th EDF. Such a transfer of funds is now no longer possible.

Whilst the funds are almost entirely contracted, actual disbursement is somewhat lower, expected to be around 85% by the end of 2010.

#### Disbursement of funds:

9th EDF Total: €178.308.908	Contracts		Payments	
	€	%		%
End 2003	124.388	0,1%	0	0,0%
End 2004	477.662	0,3%	383.795	0,2%
End 2005	24.082.453	13,5%	2.397.088	1,3%
End 2006	57.869.891	32,5%	27.813.778	15,6%
End 2007	109.932.841	61,7%	61.471.437	34,5%
End 2008	144.321.491	80,9%	98.851.771	55,4%
12 Nov. 2009	166.852.686	93,6%	119.827.243	67,2%
Est. end 2009	166.000.000	93,1%	125.532.849	70,4%
<b>Est. end 2010</b>	<b>173.000.000</b>	<b>97,0%</b>	<b>151.200.000</b>	<b>84,8%</b>

Source: Data made available to the author by the CAON

**The disbursement procedures** including programming requirements, necessary documents for procurement and requirements for financial management **are based on standard European regulations, the “Guide pratique des procédures contractuelles dans le cadre des actions extérieures”<sup>11</sup>**. Due to the fact that disbursement and procurement are managed on the basis of European regulations, the contracting and disbursement normally take place in due course.

All projects funded by the European Union are supported by the national coordinator (CAON) that acts as an interface between the project level and the national authorizing officer (NAO), the minister of the MINEPAT. The CAON significantly helps to avoid delays linked to red tape and the lack of capacity in applying European procedures in the ministries. In regular meetings with individual project managers, the progress of each project is discussed, quality control is exercised and remedies against delays are taken if necessary. Whilst the interviewees agreed that the role of the CAON should ideally be exercised by the Cameroonian administration, experience has shown that this would significantly reduce the benefits of this office due to the amount of red tape within the ministries, especially with respect to advancing dossiers, obtaining the necessary approvals, and the lack of coordination across different ministries.

European Union projects are generally accompanied by technical assistance and an expert in European procedures in charge of training the Cameroonian counterpart to guarantee smooth project implementation. Increasingly, the European Union tries to utilize national experts to avoid creating parallel structures.

<sup>11</sup> The European Union can delegate funds to be managed by other technical and financial partners once the procedures of the respective partner have been audited and approved by the European Commission.

While the interviewees from both sides assessed the overall disbursement climate in the case of the European Union to be adequate, the following problems prevail:

- **Lack of adherence to the execution schedule due to delayed submission of required documents:** The Cameroonian counterpart often has difficulties presenting necessary documents in time to proceed with the disbursement, e.g. the terms of reference for a planned procurement. This is partly due to the lack of resources at the ministries and partly due to a lack of responsiveness in the ministries with respect to the required standards for terms of references, calls for tenders, description of planned activities etc..
- **Lack of political priority to pursue certain projects:** Far more intangible, but often the cause of significant blockages, is the lack of political priority to pursue certain projects. Thus, activities required from the Cameroonian side, e.g. the creation of a functioning one-stop-shop for the establishment of companies, often simply do not take place, grinding projects to a hold.
- **Communication between the concerned ministries:** Delays can occur when different ministries have to cooperate in order to proceed with a project. Communication and cooperation are sometimes judged as insufficient.
- **Lack of disbursement due to redundancy of planned activity:** Incidences have also been reported where the planned activity, despite having been demanded by the Cameroonian counterpart and agreed upon, proved to be redundant. An example is the feasibility study for a public-private sector dialogue that turned out to be redundant since the mechanism had already been created in the form of the Cameroon Business Forum.

## II. France (AFD)

France is active in Cameroon mostly through the Agence Française de Développement (AFD)<sup>12</sup>. AFD has two main funding mechanisms in place in Cameroon: Firstly, projects funded through regular case-by-case financial agreements between the Cameroonian government (MINEPAT) and AFD; secondly, through France's debt relief commitments (C2D) to Cameroon. These commitments are supplementary to the Heavily Indebted Poor Countries (HIPC) initiative. The reimbursements of C2D funds are channelled through investments in approved projects. The main difference between those two mechanisms is the ownership structure of the funds. While in the former case AFD disburses money directly to projects, in the latter case C2D funds are transferred directly to

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<sup>12</sup> France is also providing technical assistance through SCAC. The projects analysed in this report are almost exclusively funded by the AFD. Therefore a separate analysis of the SCAC procedures and disbursement problems has not been conducted.

Cameroon and rest with the Central Bank until AFD approves disbursement. In the sectors analysed for this report, only C2D payments are used as funding mechanisms.

Based on 2008 and 2009, the overall AFD disbursement rate can be approximated to be 82%. However, this assumption is based on the linear disbursement of project funds, since AFD does not have annual spending plans for its C2D projects. The relatively high overall disbursement rate camouflages a significant difference between projects. While certain projects, e.g. large infrastructure investments, have disbursement rates of almost 100%, others especially in the health and forest sectors disburse poorly at around 50%. These projects mainly focus on capacity building and are thus often more complicated to implement as they require the political will and cooperation of multiple actors.

AFD	Contribution Total in million €	Duration of funding	Planned disbursement in 2008 and 2009 based on assumption of linear spending	Actual disbursement in 2008 and 2009	Disbursement rate
C2D	537,00	Mid 2007 till mid 2013	214,80	176,60	82%

Source: Data made available to the author by AFD

France is exclusively using domestic disbursement procedures, in particular procurement procedures, to implement its projects. While procurement follows national procedures, all main decisions have to be approved by AFD through “non-objection”.

The idea to “responsibilize” the national administration by channelling funds through official routes has not proven to be a success in terms of timely disbursement. Several incidences of severe delays have been reported. Most prominent is the example of procuring fridges for vaccinations that took well over two years and to date are still not reported to function fully at their destination.

Since project execution heavily depends on the project management by the Cameroonian counterpart and domestic procurement procedures, **the lack of good planning and lengthy procurement constitute key disbursement problems for AFD.**

### III. Germany (GTZ and KfW)

To assess the specific absorption problems in the case of Germany, GTZ and KfW procedures were analyzed separately and yielded very distinct results.

The overall analysis showed that **GTZ does not have severe disbursement problems.** Budgets can be re-dedicated from one program to another and the nature of the projects or services provided can be changed without heavy administrative burdens. Moreover, disbursement solely depends on German national procedures. As a result, all GTZ inter-

viewees confirmed that they are not aware of severe disbursement problems. **The overall level of disbursement across all projects totaled 84%** in the beginning of December 2009.

**As KfW is more dependent on Cameroonian disbursement procedures, absorption problems do arise.** As of 20 November 2009, the overall disbursement rate for KfW projects as compared to planned expenditures<sup>13</sup> until the end of the year was 71%. Data, however, was not available for all projects.

<b>Current KfW Projects ("dons")<sup>14</sup></b>					
<b>Project</b>	<b>Sector</b>	<b>Total project funds in mio. €</b>	<b>Planned disbursement till end of 2009</b>	<b>Actual disbursement till 20.11. 2009</b>	<b>Disbursement rate</b>
Sustainable Management of Natural Resources	Natural Resources	7,00	6,30	4,27	68%
SWAP Santé	Health	22,50	1,00	0,00	0%
PSS II Kamerun (Project Plan originally till end of 2007)	Health	6,56	6,56	5,68	87%
Kamerun BM		1,53	no information available	no information available	
Kamerun PSS 1		7,67	no information available	no information available	
PNDP (Project Plan originally till end of 2008)		7,3	7,3	5,05	69%
<b>Total</b>		<b>52,56</b>	<b>21,16</b>	<b>15,00</b>	<b>71%</b>

Source: Data made available to the author by KfW

Since project execution depends heavily on the project management by the Cameroonian counterpart and procurement processes undertaken by the Cameroonian administration, **the lack of well prepared planning documents, especially with respect to inadequate terms of references and calls for tenders, and lengthy procurement processes** constitute key disbursement problems for KfW.

<sup>13</sup> Based on project appraisals, presented as the basis for the financial agreement between the German and the Cameroonian government.

