INTERNATIONAL MONETARY FUND

IMF Country Report No. 23/251

# CAMEROON

July 2023

## FOURTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY ARRANGEMENTS, AND REQUESTS FOR WAIVER FOR NONOBSERVANCE OF PERFORMANCE CRITERION AND MODIFICATION OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CAMEROON

In the context of the Fourth Reviews Under the Extended Credit Facility and the Extended Fund Facility Arrangements, and Requests for Waiver for Nonobservance of Performance Criterion and Modification of Performance Criteria, 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 June 29, 2023, following discussions that ended on May 17, 2023, 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 June 16, 2023.
- A **Statement by the Staff Representative** on Cameroon
- A **Statement by the Executive Director** for Cameroon.

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

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

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

# IMF Executive Board Completes Fourth Reviews of Extended Credit Facility and Extended Fund Facility Arrangements for Cameroon and Approves US$73.6 Million Disbursement

**FOR IMMEDIATE RELEASE**

- The IMF Executive Board completed the Fourth Reviews under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) arrangements. This allows for an immediate disbursement of about US$73.6 million.
- Cameroon's economic recovery has continued in an uncertain domestic and global environment, with growth estimated at 3.8 percent in 2022 and expected to reach 4 percent in 2023, supported mainly by non-oil production.
- Sustained reforms will be needed to create additional fiscal space for productive investment and social spending, while maintaining debt sustainability and boosting Cameroon's growth and resilience.

**Washington, DC – June 29, 2023:** The Executive Board of the International Monetary Fund (IMF) completed today the Fourth Reviews of Cameroon's Fund-supported program. The three-year blended arrangements under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) approved on July, 29, 2021 seek to support the country's economic and financial reform program (see press release). The completion of the reviews allows for the immediate disbursement of SDR 55.2 million (about US$73.6 million) bringing total disbursements under the arrangements to SDR 372.6 million (around US$493.6 million).

Cameroon is showing resilience in an uncertain domestic and global environment. Growth is estimated at 3.8 percent in 2022, supported by non-oil production. Headline inflation is estimated at 7.3 percent at end-2022 year-on-year. The overall fiscal deficit improved from 3 percent of GDP in 2021 to around 1.1 percent of GDP in 2022 reflecting higher oil and non-oil revenues. The non-oil primary deficit remained unchanged at around 3.9 percent of GDP in 2022 owing to an increase in expenditure on fuel subsidies.

The medium-term outlook remains positive, provided reforms continue and the external environment becomes more supportive. Real GDP growth is expected to reach 4 percent in 2023 and to average 4.4 percent in the medium term. This improvement is driven by the agroindustry, forestry, and services sectors, as well as LNG production, which is projected to partially offset declining oil output. Inflation is expected to return to below 3 percent in the medium term.

In completing the reviews, the Executive Board approved the waiver of nonobservance of the performance criterion on the non-accumulation of new external payments arrears on grounds that the breach was temporary and minor.

At the conclusion of the Executive Board's discussion, Mr. Kenji Okamura, Deputy Managing Director and Acting Chair, made the following statement:

“Cameroon’s recovery has continued in a challenging domestic and external environment. The ECF and EFF arrangements have supported the authorities’ efforts to sustain macroeconomic stability, promote growth, and progress on longstanding reforms. The country’s medium-term outlook remains favorable, despite increasing challenges. Resolute reform implementation will help manage current shocks, while boosting growth and resilience.

“Cameroon’s performance under the program is mixed. The quantitative performance criterion on the accumulation of external arrears experienced further minor and temporary breaches in early 2023, and three of five indicative targets under the program have been repeatedly missed. While structural reforms continue to be slow, the authorities have made welcome progress in some key areas, including governance and revenue administration. Continued implementation of corrective measures to address missed targets and accelerate reforms will be crucial.

“The authorities are committed to maintaining a fiscal consolidation path consistent with program objectives. Additional room for productive investment and social spending can be created through efforts to increase domestic non-oil revenue mobilization, enhance investment efficiency, improve public financial management, and gradually phase out fuel subsidies, while mitigating the impact on the vulnerable. The authorities are also committed to limiting non-concessional financing and preventing accumulation of external and domestic arrears. Improving cash management and limiting spending through exceptional procedures will be important in this regard.

“To unlock Cameroon’s abundant growth potential, structural reforms need to be accelerated. Steps to boost private sector-led growth, including the launch of the financial inclusion strategy, as well as recent steps to strengthen governance, especially the launch of a broad diagnostic of economic governance and plans to strengthen the Supreme Court’s Audit Bench, are welcome.

“However, further measures are needed to improve the business climate, including by strengthening financial sector stability and inclusion. These should be accompanied by actions to strengthen governance and transparency, as well as the anti-corruption framework, including addressing the AML/CFT framework deficiencies identified by the Financial Action Task Force (FATF). “

## Table 1. Cameroon: Selected Economic and Financial Indicators, 2021-28

(CFAF billion, unless otherwise indicated)

| | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Est. | 3rd Rev. | Est. | 3rd Rev. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| | (Annual percentage change, unless otherwise indicated) | | | | | | | | | |
| **National account and prices** | | | | | | | | | | |
| GDP at constant prices | 3.6 | 3.4 | 3.8 | 4.3 | 4.0 | 4.2 | 4.4 | 4.5 | 4.5 | 4.6 |
| Oil GDP at constant prices | -3.2 | -5.1 | 1.9 | 0.7 | -1.8 | -1.3 | -1.4 | -1.0 | -0.6 | -0.4 |
| Non-Oil GDP at constant prices | 3.8 | 3.6 | 3.8 | 4.4 | 4.1 | 4.3 | 4.6 | 4.6 | 4.6 | 4.7 |
| GDP deflator | 3.3 | 4.6 | 5.7 | 4.8 | 2.7 | 2.7 | 2.3 | 1.3 | 1.3 | 1.4 |
| Nominal GDP (at market prices, CFAF billions) | 25,158 | 27,210 | 27,591 | 29,749 | 29,457 | 31,521 | 33,691 | 35,661 | 37,760 | 40,066 |
| Oil | 801 | 1,073 | 1,152 | 907 | 872 | 797 | 761 | 735 | 716 | 702 |
| Non-Oil | 24,357 | 26,137 | 26,439 | 28,841 | 28,585 | 30,724 | 32,930 | 34,926 | 37,044 | 39,364 |
| Consumer prices (average) | 2.3 | 5.3 | 6.3 | 5.9 | 6.2 | 4.8 | 3.0 | 2.3 | 2.0 | 2.0 |
| Consumer prices (eop) | 3.5 | 6.0 | 7.3 | 5.7 | 5.9 | 3.7 | 2.3 | 2.1 | 2.0 | 2.0 |
| **Money and credit** | | | | | | | | | | |
| Broad money (M2) | 17.2 | 11.4 | 11.4 | 8.1 | 9.0 | 8.0 | 7.2 | 7.0 | 7.0 | 7.0 |
| Net foreign assets 1/ | 4.3 | 7.7 | 7.7 | 1.0 | 2.9 | 0.7 | 1.7 | 2.0 | 1.4 | 1.9 |
| Net domestic assets 1/ | 12.9 | 3.6 | 3.6 | 7.0 | 6.1 | 7.3 | 5.5 | 5.0 | 5.7 | 5.1 |
| Domestic credit to the private sector | 9.7 | 13.6 | 13.6 | 8.8 | 10.4 | 9.2 | 7.6 | 7.0 | 7.0 | 7.0 |
| | (Percent of GDP, unless otherwise indicated) | | | | | | | | | |
| **Savings and investments** | | | | | | | | | | |
| Gross national savings | 14.0 | 15.9 | 16.3 | 15.9 | 15.6 | 16.1 | 17.1 | 17.5 | 18.4 | 19.2 |
| Gross domestic investment | 17.9 | 17.4 | 18.1 | 18.8 | 18.5 | 19.2 | 19.8 | 20.4 | 21.3 | 22.2 |
| Public investment | 4.5 | 5.2 | 4.6 | 5.0 | 5.0 | 5.4 | 5.8 | 6.4 | 6.8 | 7.0 |
| Private investment | 13.4 | 12.2 | 13.5 | 13.8 | 13.5 | 13.7 | 14.0 | 14.1 | 14.5 | 15.2 |
| **Central government operations** | | | | | | | | | | |
| Total revenue (including grants) | 14.0 | 16.1 | 16.0 | 15.5 | 15.9 | 15.5 | 15.3 | 15.3 | 15.3 | 15.4 |
| Oil revenue | 1.9 | 3.6 | 3.5 | 2.8 | 2.9 | 2.1 | 1.8 | 1.7 | 1.6 | 1.5 |
| Non-oil revenue | 11.8 | 12.0 | 12.1 | 12.4 | 12.7 | 13.1 | 13.3 | 13.5 | 13.7 | 13.9 |
| Total expenditure | 16.9 | 18.0 | 17.1 | 16.2 | 16.7 | 16.1 | 15.7 | 16.0 | 16.3 | 16.4 |
| Overall fiscal balance (payment order basis) | | | | | | | | | | |
| Excluding grants | -3.2 | -2.4 | -1.5 | -1.1 | -1.1 | -1.0 | -0.6 | -0.9 | -1.1 | -1.0 |
| Including grants | -3.0 | -1.8 | -1.1 | -0.8 | -0.8 | -0.6 | -0.3 | -0.7 | -1.0 | -1.0 |
| Overall fiscal balance (cash basis) | | | | | | | | | | |
| Excluding grants | -2.7 | -2.8 | -1.6 | -1.6 | -2.4 | -1.8 | -1.2 | -1.3 | -1.1 | -1.0 |
| Including grants | -2.4 | -2.3 | -1.2 | -1.3 | -2.0 | -1.5 | -0.9 | -1.2 | -1.0 | -1.0 |
| Non-oil primary balance (payment order basis) | -3.9 | -4.5 | -3.9 | -2.4 | -2.5 | -1.7 | -1.1 | -1.4 | -1.5 | -1.5 |
| **External sector** | | | | | | | | | | |
| Trade balance | -1.1 | 0.4 | 0.1 | -1.3 | -1.4 | -1.6 | -1.4 | -1.6 | -1.7 | -1.8 |
| Oil exports | 4.9 | 7.1 | 7.8 | 5.4 | 5.2 | 4.5 | 4.2 | 3.7 | 3.3 | 2.9 |
| Non-oil exports | 8.3 | 8.9 | 8.0 | 8.0 | 8.2 | 8.0 | 8.1 | 8.2 | 8.3 | 8.5 |
| Imports | 14.4 | 15.7 | 15.6 | 14.7 | 14.8 | 14.1 | 13.8 | 13.5 | 13.2 | 13.2 |
| Current account balance | | | | | | | | | | |
| Excluding official grants | -4.2 | -2.2 | -2.2 | -3.2 | -3.3 | -3.1 | -2.9 | -2.9 | -3.0 | -3.0 |
| Including official grants | -4.0 | -1.6 | -1.8 | -2.8 | -2.9 | -3.0 | -2.7 | -2.9 | -2.9 | -3.0 |
| Terms of trade | 9.4 | 3.6 | -6.8 | -8.4 | -7.6 | -1.6 | 0.2 | -4.0 | -4.1 | -4.1 |
| **Public debt** | | | | | | | | | | |
| Stock of public debt | 46.8 | 46.4 | 45.5 | 42.8 | 43.2 | 41.1 | 38.8 | 37.3 | 36.2 | 35.2 |
| *Of which:* external debt | 31.7 | 32.7 | 30.9 | 30.5 | 30.7 | 29.7 | 28.7 | 28.2 | 27.8 | 27.8 |

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

1/ Percent of broad money at the beginning of the period.

INTERNATIONAL MONETARY FUND

# CAMEROON

June 16, 2023

## FOURTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY ARRANGEMENTS, AND REQUESTS FOR WAIVER FOR NONOBSERVANCE OF PERFORMANCE CRITERION AND MODIFICATION OF PERFORMANCE CRITERIA

**Context.** Cameroon's recovery has continued, despite security concerns and external risks, including tight global financial conditions and increased oil price volatility. Cameroon is a fragile and conflict affected state, with drivers of fragility ranging from insurgency and conflicts along its borders and in neighboring countries, to poor governance, social exclusion, and climate change. Nevertheless, economic prospects remain positive in the medium term, provided reforms continue, and the external environment is supportive. The three-year arrangements under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) approved in July 2021 amount to SDR (Special Drawing Rights) 483 million (about US$689.5 million, or 175 percent of quota). Completion of the fourth review will allow a disbursement of SDR 55.2 million (about US$73.3 million).

**Policy Discussions**. The fourth ECF/EFF review discussions focused on macro-critical policy measures to manage current shocks, while boosting growth and resilience, mainly: (i) remaining on the fiscal consolidation path, without compromising growth; (ii) gradually phasing out fuel subsidies and mitigating the impact on the most vulnerable; (iii) improving non-oil revenue mobilization; (iv) corrective actions to address long-standing budget management issues that hamper fiscal performance (v) enhancing the quality of spending and improving expenditure efficiency; (vi) reinforcing governance, transparency and anti-corruption efforts; and (vii) unlocking Cameroon's growth potential and bolstering resilience, including through financial sector reforms and climate action.

**Program performance is mixed.** All QPCs except one were met at end-December 2022. The QPC on the non-accumulation of external arrears experienced further minor and temporary breaches in early 2023—in addition to the temporary and minor breaches in late 2022 reported in the last review—due to spending through exceptional procedures, including Treasury advances, and cash management issues. Three of the five indicative targets (ITs) were breached, namely the ceilings on the net accumulation of domestic payment arrears, direct interventions of the National Hydrocarbons Company (SNH), and the share of expenditure executed through exceptional procedures. Corrective measures to address underlying issues include a new indicative target and a new structural benchmark (SB). Two of the four SBs for the fourth review were met: the publication of an action plan for strengthening audit institutions (SB7) and the publication of the 2021 COVID expenditure audit (SB8). The issuance of the order specifying the procedures for the October 2021 decree governing project management (SB12) was delayed and rephased to August 2023. The publication of the implementing texts of the mining code (SB4) was also delayed and rephased to September 2023.

