



# CAMEROON

February 2020

## FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION AND MODIFICATION OF PERFORMANCE CRITERIA — PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CAMEROON

In the context of the Fifth Review Under the Extended Credit Facility Arrangement, 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.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 22, 2020, following discussions that ended on November 8, 2019 with the officials of Cameroon on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on January 7, 2020.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for Cameroon.

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

Letter of Intent sent to the IMF by the authorities of Cameroon\*

Memorandum of Economic and Financial Policies by the authorities of Cameroon\*

Technical Memorandum of Understanding\*

\*Also included in Staff Report

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.

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### **IMF Executive Board Completes Fifth Review of the Extended Credit Facility Arrangement for Cameroon**

- Cameroon to receive the sixth US\$76.1 million disbursement from the IMF.
- Program implementation in 2019 was mixed and faced challenges.
- Despite short-term headwinds, the medium-term growth outlook remains broadly positive.

The Executive Board of the International Monetary Fund (IMF) today completed the fifth review of the arrangement under the Extended Credit Facility (ECF) for Cameroon. The completion of the review enables the disbursement of SDR55.2 million (about US\$76.1 million), bringing total disbursements under the arrangement to SDR427.8 million (about US\$590 million).

The Executive Board also approved the authorities' request for a waiver of nonobservance of the continuous performance criteria on the non-accumulation of new external payments arrears, based on the corrective actions taken by the authorities.

Cameroon's three-year arrangement was approved on June 26, 2017 for SDR 483 million (about US\$666.1 million, or 175 percent of Cameroon's quota— see [Press Release No.17/248](#)). The arrangement aims at supporting the country's efforts to restore external and fiscal sustainability and to lay the foundations for a more sustainable, inclusive and private sector-led growth.

Following the Executive Board discussion, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

“Cameroon's performance under the ECF-supported program has been mixed. All end-June 2019 performance criteria have been met but four out of the five indicative targets for end-June were missed. Structural reforms are advancing but with delays.

“Cameroon is supporting the CEMAC's regional external and financial stability through fiscal consolidation and enforcement of foreign exchange regulations. It will be important to also fully align the new Petroleum Code with the BEAC's foreign exchange regulation.

“Staying the course on fiscal consolidation is essential for building fiscal and external buffers. The authorities are encouraged to broaden the non-oil revenue base, reduce discretionary tax exemptions, combat tax fraud and evasion, and enhance tax and customs administration. Completion of the Treasury Single Account reform and reduced recourse to direct interventions and exceptional spending procedures will help improve cash management and budget execution and strengthen fiscal transparency and budget credibility.

“Urgently addressing financial and fiscal risks associated with the National Oil Refinery (SONARA) is critical. SONARA’s corporate restructuring should be based on a thorough cost-benefit analysis of all available options. The planned audits of four large state-owned enterprises (SOEs) and the clearance of government cross-debts with state-owned enterprises and of government arrears will help mitigate contingent risks.

“Cameroon is at high risk of debt distress. To safeguard debt sustainability, it is important to strictly adhere to the disbursement plan for contracted-but-undisbursed loans and to limit nonconcessional borrowing to macrocritical projects for which concessional financing is not available.

“Enhancing the business climate and governance is key to promoting private sector-led and inclusive growth. Bold actions must be taken to strengthen contract enforcement, improve compliance with the Extractive Industry Transparency Initiative (EITI) recommendations and AML/CFT standards, reduce nonperforming loans, and resolve ailing banks. Further steps to diversify the export base and enhance investment efficiency remain essential to unlock Cameroon’s growth potential.

“Cameroon’s program continues to be supported by policies and reforms by the regional institutions in the areas of foreign exchange regulation and monetary policy and a recovery in regional net foreign assets that is critical to the program’s success.”



# CAMEROON

January 7, 2020

## FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION AND MODIFICATION OF PERFORMANCE CRITERIA

### KEY ISSUES

**Context.** Growth reached 3.9 percent in the first half of 2019, supported by a rebound in the oil and gas sector. The overall fiscal deficit was 1.4 percent of GDP for the first three quarters of 2019, slightly better than the program's projection. External buffers are being rebuilt, despite external and domestic headwinds. The economy is coping with the impact of the suspension of production at the national oil refinery (SONARA).

**Outlook and risks.** The security crisis in the Anglophone regions and SONARA's situation weigh on the short-term outlook. Medium-term growth prospects remain positive, with non-oil growth projected to gradually rise to 5.4 percent in 2024 (from 3.8 percent in 2019), driven by increased investment in infrastructure and energy sectors and the resolution of the security crisis.

**Program status.** Program implementation over the first nine months of 2019 was mixed and faces challenges. All June 2019 quantitative performance criteria (PCs) were met but four out of the five indicative targets (IT) were missed. The continuous PC on external arrears accumulation and three September ITs were also missed. Structural reforms are advancing but with delays.

### Key Policy Recommendations

- Urgently address the short-term debt problems at SONARA to preserve financial stability and minimize current and future fiscal costs;
- Revise and simplify the existing fuel price structure;
- Continue shifting into concessional loans and prudently manage contracted-but-undisbursed loans (SENDS);
- Complete an inventory of cross-debts between state-owned enterprises (SOEs) and the government and among SOEs themselves and adopt a plan to clear audited cross-debts between SOEs and the government;
- Finalize the audits of four large SOEs in close cooperation with the World Bank;

- Continue to support CEMAC's regional reform strategy through strict implementation of the new foreign exchange (FX) regulations;

**Staff views.** Staff supports the authorities' requests for completion of the fifth review, a waiver of nonobservance of one continuous performance criterion and modification of one December 2019 and one 2020 performance criterion. Upon completion of the review, a disbursement of SDR 55.2 million (20 percent of quota) will be made available, for a cumulative amount of SDR 427.8 million or 155 percent of quota.

Approved By  
**David Owen and**  
**Ashvin Ahuja**

Discussions took place in Yaoundé during October 28–November 8, 2019. The staff team comprised Mr. Sy (head), Messrs. Nsengiyumva, Pondi-Endengle, and Tintchev (all AFR), Messrs. Arnoud (FAD) and Blache (MCM), and Ms. Schauer (SPR). The team was supported by Mr. Tchakoté (local economist), and Mr. Ahmed, and Mmes. Margevich, and Synak. Staff of the African Development Bank and the World Bank attended some of the policy meetings.

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## Glossary

BEAC	Regional Central Bank ( <i>Banque des États de l'Afrique Centrale</i> )
CEMAC	Central African Economic and Monetary Community ( <i>Communauté Économique et Monétaire de l'Afrique Centrale</i> )
CNDP	National Public Debt Committee ( <i>Comité National de la Dette Publique</i> )
COBAC	Regional Supervisory Body ( <i>Commission Bancaire de l'Afrique Centrale</i> )
CPIA	Country Policy and Institutional Assessment
CSPH	Hydrocarbon Price Stabilization Fund ( <i>Caisse de Stabilisation des Prix des Hydrocarbures</i> )
DGD	Directorate General of Customs ( <i>Direction Générale des Douanes</i> )
DGI	Directorate General of Taxes ( <i>Direction Générale des Impôts</i> )
DSA	Debt Sustainability Analysis
EITI	Extractive Industries Transparency Initiative
EPA	European Partnership Agreement
FSAP	Financial Sector Assessment Program
GESP	Growth and Employment Strategy Paper
GFSM 2001	Government Financial Statistics Manual of 2001
HIPC	Heavily Indebted Poor Countries
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MFI	Micro-Finance Institution
MTBF	Medium Term Budgetary Framework
MTEF	Medium Term Expenditure Framework
NOPD	Non-Oil Primary Deficit
NPL	Nonperforming Loan
PFM	Public Financial Management
PIMA	Public Investment Management Assessment
REER	Real Effective Exchange Rate
SME	Small and Medium-Size Enterprise
SOE	State-Owned Enterprise
SNH	National Hydrocarbons Company ( <i>Société Nationale des Hydrocarbures</i> )
SONARA	National Oil Refinery ( <i>Société Nationale de Raffinage</i> )
SSA	Sub-Saharan Africa(n)
VAT	Value-Added Tax
WEO	World Economic Outlook

## BACKGROUND

1. **The rebuilding of CEMAC's fiscal and external buffers continues.** Non-oil growth in the CEMAC reached 1.8 percent in 2018 and is projected to increase to 2.2 percent in 2019. CEMAC's non-oil primary fiscal deficit is expected to decline to 6.8 percent of non-oil GDP in 2019, from 8 percent in 2018. The regional reserve cover is projected to increase to 3.3 months of imports by end-2019, thus strengthening regional financial stability. Risks to the outlook include a deterioration in the security situation in some countries, a significant slowdown in global growth and associated decline in oil prices, and weaker implementation of IMF-supported programs.
2. **Cameroon remains at the forefront of CEMAC's regional strategy.** It has made a significant contribution to rebuilding CEMAC's fiscal and external buffers. Diversification has helped Cameroon's economy cope with the twin oil price and security shocks. The non-oil primary deficit narrowed to 4.1 percent of non-oil GDP in 2018, from 7.7 percent in 2016. Cameroon's NFA buildup has led the recovery of CEMAC's external buffers.
3. **A recently launched National Dialogue aims at improving the socio-political climate ahead of the February 2020 parliamentary and municipal elections.** The crisis in the North-West and South-West Anglophone regions is estimated to have claimed over 2,000 victims and internally displaced more than 500,000 persons since 2016. It has also led to a steep decline in economic activity in these regions. In September 2019, President Biya launched a broad-based National Dialogue. Its recommendations aim at finding a peaceful resolution to the crisis. On December 20<sup>th</sup>, Cameroon's parliament granted special status to the two Anglophone regions.

## RECENT DEVELOPMENTS

4. **Economic growth remained broadly resilient until the end of H1-2019 when it was hit by a fire at the national oil refinery (SONARA).** Growth is estimated at 3.9 percent in H1-2019 (4.1 percent in 2018) as increased output in the oil and gas sector has largely offset the slowdown in crisis-hit regions and weaker growth in manufacturing. End-June 2019 inflation (p.a.) reached 1.9 percent, from 0.8 percent in June 2018, driven by higher food prices, especially in the crisis-hit regions (Table 1, Figure 1). Following a fire incident at four of its 13 units on May 31, 2019, SONARA—a systemically important SOE—suspended production, stopped servicing part of its debt, and experienced difficulties paying its tax obligations.
5. **Risks to 2019 budget execution have increased.** Non-oil revenue in Q1-Q3 2019 fell short of expectations due to lower economic activity in sectors with high fiscal returns, lower tax payments by SONARA, and delays in imports following the implementation of BEAC's new exchange regulations (Text Table 1). The shortfall was more than offset by slower execution on current spending, especially on goods and services, and on public investments. The overall deficit (payment order basis) at end-September is estimated at 1.4 percent of GDP, lower than projected by 0.2 percent of GDP. The non-oil primary deficit reached 2.6 percent of GDP, compared to a projection of 2.8 percent. External financing exceeded the 4th review's projection by 0.6 percent of GDP, despite

delays in budget support. Domestic financing was in line with projections. Slower budget execution helped build deposits at the Regional Central Bank (BEAC) equivalent to around 0.3 percent of GDP.<sup>1</sup>

**Text Table 1. Cameroon: Fiscal Outturn, 2019 Q1-Q3**  
(In percent of GDP)

	4th review projection	Actual	Deviation
<b>Total revenue and grants</b>	<b>11.4</b>	<b>10.7</b>	<b>-0.7</b>
<b>Total revenue</b>	<b>11.2</b>	<b>10.4</b>	<b>-0.8</b>
Oil sector revenue	1.8	1.9	0.1
Non-oil sector revenue	9.3	8.5	-0.9
<b>Total grants</b>	<b>0.2</b>	<b>0.3</b>	<b>0.1</b>
<b>Total expenditure</b>	<b>12.9</b>	<b>12.0</b>	<b>-0.9</b>
Current expenditure	8.5	7.5	-1.0
Capital expenditure	4.5	4.2	-0.3
Net lending	0.0	0.3	0.3
<b>Overall balance (payment order basis)</b>	<b>-1.6</b>	<b>-1.4</b>	<b>0.2</b>
<b>External financing, net</b>	<b>1.2</b>	<b>1.8</b>	<b>0.6</b>
<b>Domestic financing excluding IMF, net</b>	<b>0.7</b>	<b>0.7</b>	<b>0.0</b>
<i>Memorandum items:</i>			
Primary balance (payment order basis, incl. grants)	-1.0	-0.7	0.2
Non-oil primary balance (payment order basis, incl. grants)	-2.8	-2.6	0.2

Sources: Cameroonian authorities and IMF staff estimates.

**6. Growth in net foreign assets and monetary aggregates continued but at diverging speeds (Table 4).** The increase in NFAs in Q2 was largely reversed in Q3, in part due to delayed donor budget support. Broad money growth is estimated at 12.9 percent at end-September 2019 (y/y), down from 13.7 percent in 2018. Credit to the economy slowed to 2.8 percent at end-September 2019 (y/y) from 7.7 percent at end-March 2019 as banks reduced credit to SOEs and financial institutions and shifted towards government securities. The impact on net domestic financing was partly offset by the increase in government deposits at the BEAC.

**7. The current account deficit remained stable at 4.7 percent of GDP in H1-2019.** The goods balance for the first nine months of 2019 remained broadly stable, as strong export growth in crude oil and gas and a tentative recovery in the cocoa sector were largely offset by strong oil imports. Weak demand from Asia and the Anglophone crisis weighed on non-oil exports. Preliminary end-June 2019 BOP data show that the financial account balance continued to increase in H1 as improved FX repatriation resulted in private net inflows and FDI strengthened.

<sup>1</sup> Government deposits at the BEAC, net of BEAC's credit advances to the government.

**8. The public debt-to-GDP ratio (including SONARA's debt) is estimated to have reached 41.5 percent as of end-September 2019, from 39.5 percent at end-2018 (Text Table 2).** The increase was driven by disbursements on foreign-financed projects and domestic bond issuance. Nevertheless, disbursements and new borrowing of non-concessional debt remained well below program limits. The backlog of signed-but-undisbursed loans (SENDS) decreased to 16.1 percent of GDP at end-September 2019 from 18.8 percent of GDP at end-2018.

**Text Table 2. Cameroon: Public Debt**  
(In percent of GDP)

	Dec-16	Dec-17	Dec-18 (Est.)	Sep-19 (Est.)
	percent of GDP	percent of GDP	percent of GDP	percent of GDP
<b>Public debt contracted and disbursed</b>	<b>27.5</b>	<b>30.9</b>	<b>34.4</b>	<b>36.2</b>
External debt	20.4	22.9	26.3	27.2
Domestic debt	6.7	7.8	7.9	8.9
Publicly-guaranteed debt	0.3	0.3	0.2	0.2
<b>SONARA debt</b>	<b>2.4</b>	<b>2.6</b>	<b>2.8</b>	<b>3.1</b>
o/w external	1.5	1.9	2.1	1.7
<b>Unpaid government obligations (float and arrears)</b>	<b>3.4</b>	<b>4.1</b>	<b>2.3</b>	<b>2.1</b>
<b>External claims to SOEs (ex-SONARA)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total public debt</b>	<b>33.3</b>	<b>37.7</b>	<b>39.5</b>	<b>41.5</b>
Domestic	11.0	12.6	10.8	12.5
External	22.3	25.1	28.6	29.0
<i>Memo:</i>				
<i>Stock of contracted but undisbursed debt</i>	<i>20.0</i>	<i>21.8</i>	<i>18.8</i>	<i>16.1</i>
Domestic	1.5	0.9	0.8	0.3
External	18.5	20.9	18.0	15.8

Sources: Cameroonian authorities, and IMF staff calculations.

## PROGRAM PERFORMANCE

### 9. Program performance has been mixed:

- All June 2019 quantitative performance criteria (PCs) were met (MEFP Table 1) but four out of the five indicative targets (IT) for end-June were missed. The floor on non-oil revenue was breached by about 0.2 percent of GDP. The ceiling on net accumulation of domestic arrears was exceeded by 0.2 percent of GDP. The floor on social spending was missed by 0.1 percent of GDP. The targeted share of spending executed through exceptional procedures on authorized spending was exceeded by 2.8 percentage points.
- The continuous PC on external arrears accumulation was not met due to the incurrence of arrears totaling CFAF 43.4 billion since the fourth review. The arrears were related to unbudgeted debt service on a loan on-lent to SONARA prior to the fire that destroyed its production units. They were caused by liquidity pressures resulting from revenue shortfalls and delayed budget support but were repaid in full before end-November. The authorities have taken steps to improve liquidity management and forecasting going forward (MEFP ¶20) and are committed to timely servicing external loans, including those on-lent to public enterprises.
- Out of 9 September 2019 ITs, three were missed. The floor on non-oil revenue was breached by 0.8 percent of GDP. The ceiling on the net accumulation of domestic payment arrears was exceeded by 0.5 percent of GDP. The targeted share of spending executed through exceptional procedures was breached by 1.6 percent of total authorized expenditures.
- Performance under structural benchmarks is advancing but with delays. Five out of 13 structural benchmarks (SBs) due in January–November have been met and two implemented with delay. Progress is being made on six remaining SBs (MEFP Table 2). More importantly, the revision of the existing fuel price structure is yet to be met, the draft terms of reference of project implementation units are pending approval, the reform of the Treasury Single Account (TSA) is

yet to be completed. Several financial sector reforms are pending, including the restructuring plans of the two ailing banks and the business model of the SME bank.

## OUTLOOK AND RISKS

**10. Despite short-term headwinds, the medium-term growth outlook remains broadly positive.** Security challenges and the suspension of SONARA's production since June 2019 weigh on short-term growth prospects. GDP growth is projected to decline to 3.8 percent in 2020, due to the anticipated deceleration in oil-related activities, before improving from 2021 onwards, supported by a rebound in non-oil activity (Text Table 3). Non-oil growth is expected to gradually rise to 5.4 percent in 2024, driven by increased investments in infrastructure and energy projects.

**Text Table 3. Cameroon: Medium-Term Outlook, 2017–24**  
(Percent of GDP)

	2017	2018	2019		2020		2021	2022	2023	2024
	Act.	Est.	4th		4th		Proj.	Proj.	Proj.	Proj.
			Review	Proj.	Review	Proj.				
Real GDP	3.5	4.1	4.2	3.9	4.5	3.8	4.1	4.2	4.5	5.0
Inflation (period average)	0.6	1.1	2.1	2.4	2.2	2.4	2.0	2.0	2.0	2.0
Current account balance (percent of GDP)	-2.7	-3.6	-3.4	-3.6	-3.3	-3.6	-3.4	-3.4	-3.3	-3.2
Overall fiscal balance (payment order basis, incl. grants)	-4.9	-2.5	-2.0	-2.3	-1.5	-2.1	-1.7	-1.5	-1.5	-1.5
CEMAC reference balance (payment order basis, incl. grants)	-4.3	-2.9	-2.6	-2.9	-1.8	-2.2	-1.7	-1.5	-1.6	-1.5
Non-oil primary balance (payment order basis, percent of non-oil GDP)	-6.1	-4.1	-3.5	-3.9	-2.6	-3.2	-2.5	-2.2	-2.1	-1.9
Public debt 1/ 2/	37.7	39.5	39.5	40.8	39.0	40.8	40.3	39.7	38.9	38.0

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

1/ Includes the cumulative financing gap.

2/ Projections are taken from an updated Debt Sustainability Analysis (DSA), which excludes the stock of debt on which France provided debt relief under the "Contrat de desendettement et de developpement" (C2D).

**11. Deviations from the baseline outlook could arise due to external and domestic factors.**

Externally, downside risks to growth stem from continuing trade tensions and a potential slowdown in China, a softer commodity price outlook, and sluggishness in the CEMAC's regional adjustment. Domestically, socio-political tensions as well as fiscal, financial and debt sustainability risks related to SONARA and other SOEs could slow reform implementation and derail fiscal consolidation. In addition, the large stock of contracted-but-undisbursed debt is a further key risk to debt sustainability if projects are executed faster than currently projected. On the upside, the National Dialogue could lead to faster-than-expected resolution of the security crisis while higher-than-projected oil and gas prices would stimulate exploration.

**12. The authorities concurred with staff on growth prospects.** They anticipate a rebound in non-oil growth during 2020–24, supported by investments in infrastructure and energy, the completion of the 2021 CAN projects and a gradual resolution of the crisis.

## POLICY DISCUSSIONS

### A. Building Fiscal Buffers

**13. The review focused on the need to build fiscal buffers, strengthen fiscal discipline, reduce contingent liabilities from SONARA and other SOEs, safeguard debt sustainability, preserve monetary and financial stability, and enhance governance and the business climate.**

**14. Revenue mobilization is facing increased headwinds in 2019 and spending consolidation has been negatively impacted by the SONARA crisis.** The non-oil

growth slowdown and the security crisis weigh on sectors and enterprises with high fiscal returns, notably brewing, chemical, metallurgical and wood-processing industries.

The suspension of SONARA's production, a shock outside of the authorities' control, led to delays in honoring its tax obligations.

SONARA's tax shortfall relative to Q3 projections is estimated at 0.3 percent of GDP. A planned reduction in current and capital spending by a total of 0.4 percent of GDP could only partly offset the revenue shortfall and the projected fuel price support to SONARA. In addition, subsidies increased by 0.5 percent of GDP due to recognition in the budget of the fuel support to marketers. Also, net lending has been revised upward by 0.3 percent of GDP to reflect recent government borrowing and on-lending to SONARA.

**Text Table 4. Cameroon: Fiscal Projections for 2019**  
(Percent of GDP)

	4th Review	5th Review
<b>Total revenue and grants</b>	<b>16.2</b>	<b>16.4</b>
Non-oil sector revenue	13.5	13.6
<b>Total expenditure</b>	<b>18.2</b>	<b>18.6</b>
<b>Current expenditure</b>	<b>11.8</b>	<b>12.0</b>
Wages and salaries	4.6	4.5
Goods and services	3.6	3.5
Subsidies and transfers	2.7	3.2
<b>Capital expenditure</b>	<b>6.6</b>	<b>6.3</b>
<b>Net lending</b>	<b>-0.1</b>	<b>0.3</b>
<b>Overall balance (payment order basis, incl. grants)</b>	<b>-2.0</b>	<b>-2.3</b>
<b>Overall balance (cash basis, incl. grants)</b>	<b>-3.0</b>	<b>-3.2</b>

Sources: Cameroon authorities; and staff calculations.

**15. The authorities have taken corrective measures to limit deviations from the initial 2019 fiscal targets.** They are tightening tax controls and improving the recovery of arrears in the last quarter. These measures and recognition in the budget of previously unrecorded customs duties due by marketers of petroleum products are expected to increase non-oil revenue to 13.6 percent of GDP by end-2019 (Text Table 6). To contain spending, the authorities suspended new commitments early, prior to the usual end-November 2019 deadline.

**16. Staff encouraged the authorities to closely monitor domestic financing components to limit deviations from the December 2019 financing targets.** Staff advised the authorities to target deposit accumulation at the BEAC of at least CFAF 80 billion relative to 2018 in order to meet the December PC on net central bank financing. Staff also noted that repaying domestic debt and containing new bond issuance at the budget level would help meet the December PC on domestic financing (Text Table 5).

**17. The authorities and staff agreed to modify some end-2019 fiscal targets.**

Despite additional steps taken to tighten tax controls, improve recovery of arrears in the last quarter, and suspend new commitments prior to the usual end-November 2019 deadline, the overall deficit is projected at 2.3 percent of GDP, above the 4th review target (2 percent of GDP) (Text Table 6). The end-2019 non-oil primary deficit PC is likely to be breached. The authorities are requesting to lower the December 2019 floor of the non-oil primary deficit from -3.3 to -3.8 percent of GDP (MEFP).

**Text Table 5. Cameroon: Breakdown of Domestic Financing, 2017-19**  
(CFAF billions)

	2017	2018	Sep-19	2019
<b>Gouvernement's net domestic financing</b>	<b>23</b>	<b>-212</b>	<b>117</b>	<b>-56</b>
<b>Banking System</b>	<b>166</b>	<b>298</b>	<b>203</b>	<b>95</b>
BEAC net	140	180	38	-45
of which: Government deposits	-347	103	-65	-75
Statutory advances	346	0	0	0
IMF net	142	76	38	30
Commercial banks (net) 1/	25	118	165	140
<b>Non-bank financing</b>	<b>-143</b>	<b>-509</b>	<b>-86</b>	<b>-151</b>
of which: Amortization of domestic debts	-36	-64	-32	-364
Correspondent accounts (net)	-113	-486	6	81

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

Note: Data prior to 2019 includes unexecuted payment orders. 2019 total includes IMF.

Table largely based on the BEAC's monetary statistics.

1/ Includes amortization of domestic debts.

**18. Consistent with staff's advice, the revised 2020 budget incorporates new measures that broaden the non-oil tax base to mitigate SONARA's impact (Prior Action).** The 2020 budget incorporates 14 new measures that broaden the non-oil tax base and reduce the scope for exemptions. New tax measures (i) broaden the scope of VAT taxable transactions to sales of goods and services provided through foreign or local electronic commerce platforms; (ii) extend the scope of application of excise duties to digital audiovisual programs and content; (iii) reduce the tax deductibility of provisions for bad debts; (iv) strengthen the regime for forestry taxation; (v) reform the process of registration of judicial documents. In addition, DGI plans to improve the recovery of tax arrears with a special new program that will tackle disputed taxes. New customs measures broaden the scope of export duties to semi-finished products, timber, rice, crude palm oil, among others. New import duties are levied on cosmetics, tobacco, video and board games, certain types of motorcycles, confectionary and chocolates. The new revenue measures are projected to increase total revenue by about CFAF 60 billion or 0.25 percent of GDP (Text Table 7). Without them, the overall deficit would have been 2.3 percent of GDP. Furthermore, staff noted that further efforts to mobilize revenue would help build contingency buffers against elevated risks, particularly potential SONARA-related costs.

**19. The 2020 budget also envisages to partly offset the revenue shock with savings on current spending.** The shock to SONARA's tax contributions will be fully realized in 2020 as well as a planned reduction in customs tariffs under the Economic Partnership Agreement (EPA). The revenue shortfall will be partly offset by savings on goods and services and subsidies (equivalent to 0.3 percent of GDP). Further removing exemptions could help improve revenue performance and reduce the scope for corruption. The authorities are conducting a tax expenditure study to estimate the costs and benefits of tax exemptions to the state (as recommended by IMF TA). However, most tax exemptions apply to basic food products (fish, rice, wheat, and milk) and the security and socio-

political situation makes it difficult to reduce them and the 2020 budget incorporates tax incentives for companies operating in economically distressed areas (EDAs). Staff cautioned against providing additional investment incentives before finalizing the study of their cost and benefits to the state.

**Text Table 6. Cameroon: Quarterly Fiscal Outturn and Projections, 2019**  
(In percent of GDP)

	Quarterly				Cumulated			
	Est.Q1	Est.Q2	Est.Q3	Proj.Q4	Est.Q1	Est.Q2	Est.Q3	Proj.Q4
<b>Total revenue and grants</b>	<b>3.4</b>	<b>3.8</b>	<b>3.5</b>	<b>5.7</b>	<b>3.4</b>	<b>7.2</b>	<b>10.7</b>	<b>16.4</b>
Total revenue	3.4	3.6	3.4	5.5	3.4	6.9	10.4	15.9
Oil sector revenue	0.6	0.7	0.7	0.4	0.6	1.2	1.9	2.3
Non-oil sector revenue	2.8	2.9	2.8	5.1	2.8	5.7	8.5	13.6
<b>Total grants</b>	<b>0.0</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.2</b>	<b>0.3</b>	<b>0.4</b>
<b>Total expenditure</b>	<b>2.9</b>	<b>4.5</b>	<b>4.7</b>	<b>6.6</b>	<b>2.9</b>	<b>7.3</b>	<b>12.0</b>	<b>18.6</b>
<b>Current expenditure</b>	<b>2.0</b>	<b>2.7</b>	<b>2.7</b>	<b>4.5</b>	<b>2.0</b>	<b>4.8</b>	<b>7.5</b>	<b>12.0</b>
Wages and salaries	1.0	1.0	1.2	1.2	1.0	2.1	3.3	4.5
Goods and services	0.5	0.6	0.8	1.7	0.5	1.1	1.8	3.5
Subsidies and transfers	0.4	0.8	0.6	1.4	0.4	1.2	1.8	3.2
Interest	0.1	0.3	0.1	0.3	0.1	0.5	0.6	0.9
<b>Capital expenditure</b>	<b>0.7</b>	<b>1.6</b>	<b>1.9</b>	<b>2.1</b>	<b>0.7</b>	<b>2.3</b>	<b>4.2</b>	<b>6.3</b>
Foreign-financed investment	0.0	0.6	1.3	0.8	0.6	1.6	2.2	3.4
Domestically financed investment	0.6	1.0	0.6	1.2	0.6	0.6	1.9	2.7
Rehabilitation and participation	0.0	0.0	0.0	0.2	0.0	0.0	0.1	0.2
<b>Net lending</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
<b>Overall balance (payment order basis)</b>								
Excluding grants	0.5	-0.9	-1.3	-1.1	0.5	-0.4	-1.7	-2.7
Including grants	0.5	-0.7	-1.2	-0.9	0.5	-0.1	-1.4	-2.3
<b>Adjustment to cash basis</b>	<b>-0.6</b>	<b>-0.2</b>	<b>0.7</b>	<b>-0.8</b>	<b>-0.6</b>	<b>-0.8</b>	<b>-0.1</b>	<b>-0.9</b>
<b>Overall balance (cash basis)</b>								
Excluding grants	-0.1	-1.1	-0.6	-1.9	-0.1	-1.2	-1.8	-3.6
Including grants	0.0	-0.9	-0.5	-1.7	0.0	-0.9	-1.5	-3.2
<b>Financing</b>	<b>0.3</b>	<b>1.0</b>	<b>1.1</b>	<b>-0.7</b>	<b>0.3</b>	<b>1.4</b>	<b>2.5</b>	<b>1.8</b>
External financing, net	0.5	0.9	0.4	0.4	0.5	1.4	1.8	2.2
Domestic financing (excluding IMF), net	-0.2	0.2	0.8	-1.2	-0.2	0.0	0.7	-0.4
<i>Memorandum items:</i>								
Primary balance (payment order basis, incl. grants)	0.7	-0.3	-1.1	-0.7	0.7	0.3	-0.7	-1.4
Non-oil primary balance (payment order basis, incl. grants)	0.1	-1.0	-1.8	-1.1	0.1	-0.9	-2.6	-3.7

Sources: Cameroonian authorities and IMF staff estimates and projections.

**Text Table 7. Cameroon: 2020 Budget**  
(Percent of GDP)

	2020		Changes
	4th Review	Draft Budget	Draft Budget/4th Review
	(1)	(2)	(2)-(1)
<b>Total revenue and grants</b>	<b>16.3</b>	<b>15.2</b>	<b>-1.1</b>
Oil sector revenue	2.0	1.8	-0.1
<b>Non-oil sector revenue</b>	<b>13.8</b>	<b>12.9</b>	<b>-0.9</b>
<b>Total expenditure</b>	<b>17.8</b>	<b>17.3</b>	<b>-0.4</b>
<b>Current expenditure</b>	<b>11.5</b>	<b>11.1</b>	<b>-0.4</b>
Wages and salaries	4.4	4.4	0.0
Goods and services	3.4	3.3	-0.2
Subsidies and transfers	2.6	2.5	-0.2
Interest	1.0	0.9	-0.1
<b>Capital expenditure</b>	<b>6.3</b>	<b>6.2</b>	<b>-0.1</b>
<b>Overall balance (payment order basis, incl. grants)</b>	<b>-1.5</b>	<b>-2.1</b>	<b>-0.6</b>
<b>Overall balance (cash basis, incl. grants)</b>	<b>-2.3</b>	<b>-2.6</b>	<b>-0.3</b>
<b>Unpaid government obligations (CFAF billions)</b>	<b>134.8</b>	<b>261.7</b>	<b>126.9</b>

Sources: Cameroon authorities; and staff calculations.



**20. A smooth transition to CEMAC's medium-term 1.5 percent deficit anchor would help preserve social spending.** The authorities project a steep one-off adjustment, with the overall deficit narrowing to 1.5 percent of GDP in 2021 and remaining at that level afterwards. Staff projects the overall deficit at 1.7 percent in 2021 and 1.5 percent in 2022, gradually returning to the consolidation path consistent with program objectives and CEMAC's convergence criterion. Staff noted that smoothing the consolidation path going forward will help preserve priority social spending.

## B. Strengthening Fiscal Discipline

**21. The authorities and staff agreed on the importance of enhancing VAT efficiency for small and medium enterprises (SMEs) and strengthening tax and customs administration.**

- *The efficiency of the VAT regime for SMEs could be further enhanced.* Staff supports the authorities' plans to redesign the VAT regime for SMEs with Fund technical assistance. Streamlining the regime and the VAT threshold would help improve its efficiency (MEFP ¶120).
- *Tax and customs administration reforms should focus on the recovery of tax arrears.* Clearance of cross-debts with SOEs will be based on a new inventory of the largest exposures to the state (proposed March 2020 SB; MEFP ¶15). Improvements in tax administration will be supported by modernization of information systems and procedures. Combatting tax fraud through enhanced DGI-DGD information sharing will be further explored (MEFP ¶122).

**22. Staff supports the proposed reform of the civil service payroll.** The authorities plan to move ahead with the second phase of the reform (SIGIPES 2). The reform aims to tighten wage payment controls and reduce the scope for fraud and fictitious workers. The authorities switched to individualized bank transfers of salaries and pensions, realizing savings of CFAF 200 million a month. They also intend to initiate the review of public servants' salary structure (MEFP ¶116). Tighter payment controls will target savings on compensation embedded in goods and services.

**23. Improvements in investment efficiency are needed to raise the quality of capital spending.** The authorities have put in place new guidelines to ensure that projects included in the budget are at advanced stages of development and with expected high economic returns. Project performance will be enhanced by new standardized performance contracts for project managers (MEFP ¶120).

**24. Efforts to enhance budget execution should continue.** Exceptional procedures fell to 6.6 percent of total expenditure in September 2019 from 10 percent in June 2018 and are expected to decline to the 5 percent target by end-2019 (MEFP ¶6 and ¶14). The 2019 budget execution circular eliminates derogatory practices of provisional commitments and treasury advances. The circular is expected to accelerate the implementation of the Code of Transparency and Good Governance and remaining CEMAC directives. The complimentary period for regularizing expenses will be shortened to one month starting with the 2020 budget. The budget includes allocations for direct interventions, which will be regularized monthly (MEFP ¶14).

**25. The TSA is central to improving cash management.** Consolidating public entities' accounts into the TSA will improve transparency and facilitate active cash management. The authorities committed to press on with the TSA reform (August SB proposed to be reprogrammed to March 2020 and MEFP ¶20). Balances on dormant accounts totaling CFAF 44.5 billion will be transferred to the TSA by end-2019. Transferred funds are expected to reach CFAF 150 billion by end-2020. The authorities will centralize counterpart funds for joined projects in a single basket fund. This will improve the monitoring and forecasting of the government's consolidated cash position and support the preparation of monthly and annual cash management plans. The publication of the annual plan as an annex to the 2020 budget will enhance the transparency of budget execution.

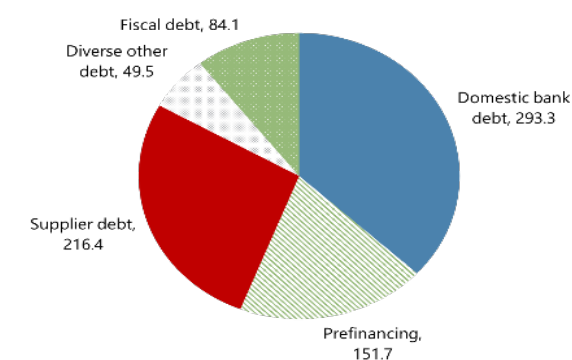
### C. Reducing Contingent Liabilities

**26. SONARA's rising indebtedness remains a source of fiscal and financial risks.** Following the incident, SONARA declared a force majeure, and stopped servicing part of its debt, which it plans to restructure. SONARA's total debt amounts to over CFAF 795 billion (3.5 percent of GDP) at end-September, with about CFAF 293 billion in local bank debt, of which CFAF 228 billion are arrears. This compares to a regulatory capital of CFAF 280 billion at end-2018 for the banking sector (Text Figure 1). External arrears amount to about CFAF 368 billion and fiscal debt to the government stood at CFAF 84 billion.

