

# AFRICAN DEVELOPMENT BANK



## AGRICULTURAL PRODUCTION SUPPORT PROGRAMME IN CAMEROON (PARPAC)

### CAMEROON

#### APPRAISAL REPORT

June 2022

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# **AFRICAN DEVELOPMENT BANK**



## **CAMEROON**

### **AGRICULTURAL PRODUCTION SUPPORT PROGRAMME (PARPAC)**

#### **RDGC/AHAI DEPARTMENTS**

**July 2022**

**Translated Document**

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## **CURRENCY EQUIVALENTS**

*As of [20 June 2022]*

[Currency Unit] = [UA]

[UA] = [CFAF 826.42]

[UA] = [USD 1.35]

[UA] = [EUR 1.26]

## **FISCAL YEAR**

[January – December]

## **WEIGHTS AND MEASURES (if applicable)**

1 metric tonne = 2204 pounds (lbs)

1 kilogramme (kg) = 2.200 lbs

1 metre (m) = 3.28 feet (ft)

1 millimetre (mm) = 0.03937 inch (")

1 kilometre (km) = 0.62 mile

1 hectare (ha) = 2.471 acres

## ACRONYMS AND ABBREVIATIONS

<b>SBS</b>	Sector Budget Support
<b>AATF</b>	African Agricultural Technology Foundation
<b>AEFPF</b>	African Emergency Food Production Facility
<b>AFD</b>	French Development Agency
<b>AfDB</b>	African Development Bank
<b>BDEAC</b>	Development Bank of Central African States
<b>BEAC</b>	Bank of Central African States
<b>CDT</b>	Decentralised Local Authorities
<b>CEAC</b>	Centre for Education and Community Activities
<b>CEMAC</b>	Central African Economic and Monetary Community
<b>CFRAERFP</b>	Country Fiduciary Risk Assessment
<b>CMP</b>	Multi-stakeholder Committee
<b>CMP Agriculture</b>	Multi-stakeholder Committee, Agriculture Section
<b>COCM</b>	Cameroon Country Office
<b>CSFP</b>	Public Finance Sector Committee
<b>MFI</b>	Microfinance Institution
<b>CPIA</b>	Country Policy and Institutional Assessment
<b>CFAF</b>	Franc of Financial Cooperation in Central Africa
<b>FODECC</b>	Cocoa and Coffee Sector Development Fund
<b>GCF</b>	Green Climate Fund
<b>GDP</b>	Gross Domestic Product
<b>GHG</b>	Greenhouse gas
<b>GESP</b>	Growth and Employment Strategy Paper
<b>GFP</b>	Public Finance Management
<b>GRASSFIELD</b>	Project to Support Rural Infrastructure in the GRASSFIELD Region
<b>Ha</b>	Hectare
<b>HIPPEC</b>	Heavily Indebted Poor Countries
<b>IMF</b>	International Monetary Fund
<b>CPI</b>	Corruption Perception Index
<b>IRAD</b>	Agricultural Development Research Institute
<b>ISI</b>	Integrated Safeguard System
<b>MINADER</b>	Ministry of Agriculture and Rural Development
<b>MINEPAT</b>	Ministry of Economy, Planning and Regional Development
<b>MINEPIA</b>	Ministry of Livestock, Fisheries, and Livestock Industries
<b>MINFI</b>	Ministry of Finance
<b>NDC</b>	National Determined Contributions
<b>NPK</b>	Nitrogen Phosphorus Potassium
<b>PBO</b>	Policy Based Operations
<b>NGO</b>	Non-governmental Organization
<b>SDG</b>	Sustainable Development Goals
<b>PA</b>	Agricultural outposts
<b>PACCE</b>	Support Programme for Economic Growth and Competitiveness
<b>PARPAC</b>	Agricultural Production Support Programme in Cameroon
<b>PD-CVA</b>	<i>Agricultural Value Chains Development Project</i>
<b>PD-CVEP</b>	<i>Livestock and Fish Farming Value Chain Development Project</i>
<b>PEFA</b>	<i>Public Expenditure and Financial Accountability</i>
<b>PEFP</b>	Economic and Financial Programme
<b>PGPP</b>	Pest and Pesticide Management Plan
<b>PGRGFP</b>	Comprehensive Public Finance Management Reform Plan
<b>PREF</b>	CEMAC Economic and Financial Reform
<b>SVP</b>	Socially Vulnerable People
<b>PTF</b>	Technical and Financial Partners
<b>SME</b>	Small- and Medium-sized Enterprise
<b>SND30</b>	National Development Strategy (2020-2030)
<b>UA</b>	Unit of Account
<b>EU</b>	European Union
<b>USD</b>	<i>United States Dollar</i>
<b>WB</b>	World Bank
<b>WPF</b>	World Food Programme

## PROGRAMME INFORMATION

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### INSTRUMENT

AEFPF [Sector Budget Support]

### PBO DESIGN MODEL [Single multiple tranche operation]

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## PROGRAMME INFORMATION

### Client information

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#### BORROWER:

[Republic of Cameroon]

#### IMPLEMENTING AGENCY

[Ministry of Agriculture and Rural Development]

### Financing Plan

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Country	Source	Amount (UA)	Amount (EUR)	Instrument
Cameroon	AfDB	50 Million	62,993,500	(loan)
<b>TOTAL COST</b>		50 Million	<b>62,993,500</b>	

Loan Currency :	Euro
Loan Type :	Fully flexible loan
Maturity ::	To be determined (maximum period 25 years)
Grace Period : :	To be determined (maximum period 8 years)
Weighted Average Maturity **: :	To be determined (depending on the amortisation profile)
Repayment:	Half-yearly instalments at the end of the grace period
Interest Rate:	Base rate + borrowing cost margin + lending margin + maturity premium This interest rate must be equal to or higher than zero.
Base Rate :	Floating (6-month EURIBOR, revised on 1 February and 1 August, or any other acceptable rate), with a free base rate fixing option
Borrowing Cost Margin :	The Bank's borrowing cost margin, revised on 1 January and 1 July and applied on 1 February and 1 August with the base rate.
Loan Margin:	80 basis points (0.8%)

Maturity Premium:	<p>To be determined :</p> <p>0 % if weighted average maturity <math>\leq</math> 12.75 years</p> <p>- 0.10% if 12.75 years &lt; weighted average maturity <math>\leq</math> 15 years</p> <p>- 0.20% if weighted average maturity &gt; 15 years</p>
Opening Fee:	0.25% of the loan amount
Commitment Fee:	0.25% per annum on the undisbursed amount effective from 60 days following the date of signature of the Loan Agreement and payable on the interest payment dates.
Base Rate Conversion Option* :	<p>Besides the free fixing option, the Borrower may revert to the base rate or re-set the rate on all or part of the disbursed amount of the loan.</p> <p>Transaction fees apply.</p>
Cap or Collar Rate Option* :	<p>The Borrower may cap or collar the base rate for all or part of the disbursed amount of the loan.</p> <p>Transaction fees apply.</p>
Loan Currency Conversion Option*:	<p>The Borrower may change the currency of all or part of the loan, whether disbursed or undisbursed, into another lending currency of the Bank.</p> <p>Transaction fees apply.</p>

#### Timeframe - Key Milestones (expected)

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Programme approval	(15 July 2022)
Effectiveness	(July 2022)
Completion	(July 2024)
Last disbursement	(July 2024)

## EXECUTIVE SUMMARY

**The agricultural sector remains one of the engines of growth in Cameroon.** The food-producing, industrial and export agriculture sector is the main source of employment, accounting for nearly 60% in 2020. However, despite its high potential, the economic and social contribution of this sector remains below expectations in terms of poverty reduction and food security. According to WFP, about three (3) million Cameroonians are facing a food crisis, and over 6 million are under food stress. This situation affects both urban and rural areas of the country.

**The war in Ukraine has further aggravated the food deficits already created by the COVID-19 pandemic.** In terms of supplies and imports, Russia provided 43% of Cameroon's wheat imports and 45% of its fertilizer needs in 2020. WFP (April 2022) has reported a general increase of about 10% in food prices. For instance, the price of rice has risen by up to 15% compared to the December 2021 price. Wheat has increased by 10%, vegetable oils by 15% and up to 20% for palm oil, which is widely consumed in the country. Hence, the price of a 50 kg bag of wheat flour rose to CFAF 24,000 in March 2022, compared to CFAF 19,000 in December 2021, an increase of 26%. The price of a *baguette* (bread) has already risen from CFAF 125 to CFAF 150.

**In the short term, the increase in the price of agricultural inputs (the price of a 50 kg bag of urea has jumped from CFAF 20,000 in 2021 to CFAF 45,000) due to the Russian-Ukrainian conflict, led to a drop in their consumption.** Importers have limited their purchases and current stock levels are at their lowest (less than 10,000 tonnes). The decrease in the use of fertilizers and bio-stimulants should lead to a significant decrease in cereal production, resulting in an economic crisis for farmers and a food crisis for the entire population, with cumulative effects from one season to the next.

**The Agricultural Production Support Programme in Cameroon (PARPAC) is designed as a sector budget support (SBS) to provide resources to Cameroon.** These resources will be used to rapidly procure necessary agricultural inputs and facilitate outreach to farmers, while amplifying the dynamics of reforms indispensable for improving sector governance. Hence, the operation will focus on the agricultural sector and will support the implementation of institutional policies and reforms recently deployed but still not operational or undergoing review. The operation aligns with the plan to support import substitution policy for widely consumed agricultural products prepared by the government and the African Emergency Food Production Facility, and will help to attain the objectives of the three pillars of the Facility.

**The key objective of PARPAC is to boost the production of Cameroon's main agricultural crops (rice, maize, sorghum/millet, soybeans, potatoes, oil palm, and market garden crops/tomato) in the short and medium term to mitigate the impact of the food crisis** by supporting farmers and the government with resources to provide agricultural inputs (quality seeds or seedlings and fertilizers). It will also support agricultural extension and the implementation of food resilience measures, while minimizing the carbon impact, and taking measures to limit the vulnerability of production systems to climate risks.

**This support is articulated around two components both aimed at increasing food production:** (i) enhance food production by facilitating access to agricultural inputs and (ii) support the agricultural extension system and food resilience. These two components are each backed by specific reforms and actions to be taken as part of the project's strategic measures.

Therefore, PARPAC will ultimately make available 1,720 tonnes of certified rice seeds, 2,500 tonnes of certified maize seeds, 130 tonnes of sorghum seeds, 2,400 tonnes of potato seeds, 1,120,000 pre-germinated oil palm seeds, 132 tonnes of soya seeds, 4 tonnes of market garden/tomato seeds and 67 tonnes of wheat seeds for a total **CFAF 4,697,000,000**. Furthermore, with regard to fertilizers, the State subsidy of **CFAF 26,179,000,000**, representing **30%** of the cost of purchasing urea, NPK and other fertilizers for small-scale farmers, including women and other categories of socially vulnerable persons (SVPs) in the target sectors, distributed via the extension of an innovative digital platform already in use in the coffee/cocoa sectors, will make it possible to obtain: (i) 221,449 tonnes of maize from a farmed area of 100,000 ha; (ii) 172,000 tonnes of rice from a cultivated area of 28,667 ha; (iii) 9,750



tonnes of sorghum from 6,500 ha; (iv) 24,000 tonnes of potatoes from 1,500 ha; (v) 45,000 tonnes of palm oil from 2,500 ha; (vi) 4,000 tonnes of soya from 3,294 ha; and (vii) 120,000 tonnes of market garden crops/tomato from 12,000 ha. At the same time, (a) 1,550 agricultural outposts and 367 community action centres will be transferred to the municipalities; and (b) 1,550 extension workers and 376 community workers will be assigned to the agricultural outposts and the CEACs, at least 50% of whom will be women, thanks to which **2 million supervised farmers** throughout the country will be reached.

**One of the innovative aspects of PARPAC** will involve the digitisation of agricultural input distribution. The programme will contribute to the extension of the pilot phase of agricultural input distribution (currently limited to the coffee and cocoa sectors) to sectors targeted by this operation, thus bringing more transparency, inclusion, efficiency, and better governance to the management of public subsidies.