<sup>14</sup> Some investments in the past have been granted in the form of credits but the projects are about to be terminated.

#### IV. World Bank

The World Bank Group supports Cameroon through its International Development Association (IDA) with an active portfolio of 518 million €. The IDA envelope for Cameroon is determined for three years based on IDA's total envelope and Cameroon's Country Policy and Institutional Assessment (CPIA) rating. Following the determination of Cameroon's envelope, the World Bank conducts feasibility studies leading to the conclusion of grant or credit agreements. These determine a series of conditions that have to be fulfilled for the project to start. They normally include agreements on procurement systems, financial management, a project implementation unit, monitoring and evaluation systems, a special account opened by the Autonomous Sinking Fund, as well as social and environmental safeguards. The project implementation unit then executes the project relying on a hybrid of World Bank and national procurement procedures. The World Bank exercises control through "non-objection" except for procurement underneath a certain threshold where only a "post procurement review" is conducted. The World Bank (like the AfDB) uses procurement commissions within the ministries that are specialized on World Bank procedures. After the purchase is completed, the project implementation unit directly sends a disbursement order to the Autonomous Sinking Fund.

World Bank spending is currently at 4.9% of the active portfolio for the first 6 months of the budget year. Given that projects have an average duration of 5 years, the annual disbursement of any given portfolio should average around 20%. Extrapolating from current spending rates, current annual disbursement can be estimated to be 9.8%, which amounts to an **estimated disbursement rate of 49%**.

A recent portfolio review identified the following key disbursement constraints:

- **Weak project management and procurement:** Since project execution heavily depends on the Cameroonian project implementation unit and domestic procurement procedures, **the lack of good planning and lengthy procurement pose a significant disbursement problem.**
- **Lack of ownership:** Projects do not advance for lack of political will and ownership of the process.
- **Poor project design:** Projects also stagnate due to their design as they frequently presume lengthy and complex policy reforms as preconditions for disbursement or the establishment of politically contested institutions.
- **No repercussions for non-performance:** Technical and financial partners continue to finance projects even if their conditions are not matched, e.g. counterpart funds are not established. Both the World Bank and the AfDB have lowered their expectations and de facto shifted towards 100% project-financing when the Cameroonian government did not comply with their counterpart fund obligations.

Cameroonian counterparts are also not held responsible by their superiors if delays in their projects occur.

## V. African Development Bank (AfDB)

The AfDB's overall aid envelope for Cameroon is based on a document strategy paper (DSP) that determines priority sectors for its activities in Cameroon over a period of five years. The last DSP covered 2004 to 2009 and focussed on governance and infrastructure. Based on the DSP, the AfDB conducts feasibility studies that can lead to a financial agreement. The financial agreement determines the exact budget and conditions for disbursement, e.g. a project implementation unit, counterpart funds, an account opened by the Autonomous Sinking Fund etc. The account opened by the Autonomous Sinking Fund functions as an account for financing the running costs of the project. Procurement costs are transferred directly by the AfDB to the respective company after verification by the Autonomous Sinking Fund. Procurement relies mainly on national procedures and control is exercised through "non-objection" by the AfDB. However, the financial agreements contain a passage whereby in case of conflicting national regulations with AfDB regulations the latter take precedent. The Prime Minister has created special procurement commissions for each AfDB project. Both the old as well as the revised "code des marches publics" allow for the creation of such special commissions.

The disbursement level has been judged as satisfactory by the AfDB<sup>15</sup> despite the fact that it totals only 39% (compared to 30% in 2008).

African Development Bank				
Number of projects including multinational engagements	Overall budgets of active projects in 2009 in million € (net)	Planned disbursement 2009 based on an average project duration of 3.8 years	Actual disbursement 2009 based on an average project duration of 3.8 years	Estimated disbursement rate 2009
18	716	75.49	29.09	39%

Source: Data made available to the author by AfDB

Interviewees reported key problems with respect to disbursement of funds to be:

- **The weak capacity of project managers** to actively advance projects and engage in adequate planning.
- **The lack of qualified staff in procurement commissions:** While the creation of special commissions has improved the time required to process procurements, procurement is still considered as the key reason for delays. Problems related to

<sup>15</sup> The African Development Bank reviewed its Cameroonian portfolio in June 2009: *Rapport du Revue de Portefeuille, Memorandum de la Banque Africaine de Développement*, June 2009.

procurement revolve around a lack of rigorous executions of contracts, qualified personnel in the respective technical sub-commissions and rigorous analysis of offers. Due to sit-in-fees paid to the members of the commission for each reunion, they have a significant interest at re-analysing a dossier and maximising the number of reunions.

- **Misuse of project money:** Incidences of misuse of funds have been reported leading to the suspension of disbursement until the Cameroonian government has returned the money.
- **Insufficient training:** It was reported that the special commissions have not yet received sufficient training from the AfDB. Interviewees underlined that several days of training are not enough to sustainably improve the application of procedures. It was suggested to have an AfDB staff member working on projects for several months instead.
- **Time delays in obtaining the “non-objection” from the ADB<sup>16</sup>:** Some interviewees suggested that AfDB procedures are very centralized, necessitating “non-objections” at each level to be decided by headquarters in Tunis. However, time for treating documents seems to have improved since the opening of a regional AfDB office in Yaoundé.
- **Poor performance of local companies:** Several interviewees have referred to the poor performance of local companies as a key source of delays. Especially for technical and financial partners such as the AfDB that focus on infrastructure, delayed or badly accomplished constructions constitute a significant problem.

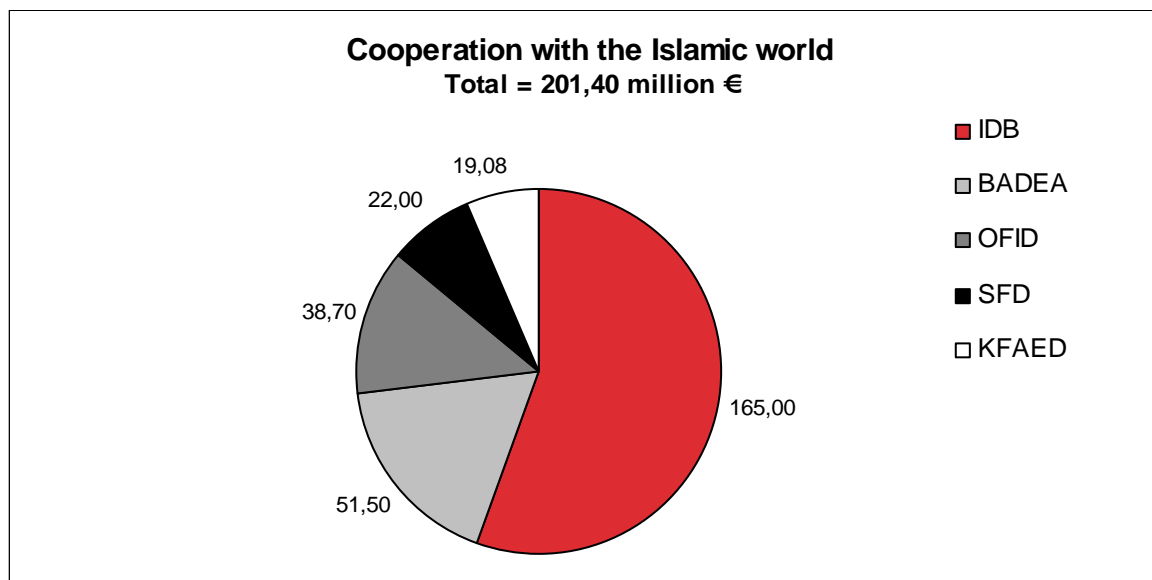
## VI. Cooperation with the Islamic world

The cooperation with the Islamic technical and financial partners is coordinated by the Organization of the Islamic Conference (OIC) and comprises five main technical and financial partners: The Islamic Development Bank (IDB), the Arab Bank for Economic Development in Africa (BADEA), the OPEC Fund for International Development (OFID), the Saudi Fund for Development (SFD) and the Kuwait Fund for Arab Economic Development (KFAED). The activities of the Islamic world focus mainly on infrastructure with 56% of their active project portfolio dedicated to projects in this sector.

