INTERNATIONAL MONETARY FUND

IMF Country Report No. 22/75

# CAMEROON

March 2022

## 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 NONOBSERVANCE AND MODIFICATION OF PERFORMANCE CRITERION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CAMEROON

In the context of the xx, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board and summarizing the views of the Executive Board as expressed during its February 23, 2022 consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangement.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on February 23, 2022, following discussions that ended on December 22, 2021, with the officials of Cameroon on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on February 10, 2022.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Cameroon.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

**International Monetary Fund**
**Washington, D.C.**

PRESS RELEASE

PR22/50

# IMF Executive Board Concludes the 2021 Article IV Consultation and First Reviews of the Extended Credit Facility and Extended Fund Facility Arrangements for Cameroon

**FOR IMMEDIATE RELEASE**

- *Cameroon to receive the equivalent of a further US$116 million in disbursements from the IMF.*
- *Growth has started to recover from the slowdown of the second quarter of 2020, reflecting stronger domestic demand and supported by the global economic recovery. Medium term economic prospects are positive but with considerable uncertainty.*
- *Overall program performance is mixed. While macroeconomic performance is broadly satisfactory, and efforts to promote good governance and transparency are gaining momentum, progress on structural reforms is slow.*

**Washington, DC – February 23, 2022:** Today, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV Consultation[1] 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

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

700 19th Street NW
Washington, DC 20431
USA

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-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 catalyze 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".

## Table 1. Cameroon: Selected Economic Indicators, 2019-26

| | 2019 | 2020 | | 2021 | | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Prog. | Est. | Prog. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **National account and prices** | | | | | | | | | | |
| GDP at constant prices | 3.4 | -1.5 | 0.5 | 3.6 | 3.5 | 4.5 | 4.8 | 5.0 | 5.1 | 5.1 |
| Oil GDP at constant prices | 8.4 | 2.6 | 3.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.3 | 0.5 |
| Non-Oil GDP at constant prices | 3.3 | -1.8 | 0.5 | 3.8 | 3.6 | 4.6 | 4.9 | 5.2 | 5.2 | 5.2 |
| GDP deflator | 1.2 | 2.0 | 0.5 | 2.0 | 2.6 | 2.9 | 1.4 | 1.5 | 2.0 | 2.0 |
| Nominal GDP (current, CFAF billions) | 23,244 | 22,955 | 23,486 | 24,265 | 24,951 | 26,828 | 28,491 | 30,388 | 32,581 | 34,939 |
| Oil | 872 | 663 | 544 | 947 | 929 | 1,009 | 937 | 898 | 873 | 858 |
| Non-Oil | 22,372 | 22,292 | 22,943 | 23,318 | 24,021 | 25,819 | 27,554 | 29,490 | 31,708 | 34,081 |
| Consumer prices (average) | 2.5 | 2.4 | 2.5 | 2.3 | 2.3 | 2.1 | 2.0 | 2.0 | 2.0 | 2.0 |
| Consumer prices (eop) | 2.4 | 2.1 | 2.1 | 2.1 | 2.1 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| **Money and credit** | | | | | | | | | | |
| Broad money (M2) | 6.5 | 12.1 | 12.1 | 8.4 | 13.8 | 10.7 | 8.4 | 7.3 | 7.2 | 7.1 |
| Net foreign assets 1/ | 5.7 | -0.2 | -0.2 | 2.6 | 1.9 | 6.5 | 2.2 | 2.1 | 2.4 | 3.5 |
| Net domestic assets 1/ | 0.8 | 12.4 | 12.4 | 5.8 | 11.9 | 4.2 | 6.2 | 5.2 | 4.8 | 3.6 |
| Domestic credit to the private sector | 1.4 | 1.1 | 1.1 | 3.3 | 5.4 | 5.6 | 6.4 | 7.2 | 7.8 | 8.5 |
| **Savings and investments** | | | | | | | | | | |
| Gross national savings | 14.7 | 22.9 | 14.0 | 24.9 | 16.0 | 19.2 | 20.2 | 21.4 | 23.0 | 24.6 |
| Gross domestic investment | 18.9 | 26.6 | 17.7 | 28.9 | 19.4 | 21.2 | 23.2 | 24.7 | 26.2 | 27.6 |
| Public investment | 6.9 | 5.1 | 4.9 | 5.6 | 5.4 | 5.5 | 5.8 | 6.2 | 6.4 | 7.2 |
| Private investment | 12.1 | 21.5 | 12.8 | 23.3 | 14.0 | 15.6 | 17.4 | 18.5 | 19.7 | 20.4 |
| **Central government operations** | | | | | | | | | | |
| Total revenue (including grants) | 15.4 | 13.7 | 13.4 | 14.6 | 13.9 | 14.9 | 15.9 | 16.3 | 16.6 | 17.1 |
| Oil revenue | 2.5 | 1.9 | 1.8 | 2.2 | 1.9 | 2.4 | 2.5 | 2.3 | 2.0 | 1.9 |
| Non-oil revenue | 12.3 | 11.7 | 11.4 | 12.1 | 11.7 | 12.0 | 13.1 | 13.6 | 14.4 | 15.1 |
| Non-oil revenue (percent of non-oil GDP) | 12.8 | 12.0 | 11.7 | 12.6 | 12.1 | 12.5 | 13.5 | 14.1 | 14.8 | 15.5 |
| Total expenditure | 18.7 | 17.0 | 16.6 | 17.9 | 17.0 | 16.7 | 16.2 | 16.8 | 16.8 | 17.6 |
| Overall fiscal balance (payment order basis) | | | | | | | | | | |
| Excluding grants | -3.8 | -3.4 | -3.3 | -3.7 | -3.4 | -2.4 | -0.6 | -0.8 | -0.4 | -0.6 |
| Including grants | -3.2 | -3.3 | -3.2 | -3.4 | -3.1 | -1.8 | -0.3 | -0.5 | -0.2 | -0.5 |
| Overall fiscal balance (cash basis) | | | | | | | | | | |
| Excluding grants | -3.4 | -3.8 | -3.7 | -4.1 | -3.8 | -2.7 | -1.2 | -1.2 | -0.6 | -0.6 |
| Including grants | -2.8 | -3.6 | -3.5 | -3.8 | -3.5 | -2.2 | -0.8 | -0.8 | -0.4 | -0.5 |
| Non-oil primary balance | -4.9 | -4.4 | -4.3 | -4.6 | -4.0 | -3.4 | -2.2 | -2.1 | -1.5 | -1.7 |
| (payment basis, percent of non-oil GDP) | | | | | | | | | | |
| **External sector** | | | | | | | | | | |
| Trade balance | -1.9 | -1.6 | -1.7 | -2.2 | -1.1 | -0.8 | -1.9 | -2.2 | -2.2 | -2.1 |
| Oil exports | 5.6 | 3.6 | 3.5 | 5.1 | 4.7 | 5.2 | 4.2 | 3.7 | 3.3 | 3.1 |
| Non-oil exports | 8.4 | 8.0 | 7.3 | 8.1 | 8.0 | 8.6 | 8.1 | 8.0 | 7.9 | 7.9 |
| Imports | 15.8 | 13.1 | 12.5 | 15.3 | 13.8 | 14.6 | 14.2 | 13.8 | 13.4 | 13.1 |
| Current account balance | | | | | | | | | | |
| Excluding official grants | -4.6 | -4.0 | -4.0 | -4.4 | -3.7 | -2.4 | -3.4 | -3.6 | -3.4 | -3.3 |
| Including official grants | -4.3 | -3.7 | -3.7 | -4.0 | -3.4 | -2.0 | -3.1 | -3.2 | -3.1 | -3.0 |
| Terms of trade | 23.1 | -5.6 | -9.6 | -0.6 | 5.2 | 3.4 | -10.5 | -5.6 | -3.8 | -3.1 |
| **Public debt** | | | | | | | | | | |
| Stock of public debt | 41.6 | 45.8 | 44.9 | 46.2 | 47.2 | 45.0 | 42.3 | 39.7 | 36.8 | 34.4 |
| *Of which:* external debt | 29.4 | 31.1 | 30.5 | 32.3 | 33.9 | 32.8 | 32.0 | 31.1 | 30.1 | 29.3 |

Sources: Cameroonian authorities; and IMF staff estimates and projections using updated nominal GDP.
1/ Percent of broad money at the beginning of the period.

INTERNATIONAL MONETARY FUND

# CAMEROON

February 10, 2022

## STAFF REPORT FOR THE 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 NONOBSERVANCE AND MODIFICATION OF PERFORMANCE CRITERION

**Context.** Cameroon, the largest economy in the Central African Economic and Monetary Union (CEMAC), continues to face the repercussions of the COVID-19 pandemic. In July 2021, the IMF's Executive Board approved three-year arrangements under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) for SDR 483 million (about US$ 689.5 million, or 175 percent of Cameroon's quota) to support the country's economic and financial reform program. This followed two disbursements in 2020 under the Rapid Credit Facility (RCF) totaling SDR 276 million, equivalent to about US$382 million or 100 percent of Cameroon's quota.

**Policy discussions**. Discussions for the Article IV consultation and the First Review under the ECF/EFF focused on policies to i) mitigate the health, economic, and social consequences of the pandemic, ii) reinforce good governance and strengthen transparency and anti-corruption, iii) accelerate structural fiscal reforms, iv) strengthen debt management and reduce debt vulnerabilities, and v) implement structural reforms to improve the business environment, accelerate private-sector led economic diversification, and boost financial sector resilience. Cameroon continues to be supported by extensive IMF capacity development (CD).

**Program performance.** Overall performance on program conditionality is mixed. While macroeconomic performance is broadly in line with the program, progress on structural reforms has been slow. All quantitative performance criteria (PC) were met at end-July 2021. The continuous PC on external arrears accumulation was met, while the PC on the ceiling on new non-concessional external debt (NCED) contracted or guaranteed by the government was not met in September, as the authorities signed a minor non-concessional loan (CFAF 3 billion) for a critical project. End-September performance indicates that four out of nine ITs were met. At-end December, two structural benchmarks (SBs) were completed on time, while six SBs were not yet met. The SB on better monitoring of project implementation was not met at the established date but satisfied subsequently. RCF commitments related to COVID-19 good governance were met, including the publication of the audit report. The authorities are committed to achieving the program's objectives and accelerating the pace of reform implementation. The authorities request (i) a waiver of nonobservance of the continuous PC on the non-concessional borrowing limit; (ii) modification of the end-March 2022 ITs and the end-June 2022 QPCs in line with program objectives; (iii) the adoption of the new end-September 2022 ITs and the end-December 2022 QPCs; (iv) the replacement of the continuous nominal QPC on non-concessional borrowing by the new NPV limit starting from the Executive Board date in line with the new DLP; and (v) a waiver of applicability for the end-December 2021 QPC targets.

Approved By
**Arora, Vivek B. (AFR) and Geremia Palomba (SPR)**

An IMF team comprising Mr. Sy (Head), Mr. Benlamine, Ms. Nkhata, Mr. Ahmed (all AFR), Messrs. Tressel (MCM), Piazza (FAD), Kim (SPR), Staines (Resident Representative), Tchakote (local economist), Mss. French and Kao, and Mr. Pompe (all LEG), and Ms. Andrianometiana (OEDAF) held virtual discussions with the authorities during December 13-22, 2021.

## CONTENTS

## TABLES



## ANNEXES

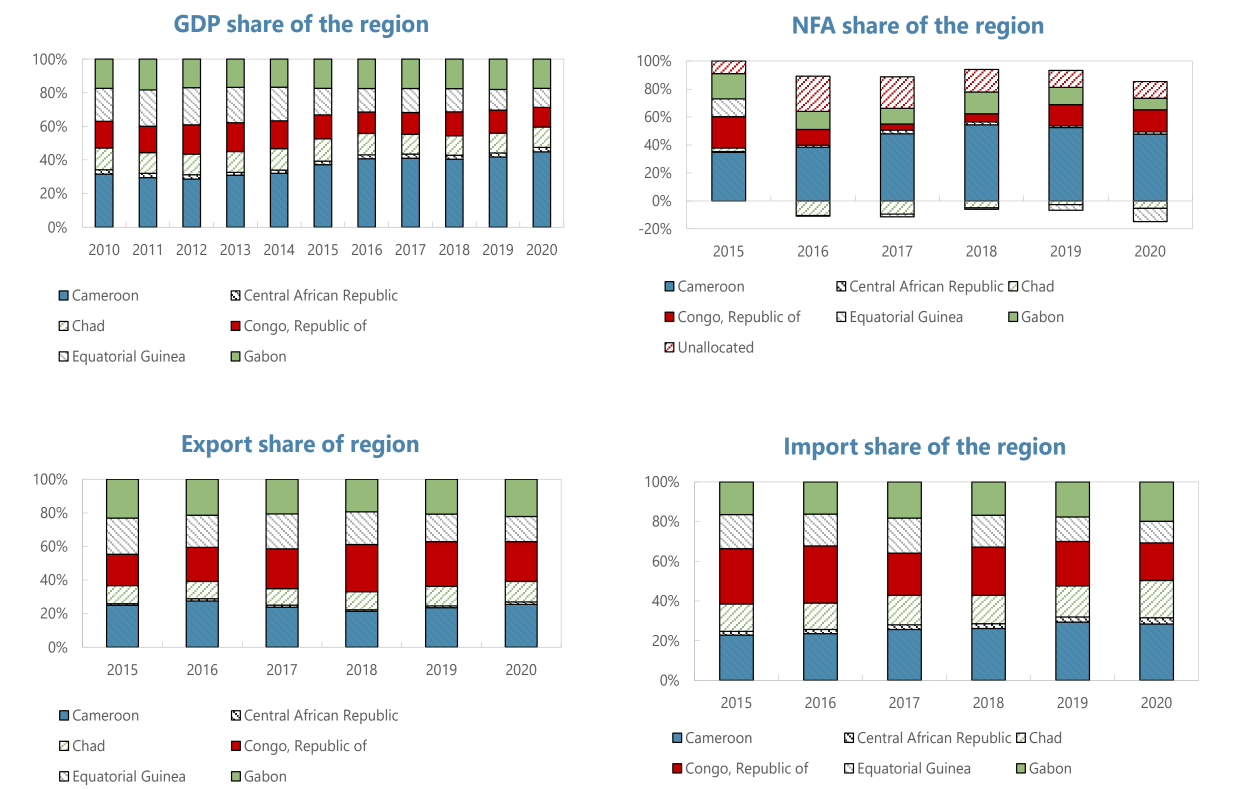


## APPENDICES

# CONTEXT

1. **Cameroon continues to play a leadership role in the CEMAC.** As its largest economy accounting for over 60 percent of reserves, over 40 percent of the region's GDP, and around 55 percent of the total population, the country contributes significantly to the region's recovery and rebuilding of fiscal and external buffers (Text Figure 1). While the impact of the pandemic on the CEMAC region was mitigated by policy responses and significant emergency financing, the region is still facing important challenges and Cameroon's supportive role remains important.

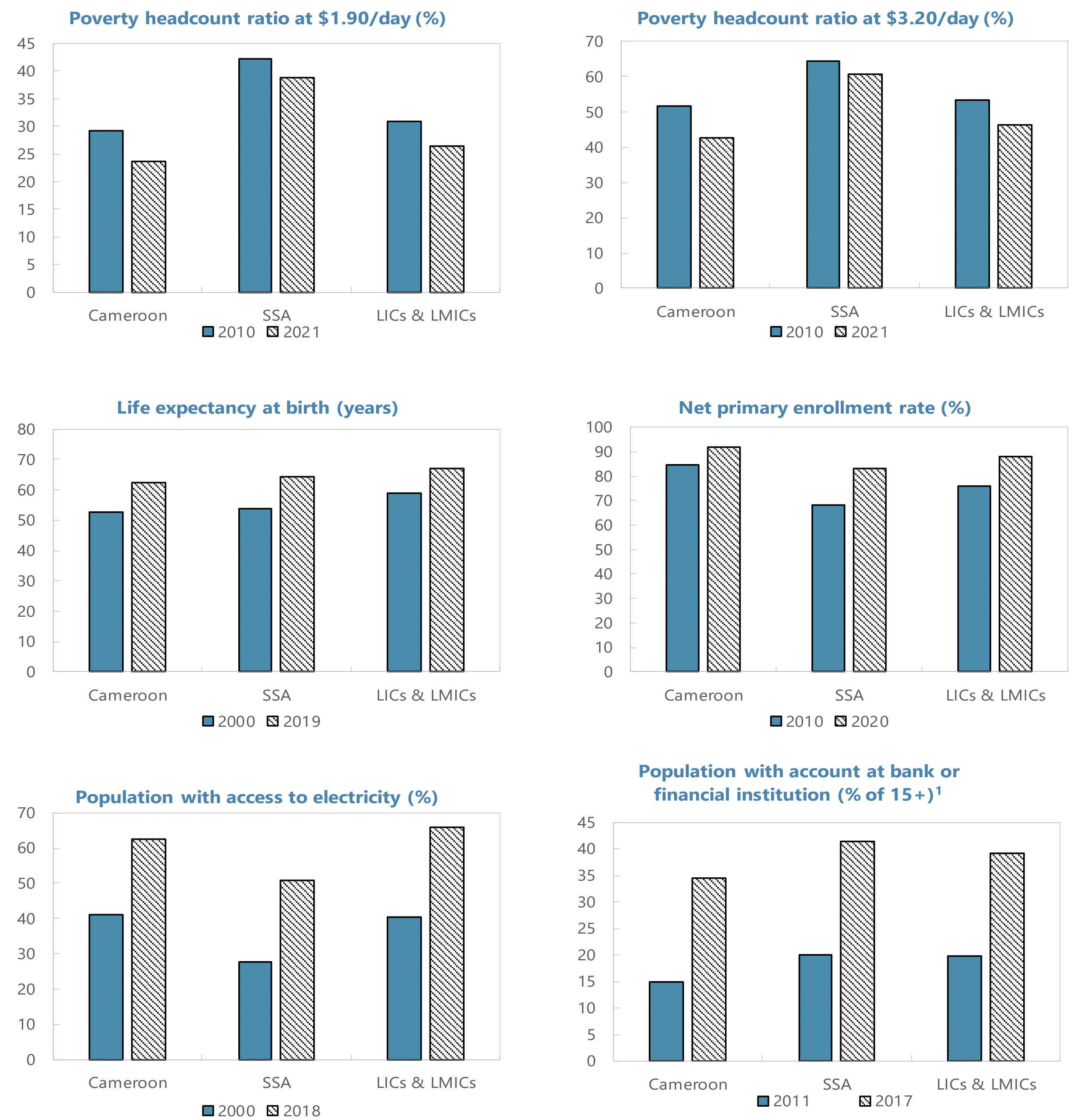
**Text Figure 1. Cameroon: Share of Economic Activity in CEMAC, 2010-20**




Sources: Country Authorities and IMF Staff estimates

2. **The country, however, needs to accelerate economic growth and improve population wellbeing to meet its Sustainable Development Goals (SDGs)** (Text Figure 2)**.** While Cameroon's SDG indicators compare well with the SSA average, the lower-middle-income country faces significant development challenges and vulnerabilities, heightened by the COVID-19 pandemic. Despite average GDP growth of 4.7 percent over 2012-2018, 37.5 percent of the population still live below the national poverty line. Other challenges include low human capital development, vulnerability to climate change, an unfavorable business environment hampered by unprofitable SOEs, low levels of financial inclusion, and governance issues.

**Text Figure 2. Cameroon: Progress Towards the SDGs**




Sources: World Data Lab; WHO; UNESCO; SE4All; and Demirguc-Kunt et al. (2018)
1/ Including accounts with mobile money service providers.

3. **Cameroon is also facing socio-political tensions in resource-rich regions**. The conflict in the two anglophone regions, sporadic Boko Haram attacks in the far North, and insecurity on the eastern border with the Central African Republic (CAR) continue and could reverse improvements in poverty reduction and development outcomes and jeopardize reform implementation. According to the UN Refugee Agency (UNHCR), Cameroon was hosting about two million persons of concern to

UNHCR in June 2021, including one million internally displaced persons, 460,000 refugees and asylum-seekers, and 466,000 IDP returnees. The refugees are predominantly from CAR and Nigeria, while the internally displaced persons mainly come from Cameroon's Far North, North-West, and South-West regions.

4. **The authorities swiftly responded to the COVID-19 shock**. The rapid containment measures and the emergency health and economic package were instrumental in minimizing the number of cases, allowing for a substantial reopening by April-June-2020. The response was supported by two disbursements under the RCF, followed by arrangements under the ECF-EFF. However, vaccination rates remain relatively low, and the authorities' efforts could not prevent a fourth wave of COVID-19 infections, including from the Omicron variant. Implementation of the ECF-EFF-supported program is advancing and long-standing recommendations from previous Article IV consultations are gaining traction (Annex II).

5. **The National Development Strategy (SND-30) lays out the authorities' policies to address Cameroon's economic challenges during 2020-2030** (Annex VIII)**.** The SND-30 is based on four pillars, namely (i) the structural transformation of the national economy, with industrial development as the main objective, (ii) the development of human capital and wellbeing, (iii) the promotion of employment and economic integration, and (iv) governance, decentralization, and strategic management of the State. Four primary areas also form the backbone of the Post COVID-19 Economic Support and Recovery Plan, namely: (i) support for the domestic production and processing of consumer products; (ii) establishment of appropriate and dedicated systems for business financing; (iii) revitalization of growth sectors; and (iv) strengthening the competitiveness of businesses. Cameroon also recently updated its national accounts base year from 2005 to 2016, which resulted in a small upward revision of nominal GDP (3.6 percent) for 2016 (Annex IV).

# RECENT ECONOMIC DEVELOPMENTS, OUTLOOK, RISKS, AND PROGRAM PERFORMANCE

## A. Recent Economic Developments

6. **Cameroon's economy has proved resilient (Table 1).** 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. In 2021, growth is projected at 3.5 percent. Inflation remained below 3 percent in 2020 and averaged 2.1 percent by end-September 2021, driven by an acceleration of food prices (3.9 percent). Imported inflation reached 3.1 percent, driven by higher input and raw material costs and maritime freight prices, while local inflation remained at 2.2 percent.

7. **The authorities' proactive pandemic response and commitment to program objectives are bearing fruit.**

- **The fiscal deficit was contained at 3.5 percent of GDP in 2020, lower than in the 2020 Revised Budget Law (RBL2020).** Revenue collection performed slightly better than expected, with continued digitalization of revenue collection and the economic recovery following the easing of containment measures. Spending reprioritization in the RBL2020 was effectively implemented and total expenditure reached 16.6 percent of GDP, driven by a 27 percent reduction in capital spending.

- **At end-October 2021, budget execution remained broadly in line with the RBL2021 targets.** Non-oil revenue performance was in line with the RBL2021 targets, with an execution rate of 82.5 percent, while primary spending was somewhat under-executed (74 percent), due to vaccination delays. The authorities revised oil revenue projections down given the lower than expected production.

### Box 1. Cameroon: Mobile Money Transfer Taxation[1]

Several countries in Africa, including Cameroon, have recently introduced or proposed a tax on mobile money transactions.[2/] The implications of adoption of such a tax need to be carefully weighed.

Advocates of the mobile money tax view it as a means to tax the informal sector and as an easy-to-administer measure for increasing revenues. The 2022 budget law provides an increase of revenue of about CFAF 20 billion under this measure. However, critics point to numerous drawbacks of a tax on mobile money:

- When the tax is not applied to the banking sector, it results in an unequal treatment of different means of payments. On the other hand, a more encompassing measure that includes a tax on bank transactions, such as the one adopted in some Asian and Latin American countries, tends to reduce bank deposits, has detrimental cascading effects on other means of payment, and leads to financial disintermediation.

- Taxing mobile money can be fiscally inequitable and hinder the current low level of financial inclusion. The poor and unbanked segments of the population, who often live-in rural areas and face high transaction costs from the formal banking, have been found to be negatively affected by the measure (see the Uganda 2019 Article IV report). Physical distance poses an important constraint on the ability of rural individuals to access formal banking services. Minimum deposit requirements and banking fees generate fixed costs that are hard to bear for poor individuals, who typically make small-value transactions.

- In addition, behavioral changes caused by the introduction of such a tax may lead to unintended losses of fiscal revenues. In Uganda, the initial higher-than-expected revenue from the mobile money tax was offset by an overall fall in tax receipts from the telecom sector, caused in large part by the decreased activity in mobile money. More generally, mobile money taxes can have a negative impact on excise tax receipts (as consumers are pushed into non-traceable cash transactions) and on the size of remittances from abroad, which are facilitated by mobile money.

The upcoming tax policy diagnostic will among others help assess the pertinence of these taxes.

[1/]Prepared by Roberto Piazza and Jean-Francois Wen.

[2/]Tanzania in 2021, Ghana in 2021, Republic of Congo in 2019, Malawi in 2019, Côte d'Ivoire in 2019, Kenya, 2018, Uganda in 2018.

**8. The 2020 current account deficit (CAD) narrowed relative to 2019.** Despite a sharp decline in oil exports and imports, non-oil exports helped contain the 2020 CAD at 3.7 percent of GDP. Oil export receipts are expected to rebound in 2021 driven by higher oil prices. With robust non-oil commodity exports and a more moderate increase than envisaged in overall imports, the 2021 CAD is projected to narrow further, to 3.4 percent of GDP.

**9. Cameroon's external position in 2021 continues to be assessed to be weaker than implied by fundamentals and desirable policies** (Annex IV). Cameroon's current account balance has improved in 2021 and should continue recovering in 2022 on the back of higher oil prices, but the current account adjusted for cyclical contributions and conflicts is lower than the level implied by its fundamentals and desirable policies. As the country has increased net liability position with high risk of external debt distress driven by its debt service burden, efforts are warranted to maintain the current account balance at a sustainable level, including through a gradual fiscal consolidation, and a steadfast implementation of structural reforms to enhance competitiveness. In the longer term, the strength of Cameroon's external sector is predicated on the success of measures envisaged—under SND-30 and the African Continental Free Trade Area (AFCTA)—to diversify export products, including through a new agency dedicated to promoting exports.

**10. Credit to the economy has been accelerating since February 2021.** Credit to the private non-financial sector increased by 8.2 percent year-on-year in October 2021, driven by short and medium-term lending, while long-term credit declined. The increase was driven by credit to the utilities and social services sectors, with other sectors experiencing broadly stable or declining trends. Meanwhile lending to the state increased by 13.2 percent in October 2021, due to a significant increase in Treasury-Bill holdings. Short-term lending to state-owned enterprises (SOEs) also increased sharply (34.6 percent). NFA increased by 7.9 percent year-on-year. The authorities are committed to continue implementing policies consistent with regional external stability, which requires the rebuilding of the BEAC foreign exchange reserves, and to support the efforts of the BEAC and COBAC to strictly enforce the new foreign exchange regulations.

**11. Since March 2020, the monetary authorities have gradually eased monetary policy and temporarily relaxed prudential requirements.** On March 2020, BEAC announced a set of monetary easing measures and started normalizing its liquidity provision program and raising the policy rate to stem the decline in reserves. In July 2020, the COBAC relaxed prudential requirements to help banks buffer the credit risk impact of the pandemic, but in August 2021 started normalizing capital requirements, while preparing an exit strategy which is expected to be adopted in mid-2022 and for the temporary measures regarding NPLs by end-2022.

## B. Outlook and Risks

**12. The near-term outlook is improving but uncertainty remains high.** Cameroon has shown greater resilience than expected at the onset of the pandemic. Continued fiscal consolidation is expected to provide space for vaccine deployment and help maintain a gradual recovery, with GDP rising 3.5 percent in 2021 and 4.8 percent by 2023. The CAD is projected to gradually decline, with inflation remaining below 3 percent[1].

**13. Medium-term macroeconomic conditions should improve gradually**. LNG production should increase, and the completion of large infrastructure projects is expected to boost growth in several sectors including the mining sector. Assuming the pandemic recedes during 2022-23, the global economy strengthens, and oil prices remain high, Cameroon's non-oil growth rate should exceed 5 percent starting from 2023 and the public debt-to-GDP ratio should remain below 45 percent.

**14. Cameroon has significant growth potential over the medium to long term.** Accelerating the implementation of structural reforms and strengthening management and oversight of SOEs in parallel with greater economic diversification, as foreseen under SND-30, are key ingredients in boosting Cameroon's potential output growth and achieving the authorities' development objectives. Output growth potential varied between 4.4 and 5.2 percent between 2013 and 2018 and could exceed 5 percent over the medium to long run. Simulations of policy reform scenarios show sizeable positive implications on potential growth, including through greater economic diversification, financial deepening, strengthened investment efficiency, a gradual elimination of subsidies to SOEs and the removal of cross-sectoral distortions (Selected Issues Papers).

**15. Risks to the outlook are balanced but uncertainty remains high** (Risk Assessment Matrix, Annex I).

- *Downside risks*: a new wave of COVID-19 infections with new variants and uncontrolled local outbreaks, lower pace of vaccination, a sharp increase in global risk premia following 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.

- *Upside risks*: Cameroon may benefit from ongoing structural reforms to accelerate economic growth with higher fiscal revenue and reduced debt vulnerabilities. An increase in gas production or oil and gas prices could also boost revenue.

- *Under downside scenarios,* macroeconomic imbalances and public debt vulnerabilities would persist. The materialization of downside risks would increase fiscal and external financing needs and public debt vulnerabilities. Risks are mitigated by the authorities' strong implementation record of macroeconomic programs, close engagement with donors, a comprehensive CD program, and contingency planning, including in Cameroon's COVID-19 response plan. The authorities are committed to adopting other contingency measures to achieve program objectives, including a revised Budget Law as needed. Debt sustainability risks are mitigated by strengthened public debt management, and the limited reliance on non-concessional borrowing, despite increased access to market financing.

[1] The CEMAC convergence criterion for inflation is 3 percent.

***Authorities' Views***

**16.** The authorities broadly agreed with staff's assessment of the outlook and risks. They expect stronger longer-term growth thanks to the acceleration of structural reforms and view higher inflation driven by imported prices as a major near-term risk with potential social impact. The authorities have adopted measures to contain the increase of freight prices and mitigate supply-side price pressures. The authorities also stressed their commitment to intensifying the COVID-19 vaccination campaign.

## C. Program Performance

**17. Program performance has been mixed** (Tables 9)**.**

- **Periodic Quantitative Performance Criteria (QPC):** All the periodic QPC at end-July 2021 were met.

- **Indicative Targets (ITs):**

  - At end-July 2021, three of the five indicative targets were missed, namely (i) the National Hydrocarbons Company (SNH) direct interventions spending exceeded the target by 0.2 percent of GDP; (ii) the share of spending executed through exceptional procedures on authorized (payment order) spending reached 10.5 percent against a benchmark of 5 percent; and (iii) the ceiling on the net accumulation of domestic payment arrears was exceeded, owing primarily to the reemergence of security challenges in the Northwest, Southwest and Far North regions.

  - Out of nine end-September ITs, five were missed, including:

    - The ceiling on the net domestic financing of the central government, excluding IMF financing, was exceeded by 0.3 percent of GDP, as net domestic debt financing was higher than expected, while the anticipated proceeds of the Eurobond refinancing were lower than expected due to higher debt repurchases.

    - The share of spending executed through exceptional procedures on authorized (payment order) spending continued to exceed the target by 3 percent, and the direct intervention spending of the National Hydrocarbons Company's (SNH) overran its target by 0.2 percent of GDP, owing primarily to the reemergence of security challenges, which necessitated quick deployment of resources to certain regions. The authorities are committed to containing spending through exceptional procedures, as manifested in the reduced share of such spending in total spending from 10.5 percent to 8 percent between July and September.

    - The floor on social spending was executed to 93 percent of the target but missed by 0.2 percent of GDP, owing to several factors including insecurity in some regions, incomplete identification of priority groups, and slow vaccine deployment. Vaccine deployment has been constrained not only by vaccine hesitancy, but also delivery logistics within country, including storage, health infrastructure, and lack of human resources. Measures to enhance vaccine uptake include increasing public awareness, and the number of vaccination centers and training more health workers.

  - The needed data to assess end-December performance is not yet available. However, the latest available data indicates that the authorities are on track to meet end-December 2021 quantitative targets.

- **Continuous Quantitative Performance Criteria:** The continuous PC on external arrears accumulation was met, but the ceiling on new non-concessional external debt (NCED) contracted or guaranteed by the government was not met, as the authorities signed a new non-concessional loan (CFAF 3 billion) in September 2021 for a project outside the predetermined list (IMF Country Report No. 21/181 - TMU Table 1). The project for the rehabilitation and extension of the water distribution system from Buea, Tiko and Mutengene is critical for national development and no concessional financing was available. The deviation is limited as the contracted amount remains limited. Additionally, the overall amount of NCED remained well below the ceiling allowed by the adjusters (TMU). The adoption of the new debt limit conditionality will help avoid such issues from recurring in the future.

- **Structural Benchmarks (SBs):** Progress is underway on all structural benchmarks (Table 10). At end-December, two out of eight SBs were met on time, including the publication of the audit prepared by the audit bench of the supreme court *(Chambre des Comptes*) of FY2020 expenses related to COVID-19. The SB on issuing a decree to strengthen the accountability of program/project implementing units was completed on October 13 instead of end-September. The authorities noted that their capacity to make progress on SBs has been stretched by the ongoing pandemic, in a complex socio-economic context (¶3). The authorities are committed to accelerating the pace of structural reforms, and staff recognized the need for more time to achieve some SBs affected by the need to coordinate regionally, pandemic-related contracting delays and capacity constraints:

  - Close coordination with regional bodies required.

    - SB6 (single treasury account-TSA). The establishment of an IT platform to facilitate management of the TSA accounts at the BEAC, which was expected in December 2021 was slower than anticipated.

    - SB9 (adopting a regulatory framework for PPPs). The authorities are awaiting adoption of the regional framework.

  - Contracting delays.

  - SB5 (arrears). Four firms were selected to conduct audits of all government payments arrears from 2000 to 2019. The selection process took more time than anticipated due to the COVID-19 pandemic containment measures. However, these audits will provide the basis for a plan to clear certified arrears, which is expected to be adopted by end-September 2022.

  - SB14 (deposit and consignment fund). The process for appointing managers is under way.

- Capacity constraints.

  - SB2 (tax policy review). Technical assistance requested from the IMF was delayed and is expected to be completed by October 2022. The review will help develop new ways of mobilizing revenue, expanding the tax base, and contributing to economic development.

  - SB10 (SOE audits). The reviews of three large SOEs are underway. The review of Port Authority of Douala is currently near completion, while the CAMTEL and CAMWATER studies are at the contracting stage and will be submitted to IMF staff by end-June 2022.

  - SB11 (cross-debt inventory). The inventory of the cross debts between public enterprises and the government and between the public enterprises themselves at end-2020 is near completion and the related report will be available in April. This report will serve as a basis for the preparation of a plan to clear the debts.

**18. The Government has implemented its governance commitments related to IMF COVID-19 disbursements.** The authorities published a report on the execution of COVID-19-related expenditures during the 2020 budget year. In addition, they have published information about the contracts the government awarded from October 20, 2020 to end-December 2021, including the names of the companies' actual owners (beneficial owners). The audit prepared by the Audit Bench of the Supreme Court (*Chambre des Comptes*) covering COVID-19-related spending in 2020 was submitted to IMF staff, the Prime Minister, the Senate, and the National Assembly and published on the website of the Ministry of Finance (SB). Its main findings are summarized in Box 2.

**Box 2. Cameroon: Main Findings of the Audits on the Use of COVID-19 Funds**

The health crisis linked to the COVID-19 pandemic prompted a strong response from the Cameroon authorities, managed through a Global Response Plan amounting to CFAF 479 billion over three years, including CFAF 296 billion for the FY2020. A Special Appropriation Account–the "Special National Solidarity Fund to fight the Coronavirus and its Economic and Social Impacts (CAS-COVID) – was created, with a budget of CFAF 180 billion (0.8 percent of 2020 GDP), divided into 4 programs, and covering 24 ministries.

Given the stakes involved for the health of the population and national economic development, the Audit Bench decided an audit of the CAS-COVID. The Audit focused both on the regularity of the use of public funds, and the performance of public action (efficiency and effectiveness). The report prepared by the Audit Bench focused on the actions implemented by MINSANTE, MINRESI and MINFI during the 2020 financial year, given that the expenditure of other ministerial departments up to 31 December 2020 was limited.

The Audit Bench noted that the Government's response to the pandemic had been swift, and in 2020, the national health system had been able to receive and treat COVID-19 patients, but identified several issues:

- The transfer of non-health information, such as commitments and payments information, from the care centers to MINSANTE was not well organized and limited the ministry's strategic piloting and therefore the effectiveness of the health response. The lack of centralized accounting of commitments and payments under the Special Fund handicapped the strategic piloting of the pandemic response, owing to the lack of a complete and real-time view of the action of ministries.
- The award of special contracts was opaque and conducive to abuses, many of which were deemed likely to qualify as criminal offences. The Audit Bench concluded that the use of this derogatory procedure beyond July 2020 had been costly for public finance. Keeping it was no longer justified given that it had sometimes been slower and less effective than ordinary procedures.
- Control teams faced major challenges in collecting reliable accounting information. The Audit Bench stressed the need to maintain the controls exercised by financial controllers, state control engineers and store accountants. The Audit Bench stressed the need to accelerate accounting reforms, particularly as regards the automation of the collection of accounting and financial information.

The Audit Bench made 13 recommendations and decided to open 14 proceedings for mismanagement and transmitted to the Minister of Justice 12 cases likely to be classified as criminal offences. The review of the Chambre des Comptes is ongoing and is expected to cover other Ministries that have since implemented spending in the context of COVID-19 relief. In the meantime, it is expected that the non-criminal offences will be addressed by the Chambre des Comptes, while criminal offences will be addressed by the Ministry of Justice.

In addition, the program includes new SBs to follow up on commitments (para 48, including publishing an execution report of expenses related to COVID-19, preparing in consultation with IMF staff an action plan for strengthening the frameworks for preparation, publication, and follow-up of public spending audits, with recommendations for strengthening the relevant institutions, especially the Audit Bench of the Supreme Court. The authorities also intend to prepare and publish by December 2022 an audit prepared by the Audit Bench of the Supreme Court.

# POLICY DISCUSSIONS

19. **Consistent with program objectives and the CEMAC Economic and Financial Reform Program (PREF-CEMAC), the Article IV consultations focused on key macro-critical policy priorities.** Discussions focused on short-term policies to (a) mitigate the health, economic, and social consequences of the COVID-19 pandemic while achieving a growth-friendly fiscal consolidation; and medium-term policies to fully unlock Cameroon's substantial growth potential

and bolster resilience to shocks, including (b) accelerate structural fiscal reforms, (c) strengthen debt management and reducing debt vulnerabilities, (d) reinforce good governance and strengthen transparency and anti-corruption, and (e) implement structural reforms to improve the business environment and accelerate private-sector led economic diversification and boost financial sector resilience.

## A. Mitigating the Impact of the Pandemic While Achieving A Growth-Friendly Fiscal Consolidation

**20. The authorities have so far appropriately prioritized containing the budgetary impact of the pandemic, while protecting the most vulnerable.** They have adopted tax relief measures to mitigate the socio-economic impact on the most affected households and businesses and they are reprioritizing non-priority spending. However, at end-September 2021, social spending reached CFAF 696 billion, lower than program objectives, due to several factors, including vaccine hesitancy (¶18).

**21. The 2022 Budget Law (BL2022) is consistent with program objectives and CEMAC's convergence criterion,** providing space for COVID-related spending and expanding transfers to vulnerable, while continuing gradual fiscal consolidation. Compared to RBL2021, BL2022 reduces the overall cash deficit by 0.7 percentage point to 2.3 percent of GDP in 2022, consistent with the program, with a non-oil primary deficit (cash basis) of 3.5 percent of GDP:

- Revenue is expected to increase by one percentage point to 14.1 percent of GDP, driven by nonoil revenue, thanks partly to the abolition of some COVID-19 related tax relief, new administrative measures to simplify taxes on property income, and new taxes on mobile money transfers. The authorities intend to consider new revenue measures following a tax policy diagnosis.

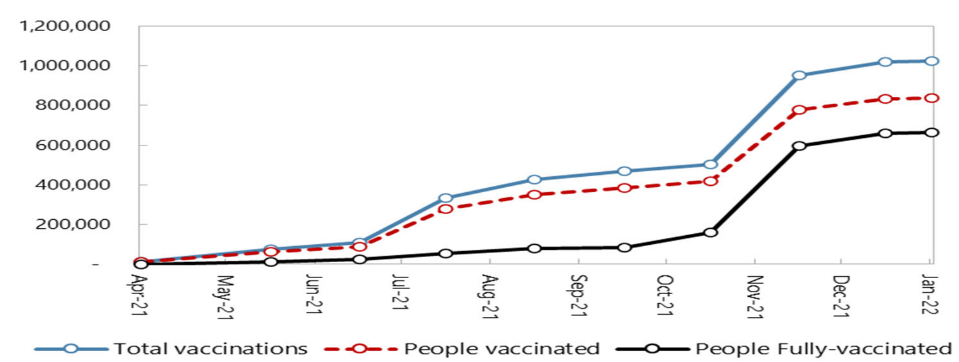
- Spending in 2022 is expected to increase by 0.2 percentage points to 16.6 percent of GDP, driven by goods and services and transfers. Based on COVID-19 spending execution, the allocation for 2022 has been readjusted to align with vaccination needs and pace.

**22. Fiscal objectives for 2022 reflect minor revisions compared to the BL2022.** The budget revisions are due to updated oil assumptions, with higher oil prices (increasing by USD13 to USD75.7 per barrel in 2022) leading to higher oil revenue and related spending. They also reflect the implication of the agreement reached with the BEAC to reschedule the repayment of its statutory advances, which helped reduce the financing need for 2022. Staff considers that the measures proposed by the authorities will be sufficient to deliver the program fiscal targets for 2022, and the authorities agreed with the slightly revised projections. Revenue and spending are expected to be higher than the BL2022 projections by 0.3 and 0.2 percent of GDP, respectively. The fiscal deficit is expected to be limited to 2.2 percent of GDP, with a non-oil primary deficit (cash basis) of 3.7 percent of GDP.

**23. The authorities agreed on the importance of accelerating the implementation of the cash transfer mechanism** (Box 3). They highlighted their commitment to extend the reach of the social safety net project to reach all regions of the country with World Bank and AFD support. They nevertheless underlined that while important progress had been made in methodologies for identifying the most vulnerable populations, significant challenges remain especially since such potential beneficiaries often lack positive identification papers. Moreover, mobile transfers are also inhibited by the requirement to show real identification to register a phone number. The authorities will continue to draw on experiences in other countries in this area.

**24. COVID-19 spending is accelerating but vaccination rates remain relatively low** (Annex II). Cameroon's pandemic response plan includes health spending, with vaccination deployment, as well as research, social spending, and support to businesses. However, despite the authorities' efforts to secure vaccines and increase awareness, vaccination rates remain relatively low. Recent communication efforts have helped increase the pace over time. As of January 5, 2022, Cameroon has received 1.4 million doses of the Johnson & Johnson vaccine, 1.2 million doses of Sinopharm, 589,600 of AstraZeneca, and 152,100 doses of Pfizer. As of, January 19, 2022, 6.3 percent of the eligible population was fully vaccinated, and 2.8 percent had received one dose. Additionally, 43.7 percent of the healthcare personnel is fully vaccinated.

**Text Figure 3. Cameroon: Vaccination against COVID-19[1]**




Sources: World Health Organization; John Hopkins Coronavirus Resource Center
1/ Data as of January 12, 2022

**25. In August 2021, Cameroon received an SDR allocation equivalent to CFAF 208 billion.** The authorities are planning to use 57 percent of this allocation by end-2022 (CFAF 50 billion in 2021 and 70 billion in 2022) and save the remainder to rebuild fiscal buffers and help bolster CEMAC's international reserves, compared to the IMF and CEMAC recommendation to save about half of the allocation. The SDR was used to substitute for anticipated but delayed IMF support in 2021 and will facilitate the financing of the 2022 budget, including a continuation of a number of COVID-19 related measures. Staff stressed that spending related to the SDR allocation should be transparent and accountable, while downside risks to the outlook warrant keeping about half of the resources as buffer.

## Box 3. Cameroon: Cash Transfers in Cameroon: From Pilot to National Coverage

Cameroon's national development strategy SND-30 aims to achieve inclusive growth, with a redistribution of benefits of growth to the most vulnerable, especially the youth and women. From November 2013 to January 2016 Cameroon piloted a cash transfer program, entirely financed by the State, focused on a sample of 2,000 households from municipalities of the North and Northwest. It helped develop targeting methodologies and management information systems, national competencies to manage social safety nets and appropriate payment systems. It also helped identify necessary accompanying measures.

An evaluation of the pilot project carried out by the National Institute of Statistics (INS) in June 2016 confirmed that social safety nets have made it possible to: (i) significantly reduce poverty in all its forms among the beneficiaries, (ii) improve the housing conditions of beneficiary households, (iii) reduce food insecurity, (iv) improve education and health behaviors, (v) increase the probability of having a national identification card, (vi) to increase social inclusion and social attitudes, in particular mutual aid and membership of associations, and finally (vii) to increase financial inclusion.

Building on its achievements, the government is committed to widening the reach of its social protection and social inclusion efforts. During 2019-22 the project will be deployed in more than 100 municipalities selected in all regions of the country and in the cities of Douala and Yaoundé, with a total number of beneficiaries of around 300,000 households. The interventions include a Social Safety Net Project with four programs covering:

- *Direct ordinary cash transfers (OMT),* with accompanying measures aimed at increasing the productivity of households living in chronic poverty. Beneficiary households receive CFAF 20,000 every two months over 2 years, with CFAF 80,000 in the 12th and 24th months (CFAF 360,000 in total).
- *Emergency cash transfer (EMT),* for areas experiencing shocks such as security issues, flooding, drought, massive influx of displaced people and refugees. Beneficiary households receive a total of CFAF 180,000 over 12 months (CFAF 30,000 every two months).
- *Cash transfers in exchange for labor-intensive work (THIMO)* to provide low-income groups faced with economic or climatic shocks with low-wage, short-term jobs on public goods that meet expressed local needs. Beneficiaries receive CFAF 1,300 per working day for 60 working days in total.
- *Emergency cash transfer*s *for the COVID-19 response (TMU-COVID 19)*, recently added, which supports households affected by the pandemic, enabling them to cover basic needs and rapidly resume their economic activities. Beneficiary households receive a total amount of CFAF 180,000 (45,000 in the first two months and 90,000 CFAF in the third month).

**Financing**

The social safety net project is financed by the government, supported by the World Bank and Agence Française de Développement (AFD). In addition to counterpart funds and financing the pilot cash transfer program the government has devoted The Government has devoted CFAF 34 billion to social safety nets, including 18 billion to support 75,000 households (4.5 billion per year), and 16 billion under the special COVID-19 allocation to cover 80,000 households. Cameroon's partners have mobilized CFAF 46.2 billion including 33 billion by the World Bank, 13 billion by AFD and 0.101 billion by UNICEF to support the Government's COVID-19 response.

**Methodology and Coverage**

The Social Safety Net Project gives priority to populations hit by various shocks, while covering all layers of vulnerable populations. The project prioritizes populations particularly hit by the pandemic, as well as populations of the North-West and South-West regions hit by the security crisis since 2016. The household approach used by the project for targeting beneficiaries has made it possible to cover diverse vulnerable populations (disabled, elderly, widows / widowers, orphaned children, people without national identification cards, people in situations of chronic poverty, etc.) and to achieve non-discriminatory targeting.

The Government places particular emphasis on ensuring an effective transition out of the assistance. Beneficiary heads of household sign a moral contract in which they undertake to: (i) send their children to school, (ii) send their patients to hospital, (iii) feed household members, (iv) obtain birth certificates for their children and (v) save money to carry out income-generating activities.

**26. Staff supports the authorities' aim to avoid a premature tightening of fiscal policy, intensify the vaccination campaign, and accelerate implementation of the cash transfer mechanism for the most vulnerable households.** Meeting spending needs, while safeguarding fiscal sustainability and containing debt vulnerabilities, will require stepped-up efforts to ensure well-targeted and cost-effective spending, securing concessional financing, and measures to mobilize domestic revenues.

***Authorities' Views***

**27. The authorities agreed with staff's recommendations and underscored their commitment to accelerate the vaccination campaign through increased awareness, and to speed up the implementation of the cash transfer mechanism**. They also stressed their commitment to ensure the transparency and accountability of the use of the SDR allocation and save about 43 percent of it as a buffer to boost regional external and fiscal sustainability.

## B. Structural Fiscal Reforms

**28. The authorities aim to pursue a gradual fiscal consolidation path, consistent with program objectives and CEMAC convergence criteria.** As detailed below, the medium-term fiscal strategy supported by the program aims to strengthen medium-term external and fiscal sustainability and implement the authorities' economic reform strategy towards sustained, more inclusive and diversified growth, while strengthening debt sustainability. It also aims to help catalyze private investment and donor financial support. To achieve these objectives, the authorities will among others strengthen revenue mobilization, modernize PFM processes, and reform SOEs. The fiscal deficit (cash basis) is expected to decrease to 2.2 percent in 2022, reflecting a reduction of 1.3 percentage points relative to 2021, higher than initial program objectives due mainly to lower investment. The non-oil primary balance (cash basis), the fiscal anchor, would decrease to 3.7 percent of GDP in 2022 from 4.5 percent of GDP in 2020. By end-2024, the fiscal deficit and the non-oil primary balance (cash basis) would decrease to 0.8 percent and 2.4 percent of GDP, respectively.

### Domestic Revenue Mobilization

**29. Staff stressed that increased revenue mobilization, greater fiscal transparency, and rationalization of tax expenditures would gradually create fiscal space to strengthen public investment and social protection.** The program aims to increase non-oil revenue to 13.7 percent of GDP by 2024, from 12.9 percent of GDP in 2018. The increase would be driven partially by economic recovery, acceleration of tax administration measures over the short term, and adoption and execution of the Medium-Term Revenue Strategy (MTRS) to raise taxpayer compliance and establish and implement a high-level road map of tax system reforms. Greater fiscal transparency on the size and composition of implicit subsidies and tax expenditures would provide the foundation for spending re-prioritization and consolidation. Tax policy measures could include:

- The recovery of SOEs tax arrears in the context of a permanent shift toward more transparent and informative accounting practices. This could generate gross additional revenue of about 1.5 percentage points of GDP, which is likely to be offset by increased subsidy spending. The parallel emergence of the actual cost of current implicit subsidization schemes would represent a stepping-stone for the gradual adoption of spending rationalization measures.

- Streamlining tax exemptions that have limited social impact. The mission stressed the importance of an in-depth analysis of current tax exemptions and of a gradual phaseout of the least effective measures and replacement by conditional cash transfer mechanisms. The mission also reiterated the importance of an analysis of investment incentives to identify and quantify existing tax and customs privileges under the existing Investment Code and verify their consistency with existing rules.

**30. The customs administration should accelerate the consolidation of revenue gains through the optimization of processes and the facilitation of reforms.** These efforts include among others i) regular reconciliation and verification of the tax database with the tax and customs authorities; ii) simplifying procedures through e-payments; iii) strengthening customs' valuation processes; and iv) enhancing actions to combat fraud and smuggling.

**31. Mobilizing additional non-oil revenues through efficiency gains and better governance remains critical.** Cameroon's tax potential, measured as the difference between the tax frontier[2] and the actual tax ratio, points to a potential increase of about 7 percentage points of GDP in tax revenues, mostly from improvements in transparency and government effectiveness, as well as increased productivity of low-yielding direct taxes.

**32. Accelerating the implementation of a MTRS is key.** This should raise taxpayer compliance levels and establish a high-level road map of tax system reforms to be implemented covering tax policy, law, and tax and customs administrations.

**Text Table 1. Cameroon: Potential Gains from Revenue Enhancement**

| | Percent of GDP |
|---|---|
| Discontinuing Tax relief to businesses and households. | 0.5 |
| Recovering SOEs tax arrears. | 1.5 |
| Streamlining the least effective VAT tax expenditure. | 0.8 - 2.6 |
| Taxing donor funded projects. | 0.6 |
| **Total** | **3.4 - 5.2** |

Source: Country Authorities and IMF Staff Estimates

[2] Tax frontier is defined as the maximum theoretical level of tax revenues (measured in percent of GDP) that a country can achieve given certain underlying structural conditions, such as the level of development, the trade openness, the sectoral structure, income distribution, and governance.

## Public Financial Management (PFM)

**33. Despite the authorities' efforts to strengthen PFM, significant weaknesses remain**. Recent efforts are reflected among others in the realism of the proposed budget law, and actions to clear arrears and to generalize the Treasury Single Account (TSA). However, persistent underestimation of spending needs and commitments and excessive use of exceptional procedures continue to undermine credibility and transparency. The authorities concurred with staff on the importance of enhancing budget execution monitoring and transparency, including by preparing credible monthly cash plans.