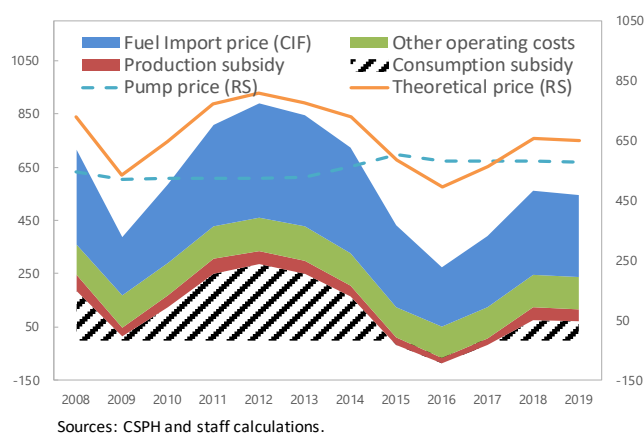
**27. SONARA's medium-term corporate restructuring strategy should be based on a comprehensive cost-benefit analysis of available options.** Staff reiterated that the strategic choices regarding SONARA should be based on a credible corporate restructuring plan that addresses financial, fiscal and social implications. A diagnostic study by external independent experts on SONARA's main restructuring options will be finalized by March 2020 (proposed March SB and MEFP ¶29).

**28. Restoring SONARA's viability is key to containing short-term financial and fiscal risks.** To that effect, the authorities plan to (i) reimburse SONARA for its fuel price-related losses on a

**Text Figure 1. Cameroon: SONARA debt**  
(CFAF billions, end-September)



**Text Figure 2. Cameroon: Fuel Price Structure**  
(CFAF billions)



monthly basis and clear arrears within 90 days; (ii) require regular payments from SONARA of taxes and customs duties; (iii) ensure that SONARA's market share is adequate to meet financial obligations and (iv) facilitate an agreement on the reprofiling of SONARA's debt to banks and suppliers before end-2019 (MEFP ¶130).

**29. Administered fuel prices increase fiscal risks.** Retail pump prices in Cameroon are fixed by the state, which subsidizes the difference with a theoretical price that includes mark ups for SONARA's operating costs (production and consumption subsidies) and taxes (Text Figure 2). The recovery in international oil prices raised fuel subsidies to an estimated 168 billion CFAF in 2018.

**30. In the short-term, the pump price structure should be revised to account for SONARA's switch from an oil producer to a marketer.** The necessity to import refined oil increases SONARA's reliance on fuel subsidies. The projection of fuel price subsidies for 2019 was raised from CFAF 124 billion to CFAF 140 billion after SONARA's incident. Introducing an auction-based process for refined oil imports would enhance the transparency of the price structure and fuel subsidies (MEFP ¶17 and ¶17; September SB).

**31. Introducing flexible fuel prices in the medium term should be accompanied by a targeted program for vulnerable households.** Fuel price flexibility would help reduce SONARA's reliance on subsidies and strengthen its financial condition. The authorities plan to work with staff and the World Bank to develop a time-bound plan to phase out fuel subsidies. The reform will include a communication campaign to inform the public on the benefits of flexible fuel prices and mitigating measures to compensate vulnerable households, with World Bank's support (MEFP ¶17).

**32. In addition to SONARA, the financial condition of other SOEs needs to be strengthened.** SOEs' performance continues to deteriorate, in part owing to the overhang of government arrears, which hamper their activities and lead in turn to arrears on their contractual obligations. Staff stressed the importance of taking resolute steps to address the arrears problem at SOEs and the associated risks of contingent liabilities. Planned audits of four SOEs with World Bank cooperation will lay the groundwork for analyzing their business models and signing performance contracts (December SB; MEFP ¶17 and ¶127).

**33. Government arrears and cross-debts with SOEs ought to be tackled.** The authorities will complete an inventory of cross-debts with SOEs and between SOEs and adopt a plan to clear cross-debts between the government and SOEs (proposed March SB; MEFP ¶127). The authorities will prepare an audit of government arrears accumulated prior to 2019 and currently managed by the Treasury, as well as a repayment plan. The audited arrears will be transferred to the Debt Management Agency (CAA) for management (proposed May SB; MEFP ¶128).

**34. Staff recommended focusing the arrears clearance strategy on priority arrears to maximize its impact.** The strategy should consider the arrears' socio-economic impact, vintage, costs and risks, assigning more weight to arrears with significant growth impact and high interest costs and to arrears with potential reputational and legal costs.

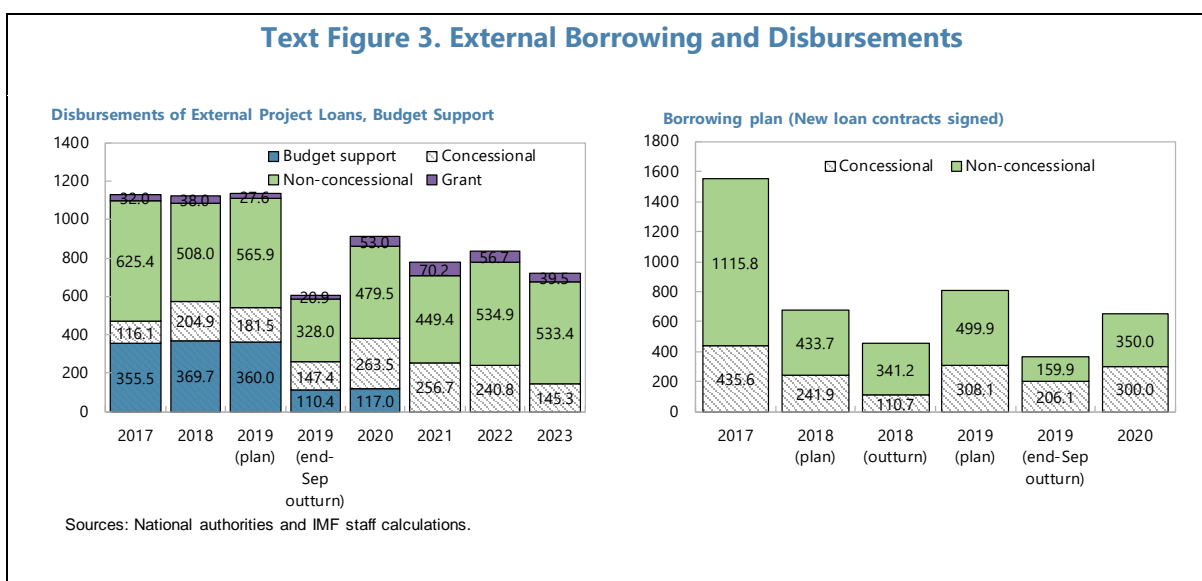
## D. Safeguarding Debt Sustainability

**35. The updated Debt Sustainability Assessment (DSA) indicates that Cameroon remains at high risk of debt distress.** The update integrates rescheduling of debt service with China which was concluded in July as well as the projected impact of the fire at SONARA. The latter is largely due to lower expected revenues and GDP growth as SONARA's debt is already included in the public debt stock. Public debt is projected to peak in 2020 and decline thereafter, while breaches of external debt service thresholds under the baseline have become more severe. Public debt remains sustainable, with the debt stock indicators well below their thresholds, and debt service indicators remaining on a downward trajectory.

**36. Staff welcomed the revised SENDs disbursement plan and efforts to enhance project implementation.** The authorities revised the 2020 disbursement plan and extended it to 2023 to align it with the stage of project implementation while keeping the overall envelope for foreign-financed investments unchanged. They incorporated loans that had been signed recently or were expected to be signed soon and prioritized projects nearing completion (Text Figure 3). Staff and the authorities agreed to set the disbursement limit for non-concessional financing at CFAF 312 billion for end-March, in line with the revised disbursement plan and allowing some margin for substitution in case planned concessional projects progress slower than projected. Project execution is expected to remain significantly below the Q1 2020 limit and within the annual budget envelope.

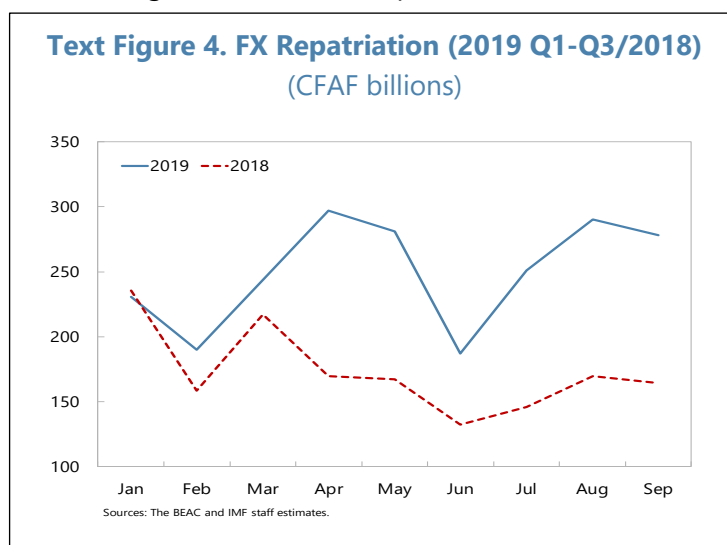
**37. Staff and the authorities agreed to limit non-concessional borrowing to critical projects for which concessional financing is not available.** Considering rising debt service and limited cancellation of SENDs, the authorities agreed to set the ceiling for new non-concessional borrowing at CFAF 0 through June 2020, which can be adjusted upward up to CFAF 300 billion exclusively for projects specified in the list in Text Table 1 of the TMU. With contracting of non-concessional borrowing in 2019 expected to be substantially below the annual limit, this modification would permit the authorities to contract several loans originally on their 2019 project list, while also incorporating new projects deemed integral to the authorities' development program and for which concessional financing is not available. In addition, in their debt strategy, the authorities set ceilings for new non-concessional borrowing at CFAF 350 billion for 2020 and for concessional borrowing at CFAF 300 billion, focusing on projects that are critical for economic development. Staff highlighted the need to further shift towards concessional financing and to focus on non-concessional projects that efficiently support revenue and export mobilization.

**38. The authorities agreed with the need to shift towards concessional financing and prioritize key investment projects.** However, they pointed out that the ceilings on non-concessional borrowing and disbursements carry the risk of slowing down ongoing investments that could delay their completion and thus return. They agreed with the need to raise revenues and exports to ensure debt service will be met. The authorities pointed out that the new procedures manual for public borrowing and debt management has streamlined procedures and controls for loan approval and will help enhance the selection of projects going forward.



## E. Preserving Monetary and Financial Stability

**39. Cameroon remains committed to supporting the BEAC's new FX regulations.** Foreign exchange repatriation reached CFAF 2,313 billion during Q1-Q3 2019, a 44 percent increase from the 2018 figures (y/y) (Text Figure 4). Cameroon's NFAs at the BEAC stood at 1,995 billion at end-September 2019 and are projected to rise in Q4, supported by delayed donor budget support and strict enforcement of the regulations. These efforts will contribute to raising the regional import cover. Moreover, the authorities transmitted contracts that grant FX exemptions to mining and oil companies to the BEAC (Prior Action) and committed to align the new Cameroon Petroleum Code with the BEAC FX regulation (MEFP ¶131).<sup>2</sup>



**40. The overall banking system is liquid and profitable but remains fragile.** The system's capital adequacy ratio stood at 10.2 percent at end-2018, below the CEMAC average of 16.3 percent, and the regulatory minimum of 10.5 percent. The ratio of liquid assets to short-term liabilities was

<sup>2</sup> The BEAC is continuing technical consultations with oil and mining companies, which benefit from a moratorium to comply with key features of the foreign exchange regulations (see CEMAC 2019 Staff Report).

160 percent, close to CEMAC's average, but liquidity was concentrated in foreign banks. These averages mask a wide variation across banks, with a few small banks being weak or insolvent.

**41. Since the previous reviews, risks to the banking system have continued to increase.**

The share of NPL in total loans has continued to increase, for the fourth consecutive year (see Table 5). The national plan on NPL reduction is not fully implemented yet. The future situation of the banking debt of SONARA is uncertain since this firm declared a unilateral moratorium on its debt following the fire that destroyed its refinery. Credit granted by the banking system to the real economy has declined by -0.5 percent between end-May and end-August 2019, possibly due to the uncertainty created by the SONARA situation.

**42. The capital and liquidity situation of key banks is now uncertain due to the uncertainty surrounding their exposures to SONARA.**

The mission supported the decision of banks exposed to SONARA not to pay dividends this year. SONARA represents a significant risk for the Cameroonian banking system (Country Report No. 18/256, p. 45). A full provisioning of exposures to SONARA in accordance with COBAC's regulation would wipe out more than half of the banking system's capital within two years (150 billion provisioning requirements within two years, out of a total regulatory capital of 280 billion for the entire banking system).

**43. The authorities intend to facilitate an agreement on the reprofiling of SONARA's bank and supplier debt.**

The reprofiling, with repayment over five fiscal years, as proposed by SONARA, will help manage the effect on banks' capital and profitability. An agreement on the debt reprofiling is expected to be reached before end-2019 (MEFP 30). So far, no banking stress has been observed but staff advised the regional banking authorities to closely monitor the situation and to be prepared to respond should stress materialize.

**44. The authorities have taken formal steps to adopting the restructuring plans of the two private ailing banks by end-2019.**

A committee was tasked with submitting restructuring plans to the Minister of Finance by end-2019, with options that minimize costs to the State and preserve financial inclusion (October SB proposed to be reprogrammed to January 2020). Existing shareholders will be invited to recapitalize the bank, subject to meeting COBAC's "fit and proper" criterion. Transfers of NPL portfolios and injection of public funds will only take place after existing shareholders have fully absorbed losses. These restructuring plans will have budgetary implications, which are not yet reflected in the draft 2020 budget given that the cost will depend on the commitments of existing shareholders, which should be formalized at a general assembly's meeting before end-2019.

**45. The authorities have successfully addressed problem banks in the recent past, but the process could be simplified to optimize recovery of NPL portfolios for the benefit of the State.**

The first assessment of the performance contract of the bank nationalized in 2017 remains to be implemented. In August 2017 a large NPL portfolio was transferred through a contract between the Minister of Finance and this bank, but the Ministry has not yet issued a mandate for the national asset management corporation (SRC) to manage and recover these NPL. Another NPL portfolio

previously transferred by a small bank is also awaiting a mandate. Absent a mandate, the SRC does not seek recovery of NPL and their value decreases over time.

**46. The national NPL reduction plan needs to be comprehensively implemented to curb the continuing increase of banking system NPLs.** An effective system for enforcement of bank foreclosure must be put in place to contain NPLs. Dozens of magistrates and clerks have been trained on bank foreclosure proceedings, as required under the program, but the law establishing the Courts of Commerce is not yet with the National Assembly. The registry of movable collateral is a critical element of the NPL reduction plan, but it is only partially operational. Although the registry is open for reporting and contains more than 23 billion entries, only one bank is currently reporting. The authorities are taking steps to ensure all banks report to the registry (reprogrammed March 2020 SB).

**47. The authorities have prepared a new business model of the SME bank.** The government has planned a recapitalization of the loss-making SME bank in the 2020 budget (CFAF 5 billion). A new business model, which has been shared with the mission, aims to limit future losses. It is based on reorienting the business mainly towards indirect financing and co-financing. A final version of the business model is to be submitted for approval to the bank's Board (reprogrammed March 2020 SB).

## F. Enhancing Governance and the Business Climate

**48. Vigorous structural reforms ought to promote private development and jobs-rich growth.** Efforts to improve governance and the business climate and to develop the Growth and Development strategy Vision 2035 benefit from a broad public dialogue and private sector participation. The private sector's recommendations covered a wide range of topics, including strengthening the fight against corruption, diversifying exports, improving public-private partnership, facilitating access to agricultural credit, promoting IT investments, attracting FDI, reducing subsidies and arrears, improving education and healthcare. The Ministry of the Economy is considering second-generation projects with a catalytic effect on supporting small businesses, local employment and infrastructure. Modernizing the legal framework, including by enacting an anti-corruption law, would further promote foreign investment and private sector development.

**49. Strengthening compliance with the Extractive Industries Transparency Initiative (EITI) and AML/CFT international standards are key to attracting private foreign investment.** Improving transparency in the extractive sector and compliance with AML/CFT standards will help build investor confidence and attract FDI. A new EITI validation round will start by end-2019 and staff encouraged the authorities to implement remaining EITI's recommendations. A national AML/CFT risk assessment was launched in November 2018 with World Bank support. Staff recommended mobilizing the AML/CFT regime to support anti-corruption efforts, notably by providing guidance on the implementation of preventive measures in relation to politically-exposed persons, effectively supervising high-risk sectors, and making the beneficial ownership information of legal entities accessible in a timely manner.



## PROGRAM MODALITIES

### **50. Staff supports the authorities' request for a waiver of nonobservance of one continuous PC, proposals for modifications of December 2019 and 2020 program conditionality and new program conditionality through the sixth ECF review (MEFP Table 1 and Table 2).**

- The continuous PC on external arrears accumulation was not met due to the incurrence of arrears totaling CFAF 43.4 billion since the fourth review. The arrears were related to unbudgeted debt service on a loan on-lent to SONARA prior to the fire that destroyed its production units. They were caused by liquidity pressures resulting from revenue shortfalls and delayed budget support but were repaid in full before end-November. The authorities have taken steps to improve liquidity management and forecasting going forward (MEFP ¶120) and are committed to timely servicing external loans, including those on-lent to public enterprises.
- Staff also supports the authorities' request for modifications of (i) the end-December 2019 PC on the non-oil primary balance. The authorities are taking actions to mitigate the impact of the SONARA shock and reduce the deviations from the 2019-20 deficit targets, that are projected to gradually restore the program's consolidation path. Staff also supports the modification of the definition of (ii) the continuous PC on the contracting of new non-concessional external debt for 2020 to allow adjusting the zero ceiling up to CFAF 300 billion for projects that are critical for Cameroon's national development and for which no concessional funding is available.
- The two prior actions for the fifth review have been completed: (i) the authorities have submitted a 2020 budget that is in line with the program's objectives and (ii) have transmitted the contracts signed with oil and mining companies to the BEAC.
- The missed SB on the resolution plans of two ailing banks is proposed to be reprogrammed at end-January 2020, the other missed SBs are proposed to be reprogrammed at end-March 2020 (MEFP Table 2).
- Quantitative and continuous PCs are proposed for March 2020 as well as three new SBs aimed at (i) facilitating the evaluation of SONARA's restructuring options; (ii) identifying SOEs' cross-debts with the government and among themselves and developing a plan to clear their cross-debts with the government (iii) auditing and developing a plan to clear audited government arrears prior to 2019.
- The recurrent SBs on quarterly reconciliations of import declarations and scanner images and on quarterly reports of balances payable and arrears for prior fiscal years are regularly met and are proposed to be moved to the TMU data requirements.



**51. The 2020 program ceiling on contracting of new non-concessional loans has been set in a way that allows to accommodate projects critical to the authorities' development plan (MEFP and Text Table 8).**

Given Cameroon's high risk of debt distress, the ceiling on non-concessional loans is set at CFAF 0 for 2020, which can be adjusted upward up to CFAF 300 billion on an exceptional basis to help accommodate the authorities' large developmental needs. Therefore, the authorities have identified a list of key projects critical for national development, where concessional loans are not available. The authorities are committed to contract only loans for these key projects (TMU Text Table 1).

**Text Table 8. Cameroon: Projected External Borrowing, January–June 2020**  
(CFAF billions)

Public and publicly-guaranteed external debt	Volume of contracted new external debt in H1 2020		PV of new debt	
	CFAF billion	Percent	CFAF billion	Percent
<b>By sources of debt financing</b>	<b>338.5</b>	<b>100.0</b>	<b>254.0</b>	<b>100.0</b>
<b>Concessional debt, of which</b>	<b>38.6</b>	<b>11.4</b>	<b>29.5</b>	<b>11.6</b>
Multilateral debt	38.6	11.4	29.5	11.6
Bilateral debt	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
<b>Non-concessional debt, of which</b>	<b>300.0</b>	<b>88.6</b>	<b>224.5</b>	<b>88.4</b>
Semi-concessional	300.0	88.6	224.5	88.4
Commercial terms	0.0	0.0	0.0	0.0
<b>Uses of debt financing</b>	<b>338.5</b>	<b>100.0</b>	<b>254.0</b>	<b>100.0</b>
Infrastructure (roads, transport)	73.0	21.6	56.4	22.2
Energy	150.7	44.5	108.9	42.9
Social (education, health, inclusiveness)	60.4	17.9	49.2	19.4
Various	54.4	16.1	39.6	15.6

Sources: Cameroonian authorities; IMF staff calculations.

**52. BEAC and COBAC have pursued the implementation of the policy commitments provided in the updated June 2019 Follow-up to the Letter of Support to the Recovery and Reform Programs Undertaken by the CEMAC Member Countries.** BEAC's tight monetary policy stance and continued fiscal consolidation by CEMAC member states helped exceed the end-June 2019 NFA projection by about € 800 million. In its updated policy support letter, BEAC commits to maintain an appropriately tight monetary policy and to start liquidity absorption operations in January 2020. Revised NFA projections through June 2020 provide updated regional policy assurance based on the updated January 2020 Letter and as discussed in the December 2019 union-wide staff report.

**53. The BEAC continues to implement the remaining recommendations of the 2017 safeguards assessment.** BEAC's full transition to International Financial Reporting Standards (IFRS) for FY 2019 is progressing broadly as planned, and efforts are being stepped up to accelerate the revisions to the secondary legal instruments for alignment with the BEAC Charter. The adoption of the revised secondary legislations was extended beyond the initial timeline (June 2018) to allow for further consultation with stakeholders, including IMF staff.

**Text Table 9. Cameroon: Budget Support, 2017–20**  
(CFAF billions)

	2017	2018	2019	2020	Total
	Act.	Act.	Proj.	Proj.	Proj.
<b>1. Financing gap</b>	<b>365</b>	<b>383</b>	<b>316</b>	<b>162</b>	<b>1226</b>
<b>2. IMF financing</b>	<b>167</b>	<b>85</b>	<b>45</b>	<b>90</b>	<b>387</b>
<b>3. Budget support from other donors</b>	<b>197</b>	<b>298</b>	<b>271</b>	<b>72</b>	<b>838</b>
World Bank	113	0	117	56	285
European Union	19	16	23	16	74
African Development Bank	0	217	66	0	282
France	66	66	66	0	197
<b>4. Residual financing gap (1-2-3)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Share of Fund financing</b>	<b>46</b>	<b>22</b>	<b>14</b>	<b>55</b>	<b>32</b>

Source: IMF staff calculations.

**54. The program is fully financed through May 2020.** Budget support of CFAF 271 billion for 2019, from the World Bank, AfDB, France and EU, is on track (Text Table 9). Only budget support from the Fund is expected in H1-2020.

**55. Cameroon's capacity to repay the Fund remains strong.** Repayments under the ECF-supported program will remain less than 0.3 percent of GDP during the program period (Table 10).

## STAFF APPRAISAL

**56. Cameroon's leadership role in the CEMAC's regional adjustment remains critical.** The BEAC has provided an updated policy assurance on end-December 2019 NFAs in support of CEMAC countries' Fund supported programs. Cameroon has made a substantial contribution to regional external and financial stability. Staying the course on fiscal consolidation and strictly enforcing the new BEAC foreign exchange regulation will strengthen CEMAC's ability to cope with increased commodity price volatility through countercyclical policies. These policies should be supported by a concerted regional effort. The Republic of Congo and Equatorial Guinea both signed new programs with the Fund in 2019. In this respect, staff welcomes the authorities' commitment to share the oil and mining contracts with the BEAC and align the new Cameroon Petroleum Code with the BEAC's FX regulation.

**57. Maintaining the program's consolidation path is essential for building fiscal and external buffers.** Staff encourages the authorities to continue to broaden the non-oil revenue base and reduce discretionary tax exemptions, combat tax fraud and evasion, enhance tax and customs administration and rationalize the civil service payroll. Finalizing the TSA reform will support active cash management and help contain the buildup of new arrears. Staff notes that further streamlining budget execution will strengthen fiscal transparency and budget credibility.

**58. Staff welcomes the authorities' commitment to mitigate risks associated with SOE-related contingent liabilities.** Staff urges the authorities to address short-term financial and fiscal risks associated with SONARA without delays, considering the costs and benefits of available options. A successful corporate restructuring is key to restoring the company's medium-term viability. The reform of the fuel price structure should support SONARA's adjustment. In the medium-term, the gradual phasing out of fuel subsidies needs to be accompanied by a targeted program to protect vulnerable households. Pressing ahead with the audits of large SOEs, with World Bank support, and resolutely tackling SOEs' cross-debts, will help reduce contingent liabilities.

**59. Limiting non-concessional borrowing is important to safeguard debt sustainability.** Staff welcomes the authorities' commitment to limit new non-concessional borrowing to projects critical for economic development, for which no concessional financing is available. Staff stressed the importance of firmly anchoring debt policies in a prudent medium-term debt management framework.

**60. Enhancing the business climate and governance is key to promoting private sector-led and inclusive growth.** Strengthening contract enforcement and resolution of NPLs and ailing banks

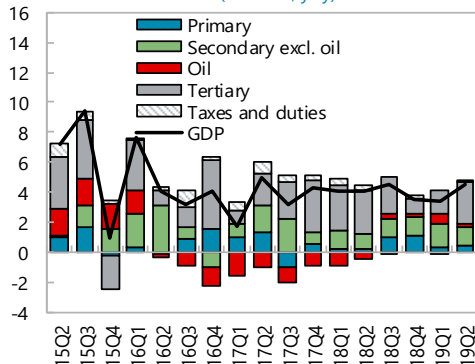
is essential to making financial intermediation the engine of growth and inclusion. Further steps to diversify exports and enhance investment efficiency are needed to unlock long-term growth. Improved compliance with EITI recommendations and AML/CFT standards will enhance governance and stimulate foreign private investment.

**61. Based on Cameroon's performance under the program, and the adequate implementation of the regional policy assurances, staff supports the authorities' request for the completion of the fifth review under the Extended Credit Facility.** Staff supports the authorities' request for a waiver of nonobservance of the continuous PC on the non-accumulation of new external payments arrears on the grounds of corrective actions taken by the authorities. Staff also supports the authorities' request for modifications of (i) the end-December 2019 PC on the non-oil primary balance; and (ii) the 2020 continuous PC on new non-concessional external debt contracted or guaranteed by the government (modified definition). Staff proposes that the completion of the sixth ECF review be conditional on the implementation of critical policy assurances on NFAs at the union level, as agreed in the December 2019 union-wide staff report.

**Figure 1. Cameroon: Real Sector Developments, 2015–19**

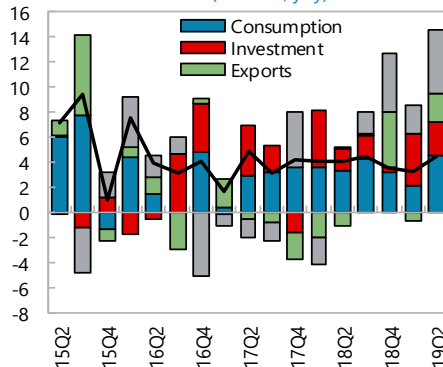
*Growth has remained resilient, led by the oil, construction and services*

**Growth Composition, 2015Q2-19Q2**  
(Percent, yoy)



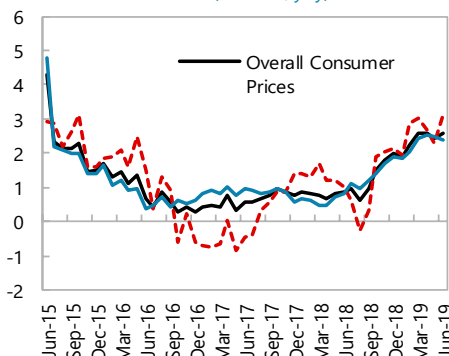
*...and strong domestic investment.*

**Growth Composition, 2015Q2-19Q2**  
(Percent, yoy)



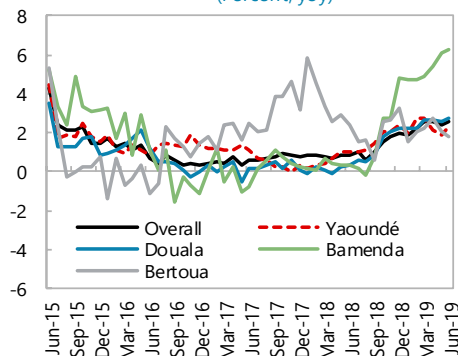
*Inflation is trending upward...*

**Consumer Price Indices, 2015M6-19M6**  
(Percent, yoy)



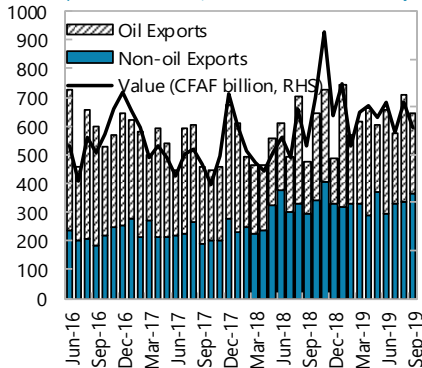
*... with strong regional variations.*

**Consumer Price Indices, 2015M6-19M6**  
(Percent, yoy)



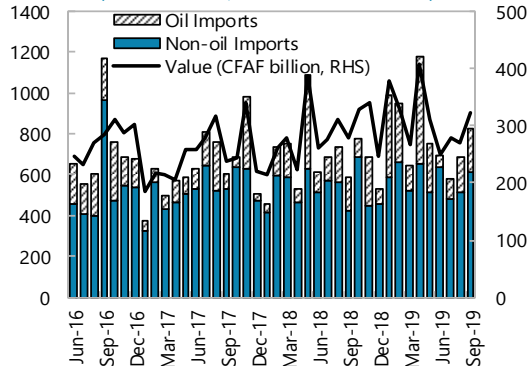
*Oil exports have increased...*

**Export volume, 2016M6-19M9**  
(Millions tonnes, unless otherwise noted)



*... while imports have risen, particularly of oil products.*

**Import volume, 2016M6-19M9**  
(Million tonnes, unless otherwise noted)

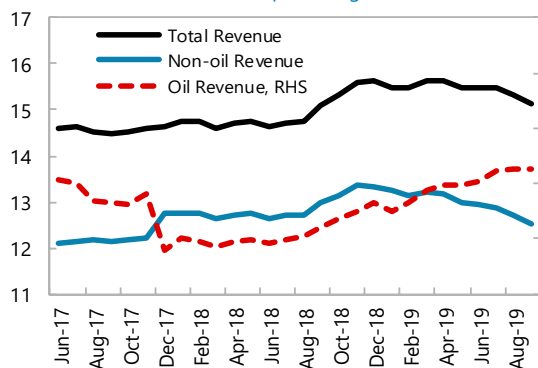


Sources: Cameroonian authorities; BEAC; and IMF staff calculations.

Figure 2. Cameroon: Fiscal Developments, 2015–19

*Non-oil revenue deteriorated in H1*

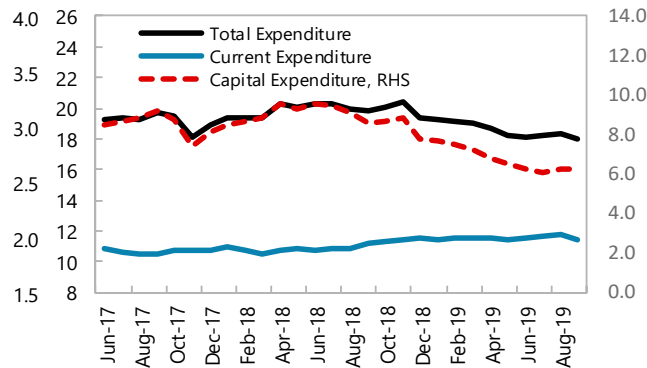
**Revenue and its Composition, 2017M1-19M7**  
(12 month total as a percentage of 12 month GDP)



*The fiscal consolidation faces headwinds...*

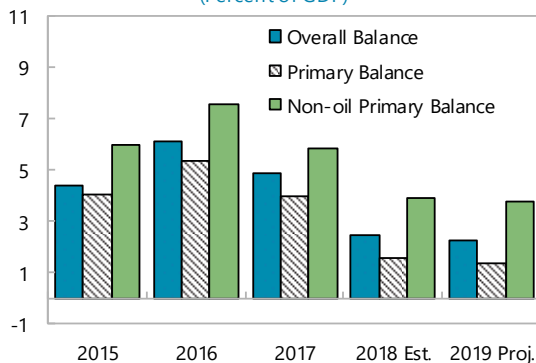
*...and capital spending began to decelerate.*

**Expenditure and its Composition, 2017M1-19M7**  
(12 month total as a percentage of 12 month GDP)



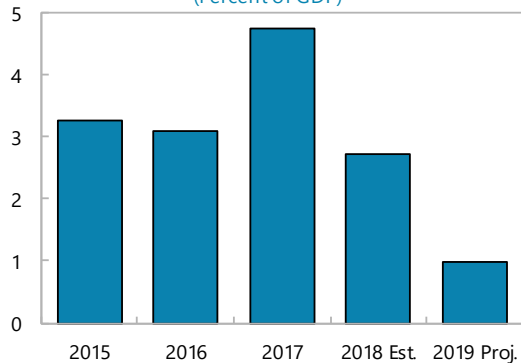
*...and reliance on net foreign financing.*

**Fiscal Deficit, 2015-19**  
(Percent of GDP)

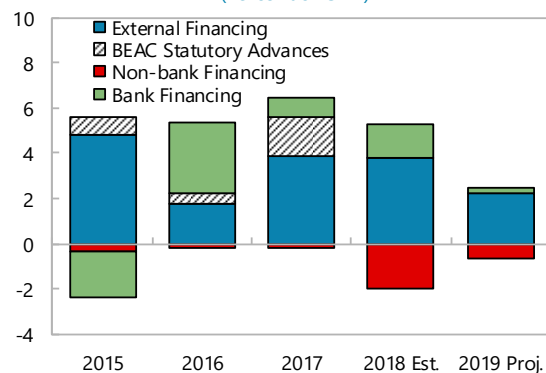


*Unpaid government obligations are shrinking...*

**Unpaid Government Obligations, 2015-19**  
(Percent of GDP)

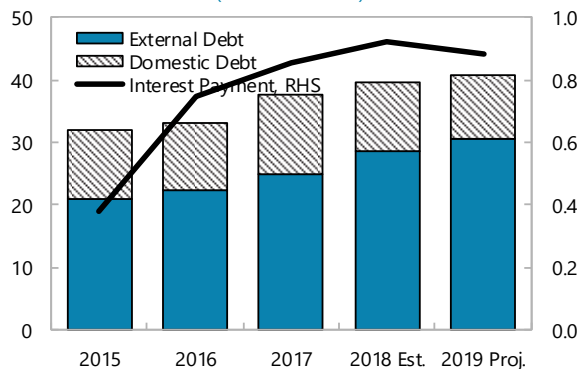


**Financing, 2015-19**  
(Percent of GDP)



*...and public debt includes more concessional new external financing.*

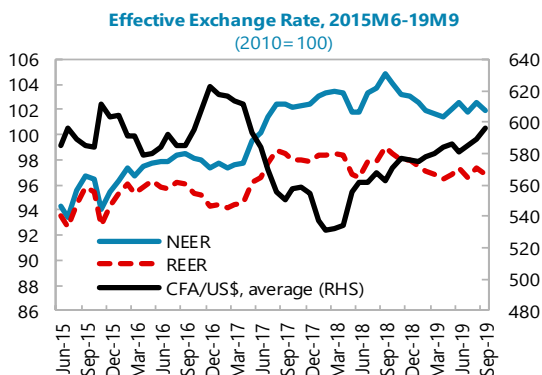
**Public Debt and Interest Payments, 2015-19**  
(Percent of GDP)



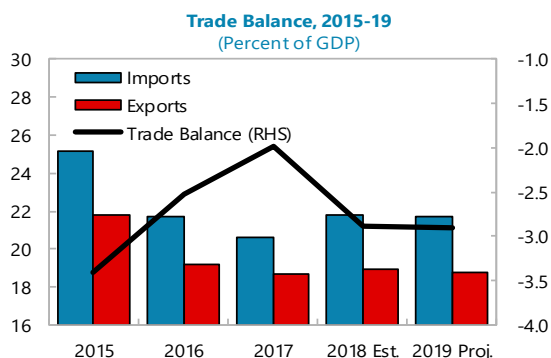
Sources: Cameroonian authorities; and IMF staff calculations.