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<sup>16</sup> African Development Bank : *Plan d'Actions en vue d'améliorer l'Exécution des Projets*, June 2009.

### The envelope of aid from the Islamic world:



Source: Data made available to the author by MINEPAT

No representative from the listed technical and financial partners is currently present in Cameroon. Project control is exercised by the MINEPAT through trimesterial reunions with all projects managers reporting project progress.

Interviewees from the Cameroonian side reported that disbursement was satisfactory. This is mainly due to the fact that infrastructure projects in general disburse easily. They identified the following aspects as remaining disbursement barriers:

- **Delays in obtaining “non-objections” from the different technical and financial partners.** Partly due to the fact that the **technical and financial partners from the Islamic world are not physically present** in Cameroon, this can take up to three months. Given that a regular procurement process requires up to four “non-objections”, this mechanism in itself can account for up to a year of delay in the worst case. This problem is exacerbated by the fact that several projects are jointly financed and require separate “non-objections” from each Islamic technical and financial partner.
- **Lack of consolidated information.** While project managers have information about annual spending targets, this information is not consolidated with the actual disbursement data from the Autonomous Sinking Fund. This is partly due to the fact that the responsible unit in the MINEPAT according to its own statements is mainly interested in actual project progress, rather than disbursement figures.
- **Delays in procurement processes.** Interviewees reported severe delays in procurement processes and suggested a special procurement commission for each project. They criticised the insufficient application of the concrete maximum

timeframes for procurement procedures as listed in the “code des marches publics” and the “manuel de procédures”.

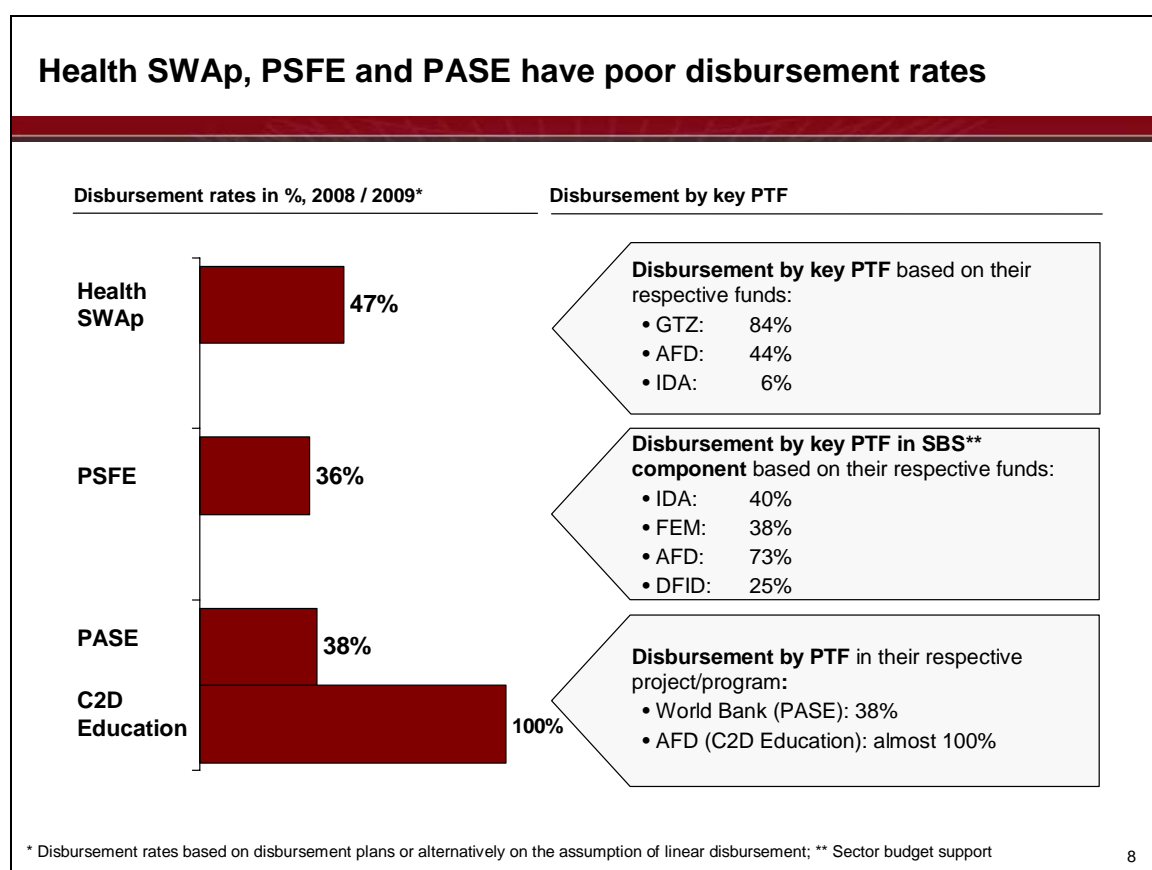
- **Quality of feasibility studies:** Interviewees reported the poor quality of feasibility studies that do not capture Cameroonian realities and thus cause severe problems during implementation.
- **Capacity of project managers:** Interviewees emphasized the problem of incapable project managers. This is due to the fact that the designation of most project managers is based on favouritism and not on a skill-based competitive selection process. The division in charge of cooperation with the Islamic world is currently developing a performance contract that should motivate project managers to improve their performance. However, sanctions are difficult if the designation of these posts is primarily political.

## VII. Cooperation with China

The Cameroonian counterpart perceives cooperation with China as extremely generous, pragmatic and successful. An interviewee suggested that a key reason for this was the “win-win”-relationship in all engagements. According to him, projects are based on mutual interest to solve the “real” problems of the country. While projects, especially by Western technical and financial partners, are often perceived as imposed or based on too stringent conditions, interviewees from the Cameroonian side highly appreciate the more or less “unconditional aid by China”. While grants are generally given unconditionally, credits are given under minimal conditions that are far better than market conditions. Exact information on further details was not available. Exact data on the global size of aid granted by China was not made available to the author. According to the interviewee, disbursement does not constitute a problem. All projects are executed with a maximum of one to two months delay. Once the financial agreement is signed and conditions are fulfilled, the entire amount is transferred to Cameroon immediately. China, unlike other technical and financial partners, does not pay in instalments where the second tranche is conditioned by the disbursement of the first. The financial agreement defines the key terms of reference, including the Chinese company that will execute the project.

## G. Project specific disbursement problems

Due to the scope of this study, the analysis was limited to key sectors in Cameroon. Those were jointly identified with the Cameroonian counterpart to be health, primary education and forest & environment. The study looked at key activities in these sectors: the Health Sector-Wide-Approach (Health SWAp) and funds from the Global Fund To Fight AIDS, Tuberculosis and Malaria (Global Fund)<sup>17</sup>, the Programme Sectoriel Forêt Environnement (PSFE), as well as the Programme d'Appui au Système Educatif (PASE) and the C2D education initiative. Compared to the overall disbursement rates of most technical and financial partners that average at around 80%, the disbursement rates in the selected three projects are low:



The poor performance is mainly due to:

- **Content of the projects:** Most of the projects focus on structural changes in the government, as well as on capacity building in the respective ministries. The execution of these projects is prone to delays because they require behavioral

<sup>17</sup> The Global Fund projects were analysed only with respect to the success rate in obtaining funds. As funds are generally fully transferred to the beneficiary the problem is not a disbursement but an allocation problem.

changes and inertia is prevalent with respect to changing governmental structures. Several interviewees confirmed that investment-focused projects tend to have significantly higher disbursement rates, provided the procurement processes run smoothly.

- **Design deficits:** Of the three poorly disbursing projects, the SWAp, PSFE and PASE all struggled with significant design problems: The SWAp because it fore-saw disbursement through institutions the legal status of which is unclear; the PSFE because the budget support logic was only partly implemented and the disbursement processes were new to the Cameroonian government; and the PASE because the program was designed based on centralized competencies in one ministry and to date struggles with the dispersal of competencies to four different ministries.