**34. There is scope to improve spending equity and efficiency.** Public investment execution rates remain low with very high management costs and delays. The April 2020 Public Investment Management Assessment found that public investment management processes in Cameroon are very weak relative to other comparators. The estimated efficiency scores based on infrastructure quality is 0.6 for Cameroon, compared with the average score of 0.78 for Sub-Saharan African's countries (SSA). Additionally, Cameroon's relative efficiency gap with respect to the efficiency frontier—determined in relation to the best-performing countries—is around 60 percent, larger than the average efficiency gap of 40 percent for SSA countries. Staff reiterated the importance of strengthening Public Investment Management by implementing the texts of the Public Procurement Code and adopting a single legal and regulatory framework governing Public-Private Partnerships (PPP).

**35. Limiting the use of derogation procedures and strengthening governance and transparency remain essential.** Payments made by the Treasury without prior authorization, excluding debt service payments, remain sizeable and pose risks to the Treasury and weaken the quality of budgetary information. Additionally, the multiple derogatory procedures pose a high risk to the treasury and weaken the quality of budgetary information produced. The authorities reiterated their firm commitment to continuing to limit exceptional procedures and further expanding the scope of the TSA, by closing and repatriating bank accounts eligible for TSA of administrations, public institutions and agencies, public establishments, and the Autonomous Amortization Fund (CAA) to the BEAC.

## Reducing Fiscal Risks from SOEs

**36. Staff urges the authorities to address financial and fiscal risks associated with SOEs.** Further efforts are needed to improve the financial situation of SOEs and avoid the buildup of cross-debts with the state. Profitability remains low, while indebtedness is high. The oversight of SOEs and of subnational governments' operations, including on borrowing restrictions and the provision of public guarantees, is currently fragmented and needs to be strengthened. The authorities remain committed to adopt a credible and progressive clearance plan of cross debts between the State and SOEs based on the end-2020 audit.

**37. Reconsidering subsidies to SOEs and reforming policies to level the playing fields across sectors can go a long way in achieving Cameroon's growth and fiscal objectives**

(Selected Issues Papers). SOEs wages are higher than in non-SOE firms, whereas the return to capital is lower. This generates direct costs to the budget in the form of labor and capital subsidies to SOEs and in addition distorts the within-sector allocation of production factors. Significant cross-sector distortions also appear to exist, in part driven by policy choices that skew the composition of the economy in favor of the primary sector. Within- and cross-sector distortions reduce GDP by lowering aggregate productivity, as well as by discouraging investment and capital accumulation. Policy distortions therefore also have an indirect negative fiscal impact since lower GDP leads to lower fiscal revenues. Simulations of policy reforms scenarios show that a gradual elimination of ½ of the estimated subsidies to SOEs and the removal of ⅕ of cross-sectoral distortions would raise GDP by about 25 percent over a 15-year horizon and would reduce the fiscal deficit by about 6 percentage points of baseline GDP. The GDP increase would be driven by the expansion of the tertiary and secondary sectors.[3]

**38. Efforts to restructure the debt and business model of the national oil refinery's (SONARA) need to be strengthened and accelerated, while ensuring a thorough cost-benefit analysis of all available options**. SONARA's debt amounts to 3 percent of GDP and 6.6 percent of total public and publicly guaranteed debt as of end-2020. In October 2021, SONARA reached a revised agreement with local banks to restructure its debt amounting CFAF 261 billion. Negotiations with external creditors are ongoing, with some early signs of progress[4] which have not been confirmed.

***Authorities' Views***

**39. The authorities reiterated their strong commitment to medium term fiscal consolidation and the acceleration of structural fiscal reforms by speeding up the implementation of the MTRS, strengthening PFM and SOE oversight.** They highlighted the ongoing reform aiming at institutionalizing, by MINFI instruction, governance by program contracts to improve the performance of the public enterprises concerned and noted that fiscal policy reforms would be accelerated after completion of the planned tax diagnostic. They also underscored the impact on reforms efforts of the social pressures generated by the pandemic.

## C. Strengthening Debt Management and Reducing Debt Vulnerabilities

**40. Cameroon remains at high risk of debt distress, but its debt remains sustainable over the medium term.** Public debt stock amounted to 44.9 percent of GDP in end-2020 and is estimated to have reached 47.2 percent of GDP by end-2021. Public external debt is estimated at 30.5 percent of GDP at end-2020, of which bilateral creditors account for the largest share (Text Table 2). The updated debt sustainability analysis (DSA) continues to signal a high risk of debt

[3] These policy scenarios are necessarily only illustrative. More detailed and reliable data on SOEs, together with a comprehensive overview of policies associated with preferential fiscal or regulatory treatment of economic sectors, would help providing a sounder and more transparent basis for policymaking analysis.

[4] According to local news reports, among the nine traders to whom SONARA owes CFAF 371 billion, seven have reached a compromise and a draft repayment agreement is pending approval from the CNDP.

distress as three out of four external debt indicators and one public debt indicator breach respective thresholds under the baseline scenario. A particularly large and sustained breach for the external debt service-to-exports ratio highlights Cameroon's narrow export base compared to projected debt service. However, Cameroon's debt and debt service indicators broadly remain unchanged compared to the previous DSA and remain below those sustained in the previous year, thanks to a successful issuance of the Eurobond and some progress in restructuring SONARA's domestic debt. As the effects of the pandemic wane and the fiscal consolidation efforts continue, debt indicators are expected to gradually improve in the medium term (DSA Figure 1).

### Text Table 2. Cameroon: Decomposition of Public Debt and Debt Service by Creditor, 2020–22

| | Debt Stock end-2020 | | | | Debt Service | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| | (In Bn CFAF) | *$US, millions* | *Percent of total debt* | *Percent of GDP* | *$US, millions* | | | *Percent of GDP* | | |
| **Total 1/** | **9798** | **18178** | **100.0** | **41.7** | **1663** | **2533** | **2144** | **4.1** | **5.6** | **4.6** |
| **External** | **6746** | **12515** | **68.8** | **28.7** | **626** | **1316** | **1157** | **1.5** | **2.9** | **2.5** |
| Multilateral creditors | 2764 | 5128 | 28.2 | 11.8 | 134 | 113 | 188 | 0.3 | 0.3 | 0.4 |
| IMF | 546 | 1012 | 5.6 | 2.3 | | | | | | |
| World Bank | 1029 | 1910 | 10.5 | 4.4 | | | | | | |
| AfDB | 826 | 1532 | 8.4 | 3.5 | | | | | | |
| Other Multilaterals | 364 | 675 | 3.7 | 1.5 | | | | | | |
| o/w IDB | 217 | 402 | 2.2 | 0.9 | | | | | | |
| o/w IFAD | 49 | 91 | 0.5 | 0.2 | | | | | | |
| Bilateral creditors | 3069 | 5693 | 31.3 | 13.1 | 214 | 234 | 774 | 0.5 | 0.5 | 1.7 |
| Paris Club | 1020 | 1892 | 10.4 | 4.3 | 22 | 4 | 316 | 0.1 | 0.0 | 0.7 |
| o/w France | 875 | 1623 | 8.9 | 3.7 | | | | | | |
| o/w Japan | 51 | 94 | 0.5 | 0.2 | | | | | | |
| Non-Paris Club | 2049 | 3801 | 20.9 | 8.7 | 192 | 230 | 454 | 0.5 | 0.5 | 1.0 |
| o/w China | 1895 | 3516 | 19.3 | 8.1 | | | | | | |
| o/w Turkey | 91 | 169 | 0.9 | 0.4 | | | | | | |
| Eurobonds 2/ | 450 | 836 | 4.6 | 1.9 | 66 | 817 | 65 | 0.2 | 1.8 | 0.1 |
| Commercial lenders | 463 | 858 | 4.7 | 2.0 | 212 | 152 | 129 | 0.5 | 0.3 | 0.3 |
| o/w Bank of China | 130 | 242 | 1.3 | 0.6 | | | | | | |
| o/w Intesa San Paolo SPA | 104 | 193 | 1.1 | 0.4 | | | | | | |
| **Domestic** | **3053** | **5664** | **31.2** | **13.0** | **1038** | **1216** | **988** | **2.5** | **2.7** | **2.1** |
| T-Bills (BTA) | 227 | 422 | 2.3 | 1.0 | 666 | 421 | 0 | 1.6 | 0.9 | 0.0 |
| Bonds | 786 | 1458 | 8.0 | 3.3 | 174 | 269 | 379 | 0.4 | 0.6 | 0.8 |
| Structured debt | 847 | 1572 | 8.6 | 3.6 | 178 | 475 | 443 | 0.4 | 1.1 | 0.9 |
| Non-structured debt | 68 | 126 | 0.7 | 0.3 | 20 | 30 | 45 | 0.0 | 0.1 | 0.1 |
| BEAC advances | 577 | 1070 | 5.9 | 2.5 | 0 | 21 | 121 | 0.0 | 0.0 | 0.3 |
| Floats and arrears | 547 | 1016 | 5.6 | 2.3 | | | | | | |
| **Memo items:** | | | | | | | | | | |
| Contingent liabilities | **736** | **1365** | | **3.1** | | | | | | |
| o/w: Public guarantees (external) | 29 | 55 | | 0.1 | | | | | | |
| o/w: Other contingent liabilities | 706 | 1310 | | 3.0 | | | | | | |
| o/w external | 379 | 703 | | 1.6 | | | | | | |
| o/w domestic | 328 | 608 | | 1.4 | | | | | | |
| Nominal GDP (CFAF, billions) | | | | | 23486 | 24951 | 26828 | | | |
| Exchange rate, end of period (CFAF/US$) | | | | | 539 | 581 | 570 | | | |
| Exchange rate, period average (CFAF/US$) | | | | | 575 | 554 | 574 | | | |

Source: Country Authorities & IMF Staff estimates

1/ Excludes public guarantees and other contingent liabilities, which are noted under memo items.

2/ Debt stock as of end-2020 is old Eurobond; debt service projection includes interest payments for the new Eurobond.

**41. The authorities restated their commitment to limit non-concessional borrowing.** In September 2021, the authorities signed a non-concessional loan (CFAF 3 billion) for a project that was not included in the predetermined list (TMU Table 1), breaching the continuous PC on contracting or guaranteeing new non-concessional external debt. The authorities explained that the project had been included in the project list for the 2017 ECF program, but was dropped in omission, and requested to update the list to include this project. Going forward, the authorities agreed to replace the nominal ceiling on new non-concessional external borrowing with the proposed ceiling on the present value of newly contracted or guaranteed external public debt, as per the revised Fund policy on Debt Limits (DLP).[5] The proposed ceiling of CFAF 512.9 billion for end-2022 builds on the authorities' borrowing plan (Text Table 3) which maintains the nominal value of the overall borrowing envelope for project loans at the same level as 2021 budget (CFAF 650 billion). Given the inherent uncertainty of the authorities' borrowing plan, staff will continue to monitor progress toward the ceiling and if warranted, discuss additional measures to improve traction and accountability.

**Text Table 3. Cameroon: 2022 Summary Table on External Borrowing Program**

| PPG external debt contracted or guaranteed 1/ | Volume of new debt (USD million) | Volume of new debt (CFAF billion) 2/ | PV of new debt (CFAF billion) 2/ 3/ |
|---|---|---|---|
| **Sources of Debt Financing** | **1373.5** | **746** | **512.9** |
| Concessional debt, of which | 911.3 | 495 | 280.9 |
| Multilateral debt | 911.3 | 495 | 280.9 |
| Bilateral debt | 0.0 | 0 | 0.0 |
| Non-concessional debt, of which | 462.3 | 251 | 232.0 |
| Semi-concessional debt | 439.2 | 239 | 219.5 |
| Commercial terms | *23.0* | 13 | 12.5 |
| **Uses of Debt Financing** | **1373.5** | **746** | **512.9** |
| Infrastructure | 1196.8 | 650 | 416.9 |
| Budget financing | 176.7 | 96 | 96.0 |
| Other | 0.0 | 0 | 0.0 |

Source: Cameroonian Authorities & IMF Staff estimates

1/ Excludes ordinary credit for imports, debt relief obtained in the form of rescheduling or refinancing, and budget support loans from the WB.

2/ Calculated using exchange rate of 543.201 CFAF/USD

3/ The PV is calculated using the terms of individual loans and applying the 5 percent program discount rate. The PV of loans with a negative grant element is assumed to be equal to the nominal value of the loan.

**42. Staff stressed the importance of continued active debt management and clearing contracted but undisbursed loans (SENDs).** Cameroon issued a Eurobond on July 1 (CFAF 449 billion) as part a of a liability management operation to buy-back CFAF 358 billion of the 2015 Eurobond with a net financing cost of about CFAF 75.5 billion. The remainder of the proceeds (CFAF 17 billion) have financed projects on the list of projects critical for Cameroon's development that have high economic and social returns with limited concessional financing. The authorities acknowledged the importance of a more focused medium-term debt strategy to facilitate the development of consistent annual borrowing plans, with an enhanced communication strategy to facilitate creditor's understanding of the authorities' debt management objectives. They reiterated their commitment to reassess and cancel SENDs related to old and non-performing projects, and to strengthen controls on new borrowing for a better alignment with absorption capacity.

**43. The diversification of domestic financing sources over time will help alleviate pressure on banks to finance the sovereign.** Bank credit allocated to the public sector (including SOEs) has grown from 15 percent of total assets in December 2019 to 21 percent in June 2021, raising concerns of reinforced sovereign-bank nexus and potential crowding out of credit to the private

[5] Cameroon is assessed to have a significant amount of international financial market borrowing, having tapped the Eurobond market in July 2021. Its capacity to manage significant levels of market borrowing is demonstrated by the existence of its Medium-Term Debt Strategy (MTDS) and the annual borrowing plan.

sector and increased risk concentration given large sovereign exposures. A recent MCM TA recommended that the authorities should take immediate action to strengthen debt management and issuance practices, including by (i) improving planning and communication of call for tenders, regularly publishing the quarterly issuance calendar; (ii) boosting investor relations; (iii) disseminating information on macro-financial variables; and (iv) adapting the issuance strategy to demand constraints.

***Authorities' Views***

**44. The authorities emphasized that reducing debt vulnerabilities is a key priority to support Cameroon's economic development and highlighted their active debt management reflected in their recent success in accessing the market to refinance the maturing Eurobond.** They noted that the risk of debt distress remains high and were committed to reducing debt vulnerability by slowing the pace of external debt growth, utilizing concessional financing where available, and limiting non-concessional borrowing only to high priority projects with proven socioeconomic and financial returns. The authorities agreed that the new debt limits based on present value terms would serve as a credible anchor of medium-term fiscal and debt policies, while providing flexibility in managing projects. The authorities also highlighted the positive potential implication of debt risk assessment of Cameroon's continued active debt management and ongoing efforts to boost exports and revenue, and the possible reclassification of Cameroon's composite indicator (CI) of debt carrying capacity as medium, which would depend mainly on global economic recovery and regional reserves accumulation.

## D. Reinforcing Good Governance and Strengthening Transparency and Anti-Corruption

**45. Good governance, decentralization, and strategic management of the State constitutes a key pillar of Cameroon's National Development Strategy for 2020-30** (SND30). Recent efforts include the publication in November 2021 of the COVID-19 spending audit report (SB for end-December), the publication of the results of public procurement tenders and the beneficial ownership of companies receiving the contracts on COVID-19 related expenditures, and the progress in clearing arrears and cross-debt (annex III). Despite improvements, weak governance and corruption continue to hamper Cameroon's business environment and competitiveness.

**46. The mission noted shortcomings in Cameroon's legal framework.** The focus was on the criminalization of corruption offences, exemptions from prosecution, whistleblower protection, and confiscation of proceeds and instrumentalities of crime. The 2018 Article IV consultation found that governance,[6] weaknesses remain in a number of areas, including fiscal governance, market regulation, rule of law and AML/CFT. A comprehensive discussion of Cameroon's governance weaknesses and corruption vulnerabilities is planned to take place in the context of a governance

[6] IMF Country Report No. 18/378, Annex II. Corruption and Governance in Cameroon, December 2018.

diagnostic, to be conducted in consultation with IMF staff and pursuant to the Fund's 2018 enhanced governance framework

**47. Staff welcomes the authorities' commitment to reinforcing governance and strengthening transparency and anti-corruption**. In particular, the authorities intend to:

- Publish by June 2022, consistent with RCFs commitments, an execution report of expenses related to COVID-19 and executed during the 2021 budget year (New Structural Benchmark (New SB)).
- Conduct in consultation with IMF staff, and publish by June 2023, a diagnostic of vulnerabilities in governance, including in corruption, that would include state functions that are most relevant to economic activity; namely: (i) fiscal governance; (ii) financial sector oversight; (iii) market regulation; (iv) rule of law; and (v) Anti Money Laundering and Combatting the Financing of Terrorism (AML/CFT) (New SB).[7]
- Prepare, in consultation with IMF staff, and submit to IMF Staff by December 2022, an action plan for strengthening the frameworks for preparation, publication, and follow-up of public spending audits, with recommendations for strengthening the relevant institutions, especially the Supreme Court's Audit Bench (New SB).
- Prepare and publish by December 2022 an audit prepared by the Audit Bench of the Supreme Court (Chambre des Comptes) of fiscal year 2021 expenses related to COVID-19 (New SB).

***Authorities' Views***

**48. The authorities reiterated their determination to continue strengthening the legal and institutional framework for promoting good governance of public finances**. They highlighted the need to re-define the definition of corruption and similar offenses, reduce exemptions from prosecution, strengthen whistleblower protection and improve the confiscation of proceeds and instrumentalities of crime. At the institutional level, the Government recognized the need to strengthen the independence and intervention powers of the National Anti-Corruption Commission (CONAC). The authorities also highlighted the importance of the provisions of the 1996 constitutional amendment requiring senior officials to declare their assets. They underscored the need to strengthen the means of the Audit Bench to enable it to align itself with the CEMAC directives. The authorities recognized that an in-depth diagnostic would be an opportunity to establish a clear picture of progress, issues, and initiatives to tackle governance challenges and could constitute a roadmap for future reforms. They stressed the need to ensure complementarity with work being undertaken with the support of other financial and technical partners, such as the EU and the World Bank.

[7] Central bank governance and operations are a led at the regional level by the BEAC.

## E. Structural Reforms to Strengthen Productivity, and Accelerate Private Sector-Led Economic Diversification

### Strengthening Financial Stability and Inclusion

**49. Fragilities are rising in the banking system.** Non-performing loans (NPLs) rose in the first half of 2021 despite regulatory forbearance by the BEAC, reaching almost 15 percent of gross loans, raising concerns of higher credit losses in the near term.[8] Overdue loans are particularly high for private firms, rising significantly for both private and individual firms. Bank profitability moderately declined in June 2021 relative to June 2020, despite the forbearance on NPLs, which reduced provisioning needs given broadly stable coverage ratios. However, aggregate capital, liquidity, and fixed asset ratios improved moderately, but may worsen when forbearance measures expire and credit risk increases. Concentration risks declined between June 2020 and June 2021 but remained high. Sovereign-bank linkages have intensified as Cameroon is the reference debt issuer for the CEMAC regional market.[9]

**50. Financial sector reforms should continue**. Restructuring of the two failed banks has progressed under the resolution plans required by the COBAC, including regarding the exit of historical shareholders and the ongoing transfer of bad assets to the debt recovery agency (SRC). In the near term, Staff recommends signing performance contracts with each of the two banks, including a governance framework aligned with best practices, and a strategy for the State to sell its shares. Staff recommend implementing the Commercial Bank Cameroon privatization plan in 2022 as announced.

**51. NPL reduction could be facilitated by the operationalization of the movable collateral registry launched in 2019.** The implementation of the 2019 law allowing a clean-up of past NPLs from bank balance sheets should continue along with the hiring and training of judges and clerks and making specialized commercial courts operational. Tax policies, including VAT on interest revenues, and the taxation of provisions at the time of write-off of bank legacy NPLs, could be reviewed in the context of the upcoming tax diagnostic (above) to facilitate financial intermediation activities of banks and microfinance institutions. The SRC resources and its organizational structure need to be further strengthened consistent with its mandate, including the transfer of bad assets from bank balance sheets to the SRC and their recovery.

**52. Given the low access to financial services, reforms to improve financial inclusion for individuals and firms should be accelerated.** Cameroon's indicators of financial inclusion appear to be at the median of SSA countries. International experience suggests that a sound banking system is a prerequisite for further progress in financial inclusion, which in turn helps further

[8] NPLs rose strongly in the Hotels and Commerce and Transportation and Telecom sectors, sectors exposed to the pandemic where NPLs were already high at the start of the pandemic.

[9] Over the past three years, the stock of domestic government securities in banks' balance sheets has significantly increased. The Treasury Department regularly issues Treasury bills, and 2-and 3-year Treasury bonds and has been able to lengthen the yield curve further.

financial deepening and stimulates economic growth. Mobile banking has progressed rapidly in recent years and supports financial inclusion, in particular money transfers and payments, but could further support intermediation activities of microfinance institutions.

**53. Staff welcomes the new National Strategy for Inclusive Finance 2021-2025.** The strategy could include specific policy actions to improve financial literacy and land registries; create credit bureaus and strengthen existing institutions that facilitate information gathering and sharing among banks and microfinance institutions. It could also cover reforms to further strengthen mobile banking, including through phone network infrastructure, and to reinforce complementarities with the banking system including regarding microconsumer loans. The upcoming tax diagnostic (above) is expected to review pros and cons of new tax policies included in the 2022 budget law, such as the income tax on non-profit micro-finance institutions and the tax on mobile transactions, to assess consistency with financial inclusion and financial development objectives.

### Promoting Gender Equality

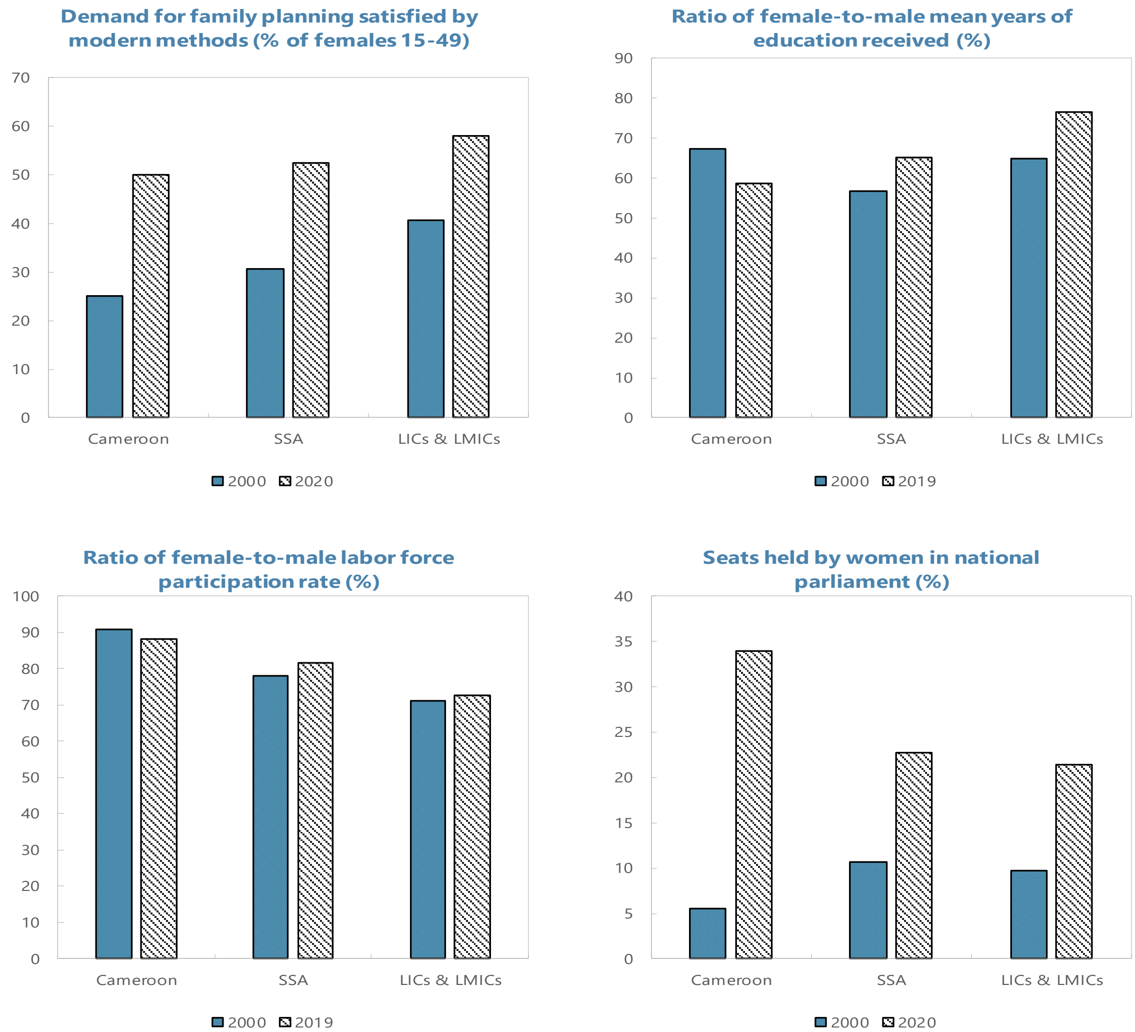
**54. Narrowing gender participation gaps in Cameroon could deliver large economic gains**.[10] Gender equality has been associated with higher income and faster growth, better income distribution, more economic diversification, and better access to finance. Staff estimates indicate that Cameroon GDP per capita growth could increase by ¼ percentage point if its gender inequality index score were to be brought down to the SSA average and to more than 1 percentage point if it were brought to the average of 5 leading emerging Asian countries (Indonesia, Malaysia, Thailand, Philippines, and Vietnam) or the 5 leading Latin American economies (Brazil, Chile, Colombia, Mexico, and Peru).

**55. Staff welcomes the authorities' recent efforts towards adopting gender budgeting tools.** Consistent with the recent AFRITAC TA recommendations, the 2022 budget law includes an annex devoted to gender budgeting, which constitutes the first ever gender sensitive budget document. This annex focuses on eight pilot ministerial departments and shows the links between the policies implemented and budgetary allocations, to assess their impact. Staff welcomes these developments and encourages the authorities to continue implementing the TA recommendations and broadening the application of gender budgeting beyond pilot departments.

**56. Despite progress, gender-based inequalities and disparities persist.** The UN has identified gaps in key areas, especially information and communications technology skills. In addition, monitoring methodologies need improvement in areas such as women's access to assets (including land), and environmental issues. Cameroon's CPIA score on gender equality remains below the SSA average (Text Figure 4). Staff recommends modifying laws and policies aimed at facilitating female entrepreneurship and intensifying consultations with banks and technical and financial partners to facilitate women's access to credit.

[10] IMF Country Report No. 18/256.

**Text Figure 4. Cameroon: Gender Equality Indicators**




Sources: UNDESA; UNESCO; ILO; IPU

## Promoting the Green Economy: Mitigating and Adapting to Climate Change

**57. Cameroon is vulnerable to acute and chronic climate change risks**. The country faces rising temperature and declining rainfall, with increased drought, erosion, violent winds, and floods. Additionally, the rate of forest loss nearly doubled in 2020 compared to 2019, reaching 100kha[11]. The authorities have taken steps to promote sustainable management of Cameroon's varied natural resources, and to adapt to and mitigate the effects of climate change. The SND-30 sets a specific objective to "Intensify adaptation and mitigating measures against the effects of climate change and environmental management to ensure economic growth as well as sustainable and inclusive development."

[11] Global Forest Watch.

**58. Enhancing Cameroon's resilience to climate change is essential.** The World Bank is currently producing a Climate Change Development Report (CCDR) to identify the key challenges, the potential cost and loss to the economy, and the opportunities and adequate policy responses. The IMF will continue to encourage the authorities in fulfilling climate mitigation commitments envisaged under the Glasgow Declaration on Land and Land-use. Staff reiterated the importance of investing in infrastructure and building financial resilience through adequate fiscal and external buffers and preparing rapid responses to disasters through contingency planning.[12] Staff also highlighted the availability of IMF assistance to develop policies and capacity for climate change challenges, including through a Climate-Public Investment Management Assessment (C-PIMA). This could help the authorities draw up concrete plans to mitigate the impact of climate-related shocks on fiscal balances (e.g., through country insurance, or lending lines with multilateral financial institutions.

***Authorities' Views***

**59. The authorities acknowledged the importance of financial deepening and inclusion as locomotives for growth and development.** The authorities highlighted that the new National Strategy for Inclusive Finance 2021-2025 identifies six strategic directions: (i) improving quality and access to financial services; (ii) improving access to finance for value chains, SMEs, and agriculture firms; (iii) promoting innovation for numeric finance; (iv) promoting Islamic finance; (v) promoting financial literacy and consumer protection; and (vi) improving the framework for regulations and tax policies. They reaffirmed their commitment to financial sector reforms, including the restructuring of the failed banks as required by the COBAC, the continued implementation of the law to deal with NPLs, the collateral registry and strengthening of information sharing platforms. The authorities highlighted that the restructuring plans have been approved by shareholders and the installation of new management and a Board of Directors is pending approval by the COBAC.

**60. They highlighted their efforts in implementing the recent AFRITAC TA** recommendations on Gender budgeting and stressed their commitment to expand its application beyond the pilot Departments. They also reiterated their commitment to modifying laws and policies aimed at facilitating female entrepreneurship.

**61. The authorities also confirmed their commitment to adapting to and building resilience to climate change.** They noted that Cameroon is one of 105 countries that signed the Glasgow Declaration on Land and Land Use at the 26th Conference of the Parties (CoP26), aimed at halting and reversing forest loss and land degradation by 2030. The authorities also confirmed Cameroon's commitment in the context of the AFR 100 initiative to restore approximately 12 million degraded lands. They expressed interest in models and data sources relevant for strengthening resilience to climate change, such as the Climate Change Indicators Dashboard, the Carbon Pricing Assessment Tool (CPAT) and the C-PIMA.

[12] Cameroon is already benefitting from external programs, including with the World Bank, the EU, and other external partners.

# PROGRAM MODALITIES, STATISTICAL ISSUES AND CAPACITY DEVELOPMENT

## A. Program Modalities

**62. BEAC has provided updated policy assurances in support of CEMAC countries' Fund-supported programs.** In its follow-up letter of policy support of December 2021, BEAC reiterated its commitment to maintaining an appropriate monetary policy stance, together with member states implementing fiscal adjustment in the context of Fund-supported programs, to support external reserves build-up. As part of corrective actions to support the reserve position and address the non-implementation of the end-June 2021 policy assurance, it has (i) raised the policy rate (TIAO) by 25 basis points at an extraordinary MPC meeting in late November; and (ii) agreed to increase the interest rate of liquidity absorptions to reduce the excess liquidity, stimulate the interbank market, and improve monetary policy transmission. BEAC will also continue to work towards effective application of the foreign exchange regulation, including by implementing the recently agreed adaptations for the extractive sector. The regional assurances on regional NFA are critical for the success of Cameroon's Fund-supported program and will help bolster the region's external sustainability.

**63. Program performance will continue to be reviewed semi-annually through six-monthly and continuous quantitative performance criteria (QPCs), quarterly indicative targets (ITs), and structural benchmarks (SBs).** Program conditionality is updated reflecting the macroeconomic framework and the authorities' commitments to reforms:

- End-March 2022 ITs and end-June 2022 QPCs are proposed to be modified in line with the updated macroeconomic projections to take into consideration among others updated global economic assumptions. These updated performance criteria are consistent with program objectives.

- New end-September 2022 ITs and end-December 2022 QPCs are proposed.

- The Continuous Quantitative Performance Criteria Ceiling on new non-concessional external debt contracted or guaranteed by the government is proposed to be replaced starting from the Executive Board date by the PV of contracting and guaranteeing of new external borrowing in line with the new DLP.

- The missed structural benchmarks are proposed to be reset (Table 10) and new structural benchmarks are proposed to support good governance and transparency consistent with program objectives (¶45).

**64. Cameroon's capacity to repay the Fund is adequate, but subject to significant risks** (Figure 3)**.** Under the baseline, total Fund credit outstanding (based on existing and prospective drawings) peaks at over 3 percent of GDP in 2023, while annual obligations to the Fund peak at about 2.4 percent of revenues excluding grants in 2027, well above the reference group top quartile. Risks to the program and to the Fund are elevated and capacity to repay the Fund could be further strained by the materialization of potential risks (e.g., SOEs contingent liabilities, especially from SONARA's debt restructuring, delays in implementing critical reforms, security risks, the COVID-19 pandemic etc.). Strong political support for the objectives of the program at national and regional level are critical to mitigating these risks.

**65. Financing assurances have been obtained.** The program remains fully financed, with firm commitments over the next 12 months and good prospects for its financing over the remainder of the arrangement. Discussions with donors confirmed the importance of the Fund's engagement in their decision to contribute to budget support, quasi-budget support and project financing. The World Bank disbursement for investment project in 2022 is expected to reach USD473 million, including the regional Douala-Ndjamena Corridor project and the Adaptive Social Nets and Economic Inclusion project. Additional sizeable amounts are expected for the Mobility Urban Douala and Local Governance and Resilience project.

**Text Table 4. Cameroon: External Financing**
(In billions of CFAF, unless otherwise indicated)

| | 2021 | 2022 | 2023 | 2024 | Total (CFAF, billions) | Total (SDR, millions) | Percent of Gap | Percent of Quota[1] |
|---|---|---|---|---|---|---|---|---|
| **Financing Gap** | **373** | **319** | **227** | **99** | **1018** | **1271** | **100** | **461** |
| **IMF Financing** | **96** | **150** | **86** | **43** | **376** | **468** | **37** | **170** |
| ECF | 32 | 50 | 29 | 14 | 125 | 156 | 12 | 57 |
| EFF | 64 | 100 | 57 | 29 | 250 | 312 | 25 | 113 |
| **Budget Support from other Donors** | **111** | **169** | **141** | **56** | **477** | **594** | **47** | **215** |
| AFDB | 0 | 36 | 53 | 0 | 89 | 110 | 9 | 40 |
| World Bank | 80 | 88 | 57 | 56 | 281 | 350 | 28 | 127 |
| France | 0 | 45 | 0 | 0 | 45 | 56 | 4 | 20 |
| EU | 16 | 0 | 16 | 0 | 32 | 40 | 3 | 15 |
| Other | 15 | 0 | 15 | 0 | 30 | 38 | 3 | 14 |
| **Exceptional Financing** | **166** | **0** | **0** | **0** | **166** | **210** | **16** | **76** |
| DSSI (Net) | 166 | 0 | 0 | 0 | 166 | 210 | 16 | 76 |
| **Residual Gap** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

Source: IMF staff estimates and projections.

1/ Cameroon's current quota is SDR 276.0 million.

## B. Statistical Issues

**66. Data provision is broadly adequate, and the authorities have been working with development partners to improve the quality, coverage, and timeliness of key macroeconomic data.** Significant developments since the last Article IV Consultations include the rebasing of the national accounts to 2016, the strengthening of the quality and frequency of public debt and balance of payments data, and the shift of budget execution reports to a commitment basis with more comprehensive coverage. Important weaknesses in fiscal data remain in the coverage of local government and public enterprises, including cross-debts.

## C. Capacity Development

**67. The CD Strategy for Cameroon is well-aligned with the authorities' economic reform strategy for 2021-23 and program objectives (Annex VI).** Cameroon has an overall good track record of implementing TA recommendations. A revised CD strategy was discussed with the authorities, taking stock of new ways of working (remote missions) and evolving needs in the COVID-19 pandemic context.

# STAFF APPRAISAL

**68. Cameroon's continued leadership in implementing the CEMAC's regional strategy is essential.** As the largest contributor to CEMAC reserves and the region's external sustainability, Cameroon plays a key role in the regional economic recovery and rebuilding of CEMAC's fiscal and external buffers. Staff welcomes the authorities' commitment to continue implementing policies consistent with regional external stability, which requires the rebuilding of the BEAC foreign exchange reserves and supporting the efforts of the BEAC and COBAC to strictly enforce the new foreign exchange regulations.

**69. The country's economy has proved resilient and is gradually recovering from the COVID-19 pandemic, with risks broadly balanced.** Growth is recovering after the deep drop in Q2-2020, and risks are balanced but uncertainty remains high. Risks are mitigated by the authorities' track record, close engagement with donors, a comprehensive CD program, and contingency planning, including in Cameroon's COVID-19 response plan. Cameroon's external position in 2021 is assessed to be weaker than implied by fundamentals and desirable policies.

**70. The SDR allocation provides additional policy space**. Staff encourages the authorities to save about half of the SDR allocation, in line with the IMF and CEMAC recommendation, and stresses the importance of ensuring the needed transparency and accountability.

**71. Staff supports the authorities' aim to avoid a premature tightening of fiscal policy and efforts to mitigate the impact of the pandemic.** With continued gradual fiscal consolidation over the short term, providing space for COVID-related spending and expanding transfers to vulnerable, Staff supports the authorities' objective to accelerate the fiscal consolidation path once the crisis abates to strengthen debt sustainability and ensure a strong and inclusive recovery in line with Cameroon's medium-term reform agenda. Completion of the Treasury Single Account reform and strictly limiting recourse to direct interventions and exceptional spending procedures are key to improving cash management and budget execution and strengthening fiscal transparency and budget credibility.

**72. Advancing the implementation of structural reforms will be critical to strengthen productivity and accelerate private sector-led economic diversification.** Staff encourages the authorities to strengthen their dialogue with the private sector, a key engine of growth, and civil society. Further steps to enhance the business climate, investment efficiency, and financial inclusion are essential to unlock Cameroon's growth potential and should be accompanied by strong efforts to protect property and investor rights and effectively enforce the anti-corruption legal framework.

**73. The authorities' efforts to promote transparency and good governance and reduce corruption risks are welcome.** The publication of the COVID-19 related audit and continued implementation of governance-related commitments made under the RCF are a step forward.

**74. Cameroon's public debt is sustainable although the country remains at high risk of debt distress.** The authorities have demonstrated a strong commitment to reducing debt vulnerabilities including restructuring SONARA's debt. Staff welcomes the authorities' commitment to limiting non-concessional borrowing in line with the revised DLP and emphasized the importance of continued adherence to the fiscal consolidation efforts, a prudential borrowing policy, and steadfast implementation of structural fiscal reforms.

**75. Addressing financial and fiscal risks associated with SOEs remains a high priority and could yield sizeable economic benefits.** Staff urges the authorities to strengthen efforts to restructure SONARA without delays based on a thorough cost-benefit analysis of all available options. Timely completion of the diagnostic studies of three large-public SOEs is critical for mitigating contingent risks, along with the clearance of government cross-debts with SOEs and of government arrears. Staff also stressed the importance of enhancing SOEs' monitoring and oversight and highlighted the sizeable economic potential of reforming policies to level the playing fields across sectors.

**76. The program remains on track and structural reforms are advancing, but with delays in some key areas.** All end-July quantitative performance criteria were observed. However, the continuous performance criterion on the ceiling on the contracting or guaranteeing of new non-concessional external debt was missed in September as the authorities signed a project loan not included in the list of projects (¶18). This project is critical for national development and was part of the previous ECF lists. The contracted amount is limited, no concessional financing was available, and the overall ceiling remained respected. The adoption of the new debt limit conditionality will help avoid such issues from recurring in the future.

**77. Based on Cameroon's performance under the program, and regional policy assurances established in the December 2021 union-wide paper, staff supports the authorities' request**

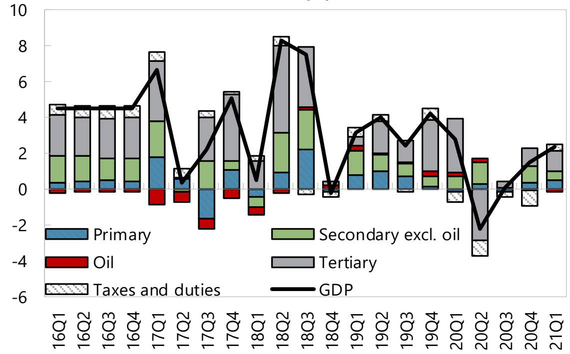
**for the completion of the first review.** As the authorities are on track to meet end-December 2021 targets, Staff also supports their request for (i) a waiver of nonobservance of the continuous PC on the non-concessional borrowing limit as the deviation is minor (¶76) ; (ii) modification of the end-March 2022 ITs and the end-June 2022 QPCs; (iii) the adoption of the new end-September 2022 ITs and the end-December 2022 QPCs; (iv) the replacement of the continuous nominal QPC on non-concessional borrowing by the new NPV limit in line with the new DLP; and (v) a waiver for performance criteria applicability for end-December 2021. Staff welcomes the authorities' commitment to accelerating structural reforms and supports rescheduling delayed structural benchmarks. Staff proposes that the completion of the second review under the ECF-EFF arrangements be conditional on the implementation of critical policy assurances on NFAs at the union level.

**78. The next Article IV Consultation is expected to take place within 24 months** in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

## Figure 1. Cameroon: Real Sector Developments, 2015–21

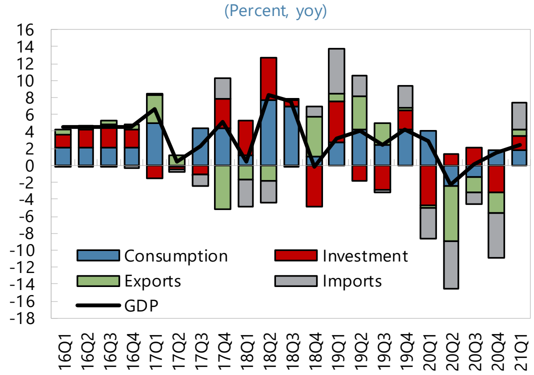
*Growth contracted due to the pandemic, driven by a sharp decrease in the tertiary sector...*

**Growth Composition, 2016Q1-21Q4**
(Percent, yoy)



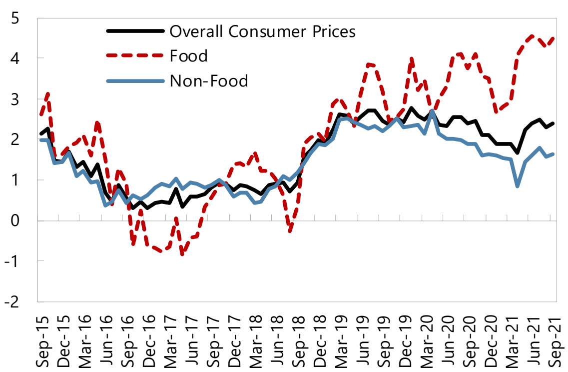

*...and exports and consumption declined as lockdowns persisted.*

**Growth Composition, 2016Q1-21Q4**
(Percent, yoy)



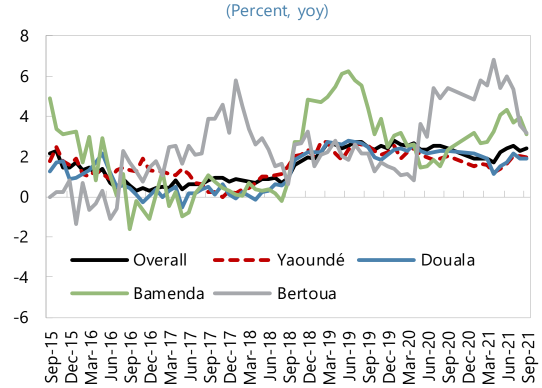

*Inflation remained subdued...*

**Consumer Price Indices, 2015M9-21M9**
(Percent, yoy)



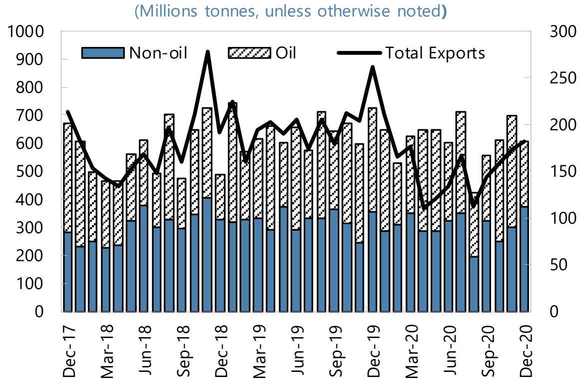

*... with some regional variations.*

**Consumer Price Indices, 2015M9-21M9**
(Percent, yoy)



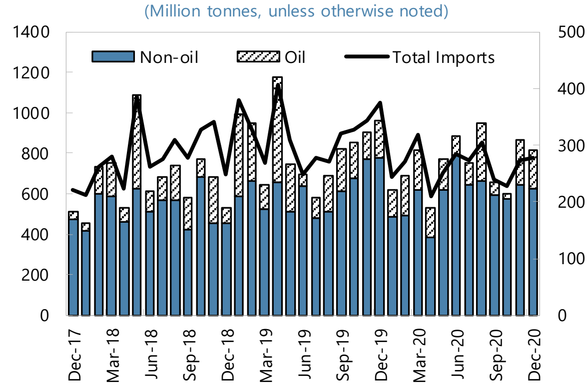

*Exports decreased...*

**Export volume, 2017M12-20M12**
(Millions tonnes, unless otherwise noted)




*... and imports decreased in parallel*

**Import volume, 2017M12-20M12**
(Million tonnes, unless otherwise noted)

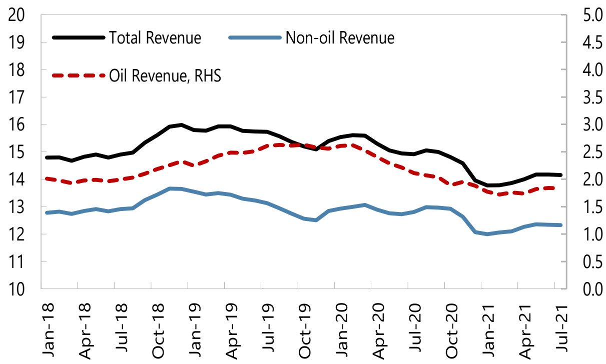



Sources: Cameroonian authorities; BEAC; and IMF staff calculations.

## Figure 2. Cameroon: Fiscal Developments, 2016–21

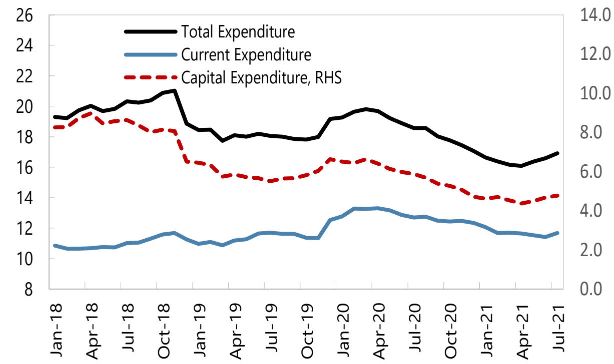
*Non-oil revenue deteriorated ...*

**Revenue and its Composition, 2018M1-21M7**
(12 month total as a percentage of 12 month GDP)



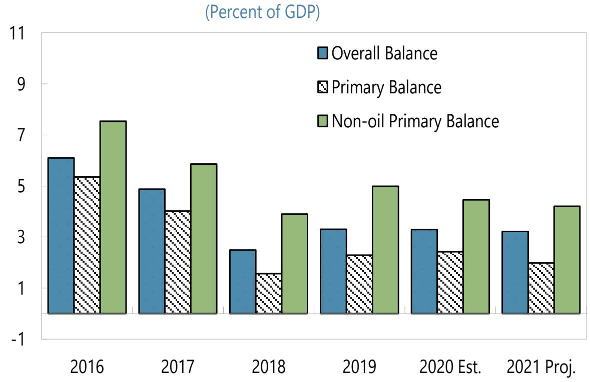

*...and capital spending decreased.*

**Expenditure and its Composition, 2018M1-21M7**
(12 month total as a percentage of 12 month GDP)



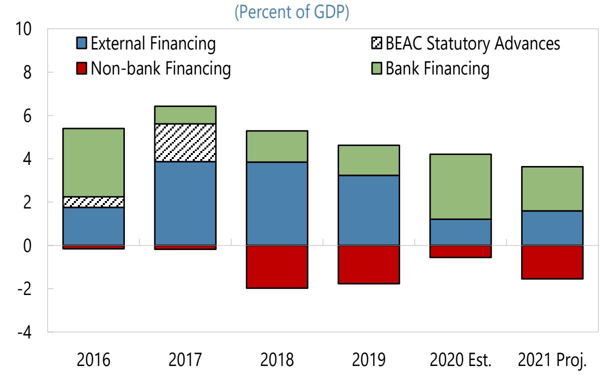

*The fiscal deficit increased as authorities responded to the pandemic...*

**Fiscal Deficit, 2016-21p**
(Percent of GDP)



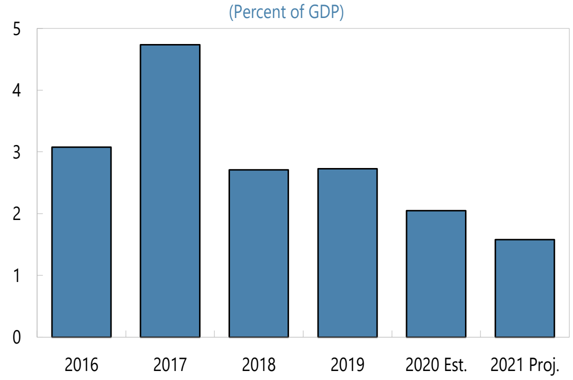

*...with higher relative share of bank financing.*

**Financing, 2016-21p**
(Percent of GDP)



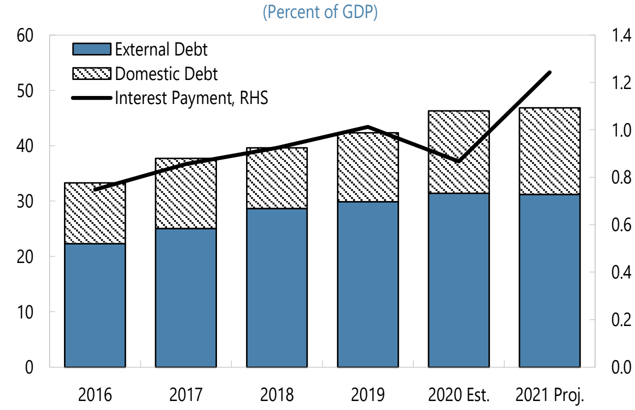

*Unpaid government obligations are shrinking...*

**Unpaid Government Obligations, 2016-21p**
(Percent of GDP)



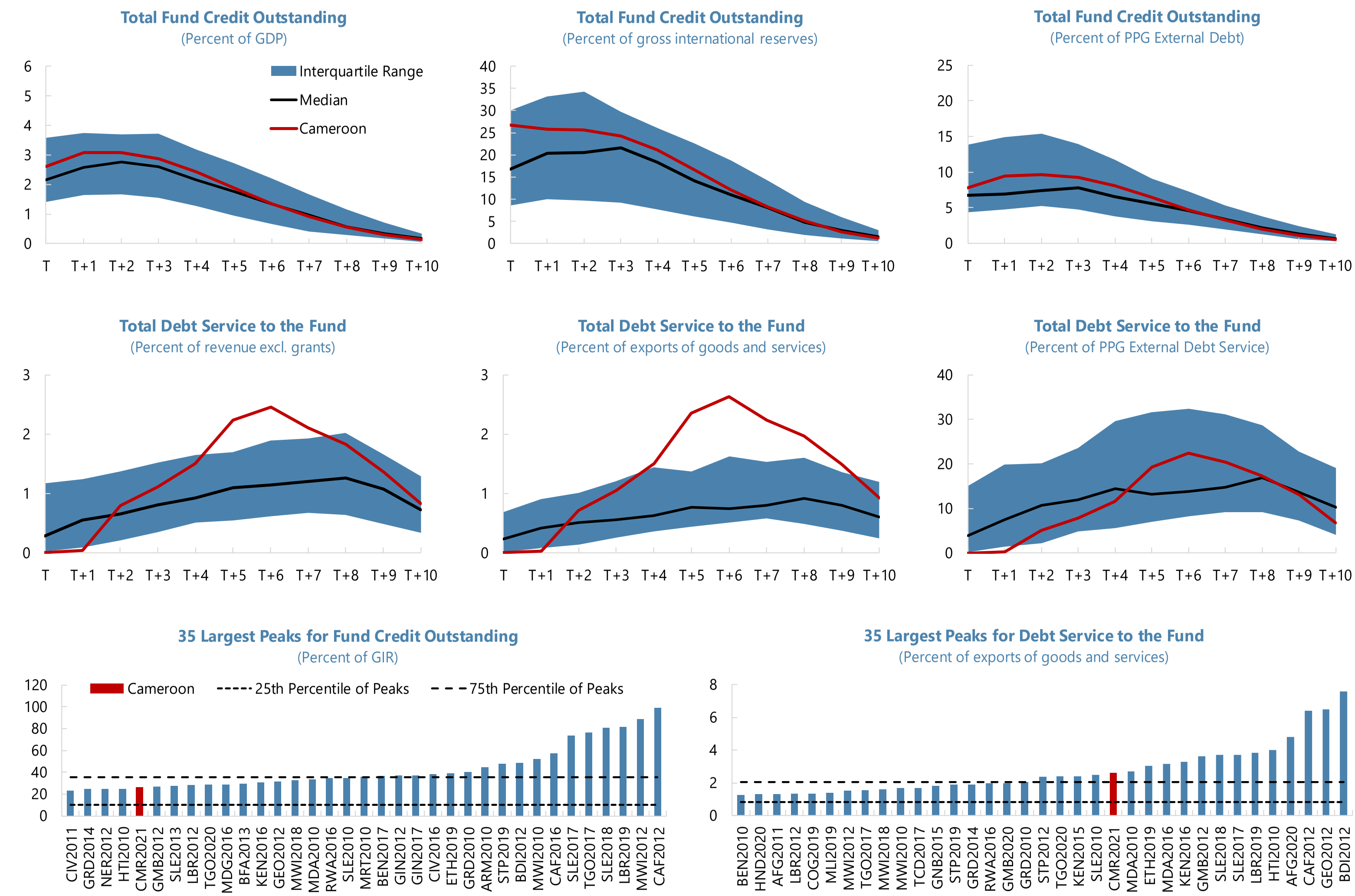

*...and public debt continues to increase.*

**Public Debt and Interest Payments, 2016-21p**
(Percent of GDP)




Sources: Cameroonian authorities; and IMF staff calculations.