**Figure 3. Cameroon: External Sector Developments, 2015–19**

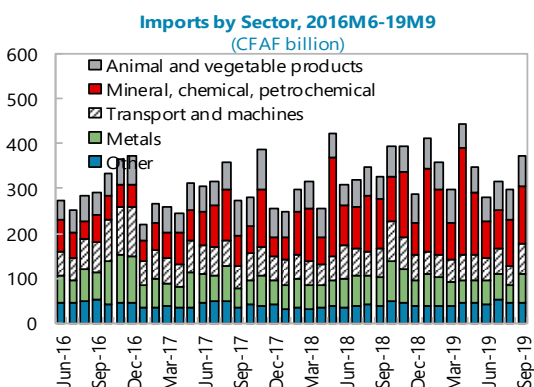
Effective exchange rates have remained broadly unchanged since end-2017.



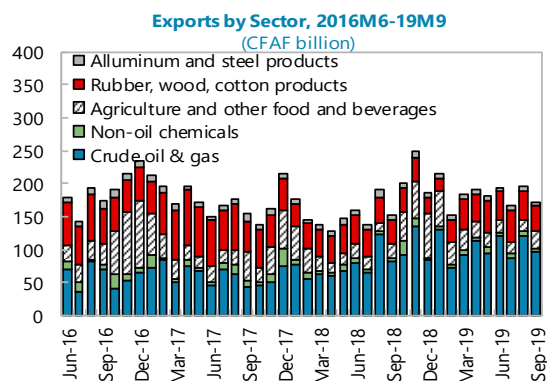
The trade balance is projected to remain weak.



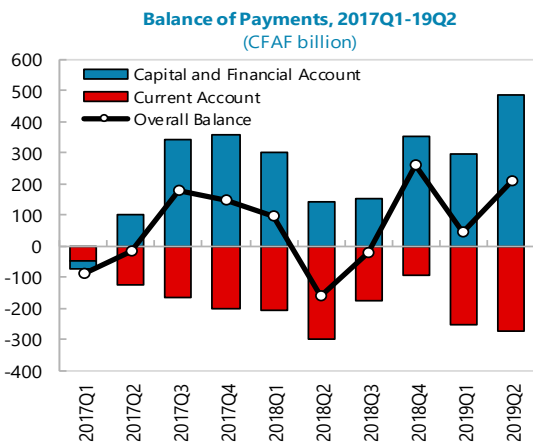
The import increase is mainly driven by mineral products...



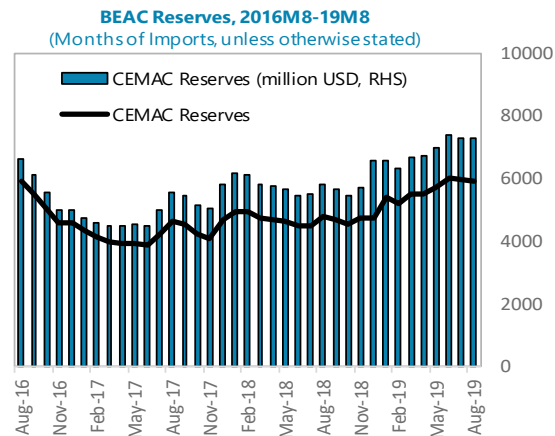
...while oil and gas are strongest among exports.



The overall balance of payments remained positive...



...and BEAC reserves are recovering.

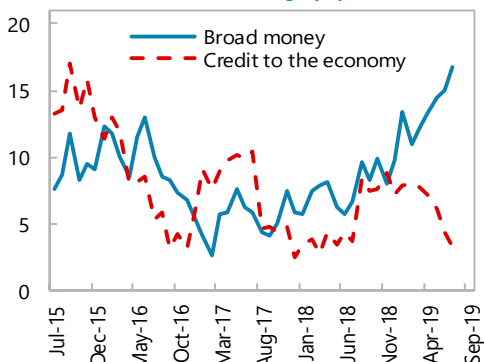


Sources: Cameroonian authorities; BEAC; and IMF staff calculations.

**Figure 4. Cameroon: Monetary Developments, 2015–19**

*Broad money growth continued in 2019 Q2 but credit to the economy slowed...*

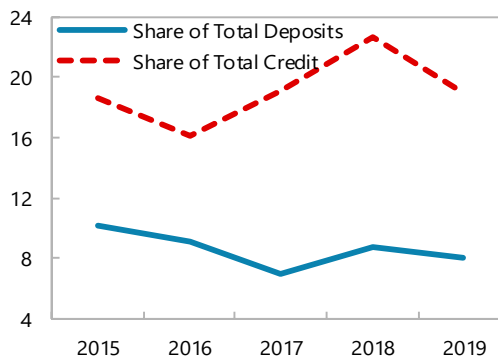
**Broad Money and Credit, 2015M7-19M7**  
(Percent change, yoy)



*Banks' liquidity remains high...*

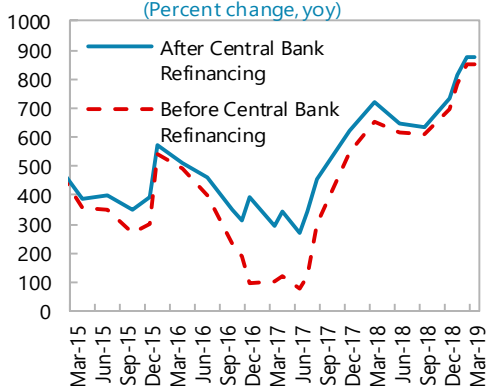
*...while SMEs' share in total credit declined.*

**SMEs' Deposits and Credits, 2015-18**  
(Percent)



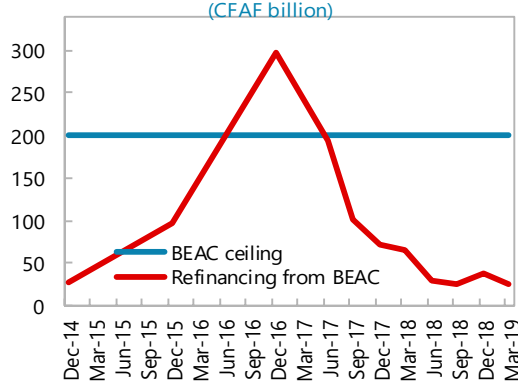
*...and refinancing from BEAC has declined.*

**Banks' Excess Liquidity at BEAC, 2015M3-19M3**  
(Percent change, yoy)



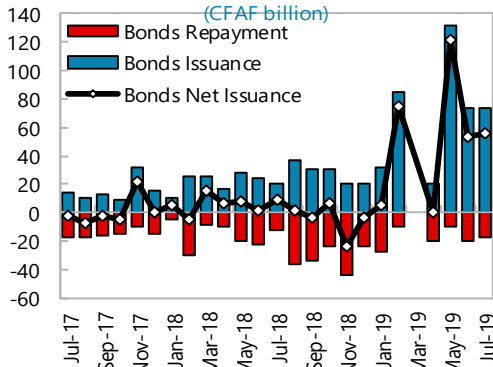
*Liquidity has improved the rollover of T-Bills...*

**Banks' Refinancing from BEAC, 2017-2019Q1**  
(CFAF billion)

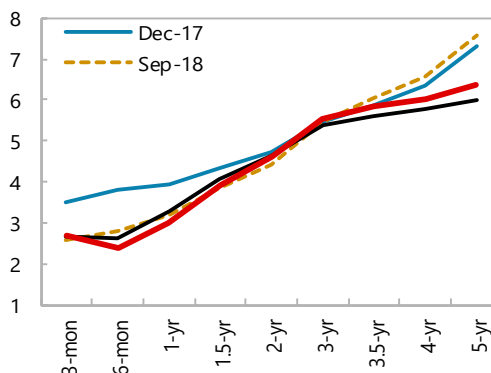


*...and has pushed borrowing costs*

**Net Issuance of Treasury Bonds, 2017M7-19M7**  
(CFAF billion)



**Yield Curve, 2017-19**  
(Percent change)

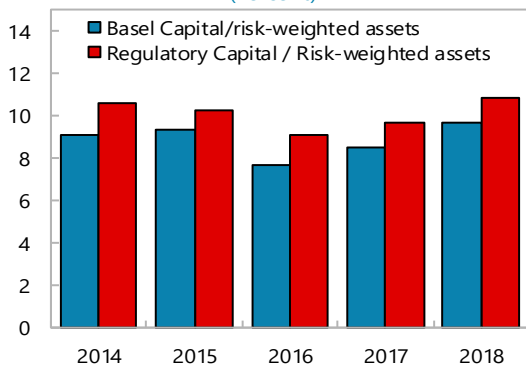


Sources: BEAC; Cameroonian authorities; and IMF staff calculations.

**Figure 5. Cameroon: Financial Sector Developments, 2015–19**

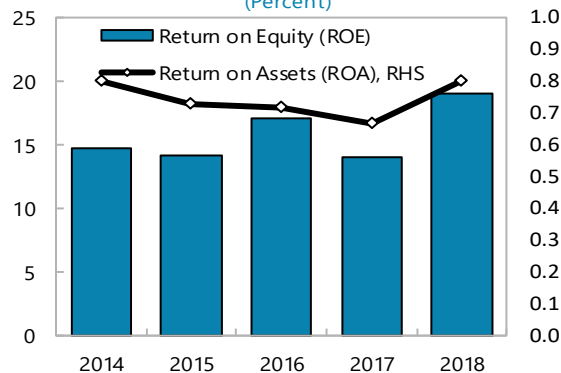
*Banks remain adequately capitalized...*

**Capital Adequacy, 2014-2018**  
(Percent)



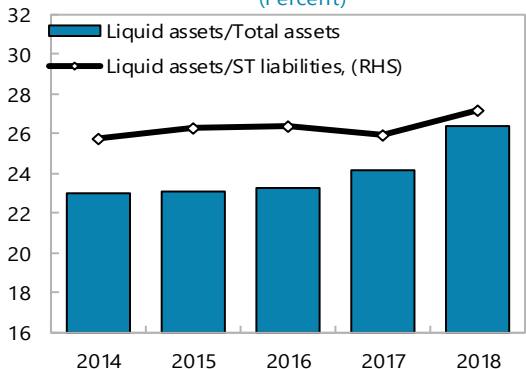
*...and profitable.*

**Profitability, 2014-2018**  
(Percent)



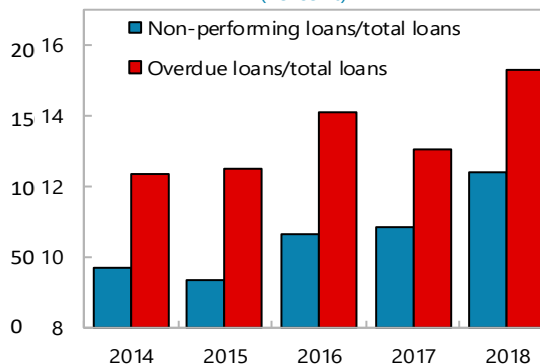
*Liquidity remains high and is increasing...*

**Liquidity, 2014-2018**  
(Percent)



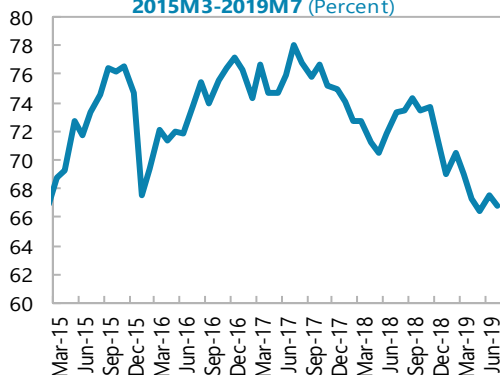
*...but asset quality remains poor and worsened in 2018.*

**Asset Quality, 2014-2018**  
(Percent)



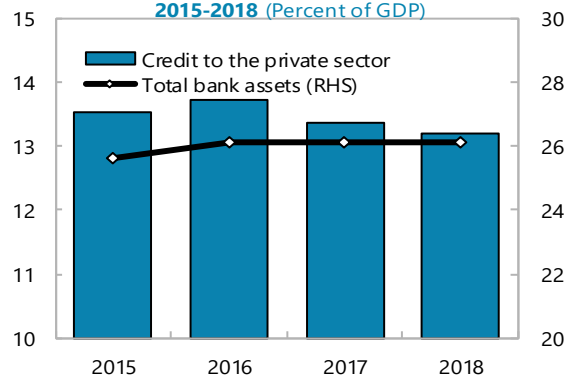
*The credit-to-deposit-ratio is declining...*

**Credit to the Private Sector to Deposit Ratio, 2015M3-2019M7** (Percent)



*... and financial deepening remains slow.*

**Credit to the Private Sector and Total Bank Assets, 2015-2018** (Percent of GDP)



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



**Table 1. Cameroon: Selected Economic and Financial Indicators, 2017–24**  
(CFAF billions, unless otherwise indicated)

	2017	2018	2019		2020		2021	2022	2023	2024
		Est.	4th Rev.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual percentage change, unless otherwise indicated)										
<b>National account and prices</b>										
GDP at constant prices	3.5	4.1	4.2	3.9	4.5	3.8	4.1	4.2	4.5	5.0
Oil GDP at constant prices	-16.4	-2.7	0.8	6.0	-1.0	0.5	-5.7	-5.0	-6.3	-6.6
Non-Oil GDP at constant prices	5.0	4.4	4.3	3.8	4.8	4.0	4.6	4.7	5.0	5.4
GDP deflator	1.5	1.6	1.2	1.7	1.3	1.9	1.5	1.6	1.5	1.6
Nominal GDP (at market prices, CFAF billions)	20,328	21,493	22,538	22,714	23,864	24,022	25,370	26,857	28,497	30,378
Oil	718	1,000	664	959	657	903	813	779	730	667
Non-Oil	19,610	20,493	21,873	21,755	23,207	23,118	24,557	26,078	27,767	29,711
Consumer prices (average)	0.6	1.1	2.1	2.4	2.2	2.4	2.0	2.0	2.0	2.0
Consumer prices (eop)	0.8	2.0	2.3	2.8	2.2	2.0	2.0	2.0	2.0	2.0
<b>External trade</b>										
Export volume	-1.3	-0.9	4.0	4.1	4.9	4.1	3.3	4.7	4.7	4.8
Oil sector	-19.8	-16.7	4.8	16.5	-1.0	0.5	-5.7	-5.0	-6.3	-6.6
Non-oil sector	3.8	2.5	3.8	1.9	6.0	4.9	5.0	6.3	6.4	6.4
Import volume	-4.8	7.0	-0.1	7.9	2.5	3.8	3.0	2.9	3.3	4.2
Nominal effective exchange rate (depreciation -)	2.6	2.7	...	...	...	...	...	...	...	...
Real effective exchange rate (depreciation -)	0.2	0.6	...	...	...	...	...	...	...	...
Terms of trade	-1.7	1.7	-4.3	1.7	-2.9	-2.7	-3.2	-4.4	-3.0	-1.4
Export price index	-0.6	8.9	-4.3	1.8	-2.3	-2.4	-4.3	-4.9	-3.5	-2.5
Non-oil export price index	-8.2	-3.5	-3.3	-1.0	-1.4	-1.5	-1.6	-4.0	-2.6	-1.8
Import price index	1.1	7.1	-0.1	0.1	0.6	0.4	-1.2	-0.5	-0.5	-1.1
<b>Money and credit</b>										
Broad money (M2)	5.9	9.8	6.1	7.1	5.9	7.2	6.0	6.2	6.5	6.6
Net foreign assets 1/	6.1	2.3	-0.3	0.7	-0.6	1.3	1.2	1.3	1.0	2.1
Net domestic assets 1/	-0.2	7.5	6.3	6.4	6.5	5.9	4.8	4.9	5.5	4.5
Domestic credit to the private sector	2.3	4.6	6.1	2.7	6.7	3.8	5.8	7.8	7.9	9.5
(Percent of GDP, unless otherwise indicated)										
<b>Savings and investments</b>										
Gross national savings	25.5	26.2	25.2	25.8	25.2	25.7	25.7	25.7	25.8	26.2
Gross domestic investment	28.1	29.8	28.6	29.4	28.5	29.3	29.1	29.0	29.1	29.4
Public investment	8.6	6.9	6.6	6.3	6.3	6.2	6.2	6.2	6.2	6.2
Private investment	19.5	23.0	22.0	23.1	22.2	23.1	22.9	22.8	22.9	23.2
<b>Central government operations</b>										
Total revenue (including grants)	15.0	16.1	16.2	16.4	16.3	15.2	15.4	15.3	15.2	15.2
Oil revenue	1.9	2.3	2.2	2.3	2.0	1.8	1.7	1.6	1.5	1.3
Non-oil revenue	12.7	13.3	13.5	13.6	13.8	12.9	13.3	13.4	13.5	13.7
Non-oil revenue (percent of non-oil GDP)	13.2	14.0	13.9	14.2	14.2	13.4	13.7	13.8	13.9	14.0
Total expenditure	19.8	18.5	18.2	18.6	17.8	17.3	17.0	16.8	16.6	16.7
Overall fiscal balance (payment order basis)										
Excluding grants	-5.2	-2.9	-2.5	-2.7	-1.9	-2.6	-2.1	-1.9	-1.7	-1.7
Including grants	-4.9	-2.5	-2.0	-2.3	-1.5	-2.1	-1.7	-1.5	-1.5	-1.5
Overall fiscal balance (cash basis)										
Excluding grants	-4.8	-3.7	-3.6	-3.6	-2.8	-3.0	-2.3	-2.0	-1.8	-1.8
Including grants	-4.5	-3.3	-3.1	-3.2	-2.3	-2.6	-1.9	-1.6	-1.6	-1.6
Non-oil primary balance (payment basis, percent of non-oil GDP)	-6.1	-4.1	-3.5	-3.9	-2.6	-3.2	-2.5	-2.1	-2.1	-1.9
<b>External sector</b>										
Current account balance										
Excluding official grants	-3.0	-4.0	-4.0	-4.1	-3.8	-4.1	-3.9	-3.8	-3.6	-3.5
Including official grants	-2.7	-3.6	-3.4	-3.6	-3.3	-3.6	-3.4	-3.4	-3.3	-3.2
<b>Public debt</b>										
Stock of public debt	37.7	39.5	39.5	40.8	39.0	40.8	40.4	39.8	39.1	38.2
Of which: external debt	25.1	28.6	30.1	30.5	29.7	30.6	30.5	30.1	29.4	28.7

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, 2017–24**  
(CFAF billions)

	2017	2018	2019		2020		2021	2022	2023	2024
			Est.	4th Rev.	Proj.	4th Rev.	Budget 1/	Proj.	Proj.	Proj.
<b>Total revenue and grants</b>	<b>3,040</b>	<b>3,451</b>	<b>3,649</b>	<b>3,716</b>	<b>3,878</b>	<b>3,651</b>	<b>3,903</b>	<b>4,118</b>	<b>4,324</b>	<b>4,613</b>
Total revenue	2,975	3,365	3,550	3,616	3,776	3,548	3,799	4,012	4,269	4,557
Oil sector revenue	386	500	506	532	474	443	430	423	420	390
Non-oil sector revenue	2,589	2,864	3,044	3,084	3,303	3,105	3,369	3,589	3,849	4,167
Direct taxes	575	643	694	768	758	732	781	855	936	1,009
Special tax on petroleum products	122	128	131	123	141	131	163	165	163	144
Other taxes on goods and services	1,346	1,497	1,584	1,614	1,722	1,599	1,711	1,812	1,939	2,117
Taxes on international trade	399	406	434	397	464	431	480	503	537	601
Non-tax revenue	148	191	200	182	218	212	234	255	274	296
Total grants	65	86.7	100	100	102	102	104	106	55	56
Projects	32	38	28	28	29	29	31	33	35	38
Other (debt relief)	13	48	72	72	73	73	73	73	20	18
<b>Total expenditure</b>	<b>4,030</b>	<b>3,986</b>	<b>4,110</b>	<b>4,235</b>	<b>4,240</b>	<b>4,163</b>	<b>4,323</b>	<b>4,518</b>	<b>4,742</b>	<b>5,062</b>
Current expenditure	2,279	2,485	2,659	2,731	2,735	2,667	2,771	2,872	3,000	3,190
Wages and salaries	1,006	1,007	1,032	1,012	1,050	1,064	1,108	1,135	1,179	1,244
Goods and services	743	733	807	802	821	786	803	828	881	943
Subsidies and transfers	356	547	613	717	630	597	620	647	687	734
Interest	174	199	207	200	235	220	241	263	253	270
External	136	151	160	152	178	170	197	218	218	233
Domestic	38	48	47	48	57	50	44	45	35	37
Capital expenditure	1,751	1,474	1,479	1,429	1,504	1,496	1,572	1,666	1,762	1,888
Domestically financed investment	961	674	654	604	662	654	699	763	776	827
Foreign-financed investment	773	749	775	775	796	796	824	851	931	1,002
Rehabilitation and participation	16	50	50	50	47	46	49	52	55	59
Net lending	0	27	-27	76	0	0	-20	-20	-20	-16
Adjustment to fiscal year spending										
<b>Overall balance (payment order basis)</b>										
Excluding grants	-1,055	-621	-561	-619	-464	-615	-525	-506	-474	-505
Including grants	-990	-535	-461	-519	-361	-513	-420	-400	-419	-450
<b>CEMAC reference fiscal balance</b>	<b>-880</b>	<b>-629</b>	<b>-584</b>	<b>-666</b>	<b>-422</b>	<b>-535</b>	<b>-410</b>	<b>-402</b>	<b>-450</b>	<b>-455</b>
<b>Adjustment to cash basis</b>	<b>76</b>	<b>-174</b>	<b>-249</b>	<b>-204</b>	<b>-199</b>	<b>-117</b>	<b>-60</b>	<b>-40</b>	<b>-35</b>	<b>-35</b>
Unexecuted payment orders (-=reduction)	-106	-96	0	0	0	0	0	0	0	0
Floats and arrears (- = reduction)	182	-78	-249	-204	-199	-117	-60	-40	-35	-35
o/w Arrears (- = reduction)	-145	-135	-73	-110	-73	-65	0	0	0	0
o/w Floats (- = reduction)	327	136	-100	-55	-63	-52	-40	-20	-15	-15
o/w other arrears 2/		-78	-76	-39	-64	0	-20	-20	-20	-20
<b>Overall balance (cash basis)</b>										
Excluding grants	-979	-795	-810	-823	-783	-732	-585	-546	-509	-540
Including grants	-914	-708	-710	-723	-561	-630	-480	-440	-454	-485
<b>Financing</b>	<b>914</b>	<b>710</b>	<b>353</b>	<b>407</b>	<b>517</b>	<b>468</b>	<b>480</b>	<b>440</b>	<b>454</b>	<b>485</b>
External financing, net	785	825	366	509	376	465	486	452	388	450
Amortization	-135	-210	-381	-343	-391	-302	-307	-366	-507	-514
Drawings	920	1,036	747	852	767	767	793	818	896	964
Domestic financing, net	129	-116	-14	-101	141	3	-6	-13	65	34
Banking system	166	310	123	50	72	130	166	-13	41	19
o/w statutory advances from BEAC	346	0	0	0	0	0	0	-58	-58	-58
Amortization of domestic debt	-36	-64	-65	-364	-29	-346	-200	60	-1	35
Other domestic financing	71	-362	-72	-151	99	-127	-172	0	24	15
Errors and omissions	0	0	0	0	0	0	0	0	0	0
<b>Financing gap</b>	<b>0</b>	<b>0</b>	<b>357</b>	<b>316</b>	<b>44</b>	<b>162</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Of which: IMF			88	45	44	90	0	0	0	0
Of which: budget support (excl. IMF)			269	271	0	72	0	0	0	0
AFDB			66	66	0	0	0	0	0	0
WB			115	117	0	56	0	0	0	0
France			66	66	0	0	0	0	0	0
EU			23	23	0	16	0	0	0	0
Other			0	0	0	0	0	0	0	0
<b>Residual gap</b>			0	0	0	0	0	0	0	0
<b>Memorandum items:</b>										
Floor of social spending	636	657	711	711						
Primary balance (payment order basis, incl. grants)	-816	-336	-254	-319	-127	-293	-179	-137	-166	-179
Primary balance (cash basis, incl. grants)	-740	-510	-503	-523	-326	-410	-239	-177	-201	-214
Non-oil primary balance (payment order basis, incl. grants)	-1,202	-836	-760	-851	-600	-736	-609	-560	-586	-570
Non-oil primary balance (cash basis, incl. grants)	-1,126	-1,010	-1,009	-1,055	-799	-853	-669	-600	-621	-605
Unpaid government obligations	963	583	334	379	135	262	202	162	127	92
Float	429	262	162	207	100	155	115	95	80	65
Arrears	282	146	73	36	0	-29	-29	-29	-29	-29
Other arrears 2/	253	174	99	135	-35	135	115	95	75	55

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

1/ Staff projections based on the draft 2020 budget.

2/ 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, 2017–24**  
(Percent of GDP)

	2017	2018	2019		2020		2021	2022	2023	2024
		Est.	4th Rev.	Proj.	4th Rev.	Budget 1/	Proj.	Proj.	Proj.	Proj.
<b>Total revenue and grants</b>	<b>15.0</b>	<b>16.1</b>	<b>16.2</b>	<b>16.4</b>	<b>16.3</b>	<b>15.2</b>	<b>15.4</b>	<b>15.3</b>	<b>15.2</b>	<b>15.2</b>
Total revenue	14.6	15.7	15.7	15.9	15.8	14.8	15.0	14.9	15.0	15.0
Oil sector revenue	1.9	2.3	2.2	2.3	2.0	1.8	1.7	1.6	1.5	1.3
Non-oil sector revenue	12.7	13.3	13.5	13.6	13.8	12.9	13.3	13.4	13.5	13.7
Direct taxes	2.8	3.0	3.1	3.4	3.2	3.0	3.1	3.2	3.3	3.3
Special tax on petroleum products	0.6	0.6	0.6	0.5	0.6	0.5	0.6	0.6	0.6	0.5
Other taxes on goods and services	6.6	7.0	7.0	7.1	7.2	6.7	6.7	6.7	6.8	7.0
Taxes on international trade	2.0	1.9	1.9	1.7	1.9	1.8	1.9	1.9	1.9	2.0
Non-tax revenue	0.7	0.9	0.9	0.8	0.9	0.9	0.9	0.9	1.0	1.0
Total grants	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.2	0.2
Projects	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other (debt relief)	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.1	0.1
<b>Total expenditure</b>	<b>19.8</b>	<b>18.5</b>	<b>18.2</b>	<b>18.6</b>	<b>17.8</b>	<b>17.3</b>	<b>17.0</b>	<b>16.8</b>	<b>16.6</b>	<b>16.7</b>
Current expenditure	11.2	11.6	11.8	12.0	11.5	11.1	10.9	10.7	10.5	10.5
Wages and salaries	4.9	4.7	4.6	4.5	4.4	4.4	4.4	4.2	4.1	4.1
Goods and services	3.7	3.4	3.6	3.5	3.4	3.3	3.2	3.1	3.1	3.1
Subsidies and transfers	1.8	2.5	2.7	3.2	2.6	2.5	2.4	2.4	2.4	2.4
Interest	0.9	0.9	0.9	0.9	1.0	0.9	0.9	1.0	0.9	0.9
External	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Domestic	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Capital expenditure	8.6	6.9	6.6	6.3	6.3	6.2	6.2	6.2	6.2	6.2
Domestically financed investment	4.7	3.1	2.9	2.7	2.8	2.7	2.8	2.8	2.7	2.7
Foreign-financed investment	3.8	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.3	3.3
Rehabilitation and participation	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Net lending	0.0	0.1	-0.1	0.3	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Adjustment to fiscal year spending										
<b>Overall balance (payment order basis)</b>										
Excluding grants	-5.2	-2.9	-2.5	-2.7	-1.9	-2.6	-2.1	-1.9	-1.7	-1.7
Including grants	-4.9	-2.5	-2.0	-2.3	-1.5	-2.1	-1.7	-1.5	-1.5	-1.5
<b>CEMAC reference fiscal balance</b>	<b>-4.3</b>	<b>-2.9</b>	<b>-2.6</b>	<b>-2.9</b>	<b>-1.8</b>	<b>-2.2</b>	<b>-1.6</b>	<b>-1.5</b>	<b>-1.6</b>	<b>-1.5</b>
<b>Adjustment to cash basis</b>	<b>0.4</b>	<b>-0.8</b>	<b>-1.1</b>	<b>-0.9</b>	<b>-0.8</b>	<b>-0.5</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.1</b>
Unexecuted payment orders (- = reduction)	-0.5	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Floats and arrears (- = reduction)	0.9	-0.4	-1.1	-0.9	-0.8	-0.5	-0.2	-0.1	-0.1	-0.1
o/w Arrears (- = reduction)	-0.7	-0.6	-0.3	-0.5	-0.3	-0.3	0.0	0.0	0.0	0.0
o/w Floats (- = reduction)	1.6	0.6	-0.4	-0.2	-0.3	-0.2	-0.2	-0.1	-0.1	0.0
o/w other arrears 2/		-0.4	-0.3	-0.2	-0.3	0.0	-0.1	-0.1	-0.1	-0.1
<b>Overall balance (cash basis)</b>										
Excluding grants	-4.8	-3.7	-3.6	-3.6	-3.3	-3.0	-2.3	-2.0	-1.8	-1.8
Including grants	-4.5	-3.3	-3.1	-3.2	-2.3	-2.6	-1.9	-1.6	-1.6	-1.6
<b>Financing</b>	<b>4.5</b>	<b>3.3</b>	<b>1.6</b>	<b>1.8</b>	<b>2.2</b>	<b>1.9</b>	<b>1.9</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>
External financing, net	3.9	3.8	1.6	2.2	1.6	1.9	1.9	1.7	1.4	1.5
Amortization	-0.7	-1.0	-1.7	-1.5	-1.6	-1.3	-1.2	-1.4	-1.8	-1.7
Drawings	4.5	4.8	3.3	3.8	3.2	3.2	3.1	3.0	3.1	3.2
Domestic financing, net	0.6	-0.5	-0.1	-0.4	0.6	0.0	0.0	0.0	0.2	0.1
Banking system	0.8	1.4	0.5	0.2	0.3	0.5	0.7	0.0	0.1	0.1
o/w statutory advances from BEAC	1.7	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-0.2	-0.2
Amortization of domestic debt	-0.2	-0.3	-0.3	-1.6	-0.1	-1.4	-0.8	0.2	0.0	0.1
Other domestic financing	0.0	-1.7	-0.3	-0.7	0.4	-0.5	-0.7	0.0	0.1	0.0
<b>Financing gap</b>	<b>0.0</b>	<b>0.0</b>	<b>1.6</b>	<b>1.4</b>	<b>0.2</b>	<b>0.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Of which: IMF			0.4	0.2	0.2	0.4	0.0	0.0	0.0	0.0
Of which: budget support (excl. IMF)			1.2	1.2	0.0	0.3	0.0	0.0	0.0	0.0
AFDB			0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
WB			0.5	0.5	0.0	0.2	0.0	0.0	0.0	0.0
France			0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
EU			0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Other			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Residual gap</b>			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Memorandum items:</b>										
Floor of social spending	3.1	3.1	3.2	3.1						
Primary balance (payment order basis, incl. grants)	-4.0	-1.6	-1.1	-1.4	-0.5	-1.2	-0.7	-0.5	-0.6	-0.6
Primary balance (cash basis, incl. grants)	-3.6	-2.4	-2.2	-2.3	-1.4	-1.7	-0.9	-0.7	-0.7	-0.7
Non-oil primary balance (payment order basis, incl. grants)	-5.9	-3.9	-3.4	-3.7	-2.5	-3.1	-2.4	-2.1	-2.1	-1.9
Non-oil primary balance (cash basis, incl. grants)	-5.5	-4.7	-4.5	-4.6	-3.3	-3.6	-2.6	-2.2	-2.2	-2.0
Unpaid government obligations	4.7	2.7	1.5	1.7	0.6	1.1	0.8	0.6	0.4	0.3
Float	2.1	1.2	0.7	0.9	0.4	0.6	0.5	0.4	0.3	0.2
Arrears	1.4	0.7	0.3	0.2	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Other arrears 2/	1.2	0.8	0.4	0.6	0.1	0.6	0.5	0.4	0.3	0.2

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

1/ Staff projections based on the draft 2020 budget.

2/ 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 are adjusted starting end-2016 to reflect these operations.