## I. Forest and environment

This study was limited to the Programme d'Appui au Programme Sectoriel Forêt Environnement (PSFE), which is the largest donor-funded activity in the sector. The program consists of two different funding mechanisms: sector budget support and a basket fund. The overall program was intended to start in 2004 and actually started in 2005. About 50 million € were committed by the technical and financial partners over an initial period of 4 years in the case of the basket fund and 10 years in the case of budget support. **Of the total amount endowed and planned to be disbursed by the end of 2009 only 36% have been disbursed until November 2009.**

Generally speaking, disbursement problems in the sector are closely linked to the transition from a project-logic to a program-logic, which was introduced to support the implementation of the Paris Declaration. Disbursements within the program are now managed through common financing mechanisms and through national procedures in order to strengthen the national administrative system and to avoid the creation of parallel, project-specific administrative structures<sup>18</sup>. Both technical and financial partners and the Cameroonian government generally view the program-logic as a step into the right direction. Current implementation problems are mostly seen as teething troubles rather than structural shortcomings.

Since the disbursement problems vary significantly between the two financing mechanisms, they will be analyzed separately.

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<sup>18</sup> PSFE : *Code de Conduite des Partenaires*, Yaoundé 2009

## 1. Sector Budget Support

The sector budget support component of PSFE is funded by the World Bank, France and the UK. The funds were supposed to be paid in two phases of five years, including three tranches each and intended to start in 2004. The different technical and financial partners agreed to use the World Bank's disbursement modalities and in particular their disbursement triggers ("déclencheurs") that were agreed upon in the financial agreements.

### a. Disbursement rate

For the period 2004 to 2009, three tranches totaling 33.21 million € have been committed to the budget support component of PSFE. Only one tranche has been disbursed so far, amounting to a total disbursement of roughly 40% for the budget support component.

Technical and financial partner	First Tranche	Second Tranche	Third Tranche	Total funds committed 2004 - 2009	Consumed by 24.10. 2009	Disbursement rate
IDA / BM	6,66	5,51	4,83	16,99	6,66	40%
FEM	2,58	2,11	2,11	6,80	2,58	38%
DFID	1,10	1,55	1,77	4,42	1,10	25%
C2D	5,00			5,00	3,64	73%
<b>Total</b>	<b>15,35</b>			<b>33,21</b>	<b>13,98</b>	<b>42%</b>

Source: Annex I, "Les mécanismes de Financement du Programme Sectoriel Forêts Environnement (PSFE) Note d'état d'avancement au 24.11.2009"; MINFI/DGB/Cl. "Récapitulatif de l'exécution financière dans le cadre du PSFE"

Opinions differ with respect to the why disbursement has been inadequate. Some claim that the government lacked understanding of the disbursement procedures for the funds and as a consequence pre-financed the activities in the sector. In 2009, it started to claim money already spent. This would imply that disbursement problems only exist on paper and do not reflect an actual lack of absorption capacity. Others report that budget support has been misused to substitute regular government spending in the sector and that there has not been a net increase in spending as required by the additionality-condition of the budget support mechanism. The question remains unresolved, as the actual amount of money spent in that sector cannot be traced according to interviewees from both the government and the technical and financial partners.

Funds from the first tranche were intended to be used for a public finance reform, which is a precondition for disbursement of the second tranche. So far, the World Bank has not taken an official position as to whether or not it regards the public finance reform as successful.

## b. Disbursement problems

Key project-specific problems involve structural design deficits, as well as procedural problems related to disbursement.

- **Poor project design:** Firstly, the design of the program as initially envisaged by the World Bank followed the project-logic and thus foresaw minute details with respect to an ex-ante accounting for spending. At the last moment these funds were “re-labeled” as sector budget support, which resulted in an inclusion of several disbursement triggers (“déclencheurs”). As a consequence, the financing mechanism had a “double conditionality” – one of establishing a public finance system able to responsibly and transparently disburse budget funds and one of project-based spending regulations. This led not only to confusion with respect to disbursement requirements, it also resulted in changing the forest program into a change management program in public finance in order to meet the sector budget support requirements for disbursement.
- Lack of **mastery of disbursement procedures** with respect to the different steps and actors involved: At first, it remained unclear within the concerned ministries how to access **funds at the Banque Centrale des États d’Afrique Centrale (BEAC) via the treasury**. The process was largely unknown as the actors involved were not used to these disbursement procedures. Normally, disbursements are managed through the Autonomous Sinking Fund. In the case of the PSFE – sector budget support, the Autonomous Sinking Fund transferred the funds directly to the treasury’s special PSFE-account at the BEAC. The disbursement had therefore to be managed by the sector ministries and the ministry of finance who were not accustomed to the process. However, the process has largely been clarified and disbursement responsibilities and procedures function relatively smoothly today.
- **Capacity deficits** with respect to **mastering national procurement procedures**, which led to significant delays within the responsible ministry (for details see E.II. above)

The reproach often made with respect to **diverging procedures of different technical and financial partners** is incorrect for PSFE’s budget support component. Donors have agreed to a common procedure (“Manuel de Procédures Appui Budgétaire, 1 juin 2007”) describing in detail the different steps necessary to disburse funds including procurement procedures (Chapitre III: Exécution Budgétaire des Ressources extérieures) in accordance with national procurement legislation.

The budget support program has just undergone an intense revision including a detailed monitoring and evaluation procedure to track the implementation of the reforms. Through the revision of key documents, in particular the process manual and the joint financing agreement, the PSFE seems to have taken necessary steps to significantly in-

crease disbursement rates. In addition, the PSFE team invested in capacity building and installed a mechanism according to which funds will be regularly accessed each trimester. A common agreement was reached that the spending of funds will be audited ex-post. An “a priori” approval of spending requests is thus no longer necessary. An internal planning process has been established to evaluate yearly financial needs and to allow tracking the use of the sector budget support funds. It can be expected that the delays caused by the above mentioned “double conditionality” will be significantly reduced in the future.

## 2. Basket Fund

The basket fund component is currently funded by France, UK and Canada and was established in 2005. Funds are disbursed according to Cameroonian procedures, including procurement regulations, and complemented by certain requirements from technical and financial partners, laid down in the “Manuel de Procédures Fonds Commun”.

### a. Disbursement rate

The total commitment by 30.11.2009 amounted to 18 million €, of which only 4.61 million were used. This results in a **disbursement rate of only 26%**<sup>19</sup>.

### b. Disbursement problems

As the basket fund is fully integrated into the Cameroonian disbursement process, initial disbursement problems were substantial. Interviewees emphasized the general disbursement problems such as the **lack of staff and capacities in project implementation units and procurement commissions, political intervention in procurement as well as poor work motivation** due to a lack of sanctions and of adequate incentives (for details see E. above)

**The main project specific disbursement problem in the past was the fact that detailed decisions had to be approved by high-level control bodies:** A key element responsible for slow disbursement was the fact that the “Comité de Direction”, responsible for approving spending requests, only met once a month while being responsible for a detailed validation of documents, for example the terms of reference in the procurement process. If the terms of reference were not satisfactory, changes could only be accepted a month later at the next meeting. The process could stretch several months in total.

The reproach often made with respect to **diverging procedures** of the different technical and financial partners is incorrect for PSFE’s basket fund component. Technical and financial partners have agreed to a common procedure (“Manuel de Procédures Fonds Commun, 3 Mars 2006”) describing in detail the different steps necessary to disburse the

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<sup>19</sup> Unité de Gestion du Fonds Commun, “Récapitulatif de l’exécution financière dans le cadre du PSFE”

funds including procurement procedures (Chapter IV: Procédures de passation des marchés).

The basket fund component has equally undergone an intense revision including a detailed monitoring and evaluation procedure to track the implementation of the reforms. Large-scale capacity building efforts took place in order to guarantee that required documents are of adequate quality and additional human resources have been mobilized to handle PSFE dossiers. General procedures have been revised in order to allow for timely decision-making. For example, the approval of detailed disbursement decisions at the level of the “Comité de Direction” has been abolished. Instead, an annual disbursement plan will be presented at the beginning of each year and validated by the “Comité de Direction”. On a trimonthly basis, only the “fiche d’activité” will be reviewed instead of each individual terms of reference for each procurement decision. Complicated dossiers will receive donor-funded technical assistance.