**At the same time, the Bank will maintain dialogue with the government, which will focus on rationalising the granting of agricultural input subsidies.** This area has long been fraught with practices that have served neither the government nor the farmers. For instance, farmers had developed a strong dependence on subsidies that were random, discriminatory, insufficient, and that came at the wrong time. Dialogue will also focus on strengthening the private sector in developing agricultural input distribution networks. The centralised procurement procedure through public tenders has tended to confine private operators to input import, with distribution handled by the Ministry of Agriculture. The result is a gap between input sellers and farmers that the government will not be able to bridge unless the obstacles that prevent private operators from expanding freely are removed. The same is true of public seed farms, which have hampered private sector development efforts. Specifically, PARPAC will support the reform involving the transfer of the seed farms to the private sector operators. Through this approach, it will be possible to get out of the logic of providing agricultural input subsidies, currently standing at 30%.

Furthermore, **the programme is classified in category II of the Bank's Gender Marker System** and actions carried out will reflect the role of women in Cameroonian agriculture, since they constitute the backbone of the country's agricultural labour force. Thus, the implementation of this project will help to (i) facilitate women's access to quality seeds and fertilisers in the same way as men, (ii) build their capacity on technical processes (iii) allow them to benefit from cash transfers to carry out income generating activities.

**The programme will be implemented by the Ministry of Agriculture as lead agency in collaboration with MINEPIA, MINEPAT and MINFI.** Thus, a Technical Monitoring Committee will be set up, chaired by the Minister of Agriculture and Rural Development and comprising the directorates and services concerned, including other ministries and national agencies such as IRAD. Monitoring will be done mainly through the national monitoring and evaluation system but will also integrate information and data from reliable sources, such as UN agencies.

**Disbursements from the operation will be made in two tranches to encourage the country to complete the agreed reforms, taking the fiduciary risk level into account.**

## I INTRODUCTION

1.1 Management hereby submits the following report and recommendation on a **EUR 69,993,500 million** (UA 50 million) loan proposal to Cameroon to finance the Agricultural Production Support Programme in Cameroon (PARPAC). This is a sector budget support for the African Emergency Food Production Facility (AEFPF) and will be implemented from 15 July 2022 to 15 July 2024. The programme was appraised on 15 June 2022. It is the result of a request from the Government of Cameroon dated 3 June 2022. The programme design took account of the principles of good practice in conditionality and the Bank Group's provisions on non-concessional debt accumulation policy (for ADF grant recipients and HIPC/MDRI debt relief). The programme aims to support food production in response to soaring agricultural input and commodity prices. Its operational policy objectives include (i) providing fertilizers and seeds for the main food and strategic commodities, and (ii) mobilizing advisory services for farmers (extension). It will help achieve the following expected results: (a) provide farmers with 17,310 tonnes of fertiliser, and (b) supply multipliers with 6,953 tonnes of certified seed, 376.5 tonnes of basic seed and parents of hybrids (maize), 1,225,200 farmers engaged, 175,247 ha sown, and 1,500 technical supervisors mobilized.

## II CONTEXT

### 2.1 *Economic, Agricultural and Social Context*

2.1.1 **Economic Impact Analysis.** Cameroon's economic situation showed signs of improvement in 2021 after enduring the effects of the global COVID-19 pandemic in 1920. However, this relatively favourable outlook is undermined by the effects of international tensions. Therefore, the initially expected growth of 4.2% in 2022 (IMF) could be significantly reduced and inflation much higher than the 3% projected community convergence threshold (IMF). The budget deficit that had been contained at 2.4% of GDP in 2021 and was not expected to exceed 2% of GDP in 2022 could also worsen.

2.1.2 **The impact of the conflict in Ukraine is felt at different levels. The rise in the price of energy commodities (oil, gas and by-products) is increasing the cost of freight for imports/exports and affecting the domestic transport sector. This situation led the government to prepare an amended Finance Act in June 2022** that increases the total amount of the budget by 5.7% on the revenue side with the increase in the price of oil (budgeted at USD 64 per barrel in the initial finance law, against a price regularly well above USD 100), and on the expenditure side with an increase in personnel costs, as well as an increase in subsidies in order not to pass on the increase in prices at the pump. As a result, the budgetary allocation for 'subsidies and contributions' increased from CFAF 265.4 billion to CFAF 625.4 billion, i.e. an increase of CFAF 360 billion out of a total budget of CFAF 6 080 billion in revenue and expenditure.

2.1.3 **Agricultural Impact Analysis.** The agricultural sector is among the driving forces of Cameroon's growth and one of the foundations of structural transformation for economic diversification and resilience to exogenous shocks. The dynamism of food crop farming has given Cameroon the status of the "breadbasket of Central Africa". Generally, this sector faces difficulties, including an infrastructure deficit that affects the opening up of production basins; post-harvest losses that sometimes wipe out 40% of food production (the average travel time between production basins and markets could reach 2 to 6 hours for distances of 100 to 200 km); a lack of high-yielding plant varieties (only 12% of farmers use improved seeds); limited access to financing; and a lack of skilled labour that is essential for the transition to second-generation agriculture. The food-producing, industrial and export agriculture sector is also the main provider of employment, accounting for nearly 60% of the total workforce in 2020. Given its great potential, the economic and social contribution of this sector remains below expectations in terms of poverty reduction and food security. According to the results of the WFP harmonised framework, about 2.8 million Cameroonians are facing a food crisis, and more than 6 million are under food stress. This food insecurity affects both urban and rural areas (22% and 10.5% of rural and urban households, respectively).

2.1.4 **The war in Ukraine has further deepened the food deficits already caused by the COVID-19 pandemic.** In terms of supply and imports, it should be noted that Russia provided 43% and 45% of Cameroon's wheat and fertilizer imports in 2020, respectively. The WFP (April 2022) notes an overall increase of about 10% in food prices. For instance, the price of rice has risen by up to 15% compared to the December 2021 price. Wheat has increased by 10%, vegetable oils by 15% and up to 20% for palm oil, which is widely consumed in the country both by households and processing

industries. As a result, the price of a 50 kg bag of wheat flour rose in March 2022 to XAF 24,000 from XAF 19,000 in December 2021 (+26%). The price of a baguette (bread) has already risen from XAF 125 to XAF 150. This price increase is higher for products such as plantain and white sorghum, with increases of 55.9% and 66.7% respectively at the domestic level in December 2021 compared to the last five years' average. Maize and rice (imported and local) also increased by between 20% and 30% at the national level. Cowpea prices have more than doubled in markets in the Far North (+161% in Yagoua) compared to the five-year average.

**2.1.5 In the short term, the increase in the price of agricultural inputs (e.g. urea, the price of a 50kg bag of which rose from CFAF 20,000 in 2021 to CFAF 45,000) due to the crisis in Ukraine, has led to a decrease in their consumption.** For instance, in June 2022, consumption of fertiliser for maize was only a quarter of the level of previous years. Therefore, importers have restricted their purchases and current stock levels are at their lowest (less than 10,000 tonnes). With the blocking of logistics chains (exclusion of Russian banks from the Swift system, embargo, blockade of mined Ukrainian ports, lack of viable alternatives), it could be difficult to replenish these stocks and even to supply the market normally if demand returns to its pre-crisis level. The drop in the use of fertilizers and bio-stimulants should trigger a significant decrease in cereal production, resulting in an economic crisis for farmers and a food crisis for the entire population, with cumulative effects from one season to the other. To cope, the government must mobilize financial resources to prevent the vicious circle of serial bankruptcies, at a time when the Ministry of Agriculture and Rural Development (MINADER) had only CFAF 87 billion in the 2021 budget (i.e. 1.5% of the overall budget).

**2.1.6 Social Impact Assessment: The country is in a fragile social situation** marked by (i) the socio-political and security crisis in the Northwest and Southwest regions, (ii) high security risks in the Far North region, (iii) climatic risks (floods or landslides) and social unrest such as the recent agro-pastoral conflicts in the northern part of the country, which have led to the massive displacement of people and their precarity, and (iv) the deterioration of markets and prices. All this will lead to increased underemployment, poverty and food as well as nutritional insecurity of the people, including rural women, in the short, medium and long term. Social fragility is exacerbated by the negative impact of the HIV/AIDS pandemic on the daily lives of Cameroonians, particularly the socially vulnerable such as children, the disabled, the elderly, internally displaced persons, women, youths, indigenous people, etc. These socially vulnerable persons (SVPs) represent over 2/3 of Cameroon's total population. These socially vulnerable categories, already under pressure, are now suffering the full force of the repercussions of the war in Ukraine, as seen in the increase in the price of mass consumer products (bread, rice, oil, fish, etc.) and other necessities.

**2.1.7 Analysis of Governance and Transparency: Cameroon's public finance management system has been undergoing a thorough modernization over the past decade.** This dynamism was reflected in the adoption of a new legal framework defined by the Law on the State Financial Regime in December 2007 (LRFE), one of the major innovations of which was the introduction of programme-based budgeting. The implementation of the harmonized public finance management framework, resulting from the CEMAC directives of December 2011, followed this work, as well as various legal texts that were enacted, incorporating all of the directives into national law, even if their full implementation is not yet effective. Notwithstanding an improvement in the budget preparation process, PEFA 2017 identifies weaknesses in PFM in Cameroon. These weaknesses have led to the formulation of several plans to improve public finance management, the latest of which is the Global Public Finance Management Reform Plan (PGRGFP) 2019-2021, updated in December 2021 to 2022-2023. Developed using a participatory (with TFPs) and inclusive approach, this plan aims to improve PEFA performance indicators and ensure the implementation of the provisions of the laws and regulations transposing the directives of the CEMAC harmonized framework.

**2.1.8 In terms of governance, *Transparency International's ranking on the Corruption Perception Index (CPI)* between 2020 and 2021 shows that Cameroon performed rather poorly in terms of governance and the fight against corruption, although it did gain two points between 2020 and 2021** (it ranked 144<sup>th</sup> out of 180 countries in 2021 with a score of 27 out of 100, compared to 25 points out of 100 in 2020 for the 149<sup>th</sup> rank out of 180 countries ranked). Similarly, the Mo Ibrahim Index of African Governance shows a slight deterioration in governance in Cameroon between 2017 and 2019. With a total of 43.5 points in 2019, the country ranked 37<sup>th</sup> out of 54 countries, against 43.2 points in 2018 for 38<sup>th</sup> place and 43.9 points in 2017 for 36<sup>th</sup> place.

**2.1.9 In contrast, under the governance indicator of the Bank's Country Policy and Institutional Assessment (CPIA), Cameroon is above the average in Africa with a score of 4.0561 in 2021 against a continental average**

**of 3.5 on 6.** The country's performance under this indicator has deteriorated slightly in recent years, from a score of 4.2 in 2016 and 2018 to 4.1 in 2020. This performance can be linked to the scores of the "Governance" sub-indicators, including property rights and governance based on the rule of law; quality of budgetary and financial management; quality of public administration; transparency, accountability and corruption in the public sector.

### III RATIONALE AND KEY DESIGN ELEMENTS

#### 3.1 Rationale

**3.1.1 PARPAC is a sector budget support (SBS) operation to provide resources for Cameroon.** These resources will facilitate the rapid procurement of necessary agricultural inputs and guidance to farmers, as well as fire up the momentum for reforms required to improve governance in the sector. The operation will focus on the agricultural sector, as well as support for implementing policies and institutional reforms that have recently been initiated but are not yet operational or are undergoing review. Cameroon meets the five (5) eligibility criteria applicable to the Bank's SBS operations, namely: (i) macro-economic stability, (ii) political stability, (iii) commitment to poverty reduction, (iv) satisfactory fiduciary risk assessment, and (v) harmonization, as demonstrated by strong coordination among development partners (Annex 2).

**3.1.2 The proposed SBS is in line with the Bank's High 5s, particularly "Feed Africa" and "Improve the quality of life for the people of Africa."** PARPAC aims to contribute to a sustainable increase in food production and reduce the country's exposure to imports and external shocks. The operation is part of the African Emergency Food Production Facility and will help to achieve the objectives of the Facility's three pillars since it will focus on access to agricultural inputs (improved seeds and fertilizers), support for extension services, and sector reforms. It should be noted that due to its exposure, sensitivity and low adaptation capacity, Cameroon remains highly vulnerable to climate change. The projected trend of increased temperature and decreased rainfall in some areas will result in lower agricultural yields and livestock productivity. The programme is also consistent with CSP 2015-2020 for Cameroon, extended to end-2022, especially Pillar II on "strengthening sector governance for efficient and sustained structural investment", the plan to support the import substitution policy for widely consumed agricultural products in Cameroon, particularly Thrust 1 on improving access to and availability of fertilizers and pesticides for food crop production, Thrust 2 on supporting mass consumer cereal production and Thrust 3 on intensifying the production of short-cycle crops and product substitution.