**Table 3. Cameroon: Balance of Payments, 2017–24**  
(CFAF billions, unless otherwise indicated)

	2017	2018	2019		2020		2021	2022	2023	2024
		Est.	4th Rev.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
	(CFAF billion)									
<b>Current account balance</b>	<b>-541</b>	<b>-778</b>	<b>-775</b>	<b>-825</b>	<b>-778</b>	<b>-866</b>	<b>-869</b>	<b>-902</b>	<b>-943</b>	<b>-961</b>
Trade balance	-117	-295	-299	-316	-324	-405	-508	-607	-673	-721
Exports, goods	2,675	2,885	2818	3,058	2891	3,110	3,072	3,056	3,088	3,157
Oil and oil products	809	1,040	1020	1,196	1010	1,187	1,086	1,029	988	962
Non-oil sector	1,866	1,845	1799	1,862	1881	1,923	1,986	2,027	2,101	2,195
Imports, goods	-2,792	-3,180	-3118	-3,374	-3215	-3,515	-3,580	-3,663	-3,762	-3,878
Services (net)	-286	-324	-292	-344	-305	-336	-286	-256	-250	-248
Exports, services	1,120	1,187	1255	1,212	1301	1,244	1,299	1,352	1,402	1,455
Imports, services	-1,405	-1,511	-1547	-1,555	-1606	-1,580	-1,584	-1,608	-1,652	-1,704
Income (net)	-384	-411	-447	-443	-429	-418	-388	-367	-329	-314
Of which: interest due on public debt	-136	-151	-160	-152	-178	-170	-197	-218	-218	-233
Transfers (net)	246	253	263	278	280	293	312	328	309	322
Inflows	408	417	466	470	484	488	509	528	511	528
Outflows	-161	-164	-203	-192	-203	-195	-198	-200	-202	-206
<b>Capital and financial account balance</b>	<b>773</b>	<b>869</b>	<b>884</b>	<b>671</b>	<b>744</b>	<b>866</b>	<b>940</b>	<b>985</b>	<b>1,010</b>	<b>1,113</b>
Capital account	65	91	28	28	29	29	31	33	35	38
Capital transfers	65	87	28	28	29	29	31	33	35	38
Of which: private transfers	0	0	0	0	0	0	0	0	0	0
Financial account	708	778	456	643	714	837	909	952	974	1,075
Official capital	785	825	366	509	376	465	486	452	388	450
Borrowing	920	1,036	747	852	767	767	793	818	896	964
Of which: SDR allocation	0	0	0	0	0	0	0	0	0	0
Principal not yet due rescheduled	0	0	0	0	0	0	0	0	0	0
Amortization	-135	-210	-381	-343	-391	-302	-307	-366	-507	-514
Principal not yet due (relief)	0	0	0	0	0	0	0	0	0	0
Non-official capital (net)	473	348	417	417	489	512	543	590	636	655
of which: Foreign direct investment	458	365	404	404	475	497	528	575	620	639
Oil sector (net)	91	87	86	99	85	101	84	84	83	82
Non-oil sector	381	262	331	318	404	411	459	506	553	573
Short-term private capital, net	-549	-396	-327	-283	-150	-140	-120	-90	-50	-30
<b>Errors and omissions</b>	<b>-20</b>	<b>76</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall balance</b>	<b>212</b>	<b>167</b>	<b>-291</b>	<b>-154</b>	<b>-34</b>	<b>-1</b>	<b>71</b>	<b>83</b>	<b>67</b>	<b>152</b>
<b>Financing</b>	<b>-212</b>	<b>-167</b>	<b>291</b>	<b>154</b>	<b>34</b>	<b>1</b>	<b>-71</b>	<b>-83</b>	<b>-67</b>	<b>-152</b>
Bank of Central African States	-363	-237	-51	-147	-10	-161	-71	-83	-34	-102
Use of IMF credit (net)	150	70	-15	-15	0	0	0	0	-33	-50
Financing gap	0	0	357	316	44	162	0	0	0	0
Of which:										
Possible IMF financing			88	45	44	90	0	0	0	0
Remaining financing gap			269	271	0	72	0	0	0	0
AFDB			66	66	0	0	0	0	0	0
WB			115	117	0	56	0	0	0	0
France			66	66	0	0	0	0	0	0
EU			23	23	0	16	0	0	0	0
	(Percent of GDP)									
<b>Trade balance</b>	<b>-0.6</b>	<b>-1.4</b>	<b>-1.3</b>	<b>-1.4</b>	<b>-1.4</b>	<b>-1.7</b>	<b>-2.0</b>	<b>-2.3</b>	<b>-2.4</b>	<b>-2.4</b>
Oil exports	4.0	4.8	4.5	5.3	4.2	4.9	4.3	3.8	3.5	3.2
Non-oil exports	9.2	8.6	8.0	8.2	7.9	8.0	7.8	7.5	7.4	7.2
Imports	13.7	14.8	13.8	14.9	13.5	14.6	14.1	13.6	13.2	12.8
<b>Current account balance</b>	<b>-2.7</b>	<b>-3.6</b>	<b>-3.4</b>	<b>-3.6</b>	<b>-3.3</b>	<b>-3.6</b>	<b>-3.4</b>	<b>-3.4</b>	<b>-3.3</b>	<b>-3.2</b>
Including grants	-2.7	-3.6	-3.4	-3.6	-3.3	-3.6	-3.4	-3.4	-3.3	-3.2
Excluding grants	-3.0	-4.0	-4.0	-4.1	-3.8	-4.1	-3.9	-3.8	-3.6	-3.5
<b>Overall balance</b>	<b>1.0</b>	<b>0.8</b>	<b>-1.3</b>	<b>-0.7</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.3</b>	<b>0.3</b>	<b>0.2</b>	<b>0.5</b>
<b>Foreign direct investment</b>	<b>2.3</b>	<b>1.7</b>	<b>1.8</b>	<b>1.8</b>	<b>2.0</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.2</b>	<b>2.1</b>
	(Percentage change, unless otherwise indicated)									
Export volume	-1.3	-0.9	4.0	4.1	4.9	4.1	3.3	4.7	4.7	4.8
Crude oil	-19.8	-16.7	4.8	16.5	-1.0	0.5	-5.7	-5.0	-6.3	-6.6
Nonoil	3.8	2.5	3.8	1.9	6.0	4.9	5.0	6.3	6.4	6.4
Import volume	-4.8	7.0	-0.1	7.9	2.5	3.8	3.0	2.9	3.3	4.2
Terms of trade	-1.7	1.7	-4.3	1.7	-2.9	-2.7	-3.2	-4.4	-3.0	-1.4
Non-oil export price index	-8.2	-3.5	-3.3	-1.0	-1.4	-1.5	-1.6	-4.0	-2.6	-1.8
Export price index	-0.6	8.9	-4.3	1.8	-2.3	-2.4	-4.3	-4.9	-3.5	-2.5
Import price index	1.1	3.6	-0.6	-0.6	-0.2	-0.2	0.8	0.2	0.1	0.0
Oil price (\$US dollars per barrel)	52.8	68.3		61.8		57.9	55.3	54.6	54.7	55.3

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

**Table 4. Cameroon: Monetary Survey, 2017–24**  
(CFAF billions, unless otherwise indicated)

	2017		2018 1/			2019			2020		2021		2022		2023		2024	
	Act	Act (CCA)	Q1 Act	Q2 Act	Q3 Est.	4th Rev.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	
<b>Net foreign assets</b>	<b>1,970</b>	<b>2,074</b>	<b>2,073</b>	<b>2,105</b>	<b>2,214</b>	<b>1,995</b>	<b>2,055</b>	<b>2,110</b>	<b>2,021</b>	<b>2,182</b>	<b>2,252</b>	<b>2,335</b>	<b>2,402</b>	<b>2,554</b>				
Bank of Central African States (BEAC)	1,322	1,477	1,477	1,522	1,702	1,447	1,452	1,594	1,418	1,666	1,737	1,820	1,886	2,039				
Of which: BEAC foreign assets	1,770	2,007	2,007	2,045	2,254	2,016	2,055	2,153	2,064	2,315	2,385	2,469	2,502	2,604				
Of which: IMF credit	-191	-268	-268	-265	-265	-306	-341	-297	-384	-387	-387	-387	-354	-304				
Commercial banks	648	597	595	583	513	548	603	516	603	516	516	516	516	516				
<b>Net domestic assets</b>	<b>2,632</b>	<b>2,978</b>	<b>3,162</b>	<b>3,075</b>	<b>3,105</b>	<b>3,353</b>	<b>3,497</b>	<b>3,497</b>	<b>3,857</b>	<b>3,830</b>	<b>4,119</b>	<b>4,433</b>	<b>4,806</b>	<b>5,131</b>				
Domestic credit	3,100	3,655	3,774	3,716	3,742	3,891	4,137	4,057	4,497	4,390	4,679	4,993	5,366	5,691				
Net claims on the public sector	319	761	785	785	814	927	967	989	1,117	1,208	1,315	1,373	1,464	1,423				
Net credit to the central government	585	882	883	893	928	1,085	1,092	977	1,108	1,197	1,363	1,350	1,391	1,411				
Central Bank	129	309	309	285	192	282	322	263	253	321	335	222	174	105				
Claims	768	845	845	842	842	883	918	875	962	965	965	907	816	708				
Credit under statutory ceiling	577	577	577	577	577	577	577	577	577	577	577	577	520	404				
Counterpart of IMF credit	191	268	268	265	265	306	341	297	384	387	387	387	354	304				
Deposits	-640	-536	-536	-557	-650	-602	-596	-611	-709	-643	-629	-684	-643	-603				
Commercial Banks	456	573	574	609	737	804	770	714	855	876	1,028	1,128	1,218	1,308				
Claims on the Treasury	491	576	577	615	774	834	784	727	867	887	1,037	1,137	1,227	1,317				
Deposits of other public entities	-35	-3	-3	-6	-38	-30	-14	-13	-12	-11	-9	-9	-9	-9				
Credit to autonomous agencies	-448	-397	-397	-388	-413	-414	-436	-312	-316	-312	-371	-301	-251	-311				
Deposits of other public entities	37	33	56	38	52	33	66	56	73	56	56	56	56	56				
Credit to the economy 1/	2,925	3,137	3,232	3,173	3,175	3,186	3,415	3,336	3,633	3,449	3,631	3,888	4,169	4,535				
Credit to public enterprises	144	243	243	242	247	223	245	267	253	267	267	267	267	267				
Credit to financial institutions	67	54	60	46	35	34	63	60	66	60	60	60	60	60				
Credit to the private sector	2,714	2,839	2,929	2,885	2,893	2,930	3,106	3,008	3,314	3,122	3,304	3,560	3,841	4,208				
Other items (net)	-468	3,137	-612	-640	-637	-538	-640	-560	-640	-560	-560	-560	-560	-560				
<b>Broad money</b>	<b>4,602</b>	<b>5,053</b>	<b>5,235</b>	<b>5,180</b>	<b>5,320</b>	<b>5,348</b>	<b>5,551</b>	<b>5,607</b>	<b>5,878</b>	<b>6,012</b>	<b>6,372</b>	<b>6,769</b>	<b>7,208</b>	<b>7,685</b>				
Currency outside banks	978	1,074	1,057	1,002	1,035	1,042	1,120	1,131	1,185	1,212	1,284	1,363	1,451	1,547				
Deposits	3,624	3,979	4,178	4,178	4,285	4,306	4,432	4,476	4,693	4,800	5,088	5,405	5,756	6,139				
<b>Memorandum items:</b>																		
Net borrowing from the central bank excluding IMF	-63	41	41	20	-73	-24	-18	-34	-132	-66	-52	-165	-181	-199				
Contribution to the growth of broad money (percentage points)	6.1	2.3	2.2	1.5	7.9	3.7	-0.3	0.7	-0.6	1.3	1.2	1.3	1.0	2.1				
Net foreign assets	-0.2	7.5	11.5	10.1	6.9	9.2	6.3	6.4	6.5	5.9	4.8	4.9	5.5	4.5				
Net domestic assets	3.8	6.5	6.5	6.8	5.9	6.3	4.0	1.8	0.3	3.9	2.8	-0.2	0.6	0.3				
Of which: net credit to the central government	2.5	7.2	10.5	7.7	4.4	2.8	5.7	3.2	6.4	3.4	5.3	7.1	7.2	8.8				
Credit to the economy (annual percentage change)	2.3	4.6	7.9	7.1	7.8	4.4	6.1	2.7	6.7	3.8	5.8	7.8	7.9	9.5				
Credit to the private sector	13.4	13.3	13.6	12.7	12.7	12.9	13.8	13.2	13.9	13.0	13.0	13.3	13.5	13.9				
Annual percentage change	5.9	9.8	13.7	11.9	14.8	12.9	6.1	7.1	5.9	7.2	6.0	6.2	6.5	6.6				
In percent of GDP	8.1	9.8	8.0	8.5	14.6	8.1	6.0	7.1	5.8	7.2	5.9	6.2	6.4	6.6				
Broad money (annual percentage change)	5.3	9.8	15.3	12.8	14.8	14.1	6.1	7.1	5.9	7.2	6.0	6.2	6.5	6.6				
Currency outside banks	4.4	4.2	4.1	4.4	4.3	4.2	4.1	4.1	4.1	4.0	4.0	4.0	4.0	4.0				
Deposits																		
Velocity (GDP/average M2)																		

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: Financial Soundness Indicators, 2014–18**

(Percent)

	Cameroon					CEMAC		
	2014	2015	2016	2017	2018	2014	2017	2018
<b>Capital adequacy</b>								
Capital/risk-weighted assets	11.4	10.1	9.0	10.3	10.2	13.8	15.5	16.3
Regulatory Capital / Risk-weighted assets	10.6	10.2	9.1	9.7	10.8	19.5	21.6	23.2
Regulatory Tier 1 Capital / Risk-weighted assets	9.1	9.3	7.6	8.5	9.7	12.6	14.5	22.1
Non-performing loans less provisions/Equity	10.3	8.9	12.1	6.0	7.6	15.8	33.6	35.8
Capital/Assets	8.4	8.3	7.5	7.8	8.7	9.1	14.8	14.7
<b>Asset quality</b>								
Overdue loans/total loans	12.3	12.5	14.1	13.0	15.3	11.6	17.2	21.5
Non-performing loans/total loans	9.7	9.3	10.7	10.8	12.4	9.1	14.8	19.9
Large exposures (> 25 % of equity)/equity	125.3	162.1	157.1	157.8	201.0	116.4	160.5	157.0
<b>Results and profitability</b>								
Return on Assets (ROA)	0.8	0.7	0.7	0.7	0.8	1.0	0.6	0.9
Return on Equity (ROE)	14.8	14.1	17.0	14.0	19.0	14.9	8.5	12.0
<b>Liquidity</b>								
Reserves/total deposits	27.7	24.3	18.0	21.1	22.1	41.2	20.2	22.4
Liquid assets/Total assets	23.0	23.1	23.2	24.2	26.4	29.5	23.4	25.5
Liquid assets/ST liabilities	139.5	147.5	148.7	142.9	159.9	156.3	154.3	163.0
Total deposits /Total loans	141	128.9	128.2	134.8	136.7	149.8	124.6	127.4

Sources: BEAC; COBAC; and IMF Financial Soundness Indicators.

Table 6. Cameroon: Risk Assessment Matrix<sup>1</sup>

Source of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
<b>Rising protectionism and retreat from multilateralism</b>	High	<b>Medium</b> In the near term, escalating and sustained trade actions threaten the global trade system, regional integration, as well as global and regional collaboration. Additional barriers and the threat of new actions reduce growth both directly and through adverse confidence effects (increasing financial market volatility). In the medium term, geopolitical competition and fraying consensus about the benefits of globalization lead to economic fragmentation and undermine the global rules-based order, with adverse effects on growth and stability.	Support CEMAC regional integration on free flow of goods and people; encourage further cooperation to remove obstacles for intra-regional trade; promote export diversification.
<b>Sharp tightening of global financial conditions: Sustained rise in risk premium</b>	Medium	<b>Medium</b> This could be reaction to concerns about debt levels in some euro area countries; a disorderly Brexit; or idiosyncratic policy missteps in large emerging markets. This causes higher debt service and refinancing risks; stress on leveraged firms, households, and vulnerable sovereigns; capital account pressures; and a broad-based downturn.	Improve CEMAC integration and economic relationship with Nigeria; improve business environment; implement structural reforms to improve competitiveness; support inclusive growth to enhance social cohesion.
<b>Sharp tightening of global financial conditions: Market expectation of tighter U.S. monetary policy</b>	Low	<b>Medium</b> This could be triggered by strong wage growth and higher than-expected inflation. This causes higher debt service and refinancing risks; stress on leveraged firms, households, and vulnerable sovereigns; capital account pressures; and a broad-based downturn.	Continue necessary fiscal consolidation and structural reforms to reduce external imbalances and boost investor confidence; enhance bank supervision and regulation to reduce risk exposure; encourage development of fintech platforms to expand access to finance.
<b>Weaker than projected global growth</b>	Medium	<b>High</b> Structurally weak growth in key trading partners in advanced economies (European Union, US), slowdown and potential sharp adjustment in large emerging economies (China) could reduce external demand, increase capital flow fluctuations and complicate Cameroon's adjustment efforts.	Improve regional integration and facilitate intra-regional trade; implement structural reforms to improve business climate and competitiveness.
<b>Intensification of the risks of fragmentation/secularity dislocation</b>	High	<b>High</b> Intensification of the risks of fragmentation/security dislocation in parts of the Middle East, Africa, Asia, and Europe, leading to socio-economic and political disruptions.	Improve humanitarian situation of refugees and internally displaced persons (IDPs) and enhance social cohesion.
<b>Sizable deviations from baseline energy prices</b>	Medium	<b>High</b> Risks to oil prices are broadly balanced. Prices could rise sharply due to steeper-than-anticipated export declines in some producers, possibly prompted by political disruptions, amid supply bottlenecks. Prices could drop significantly if downside global growth risks materialize or supply exceeds expectations, possibly due to faster-than-expected U.S. shale production growth, or, over the medium term, higher OPEC/Russia production. While, on aggregate, lower oil prices would benefit global growth, they would negatively affect oil exporters.	Widen the non-oil tax base, increase efficiency of the national oil refinery (SONARA) and spur competition in the oil import sector.
<b>Cyber attacks</b>	Medium	<b>Medium</b> 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
<b>Spillovers from other CEMAC countries</b>	High	<b>High</b> Worsening economic situations of other CEMAC countries could spill over to Cameroon through the payment and banking systems; the financial system could be misused for the financing of terrorism.	Coordinate with other CEMAC countries to build additional buffers through fiscal consolidation and structural reforms.
<b>Spillovers of the regional security situation</b>	Medium	<b>High</b> 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.
<b>Reform fatigue before elections</b>	High	<b>High</b> The upcoming elections in the fall of 2019 could lead to unexpected spending overrun and delayed implementation of structural reforms.	Strengthen budget execution control and prepare contingent measures to stay on course of the agreed fiscal consolidation and reform agenda.
<b>Contingent risks from state-owned enterprises</b>	Medium	<b>High</b> Contingent risks from state-owned enterprises, including specific risks associated with SONARA's situation, but also related more broadly to governance weaknesses, corruption and performance, 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 subsidies 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 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.

**Table 7. Cameroon: External Financing Requirements, 2017–24**  
(CFAF billions, unless otherwise indicated)

	2017	2018	2019	2020	2021	2022	2023	2024
			Projections					
<b>1. Total financing requirement</b>	<b>887</b>	<b>1,155</b>	<b>1,330</b>	<b>1,330</b>	<b>1,247</b>	<b>1,351</b>	<b>1,517</b>	<b>1,627</b>
Current account deficit	541	778	825	866	869	902	943	961
Debt amortization	135	210	343	302	307	366	507	514
Commercial banks								
Corporate sector								
Repayment to the Fund (net)	-151	-70	15	0	0	0	33	50
Change in gross reserves (increase=+)	363	237	147	161	71	83	34	102
<b>2. Total financing sources</b>	<b>888</b>	<b>1,155</b>	<b>1,014</b>	<b>1,168</b>	<b>1,247</b>	<b>1,351</b>	<b>1,517</b>	<b>1,627</b>
Capital transfers	65	91	28	29	31	33	35	38
Foreign direct investment (net)	458	365	404	497	528	575	620	639
Portfolio investment (net)	14	-16	13	14	15	15	16	16
Debt financing	370	640	569	627	673	728	846	934
Public sector	920	1,036	852	767	793	818	896	964
Short-term debt	-549	-396	-283	-140	-120	-90	-50	-30
Errors and omissions	-20	76	0	0	0	0	0	0
<b>3. Total financing needs</b>	<b>0</b>	<b>0</b>	<b>316</b>	<b>162</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Expected financing</b>			<b>271</b>	<b>72</b>				
AFDB			66	0				
WB			117	56				
France			66	0				
EU			23	16				
<b>Residual financing gap</b>			<b>45</b>	<b>90</b>				
IMF ECF financing			45	90				

Source: IMF staff estimates and projections.



**Table 8. Cameroon: Gross Fiscal Financing Needs, 2017–24**  
(CFAF billions, unless otherwise indicated)

	2017	2018	2019	2020	2021	2022	2023	2024
	Projections							
A. Overall fiscal deficit (cash basis, including grants)	915	708	723	630	480	440	454	485
B. Other financing needs	570	290	722	648	507	363	599	587
Amortization (including arrears)	206	290	722	648	507	306	541	529
External	151	226	358	302	307	366	540	564
o/w Amortization (excl. IMF)	135	210	343	302	307	366	507	514
o/w Repayment of IMF credit	17	15	15	0	0	0	33	50
Domestic	55	64	364	346	200	-60	1	-35
o/w Amortization of T-bills	36	64	364	346	200	-60	1	-35
o/w Amortization of Bonds	19	0	0	0	0	0	0	0
Moratorium debt								
Other								
Banking System	364	0	0	0	0	58	58	58
Repayment of statutory advances	0	0	0	0	0	58	58	58
Other deposits	364	0	0	0	0	0	0	0
C=A+B Total financing needs	1,485	998	1,445	1,278	987	803	1,053	1,071
D. Identified sources of financing	1,476	998	1,130	1,116	988	803	1,053	1,071
External	920	1,036	852	767	793	818	896	964
Drawing	920	1,036	852	767	793	818	896	964
o/w Project financing (ext.)	742	711	852	767	793	818	896	964
Domestic	557	-37	278	349	195	-15	157	107
Banking System	558	325	429	476	367	-15	133	92
BEAC Statutory advances	346	0	0	0	0	0	0	0
IMF withdrawal	150	70						
Government deposits	0	135	-85	-30	16	-55	42	40
Bank loans	31	118	504	508	353	40	91	55
Other bank financing	31	3	10	-2	-2	0	0	-3
Other non-bank financing	-1.1	-362	-151	-127	-172	0	24	15
Privatization receipts	0	0	0	0	0	0	0	0
E=C-D Financing gap	0	0	316	162	0	0	0	0
Errors and omissions	0	0	0	0	0	0	0	0
F. Exceptional external financing	0	0	271	72	0	0	0	0
Multilateral	0	0	205	72	0	0	0	0
Bilateral	0	0	66	0	0	0	0	0
E-F Residual financing needs								
IMF -ECF	0	0	45	90	0	0	0	0

Source: IMF staff estimates and projections.

**Table 9. Cameroon: Proposed Schedule of Disbursements Under the ECF Arrangement, 2017–20**

	Date of Availability	Amount (SDR Million)	Percent of quota 1/	Conditions for Disbursement
1	6/26/2017	124.2	45	Executive Board approval of the ECF arrangement.
2	12/15/2017	82.8	30	Observance of continuous and end-June 2017 performance criteria, and completion of the first review.
3	6/30/2018	55.2	20	Observance of continuous and end-December 2017 performance criteria, and completion of the second review.
4	12/15/2018	55.2	20	Observance of continuous and end-June 2018 performance criteria, and completion of the third review.
5	6/15/2019	55.2	20	Observance of continuous and end-December 2018 performance criteria, and completion of the fourth review.
6	12/15/2019	55.2	20	Observance of continuous and end-June 2019 performance criteria, and completion of the fifth review.
7	5/31/2020	55.2	20	Observance of continuous and end-December 2019 performance criteria, and completion of the sixth review.
	Total	483.0	175	

Source: IMF staff calculations.

1/ Cameroon's current quota is SDR 276.0 million, and SDR 372.6 million was outstanding as of December 11, 2019.

Table 10. Cameroon: Capacity to Repay the Fund, 2017–33

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Fund obligations based on existing credit (SDR millions)</b>																	
Principal	20.7	19.9	-	-	-	-	41.4	63.5	74.5	74.5	74.5	33.1	11.0	-	-	-	-
Charges and interest	0.6	0.4	-	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
<b>Fund obligations based on existing and prospective credit (In millions of SDRs) <sup>1/</sup></b>																	
Principal	20.7	19.9	-	-	-	-	41.4	63.5	85.6	96.6	96.6	55.2	33.1	11.0	-	-	-
Charges and interest	0.6	0.4	-	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
<b>Total obligations based on existing and prospective credit</b>																	
SDR millions	21.3	20.3	-	1.3	1.3	1.3	42.7	64.8	86.8	97.9	97.9	56.5	34.4	12.3	1.3	1.3	1.3
CFAF billions	17.2	15.7	-	1.0	1.0	1.0	33.9	51.1	68.6	77.3	77.3	44.6	27.2	9.7	1.0	1.0	1.0
Charges and interest	0.5	0.3	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Principal	16.7	15.4	-	-	-	-	32.9	50.1	67.5	76.3	76.3	43.6	26.1	8.7	-	-	-
Percent of government revenue	0.6	0.5	-	0.0	0.0	0.0	0.8	1.1	1.4	1.4	1.3	0.7	0.4	0.1	0.0	0.0	0.0
Percent of exports of goods and services	0.5	0.4	-	0.0	0.0	0.0	0.8	1.1	1.4	1.5	1.5	0.8	0.5	0.2	0.0	0.0	0.0
Percent of debt service <sup>2/</sup>	7.4	6.0	-	0.3	0.3	0.3	6.5	9.3	11.5	15.3	14.6	8.5	5.0	1.7	0.2	0.2	0.1
Percent of GDP	0.1	0.1	-	0.0	0.0	0.0	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Percent of quota	7.7	7.4	-	0.5	0.5	0.5	15.5	23.5	31.5	35.5	35.5	20.5	12.5	4.5	0.5	0.5	0.5
Percent of gross reserves	1.0	0.8	-	0.0	0.0	0.0	1.4	2.0	2.6	2.9	2.9	1.8	1.3	0.6	0.1	0.2	(1.2)
<b>Outstanding Fund credit</b>																	
SDR millions	245.7	336.2	372.6	483.0	483.0	483.0	441.6	378.1	292.6	196.0	99.4	44.2	11.0	0.0	0.0	0.0	0.0
CFAF billions	198.4	259.5	302.5	393.0	389.2	386.3	351.2	298.5	231.0	154.7	78.4	34.9	8.7	0.0	0.0	0.0	0.0
Percent of government revenue	6.5	7.5	8.1	10.8	10.0	9.4	8.1	6.5	4.6	2.9	1.4	0.6	0.1	0.0	0.0	0.0	0.0
Percent of exports of goods and services	5.2	6.4	7.1	9.0	8.9	8.8	7.8	6.5	4.8	3.1	1.5	0.6	0.1	0.0	0.0	0.0	0.0
Percent of debt service <sup>2/</sup>	84.9	99.0	98.8	125.2	119.7	110.0	67.1	54.4	38.7	30.5	14.9	6.7	1.6	0.0	0.0	0.0	0.0
Percent of GDP	1.0	1.2	1.3	1.6	1.5	1.4	1.2	1.0	0.7	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0
Percent of quota	89.0	121.8	135.0	175.0	175.0	175.0	160.0	137.0	106.0	71.0	36.0	16.0	4.0	0.0	0.0	0.0	0.0
Net use of Fund credit (SDR millions)	186.3	90.5	36.4	110.4	0.0	0.0	-46.9	-69.0	-91.1	-96.6	-96.6	-49.7	-27.6	-5.5	0.0	0.0	0.0
Disbursements	207.0	110.4	55.2	110.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayments and repurchases	20.7	19.9	18.8	-	-	-	46.9	69.0	91.1	96.6	96.6	49.7	27.6	5.5	-	-	-
<b>Memorandum items: (CFA F billions)</b>																	
Nominal GDP	20,328	21,493	22,714	24,022	25,370	26,857	28,497	30,378	32,487	34,778	37,278	39,983	42,914	46,089	49,526	53,245	57,272
Exports of goods and services	3,794	4,072	4,270	4,354	4,370	4,408	4,490	4,613	4,795	5,019	5,268	5,546	5,853	6,193	6,568	6,980	7,433
Government revenue	3,040	3,451	3,716	3,651	3,903	4,118	4,324	4,613	5,012	5,391	5,811	6,212	6,664	7,145	7,689	8,258	8,939
Debt service <sup>2/</sup>	234	262	306	314	325	351	524	548	597	507	528	522	545	561	585	629	680
CFA francs/SDR (period average)	807.3	771.6	811.8	813.6	805.9	799.9	795.3	789.5	789.5	789.5	789.5	789.5	789.5	789.5	789.5	789.5	789.5

Source: IMF staff estimates and projections.

<sup>1/</sup> 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 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.

<sup>2/</sup> Total debt service includes IMF repurchases and repayments. Quota (in SDRs) 276,000,000

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

## Annex I. Major Projects in Cameroon's Development Strategy

1. **Cameroon's medium and long-term development strategy stems on major infrastructural projects.** The government launched, in 2010, a series of big projects against the backdrop of the "vision 2035" whose objectives are the reduction of poverty, make Cameroon a middle-income and industrialized country, promote democracy, and improve governance at the horizon 2035.
2. **Major projects are classified according to their cost and anticipated support to long-term growth and development.** Per the Cameroonian authorities, a major project is a project whose investment cost represents, at least, 1 percent of the annual budget spending, and which sustains long-term growth development perspectives through positive, important and persistent spillover effects on innovation, employment and intersectoral economic activity. The first-generation major projects, announced in the 2010-2020 Strategic Document for Growth and Jobs, is composed of 11 main projects: (i) the Lom Pangar dam, (ii) the Memve'ele hydroelectric plant, (iii) the Kribi port complex, (iv) the Wouri second bridge, (v) the Yaoundé-Douala highway, (vi) the Kribi gas plant, (vii) the construction of a chemical fertilizer factories, (viii) the extension of the optical fiber network, (ix) the construction of new aluminum smelters, (x) the development of agricultural complexes, (xi) the construction of 1000 kilometers of railway.<sup>1</sup>
3. **The external financing of Cameroon's first-generation major projects is important and diverse.** Cameroon provides a portion of the financing for each of the projects and is supported by development and bilateral partners. As of June 2019, the financing support, from partners, contracted for these 11 projects amounts, at least, a total of 1195 billion CFA, with Cameroon own funding estimated at 348 billion CFA.<sup>2</sup>
4. **As of June 2019, and out of the 11 major projects initially announced, 5 are completed or almost completed, 2 are in progress, and 4 are yet to start (Table 1).** The completed or almost completed projects are mainly related to energy (Memve'ele, Lom Pangar and Kribi), commerce and urbanization (phase 1 of Kribi's port complex and the second Wouri bridge). These sectors seem to have been prioritized by the authorities in their development strategy. The phase 1 of the Yaoundé-Douala highway (first 60 kilometers) and the extension of the optical fiber are still in progress, with the authorities announcing the completion of that phase 1 highway for end 2020.
5. **The implementation of the first-generation projects has faced numerous operational constraints.** Delays in procurements, poor feasibility studies, non-coordination among stakeholders, accumulation of arrears to local contractors, weak supply in local contractor

<sup>1</sup> The Ministry of Finance Bureau in charge of major projects preparation lists 20 additional big projects that have been launched by the government to reduce the infrastructural gap in the country. These projects are of lesser amplitude than the 11 listed in the main text.

<sup>2</sup> These amounts do not include the cost of the optical fiber network extension, which is a more gradual project, and the costs of non-started projects.

services, public financing constraints, absence of complementary projects, and the large number of projects are some of the main constraints observed in various steps. As a precision,

- The delays in procurements were mainly due to the heaviness of some administrative procedures and the lack of full knowledge, from certain stakeholders, of the procurement laws.
- The feasibility study issues were related to the poor quality of some studies and the lack of financing allowed to the studies.
- The non-coordination between stakeholders stemmed from inefficiencies in some parts of the decision chain, the overlap of various operational scopes and the lack of information sharing
- The public financing constraints originated from budgetary unpreparedness of the authorities and some contractors, and lower than expected public finance mobilization.

**6. The authorities have drawn some recommendations that could serve as benchmarks for the second-generation major projects, which have been announced for 2020-30.** The second-generation major projects are expected to complement the first ones, with the idea of improving the ecosystem of Cameroon's projects and meet the authorities' development perspectives at the horizon 2035. Improve the preparedness of projects, promote PPPs, create an independent comity in charge of the validation of feasibility studies, simplify the administrative procedures related to population compensations, give the contracts to local companies in order, for them, to benefit from capacity assistance through agreements with foreign companies, allocate some resources from government bonds to projects, and target a realist number of major projects in accordance with development priorities are some of the measures proposed.

**7. A better prioritization, planification and coordination with the private sector would help deliver improved results and higher development outcomes.** The financing of the new major projects would be challenging, as Cameroon debt situation is currently at high risk of debt distress. PPP would help, but Cameroonian authorities would need to adopt a more upfront approach in terms of planification and budgeting. Higher exposures to local investors could also be a solution to the financing constraints. However, before moving to the second-generation projects, the priority should be given to the completion and then the complementation of the actual first-generation major projects, with the idea of benefitting from each project at their full potential. Going forward, more clarity and regulation should be imposed on project selections, project management and implementation, and infrastructure usage and maintenance. Also, improvements on governance and business climate as well as addressing the security-related risks are primordial for the country's development strategy.

**Table 1. Status of the First-generation Major Projects Announced in the 2010–20 DSCE\***

Project	Status
Lom Pangar dam	<b>Completed:</b> operational since 2016.
Wouri second bridge,	<b>Completed:</b> the bridge is open to traffic.
Kribi gas plant	<b>Completed:</b> The construction ended in 2013 and a phase 2, which aims to build a 114 Mw additional capacity, is in progress
Kribi port complex (phase 1)	<b>Completed:</b> the phase 1 of the complex was completed in 2016, and the highway going from the port to the town is completed at 90 percent.
Memvé'ele hydroelectric plant	<b>Almost completed:</b> work on distribution lines are ongoing and are expected to be completed by end 2019. The test phase is supposed to start after that.
Yaoundé-Douala highway (phase 1)	<b>In progress:</b> 68 percent of the 60 kilometers are completed. The projet will likely require an extension, as it is already at 95 percent of its initial timeline.
extension of the optical fiber network	<b>In progress:</b> 12000 kilometers of optical fiber have been already installed.
Construction of a chemical fertilizer factories	<b>Not started yet:</b> no information on its timeline and its financing
construction of new aluminum smelters	<b>Not started yet:</b> no information on its timeline and its financing
the development of agricultural complexes	<b>Not started yet:</b> no information on its timeline and its financing
the construction of 1000 kilometers of railway	<b>Not started yet:</b> no information on its timeline and its financing

Source: IMF staff, based on Cameroonian authorities' data  
DSCE (in French): Strategic Document for Growth and Jobs

## Appendix I. Letter of Intent

January 7, 2020

Madam Kristalina Georgieva  
Managing Director  
International Monetary Fund  
700 19<sup>th</sup> Street N.W.  
Washington, D.C. 20431  
U.S.A.

Dear Madam Managing Director,

The Government of Cameroon continues to implement the measures set out in its Economic and Financial Program supported by a three-year arrangement under the International Monetary Fund's Extended Credit Facility (ECF) for the period 2017-2020 under difficult economic and security conditions.

Cameroon's performance under the ECF remains broadly satisfactory. All quantitative performance criteria for end-June 2019 were observed. Specifically, the floor on the non-oil primary balance was met despite endogenous and exogenous shocks. However, the continuous performance criterion on external arrears was not met since July 18, 2019 owing to liquidity pressures resulting from revenue shortfalls and delays in receiving budget support. These arrears (43.4 billion CFA in total) were repaid in full before end-November. Performance toward the indicative targets has been weak. Four of the five June targets have not been met. Specifically, the floor for non-oil revenues and the ceiling on the net accumulation of domestic payments arrears were not met owing to a smaller than anticipated taxable base, the persistence of the tax debt of public enterprises, and the impact of the SONARA fire on its ability to honor its tax obligations. Also, delays in the recording of revenues earmarked for education and health meant that the floor for social spending was not met, and the share of total expenditures executed by exceptional procedures, excluding debt, was reduced by 1.5 percentage points but did not meet the target set in the program. Implementation of the program's structural reforms continued and resulted in the completion of 5 of the 13 structural benchmarks for January to November 2019.

The government is requesting a waiver for its failure to observe on time the continuous performance criterion on the accumulation of external arrears. The government commits to successfully implementing the program for the remainder of the year and to timely service all external loans, including those that have been on-lent to public enterprises. However, given downside risk for non-oil revenues owing to SONARA's difficulties in meeting its tax obligations, higher than initially projected oil subsidies and a greater need to increase security in the northern and southwestern regions of the country, the target for the non-oil primary deficit (payment order basis) will be missed by 0.3

percentage point of GDP. The government is thus requesting the amendment of the quantitative performance criterion on the floor for the non-oil primary fiscal deficit for December from CFAF 760 billion to CFAF 851 billion, for an overall deficit target of 2.3 percent of GDP as against the 2 percent indicated in the supplementary budget law. The government is also requesting the modification of the definition of the continuous performance criterion on the contracting or guaranteeing of non-concessional external debt for 2020, as indicated in Table 1 of the MEFP.

The government commits to continue to implement the structural benchmarks and to respect the amended quantitative benchmarks and criteria for end-December 2019. Close monitoring of budget execution, control of recourse to exceptional expenditure procedures involving the use of provisional commitments and cash advances, and the identification of contingent revenue and expenditure measures will make it possible to meet the fiscal targets for 2019 and will result in more transparent fiscal management in 2020. The government also commits to making up the delays in the implementation of the structural benchmarks and to ensure implementation of all of the planned measures for end-March 2020.

The government will continue to implement policies that are consistent with the maintenance of regional external stability, which requires the rebuilding of the international reserves of the BEAC. To this end, the government supports the efforts of the BEAC and COBAC to improve compliance with the new foreign exchange regulations. It will ensure that the requirement to repatriate export proceeds, particularly oil revenues, is respected and has in this connection forwarded all mining and oil contracts signed by the Cameroon government to the BEAC.