Approved By
**Vitaliy Kramarenko (AFR) and Bergljot Barkbu (SPR)**

An IMF team comprising Ms. Sancak (Head), Ms. Nkhata, Ms. Isakova, (all AFR), Messrs. Sarr (FAD), Vaccaro-Grange (MCM), Huang (SPR), Staines (Resident Representative), and Messrs. Tchakote and Ambassa (local economists) held discussions with the authorities virtually and in person in Yaoundé, during May 4-17, 2023. Research assistance was provided by Mr. Cai (AFR) and administrative assistance by Ms. Biloa (AFR) and Ms. Essia Ngang (Field Office Manager).

# CONTENTS

**ANNEXES**



**APPENDIX**

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

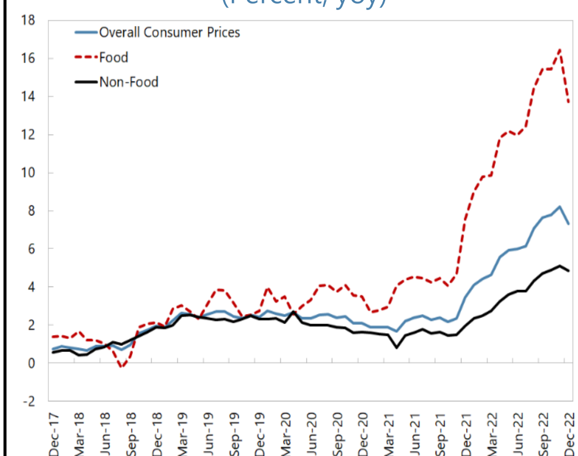
## A. Recent Economic Developments

**1. Cameroon's economic recovery continued in 2022, despite continued fragility and strong external headwinds.** GDP growth is estimated at 3.8 percent in 2022, up from 3.4 percent in late 2022, with the agroindustry and service sectors remaining vibrant. However, stubbornly high inflation in advanced markets has kept interest rates high, which has continued to dampen investment and growth.[1]

**2. Inflation pressures are subsiding with the easing of global pressures, but risks remain.** Headline inflation stood at 7.3 percent at end-2022 year-over-year, up from 3.5 percent at end-2021. While domestic food prices have been the main drivers, non-food and non-energy prices have also increased. World food and fertilizer prices and supply chain constraints have eased, but risks remain from a potential lagged global food price pass-through to domestic prices. Estimates indicate that over three million people were severely food-insecure between January and May 2023, a 5 percent increase compared to the same period in 2022.[2]

**Text Figure 1. Cameroon: Inflation (2017-22)**

(Percent, yoy)




Source: Country authorities and IMF staff calculations.

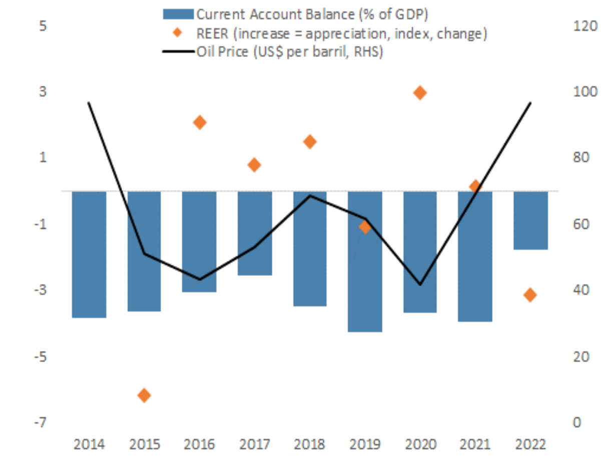
**3. The BEAC has tightened monetary policy in the face of inflationary pressures.** On March 27, BEAC's Monetary Policy Committee raised the policy rate by 50 bps to 5 percent—a cumulative 175 bps increase since November 2021—and tightened banks' refinancing conditions, discontinuing weekly liquidity injections after steadily scaling them back. However, region-wide inflation reached 6.5 percent at end-2022, reflecting second-round global inflation pressures.

[1] Cameroon has recently been added to the list of fragile and conflict affected states (FCS) based on a range of indicators including increased insurgency along its border, conflicts in neighboring countries, poor governance, social exclusion, lagging regions, and climate change and fragility interlinkages. The IMF is launching the preparation of a country engagement strategy (CES) assessing all the drivers of fragility, which will inform the IMF's ongoing and future engagement with Cameroon.

[2] West & Central Africa Food Security Data - Cadre Harmonisé (March 2023).

**4. The external position improved in 2022 with higher prices for oil exports and a real effective exchange rate (REER) depreciation.** The current account deficit is estimated to narrow from 4.0 percent of GDP in 2021 to 1.8 percent in 2022, reflecting higher global hydrocarbon prices and REER depreciation, despite rising inflation and import prices.

**Text Figure 2. Cameroon: Current Account Balance, Oil Price, and REER**




Source: Country authorities and IMF staff calculations.

**5. Fiscal performance was marked by both external developments and policy responses.** Higher oil revenues and strong non-oil revenues reduced the overall deficit to 1.1 percent of GDP in 2022, from 3 percent in 2021. However, this was offset by an increase in current expenditure on oil subsidies and the non-oil primary balance (NOPB) remained unchanged at 3.9 percent of GDP in 2022.

**6. Cameroon remains at high risk of debt distress.** The 2023 debt sustainability analysis (DSA) showed deteriorated indicators compared to the previous DSA in 2022, mainly due to external shocks, including a weaker exchange rate, and lower growth projections. Two out of four indicators breached the thresholds under the baseline scenario (¶28).

## B. Outlook and Risks

**7. Medium-term prospects remain favorable provided reforms continue, and the external environment is supportive.** Real GDP growth is projected at 4.0 percent in 2023, lower than expected, following delayed contracting for Liquefied Natural Gas (LNG) and oil production. Growth should average 4.4 percent in the medium term, driven by agroindustry, forestry, and services and the LNG sector, which will partially offset declining oil output. Average inflation could moderate from 7.3 percent at end-2022 to 5.9 percent at end-2023 and should decline to below 3 percent in the medium term. The current account deficit is expected to improve and stabilize around 3 percent of GDP in the medium term. Compliance with CEMAC foreign exchange regulations should increase the repatriation of export earnings and curb illicit outflows, thus helping to consolidate regional foreign exchange reserves. The public debt-to-GDP ratio is expected to decline to below 40 percent by 2025.

- **The staff and the authorities agreed that the outlook is subject to considerable downside risks (Risk Assessment Matrix, Annex I) in the near term.** These include domestic risks, such as the security situation and slow reforms, regional risks, and global risks, such as recession and persistence of Russia's war in Ukraine, volatile global hydrocarbon prices, tighter global financial conditions, potential rollover challenges, and climate-related shocks.
- **Risks are mitigated.** Cameroon has a strong record of implementing macroeconomic programs, close engagement with donors, and a comprehensive CD program. The authorities also highlighted upside developments related to the scheduled completion of several long-delayed large infrastructure projects.

## C. Program Performance

**8. Program performance at end-December 2022 was mixed (MEFP, Table 1).** All QPCs except one were met at end-December 2022. The continuous QPC on non-accumulation of external arrears was missed following late debt service payments in early 2023, mainly to Exim Bank China, Exim Bank Turkey, and Deutsche Bank Spain. While these breaches were minor (0.2 percent of GDP) and temporary, they highlight the need to improve cash management and limit spending through exceptional procedures.[3] Weak cash management, higher fuel subsidies, security needs, and other unexpected expenditures led to increased recourse to exceptional procedures and additional liquidity pressures, and accumulation of domestic arrears despite a stronger fiscal position. Security concerns led additionally to a greater use of SNH direct interventions.

**9. The quantitative performance at end-March 2023 is similarly mixed**. Four out of nine indicative targets (ITs) were missed, namely the ceiling on SNH direct interventions, the share of spending executed through exceptional procedures, the net accumulation of domestic payment arrears and the floor on poverty-reducing social spending (MEFP, Table 1). The slow pace of budget execution in the first quarter resulted in lower than planned social spending.

**10. The authorities have committed to corrective measures to address the mixed performance.** They intend to reduce and improve monitoring of expenditures through exceptional procedures, including by complying with a new IT on cash advances without a budget allocation **(¶26**, **MEFP, Table 1**). Such advances do not usually follow normal expenditure chain, and payments are made without a commitment or payment order by the authorized body, which challenges cash management and may create additional liquidity pressures. The new IT aims at constraining such expenditures. In addition, a new SB on including the stock of arrears into the budget law **(¶26**, **MEFP, Table 2)**, should help clear the stock of unpaid obligations at end-2022 and reduce pressure on Treasury. Regarding SNH direct interventions, the authorities have set up a committee to monitor transactions (Country Report No. 23/114, March 2023) and submit to the IMF a quarterly report on SNH interventions by type of expenditure, starting from the first quarter of 2023 (**MEFP ¶31**), which is expected to improve transparency on these interventions.

**11. Progress on structural benchmarks (SBs) has continued (MEFP, Table 2)**.

- Two SBs assessed as part of the fourth review were met on schedule. The Audit Chamber of the Supreme Court has published its audit report on expenditures related to the COVID-19 pandemic in 2021 (SB8, March 2023). In addition, the authorities have published an action plan to strengthen supreme audit institutions (SB7, April 2023).
- The issuance of the order specifying the procedures for the October 2021 decree governing project management units (SB12) was delayed and rephased to August 2023.

[3] There were temporary and minor breaches also in late 2022, as reported in the last review (Country Report No. 23/114, March 2023).

- The publication of the implementing texts of the mining code (SB4) was also delayed and rephased to September 2023.
- Furthermore, two SBs due for the Fifth Review were met: (i) SB2 on PPPs, due end-June 2023, has been met; and (ii) SB10 on increasing the number of VAT taxpayers from 13,500 at end-December 2022 to 14,850 by end-October 2023 was implemented before the due date. SB9 on SONARA's restructuring, due end-June 2023, was delayed and rephased to September 2023 (¶25).

# POLICY DISCUSSIONS

***Discussions Focused on Macro-critical Policy Measures to Manage current Shocks and Bolster Growth and Resilience***

**12. The NOPB remained within the program target at end-2022, partly as some of the fuel subsidy cost was carried over to 2023.** With continued economic recovery and revenue administration measures, non-oil revenue increased by about 13 percent in 2022, while oil revenue doubled due to higher international oil prices leading to an improvement in the overall fiscal deficit to 1.1 percent of GDP in 2022 from 3 percent of GDP in 2021. However, higher oil prices also increased the budget cost of the fuel subsidy in the absence of domestic fuel price adjustment. The total cost of the fuel subsidy in 2022 is estimated at over CFAF 900 billion (3.4 percent of GDP) compared to CFAF 600 billion (2.2 percent of GDP) in the revised 2022 budget. The NOPB remained within the program deficit target of 4 percent of GDP in 2022 (Text Table 1, MEFP, Table 1) with higher spending on goods and services offset by lower investment spending. In addition, about a third of the cost of the fuel subsidy was carried over to 2023 due to the validation of some 2022 fuel importers' bills in 2023.

**13. Spending through exceptional procedures, including Treasury advances without a budget allocation, and cash management issues led to accumulation of domestic payment obligations and delays in external payments in 2022.** At end-2022, unpaid domestic obligations stood at 1.7 percent of GDP, of which 0.7 percent of GDP were over 90 days—which are defined as domestic arrears under the CEMAC definition. The share of expenditures through exceptional procedures exceeded 10 percent of total spending at end-2022, compared to the program target of 4 percent, due to underestimated spending needs and increased cost of security and fuel subsidies. An important part of these expenditures were Treasury advances, including for fuel subsidy payments to fuel importers, which stood at 1.3 percent of GDP in 2022.

**14. Strong revenue performance and slow budget execution shaped the program performance at end-March 2023.** Oil revenue increased by 50 percent in in the first quarter year-on-year, while non-oil revenue increased by 13 percent during the same period. Primary spending execution has been lagging, which has also led to lower spending on social needs relative to the program objective for March 2023. Thus, the NOPB remained in surplus and exceeded the program target.

## A. Fiscal Consolidation with Growth: Creating Fiscal Space for Productive Investment and Social Protection

***Continued Fiscal Consolidation***

**15. The underestimated fuel subsidy cost in 2022, part of which was carried forward, crowds out spending in the 2023 budget.** Following the validation of late fuel import invoices from 2022, an additional fuel subsidy cost of CFAF 330 billion (1.1 percent of GDP) will be carried over to the 2023, bringing the fuel subsidy spending in the 2023 budget to CFAF 453 billion (1.5 percent of GDP).

**16. The government is committed to maintaining a fiscal consolidation path in line with program objectives.** Continued economic recovery and revenue administration measures should support revenue mobilization in 2023. Lower oil price projections are expected to help limit the cost of the fuel subsidy in 2023 and partly offset the carry-over from 2022. The NOPB is projected to increase slightly from 2.4 percent to 2.5 percent of GDP to accommodate recent developments and updated projections while keeping the fiscal path in line with program objectives (Text Table 1).