## Figure 3. Cameroon: Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries




Notes:

1) T = date of arrangement approval. PPG = public and publicly guaranteed.

2) Red lines/bars indicate the CtR indicator for the arrangement of interest.

3) The median, interquartile range, and comparator bars reflect all UCT arrangements (including blends) approved for PRGT countries between 2010 and 2020.

4) PRGT countries in the control group with multiple arrangements are entered as separate events in the database.

5) Gross international reserves refer to the gross imputed reserves for Cameroon.

## Table 1. Cameroon: Selected Economic and Financial Indicators, 2019–26
(CFAF billion, unless otherwise indicated)

| | 2019 | 2020 | | 2021 | | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Prog. | Est. | Prog. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| | (Annual percentage change, unless otherwise indicated) | | | | | | | | | |
| **National account and prices** | | | | | | | | | | |
| GDP at constant prices | 3.4 | -1.5 | 0.5 | 3.6 | 3.5 | 4.5 | 4.8 | 5.0 | 5.1 | 5.1 |
| Oil GDP at constant prices | 8.4 | 2.6 | 3.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.3 | 0.5 |
| Non-Oil GDP at constant prices | 3.3 | -1.8 | 0.5 | 3.8 | 3.6 | 4.6 | 4.9 | 5.2 | 5.2 | 5.2 |
| GDP deflator | 1.2 | 2.0 | 0.5 | 2.0 | 2.6 | 2.9 | 1.4 | 1.5 | 2.0 | 2.0 |
| Nominal GDP (at market prices, CFAF billions) | 23,244 | 22,955 | 23,486 | 24,265 | 24,951 | 26,828 | 28,491 | 30,388 | 32,581 | 34,939 |
| Oil | 872 | 663 | 544 | 947 | 929 | 1,009 | 937 | 898 | 873 | 858 |
| Non-Oil | 22,372 | 22,292 | 22,943 | 23,318 | 24,021 | 25,819 | 27,554 | 29,490 | 31,708 | 34,081 |
| Consumer prices (average) | 2.5 | 2.4 | 2.5 | 2.3 | 2.3 | 2.1 | 2.0 | 2.0 | 2.0 | 2.0 |
| Consumer prices (eop) | 2.4 | 2.1 | 2.1 | 2.1 | 2.1 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| **Money and credit** | | | | | | | | | | |
| Broad money (M2) | 6.5 | 12.1 | 12.1 | 8.4 | 13.8 | 10.7 | 8.4 | 7.3 | 7.2 | 7.1 |
| Net foreign assets 1/ | 5.7 | -0.2 | -0.2 | 2.6 | 1.9 | 6.5 | 2.2 | 2.1 | 2.4 | 3.5 |
| Net domestic assets 1/ | 0.8 | 12.4 | 12.4 | 5.8 | 11.9 | 4.2 | 6.2 | 5.2 | 4.8 | 3.6 |
| Domestic credit to the private sector | 1.4 | 1.1 | 1.1 | 3.3 | 5.4 | 5.6 | 6.4 | 7.2 | 7.8 | 8.5 |
| | (Percent of GDP, unless otherwise indicated) | | | | | | | | | |
| **Savings and investments** | | | | | | | | | | |
| Gross national savings | 14.7 | 22.9 | 14.0 | 24.9 | 16.0 | 19.2 | 20.2 | 21.4 | 23.0 | 24.6 |
| Gross domestic investment | 18.9 | 26.6 | 17.7 | 28.9 | 19.4 | 21.2 | 23.2 | 24.7 | 26.2 | 27.6 |
| Public investment | 6.9 | 5.1 | 4.9 | 5.6 | 5.4 | 5.5 | 5.8 | 6.2 | 6.4 | 7.2 |
| Private investment | 12.1 | 21.5 | 12.8 | 23.3 | 14.0 | 15.6 | 17.4 | 18.5 | 19.7 | 20.4 |
| **Central government operations** | | | | | | | | | | |
| Total revenue (including grants) | 15.4 | 13.7 | 13.4 | 14.6 | 13.9 | 14.9 | 15.9 | 16.3 | 16.6 | 17.1 |
| Oil revenue | 2.5 | 1.9 | 1.8 | 2.2 | 1.9 | 2.4 | 2.5 | 2.3 | 2.0 | 1.9 |
| Non-oil revenue | 12.3 | 11.7 | 11.4 | 12.1 | 11.7 | 12.0 | 13.1 | 13.6 | 14.4 | 15.1 |
| Non-oil revenue (percent of non-oil GDP) | 12.8 | 12.0 | 11.7 | 12.6 | 12.1 | 12.5 | 13.5 | 14.1 | 14.8 | 15.5 |
| Total expenditure | 18.7 | 17.0 | 16.6 | 17.9 | 17.0 | 16.7 | 16.2 | 16.8 | 16.8 | 17.6 |
| Overall fiscal balance (payment order basis) | | | | | | | | | | |
| Excluding grants | -3.8 | -3.4 | -3.3 | -3.7 | -3.4 | -2.4 | -0.6 | -0.8 | -0.4 | -0.6 |
| Including grants | -3.2 | -3.3 | -3.2 | -3.4 | -3.1 | -1.8 | -0.3 | -0.5 | -0.2 | -0.5 |
| Overall fiscal balance (cash basis) | | | | | | | | | | |
| Excluding grants | -3.4 | -3.8 | -3.7 | -4.1 | -3.8 | -2.7 | -1.2 | -1.2 | -0.6 | -0.6 |
| Including grants | -2.8 | -3.6 | -3.5 | -3.8 | -3.5 | -2.2 | -0.8 | -0.8 | -0.4 | -0.5 |
| Non-oil primary balance (payment basis, percent of non-oil GDI | -4.9 | -4.4 | -4.3 | -4.6 | -4.0 | -3.4 | -2.2 | -2.1 | -1.5 | -1.7 |
| **External sector** | | | | | | | | | | |
| Trade balance | -1.9 | -1.6 | -1.7 | -2.2 | -1.1 | -0.8 | -1.9 | -2.2 | -2.2 | -2.1 |
| Oil exports | 5.6 | 3.6 | 3.5 | 5.1 | 4.7 | 5.2 | 4.2 | 3.7 | 3.3 | 3.1 |
| Non-oil exports | 8.4 | 8.0 | 7.3 | 8.1 | 8.0 | 8.6 | 8.1 | 8.0 | 7.9 | 7.9 |
| Imports | 15.8 | 13.1 | 12.5 | 15.3 | 13.8 | 14.6 | 14.2 | 13.8 | 13.4 | 13.1 |
| Current account balance | | | | | | | | | | |
| Excluding official grants | -4.6 | -4.0 | -4.0 | -4.4 | -3.7 | -2.4 | -3.4 | -3.6 | -3.4 | -3.3 |
| Including official grants | -4.3 | -3.7 | -3.7 | -4.0 | -3.4 | -2.0 | -3.1 | -3.2 | -3.1 | -3.0 |
| Terms of trade | 23.1 | -5.6 | -9.6 | -0.6 | 5.2 | 3.4 | -10.5 | -5.6 | -3.8 | -3.1 |
| **Public debt** | | | | | | | | | | |
| Stock of public debt | 41.6 | 45.8 | 44.9 | 46.2 | 47.2 | 45.0 | 42.3 | 39.7 | 36.8 | 34.4 |
| *Of which:* external debt | 29.4 | 31.1 | 30.5 | 32.3 | 33.9 | 32.8 | 32.0 | 31.1 | 30.1 | 29.3 |

Sources: Cameroonian authorities; and IMF staff estimates and projections using updated nominal GDP.
1/ Percent of broad money at the beginning of the period.

## Table 2a. Cameroon: Central Government Operations, 2019–26
(CFAF billion, unless otherwise indicated)

| | 2019 | 2020 | | | 2021 | | | 2022 | | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Rev. Budget | Prog. | Est. | Rev. Budget | Prog. | Proj. | Budget | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Total revenue and grants** | **3,584** | **2,879** | **3,145** | **3,145** | **3,385** | **3,531** | **3,457** | **3,925** | **3,996** | **4,535** | **4,939** | **5,397** | **5,965** |
| Total revenue | 3,451 | 2,777 | 3,110 | 3,110 | 3,278 | 3,466 | 3,392 | 3,783 | 3,854 | 4,444 | 4,842 | 5,343 | 5,924 |
| Oil sector revenue | 585 | 270 | 428 | 428 | 393 | 536 | 477 | 562 | 633 | 724 | 698 | 655 | 647 |
| Non-oil sector revenue | 2,867 | 2,507 | 2,682 | 2,682 | 2,885 | 2,930 | 2,915 | 3,221 | 3,221 | 3,720 | 4,144 | 4,688 | 5,276 |
| Direct taxes | 729 | | 732 | 732 | | 626 | 632 | | 697 | 835 | 980 | 1,147 | 1,353 |
| Special tax on petroleum products | 129 | | 136 | 136 | | 147 | 136 | | 171 | 214 | 182 | 232 | 239 |
| Other taxes on goods and services | 1,451 | | 1,277 | 1,277 | | 1,462 | 1,411 | | 1,490 | 1,812 | 2,037 | 2,252 | 2,507 |
| Taxes on international trade | 393 | | 349 | 349 | | 509 | 562 | | 647 | 626 | 665 | 733 | 835 |
| Non-tax revenue | 164 | 204 | 189 | 189 | 214 | 187 | 174 | 216 | 216 | 232 | 282 | 323 | 342 |
| Total grants | 133 | 102 | 35 | 35 | 107 | 65 | 64.7 | 142 | 142 | 92 | 97 | 54 | 42 |
| Projects | 50 | 29 | 20 | 20 | 30 | 30 | 30 | 33 | 33 | 36 | 38 | 39 | 42 |
| Other | 83 | 73 | 14 | 14 | 77 | 34 | 34 | 109 | 109 | 56 | 59 | 15 | 0 |
| **Total expenditure** | **4,338** | **3,878** | **3,894** | **3,894** | **4,080** | **4,353** | **4,241** | **4,444** | **4,489** | **4,628** | **5,092** | **5,457** | **6,140** |
| Current expenditure | 2,693 | 2,443 | 2,530 | 2,530 | 2,568 | 2,761 | 2,729 | 2,804 | 2,848 | 2,907 | 3,131 | 3,359 | 3,635 |
| Wages and salaries | 1,016 | 1,036 | 1,014 | 1,014 | 1,070 | 1,070 | 1,069.8 | 1,125 | 1,125 | 1,150 | 1,220 | 1,299 | 1,396 |
| Goods and services | 706 | 677 | 734 | 734 | 707 | 782 | 728.2 | 786 | 786 | 839 | 913 | 998 | 1,091 |
| Subsidies and transfers | 740 | 528 | 585 | 585 | 529 | 629 | 628.9 | 653 | 697 | 704 | 772 | 824 | 904 |
| Interest | 232 | 202 | 198 | 198 | 262 | 281 | 302 | 240 | 240 | 213 | 226 | 238 | 244 |
| External | 177 | 152 | 138 | 138 | 197 | 215 | 237 | 157 | 157 | 147 | 154 | 161 | 161 |
| Domestic | 55 | 50 | 59 | 59 | 65 | 65 | 65 | 83 | 83 | 66 | 72 | 77 | 83 |
| Capital expenditure | 1,594 | 1,254 | 1,161 | 1,161 | 1,352 | 1,352 | 1,352 | 1,479 | 1,479 | 1,651 | 1,887 | 2,099 | 2,504 |
| Domestically financed investment | 625 | 542 | 630 | 630 | 583 | 583 | 583.2 | 664 | 664 | 765 | 916 | 1,054 | 1,384 |
| Foreign-financed investment | 927 | 684 | 515 | 515 | 734 | 734 | 733.8 | 780 | 780 | 849 | 932 | 1,002 | 1,077 |
| Rehabilitation and participation | 42 | 28 | 16 | 16 | 35 | 35 | 35.0 | 35 | 35 | 37 | 40 | 43 | 44 |
| Net lending | 51 | 0 | 42 | 42 | -20 | -20 | -20 | -20 | -20 | -20 | -16 | 0 | 0 |
| COVID-19-related spending | | 180 | 161 | 161 | 100 | 119 | 100 | 50 | 50 | | | | |
| COVID-19 vaccine procurement and delivery | | | | | | 81 | 20 | 50 | 50 | | | | |
| Local production stimulus fund | | | | | 50 | 30 | 30 | 50 | 50 | 60 | 60 | | |
| Decentralization addendum special account | | | | | 30 | 30 | 30 | 31 | 31 | 30 | 30 | | |
| **Overall balance (payment order basis)** | | | | | | | | | | | | | |
| Excluding grants | -887 | -1101 | -784 | -784 | -802 | -887 | -849 | -661 | -635 | -185 | -250 | -115 | -216 |
| Including grants | -754 | -999 | -749 | -749 | -695 | -822 | -784 | -519 | -492 | -93 | -153 | -60 | -174 |
| **CEMAC reference fiscal balance** | **-957** | | **-762** | **-763** | | **-922** | **-822** | | **-678** | **-354** | **-299** | **-90** | **-184** |
| **Adjustment to cash basis** | **103** | **-72** | **-83** | **-83** | **-67** | **-97.5** | **-99.3** | **-100** | **-100.0** | **-148** | **-104** | **-82** | **0** |
| Unexecuted payment orders (-=reduction) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Floats and arrears (- = reduction) | 103 | -72 | -83 | -83 | -67 | -98 | -99 | -100 | -100 | -148 | -104 | -82 | 0 |
| o/w Arrears (- = reduction) | 110 | -20 | -79 | -79 | -17 | -81 | -83 | -45 | -45 | -45 | -14 | 0 | 0 |
| o/w Floats (- = reduction) | 6 | -52 | 8 | 8 | -50 | 0 | 0 | -40 | -40 | -58 | -50 | -50 | 0 |
| o/w other arrears 1/ | -14 | 0 | -11 | -11 | 0 | -17 | -17 | -15 | -15 | -45 | -40 | -32 | 0 |
| **Overall balance (cash basis)** | | | | | | | | | | | | | |
| Excluding grants | -785 | -1173 | -867 | -867 | -869 | -985 | -948 | -761 | -735 | -333 | -354 | -197 | -216 |
| Including grants | -651 | -1071 | -832 | -832 | -762 | -920 | -883 | -619 | -592 | -241 | -257 | -143 | -174 |
| **Financing** | **651** | **473** | **832** | **832** | **402** | **483** | **510** | **215** | **273** | **14** | **158** | **143** | **174** |
| External financing, net | 740 | 315 | 273 | 273 | 309 | 421 | 389 | 227 | 227 | 261 | 368 | 433 | 506 |
| Amortization | -320 | -340 | -222 | -222 | -394 | -733 | -764 | -520 | -520 | -552 | -526 | -530 | -529 |
| Drawings | 1,060 | 655 | 495 | 495 | 703 | 1,153 | 1,153 | 747 | 747 | 813 | 894 | 963 | 1,035 |
| Eurobond | | | | | | 450 | 450 | | | | | | |
| Domestic financing, net | -89 | 158 | 559 | 559 | 92 | 62 | 120 | -11 | 47 | -247 | -210 | -291 | -332 |
| Banking system | 315 | 260 | 685 | 685 | 380 | 424 | 511 | 462 | 520 | 289 | 214 | 162 | 150 |
| Central Bank | | | | | | 74 | 161 | 112 | 170 | -61 | -136 | -188 | -212 |
| SDR Allocation | | | | | | | 50 | 70 | 70 | | | | |
| Commercial Banks | | | | | | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 362 |
| Amortization of non-structured debt | -39 | -17 | -117 | -117 | -16 | -16 | -16 | | | | | | |
| Other domestic financing | -364 | -85 | -9 | -9 | -272 | -345 | -374 | -474 | -473 | -536 | -424 | -453 | -482 |
| **Financing gap** | **0** | **598** | **0** | **0** | **360** | **437** | **373** | **404** | **319** | **227** | **99** | **0** | **0** |
| **IMF Financing** | | **226** | | | | **161** | **96** | **150** | **150** | **86** | **43** | **0** | **0** |
| **Budget Support (excl. IMF)** | | **255** | | | | **110** | **111** | **254** | **169** | **141** | **56** | **0** | **0** |
| **Exceptional Financing** | | **118** | | | **100** | **166** | **166** | **0** | **0** | **0** | **0** | **0** | **0** |
| DSSI | | 118 | | | 100 | 166 | 166 | | | | | | |
| **Residual gap** | | **0** | | | **260** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| ***Memorandum items:*** | | | | | | | | | | | | | |
| Floor of social spending | 711 | | | | | | | | | | | | |
| Primary balance (payment order basis, incl. grants) | -522 | -787 | -551 | -551 | -433 | -542 | -482 | -279 | -253 | 120 | 73 | 177 | 70 |
| Primary balance (cash basis, incl. grants) | -420 | -864 | -635 | -635 | -499 | -639 | -581 | -379 | -353 | -28 | -31 | 95 | 70 |
| Non-oil primary balance (payment order basis, incl. grants) | -1,107 | -1057 | -979 | -979 | -826 | -1,078 | -959 | -841 | -886 | -604 | -625 | -478 | -578 |
| Non-oil primary balance (cash basis, incl. grants) | -1,004 | -1134 | -1,063 | -1,063 | -892 | -1,175 | -1,058 | -941 | -986 | -752 | -729 | -560 | -578 |
| Unpaid government obligations | 685 | 374 | 602 | 602 | | 518 | 516 | | 416 | 268 | 164 | 82 | 82 |
| Float | 269 | 155 | 280 | 280 | | 280 | 280 | | 240 | 182 | 132 | 82 | 82 |
| Arrears | 256 | 84 | 186.6 | 186.6 | | 106 | 104 | | 59 | 14 | 0 | 0 | 0 |
| Other arrears 1/ | 160 | 135 | 149 | 149 | | 132 | 132 | | 117 | 72 | 32 | 0 | 0 |

Sources: Cameroonian authorities; and IMF staff estimates and projections with updated nominal GDP.

1/ Other arrears include the stock of unstructured debt that is held by CAA and the "floating" domestic debt at the Treasury as defined in the TMU. The payments of arrears are adjusted starting end-2018 and the stock of unpaid government obligations is adjusted starting end-2016 to reflect these operations.

## Table 2b. Cameroon: Central Government Operations, 2019–26

(In percent of GDP)

| | 2019 | 2020 | | | 2021 | | | 2022 | | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Rev. Budget | Prog. | Est. | Rev. Budget | Prog. | Proj. | Budget | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Total revenue and grants** | **15.4** | **12.9** | **13.7** | **13.4** | **13.6** | **14.6** | **13.9** | **14.6** | **14.9** | **15.9** | **16.3** | **16.6** | **17.1** |
| Total revenue | 14.8 | 12.4 | 13.6 | 13.2 | 13.1 | 14.3 | 13.6 | 14.1 | 14.4 | 15.6 | 15.9 | 16.4 | 17.0 |
| Oil sector revenue | 2.5 | 1.2 | 1.9 | 1.8 | 1.6 | 2.2 | 1.9 | 2.1 | 2.4 | 2.5 | 2.3 | 2.0 | 1.9 |
| Non-oil sector revenue | 12.3 | 11.2 | 11.7 | 11.4 | 11.6 | 12.1 | 11.7 | 12.0 | 12.0 | 13.1 | 13.6 | 14.4 | 15.1 |
| Direct taxes | 3.1 | | 3.2 | 3.1 | | 2.6 | 2.5 | | 2.6 | 2.9 | 3.2 | 3.5 | 3.9 |
| Special tax on petroleum products | 0.6 | | 0.6 | 0.6 | | 0.6 | 0.5 | | 0.6 | 0.8 | 0.6 | 0.7 | 0.7 |
| Other taxes on goods and services | 6.2 | | 5.6 | 5.4 | | 6.0 | 5.7 | | 5.6 | 6.4 | 6.7 | 6.9 | 7.2 |
| Taxes on international trade | 1.7 | | 1.5 | 1.5 | | 2.1 | 2.3 | | 2.4 | 2.2 | 2.2 | 2.3 | 2.4 |
| Non-tax revenue | 0.7 | 0.9 | 0.8 | 0.8 | 0.9 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 | 0.9 | 1.0 | 1.0 |
| Total grants | 0.6 | 0.5 | 0.2 | 0.1 | 0.4 | 0.3 | 0.3 | 0.5 | 0.5 | 0.3 | 0.3 | 0.2 | 0.1 |
| Projects | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Other | 0.4 | 0.3 | 0.1 | 0.1 | 0.3 | 0.1 | 0.1 | 0.4 | 0.4 | 0.2 | 0.2 | 0.0 | 0.0 |
| **Total expenditure** | **18.7** | **17.3** | **17.0** | **16.6** | **16.4** | **17.9** | **17.0** | **16.6** | **16.7** | **16.2** | **16.8** | **16.8** | **17.6** |
| Current expenditure | 11.6 | 10.9 | 11.0 | 10.8 | 10.3 | 11.4 | 10.9 | 10.5 | 10.6 | 10.2 | 10.3 | 10.3 | 10.4 |
| Wages and salaries | 4.4 | 4.6 | 4.4 | 4.3 | 4.3 | 4.4 | 4.3 | 4.2 | 4.2 | 4.0 | 4.0 | 4.0 | 4.0 |
| Goods and services | 3.0 | 3.0 | 3.2 | 3.1 | 2.8 | 3.2 | 2.9 | 2.9 | 2.9 | 2.9 | 3.0 | 3.1 | 3.1 |
| Subsidies and transfers | 3.2 | 2.4 | 2.5 | 2.5 | 2.1 | 2.6 | 2.5 | 2.4 | 2.6 | 2.5 | 2.5 | 2.5 | 2.6 |
| Interest | 1.0 | 0.9 | 0.9 | 0.8 | 1.1 | 1.2 | 1.2 | 0.9 | 0.9 | 0.7 | 0.7 | 0.7 | 0.7 |
| External | 0.8 | 0.7 | 0.6 | 0.6 | 0.8 | 0.9 | 0.9 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 |
| Domestic | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Capital expenditure | 6.9 | 5.6 | 5.1 | 4.9 | 5.4 | 5.6 | 5.4 | 5.5 | 5.5 | 5.8 | 6.2 | 6.4 | 7.2 |
| Domestically financed investment | 2.7 | 2.4 | 2.7 | 2.7 | 2.3 | 2.4 | 2.3 | 2.5 | 2.5 | 2.7 | 3.0 | 3.2 | 4.0 |
| Foreign-financed investment | 4.0 | 3.1 | 2.2 | 2.2 | 2.9 | 3.0 | 2.9 | 2.9 | 2.9 | 3.0 | 3.1 | 3.1 | 3.1 |
| Rehabilitation and participation | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Net lending | 0.2 | 0.0 | 0.2 | 0.2 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | 0.0 | 0.0 |
| COVID-19-related spending | 0.0 | 0.8 | 0.7 | 0.7 | 0.4 | 0.5 | 0.4 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| COVID-19 vaccine procurement and delivery | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.1 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Local production stimulus fund | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.0 | 0.0 |
| Decentralization addendum special account | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 |
| **Overall balance (payment order basis)** | | | | | | | | | | | | | |
| Excluding grants | -3.8 | -4.9 | -3.4 | -3.3 | -3.2 | -3.7 | -3.4 | -2.5 | -2.4 | -0.6 | -0.8 | -0.4 | -0.6 |
| Including grants | -3.2 | -4.5 | -3.3 | -3.2 | -2.8 | -3.4 | -3.1 | -1.9 | -1.8 | -0.3 | -0.5 | -0.2 | -0.5 |
| **CEMAC reference fiscal balance** | **-4.1** | **0.0** | **-3.3** | **-3.2** | **0.0** | **-3.8** | **-3.3** | **-2.3** | **-2.5** | **-1.2** | **-1.0** | **-0.3** | **-0.5** |
| **Adjustment to cash basis** | **0.4** | **-0.3** | **-0.4** | **-0.4** | **-0.3** | **-0.4** | **-0.4** | **-0.4** | **-0.4** | **-0.5** | **-0.3** | **-0.3** | **0.0** |
| Unexecuted payment orders (-=reduction) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Floats and arrears (- = reduction) | 0.4 | -0.3 | -0.4 | -0.4 | -0.3 | -0.4 | -0.4 | -0.4 | -0.4 | -0.5 | -0.3 | -0.3 | 0.0 |
| o/w Arrears (- = reduction) | 0.5 | -0.1 | -0.3 | -0.3 | -0.1 | -0.3 | -0.3 | -0.2 | -0.2 | -0.2 | 0.0 | 0.0 | 0.0 |
| o/w Floats (- = reduction) | 0.0 | -0.2 | 0.0 | 0.0 | -0.2 | 0.0 | 0.0 | -0.1 | -0.1 | -0.2 | -0.2 | -0.2 | 0.0 |
| o/w other arrears 1/ | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 | -0.1 | -0.1 | -0.2 | -0.1 | -0.1 | 0.0 |
| **Overall balance (cash basis)** | | | | | | | | | | | | | |
| Excluding grants | -3.4 | -5.2 | -3.8 | -3.7 | -3.5 | -4.1 | -3.8 | -2.8 | -2.7 | -1.2 | -1.2 | -0.6 | -0.6 |
| Including grants | -2.8 | -4.8 | -3.6 | -3.5 | -3.1 | -3.8 | -3.5 | -2.3 | -2.2 | -0.8 | -0.8 | -0.4 | -0.5 |
| **Financing** | **2.8** | **2.1** | **3.6** | **3.5** | **1.6** | **2.0** | **2.0** | **0.8** | **1.0** | **0.0** | **0.5** | **0.4** | **0.5** |
| External financing, net | 3.2 | 1.4 | 1.2 | 1.2 | 1.2 | 1.7 | 1.6 | 0.8 | 0.8 | 0.9 | 1.2 | 1.3 | 1.4 |
| Amortization | -1.4 | -1.5 | -1.0 | -0.9 | -1.6 | -3.0 | -3.1 | -1.9 | -1.9 | -1.9 | -1.7 | -1.6 | -1.5 |
| Drawings | 4.6 | 2.9 | 2.2 | 2.1 | 2.8 | 4.8 | 4.6 | 2.8 | 2.8 | 2.9 | 2.9 | 3.0 | 3.0 |
| Eurobond | | | | | | 1.9 | 1.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Domestic financing, net | -0.4 | 0.7 | 2.4 | 2.4 | 0.4 | 0.3 | 0.5 | 0.0 | 0.2 | -0.9 | -0.7 | -0.9 | -1.0 |
| Banking system | 1.4 | 1.2 | 3.0 | 2.9 | 1.5 | 1.7 | 2.0 | 1.7 | 1.9 | 1.0 | 0.7 | 0.5 | 0.4 |
| Central Bank | | | | | | | 0.6 | 0.4 | 0.6 | -0.2 | -0.4 | -0.6 | -0.6 |
| SDR Allocation | | | | | | | 0.2 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Commercial Banks | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 1.4 | 1.3 | 1.3 | 1.2 | 1.2 | 1.1 | 1.0 |
| Amortization of non-structured debt | -0.2 | -0.1 | -0.5 | -0.5 | -0.1 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other domestic financing | -1.6 | -0.4 | 0.0 | 0.0 | -1.1 | -1.4 | -1.5 | -1.8 | -1.8 | -1.9 | -1.4 | -1.4 | -1.4 |
| **Financing gap** | **0.0** | **2.7** | **0.0** | **0.0** | **1.4** | **1.8** | **1.5** | **1.5** | **1.2** | **0.8** | **0.3** | **0.0** | **0.0** |
| **IMF Financing** | **0.0** | **1.0** | **0.0** | **0.0** | **0.0** | **0.7** | **0.4** | **0.6** | **0.6** | **0.3** | **0.1** | **0.0** | **0.0** |
| **Budget Support (excl. IMF)** | **0.0** | **1.1** | **0.0** | **0.0** | **0.0** | **0.5** | **0.4** | **0.9** | **0.6** | **0.5** | **0.2** | **0.0** | **0.0** |
| **Exceptional Financing** | **0.0** | **0.5** | **0.0** | **0.0** | **0.4** | **0.7** | **0.7** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| DSSI | 0.0 | 0.5 | 0.0 | 0.0 | 0.4 | 0.7 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Residual gap** | **0.0** | **0.0** | **0.0** | **0.0** | **1.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| ***Memorandum items:*** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Primary balance (payment order basis, incl. grants) | -2.2 | -3.5 | -2.4 | -2.3 | -1.7 | -2.2 | -1.9 | -1.0 | -0.9 | 0.4 | 0.2 | 0.5 | 0.2 |
| Primary balance (cash basis, incl. grants) | -1.8 | -3.9 | -2.8 | -2.7 | -2.0 | -2.6 | -2.3 | -1.4 | -1.3 | -0.1 | -0.1 | 0.3 | 0.2 |
| Non-oil primary balance (payment order basis, incl. grants) | -4.8 | -4.7 | -4.3 | -4.2 | -3.3 | -4.4 | -3.8 | -3.1 | -3.3 | -2.1 | -2.1 | -1.5 | -1.7 |
| Non-oil primary balance (cash basis, incl. grants) | -4.3 | -5.1 | -4.6 | -4.5 | -3.6 | -4.8 | -4.2 | -3.5 | -3.7 | -2.6 | -2.4 | -1.7 | -1.7 |
| Unpaid government obligations | 2.9 | 1.7 | 2.6 | 2.6 | | 2.1 | 2.1 | | 1.6 | 0.9 | 0.5 | 0.3 | 0.2 |
| Float | 1.2 | 0.7 | 1.2 | 1.2 | | 1.2 | 1.1 | | 0.9 | 0.6 | 0.4 | 0.3 | 0.2 |
| Arrears | 1.1 | 0.4 | 0.8 | 0.8 | | 0.4 | 0.4 | | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other arrears 1/ | 0.7 | 0.6 | 0.6 | 0.6 | | 0.5 | 0.5 | | 0.4 | 0.3 | 0.1 | 0.0 | 0.0 |

Sources: Cameroonian authorities; and IMF staff estimates and projections with updated nominal GDP.

1/ Other arrears include the stock of unstructured debt that is held by CAA and the "floating" domestic debt at the Treasury as defined in the TMU. The payments of arrears are adjusted starting end-2018 and the stock of unpaid government obligations is adjusted starting end-2016 to reflect these operations.

## Table 3. Cameroon: Balance of Payments, 2019–26
(CFAF billion, unless otherwise indicated)

| | 2019 | 2020 | | 2021 | | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Prog. | Est. | Prog. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| | | | | | (CFAF billion) | | | | | |
| **Current account balance** | **-992** | **-845** | **-872** | **-964** | **-838** | **-523** | **-876** | **-984** | **-1,023** | **-1,042** |
| Trade balance | -432 | -358 | -391 | -530 | -281 | -218 | -549 | -666 | -709 | -723 |
| Exports, goods | 3,238 | 2651 | 2,538 | 3,185 | 3,154 | 3,705 | 3,501 | 3,538 | 3,664 | 3,845 |
| Oil and oil products | 1,292 | 825 | 825 | 1,228 | 1,168 | 1,385 | 1,195 | 1,120 | 1,083 | 1,074 |
| Non-oil sector | 1,946 | 1826 | 1,713 | 1,958 | 1,986 | 2,319 | 2,306 | 2,418 | 2,582 | 2,771 |
| Imports, goods | -3,670 | -3009 | -2,929 | -3,715 | -3,435 | -3,922 | -4,050 | -4,203 | -4,373 | -4,568 |
| Services (net) | -362 | -219 | -236 | -262 | -379 | -300 | -347 | -366 | -367 | -374 |
| Exports, services | 1,295 | 958 | 975 | 1,093 | 1,155 | 1,399 | 1,454 | 1,548 | 1,671 | 1,800 |
| Imports, services | -1,656 | -1177 | -1,212 | -1,355 | -1,535 | -1,699 | -1,801 | -1,914 | -2,038 | -2,175 |
| Income (net) | -494 | -509 | -483 | -472 | -479 | -355 | -313 | -306 | -322 | -338 |
| *Of which:* interest due on public debt | -177 | -138 | -138 | -197 | -197 | -157 | -147 | -154 | -161 | -161 |
| Transfers (net) | 295 | 241 | 239 | 300 | 300 | 349 | 333 | 352 | 375 | 393 |
| Inflows | 458 | 379 | 379 | 444 | 448 | 506 | 498 | 527 | 561 | 591 |
| Outflows | -163 | -138 | -140 | -144 | -147 | -156 | -165 | -174 | -185 | -197 |
| **Capital and financial account balance** | **1,071** | **434** | **392** | **851** | **887** | **818** | **910** | **1,109** | **1,244** | **1,388** |
| Capital account | 50 | 20 | 20 | 30 | 30 | 33 | 36 | 38 | 39 | 42 |
| Capital transfers | 50 | 20 | 20 | 30 | 30 | 33 | 36 | 38 | 39 | 42 |
| Financial account | 1,020 | 413 | 371 | 821 | 856 | 785 | 874 | 1,071 | 1,206 | 1,346 |
| Official capital | 557 | 273 | 273 | 421 | 598 | 227 | 261 | 368 | 433 | 507 |
| Borrowing | 877 | 495 | 495 | 1,153 | 1,362 | 747 | 813 | 894 | 963 | 1,035 |
| *Of which: SDR Allocation* | 0 | 0 | 0 | 0 | 209 | 0 | 0 | 0 | 0 | 0 |
| Amortization | -320 | -222 | -222 | -733 | -764 | -520 | -552 | -526 | -530 | -529 |
| Non-official capital (net) | 782 | 358 | 365 | 480 | 378 | 598 | 673 | 733 | 802 | 869 |
| *of which:* Foreign direct investment | 527 | 332 | 341 | 466 | 370 | 583 | 679 | 740 | 810 | 878 |
| Short-term private capital, net | -319 | -219 | -267 | -80 | -120 | -40 | -60 | -30 | -30 | -30 |
| **Errors and omissions** | **84** | **361** | **165** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Overall balance** | **163** | **-51** | **-316** | **-113** | **48** | **295** | **34** | **125** | **222** | **345** |
| **Financing** | **-163** | **51** | **316** | **113** | **-48** | **-295** | **-34** | **-125** | **-222** | **-345** |
| Bank of Central African States | -192 | 51 | 51 | -324 | -422 | -614 | -227 | -173 | -144 | -215 |
| IMF Repayments | -15 | 0 | 0 | 0 | 0 | 0 | -33 | -51 | -78 | -130 |
| Financing gap | 0 | 0 | 0 | 437 | 373 | 319 | 227 | 99 | 0 | 0 |
| IMF Financing | 0 | 0 | 0 | 161 | 96 | 150 | 86 | 43 | 0 | 0 |
| Budget Support (excl. IMF) | 0 | 0 | 0 | 110 | 111 | 169 | 141 | 56 | 0 | 0 |
| Exceptional Financing | 0 | 0 | 0 | 166 | 166 | 0 | 0 | 0 | 0 | 0 |
| Residual gap | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | (Percent of GDP) | | | | | |
| **Trade balance** | **-1.9** | **-1.6** | **-1.7** | **-2.2** | **-1.1** | **-0.8** | **-1.9** | **-2.2** | **-2.2** | **-2.1** |
| Oil exports | 5.6 | 3.6 | 3.5 | 5.1 | 4.7 | 5.2 | 4.2 | 3.7 | 3.3 | 3.1 |
| Non-oil exports | 8.4 | 8.0 | 7.3 | 8.1 | 8.0 | 8.6 | 8.1 | 8.0 | 7.9 | 7.9 |
| Imports | 15.8 | 13.1 | 12.5 | 15.3 | 13.8 | 14.6 | 14.2 | 13.8 | 13.4 | 13.1 |
| **Current account balance** | | | | | | | | | | |
| Including grants | -4.3 | -3.7 | -3.7 | -4.0 | -3.4 | -2.0 | -3.1 | -3.2 | -3.1 | -3.0 |
| Excluding grants | -4.6 | -4.0 | -4.0 | -4.4 | -3.7 | -2.4 | -3.4 | -3.6 | -3.4 | -3.3 |
| **Overall balance** | **0.7** | **-0.2** | **-1.3** | **-0.5** | **0.2** | **1.1** | **0.1** | **0.4** | **0.7** | **1.0** |
| **Foreign direct investment** | **2.3** | **1.4** | **1.5** | **1.9** | **1.5** | **2.2** | **2.4** | **2.4** | **2.5** | **2.5** |
| | | | | | (Percentage change, unless otherwise indicated) | | | | | |
| Export volume | -1.4 | -5.9 | -5.9 | 6.2 | 8.9 | 7.4 | 8.0 | 8.5 | 8.5 | 8.3 |
| Crude oil | 31.2 | -2.5 | -2.5 | 1.6 | -1.9 | 2.1 | 1.1 | 1.1 | 1.3 | 1.5 |
| Nonoil | -7.1 | -6.8 | -6.8 | 7.4 | 11.6 | 8.7 | 9.4 | 9.9 | 9.8 | 9.5 |
| Import volume | 22.5 | -10.6 | -10.6 | 12.0 | 8.6 | 8.0 | 5.6 | 5.2 | 4.8 | 4.6 |
| Terms of trade | 23.1 | -5.6 | -9.6 | -0.6 | 5.2 | 3.4 | -10.5 | -5.6 | -3.8 | -3.1 |
| Non-oil export price index | 13.6 | 0.6 | -5.6 | -0.2 | 3.8 | 7.5 | -9.1 | -4.6 | -2.7 | -2.0 |
| Export price index | 13.8 | -13.0 | -16.7 | 13.1 | 14.1 | 9.3 | -12.5 | -6.8 | -4.5 | -3.1 |
| Import price index | -7.5 | -7.9 | -7.9 | 13.8 | 8.5 | 5.7 | -2.2 | -1.3 | -0.7 | -0.1 |
| Oil price ($US dollars per barrel) | 61.4 | 41.3 | 41.3 | 58.5 | 69.8 | 75.7 | 70.2 | 67.3 | 65.2 | 63.8 |

Sources: Cameroonian authorities; and IMF staff estimates and projections.

## Table 4. Cameroon: Monetary Survey, 2019–26
(CFAF billion, unless otherwise indicated)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|
| | | Est. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Net foreign assets** | **2,371** | **2,359** | **2,476** | **2,939** | **3,114** | **3,295** | **3,516** | **3,862** |
| Bank of Central African States (BEAC) | 1,653 | 1,340 | 1,457 | 1,920 | 2,095 | 2,276 | 2,497 | 2,843 |
| *Of which* : BEAC foreign assets | 2,199 | 2,148 | 2,570 | 3,184 | 3,411 | 3,584 | 3,728 | 3,944 |
| *Of which:* IMF credit | -302 | -547 | -643 | -793 | -845 | -837 | -760 | -630 |
| Commercial banks | 718 | 1,019 | 1,019 | 1,019 | 1,019 | 1,019 | 1,019 | 1,019 |
| **Net domestic assets** | **3,204** | **3,893** | **4,639** | **4,936** | **5,425** | **5,867** | **6,307** | **6,663** |
| Domestic credit | 4,030 | 4,883 | 5,640 | 6,486 | 7,075 | 7,538 | 7,977 | 8,253 |
| Net claims on the public sector | 992 | 1,832 | 2,439 | 3,109 | 3,483 | 3,691 | 3,833 | 3,760 |
| Net credit to the central government | 1,203 | 1,890 | 2,496 | 3,166 | 3,541 | 3,798 | 3,960 | 4,108 |
| Central Bank | 421 | 785 | 950 | 1,270 | 1,295 | 1,202 | 1,014 | 800 |
| Claims | 879 | 1,123 | 1,219 | 1,369 | 1,364 | 1,298 | 1,163 | 975 |
| Credit under statutory ceiling | 577 | 577 | 577 | 577 | 519 | 461 | 403 | 345 |
| Counterpart of IMF credit | 302 | 547 | 643 | 793 | 845 | 837 | 760 | 630 |
| Deposits | -458 | -339 | -269 | -99 | -69 | -96 | -149 | -174 |
| Commercial Banks | 782 | 1,105 | 1,546 | 1,896 | 2,246 | 2,596 | 2,946 | 3,308 |
| Claims on the Treasury | 820 | 1,196 | 1,546 | 1,896 | 2,246 | 2,596 | 2,946 | 3,308 |
| Deposits | -38 | -91 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deposits of other public entities | -460 | -443 | -443 | -443 | -443 | -493 | -513 | -733 |
| Credit to autonomous agencies | 19 | 27 | 27 | 27 | 27 | 27 | 27 | 27 |
| Credit to the economy 1/ | 3,268 | 3,409 | 3,559 | 3,735 | 3,949 | 4,204 | 4,502 | 4,850 |
| Credit to public enterprises | 230 | 358 | 358 | 358 | 358 | 358 | 358 | 358 |
| Credit to financial institutions | 68 | 49 | 35 | 35 | 35 | 35 | 35 | 35 |
| Credit to the private sector | 2,970 | 3,002 | 3,166 | 3,342 | 3,556 | 3,811 | 4,109 | 4,457 |
| Other items (net) | -826 | -990 | -1,000 | -1,550 | -1,650 | -1,670 | -1,670 | -1,590 |
| **Broad money** | **5,575** | **6,252** | **7,115** | **7,875** | **8,539** | **9,162** | **9,823** | **10,525** |
| Currency outside banks | 1,152 | 1,334 | 1,506 | 1,658 | 1,791 | 1,916 | 2,048 | 2,188 |
| Deposits | 4,423 | 4,918 | 5,609 | 6,217 | 6,747 | 7,246 | 7,775 | 8,336 |
| ***Memorandum items:*** | | | | | | | | |
| Net borrowing from the central bank excluding IMF | 119 | 238 | 307 | 477 | 449 | 365 | 254 | 171 |
| Contribution to the growth of broad money (percentage points) | | | | | | | | |
| Net foreign assets | 5.7 | -0.2 | 1.9 | 6.5 | 2.2 | 2.1 | 2.4 | 3.5 |
| Net domestic assets | 0.8 | 12.4 | 11.9 | 4.2 | 6.2 | 5.2 | 4.8 | 3.6 |
| *Of which* : net credit to the central government | 6.1 | 12.3 | 9.7 | 9.4 | 4.8 | 3.0 | 1.8 | 1.5 |
| Credit to the economy (annual percentage change) | 1.1 | 4.3 | 4.4 | 4.9 | 5.7 | 6.5 | 7.1 | 7.7 |
| Credit to the private sector | | | | | | | | |
| Annual percentage change | 1.4 | 1.1 | 5.4 | 5.6 | 6.4 | 7.2 | 7.8 | 8.5 |
| In percent of GDP | 12.8 | 12.8 | 12.7 | 12.5 | 12.5 | 12.5 | 12.6 | 12.8 |
| Broad money (annual percentage change) | 6.5 | 12.1 | 13.8 | 10.7 | 8.4 | 7.3 | 7.2 | 7.1 |
| Currency outside banks | 9.0 | 15.8 | 12.9 | 10.1 | 8.0 | 7.0 | 6.9 | 6.8 |
| Deposits | 5.9 | 11.2 | 14.0 | 10.8 | 8.5 | 7.4 | 7.3 | 7.2 |
| Velocity (GDP/average M2) | 4.2 | 3.8 | 3.5 | 3.4 | 3.3 | 3.3 | 3.3 | 3.3 |

Sources: BEAC; and IMF staff estimates and projections.

1/ Credit to the economy includes credit to public enterprises, financial institutions and the private sector.

## Table 5. Cameroon: Capacity to Repay the Fund, 2021–35

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Fund obligations based on existing credit** | | | | | | | | | | | | | | | |
| (SDR millions) | | | | | | | | | | | | | | | |
| Principal | - | - | 41.4 | 63.5 | 96.6 | 154.6 | 162.8 | 121.4 | 99.4 | 66.2 | 22.1 | - | - | - | - |
| Charges and interest | 0.2 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 0.9 | 0.7 | 0.6 | 0.4 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| **Fund obligations based on existing and prospective credit** (SDR, millions)[1] | | | | | | | | | | | | | | | |
| Principal | - | - | 41.4 | 63.5 | 96.6 | 162.2 | 192.0 | 173.0 | 161.3 | 130.0 | 85.9 | 51.5 | 24.5 | 4.9 | - |
| Charges and interest | 0.2 | 2.3 | 3.0 | 3.6 | 3.7 | 3.7 | 3.4 | 2.9 | 2.4 | 1.8 | 1.2 | 0.7 | 0.4 | 0.2 | 0.2 |
| **Total obligations based on existing and prospective credit** | | | | | | | | | | | | | | | |
| SDR millions | 0.2 | 2.3 | 44.4 | 67.1 | 100.3 | 165.9 | 195.3 | 175.9 | 163.7 | 131.8 | 87.1 | 52.2 | 24.9 | 5.2 | 0.2 |
| CFAF billions | 0.2 | 1.9 | 35.8 | 53.9 | 80.5 | 133.0 | 156.7 | 141.1 | 131.3 | 105.7 | 69.8 | 41.9 | 20.0 | 4.1 | 0.2 |
| Percent of government revenue | 0.0 | 0.0 | 0.8 | 1.1 | 1.5 | 2.2 | 2.4 | 2.1 | 1.8 | 1.4 | 0.8 | 0.5 | 0.2 | 0.0 | 0.0 |
| Percent of exports of goods and services | 0.0 | 0.0 | 0.7 | 1.1 | 1.5 | 2.4 | 2.6 | 2.2 | 2.0 | 1.5 | 0.9 | 0.5 | 0.2 | 0.0 | 0.0 |
| Percent of debt service[2] | 0.0 | 0.3 | 5.1 | 7.9 | 11.7 | 19.3 | 22.4 | 20.5 | 17.3 | 13.1 | 6.8 | 4.1 | 1.9 | 0.4 | 0.0 |
| Percent of GDP | 0.0 | 0.0 | 0.1 | 0.2 | 0.2 | 0.4 | 0.4 | 0.4 | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Percent of quota | 0.1 | 0.8 | 16.1 | 24.3 | 36.4 | 60.1 | 70.8 | 63.7 | 59.3 | 47.8 | 31.5 | 18.9 | 9.0 | 1.9 | 0.1 |
| Percent of gross reserves | 0.0 | 0.1 | 1.0 | 1.5 | 2.2 | 3.4 | 3.7 | 3.2 | 2.8 | 2.1 | 1.4 | 0.8 | 0.4 | 0.1 | 0.0 |
| **Outstanding IMF credit based on existing and prospective drawings** | | | | | | | | | | | | | | | |
| SDR millions | 828.0 | 1,021.2 | 1,090.2 | 1,081.9 | 985.3 | 823.1 | 631.1 | 458.2 | 296.9 | 166.8 | 81.0 | 29.4 | 4.9 | 0.0 | 0.0 |
| CFAF billions | 653.8 | 826.8 | 878.8 | 869.1 | 790.5 | 659.9 | 506.3 | 367.6 | 238.2 | 133.8 | 65.0 | 23.6 | 3.9 | 0.0 | 0.0 |
| Percent of government revenue | 18.9 | 20.7 | 19.4 | 17.6 | 14.6 | 11.1 | 7.9 | 5.5 | 3.3 | 1.7 | 0.8 | 0.3 | 0.0 | 0.0 | 0.0 |
| Percent of exports of goods and services | 15.2 | 16.2 | 17.7 | 17.1 | 14.8 | 11.7 | 8.5 | 5.8 | 3.6 | 1.9 | 0.9 | 0.3 | 0.0 | 0.0 | 0.0 |
| Percent of debt service[2] | 65.3 | 122.1 | 125.7 | 127.9 | 114.5 | 95.6 | 72.4 | 53.3 | 31.5 | 16.6 | 6.4 | 2.3 | 0.4 | 0.0 | 0.0 |
| Percent of GDP | 2.6 | 3.1 | 3.1 | 2.9 | 2.4 | 1.9 | 1.4 | 0.9 | 0.6 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of quota | 300.0 | 370.0 | 395.0 | 392.0 | 357.0 | 298.2 | 228.7 | 166.0 | 107.6 | 60.4 | 29.3 | 10.7 | 1.8 | 0.0 | 0.0 |
| **Net use of Fund credit** (SDR millions) | 124.2 | 193.2 | 72.0 | -4.6 | -92.9 | -158.6 | -188.6 | -170.0 | -159.0 | -128.3 | -84.7 | -50.8 | -24.1 | -4.7 | 0.2 |
| Disbursements | 124.2 | 193.2 | 113.4 | 58.8 | 3.7 | 3.6 | 3.4 | 2.9 | 2.4 | 1.8 | 1.2 | 0.7 | 0.4 | 0.2 | 0.2 |
| Repayments and repurchases | 0.0 | 0.0 | 41.4 | 63.5 | 96.6 | 162.2 | 192.0 | 173.0 | 161.3 | 130.0 | 85.9 | 51.5 | 24.5 | 4.9 | 0.0 |
| *Memorandum items:* (CFAF billions) | | | | | | | | | | | | | | | |
| Nominal GDP | 24,951 | 26,828 | 28,491 | 30,388 | 32,581 | 34,939 | 37,398 | 40,106 | 43,025 | 46,173 | 49,568 | 53,227 | 57,175 | 61,437 | 66,039 |
| Exports of goods and services | 4,309 | 5,104 | 4,955 | 5,086 | 5,336 | 5,646 | 5,942 | 6,296 | 6,675 | 7,081 | 7,518 | 7,978 | 8,474 | 9,006 | 9,579 |
| Government revenue | 3,457 | 3,996 | 4,535 | 4,939 | 5,397 | 5,965 | 6,403 | 6,720 | 7,196 | 7,808 | 8,410 | 9,163 | 9,851 | 10,568 | 11,286 |
| Debt service[2] | 1,001 | 677 | 699 | 680 | 691 | 690 | 699 | 690 | 757 | 807 | 1,021 | 1,027 | 1,053 | 954 | 1,008 |
| CFAF per SDR (period average) | 789.6 | 809.6 | 806.1 | 803.3 | 802.3 | 801.7 | 802.3 | 802.3 | 802.3 | 802.3 | 802.3 | 802.3 | 802.3 | 802.3 | 802.3 |

Source: IMF staff estimates and projections.

1/ On May 24, 2019 the IMF Executive Board approved a modified interest rate setting mechanism which effectively sets interest rates to zero on ECF and SCF through June 2021 and possibly longer. The Board also decided to extend zero interest rate on ESF till end June 2021 while interest rate on RCF was set to zero in July 2015. Based on these decisions and current projections of SDR rate, the following interest rates are assumed beyond June 2021: 0/0/0/0 percent per annum for the ECF, SCF, RCF and ESF, respectively. The Executive Board will review the interest rates on concessional lending by end-June 2021 and every two years thereafter.

2/ Total debt service includes IMF repurchases and repayments.

Quota (in SDRs) 276,000,000

## Table 6. Cameroon: Financial Soundness Indicators, 2016–21Q2
(Percent)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 Q1 | 2021 Q2 | CEMAC Average 2018 | CEMAC Average 2019 | CEMAC Average 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Capital adequacy** | | | | | | | | | | |
| Total bank regulatory capital to risk-weighted assets [1,2] | 9.1 | 9.7 | 10.8 | 10.7 | 13.8 | 12.8 | 13.9 | 15.0 | 11.6 | 13.2 |
| Total capital (net worth) to assets | 7.5 | 7.8 | 8.7 | 8.9 | 9.9 | 9.8 | 9.7 | 10.9 | 10.9 | 12.4 |
| **Asset quality** | | | | | | | | | | |
| Non-performing loans to total loans | 10.7 | 10.8 | 12.4 | 12.8 | 13.4 | 13.7 | 14.2 | 17.0 | 18.0 | 18.2 |
| Non-performing loans net of provision to capital | 12.1 | 6.0 | 7.6 | 7.0 | 8.2 | 9.2 | 6.7 | 33.5 | 32.8 | 31.5 |
| **Earnings and profitability** | | | | | | | | | | |
| Net income to average capital (ROE) | 20.6 | 27.9 | 22.4 | 24.7 | 19.5 | | 18.7 | 18.5 | 14.4 | 13.0 |
| Net income to average assets (ROA) [3] | 1.6 | 2.2 | 1.9 | 2.1 | 1.9 | | 1.8 | 2.0 | 1.7 | 1.6 |
| Non interest expense to gross income | 89.6 | 88.2 | 87.3 | 96.5 | 89.1 | | 83.3 | … | … | … |
| **Liquidity** | | | | | | | | | | |
| Liquid assets to total assets | 23.2 | 24.2 | 26.4 | 25.9 | 30.1 | 27.8 | 29.9 | 26.5 | 25.1 | 27.7 |
| Liquid assets to short-term liabilities | 148.7 | 149.3 | 162.4 | 161.9 | 182.4 | 177.9 | 187.3 | 162.1 | 153.5 | 167.2 |

Source: Cameroonian authorities and le Banque des Etats de l'Afrique Centrale (BEAC)

1/ Current year profits are excluded from the definition of regulatory capital, following the Basel I capital accord guidelines. General provisions are included in Tier 2 capital up to an amount equal to 1.25% of risk-weighted assets. Regulatory capital is the sum of Tier 1 capital, and the minimum of Tier 1 and Tier 2 capital.

