

Country Case Study 3: An Assessment of the Cameroon MTEF

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This study forms part of a multi-country study assessing the design and application of the medium-term expenditure framework (MTEF) as a tool for poverty reduction in selected African countries.

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Centre for Aid & Public Expenditure

List of abbreviations

BCEAE	Banque Centrale des Etats de l’Afrique de l’Est
BWIs	Bretton Woods Institutions
CFAA	Country Financial Accountability Assessment
ChdID	Chaine de la Dépense (Publique) (exp cycle)
CTS	Comité Technique de Suivi des Programmes Economiques (Minefi)
DB	Direction du Budget (Minefi)
DP	Direction de la Prévision (Minefi) (Forecasting Dept)
DPP	Direction de la Programmes et Projets (Minpat)
DS	Direction de la Solde (Minefi)
DT	Direction du Trésor (Minefi)
EPA	Etablissement Public a caractère Administratif
FCFA	Franc de la Communauté Financière Africaine
FY	Fiscal Year
GoC	Government of Cameroon
IFMIS	Integrated Financial Management Information System
LdF	Loi de Finances (Finance Law)
LdFR	Loi de Finances Rectificative (Supplementary Finance Law)
LdR	Loi de Règlement (Budget Execution Law – Closure of Accounts)
LM	Line ministry
MinEduc	Ministère d’Education
Minefi	Ministère de l’Economie et des Finances
Minpat	Ministère des Investissements Publics et de l’Aménagement du Terroir
Minsanté	Ministère de la Santé Publique (Ministry of Health)
PFM	Public Financial Management
PRGF	Poverty Reduction and Growth Facility (of the IMF)
SIGEFI	Système Informatique de Gestion des Finances Publiques
TOFE	Tableau des Opérations Financières de l’Etat (Summary Table on Consolidated Operations of Central Government)

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1. Background

First, first, seventh, fifth: these are the positions Cameroon has occupied between 1998-2001 on the list of Corruption Perception Indices published by Transparency International. For a thorough understanding of MTEF and public finances in general in Cameroon it is necessary to keep this in mind.

The country went through a serious economic crisis starting in 1986, primarily due to worsening terms-of-trade, e.g. the decline of the oil price. The economy started to revive only after the devaluation of the FCFA in 1994. During this period of depression the average real wage of government employees declined by approximately 75 percent.

The budget law of 1962, which is currently still adhered to, already enabled the government to practice some forms of multi-annual budgeting. However, these practices can also be described as avoidance of the annual budget constraint¹:

- Expenditure on investment projects could be authorized without time-limit. These credits could be transferred from one (annual budget-) exercise to another;
- Extra-budgetary accounts and reserve-funds provided a means of by-passing the annuality constraint.

However, during recent decades all forms of multi-annual budgeting have been abolished. Following the economic crisis that started in 1986, the Minister of Finance ended to the practise of so-called provincial credits in 1992, which were credits for projects executed by the provinces without any time constraint. Furthermore, pressure of donors lead in 1995 to the abolition of extra-budgetary funds.² These formed a significant part of public revenue, including for example the country's oil revenue. Since then, the budget has been strictly annual.

The current strict annuality of the budget has several disadvantages. The budget of Cameroon is divided into an investment and a recurrent part. Especially for the investment budget, the strict annual character of the budget leads to problems, primarily because investment projects are seldom finished within one year.

To accommodate for the problems faced by the investment budget a revised law is being prepared, allowing for multi-annual allocations for investment projects.

Concerning the recurrent budget, it has been primarily the donor community, notably the WB and the IMF, which have been advocating the introduction of a medium term expenditure framework (MTEF). In their view, the MTEF should support the execution of medium- and long term political objectives, especially those being defined in the poverty reduction strategy paper (PRSP), by confronting the cost implication of these objectives and strategies with the multi-annual budget constraint.

In 1997, the WB tried to introduce some form of multi-annual planning of public finance, in the form of the 'Plan des Dépenses Publiques' (PDP). The PDP had the objective of demonstrating the relationship between the recurrent budget and the investment budget, e.g. the future impact of an investment project on the recurrent budget. The envisaged results were not achieved for two reasons: the economic situation at the time of implementation of the PDP undermined budgetary

¹ André Mbeng, Director of Programmes and Projects, MINPAT, *Plus de performance dans la gestion des crédits*, in 'Actes du colloque sur la réforme du cadre juridique', EU.

² MINEFI even had at its disposal a sub-direction called extra-budgetary funds.

discipline, and secondly the basics needed to support its introduction, for example a functional budget nomenclature, were not in place.

Consequently, the WB changed its approach, and selected two pilot ministries - the ministry of public health (Minsanté) and the ministry of education (Mineduc) - to develop both sector strategies and multi-annual financial planning. Alongside the sector strategies, a countrywide strategy is being developed with primary focus on poverty reduction in the form of the Poverty Reduction Strategy Paper (PRSP). Following a 1996 household survey on living conditions, which provided enlightening indications on the extent of poverty, showing that 50.5 percent of the population of Cameroon lived below the poverty line, the PRSP process was launched in January 2000 at a seminar with participants of the GoC, universities, NGO's and donors. The interim PRSP has been published in August 2000.

The development of an MTEF started in 2000, with the objective of supplying a macroeconomic framework and attaching budget allocations to the PRSP process.

At the moment the sector strategies of both ministries (MinSanté and MinEduc) are about to be finalised. The same holds for the PRSP. The linked sectoral medium term expenditure frameworks remain no more than technical exercises without any link to the budget cycle and consequently to allocation decisions.

As the WB states, the introduction of an MTEF, being both a technical and institutional process, should not go too quickly, in order to make the general adoption by all relevant parties possible. The current state of the MTEF must be seen as a first step in the MTEF process. It is the exercise of planning policy keeping in mind the cost implications thereof, which is important at this stage. This includes discussions on allocations between the LM and the Ministry of Economy and Finance (Minefi), and even more important discussions on internal allocations within the LM.

Although donors, notably WB, IMF, France and GTZ, have been encouraging the process of strategy formulation and MTEF introduction, they are of the opinion that this process should be driven by the Government of Cameroon (GoC) and Cameroonian civil society. Nevertheless, the driving force behind the PRSP and MTEF are the donors themselves. Consultancy units of the WB formulate the (provisional) sectoral MTEFs, and the strategic focus on poverty reduction is supported by PRGF requirements. Furthermore, there exist an enormous lack of confidence at the donor community in GoC independent formulation, execution and monitoring of public expenditure. This is illustrated by the approach to implement HIPC in Cameroun, for which an entirely parallel system is constructed (see later in this text).

In addition to the external assistance to the development of the MTEF specifically, provided by the WB, more assistance is provided to the budgeting process in general, most importantly being provided by:

- France, supporting the introduction of a treasury information system (PATRIOT);
- FMI, directing its attention to budget execution, improving Financial Management Information Systems and external control through independent audit.
- the EU, directing its attention to the development of a revised Organic Budget Law, the development of a new functional budget nomenclature, execution procedures of the investment budget, and installing an independent external auditor ('Chambre des Comptes').