**Text Table 1. Cameroon: Fiscal Performance and Projections**
(Percent of GDP)

| | 2022 | 2023 | |
|---|---|---|---|
| | Est. | 3rd Rev. | Proj. |
| Total revenue and grants | 16.0 | 15.5 | 15.9 |
| Oil revenue | 3.5 | 2.8 | 2.9 |
| Non-oil revenue | 12.1 | 12.4 | 12.7 |
| Grants | 0.4 | 0.3 | 0.3 |
| | | | |
| Total expenditure | 17.1 | 16.2 | 16.7 |
| Current expenditure | 12.5 | 11.0 | 11.5 |
| Transfers and subsidies | 4.2 | 3.1 | 3.5 |
| Interest payments | 0.8 | 1.1 | 1.1 |
| Capital expenditure | 4.6 | 5.0 | 5.0 |
| | | | |
| Overall balance | -1.1 | -0.8 | -0.8 |
| Non-oil primary balance | -3.9 | -2.4 | -2.5 |

Source: Country authorities and IMF staff calculations.

**17. The revised budget law (LFR) has been submitted to Parliament (prior action).** The LFR will support the government program commitments as it reflects policy developments since early 2023, including the domestic fuel price increase in February 2023 and the additional revenue and expenditure measures discussed in Report No. 23/114, March 2023 as well as recent assumptions and policy changes discussed in ¶15-16.

**18. The authorities intend to further reduce the fiscal deficit in 2024.** Under current projections, the overall deficit would decline to 0.6 percent of GDP and the NOPB to a deficit of 1.7 percent of GDP. Additional efforts will come from further expenditure rationalization, including on the subsidies and transfers (around 1.1 percent of GDP) and stronger non-oil revenue mobilization (around 0.3 percent of GDP) due to envisaged measures discussed in ¶24 (Text Table 2).

**Text Table 2. Cameroon: Contributions to Changes in Overall Deficit in 2024**
(Percent of GDP)

| | 2023 | 2024 | Changes |
|---|---|---|---|
| Oil revenue | 2.9 | 2.1 | -0.7 |
| Non-oil revenue | 12.7 | 13.1 | 0.3 |
| Grants | 0.3 | 0.3 | 0.0 |
| Subsidies and transfers | 3.5 | 2.4 | -1.1 |
| Capital expenditure | 5.0 | 5.4 | 0.5 |
| Other current expenditure | 8.2 | 8.3 | 0.1 |
| **Deficit** | **-0.8** | **-0.6** | **-0.2** |

Source: Country authorities and IMF staff calculations.

### *Fuel Subsidy Reform*

**19. The authorities recognize the need to gradually phase out fuel subsidies which are costly and untargeted.** They increased retail fuel prices in February 2023 (16 percent for gasoline and 25 percent for diesel) which, under the prevailing assumptions, would reduce the fuel subsidy to 0.5 percent of GDP in 2023, excluding the carry-over from 2022. However, further retail fuel price adjustments will be needed in 2024-25 to gradually eliminate gross subsidies while the authorities review the current fuel pricing mechanisms and consider reform options.

**20. Staff recommended introducing an automatic fuel price adjustment mechanism with price smoothing in 2025, along with mitigating measures to support the most vulnerable**. Such a mechanism would protect fiscal revenues while ensuring a full pass-through of changes in international fuel prices to domestic fuel prices. The incorporation of a smoothing mechanism would help limit short-term price volatility. The reform will need to be accompanied by mitigating measures, including expanding the coverage of social transfers, improving access to education and health services, accelerating SONARA restructuring, and achieving the energy transition. While the authorities are concerned with the high oil price volatility and the increased fuel subsidy cost, they have not yet decided to implement an automatic fuel price adjustment mechanism.

### *Priority Investment Spending*

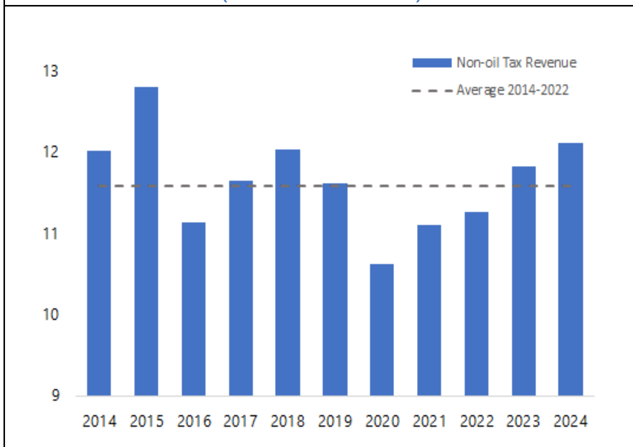
**21. The authorities remain committed to reforms to improve investment spending efficiency.** These reforms aim to improve the planning and execution of investment projects, in line with the IMF's Public Investment Management Assessment (PIMA) recommendations. The government will sign legislative acts on the implementation of the decree defining the monitoring of the units responsible for project management (SB12, April 2023, rephased to August 2023). Given the limited fiscal space and slow execution of capital spending, there is an urgent need to prioritize projects based on their impact on growth, revenues, and fiscal sustainability. This will also help maintain priority spending while keeping fiscal performance on track. The government is also taking measures to improve transparency of government procurement practices and plans to launch an information system to allow better monitoring of project procurement (new SB14, May 2024, ¶32).

**22. The electricity sector in Cameroon needs developing, but the budgetary implications merit close examination.** Developing the sector could yield significant budget savings and boost growth over the medium term. The sector currently benefits from government subsidies and is not yet financially self-sufficient. In 2022, the subsidy to the sector (tariff compensation) is estimated at 0.3 percent of GDP. There is also an expected cost related to the start of the operation of the Nachtigal Hydro Power Plant, which would lead to losses to the national distribution company, ENEO, in the absence of transmission infrastructure, a potential contingent liability for the budget. The World Bank is planning a US$300 million project to support a transmission line construction, with disbursements during 2024-28. Work is underway on a package of supporting reforms, including tariff increase, estimated to generate about US$384 million in savings over the medium term.

***Non-Oil Revenue Mobilization***

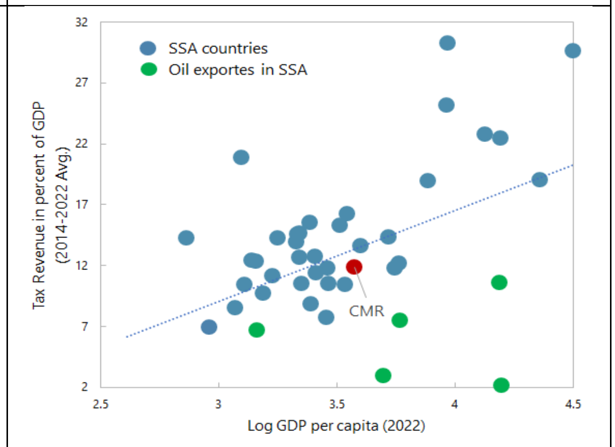
**23. Higher investment and social spending while maintaining the program fiscal path requires stronger non-oil revenue mobilization.** Non-oil tax revenue has fluctuated around 12 percent of GDP over the past decade. After declining in 2020 due to economic downturn and COVID-19 related tax accommodation measures, non-oil revenue is expected to recover to its historic average in 2023. Resolute implementation of IMF TA recommendations will be critical to gradually create fiscal space for priority spending.

**Text Figure 3. Cameroon: Non-Oil Tax Revenue**
(Percent of GDP)




Source: Country authorities and IMF staff calculations.

**Text Figure 4. Tax Revenue (percent of GDP) vs. GDP per capita (log)**




Source: Country authorities, World Economic Outlook, and IMF staff calculations.

**24. The authorities remain committed to pressing ahead with tax policy and revenue administration reforms.** They plan to gradually reduce CIT exemptions following an audit of the application of the 2013 law (2013/004) on investment incentives. The authorities are also considering, among others, the following measures for 2024, which are in line with IMF TA recommendations: (i) the reform of the personal income tax; (ii) the transformation of the simplified tax system into a synthetic tax based on the turnovers; (iii) the rationalization of tax exemptions, including by reducing the number of goods exempted from VAT. These measures will help improve non-oil revenue to GDP ratio from 12.7 in 2023 to 13.1 percent in 2024. On the revenue administration front, better coordination between General Directorates for Taxes and Customs (DGI and DGD) resulted in an increase in the number of VAT taxpayers from 13,500 to 14,850 between end-December 2022 and April 2023 (SB10, October 2023). The authorities plan to increase this number further to 16,000 by end-2023.

## B. Structural Fiscal Reforms

**25. The mission reviewed progress on the SBs in the Public Financial Management (PFM) area, including:**

- **Domestic arrears.** The government remains committed to clearing domestic arrears in the public sector. The authorities have successfully completed the audits of government payment arrears over the period 2000–2019 and will adopt a settlement plan guaranteeing public debt sustainability (SB1, September 2023).

- **Cross-debts between SOEs.** The inventory of debts between public enterprises themselves is complex because of data availability issues, including late or non-transmission of information and supporting documents, missing debt reconciliation reports, debt agreements and other relevant documents. Nonetheless, work is underway to develop an inventory and a plan for settling SOE cross-debts as of 2020, focusing on the 14 main public enterprises (SB3, September 2023).

- **Legal framework for PPPs.** The authorities have prepared a preliminary version of the new PPP framework which, once adopted, will be harmonized with the future CEMAC PPP framework. The new version of PPP framework has been submitted to Parliament and will be published following its adoption by Parliament (SB2).

- **Mining code.** While the draft decrees for the application of the Code have been completed, a decision remains to be taken on their entry into force. Delays have been related to the need to integrate into the Code the role of the National Mining Corporation (SONAMINES), a public enterprise created at end-2020 (SB4, not met in March 2023, rephased to September 2023).

- **SONARA.** The development of a detailed action plan with financial, organizational, and technical measures to be appended to the restructuring plan has been delayed (SB9, June 2023, rephased to September 2023). The authorities will: (i) conclude debt restructuring negotiations with traders as soon as possible on the same terms as with banks; (ii) validate any shortfalls or overpayments on a monthly basis and settle the amounts owed by the debtor party within a maximum period of 60 days; (iii) require SONARA to pay the taxes and customs duties it owes to the Treasury on a regular basis; and (iv) ensure that marketers are authorized to import a volume of petroleum products compatible with their financial commitments. A further delay of the restructuring plan could increase fiscal risks and jeopardize debt sustainability.

**26. Persistent spending through exceptional procedures has negatively affected program performance and warrants additional measures to improve budget management.** Treasury advances have increased substantially in recent years. As some of these expenditures do not have budget allocations, they crowd out investment and lead to accumulation of domestic arrears for budgeted expenditures and impede timely payment of external obligations. The mission alerted the authorities at all levels to the macroeconomic implications of these unbudgeted expenditures. The mission agreed on the need to improve budget realism and on an indicative target and a structural benchmark to address this long-standing practice. The indicative target sets a ceiling of CFAF 15 billion per quarter on the Treasury advances without a budget allocation. The new structural benchmark requires including a budget allocation in the Budget law of year N+1 for the clearance of the stock of unpaid obligations beyond 90 days in year N.

**27. The authorities are pursuing a study of the sustainability of the civil service pension system.** Spending on pensions has doubled in nominal terms in the last ten years and will continue to increase. There is a need to improve pension projections regularly both in terms of revenue and expenditure.

## C. Maintaining Debt Sustainability Under Active Debt Management

**28. Cameroon remains at high risk of debt distress, but its debt is sustainable.** The risk of external debt distress is high as two out of four indicators breach the thresholds under the baseline scenario (Figure 3). In addition, the present value (PV) of public debt-to-GDP ratio is above the benchmark, indicating a high risk of overall debt distress. On the other hand, external debt stock indicators remain below the threshold, and external debt service indicators are on a downward trend. The debt service-to-revenue ratio is expected to stop breaching the threshold in the medium term. Reducing debt vulnerabilities would require active fiscal reforms and debt management.