2/ The risk-weighted assets are estimated using the following risk weights: 0% - cash reserves in domestic and foreign currency and claims on the central bank; 100% - all

3/ The ratio of after-tax profits to the average of beginning and end-period total assets.

## Table 7. Cameroon: Schedule of Disbursements and Purchases Under ECF and EFF, 2021–24

| Availability Date | Conditions for Disbursement | Amount (Percent of Quota)[1] Total | ECF | EFF | Amount (Millions of SDRs) Total | ECF | EFF |
|---|---|---|---|---|---|---|---|
| 7/29/2021 | Executive Board approval of the ECF & EFF Arrangements. | 45.0 | 15.0 | 30.0 | 124.2 | 41.4 | 82.8 |
| 12/15/2021 | Observance of the performance criteria for July 30, 2021 and completion of the first review under the arrangements | 30.0 | 10.0 | 20.0 | 82.8 | 27.6 | 55.2 |
| 6/15/2022 | Observance of the performance criteria for December 31, 2021 and completion of the second review under the arrangements | 20.0 | 6.7 | 13.3 | 55.2 | 18.4 | 36.8 |
| 12/15/2022 | Observance of the performance criteria for June 30, 2022 and completion of the third review under the arrangements | 20.0 | 6.7 | 13.3 | 55.2 | 18.4 | 36.8 |
| 6/15/2023 | Observance of the performance criteria for December 31, 2022 and completion of the fourth review under the arrangements | 20.0 | 6.7 | 13.3 | 55.2 | 18.4 | 36.8 |
| 12/15/2023 | Observance of the performance criteria for June 30, 2023 and completion of the fifth review under the arrangements | 20.0 | 6.7 | 13.3 | 55.2 | 18.4 | 36.8 |
| 6/3/2024 | Observance of the performance criteria for December 31, 2023 and completion of the sixth review under the arrangements | 20.0 | 6.7 | 13.3 | 55.2 | 18.4 | 36.8 |
| ***Total*** | | ***175.0*** | ***58.3*** | ***116.7*** | ***483.0*** | ***161.0*** | ***322.0*** |

Source: IMF staff calculations.

1/ Cameroon's current quota is SDR 276.0 million.

## Table 8. Cameroon: External Financing Needs and Sources
(CFAF, billions)

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|
| **Total Financing Requirements** | **2024** | **1657** | **1688** | **1734** | **1774** | **1917** |
| Current Account Deficit | 838 | 523 | 876 | 984 | 1023 | 1042 |
| Amortization of PPG Debt | 764 | 520 | 585 | 577 | 607 | 659 |
| Gross Reserves Accumulation (+ = increase) | 422 | 614 | 227 | 173 | 144 | 215 |
| | | | | | | |
| **Financing Sources** | **1651** | **1338** | **1462** | **1635** | **1774** | **1917** |
| Capital Account | 30 | 33 | 36 | 38 | 39 | 42 |
| Financial Account | 1620 | 1305 | 1425 | 1597 | 1736 | 1875 |
| | | | | | | |
| **Financing Gap** | **373** | **319** | **227** | **99** | **0** | **0** |
| | | | | | | |
| **Additional/Exceptional Financing Sources** | **373** | **319** | **227** | **99** | **0** | **0** |
| **IMF Financing** | **96** | **150** | **86** | **43** | **0** | **0** |
| *Prospective ECF* | *32* | *50* | *29* | *14* | *0* | *0* |
| *Prospective EFF* | *64* | *100* | *57* | *29* | *0* | *0* |
| **Budget Support (excl. IMF)** | **111** | **169** | **141** | **56** | **0** | **0** |
| *AFDB* | *0* | *36* | *53* | *0* | *0* | *0* |
| *WB* | *80* | *88* | *57* | *56* | *0* | *0* |
| *France* | *0* | *45* | *0* | *0* | *0* | *0* |
| *EU* | *16* | *0* | *16* | *0* | *0* | *0* |
| *Other* | *15* | *0* | *15* | *0* | *0* | *0* |
| **Exceptional Financing** | **166** | **0** | **0** | **0** | **0** | **0** |
| *DSSI* | *166* | *0* | *0* | *0* | *0* | *0* |
| | | | | | | |
| **Residual gap** | **0** | **0** | **0** | **0** | **0** | **0** |

Source: Country Authorities and IMF Staff Estimates

## Table 9. Cameroon: Quantitative Performance (QPC) and Indicative Targets (IT)* under the ECF and EFF Arrangement[1]

(In billions of CFAF, unless otherwise indicated)

| | End-July 2021 QPC | End-July 2021 (Actual) | Performance | End-Sep 2021 IT | End-Sep 2021 (Actual) | Performance | End-Dec 2021 QPC | End-March 2022 IT (Prog.) | End-March 2022 IT | End-June 2022 QPC (Prog.) | End-June 2022 QPC | End-Sept 2022 IT | End-Dec 2022 QPC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **A. Periodic Quantitative Performance Criteria** | | | | | | | | | | | | | |
| Floor on the non-oil primary fiscal balance (payment order basis) | -510 | -441 | Met | -847 | -637 | Met | -1,078 | -250 | -41 | -504 | -432 | -499 | -886 |
| Ceiling on the net domestic financing of the central government (excluding IMF financing) 2/ | 114 | 108 | Met | 55 | 164 | Not Met | 102 | 155 | 106 | 211 | 150 | 210 | 46 |
| Ceiling on net borrowing of the central government from the central bank (excluding IMF financing) 2/ | 99 | -65 | Met | 109 | -26 | Met | 114 | 25 | 115 | 50 | 170 | 170 | 170 |
| Ceiling on the disbursement of non-concessional external debt 3/ | 308 | 118 | Met | 472 | 152 | Met | 566 | 161 | 162 | 322 | 324 | 485 | 647 |
| **B. Continuous Quantitative Performance Criteria** (starting from the program approval) | | | | | | | | | | | | | |
| Ceiling on the accumulation of new external payments arrears 4/ | 0 | 0 | Met | 0 | 0 | Met | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ceiling on new non-concessional external debt contracted or guaranteed by the government 5/ 6/ 7/ | 0 | 55 | Met | 0 | 147 | Not Met, a project of 3bn was signed in Sept. and is not part of the current list. | 0 | 0 | Applicable until the Board Date | 0 | | | |
| PV of contracting and guaranteeing of new external borrowing 8/ | | | | | | | | | Starting from the Board Date | | 512.9 | | 512.9 |
| **C. Indicative Targets** | | | | | | | | | | | | | |
| Floor on non-oil revenue | 1,646 | 1,707 | Met | 2,192 | 2,193 | Met | 2,930 | 796 | 794 | 1,598 | 1,558 | 2,361 | 3,221 |
| Ceiling on the net accumulation of domestic payment arrears | 0 | 73 | Not Met | -41 | 45 | Not Met | -83 | -14 | -10 | -28 | -29 | -53 | -85 |
| Floor for poverty-reducing social spending | 450 | 452 | Met | 745 | 696 | Not Met | 1,111 | 158 | 172 | 380 | 382 | 716 | 1,062 |
| Ceiling on direct interventions of SNH | 100 | 138 | Not Met | 120 | 173 | Not Met | 145 | 40 | 40 | 65 | 80 | 110 | 145 |
| Share of spending executed through exceptional procedures on authorized (payment order) spending 9/ | 5 | 11 | Not Met | 5 | 8 | Not Met | 5 | 4 | 5 | 4 | 5 | 4 | 4 |
| ***Memorandum items:*** | | | | | | | | | | | | | |
| *1. Cumulative external budget support, excluding IMF* | *53* | *55* | | *53* | *55* | | *110* | *53* | *45* | *106* | *45* | *135* | *170* |
| *2. New concessional external debt contracted or guaranteed by the government 10/* | *219* | *150* | | *300* | *175* | | *350* | *88* | *105* | *150* | *210* | *315* | *420* |
| *3. Balance of the special account for the unused statutory advances* | *61* | *61* | | *51* | *61* | | *50* | *41* | *50* | *41* | *50* | *50* | *50* |

Sources: Country Authorities and IMF Staff projections

Note: The terms in this table are defined in the TMU.

* In addition to QPCs enumerated in this table, the Standard Continuous Performance Criteria will also apply: (i) Not to impose new or intensify existing restrictions on the making of payments and transfers for current international transactions; (ii) Not to introduce new or intensify existing multiple currency practices; (iii) Not to conclude bilateral payments agreement that are inconsistent with the IMF's Articles of Agreement (Article III); and (iv) Not to impose new or intensify existing import restrictions for balance of payments reasons

1/ Program indicators under A are performance criteria at end-July 2021 and end-December 2021 and end-June 2022 and end-December 2022; indicative targets otherwise.

2/ The ceiling on net domestic financing (excluding payment of arrears) of the budget and the ceiling on the net borrowing from the central bank will be adjusted if the amount of disbursements of external budgetary assistance excluding IMF financing, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 120 billion at the end of each quarter. These ceilings include deposits of CFAF 37.5 billion at the central bank from the eurobond refinancing operations. The 2021 ceilings include also CFAF 30 billion at end-July and CFAF 40 billion at end-September and December of BEAC repurchases (to be adjusted based on the realization) of Cameroon's bonds.

3/ To be adjusted by potential use of the Eurobond proceeds of CFAF 37.5 billion.

4/ The zero ceiling applies until the end of the arrangement.

5/ Excluding ordinary credit for imports and debt relief obtained in the form of rescheduling or refinancing.

6/ For 2021 the adjustment will be equal to the amount of non-concessional budget support approved up to a maximum of CFAF 110 billion. For 2022 the adjustment will be equal to the amount of non-concessional budget support approved up to a maximum of CFAF 174 billion.

7/ From program approval through end-December 2022, the ceiling will be set at zero. For 2021, an adjustor of up to CFAF 300 billion will be applied for the macro-critical projects specified in Text Table 1 of the TMU contracted after program approval. Non-concessional external debt already contracted or guaranteed in 2021 prior to program approval counts against the 2021 adjustor, including the potential uses of the Eurobond refinancing proceeds of CFAF 37.5 billion. For 2022, until modified by the IMF Executive Board, the ceiling will be adjusted upward exclusively for the projects specified in Table 1 of the TMU , up to a maximum determined by the difference between (i) CFAF 300 billion, and (ii) the amount of the adjustor applied at end-December 2021.

8/ Cumulative ceiling calculated from January 1, 2022 and monitored on a continuous basis from completion of the first review under the ECF/EFF arrangement. Excludes ordinary credit for imports, debt relief obtained in the form of rescheduling or refinancing, and budget support loans from the WB. Assumptions for the exchange rates are: 0.828 (EUR/USD), 543.201 (CFAF/USD), 0.714 (XUA/USD). Given the uncertainty of the borrowing plan for concessional loans, the terms were assumed at 30 year maturity, 5 year grace period, 0.4% fixed interest rate, and 0.75% management fee per annum.

9/ This refers to payments made by the Treasury without prior authorization (issuance of payment orders, such as cash advances and provisional budget commitments), excluding debt service payments.

10/ On a contracting basis in accordance with the IMF's debt limits policy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf.

## Table 10. Cameroon: Structural Benchmarks and Prior Action

| | Indicatives targets | Initial Schedule | Indicator | Status | Comment | Revised Schedule |
|---|---|---|---|---|---|---|
| ***Prior Action*** | | | | | | |
| 1 | Publish on the ARMP website an overall table of the results of contracts related to COVID-19 and awarded from end of June 2021 to end of December 2021, including the actual beneficial owners of contracting entities. | | Publication on the ARMP website | **Met** | https://www.dgb.cm/2021/11/16/la-chambre-des-comptes-publie-son-rapport-daudit-sur-la-gestion-des-fonds-covid-19/ | |
| ***Revenue Mobilization*** | | | | | | |
| 2 | Prepare a diagnosis of the tax policy and formulate recommendations for the establishment of a development-oriented tax system that at the same time broadens the tax base. | Oct-21 | Diagnostic sent to IMF staff. | **Not Met** | The IMF TA will be conducted in 2022. | Oct-22 |
| ***Public finance and debt management*** | | | | | | |
| 3 | Publish the audit prepared by the audit bench of the supreme court (chambre des comptes) of fiscal year 2020 expenses related to COVID-19 | Dec-21 | A copy of the audit report published on the website of the Ministry of Finance is sent to IMF staff. | **Met** | https://www.dgb.cm/2021/11/16/la-chambre-des-comptes-publie-son-rapport-daudit-sur-la-gestion-des-fonds-covid-19/ | |
| 4 | Adopt and publish all the implementing texts of the Public Procurement Code, including those relating to the establishment of internal administrative management structures. | Sep-21 | A copy of all published texts is provided to IMF staff. | **Met** | https://minmap.cm/wp-content/uploads/2021/09/arret%C3%A91_compressed-1.pdf | |
| 5 | Complete the audits of government payment arrears and adopt an arrears settlement plan of arrears certified by these audits. | Dec-21 | Communication of the audit report and the clearance plan to IMF staff | **Not Met** | The authorities have selected four auditors to audit the debts that would then provide the basis for clearing the debts. | Sep-22 |
| 6 | Pursue the reforms aimed at extending the STA to the BEAC: (i) present a census of government accounts of administrations, public institutions and agencies, public establishments, and the Autonomous Amortization Fund (CAA) (and the balance of these accounts) excluding counterpart funds as of June 30, 2021 and December 31; (ii) close and repatriate the balances of these STA accounts to the BEAC before the end of March 2022. | Mar-22 | Transmission of the list of non-BEAC accounts and closed accounts and transferred to the BEAC to IMF staff. | | The authorities completed the census of government accounts of administrations, public institutions and agencies, public establishments, and the Autonomous Amortization Fund (CAA) (and the balance of these accounts) excluding counterpart funds as of June 30, and as of December 31, 2021. The authorities are waiting for the BEAC's platform to repatriate the balances. | Jun-22 |
| 7 | Carry out a diagnostic study of the public administration pension system, together with recommendations for its improvement | May-22 | A copy of this study is given to the IMF staff | | | |
| ***Public Investment Management (PIM)*** | | | | | | |
| 8 | Strengthen the accountability of the implementing units by setting, by decree, the modalities for monitoring the performance of all programs and projects financed both from domestic and external resources. | Sep-21 | Decree published. | **Not Met** | The authorities issued the decree on October 13. The authorities are working with the WB and the AFDB to index the remuneration to performance. | |
| 9 | Adopt a legal and regulatory framework governing Public-Private Partnerships (PPP) so that all Public-Private Partnership projects follow a single framework. | Jun-22 | Legal and regulatory framework published | | Pending the adoption of a regional framework, the authorities have already prepared a draft to be aligned with the future regional framework. | Dec-22 |
| ***Public enterprises*** | | | | | | |
| 10 | Finalize the diagnostic studies of a few large public companies (CAMTEL, PAD, CAMWATER) | Dec-21 | Diagnostic studies sent to IMF staff | **Not Met** | PAD diagnostic's report is being finalized and CAMTEL and CAMWATER diagnostics are ongoing. | Jun-22 |
| 11 | Establish an inventory of the respective debts between the public enterprises and the State and between the public enterprises themselves at the end of 2020 and adopt a plan for the clearance of the respective debts between the State and the public enterprises. | Dec-21 | Inventory and plan shared with IMF staff | **Not Met** | Cross-debt inventory report being finalized. | Jun-22 |
| 12 | Institutionalize, by MINFI instruction, governance by program contracts in order to improve the performance of the public enterprises concerned. Publish these program contracts and evaluation reports on the official MINFI website. | Jun-22 | Instruction published in the official newspapers | | | Jun-22 |

## Table 10. Cameroon: Structural Benchmarks and Prior Action (Cont.)

| | Indicatives targets | Initial Schedule | Indicator | Status | Comment | Revised Schedule |
|---|---|---|---|---|---|---|
| ***Extractive Sector*** | | | | | | |
| 13 | Finalize and publish all the texts of application of the mining code of 2016 (Law n ° 2016/017 of December 14, 2016). | Mar-22 | Implementation texts published | | | Mar-22 |
| ***Business climate*** | | | | | | |
| 14 | Make the deposit and consignment fund operational, in particular to collect all the deposits paid by taxpayers in the context of tax disputes and thus make it possible to accelerate such restitution if necessary. | Oct-21 | Decree designating the officers of the deposit and consignment fund | **Not Met** | The authorities have yet to nominate the officers responsible. | Jun-22 |
| 15 | Strengthen the format of consultation between the public and private sectors by integrating thematic groups with at least semi-annual meetings to monitor the implementation of the recommendations of the Cameroon Business Forum. | Mar-22 | New consultation format set up and the first meeting held | | | Mar-22 |
| 16 | Revise Law No. 2013/004 of April 18, 2013 to rationalize these incentives and promote healthy competition between economic operators. | Jun-22 | A revised law is published | | To be rescheduled after the completion of the tax policy diagnostic. | Dec-22 |
| ***Good governance and anti-corruption (New)*** | | | | | | |
| 17 | Publish an execution report of expenses related to COVID-19 and executed during the 2021 budget year. | Jun-22 | Publication of the report | | New SB | Jun-22 |
| 18 | Conduct in consultation with IMF staff, and publish, a diagnostic of vulnerabilities in governance, including in corruption, that would include state functions that are most relevant to economic activity; namely: (i) fiscal governance; (ii) financial sector oversight; (iii) market regulation; (iv) rule of law; and (v) Anti Money Laundering and Combatting the Financing of Terrorism (AML/CFT). | Jun-23 | Publication of the report | | New SB | Jun-23 |
| 19 | In consultation with IMF staff, prepare and publish an action plan for strengthening the frameworks for preparation, publication, and follow-up of public spending audits, with recommendations for strengthening the relevant institutions, especially the Supreme Court's Audit Bench. | Dec-22 | Submission to the IMF staff | | New SB | Dec-22 |
| 20 | Prepare and publish an audit prepared by the audit bench of the supreme court (chambre des comptes) of fiscal year 2021 expenses related to COVID-19. | Dec-22 | Publication of the report | | New SB | Dec-22 |

# Annex I. Risk Assessment Matrix[1]

| Source of Risks | Relative Likelihood | Impact if Realized | Recommended Policy Response |
|---|---|---|---|
| **Unexpected downside shifts in the Covid-19 pandemic** | Medium | **High**<br>Growth falls and public financing needs increase sharply, leading to higher fiscal and external financing gap and undermining debt sustainability. | Step up spending on health and social protection, and adopt measures to contain the spread of the pandemic while limiting its impact on the economy. |
| **Unexpected upside shifts in the Covid-19 pandemic** | Medium | **Low**<br>Faster than expected containment of the pandemic leading to faster than expected growth recovery and boosting commodity prices. | Leverage unexpected gains to bolster fiscal space and catalyze the structural reform agenda. |
| **Sharp rise in global risk premia exposes financial and fiscal vulnerabilities** | Medium | **Medium**<br>Sharp increase in global risk premia exacerbating financial and fiscal vulnerabilities | Accelerate structural reforms to reduce macoeconomic imbalances and boost investor confidence. Enhance bank supervision and regulation to reduce risk exposure; encourage digital financial inclusion. |
| **Widespread social discontent and political instability** | High | **High**<br>Social tensions erupt as the pandemic and inadequate policy response cause socio-economic hardship in part due to unequal access to vaccines. Growing political polarization and instability weaken policymaking and confidence. | Strengthen social safety net and accelerate structural reforms to enhance social cohesion. |
| **Oversupply and volatility in the oil market.** | Medium | **High**<br>Higher supply and lower demand leading to renewed weakness in energy prices. | Widen the non-oil tax base, increase efficiency of the national oil refinery (SONARA) and spur competition in the oil import sector. |
| **Cyber attacks** | Medium | **Medium**<br>Cyber attacks on critical global financial, transport or communication infrastructure and broader private and public institutions trigger systemic financial instability or widespread disruptions in socio-economic activities | Enhance investment in IT system and increase awareness of cyber security |
| **Spillovers from other CEMAC countries** | High | **High**<br>Worsening economic situation of other CEMAC countries could affect Cameroon through extra pressure in the payment and banking systems. | Coordinate with other CEMAC countries to build additional buffers through fiscal consolidation and structural reforms. |
| **Spillovers of the regional security situation** | Medium | **High**<br>A deterioration of the regional security situation would lead to an increase in displaced populations, a costlier security response, and decline of investment in affected regions. | Provide space for higher security expenditure in the budget by curtailing unproductive public investments; prepare contingency plans for refugees with UNHCR. |
| **Contingent risks from state-owned enterprises** | Medium | **High**<br>Contingent risks from state-owned enterprises could impose further pressures on public debt and the ongoing fiscal consolidation under the program. | Contain the risks by enhanced monitoring and timely reporting of the risks of the state-owned enterprises and developing strategies to reduce the state aid to these companies. |

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of the discussions with the authorities. Non- mutually exclusive risks may interact and materialize jointly. "Short term" and "medium term" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

# Annex II. Cameroon's Response to the Covid-19 Crisis

## A. Evolution of the Pandemic

**1. The first cases of COVID-19 infection were reported on March 6, 2020.** Weekly confirmed infection cases peaked in June and then declined gradually up to November 2020. Following a resurgence in COVID-19 infection cases in early 2021, with an increase in fatality rates, the number of infections dipped mid-year to peak again in October. All the 10 regions in Cameroon have been affected, with more males infected than females overall (Figure 1). Several strains have been detected in Cameroon by the Cameroonian Center for Research on Emerging Diseases. As of January 19, 2022, there have been 116,718 confirmed cases of COVID-19 with 1,880 deaths, reported to WHO.

## B. Government's Response to Prevent the Spread of the Virus

**2. On March 17, 2020, the government announced a package of 13 containment** measures including closure of land, air and sea borders, quarantine for travelers returning from a country with a high level of infection, suspension of entry visas into Cameroon, closure of schools and universities, prohibition of gatherings of more than 50 persons, closure of bars, restaurants and entertainment spots after 6 pm, suspension of missions of civil servants and parastatals abroad, cancellation of school and university games, and a ban on overloading taxis and public transportation. Social distancing and sanitation measures include the use of electronic communications and digital tools for meetings of more than 10 persons, and compliance with hygiene measures recommended by the WHO. Additional measures to limit the spread of COVID-19 were taken by the government on April 10, 2020, including wearing a mask in all areas open to the public, local production of anti-COVID drugs, establishment of specialized treatment centers in all regional capitals, and intensification of screening tests and the awareness campaign.

**3. The government announced a set of deconfinement measures on April 30, 2020.** The restriction prohibiting bars, restaurants, and leisure facilities from operating after 6 p.m. was lifted, provided customers and users respected social distancing and wore protective masks. The limit on the number of passengers in public transportation vehicles (buses and taxis.) was also relaxed, but masks remained compulsory, and overloading was prohibited.

**4. Since July 2020, the authorities have been following a decentralized approach that relies on health districts and regions.** The approach is focuses on monitoring infection cases, increasing local testing, reinforcing screening for all travelers to Cameroon and strengthening the capacity of the health services. They opted not to re-impose confinement but to enforce barrier measures, increase testing, and strengthen treatment capacities. Schools were reopened in June and COVID-19 screenings for all travelers landing in Cameroon was enforced. However, mobility across borders remains restrained as a few land crossing points continue to be shut off to traffic or were only partially operational to enable trade.

## C. Economic Measures to Mitigate the Impact of the Pandemic

**5. A set of fiscal measures to alleviate the adverse socio-economic impact of the crisis was announced on April 30, 2020.** These included measures providing temporary tax accommodation to businesses directly affected by the crisis through tax moratoria and deferred payments, notably (i) exemptions from the tourist tax in the hotel and catering sectors for the rest of the 2020 financial year; (ii) exemption from the withholding tax for taxis and motorbikes and petty traders for the second quarter of 2020; (iii) allocation of a special envelope of CFAF 25 billion for expedited clearance of VAT credits awaiting reimbursement, and (iv) postponement of the deadline to pay property taxes for the 2020 financial year to end-September 2020.

**6. Measures were also taken to alleviate the impact of the pandemic on households.** These included (i) an increase in the family allowance from CFAF 2,800 to CFAF 4,500; (ii) a raise of 20 percent on pensions that did not benefit from a 2016 reform; (iii) a three-month payment of family allowances to employees of companies which were unable to pay social security contributions or which had placed their staff on technical leave due to the crisis; and (iv) spreading the payment of the social security contributions for the second quarter of 2020 over three instalments and canceling late fees.

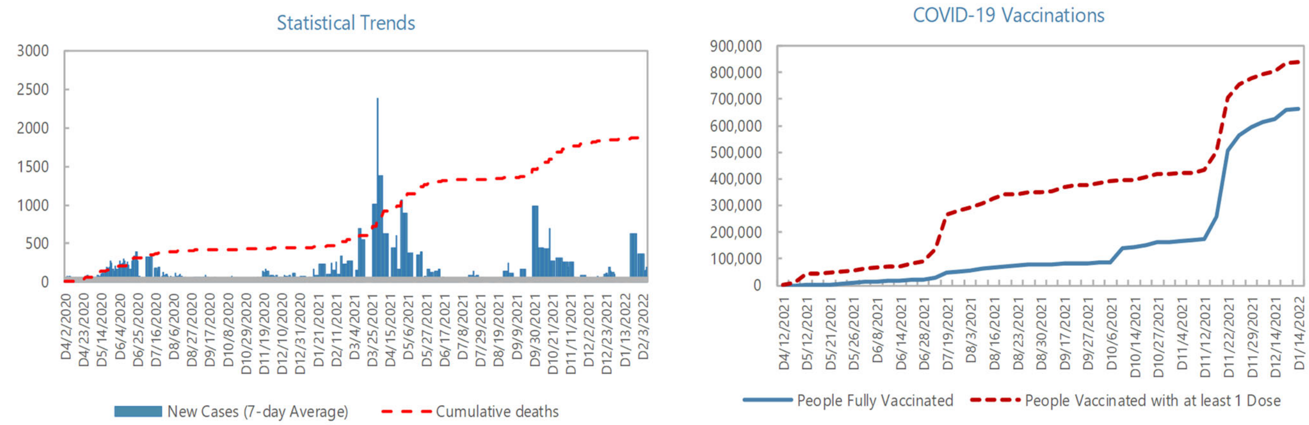
**7. Alongside these short-term measures, the authorities adopted a three-year Preparedness and Response Plan, which would require total financing close to US$ 825 million.** The plan includes five pillars, namely: (i) health strategy to prevent the spread of the pandemic and take care of infected persons (US$101 million); (ii) mitigation of economic and financial repercussions of the pandemic (US$646 million), including a US$200 million tax relief to affected businesses ; (iii) supply of essential products (US$9.5 million); (iv) local development of innovative solutions (US$16.5 million); and (v) social resilience to alleviate the repercussions of the COVID-19 pandemic on vulnerable people and households (US$52 million).

**8. A special COVID-19 account, dedicated to financing the national response plan to the pandemic, was created, and is governed by a circular issued by the Minister of Finance.** The circular specifies the modalities of organization, operation, and monitoring-evaluation mechanisms of the account. For 2020, the Revised Budget Law enacted in June 2020 allocated close to US$310 million to the special COVID-19 account financed at 76 percent by external budgetary support and resources released by debt service suspension. The 2021 Revised Finance Law enacted allocates close to $363 million to the special COVID-19 account, of which $148 million for vaccination. The proposed 2022 Finance Law allocates $218 million for COVID-19 related spending.

## D. Vaccination

**9. Cameroon has adopted a national vaccine readiness and deployment plan, prepared under the guidance of the United Nations country team.** As of January 5, 2022, Cameroon has received 1.4 million doses of the Johnson & Johnson vaccine, 1.2 million doses of Sinopharm, 589,600 of AstraZeneca, and 152,100 doses of Pfizer. Some doses have however expired since. Cameroon aims to vaccinate 60 percent of the eligible population (+18 years old) by 2023. As of, January 19th, 2022, 6.3 percent of the eligible population fully vaccinated, and 2.8 percent received one dose. Additionally, 43.7 percent of healthcare personnel is fully vaccinated.

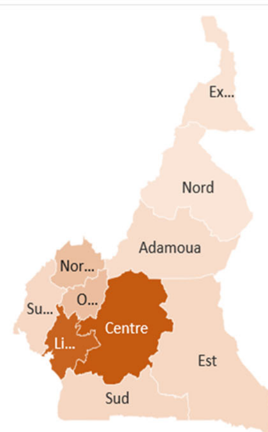
**Figure 1. Cameroon: Evolution of the COVID-19 Pandemic**




Covid-19 Statistics by Region

| | Confirmed Cases | Deaths | | | Recoveries |
|---|---|---|---|---|---|
| | Cumulative | Cumulative | Fatality Rate (%) | Proportion of Deaths (%) | Cumulative |
| Adamaoua | 4003 | 57 | 1.4 | 3.0 | 3791 |
| Centre | 35506 | 502 | 1.4 | 26.7 | 35800 |
| Est | 5308 | 82 | 1.5 | 4.4 | 5103 |
| Extrême-Nord | 2597 | 60 | 2.3 | 3.2 | 2396 |
| Littoral | 32995 | 366 | 1.1 | 19.5 | 32454 |
| Nord | 2088 | 42 | 2.0 | 2.2 | 1854 |
| Nord-Ouest | 11232 | 351 | 3.1 | 18.7 | 10779 |
| Ouest | 11415 | 263 | 2.3 | 14.0 | 11004 |
| Sud | 5447 | 70 | 1.3 | 3.7 | 5256 |
| Sud-Ouest | 5127 | 87 | 1.7 | 4.6 | 4962 |
| **Total** | **115718** | **1880** | **1.6** | **100** | **113399** |

Regional Distribution of Cases



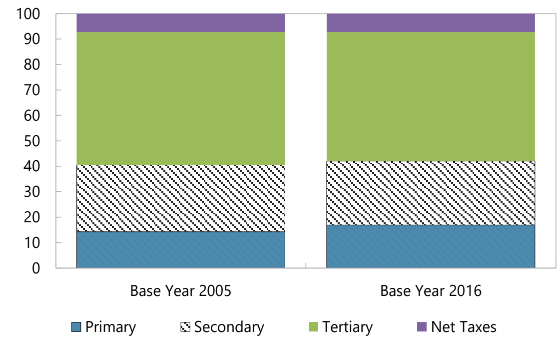

Sources: Country Authorities; WHO

# Annex III. Follow-up on Commitments Under RCF-1 and RCF-2, as of end-December 2021

| ***RCF-1 (May 4, 2020) and RCF-2 (October 20, 2020)* Commitments** | ***Status*** |
|---|---|
| (i) Issue a semi-annual report on COVID-19 related spending. | **Met.** A report on COVID-19 related spending for the period March-December 2020 has been published. https://www.dgb.cm/news/consult-the-implementation-report-of-national-solidarity-fund-for-the-fight-against-coronavirus-and-its-economic-and-social-repercussions/ |
| (ii) Commission an independent audit of this spending at the end of FY2020 and publish the results. | **Met.** An audit prepared by the Audit Bench of the Supreme Court (Chambre des Comptes) of FY2020 expenses related to COVID-19 has been published. http://www.minfi.gov.cm/wp-content/uploads/2021/11/RAPPORT_D_AUDIT_FONDS_COVID_19.pdf http://www.minfi.gov.cm/rapport-daudit-fonds-covid-19/ |
| (iii) Issue before the RCF-2 Board date a circular implementing Article 90 of the Public Procurement Code to modify the standard procurement forms, in particular with regard to documents providing information on the identification of the beneficial ownership of companies receiving procurement contracts. | **Met.** A circular implementing Article 90 of the Public Procurement Code to modify the standard procurement forms has been published. https://www.armp.cm/details?type_publication=COMM&id_publication=12894 |
| (iv) Publish documents relating to the results of public procurement awarded by the government and the beneficial ownership of companies receiving procurement contracts on COVID-19 related expenditures. | **Met.** The authorities have published information about the contracts the government awarded from October 20, 2020 to end December 2021, including the names of the companies' actual owners (beneficial owners). https://www.armp.cm/ |

# Annex IV. National Accounts Revisions

**Figure 1. Cameroon GDP Structure**
(Average 2010-2020, In percent)

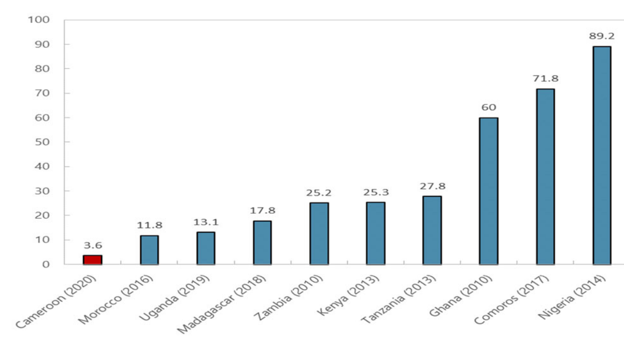



Sources: Cameroonian authorities and IMF staff.

1. **Cameroon, supported by IMF TA, recently modernized its national accounts compilation by updating its base year from 2005 to 2016.** The rebasing aimed to reflect, among other developments, structural changes in the economy including changes in product prices, the appearance of new products, activities, and operators and changes to the relative weights of certain branches of the economy. This work has benefited from five technical assistance missions from the IMF Regional Technical Assistance Center for Central Africa (AFRITAC Central) since December 2018.

2. **This rebasing and the change in the structure of the economy is based in particular on the use of several new data sources**, including the household final consumption survey (ECAM 2001, 2007 and 2014) for the new base year 2016, the integration of the results of the general business census (RGE 2016), surveys on employment and the informal sector (EESI 2005 and 2010), statistical and tax declarations (DSF 2016) of businesses, the 2016 balance of payments prepared according to the new BPM 6 manual. Additional structural surveys were used to improve the quality of the rebased GDP, in particular surveys on trade and transport margins, informal transport (motorcycles and taxis), accommodation, the timber sector (informal) and the structure of intermediate consumption.

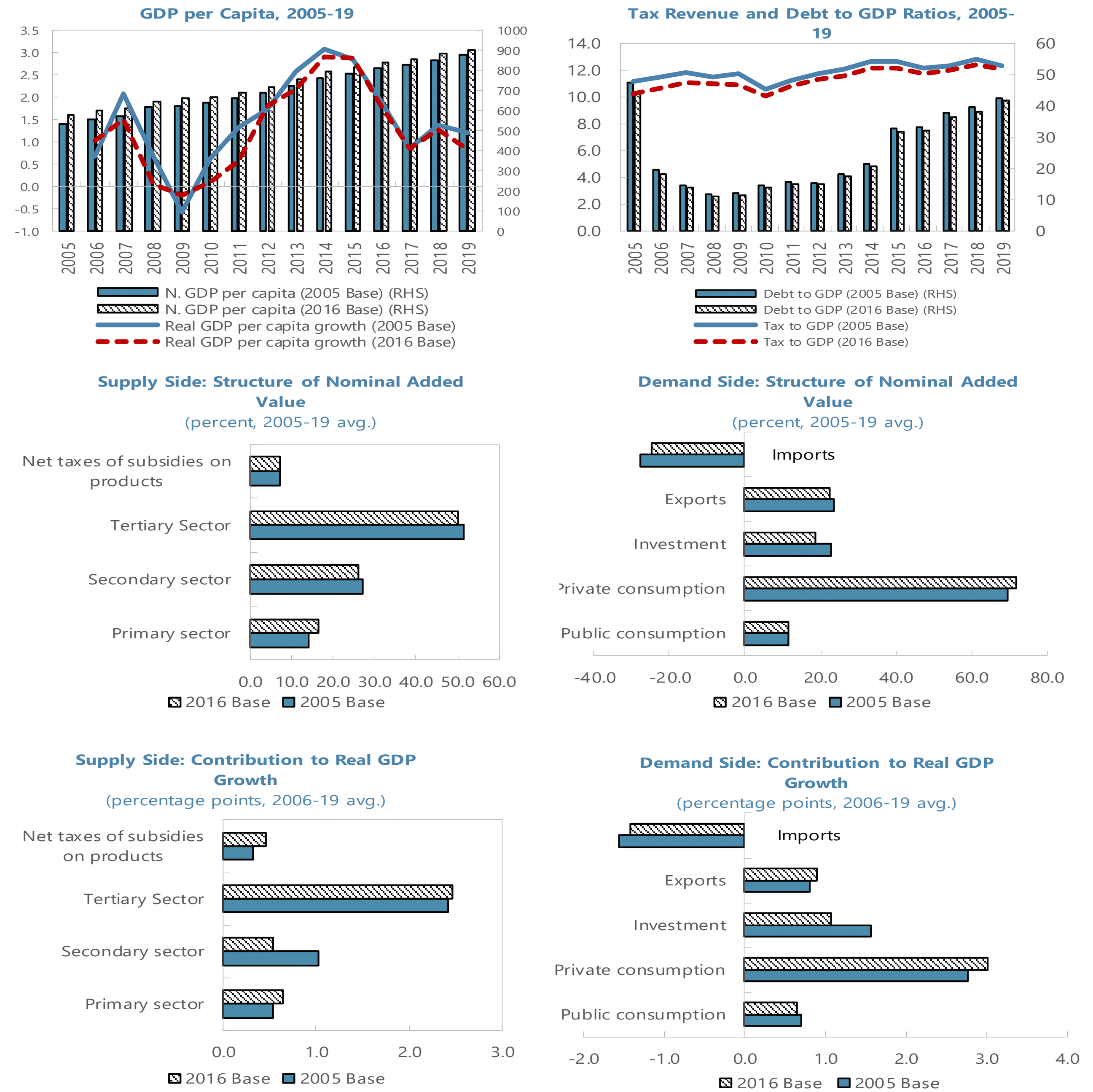
**Figure 2. Cameroon: Average Size of Nominal GDP Revision**




3. **This update resulted in an upward revision of 3.6 percent to nominal GDP in 2016.** Like the 2005 rebasing, where the increase was 8.6 percent, this revision was significantly lower than that of comparator countries in the region (Figure 2).

4. **However, significant changes are observed in the structure of added value and the sectorial contribution of the informal sector.** This revision is driven by an increase of agriculture and industry contributions (3.3 and 0.9 percent respectively), while the tertiary sector contribution decreased. Beside the nominal GDP increase, the revised series suggest higher informal GDP, with an upward revision from 37.8 percent under the 2005 base year to 42 percent under the 2016 base year. Rebased GDP series lowered the tax to revenue ratio by 41 basis points to 13.2 percent in 2020.

## Figure 3. Cameroon: Rebasing of National Accounts




Sources: Country Authorities and IMF Staff Estimates

# Annex V. External Sector Assessment

***Overall Assessment:*** *Cameroon's external position in 2021 is assessed to be weaker than implied by fundamentals and desirable policies. The current account balance has improved in 2021 on the back of higher oil prices and is expected to do so in 2022, but the improvement is likely to wane afterwards. As the country has increased net liability position with high risk of external debt distress driven by its debt service burden, efforts are warranted to maintain the current account balance at a sustainable level, including through a gradual fiscal consolidation, and a steadfast implementation of structural reforms to enhance competitiveness.*

## Foreign Assets and Liabilities: Position and Trajectory

**Background.** Cameroon's net international investment position (NIIP) is estimated at -29.8 percent of GDP as of end-2020, deteriorating from -28.2 percent of GDP in 2019.[1] Gross foreign asset stood at 30.1 percent of GDP, of which nonfinancial private sector assets and reserve assets take the largest shares. Gross foreign liabilities amount to 59.8 percent of GDP, of which public debt of the government and foreign direct investment (FDI) and public debt accounted for the largest shares. Over the last 5 years, Cameroon's net liability position has increased by 10.6 percent of GDP, which can be attributed to both accumulation of financial account flows as well as valuation effects.

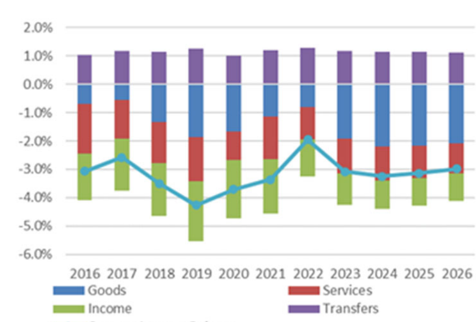
**Assessment.** Cameroon's net liability position has continued to increase, although the pace is expected to slow down with improved current account balance. Cameroon's NIIP is assessed to be sustainable but large share of debt liabilities raises risks to external sustainability (Cameroon is at high risk of external debt distress: see Debt Sustainability Analysis). Further efforts to strengthen public debt management and limit non-concessional borrowing remain critical to ensure external sustainability.

| 2020 (% GDP) | NIIP: -29.8 | Gross Assets: 30.1 | Debt Assets: 20.4 | Gross Liab.: 59.8 | Debt Liab.: 48.4 |
|---|---|---|---|---|---|

## Current Account

**Background.** Cameroon's current account balance has improved in 2021 to -3.4 percent of GDP on the back of higher oil exports and a more gradual rebound in imports. In the medium term, Cameroon's current account deficit is projected to narrow further in 2022 to around -2.1 percent of GDP due to tighter fiscal balance and higher oil prices. As the impact from higher oil prices subside, the current account balance is projected to deteriorate to around -3.1 percent in 2024 and gradually improve thereafter. The outlook remains highly uncertain and subject to risks such as more prolonged COVID-19 pandemic, negative impacts on exports due to supply chain disruptions, and intensification of socio-political conflicts. In the longer-term, the strength of Cameroon's external sector is predicated on the success of measures envisaged—under SND-30 and the African Continental Free Trade Area (AFCTA)—to diversify export products, including through a new agency dedicated to export.

**Figure 1. Cameroon: Current Account Balance**



**Assessment.** The assessment of Cameroon's 2021 current account suggests a weaker external position than the level implied by fundamentals and desirable policies. The EBA-Lite Current Account (CA) model suggests a CA norm of -2.5 percent of GDP against a cyclically adjusted CA of -4.7 percent of GDP (Table 1). This implies a CA gap of -2.2 percent of GDP under current policies. Policy gap is assessed at 4.9 percent of GDP, driven by tighter fiscal policy (+2.0 percent), lower public health spending (+0.7 percent), lower private credit (+0.5 percent) and slower credit growth (+0.5 percent) compared to peers.[2] On the other hand, the EBA-Lite Real Effective Exchange Rate (REER) model indicates a CA gap of 2.0 percent of GDP (corresponding to a REER gap of -13.8 percent). Given Cameroon's persistent CA deficit, staff considers the results from the REER approach less reliable and estimates the CA gap based on the CA model. As a result, Cameroon's external position is assessed to be weaker than warranted by fundamentals and desirable policy settings.

**Table 1. Cameroon: Model Estimates for 2021 (In percent of GDP)**

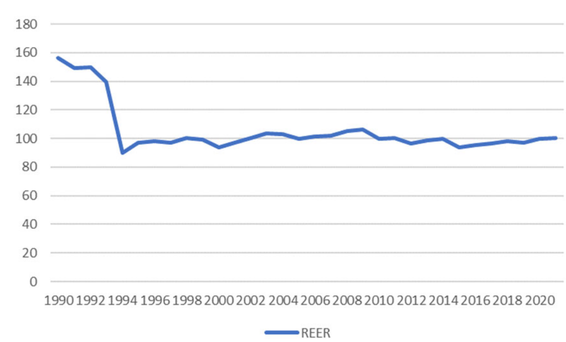
| | CA model | REER model |
|---|---|---|
| **CA-Actual** | **-3.4** | |
| Cyclical contributions (from model) (-) | 0.5 | |
| COVID-19 adjustor (+) 1/ | 0.0 | |
| Natural disasters and conflicts (-) | 0.7 | |
| **Adjusted CA** | **-4.7** | |
| **CA Norm** (from model) 2/ | **-2.5** | |
| Adjustments to the norm (+) | 0.0 | |
| **Adjusted CA Norm** | **-2.5** | |
| **CA Gap** | **-2.2** | **2.0** |
| o/w Relative policy gap | 4.9 | |
| Elasticity | -0.14 | |
| **REER Gap (in percent)** | **15.4** | **-13.8** |

1/ Additional cyclical adjustment to account for the temporary impact of the pandemic on tourism (-0.01 percent of GDP).
2/ Cyclically adjusted, including multilateral consistency adjustments.

## Real Exchange Rate

**Background.** Cameroon's REER based on the Consumer Price Index has appreciated by 3.1 percent in 2020 relative to the previous year, reflecting the nominal appreciation of the Euro vis-à-vis the USD. It has remained broadly unchanged over 2021. Over the longer term, REER has been broadly stable since the 1994 devaluation, with year-to-year fluctuations not exceeding 10 percent (Figure 2). Overall, the price competitiveness gains achieved appear to have been preserved over the last decades.[3]

**Figure 2. Cameroon: Real Effective Exchange Rates** (2010=100)




**Assessment.** The EBA-lite CA model estimates a REER gap of 15.4 percent in 2020, whereas the REER Index model yields a REER gap of -13.8 percent. Consistent with the assessment of the CA gap, staff assesses the REER to be overvalued by 15.2 percent based on the CA model.

| Capital and Financial Accounts: Flows and Policy Measures |
|---|
| **Background.** In 2021, net capital inflows have increased to 3.4 percent of GDP in 2021 from 1.6 percent of GDP in the previous year, driven by higher long-term official capital inflows including the SDR allocation and Eurobond issuance. FDI inflows continued to be lower than pre-crisis period, at around 1.6 percent of GDP, compared to 2.6 percent of GDP in 2019.<br><br>**Assessment.** Recent increase in oil prices is likely to have a positive impact on private capital flows. FDI inflows are projected to recover gradually in the medium term, reaching 2.6 percent of GDP by 2026. However, there are risks that capital inflows remain durably lower, and outflows surpass inflows in the wake of ongoing pandemic. Concerns over Cameroon's debt sustainability and fragility of the economic recovery may weigh on significant rebound in direct investments. Normalization of monetary policy in the advanced economies could also put pressure on net portfolio inflows. In addition, official creditors may not provide as much financing in the coming years as they did during the COVID-19 crisis. Gradual fiscal consolidation combined with stronger efforts to implement long-standing structural reforms to improve business environment will help attract durable foreign capital inflows. |
| [1] NIIP assessments are based on end-2020 values due to lack of more recent data.<br>[2] The model estimates are based on the following desirable policy levels: (i) cyclically adjusted overall fiscal balance at -1.0 percent of GDP; (ii) public health expenditure at 1.7 percent of GDP; (iii) change in reserves at 0 percent of GDP; (iv) private credit level at 18.1 percent of GDP; (v) change in private credit at 2 percent of GDP; (vi) capital control index at 0.47; (vii) real interest rate at 0.85 percent.<br>[3] IMF Country Report No. 21/21 |

# Annex VI. Cameroon's Capacity Development Strategy Note Update (Summary)

*This note presents the understanding reached between the Fund staff and the Cameroon authorities on the capacity development strategy, expected objectives and technical assistance in support of the macroeconomic policy priorities for 2021-23.*

## A. Recent Technical Assistances and Perspectives

1. **The Capacity development (CD) activities in Cameroon —through technical assistance (TA) from both Fund headquarters and the Central Africa Regional Technical Assistance Center (AFRITAC Center)—continue to be frequent.** They have focused over the last two years on revenue administration, tax policy, debt and expenditure management, and compilation and dissemination of statistics. These activities have highly contributed to improving the formulation and implementation of policies and reforms, as reflected notably in the successive conclusions of the first five reviews of the ECF-supported program, and implementation of the current ECF-EFF program.

2. **Capacity building will continue to focus on supporting the authorities' economic reform strategy for 2021-23, consolidating past achievements, while making progress in new areas.** The CEMAC Commission has defined a set of reforms which will underpin Fund-supported programs with CEMAC members and organized around five pillars to create the basis for a more diversified, inclusive and a private sector led growth and enhanced governance of the public sector. Building on past TA provided to Cameroon, the CD strategy will support the overall goal of improving government revenue mobilization, raising the efficiency, effectiveness, and transparency of public expenditure, strengthening debt management capacity and medium-term debt strategy (MTDS), and enhancing statistics compilation and timely dissemination of macroeconomic statistics. In addition, going forward, Cameroon is likely to need increasing assistance in governance and anti-corruption efforts and building resilience to climate change, as well as in formulating an effective financial inclusion strategy. This work will dovetail with assistance being provided by other institutions and bilateral donors.

***Authorities' Views***

3. **The authorities continue to highly value the IMF's capacity building.** They collaborate effectively with the TA missions in various areas and appreciate the Fund's responsiveness and availability to deliver high quality TA upon request. They note that priorities have been closely aligned with the program objectives. They are also of the view that missions are well sequenced and complementary and that the collaboration between IMF HQ technical departments and AFRITAC Centre is excellent.

| Table 1. Cameroon: Top 4 Technical Assistance Priorities | |
|---|---|
| **Priorities** | **Objectives** |
| Tax policy and revenue administration | **1.** Formulate a developmental Medium-Term Revenue Strategy (MTRS), including tax policy reforms and measures to improve revenue mobilization, modernize tax and customs administrations, and streamline exemptions.<br>**2.** Improve tax compliance by developing a business-friendly tax and customs administration, enhancing tax auditing, continuing to expand electronic processes, and combating fraud and smuggling. |
| Public Financial Management | **3.** Raise the efficiency, effectiveness, and transparency of public expenditure, and reduce fiscal risks from SOEs. |
| Financial and Fiscal Law Reform | **4.** Reinforce the good governance, transparency, and anti-corruption frameworks to bring them in line with international good practices, with an emphasis on addressing fraud and corruption. |
| Debt Management | **5.** Strengthen debt management capacity and improve consistency between borrowing decisions and the MTDS. |
| Government Financial Statistics | **6.** Improve data compilation and reporting |

# Annex VII. Implementation of Past Article IV Fund Advice

*The traction of longstanding Fund policy advice has continued to improve since the 2017 ECF-supported program, with progress in fiscal consolidation and key structural reforms to boost non-oil revenue, enhance public financial management and improve the business environment. Cameroon's complex socio-political environment has constrained progress in some key areas (e.g. governance, reduction of tax expenditures, expansion of the property tax, elimination of fuel subsidies with more flexible pump prices).*

| Fund Advice | Status | Comment |
|---|---|---|
| ***Fiscal Policy and Public Financial Management*** | | |
| **Tighten the fiscal stance** to bring non-oil primary deficit (NOPD) below 4 percent of non-oil GDP. | Ongoing | The COVID-19 pandemic has delayed progress and the NOPD is estimated at 4.6 percent of GDP in 2021, the NOPD (cash basis), which remains above the target. |
| **Expand the tax base** by (i) phasing out tax and customs exemptions; (ii) restoring normal taxation of fuel products; and (iii) narrowing eligibility under the investment incentives law. | Ongoing. | The authorities have committed to streamline the least effective tax exemptions and to intensify efforts to recover tax arrears and duties and taxes arising from cross-debt agreements. The authorities have requested IMF TA to complete a diagnostic study to inform the Government on short-and-medium term fiscal policy measures, especially revenue mobilization. |
| **Strengthen tax collection** by creating more decentralized tax offices and completing single taxpayer identification by linking databases in the tax and customs administrations. | Ongoing. Key measures have yielded some positive results. | The authorities have continued efforts to strengthen tax collection, fight against fraud and tax evasion, and ensure the integrity of taxpayer files and IT systems. They have taken steps to improve the exchange of information between the tax and customs administrations and the interface between the active taxpayer database and tax management. However, regional centers remain highly dependent on central fiscal transfers. |
| **Enhance budget controls** by (i) accounting for all revenue and expenditure on a gross basis; (ii) limiting the complementary period to one month and using "carry forwards" for unspent budget allocations; (iii) compiling the backlog of pending payments (including toward SONARA) and clearing this backlog; (iv) discontinuing SNH direct interventions as an off-budget, advance expenditure mechanism and bringing all security spending to the budget; (v) rationalizing and integrating all investments into the budget; and (vi) gradually reducing contracted but not implemented projects. | Ongoing, limited progress despite strong ex-ante commitments. | Update: The authorities have (i) reduced the complementary period to one month; (ii) an audit to verify the stock of arrears as of end-2020 and prepare an arrears clearance plan is ongoing; (iii) SNH direct interventions are reported monthly; (iv) internal decision to limit the use of below-the-line treasury accounts for investment projects; and (v) aligned annual budgets with the medium-term budget framework. |
| **Improve the implementation of the medium-term debt strategy** by vesting sole authority for contracting debt in the Minister of Finance. | Implemented | All project financing proposals, including from public enterprises included in the scope of public debt, and PPP projects are examined by the National Public Debt Committee (CNDP, which is chaired by the Finance Minister). All new loan agreements require unconditional approval from the CNDP, and the procedures and responsibilities have been clarified in a manual adopted and published in September 2019. The authorities recognize the need to further strengthen the authority of the CNDP. |
| **Fund Advice** | **Status** | **Comment** |

| | | |
|---|---|---|
| **Strengthen the monitoring of contingent liabilities:** (i) monitor the performance of SOEs, especially SONARA; (ii) prepare an annual report on the financial health of all SOEs and state-owned banks; (iii) clear SONARA's arrears, including its overdue supplier credits. | Ongoing | In 2021 IMF TA provided an in-depth diagnostic of SOEs focusing on i) the institutional framework for governance and supervision of public enterprises; ii) transparency in the monitoring of their operations; iii) financial relations with the State; and iv) controlling the budgetary risks linked to their activities. In line with recommendations, the authorities intend to establish an exhaustive directory of public enterprises, schedule an audit of end-2020 cross debts between the State and public enterprises (tax arrears of 1.5 percent of GDP) and adopt (2022) a credible and progressive clearance plan based on the cash requirements of public enterprises. They also intend to supplement existing texts to strengthen the control of budgetary risks, and the classification and the functioning of governing bodies of public enterprises. Regarding SONARA, the restructuring of bank debts has been finalized and the authorities aim to conclude as soon as possible the negotiations on the restructuring of the debt vis-à-vis Traders (suppliers of crude oil and finished oil products) under the same conditions as those concluded with the banks. |
| Implement the new information technology to reconcile the civil service payroll with the treasury payment system. | Ongoing, with some delay. | The authorities have continued their reform of the civil service wage bill and envisage: (i) strict control of the return to pay of public officials suspended following the physical counting (COPPE); and (ii) installation of an integrated career and payroll management software to replace obsolete tools. |
| ***Financial Sector Policies*** | | |
| **Strengthen the banking sector:** (i) address the three problem banks and rising non-performing loans (NPLs); (ii) enhance cooperation with the regional supervisor COBAC; (iii) revise the business model of the public SME bank. | Ongoing, with some delay. | The authorities have (i) taken steps to implement the resolution plans approved by the COBAC two troubled banks and aim to ensure that the restructuring is completed as soon as possible; (iii) continue to implement a NPL reduction strategy; (iv) continue training judges and clerks on banking dispute resolution and to transform existing commercial chambers into specialized commercial courts with judges trained in commercial litigation; and (v) Regarding the SME bank (Banque Camerounaise des PME or BC-PME), a new business model was adopted by the Board of Directors on February 27, 2020. A strengthening of resources and organization of the Debt Collection Company (SRC) is being prepared. |
| **Enhance financial intermediation:** (i) update the mobile banking legal framework; (ii) strengthen supervision of the micro-financial institutions (MFIs); and (iii) implement the central information database for banks and large MFIs. | Ongoing | The authorities have expanded the creditor database to MFIs. The national movable security directory (RNSM) is operational. A New National Strategy for Financial Inclusion 2022-2025 has been prepared and is going to be launched in 2022 |
| ***Structural Policies*** | | |
| **Improve the business environment:** (i) reduce bureaucratic impediments particularly in paying tax and intra-CEMAC trading; (ii) increase anti-corruption efforts; and (iii) strengthen transparency and good governance. | Ongoing, with good progress in simplification of tax procedures. | The authorities have: (i) established escrow accounts to accelerate VAT refunds; (ii) enabled mobile tax declaration and payment for small and micro enterprises; and (iii) published the audit of COVID-19 spending, and the information about the COVID-19 related contracts the government awarded from October 20, 2020 to end June 2021, including beneficial owners. |
| **Accelerate regional integration** by (i) ensuring human and financial resources for CEMAC Commission; (ii) setting a common external tariff for the CEMAC customs union; (iii) harmonizing economic and technical standards; and (iv) addressing non-tariff barriers. | Ongoing | The authorities have continued with regional efforts to liberalize flow of goods and people and unify the two stock exchanges to Douala and revised the legislative framework on custom tariffs in line with regional requirements. |

# Annex VIII. Cameroon's Development Strategy

**1. Cameroon's National Development Strategy for 2020-2030 (SND-30), constitutes the reference framework for the implementation of the second phase of Vision 2035**. The overall objective of the Vision 2035 is to make Cameroon an emerging country over 25-30 years. The National Development Strategy 2020–2030 (SND30) adopted in January 2020, is the second phase of the strategy and follows on from the Growth and Employment Strategy Paper (GESP), which provided orientations for the first ten years of the implementation of actions toward achieving the Vision.