**3.1.3 As part of its 2020-2030 development strategy (SND30), the government has underscored the import-substitution policy as a tool for economic diversification and for reducing the country's structural trade balance deficit.** A plan to support the production and processing of consumer goods was drawn up in 2020. The sector-based variation of the plan aims at significantly increasing the production of food crops in the agricultural sub-sector to ensure food security and provide sufficient raw materials for the agri-food industries. Accordingly, efforts will first be devoted to reviving and supporting food production. Then the priority will be to open up the agro-pastoral and fisheries production basins. Lastly, measures on mechanization will be intensified to boost productivity, while minimizing the carbon footprint.

**3.1.4 The levers for intensifying the production of mass consumer crops (rice, maize, fish, milk and wheat) as well as those for increasing the production and promotion of substitute crops (cassava, plantain, potatoes, vegetables and oil palm) have been retained.** Besides these levers, support for (i) improving access to meteorological, climatic and hydrological information for climate change-resilient agriculture will be supported by resources to be mobilized under the Green Climate Fund, and (ii) improving access to climate-smart agricultural technologies at farm and institutional levels (including increasing access to water for agriculture through climate-resilient irrigation systems and water resource management, promoting climate-resilient agricultural production and diversification through access to climate-resistant inputs and practices, and promoting sustainable agricultural systems that reduce deforestation and forest degradation). However, challenges relating to (a) access to fertilizers and improved seeds, (b) post-harvest losses, and (c) support to infrastructure and production equipment persist.

**3.1.5 The Bank's operations in the agricultural sector in Cameroon since 2000 have focused on (i) upgrading agricultural research to create technological innovations that can boost production, and (ii) maintaining pre-basic seeds and producing basic seeds.** More recently, it has been involved in the agro pastoral and fisheries value chains (GRASSFIELD, PD-CVA and PD-CVEP), particularly potatoes, rice, maize, pineapples, plantains, palm oil,

fish, cattle and pig farming. Interventions in these sectors give the Bank a comparative advantage. These are necessary for the success of the present operation, which essentially focuses on providing fertilizers and improved seeds, as well as advisory services to farmers. Complementarities are recorded by World Bank operations on cassava and sorghum, the EU's on the input subsidy procedures manual, IFAD's on rice and aquaculture and AFD's on agricultural entrepreneurship. Lastly, complementarities will also be observed in the context of the project being developed on climate change-resilient agriculture, targeting the Green Climate Fund (GCF) as donor.

### **3.2 Collaboration and Coordination with other Development Partners**

**3.2.1 This support for Cameroon was prepared in consultation with other development partners active in the agricultural sector in the country (FAO, IFAD, EU, WB, IITA, AFD, and WFP). They are working with the government to address the external shocks resulting from the crisis in Ukraine.** The concerted efforts aimed at strengthening the synergies and alignment of operations and the various programmes carried out for maximum and effective impact. Thus, PARPAC proposes to use and expand the pilot "Producers' Window" mechanism - of which digital is a key aspect - administered by FODECC and financed by the European Union through sector budget support for agriculture. During the appraisal mission, the Bank also collaborated with the TFPs active in the agricultural sector or supportive of the reforms. The Bank will continue these consultations during the implementation phase to address government priorities, reforms, programmes, needs and opportunities for additional funding in the future.

### **3.4 Application of the Good Practice Principles on Conditionalities**

**3.4.1 In keeping with the international consensus on best practices as reflected in the Bank Group's Policy Paper for Programme-Based Operations (PBO)**<sup>i</sup>, this project aligns with good practice principles on conditionalities, to ensure country ownership, shared responsibility, predictability of disbursements, and realism of measures retained. The Bank's financing is also based on conditionalities. All measures retained under the programme were proposed by various State structures and validated by the authorities after verification of their feasibility. The predictability of disbursements is guaranteed by the announcement of the amounts of the two tranches of budget support for the programme.

## **IV THE PROPOSED PROGRAMME**

### **4.1 Programme Objective**

**4.1.1 PARPAC's main objective is to boost the production of Cameroon's main agricultural crops (rice, maize, sorghum/millet, soybeans, potatoes, oil palm, and market garden crops/tomato) in the short and medium term. This is to mitigate the impact of the food crisis** by assisting farmers and the government with the necessary resources to supply agricultural inputs (quality seeds or seedlings, and fertilisers), as well as through support for agricultural extension and the implementation of food resilience measures, while minimising the carbon footprint and taking measures to limit the vulnerability of production systems to climate risks.

### **4.2 Programme Components**

**4.2.1 The emergency response to the government's food production support plan has led to limiting PARPAC's scope to mobilizing essential production factors, including seeds and fertilizers, as well as agricultural advisory and extension/research services.** The reform measures necessary for mobilizing these factors will also be addressed in collaboration with agro-dealers, commercial banks, microfinance institutions (MFIs), farmers' and breeders' organizations. The selected intervention areas are in line with AEFPP's priorities and TAAT's philosophy. The operationalisation of the procedures manual for agricultural subsidies approved in 2019 and the digitization of the agricultural sectors (the pilot phase of which is underway with the implementation of the FODECC "Producers' Window" for the cocoa/coffee sectors) will constitute the key reforms.

**4.2.2 The PARPAC sector budget support is articulated around two components, both of which aim to boost food production by** (i) facilitating access to agricultural inputs and (ii) providing support for the agricultural extension system and food resilience. These two components are each accompanied by specific reforms and actions to be taken as part of the project's strategic measures.

### **Component 1: Boost Food Production by Facilitating Access to Agricultural Inputs**

Through this component, the programme will initially support the prompt provision of agricultural inputs (improved seeds and seedlings and fertilizers). From 2022 and in partnership with agro-dealers, it will also support a 30% subsidy



for the procurement of NPK, urea and other nutrients that provide essential inputs to improve productivity for small-scale farmers. In 2023, the use of the Producer Gateway mechanism, which is already in place and fully functional, will be extended to the target food sectors. Furthermore, the SBS will also serve to operationalize the procedures manual for subsidizing productive agricultural inputs and equipment in Cameroon through sensitization and extension workshops nationwide. Regarding **access to improved seeds and seedlings**, quality seeds and seedlings provide the first lever for increasing yields. The project will work with IRAD and the subsidy committee to provide available pre-basic and basic seeds, as well as acquire seeds from suppliers for the current agricultural season. At the same time, the project will support working sessions of the committee as outlined in its founding act, to plan the seed requirements for the subsequent seasons, production of which will be IRAD's responsibility.

**Expected results/outcomes:** Over time, PARPAC will help provide 1,720 tonnes of certified rice seed, 2,500 tonnes of certified maize seed, 130 tonnes of sorghum seed, 2,400 tonnes of potato seed, 1,120,000 pre-germinated oil palm seeds, 132 tonnes of soya seed, 4 tonnes of market garden/tomato seeds and 67 tonnes of wheat seed, for a total **CFAF 4,697,992,000**. Moreover, with regard to fertilizers, the state subsidy of **CFAF 26,179,000,000**, representing **30%** of the cost of purchasing urea, NPK and other fertilizers for smallholders, including women in the target sectors, distributed via the extension of the producers' outlet mechanism, will help attain the following targets by sector: (i) 221,449 tonnes of maize from 100,000 ha, (ii) 172,000 tonnes of rice from 28,667 ha, (iii) 9,750 tonnes of sorghum from 6,500 ha, (iv) 24,000 tonnes of potatoes from 1,500 ha, (v) 45,000 tonnes of palm oil from 2,500 ha, (vi) 4,000 tonnes of soya from 3,294 ha, and (vii) 120,000 tonnes of market garden crops/tomatoes from 12,000 ha and MINEPA outcomes. Lastly, this component also helps to extend the digital input distribution platform to targeted sectors. Besides, it will initiate the process of putting an end to state-owned seed farms, thus opening the way for the private sector.

**Component 2: Support for Agricultural Extension and Food Resilience.** *This component will support agricultural advisory and extension services, as well as strengthen food resilience through medium- and long-term actions and measures.* Through sector budget support, the government will back efforts to decentralize the advisory support system to strengthen the proximity, mobility and capacity of producers and to share good farming practices. Therefore, the number of decentralized extension workers will increase from zero (0) currently to 1,550 by 2023, of which at least 30% women.

At the same time, this component will also support sustainable efforts to improve food resilience in Cameroon, through the retrocession of agricultural outposts (AOs) and community education and action centres (CEACs) to the municipalities, support the posting of agricultural outpost staff, operationalize reform framework contracts, analyse the industrial performance of the four varieties of wheat identified by the country for large-scale deployment, introduce local flour into the composition of bread, set up apex producer organizations in the cereal, market garden and potato subsectors, and promote climate-smart agriculture and technologies.

Expected results/outcomes: (i) 1,650 agricultural outposts and 367 community action centres transferred to municipalities, (ii) 1650 extension workers and 376 community officers assigned to agricultural outposts and CEACs, at least 50% of whom are women, (iii) 2,000,000 men and women farmers supervised, (iv) 1,000,000 technical data sheets produced and distributed to farmers, (v) training sessions for extension workers, including climate-resilient techniques and practices, and (vi) 1,500 motorcycles procured to ensure the mobility of extension workers.

### **4.3 Financing Needs**

**4.3.1 Total revenue in 2022 is projected at CFAF 3,996 billion against total expenditure of CFAF 4,631 billion, resulting in a budget deficit (cash basis, excluding grants) of CFAF 735 billion.** The Bank will contribute CFAF 41.32 billion as external financing of this deficit, representing 17.97% of the financing needs, in the form of budget support to address the crisis. The remaining balance will be covered by the Bank's general budget support (CFAF 53 billion), the World Bank (CFAF 59 billion), the French Development Agency (CFAF 46 billion) and the IMF (CFAF 69 billion). The specific financing needs of the agricultural sector for 2022 amount to CFAF 159.557 billion (MINADER, MINEPIA and MINRESI). The current operation will help to cover these needs.

Table 2: Financing Needs (CFAF billion)		
	2022	2023
<b>Total revenue</b>	<b>3 996</b>	<b>4 535</b>
<b>Total expenditure</b>	<b>4 631</b>	<b>4 720</b>
including - Interest payments	240	213
- Investment	1 479	1 651
<b>Balance (commitment basis, excluding grants)</b>	<b>-635</b>	<b>-185</b>
Arrears variations (=reduction)	<b>-100</b>	<b>-148</b>
<b>Overall balance (cash basis, excl. grants)</b>	<b>-735</b>	<b>-333</b>
Financing	508	200
- External	336	120
- Domestic	172	80
<b>Financing gap</b>	<b>227</b>	<b>133</b>
<b>Expected financing</b>	<b>227</b>	<b>-</b>
- AfDB (general budget support and crisis response)	94	To be determined
- World Bank	59	To be determined
- AFD	46	26
- IMF	69	To be determined
<b>Residual financing gap</b>	<b>-</b>	<b>107</b>
Sources: Government/IMF/AfDB		

## 4.4 Programme Beneficiaries

4.4.1 The programme's direct beneficiaries include (i) the Cameroonian State, through budget support to provide resources to sustain the demand for inputs and lighten the burden on farmers facing the soaring costs of inputs; (ii) farmers, who will benefit from a 30% reduction in input prices and better supervision on the ground, (iii) input importers and distributors whose demand for inputs will be maintained at the usual level, thanks to the support provided to farmers, (iii) the Cameroonian people, mainly women, since PARPAC will help to curb the increase in the price of agricultural commodities, and (iv) companies in the oilseed and cereal sectors. PARPAC sets out phased and strong measures that will help to reduce the population's exposure and build their resilience to the food crisis. The private sector will also benefit from this support thanks to a number of reforms that, once implemented, will help to improve investment conditions at all levels of the value chain of the targeted commodities, including for MSMEs.

## 4.5 Actions Precedent, Conditions for the Release of Tranches or Triggers

4.5.1. The actions precedent to presentation of this appraisal report to the Bank's Board of Directors are as follows:

**Table 3:** Actions Precedent to Board Presentation

Actions Precedent	Evidence
Improved planning and programming of seed production by holding a meeting of the Subsidy Committee to consolidate basic needs and hybrid parents	Signed minutes of the Grant Committee meeting to consolidate basic needs and hybrid parents.
Assignment of staff to agricultural outposts	Decision of the Minister of Agriculture and Rural Development to assign agricultural extension and advisory officers (for at least 1,500 staff).