2. The MTEF Process and Organisational Framework

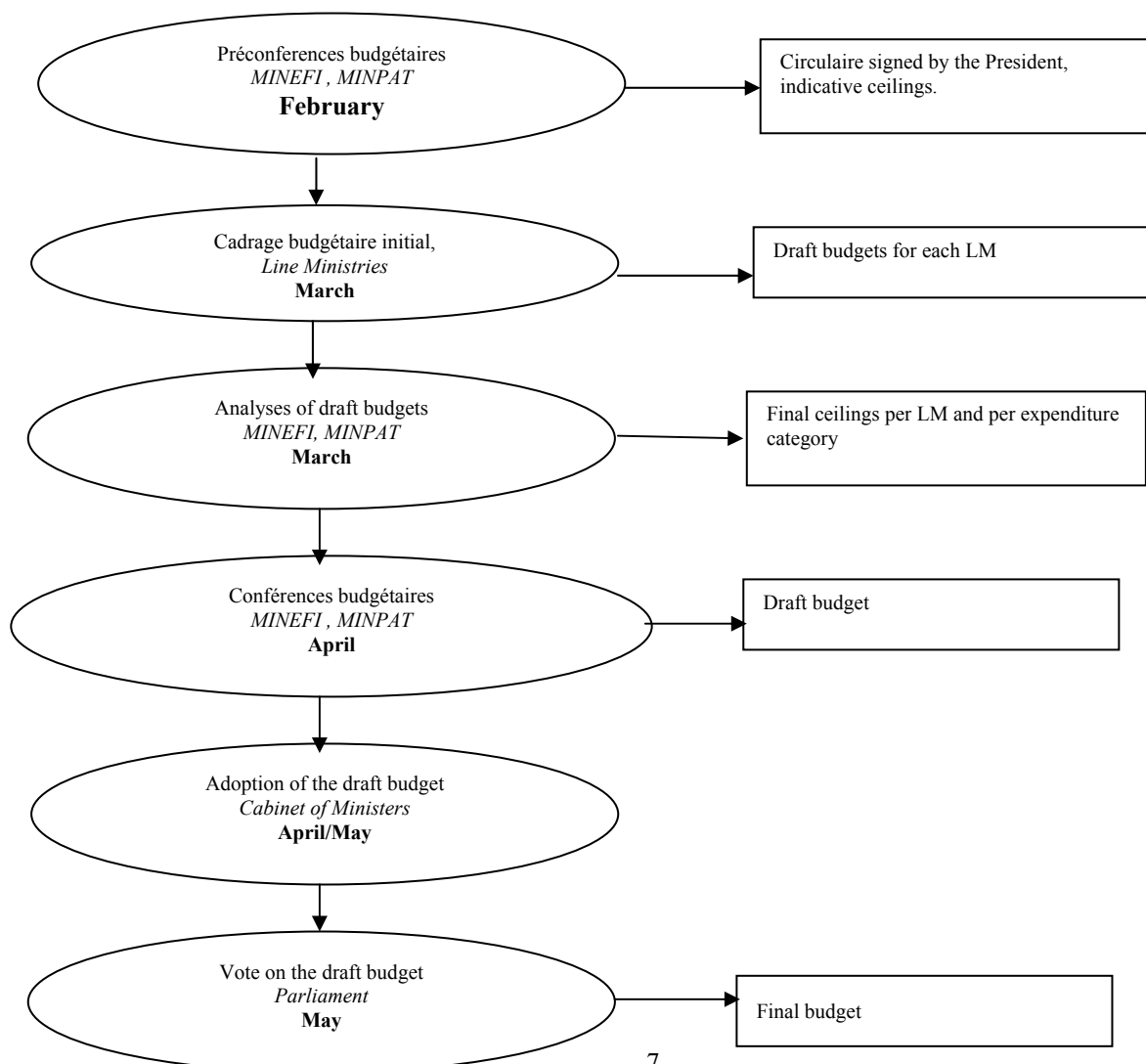
The MTEF, which is in a very early stage of development in Cameroon, is not institutionalised yet, and consequently currently does not have any link with the budgeting process.

It is the aim (of the WB) that the MTEF will be fully incorporated in the budgeting process.

The budget law and the budget cycle is inspired by the old French budget regime. A schematic presentation of the budget cycle is shown in Figure 1.

The two ministries crucial to the budgeting process are Minefi and the ‘Ministère des Investissements Publics et de l’Aménagement du Territoire’ (Minpat), Minefi being responsible for the recurrent budget and Minpat for the investment budget. Minpat was split in 1998 from Minefi for political reasons (officially with the aim to protect investment expenditures). Currently, the split between Minefi and Minpat is considered harmful by most stakeholders for a variety of reasons: (1) a separate Minpat makes it more difficult to prevent rent-seeking from investment expenditures; (2) the split between both ministries hinders the establishment of a functional classification, and (3) it further leads to a duplication of the budgetary process and even of expenditures whilst the investment budget contains recurrent expenditures such as the purchase of automobiles and maintenance.

Figure 1: Budgeting Process in Cameroon (following the old FY starting in July)



The FY used to start the first of July and to end June 30. Currently, this cycle is being changed in order to fall in line with the calendar year from January 2003 onwards. In this description we still follow the old cycle.

The cycle starts with the preparation of estimates of the principal macroeconomic variables by the 'Direction de la Prévision' (DP). In co-operation with the 'Direction des Impôts' and the 'Direction des Douanes' (DID), DP estimates fiscal revenues based on the macroeconomic forecasts. Finally, the envelope of available means is determined in close co-operation with the IMF.

Préconferences budgétaires: Based on this envelope, the 'Direction du Budget' (DB) determines the resource envelopes available for each Line Ministry (LM), including a distribution of allocations per economic type of expenditure, e.g. salary, other recurrent cost, and investment. This is a strictly internal exercise of the DB, in cooperation with Minpat, but without communication with the LM. The resulting allocations are published in the 'Circulaire Budgétaire', which is signed by the President of the Republic, and distributed among LMs.

Cadrage budgétaire initial: Based on the orientation and on the macro indicators supplied by the 'Circulaire Budgétaire', the LM elaborate their draft budgets in co-operation with Minefi on the recurrent budget, and with Minpat concerning the investment projects and budget.

Examen: The draft budgets are subsequently reviewed by DB (recurrent budget) and Minpat (investment budget). These set the final envelopes for each LM, including the distribution of the budget, within this envelope, in recurrent expenditure (excl. salaries), salaries, investment and transfers.

Conférences budgétaires: After setting the final envelopes, each LM is invited to the DB, to discuss the ceilings. This stage is not more than a formality: in reality the ceilings have already been set.

Finally, the Cabinet adopts the budget and presents it to Parliament where it is voted on. In Parliament, each LM gets to defend its budget. This stage used to take place around May.

During all stages of the budget cycle described above, subject of discussion is the annual budget. It is the intention of WB that the MTEF and the annual budget will be fully integrated in each stage of this process.

The PRSP is seen both by the GoC and by WB/IMF as the 'bible' for the development of policy and also for the allocation of available means during the budget process. This is confirmed by the increase of the share of the recurrent budgets for education and health in recent years (see Table 1, no figures were available on the investment budget per sector). Unfortunately, the PRSP is not ready yet, and no draft version is available. The development of sector strategies is piloted in the key ministries of the PRSP process: Minsanté and Mineduc. Hence, most actors in the budgeting process are also active in PRSP preparation, although their respective roles may differ. This will be described in more detail in section 9.

Box 1: Roles and tasks of the various actors in the budgeting process in Cameroon

Ministry of the Economy and Finance (Minefi)

Forecasting Department (DP): Responsible for estimating the macro-economic developments and the resulting fiscal revenue.

Department of Taxation: Responsible for estimating fiscal revenues.

Department of Customs: Responsible for estimating fiscal revenues.

Budget Department (DB): Responsible for setting the aggregate and sector ceilings, for analysing the draft sector budgets, and for discussing these with the LMs.