### Text Table 3. Cameroon: Decomposition of Public Debt and Debt Service by Creditor, 2022–24

| | Debt Stock | | | Debt Service | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | | 2022 | 2023 | 2024 | 2022 | 2023 | 2024 |
| | *$US, millions* | *Percent of total debt* | *Percent of GDP* | *$US, millions* | | | *Percent of GDP* | | |
| **Total 1/** | **19234** | **100.0** | **43.2** | **1923** | **2694** | **2217** | **4.3** | **5.6** | **4.4** |
| **External** | **13161** | **68.4** | **29.6** | **1195** | **1488** | **1425** | **2.7** | **3.1** | **2.8** |
| Multilateral creditors | 6041 | 31.4 | 13.6 | 132 | 334 | 359 | 0.3 | 0.7 | 0.7 |
| IMF | 1273 | 6.6 | 2.9 | | | | | | |
| World Bank | 2256 | 11.7 | 5.1 | | | | | | |
| AfDB | 1624 | 8.4 | 3.6 | | | | | | |
| Other Multilaterals | 888 | 4.6 | 2.0 | | | | | | |
| o/w IsDB | 636 | 3.3 | 1.4 | | | | | | |
| o/w IFAD | 97 | 0.5 | 0.2 | | | | | | |
| Bilateral creditors | 5496 | 28.6 | 12.3 | 722 | 816 | 804 | 1.6 | 1.7 | 1.6 |
| Paris Club | 1628 | 8.5 | 3.7 | 257 | 249 | 252 | 0.6 | 0.5 | 0.5 |
| o/w France | 1391 | 7.2 | 3.1 | | | | | | |
| o/w Japan | 82 | 0.4 | 0.2 | | | | | | |
| Non-Paris Club | 3725 | 19.4 | 8.4 | 449 | 567 | 552 | 1.0 | 1.2 | 1.1 |
| o/w China | 3603 | 18.7 | 8.1 | | | | | | |
| o/w Turkey | 122 | 0.6 | 0.3 | | | | | | |
| Eurobonds | 875 | 4.5 | 2.0 | 55 | 107 | 101 | 0.1 | 0.2 | 0.2 |
| Commercial lenders | 749 | 3.9 | 1.7 | 285 | 231 | 161 | 0.6 | 0.5 | 0.3 |
| o/w Bank of China | 177 | 0.9 | 0.4 | | | | | | |
| o/w Intesa San Paolo SPA | 101 | 0.5 | 0.2 | | | | | | |
| **Domestic** | **6072** | **31.6** | **13.6** | **728** | **1206** | **791** | **1.6** | **2.5** | **1.6** |
| T-Bills (BTA) | 373 | 1.9 | 0.8 | 11 | 385 | 0 | 0.0 | 0.8 | 0.0 |
| Bonds | 2133 | 11.1 | 4.8 | 348 | 310 | 329 | 0.8 | 0.6 | 0.7 |
| Structured debt | 1259 | 6.5 | 2.8 | 359 | 468 | 419 | 0.8 | 1.0 | 0.8 |
| Non-structured debt | 90 | 0.5 | 0.2 | 11 | 24 | 24 | 0.0 | 0.1 | 0.0 |
| BEAC advances | 1125 | 5.8 | 2.5 | 0 | 19 | 19 | 0.0 | 0.0 | 0.0 |
| Floats and arrears | 1093 | 5.7 | 2.5 | | | | | | |
| **Memo items:** | 0 | | 0.0 | | | | | | |
| Contingent liabilities | **1036** | | **2.3** | | | | | | |
| o/w: Public guarantees (external) | 21 | | 0.0 | | | | | | |
| o/w: Other contingent liabilities | 1015 | | 2.3 | | | | | | |
| o/w external | 585 | | 1.3 | | | | | | |
| o/w domestic | 430 | | 1.0 | | | | | | |
| Nominal GDP (CFAF, billions) | | | | 27591 | 29457 | 31521 | | | |
| Exchange rate, end of period (CFAF/US$) | | | | 619 | … | … | | | |
| Exchange rate, period average (CFAF/US$) | | | | 622 | … | … | | | |

Source: Country authorities and IMF staff calculations.
1/ Excludes public guarantees and other contingent liabilities, which are noted under memo items.

**29. A proposed debt management operation to borrow longer-term external debt to clear domestic unpaid government obligations will help improve the debt profile.** To reduce the overall pressure on public debt service in the short- to medium-term and enhance the capacity to clear domestic arrears in 2023 (SB1), the authorities aim to carry out a debt management operation totaling CFAF 200 billion to help reduce unpaid domestic obligations, through a euro-denominated loan from an external development partner. While external debt stock and service indicators would deteriorate modestly with the new external borrowing, the overall public debt stock indicator would remain unaffected, and the debt service ratios would improve (Figure 3). The operation would result in an improvement of the public debt profile and is aligned with the authorities' 2023-25 debt strategy to further increase average maturity of the public debt.[4]

**30. Cameroon is subject to a program ceiling on the PV of newly contracted or guaranteed external public debt, with an adjustor for World Bank projects in 2023.** While meeting the program ceiling for end-December 2022, the authorities have optimized their borrowing plan to contract more concessional loans. To accommodate concessional infrastructure and social projects financed by the World Bank, an adjustor applies to the 2023 ceiling, which is kept at the 2022 level (Text Table 4). The authorities plan to address the issue of elevated levels of contracted but undisbursed loans (SENDs) and low disbursement rates, including through the October 2021 decree establishing procedures for monitoring the performance of project management units.

**Text Table 4. Cameroon: 2022 Summary Table on External Borrowing Program**

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

Source: Country authorities and IMF staff calculations.
1/ Excludes ordinary credit for imports, debt relief obtained in the form of rescheduling or refinancing, and budget support loans from the WB.
2/ Calculated using exchange rate of 543.201 CFAF/USD.
3/ The PV is calculated using the terms of individual loans and applying the 5 percent program discount rate. The PV of loans with a negative grant element is assumed to be equal to the nominal value of the loan. An adjustor for WB projects, which is the difference between the total PV of newly signed WB projects identified in 2023 and the PV of WB projects in 2022, will apply to the PV ceiling of new debt once new WB projects in 2023 reaches the PV level of the previous year.

[4] As of March 2023, the average term-to-maturity of public debt was 8.1 years.

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

**31. The authorities are making some progress in strengthening transparency, governance, and the fight against corruption.** Cameroon continues to implement its governance commitments related to Rapid Credit Facility (RCF), notably on publication of audit reports on COVID-related expenditures. The 2021 COVID-19 expenditure report was published on March 30, 2023 (SB8). In addition, the authorities have developed and published an action plan to strengthen frameworks for preparing, publishing, and monitoring public expenditure audits, including recommendations to strengthen relevant institutions, in particular the Supreme Court's Audit Chamber (SB7). Furthermore, they have launched and will publish a diagnosis of the country's vulnerabilities in governance and anti-corruption (SB6). Staff emphasized the importance of implementing recommendations in the diagnostic report to address key governance weaknesses and support the implementation of the overall reform program. Addressing governance and corruption vulnerabilities will also help build Cameroon's resilience to fragility.

**32. The Government is committed to facilitating the timely conduct and publication of future audits**. The publication of COVID audits by the Audit Bench represents a milestone in transparency in Cameroon. Government commitment to facilitating timely conduct and publication of future audits is critical to build upon the foundation that has been created. In this regard, it is essential for the government to follow through by supporting and providing the Audit Chamber with sufficient financial resources for implementing its action plan. Additionally, to improve public expenditure management in emergency situations, the government will need to fulfil its intention to act on the recommendations of the published COVID-19 expenditure audits, including by introducing a public register of beneficial owners; by improving the regulation and management of special accounts and the disbursement of emergency funds; and by strengthening public procurement regulations.

**33. The authorities continue reforms to strengthen public enterprise governance** (MEFP¶34). This includes strengthening internal controls, requiring the publication of audited annual financial statements, and the submission of business plans in accordance with Law n°2017/11 of July 12, 2017.

**34. The authorities also continue to work with international bodies responsible for transparency and financial integrity.** In this regard the authorities published the 2020 report by the Extractive Industries Transparency Initiative (EITI) and are working to implement corrective measures for the validation session in October 2023 (MEFP ¶45). Cameroon has also recently undergone a mutual evaluation of the effectiveness of its AML/CFT regime by the Task Force on Money Laundering in Central Africa (GABAC) and is currently in the process of implementing an action plan by the Financial Action Task Force's (FATF's) International Cooperation and Review Group (ICRG). At the end of this process, the FATF will determine whether Cameroon is a jurisdiction with strategic AML/CFT deficiencies.

## E. Unlocking Cameroon's Growth Potential and Strengthening Resilience

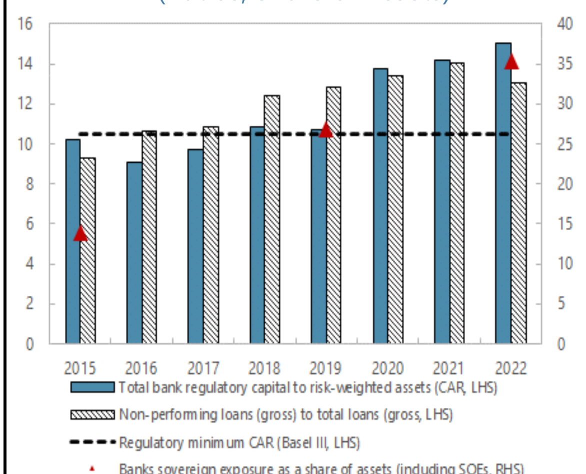
### *Accelerating Private Sector-Led Growth and Diversification*

**35. Cameroon's National Development Strategy 2030 (SND30) will continue to guide development planning.** The strategy envisages increasing the annual growth rate to 8.1 percent on average by 2030, which will require a substantial acceleration in structural reforms. The mission followed up on efforts to accelerate private sector-led growth and diversification, including improving public/private sector dialogue, and avoiding distortions in the tax, legal, and judicial systems that hamper competitiveness. Discussions with the private sector, civil society, and financial sector indicate that there are still many impediments to private sector growth and that the dialogue, while improving, needs to be deepened.[5]

### *Strengthening Financial Stability and Inclusion*

**36. The recent CEMAC analysis indicates that fragilities in the banking system are high.** Uncertainties have increased about the impact of recent shocks on bank asset quality, with the ratio of non-performing loans (NPLs) remaining high at 13 percent in 2022 (Text Figure 5). In addition, banks' exposure to the sovereign has been on an increasing trend and reached 35.3 percent of total assets in 2022, while classified as zero-risk weighted when backed by escrow accounts. This presents important risks for financial stability, including possible intra-region cross-country contagion, especially in the event of further uncertainty in advanced markets. Furthermore, the transfer of selected funds from banks to the recently formed public asset management company (*Caisse des Dépôts et Consignations*, CDEC), although gradual over three years, may threaten the liquidity position of some banks. Besides, the high average capital adequacy ratio (CAR) of 15 percent in 2022 masks the distressed position of the banks that breach COBAC's solvency ratio. The staff therefore strongly encourages the implementation of COBAC's recommendations on provisioning and capitalization as well as the regulation of the new CDEC by COBAC. The authorities agreed to coordinate with COBAC to discuss a framework of regulation, although they considered regulation by COBAC not necessary.

**Text Figure 5. Cameroon: Banking Sector**
(Ratios, Share of Assets)



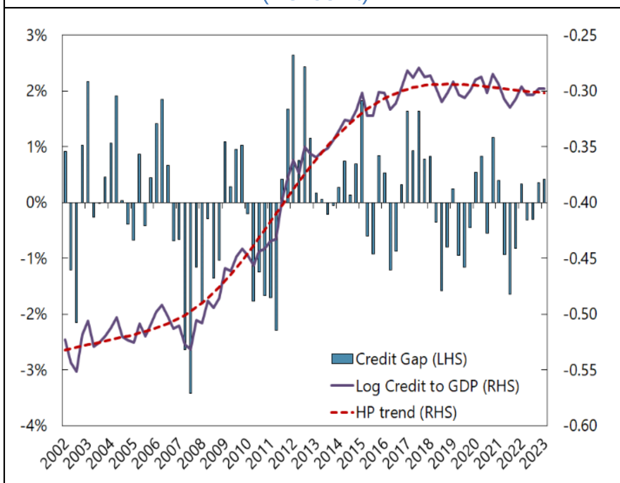

Source: Banking Commission of Central Africa (COBAC).

**37. Measures to strengthen credit risk assessment frameworks should help increase credit to the private sector.** In the context of a strong sovereign-bank nexus where banks are approaching

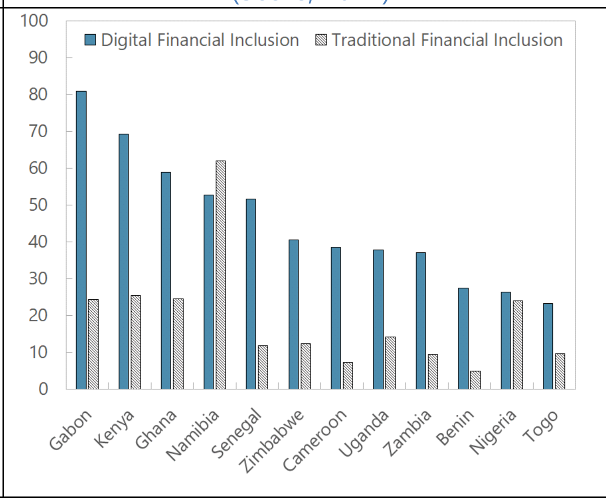
[5] The forthcoming engagement strategy will among other issues consider constraints on reform implementation [FCS SGN. 2023. Section III, p.10]

saturation in government exposure, there is room for more credit to the private sector (Text Figure 6). To that aim, additional efforts are required to increase the confidence of banks in the private sector through a strengthening of the credit risk assessment frameworks. Therefore, the creation of a movable collateral registry (RNSM) and of a credit incident registry are welcomed steps. At the same time, the systematic transmission of data from banks and micro-finance institutions to the existing credit registry (*centrale des risques et des bilans)* would increase the credit risk assessment capabilities of lenders. The simplification of the judiciary procedures and the training of magistrates in the resolution of bank disputes as well as the transformation of the existing commercial chambers into specialized commercial courts, as soon as budget constraints allow, are also essential steps on which the authorities need to continue to work on. Finally, strengthening the operation of the credit recovery agency (*Société de Recouvrement des Créances*, SRC) to ensure a robust governance framework, operational and budgetary independence, and strong transparency and accountability rules, with a sunset clause for banking asset recovery activities, is seen as essential. The SRC should also uniquely focus on its credit recovery activities and refrain from managing recovered immovable assets.

**Text Figure 6. Cameroon: Credit Gap**
(Percent)




**Text Figure 7. Cameroon: Financial Inclusion**
(Score, 2021)




Source: Country authorities, World Bank, and IMF staff calculations.

**38. The government continues resolving the banks in difficulty.** The signature of the authorizing agreement with COBAC to complete the implementation of the restructuring plans for the two banks in difficulty has been postponed to July 2023 (from March 2023).[6] However, the transfer of the NPLs to the credit recovery agency (SRC) was carried out in February 2022, and a first installment of the recapitalizations was paid in 2022. These recapitalizations are in line with the approved restructuring plans in which historical shareholders have not been bailed out. However, fulfilling the asset shortfall for one of the banks will come at a fiscal cost, and its financing needs to be discussed and assessed in line with regulatory requirements. A significant amount is also still left to be transferred by the government in 2023 and 2024 to complete the recapitalization, but the

[6] There were delays in the nomination of administrators and the new board of the two banks and in reaching agreement with existing shareholders regarding tax payments to the State.

authorities have confirmed that the 2023 installment is part of the budget. The authorities need to finalize the restructuring in a timely manner to redress the prudential situation of the two banks in difficulty. This objective should be reached by the end of the ECF-EFF program. The government will then be able to exit the capital of both banks within three to five years as it has committed. In addition, the government will continue the privatization process of the CBC (Commercial Bank of Cameroon), which should be completed within a year.

