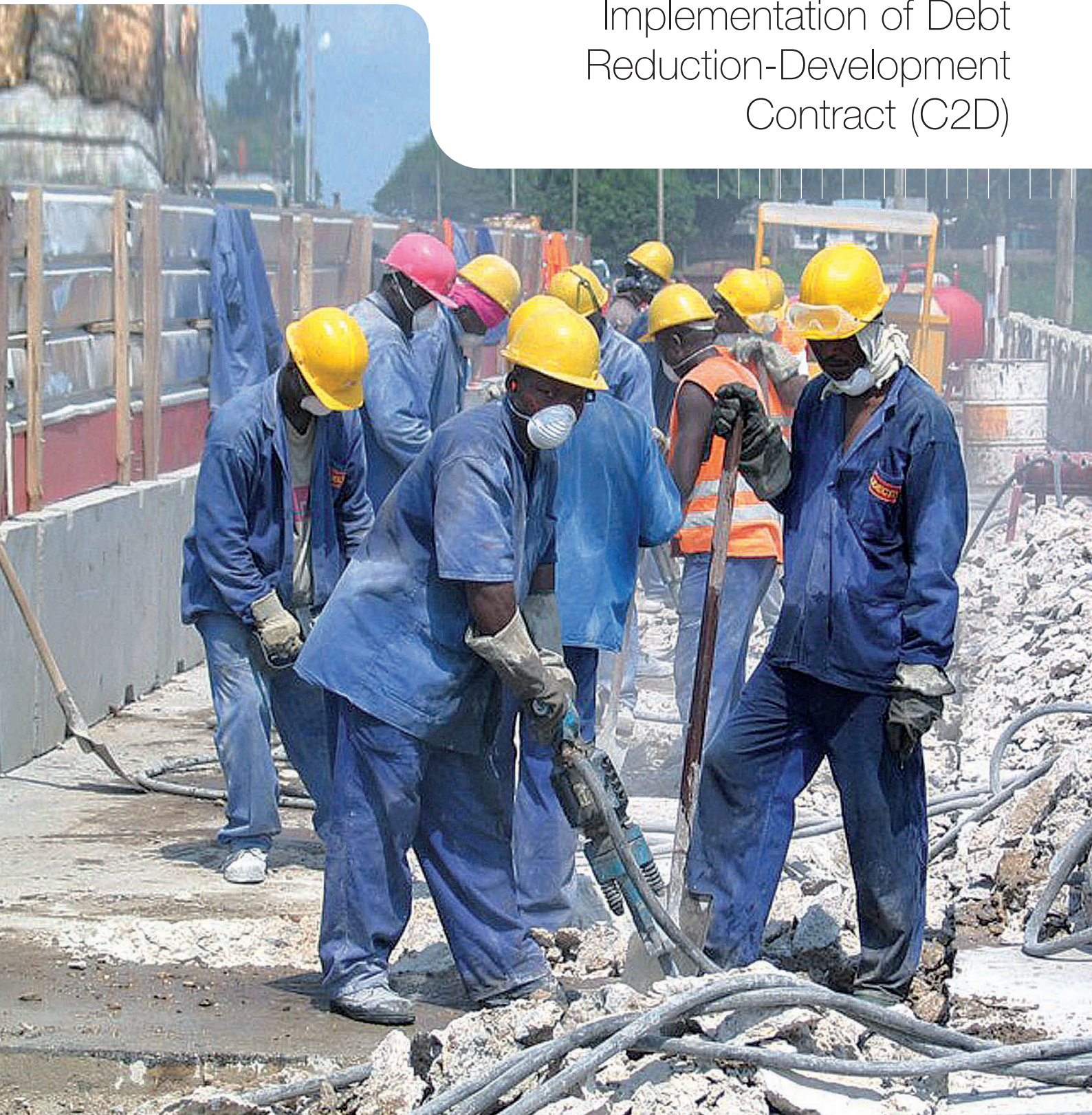


AFD IN CAMEROON

Implementation of Debt
Reduction-Development
Contract (C2D)



POVERTY REDUCTION AND SUPPORT OF SUSTAINABLE ECONO



The AFD group has been operating in Cameroon since the 1950s. Cameroon is a low-income country and experienced an economic crisis between 1985 and 1995, followed by renewed economic growth at an average annual rate of 5%. This economic recovery allowed the country to conclude a three-year program with the IMF, supported by the Poverty Reduction and Growth Facility (PRGF).