Committee for Economic Programs (CTS): Responsible for the communication between GoC and the donor community, and consists of representatives of each LM, of the Prime Minister, of the President, of the private sector and of civil society. Its activities consist of co-ordinating the development of the PRSP and in this context of sector strategies.

Ministry of Public Investment (Minpat)

Responsible for locating, selecting, preparing and monitoring of investment projects, in co-operation with LMs.

LM Responsible for preparing draft and final sector budgets, including a recurrent and an investment part.

Cabinet of Ministers

Responsible for overall budget preparation.

Parliament

Responsible for approving the budget and for monitoring the execution of the budget by the Cabinet.

IMF Sees to a budget preparation and execution which is in line with budget balance.

WB/IMF/EU/other donors

Stimulate the development of national (and sectoral) strategies and of the MTEF.

Table 1: Shares of the budget for Education and of Health as a percentage of the recurrent budget

	98/99	99/00	00/01	01/02
Ministry of Education	16.9%	17.5%	22.1%	22.6%
Ministry of Health	5.7%	5.6%	5.7%	6.7%

Source: Loi de Finances 2000/2001 and Loi de Finances 2001/2002

In a sense, the entire budgeting process is a political one, from the estimation of the macro developments, setting of aggregate and sector ceilings, discussions on the sectoral budgets and finally discussions on the draft budget in Parliament. This does not imply that the Cabinet of Ministers is involved in each of these stages. Estimation of the macroeconomic developments

although performed by DP is closely followed by FMI, which both have their specific priorities. The setting of the aggregate ceiling is performed by DB, but also this action is closely followed by FMI. Sector ceilings are set independently by DB, in the knowledge that during budget arbitrage the ceilings will be changed when these do not reflect the division of power between the LMs. The position of an LM is of course strengthened when it concerns a priority sector in the DSLP, but its strength also depends on its minister. During the budget arbitrage (ending with the ‘conférence budgétaires’) the most difficult cases are presented to the Cabinet of Ministers. Hence, this is the only stage of the process where the Cabinet is involved directly.

To this subject of extent of political engagement in budget formulation should be added, that as the budget formulation is largely of an incremental nature, the budget does not reflect significant political choices. Only some 20 percent of the budget is subject to discussion, whereas the rest consists of so-called ‘services votés’. These are nothing but an extension of last years’ budget, literally allocations that have already been voted on.

3. MTEF Structure and Coverage

In this section, the MTEFs of Minsanté and of Mineduc will be described, being the only ones developed so far, because of the focus on these two ministries in the context of the PRSP. The MTEFs are based on the sector strategies, which are developed by consultants financed by the WB, and are hence said not to be owned by the government.

The MTEFs include external flows and HIPC resources. The inclusion of foreign aid flows makes it difficult to forecast revenues correctly due to the instability of project aid. This instability is a combined result of the payment criteria demanded by donors, and the weak execution rate of projects (both those organised by the GoC and those organised by donors themselves equally, see also section 8). Not completing a project means not fulfilling the (payment) criteria of donors, and hence less external resources than foreseen. Budget support should normally be more stable than project aid, considering that it stimulates ownership and is included in all budgetary procedures.

Both sectoral MTEFs are still to be considered drafts, and will still need a lot of effort before being able to be included in the budgeting process.

An overall MTEF including all government revenues and expenditures does not exist in Cameroon. DP performs some very preliminary exercises on medium-term macro economic projections, taking into account the needs expressed by LMs. This ‘MTEF’ includes forecasts of LM envelopes, but these are by no means ceilings and the basis of the forecasts is non-existent: they are not the result of any formal procedure nor subject to any political engagement. However, the results of this exercise are presented in the form of an MTEF (see **Error! Reference source not found.**), and have been taken into account in the formulation of the MTEF of the health sector (see Section 0). No other ministries are yet familiar with this preliminary MTEF.

Table 2: Presentation of MTEF exercise by the Forecasting Department, Minefi, Cameroon

Reference	98/9999/0000/0101/02	02/0303/0404/0505/0606/07
GDP		
Change in GDP		
Education		
Recurrent expenditure		
Capital expenditure		
Health		
Recurrent expenditure		
Capital expenditure		
Infrastructure		
Recurrent expenditure		
Capital expenditure		
Defence		
Recurrent expenditure		
Capital expenditure		
Total ministerial budget*		
Recurrent expenditure		
Capital expenditure		
Other public investment		
Total recurrent		
Total investment		
Total		

* This is the sum of the sector budgets

3.1 MTEF Minsanté

The (draft) MTEF of Minsanté covers a forward period of 5 years (2003-2007). The forward projections include: (1) expected costs of various programmes and (2) estimates of income from the recurrent budget, the investment budget, the HIPC Initiative, and bilateral donors.

Underlying the MTEF is the sector strategy. In this strategy several (5) programmes are defined, which are considered the priority issues for the coming 5 years. These programmes include ‘promotion of health’, ‘providing health care’ and ‘institutional development’. These programmes consist of various sub-programmes, e.g. the programme ‘promotion of health’ includes the sub-programmes ‘fight against malaria’, ‘fight against leprosy’ and ‘fight against AIDS’.

The MTEF is based on detailed cost estimates of a list of activities proposed in the sector strategy. These cost estimates have been developed by consultants based on a bottom-up approach, in cooperation with the project directors. This approach has the advantage that the cost estimates are based on the needs, and thus constitute an important aspect of the decentralisation of the formulation of policy proposals aimed for in the sector strategy.

However, this approach has also led to several problems: (1) resource demands of individual project directors overlapped, for example vehicles or computers that can be used for several projects simultaneously were requested for each of these projects separately; (2) the project directors could propose supplementary investment expenses without considering the consequences for recurrent costs like personnel and maintenance; (3) the cost estimates were biased towards the personal preferences of the project directors, for example the cost of missions equalled approximately 15

percent of total salary cost; and finally logically resulting from the former three points: (4) “the risk is run that the aggregate sum requested puts the budget in disequilibrium”.³

Consequently, an effort has been made to refocus the medium-term budget based on these cost estimates towards the basic costs of the sector, e.g. personnel, medication, maintenance of buildings and investment. However, this re-estimation even resulted in an extra financing need of CFA 300 billion.

The MTEF does not only include estimates of the costs of activities proposed in the sector strategy, but also of revenues. The MTEF has been confronted with estimates of the macro developments, determining the resource envelope for the coming 5 years as provided by DP (see above). The figures of DP are a result of a purely technical exercise of some experts of DP and do not reflect any political commitment. Furthermore, the figures provided are still subject to many changes and are considered too optimistic. Therefore, the consultancy unit within Minsanté drafting the sectoral MTEF does not use these figures directly, but used a more prudent version (a lower resource constraint) of the DP figures.

Different opinions exist on the extent to which the confrontation with the resource envelope is taken seriously. On the one hand, the health MTEF is considered too rigid (by strategy specialists) because it would result in the elimination of programmes planned in the sector strategy, such as the fight against malaria, which are very necessary, but on the other hand the MTEF shows a large and increasing financing gap, undermining its sustainability. These two positions show that the MTEF exercise fulfils the function it should: confronting policy makers with the financial implications of policy proposals, but also demonstrates that MTEF has not outgrown a mere cost estimate as the resource envelope is not respected. Please note that the current state of the sector MTEF is not final, and does not have the slightest implication for the budget.