**39. Cameroon has finalized its Strategy for Financial Inclusion over 2023-27.** The strategy, prepared with the UNDP, is part of a broader CEMAC effort to promote financial inclusion and is expected to cost CFAF 38 billion. The strategy has five pillars relating to: (i) improving the quality, availability and accessibility of financial products and services; (ii) facilitating access to finance for agricultural and agri-food value chains and MSMEs; (iii) promoting innovation and digital finance; (iv) promotion and development of Islamic finance; (v) promoting consumer protection and financial education, especially for women to reduce financial inclusion inequalities; and (vi) improving the regulatory and fiscal framework. Overall, these six pillars will help Cameroon progress both in the traditional and digital dimension of financial inclusion, as the country lags the average level of inclusion in neighboring countries (Text Figure 7).

# PROGRAM ISSUES

**40. Regional assurances.** BEAC met its end-December 2022 NFA (Net Foreign Assets) target and provided updated policy assurances in support of CEMAC countries' Fund-supported programs. A review of regional policies and policy assurances is scheduled to be discussed by the Executive Board in June 2023. Adequate policies and assurances are a condition for the conclusion of the review. The regional assurances on regional NFA are critical for the success of Cameroon's Fund-supported program and to help bolster the region's external sustainability.

**41. Program performance reviews will continue semi-annually through six-monthly and continuous QPCs, quarterly ITs, and SBs.** Staff supports the authorities' request to reset end-September and end-December 2023 QPCs and ITs to reflect the current macroeconomic framework, budget projections, and program commitments.

**42. The authorities request a waiver for nonobservance of a performance criterion on non-accumulation of external arrears on the grounds that the breach is minor and temporary.** A waiver was granted in the third review for the nonobservance of the continuous QPC on non-accumulation of external arrears, which was temporary and minor (Country Report No. 23/114, March 2023). The authorities reported other temporary delays on external payments due early 2023 in the amount of 0.2 percent of GDP. However, all arrears have been cleared, and there are no current outstanding arrears on external payments. The mission agreed to introduce a new IT on limiting Treasury advances and an SB on managing unpaid obligations (MEFP, Tables 1 and 2). These measures are expected to help prevent both domestic and external payment arrears.

**43. Cameroon's capacity to repay the Fund is adequate but subject to significant risks (Table 5).** As of end-December 2022, total outstanding credit from the Fund amounts to 370 percent of quota. Total Fund credit outstanding (based on existing and prospective drawings) peaks at 3.0

percent of GDP in 2023, while annual obligations to the Fund peak at about 3.2 percent of revenues in 2027. Risks to the program and to the capacity to repay the Fund are elevated and are mitigated by Cameroon's past record of repaying the Fund and the strength of the program.

**44. Program risks and mitigation.** Risks relating to global uncertainties, including financial conditions and hydrocarbon prices, have compounded risks relating to the war in Ukraine, but are mitigated by Cameroon's strong record of implementing its macroeconomic programs, close engagement with donors, a comprehensive CD program, and contingency planning. Currently, the authorities plan to use an existing mechanism that enables them to block up to 15 percent of budgeted current expenditures on goods and services to avoid spending overruns. In addition, the new proposed measures on limiting spending through exceptional procedures and improving budget realism (MEFP) are expected to support effective budget implementation and program performance.

**45. Financing assurances.** The program remains fully financed with firm commitments for the upcoming 12 months and good prospects for the remainder of the program.

**46. Consistency with regional strategy.** The evolving global financial sector developments, the uncertain global economic environment, lower projected hydrocarbon prices and a weaker CFAF to the US dollar will affect Cameroon's external balance, and, thus, the projected level of NFA at end-2023. Projections should however remain broadly in line with CEMAC projections.

**Text Table 5. Cameroon: External Financing**
(In billions of CFAF, unless otherwise indicated)

| | 2022 | 2023 | 2024 | Total (CFAF, billions) | Total (SDR, millions) | Percent of Gap | Percent of Quota[1] |
|---|---|---|---|---|---|---|---|
| **Financing Gap** | **280** | **265** | **134** | **680** | **821** | **100** | **297** |
| **IMF Financing** | **115** | **136** | **46** | **297** | **359** | **44** | **130** |
| ECF | 38 | 45 | 15 | 99 | 120 | 15 | 43 |
| EFF | 77 | 91 | 31 | 198 | 239 | 29 | 87 |
| **Budget Support from other Donors** | **165** | **129** | **88** | **383** | **462** | **56** | **167** |
| AfDB | 53 | 41 | 0 | 94 | 113 | 14 | 41 |
| World Bank | 66 | 62 | 62 | 190 | 229 | 28 | 83 |
| France | 46 | 27 | 26 | 99 | 119 | 15 | 43 |
| EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Exceptional Financing** | **0** | **0** | 0 | **0** | **0** | **0** | **0** |
| **Residual Gap** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

Source: IMF staff calculations.
1/ Cameroon's current quota is SDR 276.0 million.

# STAFF APPRAISAL

**47. Cameroon is showing resilience in an uncertain domestic and global environment.** Following an incipient recovery after the COVID-19 shock, Cameroon is facing renewed risks from the external environment, including tight global financial conditions and increased oil price volatility. The economic recovery has continued, and growth is estimated at 3.8 percent in 2022. However, headline inflation reached 7.3 percent year-on-year at end-2022, up from 3.5 percent at end-2021, driven by domestic food prices. Non-food and non-energy prices have also increased.

**48. Program performance is mixed.** The quantitative performance criterion (QPC) on the accumulation of external arrears experienced further minor and temporary breaches in early 2023. Based on preliminary data for March 2023, four indicative targets (ITs) were also breached, namely the ceilings on the net accumulation of arrears on domestic payments, the floor on poverty-reducing social spending, direct interventions of the National Hydrocarbons Company (SNH) and the share of expenditure executed through exceptional procedures.

**49. Progress on structural benchmarks is ongoing.** Two of the four structural benchmarks (SBs) that were assessed as part of this review were met. The issuance of the implementing texts for the October 2021 decree governing project management was delayed and rephased. The publication of the implementing texts of the mining code was also delayed and rephased. Furthermore, two SBs due for the Fifth Review were met: (i) the SB on PPPs, due end-June 2023, was met; and (ii) the SB on increasing the number of VAT taxpayers was met ahead of the deadline (October 2023).

**50. The economic outlook for 2023 and the medium term remains positive, provided reforms continue, and the external environment is supportive.** Economic growth is expected to increase modestly to 4 percent while inflation is expected to moderate from 7.3 percent year-on-year at end-2022 to 5.9 percent at end-2023. The authorities have submitted a revised budget for 2023 and have expressed their continued commitment to maintaining macroeconomic stability and to further reducing the overall fiscal deficit to 0.8 percent of GDP and the non-oil primary fiscal deficit to 2.5 percent of GDP in 2023. However, macroeconomic projections are subject to considerable downside risks especially from an intensification of external pressures and potential stronger-than-expected tightening in financial conditions.

**51. The authorities are committed to the fiscal consolidation path under the program.** They have underscored the need to create fiscal space for productive investment and social spending by mobilizing domestic revenues and improving spending efficiency, while strengthening fiscal discipline. The non-oil primary deficit target under the program was met, though a substantial part of the subsidies for petroleum products for 2022, which was validated only in 2023, has been integrated into the revised 2023 budget. The repeated temporary and minor breaches of the target on non-accumulation of external payment arrears point to the need to improve cash management and limit spending through exceptional procedures. The government will also continue to implement policies consistent with regional external stability, which requires the rebuilding of foreign exchange reserves at the BEAC.

**52. Meeting the national development objectives requires a substantial expansion of fiscal space for priority spending**, especially in infrastructure, while maintaining debt sustainability. The authorities recognize the need to further mobilize non-oil revenues, better target priority spending, and improve expenditure efficiency. They are implementing measures to mobilize domestic non-oil revenues and broaden the tax base following the review of tax policy. Implementing recommendations from the public investment management assessment (PIMA) follow-up of 2020 and from the public expenditure and financial accountability review (PEFA) currently underway will help to improve the efficiency of public spending.

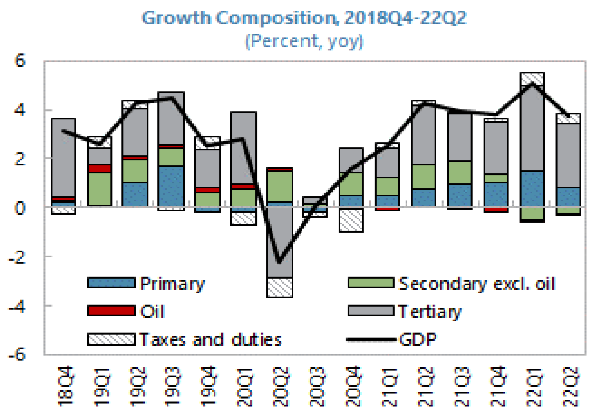
**53. Cameroon remains at high risk of debt distress, but its debt is sustainable.** The planned continued fiscal consolidation, structural reforms, and prudent borrowing that limits reliance on non-concessional borrowing, would support a reduction in debt vulnerabilities. Advancing the negotiation process on SONARA's debt restructuring would limit contingent liabilities.

**54. Structural reforms need to be accelerated to unlock Cameroon's growth potential.** Further steps are needed to enhance investment efficiency, strengthen financial inclusion, and improve the business climate. These should be accompanied by a strengthened transparency, governance, and anti-corruption framework. Continued progress in enhancing the management of SOEs and rehabilitating SONARA will be equally critical. Steps are also needed to strengthen public financial management, especially to ensure a credible budget with disciplined budget execution, which will help avoid the accumulation of unpaid domestic obligations. This will also support timely completion of major infrastructure projects, especially in the transport and energy sectors. Staff welcomes steps to boost private sector-led growth, including the launch of the financial inclusion strategy. Also welcome are recent steps to strengthen governance, especially the launch of a broad diagnostic of economic governance and plans to strengthen the Supreme Court's Audit Bench.

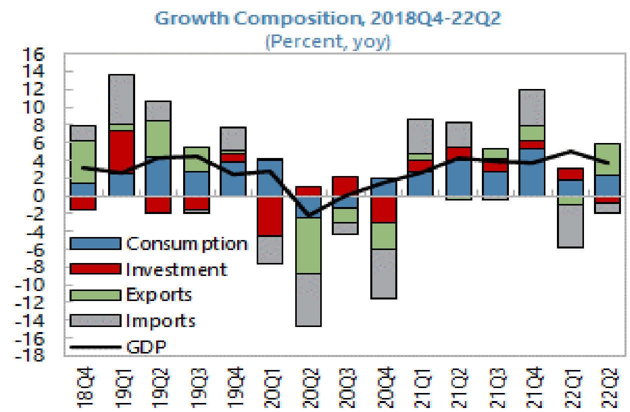
**55. Based on Cameroon's performance under the program, the implementation of the end-December 2022 regional policy assurances and regional policy assurances established in the June 2023 union-wide paper, staff supports the authorities' request for the completion of the fourth reviews.** Staff also supports the authorities' request for (i) the modification of quantitative targets for end-September and end-December 2023; and (ii) a waiver for nonobservance of the non-accumulation of external arrears on the grounds that it is temporary and minor. Staff proposes that completion of the fifth review be conditional on the implementation of critical policy assurances at the union level established in the June 2023 union-wide background paper.