## **II. Health**

The health sector overall seems to have significant disbursement problems and severe incidents of misspending. The analysis was limited to the two major projects in the sector, the Sector Wide Approach (SWAp) mainly funded by France, Germany and the World Bank, and funds from the Global Fund To Fight AIDS, Tuberculosis and Malaria (Global Fund).

Interviewees reported that disbursement procedures in these two key projects were particularly difficult especially with respect to the handling of procurement procedures in the ministry of public health.

### **1. SWAp**

The SWAp in the health sector has not yet become a truly sector-wide approach. The SWAp is based on a common sector wide national strategy that has been revised in January 2010. It was agreed between the technical and financial partners and the Cameroonian counterpart to develop a “mid-term expenditure framework” laying out the cornerstones of that strategy. This has not yet been implemented. However, the technical and financial partners involved decided to move ahead and start with a program-based approach coordinating their aid flows in the sector under the working title “SWAp”. The study looked at the main contributors to this program-based approach.

Currently, the different technical and financial partners operate through different financing tools with the exception of AFD and KfW, which are currently developing a common financing mechanism. The World Bank in accordance with its standard procedures uses a mix of Cameroonian and its own procurement procedures. Control is mainly exercised through “non-objection” to procurement decisions. France supports the SWAp through its C2D funds that also rely mainly on “non-objection” for control.

### a. Disbursement rates

Technical and financial partners have committed almost 250 million € to the SWAp until mid-2013 operating under 4 to 5 year project frameworks. Disbursement rates are estimated to be as follows:

Donor	Contribution Total in million €	Duration of funding	Planned disbursement by end 2009 based on assumption of linear spending per year	Actual disbursement by end 2009	Disbursement rate
KfW	30,50	Financial agreement just signed	0,00	0,00	Not applicable
GTZ	14,50	4 years till December 2012	3,63	3,10	86%
France (C2D)	55,00	First tranche over 5 years 2007 till 2012	33,00	14,60	44%
France (C2D)	35,00	Co-financing with KfW; agreement just signed	0,00	0,00	Not applicable
UN	30,85		9,50	8,97	94%
GAVI	60,89		10,67	1,52	14%
World Bank	16,99	6 years till July 2013	4,25	0,27	6%
<b>Total</b>	<b>243,73</b>	<b>4 to 5 years till mid 2013</b>	<b>61,04</b>	<b>28,46</b>	<b>47%</b>

Source: Data made available to the author by different technical and financial partners participating in the SWAp

### b. Disbursement problems

The key disbursement problems in the SWAp initiative evolve around inadequate planning and programming of projects on the Cameroonian side, severe delays in public procurement and certain design flaws, namely the lack of legal certainty of the institutions responsible for implementing the projects. Money flows in the health sector were reported to be particularly opaque. The Cameroonian counterpart opposes and therefore delays the transfer of responsibilities to autonomous bodies, be it working groups or regional funds.

- **Inadequate planning of activities:** As AFD and the World Bank depend on planning suggestions from the Cameroonian side, the lack of well prepared budgets poses a significant disbursement problem in the health sector (for details see E.II. above). Insufficient budgeting for taxes and tariffs, for example, led to sig-

nificant delays with goods being trapped at the border unable to enter Cameroon for lack of tariff payments.

- **Abuse of procurement procedures:** Whilst no formal proof exists, several interviewees from the technical and financial partners reported that the “rent-seeking” mentality throughout the procurement process poses significant problems. Until the repartition of rent has been negotiated, procurement decisions are generally put on hold. Incidences have been reported where a procurement process was declared unsuccessful and re-launched because the parties could not agree on the distribution of rent. Furthermore, with its “mercuriale” the government defined prices for goods purchased through public procurement for contracts that do not require a call for tenders. The prices set in that “mercuriale” exceed market prices. While the “mercuriale” was intended to set maximum prices, interviewees reported that these prices have become the standard price suggesting dubious procurement practices or corruption.
- **Lack of secure legal status with respect to procedures and legal bodies created to control spending:** Disbursement problems in the sector were also attributed to uncertainty with respect to the legality of institutions involved in controlling the disbursement, the “Fonds spéciaux pour la promotion de la santé”. The decentralization of power to these funds was an important element in the overall strategy. Under their current constitution, however, they are not allowed to receive government or donor funds. Despite this, most of the 25 million \$ committed by the World Bank were and still are supposed to be transferred to them. The design was based on the fact that these funds did receive government and donor funds in the past despite their constitution. However, now that the problem has been raised by the government, funds remain unused because of the legal uncertainty. An agreement was reached with the Cameroonian side to strengthen these “Fonds spéciaux pour la promotion de la santé”. In January the ministry of public health issued a notification agreeing to continue to collaborate with the funds under their current constitution. However, the legally ambiguous situation has not been resolved yet. Interviewees have different perspectives on this problem. While some see the delay in clarifying the legal situation as a sign of the lack of interest of the central government in actually disbursing funds to these decentralized agencies, others see the reliance on these funds as a flaw in the project design. This assessment is based on the perception that the agencies do not have the capacity to administer the amounts supposed to be transferred to them.
- **Lack of coordinated management of funds between the technical and financial partners and the different ministries:** In the past, the SWAp did not have a common management unit in charge of the program and only KfW and AFD aligned their procedures. However, starting April 1<sup>st</sup>, 2010, the SWAp will be managed by a common management unit. Cooperation between the different

Cameroonian ministries also leaves room for improvement. The cooperation between the ministry of public health and the ministry of finance, for instance, reportedly is a significant cause of delays.

## 2. Global Fund To Fight AIDS, Tuberculosis and Malaria

A second key activity in the health sector comprises projects funded by the Global Fund To Fight AIDS, Tuberculosis and Malaria (Global Fund). As indicated above, the Global Fund strictly speaking is not subject to disbursement problems, since committed funds are disbursed at 100% as a matter of definition. The problem lies with obtaining funds. While Cameroon has not received funding in rounds 6 to 8, it recently received 127 million € in round 9 for tuberculosis and malaria projects. Funding requests for HIV/AIDS activities totaling 121 million €, however, were denied.

Funds are mainly denied by the Global Fund due to weaknesses of the proposals. Apart from project-specific shortcomings, these generally involve criticism about insufficient monitoring and evaluation systems and inappropriately priced goods and services to be purchased<sup>20</sup>. These “technical shortcomings” are the sole official explanation for the rejection of funds. However, interviewees reported that the absence of funding during rounds 6 to 8 coincided with the Global Fund learning about the misuse of funds and the lack of an independent body of control required to apply for funds. The application body, the Country Coordinating Mechanism (CCM), was only formally established without an actual transfer of competencies. After the Global Fund learned about the purely “pro forma” establishment of the CCM, restructuring became necessary and was recently completed. The CCM now features 40% government representatives, 40% civil society and 20% technical and financial partners, giving a voting majority to non-government actors<sup>21</sup>. The legal status of this body has not yet been established, but according to plan, spending decisions for Global Fund funds will be transferred from the minister to the CCM. The CCM as a structure will no longer be part of the ministry of public health, but will be working directly under the Prime Minister to guarantee the required autonomy. Interviewees report that the reform has re-established a trustful relationship between the CCM and the Global Fund. They see this as the key explanation that Cameroon received 127 million € in round 9 despite the fact that the quality of the applications has remained the same.

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<sup>20</sup> TRP Review Form Round 9, 4. September 2009.

<sup>21</sup> The CCM was founded upon a specific request of the World Bank. It originally consisted of 60% government representatives and 40% civil society. The CCM currently still does not have the authority to decide about the use of the funds. The control function it allegedly plays – with respect to justifying the funding vis-à-vis the Global Fund – is currently not exercised for lack of formal competency.