4.5.2. Conditions precedent to the disbursement of the first tranche of the loan are as follows:

**Table 4:** Conditions Precedent to the Disbursement of the First Tranche (56.68%) of the Loan

Conditions Precedent
i) Provide the Bank with evidence of the existence of a Borrower's treasury account in the books of the Bank of Central African States (BEAC) into which the loan resources will be transferred
ii) Provide the Bank with a report on the cash flow audit conducted by the Audit Bench of the Supreme Court of Cameroon on the emergency budget support operation in response to the COVID-19 crisis, satisfactory to the Bank.

4.5.3. Conditions precedent to the disbursement of the second tranche of the loan are as follows:

**Table 5: Conditions Precedent to the Disbursement of the Second Tranche (43.32%) of the Loan**

Conditions Precedent	
i)	Signature of the technical assistance contract and notification of the service order for the extension of the subsidy management system to food subsectors (FODECC Producers' Window)
ii)	Provide the Bank with evidence of launching the process of transferring public seed farms to private operators
iii)	Provide the Bank with evidence of training 100 multipliers of composite seeds and hybrids
iv)	Provide the Bank with evidence of handing over agricultural outposts (AO) and community education and action centres (CEAC) to the municipalities
v)	Provide the Bank with evidence of analysing the 4 varieties of wheat for intensive and industrial use
vi)	Provide the Bank with evidence of adopting a National Wheat Farming Development Plan
vii)	Provide the Bank with evidence of adopting a Pest and Pesticide Management Action Plan.

## 4.6 Policy Dialogue

**4.6.1 The dialogue will focus on rationalizing the granting of subsidies for agricultural inputs.** This area has long been the focus of practices that have not served either the government or farmers. For instance, farmers had developed a strong dependence on subsidies that were not only random, discriminatory and inadequate, but also arrived at the wrong time. Furthermore, the subsidies limited the efforts of private importers to develop distribution networks. In response, a procedures manual was prepared in 2019 and built on the national agro-pastoral subsidy policy guide developed and validated in 2018, which sets out the seven guiding principles for subsidy provision to all stakeholders using public resources, namely: (i) equity, (ii) transparency, (iii) beneficiary involvement and accountability, (iv) neutrality and impartiality, (v) traceability, (vi) strengthening the private sector and civil society, and (vii) mainstreaming the dynamics of decentralization. The extension of the FODECC "Producer Window" from the cocoa/coffee sectors to other agricultural sectors is also an essential part of the programme. With specific regard to seeds, dialogue will focus on planning and programming basic seed needs and parental lines of hybrids, as well as transfer of public seed farms to private operators. The transfer of agricultural extension services to municipalities is another reform that will foster greater proximity and efficiency since staff will be closer to the farmers.

## 4.7 Social Impacts

**4.7.1 Gender: The project is classified as Category II under the Bank's Gender Marker System.** A gender action plan will be annexed to this report to highlight all activities and measures to be taken to ensure that the programme benefits women and men equally. Women represent 50.5% of the national population and provide the backbone of the country's agricultural labour force. Fifty to seventy percent of rural women are involved in growing food crops, raising livestock and developing non-timber forest products, thereby playing a key role in self-sufficiency and food security. The project's implementation will facilitate (i) women's access to quality seeds and fertilizers in the same way as men, (ii) capacity building services on technical know-how, and (iii) cash transfers to carry out income-generating activities. All of these actions combined would help to fight food insecurity and improve the quality of life for the people of Cameroon.

**4.7.2 Social Vulnerability:** Rising global food prices are deepening the food crisis and hunger in Cameroon. Soaring global food prices have a negative impact on Cameroonian markets, particularly for wheat and wheat-based products - directly affecting households with low purchasing power. Indirectly, higher fuel prices also have an impact on the transportation, production and cost of key food products. The immediate and negative consequence of the conflict is felt in the construction sector and on employment. The proposed budgetary support for agricultural inputs will help to secure rural employment, and by improving productivity, reduce pressure on food prices and make them accessible to the most fragile segments of the population.

## 4.8 Environmental and Social Impact

**4.8.1** Per the provisions of the national environmental and social assessment legislation, and in line with the requirements of the Bank's ISS, Category 2 has been retained for environmental risk in relation to activities planned under this programme. The chemicals (herbicides, insecticides, fungicides, etc.) that will certainly accompany the use of seeds and fertilisers in some areas will inevitably have negative environmental impacts that will need to be managed. However, these risks and negative impacts will not be significant for the environment and human health if they are adequately anticipated and managed.



4.8.2. In line with the Bank's ISS provision for short-term emergency relief operations, in the case of AEFPP-supported operations, no E&S safeguards will be prepared and disclosed prior to presentation of the project to the Board. However, in the implementation phase, the required E&S documents (Pest Management Plan, etc.) will be prepared by the Borrower, reviewed by the Bank, approved and published by the Borrower and then published by the Bank prior to the implementation of risk-bearing activities (distribution and use of synthetic chemical inputs, etc.). E&S documents will be implemented by all stakeholders to prevent and manage environmental risks associated with the use of plant protection products, while also promoting sustainable agricultural practices.

4.8.3. The programme will help to implement sustainable agriculture measures through improved land use management and the application of good environmental practices such as the integration of legumes into crop cycles to reduce the need for nitrogen fertilisers. Furthermore, the Borrower will do its utmost to prevent possible land conflicts between farmers and/or farmers and herders in the programme impact area. It will sensitize direct beneficiaries to fully embrace the programme and promote resilient endogenous farming practices.

4.8.4. **E&S Compliance:** Quarterly reports on the implementation of E&S measures as well as annual E&S performance audit reports will be shared with the Bank and stakeholders. ESCON confirms the project's compliance with the Bank's environmental and social requirements prior to approval; these requirements are reflected in the financing agreement.

## **4.9. Climate Change and Green Growth**

4.9.1 **Given Cameroon's exposure, sensitivity and low adaptation capacity, it remains highly vulnerable to climate change.** According to the Nationally Determined Contribution (NDC) document, extreme weather and climate conditions such as droughts and floods are expected to be more frequent in Cameroon, with negative impacts on human health and life. The projected trend of rising temperatures and declining rainfall in some areas will result in lower agricultural yields and livestock productivity due to water shortages, among other factors. A 7% reduction in rainfall in Cameroon is expected to cause a decline in agricultural productivity equivalent to USD 2.86 billion, while a 14% decrease in rainfall would result in crop losses equivalent to USD 3.48 billion. Similarly, a temperature increase of 2.5°C could result in a USD 0.79 billion decrease in net income from agricultural production. This increase in temperature may also have a negative impact on dry lands and irrigation facilities in the Sudano-Sahelian zone, resulting in significant economic losses. Not only is the agricultural sector highly vulnerable to climate change, but it is also considered the largest source of greenhouse gas emissions. The clearing of forests and wooded savannahs for agricultural production is one of the main emitters of carbon dioxide, making agriculture one of the main drivers of deforestation and forest degradation in Cameroon. Hence, there it is necessary to combine this initiative with the one on integrated and climate change resilient agriculture developed under the African Climate Change Fund (ACCF) project, which aims to mobilize about USD 80 million from the Green Climate Fund (GCF).

4.9.2 **The project is classified in Category 2 of the Climate Safeguard System.** Under Component 2, it includes provision to promote climate-smart agriculture to mitigate climate shocks. The complementary project to this initiative, currently being developed for GCF, also aims to strengthen the resilience of supported production systems. The project aligns with the objectives of Cameroon's revised National Determined Contribution (NDC) 2021. In its NDC, the country has committed to reduce greenhouse gas (GHG) emissions by 35% by 2030 as well as reduce the carbon footprint of its development.

## **4.10 Vulnerability and Resilience**

4.10.1 According to the Country Resilience and Fragility Assessment (CRFA-2021), Cameroon faces significant pressures related to the presence of armed conflict, poor access to justice, prevalence of poverty, and income inequality. The agricultural sector is one of the country's growth engines and thus represents an important entry point for strengthening its resilience to exogenous shocks. PARPAC will enable farmers to rapidly acquire the agricultural inputs needed to increase their production, while encouraging the implementation of essential reforms. It will also contribute to reducing the cost of food. In this regard, PARPAC is in line with the Bank's Strategy to Address Fragility and Build Resilience in Africa (2022-2026), which includes "building resilient societies" as one of its three priority areas.

# **V IMPLEMENTATION AND LEGAL DOCUMENTS**

## **5.1 Implementation, Monitoring and Evaluation**

The programme will be implemented by the Ministry of Agriculture as lead agency in collaboration with MINEPIA, MINEPAT and MINFI. Accordingly, a Technical Monitoring Committee will be set up, chaired by the Minister of Agriculture and Rural Development or his/her representative, and comprising directorates and services, including other relevant ministries and national agencies. Monitoring will be carried out mainly through the national monitoring and evaluation system, while also tapping from information and data from reliable sources, such as UN Agencies. This is particularly true for food security indicators, which will be drawn mainly from the harmonized framework. The government will produce implementation monitoring reports yearly. A completion report will assess the achievement of the objectives of the budget support at the end of the programme period per the indicators identified in the results framework.

## 5.2 *Financial Management, Disbursement and Procurement*

**5.2.1 Due to the nature of the operation, financial resources will be used in accordance with national public finance regulations, including the procurement system. The entire public expenditure circuit will be used.** The budget support for the operation will contribute to cover the urgent financing needs caused by international tensions, especially Russia's war in Ukraine. As a result, resources will be dedicated exclusively to mitigating these effects in agriculture by mobilizing essential inputs such as seeds, fertilizers, and agricultural advisory and extension/research services. This will be an additional support for the budget normally available for the sector. The Ministry of Economy, Planning and Regional Development (MINEPAT) will manage the financial resources of the operation. The funding allocated under this sector budget support will be included in the Amended Finance Act 2022 under a line item "AfDB Emergency Support to Strengthen Agricultural Production". A copy of the Act will be forwarded to the Bank for information as soon as it is passed by Parliament. **Overall, the country's fiduciary risk remains substantial but should decrease with the pursuit of ongoing reforms. In view of the foregoing, disbursements under this operation will be made in two tranches to accommodate the level of risk.**

**5.2.2 The disbursement of EUR 62.9935 million (equivalent to UA 50 million) is subject to loan effectiveness, the transmission of report on the audit of financial flows by the Audit Bench of the Supreme Court of Cameroon on the Emergency Budget Support to Address the COVID-19 Crisis, expected since 30 June 2021, and the transmission to the AfDB of the details of a dedicated account opened in the name of the Public Treasury, with the BEAC (Bank of Central African States)** The disbursement will be made in two tranches according to the terms outlined in the table below. As PARPAC is a budget support, the resources will be used as part of the public expenditure chain. MINADER will be responsible for the technical management of activities and MINEPAT will be in charge of the fiduciary aspects. The funds will be disbursed in two tranches.

**5.2.2 Audit of Funds:** The Audit Bench of the Supreme Court of Cameroon will audit the financial flows of PARPAC, based on the terms of reference previously agreed with the Bank. The audit report on the flows of each tranche will be submitted to the Bank latest six (6) months following the end of the financial year during which the disbursement of the said tranche was made. Furthermore, as part of its prerogatives of external control of public expenditures, the Audit Bench shall examine the budget execution reports and the Draft Audited Budget of each financial year during which a disbursement was made, to issue its opinion. The Audited Budget for the financial years in question and the opinion of the Audit Bench shall be forwarded to the Bank latest by 31 December of the financial year following that in which the related disbursement was made.

## 5.3 *Legal Documentation*

**5.3.1 Legal Instrument.** The legal document to be used is a Loan Agreement that will be signed between the Republic of Cameroon (the Borrower) and the African Development Bank (the Bank).

## 5.4 *Conditions Associated with Bank Involvement*

**5.4.1 Submission of the Programme to the Board.** Based on dialogue with the Government of Cameroon, it was agreed that the Borrower will implement certain actions precedent to presentation of the programme to the Bank's Board of Directors. Those actions precedent are listed in Table 3 (Section 4.5.1) above and have been fulfilled.

**5.4.2 Effectiveness.** The Loan Agreement shall become effective following the Borrower's fulfilment of conditions set forth in Section 12.01 of the General Conditions Applicable to Loan Agreements and Guarantee Agreements of the Bank.