## Figure 1. Cameroon: Real Sector Developments, 2017–23

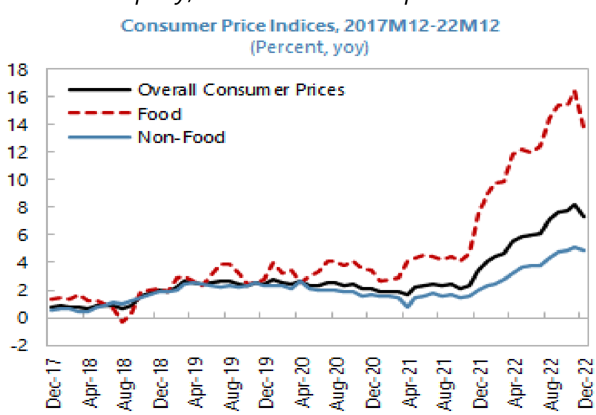
*Growth remained strong, driven by a dynamic tertiary sector…*



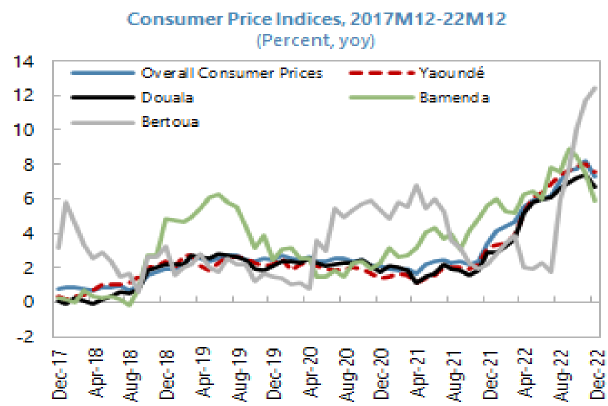

*…and consumption and exports continue to recover.*



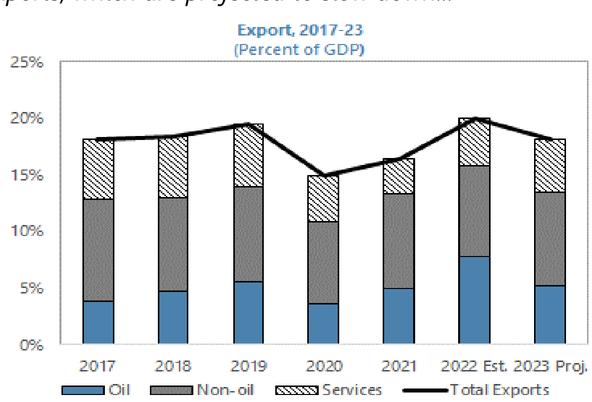

*Inflation, driven by food and energy prices, has accelerated rapidly, but seems to have peaked…*



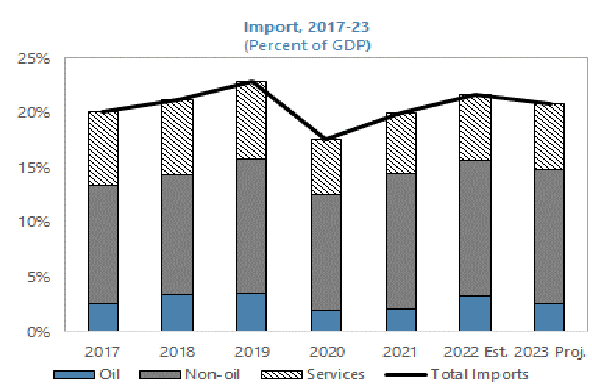

*… with some regional variations.*




*Exports recovered from pandemic lows, driven by oil exports, which are projected to slow down…*




*… with imports slowing in parallel.*

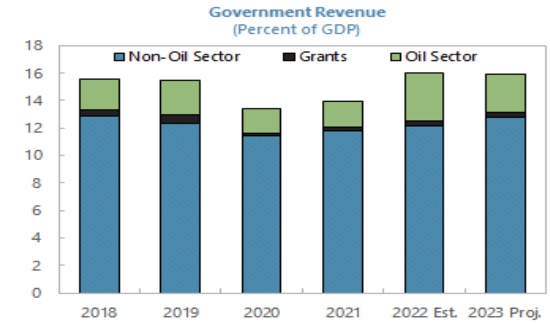



Sources: Country authorities, BEAC, and IMF staff calculations.

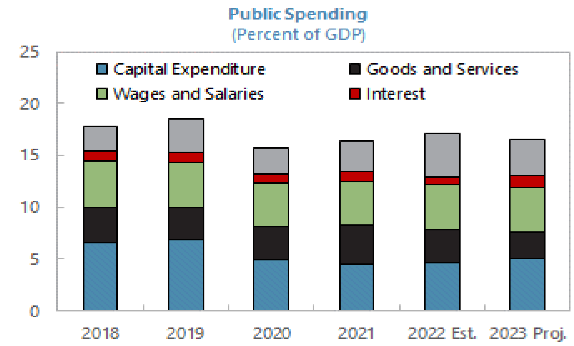
**56.**

## Figure 2. Cameroon: Fiscal Developments, 2017–23

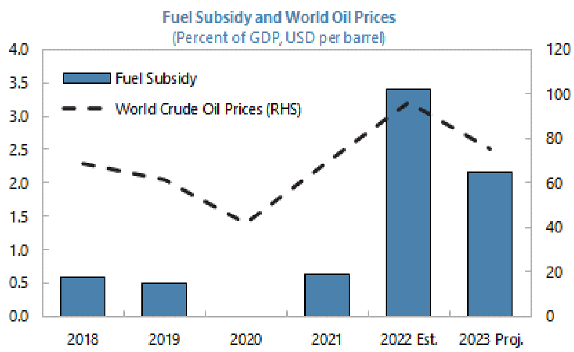
*Revenue collection in 2022 was driven by strong performance in both oil and non-oil revenue mobilization…*



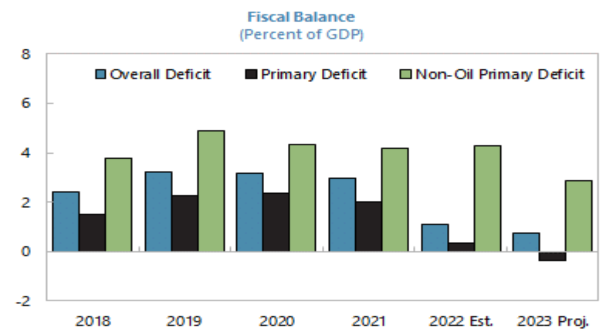

*…while public spending has also increased…*



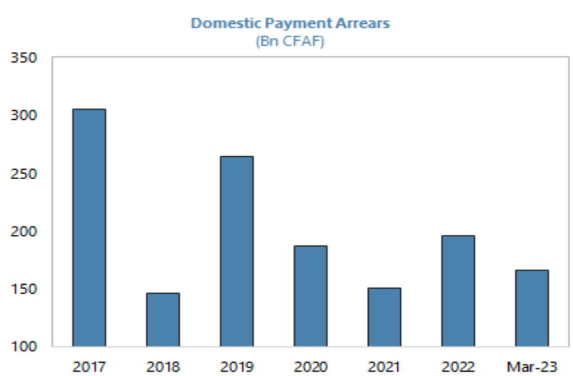

*…driven by increased fuel subsidies as a policy to protect the population from a surge in international oil prices and limit inflationary pressures…*



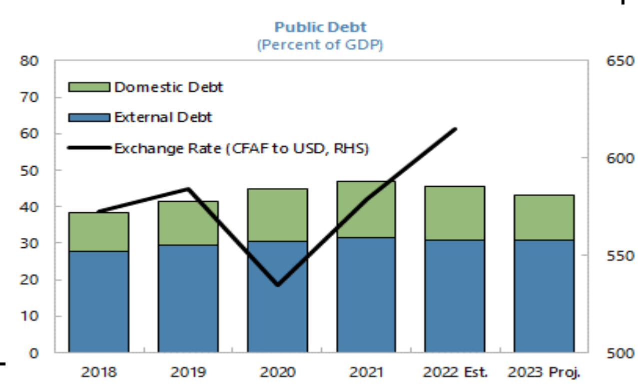

*While the overall balance is estimated to have improved in 2022, the non-oil primary balance is estimated to remain at the 2021 level due to the high cost of the fuel subsidy.*




*Weak cash management and high fuel subsidy also resulted in accumulation of domestic payment arrears at end-2022.*




*The impact of GDP growth and lower deficit on public debt dynamics was favorable albeit attenuated by the exchange rate depreciation.*

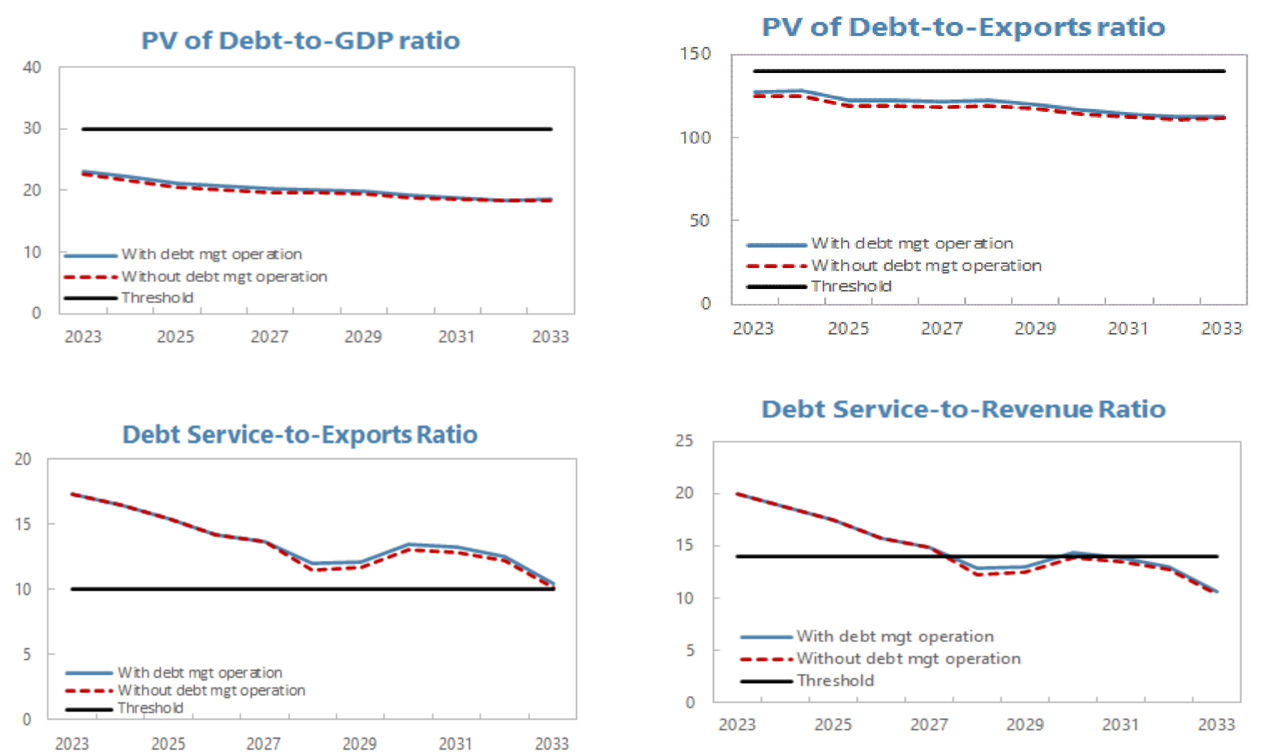



Sources: Country authorities, BEAC, and IMF staff calculations.

## Figure 3. Cameroon: Debt Sustainability Indicators

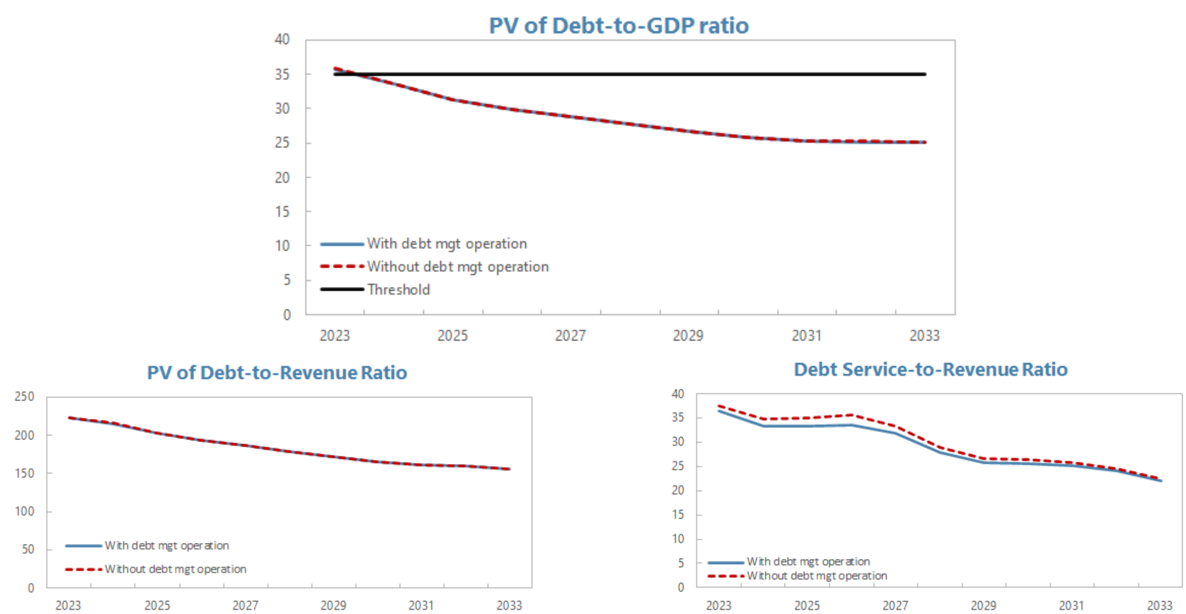
*Cameroon remains at high risk of debt distress. As in the previous review, external debt stock indicators continue to lie below the threshold while external debt service indicators remain above the threshold with a downward trend.*

### Indicators of Public and Publicly Guaranteed External Debt (Percent)




*A debt management operation in 2023 will lead to a slight deterioration of external debt indicators. However, it will improve the debt service capacity and enhance the overall debt maturity profile, without affecting the public debt-to-GDP ratio.*

### Indicators of Public Debt (Percent)




Sources: Country authorities, BEAC, and IMF staff calculations.