### III. Basic education

In the education sector, this study looked at two projects, the Programme d'Appui au Système Educatif (PASE) funded by the World Bank and the C2D education initiative by AFD. While PASE only disbursed 38%, the C2D initiative is well on track with a disbursement rate of almost 100%:

Project	Contribution Total in million €	Duration of funding	Planned disbursement by end 2009 based on assumption of linear spending per year	Actual disbursement by end 2009	Disbursement rate
PASE	12,37	5 years till mid-2010	11,13	4,28	<b>38%</b>
C2D education initiative	71,00	1. Tranche Mid 2007-2012: 40 mio. €	Supported by 31 mio. € from the EFA-Initiative		<b>ca. 100%</b>
C2D education initiative	50,00	2. Tranche 2009-2013	Feasibility study just been conducted	Project on track	<b>not applicable</b>

*Source: Data made available to the author by different technical and financial partners*

#### 1. Programme d'Appui au Système Educatif (PASE)

PASE was originally intended to be a multi-donor effort to support Cameroon in developing and implementing a national education strategy and to establish an education SWAp. However, apart from the World Bank no other technical and financial partner has joined the project so far. Currently, PASE aims at the rehabilitation of schools on a communal level. It was supposed to be completed by mid-2010. However, it turned out that the communities often did not have the capacities to implement rehabilitation projects. Due to the severe implementation problems, the project has recently been restructured and rehabilitation has been delegated to NGOs or other hired experts. According the recent review by the World Bank, key disbursement problems were related to:

- **Competency split between the four responsible ministries:** When the project was designed, only one ministry had the mandate to deal with it. During the course of implementation, the competency for certain implementation activities was split between four ministries. The coordination between those ministries has proved to be particularly difficult, causing severe delays.
- **High fluctuation of staff:** On the Cameroonian side, the project execution unit has experienced high staff fluctuation causing ruptures in project execution. Some interviewees have attributed the high fluctuation to political interference.

- **Lack of local representation of the technical and financial partner:** Despite the fact that the World Bank has a local presence in Cameroon, the responsible task team leader responsible for PASE is located in Washington. Some interviewees link significant delays in obtaining the “non-objection” to this missing in country presence.
- **Lack of required legislative activity by the government:** PASE was intended to help the Cameroonian government implement a reformed curriculum for secondary education. For this to happen, the government had to pass a regulation allowing for the reformed curriculum to be applied. However, this regulation was never passed. As a consequence the planned activities of PASE could not be implemented.

## 2. C2D education initiative

The C2D education initiative consists of two tranches that seem to make steady progress and disburse well. The first tranche was dedicated to improving contracts for teachers who were previously working under precarious contractual conditions if at all. AFD supports the government with 37.5 million € to cover the additional cost of integrating these teachers into the formal schooling system. The initiative is supported by the “Education For All” - Fast Track Initiative with an additional 31.30 million €. Of the 37,000 teachers concerned, about 30,000 have already been integrated.

The second tranche has not yet been disbursed. The project aims at building schools and advances according to plan. The procurement process to recruit a technical expert to support the project took eight months and was considered by the interviewee from the technical and financial partner as extremely well managed.

## H. Recommendations

MINEPAT as the initiator of this study has emphasized that it is mostly interested in recommendations MINEPAT itself can implement. This section therefore puts an emphasis on specific and pragmatic activities MINEPAT could engage in, that rely on existing structures in the ministries and draw on good practice examples.

### I. Recommendations for disbursement problems related to lack of common priorities and the resulting weak political ownership

Cameroon experiences disbursement problems due to **the lack of common priorities between the government and the technical and financial partners**. While the interests may be aligned on paper, e.g. in the Growth and Employment Strategy (DSCE) and the respective activities by the technical and financial partners, they may not be aligned in reality. At the end of the day **it is a political decision** of the technical and financial partners to what extent they want to fund activities in areas where *real* mutual interests exist. However, funding only projects in these areas is likely to reduce the overall flow of aid to Cameroon, a result which both the technical and financial partners and the Cameroonian government would have to accept.

To address this question, strong political leadership is necessary to lead to an acceptance among technical and financial partners of Cameroonian leadership in defining priority sectors and the share of development funds allocated to them.

Beyond this, two aspects can be addressed more directly:

- **Develop a code of conduct for the technical and financial partners:** The technical and financial partners should establish a code of conduct determining behavioral guidelines with respect to their projects in Cameroon and ensuring the acceptance of political leadership of the Cameroonian government. The code of conduct should entail the following elements: An agreement by the technical and financial partners to accept only projects that were initiated by the Cameroonian government, a clear definition and communication of priorities of the technical and financial partners, and a provision allowing to re-assess needs and flexibly reallocate funds if necessary. Moreover, technical and financial partners should evaluate their current portfolio to determine whether projects contribute to the implementation of Cameroon's DSCE.
- **Include all concerned sector ministries under the lead of MINEPAT in respective financial agreement negotiations and preceding feasibility studies:** In order to improve political ownership of the ministries implementing the projects, as well as the cooperation between the different ministries, all concerned sector ministries should be included in feasibility studies and subsequent negotiations of fi-

financial agreements under the leadership of MINEPAT. Furthermore, they should be included in negotiations determining necessary project amendments or necessary restructuring. MINEPAT should engage in negotiations with the respective ministries in charge of conducting feasibility studies to ensure comprehensive participation of all concerned ministries and equally initiate the invitation of these actors to the negotiations of the financial agreements.

## II. Recommendations for disbursement problems related to competencies, capacities and work motivation

To ensure a group of capable project managers as well as performing procurement commissions and to make aid and other projects more effective, the capacities of existing staff members in ministries should be enhanced, rather than hiring external experts. This would require the following steps based on the existing project execution entities in the ministry:

- **Conduct a competitive selection process for project managers:** The selection of the project manager should be based on a competitive selection process and on clear criteria established in a “process manual for nomination”, elaborated jointly by MINEPAT and the sector ministries. To avoid favoritism, the final decision should be jointly taken by the government and the technical and financial partner. While the government remains in charge of the initial decision, a “non-objection” by the technical and financial partner in charge of the project would be required. If the technical and financial partner does not react with respect to the “non-objection”-request within due course, the nomination would be assumed to be approved.
- **Clearly define objectives and responsibilities for each public servant in the project implementation units:** For all donor-funded projects, sector ministries need to establish a detailed annual budgeted work plan for all public servants in project implementation units. This plan should include a clear definition of objectives, activities and responsibilities, including a set of additional activities, the completion of which should result in a bonus payment (see performance contract below for details). The allocation of responsibilities should be based on the optimal utilization of existing capacities in the ministries. The Programme Sectoriel Forêt Environnement (PSFE) is currently establishing such a detailed annual budgeted work plan. This experience has shown that implementation requires an elaborate and costly technical back-up solution.

The entire staff of the department for donor-funded projects should **receive intensive training by international experts. Special attention should be given to improving the capacities to develop adequate terms of references and the corresponding calls for tenders.** Project implementation units to date often lack the

technical expertise required for different procurements within one project. They need to be assisted by readily available and easily accessible technical experts on a case-by-case basis. Interviewees suggest that the current training programs in form of workshops lasting for a few days are often insufficient. Trainings should take place in form of mentoring through a technical expert based in the respective unit for several months. Technical experts should be integrated physically into the ministry to work with their counterparts on a daily basis and to be easily approachable when questions arise. Technical and financial partners together with the respective project implementation units should jointly review their training modules in order to identify shortcomings and remedies for them.

Currently, each sector ministry does have a “division of cooperation” unit that is in charge of feasibility studies, but not mandated to supervise the progress of donor-funded projects in the ministry. The competencies of the unit should be enlarged and include the responsibility to supervise donor-funded projects and regularly report to MINEPAT on progress. The head of this division should be selected based on skills required to fulfil this role. The main objective of the division is to closely supervise all donor-funded projects. This requires a person that has several years of experience in project management in the context of international development. MINEPAT should engage in negotiations with the sector ministries in order to strengthen the role of the division of cooperation and assess the extent to which current managers meet the requirements for this position.