In October 2000, Cameroon reached the decision point of the Heavily Indebted Poor Countries Initiative (HIPC), resulting in debt service relief, and its completion point in April 2006, with resulting debt reduction. Bilateral debt relief, mainly from France, is supplementing debt reduction under multilateral initiatives. Under the additional French bilateral component of the HIPC Initiative, formalized through a Debt Reduction-Development Contract (C2D) cosigned by Cameroonian and French authorities, Cameroon shall receive French grants to refinance its debt repayment.

The first **Debt Reduction-Development Contract (C2D)** between Cameroon and France was signed on June 22, 2006, in Yaounde for an amount of FCFA 352.7 billion, or € 537 million, over five years. This contract is fully in line with the French-Cameroonian cooperation strategy articulated in the Partnership Framework Document (DCP) signed between the two countries in 2006. It aims to help reduce the poverty rate of 40% in 2001 to 25% by 2015, a key objective of the 2003 PRSP.

EDUCATION: PROVIDING RESOURCES TO FINANCE THE SECTOR STRATEGY



The Education component of the C2D supports the **teachers' recruitment programme**, in collaboration with the international Education for All/Fast Track Initiative (EFA/FTI) Catalytic Fund. Budget support totaling FCFA 24.6 billion combined with EFA and national resource funding have allowed the Ministry of Basic Education to start recruiting 13,300 new contract teachers since January 2007.

The Ministry plans to recruit more than 25,000 new teachers over the next five years, in order to increase primary school enrollment while improving the quality of education, and ultimately achieving universal primary education in Cameroon.

Resources from C2D participate also in strengthening of the management and the reform steering capacities of the

Ministry of Basic Education, in developing a partnership between the Government and private schools. They will also contribute to upgrade education services in several key geographical areas.

MIC GROWTH



ENVIRONMENT AND FORESTS: IMPROVING SUSTAINABLE MANAGEMENT OF FLORA AND FAUNA

C2D resources will contribute to the financing of the Forest and Environment Sector Program (PSFE), the Government's implementation arm of its forest policy. This program is open to financing from all donors as well as from civil society, NGOs and the private sector.

The PSFE aims to improve environmental management of forest activities, fauna and protected areas and to support community resources management. It also supports activities for capacity building, training and research. C2D financing will support sustainable management of forest and fauna resources in order to achieve a sustainable economic, ecological and social role for forest ecosystems.

C2D IMPLEMENTATION

The C2D is an innovative financing instrument. Its implementation brings together civil society and members of parliament from the two countries. Three-quarters of the total C2D funding have been committed in just one year. This attests to the high quality of the program preparation, which begun immediately after Cameroon's decision point in 2000, as well as the strong involvement of all stakeholders in both Cameroon and France. The remainder of the C2D funds will be committed in 2008.

In addition to supporting sustainable forest management and environmental protection, the first C2D focuses on four sectors to improve Cameroonians' living conditions, reduce poverty and promote economic growth: basic education, healthcare and the fight against AIDS, agriculture and rural development and the construction of essential infrastructures.

C2D INNOVATIONS

In many aspects, the C2D is an innovative approach of the French-Cameroonian partnership. Its preparation results from intensive consultations between AFD technical teams and their supervisory authority, Cameroon's Ministry of Finance and other ministries concerned. By contrast with current practices, and in line with the Paris Declaration on Aid Effectiveness, the C2D is based on tax-inclusive execution, full budgeting of resources and expenditures related to various programs (to ensure transparency of operations), the absence of a dedicated project unit operating outside of Cameroon's administrations, limited use of ad hoc or special financial arrangements, and procurement procedures fully aligned on national procedures.

Moreover, AFD and Cameroonian project owners have emphasized compliance with social and environmental standards while implementing the infrastructure project. For the first time, provisions related to Social and Environmental Responsibility (SER) have been included in bidding documents sent to potential contractors. As a result, the quality of submitted bids has significantly improved, enhancing the chances of success of the various programs. Finally, in order to reinforce local SMEs and to support job creation, bidding documents impose a minimum level for the participation of local subcontractors who are encouraged to partner with foreign contractors in case of large contracts.

SECTORS

INFRASTRUCTURES

- Urban C2D
- Roads C2D

RURAL DEVELOPMENT

ENVIRONMENT

HUMAN DEVELOPMENT

- Healthcare C2D – MINSANTE
- Education C2D – MINEDUB

CROSS-CUTTING COMPONENT (studies, audits, pilots ...)

TOTAL



PARTNERSHIP-BASED MONITORING SYSTEM MADE UP OF THREE BODIES

The Steering and Monitoring Committee (SMC) includes representatives of French and Cameroonian authorities as well as civil society and development partners. Its mission is to propose sectorial allocation of C2D funds and to monitor results. It is co-chaired by the French Ambassador and the Cameroonian Ministers of Economy and Finance. The Head of the European Commission's Delegation in Cameroon and two representatives of the multi-donor Committee also attend the SMC meetings.