The Memorandum of Economic and Financial Policies (MEFP) attached to this letter of intent describes the economic and financial situation in 2019, sets out the economic and financial policies that the government intends to implement in 2020, and establishes the quantitative criteria, indicative targets and structural benchmarks through to June 25<sup>th</sup>, 2020.

In light of performance under the program to date, and the commitments set out in the MEFP, the government requests the conclusion of the fifth review of the arrangement under the ECF and the disbursement of SDR 55.2 million

The government is convinced that the policies and measures set out in the attached MEFP are adequate to achieve the program objectives and undertakes to take any additional measures that may be required. The Cameroonian authorities will consult with the IMF on any such additional measures and in advance of any revisions to the measures included in the MEFP, in accordance with the IMF's policy on such consultations. To facilitate program monitoring and evaluation, the government undertakes to regularly report all required information to the IMF by the established deadlines, in accordance with the attached Technical Memorandum of Understanding (TMU).

Finally, the government confirms that it agrees with 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: - Supplementary Memorandum of Economic and Financial Policies  
- Technical Memorandum of Understanding

# Attachment I. Supplementary Memorandum of Economic and Financial Policies, 2019–20

January 2020

## I. INTRODUCTION

**1. The government is continuing its efforts to implement its Economic and Financial Program supported by the International Monetary Fund (IMF) under the Extended Credit Facility (ECF), despite the ongoing difficult socioeconomic circumstances.** The six performance criteria for end-June 2019 were observed. However, only one of the five indicative targets was met. The floor for non-oil tax revenues was not met owing to a more sluggish than anticipated economy, the persistent tax debts of public enterprises, and, in particular, the shock related to the accident at SONARA in late May 2019. As well, only five of the 13 structural benchmarks for January to November 2019 were met and two benchmarks were implemented with delay. Implementation of the six others is continuing with a view to their completion by end-March 2020. The difficult security context in Cameroon continues to weigh heavily on the country's economic and social situation, but the government remains firmly committed to the successful implementation of the program for the rest of this year and the first half of 2020 and will take all necessary measures to honor its commitments. Specifically, it will (i) continue the fiscal reforms by effectively implementing the CEMAC directives; (ii) continue to expand the non-oil revenue base; (iii) improve public capital expenditure efficiency and control; (iv) enhance the stability of the banking sector; (v) reduce the obstacles to the development of the private sector; (vi) implement a plan for the financial and physical rehabilitation of SONARA; and (viii) promote the diversification of the economy while maintaining debt sustainability.

## II. RECENT ECONOMIC DEVELOPMENTS

**2. Economic growth in 2019 remained virtually at the same level as in 2018.** Growth is expected to reach 3.9 percent (as against 4.1 percent in 2018) owing to the growth of the oil sector (6 percent) as a result of development investments in the sector and the increase in the production of gas. Growth of the non-oil sector is projected to slow from 4.4 percent in 2018 to 3.6 percent in 2019 as a result of the slowdown in the manufacturing industries resulting from the SONARA fire, the underperformance of ALUCAM (the main operator in the aluminum sector), the contraction in forestry, industrial and export agriculture, and manufacturing, lower domestic demand as a result of slower private investment, as well as the negative impact of the socio-political crisis in the northwestern and southwestern regions. Despite the uptick in the oil sector after three consecutive years of declines, the economic slowdown observed during the first half of the year was due to the poor performance of the non-oil sector as a result of the contraction of forestry and slowdowns in industrial agriculture and exports, as well as manufacturing.

**3. Fiscal consolidation continued during the first half of 2019.** Non-oil revenues in the first half of the year were 0.2 percent of GDP lower than the level projected in the fourth review owing to weak economic activity in high-tax-revenue sectors, delays in the implementation of new tax measures (excise taxes and VAT), the SONARA fire in May 2019, which prevented it from fully honoring its tax obligations, lower growth of imports with the entry into effect of the new foreign exchange regulations and the accumulation of government tax debt on imports under externally financed contracts. The underperformance of revenue was more than offset by slower expenditure execution, particularly for goods and services and domestically financed investment projects. The overall deficit is estimated at 0.2 percent of GDP, as against the 0.9 percent set out in the program. The cash flow deficit was higher, however, at 1.0 percent of GDP owing to larger repayments of earlier arrears and was primarily financed by net foreign borrowing. This prudent budget execution made it possible to build up net deposits at the BEAC equivalent to 0.5 percent of GDP.

**4. The current account deficit remained stable at around 4.7 percent of GDP during the first half of 2019, as against 4.8 percent of GDP in the first half of 2018.** The trade balance remained stable overall, owing to the sharp increase in crude oil and gas exports and the temporary recovery of the cocoa sector, offset in large part by sizable oil imports.

**5. Growth of net foreign assets and the monetary aggregates continued.** The increase in broad money accelerated to about 15 percent at end-June 2019 (as against 13.7 percent at end-2018), and Cameroon's net foreign assets rose 12 percent in the first half of the year. Growth of credit to the private sector remained relatively stable.

### III. IMPLEMENTATION OF THE ECONOMIC AND FINANCIAL PROGRAM

**6. All of the quantitative performance criteria were observed, as well as most of the indicative targets for end-September 2019** (Table 1). Based on data at end-June 2019 and preliminary data for end-September 2019:

- The performance criterion on the non-oil primary balance was met by a margin of 0.8 percent of GDP at end-June 2019, as the revenue shortfall was offset by expenditures over the half year that were lower than projected in the fourth review.
- The net financing of the government by the BEAC (excluding IMF) was 0.4 percent of GDP lower than the program ceiling at end-June 2019 owing to the increase in government deposits following from the reduction of its cash basis deficit.
- The ceiling on net domestic financing (excluding IMF) was met at end-June 2019 by a margin of 0.3 percent of GDP, as the level of external financing was higher than programmed.
- The performance criteria on indebtedness were observed by significant margins at end-June 2019, particularly the ceiling on disbursements of non-concessional loans (margin of 0.7 percent of GDP) and the ceiling on the signing of new non-concessional loans (margin of 1.5 percent of GDP). However, the continuous performance criterion on the non-accumulation

of external arrears was missed between July and November 2019. The arrears (CFAF 43.4 billion) were repaid in full before end-November.

- All indicative targets at end-June 2019 were missed, with the exception of the indicative ceiling on direct interventions by the Société Nationale des Hydrocarbures (SNH) (Table 1). The floor on social spending was not met at end-June owing to delays in the recording of revenues earmarked for the education and health sectors. The strong performance at end-September should mean that this floor will be met at end-December.
- Expenditures executed using exceptional procedures as a share of total expenditures, excluding debt, for which payment orders have been issued could be reduced to 5 percent at end-December through the more vigorous application of measures to contain these practices, as defined in the circular on budget execution for fiscal year 2019 and the declassification of operations by imprest accounts (*régies d'avances*) in the calculation formula, given that the latter do not constitute exceptional measures.
- Three of the 9 indicative targets for September 2019 were not met (see Table 1).

**7. Progress continues to be made with the implementation of the program structural reforms despite the delays in a number of these reforms.** Five of the 13 structural benchmarks for January to November 2019 were met, two were implemented with delay (Table 2), and significant progress was made with the benchmarks not yet met, specifically:

- *Revision and simplification of the fuel price structure.* Following the SONARA fire, the authorities opted for an import-based price structure. Work on this is ongoing.
- *Adoption of a resolution plan for two distressed banks.* The restructuring plans of the two distressed banks prepared by the dedicated Interministerial Committee were approved in November 2019 by the Extraordinary General Meetings of Shareholders and submitted to the COBAC for validation (October SB proposed to be reprogrammed to January 2020).
- *Completion of the diagnostic studies of four large public enterprises.* With respect to CAMAIR-Co., the opening of the tender offers took place on December 20<sup>th</sup>. In the case of CAMWATER, following the pre-qualification of the candidates, the draft tender dossier validated by the CTR's special procurement committee was sent to the Central Commission for Public Contracts Control (CCCMP) for review, prior to the launch of the related call for bids. With respect to the diagnostic study on SONARA, a number of firms have been consulted and submitted bids. The opening of the offers took place on December 20<sup>th</sup>, 2019. Regarding studies funded by the World Bank, it should be noted that the contract award process for the diagnostic study of PAD is underway. While the TOR for the CAMTEL study have been validated by the authorities and the World Bank. The notice of invitation to express interest (ASMI) is awaiting publication by the World Bank project
- *Implementation of the necessary steps to expand the Treasury Single Account (TSA).* The Minister of Finance has signed a circular letter specifying that in the context of the fiscal reform undertaken in Cameroon, Article 79(1) of Law No. 2018/012 of July 11, 2018 provides: "Public

resources are all, whatever their nature and their source, collected and managed by public accountants and paid into and held in a single account opened in the name of the Treasury at the Bank of Central African States.” The summary report describing the status of government deposits in commercial banks has been produced. Moreover, the Central Bank was asked in September 2019 to open subaccounts for all centralizing accountants and some public entities already participating; an operating agreement for the subaccounts covering not only the accounts of the centralizing accountants but also those of the administrative public establishments (EPA) and decentralized local governments (CTD) has been forwarded to the BEAC for signature.

- *Adoption of a business model by the SME Bank (BC-PME).* The study on the financing needs of SMEs has been completed. The government will propose a viable economic model for BC-PME based on predominantly indirect financing by March 2020 (September 2019 SB proposed to be reprogrammed to March 2020).

## IV. ECONOMIC AND FINANCIAL PROGRAM FOR 2019 AND THE MEDIUM TERM

### A. Macroeconomic Framework

**8. The economic growth outlook remains positive.** Growth should reach 3.9 percent in 2019, driven essentially by an increase in hydrocarbons production, which is expected to grow by almost 6.0 percent after three consecutive years of decline. This change results from the increase in gas production following the entry into service of the floating gas plant off Kribi and an improvement in oil output. During the period 2020-22, oil sector growth should slow, primarily owing to the decline in oil production. Growth of the non-oil sector is expected to gradually improve to close to 5 percent in 2022. It will be sustained by (i) the solid performance of the agri-food, manufacturing and chemical industries and wood processing; (ii) ongoing road infrastructure rehabilitation and construction works, and completion of the construction works in preparation for the 2021 Africa Cup of Nations; (iii) improvement in the energy supply with the entry into service of the hydroelectric dams and completion of the construction of electricity distribution infrastructure by SONATREL; (iv) the positive impact of the coffee, banana, cotton and rubber sector development programs; (v) the ongoing implementation of measures to increase the production and productivity of food crops; and (vi) the uptick in agriculture following the anticipated easing of tensions in the regions still plagued by security problems.

**9. Continued fiscal consolidation and efforts to repatriate export proceeds should support the improvement of the current account and the rebuilding of the international reserves over the period 2020-24.** The current account deficit should stabilize at around 3 percent of GDP in the medium term and net foreign assets are expected to grow at an average annual rate of 1.4 percent. These efforts are also needed to stabilize and then reverse the public debt trajectory and maintain debt service at sustainable levels. Any slippage could result in an

unsustainable public debt path owing to a rapid accumulation of the stock of non-concessional debt and still limited fiscal and export revenue bases.

**10. Domestic and external risks could affect the outlook.** The external risks that could affect growth are related primarily to uncertainty related to international trade tensions, slower global growth, and the persistent volatility of commodity prices. Domestically, a further deterioration of the security problems in the northwestern and southwestern regions and worsening of the socio-political climate before and after the upcoming legislative and municipal elections could undermine the fiscal consolidation efforts under way and the implementation of the reforms. Nevertheless, the non-oil sector remains strong and this could help to mitigate the negative impact of some shocks.

## B. Fiscal policy

**11. Given the fiscal outturn for the first nine months of this year, some of the initial objectives for end-2019 are no longer achievable.** The supplementary budget approved by Parliament in June 2019 aims to limit the overall fiscal deficit, payment order basis, to 2 percent of GDP. It includes revenues equivalent to 15.7 percent of GDP, including 2.3 percent for oil revenues and 13.6 percent for non-oil revenues. Non-oil revenues collected through end-September 2019 show a shortfall equivalent to 0.8 percentage point of GDP, explained by the weakness of the taxable base and the accumulation of fiscal arrears by SONARA vis-à-vis the DGD and the DGI. The netting during the fourth quarter of 2019 of cross-debts between the state and companies in the oil sector will help reduce this shortfall. However, these operations require order entries (*écritures d'ordre*) that display the subsidy payments due to these companies and which will lead to an increase in transfers and subsidies of 0.5 point of GDP. Fiscal regulation measures taken by the government to contain other current expenditures and domestically financed capital expenditures will help limit the overall fiscal deficit (payment order basis) to 2.3 percent of GDP, in contrast to the 2.0 percent projected in the supplementary budget law.

**12. The 2020 budget law calls for a fiscal deficit (payment order basis) of 2.1 percent of GDP.** This law projects total revenues equivalent to 14.8 percent of GDP. The anticipated decline in oil production is expected to lead to a drop in oil revenues of 0.5 percentage point of GDP. The tax measures in the 2020 budget law should help to expand the tax base by reducing certain tax expenditures and introducing a proactive strategy to reduce the tax arrears of public entities (see paragraphs 21 and 22). Total expenditures projected in this budget law are 0.8 percentage point lower than in 2019 (excluding the *opérations d'ordre*), owing to anticipated savings on the wage bill and reductions in subsidies and transfers. Current expenditures will include sufficient provisions to enable the government to continue to deal with the security and humanitarian situation, provide adequate financing for the elections, and respond to the need for subsidies. Capital expenditures will be held steady at about 6.3 percent of GDP. Given the limited budgetary support expected in 2020, the fiscal constraint will force us to reduce the repayment of arrears below the level anticipated in the fourth review.

**13. The government will continue to issue T-bills and bonds to meet its cash flow needs in accordance with the authorization in the 2020 budget law.** Authorizations for net issuance of public securities in the 2020 budget law total CFAF 320 billion.

**14. Respecting the revised 2019 fiscal objectives and the 2020 budget law requires increased control of budget execution:**

- To ensure transparency in budget execution, a 2019 budget execution report will be published by end-June 2020.
- During the first three quarters of this year, the share of domestically financed expenditure (excluding debt service) executed using exceptional procedures totaled 6.6 percent. The government will take all measures to apply the provisions of the 2019 budget execution circular, which calls for the limitation of provisional commitments and cash advances. Specifically, in 2020 the total volume of expenditures executed by exceptional procedures will be limited to 5 percent of total domestically financed expenditures (excluding debt service). Operations involving imprest accounts (*régies d'avances*) should, however, be excluded from the calculation of this indicator to the extent that they are no longer an exceptional procedure, as was the case for the advance funds procedure (*caisses d'avances*), which impacted the budget before the service is delivered (Circular No. 2 C/MINFI of June 19, 2018 on the execution of budget laws).
- The government undertakes to speed up the effective implementation of the laws on the Code on Transparency and Good Governance in Fiscal Management in Cameroon and the Financial Regime for the government and other public entities in accordance with the CEMAC directives.
- To improve the predictability and transparency of budget execution, direct interventions will be maintained at a maximum of CFAF 140 billion in 2020. The 2020 budget law includes budget appropriations to cover expenditures involving direct interventions.
- Expenditures to be regularized, including those paid through direct interventions, will be regularized monthly to avoid the accumulation of significant expenditure balances pending regularization at the end of the year. They will be recorded in the fiscal recording tables (TABORD).
- Commitments will be effectively closed by end-November 2020 and payment orders by end-December 2020. The complementary period will be limited to one month after the end of the budget year.

**15. The government undertakes to identify and quantify contingent measures to control the downside risks for revenue and maintain expenditure within the limit of total budgetary appropriations in the 2020 budget law.** On the revenue side, the government commits to improving the collection of tax arrears, particularly those of public enterprises and establishments and those due by the government on imports under externally financed contracts and government imports. The government will also take measures to clear cross debts, particularly by means of balancing operations (*opérations d'ordre*). The DGI and DGD will continue to implement measures

to expand the tax base by strengthening audits of enterprises at risk of underreporting on their tax returns.

**16. The government will resolutely continue its efforts to reduce government goods and services costs based on the Prime Minister's 2017 circular.** The reduction of mission expenses and commissions, the strict application of the reference price list, and the limitation of exceptional procedures should yield fiscal margins that could be redeployed to priority expenditures. In the area of expenditure management, efforts will be made to control the rate of budgetary commitments of expenditures while assuring alignment of these commitments with revenue flows to consolidate the primary deficit reduction profile. The government will also continue the civil service wage bill reform, with various actions planned: (i) discussions on the remuneration of civil servants in the context of a special committee whose conclusions are expected in 2020; (ii) the work to introduce the SIGIPES 2 application and (iii) close monitoring of payroll database suspensions for deceased civil servants and retirees, and recovery of wages already paid to the accounts of the deceased.

**17. The government also considers that the existing fuel price structure should be revised and simplified.** In the short term, the objective is to make this structure more transparent and reduce the weights of petroleum subsidies in the government's budget. In the medium term, the government intends to launch a communications campaign pointing out the costs and inequities of generalized subsidies and the advantages of fuel price flexibility. A policy of flexible prices reflecting changes in international prices for oil products should then be adopted, along with a program of subsidies that more directly targets vulnerable populations, developed with the support of the World Bank.

**18. Fiscal consolidation will continue, while protecting priority social spending.** For 2020, in the context of the process of adopting its Growth and Employment Strategy, the government will take decisive measures to further reduce poverty and inequality. The government will continue to increase expenditure on health and education and improve their quality, particularly by ensuring the release of sufficient resources for the performance-based health expenditure management program. The floor for social spending for 2020 will be maintained at 3.4 percent of GDP despite the sharp decrease in resources, translating to an increase from CFAF 760 billion in 2019 to CFAF 772 billion in 2020.

### **Medium-term Fiscal Objectives**

**19. The medium-term budget framework will remain in line with the fiscal consolidation objective, with a deficit target that aligns with the CEMAC convergence criterion.** The medium-term budget framework remains focused on a gradual reduction of the overall fiscal deficit (payment order basis), which will stabilize at around 1.5 percent of GDP, allowing for respect of the CEMAC convergence criterion (reference fiscal balance) by 2022. This fiscal deficit reduction will involve a steady improvement in the mobilization of non-oil revenues (particularly by continuing to reduce exemptions) and greater efficiency and control over public expenditure. A gradual reduction in nonpriority expenditures and better prioritization of capital expenditures will allow investment projects to continue.



## C. Structural Reforms and Public Finances

**20. The government also intends to continue implementing the medium-term reforms aimed at improving the quality of expenditure and cash management, as defined in our fiscal reform program.** The main focuses of these reforms are:

- *Continue and deepen cash management reforms with a view to establishing a Treasury Single Account (TSA).* In this context, the following actions will be taken:
  - Strengthen the role of the cash management committee, which will be responsible for preparing credible monthly cash forecasts based on commitment plans that are in turn underpinned by procurement plans, in order to reduce liquidity pressures and the accumulation of domestic arrears. The committee will also prepare annual cash forecasts to be attached to the budget law, starting with the 2020 budget.
  - Continue efforts to close and repatriate to the BEAC (in the Treasury account or in accounts opened in these entities' names) bank accounts that are eligible for inclusion in the TSA of government departments, public agencies and institutions and public establishments, as well as certain accounts of the Caisse Autonome d'Amortissements (CAA). The government has asked the banks to close some dormant accounts and transfer to the BEAC the balances of these accounts, totaling approximately CFAF 44.5 billion for 2019. The total resources that can be transferred to the TSA in 2020 are estimated at a minimum of CFAF 150.5 billion. The government will also continue the dialogue with technical and financial partners on the centralization of all counterpart funds for joint projects in a single account (the basket fund) opened at the BEAC. For the effective repatriation of government resources in commercial banks to the BEAC, as well as expansion of the scope of the Treasury Single Account, the government has taken the following actions: (i) sign a management agreement for the single account with the BEAC; (ii) submit a list of government accounts (and the balances of those accounts), excluding counterpart funds; (iii) send letters to the public entities holding these accounts explaining the TSA reform, and prepare a timetable for the closure and repatriation of the balances of these accounts to the TSA at the BEAC.
- *Continue cleaning up and reducing the balances of correspondent accounts, while ensuring observance of the deposits accumulation objective.* The closing of dormant correspondent accounts and the accounts of non-revenue-generating entities has been completed (June 2019 SB), the audit of the remaining correspondent accounts will continue, and the prohibition against making budget appropriations on correspondent accounts and against the opening of new accounts remains in place.
- *The government's financial reporting system will continue to be strengthened, to ensure that the budgetary and accounting information is complete, reliable, and timely.* The TOFE is now being produced on the basis of automatic links with the balances of the Treasury accounts, on the one hand, and the table of payment authorizations, on the other, and is validated in accordance with provisions 953, 954, and 955 of the circular of December 28, 2018 providing

instructions for execution of the budget of the government and other public entities for fiscal 2019.

- *To increase the effectiveness of capital expenditure, the government will continue implementing reforms to improve project selection, planning, and the execution of investments.*
  - Implementation of the decree on the maturation of investment projects now permits restricting inclusion in the budget to projects that have been deemed mature and for which expropriation compensations have been paid.
  - The accountability of project implementation units is being enhanced through the signing of standardized performance contracts and linking the remuneration of experts in these units to well-defined performance indicators. These performance contracts include, *inter alia*, the preparation of quarterly reports with physical and financial project implementation indicators, the revision of the disbursement plan, and project management expenditures.

**21. The DGI and the DGD will continue their efforts to improve revenue collection, combat fraud and tax evasion, reduce exemptions, and ensure the integrity of the taxpayer database and IT systems.**

- The DGI will focus in particular on:
  - a. The launch of the reform aimed at deepening segmentation within the DGE, the territorial reorganization of the two largest Regional Tax Centers (Center 1 and Littoral 1), and the effective establishment of specialized units responsible for managing the taxation of individuals in CIMEs (Medium-Sized Taxpayer Centers) and CDIs (Divisional Tax Centers).
  - b. The overall reform of the tax treatment of small and medium-sized enterprises, including raising the VAT liability threshold to improve the yield.
  - c. Continuing the computerization of tax procedures, especially those of the renovated CDIs, to ensure that they take advantage of the capability of filing returns and making payments electronically.
  - d. The strengthening of tax audits by implementing targeted audits to reduce the rate of VAT returns with credit balances, introducing automated tracking of audit procedures in the DGE and the CIMEs; and relying increasingly on local and international experts through the Tax Inspectors Without Borders initiative.
  - e. Based on the results of more in-depth discussions with the DGD, we also intend to develop the potential for additional revenue collection. Specifically, we plan to continue identifying, investigating, and auditing noncomplying enterprises and we will begin sending out reminders and recovering undeclared taxes.
  - f. Continuing the process of simplifying and automating procedures by introducing electronic payments for enterprises in the DGE and CIME systems, the electronic filing of Statistical and Tax Declarations (DSF), the registration of judicial decisions for tax purposes, the automation of the dispute procedure, and the granting of stays of collection to reduce the time needed to process cases and control the risks of delaying tactics in the collection of tax revenues.

- g. Improving the collection of taxes and duties by strengthening the mechanism for enforced collection of the tax debts of importers at the DGD.
  - h. Continuing the digitalization of tax procedures and operations with IMF technical assistance (FAD);
  - i. Electronic tax payment operations (IR - income tax, TSR – special income tax, and VAT) in connection with the public procurement process;
  - j. The adoption of a strategy for settling the tax arrears of public entities;
  - k. The adoption of a strategy to reduce the stock of private enterprises' undisputed tax arrears.
- The DGD will continue to consolidate the gains of the reforms implemented by enhancing the revenue optimization and facilitation measures currently in force, including:
    - a. Secure customs revenues through quarterly reconciliation of the DGD-SGS tax bases, capitalize on the results of reconciliation efforts, and require the inclusion of RVCs (Value and Tariff Classification Reports), CIVIC (Control of Identification of Vehicles Imported into Cameroon), and BDTs (*tax slips*) in customs declarations. In addition, the SGS will take legislative and regulatory provisions such as budget laws and other regulatory texts into account at the time of assessment and pre-settlement.
    - b. Prepare monthly reconciliations of revenues collected by customs with revenues paid to the Treasury (in the context of the TABORD Committee whose operational team gathers revenue agencies around the forecasting division in order to assess and validate monthly revenue collection.
    - c. Improve revenue collection by simplifying procedures, further expanding electronic payments, and harmonizing tax bases throughout the country;
    - d. Enhance the protection of the information system by making user profiles and the interconnection with other partners more secure. Simultaneously, evaluate with the different parties involved (Customs, Authorized Customs Officers, Banks, Single Windows for Foreign Trade, Carriers, etc.) the modernization of the information systems of the DGD (CAMCIS) implemented in the pilot sites before the operationalization of certain modules on the main sites for revenue mobilization.
    - e. Continue the work of modernizing the DGD information system (CAMCIS) done on the pilot sites prior to full migration to the main activity sites;
    - f. Introduce a customs release slip that export and import enterprises will be required to submit in connection with the public procurement process;
    - g. Finalize the legal framework for implementation of the Authorized Economic Operator as well as continue the implementation of the green channel for declarations processing;
    - h. Reduce costs and delays in the movement of goods via phased settlement of the taxes, costs, and fees of participants in the supply chain indicated in the detailed declaration.
    - i. Focus the effort to combat fraud and smuggling through the HALCOMI III operation involving products such as vehicles, sardines, alcohol, and fabrics;

- j. Continue the incorporation of agreements, specifications, and other derogatory regimes in the law on the promotion of private investment in Cameroon (Law 2013/004 of April 18, 2013);
- k. Finalize the new procedure for the taxation of telephones and other terminals;

**22. The joint work of the DGI and the DGD on the FUSION application database will continue and is expected to improve data collection and information sharing between the two administrations.** The actions to be taken will continue to focus on: (i) continuing the cleanup of the taxpayer database using the results of cross-checks between the DGI and DGD databases; (ii) harmonizing and simplifying procedures; (iii) managing the derogatory regimes, particularly by stepping up the joint DGI-DGD audits of enterprises that have benefitted from tax exemptions; (iv) continuing the evaluation and reduction of tax expenditures and the establishment of a communication strategy in the matter with assistance from the World Bank; (v) ensuring the validity of exemptions by requiring immediate transmission of the MINFI-approved document to the Directorate of Legislation and Disputes for processing and registration in a database established at the central offices of the DGD; (vi) preparing a procedures manual aimed at enhancing joint audit and investigation operations with a view to optimizing results; (vii) strengthening the data analysis system by uploading into the FUSION application a critical mass of DSF (statistical reports and tax returns) to facilitate automated data cross-checking and identify potentially at-risk taxpayers; (viii) implementing joint controls to address shared risks, particularly in the forestry sector.

## D. Debt Policy and Contingent Liabilities Management

**23. Our debt policy will continue to focus on the need to avoid debt distress risks and to place public borrowing on a sustainable path.** As the risk of debt distress is still high, the government will continue to give priority to concessional loans and will limit non-concessional borrowing to priority projects for which no concessional financing is available, subject to the program limits defined on the basis of the findings of the public debt sustainability analysis.

**24. Debt increased in 2019, but efforts were made - and will continue - to limit the contracting of new non-concessional loans.** The ratio of total public debt to GDP increased from 27.9 percent in 2016 to 36.5 percent at end-September 2019.<sup>1</sup> Of the total of CFAF 818 billion (including CFAF 500 billion in non-concessional loans) proposed in the 2019 borrowing plan, 13 loans totaling CFAF 366 billion were contracted at end-September, including 5 non-concessional loans totaling CFAF 159.9 billion.

**25. Our non-concessional borrowing for the first half of 2020 will be capped at CFAF 300 billion and strictly limited to projects listed in the TMU's Text Table 1.** That list includes five projects that were in the 2019 borrowing plan but may not be signed before end-2019, as well as

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<sup>1</sup> This estimate includes SONARA's 2013 supplier debt, amounting to 0.3 percent of GDP. In its macroeconomic framework and debt sustainability analysis, the IMF adds the Treasury float and other SONARA debts to these amounts.

two new contemplated non-concessional loans to complete two ongoing critical projects, namely the Olembe sports complex in Yaoundé and the East Entrance to Douala Road. The construction of the Olembe sports complex is part of the commitments made by the Government in the framework of the organization of the African Football Nations Cup (CAN). The sports complex will be used for youth development afterwards. Regarding the eastern entrance to Douala Road, in addition to helping to streamline traffic to the Japoma sports complex (work also retained in the specifications of the CAN), the project will allow the recalibration of the pavements of certain sectors of the national n 3 road, helping absorb traffic accessing the port and the industrial zones of Douala. Concessional loans for these two projects are not currently available.

**26. To preserve debt sustainability, the government updated the SENDs disbursement plan for 2020-23 and prepared a debt strategy for 2020–22.** At end-September 2019, the level of SENDs stood at CFAF 3,652 billion, or 16.1 percent of GDP. The revised plan calls for reducing the existing stock of SENDs to 2.1 percent of GDP by end-2023. Regarding non-concessional disbursement ceilings, the trade-off between the urgency and importance of the disbursements to be prioritized, taking into account the actual absorption capacity of projects and the liquidity needed to service the debt, has led to a ceiling of 312 billion for end-March. The government will ensure compliance with this ceiling and will continue to prepare quarterly disbursement plans for all investment projects, in cooperation with the project managers and coordinators, and these plans will serve as the basis for disbursement requests, in accordance with the SENDs disbursement plan.

**27. The government also intends to step up its monitoring of the management and performance of public enterprises and establishments in order to limit fiscal risks.** In particular,

- The government will expedite implementation of the reform of public enterprises and establishments under Laws 2017/011 and 2017/010 of July 12, 2017 setting out, respectively, the general by-Laws of public enterprises and the general by-laws of public establishments. To streamline its portfolio and reduce fiscal risks, the government will study the viability of public enterprises, based on the ongoing diagnostic studies of CAMTEL, CAMWATER, CAMAIR-Co and the Autonomous Port of Douala and audits of other loss-making or highly indebted public enterprises.
- The Treasury will continue to make quarterly payments for the government's utility consumption (ENEO, CAMWATER, CAMTEL, SONARA), based on the annual budget appropriations, in order to limit the emergence of cross debts with these entities, and will reconcile these payments with actual consumption at year's end. In return, these entities must properly discharge their tax liabilities. An inventory as at end-December 2019 of the respective debts between the government and the 10 public enterprises with the largest tax debts according to the 2020 Budget Green Book, and between those public enterprises themselves, will be completed by end-March 2020 (new structural benchmark).
- Public enterprises that have benefitted from onlent loans must discharge their contractual obligations, as specified in the onlending agreements. Accordingly, the government will enter

into discussions with the public enterprises in question to define, following an assessment of their financial capacity, a plan for the recovery of arrears due on payments made by the government on their behalf, on the one hand, and to determine effective monitoring arrangements that will enable the public enterprises to make timely payments on the loans onlent by the government and to avoid the accumulation of new arrears. For new financing, the central government will introduce greater security requirements and provisions for the recovery of debt service on a timely basis, preferably before the due dates.

- The government also plans to amend the law on public-private partnerships (PPPs) to improve the transparency of the projects financed and to avoid projects that do not meet its priorities. This effort is included in the framework of the ongoing discussion at the CEMAC level.

**28. The government will continue to strengthen the public debt management**

**framework.** The National Public Debt Committee (CNDP) will continue to systematically examine all project financing proposals, including from public enterprises included in the scope of public debt, as well as projects financed through PPPs, and will only give its approval if the project meets the maturity, urgency, priority, quality of financing, fiscal sustainability, and economic relevance criteria, while bearing in mind the impact on debt sustainability. Only an unconditional favorable opinion from the CNDP will lead to the signing of new loan agreements. The CNDP will also ensure observance of the procedures on loan operations and public debt management, as specified in the new manual adopted in September 2019. An audit of all arrears prior to 2019 managed by the Treasury will be carried out and the audited and validated arrears will be transferred to the CAA (Autonomous Amortization Fund) with a specific settlement plan to be implemented by 2021. Moreover, the government, including the public enterprises included in the scope of public debt, remains committed to not contracting new collateralized loans.

**29. In the medium term, the restructuring of SONARA will be based on comprehensive analyses of the costs and benefits of the available options.** The restructuring option approved by the government will be based on a credible restructuring plan, taking account of the financial, tax, and social implications. The government is currently engaged in a diagnostic study of the enterprise, aimed at proposing a strategic vision supported by national oil refining development/recovery scenarios, which will serve as the basis for the preparation of a SONARA rehabilitation and/or reconstruction plan. The related final report will specify the costs and benefits of the proposed restructuring options for rehabilitation of the current facilities and/or the reconstruction of a modern refinery. This study will be completed no later than end-March 2020 (new structural benchmark).

**30. For the present, the government will take steps to strengthen the financial sustainability of SONARA.** These will include:

- a. Allow SONARA to market its OTZ (zero-interest bearing) securities to improve its cash position.
- b. Clear shortfalls (*manques à gagner* - MAGs) monthly and settle the amounts owed by the government within a maximum of 90 days.
- c. Require SONARA to regularly pay the taxes collected as well as the taxes and customs duties it owes the Treasury.

- d. Guarantee SONARA a volume of oil import authorizations in line with its financial obligations.
- e. Facilitate an agreement on the plan for rescheduling SONARA debts to banks and suppliers by December 31 on that basis.

## E. Regional Monetary Policy and Financial Sector Stability

**31. The Government will continue to make efforts to maintain a stable the monetary arrangement, which requires the stabilization and restoration of the reserves of the Bank of Central African States (BEAC).** Specifically, implementation of the recommendations of the October 2018 Summit of Heads of State held in Chad made it possible to increase the repatriation of foreign exchange, which, in the case of Cameroon, totaled CFAF 2,313 billion at end-September 2019. In addition, the government undertakes to ensure the transparency and surrender of export proceeds by public enterprises, and more specifically in the oil sector. In particular:

- The government took stock of accounts held abroad by public enterprises, that had until December 31, 2019 (for the non-oil sector), and until December 31, 2020 (for the oil sector) to comply with the new FX regulation with regard to the opening of external (off-shore) accounts.
- The government shared the contracts signed with mining and oil companies with the BEAC. It also undertakes to consult with BEAC staff before signing any new concession contracts or revenue-sharing agreements with the extractive industries to ensure that they are in compliance with the foreign exchange regulations. The government will take the necessary steps to ensure, in cooperation with the BEAC, that the new Petroleum Code is fully compliant with the CEMAC's foreign exchange regulations.
- The Ministry of Finance has completed all necessary steps regarding compliance with the new body of regulations on the domiciliation of export transactions with a resident commercial bank. For that purpose, a computerized platform for the exchange of data between the BEAC, the banks and the Ministry of Finance (DGTCFM-DGD) is being created to facilitate the control and monitoring of the repatriation of export proceeds. Against this backdrop, an agreement on the exchange of foreign trade data including commercial banks, microfinance entities, currency exchange offices, the Directorate General of Customs (DGD), the Directorate General of Treasury, Financial, and Monetary Cooperation (DGTCFM), and the Bank of Central African States is being elaborated. The process is designed to support data sharing, automated production of statistics, the conduct of supervision activities, and the issue and monitoring of suspicious transaction alerts.
- The robustness of the system will be guaranteed through requirements the BEAC must impose on banks, microfinance institutions, and currency exchange offices to obtain systematic monthly transfers and the aggregation of annual information available to them on foreign trade operations, as provided in the 2018 Budget Law.



- In addition, a permanent framework of cooperation between the BEAC and the Ministry of Finance (DGTCFM and DGD) has been established in accordance with the exchange regulation to evaluate its implementation.