5.4.3. **Conditions Precedent to Disbursement of the First Tranche of the Loan.** Besides the effectiveness of the Loan Agreement per 5.3.3 above, the disbursement of the first tranche of loan resources shall be subject to the fulfilment by the Borrower, to the satisfaction of the Bank, of the conditions precedent listed in Table 4 (Section 4.5.2) above.

5.4.4 **Conditions Precedent to Disbursement of the Second Tranche of the Loan.** Besides the effectiveness of the Loan Agreement per 5.4.2 above and fulfilment of conditions precedent to the disbursement of the first tranche of the loan per 5.4.3 above, the disbursement of the second tranche of loan resources shall be subject to the fulfilment by the Borrower, to the satisfaction of the Bank, of the conditions precedent set out in Table 5 (Section 4.5.3) above.

5.4.5 **Other Commitment.** Furthermore, the Borrower undertakes to provide the Bank, latest by 31 December 2022, with evidence of the adoption of a Pest and Pesticide Management Action Plan.

## 5.5 Compliance with Bank Group Policies

The project will not have direct physical activities that could negatively affect the environmental and social components in its impact area. Any impact will be indirect. It conforms with national regulatory provisions on environmental protection and the use and management of agrochemicals, especially Law No. 96/12 of 5 August 1996 on environmental management, Law No. 2003/003 of 21 April 2003 concerning crop protection and their enabling texts. The project is also consistent with the provisions of SO1 on environmental and social assessment and SO4 on the prevention and control of pollution, hazardous materials and efficient use of resources. In full compliance with SO4, a Pest and Pesticide Management Plan will be developed under this budget support for end-2022, and the costs related to the implementation of the resulting action plan will be included in the project budget.

## 5.6 Risk Management

Table: Risks and Mitigation Measures				
Nature / Category of Risk	Description of Risk	Impact	Mitigation Measure	Risk Manager
MACROECONOMIC	Delays in implementing reforms	High	The Government prepares a clear and precise plan for implementing the reforms and measures.	Government
LOGISTICS	Delays in the delivery of improved seeds and fertilizers	High	The Government facilitates the logistical aspects of receiving orders. Agro-dealers select input suppliers based on availability and delivery time.	Government / Agro-dealers
CLIMATE	The sector's heavy dependence on vagaries of the weather and climate change	Moderate	Use of improved climate-smart seeds and raising awareness on climate-smart farming methods	Government / Agro-dealers/IRAD
TECHNICAL DESIGN AND OPERATION COORDINATION	Poor coordination between the various ministries involved in implementing programme reforms and activities	Low	MINADER will set up a steering and coordination committee, which will include key stakeholders to ensure the successful implementation of activities.	Government

## VI RECOMMENDATION

Management recommends that the Board of Directors approve an African Development Bank loan not exceeding EUR 62,993,500 to the Republic of Cameroon for the purposes and subject to the conditions set forth in this report.

## ANNEX 1: RESULTS FRAMEWORK

### RESULTS FRAMEWORK FOR THE EMERGENCY FOOD PRODUCTION PROGRAMME

A		PROJECT INFORMATION				
PROJECT NAME AND SAP CODE: AGRICULTURAL PRODUCTION SUPPORT PROGRAMME IN CAMEROON SAP CODE : P-CM-AA0-015						
COUNTRY: Cameroon						
PROJECT OBJECTIVE: Contribute to boost the production of the main agricultural crops to mitigate the impact of the food crisis						
PROJECT ALIGNMENT WITH THE COUNTRY AND THE AEFPF:		a) Import Substitution Plan / Mass Market Production and Processing Support Plan				
		b) African Emergency Food Production Facility (AEFPF)				
		c) Alignment indicators: (i) food security index; (ii) population poverty rate				
B		RESULTS MATRIX				
RESULTS CHAIN AND INDICATOR DESCRIPTION		UNIT	BASELINE [2020/2021]	TARGET AT COMPLETION {2024}	MEANS OF VERIFICATION	REPORTING FREQUENCY
OUTPUT 1: Increased production of the main agricultural crops						
OUTPUT INDICATOR 1.1: Number of additional tonnes of cereals produced (Maize, Rice, Sorghum)		Tonnes	0, 0, 0	221,449, 172,000, 9,750	MINADER	Annual
OUTPUT INDICATOR 1.2: <u>Yields</u>  <u>Rice</u> <u>Sorghum/Millet</u> <u>Soya</u> <u>Wheat</u> <u>Potato</u> <u>Tomato, vegetable</u>		Tonnes /Ha	- 1.5	6 2.2 1.5 1.2 2.0 15 10	MINADER	Annual
OUTPUT INDICATOR 1.3: Number of additional tonnes of potato and soya		Tonnes	0.0	24,000; 4,000	MINDER	Annual
OUTPUT 2: Accelerate the implementation of the grain import substitution strategy						
IMPLEMENTATION INDICATOR 2.1: Persons benefitting from agricultural improvements		Number	0	2,000,000 - of which 50% are women	MINADER statistics	Annual
IMPLEMENTATION INDICATOR 2.2 : Drop in the number of tonnes of imported cereals		Tonnes	0	300,000	Ministry of Trade statistics	Annual
COMPONENT 1: Increase food production by facilitating access to agricultural inputs						
OUTPUT 1.1: Operationalization of the procedures manual for subsidies on agricultural inputs and equipment						
INDICATOR 1.1 : Signing of multi-annual partnership agreements between input importers, distributors and the banks/EMF		Signing of agreements Yes/No	No	Yes	MINADER	Annual
OUTPUT1.2: Improve seed production planning and programming						
INDICATOR 1.2: Number of meetings held by CIFIS		Number	0	2	MINADER	Annual
INDICATOR 1.3: Additional quantity of improved seeds delivered to farmers (rice, maize, sorghum, potato, soja, market garden crops/tomato, wheat)		Tonnes	0; 0; 0; 0; 0; 0; 0	1,720; 2,500; 130; 2,400; 132; 4; 67	MINADER	Annual
OUTPUT 1.3: Budget allocation						
INDICATOR 1.4: Amount allocated for fertilizer subsidy		XAF billion	0	17	MINIFI	Annual

<b>OUTPUT 1.4: Extension of the FODECC producer window facility to 7 other sectors</b>					
<b>INDICATOR 1.4:</b> Number of agricultural sectors benefitting from the FODECC Producer Gateway system	Number	0	7	MINADER	Annual
<b>COMPONENT 2: Support the agricultural extension system and support food resilience.</b>					
<b>OUTPUT 2.1: Staff assignment to decentralized agricultural outposts</b>					
<b>INDICATEUR 2.1:</b> Number of persons affected assigned to the decentralized agricultural outposts	Number	0	1,550 (of whom 30% women)	MINADER	Annual
<b>INDICATOR 2.2:</b> Number of community workers assigned to the agricultural outposts and CEACs.	Number	0	376 (of which 50% women)	MINADER	Annual
<b>OUTPUT 2.2: Operationalize the law on framework contracts in the agricultural sector</b>					
<b>INDICATOR 2.3:</b> Number of framework contracts signed in the agriculture sector	Number	0	1	MINADER	Annual
<b>OUTPUT 2.3: Launch the national wheat production process</b>					
<b>INDICATOR 2.4:</b> Number of wheat varieties tested for local cultivation	Number	0	4	MINADER	Annual
<b>OUTPUT 2.4: Introduce local flour in bread composition</b>					
<b>INDICATOR 2.5:</b> Ministerial order authorizing the introduction of flour from local food sources	Ministerial Order Yes / No	No	Yes	Ministry of Industry and Trade	Annual

Conditions Precedent	Country's Eligibility
<i>Government's commitment</i>	<p>Cameroon has a global development policy reference framework, which is the National Development Strategy (SND) 2020-2030. This strategy was developed in a participatory manner and contributes to the objective of Vision 2035, which aims to make Cameroon “an emerging country, democratic and united in its diversity”. SND 2020-2030 is based on four pillars: (i) structural transformation of the economy; (ii) development of human capital and well-being; (iii) promotion of employment and economic integration; and (iv) governance, decentralisation and strategic management of the state. Furthermore, in the agricultural sector, the reference framework is the Rural Sector Development Strategy coupled with its national agricultural investment plan 2020-2030.</p> <p>Moreover, to specifically address the current food crisis, Cameroon has an import substitution plan/support plan for the production and processing of mass consumer products.</p>
<i>Macroeconomic framework</i>	<p>The Cameroonian economy is resilient with a stable macroeconomic framework. In 2020, despite the COVID-19 pandemic, it recorded a GDP growth rate of 0.5%, inflation of 2.4% and the budget deficit was only 3.3%. The resilience of the Cameroonian economy is mainly due to the performance of the primary and tertiary sectors, and the non-oil sector. In 2021, the GDP growth rate, inflation and budget deficit were estimated at 3.5%, 2.5% and 3.1%, respectively. Furthermore, thanks to the successful implementation of the programme concluded in July 2021 with the IMF through the Extended Credit Facility and the Extended Credit Mechanism, Cameroon should strengthen its medium-term macro-fiscal framework as well as its public finance management (this programme is also supported by the main technical and financial partners such as the World Bank and the African Development Bank).</p>
<i>Political stability</i>	<p>Cameroon has enjoyed political stability for several year. However, this stability is regularly put to the test by the persistent socio-political crisis in the two English-speaking regions of the country since 2016. To put an end to the crisis, the government initiated a national dialogue in September 2019, which recommended, among other solutions, accelerated decentralization, the primary objective of which is to consolidate democracy and development at the local level. This process is ongoing.</p> <p>In terms of security, Cameroon faces major national and regional challenges. The attacks since 2013 by the Boko Haram terrorist group in the north of the country and the instability on the eastern border due to the precarious situation in the Central African Republic are factors that create a context of quasi-permanent fragility.</p>
<i>Fiduciary risk assessment</i>	<p>Decree No. 2018/366 of 20 June 2018, on the Public Procurement Code (CMP) has brought significant improvements, notably in the reorganization and clarification of the institutional framework of the procurement system with the separation of procurement, control and regulation functions. However, significant delays in procurement have been noted due to (i) conflicts of responsibilities between the stakeholders (the contracting authority, MINMAP and ARMP), (ii) failure by the stakeholders to respect the deadlines set out in the CMP (on average 15 working days), (iii) disagreements between the commissions (the Analysis Sub-commission, the Contract Award Commission, the Central Contract Control Commission, where applicable), (iv) absence of the CMP's enabling texts such as the code of ethics and transparency, etc. To improve the effectiveness and efficiency of public procurement, it is important that the government adopt measures to ensure compliance with the provisions of the CMP (in particular the appointment of commission members, the respect of deadlines and the development of a code of ethics). It is also urgent to adopt reforms to lighten the ex-ante control system, address the risk of conflict of interest in MINMAP awards and ensure the supervision of emergency procurement (to avoid the management problems noted in connection with contracts for the COVID-19 response plan). Furthermore, under SND 2020-2030, the Cameroonian government, with the support of the TFPs, has embarked on a vast programme to strengthen the regulatory and institutional framework of PFM (through the Comprehensive Public Finance Management Reform Plan - PGRGFP), which will gradually introduce mitigating measures aimed at reducing the fiduciary risks identified to a moderate level in the medium term.</p>