The Bilateral Technical Committee (BTC) is in charge of the C2D technical and administrative monitoring. It examines the projects and programs proposed for C2D financing, validates terms of reference and feasibility study reports of research and audits carried out under C2D. Cameroon's team includes representatives of the Presidency, the Prime Minister, the Minister of Finance, the Minister of Programming and the chair of the Technical Committee for Program Monitoring. France's team includes representatives of AFD and of the economic and cooperation services of the French embassy in Cameroon.

The Technical Secretariat for program implementation is a permanent structure reporting to the Ministers of Economy and Finance. Its mission is to assist BTC in carrying out its mandates. The Secretariat centralizes and consolidates budget and accounting information related to C2D implementation.

The above institutional arrangement has demonstrated its effectiveness through concrete results (validation of selected sectors, initiating bids, signing of allocation agreements, etc.).

INFRASTRUCTURE: REHABILITATING ESSENTIAL INFRASTRUCTURE, STRENGTHENING CAMEROON'S SMEs AND PROMOTING JOBS CREATION



The C2D road component contributes to the financing of the National Roads Strategy, in coordination with the European Union, the African Development Bank, the German cooperation, and other donors. Projects are carried out by the Road Fund's equipment counter, created specifically for this purpose following the famous success of the maintenance counter in Cameroon. The effective collaboration between the Ministry of Public Works and the European Union has made it possible to put in place a common structure for building the ministry's capacities.

The C2D urban component supports city contracts negotiated between the Government, represented by the Ministry of Housing and Urban Development, and urban communities in Douala and Yaounde. It finances labor-intensive works as well as construction works needed to open up neighborhoods, to develop Yaounde's urban road system and to improve sanitation services in Douala. The bidding process aims to support the development of Cameroon's construction and civil works companies. Both French and Cameroonian authorities considered that this sector could be a driving force for economic growth and job creation.

AMOUNTS

(millions of euros/billions of FCFA)

230 / 150.9

115 / 75.4

115 / 75.4

73 / 47.9

20 / 13.1

180 / 118.1

90 / 59.0

90 / 59.0

34 / 22.3

537 / 352.2



AGRICULTURE AND RURAL DEVELOPMENT: SUPPORTING A KEY SECTOR OF CAMEROON'S ECONOMY

Agriculture and rural development (flagship areas of France-Cameroon cooperation) will benefit from a significant portion of C2D resources. The programs preparation was strongly coordinated by the Ministry of Agriculture and Rural Development and the Ministry of Livestock and Fisheries. They will support family farms, reinforce agricultural training and improve operations of deconcentrated structures of the two ministries. As such, they will contribute to the implementation of the rural sector development strategy presented to development partners in January 2006. Moreover, Rural Development under C2D contributes to the National Participatory Development Program (PNDP) and finances a pilot program on soil conservation in the North that may be scaled up at the national level.

HEALTH: SUPPORTING EXISTING REFORMS AND EXPANDING HEALTH SERVICES COVERAGE

Over the past five years, the Ministry of Health has been very proactive in implementing reforms that aim to improve the efficiency of the healthcare system. Additional resources brought by the C2D will foster the strengthening of the healthcare system and the capacities to manage, to plan and to regulate at the central and provincial level. The C2D healthcare component uses a two-pronged innovative approach: on the one hand, it finances a policy of contracting services with nonprofit private organizations with which the Government will sign performance contracts; and on the other hand, it contributes to the financing of a human resources emergency plan, including the recruitment of contractual personnel over five years.

Moreover, the Health C2D will deliver crucial resources to help finance programs against major endemic diseases (support for the Expanded Program on Immunization, tracking/screening and meeting the costs of assisting people living with HIV/AIDS), as well as a program to consolidate healthcare delivery in four priority provinces.



Agence Française de Développement (AFD - The French Development Agency) is a financial institution that is at the heart of France's Development Assistance policy. Its mission is to finance development.

Thanks to the broad line of financial tools that it has been able to engineer and enhance, AFD supports public authorities, the private sector and local associate networks, to implement a wide range of social and economic projects. AFD is thus present on five continents and in Overseas France.

AFD's actions in favor of economic growth and preservation of the environment fall directly within the framework of the Millennium Development Goals (MDGs).

AFD also contributes to the preservation of Global Public Goods and can react to crisis situations.

The Agency is also developing financial and intellectual partnerships with other donors and strives to increase French influence in the area of development.

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