**32. The Government is continuing to implement the reforms aimed at strengthening the stability of the banking system.** To that end:

- Plans for the resolution of two banks in difficulty were approved in November 2019 by the Extraordinary General Meetings of Shareholders and submitted for validation to the COBAC (reprogrammed SB). These plans are consistent with the objectives of financial inclusion and minimization of fiscal costs to the government.
- The study on the financing requirements of small and medium-scale enterprises (SMEs) has been completed. The government will propose a viable economic model for the financing of SMEs based primarily on indirect financing by March 2020 (reprogrammed structural benchmark).
- The public bank was profitable in 2018 and is continuing the implementation of its performance contract. The transfer of the public bank's impaired loans to the collection company, *Société de Recouvrement des Créances du Cameroun* (SRC), and their valuation on the basis of the new methodology will be completed by December 2019. In accordance with its commitment, the government will use competitive procedures to recruit directors by end-December 2019 so that the majority of the bank's Board of Directors will be independent. In accordance with international best practices, the Audit Committee will be chaired by an independent director from March 2020 onwards.
- The Ministry of Finance ensure strict enforcement of the new microfinance regulations, that have been in place since January 1, 2018. To that end, it will ensure that microfinance establishments meet the requirements for institutional conversion, governance, and control. A status report will be submitted to the Central African Banking Commission (COBAC) by end-February 2020.

**33. The government also continued to implement its action plan for the reduction of nonperforming loans.**

- Training in the area of banking disputes of 20 judges and 10 court clerks from four major business centers was completed in March 2019. These magistrates are now being deployed in the commercial divisions and banking cases are being assigned to them. The authorities will conduct annual follow-ups to this training based on practical cases and the initial training will be offered to new magistrates every two years.
- The register of movable property collateral is operational. The registration of the existing stock of movable property collateral is in progress and will be completed by March 2020.
- The updated report on the survey of overdue claims was completed. By end-2019, the authorities will (i) undertake discussions with each bank to identify the challenges they face in the classification, writing off, or recording under profits of provisioned claims; and (ii) will



evaluate the advisability of an exceptional measure to facilitate the cleanup of the balance sheets.

- The National Credit Council (CNC) has prepared a draft law on penalties for the nonpayment of credit; the text is being reviewed and will be submitted to Parliament in the near future.
- The draft laws on (i) the appointment of a pretrial judge in civil and commercial matters; (ii) amending the law organizing the judicial system that will confirm the establishment of the commercial courts; and on (iii) establishing the deposit fees, confirming the right of access to justice and processing times, to be submitted to Parliament.

## F. Competitiveness and Private Sector Development

**34. The Government is committed to accelerating the implementation of measures designed to support private sector development and economic diversification.** Recent efforts have focused on improving the customs infrastructures and procedures to facilitate trade and tax collection.

- *Trade facilitation.* The government will continue supporting the modernization of the CEMAC legal framework, and specifically the implementation of the new CEMAC Customs Code approved in March 2019. In addition, to complete the digitization process, the electronic payment platform at the Douala Port will be improved to allow payments of duties and other fees in many regions. Other fees and duties are being incorporated into the platform to make it into a single payment facility that can be used to pay all charges in connection with international trade.
- The implementation of the storage facility for used vehicles less than 10 years old will be accelerated.
- To improve cross-border trade performance, the government undertakes to (i) continue the migration of the customs information system with all the parties involved in foreign trade and interconnections with the neighboring countries; (ii) eliminate intermediary transportation controls on merchandise in transit at conventional checkpoints and propose simplified cross-border trade procedures for small traders during the first half of 2020.
- *Upgrading of procedures.* The existing measures focus on the simplification, modernization, and reduction of the cost of tax obligations. More specifically, they involve online monitoring of the processing of legal disputes, online issue of payment deferrals, electronic transmission of tax payment receipts to taxpayers, online consultation of the tax status of taxpayers, and cash payment of taxes by small and microenterprises at bank windows.

**35. The government also commits to taking measures to improve compliance with the principles of the Extractive Industries Transparency Initiative (EITI) and international anti-money laundering and terrorist financing (AML/CFT) standards.** The government is taking measures to follow up on the 14 recommendations of the Board of the EITI so that Cameroon can

be declared as having made significant progress in the implementation of the EITI following the 2019 validation cycle. Where AML/CFT regulations are concerned, a national risk assessment was launched in November 2018 with World Bank support; this is one of the components of the Task Force on Money Laundering in Central Africa [*Groupe d'Action contre le Blanchiment d'Argent en Afrique Centrale*—GABAC] assessment to be conducted this year. The exchange regulations adopted by the BEAC will lead to improved compliance with the AML/CFT system. The government will support the activities of the National Financial Investigation Agency (ANIF) to increase the reporting of suspicious transactions by designated non-bank institutions and to enhance the follow-up on these reports and any judicial proceedings that may be undertaken. Awareness activities targeting different players will be conducted in this connection. The Ministry of Justice will produce dedicated statistics and the judicial authorities will produce dedicated information in their annual report.

## V. PROGRAM ARRANGEMENTS

**36. The government will take all measures required to achieve the objectives and meet the criteria as presented in Tables 1 and 2 of this Memorandum.** The program will be subject to the last semiannual review and performance criteria, indicative objectives, and structural benchmarks as set out in Tables 1 and 2 of this Memorandum and in the attached Technical Memorandum of Understanding (which also sets out the requirements for reporting the data to Fund staff). The sixth program review will be based on end-December 2019 targets and objectives and should be completed by June 25, 2019, the expiration date of the current program.

**Table 1. Cameroon: Quantitative Performance Criteria and Indicative Targets and Projections, 2018–20**  
(Billions CFA Francs, cumulative for each fiscal year)

	2018						2019						2020				
	Dec		Mar		Jun		Sep		Dec		Mar		5th Rev. Prop. IT				
	3rd Rev. PC	Adj. PC/IT	Act.	Status	3rd Rev. IT	Adj. IT	Act.	Status	4th Rev. PC	Act.	Status	4th Rev. IT		Adj. IT	Prel. Status	4th Rev. PC	
<b>A. Quantitative performance criteria and indicative targets 1/</b>																	
Floor on the non-oil primary fiscal balance (payment order basis)	-872	-872	-887	Met	-123	60	Met	-399	-214	Met	-641	-599	Met	-760	-119		
Ceiling on the net domestic financing of the central government excluding IMF financing 2/	-8	-7	-212	Met	-51	42	-59	Met	90	21	Met	126	243	165	Met	1	20
Ceiling on net borrowing of the central government from the central bank excluding IMF financing 2/	-70	-69	41	Not met	-36	19	31	Not Met	34	-73	Met	6	123	-24	Met	-18	-25
Ceiling on the disbursement of non-concessional external debt	596	596	508	Met	353	79	Met	389	252	Met	588	328	Met	588	312		
<b>B. Continuous quantitative performance criteria</b>																	
Ceiling on the accumulation of new external payments arrears 3/	0	0	0	Met	0	55	Not met	0	0	Met	0	21	Not met	0	0	0	0
Ceiling on new non-concessional external debt contracted or guaranteed by the government 4/; 5/; 6/	436	718	623	Met	500	0	Met	500	160	Met	500	566	225	Met	500	0	0
<b>C. Indicative targets</b>																	
Floor on non-oil revenue	2,680	2,680	2,864	Met	669	646	Not met	1,351	1,300	Not met	2,116	1,925	Not met	3,044	728		
Ceiling on the net accumulation of domestic payment arrears	-94	-94	-168	Met	0	114	Not met	0	60	Not met	0	105	Not met	-149	0	0	0
Floor on social spending	657	657	661	Met	164	142	Not met	325	307	Not met	497	501	Met	772	172		
Ceiling on direct interventions of SNH	156	156	195	Not met	140	46	Met	140	91	Met	140	137	Met	140	35		
Share of spending executed through exceptional procedures on authorized (payment order) spending 7/	10	10	9	Met	5	5.7	Not met	5	7.8	Not met	5	6.6	Not met	5	5	5	5
<b>Memorandum items:</b>																	
1. Cumulative external budget support, excluding IMF (earliest disbursement)	298	298	297	55	0	0	0	0	0	0	180	66	269	0	0	0	0
2. New concessional external debt contracted or guaranteed by the government 8/	245	245	92	150	110	110	318	102	318	102	318	206	318	75	75	75	75
3. Balance of the special account for the unused statutory advances	227	227	232	214	214	217	202	206	189	207	177	159	159	159	159	159	159

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

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

1/ Program indicators under A are performance criteria at end-December and end-June; 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.

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

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

5/ For 2019 the adjustment will be equal to the amount of non-concessional budget support approved up to a maximum of CFAF 132 billion. For 2020 the adjustment will be equal to the amount of non-concessional budget support approved up to a maximum of CFAF 66 billion.

6/ From January 22nd through the end of the arrangement, the ceiling will be set at zero with an adjustor of CFAF 300 billion for macrocritical projects specified in the list in Text Table 1 of the TMLU.

7/ 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.

8/ 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 Actions and Structural Benchmarks, 2018–20

Benchmarks	Indicator	Status	Review
<b>Prior Actions</b>			
1	Submit a 2020 revised budget in line with program objectives	Met	Fifth review
2	Transmit the contracts signed with mining and oil companies to the BEAC	Met	Fifth review
<b>Revenue mobilization</b>			
3	Prepare quarterly reconciliation of import declaration and scanner images validated by SGS and the assessed customs values	Met. Proposed to be moved to the TMU as required information	Recurrent
<b>Public finances and debt management</b>			
4	Produce a quarterly report on balances payable and arrears for prior fiscal years	Met. Proposed to be moved to the TMU as required information	Recurrent
5	Disclose the type and volume of contingent liabilities in an annex to the budget law, including the firm and contingent liabilities of all existing public - private partnerships (PPPs)	Not met; implemented with delay in Dec. 2019	Fifth review
6	Put in place a mechanism to identify the nature and reconcile the direct interventions of the SNH to ensure their monthly regularization according to the different natures of the expenditure.	Not met; completed in May 2019	Fourth review
7	Validate the compensations needed for LPG fuel in a committee and transfer of excess cash surpluses approved by the board of the Hydrocarbon Prices Stabilization Agency (CSPH) to the Treasury.	Met	Fifth review
8	Close all correspondent accounts for non-revenue generating entities (mainly public administrations such as sectoral ministries and public agencies), and stop the transfer of new budget appropriations to these accounts.	Met	Fifth review
9	Quarterly payment of utility bills (ENEO, CAMWATER, CAMTEL, SONARA) based on annual budget allocations	Met	Recurrent
10	Continue reforms to extend the TSA at the BEAC: (i) sign a single treasury account management agreement with BEAC; (ii) provide a census of the government accounts (and the balance of these accounts) excluding counterpart funds as at June 30, 2019; (iii) provide to the public entities holding these accounts letters explaining the reform of the STA and proposing a timetable for the closure and repatriation of the balances of these accounts to the TSA at the BEAC by end-December 2019.	Not met; proposed to be reset to March 2020	Fifth review
11	Revise and simplify the existing fuel price structure	Not met; proposed to be reset to March 2020	Fifth review
12	Finalize audits (diagnostics study) of a few major SOEs (CAMTEL, PaD, CAMAIR-Co, CAMWATER).	In progress; proposed to be reset to March 2020	Fifth review
13	Enhance the accountability of project implementation units by establishing clear performance contracts linking remuneration to quality of project management.	Not met; proposed to be reset to March 2020	Fifth review

Table 2. Cameroon: Prior Actions and Structural Benchmarks, 2018–20 (concluded)

Benchmarks	Timetable	Indicator	Status	Review	
<b>Financial sector stability and private sector led growth</b>					
14	Finalize the movable collateral database by entering all movable collaterals detained by the banks.	Mar-19	Register with all movable collaterals detained by the banks available online	Not met, proposed to be reset to March 2020	Sixth review
15	Decide the business model of the SME bank.	Sep-19	The business model approved by the bank's board is submitted to Fund staff	Not met, proposed to be reset to March 2020	Sixth review
16	Adopt in consultation with the COBAC and the IMF resolution plans of the two troubled banks that minimize fiscal costs.	Oct-19	Communication to Fund staff and COBAC of the resolution plans approved by the Prime Minister	Not met, proposed to be reset to Jan 2020	Sixth review
<b>Sixth review</b>					
<b>New proposed structural benchmarks</b>					
17	Complete a diagnostic study by external independent experts on SONARA's restructuring options.	Mar-20	Diagnostic study shared with Fund staff		Sixth review
18	Conduct an audit of all arrears prior to 2019, adopt a repayment plan for all the audited arrears, and transfers those arrears to the Debt Management Agency (CAA).	May-20	Audit report shared with Fund staff		Sixth review
19	Complete an inventory of cross-debts between SOEs and the government and among SOEs and adopt a plan to clear cross-debts between the government and SOEs.	Mar-20	Inventory and plan sent to Fund staff		Sixth review

## Attachment II. Technical Memorandum of Understanding

### Provisions of the Extended Credit Facility (2017-2020)

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 the Extended Credit Facility (ECF) adopted in June 2017. 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-June 2019 until the end of the arrangement 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 of the 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 a payment authorization 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 expenditure of the Ministry of Public Health; and (iii) for other social sectors, current expenditure of the Ministries of Labor and Social Security, Youth and Civic Education, Social Affairs, and Promotion of Women and Family.

### 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). 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. Variable interest external debt.** From July 1, 2019, in the signing of new variable-interest-rate loans in the form of an interest rate plus a spread, the grant component of the debt will be calculated using a reference rate for the program plus the spread (in basis points) specified in the debt arrangement, or, if applicable, at the website of the World Bank/African Development Bank. The reference rate for the program for six-month USD LIBOR is 3.26 percent and will remain unchanged throughout the term of the program.<sup>1</sup> The six-month EURIBOR spread over the six-month USD LIBOR is negative 250 basis points. The six-month JPY LIBOR spread over the six-month USD LIBOR rate is negative 300 basis points. The six-month GBP LIBOR spread over the six-month USD LIBOR is negative 200 basis points. For the interest rate on foreign currencies other than euro, yen, and sterling, the spread in respect of six-month USD LIBOR is negative 100 basis points. When the variable rate is linked to a reference interest rate other than those specified above, a spread reflecting the difference between the reference rate and the six-month USD LIBOR (rounded to the nearest 50 basis points) will be added.

**16. Concessional external debt:** External debt is considered concessional if it comprises a grant component of at least 35 percent.<sup>2</sup> The grant component is the difference between the face value of the loan and its present value expressed as a percentage of the face value. The present value of debt at the date on which it is contractually arranged is calculated by

<sup>1</sup> The reference rate and the margins under the program are based on the "average projected rate" for the six-month USD LIBOR for the next 10 years based on the [October] 2018 *World Economic Outlook*.

<sup>2</sup> 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>.



discounting the debt service payments at the date on which the debt was arranged.<sup>3</sup> A discount rate of 5 percent is used for that purpose.

**17. Domestic debt** is defined as all of the 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.

- **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.
  - i. **Structured bank debt** is defined as all claims of local banks on government, with the exception of Treasury bills and bonds. This item involves securitized bank debt, the stock of which at end-2016 was CFAF 86.36 billion, plus direct advance arrangements.
  - ii. **Structured non-bank debt** is defined as all of the 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 Countries (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, and specifically statutory advances; 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. 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

<sup>3</sup> 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.

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*; (ii) *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 payable** 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 *Caisse Autonome d'Amortissement* (CAA) that have not been subject to a reimbursement or securitization agreement. The stock of unstructured debt was CFAF 113.96 billion at end-2016.
  - ii. *Domestic "floating" debt*, including all of the 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.

## I. QUANTITATIVE PROGRAM OBJECTIVES

**21. The quantitative objectives (OQs)** provided in the list below are as specified in Table 1 of the MEFP. Unless otherwise indicated, all quantitative objectives will be assessed on a

cumulative basis from the beginning of the calendar year to which the quantitative objectives apply. The quantitative objectives 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 a commitment undertaken by the Treasury)** 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.

### Cutoff Dates for Reporting Information

**24.** 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

**25. 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 17, not including net IMF financing.

### Adjustment

**26.** The ceiling on net bank financing of the government excluding net IMF financing will be adjusted if the disbursements in connection with external budget support net of external debt service and the payment of external arrears are below the programmed levels.

**27.** 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.

### Cutoff Dates for Reporting Information

**28.** 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

**29.** 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

**30.** 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

**31.** 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 in order to maintain the objectives defined in Table 1 of the MEFP.

**32.** 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.

**33.** 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.

### Cutoff Dates for Reporting Information

**34.** 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

**35. A ceiling of zero on the accumulation of 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

**36.** 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. Non-Concessional External Debt Contracted or Guaranteed by the Government

### Performance Criteria

**37. A ceiling on non-concessional external debt contracted or guaranteed by the government** is defined as a continuous quantitative objective in Table 1 of the MEFP. The government undertakes on an ongoing basis not to contract or to guarantee any non-concessional external debt above the ceiling indicated in Table 1 of the MEFP. This performance criterion is applicable to external debt as defined in paragraph 14 of this Memorandum. It uses the concept of concessionality as defined in paragraph 15 of this Memorandum. This performance criterion is also applicable to any debt guaranteed by the government that constitutes a contingent public liability as defined in paragraphs 14 and 15 of this Memorandum. Moreover, this criterion is applicable to public enterprises defined in paragraph 4 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, 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. This commitment is a performance criterion to be met on an ongoing basis. The ceiling on new non-concessional external borrowing set out in Table 1 of the MEFP applies to any new debt contracted or guaranteed per calendar year and not on a cumulative basis from the date of program approval.

**38.** From January 22nd to June 25th, 2020, the ceiling on new non-concessional external debt contracted or guaranteed by the government will be set at zero. This ceiling will be adjusted upward exclusively for the projects specified in the authorities' first semester 2020 project list (Text Table 1), up to a maximum of CFAF 300 billion.

### **Adjustment**

**39.** The ceiling on non-concessional external loans contracted or guaranteed by the government will be adjusted upwards to accommodate non-concessional budget support from the AfDB and France for debt management operations. Debt management operations improve the overall profile of public debt (see paragraph 35 of Guidance Note on Debt Limits SM/15/125).

### **Cutoff Dates for Reporting Information**

**40.** 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.

## **II. OTHER INDICATIVE QUANTITATIVE OBJECTIVES**

### **G. Non-Oil Revenue**

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

### **H. Accumulations of Domestic Payment Arrears**

**42.** 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 18 and do not include unstructured floating debt not covered by the Treasury.

### **I. Social Expenditure**

**43.** **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**

**44.** 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.

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

**45.** 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**

**46.** 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.

## **III. DATA SUBMISSION REQUIREMENTS**

**47.** 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 immediately 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.

**Text Table 1. List of Projects Under the New Non-concessional Borrowing Limit for 2020**

**Projects**

- 1 Completion of the Olembe Sports Complex in Yaounde
- 2 Project for the interconnection of electricity network between Cameroun and Chad
- 3 Project for the development of the value chain in livestock and fish breeding
- 4 Project for the renovation of the national center for the rehabilitation of disabled persons
- 5 Project 25 wagons
- 6 Project for the construction and equipment of the annex building of the Mbalmayo regional hospital
- 7 East Entrance Douala road (phase II)
- 8 Construction of 225 KV transmission lines between N'Gaoundéré and Tibati
- 9 Project to build the Ebolowa-Kribi (225 KV) and Mbalmayo-Mekin (90 KV) electric power transmission lines
- 10 Construction of a bridge over the Tildé river (Route Mora-Dabanga –Kousserie)
- 11 Road program phase 3 (Ring Road)
- 12 National road rehabilitation project N ° 1: Ngaoundéré-Garoua
- 13 Logistics area of the port of Kribi: Construction of the 225 KV electric power transmission line
- 14 Feasibility and design studies for the drinking water supply project for the towns of Buea, Tiko and Mutenguene
- 15 Logistics area of the port of Kribi: Development of the logistics area of the port



Table 1. Summary of Data Reporting Requirements

Information	Responsible institution	Frequency of the data	Reporting lag
<b><i>Government Finance</i></b>			
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 objectives 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).	Ministry of Finance (MINFI)	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 1.	Ministry of Economy and Finance (MINEFIN)	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	Monthly	6 weeks
Domestic debt reimbursement status.	MINFI/BEAC	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	6 weeks 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	2 weeks

**Table 1. Summary of Data Reporting Requirements (continued)**

A quarterly report on the consistency of (i) monetary statistics reflecting the net Treasury position with data from the TOFE on net domestic financing from the banking system and (ii) data on external debt produced by the CAA and on net external financing from the TOFE.	MINFI/BEAC	Quarterly	8 weeks
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	3 weeks
Monthly report on the validation of the management indicators (TABORD) and the balance of accounts based on a mutually agreed itemized check by the different administrations.	MINFI	Monthly	6 weeks
Publish the oil product price structure.	MINFI	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 (or the ex-refinery price from SONARA) to obtain the retail price; (iii) volumes purchased and distributed for consumption by the oil distributor (SONARA), 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 unpaid subsidies.	MINFI	Monthly	4 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	Monthly	6 weeks
Provide revenue forecasts for the Directorate General of Taxes; Directorate General of Customs; and Directorate General of Treasury, Financial, and Monetary Cooperation by type of tax on an annual basis and on a monthly basis, and outturn as compared with forecasts.	DGI, DGD, DGTCFM	Monthly	6 weeks

**Table 1. Summary of Data Reporting Requirements (continued)**

VAT refund balance (requests for refunds, payments made, and status of the VAT refund account).	MINFI/IMD	Monthly	6 weeks
DGI/DGD collaborative joint quarterly reports identifying, <i>inter alia</i> , results in terms of the identification of fraud and additional revenue collected.	DGI/DGD	Quarterly	6 weeks
Status of the SNH, including volumes exported, prices, exchange rates, operating costs, spending advances, commitments to the government, and the balance transferable to the Treasury.	MINFI	Monthly	6 weeks
Include the total amount of oil receipts of the national oil company SNH and spending advances in the monthly table of government financial operations (TOFE).	MINFI	Monthly	6 weeks
Budget and accounting statement showing the payment status of utility bills to the utility companies (ENEO, CAMWATER, CAMTEL, and SONARA).	MINFI	Quarterly	3 weeks
Status of payments of any subsidies and tax liabilities of public enterprises.	MINFI	Quarterly	6 weeks
Publish the quarterly budget execution reports.	MINFI	Quarterly	6 weeks
<b><u>Monetary Sector</u></b>			
Consolidated balance sheet of monetary institutions.	BEAC	Monthly	6 weeks
<ul style="list-style-type: none"> <li>Provisional data on the comprehensive monetary survey.</li> </ul>	BEAC	Monthly	6 weeks
Final data on the comprehensive monetary survey.	BEAC	Monthly	10 weeks
Government net position.	BEAC	Monthly	6 weeks
Statement on the balance of the special undisbursed statutory advance account.	BEAC	Monthly	6 weeks
Intervention rate and borrowing and lending interest rates.	BEAC	Monthly	6 weeks
<b><u>Balance of Payments</u></b>			
Preliminary annual balance of payments data.	MINFI	Annual	9 months
Foreign trade statistics.	MINFI/INS	Monthly	3 months

**Table 1. Summary of Data Reporting Requirements (concluded)**

Any revision of the balance of payments data (including services, private transfers, official transfers, and capital transactions).	BEAC/MINFI	On revision	2 weeks
<b><i>Real Sector</i></b>			
Provisional national accounts and any revision of the national accounts.	INS	Annual	12 weeks
Quarterly National Accounts.	INS	Quarterly	12 weeks
Disaggregated consumer price indices.	INS	Monthly	8 weeks
<b><i>Structural Reforms and Other Data</i></b>			
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



# CAMEROON

January 7, 2020

## FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION AND MODIFICATION OF PERFORMANCE CRITERIA—DEBT SUSTAINABILITY ANALYSIS

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

Approved By  
**David Owen (AFR) and  
Marcello Estevão (IDA)**

Prepared by the staff of the International Monetary Fund and the International Development Association.

*Cameroon remains at high risk of external and overall public debt distress, but debt remains sustainable. Breaches of the two thresholds for external debt service under the baseline are due to the state oil refinery's (SONARA) service of short-term supplier debt, while later breaches of the debt service to export ratio are caused by the Eurobond's maturation from 2023 to 2025. The outlook has worsened compared to the previous DSA on the back of continuing security challenges and SONARA's suspension of production, but fiscal consolidation and structural reforms, coupled with the increasing share of concessional new borrowing, would improve the debt profile over time. Mitigating risks to public debt requires a number of policy actions including: (i) a resolute and effective fiscal consolidation; (ii) a shift in the composition of new borrowing towards concessional loans; (iii) implementation of policies to boost growth and non-oil exports; (iv) prudent management of SONARA's import operation during the shutdown and long-term restoration of its financial viability; and (v) further strengthening of public debt management, including careful management of new signing of loans, including at SOEs, and of already existing signed-but-undisbursed loans.*

## PUBLIC DEBT COVERAGE

**1. The debt perimeter of public debt has slightly expanded compared to the previous DSA (2017 DSA).**<sup>1</sup> Specifically, as in the 2017 DSA the debt stock covers the central government, the expenditure float, contingent liabilities linked to some of the external debt of SOEs,<sup>2</sup> guarantees and SONARA's debt (including unguaranteed debt), including its short-term supplier debt (Text Table 1). In addition, the debt stock has been expanded to include "floating" domestic debt at the Treasury as defined in the Technical Memorandum of Understanding (TMU).<sup>3</sup> External debt is mainly defined based on currency but is adjusted for residency where data is available.<sup>4</sup>

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

	Subsectors of the public sector	Sub-sectors covered
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 yet covered by the DSA remains significant.** According to the annex to the 2020 budget law, SOE debt stood at 12.6 percent of GDP at end-2018. However, about 1.5 percent of GDP are owed to the government and the DSA already includes SONARA's debt. This suggests that the existing stock of SOE debt not included in the debt stock amounts to at most 8.5 percent of GDP. Staff and the authorities agreed not to include other SOEs in the debt stock at the moment, given the need to clarify certain liabilities, but would expand the perimeter to include additional SOEs that pose fiscal risk based on the audit of key SOEs that is expected to conclude in March 2020. The DSA also does not cover local government debt or other elements in the general government due to lack of data, but the authorities are considering enhancing data collection on these sectors for 2020.

<sup>1</sup> The year in the title of the DSA refers to the latest year with actual data. Thus, the previous DSA from the staff report for the 3<sup>rd</sup> review is the 2017 DSA, while this DSA is referred to as 2018 DSA.

<sup>2</sup> These include an amount of Euro 8.9 million related to a supplier credit to a SOE, and a compensation claim of Euro 6.2 million on a SOE for termination of contract. Given the high likelihood that these contingent liabilities materialize, they are included in the coverage of the debt stock under the DSA.

<sup>3</sup> These, discovered in the 4th review, are previously unrecorded government obligations and stood at 0.4 percent of GDP at end-2018. For a detailed description see paragraph 19 of the TMU.

<sup>4</sup> Borrowing from the Development Bank of the Central African States (BDEAC) in CFAF is classified as external debt (CFAF 32.6 billion at end-September). Treasury bills in domestic currency held by non-residents are also part of external debt (CFAF 23.7 billion at end-September). SONARA's letters of credit that are provided by domestic banks and denominated in foreign currency are part of domestic debt (CFAF 153 bn at end-September).

(continued)

**3. The contingent liability stress test accounts for the stock of SOE debt that is not included in the debt stock as well as risks from ongoing PPPs and financial markets.** As discussed above, SOE debt is estimated at 8.5 percent of GDP for end-2018 and is reflected in the contingent liability stress test (Text Table 2). The value of PPPs is estimated at about 5.4 percent of GDP.<sup>5</sup> This has been incorporated in the contingent liability shock and raises it by 1.9 percent of GDP (corresponding to 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	0.0	
3 SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	8.5	Estimate of SOE debt not included in debt stock
4 PPP	35 percent of PPP stock	1.9	
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
<b>Total (2+3+4+5) (in percent of GDP)</b>		<b>15.4</b>	

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. Debt<sup>6</sup>

**4. Public debt has continued to increase over the last nine months.** After reaching CFAF 8,488 billion at end-2018, preliminary estimates suggest that public debt has further increased to around CFAF 9,429 billion as of end-September 2019 (Text Table 3). Domestic debt increased due to large issuances of treasury bills (BTA) and government bonds (OTA) to offset lack of budget support in H1, and SONARA's shift towards import financing using letters of credits from domestic banks (in place of external suppliers' credits). External debt also increased on the back of disbursements of foreign-financed projects and despite a temporary halt of disbursements subject to rescheduling negotiations with China on disbursed loans and debt forgiveness of about CFAF 21 billion on interest-free loans from China.

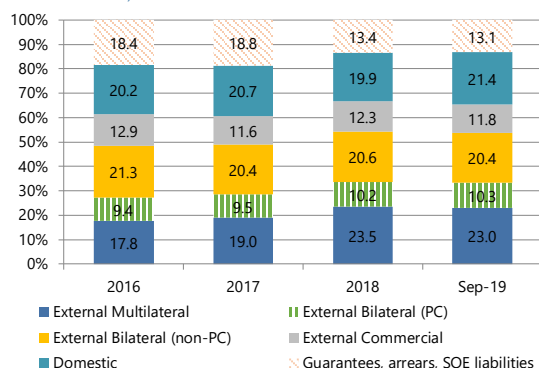
**5. The composition of external debt has remained largely unchanged.** External multilateral and bilateral Paris Club (PC) debt represents around one third of total debt. Bilateral non-PC debt is dominated by China, while almost half of commercial debt is due to a \$750 million Eurobond issued in 2015 which will come due in three installments from 2023 to 2025 (Text Figure 1). Around 40 percent of external debt is on concessional terms and close to 40 percent is denominated in Euros. Average maturity stood at 9.4 years for external debt (excluding SONARA's debt), while the average weighted interest rate stood at 2.4 percent. Around 26 percent of external debt has a flexible interest rate. Short-term supplier debt accounts for 57 percent of SONARA's external debt.

<sup>5</sup> This reflects information available as of November 2019 and includes sectors covered by the Support Council for the Realization of Partnership Contracts (CARPA) and the Nachtigal project. Additional PPPs might exist in other sectors.

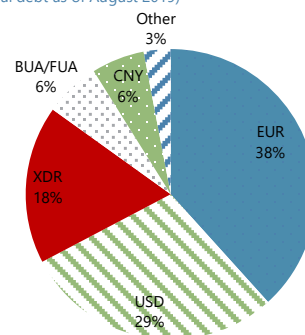
<sup>6</sup> Numbers refer to end-August or end-September 2019 based on availability.

**Text Figure 1. Cameroon: Composition of Public Debt****Debt by Creditor**

(Share of total debt)

**External Debt by Currency**

(Share of total external debt as of August 2019)

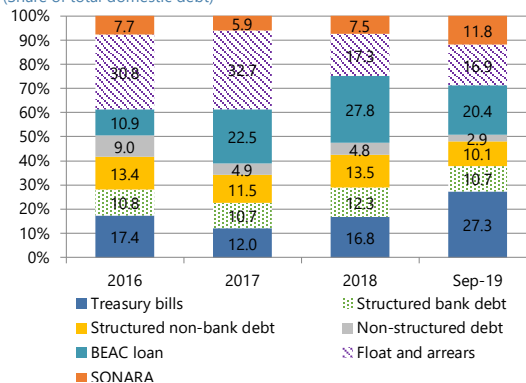


Sources: Cameroonian authorities; and IMF staff calculations.

**6. The composition of domestic debt has shifted towards shorter maturities with increased issuance of treasury bills and SONARA's expanded use of letters of credits.** Treasury bills account for around 27 percent of domestic debt, while BEAC statutory advances represent 20 percent (Text Figure 2). The share of float and arrears in domestic debt has continued to decline from 33 percent at end-2017 to an estimated 17 percent at end-September 2019. Average maturity of domestic debt (excluding the float and SONARA's debt) stood at 4.4 years and the average weighted interest rate at 3.6 percent. 76 percent of SONARA's domestic debt is short-term bank debt, of which 60 percent are letters of credit.

**Text Figure 2. Cameroon: Composition of Domestic Public Debt****Domestic Debt Composition**

(Share of total domestic debt)



Sources: Cameroonian authorities; and IMF staff calculations.



**Text Table 3. Cameroon: Public and Publicly-Guaranteed Debt, 2016-September 2019**

	Dec-16		Dec-17		Dec -18 (Prel.)		Sep-19 (Est.)	
	CFAF billion	percent of GDP	CFAF billion	percent of GDP	CFAF billion	percent of GDP	CFAF billion	percent of GDP
<b>A. Public and publicly guaranteed debt (authorities' estimate: 1+2+3)</b>	<b>5311</b>	<b>27.5</b>	<b>6279</b>	<b>30.9</b>	<b>7393</b>	<b>34.4</b>	<b>8230</b>	<b>36.2</b>
1. External debt	3941	20.4	4650	22.9	5656	26.3	6173	27.2
2. Domestic debt	1304	6.7	1578	7.8	1691	7.9	2018	8.9
3. (External) Publicly guaranteed debt	66	0.3	51	0.3	46	0.2	39	0.2
4. Unpaid government obligations (float and arrears)	655	3.4	838	4.1	489	2.3	480	2.1
5. External claims to SOEs (ex-SONARA)	10	0.0	9	0.0	9	0.0	9	0.0
6. SONARA debt	457	2.4	534	2.6	597	2.8	711	3.1
7. o/w external	293	1.5	383	1.9	446	2.1	377	1.7
<b>B. Public and publicly guaranteed debt (staff estimate: A + 4+5+6)</b>	<b>6433</b>	<b>33.3</b>	<b>7659</b>	<b>37.7</b>	<b>8488</b>	<b>39.5</b>	<b>9429</b>	<b>41.5</b>
Domestic	2124	11.0	2567	12.6	2331	10.8	2832	12.5
External	4310	22.3	5093	25.1	6157	28.6	6597	29.0
o/w publicly guaranteed	76	0.4	60	0.3	55	0.3	48	0.2
<b>C. Stock of contracted but undisbursed debt 1/</b>	<b>3866</b>	<b>20.0</b>	<b>4424</b>	<b>21.8</b>	<b>4035</b>	<b>18.8</b>	<b>3652</b>	<b>16.1</b>
Domestic	281	1.5	178	0.9	171	0.8	65	0.3
External	3586	18.5	4245	20.9	3865	18.0	3587	15.8
o/w multilateral	1240	6.4	1848	9.1	1610	7.5	1640	7.2
o/w bilateral	1802	9.3	1719	8.5	1545	7.2	1335	5.9
o/w commercial	544	2.8	679	3.3	709	3.3	612	2.7

Sources: Cameroonian authorities, and IMF staff calculations.

1/ Excludes budget support.

Changes in historical data largely reflect newly added floating debt (see paragraph 1) and slight revisions to historical data.

**7. The stock of contracted-but-undisbursed debt (SENDS) declined in the first nine months of 2019.** The stock of SENDS decreased to CFAF 3,652 billion over the same horizon (Text Table 3). The ratio of external SENDS to total SENDS increased from 96 percent at end-2018 to 98 percent at end-September 2019, while the share of multilateral SENDS in total external SENDS grew to 46 percent with the signature of multiple IDA and AfDB projects to finance infrastructure and development projects. The share of external commercial SENDS in total external SENDS declined slightly to 17 percent between end-2018 and end-September 2019 as disbursements offset new signatures. China's share in undisbursed external loans continues to be the largest at 28.5 percent at end-September.

**8. Cameroon's capacity to monitor and manage public debt for the purposes of the IMF's debt limit policy is adequate, but further improvements are needed.** In April SONARA signed a collateralized loan without seeking improved terms as recommended by the National Public Debt Committee (CNDP). In response, the authorities committed to refrain from collateralized borrowing and strengthened CNDP procedures to require unconditional CNDP approval for all new borrowing.<sup>7</sup> The CNDP also adopted and published a manual of procedures for loan operations and public debt management in September 2019, which clarifies responsibilities and aims to enhance cooperation between

<sup>7</sup> The new requirement for unconditional approval from the CNDP is highlighted in the new manual of procedures for loan operations and public debt management as well as the new debt strategy that is attached to the 2020 budget.

different administrations. To enhance project implementation the authorities are planning to introduce performance contracts for project managers that link remuneration to the quality of project management (structural benchmark) and are creating a basket fund to pool resources for counterpart funding. Additional efforts are needed to ensure data on all PPPs is collected in a centralized place.