With respect to revenue from donors, a large discrepancy (approximately 75 percent) exists between the donor funds allocated to the health sector in general and donor funds included in the health budget. A large part of donor funds is allocated to projects that are not included in the multi annual strategy of Minsanté, and also do not appear in the budget. For instance, nearly half of the massive contribution of the WB to a multisectoral project directed at fighting AIDS will be allocated directly to local communities, and will not appear in the budget of Minsanté.

The allocations within the limits of the resource envelope available for the health sector are the exclusive responsibility of Minsanté.

It should be noted that the actual figures are not to be considered realistic nor sophisticated, but that the exercise should be considered a learning process. This observation is supported by the fact that no objectives and sub objectives could be provided to Minefi for the purpose of drafting a new, functional, budget nomenclature.

The classification of the MTEF of Minsanté is shown in Table 3. This classification deviates from the classification of the (draft) budget of Minsanté, which is a mixture of an administrative and economic classification. An example is shown in

³ Aide Mémoire, Mission d’Appui Technique, Ministère de la Santé Publique, Feb 2002

Table 4. It can be seen that each province and each medical centre in each province is a budget item (e.g. as for Littoral and Douala). Once the budget is voted on, the Ministry has very limited discretion to reallocate funds between different budget items (see section 8).

When comparing both classifications, a difference in detail can be observed. The budget classification is far more detailed than the MTEF classification. Note that the budget classification does not allow the assessment of the costs of some organisational units. For example, salaries and maintenance of buildings are not directly allocated towards a regional hospital but form a separate category lacking a breakdown of these costs.

The classification of the MTEF allows for an allocation according to predefined objectives and consequently for ex-post evaluation thereof. Currently, a project is being executed to develop a functional budget nomenclature that allows for the definition of objectives and subsequent allocations based on these objectives, and is furthermore as detailed as the currently used budget classification.

The MTEF will be added as one chapter to the sector strategy. Next steps that need to be taken to (technically) finalise the MTEF are: (1) to elaborate several programmes in more detail, (2) to elaborate a recruitment plan, and (3) to implement investments with a horizon until 2007. Furthermore, (4) the MTEF needs to be re-codified in line with the functional budget nomenclature.

Table 3: Classification of MTEF of Minsanté

Type Programme	Project	2002	2003	2004	2005	2006	2007	Total
Promotion of Health								
	Fight against diseases							
	fight against malaria							
	fight against leprosy							
	fight against AIDS							
	Health of Mothers and children							
	Health of mothers, adolescents, elderly							
	Vaccination programme							
	Promotion of Health							
Providing Health Care								
Institutional Development								
Financing								
	Internal							
	State Budget (including HIPC)							
	Local Community							
	External							
	Bilateral donors							
	Multilateral donors							
Finance Gap								

Table 4: Current budget classification Minsanté (budget 2001/2002)

Entry	Description
40 1	Personnel expenses
40 101	Permanent expenses
40 101 000	Personnel and service
40 101 000 A	Public servant special category
40 101 000 B	Public servant category A1&A2
	...
40 2	Other personnel expenses
40 201	Special secretary to the Minister
40 203	Management Medical Hospitals
	...
40 3	Operating services
40 315	Health Care in Province of 'Littoral'
40 315 419	Medical Centre Douala V
40 315 419 2	Operating the office
40 315 419 3	Maintenance vehicles and equipment
40 315 419 6	Small equipment
40 315 419 7	Drugs, nourishment, clothing, and internal maintenance
40 315 419 9	Diverse operating cost
40 4	Maintenance of buildings
40 5	Scholarships, internships and seminars
40 6	<u>Various Expenditure</u>
	Recurrent expenditure
40 8	<u>financed from HIPC</u>
40 9	Public Investment

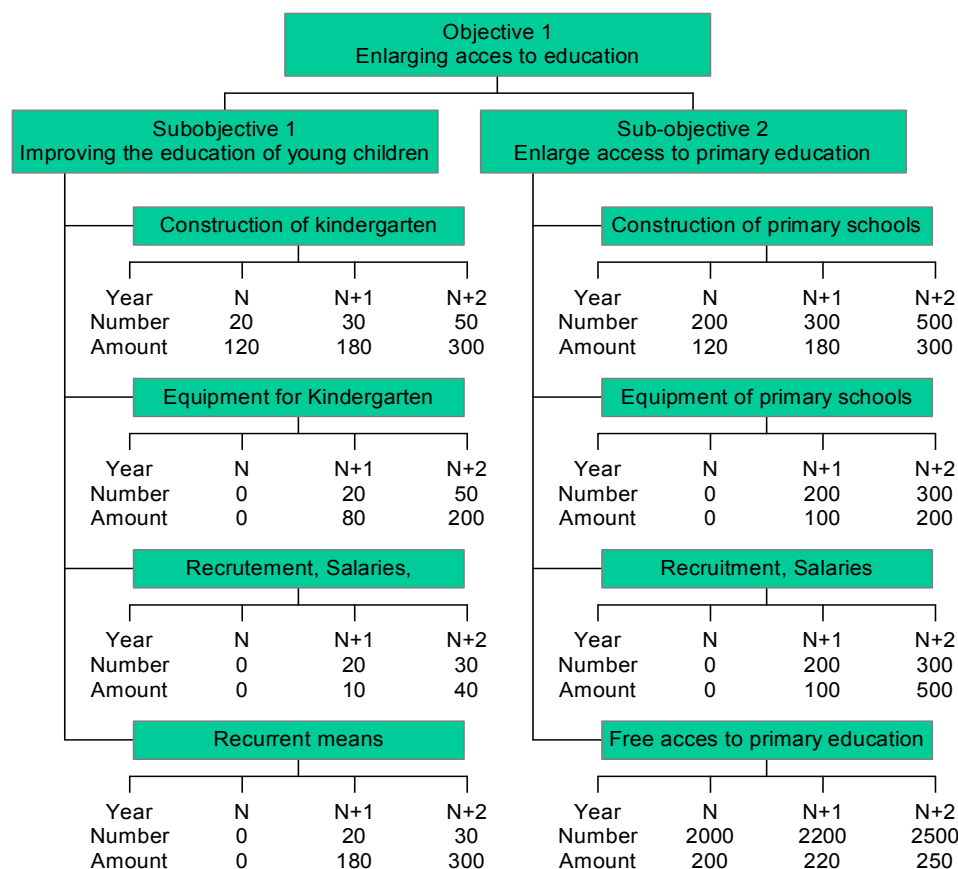
3.2 MTEF Mineduc⁴

The classification 'MTEF' may not be fully appropriate either for the system currently being developed by Mineduc, but at least some attempts have been made to define objectives, sub objectives and allocation amounts for on activities for the coming three years to reach these objectives. These figures are less well founded than those of the MTEF of the health sector.

A result of this exercise is presented in Figure 1.

⁴ Unfortunately we were not able to obtain an appointment at MinEdu to discuss the MTEF of education.

Figure 1: Sector Strategy of Mineduc



Next steps to be taken in the development of the Mineduc MTEF include:

- estimate the costs of projects and programmes planned for the years 2005-2007 and review the growth rate of expenses over the projected period;
- establish performance indicators;
- re-codifying the MTEF in line with the functional nomenclature;
- compare the aggregates of the MTEF with estimates of macroeconomic developments.

4. Basis and Process of Setting Resource Projections

The DP makes forward projections of the principal macroeconomic variables, including consumption, investment, trade balance and price developments for the coming fiscal year.

A model is being developed which generates short-term forecasts of the macro-aggregates, and which is being extended to generate medium term forecasts. The model is built on econometric equations that can be used to generate short-term projections. The model is based on an iterative process and is written in Excel. Equalling demand to supply closes the model, thus assuming the supply side to set the growth constraint.