- **Conclude a performance contract with each public servant in the project implementation units:** To motivate and increase performance in project implementation units, a **performance contract** with each public servant in the project implementation unit should be developed in cooperation between MINEPAT and the sector ministries, defining clear objectives and activities to attain and a bonus payment scheme. The bonus payments should be attached to a set of “bonus-relevant” additional activities made transparent to other staff members. The bonus incentive scheme should replace existing sit-in-fees. The motivation scheme and performance assessment need to be adequate for the cultural context in Cameroon. The performance contract should also include a general code of conduct for public servants and a provision that the civil servant can be transferred to another unit in case of unsatisfactory performance. Furthermore, the contract should contain a clause whereby the public servant agrees to **join the department for a limited number of years**. This provision is aimed at assuring that the capacity building financed by the technical and financial partner will actually be beneficial for the entire administration. It also assures that the technical and financial partners do not create a permanent parallel administration for their projects.
- **Create a support unit acting as an interface between the project implementation unit and the technical and financial partner:** Furthermore, a support unit

should be established acting as an interface between the project implementation unit and the technical and financial partners to ensure technical and financial quality standards are met. Furthermore, it should improve the mastery of different procedures from the technical and financial partners through regular reunions with project managers in the respective sector. The support unit could be attached to each sector ministry or take the form of a centralized support unit attached to MINEPAT in charge of all donor-funded projects. MINEPAT together with the sector ministries should conduct a feasibility study to assess the costs of this support unit, modes of financing, institutional set-up, as well as the number of support units required in close cooperation with the technical and financial partners.

- **Maintain or establish special procurement commissions for each project and include all concerned ministries in the technical sub-commissions.**
- **Select members for the special procurement commissions for projects based on clearly defined competencies:** Furthermore the selection of members for the special procurement commission should be based on clearly defined competencies and complemented by a capacity development plan. The selection process should utilize existing capacities in the ministries especially with respect to mastery of different requirements by the technical and financial partners. In order to improve the cooperation between the different ministries involved, all ministries concerned should be included in the technical sub-commissions.
- **Change incentive-scheme for procurement commissions:** In order to address lengthy procurement procedures the current incentive-scheme based on sit-in-fees for each reunion held needs to be amended, e.g. through a respective regulation in the performance contract based on the financial agreements. Rather than paying the commission members on a reunion basis they should be paid based on the number of dossiers and time needed for concluding the procurement. This necessitates a **benchmarking exercise to be conducted by MINEPAT** defining precisely the time procurement is allowed to last depending e.g. on the goods or services purchased, the number of commissions involved, the complexity of the procurement, etc. Tracking mechanisms need to be established to unequivocally identify which member of the procurement commission or sub-commission is responsible for the delay. The technical and financial partners, at the same time, need to monitor the delays attributable to their requirements, e.g. “non-objections”. The bonus payments must be high enough to actually constitute an incentive to treat dossiers quickly and to outperform the maximum timeframe allowed. By the same token, all sit-in-fees for procurement commissions and sub-commissions must be abolished. To complement this bonus scheme, the performance in the procurement department should be assured through a performance contract similar to the one described above for the project implementation unit.

- **Conduct regular benchmarking exercises of procurement processes:** MINEPAT should regularly repeat the benchmarking exercise and publish the results to incentivize both ministries as well as technical and financial partners to improve their performance.

In order to implement these recommendations, **two key financing questions have to be resolved:** Firstly, resources for the top-up bonus payments and secondly, funding for the capacity development schemes. Whilst the funding of a technical expert is already a common feature of most projects, the direct funding of public servants is not possible for most technical and financial partners. However, some interviewees suggested that funding can be made possible through the vehicle of a basket fund.

### III. Recommendations for disbursement problems related to institutional shortcomings

Currently, project execution also suffers from a lack of **functioning bodies facilitating access to information**, as well as the lack of a **centralized tracking mechanism** to monitor sector and /or project progress and disbursement. In order to improve the situation the following recommendations should be implemented:

- **Establish a functioning steering committee for donor-funded projects to improve cooperation between different ministries:** Currently, steering committees exist for some projects depending on the financial agreements or the decision of the respective ministry in charge of implementation. They also exist for projects that are co-financed by counterpart funds or projects funded by budget support. Such steering committees should be obligatory for all donor-funded projects and their mandate should be strengthened significantly. The members of this committee should be on a high operational level within their divisions, e.g. the head of the secretary general's office or minister's office. The role of the committee is to monitor project progress and determine remedies if projects encounter problems or delays. The following institutions should be represented: MINEPAT, the respective sector ministry, other involved sector ministries, the operational unit within the Prime Minister's Office, the Autonomous Sinking Fund and the technical and financial partners involved. In order for the steering committee to execute its mandate effectively it has to be equipped with the necessary authority to actually steer projects across different ministries. MINEPAT needs to determine how this authority can be established on the basis of the political realities in Cameroon. Several interviewees suggested linking the steering committee to the Prime Minister. However, given the semi-working level of this body, the Prime Minister himself should not be present but he should be represented by a delegate able to speak in his name.

The objective of this steering committee is multi-functional. First of all it links donor-funded projects to the Prime Minister's Office, providing it with the necessary authority to act if projects perform poorly. Secondly, it ensures information exchange between the ministries concerned on a working level, thus enabling better communication and cooperation. Thirdly, it grants MINEPAT access to the necessary information on project progress and disbursement so that it can fulfill its role as a coordinator for donor-funded projects in Cameroon.

The multi-stakeholder committee should meet on a regular basis, e.g. three to four times a year. In preparation of the steering committee meetings the project implementation unit is responsible for sending out the detailed budgeted work plan of each project including a brief summary of key activities. It should briefly present the project including a status report as to whether or not the activities are proceeding according to plan. This could be based on a traffic light logic (<30% completion = red; 30%-70% completion = yellow; >70% completion = green). Furthermore it should include the total sum of funds expected to be spent annually and the actual spending level. MINEPAT should develop a standard reporting scheme<sup>22</sup> that allows a fast comprehension of the key facts of each project to allow a targeted constructive debate between the committee members.

- **Harmonize planning, monitoring and evaluation procedures between the ministries with respect to the annual budgeted work plan (PTBA).**
- **Establish high-level institutionalized bodies for information exchange in order to improve the cooperation between the ministries:** A regular high-level meeting between the Cameroonian government and the technical and financial partners to discuss progress in each sector in the light of accomplishing Cameroon's Growth and Employment Strategy DSCE and a regular meeting between the different ministers to exchange information and guarantee cooperation between the ministries.
- **Designate MINEPAT as in charge of database recording project progress as well as expected and actual annual disbursement:** In the absence of easily accessible information on disbursement rates, the financial support forgone cannot be quantified. As a consequence it is impossible for MINEPAT to intervene in a targeted manner and dissolve disbursement blockages when they occur. Therefore, MINEPAT should continue its efforts to establish a database recording existing projects. The database should be complemented by a tracking mechanism for

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<sup>22</sup> The data collected for the steering committee could be used by the "Comité Technique de Suivi et d'Evaluation des activités de mise en œuvre du DSCE" (CTSE-DSCE) in determining the respective improvement of the sector and its contribution to attaining the DSCE objectives and the vision 2035 for Cameroon.

project progress, as well as expected and actual annual disbursements. In order to develop a disbursement rate that is actually indicative of the performance of a project, the government should compare the annual spending plan of each project versus the amount actually spent per year<sup>23</sup>. In addition the database should contain information about the absolute amount of donor funds and the total amount disbursed. It has to be understood though that this disbursement rate does solely indicate the respective maturity of the project portfolio and not the performance of the individual projects.

The database should be constructed in a way that it allows sector ministries as well as technical and financial partners to upload relevant information on projects in order to share the responsibility for regularly updating the information. The database should be used to regularly publish a comparative analysis on average project and disbursement delays across different sectors and different technical and financial partners.