**9. New external arrears were accumulated but have been cleared.** In response to external arrears uncovered in the fourth review, the authorities aimed to strengthen monitoring of debt service and communication with creditors. They have also been using an escrow accounts to ensure interest payments on the Eurobond are paid in time and have started to examine options for its reimbursement. However, new external arrears arose in the fifth review related to unbudgeted debt service on a loan on-lent to SONARA prior to the fire that destroyed its production units. They were caused by liquidity pressures resulting from revenue shortfalls and delayed budget support but were repaid in full before end-November. The authorities have taken steps to improve liquidity management and forecasting going forward (MEFP ¶120) and are committed to timely servicing external loans, including those on-lent to public enterprises.

**10. Measures on SENDs have progressed but the large stock of undisbursed loan commitments remains a key risk to debt sustainability.** The authorities have taken important steps to enhance monitoring and management of SENDs, including (i) the finalization of a disbursement plan for SENDs for 2019–23 on project level in line with the program’s fiscal objectives, (ii) cancellation of CFAF 111 billion in nonperforming SENDs, and (iii) continued monthly monitoring of disbursement requests and actual disbursements. However, the cancellation of further problematic SENDs of about CFAF 116 billion (0.5 percent of GDP) has stalled and chances of its success have diminished.<sup>8</sup> A large share (12 percent of GDP at end-2018) of problematic SENDs has been classified for improvement of management and acceleration of disbursements.

**11. External private sector debt has declined.** Latest available data suggests that private external debt has declined to US\$720 million at end-2018. Most debt is held by parent companies and foreign affiliates (43 percent) as well as governments and international organizations (38 percent).

## B. Macroeconomic Forecast

**12. The macroeconomic framework reflects recent economic developments.** The current baseline scenario assumes the end of the ECF-supported program by mid-June 2020 and reflects updated projections, which have worsened on the back of continuing security challenges, slowing external demand, and SONARA’s suspension of production. However, fiscal consolidation is expected to continue, reaching the CEMAC convergence criteria of a fiscal deficit of 1.5 percent in the medium term and external adjustment has progressed faster than expected (due to recent surprises in NFA accumulation). The

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<sup>8</sup> 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. The latest update of the report estimated problematic SENDs at 2,808 billion CFAF at end-December 2018.

baseline also accounts for structural reforms envisaged under the program, as well as gradual completion of ongoing infrastructure projects, which should lead to higher FDI and exports. Key macroeconomic projections have changed somewhat since the 2018 DSA (Box 2, Text Table 4). Real GDP growth, the primary balance and revenues were revised down for the medium-term due to recent data outturns and events. Exports of goods and services as a share of GDP are revised up driven by recent outturns, improved accounting for gas exports and stronger incorporation of long-term pay-offs from investments.

**Text Table 4. Cameroon: Key Macroeconomic Assumptions, 2016-38**

	2016-2018	2019-2024	2025-2038
<b>Real GDP growth (percent)</b>			
DSA 2018 1/	4.1	4.3	5.5
Updated DSA 2017	4.0	5.0	5.5
DSA 2017	3.9	5.0	5.4
<b>Inflation (GDP deflator)</b>			
DSA 2018 1/	1.4	1.6	1.8
Updated DSA 2017	1.4	1.6	1.8
DSA 2017	0.3	1.5	1.8
<b>Primary fiscal balance (percent of GDP)</b>			
DSA 2018 1/	-3.5	-0.8	-0.7
Updated DSA 2017	-3.6	-0.7	-0.8
DSA 2017	-3.7	-0.7	-0.7
<b>Total revenue excluding grants (percent of GDP)</b>			
DSA 2018 1/	14.9	15.1	15.4
Updated DSA 2017	14.8	15.3	15.7
DSA 2017	15.1	15.8	16.6
<b>Exports of goods and services (percent of GDP)</b>			
DSA 2018 1/	18.9	16.9	13.4
Updated DSA 2017	18.7	15.6	12.1
DSA 2017	18.9	15.2	14.1
<b>Oil price (US dollars per barrel)</b>			
DSA 2018 1/	54.7	56.6	55.3
Updated DSA 2017	55.0	63.2	60.3
DSA 2017	52.7	54.8	53.6

Sources: Cameroonian authorities; IMF staff calculations.

1/ The year of the DSA refers to the latest year with actual data. The updated DSA 2017 refers to the DSA prepared in September 2018, while DSA 2017 was prepared in June 2018.

**13. Financing assumptions have been updated based on most recent data.** The financing gap during 2019–20 is assumed to be fully covered by IMF financing and budget support from donors. IMF budget support (CFAF 44 billion) has been rescheduled from end-2019 to 2020. For 2020, additional budget support from the World Bank (CFAF 56 billion) and the EU (CFAF 16 billion) have been included. Amortization on existing debt reflects the recent rescheduling agreement with China, where CFAF 148 billion (0.7 percent of GDP) in principal payments due during July 2019–March 2022 were reprofiled to be paid in the following years within the remaining maturity period. Financing terms for new external debt reflect average financing terms of SENDs. The mix of new external disbursements in 2019 and

2020 is based on the disbursement plan and follows the composition of SENDs thereafter.<sup>9</sup> In the longer term a gradual shift towards commercial borrowing causes the grant element to gradually decline from 31 percent in 2019 to 23 percent by the end of the projection period. Domestic financing (excluding the BEAC loan) is projected to shift progressively towards more medium- to long-term borrowing. The discount rate remains at 5 percent, as approved by the IMF and World Bank Executive Boards in October 2013. In addition, following the budget for 2019, deposits and net below-the-line payments on correspondent accounts are projected to increase thereby contributing to the debt increase in 2019.

**14. Financing assumptions regarding SONARA reflect latest data and the impact of the fire incidence.** While SONARA has expressed the need to restructure its debt, this is not incorporated in the baseline as discussions are still ongoing. For the baseline scenario, staff assumes that short-term supplier debt will decline in 2019 to the level observed at end-September and will thereafter roll over at the same amount during the main shutdown and corporate restructuring phase (2020-2021). After 2021, the short-term debt is projected to decline gradually to about 0.3 percent of GDP with gradual completion of corporate restructuring and implementation of measures to reduce costs and increase price flexibility. These measures should allow SONARA to increase its viability and thus rely more on its own liquidity to finance inputs. The interest rate on external short-term supplier debt is set in line with contractual and penalty interest charged on existing debt. The DSA also incorporates the first tranche of SONARA's pre-financing agreement signed in April, which has already disbursed. The cost of potential reconstruction of the refinery operation, if this option is selected, is not incorporated in the baseline as it is still being assessed by the authorities and discussions with the insurance are ongoing. This implies significant risks with regards to reconstruction costs and the management of the shutdown and corporate restructuring period, while on the upside a reprofiling agreement of SONARA's debt to banks and suppliers could lower pressures on debt service.

**15. SONARA is projected to continue operating as an importer of refined oil.** As during its recent shutdown in 2018, SONARA is assumed to continue importing and selling refined oil products on the domestic market during its corporate restructuring phase. This has been incorporated in SONARA's revenue projections which have been adjusted downwards for 2019 and the following years.<sup>10</sup> Profits are adjusted to account for the observed increase in debt until end-September. Imports of refined oil are assumed to be financed through domestic borrowing.

**16. Realism tools support revisions to the forecast and highlight risks** (Figure 3 and 4). The remaining adjustment in the primary balance envisaged from 2019 to 2021 is moderate at 0.5 percentage point compared to that in the previous DSA for 2018-2020 (3.5 percent) and should be attainable despite increased headwinds. The realism tool also supports the revised growth projections based on the impact of

<sup>9</sup> The authorities revised the 2020 disbursement plan and extended it to 2023 to align it with the stage of project implementation while keeping the overall envelope for foreign-financed investments unchanged. They incorporated loans that had been signed recently or were expected to be signed soon and prioritized projects nearing completion.

<sup>10</sup> Government revenue and expenditure are consolidated between the central government and SONARA. The previous DSA assumed a significant increase in production and revenues due to conclusion of phase I, a modernization and expansion project, that would have seen SONARA exporting part of its production.

(continued)

the projected consolidation. Government investment is projected to decline in line with the consolidation. The forecast error tool highlights risks stemming from unexplained residuals (likely reflecting some of the factors discussed in paragraph 4) as well as exchange rate effects. Compared to the previous DSA, debt as a share of GDP at end-2018 increased markedly (39.5 percent against a previous estimate of 36.9 percent) due to a range of factors, including (i) large payments made to below-the-line correspondent accounts,<sup>11</sup> (ii) the expansion of the debt perimeter, (iii) stronger-than-projected exchange rate valuation effects (iv) larger interest payments and (v) an unexpected increase in SONARA's debt.

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

#### Medium Term, 2019-2024

Real GDP growth is projected to average 4.3 percent of GDP supported by increasingly strong growth in the non-oil sector offsetting a strong decline in oil production. The growth rate reflects downward revisions relative to the previous DSA due to continuing security challenges, subdued external demand and SONARA's suspension of production. Annual inflation is projected to remain around 1.6 percent in the medium-term, below the CEMAC convergence criteria of 3 percent.

The medium-term fiscal framework is anchored on continued improvements in non-oil revenue mobilization and a stabilization of public investment allowing a gradual reduction of the deficit towards the CEMAC convergence criterion. The average fiscal deficit has worsened somewhat compared to the previous DSA as the 2019 fiscal outlook has deteriorated significantly due to revenue shortfalls. The revenue-to-GDP ratio (excluding grants) is projected to rise only slightly to 15.1 percent in the medium term on the back of base-broadening measures including gradual removal of tax and customs exemptions and enhanced coordination among administrations.

The current account deficit is projected to improve gradually in the medium term as strong non-oil exports growth offsets the decline in oil exports and import growth stabilizes. However, the recovery is somewhat slower compared to the previous DSA due to SONARA's fire incident which is expected to shift the composition of oil imports from crude to more expensive refined oil during the reconstruction phase. The current account deficit is expected to be financed through the IMF-supported program, international donors, and other private capital inflows.

#### Long Term, 2025-2038

Real GDP growth is projected to average 5.5 percent in the long term, as public investment slows and the private sector gains competitiveness and increases investment.

The revenue-to-GDP ratio (excluding grants) is projected to rise to 15.4 percent. This assumes a decline in oil revenue with the gradual depletion of oil reserves, while non-oil revenue improves on continued efficiency gains in revenue collection.

Exports are projected to decline to around 13.4 percent of GDP in the long-term, reflecting falling oil production. However, the current account is assumed to gradually improve as non-oil exports remain dynamic and imports increase at a lower rate.

<sup>11</sup> See footnote 1 in IMF Country Report No. 19/247 for more detail.

## C. Country Classification and Determination of Stress Test Scenarios

**17. Cameroon remains at medium debt carrying capacity.** The latest CI score is based on the October WEO 2019 and the World Bank's 2018 CPIA. Values in the components, which reflect 10-year averages, have only changed marginally compared to the previous assessment (Text Table 5), with a higher CPIA score and remittances but lower domestic and world GDP growth and import coverage of reserves. Thus, thresholds to assess debt sustainability have remained unchanged compared to the previous DSA. Main contributors to the score are the CPIA value, reflecting quality of institutions and policies, and import coverage of reserves.

**Text Table 5. Cameroon: Calculation of the CI Index**

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.238	1.25	45%
Real growth rate (in percent)	2.719	4.667	0.13	5%
Import coverage of reserves (in percent)	4.052	31.303	1.27	46%
Import coverage of reserves^2 (in percent)	-3.990	9.799	-0.39	-14%
Remittances (in percent)	2.022	1.525	0.03	1%
World economic growth (in percent)	13.520	3.499	0.47	17%
<b>CI Score</b>			<b>2.755</b>	<b>100%</b>
<b>CI rating</b>			<b>Medium</b>	

**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.<sup>12</sup>

## DEBT SUSTAINABILITY

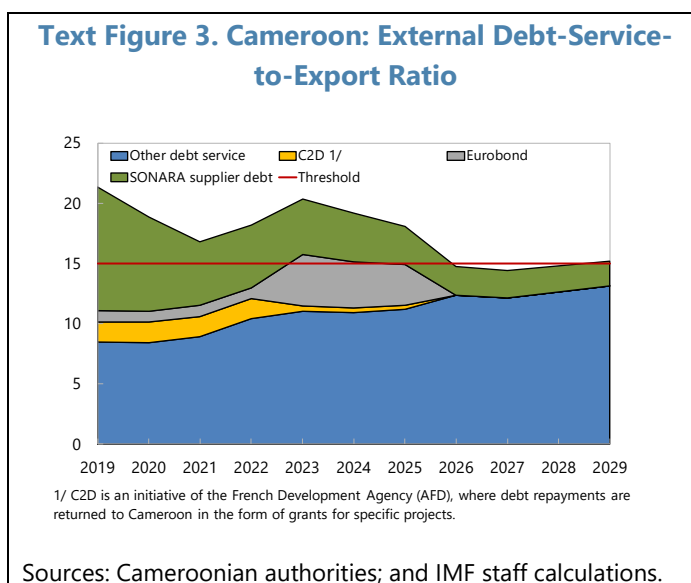
### A. External Debt Sustainability

**19. Cameroon remains at high risk of external debt distress, but debt remains sustainable** (Table 1 and Figure 1). Public external debt is projected to peak in 2020 at 30.6 percent of GDP and to decline gradually thereafter. The present value of external debt-to-GDP and the present value of public-debt to-exports remain below their thresholds over the horizon (see Table 3). While the former is projected to gradually decline after 2019 on the back of solid GDP growth, the latter increases as the present value of debt grows faster than exports. The debt service-to-revenue ratio breaches the threshold for the first two years by a magnitude of up to 6 percentage points, driven by the short-term supplier debt of SONARA,

<sup>12</sup> See table 10 in the guidance note on the application of the debt sustainability framework for LICs for details.

and then again slightly in 2023. The debt service-to exports ratio breaches its threshold continuously until 2025 for two main reasons (see Text Figure 3). First, it is significantly above the threshold from 2019 to 2022 (on average around 4 percentage points) due to the inclusion of short-term debt from SONARA maturing. Second, it continues to breach the threshold significantly from 2023 to 2025 (on average about 4 percentage points) due to the maturation of the Eurobond. It is also important to note that debt service includes payments to the French Development Agency (AFD) under the C2D initiative, which is then returned to Cameroon in the form of grants for specific projects. The two debt service ratios are highly sensitive to the assumptions regarding SONARA's roll-over of short-term supplier debt.

**20. Under stress tests the thresholds are breached for three of the indicators, with the export and the depreciation shock resulting in the largest increase.** The present value of debt-to-GDP remains well below its threshold under all stress tests. It reaches its highest value under the exports shock in 2021 (i.e., 31.0 percent). The present value of debt-to-exports breaches the threshold for the primary balance, the contingent liability and the exports shocks. The latter, which is the most severe scenario, raises the ratio up to 270.0 percent in 2026, due to high variability of historical export growth. The debt service-to-exports ratio also reaches its highest values under the exports shock to a maximum of 31 percent. For the debt service-to-revenue ratio the most extreme shock is a one-time 30 percent nominal depreciation, which raises the ratio to as high as 27.0 percent in 2020. Historical scenarios point towards exploding present values of debt-to-GDP and debt-to-exports, which reflect the large historical current account deficit. This differs from projections under the baseline, which assume a gradual improvement in the current account driven by dynamic non-oil exports as the economy diversifies and moderate import growth as the fiscal balance converges to the CEMAC criterion.



## B. Public Debt Sustainability

**21. Public sector debt is projected to peak in 2020 and gradually decline and remain well below the benchmark** (Table 2 and Figure 2). Public debt is projected to decline gradually after peaking in 2020 at 40.8 percent of GDP. The present value of debt-to-GDP also declines gradually and remains well below the benchmark (see Table 6). The 2019 total debt service-to-revenue ratio is large at 49 percent, reflecting the short-term supplier debt of SONARA coming due, but declines gradually thereafter. Again, these dynamics are highly sensitive to assumptions on the rollover of the supplier debt. While the public debt stock indicator does not breach its benchmark, Cameroon remains at high overall risk of public debt distress due to the breach by the two external debt service indicators under the baseline.

**22. Under the stress scenarios, public sector debt remains well below the benchmark.** The most extreme shock for all three indicators of public debt is that of combined contingent liabilities. However,



even in this case the present value of debt-to-GDP remains substantially below the benchmark, peaking at 47 percent of GDP. The present value of debt-to-revenue jumps to 289 percent in 2020, while the debt service-to-revenue ratio peaks in 2021 at 84 percent. The historical scenario projects an explosive path for the present value 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

### 23. The market financing tool signals that risk related to market financing pressures are low (Figure 5).

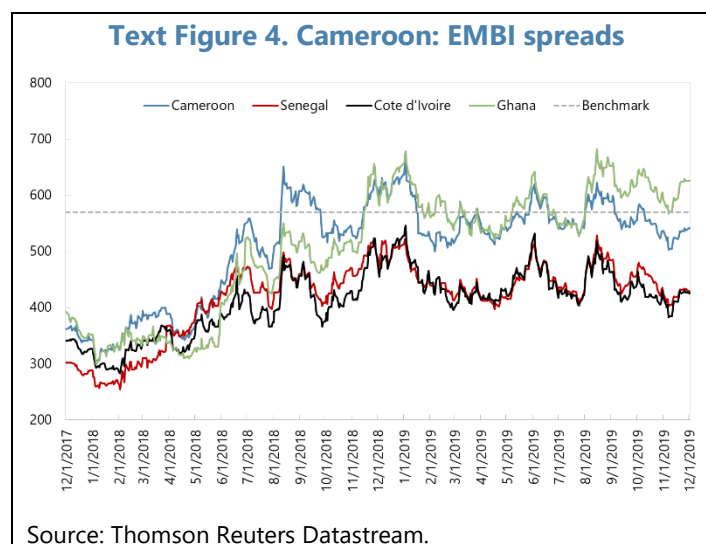
Cameroon remains below the benchmark for gross-financing needs and the benchmark on the EMBI spread. The latter has been fluctuating around the benchmark and recently decline to 542 as of December 2<sup>nd</sup> (see Text Figure 4). As no threshold is breached this signals low market financing risks.

## D. Risk Rating and Vulnerabilities

### 24. Cameroon remains at high overall risk of public debt distress, but debt remains sustainable.

Thresholds are breached for the two external debt service indicators, highlighting the fragile liquidity situation. Yet, staff currently assesses debt as sustainable due to a range of factors. In particular, debt indicators remain on non-explosive paths and debt stock indicators remain well below their thresholds under the baseline. The debt-service-to-revenue ratio is on a clear downward trajectory and falls below the threshold from 2021 onwards, except for a one-year breach in 2023. The breach of the debt-service-to-exports ratio has become more sustained but remains largely due to the inclusion of SONARA's short-term supplier debt, which is backed by the imported oil it is used for, and is sensitive to rollover and reprofiling assumptions. Finally, while SONARA does have external arrears, the authorities have cleared all external sovereign arrears and the government has only guaranteed one of SONARA's loans (on which arrears have been cleared as well). These projections face major downside risks, including potential reconstruction costs and further deterioration of SONARA's losses that could add to debt accumulation. Other downside 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 upside, a successful reprofiling of SONARA's arrears of short-term debt over multiple years, in line with the authorities' current plan, could lower debt-service ratios.

**25. Significant efforts are warranted to ensure debt remains on a downward trajectory and sustainability is preserved.** Steadfast implementation of fiscal and structural reforms is crucial to mitigate risks. The weaknesses presented in the debt service indicator which is expressed as a proportion to exports points to the need for deep structural reforms to improve competitiveness and achieve economic





diversification, while fiscal consolidation, revenue mobilization and a prudent borrowing policy, skewed towards concessional loans, remain essential to keep public debt dynamics on a sustainable path and rebuild buffers ahead of upcoming high debt repayments. The high debt service due to SONARA's supplier debt highlights the importance of fundamentally building its financial viability. In addition, the period of corporate restructuring and SONARA's interim operation as refined oil importer will need to be carefully monitored and managed to ensure fiscal costs remain manageable. Finally, sound management of the SENDs will be critical.

### ***Authorities' Views***

**26.** The authorities agreed with the need for prudent debt management and the need to expand and diversify the export base but noted that they project exports to be stronger in the medium- and long-run. They noted that the breaches in the debt service indicators were due to SONARA's supplier debt. They agreed with the need to prioritize concessional borrowing and limit non-concessional borrowing to critical projects (MEFP ¶122) and highlighted the significant envisaged shift towards concessional financing in their medium-term debt strategy 2020-2022. They also pointed out that existing SENDs are expected to decline significantly over the medium-term (MEFP ¶125) through planned disbursements and while remaining within the budget envelope. The authorities also agreed to strengthen monitoring and management of SOEs and indicated that the CNDP would continue to systematically review all loan and PPP project proposals (MEFP ¶126, ¶127). The authorities also pointed out that short-term measures are being implemented to ensure SONARA's financial viability and that a comprehensive cost benefit analysis will be conducted to evaluate corporate restructuring options for the medium-term (MEFP ¶128,29).

**Table 1. Cameroon: External Debt Sustainability Framework, Baseline Scenario, 2016–2039**  
(Percent of GDP, unless otherwise indicated)

	Actual				Projections							Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
<b>External debt (nominal) 1/</b> <i>of which: public and publicly guaranteed (PPG)</i>	25.4 22.3	27.7 25.1	30.5 28.6	32.4 30.5	32.5 30.6	32.4 30.5	32.1 29.4	31.3 28.7	30.6 28.7	28.4 26.8	19.9 18.9	18.0 15.9	30.7 28.9
Change in external debt	1.3	2.3	2.8	1.9	0.1	-0.1	-0.4	-0.7	-0.7	-0.6	-0.9	0.7	-0.5
Identified net debt-creating flows	0.8	-1.3	-0.7	0.7	0.4	-0.1	-0.2	-0.4	-0.4	-1.6	-1.3	0.7	-0.5
Non-interest current account deficit	2.1	1.9	2.5	2.8	2.6	2.4	2.4	2.3	2.3	2.3	2.1	2.9	1.9
Deficit in balance of goods and services	2.5	2.0	2.9	2.9	3.1	3.1	3.2	3.2	3.2	3.2	3.2	2.9	2.6
Exports	19.2	18.7	18.9	18.8	18.1	17.2	16.4	15.8	15.2	13.6	12.3	12.3	12.3
Imports	21.7	20.6	21.8	21.7	21.2	20.4	19.6	19.0	18.4	14.8	10.3	10.3	10.3
Net current transfers (negative = inflow)	-1.1	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.1	-1.1	-1.0	-0.8	-1.0	-1.1
of which: official	-0.2	-0.2	-0.2	-0.4	-0.4	-0.4	-0.4	-0.3	-0.2	-0.2	-0.1	-0.9	-1.1
Other current account flows (negative = net inflow)	0.7	1.1	0.8	1.1	0.7	0.5	0.4	0.2	0.2	0.3	0.7	0.9	0.4
Net FDI (negative = inflow)	-1.1	-2.3	-1.7	-1.8	-2.1	-2.1	-2.1	-2.2	-2.1	-1.4	1.4	-2.0	-1.9
Endogenous debt dynamics 2/	-0.2	-1.0	-1.5	-0.3	-0.1	-0.3	-0.3	-0.4	-0.6	-0.7	-0.6	0.7	0.3
Contribution from nominal interest rate	1.0	0.8	1.1	0.9	1.0	1.0	1.0	0.9	0.9	0.7	0.5	1.3	0.3
Contribution from real GDP growth	-1.1	-0.8	-1.0	-1.2	-1.2	-1.2	-1.3	-1.4	-1.4	-1.5	-1.1	0.6	0.6
Contribution from price and exchange rate changes	-0.2	-0.9	-1.6	...	...	...	...	...	...	...	...	0.0	0.0
Residual 3/	0.6	3.6	3.0	1.2	-0.2	-0.2	-0.3	-0.5	-0.3	1.0	0.4	0.0	0.0
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	0.0	0.0
<b>Sustainability indicators</b>													
PV of PPG external debt-to-GDP ratio	...	...	219	236	236	235	231	22.4	21.7	20.7	15.3	4.3	4.7
PV of PPG external debt-to-exports ratio	...	...	115.4	125.5	130.2	136.3	140.5	142.1	143.2	151.7	124.3	1.5	1.5
PPG debt service-to-exports ratio	12.1	14.1	17.3	21.4	18.9	16.8	18.2	20.3	19.2	15.2	13.9	3.0	3.0
PPG debt service-to-revenue ratio	14.0	15.6	18.5	23.8	21.4	17.6	17.9	18.6	17.0	12.2	10.8	3.4	3.2
Gross external financing need (Billion of U.S. dollars)	1.8	1.5	2.6	2.9	2.4	2.0	2.1	2.3	2.2	1.4	2.1	1.4	1.7
<b>Key macroeconomic assumptions</b>													
Real GDP growth (in percent)	4.6	3.5	4.1	3.9	3.8	4.1	4.2	4.5	5.0	5.5	5.8	4.3	4.7
GDP deflator (in US dollar terms) (change in percent)	0.8	3.6	6.3	-3.3	1.6	2.5	2.3	2.1	2.3	1.8	1.9	-0.2	1.5
Effective interest rate (percent) 4/	4.5	3.2	4.5	2.9	3.4	3.2	3.3	3.0	3.0	2.7	2.8	3.4	3.0
Growth of exports of G&S (US dollar terms, in percent)	-7.1	4.4	12.3	-0.3	1.7	1.3	1.6	2.5	3.5	5.5	6.5	1.4	3.2
Growth of imports of G&S (US dollar terms, in percent)	-9.1	2.0	16.9	-0.1	3.1	2.3	2.8	3.3	3.9	2.9	4.5	1.7	2.6
Grant element of new public sector borrowing (in percent)	16.6	16.9	17.7	30.5	31.3	28.0	28.0	27.8	26.3	22.6	28.0	28.0	28.0
Government revenues (excluding grants, in percent of GDP)	1801.7	1981.3	2268.7	169	160	164	167	172	171	170	158	16.7	16.9
Aid flows (in Billion of US dollars) 5/	...	...	...	19	16	13	12	11	11	11	0.8	0.5	...
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	36.3	38.3	36.4	36.3	32.2	31.7	29.6	28.2	...	32.9
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	39	41	44	47	50	53	76	157	...	...
Nominal GDP (Billion of US dollars)	5.5	7.2	10.6	0.5	5.5	6.6	6.7	6.7	7.4	7.3	7.8	4.1	6.3
Nominal dollar GDP growth	...	...	...	...	...	...	...	...	...	...	...	...	...
<b>Memorandum items:</b>													
PV of external debt 7/	...	...	237	255	256	254	250	243	237	22.3	16.2	4.3	4.7
In percent of exports	...	...	125.2	135.7	141.0	147.6	152.4	154.4	156.0	163.3	132.0	1.5	1.5
Total external debt service-to-exports ratio	18.3	18.2	23.0	25.2	22.2	19.4	21.0	23.3	22.2	18.1	15.9	3.4	3.0
PV of PPG external debt (in Billion of US dollars)	...	...	85	92	97	103	108	111	116	156	240	...	...
(PV)-(PV-1)/GDP-1 (in percent)	...	...	1.8	1.3	1.4	1.4	1.1	0.8	1.0	1.2	0.5	...	...
Non-interest current account deficit that stabilizes debt ratio	0.8	-0.4	-0.3	0.9	2.4	2.5	2.7	3.1	3.0	1.1	-1.2	...	...

Sources: Country authorities; and staff estimates and projections.

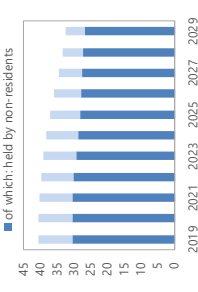
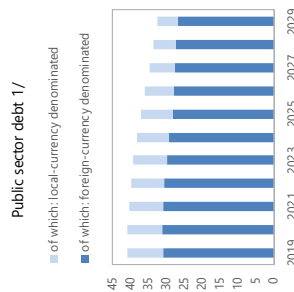
- 1/ Includes both public and private sector external debt.  
 2/ Derived as  $(r - g + \rho(1-g) + \epsilon_0(1+r)/(1+\rho+g))$  times previous period debt ratio, with  $r$  = nominal interest rate;  $g$  = real GDP growth rate;  $\rho$  = growth rate of GDP deflator in U.S. dollar terms;  $\epsilon$  = nominal appreciation of the local currency; and  $\epsilon_0$  = 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 (excluding 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, 2016-2039**  
(Percent of GDP, unless otherwise indicated)

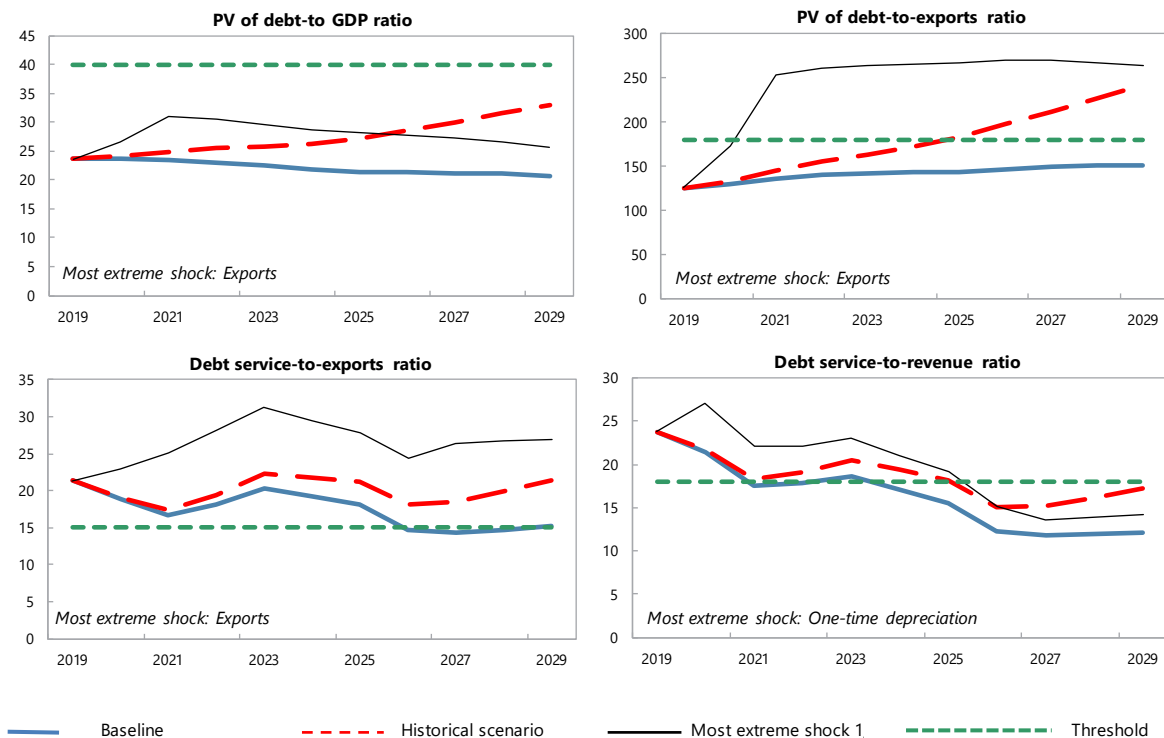
	Actual										Projections										Average 6/ Historical	Projections	Residency-based
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	2019	2020	2021	2022	2023	2024	2029	2039				
<b>Public sector debt 1/</b>	33.3	37.7	39.5	40.8	40.8	40.4	39.8	39.1	38.2	32.6	27.8	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	37.5	37.5	Residency-based	
of which: external debt	22.3	25.1	28.6	30.5	30.6	30.5	30.1	29.4	28.7	26.8	18.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9	28.9	28.9	Yes	
Change in public sector debt	1.3	4.4	1.8	1.3	0.0	-0.4	-0.6	-0.7	-0.9	-1.0	-0.3												
Identified debt-creating flows	4.9	0.9	-0.2	0.3	0.2	-0.3	-0.5	-0.6	-0.8	-1.1	-0.4	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	-0.7	-0.7	Is there a material difference between the two criteria?	
Primary deficit	5.3	4.2	1.5	1.4	1.4	1.0	0.8	0.8	0.8	0.5	0.9	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	0.8	0.8	Yes	
Revenue and grants	16.9	17.2	18.1	17.3	16.4	16.8	17.1	17.4	17.3	17.1	16.0	17.1	17.1	17.1	17.1	17.1	17.1	17.1	17.1	17.2	17.2		
of which: grants	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	17.2	17.2		
Primary (noninterest) expenditure	22.2	21.3	19.6	18.7	17.8	17.8	17.9	18.2	18.1	17.6	16.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9		
<b>Automatic debt dynamics</b>	-0.4	-3.3	-0.4	-1.3	-1.2	-1.3	-1.3	-1.4	-1.6	-1.6	-1.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	17.9	17.9		
Contribution from interest rate/growth differential	-1.1	-1.0	-1.5	-1.3	-1.2	-1.3	-1.3	-1.4	-1.6	-1.6	-1.3												
of which: contribution from average real interest rate	0.4	0.2	-0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.2	0.3												
of which: contribution from real GDP growth	-1.4	-1.1	-1.5	-1.5	-1.5	-1.6	-1.6	-1.7	-1.9	-1.7	-1.5												
Contribution from real exchange rate depreciation	0.6	-2.3	1.2																				
<b>Other identified debt-creating flows</b>	0.0	0.0	-1.4	0.2	0.0	0.0	0.0	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	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	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0												
Other debt creating or reducing flow (please specify)	0.0	0.0	-1.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0												
<b>Residual</b>	-3.7	3.6	2.0	1.0	-0.2	-0.1	-0.1	0.0	-0.1	0.1	0.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.1	0.1	0.1		
<b>Sustainability indicators</b>																							
<b>PV of public debt-to-GDP ratio 2/</b>	...	...	33.5	34.0	33.7	33.3	32.7	32.1	31.2	28.4	24.1												
<b>Debt service-to-revenue and grants ratio 3/</b>	...	...	185.3	196.2	205.8	197.6	191.2	184.0	180.4	154.3	150.8												
Gross financing need 4/	8.7	8.0	5.0	10.1	9.1	8.5	8.4	9.0	9.0	5.5	6.0												
<b>Key macroeconomic and fiscal assumptions</b>																							
Real GDP growth (in percent)	4.6	3.5	4.1	3.9	3.8	4.1	4.2	4.5	5.0	5.5	5.8	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.7	4.7	4.7		
Average nominal interest rate on external debt (in percent)	3.5	3.4	3.0	2.2	2.6	2.5	2.5	2.2	2.1	2.0	2.2	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.2	2.2	2.2		
Average real interest rate on domestic debt (in percent)	-1.1	-1.5	-1.6	0.8	1.7	2.3	2.3	2.5	2.6	3.1	3.3	-1.7	-1.7	-1.7	-1.7	-1.7	-1.7	-1.7	2.4	2.4	2.4		
Real exchange rate depreciation (in percent, + indicates depreciation)	3.1	-10.6	4.8	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...		
Inflation rate (GDP deflator, in percent)	1.1	1.5	1.6	1.7	1.9	1.5	1.6	1.5	1.6	1.8	1.9	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7		
Growth of real primary spending (deflated by GDP deflator, in percent)	-0.2	-0.5	-4.2	-1.1	-1.3	-4.2	4.5	6.9	4.1	-5.0	4.2	6.8	6.8	6.8	6.8	6.8	6.8	6.8	3.7	3.7	3.7		
Primary deficit that stabilizes the debt-to-GDP ratio 5/	4.1	-0.3	-0.3	0.1	1.4	1.4	1.4	1.5	1.7	1.5	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.4	1.4	1.4		
PV of contingent liabilities (not included in public sector debt)	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Sources: Country authorities; and staff estimates and projections.

- Coverage of debt: The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt. Definition of external debt is Residency-based.
- 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.
- Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.
- 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.
- Defined as a primary deficit minus a change in the public debt-to-GDP ratio (Δ): a primary surplus, which would stabilize the debt ratio only in the year in question.
- 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.