	<p>In terms of public finance management, Cameroon has been undergoing a profound modernization of its public finance management system for a decade. At the legislative and regulatory level, this dynamism has resulted in the adoption of a new legal framework defined by the Organic Law of 26 December 2007 on the State Financial Regime (LRFE), a major innovation of which was the introduction of programme-based budgeting, which was first tested in the 2013 Budget Act. The implementation of the harmonized framework for public finance management, resulting from the CEMAC directives of December 2011, followed this process, as well as the enactment of various laws transcribing the directives into national law. These include (i) Law No. 2018/011 of 11 July 2018 on the Code of Transparency and Good Governance in Public Finance Management in Cameroon, (ii) Law No. 2018/012 of 11 July 2018 on the Financial Regime of the State and Other Public Entities, (iii) Decree No. 2019/281 of 31 May 2019 to set the State's budgetary schedule, (iv) Decree No. 2019/3186/PM of 9 September 2019 to set the general framework for the presentation of the State's Table of Financial Transactions (TOFE), (v) Decree No. 2019/3187/PM of 9 September 2019 to set the general framework for the presentation of the State's Budget Nomenclature (vi) Decree No. 2019/3199/PM of 11 September 2019 setting the general framework for the presentation of the State Accounting Plan, and (vii) Decree 2020/375 of 7 July 2020 on the General Regulations of Public Accounting. These basic texts constitute the architecture of the public finance management system in Cameroon. The transposition of these CEMAC directives aims to bring Cameroon's public financial management in line with international standards (IPSAS, IRFS, OHADA, manual of public finance statistics), harmonize it with CEMAC countries, and eliminate the weaknesses highlighted by the PEFA 2017 report (despite an improvement in the budget preparation process, PEFA 2017 identifies weaknesses in Cameroon's PFM).</p> <p>These weaknesses have led to the formulation of several plans to improve public finance management, the most recent of which is the Comprehensive Public Finance Management Reform Plan (PGRGFP) for the period 2019-2021, updated in December 2021 for the period 2022-2023. This plan, developed through a participatory (with TFPs) and inclusive approach to improve PEFA performance indicators and ensure the implementation of the provisions of the laws and regulations transposing the CEMAC Harmonized Framework Directives, and provide Cameroon with a transparent and efficient PFM system that complies with international standards, was the subject of an independent evaluation in June 2021. The evaluation concluded that although progress has been made, more needs to be done. For instance, with regard to the budget, (i) Decree No. 2021/0080/PM of 27 January 2021 on the creation, organization and functioning of the Inter-ministerial Committee on Macroeconomic and Budgetary Framework was issued, but was not yet operational, (ii) a Presidential Circular is issued each year to guide the sector ministries in preparing the budget, (iii) a methodological guide on the MTBF was developed whereas the requirement was to set out the MTBF format and procedure via a implementing text, and (iv) the second phase of the National Development Strategy has begun and a consultant has been recruited to develop the planning instruments for its implementation and to update the strategic planning guide. With regard to limitations to the independence of the Audit Bench, the evaluation reveals that Law N°2018/012 of 11 July 2018 on the Financial Regime of the State and Other Public Entities has been passed to create an Audit Bench, which obliges the transformation of the Audit Chamber into an Audit Bench with expanded powers and new attributions. However, this transformation has not yet taken place. Ultimately, the fiduciary risk related to the country's PFM remains high despite a positive outlook.</p>
<i>Harmonization</i>	<p>The Bank is an active member of the Multi-Partner Committee (MPC) and participates in the thematic working groups that serve as a platform for exchange and coordination of development partners' activities in the country. Through the Country Office (COCM), the Bank has carried out several co-financing operations with other development partners. The Bank maintains close collaboration with the country's main donors for better coordination and complementarity of interventions, in line with the spirit of the Paris Declaration.</p> <p>The Bank is also a member of the Group in which the G8 countries and Cameroon's top six TFPs are represented (G8+6). It plays an active role in strengthening dialogue with donors on governance issues, as a member of the Public Finance Sector Committee (PFSC) of the Multi-Stakeholder Committee (MSC).</p>

## ANNEX 3: LETTER OF DEVELOPMENT POLICY

REPUBLIC OF CAMEROON  
*Paix – Travail – Patrie*

MINISTÈRE DE L'ÉCONOMIE, DE LA  
PLANIFICATION  
ET DE L'AMÉNAGEMENT DU TERRITOIRE



REPUBLIC OF CAMEROON  
*Peace – Work – Fatherland*

MINISTRY OF ECONOMY, PLANNING  
AND REGIONAL DEVELOPMENT

N°0000003094/MINEPAT/SG

Yaoundé, July 1<sup>st</sup>, 2022

*The Minister,*

To  
Mr. President of the African Development Bank  
Group

01 BP 1387 Abidjan 01, Cote d'Ivoire  
Tel. : +225 20 263 626 / +225 20 262 964

**Subject:** *Letter of Development Policy Concerning the Agricultural Production  
Support Programme in Cameroon.*

**Mr. President,**

This Letter of Development Policy falls within the framework of your Institution's sector budget support to the *Agricultural Production Support Programme for the Republic of Cameroon (PARPAC)*. It describes the recent economic trend in Cameroon and presents the impact of the conflict in Ukraine on the Cameroonian economy. Furthermore, it outlines measures already undertaken by the Government to address the socio-economic impact of the conflict, and those planned with the support of the African Development Bank.

### 1. Recent Economic Trend in Cameroon

Despite the persistent effects of the pandemic, notably its consequences on the rise in commodity prices and the surge in maritime freight prices, economic activity in Cameroon rebounded in 2021 with a growth rate of 3.6% compared with 0.5% in 2020. This momentum was mainly sustained by the performance of the non-oil sector, which benefitted from the relaxation of national and international restrictive measures, with positive repercussions on tertiary activities (transport, catering and accommodation), and also from the revival of external demand that spurred production in industrial agriculture, forestry and logging. The oil sector recorded a decline of 2.5% as the wells in operation were



gradually depleted. The increase in gas production was not sufficient to compensate for the decline in oil production.

Thanks to measures taken by the government, inflation stood at 2.3% in 2021, compared to 2.5% in 2020, below the CEMAC multilateral convergence threshold (3%).

With regard to public finances, the budget deficit deteriorated slightly to 3.2% of GDP, compared with 3.1% in 2020, particularly due to the significant increase in expenditure linked to the implementation of the national vaccination programme to combat COVID-19.

The debt trend has remained under control. The outstanding public debt (including the debt by public enterprises) at end-December 2021 reached 45.3% of GDP, i.e. a slight increase of 1.4 percentage points compared to end-2020. This is attributable to the increased issuance of public securities, notably the Eurobond, as well as the disbursement of budget support under the Economic and Financial Programme (2021-2024).

Concerning the monetary situation, the main aggregates rose more rapidly in 2021. The money supply increased by 17% between December 2020 and December 2021 due to the simultaneous increase in credit to the economy and net claims on the State. Official reserves rose by 17.4% to reach CFAF 2 521.7 billion at end-2021, or 5.97 months of imports of goods and services.

Cameroon's short- and medium-term economic outlook, which has been revised downwards to take account of the adverse effects of the conflict in Ukraine, remains relatively favourable. Thus, forecasts are for growth of 4% in 2022 and 5% on average over the period 2023-2025.

## **2. Socioeconomic Impact of the Conflict in Ukraine on Cameroon**

Due to the conflict in Ukraine, economies worldwide are facing a significant rise in prices of raw material. The Cameroonian economy is also likely to be affected by this unfavourable trend, particularly through (i) the slowdown in the global economy and its effects on external demand; (ii) supply difficulties and the increase in prices of certain commodities such as petroleum products, wheat, maize and fertilisers, on which the country is dependent.

Furthermore, beyond the impacts on all sectors, those that should be directly affected are notably **oil and gas, agri-food, agriculture and livestock**.

With specific regard to the agricultural sector, the country has since the beginning of the year witnessed a significant increase in the price of fertilisers, 47% of the total volume of which comes from Russia. Due to this situation, the prices of products (particularly agricultural products) have risen sharply on the local market, thus leading to a significant increase in the cost of feeds used in livestock and fish production. In this respect, inflation could average approximately 4% in 2022. This should lead to a sharp deterioration in household purchasing power and business competitiveness, and result in an increased risk of food insecurity. This is all the more so since the country is characterised by weak social resilience due to the inadequacy of safety nets and the preponderance of informal production units.

On the public finance front, it is worth noting that the rise in world oil prices has generated higher oil revenue, albeit coupled with a disproportionate increase in fuel price subsidies at the pump. These additional expenditures were integrated into the Amended Budget Act instituted through Presidential Order N°2022/001 of 2 June 2022, amending and supplementing certain provisions of Law N°2021/026 of 16 December 2021 on the 2022 Finance Act of the Republic of Cameroon.

## **3. Emergency Measures Taken by the Government to Stem the Harmful Impact of the Conflict in Ukraine**

The Government took a number of **immediate measures** to support the local productive fabric, preserve household purchasing power and strengthen fiscal sustainability.

In terms of **measures to support the productive fabric**, the Government (i) maintained the 80% reduction in the freight rate to be used in determining the customs value of goods imported by sea, to mitigate the impact of the increase in sea freight on the cost of supplying local businesses, (ii) suspended the payment of certain taxes and levies in the flour milling sub-sector, namely the wheat import weighing fee (for six months), the Pre-Shipment Compliance Assessment Programme, and the advance payment of the Corporate Income Tax. This last measure is expected to generate a loss of tax revenue of around CFAF 6 billion.

**Concerning household purchasing power**, actions were taken to contain rising prices. These included (i) **strengthening market supplies**, (ii) **reducing speculative behaviour by traders** by intensifying price control, and (iii) maintaining the policy of freezing prices of petroleum products at the pump.

**With regard to measures to promote budgetary sustainability**, the Government revised the state budget for the 2022 fiscal year to enable an upward adjustment of expenditure induced by the conflict in Ukraine, while ensuring an improvement in mobilising its own revenue and financing (especially concessional financing).

#### **4. Government Programme to Strengthen Local Production and Food Security**

In this context, the Government, with the support of the African Development Bank, plans to urgently implement a reform programme to reduce Cameroon's vulnerability to imported food products. This programme aims to strengthen the resilience of the country's food security systems and mitigate the risks to supply in the short and medium term.

Specifically, the reform to be implemented is structured around two pillars: (i) increased food production, and (ii) supporting extension services and farmers' resilience.

##### **4.1. Increased Food Production**

**The Government plans to speed up the implementation of the import dependence reduction policy, particularly of food products**, by improving the yields of certain crops (rice, maize, millet/sorghum, wheat, soya, palm oil, potatoes). In this regard, provision has been made to (i) support seed production; (ii) provide subsidies for the procurement of agricultural inputs (seeds and fertilisers) and their availability to farmers at a reasonable cost.

###### *- Support Seed Production*

**The Government plans to increase the quantity of certified seeds available.** Hence, it will put emphasis on (i) assessing the seed needs of farmers to ensure the sufficient production of pre-basic and basic seeds, (ii) training private operators to promote the development of seed multipliers, and (iii) transferring public seed farms to private operators.

###### *- Grant Agricultural Input Subsidies (seeds and fertilisers)*

**The Government is determined to preserve the current farming season and those to come, by making agricultural inputs available to farmers at lower cost.** In this regard, actions that will be undertaken will specifically aim to (i) develop partnerships with private sector stakeholders to promote the supply of agricultural inputs to farmers for the current season at a subsidised rate; (ii) extend the Producers' Window of the Cocoa-Coffee Development Fund to other subsectors targeted by the programme, and (iii) set up a database on farmers to facilitate access to subsidies for subsequent seasons.

##### **4.2. Support Extension and Farmers' Resilience**

**The Government plans to increase agricultural productivity and reduce post-harvest losses by strengthening the capacity of farmers, particularly in terms of respecting crop management techniques.** In this regard, actions will focus on (i) assigning the heads of agricultural outposts nationwide, (ii) strengthening their capacity through training, (iii) supporting awareness-raising activities and advisory services by providing heads of outposts with adequate means of mobility (vehicles), (iv) structuring stakeholders in targeted sectors to set up inter-professional groups, and (v) developing standards to promote the use of flour made from local products.

Furthermore, to promote wheat cultivation in Cameroon, the authorities will proceed to prepare and implement a National Wheat Development Plan. In addition, a Pest and Pesticide Management Action Plan will be developed to strengthen fertiliser and phytosanitary waste management.

The Government is convinced that implementing these measures will help to attain the set objectives of the *Agricultural Production Support Programme in Cameroon (PARPAC)*. Therefore, the Government is seeking **financial support of UA 65 million** from the African Development Bank.

While thanking you for the multi-faceted support that the African Development Bank has been channelling to Cameroon's development efforts, please accept, **Mr. President**, the expression of my highest consideration.

**Copy:**

- AfDB Executive Director for Cameroon.