Input for the model consists of data on macroeconomic developments, provided by the 'Comptabilité National', and forecasts of developments of the private and public sector, provided by the larger private companies and by LMs. These are forecasts of the coming year and of expenditure in the most recent years, as collection of all data on expenditure takes more than two years.

Furthermore, the WB and UNDP have supported the development of an endogenous growth model (RIMSIM/POLAK). GoC has recently validated this model, which will be used to frame the PRSP including the objective to halve poverty by 2015. The model is more advanced and more suited to the economy of Cameroon than the more basic model used by the IMF.

Based on the macroeconomic projections of the DP, the 'Direction des Impôts' and the 'Direction des Douanes' make projections on the level of fiscal revenue, which are discussed with the DP. Consequently, in co-ordination with the IMF, the total budget constraint is formulated. These macroeconomic projections and the aggregate budget envelope are presented as an Annex ('Rapport économique et financier') to the LdF.

Currently there is no resource envelope developed for the PRSP in particular. The soon to be published PRSP will contain figures on the cost of sector strategies, as well as the sectoral MTEFs of the relevant ministries. The MTEF that will be included in the forthcoming full PRSP will take into account resource constraints, and will be fully financed, because it will be discussed beforehand with the BWIs in Washington DC. It is unclear whether the MTEF included in the PRSP will contain an aggregate ceiling and sector ceilings for all ministries.

Over the last five years, actual outcomes have been remarkably similar to DP projections. Only on oil revenue significant differences between estimates and outturns were realised. Analyses of differences between projections and actual outturns are not performed, the reason being the delay in figures on actual outcomes to be collected. This takes more than two years. As development of the model only started in 2000 and as it is a dynamic process, the current state of the model is already completely different from the model used two years ago.

The (medium term) macroeconomic framework of the IMF forms the basis of the PRGF. The IMF does not share its methodology with GoC. With every semi-annual PRGF disbursement, the macroeconomic framework is revised. Also the TOFE is the IMF's core responsibility.

5. Basis and Process of Setting Aggregate Limits and Broad Allocations

The MTEF is not at all integrated in the budget cycle, and does not have any impact on determination of the expenditure limits for the budget year. As the MTEF exercises being performed are the first ones, no experience exists on the relation between consecutive MTEFs, for instance automatically rolling over of the first out-year to be the starting point of the next year's annual budget.

An overall expenditure limit is determined by Minefi based on the discussion on estimates of the development of the macro-variables and public revenues between DP and IMF (see also section 4).

Furthermore, during the process of budget formulation, expenditure limits are set per Ministry and other Public Agencies for the recurrent budget, and for the investment budget. Also an expenditure limit is set for salaries (which are managed separately from the rest of the recurrent expenditure by the 'Direction de la Solde' (DS, Minefi). In setting the sector ceiling, DB does not reason in terms of programmes and objectives, but uses its powerful position mainly to ensure budget balance. An important position in the setting of these limits is taken by the 'Ministre délégué pour le Budget', which is attached to the Minister of Economy and Finance.⁵ One of the aims of the introduction of

⁵ A similar organisational construction applies at MinPAT, where a 'Secrétaire d'Etat MinPAT' is attached

the MTEF is to overcome the central position of DB in setting the sector ceilings and hence prevent Minefi to continue changing sectoral envelopes from one day to the other. Note that the MTEF is not meant to undermine the top-down character of the sectoral envelopes, but to increase the influence of the sector Ministers in setting the sector limits to ensure that these reflect political priorities rather than technical ones. Note furthermore, that this does not imply LM influence on the aggregate resource constraint.

The process of setting these limits has been described in section 2. To this description can be added that the budget including its ceilings should fulfil the requirements of the IMF as formulated under the PRGF. This includes the requirements shown in Box 2.⁶

The Cabinet is the owner of the budget, presents it to Parliament and therefore has the final responsibility for the budget. Within the Cabinet of Ministers, it is the Minister of Economy and Finance who is responsible for the budget, and who defends it in Parliament. The Cabinet is not actively engaged in determination of the aggregate limits. These are set by DB during the *Préconférences budgétaires*, and are not subject to significant changes during further stages of the budget formulation process. During these ‘further stages’ the Cabinet plays a crucial role, in that all issues which cannot be agreed upon on a lower level, are discussed by the Cabinet. Furthermore, it is the Cabinet, not the Minister of Economy and Finance, which is the entity communicating with IMF (and BCEAE), and hence it is the Cabinet which is bound to the aggregate constraint set by the PRGF and to the agreements in the context of the BCEAE.

Box 2: Quantitative Performance Criteria and Benchmarks during the first annual program under the Poverty Reduction and Growth Facility (PRGF), Sept 2000

- Ceiling on the increase in net claims of the banking sector on the central government;
- Floor on the primary budget balance;
- Floor on the non-accumulation of external payments arrears of the central government;
- Ceiling on new medium- and long term non-concessional external debt;
- Floor on the total revenue of the central government (adjusted for higher/lower than programmed oil revenue);
- Floor on the reduction of domestic arrears;

Source: IMF(2002)

There is a ‘Programme des Investissements Prioritaires’ (PIP), but it is not linked to the MTEF. The PIP also shows three-year estimates of expenditure, however it is not comparable to an MTEF. The crucial difference between the multiannuality of the PIP and of an MTEF is that the MTEF concerns a three-year financial plan from which an annual budget can be deduced, whereas the PIP is basically a three-year extension (incremental) of an annual investment budget. The commitment on investment projects is on an annual, not on a three-annual, basis: investment projects which have been started, do not have certainty on being allocated the necessary funding the next FY even when in these funds are included in the PIP.

The PIP includes many projects which plans are not developed sufficiently, and also projects which are said not to be useful. The confrontation of these project proposals with the available resources

⁶ However, an incidence is mentioned of increases of some allocations (to the President’s Office and to Defense) right before the LdF is voted by Parliament, when it is too late for the IMF to interfere. These were not done at the cost of other ministries, but through lifting the aggregate resource constraint. It is not clear who has been responsible for this practice.

does not happen before these are presented to the budgetary arbitrage. When projects are not granted funding, these remain included in the PIP.

In the provisional MTEF of Minsanté, the PIP is included in the MTEF. As described in section 3.1, the provisional MTEF is still far away from being in line with the aggregate sector envelope, but at least an effort is being made to confront needs with possibilities, something which is completely absent in the PIP.

Apart from the ceilings of the recurrent and investment budget, limits within each LM budget on recurrent expenditure (excl. salary), salary and transfers, are supplied.

The aggregate ceiling is perceived to be hard. For the last five years the budget has been consistent with the PRGF, i.e. with the TOFE included in the latter (before, revenue estimates were not realistic and expenditure ceilings were surpassed). However, this is not so much a political choice, as the result of the fact that normally no additional resources become available to allow for increased expenditure. In the event of exceptional revenue generation, the proportion in which this surplus is actually spent is decided jointly by GoC and IMF. However exceptional revenues are indeed exceptional in Cameroon.

Sector and other ceilings are not perceived to be very hard. As long as the criteria posed in the PRGF are respected, sector allocations can be changed during budget execution, based on decisions of the Cabinet. However, this does not happen often. Two recent examples of priority expenditures have been the 2002 parliamentary elections, and the participation of Cameroon in the World Cup. In these cases no adaptation to the budget is made, but a request for payment is presented directly to the treasurer by the Cabinet. Officially, departure from the budget needs to be voted on by Parliament. In practice, voting is delayed until voting of the LdR (see section 8).

