

i. This World Bank Group Interim Strategy Note (ISN) extends the FY04-06 Country Assistance Strategy (CAS) to ensure that the next CAS—envisioned as a joint strategy with other development partners—is aligned with Cameroon’s second Poverty Reduction Strategy Paper (PRSP). The Government has begun revising the PRSP, with an expected completion date of early 2008.

ii. This ISN covers FY07-08. It takes into account several changes in the development context—changes that provide Cameroon with an unprecedented opportunity to accelerate development and get back on track for reaching the Millennium Development Goals (MDGs). Figure 2 provides a visual of key ISN elements.

iii. Cameroon reached the completion point of the Heavily Indebted Poor Countries (HIPC) Initiative in April 2006, freeing up significant resources for development. In addition to HIPC relief, Cameroon became eligible to receive additional assistance from the Multilateral Debt Relief Initiative (MDRI) and from official bilateral creditors belonging to the Paris Club group of countries. Total debt relief is estimated at about US\$265 million a year between 2006 and 2015.

iv. The HIPC completion point marks a significant shift in the relationship between the Government and international development partners. Given that debt relief has now been irrevocably granted and that Cameroon is one of the least aid-dependent countries in Africa, traditional conditionality approaches linked to “fresh aid” will have relative limited impact. This calls for new forms of partnerships between the Government, other national stakeholders and international partners, based on trust and mutual accountability.

v. The Paris High-Level Forum on aid effectiveness, held in March 2005, created new momentum to strengthen development effectiveness in Cameroon. An important outcome of the new emphasis on development effectiveness is the recent independent assessment of development partnerships—the first such assessment of this kind in francophone Africa.

vi. Improving development effectiveness will require improving the relatively weak state of governance and reducing the high prevalence of corruption. Cameroon’s political leadership and national stakeholders have begun to step up their resolve to do so. International development partners are providing stronger support for reform, forging a new approach in helping the Government and national stakeholders sustain and accelerate improvements in governance and efforts to reduce corruption.

vii. The World Bank Group will support Cameroon in taking advantage of the opportunities to accelerate development, guided by three principles: addressing governance including anticorruption efforts, reinforcing management for results, and strengthening partnership, alignment and harmonization.

viii. The Bank Group will directly support governance and anticorruption programs, in close collaboration with other international partners. It will also develop and implement explicit governance and anticorruption action plans for every IDA financing operation.

ix. To become a more effective partner and catalyst for development in Cameroon, the Bank Group will pursue all activities in close collaboration with international development partners. It will continue to support the Government’s leadership in implementing the Paris Declaration on aid effectiveness, including by developing more effective coordination and dialogue mechanisms, centered on the PRSP, and moving toward sector-wide approaches (SWAs).

x. The Bank Group will help Cameroon better manage for results by supporting the preparation of a revised, more results-based PRSP. At the same time, it will strengthen its own management for results by organizing and integrating all ISN activities around six outcome clusters. Multi-sectoral outcome teams have been set up for each cluster, each led by an outcome coordinator. The six outcome clusters and the main activities under each include the following:

- *Strengthening PRSP implementation:* Planned activities include policy dialogue and technical assistance to support revision of the PRSP, with a focus on sharpened priorities and an explicit results framework, including monitoring and evaluation mechanisms, as well as Economic and Sector Work (ESW) to

sharpen the PRSP gender focus.

- *Strengthening governance, including anticorruption and public finance management:* Activities include planned financing of an operation to increase transparency and accountability as well as planned programmatic support to strengthen public financial management as part of a multi-donor platform; ongoing policy dialogue and technical assistance to support implementation of the Extractives Industries Transparency Initiative (EITI); and support to anticorruption efforts. Corruption assessments will be conducted in key sectors as part of a coordinated support effort by international partners initiated by the Bank and linked to OECD-DAC efforts to develop a common anticorruption policy.
- *Fostering private sector development:* Activities include enhanced IFC support to small enterprises; stepped-up IFC/Bank policy dialogue and technical assistance to strengthen Cameroon's weak business climate, including through a jointly appointed senior IFC/Bank staff based in Cameroon; and support to tighter regional integration, through ongoing and planned financing of a regional payment systems operation and an operation to strengthen regional financial institutions.
- *Supporting infrastructure and urban development:* Activities include ongoing financing of the Douala infrastructure, the railway concession, and the regional air transport safety and security operations; planned financing of an urban and water, an energy sector, and a regional transport and trade facilitation operation; as well as ongoing policy dialogue on energy and a planned multipartner transport sector ESW.
- *Supporting the forestry and environment sectors and strengthening rural and agricultural development:* Activities include ongoing financing of the multi-partner-supported forestry and environment program, the community development program, and an operation to strengthen petroleum environment management capacity; an ongoing ESW on forestry reform; and a planned rural investment climate assessment with a gender focus as key input to the preparation of a SWAp in the agriculture sector.
- *Promoting human development:* Activities include financing of an ongoing operation to increase capacity in the education sector, an ongoing and a planned follow-up multi-sectoral HIV/AIDS operation, and planned support of a SWAp in the health sector.

xi. Results of the outcome clusters will be assessed annually, using the ISN results matrix (annex 1). Development effectiveness of Bank Group support will be measured with the recently developed Development Effectiveness Scorecard (annexes 4 and 5). This scorecard tracks implementation of 12 country-specific development effectiveness objectives, derived from the Paris Declaration on aid effectiveness. To further foster the Bank Group's management for results, the Bank's country office is being strengthened, including through decentralization of some international staff.

The preliminary estimate of IDA funds available for this ISN is about US\$220 million, with IDA funding provided on regular IDA credit terms. In addition, HIPC and MDRI debt relief during the ISN implementation period amounts to about US\$50 million. IFC funding for direct investments and technical assistance is also in addition to the IDA allocation. Full implementation of the envisaged ISN financing program, the precise nature of the lending instruments, and the final amounts to be allocated through them will be calibrated to the speed and depth with which governance, including anticorruption and public financial management reforms, yield results.