**2. In the context of SND-30, Cameroon aims to achieve its objectives using a mix of local production of imported goods and export promotion.** The GESP emphasized that Cameroon could not envisage its industrialization relying solely on domestic markets. The authorities also aim to facilitate the emergence of the private sector as the main driver of economic growth, with targeted public interventions in highly strategic sectors, using the public procurement lever, while promoting the emergence of national champions in the sectors leading to structural transformation.

**3. The SND-30 intends to achieve a structural transformation of the economy by making fundamental changes in economic and social structures to promote endogenous, inclusive development, while preserving the potential for future generations**. Specifically, the strategy aims to:

- Put in place conditions favorable to strong and durable economic growth and the structural changes essential for the industrialization of the country. Targets include raising the annual growth rate to 8.1 percent on average over 2020-2030, raising growth in the secondary sector (excluding oil) to more than 8 percent in the medium term, and reducing the trade balance deficit to 3 percent of GDP in 2030.

- Improve the living conditions of Cameroon's populations and their access to basic social services by ensuring a significant reduction in poverty and underemployment. Targets include: (i) lower the poverty rate to less than 25 percent in 2030; (ii) lower underemployment to less than 50 percent in 2030; (iii) to raise the Human Capital Index from 0.39 in 2018 to 0.55 and the Human Development Index to 0.70 in 2030.

- Strengthen measures to adapt and mitigate the effects of climate change and environmental management to ensure sustainable economic growth and sustainable and inclusive social development.

- Improve governance to strengthen the ability to achieve development goals. This will include actions to improve the functioning of the institutions and accelerate decentralization.

**4. The achievement of these objectives is based on eight guiding principles**: i) maintaining macroeconomic stability; ii) clear and unambiguous articulation of the hierarchy of the various sectoral, thematic and spatial tools; iii) attention to harmony, balance and fairness across the territory; iv) development planning in the context of decentralization; v) integration of actions for catch-up for in areas affected by the social and security crises; vi) unity in diversity and the improvement of relations between the state and citizens; (vii) strengthening the strategic management of the State, and creating the conditions optimal for the private sector to take its full place and play a driving role in the economy; viii) taking account of international commitments, while contextualizing them.

5. **The authorities have drawn up a plan to support the production of mass consumption goods that affect the trade balance** (rice, fish, maize, and milk). The plan benefits from an endowment of 30 billion CFAF under the 2021 budget to support producers of identified goods. In addition, tax and customs measures have been taken to promote second-generation agriculture, foster the construction of agri-food factories, supporting livestock farming and the health supply

6. **The strategy also aims to finalize ongoing infrastructure projects and to commission new work.** Ongoing projects include the Lom Pangar dam, at the Memve'ele hydroelectric dam, and a drinking water supply project in Yaoundé and its surroundings, etc. The authorities plan to promote the "made in Cameroon" label in priority sectors (agro-industry, wood, textiles, mining and metallurgy, and the pharmaceutical and biomedical industries). They also plan to set up economic zones to promote the emergence of national champions, and to strengthen fiscal and customs incentives aimed at supporting imports of tools and production equipment, while facilitating the export of finished products. . Another priority is a research, development, and innovation to encourage technological catch-up and promote standards. Also included is a plan to develop artistic industries, cultural and creative activities to promote cultural heritage and develop the film industry.

# Appendix I. Letter of Intent

Yaoundé, February 4, 2022

Madam Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street N.W.
Washington, D.C. 20431
USA

**Subject:** Letter of Intent for the Extended Credit Facility and the Extended Fund Facility

Dear Madam Managing Director,

The Government of Cameroon is continuing to implement its 2021-24 Economic and Financial Program supported by the three-year arrangements under the International Monetary Fund's Extended Credit Facility (ECF) and Extended Fund Facility (EFF) in a difficult health, economic and security context. To support efforts to deal with its balance of payments needs and contribute to the rebuilding of the regional foreign exchange reserves, the government has adopted an economic recovery program that is in line with the regional economic and financial reform program (PREF-CEMAC), which is one of the commitments included in the final communiqué of the Extraordinary Summit of CEMAC Heads of State held in Yaoundé on November 21, 2019 and reiterated during the summit held on August 18, 2021.

The coronavirus (COVID-19) pandemic that began in 2020 in a difficult security context resulted in a significant deterioration of the economic and social situation in Cameroon in 2020 and continued to severely impact some sectors in 2021. However, economic activity has begun to recover and the outlook is positive, although clouded by considerable uncertainty.

Cameroon's macroeconomic performance under the ECF and EFF arrangements has been broadly satisfactory, while progress on the structural side has been delayed. All the quantitative periodic criteria for end-July 2021 were met. Two out of the five indicative targets were met. The continuous performance criterion on external arrears accumulation was met, while the ceiling for the continuous performance criterion on new non-concessional external debt (NCED) contracted or guaranteed by the government was not met in September, as the government signed a minor new non-concessional loan (CFAF 3 bn) for a project outside the predetermined list. The government is hopeful that the quantitative targets for December 2021 will be met. However, given that data on the performance targets for December 2021 will not be known before the Executive Board meeting scheduled in February 2022, we are requesting a waiver for performance criteria applicability for end-December 2021. We are also requesting a revision of the performance criteria for 2022 in line with the authorities' objectives.

The government will continue to implement policies consistent with regional external stability, which requires the rebuilding of the BEAC foreign exchange reserves. In this context, the government supports the efforts of the BEAC and COBAC to strictly enforce the new foreign exchange regulations. To achieve the foreign exchange reserve targets, the government will ensure that obligations to repatriate export proceeds, particularly oil revenues, are respected.

The government welcomed the SDR allocation made available to Cameroon by the IMF in August 2021. It will be used to mitigate the socioeconomic impact of the crisis while protecting the CEMAC foreign exchange reserve targets. We have used CFAF 50 billion in 2021 and plan to use CFAF 70 billion in 2022, bringing the amount used at end-2022 to 57 percent of the total allocation.

The attached Memorandum of Economic and Financial Policies (MEFP), which supplements the memorandum of July 15, 2021, describes the economic and financial situation in 2021, outlines the economic and financial policies that the government intends to implement in 2022, and defines the quantitative criteria, indicative targets and structural benchmarks through end-2022.

The government requests that the IMF Executive Board approves certain amendments to the program targets and grants a waiver for performance criteria applicability for end-December**.** The government is requesting a waiver for the non-observance of the continuous performance criterion on the ceiling on new nonconcessional external debt contracted or guaranteed by the government. Although the overall level of non-concessional debt was respected, newly contracted non-concessional borrowing included a project that was included in the approved lists for the previous ECF program but subsequently dropped. The government also requests the approval of changes to the program targets for end-March and end-June and new criteria for end-September and end-December in line with the updating of the macroeconomic projections. In addition, the government requests a modification of the continuous performance criterion on public debt. The newly introduced ceiling on the present value of new external debt contracted or guaranteed by the national government will replace the nominal ceiling on new nonconcessional external debt, reflecting the reform of the IMF debt limits policy, which entered into effect on June 30, 2021. This will facilitate debt management to meet the government's developmental and program objectives.

Taking into account the achievements under the program to date, as well as the commitments presented in the MEFP, the government is requesting the conclusion of the first review of the agreement under the ECF-EFF arrangements and the disbursement of 82.8 million SDRs.

The government is convinced that the policies and measures set out in the MEFP are adequate to achieve the program targets and undertakes to take any additional measures to this end. The Cameroonian authorities will consult with the IMF on any such additional measures before proceeding with the revision of any measures included in the MEFP in accordance with the IMF policy on such consultations. To facilitate program monitoring and evaluation, the government undertakes to report all required information to the staff of the IMF by the prescribed deadlines in accordance with the attached Technical Memorandum of Understanding (TMU).

Finally, the government confirms that it agrees to the publication of this letter, the MEFP, the TMU and the IMF staff report on this program.

Sincerely yours,

/s/

Joseph Dion Ngute
Prime Minister, Head of Government

Attachments: 1. Supplementary Memorandum of Economic and Financial Policies
2. Technical Memorandum of Understanding

# Attachment I. Supplementary Memorandum of Economic and Financial Policies, 2021-2022

**January 2022**

## INTRODUCTION

**1. The adverse effects of the coronavirus (COVID-19) pandemic that broke out in 2020 and the difficult security context have continued to weigh heavily on the economic and social situation in Cameroon in 2021.** They led to a sharp slowdown in economic activity, higher public spending on health, a significant decline in government revenues, and a resulting worsening of the budget deficit. The economy showed signs of recovery in 2021 and the outlook remains relatively favorable, although subject to some uncertainty.

**2. The government remains firmly committed to taking all necessary measures to restore the country to a path of strong, sustained and inclusive growth, to effect a structural transformation of the economy, and to strengthen its economic and social resilience in keeping with the National Development Strategy for Cameroon through 2030 (SND-30).** Based on the assumption that COVID-19 will gradually start to wane in 2022, the economic recovery begun in 2021 is expected to consolidate and lead to a nonoil growth rate of over 4.9 percent starting in 2023. The objective of the government's economic policy in the short and medium term is to increase the growth potential of the economy by returning the country to the road toward emergence. This will first involve curbing the harmful effects of the pandemic and then pursuing the structural transformation of the economy, in particular strengthening the resilience of the local economic fabric in the face of external shocks, completing and commissioning major ongoing infrastructure projects, and supporting industries and sectors whose spillover effects on the national economy would be immediate and sustainable. The protection of macroeconomic and fiscal stability will clearly remain a prerequisite to ensure a favorable environment for an inclusive, sound and sustainable economic recovery.

**3. SND-30 and the Post-COVID-19 Economic Support and Recovery Plan adopted in 2020 constitute the reference framework for the strategic priorities.** Under the ECF and EFF arrangements, they will also constitute the backbone of a poverty reduction and growth strategy through end-2022. Our economic program will also remain consistent with the strategic framework adopted by the PREF-CEMAC steering committee for the second-generation agreements of CEMAC countries with their international technical and financial partners.

## RECENT ECONOMIC DEVELOPMENTS

**4. Economic activity, which was severely impacted in 2020, began to recover in 2021.** The economy was severely impacted by the health situation resulting from the pandemic and the adverse effects of the security crisis in some regions of the country. Provisional estimates indicate that growth slowed to 0.5 percent in 2020. There are now signs of recovery and we expect that growth will reach 3.5 percent in 2021 in line with previous expectations. Domestic demand, which slowed in 2020 as a result of the contraction of household consumption, has begun to recover from the initial shock. Similarly, external demand, which fell sharply in 2020 owing to the economic downturn in our main trading partners (China and Europe) under the constraints imposed by the COVID-19 pandemic, has also begun to improve as the global economy has recovered. The measures taken by the government have meant that inflation has remained under control at around 2.1 percent in 2021, despite the increase in international prices, particularly for food products and ocean freight.

**5. Budget execution in fiscal 2021 was satisfactory overall through end-October and consistent with the supplementary budget (LFR) adopted in July 2021.** The fiscal deficit on a payment order basis through end-December 2021 is projected at 3.1 percent of GDP, broadly in line with the LFR target. Oil revenues are projected to be below the LFR target, but this decline is offset by the relatively good performance of nonoil revenues and expenditure control. As the second disbursement of IMF budgetary support has been delayed to 2022, and to ensure harmonious execution of the 2021 budget law, the government drew CFAF 50 billion from its SDR allocation equivalent to CFAF 208 billion held by the central bank. To this end, as in 2009, an agreement was signed with the BEAC on the use of the SDR allocation.

**6. The external current account deficit has declined significantly.** In the third quarter of 2021, the increase in exports exceeded the rise in imports, leading to a substantial improvement in the balance on goods. At the same time, the balances of the other components of the current account moderated. The external deficit was mainly financed by financial capital flows (official and unofficial). Exports of oil and nonoil products should rebound significantly on a full-year basis in 2021, given rising global prices and larger volumes of nonoil exports, while the increase in imports will be more moderate. The external deficit in 2021 should decline to around 3.4 percent of GDP as against 3.7 percent in 2020.

**7. The increase in the money supply remained strong, driven by net foreign assets, credit to the economy and net claims on the government.** The money supply increased 15.1 percent on a year-on-year basis to September 2021. This resulted primarily from the net debit position of the government vis-à-vis the banking system, which, although it had slowed, rose 39.5 percent. At the same time, credit to the economy increased 7.4 percent, driven by increases in the liabilities of nonfinancial public enterprises. Net foreign assets also rose 16.4 percent. For the year as a whole, the money supply is expected to increase 13.8 percent, driven by a 36.3 percent increase in net claims on the government and a 4.4 percent increase in credit to the economy.

**8. Public sector debt remains under control although it increased slightly in 2021.** The outstanding public sector debt at end-October 2021 stood at 44.9 percent of GDP, an increase of 0.8 percentage point of GDP compared to end-2020, and it is projected to reach 45.4 percent by end-2021.[1] This amount has continued to rise since the beginning of 2021 as a result mainly of: (i) disbursements of budgetary support in the context of the new Economic and Financial Program (2021-2024 PEF) with the IMF and World Bank; (ii) the inclusion of new domestic debt agreements to cover the floating debt; (iii) increased issues of government securities, particularly Eurobonds; and (iv) the depreciation of the euro, and the CFAF as a result, vis-à-vis the US dollar. The external public debt (not including the unguaranteed debt of public enterprises) stood at 29.6 percent of GDP at end-October 2021, a 0.9 percentage point of GDP increase compared to its level at end-2020. Based on projections, this amount should reach 30.1 percent of GDP at end-December 2021. New nonconcessional commitments signed on project loans during the first 10 months of 2021 totaled CFAF 146.9 billion, as against the CFAF 350 billion projected in LF22. As well, cumulative new commitments on project loans (concessional and nonconcessional) totaled CFAF 558.9 billion. Cumulative external disbursements through October 31, 2021 stood at CFAF 947.9 billion (including CFAF 300.9 billion on project loans), as against the CFAF 964 billion estimated in the national debt plan for 2021 (including CFAF 703 billion on project loans).

## IMPLEMENTATION OF THE ECONOMIC AND FINANCIAL PROGRAM

**9. Almost all of the program periodic quantitative criteria were met.** All of the quantitative performance targets for end-July were met. However, three of the five indicative targets were not met. Expenditure on direct interventions by the National Hydrocarbons Corporation (SNH) exceeded the objective (by 0.2 percent of GDP) and the target on expenditures using exceptional procedures was also surpassed (by 5.5 percentage points), owing primarily to the reemergence of security challenges in the northwest, southwest and far north regions. The same factors underlay the missed target on domestic arrears. Five quantitative indicative targets were then missed in September.

**10. For the continuous criterion on the ceiling on new nonconcessional external debt contracted or guaranteed by the government:**

- A non-concessional loan not included in the list approved by the Board of Directors in July 2021 for the amount of CFAF 2.93 billion was signed on September 21 for the rehabilitation and extension of the water distribution system from Buea, Tiko and Mutengene. This project was included in the list of projects approved by the IMF's Executive Board during the fifth review (project number 15 on this list).

- At the end of October, the total amount of new non-concessional external debts contracted or guaranteed by the Government (excluding the Eurobond) was CFAF 147 billion, below the ceiling approved by the IMF's Board of Directors in July 2021.

**11. The government's efforts on the structural benchmarks were successful in some areas.** We adopted and published the implementing regulations for the Public Procurement Code, particularly the regulation on the establishment of internal units for the administrative management

[1] IMF staff estimate for Cameroon's public debt as of end-2021 is at 47.2 percent of GDP.

of contracts (structural benchmark for September). The audit of fiscal year 2020 COVID-19-related spending conducted by the audit bench of the Supreme Court was published on the Ministry of Finance website (structural benchmark for December). We increased the accountability of project implementation units by issuing a decree setting out the terms for monitoring the performance of all programs and projects, whether externally or domestically financed (structural benchmark for September). Given the time needed for its preparation, the review of the tax policy, for which assistance was requested from the IMF Fiscal Affairs Department, was delayed to 2022 (structural benchmark for October). This review will make it possible to develop new ways of improving the mobilization of resources, expanding the tax base and contributing to economic development.

**12. The Government remains firmly committed to complete the other structural measures that are being implemented but are taking longer than anticipated.**

- Four firms were selected to conduct audits of all government payments arrears from 2000 to 2019. These audits will provide the basis for a plan to clear certified arrears (structural benchmark for December).
- The diagnostic studies of three large public enterprises (CAMTEL, PAD, CAMWATER) are under way. The diagnostic study of PAD is currently near completion, while the CAMTEL and CAMWATER studies are at the contracting stage and will be completed and submitted to IMF staff by end-June 2022.
- The inventory of the cross debts between public enterprises and the government and between the public enterprises themselves at end-2020 is near completion and the related report will be available in April 2022. This report will serve as a basis for the preparation of a plan to clear these debts.
- The managers of the Caisse de dépôts et de consignation (Deposit and Consignment Fund) have not yet been appointed. The process for their appointment is under way.

# ECONOMIC AND FINANCIAL PROGRAM FOR 2022 AND THE MEDIUM TERM

## A. Macroeconomic Framework

**13. The economic growth outlook remains positive, although subject to some uncertainty.** On the assumption that COVID-19 will gradually wane, the recovery of economic growth that began in 2021 under the impetus of the nonoil sector is expected to reach 4.8 percent in 2023. The average annual growth of the oil sector from 2022 to 2026 will be close to zero, as increasing gas production merely offsets the depletion of oil fields.

**14. The fiscal policy objective for 2022-2024 continues to be focused on gradual fiscal consolidation to ensure medium- and long-term fiscal sustainability** and successful implementation of SND-30 in accordance with the economic and financial program concluded with the IMF. To this end, particular emphasis will be placed on increasing the mobilization of nonoil domestic revenues and controlling and improving public expenditure so as to reduce the overall fiscal deficit (payment order basis) from 3.2 percent in 2020 to 1.8 percent in 2022, 0.3 percent in 2023 and 0.5 percent in 2024. To this end, we will develop and implement a medium-term revenue strategy with the support of IMF technical assistance that will cover both revenue administration and tax policy. Public action will therefore focus during this period on implementation of the economic recovery plan, the health response (with particular emphasis on the deployment of vaccinations), the reconstruction of regions affected by the security crises (far north, northwest and southwest), strengthening of the decentralization process, implementation of universal health coverage, and the strengthening of the social safety nets.

**15. Use of the SDR allocation will take account of the need to mitigate the socioeconomic effects of the crisis while protecting the CEMAC foreign exchange reserves targets.** To facilitate the financing of the 2022 budget and help mitigating the socioeconomic impact of the COVID-19 crisis, we plan to use CFAF 70 billion of this allocation in 2022, which will bring the total amount used through end-2022 to CFAF 120 billion, or 57 percent of the allocation.

**16. The external current account deficit should improve to around 3 percent of GDP in the medium term.** Implementation of export stimulus and import substitution programs and the ongoing strengthening of regional integration should contribute to a gradual reduction in the current account deficit, which will stabilize at around 3 percent of GDP in the medium term. Higher nonoil export receipts and lower growth of imports should offset declining oil export revenues in line with projections for international oil prices. This will also help to consolidate the region's net foreign assets, the objective being to achieve a coverage rate of close to five months of imports for the region in the medium term.

**17. Monetary policy will continue to focus on achieving the CEMAC goals for inflation and foreign exchange reserves.** The post-COVID-19 economic recovery and subsequent reduction in pressure on financing of the fiscal deficit will offer the BEAC some room to maneuver to reduce the growth of the money supply and increase the external rate of coverage of the currency, without risks to the stability of the financial system.

**18. Domestic and external risks could, however, affect Cameroon's economic outlook.** External risks that could weigh on growth include primarily uncertainties regarding (i) the duration and intensity of the COVID-19 pandemic, (ii) the level and volatility of commodity prices; (iii) the persistence of international trade tensions; and (iv) the influx of refugees from neighboring countries. Domestically, worsening insecurity in the regions currently in conflict, the influx of refugees from neighboring countries and a deterioration of the financial position of some public and quasi-public sector enterprises could undermine ongoing fiscal consolidation efforts and the implementation of reforms. However, the strength of the non-oil sector could help mitigate the negative impact of these risks.

## B. Fiscal Policy in 2022

**19. The fiscal objective of the 2022 budget law (LF22) remains to reduce the deficit in line with our medium-term targets while supporting the economic recovery.** Specific emphasis is therefore placed on increasing the mobilization of nonoil domestic revenues and controlling and improving the effectiveness of public expenditure in order to reduce the overall fiscal deficit (payment order basis) from 3.1 percent of GDP in 2021 to 1.8 percent in 2022 and to keep the public debt below 50 percent of GDP. The budget law has therefore set a target for the additional mobilization of nonoil revenues of 0.8 percent of GDP.

**20. To guide public action,** LF22 focuses on four areas:

- **Economy:** LF22 aims to consolidate economic growth by curbing the harmful effects of the pandemic. Particular emphasis is therefore placed on the commissioning of large infrastructure products, pursuit of the import substitution policy, especially by implementing the plan to support the production of consumer goods, and improvement of the business environment.
- **Security.** LF22 also includes maintenance of security monitoring and continued implementations of measures to reduce the security crisis, particularly by implementing the reconstruction plan for the northwest, southwest and far north regions.
- **Social measures.** LF22 focuses on implementing the overall pandemic response strategy by strengthening the health monitoring system and maintaining the vaccination deployment strategy. It also focuses on continuing to implement universal health coverage (CSU). As well, implementation of the policy of support for vulnerable households through the social safety nets project will be continued and expanded to households most severely affected by the pandemic.
- **Governance.** Priorities include consolidating gains made so far and strengthening the decentralization process. In this context, by way of innovation, coverage of decentralized governments benefiting from the General Decentralization Allocation has been expanded to include urban communities. Emphasis will also be placed on continuing to clear the domestic debt, including government arrears, stepping up implementation of the Single Treasury Account, simplifying the expenditure procedure, and speeding up payments of expenditures.

**21. LF22 includes significant changes, in addition to traditional tax, customs and finance measures.** The three major changes are: change in the financial reporting framework, continuation of the policy to rationalize the quasi-tax resources allocated to certain public agencies, and introduction in the budget law of an annex on gender-sensitive budgeting. LF22 also allocates new revenues to certain special earmarked accounts, establishes new fiscal programs in government departments, and renews the government’s authorization mechanism for the granting of guarantees to public enterprises and establishments for their foreign borrowing.

**22. On the revenue side particular emphasis is placed on strengthening the mobilization of nonoil domestic revenues.** LF22 projects an improvement in these revenues owing to the tax administration reforms and economic recovery. In a context of post-COVID-19 economic recovery and considering the persisting uncertainties, the government will adopt new tax policy measures following the completion of the related audit. The measures adopted in LF22 are therefore limited to the tax on money transfers and the tax treatment applicable to nonprofit organizations.

**23. On the expenditure side,** the streamlining involves continued application of the "zero value" strategy, which consists of freezing the year-on-year growth of (nonwage) operating expenditure of all government departments and using the available fiscal space for the priority challenges in the period.

## C. Structural Fiscal Reforms in 2021 and 2022

### Public Finance Management Reform

**24. The economic classification used in the draft LF22 has changed and a new codification has been used** in preparation for implementation of accrual basis accounting in the government starting in 2022 supported by technical assistance from AFRITAC and the French Development Agency. These changes have had an impact on the LF22 format, the configuration of budget envelopes, the execution rules and procedures, and the recording of transactions.

**25. The government is continuing the reforms aimed at improving the quality of public expenditure and cash flow management, as defined in our public finance reform program.**

- The government is continuing to improve Treasury operations:
  - We have already inventoried all accounts to be transferred to the Single Treasury Account (structural benchmark) and have signed an agreement with the BEAC on the management of that account. We have continued the reforms of cash flow management and the operation of the Single Treasury Account (CUT) in liaison with the BEAC, which is coordinating the work on the configuration of the CUT technical platform for the six national Public Treasuries in the CEMAC zone. The BEAC expects that the platform will be completed and implemented in the first quarter of 2022.
  - To improve monitoring and transparency of budget execution, realistic commitment plans that can be used to prepare credible monthly cash flow `plans are a priority as is the need for prior authorization of all Treasury payments, and the use of exceptional procedures will continue to be curtailed.
- To enhance the effectiveness and efficiency of capital expenditure, the government will continue to implement reforms to improve project selection, planning and execution of investments, specifically:
  - The decree establishing the terms and conditions for monitoring the performance of the management units for domestically and externally financed projects and programs was signed and published in September 2021 (structural benchmark) and will be applied from now on. The decree calls for the signing of standardized performance contracts and the linking of the remuneration of implementation unit managers to well-defined performance

indicators. The requirements of these performance contracts will include the preparation of quarterly reports with physical and financial project implementation indicators and the review of the disbursement plan and project management expenditures.

- The creation of a maturation and compensation fund for public investment projects to ensure more efficient and rapid project maturation as well as better execution of all projects financed from ordinary domestic and/or external resources.
- Establishment of a mechanism for evaluating and considering recurring charges to determine the necessary annual needs for the maintenance, upkeep and depreciation of government assets.
- Enhancement of public investment management by implementing the Public Procurement Code regulations, particularly those relating to the establishment of internal administrative management units for contracts, adopted and published in September 2021 (structural benchmark).
- The adoption of a single legal and regulatory framework governing Public-Private Partnerships (PPPs) so that all PPP projects comply with one framework by end-December 2022 (structural benchmark).

- The government also plans to implement measures to improve current expenditure:
  - The government will step up introduction of the mechanism for conditional cash transfers to the most vulnerable households in cooperation with the World Bank.
  - The government will conduct a review of the civil service pension system (government officials), and issue recommendations for its improvement by end-May 2022 (structural benchmark).

**Tax Administration Reforms**

**26. LF22 has introduced measures to streamline quasi-taxation.** It has expanded the coverage of public agencies subject to ceilings on allocated taxes. Revenue surpluses over the ceiling set in the budget law thus released will be repaid into the Single Treasury Account to support government fiscal expenditure.

**27. LF22 introduces the allocation of new revenues to certain special earmarked accounts (CAS).** It amends some provisions in order to allocate new types of revenues to specific special earmarked accounts. This aims to strengthen their revenue potential so as optimize their operation, given that an important criterion for their existence is their capacity to produce own revenues.

**28. LF22 introduces specific measures to increase tax revenues, which should bring in an additional CFAF 20 billion.** Key measures are a tax on money transfers, an increase in the special excise tax to finance local governments, and an increase in the duty on timber exports.

**29. The General Directorate of Taxation (DGI) will continue efforts begun to improve tax collection, combat tax evasion and fraud, and ensure the integrity of taxpayer records and IT systems by:**

- Simplifying and digitizing procedures in all areas of tax management, i.e., registration, remote filing, accessing and submission of tax documents online, follow-up of requests, payment of taxes, issuance of tax reminders, and adjustment notifications.
- Introducing electronic invoicing to ensure the traceability and exhaustive tax tracking of transactions and optimization of VAT and excise tax monitoring.
- Fully computerizing the procedure for following up tax audits, collection of tax information, issuance of tax reminders through the scheduling and actual execution of field audits and issuance of adjustment notifications.
- Improving tracking of personal income tax by implementing the universal income declaration by June 30 of each year.

**30. The General Directorate of Customs (DGD) will continue to consolidate the reforms implemented by strengthening existing measures for revenue optimization, facilitation, and transformation of the Cameroonian economy.** This will involve:

***Optimizing revenue by:***

- Continuing the streamlining of tax expenditures with support from the technical and financial partners.
- Pursuing the interface of the DGD CAMCIS information system with the MINTRANSPORT system to curtail fraud in the registration of vehicles.
- Strengthening collaboration with MINFOF, SGS and the other technical partners in the handling of timber exports and capitalizing on the results of the work to reconcile the tax bases with the Société Générale de Surveillance (SGS).
- Improving the collections strategy and the tracking of outstanding balances through:
    - cash payment of customs duties and taxes on imports intended for public procurement.
    - signing of memoranda of understanding with public enterprises to establish a common platform for monitoring and settling outstanding balances (e.g., ENEO, PAD).
    - automation of the tracking of claims and suspension of facilities (moratoria, direct removals, tax and duty credits, conditional relief arrangements and special customs arrangements with economic purposes) for enterprises in debt to the government.

***Improving the business climate by:***

- Pursuing paperless procedures for foreign trade operations focusing mainly on the digitization of procedures and controls, particularly by implementing the remaining CAMCIS modules.

- Together with other competent agencies and the National Facilitation Committee (CONAFE), continuing the reforms to reduce the cost and time required for the clearance of goods.

***Strengthening the operational capacity of the Customs Administration for combating fraud by developing tools to optimize controls, such as:***

- The introduction of an alert procedure allowing authorized intermediaries to inform the Customs Administration in case of suspicion about the regularity of an international foreign trade financial transaction.
- Improvement of the recording and valuation of exports.
- Continuation of the Stop Illicit Trade (HALCOMI) operation in the context of the efforts to combat fraud, smuggling and other major trafficking.

***Consolidating development taxation with a focus on support for the productive sector and promotion of local processing and export support by implementing the import substitution policy.***

**31. The joint work of the DGI and DGD based on data from the "FUSION" software will be strengthened and should guarantee the collection, sharing and use of information between the two departments.** This activity will involve:

- Continuing to clean up the taxpayer database through full migration of the secured DGI file to the DGD information system (CAMCIS).
- Strengthening the monitoring and securing of self-employed and nonprofessional persons who still carry out foreign trade operations by implementing an alert mechanism for operations that do not comply with employee status.
- Creating a single database of taxpayers who have customs and tax debts and merging the system for issuing the tax clearance certificate (ANR) with the customs clearance system in a single document.

**Tax Policy Reform**

**32. A significant improvement in the tax burden will require reform of tax policy as well as tax administration.** Broadening the tax base remains a challenge given the considerable weight of tax expenditure, the weight of the informal sector in the economy, and the low contribution of the personal income tax. The government intends to conduct a tax policy review with technical assistance from the IMF to identify additional short- and medium-term tax policy measures. This review could look at the following tax policy levers:

- Reduction of some tax expenditures, which remain considerable, representing 21 percent of nonoil tax revenue and 2.6 percent of GDP in 2019 according to the report on tax expenditure annexed to the 2021 budget law (LF21). This includes the tax exemption on imports for donor-financed projects.

- Streamlining of the tax regime for externally financed contracts by effectively abolishing the tax absorption regime.
- Broadening of the tax base in the transport sector by combining the multiplicity of taxes and charges currently paid by carriers into a single levy.
- Overhaul of property taxation in anticipation of the reform of local taxation.
- Application of excise duties on certain products likely to be produced locally.
- Continued implementation of measures related to the import substitution policy, particularly the expansion of the tax base, by subjecting certain goods likely to be produced locally to excise duties, promoting exports, and strengthening the national supply of consumer products.
- Collection of the tax arrears of public enterprises, which could generate additional revenues equivalent to approximately 1.5 percentage point of GDP. The government will step up collection of tax arrears and implement measures to avoid the recurrence of such arrears.

## D. Debt Policy and Management of Contingent Liabilities

**33. The government is determined to improve debt sustainability.** As the risk of debt distress is still high, the borrowing policy will focus on slowing the pace of new external debt commitments, while favoring concessional loans. Recurrence to nonconcessional borrowing will be limited to high priority projects with proven socioeconomic and financial cost-effectiveness for which no concessional financing is available

**34. LF22 sets ceilings on borrowing for 2022.** LF22 has set an overall ceiling on new external commitments of CFAF 650 billion for direct borrowing by the central government, including CFAF 230 billion in nonconcessional loans and CFAF 420 billion in concessional loans. The ceiling on foreign guarantees is set at CFAF 40 billion for public enterprises and establishments and decentralized local governments (CTDs). LF22 also calls for an exceptional guarantee of CFAF 200 billion for domestic loans of public enterprises, private companies and CTDs. Recourse to the issuance of Treasury bills for budget financing is subject to a ceiling of CFAF 350 billion.

**35. New external borrowing will be limited to the revised program ceilings in accordance with the IMF's new public debt limits policy.**

- Until amendment by the Executive Board, the ceiling on new nonconcessional external debt contracted or guaranteed by the government will be set at zero, adjusted upward exclusively for the projects specified in Table 1 of the TMU which revises Table 1 of the July 2021 TMU, up to a maximum equivalent to the difference between (i) CFAF 300 billion and (ii) the amount of the adjustor applied at end-December 2021.
- Following the approval by the Board of the first review, the new ceiling of CFAF 512.9 billion based on the present value of new external borrowing contracted or guaranteed by the government, will replace the nominal ceiling on nonconcessional borrowing, in accordance with the reforms of the IMF's public debt limits policy, which entered into effect on June 30, 2021.

This replacement will facilitate debt management to meet the government's developmental and program objectives.

**36. The government reaffirms the central role of the National Public Debt Committee (CNDP) in debt management.** All borrowing proposals, including those of public enterprises and CTDs, all PPP projects, and all request for guarantees require the approval of the CNDP (taking account of their impact on debt sustainability). The medium-term debt strategy (MTDS) will remain focused on facilitating the preparation of coherent annual borrowing plans. The communications strategy will also be strengthened to ensure a better understanding of the debt management objectives by the various stakeholders.

**37. The government remains determined to reduce domestic arrears.** Starting in 2020, the General Directorate of the Treasury and Financial and Monetary Cooperation (DGTCFM) began to clear audited outstanding balances of accounts units prior to 2019. Approximately 4,508 items were validated, corresponding to CFAF 50.6 billion. The outstanding balances due were paid

**38. The government has also undertaken an audit of the floating debt** covering all payments arrears on services provided to government departments, public establishments, public enterprises and decentralized local governments over the period 2000-20. Four firms have already been selected, the work has begun, and the reports are expected by end-June 2022 leading to the preparation of plans to clear claims definitively validated at the end of this process.

**39. The stock of contracted-but-undisbursed debt (SENDs) rose slightly in 2021.** The stock of external SENDs, excluding budgetary assistance, increased from CFAF 3,147 billion at end-2020 to CFAF 3,496 billion in October 2021, primarily owing to new concessional loans. The 2022 SEND disbursement plan will be aligned with externally financed expenditures included in the framework, and the government will take all necessary measures to gradually reduce the stock of SENDs. As well, the government will begin to cancel SENDs on old nonperforming projects and seek appropriate new financing for the completion of these projects, if necessary.

## E. Public Enterprise Reform and Management of Contingent Liabilities

**40. The government will continue to strengthen the management and governance of public enterprises to improve the delivery of public services and limit fiscal risks.** Specifically:

- The government will ensure implementation of the public enterprise and establishment reforms under Laws 2017/011 and 2017/010 of July 12, 2017 on the General Statute Governing Public Enterprises and the General Statute Governing Public Establishments. In line with the IMF technical assistance recommendations provided in March 2021, the provisions of these laws and their implementing decrees of June 19, 2019 will be supplemented to strengthen the control of fiscal risks, classification, and operation of the governing bodies of public enterprises
- To streamline its portfolio and reduce potential fiscal risks, the government is committed to completing the assessments of the viability of certain public enterprises (CAMTEL, CAMWATER and the Autonomous Port of Douala) by June 2022 (structural benchmark) and undertakes to

audit other loss-making or highly indebted public enterprises. In addition, the government plans to conduct a review of all approved or administered prices for the products offered by public enterprises with a view to reviewing the calculation formula if necessary and/or their possible liberalization by December 2022.

- The Public Treasury will continue to make quarterly payments for government consumption to the utilities (ENEO, CAMWATER, CAMTEL, SONARA, CAMPOST, SIC, HYSACAM, CAMRAIL) based on sufficient annual budget allocations to limit the recurrence of a large volume of cross debts with these entities. In return, these entities will be required to properly meet their tax obligations. An inventory of cross debts as of end-December 2020 between the government and public enterprises and between the public enterprises themselves will be completed by June 2022 for the 30 public enterprises or utilities with the largest tax debts or claims on the government, as established in the Green Paper annexed to the 2021 budget.
- Public enterprise that has benefited from on-lending or guaranteed loans will have to fulfill their contractual obligations as specified in the on-lending or guarantee agreements. To this end, the government will initiate discussions with the public enterprises concerned to devise a plan for the collection of amounts due on maturities settled by the government on their behalf and to set the terms for effective tracking to allow public enterprises to make debt service payments on on-lending or loans guaranteed by the government in a timely manner and avoid accumulating new arrears. For new financing, the government will introduce more security and take measures to collect debt service payments on time. The amounts expected from public enterprises in respect of on lending or guaranteed debt will be clearly identified and recorded in the budget law.

**41. Regarding the governance of public enterprises**, the government will ensure that their boards of directors include highly qualified officials with expertise in management and in the industry/sector concerned, strengthen internal control systems, and require production and publication of audited annual financial statements and submission of their business plan in accordance with the laws establishing the General Statute Governing Public Enterprises and the General Statute Governing Public Establishments. In addition, the role of advisor to the government on policies aimed at improving performance and reducing budgetary risks will be given to an umbrella entity responsible for steering and coordinating the government's shareholding policy.

- Regarding the remuneration of officers and directors, the government will, by the end of the current three-year evaluation cycle, introduce additional criteria for the classification of public enterprises and public establishments, bearing in mind international best practices in this area.
- The government intends to streamline the government portfolio. This requires reducing the presence of the public sector in areas where the private sector can operate more efficiently, merging public enterprises or establishments that offer similar services in the same sector, and, where appropriate, using public-private partnerships (PPPs) with a solid institutional framework. To this end, the legal and regulatory framework governing PPPs will be amended in accordance with regional directives to improve transparency, clarify the terms and conditions for their implementation, and ensure that all PPP projects are covered by a single framework.

- In addition, the CTR will establish a regularly updated table of risks broken down by public enterprise. This table will help to map the risks of the government portfolio, overall and by sector.

**42. To improve the performance of public enterprises, the Government intends to pursue a policy geared towards:** (i) signing performance contracts specifying the public service obligations, unit costs (as a basis for payment of subsidies), and required measurable indicators of production volume and service quality; (ii) gradually reducing subsidies to underperforming enterprises; (iii) listing large public enterprises in industrial sectors on the stock exchange; and (iv) implementing support measures based on better exploitation of the local market. Clear identification of the public service obligations of public enterprises and quantification of output and associated unit costs are essential to assess the financial performance and operational efficiency of a public enterprise and the need for government subsidies for its operations. The government will issue a MINFI instruction to institutionalize governance by performance contract with a view to improving the performance of the public enterprises concerned and will publish these performance contracts and the evaluation reports on the MINFI's official website by end-June 2022 (structural benchmark).

**43. The government will continue to take steps to put SONARA on a sound financial footing**. This will involve:

- As soon as possible completing the negotiations on the restructuring of SONARA's debt to traders (suppliers of crude oil and finished petroleum products) under the same conditions as those concluded with the banks.
- Each month validating any shortfalls and/or overpayments and ensuring settlement of the amounts due by the debtor party within a maximum of 120 days.
- Requiring SONARA to regularly pay taxes and customs duties owed to the Public Treasury.
- Ensuring that SONARA is authorized to import of a volume of petroleum products consistent with its financial commitments.

## F. Regional Monetary Policy and Financial Sector Stability

**44. The government is joining the efforts of the regional authorities to preserve the stability of the monetary arrangement, which requires rebuilding the BEAC reserves.** It is committed to ensuring that all aspects of the new foreign exchange regulations under its jurisdiction are enforced. Specifically:

- The government will continue to identify accounts held by public enterprises abroad and require them to comply with the new foreign exchange regulations on the opening of offshore accounts.
- In liaison with the BEAC, the government will ensure that new concession contracts or revenue-sharing agreements with the extractive industries comply with the provisions of the foreign

exchange regulations before they are signed. The government will also take the necessary measures to ensure that the new Petroleum Code is fully compliant with the CEMAC foreign exchange regulations.

- The Ministry of Finance will continue the steps already taken to establish a data exchange platform for the BEAC, banks, DGTCFM and DGD to facilitate the control and monitoring of the repatriation of export proceeds and financial transactions with the rest of the world. To this end, it will see to the signing of a memorandum on the exchange of foreign trade data covering commercial banks, microfinance institutions, foreign exchange bureaus, DGD, DGTCFM and the BEAC.

**45. The government will continue to implement reforms aimed at strengthening the stability of the financial sector and reducing nonperforming loans.** To this end:

- It will complete the restructuring of two distressed banks as soon as possible within the timetable set by the COBAC and open them up to private sector investment in a timely manner.
- It remains committed to continuing the training of judges and clerks on the resolution of bank disputes and will transform the existing commercial chambers into specialized commercial courts with judges trained in commercial disputes.
- It will continue to encourage banks and financial institutions to systematically submit data to the national personal property security directory (RNSM).
- The government remains committed to strengthening the operation of the State Asset Management Company (SRC) to enable it to effectively perform its new missions.

**46. The government intends to take a series of actions to develop the financial sector, an essential pillar for industrialization and structural transformation of the economy.** As specified in SND-30, government interventions will focus on six areas: (i) financial inclusion and densification of the financial and banking system – to which end we have begun preparation of a national strategy; (ii) development of local financing for investments and exports; (iii) strengthening of regional and international financing of investments and exports; (iv) development of supplier credit; (v) contribution of the Cameroonian diaspora and repatriation of capital invested abroad; and (vi) development of financial talents and skills. The National Economic and Financial Committee (CNEF) is currently leading the update of the national financial sector development strategy.

**47. In addition, in the medium term the government intends to diversify the investor base for government securities with the aim of strengthening the government's financing capacity while developing a culture of savings and social protection.** In 2022, the government will prepare a strategy in collaboration with the BEAC to encourage the participation of nonbank investors (insurance, pension funds, individuals, etc.), particularly in long maturity issues, and will ensure compliance with the specifications for primary dealers, which, among other things, establish the obligation to sell a portion of their underwriting to customers.

## G. Competitiveness and Private Sector Development

**48. The government is determined to tackle the structural obstacles that hamper private sector development and economic diversification.** These obstacles include insufficient infrastructure, high factor costs, limited access to financing, and various distortions (unskilled labor force, legal and judicial system requiring improvement). In line with SND-30, the government will implement its strategic choices, specifically the promotion of basic infrastructure and strengthening of governance to increase competitiveness and promote private sector development.

**49. Regular consultations with the private sector are important.** The government is committed to improving the format for formal dialogue with the private sector by establishing thematic groups that will hold meetings at least twice a year to monitor implementation of the recommendations of the Cameroon Business Form by end-March 2022 (structural benchmark).

**50. Facilitation of foreign trade will continue to play a key role in the development and strengthening of Cameroon's competitiveness.** To support cross-border trade, the government commits to supporting regional initiatives for the migration of the customs information system, limiting intermediate controls on the transport of goods in transit at conventional checkpoints, and simplifying administrative formalities and procedures for cross-border trade. More specifically, it will: (i) reduce port transit times for goods for import, export or transit; (ii) reduce port transit costs for imports and exports; (iii) complete the process for the computerization of procedures on port platforms; and (iv) implement the measures of the Trade Facilitation Agreement. To this end, the government will ensure the proper functioning of the National Trade Facilitation Committee (CONAFE), a participatory and partnership body bringing together equal numbers of public and private sector stakeholders responsible for trade facilitation. Moreover, to deepen the economic integration of the African continent, the government will ensure implementation of the national strategy on the African Continental Free Trade Area (AfCFTA).

**51. Given the priorities adopted to accelerate private sector development, the government will reform the incentive system for business development.** One aspect involves eliminating obstacles to a competitive trade environment. The government will revise the law to streamline these incentives and promote healthy competition between economic agents by end-December 2022 (structural benchmark), based on the recommendations of the tax policy review.

## H. Environment and Climate Change

**52. SND-30 pays particular attention to the environment and climate change.** It sets the specific objective of "stepping up measures to adapt and mitigate the effects of climate change and environmental management to ensure economic growth and sustainable and inclusive development." This is justified by the commitment of the Head of State in the context of the Paris Agreement on Climate, as reflected in Cameroon's "Nationally Determined Contribution (NDC)," to reduce our future greenhouse gas emissions by 35 percent by 2030, including 12 percent unconditional and 23 percent conditional on the support of the international community in the form of financing, transfers of technology and capacity building. Cameroon is one of 105 countries that signed the Glasgow Declaration on Forests and Land Use during the 26th Conference of the Parties (CoP26) aimed at stemming and reversing the loss of forests and land degradation by 2030. To this end, Cameroon has undertaken to restore approximately 12 million hectares of degraded lands under the AFR 100 Initiative.

## I. Promoting Good Governance

**53. The government remains committed to strengthening good governance, transparency, the rule of law and the fight against corruption.** The authorities have established key anticorruption institutions, and measures to criminalize corruption are broadly in line with the recommendations of the United Nations Convention Against Corruption (UNCAC). Recent efforts related to COVID-19 expenditure and RCF commitments include the publication in November 2021 of the report on the audit of COVID-19 expenditures in 2020, the publication of the results of public procurement for COVID-19-related expenditures, including information on beneficial owners, and the publication of the annual report on COVID-19 expenditure execution.

**54. The government also remains determined to continue its policy to consolidate public finance management by strengthening the legal and institutional framework for the promotion of public governance.** To this end it intends to improve its regulatory framework to add clarity to the definition of corruption and related offenses, reduce exemptions from prosecution, strengthen the protection of whistleblowers, and facilitate the process for the seizure of goods used in the commission of these offenses or produced by them. At the institutional level, the government recognizes the need to strengthen the independence and intervention powers of the National Anti-Corruption Commission (CONAC), a specialized agency for combating corruption and enforcing the provisions of Article 66 of the amended Constitutional Law of January 18, 1996 on the obligation for senior officials to submit asset declarations. It will also involve strengthening the resources of the audit bench of the Supreme Court to bring it into line with the CEMAC directives. The Government will conduct, in consultation with IMF staff, and publish a diagnosis of governance vulnerabilities and corruption, which would include the following aspects, affecting economic activity: (i) fiscal governance; (ii) supervision of the financial sector; (iii) regulation of the market for goods and services; (iv) the rule of law; and (v) the fight against money laundering and the financing of terrorism (AML/CFT).

**55. The government will also continue to ensure compliance with international anti-money laundering and terrorist financing (AML/CFT) standards.** The results of the National Risk Assessment (NRA) conducted with assistance from the World Bank and the 2021-2024 priority action plan were presented to the public in January 2021. The National Financial Investigation Agency (ANIF) has made progress in implementing the recommendations, including the creation of a national framework. As well, in the context of the mutual evaluation of the national AML/CFT framework, the Task Force on Money Laundering in Central Africa (GABAC) conducted an evaluation in March 2021 and adopted the relevant report in October. The evaluations will serve as a basis for strategic decision-making in the implementation of measures aimed at strengthening the national AML/CFT framework and the appropriate allocation of AML/CFT resources, using a risk-based approach.

**56. The government pledges to take the necessary steps to strengthen compliance with the Extractive Industries Transparency Initiative (EITI) principles.** Cameroon was temporarily suspended from the EITI in April 2021 owing to delays in the publication of the 2018 EITI report, but the suspension was lifted when the report was published in June 2021. The 2019 EITI report was presented to the public in November 2021. At its January 2021 meeting, the EITI board concluded that Cameroon had made significant progress in the implementation of the 2019 EITI standard. However, the board observed that only three of the 14 corrective measures that were to be implemented had actually been successfully implemented. The board concluded that Cameroon had until the next validation, expected to begin in April 2023, to implement the 11 remaining measures as well as four measures resulting from the new requirements under EITI-2019. In this regard, the government intends to redouble its efforts to implement the recommendations of the EITI board of directors and to continue to promote transparent and responsible management of natural resources. The government is also committed to completing and publishing all of the implementing regulations for the 2016 Mining Code by end-March 2022 (structural benchmark).

## J. Promoting Gender Equality

**57. The government will continue its efforts to promote gender equality.** The government has for several decades resolutely committed to achieving equitable access of women and men to education, training, health services and social protection. However, in the area of gender-sensitive budgeting, despite presidential circulars for the preparation of the government budget that focus on this topic issued since 2010, there has been insufficient consideration of the differentiated needs of men and women in public policies. Measures will be taken, with assistance from the appropriate technical partners, to remedy this situation.

**58. A major change in LF22 is the inclusion of a specific annex devoted to gender-sensitive budgeting.** In accordance with the recent AFRITAC technical assistance recommendations, the government has undertaken to adapt the budgeting tools to add a gender dimension. The first Gender-Sensitive Budget Document, focusing on eight pilot ministerial departments in a gradual approach, highlights government actions aimed at promoting gender equality by establishing the essential links between policies issued and subsequent budget allocations. Its objective is to promote gender equality and its impact on the population, which should make it possible to improve the share of the budget allocated to reducing gender inequalities in government departments over time.

**59. The government also pledges to amend discriminatory laws and policies with the aim of facilitating female entrepreneurship,** including stepping up consultations with banks and technical and financial partners to facilitate access to credit for women.