In the 'Loi de Règlement', which provides a comparison of the budget and actual expenditure outturns, and which is added to the Budget Law,⁷ budget outturns of the recurrent budget can be seen to be generally close to the budgeted amounts for each ministry. However, the investment budget is structurally under-utilised, the causes thereof are described in section 8.

Organisational resource allocations are not linked to performance targets yet. This would be over-ambitious considered that detailed sector strategies and the implementation of a functional nomenclature seem to be prerequisites for this.

As part of the PRSP process performance indicators have been defined. Unfortunately the PRSP has not been published yet. However, the I-PRSP includes an extensive list of poverty monitoring indicators some of which are shown in

⁷ The Loi de Règlement of the budget year 1999/2000 is included in the Loi de Finances (Finance Law) of 2001-2002, and not in the Budget Law of 2000/2001 because of the slow collection of data.

Table 5. These indicators result indirectly from the participatory process underlying the PRSP (see section 6). The MTEF being the quantified form of the sector strategy seems the instrument to include quantifiable performance indicators. Nevertheless, the only performance indicators included in the (draft) MTEF of the health sector are the shares of the investment budget and of the overall budget allocated to Minsanté.

Table 5: Selection of Poverty Monitoring Indicators presented in the I-PRSP

Monitory indicators	Income distribution Incidence of poverty
Labour market indicators	Unemployment rate Dependency ratio
Education indicators	Gross enrolment ratio (age 6-14) Adult literacy rate
Health and nutrition indicators	Vaccination ratio Infant mortality rate
Water and sanitation indicators	Percentage of households with access to safe drinking water
Standard of living indicators	Average number of persons per room Percentage of households with electricity

6. Policy, Planning, the MTEF and Budgeting

In considering planning and allocation in Cameroon, it should be kept in mind that the ‘services votés’ practice of continuing to allocate 80% of previous year’s allocations to existing policy paralyzes the budgetary process. An extreme case, though with little financial consequences, is the ‘Direction de la Planification’ of Minefi, which became redundant when Minpat was created, but which continued to receive allocations from the central budget. Standard practice is, for example, the budget of a line ministry is increased by 10 percent, the budgets of each line item are increased by 10 percent.

The presentation of new policy proposals is part of the process of budget formulation. Within this process, new policies can be proposed annually. This process can be illustrated by the practice of the health sector.

The organisational structure of the public services of this sector consists of three layers:

- the centre, consisting of the Ministry itself;
- an intermediary level consisting of the Provincial Delegations; and
- the periphery consisting of the Health Districts

The periphery proposes new proposals to the Provincial Delegations, who integrate these proposals and submit these to the centre. At the centre, existing policy and new policy proposals are confronted with the budget constraint for the health sector. Consequently, allocations of the budget are made, and communicated (top-down) towards the various Provincial Delegates. These in turn allocate their envelope to the peripheral entities.

The question which level is decisive in the process of new policy formulation is difficult to answer, as all levels are involved. For the same reason one cannot specify which level is driving policy change, Cabinet, President, Minefi, or sector ministries. Nevertheless, generally, public governance in Cameroon is perceived to be highly centralised. A reshuffle in the Cameroonian government occurred in April 2001, replacing the Minister of Economy and Finance, and the Secretary General in Minefi. Some say this reshuffle had the objective of reducing the increasing power of the Minefi. The question on which ministry is decisive in the allocation decision cannot be answered, as in Cameroon this is more dependent on the Minister than on the Ministry.

With respect to investment projects, the process is different. The process starts earlier in the budget cycle with Minpat distributing an announcement that investment projects can be proposed. In co-

operation with the LM, Minpat prepares, selects, develops and monitors the investment projects. Hence the role of Minpat in the investment allocation process is significant. Although Minpat is not the owner of the PRS, because of the PRS providing the priorities for the budget formulation process, Minpat uses these priorities in selecting investment projects. Hence, the PRS not only influences sector allocations, but also the selection of new projects. Note that resulting from the incremental nature of the budget process, new projects are only possible when the sector envelope increases. Hence the incremental nature of the budget significantly undermines strategic allocation of resources within sectors.

The process of the PRS is very different from the current practice of handling any new policy proposals. Notably, the PRS process is aimed to be a very participatory one, in order to hear the voice of the poor themselves but also to gain support for the projects to be implemented. Two participative rounds have been included, consisting of visits to local communities all over the country. The first round took place in April 2000 with the aim of identifying the basic necessities of the people (approximately 10,000 people were reached). Information was gathered on:

- the perception of poverty among the population at large;
- how the population analyses the determinants of poverty;
- their proposed solutions to alleviate this situation.

The second round, in May 2000, consisted of a national workshop to present the results with representatives of the groups consulted. The result was a definition of the problem of poverty in Cameroon, which was formulated in the I-PRSP as ‘the absence of material or financial resources needed to satisfy basic needs such as food, housing, health care, education and safe water’. Observers from IMF, the WB and GTZ were present.

There are no specific review processes of existing policy.

The sector strategies that are now being developed⁸ should be in line with the strategies formulated in the to be published PRSP, as the Ministries have been involved in the PRS process. Each LM has a representative in the Committee for Economic Programs (CTS) which is the co-ordinator of the PRSP process. This Committee is the point of coordination between the GoC and the donor community and hence was the logical coordinator of the PRS. The division of power within the CTS is not clear.

The PRS and sector strategies do not provide a new system of proposing new policy, but rather provide the framework based on which the budget allocations are discussed.

The MTEF currently does not have any direct link with the budget formulation and policy making process. The only use of the provisional MTEFs of Minsanté is to illustrate their arguments in the budget negotiation process. Nevertheless, the link between the health sector strategy and the annual health budget is weak.

6.1 Basis and process of organisational expenditure planning

Due to a lack of capacity, the MTEF formulation exercises of Minsanté and Mineduc are managed by external consultants financed by the WB.

⁸ The strategy of Minsanté will be ready September 2002.

The MTEF is developed centrally within Minsanté, based on three annual cost estimations of the activities documented in the sector strategy. These estimations are made by the directors of all departments of the ministry. See also section 3.

The internal allocation of the LM is performed in communication with Minefi and Minpat during the process of ‘Examen’ of the sector budgets, finalised with the ‘Conférences Budgétaires’. These discussions concentrate on the assumptions regarding the costing of different policies and programmes.

Parliament votes on the detailed budget presented by Cabinet. First, the general budget is presented by Minefi, and consequently each Sector Minister gets to defend his sector budget. However, Parliament does not change the budget proposals significantly. The lack of transparency in the budget presentation even prevents a detailed analysis. As mentioned before, the current nomenclature being a mixture of an economic and administrative budget does not permit an insight into the costs per organisational units, nor per objective.

The organisational expenditure allocations set by the centre are non-negotiable. First the envelope is defined by the centre, and consequently LMs are allowed to propose a budget within this envelope.

Internal allocations within the LM are not linked to performance indicators. Until this moment the budget has not even been linked to any strategy or objective, and the existing budget nomenclature does not show allocations towards objectives. The next budget year the budget will be presented according a new functional nomenclature specifying objectives. As described in section 5, also the strategies that are being formulated and linked to MTEFs specify some (very rough) indicators.