## Table 1. Cameroon: Selected Economic and Financial Indicators, 2021–28
(CFAF billion, unless otherwise indicated)

| | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Est. | 3rd Rev. | Est. | 3rd Rev. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| | (Annual percentage change, unless otherwise indicated) | | | | | | | | | |
| **National account and prices** | | | | | | | | | | |
| GDP at constant prices | 3.6 | 3.4 | 3.8 | 4.3 | 4.0 | 4.2 | 4.4 | 4.5 | 4.5 | 4.6 |
| Oil GDP at constant prices | -3.2 | -5.1 | 1.9 | 0.7 | -1.8 | -1.3 | -1.4 | -1.0 | -0.6 | -0.4 |
| Non-Oil GDP at constant prices | 3.8 | 3.6 | 3.8 | 4.4 | 4.1 | 4.3 | 4.6 | 4.6 | 4.6 | 4.7 |
| GDP deflator | 3.3 | 4.6 | 5.7 | 4.8 | 2.7 | 2.7 | 2.3 | 1.3 | 1.3 | 1.4 |
| Nominal GDP (at market prices, CFAF billions) | 25,158 | 27,210 | 27,591 | 29,749 | 29,457 | 31,521 | 33,691 | 35,661 | 37,760 | 40,066 |
| Oil | 801 | 1,073 | 1,152 | 907 | 872 | 797 | 761 | 735 | 716 | 702 |
| Non-Oil | 24,357 | 26,137 | 26,439 | 28,841 | 28,585 | 30,724 | 32,930 | 34,926 | 37,044 | 39,364 |
| Consumer prices (average) | 2.3 | 5.3 | 6.3 | 5.9 | 6.2 | 4.8 | 3.0 | 2.3 | 2.0 | 2.0 |
| Consumer prices (eop) | 3.5 | 6.0 | 7.3 | 5.7 | 5.9 | 3.7 | 2.3 | 2.1 | 2.0 | 2.0 |
| **Money and credit** | | | | | | | | | | |
| Broad money (M2) | 17.2 | 11.4 | 11.4 | 8.1 | 9.0 | 8.0 | 7.2 | 7.0 | 7.0 | 7.0 |
| Net foreign assets 1/ | 4.3 | 7.7 | 7.7 | 1.0 | 2.9 | 0.7 | 1.7 | 2.0 | 1.4 | 1.9 |
| Net domestic assets 1/ | 12.9 | 3.6 | 3.6 | 7.0 | 6.1 | 7.3 | 5.5 | 5.0 | 5.7 | 5.1 |
| Domestic credit to the private sector | 9.7 | 13.6 | 13.6 | 8.8 | 10.4 | 9.2 | 7.6 | 7.0 | 7.0 | 7.0 |
| | (Percent of GDP, unless otherwise indicated) | | | | | | | | | |
| **Savings and investments** | | | | | | | | | | |
| Gross national savings | 14.0 | 15.9 | 16.3 | 15.9 | 15.6 | 16.1 | 17.1 | 17.5 | 18.4 | 19.2 |
| Gross domestic investment | 17.9 | 17.4 | 18.1 | 18.8 | 18.5 | 19.2 | 19.8 | 20.4 | 21.3 | 22.2 |
| Public investment | 4.5 | 5.2 | 4.6 | 5.0 | 5.0 | 5.4 | 5.8 | 6.4 | 6.8 | 7.0 |
| Private investment | 13.4 | 12.2 | 13.5 | 13.8 | 13.5 | 13.7 | 14.0 | 14.1 | 14.5 | 15.2 |
| **Central government operations** | | | | | | | | | | |
| Total revenue (including grants) | 14.0 | 16.1 | 16.0 | 15.5 | 15.9 | 15.5 | 15.3 | 15.3 | 15.3 | 15.4 |
| Oil revenue | 1.9 | 3.6 | 3.5 | 2.8 | 2.9 | 2.1 | 1.8 | 1.7 | 1.6 | 1.5 |
| Non-oil revenue | 11.8 | 12.0 | 12.1 | 12.4 | 12.7 | 13.1 | 13.3 | 13.5 | 13.7 | 13.9 |
| Non-oil revenue (percent of non-oil GDP) | 12.2 | 12.5 | 12.6 | 12.8 | 13.1 | 13.4 | 13.6 | 13.8 | 13.9 | 14.1 |
| Total expenditure | 16.9 | 18.0 | 17.1 | 16.2 | 16.7 | 16.1 | 15.7 | 16.0 | 16.3 | 16.4 |
| Overall fiscal balance (payment order basis) | | | | | | | | | | |
| Excluding grants | -3.2 | -2.4 | -1.5 | -1.1 | -1.1 | -1.0 | -0.6 | -0.9 | -1.1 | -1.0 |
| Including grants | -3.0 | -1.8 | -1.1 | -0.8 | -0.8 | -0.6 | -0.3 | -0.7 | -1.0 | -1.0 |
| Overall fiscal balance (cash basis) | | | | | | | | | | |
| Excluding grants | -2.7 | -2.8 | -1.6 | -1.6 | -2.4 | -1.8 | -1.2 | -1.3 | -1.1 | -1.0 |
| Including grants | -2.4 | -2.3 | -1.2 | -1.3 | -2.0 | -1.5 | -0.9 | -1.2 | -1.0 | -1.0 |
| Non-oil primary balance (payment order basis) | -3.9 | -4.5 | -3.9 | -2.4 | -2.5 | -1.7 | -1.1 | -1.4 | -1.5 | -1.5 |
| Non-oil primary balance (payment order basis, percent of non-oil GDP) | -4.1 | -4.6 | -4.0 | -2.5 | -2.6 | -1.7 | -1.2 | -1.5 | -1.6 | -1.5 |
| **External sector** | | | | | | | | | | |
| Trade balance | -1.1 | 0.4 | 0.1 | -1.3 | -1.4 | -1.6 | -1.4 | -1.6 | -1.7 | -1.8 |
| Oil exports | 4.9 | 7.1 | 7.8 | 5.4 | 5.2 | 4.5 | 4.2 | 3.7 | 3.3 | 2.9 |
| Non-oil exports | 8.3 | 8.9 | 8.0 | 8.0 | 8.2 | 8.0 | 8.1 | 8.2 | 8.3 | 8.5 |
| Imports | 14.4 | 15.7 | 15.6 | 14.7 | 14.8 | 14.1 | 13.8 | 13.5 | 13.2 | 13.2 |
| Current account balance | | | | | | | | | | |
| Excluding official grants | -4.2 | -2.2 | -2.2 | -3.2 | -3.3 | -3.1 | -2.9 | -2.9 | -3.0 | -3.0 |
| Including official grants | -4.0 | -1.6 | -1.8 | -2.8 | -2.9 | -3.0 | -2.7 | -2.9 | -2.9 | -3.0 |
| Terms of trade | 9.4 | 3.6 | -6.8 | -8.4 | -7.6 | -1.6 | 0.2 | -4.0 | -4.1 | -4.1 |
| **Public debt** | | | | | | | | | | |
| Stock of public debt | 46.8 | 46.4 | 45.5 | 42.8 | 43.2 | 41.1 | 38.8 | 37.3 | 36.2 | 35.2 |
| *Of which:* external debt | 31.7 | 32.7 | 30.9 | 30.5 | 30.7 | 29.7 | 28.7 | 28.2 | 27.8 | 27.8 |

Sources: Country authorities; and IMF staff estimates and projections.
1/ Percent of broad money at the beginning of the period.

## Table 2a. Cameroon: Central Government Operations, 2021–28
(CFAF billion, unless otherwise indicated)

| | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Est. | 3rd Rev. | Est. | 3rd Rev. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Total revenue and grants** | **3,511** | **4,386** | **4,417** | **4,602** | **4,696** | **4,878** | **5,165** | **5,459** | **5,791** | **6,170** |
| Total revenue | 3,446 | 4,244 | 4,313 | 4,501 | 4,595 | 4,782 | 5,085 | 5,417 | 5,754 | 6,150 |
| Oil sector revenue | 482 | 974 | 973.8 | 821 | 842 | 668 | 608 | 597 | 588 | 588 |
| Non-oil sector revenue | 2,964 | 3,270 | 3,339 | 3,681 | 3,754 | 4,114 | 4,477 | 4,820 | 5,166 | 5,562 |
| Direct taxes | 698 | 845 | 838 | 961 | 956 | 1,062 | 1,164 | 1,266 | 1,369 | 1,478 |
| Special tax on petroleum products | 147 | 155 | 150 | 164 | 170 | 178 | 186 | 194 | 203 | 213 |
| Other taxes on goods and services | 1,542 | 1,663 | 1,699 | 1,852 | 1,905 | 2,094 | 2,310 | 2,494 | 2,677 | 2,857 |
| Taxes on international trade | 405 | 401 | 420 | 437 | 453 | 487 | 507 | 533 | 566 | 645 |
| Non-tax revenue | 172 | 206 | 232 | 266 | 269 | 294 | 311 | 332 | 350 | 369 |
| Total grants | 65 | 142 | 104 | 101 | 101 | 96 | 80 | 43 | 38 | 20 |
| Projects | 41 | 33 | 49 | 35 | 35 | 37 | 40 | 43 | 38 | 20 |
| Other | 24 | 109 | 55 | 66 | 66 | 59 | 40 | 0 | 0 | 0 |
| **Total expenditure** | **4,262** | **4,887** | **4,725** | **4,831** | **4,923** | **5,082** | **5,282** | **5,723** | **6,158** | **6,562** |
| Current expenditure | 2,992 | 3,300 | 3,448 | 3,285 | 3,400 | 3,289 | 3,259 | 3,458 | 3,582 | 3,760 |
| Wages and salaries | 1,075 | 1,174 | 1,193 | 1,284 | 1,297 | 1,381 | 1,467 | 1,556 | 1,580 | 1,593 |
| Goods and services | 934 | 740 | 893 | 754 | 754 | 820 | 889 | 959 | 1,004 | 1,051 |
| Subsidies and transfers | 742 | 1,123 | 1,151 | 924 | 1,026 | 752 | 557 | 590 | 625 | 724 |
| Interest | 242 | 263 | 211 | 323 | 323 | 335 | 346 | 353 | 374 | 392 |
| External | 165 | 180 | 169 | 194 | 194 | 197 | 198 | 197 | 208 | 217 |
| Domestic | 77 | 83 | 42 | 129 | 129 | 138 | 147 | 156 | 165 | 175 |
| Capital expenditure | 1,133 | 1,419 | 1,279 | 1,494 | 1,470 | 1,713 | 1,942 | 2,265 | 2,576 | 2,801 |
| Domestically financed investment | 583 | 620 | 581 | 633 | 605 | 806 | 912 | 1,179 | 1,519 | 1,761 |
| Foreign-financed investment | 519 | 780 | 688 | 831 | 835 | 876 | 998 | 1,053 | 1,020 | 1,002 |
| Rehabilitation and participation | 20 | 19 | 10 | 30 | 30 | 30 | 32 | 32 | 38 | 38 |
| Net lending | 7 | 47 | -2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| COVID-19-related spending | 52 | 50 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| COVID-19 vaccine procurement and delivery | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Local production stimulus fund | 30 | 40 | 0 | 21 | 21 | 50 | 0 | 0 | 0 | 0 |
| Decentralization addendum special account | 28 | 31 | 0 | 31 | 31 | 31 | 0 | 0 | 0 | 0 |
| **Overall balance (payment order basis)** | | | | | | | | | | |
| Excluding grants | -816 | -643 | -412 | -330 | -327 | -301 | -197 | -306 | -404 | -412 |
| Including grants | -751 | -501 | -308 | -229 | -226 | -204 | -117 | -264 | -367 | -392 |
| **CEMAC reference fiscal balance** | **-791** | **-1,021** | **-821** | **-469** | **-497** | **-174** | **39** | **-216** | **-391** | **-442** |
| **Adjustment to cash basis** | **142** | **-122** | **-25** | **-163** | **-374** | **-255** | **-195** | **-165** | **0** | **0** |
| Unexecuted payment orders (-=reduction) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Floats and arrears (- = reduction) | 142 | -122 | -25 | -163 | -374 | -255 | -195 | -165 | 0 | 0 |
| o/w Arrears (- = reduction) | -60 | -66 | -43 | -86 | -200 | -115 | -90 | -75 | 0 | 0 |
| o/w Floats (- = reduction) | 202 | -56 | 18 | -62 | -159 | -125 | -90 | -90 | 0 | 0 |
| o/w other arrears 1/ | 0 | 0 | 0 | -15 | -15 | -15 | -15 | 0 | 0 | 0 |
| **Overall balance (cash basis)** | | | | | | | | | | |
| Excluding grants | -674 | -765 | -436 | -492 | -702 | -556 | -392 | -471 | -404 | -412 |
| Including grants | -609 | -623 | -332 | -391 | -601 | -459 | -312 | -429 | -367 | -392 |
| **Financing** | **609** | **336** | **52** | **172** | **335** | **325** | **312** | **429** | **367** | **392** |
| External financing, net | 419 | 227 | 145 | 91 | 296 | 184 | 300 | 393 | 365 | 505 |
| Amortization | -677 | -520 | -589 | -704 | -704 | -660 | -657 | -623 | -655 | -577 |
| Drawings | 1,096 | 747 | 733 | 795 | 1,000 | 843 | 958 | 1,016 | 1,020 | 1,082 |
| Eurobond | 450 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Domestic financing, net | 190 | 109 | -93 | 80 | 39 | 142 | 11 | 36 | 2 | -114 |
| Banking system, net | 425 | 506 | -42 | 302 | 302 | 180 | 57 | 42 | 89 | 122 |
| Central Bank | 217 | 170 | -13 | 110 | 110 | -81 | -134 | -159 | -121 | -99 |
| SDR Allocation | 50 | 70 | 70 | 80 | 80 | 0 | 0 | 0 | 0 | 0 |
| Commercial Banks | 208 | 336 | -28 | 192 | 192 | 261 | 192 | 201 | 210 | 221 |
| Non-bank financing, net | -235 | -397 | -51 | -221 | -262 | -38 | -46 | -6 | -87 | -236 |
| **Financing gap** | **0** | **287** | **280** | **220** | **265** | **134** | **0** | **0** | **0** | **0** |
| **IMF Financing** | | **115** | **115** | **91** | **136** | **46** | **0** | **0** | **0** | **0** |
| ECF | | 38 | 38 | 30 | 45 | 15 | 0 | 0 | 0 | 0 |
| EFF | | 77 | 77 | 61 | 91 | 31 | 0 | 0 | 0 | 0 |
| **Budget Support (excl. IMF)** | | **172** | **165** | **129** | **129** | **88** | **0** | **0** | **0** | **0** |
| AfDB | | 50 | 53 | 41 | 41 | 0 | 0 | 0 | 0 | 0 |
| WB | | 62 | 66 | 61 | 62 | 62 | 0 | 0 | 0 | 0 |
| France | | 45 | 46 | 27 | 27 | 26 | 0 | 0 | 0 | 0 |
| EU | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | | 15 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Exceptional Financing** | | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Residual gap** | | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| ***Memorandum items:*** | | | | | | | | | | |
| Primary balance (payment order basis, incl. grants) | -509 | -239 | -97 | 94 | 97 | 130 | 229 | 89 | 7 | 1 |
| Primary balance (cash basis, incl. grants) | -367 | -360 | -122 | -53 | -278 | -125 | 34 | -76 | 7 | 1 |
| Non-oil primary balance (payment order basis, incl. grants) | -991 | -1,213 | -1,071 | -727 | -745 | -537 | -379 | -508 | -581 | -587 |
| Non-oil primary balance (cash basis, incl. grants) | -849 | -1,334 | -1,095 | -874 | -1,119 | -792 | -574 | -673 | -581 | -587 |

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

1/ Other arrears include the stock of unstructured debt held by CAA and the "floating" domestic debt at the Treasury, as defined in the TMU.