# PROGRAM MODALITIES

**60. The government will take all necessary measures to meet the targets and criteria presented in Tables 1 and 2 of this memorandum.** The program will be monitored on the basis of semiannual reviews and the performance criteria, indicative targets and structural benchmarks defined in Tables 1 and 2 of this memorandum and in the attached Technical Memorandum of Understanding (which also defines the requirements for data reporting to IMF staff). The second review of the program will be based on end-December 2021 targets and is expected to be completed by June 15, 2022; the third review based on end-June 2022 targets is expected to be completed by December 15, 2022; and the fourth review based on end-December 2022 targets is expected to be completed by June 15, 2023.

**61. The government requests that the IMF Executive Board approve certain changes to the program targets and grant a waiver for performance criteria applicability for end-December 2021.** The government is requesting a waiver for the non-observance of the continuous performance criterion on the ceiling on new nonconcessional external debt contracted or guaranteed by the government. Although the overall level of non-concessional debt was respected, newly contracted non-concessional borrowing included a project that was included in the approved lists for the previous ECF program but subsequently dropped. The government is also requesting the approval of modifications to the program targets for end-March and end-June and the approval of new criteria for end-September and end-December in line with the updating of the macroeconomic projections. Moreover, the newly introduced ceiling on the present value of new external debt contracted or guaranteed by the national government will replace the nominal ceiling on new non-concessional external debt, reflecting the reforms to the IMF's debt limits policy, which entered into effect on June 30, 2021. This will facilitate debt management to meet the government's developmental and program objectives.

**Cameroon: List of Priority Projects for 2022**

1. Construction of 225kv Ebolowa – Kribi and 90 KV Mbalmayo – Mekin power lines and related works
2. Extension of the Intelligent video surveillance system at the national level (phase 2)
3. Presidential Plan for the reconstitution of the North-West and South-West regions
4. 400 Kv Natchigal – Bafoussam transmission line
5. Edéa – Kribi road rehabilitation project (110 km)
6. Construction of 225 KV electrical transmission line for the supply of Kribi industrial port complex
7. Project to acquire 25 wagons
8. Electrification of 200 localities with Solar Photovoltaic Systems
9. EBOLOWA – AKOM II – KRIBI road construction project
10. OLOUNOU – OVENG – Gabon border – Bridge on the Kom river- road construction project
11. Project for the creation and management of a fleet of hydraulic and civil engineering machinery
12. Construction and Equipment of a Welding workshop in the National Higher Polytechnic Institute of the University of Bamenda
13. Construction of the Menchum Dam
14. Construction of the Ekondo Titi – Isanguele – Mudemba road

## Table 1. Cameroon: Quantitative Performance (QPC) and Indicative Targets (IT)* under the ECF and EFF Arrangement[1]

(In billions of CFAF, unless otherwise indicated)

| | End-July 2021 QPC | End-July 2021 (Actual) | Performance | End-Sep 2021 IT | End-Sep 2021 (Actual) | Performance | End-Dec 2021 QPC | End-March 2022 IT (Prog.) | End-March 2022 IT | End-June 2022 QPC (Prog.) | End-June 2022 QPC | End-Sept 2022 IT | End-Dec 2022 QPC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **A. Periodic Quantitative Performance Criteria** | | | | | | | | | | | | | |
| Floor on the non-oil primary fiscal balance (payment order basis) | -510 | -441 | Met | -847 | -637 | Met | -1,078 | -250 | -41 | -504 | -432 | -499 | -886 |
| Ceiling on the net domestic financing of the central government (excluding IMF financing) 2/ | 114 | 108 | Met | 55 | 164 | Not Met | 102 | 155 | 106 | 211 | 150 | 210 | 46 |
| Ceiling on net borrowing of the central government from the central bank (excluding IMF financing) 2/ | 99 | -65 | Met | 109 | -26 | Met | 114 | 25 | 115 | 50 | 170 | 170 | 170 |
| Ceiling on the disbursement of non-concessional external debt 3/ | 308 | 118 | Met | 472 | 152 | Met | 566 | 161 | 162 | 322 | 324 | 485 | 647 |
| **B. Continuous Quantitative Performance Criteria** (starting from the program approval) | | | | | | | | | | | | | |
| Ceiling on the accumulation of new external payments arrears 4/ | 0 | 0 | Met | 0 | 0 | Met | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ceiling on new non-concessional external debt contracted or guaranteed by the government 5/ 6/ 7/ | 0 | 55 | Met | 0 | 147 | Not Met, a project of 3bn was signed in Sept. and is not part of the current list. | 0 | 0 | Applicable until the Board Date | 0 | | | |
| PV of contracting and guaranteeing of new external borrowing 8/ | | | | | | | | | Starting from the Board Date | | 512.9 | | 512.9 |
| **C. Indicative Targets** | | | | | | | | | | | | | |
| Floor on non-oil revenue | 1,646 | 1,707 | Met | 2,192 | 2,193 | Met | 2,930 | 796 | 794 | 1,598 | 1,558 | 2,361 | 3,221 |
| Ceiling on the net accumulation of domestic payment arrears | 0 | 73 | Not Met | -41 | 45 | Not Met | -83 | -14 | -10 | -28 | -29 | -53 | -85 |
| Floor for poverty-reducing social spending | 450 | 452 | Met | 745 | 696 | Not Met | 1,111 | 158 | 172 | 380 | 382 | 716 | 1,062 |
| Ceiling on direct interventions of SNH | 100 | 138 | Not Met | 120 | 173 | Not Met | 145 | 40 | 40 | 65 | 80 | 110 | 145 |
| Share of spending executed through exceptional procedures on authorized (payment order) spending 9/ | 5 | 11 | Not Met | 5 | 8 | Not Met | 5 | 4 | 5 | 4 | 5 | 4 | 4 |
| ***Memorandum items:*** | | | | | | | | | | | | | |
| *1. Cumulative external budget support, excluding IMF* | *53* | *55* | | *53* | *55* | | *110* | *53* | *45* | *106* | *45* | *135* | *170* |
| *2. New concessional external debt contracted or guaranteed by the government 10/* | *219* | *150* | | *300* | *175* | | *350* | *88* | *105* | *150* | *210* | *315* | *420* |
| *3. Balance of the special account for the unused statutory advances* | *61* | *61* | | *51* | *61* | | *50* | *41* | *50* | *41* | *50* | *50* | *50* |

Sources: Country Authorities and IMF Staff projections

Note: The terms in this table are defined in the TMU.

* In addition to QPCs enumerated in this table, the Standard Continuous Performance Criteria will also apply: (i) Not to impose new or intensify existing restrictions on the making of payments and transfers for current international transactions; (ii) Not to introduce new or intensify existing multiple currency practices; (iii) Not to conclude bilateral payments agreement that are inconsistent with the IMF's Articles of Agreement (Article III); and (iv) Not to impose new or intensify existing import restrictions for balance of payments reasons

1/ Program indicators under A are performance criteria at end-July 2021 and end-December 2021 and end-June 2022 and end-December 2022; indicative targets otherwise.

2/ The ceiling on net domestic financing (excluding payment of arrears) of the budget and the ceiling on the net borrowing from the central bank will be adjusted if the amount of disbursements of external budgetary assistance excluding IMF financing, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 120 billion at the end of each quarter. These ceilings include deposits of CFAF 37.5 billion at the central bank from the eurobond refinancing operations. The 2021 ceilings include also CFAF 30 billion at end-July and CFAF 40 billion at end-September and December of BEAC repurchases (to be adjusted based on the realization) of Cameroon's bonds.

3/ To be adjusted by potential use of the Eurobond proceeds of CFAF 37.5 billion.

4/ The zero ceiling applies until the end of the arrangement.

5/ Excluding ordinary credit for imports and debt relief obtained in the form of rescheduling or refinancing.

6/ For 2021 the adjustment will be equal to the amount of non-concessional budget support approved up to a maximum of CFAF 110 billion. For 2022 the adjustment will be equal to the amount of non-concessional budget support approved up to a maximum of CFAF 174 billion.

7/ From program approval through end-December 2022, the ceiling will be set at zero. For 2021, an adjustor of up to CFAF 300 billion will be applied for the macro-critical projects specified in Text Table 1 of the TMU contracted after program approval. Non-concessional external debt already contracted or guaranteed in 2021 prior to program approval counts against the 2021 adjustor, including the potential uses of the Eurobond refinancing proceeds of CFAF 37.5 billion. For 2022, until modified by the IMF Executive Board, the ceiling will be adjusted upward exclusively for the projects specified in Table 1 of the TMU , up to a maximum determined by the difference between (i) CFAF 300 billion, and (ii) the amount of the adjustor applied at end-December 2021.

8/ Cumulative ceiling calculated from January 1, 2022 and monitored on a continuous basis from completion of the first review under the ECF/EFF arrangement. Excludes ordinary credit for imports, debt relief obtained in the form of rescheduling or refinancing, and budget support loans from the WB. Assumptions for the exchange rates are: 0.828 (EUR/USD), 543.201 (CFAF/USD), 0.714 (XUA/USD). Given the uncertainty of the borrowing plan for concessional loans, the terms were assumed at 30 year maturity, 5 year grace period, 0.4% fixed interest rate, and 0.75% management fee per annum.

9/ This refers to payments made by the Treasury without prior authorization (issuance of payment orders, such as cash advances and provisional budget commitments), excluding debt service payments.

10/ On a contracting basis in accordance with the IMF's debt limits policy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf.

## Table 2. Cameroon: Prior Action and Structural Benchmarks, 2021–22

| | Indicatives targets | Initial Schedule | Indicator | Status | Comment | Revised Schedule |
|---|---|---|---|---|---|---|
| ***Prior Action*** | | | | | | |
| 1 | Publish on the ARMP website an overall table of the results of contracts related to COVID-19 and awarded from end of June 2021 to end of December 2021, including the actual beneficial owners of contracting entities. | | Publication on the ARMP website | **Met** | https://www.armp.cm/details?type_publication=COMM&id_publication=16804 | |
| ***Revenue Mobilization*** | | | | | | |
| 2 | Prepare a diagnosis of the tax policy and formulate recommendations for the establishment of a development-oriented tax system that at the same time broadens the tax base. | Oct-21 | Diagnostic sent to IMF staff. | **Not Met** | The IMF TA will be conducted in 2022. | Oct-22 |
| ***Public finance and debt management*** | | | | | | |
| 3 | Publish the audit prepared by the audit bench of the supreme court (chambre des comptes) of fiscal year 2020 expenses related to COVID-19 | Dec-21 | A copy of the audit report published on the website of the Ministry of Finance is sent to IMF staff. | **Met** | https://www.dgb.cm/2021/11/16/la-chambre-des-comptes-publie-son-rapport-daudit-sur-la-gestion-des-fonds-covid-19/ | |
| 4 | Adopt and publish all the implementing texts of the Public Procurement Code, including those relating to the establishment of internal administrative management structures. | Sep-21 | A copy of all published texts is provided to IMF staff. | **Met** | https://minmap.cm/wp-content/uploads/2021/09/arret%C3%A91_compressed-1.pdf | |
| 5 | Complete the audits of government payment arrears and adopt an arrears settlement plan of arrears certified by these audits. | Dec-21 | Communication of the audit report and the clearance plan to IMF staff | **Not Met** | The authorities have selected four auditors to audit the debts that would then provide the basis for clearing the debts. | Sep-22 |
| 6 | Pursue the reforms aimed at extending the STA to the BEAC: (i) present a census of government accounts of administrations, public institutions and agencies, public establishments, and the Autonomous Amortization Fund (CAA) (and the balance of these accounts) excluding counterpart funds as of June 30, 2021 and December 31; (ii) close and repatriate the balances of these STA accounts to the BEAC before the end of March 2022. | Mar-22 | Transmission of the list of non-BEAC accounts and closed accounts and transferred to the BEAC to IMF staff. | | The authorities completed the census of government accounts of administrations, public institutions and agencies, public establishments, and the Autonomous Amortization Fund (CAA) (and the balance of these accounts) excluding counterpart funds as of June 30, and as of December 31, 2021. The authorities are waiting for the BEAC's platform to repatriate the balances. | Jun-22 |
| 7 | Carry out a diagnostic study of the public administration pension system, together with recommendations for its improvement | May-22 | A copy of this study is given to the IMF staff | | | May-22 |
| ***Public Investment Management (PIM)*** | | | | | | |
| 8 | Strengthen the accountability of the implementing units by setting, by decree, the modalities for monitoring the performance of all programs and projects financed both from domestic and external resources. | Sep-21 | Decree published. | **Not Met** | The authorities issued the decree on October 13. The authorities are working with the WB and the AFDB to index the remuneration to performance. | |
| 9 | Adopt a legal and regulatory framework governing Public-Private Partnerships (PPP) so that all Public-Private Partnership projects follow a single framework. | Jun-22 | Legal and regulatory framework published | | Pending the adoption of a regional framework, the authorities have already prepared a draft to be aligned with the future regional framework. | Dec-22 |

## Table 2. Cameroon: Prior Action and Structural Benchmarks, 2021–22 (Cont.)

| | Structural Benchmarks | Schedule | Indicator | Status | Comment | Revised Schedule |
|---|---|---|---|---|---|---|
| ***Public enterprises*** | | | | | | |
| 10 | Finalize the diagnostic studies of a few large public companies (CAMTEL, PAD, CAMWATER) | Dec-21 | Diagnostic studies sent to IMF staff | **Not Met** | PAD diagnostic's report is being finalized and CAMTEL and CAMWATER diagnostics are ongoing. | Jun-22 |
| 11 | Establish an inventory of the respective debts between the public enterprises and the State and between the public enterprises themselves at the end of 2020, and adopt a plan for the clearance of the respective debts between the State and the public enterprises. | Dec-21 | Inventory and plan shared with IMF staff | **Not Met** | Cross-debt inventory report being finalized. | Jun-22 |
| 12 | Institutionalize, by MINFI instruction, governance by program contracts in order to improve the performance of the public enterprises concerned. Publish these program contracts and evaluation reports on the official MINFI website. | Jun-22 | Instruction published in the official newspapers | | | Jun-22 |
| ***Extractive Sector*** | | | | | | |
| 13 | Finalize and publish all the texts of application of the mining code of 2016 (Law n ° 2016/017 of December 14, 2016). | Mar-22 | Implementation texts published | | | Mar-22 |
| ***Business climate*** | | | | | | |
| 14 | Make the deposit and consignment fund operational, in particular to collect all the deposits paid by taxpayers in the context of tax disputes and thus make it possible to accelerate such restitution if necessary. | Oct-21 | Decree designating the officers of the deposit and consignment fund | **Not Met** | The authorities have yet to nominate the officers responsible. | Jun-22 |
| 15 | Strengthen the format of consultation between the public and private sectors by integrating thematic groups with at least semi-annual meetings to monitor the implementation of the recommendations of the Cameroon Business Forum. | Mar-22 | New consultation format set up and the first meeting held | | | Mar-22 |
| 16 | Revise Law No. 2013/004 of April 18, 2013 to rationalize these incentives and promote healthy competition between economic operators. | Jun-22 | A revised law is published | | To be rescheduled after the completion of the tax policy diagnostic. | Dec-22 |
| ***Good governance and anti-corruption (New)*** | | | | | | |
| 17 | Publish an execution report of expenses related to COVID-19 and executed during the 2021 budget year. | Jun-22 | Publication of the report | | New SB | Jun-22 |
| 18 | Conduct in consultation with IMF staff, and publish, a diagnostic of vulnerabilities in governance, including in corruption, that would include state functions that are most relevant to economic activity; namely: (i) fiscal governance; (ii) financial sector oversight; (iii) market regulation; (iv) rule of law; and (v) Anti Money Laundering and Combatting the Financing of Terrorism (AML/CFT). | Jun-23 | Publication of the report | | New SB | Jun-23 |
| 19 | In consultation with IMF staff, prepare and publish an action plan for strengthening the frameworks for preparation, publication, and follow-up of public spending audits, with recommendations for strengthening the relevant institutions, especially the Supreme Court's Audit Bench. | Dec-22 | Submission to the IMF staff | | New SB | Dec-22 |
| 20 | Prepare and Publish an audit prepared by the audit bench of the supreme court (chambre des comptes) of fiscal year 2021 expenses related to COVID-19. | Dec-22 | Publication of the report | | New SB | Dec-22 |

# Attachment II. Technical Memorandum of Understanding

## Provisions of the Extended Credit Facility and the Extended Fund Facility, 2021–24

**1. This Technical Memorandum of Understanding (TMU) defines the quantitative performance criteria and indicative objectives** that will be used to assess performance in the framework of Cameroon's program supported by arrangements under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) over the period 2021-24. The TMU also establishes the framework and cutoff dates for reporting the data to enable IMF staff to assess program implementation.

## CONDITIONALITY

**2. The quantitative performance criteria and indicative objectives from end-July 2021 until December 2022** are provided in Table 1 of the Memorandum of Economic and Financial Policies (MEFP) attached to the Letter of Intent. The structural benchmarks defined in the program are provided in detail in Table 2 of the MEFP.

## DEFINITIONS

**3. Government:** Unless otherwise indicated, "government" is defined as the central government of the Republic of Cameroon, which includes all implementing agencies, institutions, and any organizations receiving special public funds, whose powers are included in the definition of central government under the *2001 Government Finance Statistics Manual* (*GFSM 2001*, paragraphs 2.48–50). This definition does not include local governments, the Central Bank, or any other public entity, or entity belonging to the government that has autonomous legal status and whose operations are not included in the table of government financial operations (TOFE).

**4. A nonfinancial public enterprise** is a commercial or industrial unit, fully or partially owned by the central government or its bodies, that sells goods and services to the public on a large scale. With effect from June 2017, all operations between the government and these public enterprises should be treated on a gross basis in the TOFE with the proper treatment of revenue operations and those related to expenditure.

## REVENUE

**5. Total government resources** are comprised of tax and nontax fiscal revenue (as defined in Chapter 5 of *GFSM 2001*) and grants. Revenue is recorded in the accounting system on a cash basis. Proceeds from the sale of assets and revenue from privatizations (defined in paragraph 8) are not considered government revenue.

**6. Oil revenue** is defined as the total transferable balance of the *Société Nationale des Hydrocarbures* (the national hydrocarbons company—SNH), and income tax on oil companies and gas operators. The authorities will notify IMF staff of any changes in the tax systems that may occur that would lead to changes in revenue flows. Oil revenue is recorded in the accounting system on a cash basis.

**7. Non-oil revenue** includes all government's (tax and nontax) revenue, with the exception of oil revenue as defined under paragraph 6. Value-added tax (VAT) is recorded net of VAT refunds. Pipeline fees paid by the *Cameroon Oil Transportation Company* (COTCO) are recorded under nontax revenue.

**8. Privatization revenue** includes all funds paid to the government in connection with the sale or transfer of the management of a public enterprise (concession), agency, or facility to one or more private enterprises (including enterprises fully controlled by one or more foreign governments, one or more private entities, or one or more individuals). Privatization revenue also includes all funds deriving from the sale of shares held by the government in private companies or public enterprises. All privatization revenue must be recorded on a gross basis. Any costs that may be involved in sales or concessions must be recorded separately under expenditure.

## EXPENDITURE

**9. Total government expenditure and net lending** include are all wage and salary expenditure for civil servants, goods and services, transfers (including subsidies, grants, social security benefits, and other outlays), interest payments, and capital expenditure, all of which are recorded in the accounting system on payment order basis, unless otherwise indicated, and net lending (defined in *GFSM 2001*). Total government expenditure also includes expenditure carried out without any prior payment authorization and pending regularization.

**10. Spending advances (*interventions directes*) by *Société Nationale des Hydrocarbures* (SNH)** are included in government expenditure. They include emergency payments made by the SNH on behalf of the government, substantially to cover exceptional sovereignty and security outlays.

**11. Social expenditure** includes public expenditure recorded in the government budget in connection with priority programs to accelerate attainment of the government's social development objectives. This item includes: (i) for the education sector, total expenditure (current and capital) of the Ministries (Basic Education, Secondary Education, and Employment and Vocational Training); (ii) for the health sector, current and capital expenditure of the Ministry of Public Health, including COVID-19 related expenditures; and (iii) for other social sectors, current and capital expenditure of the Ministries of Labor and Social Security, Youth and Civic Education, Social Affairs, and Promotion of Women and Family; (iv) administered price subsidies (fuel at the pump, electricity to households), and (v) expenditures for the Social Safety Net Program.

## BALANCE AND FINANCING

**12. Primary balance**: Primary balance: The primary balance is defined as the difference between total government revenue (defined in paragraph 5) and total government expenditure and net lending (defined in paragraph 9) not including interest payments in connection with external and domestic debt.

**13. Debt:** The definition of "debt" is set out in paragraph 8 (a) of the Guidelines on Public Debt Limits in Fund-Supported Programs attached to the Executive Board Decision 15688–(14/107) adopted on December 5, 2014, but also includes commitments contracted or guaranteed, for which the values have not been received. For purposes of these Guidelines, **"debt"** is understood to mean a direct, i.e., noncontingent, liability created under a contractual arrangement under which a value must be provided, in the form of assets (including monetary assets) or services, and under which the debtor also undertakes to make one or more payments in the form of assets (including monetary assets) or services, according to an established schedule. These payments will discharge the debtor from the principal and/or interest liabilities undertaken under the contract. In accordance with the foregoing definition of debt, any penalties or damages awarded by a court as a result of the nonpayment of a contractual obligation that constitutes debt are debt.

**14. External debt**, in the assessment of the relevant criteria, is defined as any borrowing or debt service in a currency other than the CFA franc. This definition also applies to debt between countries of the Central African Economic and Monetary Community (CEMAC) and debt from the Development Bank of Central African States (BDEAC). The relevant performance criteria apply to external debt of the government, public enterprises that receive transfers from the government, and other public entities in which the government holds more than 50 percent of the capital stakes, or any other private debt for which the government has provided a guarantee that should be considered to constitute a contingent liability. **Guaranteed debt** refers to any explicit legal obligation incumbent on the government to reimburse a debt in the event of payment default by the debtor (whether the payments must be made in cash or in kind).

**15. Concessional external debt:** External debt is considered concessional if it comprises a grant component of at least 35 percent.[1] The grant component is the difference between the face value of the loan and its present value (PV) expressed as a percentage of the face value. The PV of debt at the date on which it is contractually arranged is calculated by discounting the debt service payments at the date on which the debt was arranged.[2] A discount rate of 5 percent is used for that purpose.

[1] The link to the IMF website below refers to an instrument that can be used to calculate the grant component for a broad range of financial arrangements: http://www.imf.org/external/np/pdr/conc/calculator.

[2] The calculation of concessionality reflects all aspects of the loan agreement, including the maturity, grace period, schedule of maturities, commitment fees, and management fees. Concessionality calculations for Islamic Development Bank (IsDB) loans will reflect the existing agreement between the IsDB and the IMF.

16. **Domestic debt** is defined as all government's debts and obligations denominated in CFA francs. This item includes unreimbursed balances, advances from the Bank of Central African States, Treasury bills and bonds, structured debt, domestic payment arrears, and SONARA's domestic debt.

17. **Structured debt** is defined as debt that has been subject to a formal agreement or securitization. Under the program, structured bank debt is included in net bank credit and structured non-bank debt is reflected in non-bank financing.

- ***Structured bank debt*** is defined as all claims of local banks on government, with the exception of Treasury bills and bonds.
- ***Structured non-bank debt*** is defined as all government's balances payable in connection with local non-bank institutions, individuals, or the CEMAC, that have been securitized or subject to a formal reimbursement agreement according to a clearly defined schedule.

18. **Net domestic financing of the government** is defined as the sum of (i) net bank credit to the government; and (ii) net non-bank financing.

- Net bank credit net to the government is equal to the change in the balance between the government's commitments and assets with the national banking system. These assets include: (i) the Treasury's cash resources on hand; (ii) Treasury deposits with the Central Bank, not including the Heavily Indebted Poor Counties (HIPC) account and the Debt Reduction and Development Contract (C2D) account; and (iii) the credit balance of the accounts of the Caisse Autonome d'Amortissement with commercial banks earmarked for reimbursement of the government's debt obligations. The government's commitments include: (i) financing from the Central Bank; net IMF financing (disbursements net of reimbursements), refinancing of guaranteed bonds, and Treasury paper held by the Central Bank; and (ii) financing from commercial banks, specifically loans and direct advances; and Treasury securities, bills, and bonds held by local banks. Net bank credit to the government is calculated based on the data provided by the Bank of Central African States (BEAC). These data should be subject to monthly reconciliation between the Treasury and the BEAC.
- Net non-bank financing to the government includes the following: (i) the change in the outstanding balance of government securities (Treasury bills and bonds) issued in CFA francs on the regional financial market and not held by the local banking system; (ii) the change in the outstanding balance of structured non-bank domestic debt (defined in paragraph 16); (iii) privatization revenue (defined in paragraph 8); (iv) the change in the balance of correspondent bank accounts (including Account 42) and consignment accounts; and (v) the change in the balance of outstanding claims on government abandoned by the private sector. The government's net non-bank financing is calculated by the public treasury.

19. **Domestic payment arrears** are the sum of (i) payment arrears on expenditure; (iii) payment arrears on structured domestic debt; and (iii) unstructured debt:

- **Payment of arrears on expenditure** are defined as "balances payable" for which the payment lag exceeds the regulatory period of 90 days. **Balances payables** reflect the government's unpaid obligations. They are defined as expenditure items for which the normal expenditure execution procedure (commitment, validation, and authorization) has been followed until they were undertaken by the public treasury, but that are still pending payment. Balances payable under 90 days represent **payments in progress**. The Treasury will monitor this information on a monthly basis to identify expenditure arrears in the stock of balances payable.

- **Payment arrears on structured domestic debt** are defined as the difference between the amount due under a domestic debt arrangement (defined in paragraph 11) or the reimbursement of matured Treasury securities, bills, or bonds and the amount effectively paid after the payment deadline indicated in the agreement or after the maturity date of the Treasury securities, bills, or bonds.

- **Unstructured debt** is defined as:

  i. *Unstructured debt of the CAA,* which includes all balances payable, and liabilities of the government transferred to the CAA that have not been subject to a reimbursement or securitization agreement. The stock of unstructured debt is estimated at CFAF 68.0 billion at end-2020.

  ii. *Domestic "floating" debt*, including all government's commitments for which a service was provided by a public or private service provider but that has not been subject to any budget commitment. These obligations include invoices payable and not settled to public and private enterprises but exclude tax debt deriving from debt offsetting operations with public enterprises and the execution of externally financed public procurement agreements that have not been covered by the budget as a result of insufficient budget appropriations. The Directorate General of Budget will conduct a monthly assessment of these commitments in collaboration with the public treasury.

**20.** **External payment arrears** are defined as external debt obligations of the government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods). This performance criterion excludes payment arrears on external financial obligations of the government that are subject to rescheduling.

## QUANTITATIVE PROGRAM OBJECTIVES

**21.** **The quantitative targets (QTs)** provided in the list below are as specified in Table 1 of the MEFP. Unless otherwise indicated, all quantitative targets will be assessed on a cumulative basis from the beginning of the calendar year to which the quantitative targets apply. The quantitative targets and details for their assessment are provided below:

## A. Non-Oil Primary Balance

### Performance Criteria

**22. A floor for the non-oil primary balance (based on payment order)** is defined as a quantitative objective in Table 1 of the MEFP. The non-oil primary balance is defined as the difference between the primary balance defined in paragraph 12 and oil revenue defined in paragraph 6.

**23.** To ensure consistency among data from different sources used to prepare the table of government financial operations (TOFE), and particularly between the data on fiscal operations reported by the Treasury and data on financing reported by the BEAC, the CAA, and the Treasury, the cumulative level of financing discrepancies in the TOFE (including errors and omissions) for a given month should not exceed 5 percent of the cumulative expenditure for that month, in absolute value. Should this limit be exceeded, a comprehensive reconciliation exercise for all TOFE source data will be undertaken in consultation with IMF staff.

### Adjustment

**24.** The floor on the non-oil primary fiscal balance will be adjusted downward (upward) by the difference if positive (if negative) between the cumulative expenditure since the beginning of the fiscal year covered by the new SDR allocations and the programmed amount of these expenses. The programmed amount of these expenses could reach CFAF 75 billion at the end of September and CFAF 150 billion at the end of December 2021.

### Cutoff Dates for Reporting Information

**25.** The detailed data on government financial operations indicating the primary balance, oil revenue, and the level of miscellaneous expenditure not otherwise classified will be submitted on a monthly basis within six weeks from the end of the month.

## B. Net Domestic Financing of the Government Excluding Net IMF Financing

### Performance Criteria

**26. A ceiling on net domestic financing of the government excluding net IMF financing** is defined as a quantitative objective in Table 1 of the MEFP. For program requirements, net domestic financing of the government excluding net IMF financing will be net domestic financing of the government defined in paragraph 16, not including net IMF financing.

### Adjustment

**27.** The ceiling on net bank financing of the government excluding net IMF financing will be adjusted if (i) the disbursements in connection with external budget support net of external debt service and the payment of external arrears, and (ii) the rescheduling of bilateral external debt service is lower than the program forecasts, are below the programmed levels.

**28.** At the end of each quarter, if disbursements of external budget support are below (above) the programmed amounts, the relevant quarterly ceilings will be adjusted upward (downward) commensurately, within the limit of CFAF 120 billion for each quarter of 2019. This ceiling may be reviewed depending on the rate of budget aid disbursements during the year.

**29.** At the end of each quarter, if the rescheduling of bilateral external debt service is below (above) the programmed amounts, the corresponding quarterly ceilings will be adjusted upward (downward) pro-tanto.

### Cutoff Dates for Reporting Information

**30.** The detailed data on net domestic financing of the government (bank and non-bank) and the status of budget support disbursements, reimbursement of external debt service, and the status of external arrears will be submitted on a monthly basis within six weeks after the end of the month.

## C. Disbursement of Non-Concessional External Debt

### Performance Criteria

**31.** **A ceiling on disbursements of non-concessional external debt** is defined as a quantitative objective in Table 1 of the MEFP. This performance criterion is applicable to debt contractually arranged to finance projects. This performance criterion is based on external debt as defined in paragraph 14 and uses the concept of concessionality defined in paragraph 15 of this Technical Memorandum.

### Cutoff Dates for Reporting Information

**32.** Detailed information on disbursements of external debt contracted by the government must be reported within six weeks after the end of the month, indicating the date on which the loans were signed and making the distinction between concessional and non-concessional loans.

## D. Net Claims of the Central Bank on the Central Government

### Performance Criteria

**33.** **A ceiling on net claims of the Central Bank on government** is defined as a quantitative objective in Table 1 of the MEFP. This criterion is defined as the difference between the Central Bank's claims on government, excluding IMF financing, in particular unpaid balances of consolidated statutory advances, refinancing of guaranteed bonds, and Treasury securities held by the Central Bank; and cash and total deposits of the Treasury with the Central Bank, including the balance of the special account of unused statutory advances. The balance of this special account will be regularly monitored to maintain the objectives defined in Table 1 of the MEFP.

**34.** The ceiling on net claims of the Central Bank on government will be adjusted if the disbursements in connection with external budget support are below the programmed levels.

**35.** At the end of each quarter, if disbursements of external budget support are below (above) the programmed amounts, the relevant quarterly ceilings will be adjusted upward (downward) commensurately, within the limit of CFAF 120 billion for each quarter of 2021. This ceiling may be reviewed depending on the rate of budget aid disbursements during the year.

### Cutoff Dates for Reporting Information

**36.** The BEAC must report the detailed information on all financing from the Central Bank to the government and the statement on the balance of the special account of unused statutory advances within six weeks after the end of the month.

## E. Non-Accumulation of External Payment Arrears

### Performance Criteria

**37. A ceiling of zero on the accumulation of new external payment arrears** is defined as a continuous quantitative objective in Table 1 of the MEFP. This performance criterion applies to the accumulation of external arrears as defined in paragraph 19 of this Memorandum. In connection with the program, the government undertakes not to accumulate any external payment arrears on its debt, with the exception of arrears subject to rescheduling. The government's non-accumulation of arrears is a performance criterion to be observed on an ongoing basis. This performance criterion will be measured on a cumulative basis on approval of the program.

### Cutoff Dates for Reporting Information

**38. The data on balances, accumulation, and reimbursement of external arrears will be reported within six weeks after the end of each month.** This performance criterion will be monitored continuously by the authorities and any new external arrears should be reported immediately to the Fund.

## F. PV of External Debt Contracted or Guaranteed by the Government

### Performance Criteria

**39. A performance criterion (ceiling) applies to the PV of new external debt contracted or guaranteed by the public sector.**[3] The ceiling applies also to debt contracted or guaranteed for which value has not yet been received, including private debt for which official guarantees have been extended. This performance criterion is applicable to external debt as defined in paragraph 14 of this Memorandum and to debt guaranteed by the government that constitutes a contingent

[3] Guidelines on Public Debt Limits in Fund-Supported Programs attached to the Executive Board Decision No. 16919-(20/103), adopted October 28, 2020).

public liability as defined in paragraphs 13 of this Memorandum. Moreover, this criterion is applicable to public enterprises defined in paragraph 3 that receive transfers from the government, municipalities, and other entities of the public sector (including agencies of general government and professional, scientific, and technical organizations). However, this performance criterion is not applicable to borrowing arranged in CFA francs, Treasury bills and bonds issued in CFA francs on the CEMAC regional market, regular short-term loans from suppliers, regular import credits, loans from the IMF, and budget support loans from the World Bank or debt relief or rescheduling. For the assessment of this performance criterion, debt relief is defined as the restructuring of debt with the existing creditor that reduces the net present value of the debt, and debt rescheduling is defined as the operations with the existing creditor that spread the average weighted maturities of financial flows without increasing the net present value.

**40. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt**.[4] For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97). The PV of external debts in currencies other than the U.S. dollar will be calculated in U.S. dollar terms at program exchange rates as specified in TMU Text Table 1. For any debt carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD SOFR is 0.04 percent and will remain fixed for the duration of the program. The spread of six-month Euro EURIBOR over six-month USD SOFR is -56 basis points. The spread of six-month JPY OIS over six-month USD SOFR is -8 basis points. The spread of six-month GBP SONIA over six-month USD SOFR is 1 basis point. For interest rates on currencies other than Euro, JPY, and GBP, the spread over six-month USD SOFR is 15 basis points.[5] Where the variable rate is linked to a benchmark interest rate other than the six-month USD SOFR, a spread reflecting the difference between the benchmark rate and the six-month USD SOFR (rounded to the nearest 50 bps) will be added.

**Text Table 1. Cameroon: Program Exchange Rates**

| Currency | CFA franc per currency unit | Currency units per US Dollar |
|---|---|---|
| US Dollar | 543.201 | 1.00 |
| Euro | 655.957 | 0.828 |
| AfDB XUA | 760.26 | 0.714 |
| STG Pound | 782.048 | 0.695 |
| Japanese Yen | 5.092 | 106.679 |
| Chinese Yuan | 82.338 | 6.597 |

Source: October 2021 World Economic Outlook, AfDB, Staff calculation

[4] The calculation of concessionality takes into account all aspects of the debt agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.

[5] The program reference rate and spreads are based on the "average projected rate" for the six-month USD SOFR over the following 10 years from the April 2021 World Economic Outlook (WEO).

**Adjustment**

**41.** An adjustor upward (downward) by the amount by which budget support exceeds (falls short of) the projected amounts. Any adjustment will be capped to 10 percent of the external debt ceiling set in PV terms and must be consistent with maintaining debt sustainability.

**42.** The external debt ceiling set in PV terms ceiling would be adjusted upward by the full amount in PV terms of any project financing dedicated to COVID-19 vaccine interventions that was not anticipated at the time of setting of the performance criterion. In this connection, the authorities will consult with IMF staff on any planned external concessional borrowing for this purpose and the conditions on such borrowing before the loans are either contracted or guaranteed by the national government.

**43.** An adjustor of up to 5 percent of the external debt ceiling set in PV terms applies to this ceiling, in case deviations from the performance criterion on the PV of new external debt are prompted by a change in the financing terms (interest, maturity, grace period, payment schedule, upfront commissions, management fees) of a debt or debts. The adjustor cannot be applied when deviations are prompted by an increase in the nominal amount of total debt contracted or guaranteed.

**Cutoff Dates for Reporting Information**

**44.** The detailed information on all loans (conditions and creditors) contracted by the government must be reported within six weeks after the end of the month. The same obligation is applicable to guarantees issued by the government. This criterion is monitored continuously by the authorities and any signing or guaranteeing of debt should be reported immediately to the Fund.

## OTHER INDICATIVE QUANTITATIVE TARGETS

### A. Non-Oil Revenue

**45.** A floor on non-oil revenue as defined in paragraph 7 is defined as an indicative objective in Table 1 of the MEFP.

### B. Accumulations of Domestic Payment Arrears

**46.** A ceiling on net accumulations of domestic payment arrears is defined as an indicative objective in Table 1 of the MEFP. Domestic payment arrears covered by the Treasury are defined in paragraph 19 and do not include unstructured floating debt not covered by the Treasury.

## C. Social Expenditure

**47. A floor on social expenditure pursuant to paragraph 11** is defined as an indicative objective in Table 1 of the MEFP. These expenditure items will be monitored regularly in connection with program implementation.

**Cutoff Dates for Reporting Information**

**48.** The data on the government's financial position as presented in the table of government financial operations, the detailed listing of revenue highlighting oil revenue, domestic payment arrears, and the status of social expenditure execution must be reported within six weeks after the end of the month.

## D. Share of Exceptional Expenditure in Total Authorized Expenditure Not Including Debt

**49. A ceiling on the share of exceptional expenditure in total authorized expenditure not including debt** is defined as an indicative objective in Table 1 of the MEFP. This criterion will be calculated based on the ratio between exceptional expenditure (expenditure excluding debt service paid without prior authorization, including cash advances and provisional commitments) and total authorized expenditure, excluding debt service, that is domestically financed (including wages). Exceptional expenditure will be monitored regularly as part of program implementation.

**Cutoff Dates for Reporting of Information**

**50.** Monthly accounting statements showing the amount of cash advances, provisional budget commitments, and advance funds must be reported to IMF staff within three weeks after the end of each month. Authorized expenditure presented in Table M1 of the table of government financial operations will be used to compute this ratio.

# DATA SUBMISSION REQUIREMENTS

**51.** The quantitative data on the government's quantitative and indicative objectives will be reported to IMF staff with the periodicity described in Table 1 below. Moreover, all data revisions will be reported promptly to IMF staff. The authorities undertake to report to IMF staff any information or data not specifically addressed in this TMU, but required for program implementation, and to keep IMF staff abreast of the situation in terms of achieving the program objectives.

## Table 1. Cameroon: List of Projects Under the Non-Concessional Borrowing Limit [1]

1. Project to acquire 25 wagons
2. East entrance Douala road, Phase II
3. Completion of the Olembe Sports Complex in Yaounde
4. Edéa-Kribi road rehabilitation project (110 km) and development of the Lolabé-Campo section (39 km)
5. Construction of 225 KV electrical transmission line for the supply of Kribi industrial port complex
6. Construction of 225kv Ebolowa Kribi and 90 KV Mbalmayo-Mekin power lines and related works
7. EBOLOWA-AKOM II- KRIBI road construction project
8. OLOUNOU- OVENG- Gabon border-Bridge road construction project on the Kom river
9. Douala international airport rehabilitation project, additional financing component B
10. Electrification of 200 localities by Solar Photovoltaic Systems
11. Extension at the national level of the Intelligent video surveillance system (phase 2)

[1/] The list identifies the priority projects covered by the quantitative ceiling on new non-concessional external debt contracted or guaranteed by the government for 2021 and until the completion of the first program review.

| Table 2. Cameroon: Summary of Data Reporting Requirements | | | |
|---|---|---|---|
| **Information** | **Responsible institution** | **Frequency of the data** | **Reporting lag** |
| ***Government Finance*** | | | |
| The summary situation of Treasury Operations (La situation résumée des Operations du Trésor (SROT)) | Ministry of Finance (MINFI)/DGTC | Monthly | 6 weeks |
| The table of government financial operations (TOFE) and customary annex tables; (data on execution of investments financed with external grants and loans must be available in a timely manner so that the quantitative targets of the program can be determined in a timely manner. If information on physical execution of externally financed projects is not available, the information on requests to draw funds from the donors will be used). | MINFI/DP | Monthly | 6 weeks |
| Domestic budget financing (net bank credit to the government, stock of Treasury bills and bonds pending reimbursement, domestic debt reimbursement status, privatization revenue, and abandoned claims). | MINFI/BEAC | Monthly | 6 weeks |
| Implementation status of social expenditure defined in Paragraph 11. | Ministry of Economy and Finance (MINEFIN)/DGB | Monthly | 6 weeks |
| Status of balances payable for the current fiscal year (orders unpaid) making the distinction between those over 90 days and others. | MINFI/DGT | Monthly | 6 weeks |
| Domestic debt reimbursement status. | MINFI/CAA | Monthly | 6 weeks |
| Statistics on external debt contracted and guaranteed (detailed listing of external debt service matured/paid, list of new loans specifying the financial conditions, loans guaranteed and external arrears, and list of contracts in the process of negotiation). | MINFI/CAA | Monthly | 4 weeks<br>The signing or guaranteeing of external debt, and the occurrence of external payment arrears must be reported immediately to the IMF. |
| Monthly monitoring report on calls for funds and effective disbursements. | CAA/MINEPAT | Monthly | 4 weeks |

| Table 2. Cameroon: Summary of Data Reporting Requirements (Continued) | | | |
|---|---|---|---|
| Data on the implementation of the public investment program, including a detailed listing of financing sources. | MINFI/Ministry of Economy, Planning and Regional Development (MINEPAT)/CAA | Quarterly | 6 weeks |
| Monthly accounting statements showing the amount of cash advances, advance funds, and the balance of provisional budget commitments. | MINFI | Monthly | 6 weeks |
| Publish the oil product price structure. | MINFI/CSPH | Monthly | First week of the current month |
| Prices, consumption, and taxation of oil products, including: (i) the current price structure for the month in question; (ii) the detailed calculation of the price structure based on the free on board price to obtain the retail price; (iii) volumes purchased and distributed for consumption by the oil distributor (SONARA and marketers), with the distinction between retail sales and sales to industries; and (iv) a breakdown of tax revenue on petroleum products—customs duty, excise tax on petroleum products (TSPP), and value-added tax (VAT)—and support for the refinery and the situation of shortfalls and overpayments. | MINFI/CTR/CSPH | Monthly | 6 weeks |
| Monthly statement of the correspondent accounts (including Account 42) and consignment deposits with the Treasury broken down into major categories (administrative services, public enterprises, general government enterprises, international organizations, private depositors, and other). | MINFI/DGT | Monthly | 6 weeks |
| Provide revenue forecasts for the Directorate General of Taxes; Directorate General of Customs; and Directorate General of Budget by type of tax on an annual basis and on a monthly basis, and outturn as compared with forecasts. | DGI, DGD, DGB | Monthly | 6 weeks |

| Table 2. Summary of Data Reporting Requirements (Concluded) | | | |
|---|---|---|---|
| ***Balance of Payments*** | | | |
| Preliminary annual balance of payments data. | MINFI | Annual | 9 months |
| Foreign trade statistics. | MINFI/INS | Monthly | 6 weeks |
| Any revision of the balance of payments data (including services, private transfers, official transfers, and capital transactions). | BEAC/MINFI | On revision | 2 weeks |
| ***Real Sector*** | | | |
| Provisional national accounts and any revision of the national accounts. | INS | Annual | 6 months |
| Quarterly National Accounts. | INS | Quarterly | 3 months |
| Disaggregated consumer price indices for the cities of Douala and Yaoundé | INS | Monthly | 4 weeks |
| Consumer price indices disaggregated by city, product and at the national level. | INS | Monthly | 6 weeks |
| ***Structural Reforms and Other Data*** | | | |
| Any official report or study devoted to Cameroon's economy, from its date of publication or finalization. | MINEPAT | | 2 weeks |
| Any decision, decree, law, order, or circular having economic or financial implications, from its publication date or effective date. | MINFI/MINEPAT | | 2 weeks |
| Report on the implementation of expenditure of the special allocations account (CAS) COVID-19 | MINFI/DGB | Bi-annually | 3 months |
| CAS-COVID-19 expenditure audit report | MINFI/DGB | Annually | 6 months |

INTERNATIONAL MONETARY FUND

# CAMEROON

February 10, 2022

## REPORT FOR THE 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 NONOBSERVANCE AND MODIFICATION OF PERFORMANCE CRITERION—INFORMATIONAL ANNEX

Prepared By | African Department

## CONTENTS

# RELATIONS WITH THE FUND

As of December 31, 2021

## A. Financial Relations

**I. Membership Status:** Joined: July 10, 1963; Article VIII

| **II. General Resources Account:** | **SDR Million** | **%Quota** |
|---|---|---|
| Quota | 276.00 | 100.00 |
| IMF's Holdings of Currency (Holdings Rate) | 357.73 | 129.61 |
| Reserve Tranche Position | 1.35 | 0.49 |

| **III. SDR Department:** | **SDR Million** | **%Allocation** |
|---|---|---|
| Net cumulative allocation | 441.80 | 100.00 |
| Holdings | 218.64 | 49.49 |

| **IV. Outstanding Purchases and Loans:** | **SDR Million** | **%Quota** |
|---|---|---|
| RCF Loans | 276.00 | 100.00 |
| ECF Arrangements | 469.20 | 170.00 |
| Extended Arrangements | 82.80 | 30.00 |

**V. Latest Financial Commitments:**

**Arrangements:**

| Type | Date of Arrangement | Expiration Date | Amount Approved (SDR Million) | Amount Drawn (SDR Million) |
|---|---|---|---|---|
| EFF | Jul 29, 2021 | Jul 28, 2024 | 322.00 | 82.80 |
| ECF | Jul 29, 2021 | Jul 28, 2024 | 161.00 | 41.40 |
| ECF | Jun 26, 2017 | Sep 30, 2020 | 483.00 | 427.80 |

**Outright Loans:**

| Type | Date of Commitment | Date Drawn/Expired | Amount Approved (SDR Million) | Amount Drawn (SDR Million) |
|---|---|---|---|---|
| RCF | Oct 21, 2020 | Oct 23, 2020 | 110.40 | 110.40 |
| RCF | May 04, 2020 | May 06, 2020 | 165.60 | 165.60 |

[1/] Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment, i.e. Board approval date.

**VI. Projected Payments to Fund** [1/]
**(SDR Million; based on existing use of resources and present holdings of SDRs):**

| | Forthcoming | | | | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 |
| Principal | | 41.40 | 63.48 | 96.60 | 154.56 |

| | | | | | |
|---|---|---|---|---|---|
| Charges/Interest | 1.06 | 1.07 | 1,07 | 1.07 | 1.00 |
| **Total** | 1.06 | 42.47 | 64.55 | 97.67 | 155.56 |

[1/] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

**VII. Implementation of HIPC Initiative:**

| | Enhanced Framework |
|---|---|
| I. Commitment of HIPC assistance | |
| Decision point date | Oct 2000 |
| Assistance committed by all creditors (US$ Million) [1/] | 1,267.00 |
| Of which: IMF assistance (US$ million) | 37.04 |
| (SDR equivalent in millions) | 28.62 |
| Completion point date | Apr 2006 |
| II. Disbursement of IMF assistance (SDR Million) | |
| Assistance disbursed to the member | 28.62 |
| Interim assistance | 11.25 |
| Completion point balance | 17.37 |
| Additional disbursement of interest income [2/] | 5.05 |
| Total disbursements | 33.67 |

[1/] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

[2/] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

**VIII. Implementation of Multilateral Debt Relief Initiative (MDRI):**

| | |
|---|---|
| I. MDRI-eligible debt (SDR Million)[1/] | 173.26 |
| Financed by: MDRI Trust | 149.17 |
| Remaining HIPC resources | 24.09 |
| II. Debt Relief by Facility (SDR Million) | |

| | Eligible Debt | | |
|---|---|---|---|
| **Delivery Date** | **GRA** | **PRGT** | **Total** |
| April 2006 | N/A | 173.26 | 173.26 |

[1/] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

**Decision point -** point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

**Interim assistance -** amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

**Completion point -** point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

**IX. Implementation of Catastrophe Containment and Relief (CCR):** Not Applicable

In February 2015, the IMF transformed the Post-Catastrophe Debt Relief Trust to create the Catastrophe Containment and Relief Trust (CCRT), broadening the range of situations covered by IMF disaster assistance to include fast-spreading epidemics.

**Safeguards Assessments:**
The Bank of the Central African States (BEAC) is the regional central bank of CEMAC. Under the IMF safeguards policy and in line with the four-year cycle for safeguards assessments of regional central banks, a full safeguards assessment was completed in 2017 and an update assessment is in progress. The 2017 assessment noted the positive steps taken by the BEAC to strengthen governance provisions and enhance financial reporting transparency. In particular, the BEAC has since implemented most recommendations from the assessment: the regional central bank's secondary legal instruments were aligned with its amended Charter, and the FY 2019 audited financial statements have been issued in compliance with IFRS. Both recommendations mark the conclusion of a multi-year governance-focused reform with support from the Fund.

## A. Non-Financial Relations

**Exchange Arrangement:**
Cameroon participates in a currency union with five other members of the CEMAC and has no separate legal tender. Cameroon’s currency, the CFA franc, is pegged to the euro at the fixed rate of CFAF 655.957 per euro. Local currency equivalent: CFAF 811.7=SDR 1, as of December 23, 2021. Effective January 1, 2007, the exchange arrangement of the CEMAC countries was reclassified as a “conventional pegged arrangement” and not anymore as an “exchange arrangement with no separate legal tender.” The new classification is based on the behavior of the common currency, whereas the previous classification was based on the lack of a separate legal tender. The new classification thus reflects only a definitional change and is not based on a judgment that there has been a substantive change in the exchange regime or other policies of the currency union or its members.

Cameroon maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions, except for restrictions maintained for security reasons that have been notified to the IMF pursuant to Executive Board decision 144 152/51.

**Article IV Consultation:**
The last Article IV consultation with Cameroon was concluded by the Executive Board on July 6, 2018.

**FSAP Participation and ROSCs:**

A Financial System Stability Assessment (FSSA) report was issued in May 2000. An update of the FSSA was completed in February 2009, based on the work of a joint IMF-World Bank mission that visited Cameroon as part of the Financial Sector Assessment Program (FSAP) in June 2007, itself building upon the CEMAC regional FSAP that was conducted in 2006. A CEMAC regional FSAP update was conducted in 2015.

The first Report on the Observance of Standards and Codes (ROSC) on fiscal transparency and transparency of monetary and financial policies for Cameroon was issued in June 2000.

A fiscal ROSC reassessment mission visited Yaoundé, Cameroon, during May 6–18, 2009. Its report was issued in June 2010.

**Technical Assistance**

**2021**

| | |
|---|---|
| December | AFRITAC mission on tax revenue digitalization |
| October | AFRITAC mission on tax revenue data management |
| October | AFRITAC mission on diversifying the domestic debt investor base |
| October | AFRITAC mission on internal budget audit |
| September | AFRITAC mission on the tax revenue administration information system |
| September | AFRITAC mission on gender budgeting |
| July | STA mission on the national accounts |
| July | FAD mission on budget decentralization |
| July | AFRITAC mission on managing civil service remuneration |
| June | FAD mission on budget decentralization |
| May | FAD mission on managing fiscal risks in public enterprises |
| April | AFRITAC mission on public finance statistics |
| April | AFRITAC mission on gender budgeting |
| March | FAD mission on revenue administration and digitalization |
| March | AFRITAC mission on customs revenue administration |

**2020**

| | |
|---|---|
| November | AFRITAC mission on accounting of public physical assets |
| November | FAD mission on taxing project aid. |
| October | AFRITAC mission on the medium debt strategy |
| July | AFRITAC mission on accounting of public physical assets |
| June | AFRITAC mission on accounting of public physical assets |

| | |
|---|---|
| June | AFRITAC mission on modernizing tax management in the Covid context and beyond |
| May | AFRITAC mission on securing customs revenues during Covid. |
| May | AFRITAC mission on the national accounts |
| May | STA mission on data dissemination |
| May | FAD mission on revenue decentralization and reforming local taxation |
| March | FAD mission on strengthening public capital expenditures |
| January | AFRITAC mission on the Treasury Single Account |
| January | AFRITAC mission on internal budget controls: accounting of public physical assets |

**2019**

| | |
|---|---|
| August | AFRITAC mission on internal budget control and accounting |
| June | AFRITAC mission on mobilizing tax revenues |
| May | AFRITAC mission on the national accounts |
| May | AFRITAC mission on public financial statistics |
| March | STA mission on the national accounts |
| February | STA mission on natural resource statistics and projections |
| January | AFRITAC mission on the Treasury Single Account |
| January | STA mission on external statistics |
| January | STA mission on government finance statistics |

**2018**

| | |
|---|---|
| December | FAD mission on revenue administration |
| October | FAD mission on accounting and regularization of exceptional spending procedures |
| August | AFRITAC mission on budget risk management |
| August | FAD mission on the efficiency and equity of public expenditures |
| July | AFRITAC mission on customs revenue administration |
| June | FAD mission on fiscal reporting and accounting |
| June | STA mission on balance of payments statistics |
| May | AFRITAC mission on internal budget control |
| April | FAD mission on assessing the efficiency and equity of public expenditures |
| April | FAD mission on medium term budget framework |
| April | AFRITAC mission on public debt management |
| April | MCM mission on assessing the valuation of the non-performing loan portfolio |
| April | AFRITAC mission on mobilizing domestic revenues and revenue administration |
| March | AFRITAC mission on identifying macro-budgetary needs |
| March | MCM mission on distressed asset valuation |
| March | AFRITAC mission on identifying macro-budgetary needs |
| February | MCM mission on distressed asset valuation |
| February | FAD mission on rationalizing exceptional spending procedures |

**2017**

| | |
|---|---|
| November | FAD mission on improving budget execution by streamlining derogatory procedures |
| November | AFRITAC government finance statistics |

| | |
|---|---|
| September | FAD mission on advancing reforms in tax administration |
| July | STA mission on balance of payments statistics |
| May | AFRITAC-PFM |
| April | TADAT mission |
| April | FAD mission on PFM |
| April | AFRITAC-Central training on PFM |
| April | FAD/AFC tax administration STX visit |
| April | AFRITAC-Central mission on government finance statistics |
| March | FAD short term expert mission on payroll management |
| February | FAD JSA-funded mission on strengthening customs administration |
| February | STA mission on the compilation of quarterly national statistics |
| February | MCM mission on monetary policy design and implementation |
| January | STA/AFC mission on national accounts |
| January | MCM/AFC Public debt management |
| January | FAD/AFW seminar on GDP |
| January | AFRITAC-Central mission and workshop on PFM |
| January | AFRITAC-West workshop on program budgeting |

**Resident Representative:**

The post of IMF Resident Representative has been maintained in Yaoundé continuously since 1989. The current Resident Representative, Mr. Nicholas Staines, started his assignment in August 15, 2021.