7. The MTEF and Budget Execution

The Organic Budget Law provides the possibility to present a Revised Budget during budget execution to accommodate for unforeseen developments. However, this possibility has never been used. The GoC prefers to manage its budget execution not by LdFR but by ‘régulations’ (temporary credit freezes). The latter are decided by the ‘Comité de Suivi de la Trésorerie’, comprising all ‘Directions’ of Minefi. Priority sectors are better protected from ‘régulations’ than others. In section 5, the incidence of two priority expenditures during the budget execution of 2002 have been mentioned (parliamentary elections, and the participation of Cameroon in the World Cup). In these cases no LdR was voted on, but the Cabinet ordered the treasurer directly to proceed to paying. The fact that these changes were not voted on means that also no source of funding was selected at that moment.

Furthermore, for a LM or government agency it is very difficult to shift funds between different budget lines. Each change needs the approval of Minefi. Deviation from this rule is difficult due to the central position of Minefi in budget execution, and the procedure of commitment, validation, authorization and finally payment. The procedure makes it impossible for a LM or a government agency to spend more than allocated without permission of Minefi.

Generally, according to the figures on budget and actual expenditure (information on actual expenditure is presented in the LdR), budget outturns of the recurrent budget are generally close to the budgeted amounts (see section 4). But it is hard to track if the same holds for the composition of the budget, in particular for deconcentrated expenditures, given:

- the importance of “virement de crédits”;
- the absence of a functional classification;
- the intransparency of the economic classification;

- the absence of adequate physical-financial controls.

In Table 6, it can be seen that in FY 1999/2000, 99.8 percent of the budget has been used. Generally the idea prevails that the fact that the ceiling is respected, is not a result of the absence of the revision of budget allocations, but of the fact that normally no additional resources become available to allow for increased expenditure (see section 5). Table 6 shows furthermore that allocated expenditure to the Mineduc for FY 1999/2000 has been significantly higher than the budget (129.9 percent), and that the actual allocations for both Minsanté and the Ministry of Agriculture have remained slightly short of the budget.

The higher allocation to Mineduc for instance, is a direct consequence of the PRS process and its focus on priority sectors, including MINEDUC (but also Minsanté). The fact that many of the outturns are close to 100 percent is a direct result of the typically French budget execution procedure of commitment, validation, authorization and finally payment mentioned above.

Table 6: Budget and actual expenditure of the budget (1998/1999 and 1999/2000), FCFA billion

Shares in %	Budget 98/99	Outturn	Variation	Budget 99/00	Outturn	Variation
Total Public Revenue	1,172	1,050	89.6%	1,275	1,298	101.8%
Total Public Expenditure	1,172	1,046	89.3%	1,275	1,194	92.0%
Recurrent Expenditure	535	514	96.1%	565	564	99.8%
Ministry of Education	90.6	109.2	120.6%	99.1	128.7	129.8%
Ministry of Health	30.6	30.2	98.8%	31.9	30.8	96.3%
Ministry of Agriculture	19.3	19.3	99.8%	20.3	19.7	96.8%
Investment Expenditure	229	148	64.6%	295	169	57.2%

Source: Loi de Règlement 1998/1999 and Loi de Règlement 1999/2000

In Table 6, it can be seen that the investment budget has been significantly underutilised. This is a structural phenomenon, and results (1) from incapability to develop projects that fulfil the requirements (the capacity of companies to develop investment projects is insufficient), and (2) because of an administrative reason: the execution of projects is often delayed, with the consequence that the funds cannot be spent in the FY concerned. As the budget is on commitment base and the realisations on cash base, a difference results. So in reality GoC's investment budget is implemented largely in the end. Only 6 to 10 percent of commitments do not reach the payment stage, either because DPP and DT does not approve them, or because of lacking revenue. In the latter case, expenditures turn into arrears.

Another weakness in budget execution is that of salaries. These form approximately 30 percent of the overall budget. This expenditure is managed by the DS of Minefi. However DS lacks the necessary instruments to be able to track the expenditure. As a result fraud is ample, and furthermore significant flows of resources between different ministries exist.

Various activities are being performed in order to address the problem of the quality of financial information (see section 11).

A lack of objectives and of a functional budget nomenclature makes monitoring of agency performance technically impossible.

8. The MTEF and the Poverty Reduction Strategy

The PRSP will be published shortly. It is the result of a relatively (compared to other African countries) participative process. The intention exists to regularly perform a review, for example every two years. Hence, the PRS will not be an annual process and will not have any regular repetitive link with the budget formulation process, nor with the MTEF, both annual processes. Please note that this does not imply that there does not exist any link between these processes.

Nevertheless, the PRSP plays a significant role in the (more recent) budget formulations, providing a long-term strategy, and defining specific priority sectors towards which allocations should be increased. Also the PRSP plays a role in the MTEF exercises being performed. The MTEF is considered an instrument to confront the formulated strategies (PRSP) with the constraint of available resources. In fact the PRSP will contain (1) cost estimates of the activities proposed in the sector strategies, and (2) (draft) sector MTEFs. Hence, the fact that development of the MTEF is most advanced in the sectors Health and Education is a direct result of the PRSP process.

However, as a consequence of the focus on these priority sectors, other LMs have not seen an increase in their budgets for years. Hence, these LMs lack the incentive to formulate sector strategies. Moreover, these are ministry strategies, not sector strategies: for instance military hospitals are paid from the defense budget, but belong to the health sector.

The allocations mentioned in this text which are not in accordance with the PRS (defence, the President's Office, elections, soccer) present exceptions of the general focus on sectors which focus on poverty reduction. However, these exceptions show that the PRS is not the unique factor determining public expenditure.

Most participants in the budgeting process also play a role in the PRSP process, although their respective roles may differ. Whereas the DB of Minefi plays a central role in the budget formulation process, DB does not have a specific role in the PRSP formulation process. The reverse holds for the CTS, which takes a central position in the PRSP formulation process, but does not play a significant role in the budget formulation process.

For the allocation and tracking of HIPC funds, a system is developed completely parallel to the budgeting process, with special emphasis on selection and control mechanisms. Especially for this process a committee (Comité Consultatif et de Suivi de la Gestion des Ressources PPTE, CCS) has been established including members of civil society (ngo's), representatives of the donor community and representatives of the GoC. The CCS has the function of advising⁹ the GoC on the selection of investment projects. Hence, HIPC is seen as a laboratory for public expenditure management, to be used as an example for the overall budgeting process in the future. The HIPC procedure even contains a form of multi-annual financial planning. However, in the meantime the HIPC process does not support the general budgeting process but even undermines it by pursuing a completely parallel system. Furthermore, the HIPC process absorbs a lot of time and energy of the government officials involved in budget formulation and execution. Concluding, the only positive aspect of the specific introduction of HIPC in Cameroon is the fact that in the context of the project

⁹ There exist still discussion on the exact role of the commission, that is whether it has an advisory role or whether it can decide on the projects proposed.

proposals the GoC and representatives of civil society have direct contact with each other, which is a unique case.

9. The MTEF and local government

Despite a decentralisation process started in 1996, local governments in Cameroon have very little administrative and financial autonomy. Municipalities only account for five percent of public expenditures, whereas 60 percent of public expenditures are accounted for by the local governments.

The accountability of local governments and local government agencies with respect to the recurrent budget is different to their accountability with respect to the investment budget. Concerning the recurrent budget they are only accountable for a limited part of their expenditure, i.e. not for salaries and maintenance of buildings. The budget nomenclature prevents these forms of accountability. With respect to the investment budget, local governments and government agencies have limited accountability. Investment expenditure is closely followed by Minpat. To this effect, Minpat is rapidly increasing its network of local representatives.

The expenditure of both the investment and recurrent budgets are audited by DT, which has approximately 340 local offices at its disposal to accommodate for the increasing attention towards physical audits. In absence of an independent General Auditor ('Chambre de Compte') in Cameroon, the only external audit is performed by the 'Contrôle Supérieur de l'Etat'. However, the independency of this institute is questionable.