**ANNEX 4: PARPAC BUDGET SUMMARY**

<b>Components</b>	<b>2022 (CFAF)</b>	<b>2023 (CFAF)</b>	<b>Total (CFAF)</b>
Support production	21 866 000 000	13 010 000 000	34 876 000 000
Support extension and food resilience	1 555 000 000	4890050000	6445050000
<b>Total</b>	<b>23 421 000 000</b>	<b>17 900 050 000</b>	<b>41 321 050 000</b>
Annual distribution rate	56.68%	43.32%	

## ANNEX 5: DETAILED PROGRAMME REFORMS MATRIX

Component	Theme	Measures	Baseline	2022	2023	2024
Support food production	Programming of seed production	Consolidation of seed requirements by the Steering and Orientation Committee in charge of implementing the agricultural subsidy policy in Cameroon	The decree creating the committee exists	Organizing meetings, one of which will take stock of seed requirements for transmission to IRAD	Report consolidation of seed requirements transmitted to IRAD	
		Training of 100 multipliers of composite seeds and hybrids	The TORs for the training programme are available at IRAD	50 multipliers trained	100 seed multipliers trained by IRAD	
		Transfer of public seed farms to private operators	MINADER farms are in competition with private sector operators	Preparation of a draft standard agreement for private seed companies	Launch of a call for manifestation of interest for the takeover of public seed farms	Agreements signed
	Provision of subsidies (seeds and fertilizers)	<b>Operationalisation of the procedures manual for agricultural subsidies</b>	The manual was approved in 2019	Agreements with agro-dealers for the application of a 30% discount for subsidies.	Agreements with banks and MFIs	
		Extension of the FODECC Producers' Window to the food sector	The Producers' Window for the cocoa and coffee sectors exists, but should be extended to the food sectors (rice, maize, potatoes, tomatoes, palm oil)	Preparation and validation of TOR as well as specifications Sensitisation of holders/stakeholders	Extension of the FODECC mandate to other sectors and that of the consultant's assistance by signing an amendment to the contract	Application to food subsectors
		Introduction of specific budget adjustments	The allocation process exists but is not specific to every commodity chain, including food.	Decree on the advance and decree on distribution from the PM on budget allocations indicating amounts per sub-sector	Subsidy from specific budgetary allocations created	
		Assurance of financial availability		Distribution decree or order Identification of relevant budget lines: specifying the level of funds per line		
	Electronic registration of farmers	Setting up of an electronic database	Subsidies paid out without farmers being registered	Preparation of the ToR for creating databases	Creation of databases for each food sub-sector	
Component	Theme	Measures	Baseline	2022	2023	2024
	Decentralization of stations and community action centres	Transfer of agricultural outposts as well as education and community action centres to the municipalities	Outposts still managed by MINADER	Letter forwarding the draft decree of transfer of agricultural outposts and CEACs to municipalities.	Organization of sensitization workshops with mayors	
		Fill at least 300 agricultural outposts	1,650 heads of agricultural outposts are filled out of the 2,798 created	Decision transfer signed	Organization of training workshops for staff assigned	
		Operationalisation of the law on inter-professional organizations (rice, maize, potato and tomato)	Absence of OFs compliant with the law	ToR for support to the food industry	Consultations with farmers' organizations and the private sector	

<b>Support extension and farmers' resilience</b>	<b>Wheat cultivation</b>	Analysis of the 4 varieties of wheat for intensive and industrial use	A laboratory-analysed sample	Confirm analyses with three other laboratories	Organization of a campaign to disseminate information to farmers and millers.	
		Incorporation of local flours in bread making	No act authorizing the inclusion of local flours to make wheat bread	Preparing and validating TORs and running technical committees to develop the standards		
	<b>Livestock</b>	National plan for the development of wheat cultivation	Establishment of a working group	Preparation of Terms of Reference	Adoption of an action plan for industrializing the sector	Draft report
	<b>Environment</b>	Ministerial decision to set up a working group to prepare the agro-pastoral orientation bill	The agro-pastoral orientation bill is available	Transmission of the draft bill for further legislative procedure		
		Preparation of a Pest and Pesticide Management Action Plan	Irrational use of fertilizers and pesticides by stakeholders (market gardening)	Preparation and review of the ToR Recruitment of a consultant to prepare the document Action plan validation workshop	Implementation and follow-up of the action plan Production of half-yearly implementation reports	Action Plan rollout and monitoring Preparation of half-yearly implementation reports

## ANNEX 6: PROGRAMME CHANGE THEORY

### PARPAC's Theory of Change

**Objective: To contribute to increased production of the main agricultural crops to mitigate the impact of the food crisis**

**Output 1: Increased production of the main agricultural crops**

Facilitation of access to agricultural inputs

Support to the agricultural extension system and food resilience

Extension of the FODECC producer window system to 7 other sectors

Improved planning and programming of seed production

**Output 2: Accelerated implementation of the grain import substitution strategy**

Assignment of staff to decentralized agricultural stations

Implementation of the procedures manual for agricultural inputs and equipment subsidies

Budget allocations

Implementation of the law on framework agreements in the agricultural sector

Addition of local flour in the composition of the bread

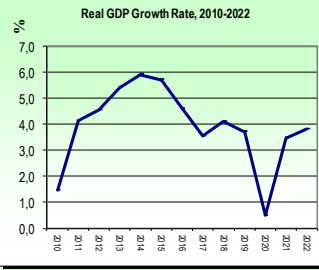
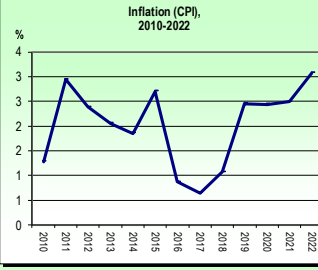
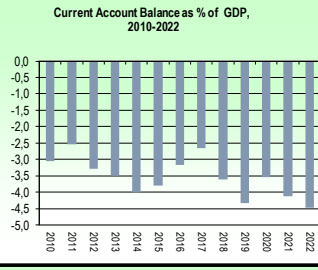
Launching of the domestic wheat production process

#### Assumptions:

1. Accessibility and availability of agricultural inputs on the world market
2. Favourable climatic conditions
3. Availability of required resources for budgetary allocations

# ANNEX 7: SELECTED MACRO

# ECONOMIC INDICATORS

Indicators	Unit	2010	2017	2018	2019	2020	2021 (e)	2022 (p)
<b>National Accounts</b>								
GNI at Current Prices	Million US \$	28 478	34 147	37 572	39 850	40 350	...	...
GNI per Capita	US\$	1 400	1 390	1 490	1 540	1 520	...	...
GDP at Current Prices	Million US \$	26 144	34 997	38 712	39 009	39 938	46 870	49 916
GDP at 2010 Constant prices	Million US \$	1 664	2 315	2 409	2 499	2 511	2 598	2 697
Real GDP Growth Rate	%	1,5	3,5	4,1	3,7	0,5	3,5	3,8
Real per Capita GDP Growth Rate	%	-1,3	0,8	1,4	1,1	-2,0	0,9	1,3
Gross Domestic Investment	% GDP	23,2	22,9	22,8	22,6	17,7	17,8	17,8
Public Investment	% GDP	19,5	4,4	4,0	4,0	4,0	4,1	4,0
Private Investment	% GDP	3,7	18,5	18,8	18,6	13,8	13,7	13,8
Gross National Savings	% GDP	24,3	22,3	23,2	25,3	27,2	...	...
<b>Prices and Money</b>								
Inflation (CPI)	%	1,3	0,6	1,1	2,5	2,4	2,5	3,1
Exchange Rate (Annual Average)	local currency/US\$	494,4	580,9	555,2	585,9	574,8	549,2	543,2
Monetary Growth (M2)	%	13,0	5,1	14,8	...	...	...	...
Money and Quasi Money as % of GDP	%	29,2	30,4	33,0	...	...	...	...
<b>Government Finance</b>								
Total Revenue and Grants	% GDP	15,0	15,0	16,1	15,7	13,7	14,1	14,9
Total Expenditure and Net Lending	% GDP	15,5	19,8	18,5	19,0	17,0	17,2	17,0
Overall Deficit (-) / Surplus (+)	% GDP	-0,6	-4,9	-2,5	-3,3	-3,3	-3,1	-2,1
<b>External Sector</b>								
Exports Volume Growth (Goods)	%	-9,5	-1,4	-0,7	-1,4	-5,9	8,9	7,3
Imports Volume Growth (Goods)	%	3,2	-1,5	4,2	24,8	-13,4	8,1	7,9
Terms of Trade Growth	%	11,7	0,1	-0,2	23,1	-9,6	5,9	7,4
Current Account Balance	Million US \$	-800	-931	-1 395	-1 693	-1 415	-1 935	-2 233
Current Account Balance	% GDP	-3,1	-2,7	-3,6	-4,3	-3,5	-4,1	-4,5
External Reserves	months of imports	6,8	5,3	5,0	5,0	6,6	8,1	...
<b>Debt and Financial Flows</b>								
Debt Service	% exports	4,1	18,2	23,0	25,0	16,0	21,3	13,8
External Debt	% GDP	10,3	28,0	28,5	32,7	34,4	34,0	35,5
Net Total Financial Flows	Million US \$	235	1 706	2 142	1 566	1 834	...	...
Net Official Development Assistance	Million US \$	540	1 217	1 165	1 297	1 400	...	...
Net Foreign Direct Investment	Million US \$	-1	814	762	1 027	488	...	...
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Source : AfDB Statistics Department: African; IMF: World Economic Outlook, April 2022 and International Financial Statistics, April 2022;

AfDB Statistics Department: Development Data Portal Database, April 2022. United Nations: OECD, Reporting System Division.

Notes: ... Data Not Available (e) Estimations (p) Projections

Last Update: May 2022



N°000002605.L/MINEPAT/SG

Yaoundé, June 3<sup>rd</sup>, 2022

RÉPUBLIQUE DU CAMEROUN  
Paix – Travail – Patrie

MINISTÈRE DE L'ÉCONOMIE, DE LA  
PLANIFICATION  
ET DE L'AMÉNAGEMENT DU TERRITOIRE

DIRECTION GÉNÉRALE DE LA COOPÉRATION  
ET DE L'INTÉGRATION RÉGIONALE



REPUBLIC OF CAMEROON  
Peace – Work – Fatherland

MINISTRY OF ECONOMY, PLANNING  
AND REGIONAL DEVELOPMENT

DIRECTORATE GENERAL OF COOPERATION  
AND REGIONAL INTEGRATION

*The Minister,*

TO  
Mr. Country Manager of the  
African Development Bank  
Yaoundé

**Subject:** Cameroon\*AfDB Cooperation  
**African Emergency Food Production Facility  
Request for Financing**

Mr. Country Manager,

During the meeting of the AfDB Board of Directors on 20 May 2022, the African Emergency Food Production Facility, amounting to approximately USD 1.5 billion, was approved and made available to African countries to help them cope in the short and medium term with the impact of the Russian-Ukrainian crisis on agri-food. In this regard, Cameroon should benefit from 50 million Units of Account (UA), i.e. about CFAF 40 billion, intended in the immediate to save the 2022-2023 farming season and in the medium and long term to undertake structural reforms and investments to endow our agriculture with the capacity that would ensure Cameroon's food autonomy.

Therefore, I would kindly request that the [AfDB] grant the Republic of Cameroon financial assistance of CFAF 40 billion to implement its Emergency Food Production Facility.

Furthermore, the Government is ready to receive the AfDB mission team from Monday, 6 June 2022, as part of the process to review this dossier.

While reiterating the Government's gratitude for your Institution's multi-faceted support to Cameroon's development efforts, please accept, Mr. Country Manager, the assurance of my highest consideration.

*ne/lopp*  
Copie - SG/PM ;  
- MINFI ;  
- MINADER ;  
- MINEP/IA ;  
- MINRESI ;  
- IRAD.