**Figure 1. Cameroon: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2019–2029**



Customization of Default Settings		
	Size	Interactions
<b>Tailored Stress</b>		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	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
<b>Shares of marginal debt</b>		
External PPG MLT debt	100%	
<b>Terms of marginal debt</b>		
Avg. nominal interest rate on new borrowing in USD	2.1%	2.1%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	20	20
Avg. grace period	5	5

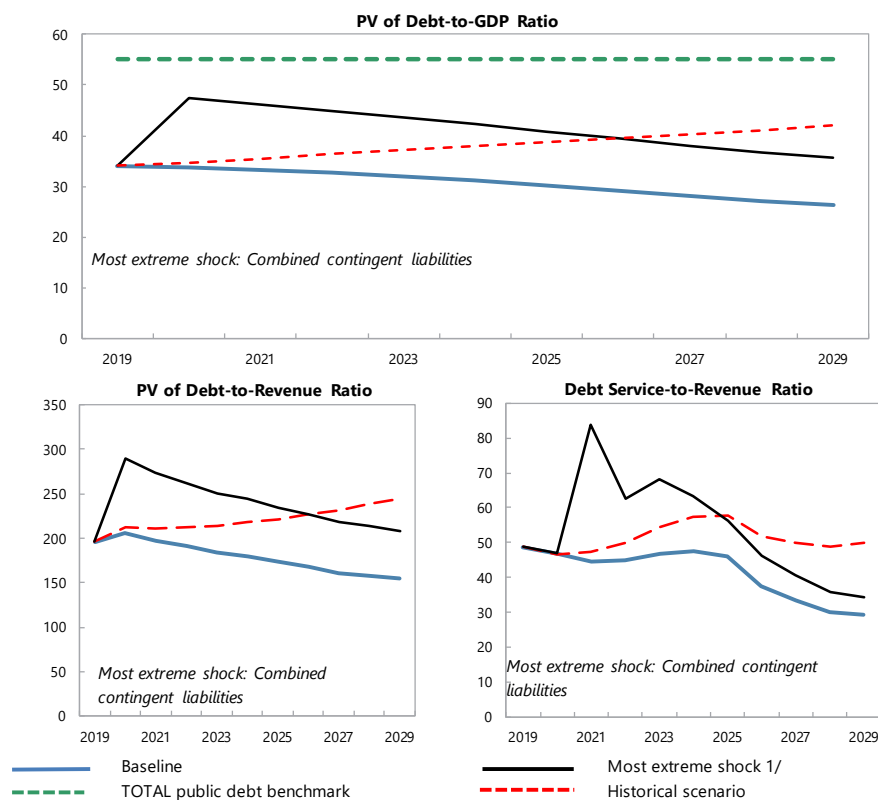
\* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2029. 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 extreme 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, 2019-2029



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
<b>Shares of marginal debt</b>		
External PPG medium and long-term	41%	41%
Domestic medium and long-term	16%	16%
Domestic short-term	35%	42%
<b>Terms of marginal debt</b>		
<b>External MLT debt</b>		
Avg. nominal interest rate on new borrowing in USD	2.1%	2.1%
Avg. maturity (incl. grace period)	20	20
Avg. grace period	5	5
<b>Domestic MLT debt</b>		
Avg. real interest rate on new borrowing	3.6%	3.6%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
<b>Domestic short-term debt</b>		
Avg. real interest rate	1.5%	1.5%

\* 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 2029. 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 extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

**Table 3. Cameroon: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019–2029**

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>PV of debt-to-GDP ratio</b>											
<b>Baseline</b>	24	24	23	23	22	22	21	21	21	21	21
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2019-2029 2/	24	24	25	25	26	26	27	28	30	31	33
<b>B. Bound Tests</b>											
B1. Real GDP growth	24	24	24	24	23	23	22	22	22	22	21
B2. Primary balance	24	25	27	27	27	26	26	26	26	25	25
B3. Exports	24	27	31	30	30	29	28	28	27	26	26
B4. Other flows 3/	24	24	25	25	24	23	23	22	22	22	22
B5. Depreciation	24	30	27	26	26	25	24	24	24	24	24
B6. Combination of B1-B5	24	27	26	26	25	24	24	24	23	23	23
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	24	28	30	30	30	30	30	30	30	30	29
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	24	25	25	24	24	23	23	23	22	22
C4. Market Financing	24	26	26	26	25	25	24	24	24	23	23
<b>Threshold</b>	40	40	40	40	40	40	40	40	40	40	40
<b>PV of debt-to-exports ratio</b>											
<b>Baseline</b>	125	130	136	141	142	143	144	147	150	151	152
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2019-2029 2/	125	133	145	155	164	173	<b>183</b>	<b>197</b>	<b>212</b>	<b>227</b>	<b>241</b>
<b>B. Bound Tests</b>											
B1. Real GDP growth	125	130	136	141	142	143	144	147	150	151	152
B2. Primary balance	125	135	157	165	169	173	175	179	<b>181</b>	<b>182</b>	<b>182</b>
B3. Exports	125	173	<b>253</b>	<b>260</b>	<b>264</b>	<b>266</b>	<b>267</b>	<b>270</b>	<b>270</b>	<b>268</b>	<b>264</b>
B4. Other flows 3/	125	134	145	149	151	152	153	156	158	159	158
B5. Depreciation	125	130	124	127	129	130	131	134	138	140	141
B6. Combination of B1-B5	125	154	143	177	179	<b>180</b>	<b>182</b>	<b>184</b>	<b>187</b>	<b>188</b>	<b>188</b>
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	125	156	174	<b>184</b>	<b>193</b>	<b>199</b>	<b>203</b>	<b>208</b>	<b>212</b>	<b>214</b>	<b>214</b>
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	125	140	151	156	158	158	158	160	162	163	162
C4. Market Financing	125	131	138	143	144	145	145	147	150	151	152
<b>Threshold</b>	180	180	180	180	180	180	180	180	180	180	180
<b>Debt service-to-exports ratio</b>											
<b>Baseline</b>	21	19	17	18	20	19	18	15	14	15	15
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2019-2029 2/	21	19	17	19	22	22	21	18	19	20	21
<b>B. Bound Tests</b>											
B1. Real GDP growth	21	19	17	18	20	19	18	15	14	15	15
B2. Primary balance	21	19	17	19	22	20	19	16	17	17	18
B3. Exports	21	<b>23</b>	<b>25</b>	<b>28</b>	<b>31</b>	<b>30</b>	<b>28</b>	<b>24</b>	<b>26</b>	<b>27</b>	<b>27</b>
B4. Other flows 3/	21	19	17	18	21	19	18	15	15	16	16
B5. Depreciation	21	19	17	18	20	19	18	14	13	14	14
B6. Combination of B1-B5	21	21	21	22	25	23	22	19	18	19	19
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	21	19	18	19	22	20	19	16	16	16	17
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	21	20	18	20	22	21	19	16	16	16	17
C4. Market Financing	21	19	17	18	21	21	21	17	15	14	14
<b>Threshold</b>	15	15	15	15	15	15	15	15	15	15	15
<b>Debt service-to-revenue ratio</b>											
<b>Baseline</b>	24	21	18	18	19	17	15	12	12	12	12
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2019-2029 2/	24	22	18	19	20	19	18	15	15	16	17
<b>B. Bound Tests</b>											
B1. Real GDP growth	24	22	18	19	19	18	16	13	12	12	13
B2. Primary balance	24	21	18	19	20	18	17	14	14	14	14
B3. Exports	24	22	19	20	20	19	17	15	15	15	15
B4. Other flows 3/	24	21	18	18	19	17	16	13	13	13	13
B5. Depreciation	24	27	22	22	23	21	19	15	14	14	14
B6. Combination of B1-B5	24	23	19	19	20	18	17	14	13	13	14
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	24	21	18	19	20	18	17	14	13	13	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	24	24	20	21	21	19	17	13	13	13	13
C4. Market Financing	24	21	18	18	19	18	18	14	12	11	12
<b>Threshold</b>	18	18	18	18	18	18	18	18	18	18	18

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, 2019–2029

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>PV of Debt-to-GDP Ratio</b>											
<b>Baseline</b>	34	34	33	33	32	31	30	29	28	27	26
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2019-2029 2/	34	35	36	36	37	38	39	39	40	41	42
<b>B. Bound Tests</b>											
B1. Real GDP growth	34	35	35	35	35	35	34	33	33	32	32
B2. Primary balance	34	36	40	39	38	37	36	35	33	32	31
B3. Exports	34	36	40	39	38	37	36	35	33	32	30
B4. Other flows 3/	34	34	35	34	33	33	32	30	29	28	27
B5. Depreciation	34	39	37	35	33	30	28	26	24	22	20
B6. Combination of B1-B5	34	34	36	35	34	32	31	29	28	27	26
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	34	47	46	45	44	42	41	39	38	37	36
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	34	36	38	39	40	40	40	39	38	37	36
C4. Market Financing	34	34	34	33	32	32	30	29	28	27	26
<b>TOTAL public debt benchmark</b>	55	55	55	55	55	55	55	55	55	55	55
<b>PV of Debt-to-Revenue Ratio</b>											
<b>Baseline</b>	196	206	198	191	184	180	173	168	161	158	154
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2019-2029 2/	196	212	211	213	213	219	222	227	232	239	245
<b>B. Bound Tests</b>											
B1. Real GDP growth	196	211	209	205	201	200	195	191	187	186	184
B2. Primary balance	196	223	239	230	220	215	207	200	192	188	183
B3. Exports	196	220	235	227	218	214	206	198	189	183	177
B4. Other flows 3/	196	210	206	200	192	188	181	175	168	164	160
B5. Depreciation	196	239	220	204	187	176	161	149	137	128	119
B6. Combination of B1-B5	196	208	216	205	194	187	177	169	160	155	149
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	196	289	273	263	251	244	234	227	219	214	209
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	196	244	248	254	248	245	234	224	218	216	213
C4. Market Financing	196	206	199	193	186	182	174	168	161	158	154
<b>Debt Service-to-Revenue Ratio</b>											
<b>Baseline</b>	49	47	45	45	47	47	46	38	33	30	29
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2019-2029 2/	49	47	47	50	55	57	58	52	50	49	50
<b>B. Bound Tests</b>											
B1. Real GDP growth	49	48	47	48	51	53	52	43	39	36	36
B2. Primary balance	49	47	53	58	56	57	53	43	39	36	35
B3. Exports	49	47	45	46	48	48	47	39	36	33	32
B4. Other flows 3/	49	47	45	45	47	48	46	38	34	31	30
B5. Depreciation	49	47	48	48	50	50	48	39	35	32	31
B6. Combination of B1-B5	49	45	44	56	54	54	51	41	36	32	31
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	49	47	84	63	68	63	56	46	41	36	34
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	49	53	56	60	64	65	62	51	46	42	41
C4. Market Financing	49	47	45	45	47	49	48	40	34	29	29

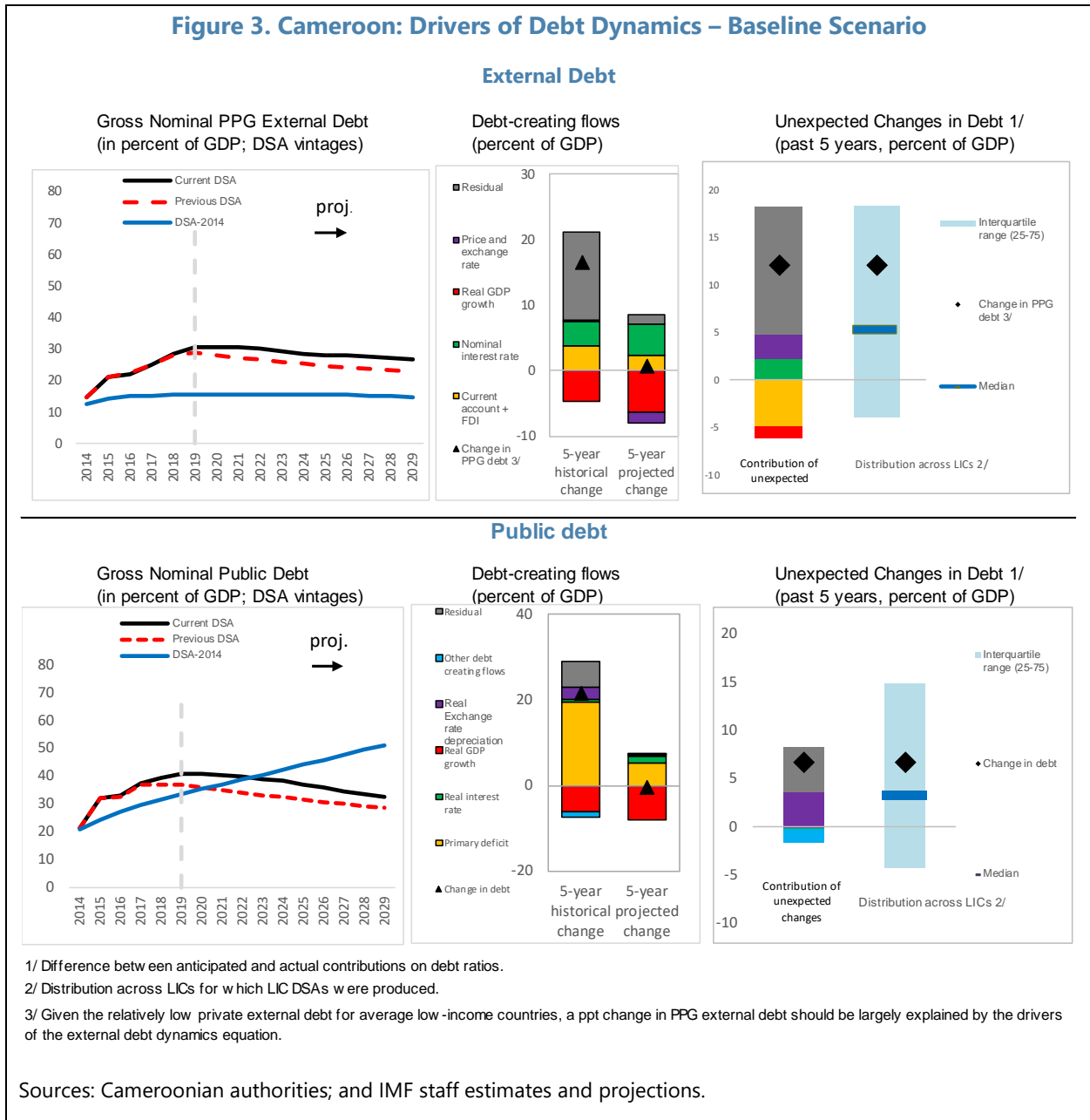
Sources: Country authorities; and staff estimates and projections.

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.

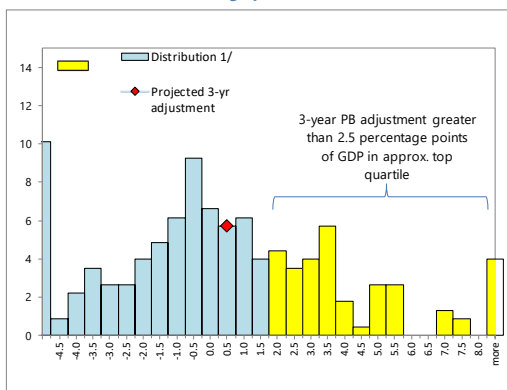
**Figure 3. Cameroon: Drivers of Debt Dynamics – Baseline Scenario**



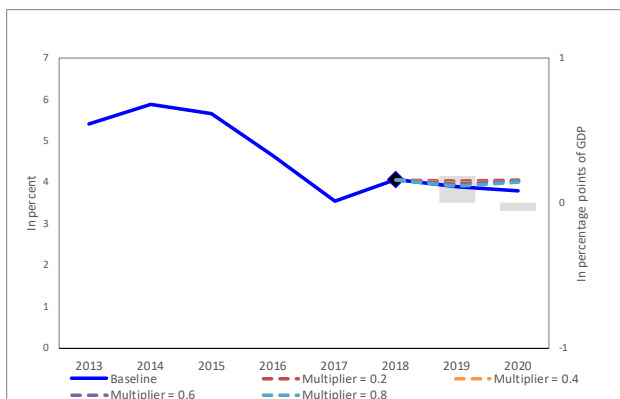


**Figure 4. Cameroon: Realism Tools**

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



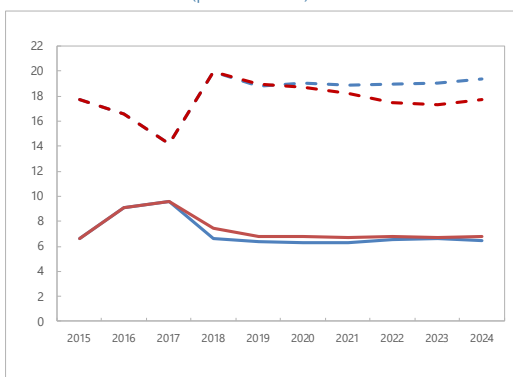
**Fiscal Adjustment and Possible Growth Paths 1/**



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.

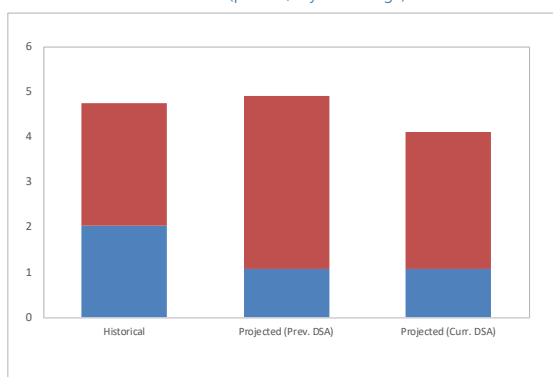
1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

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



— Gov. Invest. - Prev. DSA      — Gov. Invest. - Curr. DSA  
 - - - Priv. Invest. - Prev. DSA      - - - Priv. Invest. - Curr. DSA

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



■ Contribution of other factors  
 ■ Contribution of government capital

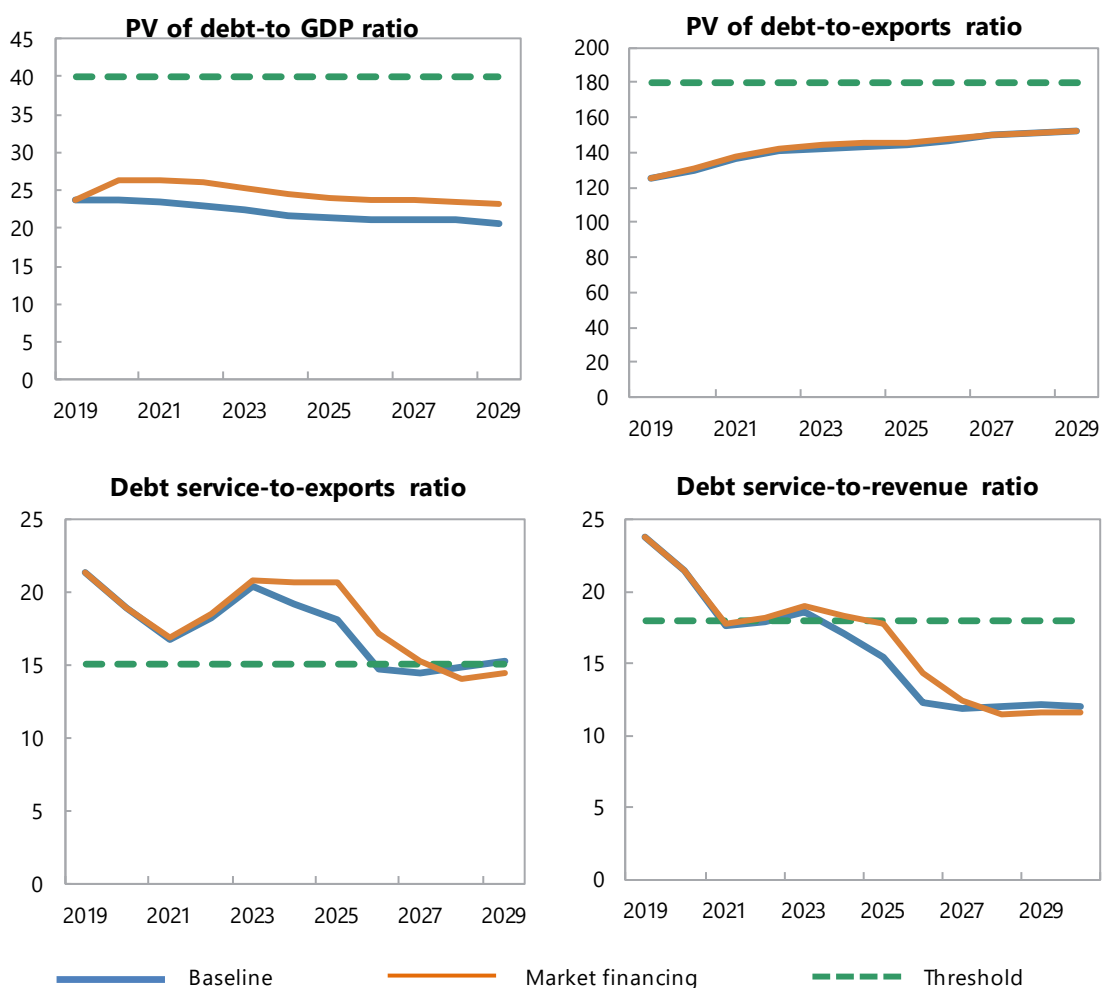
Sources: Cameroonian authorities; and IMF staff estimates and projections.

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

	GFN	1/	EMBI	2/
Benchmarks	14		570	
Values	10		542	
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.



# CAMEROON

## FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR WAIVERS OF NONOBSERVANCE OF A PERFORMANCE CRITERION AND MODIFICATION OF PERFORMANCE CRITERIA— SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY LETTER OF INTENT

January 21, 2020

Approved By  
**David Owen (AFR) and**  
**Vitaliy Kramarenko (SPR)**

Prepared by the African Department in consultation with the Legal Department and the Strategy, Policy and Review Department

- 1. This supplement requests to add a loan to the list of projects, for which the adjustor to the 2020 non-concessional borrowing (NCB) ceiling can be applied.** The projects included in the list (Text Table 1) are those judged to be integral to the authorities' development program and for which concessional financing is not available. The loan agreement in question was initially included in the list of projects agreed with the authorities for 2019 but was delayed to 2020 for administrative reasons. As the loan was expected to happen in 2019, the shift to 2020 does not change the thrust of the staff appraisal. The loan agreement with the Kuwait Development Fund, in the value of CFAF 8.6 billion, will finance the construction of a section of the Olama-Kribi road. The total cost of the Olama-Kribi road is about CFAF 42 billion, of which CFAF 38 billion have been financed externally with non-concessional loans starting in May 2015.
- 2. This supplement also proposes to remove the request for the modification of one December 2019 criterion given the delay of the review.** The authorities had previously requested the amendment of the quantitative performance criterion on the floor of the non-oil primary fiscal deficit for December 2019. As the review has been delayed from December 2019 to January 2020, a modification is no longer possible and the authorities are no longer requesting the amendment. Table 1 of the MEFP now omits the proposed modified PC for December.
- 3. This supplement also updates the status of the structural benchmark on audits of a few major SOEs.** As of December 2019, this structural benchmark was not met. It is proposed to be reset to March 2020.
- 4. A supplementary letter of intent is attached to this supplement.**

## Supplementary Letter of Intent

January 21, 2020

Madame Kristalina Georgieva  
Managing Director  
International Monetary Fund  
700 19<sup>th</sup> Street N.W.  
Washington, D.C. 20431  
U.S.A.

Madam Managing Director:

Further to the Letter of Intent dated January 7, 2020 sent to you by the Prime Minister, Head of Government, in order to request the conclusion of the 5<sup>th</sup> review of the economic and financial program supported by the International Monetary Fund under the Extended Credit Facility, I wish to inform you that on January 13, 2020 the government has signed a new non-concessional loan with the Kuwait Development Fund to finance the construction of a section of the Olama-Kribi road, an infrastructure improvement project that has started in 2015. The loan was initially included in the list of loans agreed to be contracted in 2019. However, its contracting was unexpectedly delayed for administrative reasons. The loan agreement is still not effective as the conditions for its entry into effect have not yet been met. The government is requesting that this loan be added to the list of loans under the new non-concessional borrowing limit for 2020. The amount of the loan is small (CFAF 8.6 billion or 0.04 percent of GDP). In addition, as the review has been delayed, a modification of end-December performance criteria is no longer possible and we are no longer requesting the amendment of the quantitative performance criterion on the floor of the non-oil primary fiscal deficit for December 2019.

Sincerely yours,

/s/

Louis Paul MOTAZE  
Minister of Finance

**Text Table 1. Cameroon: List of Projects Under the NCB Target,  
Likely to be Signed the First Semester of 2020**

**Projects**

- 1 Completion of the Olembe Sports Complex in Yaounde
- 2 The Olama - Kribi road (section to be financed by the Kuwait Development Fund)
- 3 Project for the interconnection of electricity network between Cameroun and Chad
- 4 Project for the development of the value chain in livestock and fish breeding
- 5 Project for the renovation of the national center for the rehabilitation of disabled persons
- 6 Project 25 wagons
- 7 Project for the construction and equipment of the annex building of the Mbalmayo regional hospital
- 8 East Entrance Douala road (phase II)
- 9 Construction of 225 KV transmission lines between N’Gaoundéré and Tibati
- 10 Project to build the Ebolowa-Kribi (225 KV) and Mbalmayo-Mekin (90 KV) electric power transmission lines
- 11 Construction of a bridge over the Tildé river (Route Mora-Dabanga –Kousserie)
- 12 Road program phase 3 (Ring Road)
- 13 National road rehabilitation project N ° 1: Ngaoundéré-Garoua
- 14 Logistics area of the port of Kribi: Construction of the 225 KV electric power transmission line
- 15 Feasibility and design studies for the drinking water supply project for the towns of Buea, Tiko and Mutenguene
- 16 Logistics area of the port of Kribi: Development of the logistics area of the port

**Statement by Mr. Raghani, Executive Director  
for Cameroon, Mr. N'Sonde, Senior Advisor to  
the Executive Director, and Mr. Bah, Advisor  
to the Executive Director  
January 22, 2020**

1. Our Cameroonian authorities express their appreciation to IMF Executive Board, Management and Staff for the continued support to their efforts to strengthen macroeconomic stability, firm up growth and contribute enhancing CEMAC's external stability and economic prospects. They value the constructive dialogue with the IMF in the context of the Fifth Review under the Extended Credit Facility (ECF).
2. Cameroon has made good progress in implementing its current three-year economic and financial program amid a very challenging security situation. Performance under the ECF arrangement remains broadly satisfactory albeit missing the continuous performance criterion on external arrears accumulation and difficulty in meeting indicative targets following the devastating fire at the national oil refinery SONARA, an important state-owned enterprise with significant fiscal weight. The authorities have also pursued the implementation of their structural reform agenda set forth under the program. 5 out of 13 structural benchmarks (SB) were met, two reforms observed with delay and sustained efforts are underway on the remainder measures.
3. Against this backdrop and based on the authorities' renewed commitment to their program objectives, they request the completion of the Fifth Review under the ECF. They also request a waiver of nonobservance of the unmet PC and the modification of PCs to accommodate the need to mitigate the impact of the SONARA shock and the necessity to carry out projects that are essential for the country's development and for which concessional funding is unavailable.

**I. Recent Developments, Program Performance and Prospects**

***Recent Economic Developments***

4. Prior to the SONARA fire, the economy of Cameroon was growing at a pace of 3.9 percent during the first half of 2019 amid security challenges and the crisis in the two Anglophone regions of North West and South West. As a result, growth is estimated to have settled at 3.9 percent over the year against a projection of 4.1 percent at the time of the fourth review. Inflation reached about 2 percent on a per annum basis in 2019 H1 driven by increased food prices notably in the regions in crisis and should remain subdued.
5. Regarding fiscal and debt policy, fiscal consolidation efforts have continued. While non-oil revenue fell below projections on account of slower activity in sectors with significant

fiscal returns and lower tax payments by SONARA, the non-oil primary deficit fell below the projected 2.8 percent of GDP as contained current spending on goods and services and reduced public investments more than offset the revenue shortfall. The authorities' prudent spending approach helped accumulate deposits at the regional central bank (BEAC). Public debt-to-GDP ratio increased slightly to 41.5 percent at end-September 2019 from 39.5 percent at end-2018 owing to donors' disbursements on projects and issuance of domestic bonds. Disbursements and new borrowing remain within the program limits. The authorities also continue to make significant strides in reducing the stock of SENDs (signed-but-undisbursed loans), bringing them to 16.1 percent of GDP at end-September 2019 from 18.8 percent at the end of 2018.

6. On the external front, increased oil imports, weaker global demand, and lower exports of products from the Anglophone regions brought the current account deficit to 4.7 percent of GDP in the first half of 2019. The deficit should however remain close to the program's projection of 4.0 percent for 2019. The financial account continued to increase on the back of greater foreign exchange repatriation and stronger foreign direct investments.

### ***Program Performance***

7. The program's performance has been broadly satisfactory. The authorities continue to demonstrate strong resolve by meeting all quantitative performance criteria (PCs) for the period under review, albeit subsequently missing the continuous PC on external arrears and less favorable outcomes on indicative targets (ITs). On the latter, the devastating fire at the national oil refinery SONARA, revenue shortfalls and delays in budget support have carried weight. In particular, the PCs on the non-oil primary balance, the net financing of the government by the central bank, the ceiling on net domestic financing, disbursements on non-concessional (NC) loans, and signing of new NC borrowing were all met with comfortable margins. The IT on social spending at end-June 2019 was missed due to delays in the recording of revenues earmarked for education and health, however, it is likely that it has been met at end-December as revenues have performed strongly in the second half of the year.
8. On the structural reform front, the authorities have implemented seven measures in the areas of budget, revenue mobilization, public finances, debt management and foreign exchange regulation, while significant progress has also been made with remaining benchmarks, notably the finalization of audits of major SOEs (CAMAIR-Co, CAMTEL, PaD and CAMWATER).

### ***Prospects***

9. Going forward, the medium-term outlook remains favorable. Non-oil growth is expected to gradually pick up and reach 5 percent by 2022, underpinned by robust activity in agriculture, manufacturing and wood transformation, current rehabilitation of road

infrastructure, construction notably in the preparation of the 2021 Africa Cup of Nations, completion of energy infrastructures, food development programs, and anticipated payoffs of the National Dialogue notably in the regions under crisis.

10. In this context, the authorities intend to pursue their program implementation of strengthening macroeconomic stability, promoting private sector-led growth, and contributing to the rebuilding of the region's international reserves. These will be achieved through continue fiscal consolidation, actions to repatriate export proceeds, enhance financial sector stability and accelerate measures to create a conducive environment for economic diversification and private sector development.

## **II. Fiscal Policy and Reforms**

11. The authorities have adjusted their fiscal targets for end-2019 to accommodate for the fiscal outturns of Q1-Q3 of 2019 and the impact of the SONARA shock. They have also maintained their medium-term objectives set under the program and which are in line with the CEMAC convergence criterion of 1.5 percent of GDP for the overall fiscal deficit by 2022.
12. The 2020 budget law projects a fiscal deficit of 2.1 percent of GDP attainable through measures to expand the tax base (streamlining of tax expenditures and a proactive approach to lower the tax arrears of public entities) and reduce current expenditures compared to the 2019 budget thanks to savings on the wage bill and a reduction of subsidies and transfers. In the same vein, the authorities share the view on the need to revise and simplify the fuel price structure, supported by a large communication campaign to explain the costs and inequities of generalized subsidies prior to introducing fuel price flexibility to reflect the changes occurring in the global oil prices. This bold reform will be accompanied with a program of well-targeted subsidies to benefit vulnerable populations, with the assistance from the World Bank. The Prime Minister's 2017 circular will be further implemented to curb goods and services costs incurred by the government. Potential cash flow pressures will be met through the issuance of T-bills and bonds. Social spending will be protected at 3.4 percent of GDP under the 2020 budget and further preserved going forward. Budget execution will be strengthened through greater transparency and the limitation to one month of the complementary period.
13. Structural fiscal measures will be pursued over the medium term to ensure sustainable fiscal consolidation. They aim at enhancing the quality of cash management and expenditures. The scope of the Treasury Single Account (TSA) will be further expanded and efforts will be pursued to close and repatriate to the central bank the commercial bank accounts of government entities, agencies and establishments. Centralization in a single account at the BEAC ("basket account") of all counterpart funds for joint projects will be discussed with technical and financial partners. Actions are also envisaged to continue reducing balances of correspondent accounts while maintaining the objective on deposit accumulation; further strengthen government's financial reporting system; and



reinforce projects' selection, planning and execution, with a view to fostering capital expenditure effectiveness.

14. Revenue administrations (*Direction Générale des Impôts* and *Direction Générale des Douanes*) will be further enhanced through comprehensive organizational and operational reforms to step up revenue collection, reduce fraud and tax evasion, streamline exemptions and ameliorate the taxpayer database and IT systems. These administrations will continue their collaborative work under an application database (FUSION) which should scale up data collection and information sharing.

### **III. Debt Policy**

15. The authorities share the concern of containing debt distress risks. In this vein, they will maintain their prudent strategy of giving priority to concessional borrowing and limit strictly the signing of non-concessional loans to priority projects for which concessional resources are unavailable while adhering to the program debt limits.
16. The debt strategy for 2020-22 will be geared at preserving sustainability. Besides proceeding with SENDs disbursement, observing borrowing limits, and strengthening the public debt management framework, the government intends to accelerate the implementation of SOEs' and public establishments' management reforms, increase the monitoring of their performance, and continue to make payments to these enterprises for State's consumption, in order to contain fiscal risks. Cross-debt between the government and major SOEs and between those enterprises will be addressed following the ongoing inventory of those debts.
17. A medium-term solution to the SONARA problem is being thought out. The restructuring of the enterprise will be based on an exhaustive analysis of the costs and benefits of possible options. The study should be finalized by end-March 2020. In the meantime, the government is considering measures to enhance SONARA's financial viability, including through measures to improve its cash position, settle debt owed to the enterprises, require it to pay its tax and customs obligations, allow the SOE an amount of oil imports in line with its obligations and assist in the rescheduling of SONARA's debts vis-à-vis banks and suppliers.

### **IV. Monetary and Financial Sector Stability**

18. Cameroon remains committed to the stability of the monetary union and a viable financial sector. It contributes significantly to the rebuilding of BEAC's international reserves. Specifically, it has scaled up the repatriation of foreign exchange; ensures the transparency and surrender of export proceeds by public enterprises, including in the oil sector, by sharing with the central bank the contracts signed with mining and oil companies; and complies with the new regulations on the domiciliation of export

transactions with a local commercial bank.

19. Strengthening the stability of the banking sector also ranks high in the authorities' agenda. Plans for the resolution of two distressed banks, consistent with the objectives of financial inclusion and reducing fiscal costs have been adopted; financing requirements of small and medium-sized enterprises (SMEs) have been elaborated towards an indirect financing scheme; and the new microfinance regulations, notably on institutional reconversion, governance and control, are being enforced. Moreover, non-performing loans (NPLs) are being tackled through continued implementation of the related action plan encompassing among others the deployment of recently-trained judges and court clerks in banking disputes, the registration of movable property collaterals, the preparation of a draft law on penalties for nonpayment of credit.

## **V. Enhancing Competitiveness and the Business Environment**

20. The authorities are determined to expedite the implementation of reforms to sustain private sector development and economic diversification by flowing up on recent measures to facilitate trade and modernize the CEMAC customs framework, and to simplify and update tax obligations while reducing their costs.
21. Actions are also envisaged to better adopt best international standards on anti-money laundering and financing of terrorism (AML/CFT)—aided by the BEAC exchange regulation—and comply with the Extractive Industries Transparency Initiative (EITI) principles following the 2019 validation cycle.

## **VI. Conclusion**

22. Cameroon continues to make progress in its program implementation amid difficult circumstances marked by security problems in two regions of the country, the SONARA shock, and an uncertain international environment. The authorities remain firmly committed to the program implementation, and their actions are contributing to rebuilding CEMAC's external buffers, consistent with the regional strategy. They look forward to Fund's continued assistance and would appreciate the Executive Board's completion of the Fifth Review under the ECF arrangement as well as their requests for nonobservance of a PC and modification of PCs.