Local governments do not prepare medium term resource projections, nor medium term expenditure projections and hence do not have any link with the (draft) MTEF, described in section 3. No forward resource or expenditure planning instruments are planned to be introduced in the near future.

10. Quality of Information

Financial information produced by the GoC includes:

- the LdF and LdR;
- the "Balance des Comptes du Trésor", a comprehensive set of Treasury accounts;
- the TABORD;
- Quarterly budget execution reports are published by some LMs, including Health, Agriculture and Public Works.

The quality of financial information is one of the weakest aspects of the budgeting system. Budget execution reporting is the weakest part of the budget process in Cameroon, but preparation and especially execution show important shortcomings as well. For instance, the (draft) budget is considered unreadable, resulting from the budget nomenclature, and does not permit to see any sign of a strategy. Furthermore, monitoring budget execution suffers from a major deficiency in the budget execution reporting system (see below), and is consequently virtually impossible. This may have an impact on the budget preparation and execution process, however this impact cannot be specified.

The LdR is generally presented within 12 months after the end of the FY, as legally required. But its data are not reliable, because FYs are often not closed and do not respect the complementary period of 3 months. Data at the level of the DT's accounting can thus be modified at any time.

Also, information on execution of donor-financed operations is late and only partially available. Furthermore, information is sometimes incompatible with the budgetary classification.

One of the causes of this deficiency is that the budget is prepared on a commitment basis while budget execution is recorded on a cash basis. Through approximate adjustments a budget execution report on commitment basis is produced. However, because the complementary adjustment period stretches over 2-3 months, reporting is particularly unreliable in the early part of the FY. A solution aimed at by GoC is the matching of current period payments with previous budget plan commitments.

This flaw in reporting (including the absence of a functional budget classification) also has its impact on the possibilities to monitor developments on the PRSP process. Only reports on broad trends in social spending can be made, i.e. education and health spending, and not on a higher level of detail, for instance matching poverty reduction programmes consistent with the (I-)PRSP.

Much effort is being made to improve the quality of information. Recent initiatives include:

- a system (an IFMIS) has been put in place linking the administration of the treasurer (PATRIOT) with the budget (IBIS);¹⁰
- the introduction of a functional and programme budget classification;
- strengthening of internal control, i.e. physical-financial audits, particularly in the health and education sectors;
- acceleration of closure of accounts;
- establishment of an independent external control;

The establishment of an MTEF is considered to one of the instruments to improve financial information, supporting budget preparation, execution and reporting.

A functional classification will also enable GoC to move away from 'services votés' practice and from fragmentation of the budget in countless and meaningless line items.

11. Conclusions

In this conclusion the advantages and disadvantages of the budgeting process in Cameroon are described with respect to the three dimensions of public finance: aggregate fiscal discipline, allocative efficiency and operational efficiency.

Aggregate fiscal discipline

The strength of the budgeting process in Cameroon is the top-down structure of setting the expenditure ceilings. The result of this structure is that the aggregate budget envelope is perceived to be hard. Also in the budget execution process a top-down structure exist, with Minefi in a central position.

¹⁰ It is not clear if these efforts are either directed on producing a simple system that will deliver more timely and reliable financial data (rather than sophisticated systems that take years to get started and often do not deliver what is required?)

Allocative efficiency

A negative aspect of the specific top-down structure in Cameroon, is its high level of centralisation at Minefi. With respect to the aggregate resource envelope this is a good situation, but with respect to the sector ceilings, it is preferable that these directly reflect political priorities, and not indirectly through for instance the PRS. Hence the sector envelopes should not be defined unilaterally by Minefi, but should be defined by the Cabinet of Ministers. Of course this should not result in neglecting the aggregate resource constraint.

Another negative characteristic of the budget process in Cameroon with respect to allocative efficiency is the insignificant influence of Parliament in the budget formulation process. Partly this is a result of poor information on budget execution, which leaves Parliament with very limited information on actual budget execution.

Maybe as a result of limited insight in budget execution the budget formulation process is largely incremental, implying that last year's budget forms the basis of the budget to be formulated, and that budget arbitrage only concerns the additional resources available. Especially in developing countries, where public expenditure is not already for a large share determined by entitlements (transfers to citizens as laid down by law such as social benefits) this hampers allocative efficiency unnecessary.

Operational efficiency

The very strict budget execution procedures, which demand LM and government agencies on all levels to demand first commitment, than validation, and finally authorization before receiving payments does not provide incentives to be operational efficient, but on the contrary provides incentives to be as inefficient as possible as long as the requirements are fulfilled. Furthermore does the absence of responsibility of public institutions and agencies for part of their expenses, including salaries and maintenance of buildings provide a similar disincentive to act operational efficient.

With respect to the MTEF in Cameroon, as preliminary as it is, the following can be concluded: a weak point of the MTEF is that, it is primarily the donor community that develops the MTEF through consultant units within the ministries. The absence of a link between the (draft) MTEFs developed and the budget formulation process, indicates that the objective of using the MTEF to confront policy (formulated in the PRSP) with budgetary constraints, is not supported.

A positive observation on both MTEF and budgeting process, is that a lot of effort is being put into 'getting the basics right', including the introduction of a functional nomenclature, and an IFMIS in order to be able to monitor expenditure. Furthermore, the structure implemented to manage HIPC funds, despite its shortcoming of not being integrated in the budgetary process, provides a good experiment of introducing more influence of civil society in the budgeting process.

From the underlying assessment, the following recommendations can be made:

With respect to the budgeting process:

- end the practice of taking the 'service votés' of the preceding year as the starting point of the current year's budget formulation (this will be made possible when a budget nomenclature per objective will be implemented);
- enhance the capacity of the budgeting divisions within the LMs, as their limited capacity seriously constrains execution, ex-post analyses and programming of the annual budget, alongside their traditional budgetary operations.

With respect to the MTEF: most importantly, the MTEF will remain a technical exercise as long as it does not include serious budgetary constraints, resulting from a political process. Hence, priority should be given to introducing a transparent system of annual resource allocation, without which an MTEF, supplying a platform for transparent multi-annual allocation of resources, seems a step too far.

It is recognised that it may be politically more feasible to introduce the MTEF at a more decentralised level, that is, in some priority ministries. Also on this level priority should be given to the confrontation of costs and means, thus the expanding MTEFs of the health and of the education sector to be more than (detailed) cost estimations. Furthermore, less attention should be given to formulating the sector strategies in too much detail, because these absorb much time and capacity, while the inevitable confrontation of the planned activities proposed in these sector strategies with the available means risks to reopen the whole process from the beginning. It would suffice to formulate a conceptualisation of programmes, defining objectives and sub objectives as detailed as necessary to be able to translate these in budgetary terms.

The relation of the MTEF with the PRS is evident, as it is introduced in the priority sector of the PRS process, and as the sectoral MTEFs will be included in the PRSP (to be published soon). The same critique, that the detailed cost estimates need to be confronted with expenditure ceilings (without leaving huge financing gaps) holds for this relation.

An important downside of the simultaneous introduction of MTEF, PRS HIPC and other public finance related programmes, is the enormous burden this implies for those central in the budget formulation process. Therefore it would be preferable to integrate these programmes as much as possible. Especially the introduction of HIPC in Cameroon diverts from an integrated approach. As experiences in other African countries shows, fitting HIPC into the ordinary budgeting procedure is possible.

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Annex 1: List of people and institutions consulted

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