*Cameroon: 2021 Article IV Consultation and First Reviews Under the Extended Credit Facility and the Extended Fund Facility Arrangements and Requests for Waivers for Performance Criteria Applicability and Non-observance and Modification Of Performance Criterion-Press Release; Staff Report; and Statement by the Executive Director for Cameroon*

Publication Date:

March 11, 2022

Summary:

Washington, DC – February 23, 2022: Today, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV Consultation<sup>1</sup> and First Reviews of the Extended Credit Facility (ECF) Arrangement and the Extended Arrangement under the Extended Fund Facility (EFF) for Cameroon. The completion of the first reviews enables the disbursement of SDR 82.8 million (about US\$116 million), bringing total disbursements under the arrangements to SDR 207 million (about US\$293.2 million). Cameroon’s three-year ECF-EFF arrangements were approved on July 29, 2021 and are built around five pillars: (i) mitigating the health, economic, and social consequences of the pandemic while ensuring domestic and external sustainability; (ii) reinforcing good governance and strengthen transparency and the anti-corruption framework; (iii) accelerating structural fiscal reforms to modernize tax and customs administrations, mobilize revenue, improve public financial management, increase public investment efficiency, and reduce fiscal risks from state-owned enterprises; (iv) strengthening debt management and reduce debt vulnerabilities; and (v) implementing structural reforms to accelerate economic diversification, boost financial sector resilience and inclusion, and promote gender equality and a greener economy. The Executive Board also concluded the 2021 Article IV consultation with Cameroon. Cameroon’s economy has proved resilient. Economic growth in 2020 reached 0.5 percent, higher than expected, driven mainly by the resilience of the secondary sector. Growth hit a record low of -2.2 percent year on year in Q2-2020, before starting to gradually recover and reach 3.2 percent in Q2-2021. Growth is expected to reach 3.5 percent in 2021, supported by a domestic recovery and the general global economic recovery. Inflation remains moderate. The economic outlook remains positive but with wide uncertainties. Assuming the pandemic gradually retreats, the recovery in 2021, supported by the non-oil sector, is projected to continue, with growth rates reaching 4.5 percent in 2022 and 4.8 percent from 2023 onwards. Budget execution at end-September 2021 is in line with the objectives of the revised budget law (RBL) approved in July 2021. Projected oil revenues for 2021 are below expectations but this shortfall should be offset by relatively robust non-oil revenues and expenditure restraint. The outlook faces balanced risks. On the downside, risks include a new wave of COVID-19 infections with new variants and uncontrolled local outbreaks, slower pace of vaccination, a sharp increase in global risk premia following a monetary policy tightening in advanced economies, an international oil price decline, a further increase in imported inflation, and an intensification of socio-political tensions and conflicts. On the upside, Cameroon may benefit from ongoing structural reforms to accelerate economic growth with higher fiscal revenue and reduced debt vulnerabilities. An increase in gas production and oil and gas prices could also boost revenue. Risks are mitigated by the authorities’ strong implementation record of macro[1]economic programs, close engagement with donors, a comprehensive capacity development program, and contingency planning, including in Cameroon’s COVID-19 response

plan. At the conclusion of the Executive Board’s discussion, Mr. Kenji Okamura, Deputy Managing Director and Acting Chair, made the following statement: “Cameroon’s economy has proved resilient and is gradually recovering from the COVID-19 pandemic, with broadly balanced risks. The ECF and EFF arrangements have supported the authorities’ efforts to achieve a rapid post-pandemic recovery, strengthen medium-term external and fiscal sustainability, and implement their structural reform agenda toward sustained, more inclusive, and diversified growth. “Cameroon’s performance under the program remains on track and structural reforms are advancing, albeit with delays in some key areas. The authorities are committed to achieving the program’s objectives and accelerating the pace of reform implementation to support private sector-led economic diversification. Effective and resolute implementation of the authorities’ reforms, particularly to further strengthen transparency, good governance, and the anti-corruption framework, are essential to help catalyse additional donor financing. “The authorities’ strategy to avoid premature tightening of fiscal policy will help mitigate the impact of the pandemic. A gradual fiscal consolidation, once the pandemic abates, will support the economic recovery and place public debt on a firmly downward path. “Cameroon’s program is supported by the implementation of policies and reforms by the CEMAC regional institutions, which are critical to the program’s success. Completion of the second review will be conditional on the implementation of critical policy assurances at the Union level, as established in the December 2021 Union-wide background paper.”

## ANNEX 10: PARPAC MONITORING PLAN

A. Alignment Indicator							
Type of Indicator	Definition/ Description	Source	References and Targets				
1) Food security index	Access index determining household food insecurity	WFP	To be determined				
2) Population’s poverty rate	Proportion of individuals (or households) in situation of monetary poverty.	ECAM II	40% (2022) – 37 (2024)				
B. Output and Outcome Indicators ( <i>performance indicators</i> )							
Type of Indicator	Definition/ Description	Collection Method	Responsibility for Collection	Report Preparation Frequency	Outcomes Planning (Cumulative)		
					2022	2023	2024
I. Output Indicator							
Output 1.1 Additional tonnes of cereals produced (maize, rice, sorghum)	Tonnes	Agricultural statistical surveys	MINADER	Annual	73,000 57,000 3,750	147,449 114,000 6,750	221,449 ; 172,000 ; 9,750
Output 1.2 Cereal yield (rice)	Tonnes/ha	Agricultural statistical surveys	MINADER	Annual	6	6	6
Output 1.3 Additional tonnes of potato and soya	Tonnes	Agricultural statistical surveys	MINADER	Annual	8,000, 1,300	16,000, 2,600	24,000 ; 4,000
Output 2.1: Persons benefitting from agricultural improvements (50% women)	Number of farmers benefiting from extension services	Agricultural statistical surveys	MINADER	Annual	660,000	1,300,000	2,000,000
Output 2.2: Decline in the number of tonnes of cereals imported	Tonnes	Statistical surveys	Ministry of Trade	Annual	100,000	200,000	300,000
II. Outcome Indicators							
Outcome 1.1: Signing of multi-year partnership agreements between input importers and distributors and banks/MFIs	Signature of agreements Yes/No	Copy of agreements	MINADER	Annual	0	2	2
Outcome 1.2 : Number of meetings held by CIFIS	Number	Meeting minutes	MINADER	Annual	2	2	2
Outcome 1.3 : Additional quantity of improved seeds delivered to farmers (rice, maize, soya, market garden crops/tomato, wheat)	Tonnes	Agricultural statistical surveys	MINADER	Annual	570 ; 830 ; 43 ; 800 ; 44 ; 1 ; 22	1,140 ; 1,600 ; 86 ; 1,600 ; 88 ; 3 ; 44	1,720 ; 2,500 ; 130 ; 2,400 ; 132 ; 4 ; 67
Outcome 1.4: Amount allocated as fertilizer subsidy	CFAF billion	Report	MINIFI	Annual	5.6	11.3	17
Outcome 1.5: Number of agricultural subsectors benefitting from the FODEXX Producers’ Window system	Number	Agricultural statistical surveys	MINADER	Annual	0	7	7
Outcome 2.1: Number of persons assigned to the decentralized agricultural outposts	Number	Ministerial decision and reports	MINADER	Annual	1,650	1,550	1,850

Outcome 2.2: Number of community workers assigned to the agricultural outposts and the CEACs	Number	Ministerial decision and reports	MINADER	Annual	125	250	376
Outcome 2.3: Number of framework contracts signed in the agricultural sector	Number	Copy of the framework contract	MINADER	Annual	0	1	1
Outcome 2.4 : Number of wheat varieties tested for local cultivation	Number	Agricultural statistical surveys or report	MINADER	Annual	0	4	4
Outcome 2.5: Ministerial Order authorising the introduction of local flour	Ministerial Order Yes/No	Copy of the Ministerial Order	Ministry of Industry or Ministry of Commerce	Annual	0	1	1

# NOTE DE CONFORMITÉ ENVIRONNEMENTALE ET SOCIALE (NOCES)





GRUPE DE LA BANQUE AFRICAINE DE DEVELOPPEMENT

<b>A. Information de base<sup>1</sup></b>			
Nom du Projet : Programme d'appui au renforcement de la production agricole (PARPAC)		"Code SAP" du projet : P-CM-AA0-015	
Pays : CAMEROUN	Instrument de financement <sup>2</sup> : ID <input type="checkbox"/> IF <input type="checkbox"/> AB <input checked="" type="checkbox"/> PE <input type="checkbox"/> GU <input type="checkbox"/> APR <input type="checkbox"/> PP <input type="checkbox"/> FAR <input type="checkbox"/>		
Secteur Responsable du Projet : Agriculture (AHAI)		Chargé du Projet : Albert NYAGA	
Date de la mission d'évaluation ex-ante : 20 juin 2022		Date prévue de présentation pour Approbation : 15/07/22	
Spécialiste en sauvegarde environnementale : xxxxx			
Spécialiste en sauvegarde sociale : Patrice HORUGAVYE			
Catégorie environnementale et sociale : 2	Date de catégorisation : 24/06/22	Type d'opération : OS <input checked="" type="checkbox"/> ONS <input type="checkbox"/> OBP <input type="checkbox"/>	
Ce projet est-il préparé dans un contexte de réponse d'urgence à une crise ou catastrophe ?			Oui <input checked="" type="checkbox"/> Non <input type="checkbox"/>
Ce projet est-il préparé sous dérogation de l'application du Système de Sauvegarde Intégré ?			Oui <input checked="" type="checkbox"/> Non <input type="checkbox"/>

<b>B. Publication et Suivi de la Conformité</b>	
<b>B.1. Publication obligatoire</b>	
<b>Evaluation Environnementale et Sociale/Audit/Système/Autres (spécifier : Plan de gestion des pestes (PGP))</b>	
Le (s) document (s) a-t-il / ont-ils été publié (s) avant l'évaluation ex-ante ?	Oui <input type="checkbox"/> Non <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date de publication dans le pays, par l'emprunteur/client	[date]
Date de réception, par la Banque, de l'autorisation de publier	[date]
Date de publication par la Banque	[date]
<b>Cadre de Politique/Plan d'Action de Réinstallation/Autres (spécifier : NA)</b>	
Le (s) document (s) a-t-il / ont-ils été publié (s) avant l'évaluation ex-ante ?	Oui <input type="checkbox"/> Non <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date de publication dans le pays, par l'emprunteur/client	[date]
Date de réception, par la Banque, de l'autorisation de publier	[date]
Date de publication par la Banque	[date]
<b>Cadre de Gestion/Plan d'Action pour les Groupes Vulnérables/Autres (spécifier : NA)</b>	
Le (s) document (s) a-t-il / ont-ils été publié (s) avant l'évaluation ex-ante ?	Oui <input type="checkbox"/> Non <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date de publication dans le pays, par l'emprunteur/client	[date]
Date de réception, par la Banque, de l'autorisation de publier	[date]
Date de publication par la Banque	[date]
Si la publication dans le pays, de n'importe lequel des documents cités ci-dessus, n'est pas possible, bien vouloir fournir les raisons légales : Conformément aux dispositions du document sur la Facilité africaine de production alimentaire d'urgence approuvé par le Conseil d'administration, la préparation et la publication des documents E&S sont reportées après l'approbation du Conseil d'administration. Ils seront préparés et divulgués dans le pays et par la Banque avant la mise en œuvre des activités concernées.	

<b>B.2. Indicateurs de suivi de la Conformité</b>	
Est-ce qu'un budget et un calendrier appropriés, ainsi que des responsabilités institutionnelles claires, ont été préparés pour la mise en œuvre des mesures environnementales et sociales ?	Oui <input checked="" type="checkbox"/> Non <input type="checkbox"/> NA <input type="checkbox"/>
Est-ce que les coûts liés aux mesures environnementales et sociales, y compris le mécanisme de gestion des plaintes ont été intégrés au coût total du projet ?	Oui <input checked="" type="checkbox"/> Non <input type="checkbox"/> NA <input type="checkbox"/>
Le montant total pour la réinstallation des personnes affectées, tel qu'intégré dans le coût total du projet, est-il entièrement mobilisé et disponible ?	Oui <input type="checkbox"/> Non <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Est-ce que le système de suivi-évaluation du projet inclue le suivi des impacts et mesures de sauvegarde environnementale et sociale ?	Oui <input checked="" type="checkbox"/> Non <input type="checkbox"/> NA <input type="checkbox"/>
Est-ce que les arrangements institutionnels adéquats ont été convenus avec l'emprunteur/client, puis intégrés correctement dans les accords juridiques du projet ?	Oui <input checked="" type="checkbox"/> Non <input type="checkbox"/> NA <input type="checkbox"/>

<b>C. Approbation</b>	
Le projet est-il en conformité avec les exigences de sauvegarde environnementale et sociale de la Banque, et peut donc être soumis à l'approbation du Conseil d'Administration ?	
Oui <input checked="" type="checkbox"/> Non <input type="checkbox"/>	

Préparée par :	Nom	Signature	Date
Spécialiste en Sauvegarde Environnementale :	xxxxxxx		
Spécialiste en Sauvegarde Sociale :	Patrice HORUGAVYE		24/06/2022
Chargé du Projet :	Albert NYAGA		24/06/2022
Soumise par :			
Directeur sectoriel :	Martin FREGENE		26/06/2022
Approuvée par :			
Directeur SNSC :	Maman-Sani ISSA		08/07//06/2022

<sup>1</sup> Note : Cette NOCES doit être en annexe du Rapport d'Evaluation ex-ante présenté à la Haute Direction puis au Conseil d'Administration.

<sup>2</sup> ID=Investissement Direct ; IF=Intermédiaire Financier ; AB=Appui Budgétaire ; PE=Prêt Entreprise ; GU=Garantie ; APR=Accord de Participation au Risque ; PP=Prise de Participation ; FAR= Financement axé sur les Résultats.