## WORK PROGRAM WITH PARTNER INSTITUTIONS

The World Bank work program can be found on the following website:
http://www.worldbank.org/en/country/cameroon

The African Development Bank work program can be found on the following website:
https://www.afdb.org/en/countries/central-africa/cameroon/

# STATISTICAL ISSUES

| I. Assessment of Data Adequacy for Surveillance |
|---|
| **General**: Data provision has some shortcomings is broadly adequate for surveillance purposes. Data provision has improved with quarterly data produced for the national accounts, balance of payments and also monthly Treasury data on budget execution. There is scope for improvements in quality, coverage, and timeliness in most macroeconomic datasets. |
| **Real sector statistics:** The national accounts were rebased to 2005 in July 2017 and then to 2016 in December 2020 by the Institut National de la Statistique du Cameroun (INS). The INS also compiles a quarterly GDP time series and has received IMF technical assistance to improve seasonal adjustments. INS publishes a monthly Consumer Price Index (base year 2011) for the main cities and nationally. INS also compiles quarterly Industrial Production Index, Industrial Production Price Index for the secondary sector, and a Turnover Index for the tertiary sector. |
| **Government finance statistics:** The quality of fiscal data is broadly adequate for surveillance, but there are some shortcomings in terms of coverage, periodicity, timeliness, and accessibility of the data. Monthly reports on overall budget execution are now produced regularly. Work is underway to produce budget execution reports as of January 2023 based on the *Government Finance Statistics Manual 2001/2014* (*GFSM 2001/2014*).<br><br>Major improvements include:<br><br>(i) Budget execution data on commitment basis has been produced monthly since January 2018. The reports also include greater transparency on oil sector revenue and expenditure interventions as well as better monitoring of the payment floats.<br><br>(ii) The annexes of the budget law submitted to Parliament now includes the Livre Vert on public enterprises and a report on Tax Expenditures.<br><br>(iii) The authorities have adopted the six CEMAC Directives related to public financial management, but full implementation has been delayed beyond the January 1, 2022 target date: Loi de Finances – Régime Financier de l'Etat, Règlement General de la Comptabilité Publique, Plan Comptable de l'Etat, Nomenclature Budgétaire, TOFE, and Transparence et Bonne Gouvernance dans la Gestion des Finances Publiques.<br><br>Important weaknesses in the fiscal data remain, including (i) a lack of information on the financial situation of local governments; (ii) poor monitoring of cross-debts in the public sector and of public enterprise debt; and (iii) lack of comprehensive and timely financial information on public enterprises. |
| **Monetary and financial statistics:** Monetary statistics are reported to the Fund by the *Banque des États de l'Afrique Centrale* (BEAC) on a monthly basis in the standardized report forms (SRFs), with delays of up to two months. A key shortcoming of monetary and financial statistics is the long delay in |

| | |
|---|---|
| the publication of data on interest rates offered by financial institutions to non-financial entities on deposits and loans. In addition, the depository corporation survey does not include data from deposit taking microfinance institutions, a fast-growing sector in the country. | |
| **Financial sector surveillance:** The Banking Commission of Central African States (COBAC) reports all core financial soundness indicators as well as some additional indicators to STA for Cameroon. | |
| **Balance of payments:** Cameroon participates in the JSA/AFR Project to Improve External Sector Statistics (ESS) in selected francophone African Countries and has received technical assistance in ESS under the project since 2016. The quality of the BoP data has improved significantly with data now reported annually and, since 2017, quarterly. However, there are significant delays largely because of delays in source data, including financial and capital accounts data and external trade data. Annual IIP data were submitted for the first time in 2016 for 2012–15 and has been produced on a yearly basis since then. | |
| **External debt**: External debt data is broadly adequate for surveillance purposes. Data, collected by the Caisse Autonome d'Amortissement (CAA), has improved significantly and is now of high quality. The data is fairly comprehensive, with accurate data on stocks and with debt-service projections on a loan-by-loan basis. The CAA publishes timely monthly reports as well as quarterly and annual summaries. Improved contacts with creditors have helped CAA improve timeliness and accuracy. However, data is comprehensive only for public and explicitly guaranteed debt. | |
| **II. Data Standards and Quality** | |
| Cameroon has participated in the General Data Dissemination System (GDDS) since 2001. In July 2017, Cameroon began publishing critical macroeconomic data on the website of the National Institute of Statistics—the National Summary Data Page (NSDP), making the implementation of the enhanced General Data Dissemination System (e-GDDS) effective. | No ROSC data are available |
| **III. Reporting to STA** | |
| Cameroon reports limited data for publication in the IMF Government Finance Statistics Yearbook under the 2014 format and for 2012-18. Only the limited quarterly data is reproduced in the government finance statistics section of the International Financial Statistics. Cameroon also reports quarterly and yearly data for publication in the Fund’s Balance of Payments Statistics. | |

**Cameroon: Table of Common Indicators Required for Surveillance**
(As of December 31, 2021)

| | Date of latest observation | Date received | Frequency of data[1] | Frequency of reporting[1] | Frequency of publication[1] |
|---|---|---|---|---|---|
| Exchange rates | Jan 2022 | Jan 2022 | D | D | Daily, on BEAC website |
| International reserve assets and liabilities[2] | Oct 2021 | Dec 2021 | M | M | M |
| Reserve/Base money | Oct 2021 | Dec 2021 | M | M | M |
| Broad money | Oct 2021 | Dec 2021 | M | M | M |
| Central bank balance sheet | Oct 2021 | Dec 2021 | M | M | M |
| Consolidated balance sheet of the banking system | Oct 2021 | Dec 2021 | M | M | M |
| Interest rates[3] | Sep 2021 | Oct 2021 | M | M | M |
| Consumer price index (main cities) | Oct 2021 | Nov 2021 | M | M | M |
| Consumer price index (national) | Sep 2021 | Nov 2021 | M | M | M |
| Revenue, Expenditure, Balance and Composition of Financing[4] – General government[5] | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| Revenue, Expenditure, Balance and Composition of Financing[4] – Central government[5] | Oct 2021 | Dec 2021 | M | M | Partial data published quarterly |
| Stocks of debt contracted or guaranteed by the central government[6] | Nov 2021 | Dec 2021 | M | M | M |
| External current account balance | Sep 2021 | Dec 2021 | Q | Q | Q |
| Exports and imports of goods and services[7] | Oct 2021 | Dec 2021 | M | M | M |
| GDP/GNP | Jun 2021 | Oct 2021 | Q | Q | Q |
| Gross external debt | Nov 2021 | Dec 2021 | Q | Q | Q |
| International investment position | Dec 2020 | Sep 2021 | Y | Y | Y |

[1] Monthly (M), Quarterly (Q), Annual (A), and Not Available (NA).

[2] Of the monetary authorities. Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

[3] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[4] Foreign, domestic bank, and domestic nonbank financing.

[5] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and

state and local governments.

[6] Including currency and maturity composition.

[7] Goods only, data on trade in services are not available.

INTERNATIONAL MONETARY FUND

# CAMEROON

## REPORT FOR THE 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 NONOBSERVANCE AND MODIFICATION OF PERFORMANCE CRITERION—DEBT SUSTAINABILITY ANALYSIS

February 10, 2022

Approved By
**Vivek B. Arora, Geremia Palomba (IMF) and Marcello Estevão, Abebe Adugna Dadi (IDA)**

Prepared by the staff of the International Monetary Fund (IMF) and the International Development Association (IDA).

| **Cameroon<br>Joint Bank-Fund Debt Sustainability Analysis** | |
|---|---|
| **Risk of external debt distress** | High |
| **Overall risk of debt distress** | High |
| **Granularity in the risk rating** | Sustainable |
| **Application of judgement** | No |

*Cameroon is at high risk of external and overall public debt distress. Three out of four external debt indicators breach the thresholds under the baseline scenario, with a particularly large and sustained breach for the external debt service-to-exports ratio*[1]*. In addition to the signals from the external debt indicators, the PV of public debt-to-GDP ratio is also above the benchmark. However, Cameroon's debt can be assessed as sustainable considering that its levels of debt and debt service indicators remain broadly unchanged compared to the previous DSA and are below those sustained in the previous year thanks to a successful issuance of the Eurobond and some progress in restructuring SONARA's domestic debt. Debt dynamics will be further bolstered by the ongoing fiscal consolidation envisaged under the IMF supported program, as well as reforms to boost exports and output. The rating is vulnerable to downside risks including more protracted and severe disruptions due to the pandemic, unsuccessful restructuring of SONARA's external debt, and resurgence of socio-political tensions.*

[1] Cameroon's Composite Indicator (CI) based on the October 2021 WEO and the 2020 World Bank CPIA data is 2.70, signaling a *medium* debt-carrying capacity. The country classification is maintained at *weak* level given the need of two consecutive signals for a classification change.

*On the other hand, stronger exports driven by rising international oil prices could reduce Cameroon's debt service burden. Given the high risk of debt distress, policy measures to mitigate risks, including through a gradual fiscal consolidation in line with crisis mitigation efforts, limited reliance on non-concessional borrowing, further strengthening public debt management, and prudent management of SOEs remain critical.*

# PUBLIC DEBT COVERAGE

**1. Debt coverage has remained unchanged since the previous DSA (Text Table 1).** Public debt coverage includes debt of the central government, expenditure floats and arrears, guarantees, debt of a public oil company SONARA[2] and external arrears of other state-owned enterprises (SOEs)[3]. The DSA does not cover local government debt as local governments are not allowed to borrow from financial markets and most of their debt is on domestic suppliers including SOEs. Other elements in the general government such as social security funds or extra budgetary funds are not covered due to lack of data, but the authorities are considering enhancing data collection on these sectors.[4] External debt is mainly defined based on currency but is adjusted for residency where data is available.[5]

**Text Table 1. Cameroon: Public Debt Coverage Under the Baseline Scenario**

| | Subsectors of the public sector | Check box |
|---|---|---|
| 1 | Central government | X |
| 2 | State and local government | |
| 3 | Other elements in the general government | |
| 4 | o/w: Social security fund | |
| 5 | o/w: Extra budgetary funds (EBFs) | |
| 6 | Guarantees (to other entities in the public and private sector, including to SOEs) | X |
| 7 | Central bank (borrowed on behalf of the government) | X |
| 8 | Non-guaranteed SOE debt | X |

**2. Debt of SOEs not covered in the DSA owing to lack of comprehensive data on cross-debt holdings could be significant and will be clarified going forward.** Total SOE debt was estimated at around 12.6 percent of GDP in the previous DSA (based on 2020 budget law annex). Considering that about 1.5 percent of GDP is owed to the government, and the DSA already includes SONARA's debt that amounts to 3.0 percent of GDP as of end-2020, the remaining stock of SOE debt not accounted in the debt stock could amount to 8.1 percent of GDP. On the other hand, the authorities' estimate of SOE debt not included in the DSA is about 1 percent of GDP (Text Table 3). The authorities are preparing an inventory of the cross-debts among SOEs and between SOEs and the state (structural benchmark for the IMF program). Based on the analysis, staff and the authorities will clarify the debt of SOEs and gradually expand the debt perimeter.

**3. The contingent liability stress test accounts for vulnerabilities associated with SOE debt not included in the debt stock, as well as risks from Public-Private Partnerships (PPPs) and financial markets (Text Table 2).** As discussed above, SOE debt not included in the debt stock is estimated at 8.1

---

[2] Excludes letters of credit provided by domestic banks amounting to CFAF 90.3 billion as of end-2020, given their short-term revolving nature.

[3] These include a supplier credit to a SOE (Euro 8.9 million) and a compensation claim on a SOE for termination of contract (Euro 6.2 million) identified in the previous DSA.

[4] For example, the authorities are preparing a diagnostic study of the public administration pension system in the context of the ongoing IMF program (structural benchmark).

[5] This is mainly due to limited capacity in tracking debt holdings of non-residents. Debt with available data including borrowing from the Development Bank of the Central African States and treasury bills held by non-residents, both in CFAF (26.8 and 6.2 billion respectively as of end-2020) are classified as external debt.

percent of GDP as of end-2020. The capital stock of PPPs is about 7.0 percent of GDP, corresponding to a contingent liability of 2.4 percent of GDP (35 percent of the total PPP stock). Contingent liabilities from financial markets are set at the minimum value of 5 percent of GDP, which represents the average cost to the government of a financial crisis in a LIC since 1980. Estimates for other elements not covered are currently not available.

**Text Table 2. Cameroon: Coverage of the Contingent Liabilities' Stress Test**

| | | | | |
|---|---|---|---|---|
| 1 | The country's coverage of public debt | The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt | | |
| | | **Default** | **Used for the analysis** | **Reasons for deviations from the default settings** |
| 2 | Other elements of the general government not captured in 1. | 0 percent of GDP | 0 | |
| 3 | SoE's debt (guaranteed and not guaranteed by the government) 1/ | 2 percent of GDP | 8.1 | Estimate of SOE debt not included in debt stock |
| 4 | PPP | 35 percent of PPP stock | 2.4 | |
| 5 | Financial market (the default value of 5 percent of GDP is the minimum value) | 5 percent of GDP | 5 | |
| | Total (2+3+4+5) (in percent of GDP) | | 15.5 | |

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

# BACKGROUND

## A. Evolution of Debt

**4. Public debt has continued to grow over the past ten months, although at a somewhat slower pace (Text Table 3).** Preliminary estimates by staff suggest that total public and publicly guaranteed (PPG) debt is around CFAF 11,366 billion (45.6 percent of GDP) as of end-October 2021. External debt stock was estimated at CFAF 7,845 billion (31.4 percent of GDP) and domestic debt at CFAF 3,520 billion (14.1 percent of GDP).

**Text Table 3. Cameroon: Evolution of Total PPG Debt**

| | 2016 | | 2017 | | 2018 | | 2019 | | 2020 (Prel.) | | Oct-2021 (Prel.) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ |
| **Total Public Debt (authorities' estimate)** | **6010** | **30.0** | **6829** | **32.6** | **7933** | **35.7** | **9786** | **42.1** | **10350** | **44.1** | **11212** | **44.9** |
| Debt of the central government | 5246 | 26.2 | 6227 | 29.7 | 7371 | 33.2 | 8695 | 37.4 | 9437 | 40.2 | 10326 | 41.4 |
| External debt | 3942 | 19.7 | 4649 | 22.2 | 5652 | 25.5 | 6398 | 27.5 | 6746 | 28.7 | 7446 | 29.8 |
| Domestic debt (excl. arrears) | 1304 | 6.5 | 1578 | 7.5 | 1719 | 7.7 | 2034 | 8.7 | 2505 | 10.7 | 2691 | 10.8 |
| Unpaid government obligations (float and arrears) 2/ | | | | | | | 264 | 1.1 | 187 | 0.8 | 189 | 0.8 |
| Publicly guaranteed debt (external) | 66 | 0.3 | 51 | 0.2 | 46 | 0.2 | 37 | 0.2 | 29 | 0.1 | 25 | 0.1 |
| Debt of SOEs (unguaranteed) | 698 | 3.5 | 551 | 2.6 | 517 | 2.3 | 1053 | 4.5 | 883 | 3.8 | 861 | 3.4 |
| SONARA 3/ | 114 | 0.6 | 108 | 0.5 | 156 | 0.7 | 745 | 3.2 | 655 | 2.8 | 649 | 2.6 |
| of which: external | 25 | 0.1 | 33 | 0.2 | 52 | 0.2 | 371 | 1.6 | 359 | 1.5 | 360 | 1.4 |
| of which: domestic (bank debt) | 89 | 0.4 | 75 | 0.4 | 103 | 0.5 | 374 | 1.6 | 296 | 1.3 | 289 | 1.2 |
| Ex-SONARA 4/ | 584 | 2.9 | 443 | 2.1 | 361 | 1.6 | 308 | 1.3 | 228 | 1.0 | 212 | 0.8 |
| of which: external | 70 | 0.3 | 64 | 0.3 | 72 | 0.3 | 145 | 0.6 | 94 | 0.4 | 92 | 0.4 |
| of which: domestic (bank debt) | 514 | 2.6 | 379 | 1.8 | 289 | 1.3 | 164 | 0.7 | 134 | 0.6 | 120 | 0.5 |
| Total External | 4103 | 20.5 | 4798 | 22.9 | 5822 | 26.2 | 6951 | 29.9 | 7227 | 30.8 | 7924 | 31.8 |
| Total Domestic | 1907 | 9.5 | 2032 | 9.7 | 2112 | 9.5 | 2835 | 12.2 | 3123 | 13.3 | 3288 | 13.2 |
| **Total Public Debt (staff estimate)** | **6434** | **32.1** | **7659** | **36.5** | **8512** | **38.3** | **9669** | **41.6** | **10534** | **44.9** | **11366** | **45.6** |
| Debt of the central government | 5901 | 29.4 | 7066 | 33.7 | 7860 | 35.4 | 9037 | 38.9 | 9798 | 41.7 | 10679 | 42.8 |
| External debt | 3942 | 19.7 | 4649 | 22.2 | 5652 | 25.5 | 6398 | 27.5 | 6746 | 28.7 | 7446 | 29.8 |
| Domestic debt (excl. arrears) | 1304 | 6.5 | 1578 | 7.5 | 1719 | 7.7 | 2034 | 8.7 | 2505 | 10.7 | 2691 | 10.8 |
| Unpaid government obligations (float and arrears) 2/ | 655 | 3.3 | 838 | 4.0 | 489 | 2.2 | 606 | 2.6 | 547 | 2.3 | 542 | 2.2 |
| Publicly guaranteed debt (external) | 66 | 0.3 | 51 | 0.2 | 46 | 0.2 | 37 | 0.2 | 29 | 0.1 | 25 | 0.1 |
| Debt of SOEs (unguaranteed) | 467 | 2.3 | 542 | 2.6 | 606 | 2.7 | 594 | 2.6 | 706 | 3.0 | 662 | 2.7 |
| SONARA 3/ | 457 | 2.3 | 534 | 2.5 | 597 | 2.7 | 585 | 2.5 | 698 | 3.0 | 653 | 2.6 |
| of which: external (incl. arrears) | 293 | 1.5 | 383 | 1.8 | 446 | 2.0 | 386 | 1.7 | 370 | 1.6 | 365 | 1.5 |
| of which: domestic | 165 | 0.8 | 151 | 0.7 | 151 | 0.7 | 199 | 0.9 | 328 | 1.4 | 288 | 1.2 |
| Ex-SONARA (external) 4/ | 10 | 0.0 | 9 | 0.0 | 9 | 0.0 | 9 | 0.0 | 8 | 0.0 | 9 | 0.0 |
| Total External | 4310 | 21.5 | 5092 | 24.3 | 6152 | 27.7 | 6831 | 29.4 | 7154 | 30.5 | 7845 | 31.4 |
| Total Domestic | 2124 | 10.6 | 2567 | 12.2 | 2360 | 10.6 | 2838 | 12.2 | 3380 | 14.4 | 3520 | 14.1 |

Sources: Cameroonian authorities and IMF staff calculations.

1/ Reflects rebasing of the national accounts from 2005 to 2016 as described in paragraph 11.

2/ Staff estimate includes arrears, floats, and "floating" domestic debt at the Treasury as defined in the TMU, while authorities' estimate only includes overdue payments of more than trhee months.

3/ Authorities' estimate of historical SONARA debt varys significantly with previous data. Staff maintains estimates in the previous DSAs until further clarification.

4/ Difference in estimates is due to the scope of coverage as described in paragraph 2 and footnote 4.

**5. The composition of external debt has changed moderately.** The share of multilateral debt continued to increase, amounting to 40.6 percent of the total PPG external debt as of end-October 2021 (Text Table 4). In Cameroon's bilateral debt, debt owed to China represents 62 percent of total bilateral debt. Commercial debt includes a newly issued Eurobond (CFAF 449 billion) as well as remaining Eurobond issued in 2015 (CFAF 93 billion). Around 40 percent of external debt is on concessional terms and 39 percent is denominated in Euros. Average maturity stood at 9.0 years for external debt (excluding SONARA's debt), while the weighted average interest rate stood at 2.4 percent. Around 24 percent of external debt has a flexible interest rate.

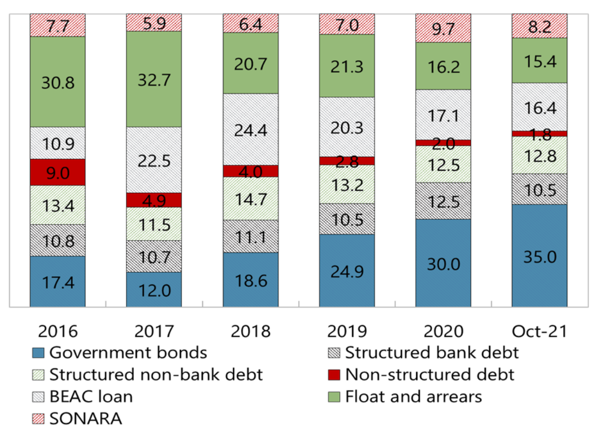
## Text Table 4. Cameroon: External Debt Composition

| | 2016 | 2017 | 2018 | 2019 | 2020 (Prel.) | Oct-2021 (Prel.) | 2016 | 2017 | 2018 | 2019 | 2020 (Prel.) | Oct-2021 (Prel.) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Billions of CFAF) | | | | | | (Percent share) | | | | | |
| **Total PPG External Debt (staff estimate)** | **4310** | **5092** | **6152** | **6831** | **7154** | **7845** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |
| **Debt of the central government** | **3942** | **4649** | **5652** | **6398** | **6746** | **7446** | **91.5** | **91.3** | **91.9** | **93.7** | **94.3** | **94.9** |
| **Multilateral** | **1152** | **1450** | **1995** | **2349** | **2764** | **3188** | **26.7** | **28.5** | **32.4** | **34.4** | **38.6** | **40.6** |
| IMF | 52 | 191 | 268 | 302 | 546 | 665 | 1.2 | 3.7 | 4.4 | 4.4 | 7.6 | 8.5 |
| World Bank (IDA, IBRD) | 572 | 725 | 835 | 1026 | 1029 | 1198 | 13.3 | 14.2 | 13.6 | 15.0 | 14.4 | 15.3 |
| African Development Bank/Fund | 331 | 342 | 636 | 693 | 826 | 878 | 7.7 | 6.7 | 10.3 | 10.1 | 11.5 | 11.2 |
| Other Multilateral | 196 | 192 | 256 | 328 | 364 | 446 | 4.6 | 3.8 | 4.2 | 4.8 | 5.1 | 5.7 |
| **Bilateral** | **2077** | **2440** | **2716** | **3077** | **3069** | **3210** | **48.2** | **47.9** | **44.2** | **45.1** | **42.9** | **40.9** |
| Paris Club | 599 | 737 | 868 | 957 | 1020 | 1080 | 13.9 | 14.5 | 14.1 | 14.0 | 14.3 | 13.8 |
| Non-Paris Club | 1478 | 1703 | 1848 | 2120 | 2049 | 2131 | 34.3 | 33.4 | 30.0 | 31.0 | 28.6 | 27.2 |
| of which: China | 1441 | 1649 | 1745 | 1965 | 1895 | 1977 | 33.4 | 32.4 | 28.4 | 28.8 | 26.5 | 25.2 |
| **Commercial** | **713** | **760** | **941** | **972** | **913** | **1049** | **16.5** | **14.9** | **15.3** | **14.2** | **12.8** | **13.4** |
| of which: Eurobond | 450 | 450 | 450 | 450 | 450 | 542 | 10.4 | 8.8 | 7.3 | 6.6 | 6.3 | 6.9 |
| **Guaranteed external debt** | **66** | **51** | **46** | **37** | **29** | **25** | **1.5** | **1.0** | **0.7** | **0.5** | **0.4** | **0.3** |
| **Unguaranteed SOE debt (incl. arrears)** | **303** | **392** | **455** | **395** | **379** | **374** | **7.0** | **7.7** | **7.4** | **5.8** | **5.3** | **4.8** |
| SONARA | 293 | 383 | 446 | 386 | 370 | 365 | 6.8 | 7.5 | 7.2 | 5.7 | 5.2 | 4.7 |
| Others | 10 | 9 | 9 | 9 | 8 | 9 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |

Sources: Cameroonian authorities, and IMF staff calculations.

**6. The composition of domestic debt has shifted towards a larger share of government bonds (Text Figure 1).** Government bonds issuance (including Bons du Trésor Assimilables (BTA) and Obligations du Trésor Assimilables (OTA)) continued to increase over the past ten months, driven by additional spending needs in response to the pandemic, reaching 35.0 percent of the total domestic public debt. The share of float and arrears has declined further from about 16.2 percent in end-2020 to 15.4 percent in end-October 2021. Average maturity of domestic debt (excluding the float and SONARA's debt) stood at 4 years and the average weighted interest rate at 2.9 percent.

## Text Figure 1. Cameroon: Domestic Public Debt Composition




**7. The stock of contracted-but-undisbursed debt (SENDs) has increased.** The stock of SENDs as of end-October 2021 is estimated at CFAF 3,506 billion, 14.1 percent of GDP compared with 13.4 percent of GDP at end-2020 (Text Table 5). This includes domestic SENDs amounting CFAF 10.1 billion, which was disbursed in November 2021. The increase has been driven by new loan contracts signed with multilateral and commercial creditors. The share of multilateral SENDs is around 57 percent. Shares of bilateral and commercial SENDs stood at 23 percent and 20 percent respectively. China continues to be the largest creditor in bilateral SENDs, accounting for about 18 percent of the total SENDs stock. In recent years, the authorities have taken important steps to enhance monitoring and management of SENDs, resulting in a reduction of overall and problematic SENDs.[6] However, the stock of SENDs remains substantial and further efforts are warranted to reassess and cancel SENDs associated with old and non-performing projects.

## Text Table 5. Cameroon: Stock of SENDs

| | 2016 | | 2017 | | 2018 | | 2019 | | 2020 (Prel.) | | Oct-2021 (Prel.) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ |
| **Stock of contracted-but-undisbursed debt (SENDs)** | **3936** | **19.6** | **4328** | **20.6** | **4043** | **18.2** | **3470** | **14.9** | **3146** | **13.4** | **3506** | **14.1** |
| Domestic | 281 | 1.4 | 178 | 0.9 | 171 | 0.8 | 65 | 0.3 | 0 | 0.0 | 10 | 0.0 |
| External 2/ | 3655 | 18.2 | 4149 | 19.8 | 3873 | 17.4 | 3405 | 14.6 | 3146 | 13.4 | 3496 | 14.0 |
| o/w multilateral | 1346 | 6.7 | 1746 | 8.3 | 1627 | 7.3 | 1671 | 7.2 | 1769 | 7.5 | 1986 | 8.0 |
| o/w bilateral | 1783 | 8.9 | 1710 | 8.2 | 1545 | 7.0 | 1121 | 4.8 | 824 | 3.5 | 797 | 3.2 |
| o/w commercial | 526 | 2.6 | 693 | 3.3 | 701 | 3.2 | 613 | 2.6 | 554 | 2.4 | 713 | 2.9 |

1/ Reflects rebasing of the national accounts from 2005 to 2016 as described in paragraph 11.

2/ Excludes budget support.

Sources: Cameroonian authorities, and IMF staff calculations.

8. **No new sovereign external arrears were reported.** The DSA includes external arrears of SONARA and other SOEs, estimated at CFAF 244.1 billion and CFAF 9 billion as of end-October 2021 respectively, but no sovereign external arrears[7].

9. **Cameroon's capacity to monitor and manage public debt for the purposes of the IMF's debt limits policy is adequate, but further improvements are needed.** Cameroon's public debt management has improved in recent years. All project financing proposals and projects financed through PPPs are examined by the National Public Debt Committee (CNDP) and signing of a new loan agreement is granted only when there is an unconditional approval. Procedures and responsibilities for loan operations and public debt management have been clarified in the manual published in 2019. However, CNDP's engagement is oftentimes delayed until late in the debt contracting process, and Cameroon's debt policy is yet to be firmly anchored by its medium-term debt management framework, resulting in significant discrepancies between announced plans and actual financing. Further efforts are warranted to strengthen active engagement of the CDNP and enhance the effectiveness of the medium-term public debt strategy (MTDS), including through improved estimates of financing needs, development of consistent annual borrowing plans, and an enhanced communication strategy to facilitate creditors' understanding of the authorities' debt management objectives.

[6] SENDs were classified as problematic if they fulfilled at least one of six criteria: (i) the loan was signed before 2014, (ii) the loan's disbursement was zero one year after signing, (iii) the loan has not come into effect six months after signing, (iv) the deadline for the loan's disbursements has passed or has been extended at least once, (v) the deadline for the loan's disbursement is close (less than one year) and the share that is disbursed is below 50 percent, (vi) the project has not disbursed for more than one year. Problematic SENDs are estimated at CFAF 1,926 billion as of end-2020.

[7] The external arrears constitute non-payments to oil suppliers and do not reflect government insolvency and/or liquidity problems

**10. External private sector debt has decreased.** Private external debt has decreased to CFAF 413 billion as of end-2020. Most debt is in direct investments held by foreign parent companies and official institutions.

## B. Macroeconomic Forecast

**11. Sound macroeconomic policies supported the economic recovery from the 2014 oil crisis.** Fiscal consolidation efforts and a tighter monetary stance at the CEMAC level contributed to a significant reduction in fiscal and external imbalances since the 2014 oil crisis. The government has engaged in consolidation efforts such as better control of expenditures on goods and services, decreases in non-priority public investments, recovery of tax arrears, reductions in tax expenditures, and improvements in tax and customs administration. As a result, the overall fiscal deficit narrowed to 2.8 percent of GDP (cash basis, including grants) in 2019. In the meantime, real GDP growth rate averaged 4.5 percent in 2014-19, supported by rapid expansion in services fueled by private consumption and investment. However, public debt level remains elevated with large exposure to external financing, and the poverty rate is high, with 37.5 percent of the population still living below the national poverty line.

**12. The macroeconomic framework reflects recent economic developments as well as policies.** The revised projections reflect the rebasing of Cameroon's national accounts from 2005 to 2016, which resulted in an upward revision of 3.6 percent to nominal GDP in 2016.[8] Relative to the previous DSA, real GDP growth for 2020 has been revised up from -1.5 percent to 0.5 percent, reflecting less than anticipated impact from the pandemic. Overall fiscal deficit (payment order basis, excluding grants) narrowed slightly from -3.4 percent to -3.3 percent of GDP, while the current account balance (including grants) remained unchanged at -3.7 percent of GDP. Baseline projection assumes implementation of the national vaccine deployment plan, which aims to cover 60 percent of the eligible population (+18 years old) by end-2023[9]. It also incorporates policy parameters in the context of the IMF program, which focuses on (i) mitigating the impact of the pandemic; (ii) reinforcing good governance and strengthening transparency and anti-corruption; (iii) accelerating structural fiscal reforms; (iv) strengthening debt management; and (v) improving the business environment and accelerating private-sector-led economic diversification. The program envisages a gradual fiscal consolidation path reflecting revenue measures including strengthening tax and customs administrations, streamlining tax exemptions, and recovering tax arrears, and policies to contain current spending broadly at the current level and improve the efficiency of capital spending. These measures will create space to support spending with higher economic and social impact and strengthen public investment and social protection, which would result in a gradual recovery in the medium term, followed by a more benign growth outlook, higher export bases, stronger revenue mobilization in the long run (Box 1, Text Table 6).

---

[8] The upward revision in nominal GDP is lower than that of the 2005 rebasing (8.6 percent) and those of the comparator countries in the region. The increase is driven by an increase of agriculture and industry contributions (3.3 and 0.9 percent respectively), while the tertiary sector contribution decreased.

[9] Vaccination rates remain relatively low. As of January 19, 6.3 percent of the eligible population were fully vaccinated and 2.8 percent received one dose. The authorities have stressed their commitment to enhance the vaccine uptake including through intensifying public awareness, increasing the number of vaccination centers and the numbers of trained health workers.

## Box 1. Cameroon: Medium and Long-Term Macroeconomic Assumptions

**Medium Term, 2021-2025**

- Real GDP growth is projected to average 4.6 percent of GDP, slightly adjusted compared to 4.7 percent of GDP projected in the previous DSAs reflecting more gradual recovery from the pandemic. Annual inflation is projected to remain around 2.1 percent in the medium-term, below the CEMAC convergence criteria of 3 percent.
- Overall fiscal deficit is projected to average -1.5 percent of GDP (payment order basis, excluding grants), significantly smaller than -2.4 percent of GDP projected in the previous DSA. The projections are anchored on reduced current and capital expenditures, as well as continued improvements in non-oil revenue mobilization, allowing a gradual return to the fiscal consolidation path consistent with program objectives and CEMAC convergence criterion. The revenue-to-GDP ratio (excluding grants) is projected to rise to average 15.2 percent on the back of administration modernization and base-broadening measures including streamlining tax exemptions. The current account balance (including grants) is projected to improve, averaging -3.0 percent of GDP in the medium term, supported by continued fiscal consolidation and stronger oil exports driven by higher oil prices.

**Long Term, 2026-2041**

- Real GDP growth is projected to average 5.4 percent in the long term, as structural reforms gain ground and private sector competitiveness and investment increase. Under their national development strategy, SND-30, the authorities are committed to take measures to boost growth, including accelerating the implementation of structural reforms, and strengthening SOE management and oversight, while promoting economic diversification. Simulations of policy reforms scenarios show sizeable positive implications on potential growth, including through greater economic diversification (domestic production and trade diversification), financial deepening, strengthened investment efficiency, and a gradual elimination of subsidies to SOEs and the removal of cross-sectoral distortions. The strategy also aims to finalize delayed infrastructure projects (Lom Pangar dam, the Memve'ele hydroelectric dam, and a drinking water supply projects), which are expected to boost production in key sectors (agriculture, manufacturing).
- The revenue-to-GDP ratio (excluding grants) is projected to rise, and to average 17.1 percent over 2026-2041 supported by the ongoing structural fiscal reforms, including revenue mobilization measures. The outlook assumes a gradual fiscal consolidation will continue beyond the program horizon. The implementation of the Medium-Term Revenue Strategy (MTRS) would boost revenue mobilization. Gradual elimination of the subsidies to SOEs will reduce the fiscal deficit. Exports of goods and services are projected to decline as a share of GDP from an average of 17.4 percent of GDP in 2021-25 to around 14.8 percent of GDP in the long-term, reflecting falling oil production, with maturing fields). The current account is assumed to gradually improve as non-oil exports remain dynamic and imports grow at a lower rate. The strength of non-oil exports is predicated on the success of measures envisaged—under SND-30 and the African Continental Free Trade Area (AFCTA)—to diversify export products, including through a new agency dedicated to export.

**Text Table 6. Cameroon: Key Macroeconomic Assumptions**

| | 2016-2019 | 2020 | 2021-2025 | 2026-2041 |
|---|---|---|---|---|
| **Real GDP growth (percent)** | | | | |
| Current 1/ | 3.9 | 0.5 | 4.6 | 5.4 |
| ECF-EFF program request | 4.0 | -1.5 | 4.7 | 5.8 |
| RCF 2 DSA Update | 4.0 | -2.8 | 4.7 | 5.6 |
| **Inflation (GDP deflator)** | | | | |
| Current 1/ | 1.2 | 0.5 | 2.1 | 1.9 |
| ECF-EFF program request | 1.7 | 2.0 | 2.0 | 1.9 |
| RCF 2 DSA Update | 1.5 | 1.2 | 1.9 | 1.8 |
| **Overall fiscal balance excl. grants, payment order basis (percent of GDP)** | | | | |
| Current 1/ | -4.5 | -3.3 | -1.5 | -1.5 |
| ECF-EFF program request | -4.6 | -3.4 | -2.4 | -1.6 |
| RCF 2 DSA Update | -4.6 | -4.6 | -2.6 | -1.6 |
| **Total revenue excluding grants (percent of GDP)** | | | | |
| Current 1/ | 14.6 | 13.2 | 15.2 | 17.1 |
| ECF-EFF program request | 15.0 | 13.6 | 15.5 | 17.9 |
| RCF 2 DSA Update | 15.0 | 12.8 | 14.3 | 14.8 |
| **Current account balance including grants (percent of GDP)** | | | | |
| Current 1/ | -3.4 | -3.7 | -3.0 | -2.6 |
| ECF-EFF program request | -3.4 | -3.7 | -3.4 | -2.1 |
| RCF 2 DSA Update | -3.5 | -5.4 | -2.6 | 0.9 |
| **Exports of goods and services (percent of GDP)** | | | | |
| Current 1/ | 18.6 | 15.0 | 17.4 | 14.8 |
| ECF-EFF program request | 19.2 | 15.7 | 17.6 | 15.8 |
| RCF 2 DSA Update | 19.2 | 14.5 | 16.6 | 14.9 |
| **Oil price (US dollars per barrel)** | | | | |
| Current 1/ | 56.3 | 41.3 | 69.6 | 69.3 |
| ECF-EFF program request | 56.3 | 41.3 | 53.6 | 50.5 |
| RCF 2 DSA Update | 56.3 | 41.7 | 49.1 | 51.2 |

Sources: Cameroonian authorities; IMF staff calculations.
1/ Reflects rebasing of the national accounts from 2005 to 2016 as described in paragraph 11.

**13. Financing assumptions have been updated based on the most recent data.** Cameroon's public gross financing needs over the 2021-2024 period is estimated at CFAF 6,901 billion (25.4 percent of GDP), of which average 65 percent is assumed to be financed externally.[10] The DSA reflects debt service suspended of CFAF 290 billion (1.2 percent of GDP) from May 2020 to December 2021 from the G20 debt service suspension initiative (DSSI). The DSA includes the Eurobond issued in July (CFAF 449 billion)[11]. The DSA also reflects IMF financing of CFAF 375 billion (SDR 483 million, 175 percent of quota) and prospective budget support from doners amounting to CFAF 477 billion in 2021-2024. Cameroon received an SDR allocation of CFAF 208 billion of which the authorities plan to use CFAF 50 billion in 2021 and 70 billion in 2022. [12] These amounts have been reflected in domestic debt through the government finance statistics data. External project financing is projected based on the budget, and the mix of disbursements is assumed to follow the composition of SENDs as of end-2020. After 2023, the composition gradually shifts towards

[10] The projection follows the budget. External financing shares in the authorities' MTDS for the period 2022-2024 are 68%, 66%, 64% respectively.

[11] The newly issued Eurobond is denominated in Euros (EUR 685 million), has 12 years of maturity and 5.95% coupon rate. The authorities have repurchased 79.42 percent of the outstanding old Eurobond (CFAF 357.7 billion) which was accounted as principal repayments. The remaining old Eurobond (estimated at CFAF 93 billion) is assumed to be repaid in equal tranches in 2023-2025.

[12] The Cameroon government uses the allocated SDRs by ceding the SDRs to BEAC, which in turn makes CFAF equivalent amount of funds available to the Cameroon government. The Cameroon government remains responsible for the SDR interest payments to the Fund.

commercial borrowing, decreasing the grant element. Financing terms for new external debt is unchanged from the previous DSA. Domestic financing assumptions reflect a slightly larger share of longer maturity bonds following the authorities' MTDS but adjusted given the lack of sufficient investor base for long-term bonds. Domestic financing (excluding the BEAC loan) is projected to shift progressively towards more medium-to-long-term borrowing.

**14. Financing assumptions regarding SONARA reflect latest information on debt restructuring.** Following a previous agreement in 2020, SONARA signed a revised agreement with the local banks in October 2021 to restructure its debt. Total amount owed to the bank is agreed at CFAF 261 billion, to be repaid over 10 years with an interest of 5.5 percent per year. The DSA reflects this revised repayment schedule, assuming that the difference between the restructured amount (CFAF 261 billion) and the end-2020 bank debt (CFAF 287 billion) has been repaid in 2021. As in previous DSA, letters of credit provided by domestic banks (CFAF 90.3 billion at end-2020) were excluded from SONARA's debt stock, given the short-term revolving nature. Negotiations with external creditors are ongoing, with some early signs of progress which have not been confirmed.[13] As such, restructuring of debt held by external creditors including oil traders is not assumed in the baseline. Also, in line with the previous DSA, short-term debt from external oil traders is classified as arrears.[14] In addition, a portion of SONARA's medium- and long-term external debt that was due for repayment in 2020 (estimated at around CFAF 31 billion) was classified as arrears. In terms of operation, SONARA is assumed to continue functioning as an importer of refined oil, while gradually recovering its production capacity starting from 2024 and reaching 60 percent of the pre-crisis level in 2027. Among SONARA's revenue, only financing expenses (CFAF 20 billion per year) and net income are assumed to be used for debt service and accounted for as part of the fiscal revenue in DSA. The cost of potential reconstruction of the refinery operation is not incorporated in the baseline as it is still being assessed by the authorities and discussions with the insurance company are ongoing.

**15. The realism tool highlights risks to the baseline projections (Figure 3)**. The projected 3-year fiscal adjustment is considered ambitious but achievable given distribution of LIC fiscal adjustments under the past IMF programs. The growth projection deviates from the path implied by the projected fiscal consolidation, but the impacts of the COVID-19 pandemic may not be well-captured by the exercise. Government investment is projected to recover gradually, although at a slightly slower pace compared to the previous DSA.

**16. The forecast error tool indicates different debt dynamics compared to historical developments, suggesting potential challenges (Figure 4)**. Contribution of the current account and FDI is expected to be smaller than observed in the past, while real GDP growth and price and exchange rate is projected to further draw down external debt. Projected change in the public debt is driven by a smaller contribution of primary deficit and stronger contribution of real GDP growth. The forecast error is similar to the median of other LICs.

[13] According to local news reports, among the 9 traders to whom SONARA owes CFAF 371 billion, 7 have reached a compromise and a draft repayment agreement is pending approval from the CNDP.

[14] Partial clearance of these arrears through SONARA's asset sales and conversion of the debt held by SNH (totaling CFAF 85 billion) is not reflected in the DSA as the transactions have not been confirmed.

## C. Country Classification and Determination of Scenario Stress Tests

**17. Cameroon's debt carrying capacity remains 'weak'.** The CI score based on the October 2021 WEO projections and the 2020 World Bank CPIA score is 2.70, higher than suggested by the previous DSA. This is driven by higher reserves and stronger domestic and world growth. Remittances have remained broadly the same as in the previous DSA[15]. Although the new CI score corresponds to a medium level debt-carrying capacity, Cameroon's debt carrying capacity remains low, as two consecutive signals are required for a change in country classification (Text Table 7).

### Text Table 7. Cameroon: Calculation of the CI Index

| Final | Classification based on current vintage | Classification based on the previous vintage | Classification based on the two previous vintages |
|---|---|---|---|
| Weak | Medium<br>2.70 | Weak<br>2.65 | Weak<br>2.58 |

| Components | Coefficients (A) | 10-year average values (B) | CI Score components (A*B) = (C) | Contribution of components |
|---|---|---|---|---|
| CPIA | 0.385 | 3.302 | 1.27114 | 47% |
| Real growth rate (in percent) | 2.719 | 3.818 | 0.10382 | 4% |
| Import coverage of reserves (in percent) | 4.052 | 30.562 | 1.23838 | 46% |
| Import coverage of reserves^2 (in percent) | -3.990 | 9.340 | -0.37268 | -14% |
| Remittances (in percent) | 2.022 | 1.497 | 0.03027 | 1% |
| World economic growth (in percent) | 13.520 | 3.137 | 0.42411 | 16% |
| CI Score | | | 2.695 | 100% |
| CI rating | | | **Medium** | |

**Reference: Thresholds by Classiciation**

| EXTERNAL debt burden thresholds | Weak | Medium | Strong |
|---|---|---|---|
| PV of debt in % of | | | |
| Exports | 140 | 180 | 240 |
| GDP | 30 | 40 | 55 |
| Debt service in % of | | | |
| Exports | 10 | 15 | 21 |
| Revenue | 14 | 18 | 23 |

| TOTAL public debt benchmark | Weak | Medium | Strong |
|---|---|---|---|
| PV of total public debt in percent of GDP | 35 | 55 | 70 |

**18. Stress tests follow standardized settings, with the addition of a market financing shock and a commodity price shock.** The standardized stress tests apply the default settings, while the contingent liability stress test is based on the quantification of contingent liabilities discussed above. The tailored stress tests for Cameroon include a market financing shock and a commodity price shock due to an outstanding Eurobond and exports of fuel and other commodities making up more than 50 percent of total exports. For these shocks the standard scenario designs are applied.

[15] Remittances inputs for the CI calculation are based on the Balance of Payment data.

# DEBT SUSTAINABILITY

## A. External Debt Sustainability

**19. External risk of debt distress is assessed high as three indicators breach the thresholds under the baseline scenario (Table 3 and Figure 1)**. The external debt service-to exports ratio and the external debt service-to-revenue ratio breach their respective thresholds, with the former showing a large and sustained breach. Significant increases in debt service payments in 2021 are driven by the redemption of the maturing Eurobond. Meanwhile, the PV of external debt to-exports ratio shows a one-time marginal breach in 2021, before declining below the threshold afterward.

**20. Under stress tests, thresholds for all four indicators are breached.** Combined contingent liabilities shock is the most extreme shock scenario for the PV of debt-to-GDP, while Exports shock turns out to be the most extreme shock for the PV of debt-to-exports, and the debt service-to-exports ratios. Both the PV of debt-to-exports and the debt service-to-exports ratios show large breaches throughout the projection period. For the debt service-to-revenue ratio, the most extreme shock is a one-time 30 percent nominal depreciation. Historical scenarios point towards exploding PV of debt-to-GDP and PV of debt-to-exports ratios, which reflect large historical current account deficit. This differs from projections under the baseline, which assume a gradual improvement in the current account balance driven by dynamic non-oil exports and moderate imports growth supported by fiscal balance converging to the CEMAC criterion.

## B. Public Debt Sustainability

**21. Overall risk of public debt distress is assessed high as the PV of debt-to-GDP ratio breaches the benchmark under the baseline scenario.** It is projected to decline gradually but to stay above the benchmark until 2022. The PV of debt-to-revenue ratio and the debt service-to-revenue ratio are also projected to decline gradually. The most extreme shock for all the indicators is the combined contingent liabilities, which is due to a significant size of SOE debt not captured in the debt stock. Barring this impact from SOE debt, the most extreme shock scenario for the PV of debt-to-revenue ratio and the Debt service-to-revenue ratio is the commodity shock.[16] The historical scenario projects an explosive path for the PV of debt-to-revenue, which is mainly driven by large historical primary deficits compared to projections. As discussed above, baseline projections in this DSA are based on a somewhat more gradual adjustment towards the CEMAC convergence criteria.

## C. Market Module

**22. The market financing tool points to low risks associated with market financing pressures (Figure 5)**. Cameroon's maximum three-year gross financing needs is estimated at 9 percent of GDP, which is lower than the suggested benchmark (14 percent). The latest available EMBI spread for Cameroon (306

[16] This assumes SOE debt kept at 2 percent of GDP, in line with the LIC DSA default setting, which is based on the median SOE external liability identified by a Fund staff survey conducted in 2016.

as of July 28, 2021) is also below the benchmark (570). With neither indicator breaching thresholds, the module signals low market financing pressures.

## D. Risk Rating and Vulnerabilities

**23. Cameroon is at high risk of debt distress, but debt remains sustainable.** The risk of external debt distress is high as three out of four indicators breach the thresholds under the baseline scenario. The external debt service-to-exports ratio particularly shows a large and sustained breach, indicating a fragile liquidity situation. In addition to the signals from the external debt indicators, the PV of public debt-to-GDP ratio is above the benchmark, suggesting a high risk of overall debt distress. However, Cameroon's debt can be assessed sustainable as its levels of debt and debt service indicators are remain broadly unchanged compared to the previous DSA and are below those of the previous year. Efforts to restructure SONARA's debt as well the Eurobond's issuance have helped improve Cameroon's debt profile. The authorities are also committed to continuing their active debt management.

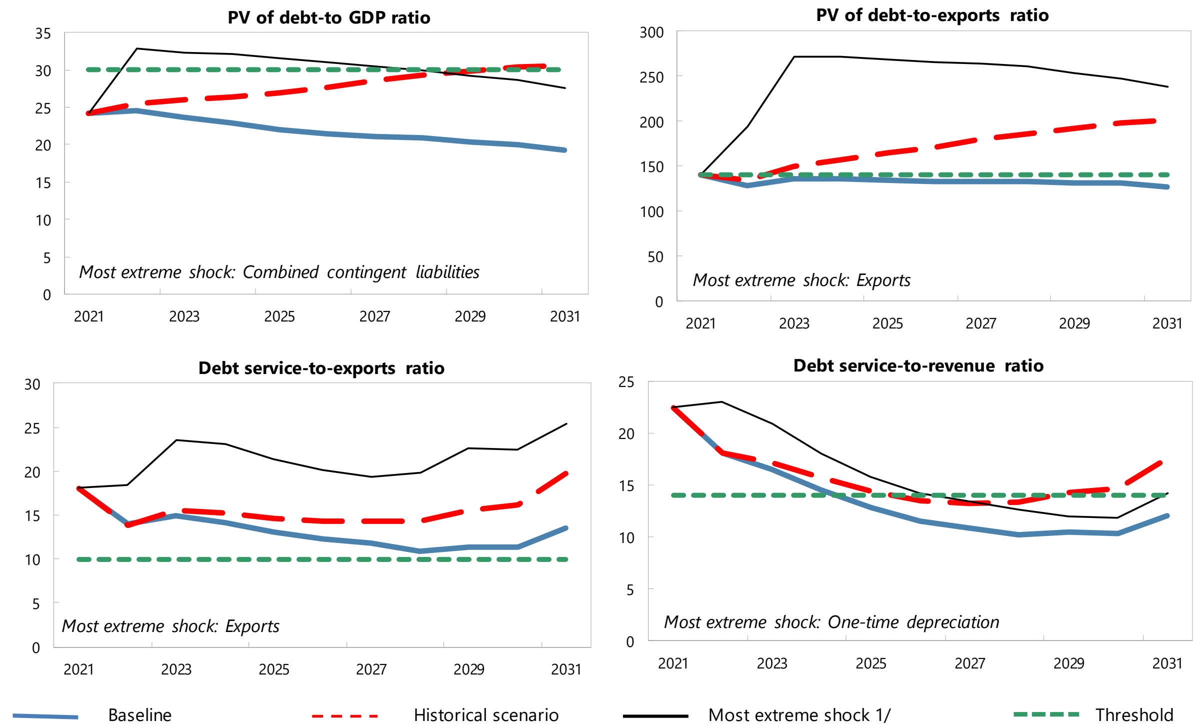
**24. This rating is vulnerable to a range of risks.** Key downside risks include a more protracted and severe COVID-19 shock, less-than-expected exports, resurgence of socio-political tensions, and unsuccessful restructuring of SONARA's debt. Other risks include realization of contingent liabilities from bank restructuring and from SOEs not included in the baseline of the DSA, and accelerations in disbursements due to the large stock of SENDs. On the other hand, stronger exports driven by rising international oil prices could reduce Cameroon's debt service burden.

**25. Significant efforts are warranted to ensure debt remains on a downward trajectory and sustainability is strengthened.** A gradual fiscal consolidation in line with crisis mitigation efforts, a steadfast implementation of structural fiscal reforms, and a prudent borrowing policy skewed towards concessional loans remain essential to keeping public debt dynamics on a sustainable path. Allowing for new non-concessional borrowing would further weaken debt sustainability. Vulnerable debt indicators expressed as a proportion of exports point to the need for improving competitiveness and achieving economic diversification. SONARA's debt restructuring efforts need to be strengthened while fundamentally building its financial viability. Finally, sound management of the SENDs needs to be maintained.