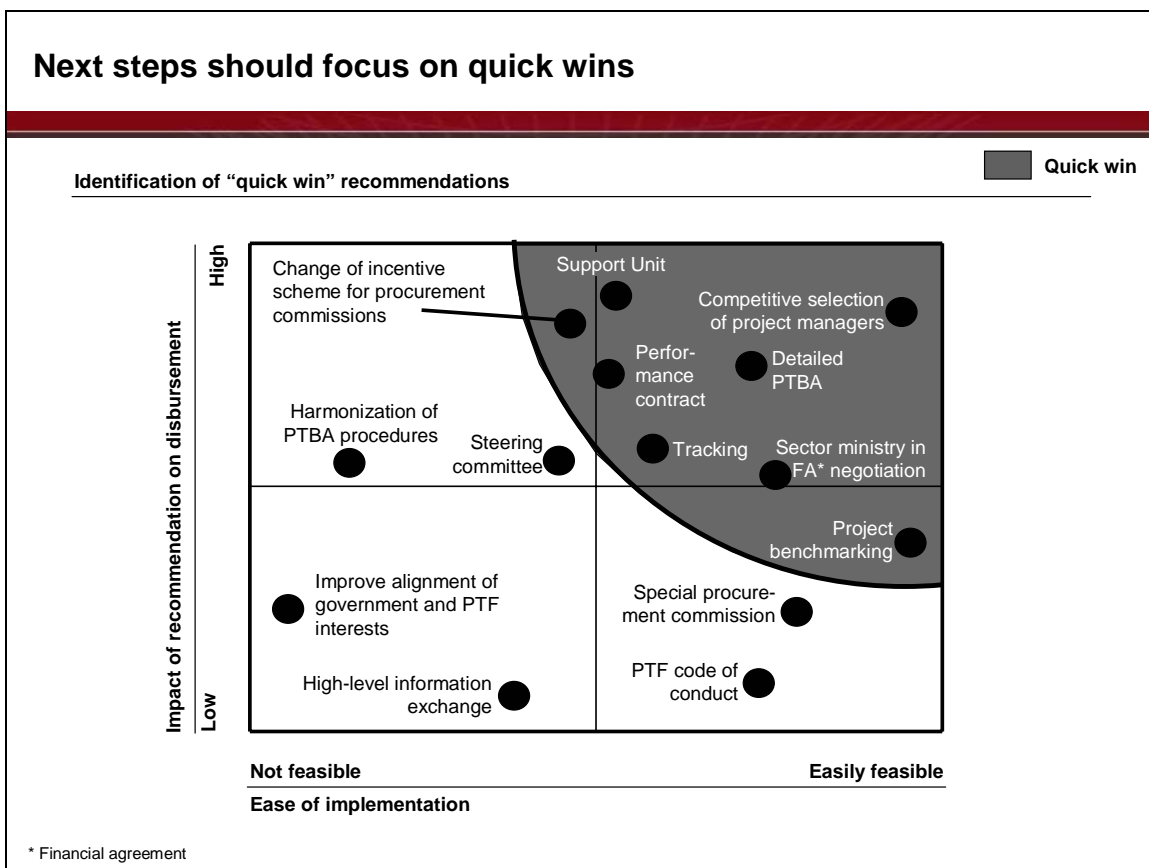
Creating visibility on disbursement rates necessitates that MINEPAT has access to relevant information concerning signed financial agreements. In order for this to happen, the Cameroonian government has to ensure that all financial agreements are signed by MINEPAT. This can be achieved by treating financial agreements that are not signed by MINEPAT as legally void.

#### IV. Prioritization of recommendations

The results of the interviews were presented at a stakeholder workshop in Yaoundé on January 28, 2010, to which all interviewees, as well as other concerned stakeholders were invited. The problems listed above were ranked by the participants of the workshop in order to determine their respective adverse impact on disbursement. Based on the results the following **recommendations** were selected to be pursued further given their respective impact on disbursement and the ease of implementation:

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<sup>23</sup> For this data to be recorded, all project management units in the respective sector ministry should produce a yearly budgeted working plan (PTBA). This working plan defines the amount to be spent per year. This data needs to be matched against the absolute annual disbursement of funds for the respective project. The data is available at the Autonomous Sinking Fund for donor and counterpart funds and at the treasury for all budget support funds.



The recommendations selected by the participants of the workshop focus on increasing the performance of project implementation units and procurement commissions, developing a tracking mechanism for project progress and disbursement and improving the cooperation between the different ministries. Little emphasis was given to recommendations improving the alignment of priorities between the Cameroonian government and the technical and financial partners.

Following the acceptance of these recommendations by the Cameroonian government, a feasibility study needs to be conducted, determining clear responsibilities, costs, time and capacities required for implementation. The implementation of the recommendations and their impact on disbursement rates need to be monitored. The evaluation should be based on changes in disbursement rates following the introductions of the respective recommendation.

## V. Outlook

The study identified the disbursement problems, prioritized them and suggested recommendations. “Quick win” recommendations were selected based on their impact on disbursement and their ease of implementation. The recommendations were developed in light of the Paris Declaration trying to honor its principles to the maximum possible. The

recommendations are based on strengthening existing structures and institutions and on developing the capacity of the Cameroonian administration. Currently, the use of national procedures constitutes an obstacle for disbursement due to the numerous problems listed above. This situation constitutes a significant obstacle for shifting aid towards budget support or sector budget support, as desired by the Cameroonian government. The selected recommendations are designed to help Cameroon in establishing an “aid environment” allowing technical and financial partners to move towards more effective support.

## Annex 1: Literature

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## Annex 2: List of interviewees

Name	Organization	Function
1. Abbo Issa, Etienne	MINFI	General Budget Division
2. Alain, Yvon	SCAC	Advisor for Cooperation and Cultural Action
3. Amprou, Jacky	AFD	Program Manager
4. Bachirou, Mohamadou	MINFI	Treasury Inspector
5. Bietéké, Antoine Marie	PASE	Technical Coordinator
6. Bissakonou, Judes	AfDB	Social Development Officer
7. Bisso Eya, Joseph	MINEPAT	General Division for Cooperation and Regional Integration
8. Bomba Atangana, Guillaume	MINFOF	Component Director PSFE
9. Cesana, Julien	GTZ	Advisor Public Finance, Pro PSFE
10. Coly, Annette	GTZ	Principle Advisor PAEDP
11. Daraspe, Gérard	KfW	Office Director
12. Dikanda, Pierre Charles	MINSANTÉ	Program Manager
13. Dr. Eppel, Gerd	GTZ	Coordinator Health and AIDS Program
14. Dr. Kalk, Andreas	GTZ	Regional Director
15. Edou Alo'o, Cyrill	MINFI	Technical Advisor
16. Gnandjo, Charles Djouty	CAA	Head of Service for Multilateral and International Financing
17. Gwed-Bi-Miniyem, Joseph Claude	CAON	National Coordinator
18. Häming, Barbara	GTZ	Coordinator Decentralization and Local Development Assis-

		tance Program
19. Hegener, Kirsten	GTZ	Coordinator ProPSFE
20. Jeannée, Emile	EU Delegation	Head of Operations for Cooperation
21. Koung, André	Services du Premier Ministre	National Governance Program
22. Maïna Djoulde, Emanuel	MINSANTÉ	Head of Division for Cooperation
23. Mouncharou, Charles	MINFOF	PSFE
24. Murphy, Daniel	World Bank	Senior Country Officer
25. Ndoh Ndzie, Joseph	MINEPAT	Division for Cooperation with the Islamic World
26. Nigour, Alphonse	MINEPAT	Senior Officer Technical Follow-up Committee for Economic Program
27. Ntep, Rigobert	MINEP	Focal Point for PSFE
28. Owotsogo Onguene, Ambroise	MINEDUB	Head of Division for Planning of Cooperation Projects
29. Pountou, Ebénézer	CAA	Service for Multilateral and International Financing
30. Radeke, Helen	GTZ	Technical Advisor, PAEDP
31. Sorgho, Gaston	World Bank	Senior Public Health Specialist
32. Tantchou, Roland Yves	MINEPAT	Division for Cooperation with the Islamic World
33. Tchameni, Apollinaire	PASE	General Coordinator
34. Tommy, Delphine	EU Delegation	Program Manager for Economic and Commercial Projects
35. Wurthmann, Geerd	German Embassy	Development Advisor German Embassy Yaoundé
36. Zeydler, Mark	Consultant	Technical Assistance for Implementation of Development Projects