### *Authorities' Views*

**26. The authorities agreed that reducing debt vulnerabilities is a key priority to support Cameroon's economic development.** They acknowledged that the risk of debt distress remains high and were committed to reducing debt vulnerability by slowing the pace of external debt growth, utilizing concessional financing where available, and limiting non-concessional borrowing only to high priority projects with proven socioeconomic and financial returns. The authorities also highlighted the positive potential implication of debt risk assessment of Cameroon's continued active debt management and ongoing efforts to boost exports and revenue, and the possible reclassification of Cameroon's composite indicator (CI) of debt carrying capacity as medium, which would depend mainly on global economic recovery and regional reserves accumulation.

## Figure 1. Cameroon: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2021–2031




| Customization of Default Settings | | |
|---|---|---|
| | Size | Interactions |
| **Tailored Stress** | | |
| Combined CL | Yes | |
| Natural disaster | n.a. | n.a. |
| Commodity price /2 | No | No |
| Market financing | No | No |

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

| Borrowing assumptions on additional financing needs resulting from the stress tests* | | |
|---|---|---|
| | Default | User defined |
| **Shares of marginal debt** | | |
| External PPG MLT debt | 100% | |
| **Terms of marginal debt** | | |
| Avg. nominal interest rate on new borrowing in USD | 2.0% | 2.0% |
| USD Discount rate | 5.0% | 5.0% |
| Avg. maturity (incl. grace period) | 21 | 21 |
| Avg. grace period | 5 | 5 |

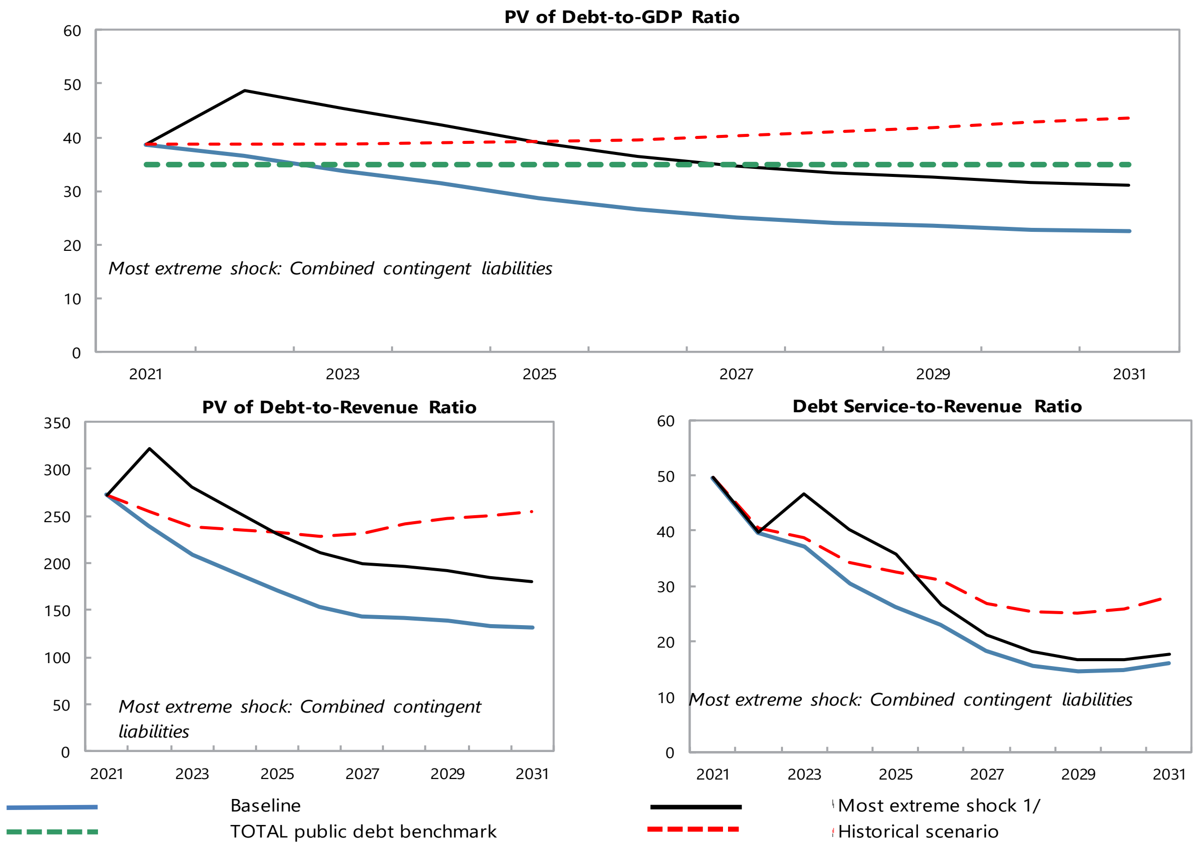
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2031. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

## Figure 2. Cameroon: Indicators of Public Debt under Alternative Scenarios, 2021–2031




| Borrowing assumptions on additional financing needs resulting from the stress tests* | Default | User defined |
|---|---|---|
| **Shares of marginal debt** | | |
| **External PPG medium and long-term** | 75% | 75% |
| **Domestic medium and long-term** | 17% | 17% |
| **Domestic short-term** | 8% | 8% |
| **Terms of marginal debt** | | |
| **External MLT debt** | | |
| **Avg. nominal interest rate on new borrowing in USD** | 2.0% | 2.0% |
| **Avg. maturity (incl. grace period)** | 21 | 21 |
| **Avg. grace period** | 5 | 5 |
| **Domestic MLT debt** | | |
| **Avg. real interest rate on new borrowing** | 3.3% | 3.3% |
| **Avg. maturity (incl. grace period)** | 3 | 3 |
| **Avg. grace period** | 2 | 1 |
| **Domestic short-term debt** | | |
| **Avg. real interest rate** | 1.0% | 1.0% |

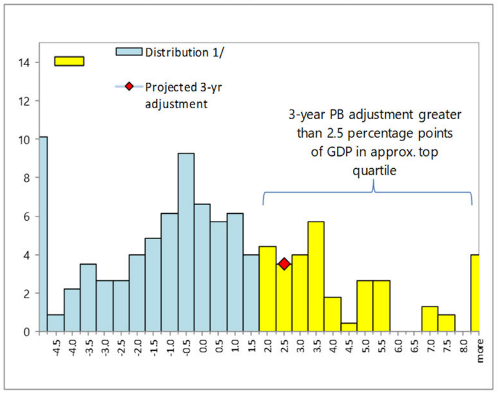
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2031. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

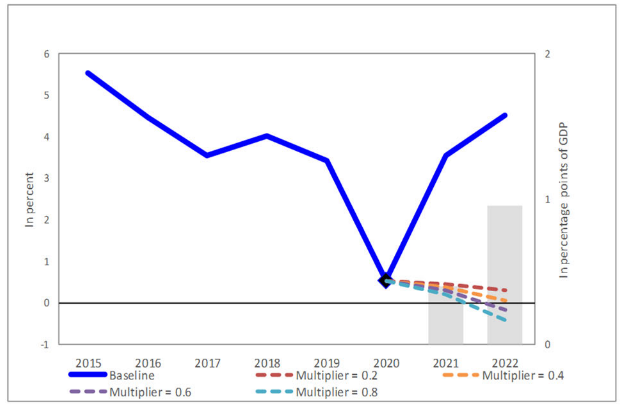
## Figure 3. Cameroon: Realism Tools

**3-Year Adjustment in Primary Balance**
**(Percentage points of GDP)**



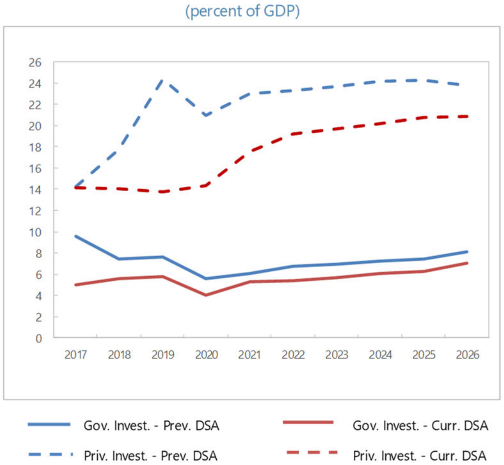

1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

**Fiscal Adjustment and Possible Growth Paths 1/**

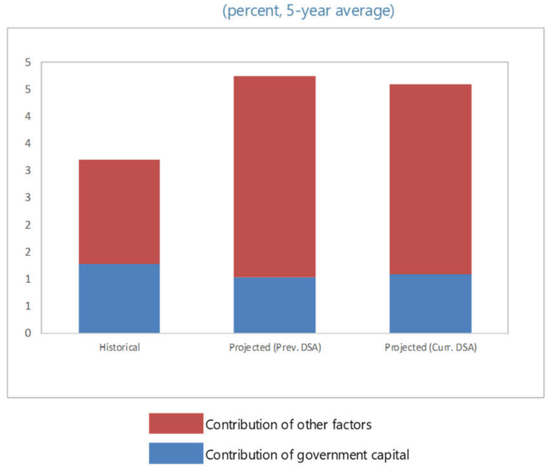



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

**Public and Private Investment Rates**
(percent of GDP)

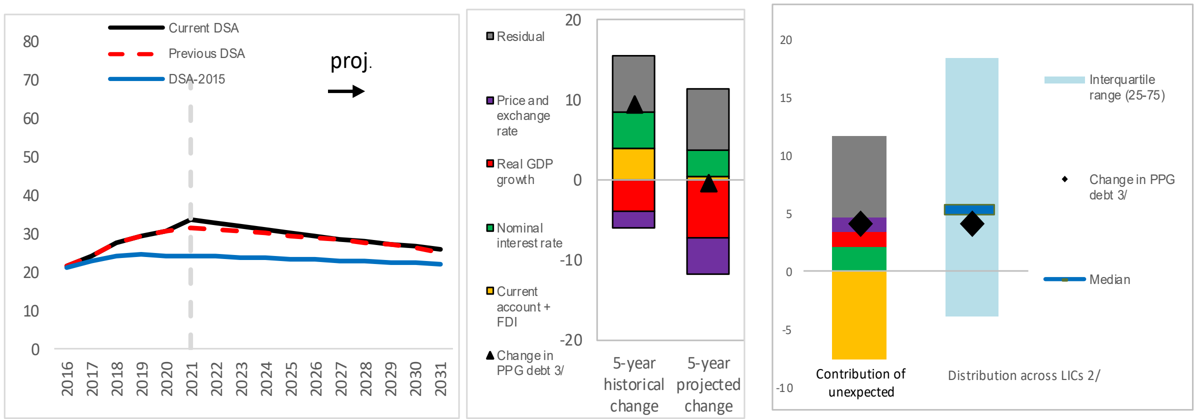



**Contribution to Real GDP growth**
(percent, 5-year average)



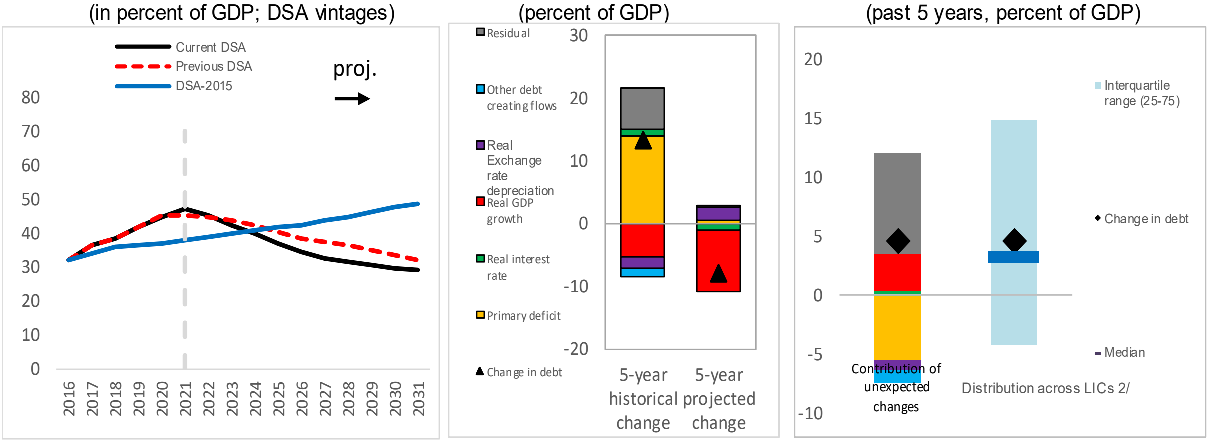
## Figure 4. Cameroon: Drivers of Debt Dynamics- Baseline Scenario

Gross Nominal PPG External Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)




### Public debt

Gross Nominal Public Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)




1/ Difference between anticipated and actual contributions on debt ratios.

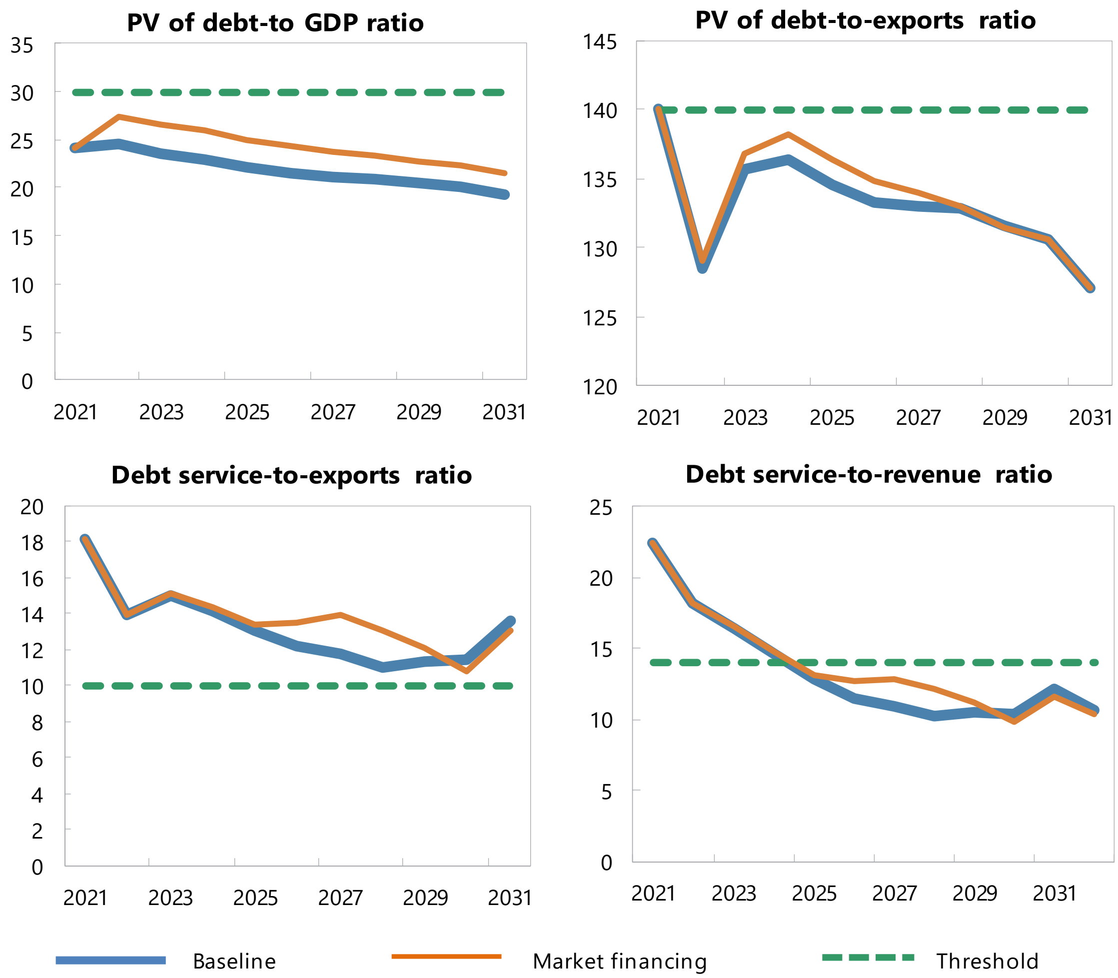
2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

## Figure 5. Cameroon: Market- Financing Risk Indicators

| | GFN 1/ | EMBI 2/ |
|---|---|---|
| Benchmarks | 14 | 570 |
| Values | 9 | 306 |
| Breach of benchmark | No | No |
| Potential heightened liquidity needs | Low | |

1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.
2/ EMBI spreads correspond to the latest available data.



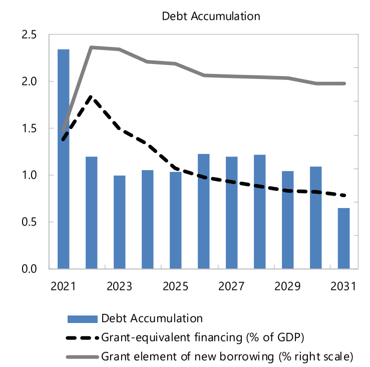

Sources: Country authorities; and staff estimates and projections.

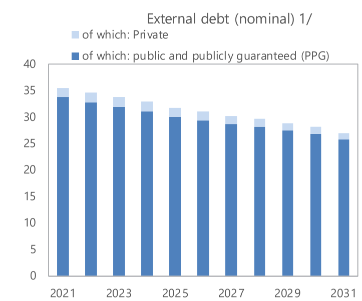
# Table 1. Cameroon: External Debt Sustainability Framework, Baseline Scenario, 2018–2041

(In percent of GDP, unless otherwise indicated)

| | Actual | | | Projections | | | | | | | | Average 8/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 | 2041 | Historical | Projections |
| **External debt (nominal) 1/** | 29.5 | 32.9 | 32.3 | 35.5 | 34.6 | 33.8 | 32.9 | 31.9 | 31.0 | 27.1 | 19.3 | 21.9 | 31.2 |
| ***of which: public and publicly guaranteed (PPG)*** | 27.7 | 29.4 | 30.5 | 33.9 | 32.8 | 32.0 | 31.1 | 30.1 | 29.3 | 25.8 | 18.5 | 19.8 | 29.6 |
| Change in external debt | 2.6 | 3.5 | -0.6 | 3.2 | -0.9 | -0.8 | -0.9 | -1.0 | -0.8 | -1.1 | -0.4 | | |
| **Identified net debt-creating flows** | -0.8 | 2.2 | 1.3 | 0.8 | -1.8 | -0.8 | -0.8 | -0.9 | -1.0 | -1.0 | -0.5 | 0.7 | -0.9 |
| **Non-interest current account deficit** | 2.4 | 3.2 | 3.1 | 2.6 | 1.3 | 2.4 | 2.6 | 2.5 | 2.4 | 2.2 | 1.9 | 2.7 | 2.3 |
| Deficit in balance of goods and services | 2.8 | 3.4 | 2.7 | 2.6 | 1.9 | 3.1 | 3.4 | 3.3 | 3.1 | 3.0 | 2.8 | 2.7 | 3.0 |
| Exports | 18.3 | 19.5 | 15.0 | 17.3 | 19.0 | 17.4 | 16.7 | 16.4 | 16.2 | 15.2 | 13.7 | | |
| Imports | 21.1 | 22.9 | 17.6 | 19.9 | 21.0 | 20.5 | 20.1 | 19.7 | 19.3 | 18.1 | 16.5 | | |
| Net current transfers (negative = inflow) | -1.1 | -1.3 | -1.0 | -1.2 | -1.3 | -1.2 | -1.2 | -1.2 | -1.1 | -1.2 | -1.3 | -1.0 | -1.2 |
| *of which: official* | -0.2 | -0.3 | -0.2 | -0.3 | -0.4 | -0.3 | -0.2 | -0.2 | -0.2 | -0.2 | -0.3 | | |
| Other current account flows (negative = net inflow) | 0.8 | 1.1 | 1.4 | 1.1 | 0.6 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 1.1 | 0.5 |
| **Net FDI (negative = inflow)** | -1.6 | -2.3 | -1.5 | -1.5 | -2.2 | -2.4 | -2.4 | -2.5 | -2.5 | -2.3 | -1.7 | -2.0 | -2.3 |
| **Endogenous debt dynamics 2/** | -1.5 | 1.3 | -0.3 | -0.3 | -0.8 | -0.9 | -1.0 | -1.0 | -1.0 | -0.9 | -0.6 | | |
| Contribution from nominal interest rate | 1.1 | 1.0 | 0.6 | 0.8 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.5 | 0.4 | | |
| Contribution from real GDP growth | -1.0 | -1.0 | -0.2 | -1.0 | -1.5 | -1.5 | -1.6 | -1.5 | -1.5 | -1.4 | -1.0 | | |
| Contribution from price and exchange rate changes | -1.6 | 1.3 | -0.8 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Residual 3/** | 3.4 | 1.2 | -1.9 | 2.4 | 0.8 | 0.0 | -0.1 | -0.1 | 0.2 | -0.2 | 0.0 | 1.5 | 0.4 |
| *of which: exceptional financing* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| **Sustainability indicators** | | | | | | | | | | | | | |
| **PV of PPG external debt-to-GDP ratio** | ... | ... | 24.3 | 24.2 | 24.5 | 23.6 | 22.8 | 22.0 | 21.5 | 19.3 | 14.4 | | |
| **PV of PPG external debt-to-exports ratio** | ... | ... | 162.4 | 140.0 | 128.5 | 135.6 | 136.4 | 134.6 | 133.2 | 127.0 | 104.8 | | |
| **PPG debt service-to-exports ratio** | 17.3 | 19.3 | 10.2 | 18.1 | 13.9 | 15.0 | 14.1 | 13.0 | 12.2 | 13.6 | 10.0 | | |
| **PPG debt service-to-revenue ratio** | 20.8 | 25.2 | 11.5 | 22.4 | 18.1 | 16.4 | 14.5 | 12.8 | 11.5 | 12.1 | 7.8 | | |
| Gross external financing need (Billion of U.S. dollars) | 2.6 | 3.0 | 1.6 | 2.2 | 1.0 | 1.5 | 1.5 | 1.4 | 1.4 | 2.0 | 3.1 | | |
| **Key macroeconomic assumptions** | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 4.0 | 3.4 | 0.5 | 3.5 | 4.5 | 4.8 | 5.0 | 5.1 | 5.1 | 5.3 | 5.5 | 3.7 | 4.9 |
| GDP deflator in US dollar terms (change in percent) | 6.5 | -4.1 | 2.4 | 6.4 | -0.7 | 3.0 | 2.7 | 3.0 | 2.8 | 1.9 | 1.9 | 0.6 | 2.5 |
| Effective interest rate (percent) 4/ | 4.5 | 3.5 | 1.9 | 2.6 | 2.0 | 2.0 | 1.9 | 2.0 | 1.9 | 2.0 | 2.1 | 3.3 | 2.0 |
| Growth of exports of G&S (US dollar terms, in percent) | 12.3 | 5.5 | -21.0 | 27.2 | 14.4 | -1.4 | 3.9 | 5.9 | 6.6 | 6.2 | 6.6 | 1.7 | 7.9 |
| Growth of imports of G&S (US dollar terms, in percent) | 16.9 | 7.6 | -20.7 | 24.4 | 9.2 | 5.7 | 5.8 | 5.8 | 6.0 | 6.3 | 6.6 | 2.1 | 7.9 |
| Grant element of new public sector borrowing (in percent) | ... | ... | ... | 20.7 | 33.1 | 32.8 | 30.9 | 30.7 | 28.9 | 27.6 | 24.5 | ... | 28.9 |
| Government revenues (excluding grants, in percent of GDP) | 15.2 | 14.9 | 13.3 | 13.9 | 14.7 | 15.9 | 16.2 | 16.7 | 17.2 | 17.0 | 17.7 | 15.0 | 16.3 |
| Aid flows (in Billion of US dollars) 5/ | 4.2 | 4.6 | 0.1 | 0.7 | 1.0 | 1.0 | 0.9 | 0.8 | 0.7 | 0.8 | 0.9 | | |
| Grant-equivalent financing (in percent of GDP) 6/ | ... | ... | ... | 1.4 | 1.8 | 1.5 | 1.3 | 1.1 | 1.0 | 0.8 | 0.6 | ... | 1.1 |
| Grant-equivalent financing (in percent of external financing) 6/ | ... | ... | ... | 24.4 | 41.0 | 38.3 | 37.1 | 34.4 | 31.6 | 31.1 | 28.8 | ... | 33.1 |
| Nominal GDP (Billion of US dollars) | 40 | 40 | 41 | 45 | 47 | 50 | 54 | 59 | 64 | 91 | 187 | | |
| Nominal dollar GDP growth | 10.8 | -0.8 | 3.0 | 10.2 | 3.8 | 7.9 | 7.9 | 8.3 | 8.1 | 7.4 | 7.6 | 4.3 | 7.5 |
| **Memorandum items:** | | | | | | | | | | | | | |
| PV of external debt 7/ | ... | ... | 26.2 | 25.9 | 26.2 | 25.4 | 24.6 | 23.8 | 23.2 | 20.6 | 15.1 | | |
| In percent of exports | ... | ... | 175.0 | 149.7 | 137.8 | 145.8 | 147.0 | 145.4 | 143.6 | 135.5 | 110.4 | | |
| Total external debt service-to-exports ratio | 23.0 | 25.0 | 16.0 | 21.4 | 16.3 | 16.8 | 15.6 | 14.6 | 13.8 | 14.9 | 10.9 | | |
| PV of PPG external debt (in Billion of US dollars) | | | 9.9 | 10.9 | 11.4 | 11.9 | 12.4 | 13.0 | 13.7 | 17.5 | 26.9 | | |
| (PVt-PVt-1)/GDPt-1 (in percent) | | | | 2.3 | 1.2 | 1.0 | 1.0 | 1.0 | 1.2 | 0.6 | 0.8 | | |
| Non-interest current account deficit that stabilizes debt ratio | -0.2 | -0.2 | 3.7 | -0.6 | 2.2 | 3.2 | 3.5 | 3.6 | 3.3 | 3.3 | 2.3 | | |

| Definition of external/domestic debt | Residency-based |
|---|---|
| Is there a material difference between the two criteria? | Yes |




Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

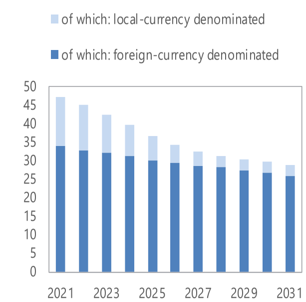
## Table 2. Cameroon: Public Sector Debt Sustainability Framework, Baseline Scenario, 2018–2 041

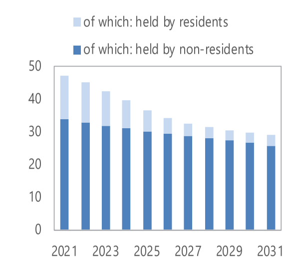
(In percent of GDP, unless otherwise indicated)

| | Actual | | | Projections | | | | | | | | Average 6/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 | 2041 | Historical | Projections |
| **Public sector debt 1/** | 38.3 | 41.6 | 44.9 | 47.2 | 45.0 | 42.3 | 39.7 | 36.8 | 34.4 | 29.0 | 24.0 | 29.3 | 36.2 |
| **of which: external debt** | 27.7 | 29.4 | 30.5 | 33.9 | 32.8 | 32.0 | 31.1 | 30.1 | 29.3 | 25.8 | 18.5 | 19.8 | 29.6 |
| Change in public sector debt | 1.8 | 3.3 | 3.3 | 2.3 | -2.2 | -2.7 | -2.5 | -3.0 | -2.4 | -0.7 | -0.2 | | |
| **Identified debt-creating flows** | -0.5 | 1.9 | -0.1 | -0.4 | -2.0 | -2.7 | -2.4 | -2.7 | -2.3 | -0.8 | -0.3 | 1.9 | -1.7 |
| **Primary deficit** | 1.3 | 1.9 | 2.1 | 1.7 | 0.7 | -0.6 | -0.5 | -0.8 | -0.5 | 0.8 | 0.9 | 2.8 | 0.2 |
| Revenue and grants | 15.6 | 15.5 | 13.5 | 14.2 | 15.2 | 16.2 | 16.5 | 16.8 | 17.3 | 17.2 | 17.8 | 15.3 | 16.5 |
| *of which: grants* | 0.4 | 0.6 | 0.1 | 0.3 | 0.5 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | | |
| Primary (noninterest) expenditure | 16.9 | 17.5 | 15.6 | 15.9 | 15.9 | 15.6 | 16.1 | 16.0 | 16.9 | 17.9 | 18.7 | 18.0 | 16.8 |
| **Automatic debt dynamics** | -0.4 | -0.3 | -2.2 | -2.1 | -2.8 | -2.1 | -1.9 | -1.9 | -1.8 | -1.6 | -1.2 | | |
| Contribution from interest rate/growth differential | -1.5 | -1.1 | 0.1 | -2.1 | -2.8 | -2.1 | -1.9 | -1.9 | -1.8 | -1.6 | -1.2 | | |
| *of which: contribution from average real interest rate* | -0.1 | 0.1 | 0.4 | -0.5 | -0.7 | 0.0 | 0.1 | 0.0 | 0.0 | -0.1 | 0.1 | | |
| *of which: contribution from real GDP growth* | -1.4 | -1.3 | -0.2 | -1.5 | -2.0 | -2.1 | -2.0 | -1.9 | -1.8 | -1.5 | -1.3 | | |
| Contribution from real exchange rate depreciation | 1.1 | 0.8 | -2.4 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Other identified debt-creating flows** | -1.4 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 |
| Privatization receipts (negative) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Recognition of contingent liabilities (e.g., bank recapitalization) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Debt relief (HIPC and other) | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Other debt creating or reducing flow (please specify) | -1.4 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| **Residual** | 2.3 | 1.4 | 3.4 | 2.7 | -0.1 | 0.0 | -0.1 | -0.2 | -0.1 | 0.1 | 0.0 | 1.2 | 0.2 |
| **Sustainability indicators** | | | | | | | | | | | | | |
| **PV of public debt-to-GDP ratio 2/** | ... | ... | 37.2 | 38.7 | 36.5 | 33.7 | 31.3 | 28.7 | 26.5 | 22.4 | 19.8 | | |
| **PV of public debt-to-revenue and grants ratio** | ... | ... | 275.9 | 272.6 | 240.1 | 208.2 | 189.5 | 170.2 | 153.0 | 130.8 | 111.3 | | |
| **Debt service-to-revenue and grants ratio 3/** | 20.3 | 24.3 | 49.3 | 49.6 | 39.7 | 37.0 | 30.4 | 26.2 | 22.9 | 16.1 | 16.5 | | |
| Gross financing need 4/ | 4.7 | 7.7 | 8.7 | 8.7 | 6.8 | 5.4 | 4.6 | 3.6 | 3.5 | 3.5 | 3.8 | | |
| **Key macroeconomic and fiscal assumptions** | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 4.0 | 3.4 | 0.5 | 3.5 | 4.5 | 4.8 | 5.0 | 5.1 | 5.1 | 5.3 | 5.5 | 3.7 | 4.9 |
| Average nominal interest rate on external debt (in percent) | 3.0 | 2.8 | 2.1 | 2.1 | 2.0 | 1.8 | 1.7 | 1.7 | 1.7 | 1.8 | 1.9 | 2.8 | 1.8 |
| Average real interest rate on domestic debt (in percent) | -1.8 | -1.2 | 1.0 | 0.0 | 0.3 | 2.2 | 2.2 | 1.7 | 1.7 | 0.9 | 3.0 | -1.7 | 1.2 |
| Real exchange rate depreciation (in percent, + indicates depreciation) | 4.5 | 3.0 | -8.0 | ... | ... | ... | ... | ... | ... | ... | ... | 0.9 | ... |
| Inflation rate (GDP deflator, in percent) | 1.8 | 1.2 | 0.5 | 2.6 | 2.9 | 1.4 | 1.5 | 2.0 | 2.0 | 1.9 | 1.9 | 1.9 | 2.0 |
| Growth of real primary spending (deflated by GDP deflator, in percent) | -4.2 | 6.6 | -10.3 | 5.6 | 4.8 | 2.5 | 8.4 | 4.8 | 10.7 | 6.0 | 6.0 | 4.5 | 6.3 |
| Primary deficit that stabilizes the debt-to-GDP ratio 5/ | -0.5 | -1.3 | -1.2 | -0.6 | 2.9 | 2.1 | 2.1 | 2.1 | 2.0 | 1.5 | 1.1 | -1.0 | 1.7 |

| | |
|---|---|
| **Definition of external/domestic debt** | **Residency-based** |
| **Is there a material difference between the two criteria?** | **Yes** |

Public sector debt 1/




Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

## Table 3. Cameroon: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2021–2031

(In percent)

| | Projections 1/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| **PV of debt-to GDP ratio** | | | | | | | | | | | |
| **Baseline** | 24 | 24 | 24 | 23 | 22 | 22 | 21 | 21 | 20 | 20 | 19 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2021-2031 2/ | 24 | 26 | 26 | 26 | 27 | 28 | 29 | 29 | 30 | **30** | **31** |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 24 | 26 | 26 | 25 | 24 | 24 | 23 | 23 | 22 | 22 | 21 |
| B2. Primary balance | 24 | 26 | **30** | 30 | 29 | 28 | 28 | 27 | 26 | 26 | 25 |
| B3. Exports | 24 | 28 | **32** | **31** | **30** | 29 | 29 | 28 | 27 | 26 | 25 |
| B4. Other flows 3/ | 24 | 25 | 25 | 24 | 24 | 23 | 23 | 22 | 22 | 21 | 20 |
| B5. Depreciation | 24 | **31** | 27 | 26 | 25 | 25 | 24 | 24 | 24 | 23 | 23 |
| B6. Combination of B1-B5 | 24 | 29 | 29 | 28 | 27 | 26 | 26 | 25 | 24 | 24 | 23 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 24 | **33** | **32** | **32** | **32** | **31** | **30** | 30 | 29 | 29 | 28 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 24 | 25 | 26 | 25 | 24 | 24 | 23 | 23 | 22 | 21 | 20 |
| C4. Market Financing | 24 | 27 | 27 | 26 | 25 | 24 | 24 | 23 | 23 | 22 | 22 |
| **Threshold** | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| **PV of debt-to-exports ratio** | | | | | | | | | | | |
| **Baseline** | **140** | 129 | 136 | 136 | 135 | 133 | 133 | 133 | 132 | 131 | 127 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2021-2031 2/ | **140** | 134 | **149** | **158** | **164** | **171** | **179** | **187** | **193** | **199** | **202** |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | **140** | 129 | 136 | 136 | 135 | 133 | 133 | 133 | 132 | 131 | 127 |
| B2. Primary balance | **140** | 138 | **174** | **177** | **176** | **175** | **174** | **173** | **171** | **168** | **163** |
| B3. Exports | **140** | **194** | **271** | **272** | **269** | **265** | **264** | **261** | **254** | **248** | **238** |
| B4. Other flows 3/ | **140** | 133 | **145** | **146** | **144** | **143** | **142** | **142** | 140 | 138 | 134 |
| B5. Depreciation | **140** | 129 | 122 | 123 | 122 | 120 | 120 | 120 | 120 | 120 | 118 |
| B6. Combination of B1-B5 | **140** | **177** | **149** | **192** | **190** | **188** | **187** | **185** | **182** | **180** | **174** |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | **140** | **173** | **186** | **191** | **193** | **191** | **191** | **191** | **189** | **187** | **182** |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | **140** | 139 | **152** | **153** | **151** | **148** | **147** | **145** | **143** | **140** | 135 |
| C4. Market Financing | **140** | 129 | 137 | 138 | 136 | 135 | 134 | 133 | 131 | 131 | 127 |
| **Threshold** | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 |
| **Debt service-to-exports ratio** | | | | | | | | | | | |
| **Baseline** | **18** | **14** | **15** | **14** | **13** | **12** | **12** | **11** | **11** | **11** | **14** |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2021-2031 2/ | **18** | **14** | **16** | **15** | **15** | **14** | **14** | **14** | **16** | **16** | **20** |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | **18** | **14** | **15** | **14** | **13** | **12** | **12** | **11** | **11** | **11** | **14** |
| B2. Primary balance | **18** | **14** | **16** | **16** | **15** | **14** | **14** | **13** | **15** | **15** | **17** |
| B3. Exports | **18** | **18** | **23** | **23** | **21** | **20** | **19** | **20** | **23** | **22** | **25** |
| B4. Other flows 3/ | **18** | **14** | **15** | **14** | **13** | **12** | **12** | **11** | **12** | **12** | **14** |
| B5. Depreciation | **18** | **14** | **15** | **14** | **13** | **12** | **11** | **11** | **10** | **10** | **13** |
| B6. Combination of B1-B5 | **18** | **17** | **20** | **19** | **17** | **16** | **16** | **16** | **16** | **16** | **19** |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | **18** | **14** | **16** | **15** | **14** | **14** | **13** | **12** | **13** | **13** | **15** |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | **18** | **15** | **16** | **15** | **14** | **13** | **13** | **12** | **13** | **13** | **15** |
| C4. Market Financing | **18** | **14** | **15** | **14** | **13** | **13** | **14** | **13** | **12** | **11** | **13** |
| **Threshold** | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| **Debt service-to-revenue ratio** | | | | | | | | | | | |
| **Baseline** | **22** | **18** | **16** | **15** | 13 | 11 | 11 | 10 | 10 | 10 | 12 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2021-2031 2/ | **22** | **18** | **17** | **16** | **14** | 13 | 13 | 13 | **14** | **15** | **18** |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | **22** | **19** | **18** | **16** | 14 | 13 | 12 | 11 | 11 | 11 | 13 |
| B2. Primary balance | **22** | **18** | **17** | **17** | **15** | 13 | 13 | 12 | 13 | 13 | **15** |
| B3. Exports | **22** | **18** | **18** | **16** | **14** | 13 | 12 | 13 | **14** | 14 | **15** |
| B4. Other flows 3/ | **22** | **18** | **17** | **15** | 13 | 12 | 11 | 11 | 11 | 11 | 13 |
| B5. Depreciation | **22** | **23** | **21** | **18** | **16** | **14** | 13 | 13 | 12 | 12 | **14** |
| B6. Combination of B1-B5 | **22** | **19** | **19** | **17** | **15** | 13 | 12 | 13 | 13 | 12 | **14** |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | **22** | **18** | **18** | **16** | **14** | 13 | 12 | 11 | 12 | 11 | 13 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | **22** | **21** | **19** | **17** | **15** | 13 | 12 | 11 | 12 | 11 | 13 |
| C4. Market Financing | **22** | **18** | **17** | **15** | 13 | 13 | 13 | 12 | 11 | 10 | 12 |
| **Threshold** | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| *Memorandum item:* | | | | | | | | | | | |
| Grant element assumed on residual financing (i.e., financing required above baseline) | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | **28.0** |

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

## Table 4. Cameroon: Sensitivity Analysis for Key Indicators of Public Debt, 2021–2031

| | Projections 1/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| **PV of Debt-to-GDP Ratio** | | | | | | | | | | | |
| **Baseline** | **39** | **36** | 34 | 31 | 29 | 27 | 25 | 24 | 23 | 23 | 22 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2021-2031 2/ | **39** | **39** | **39** | **39** | **39** | **40** | **40** | **41** | **42** | **43** | **44** |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | **39** | **39** | **39** | **37** | **35** | 34 | 33 | 33 | 34 | 34 | 34 |
| B2. Primary balance | **39** | **39** | **42** | **39** | **36** | 34 | 32 | 31 | 30 | 29 | 28 |
| B3. Exports | **39** | **40** | **41** | **39** | **36** | 33 | 31 | 30 | 29 | 28 | 27 |
| B4. Other flows 3/ | **39** | **37** | **35** | 33 | 30 | 28 | 26 | 25 | 25 | 24 | 23 |
| B5. Depreciation | **39** | **42** | **38** | 34 | 30 | 27 | 24 | 22 | 20 | 19 | 17 |
| B6. Combination of B1-B5 | **39** | **37** | **39** | **36** | 33 | 31 | 29 | 28 | 27 | 27 | 26 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | **39** | **49** | **45** | **42** | **39** | **37** | 35 | 33 | 33 | 32 | 31 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | **39** | **39** | **39** | **39** | **38** | **37** | **37** | **37** | **37** | **37** | **37** |
| C4. Market Financing | **39** | **37** | 34 | 32 | 29 | 27 | 25 | 24 | 23 | 23 | 22 |
| **TOTAL public debt benchmark** | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| **PV of Debt-to-Revenue Ratio** | | | | | | | | | | | |
| **Baseline** | 273 | 240 | 208 | 190 | 170 | 153 | 144 | 142 | 138 | 134 | 131 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2021-2031 2/ | 273 | 254 | 239 | 236 | 233 | 229 | 231 | 241 | 247 | 250 | 254 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 273 | 254 | 238 | 224 | 209 | 196 | 192 | 196 | 198 | 198 | 200 |
| B2. Primary balance | 273 | 257 | 261 | 238 | 215 | 195 | 184 | 181 | 176 | 169 | 165 |
| B3. Exports | 273 | 262 | 254 | 233 | 211 | 192 | 181 | 178 | 171 | 163 | 157 |
| B4. Other flows 3/ | 273 | 246 | 218 | 199 | 179 | 162 | 152 | 150 | 146 | 140 | 137 |
| B5. Depreciation | 273 | 280 | 235 | 206 | 179 | 154 | 138 | 129 | 120 | 109 | 101 |
| B6. Combination of B1-B5 | 273 | 247 | 239 | 219 | 198 | 178 | 168 | 166 | 162 | 156 | 152 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 273 | 321 | 280 | 256 | 232 | 211 | 199 | 197 | 192 | 185 | 181 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 273 | 291 | 268 | 262 | 245 | 227 | 218 | 216 | 218 | 217 | 218 |
| C4. Market Financing | 273 | 241 | 209 | 191 | 172 | 154 | 145 | 142 | 138 | 134 | 131 |
| **Debt Service-to-Revenue Ratio** | | | | | | | | | | | |
| **Baseline** | 50 | 40 | 37 | 30 | 26 | 23 | 18 | 16 | 15 | 15 | 16 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2021-2031 2/ | 50 | 40 | 39 | 34 | 32 | 31 | 27 | 25 | 25 | 26 | 28 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 50 | 41 | 41 | 34 | 31 | 28 | 23 | 21 | 20 | 21 | 23 |
| B2. Primary balance | 50 | 40 | 40 | 37 | 33 | 28 | 21 | 19 | 19 | 19 | 20 |
| B3. Exports | 50 | 40 | 38 | 32 | 27 | 24 | 19 | 18 | 18 | 18 | 19 |
| B4. Other flows 3/ | 50 | 40 | 37 | 31 | 26 | 23 | 18 | 16 | 15 | 16 | 17 |
| B5. Depreciation | 50 | 40 | 41 | 34 | 29 | 26 | 21 | 18 | 17 | 17 | 19 |
| B6. Combination of B1-B5 | 50 | 39 | 38 | 34 | 30 | 26 | 20 | 17 | 16 | 16 | 17 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 50 | 40 | 47 | 40 | 36 | 26 | 21 | 18 | 17 | 17 | 18 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 50 | 46 | 44 | 39 | 35 | 31 | 26 | 23 | 22 | 22 | 24 |
| C4. Market Financing | 50 | 40 | 37 | 31 | 27 | 24 | 20 | 17 | 15 | 14 | 16 |

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

**Statement by Mr. Andrianarivelo, Executive Director for Cameroon, Mr. N'Sonde, Alternate Executive Director for Cameroon and Mrs. Raoilisoa Andrianometiana, Senior Advisor to the Executive Director on Cameroon**
**February 23, 2022**

Our Cameroonian authorities are grateful to Executive Directors, Management, and Staff for their continued support to Cameroon. The authorities particularly appreciate the candid discussions held virtually in December 2021, in the context of the Article IV consultation and first review under the ECF/EFF arrangements, which are accurately reflected in the staff report. Our authorities also welcome the pertinent analysis provided in the Selected Issues paper, which highlights key issues of interest to them.

The authorities recognize the key role played by the Fund in supporting their efforts during the past two years. The emergency disbursements under the RCF in 2020 have helped Cameroon cope with the economic and social fallout of the Covid-19 pandemic. In addition, the authorities are committed to ensure the transparency and accountability of the use of the August 2021 SDR allocation and are planning to use 57 percent of it by end-2022 and save 43 percent as a buffer to boost regional fiscal and external sustainability. Moreover, the authorities attach great value to Fund policy advice and timely technical assistance.

Notwithstanding the challenging socio-political situation in some parts of the region, Cameroon has made significant efforts to implement the economic and financial reform program supported by the ECF/EFF arrangements. The authorities have followed through and shown their strong commitment to ensuring transparency and accountability in managingCovid-related expenditures, including the publication of Covid-19 related spending report forFY 2020, the completion of the audit report, and the publication of procurement contracts and beneficial ownership. They remain determined to achieve the program objectives consistent with the CEMAC strategy to rebuild BEAC’s foreign exchange reserves.

## Recent Developments and Outlook

Following the severe impact of the pandemic, Cameroon’s economy has bounced back strongly in 2021. GDP growth is expected to have recovered to 3.5 percent, supported by efforts on vaccination, stronger domestic demand, and a favorable external environment. Preliminary estimations suggest that fiscal deficit was contained at 3.1 percent of GDP, thanks to a relatively good non-oil revenues performance and contained expenditure. Public debt has increased somewhat but remains under control and sustainable—albeit at high risk of debt distress—owing to progress in the restructuring of national refinery’s (SONARA) domestic debt and a favorable Eurobond issuance. The current account deficit has decreased significantly, reflecting stronger-than-expected oil and non-oil exports, while the rise in imports has been more moderate. Inflation remains below the regional convergence thresholdof 3 percent.

The economic outlook remains positive despite elevated uncertainty stemming from the evolution of the pandemic. The growth momentum is projected to reach 4.5 percent in 2022 and 4.8 percent in 2023 as the pandemic subsides and external demand recovers and should continue over the medium term at an annual average of 5 percent. Growth will be supported by the implementation of the National Development Strategy for 2020-30 (SND30), large infrastructure projects, notably in the energy sector, and recovery in trading partner economies. The recovery will also depend on the adequate deployment of vaccines. In this respect, the authorities continue to implement their national vaccine readiness and deployment plan and envision strengthening communication towards community support for vaccination.

To mitigate the possible impact of downside risks to the outlook—notably related to new Covid-19 outbreaks, tightening financing conditions, and international oil prices—the authorities are committed to pursuing their fiscal consolidation strategy, taking contingency measures notably on the budget front as needed, and maintaining close engagement with partners.

**Program Performance**

Program implementation was complicated by the daunting challenges imposed by the pandemic and the complex security context in the region. Notwithstanding this difficult environment, all quantitative performance criteria (PCs) at end-July 2021 and two out of five indicative targets (ITs) were met. The continuous PC on the ceiling on the new non-concessional external debt contracted or guaranteed by the government was not met, owing to a critical non-concessional project loan in health sector signed by the government. However, the continuous PC on external arrears accumulation has been observed. Due toongoing security challenges in the northwest, southwest, and far north regions, ITs on theshare of spending executed through exceptional procedures and on domestic arrears weremissed.

The implementation of structural benchmarks was strong in some areas. The Cameroonian authorities adopted and published the implementing texts for the Public Procurement Code. They also published the audit report of the Covid 19-related spending for FY 2020 conductedby the Supreme Court. A decree defining the modalities to monitor the performance of all programs and projects was adopted, thereby improving accountability for project implementation. Furthermore, the implementation of the remaining reforms is progressing but taking longer than anticipated due to the pandemic and some capacity constraints. On theaudit of government arrears, four auditors have been selected, which should pave the way forthe arrears' settlement plan and their clearance. The diagnostic studies of three large state- owned enterprises (SOEs) are underway, and the results will be submitted to staff by end- June 2022. Additionally, cross-debt inventory between SOEs and the State and among SOEs is being finalized. The reports, which will be available in April 2022, will be used to prepare a debt clearance plan.

**Policies and Reforms for 2022 and the Period Ahead**

Cameroon will continue to implement sound policies and reforms set out under the ECF/EFF-supported program, which are in line with the SND30 and the post-Covid-19 economic recovery plan.

***Fiscal Policy and Reforms***

Fiscal policy will continue to address the impact of the pandemic and support the economic recovery while preserving debt sustainability. The authorities are committed to pursuing a growth-friendly fiscal consolidation over the medium-term to ensure fiscal sustainability. Their goal is to achieve the regional overall fiscal deficit convergence criterion of 1.6 percent of GDP by 2024. In the same consolidation efforts, they intend to reach a non-oil primary balance—key fiscal anchor—of 2 percent of non-oil GDP by 2024 against 4.9 percent prior to the crisis (2019) and 4 percent in 2021. To this end, the authorities are placing a particular emphasis on stepping up the mobilization of non-oil domestic revenues and rationalizing expenditures while protecting priority social spending and improving public spending efficiency. *On the revenue side*, the 2022 budget law sets a target for additional mobilization of non-oil revenues up to 0.8 percent of GDP and introduces measures to increase tax revenue and streamline parafiscal taxation. In addition, the authorities will redouble efforts to improve taxcollection and combat tax evasion and fraud while ensuring the integrity of taxpayer records and the IT system. Moreover, the authorities will develop and implement a medium-term revenue strategy. They will develop new approaches to revenue mobilization and tax base broadening, drawing on Fund technical assistance expected this year. The authorities are fully cognizant that expanding the tax base remains a challenge given the considerable weight of the informal sector, tax expenditure, and the low contribution of personal income tax.

In line with Cameroon's public finance reform program, the government is pursuing reforms aimed at improving the quality of *public expenditure and cash flow management*. The authorities will continue to use the available fiscal space for priority and social spending as well as development projects to promote sustainable and inclusive growth. In this regard, the

2022 budget law has prioritized spending on vaccination needs and pace. Furthermore, the authorities will accelerate the cash transfer mechanism to protect the most vulnerable, with the World Bank' support and drawing on other countries' experience. The authorities will continue implementing reforms to improve project selection, planning, and execution to enhance the effectiveness and efficiency of public investment. Likewise, measures to improve current expenditure will be maintained, including reviewing the current civil servicepension system. To avoid the recurrence of arrears, the authorities will strengthen cash flow management and continue to improve treasury operations, including the operationalization ofthe Treasury single account (TSA) in liaison with the regional central bank (BEAC). The authorities will adopt realistic expenditure commitment plans, which should be used to prepare credible monthly cash flow plans and redouble their efforts to curtail the use of exceptional procedures.

***Debt Policy and Management of Contingent Liabilities***

The authorities take good note of the debt sustainability analysis and its recommendations. Inthis regard, they will continue to limit the pace of new external debt commitments while prioritizing concessional loans. They will strictly limit the signing of non-concessional loans to priority projects for which concessional resources are unavailable while adhering to the program debt limits, also set in the 2022 budget law. To improve debt management, the government reaffirms the central role of the national public debt committee (CNDP), which approval is required for all borrowing proposals. Moreover, the medium-term debt strategy will remain focused on preparing coherent annual borrowing plans and strengthening the communication strategy.

Addressing financial and fiscal risks associated with SOEs and improving SOEs governance are paramount for Cameroon. In that respect, the government will continue to strengthen the management and governance of SOEs to improve public service delivery and limit fiscal risks. The Ministry of Finance will issue an instruction to institutionalize governance by performance contract by the end-June 2022 to improve the performance of public enterprises.Our authorities are also progressing to accelerate SONARA's debt restructuring and put the company on a sound financial footing. In addition, the government will carry out an audit of highly indebted SOEs —notably CAMTEL, CAMWATER, and Port Autonome de Douala (PAD) —and assess their financial viability, based on diagnostic studies, which are near completion.

***Governance***

The Cameroonian government is attentive to the importance of strengthening measures to promote good governance, enhance transparency, and address corruption. They have completed the transparency and accountability requirements regarding the management of Covid-related spending for FY 2020 and committed to fulfilling the requirements for FY 2021. They confirm their determination to strengthen the legal and institutional framework to promote good governance as well as enhance their strategy for combating corruption throughboth preventive and repressive actions. With the Fund's technical assistance, Cameroon will conduct a diagnostic of vulnerabilities in governance that would include state functions that are most relevant to economic activity. They will also prepare an action plan to strengthen the Supreme court's audit bench by the end of 2022.

***Structural Reforms***

The authorities appreciate the candid and productive discussions on structural reforms held with staff under the 2021 Article IV consultation. Accelerating the structural reform agenda is vital for minimizing the scars from the pandemic and fostering inclusive and resilient growth. The authorities are determined to tackle the structural obstacles that hamper further private sector development and economic diversification. Moreover, under SND30, Cameroon is committed to stepping up measures to adapt and mitigate climate change effects to ensure inclusive and durable growth. The country is among the ones that signed the Glasgow Declaration on forests and land use during CoP 26, aimed at stemming and reversing the loss of forests and land degradation by 2030. To this end, Cameroon has undertaken measures to restore approximately 12 million hectares of degraded land under theAFR 100 Initiative.

**Conclusion**

Our Cameroonian authorities reiterate their commitment to the program objectives to strengthen macroeconomic stability, firm up inclusive growth and enhance CEMAC's external stability and economic prospects. They highly value the strong relationship with the Fund and would appreciate Directors' support for the completion of the 2021 Article IV consultation and the first review under the ECF/EFF- supported program. They also request waivers for performance criteria applicability to account for the December 2021 performance targets that cannot be assessed at this stage, and for nonobservance and modification of performance criterion consistent with the program's objectives.