## Table 2b. Cameroon: Central Government Operations, 2021–28

(In percent of GDP)

| | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Est. | 3rd Rev. | Est. | 3rd Rev. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Total revenue and grants** | **14.0** | **16.1** | **16.0** | **15.5** | **15.9** | **15.5** | **15.3** | **15.3** | **15.3** | **15.4** |
| Total revenue | 13.7 | 15.6 | 15.6 | 15.1 | 15.6 | 15.2 | 15.1 | 15.2 | 15.2 | 15.3 |
| Oil sector revenue | 1.9 | 3.6 | 3.5 | 2.8 | 2.9 | 2.1 | 1.8 | 1.7 | 1.6 | 1.5 |
| Non-oil sector revenue | 11.8 | 12.0 | 12.1 | 12.4 | 12.7 | 13.1 | 13.3 | 13.5 | 13.7 | 13.9 |
| Direct taxes | 2.8 | 3.1 | 3.0 | 3.2 | 3.2 | 3.4 | 3.5 | 3.5 | 3.6 | 3.7 |
| Special tax on petroleum products | 0.6 | 0.6 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| Other taxes on goods and services | 6.1 | 6.1 | 6.2 | 6.2 | 6.5 | 6.6 | 6.9 | 7.0 | 7.1 | 7.1 |
| Taxes on international trade | 1.6 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.6 |
| Non-tax revenue | 0.7 | 0.8 | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Total grants | 0.3 | 0.5 | 0.4 | 0.3 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 |
| Projects | 0.2 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Other | 0.1 | 0.4 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Total expenditure** | **16.9** | **18.0** | **17.1** | **16.2** | **16.7** | **16.1** | **15.7** | **16.0** | **16.3** | **16.4** |
| Current expenditure | 11.9 | 12.1 | 12.5 | 11.0 | 11.5 | 10.4 | 9.7 | 9.7 | 9.5 | 9.4 |
| Wages and salaries | 4.3 | 4.3 | 4.3 | 4.3 | 4.4 | 4.4 | 4.4 | 4.4 | 4.2 | 4.0 |
| Goods and services | 3.7 | 2.7 | 3.2 | 2.5 | 2.6 | 2.6 | 2.6 | 2.7 | 2.7 | 2.6 |
| Subsidies and transfers | 2.9 | 4.1 | 4.2 | 3.1 | 3.5 | 2.4 | 1.7 | 1.7 | 1.7 | 1.8 |
| Interest | 1.0 | 1.0 | 0.8 | 1.1 | 1.1 | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 |
| External | 0.7 | 0.7 | 0.6 | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.5 |
| Domestic | 0.3 | 0.3 | 0.2 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Capital expenditure | 4.5 | 5.2 | 4.6 | 5.0 | 5.0 | 5.4 | 5.8 | 6.4 | 6.8 | 7.0 |
| Domestically financed investment | 2.3 | 2.3 | 2.1 | 2.1 | 2.1 | 2.6 | 2.7 | 3.3 | 4.0 | 4.4 |
| Foreign-financed investment | 2.1 | 2.9 | 2.5 | 2.8 | 2.8 | 2.8 | 3.0 | 3.0 | 2.7 | 2.5 |
| Rehabilitation and participation | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Net lending | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| COVID-19-related spending | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| COVID-19 vaccine procurement and delivery | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Local production stimulus fund | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Decentralization addendum special account | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Overall balance (payment order basis)** | | | | | | | | | | |
| Excluding grants | -3.2 | -2.4 | -1.5 | -1.1 | -1.1 | -1.0 | -0.6 | -0.9 | -1.1 | -1.0 |
| Including grants | -3.0 | -1.8 | -1.1 | -0.8 | -0.8 | -0.6 | -0.3 | -0.7 | -1.0 | -1.0 |
| **CEMAC reference fiscal balance** | **-3.1** | **-3.8** | **-3.0** | **-1.6** | **-1.7** | **-0.6** | **0.1** | **-0.6** | **-1.0** | **-1.1** |
| **Adjustment to cash basis** | **0.6** | **-0.4** | **-0.1** | **-0.5** | **-1.3** | **-0.8** | **-0.6** | **-0.5** | **0.0** | **0.0** |
| Unexecuted payment orders (-=reduction) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Floats and arrears (- = reduction) | 0.6 | -0.4 | -0.1 | -0.5 | -1.3 | -0.8 | -0.6 | -0.5 | 0.0 | 0.0 |
| o/w Arrears (- = reduction) | -0.2 | -0.2 | -0.2 | -0.3 | -0.7 | -0.4 | -0.3 | -0.2 | 0.0 | 0.0 |
| o/w Floats (- = reduction) | 0.8 | -0.2 | 0.1 | -0.2 | -0.5 | -0.4 | -0.3 | -0.3 | 0.0 | 0.0 |
| o/w other arrears 1/ | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Overall balance (cash basis)** | | | | | | | | | | |
| Excluding grants | -2.7 | -2.8 | -1.6 | -1.7 | -2.4 | -1.8 | -1.2 | -1.3 | -1.1 | -1.0 |
| Including grants | -2.4 | -2.3 | -1.2 | -1.3 | -2.0 | -1.5 | -0.9 | -1.2 | -1.0 | -1.0 |
| **Financing** | **2.4** | **1.2** | **0.2** | **0.6** | **1.1** | **1.0** | **0.9** | **1.2** | **1.0** | **1.0** |
| External financing, net | 1.7 | 0.8 | 0.5 | 0.3 | 1.0 | 0.6 | 0.9 | 1.1 | 1.0 | 1.3 |
| Amortization | -2.7 | -1.9 | -2.1 | -2.4 | -2.4 | -2.1 | -2.0 | -1.7 | -1.7 | -1.4 |
| Drawings | 4.4 | 2.7 | 2.7 | 2.7 | 3.4 | 2.7 | 2.8 | 2.8 | 2.7 | 2.7 |
| Eurobond | 1.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Domestic financing, net | 0.8 | 0.4 | -0.3 | 0.3 | 0.1 | 0.4 | 0.0 | 0.1 | 0.0 | -0.3 |
| Banking system, net | 1.7 | 1.9 | -0.2 | 1.0 | 1.0 | 0.6 | 0.2 | 0.1 | 0.2 | 0.3 |
| Central Bank | 0.9 | 0.6 | 0.0 | 0.4 | 0.4 | -0.3 | -0.4 | -0.4 | -0.3 | -0.2 |
| SDR Allocation | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Commercial Banks | 0.8 | 1.2 | -0.1 | 0.6 | 0.7 | 0.8 | 0.6 | 0.6 | 0.6 | 0.6 |
| Non-bank financing, net | -0.9 | -1.5 | -0.2 | -0.7 | -0.9 | -0.1 | -0.1 | 0.0 | -0.2 | -0.6 |
| **Financing gap** | **0.0** | **1.1** | **1.0** | **0.7** | **0.9** | **0.4** | **0.0** | **0.0** | **0.0** | **0.0** |
| **IMF Financing** | | **0.4** | **0.4** | **0.3** | **0.5** | **0.1** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Budget Support (excl. IMF)** | | **0.6** | **0.6** | **0.4** | **0.4** | **0.3** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Exceptional Financing** | | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| **Residual gap** | | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| ***Memorandum items:*** | | | | | | | | | | |
| Primary balance (payment order basis, incl. grants) | -2.0 | -0.9 | -0.4 | 0.3 | 0.3 | 0.4 | 0.7 | 0.3 | 0.0 | 0.0 |
| Primary balance (cash basis, incl. grants) | -1.5 | -1.3 | -0.4 | -0.2 | -0.9 | -0.4 | 0.1 | -0.2 | 0.0 | 0.0 |
| Non-oil primary balance (payment order basis, incl. grants) | -3.9 | -4.5 | -3.9 | -2.4 | -2.5 | -1.7 | -1.1 | -1.4 | -1.5 | -1.5 |
| Non-oil primary balance (cash basis, incl. grants) | -3.4 | -4.9 | -4.0 | -2.9 | -3.8 | -2.5 | -1.7 | -1.9 | -1.5 | -1.5 |

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

1/ Other arrears include the stock of unstructured debt held by CAA and the "floating" domestic debt at the Treasury, as defined in the TMU.

## Table 3. Cameroon: Balance of Payments, 2021–28
(CFAF billion, unless otherwise indicated)

| | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Est. | 3rd Rev. | Est. | 3rd Rev. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| | (CFAF billion) | | | | | | | | | |
| **Current account balance** | **-997** | **-429** | **-495** | **-846** | **-863** | **-958** | **-904** | **-1,030** | **-1,098** | **-1,200** |
| Trade balance | -288 | 99 | 31 | -384 | -424 | -491 | -485 | -578 | -645 | -724 |
| Exports, goods | 3,336 | 4,366 | 4,347 | 3,998 | 3,944 | 3,940 | 4,148 | 4,228 | 4,354 | 4,550 |
| Oil and oil products | 1,238 | 1,934 | 2,151 | 1,613 | 1,536 | 1,415 | 1,422 | 1,318 | 1,231 | 1,145 |
| Non-oil sector | 2,098 | 2,432 | 2,196 | 2,385 | 2,408 | 2,525 | 2,726 | 2,910 | 3,123 | 3,405 |
| Imports, goods | -3,624 | -4,266 | -4,316 | -4,382 | -4,367 | -4,431 | -4,633 | -4,806 | -4,999 | -5,274 |
| Services (net) | -588 | -542 | -517 | -434 | -391 | -381 | -377 | -364 | -362 | -390 |
| Exports, services | 800 | 1,144 | 1,159 | 1,357 | 1,394 | 1,521 | 1,654 | 1,795 | 1,931 | 2,066 |
| Imports, services | -1,389 | -1,686 | -1,676 | -1,791 | -1,785 | -1,902 | -2,032 | -2,158 | -2,293 | -2,456 |
| Income (net) | -405 | -374 | -403 | -360 | -439 | -425 | -441 | -460 | -486 | -511 |
| *Of which:* interest due on public debt | -197 | -180 | -169 | -194 | -194 | -197 | -198 | -197 | -208 | -217 |
| Transfers (net) | 285 | 389 | 394 | 333 | 390 | 339 | 400 | 372 | 395 | 425 |
| Inflows | 434 | 565 | 573 | 523 | 579 | 540 | 613 | 596 | 631 | 670 |
| Outflows | -149 | -176 | -179 | -191 | -189 | -201 | -213 | -225 | -236 | -245 |
| **Capital and financial account balance** | **1,279** | **697** | **637** | **727** | **898** | **901** | **1,034** | **1,203** | **1,219** | **1,393** |
| Capital account | 67 | 33 | 49 | 35 | 35 | 37 | 40 | 43 | 38 | 20 |
| Capital transfers | 41 | 33 | 49 | 35 | 35 | 37 | 40 | 43 | 38 | 20 |
| Financial account | 1,212 | 663 | 588 | 692 | 863 | 864 | 994 | 1,161 | 1,182 | 1,373 |
| Official capital | 155 | 227 | 145 | 91 | 296 | 184 | 300 | 394 | 367 | 508 |
| Borrowing | 832 | 747 | 733 | 795 | 1,000 | 843 | 958 | 1,016 | 1,020 | 1,082 |
| *Of which: SDR Allocation* | -209 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortization | -677 | -520 | -589 | -704 | -704 | -660 | -657 | -623 | -655 | -577 |
| Non-official capital (net) | 968 | 499 | 506 | 620 | 587 | 655 | 738 | 812 | 860 | 895 |
| *of which:* Foreign direct investment | 504 | 480 | 485 | 599 | 565 | 631 | 713 | 786 | 833 | 867 |
| Short-term private capital, net | 89 | -62 | -62 | -20 | -20 | 25 | -45 | -45 | -45 | -30 |
| **Errors and omissions** | **-7** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Overall balance** | **275** | **268** | **142** | **-119** | **35** | **-57** | **130** | **173** | **122** | **193** |
| **Financing** | **-275** | **-268** | **-142** | **119** | **-35** | **57** | **-130** | **-173** | **-122** | **-193** |
| Bank of Central African States | -373 | -555 | -422 | -77 | -266 | -25 | -50 | -39 | 37 | -45 |
| IMF Repayments | 0 | 0 | 0 | -24 | -34 | -53 | -81 | -134 | -159 | -147 |
| *SDR Allocation* | -209 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financing gap | 0 | 287 | 280 | 220 | 265 | 134 | 0 | 0 | 0 | 0 |
| IMF Financing | | 115 | 115 | 91 | 136 | 46 | 0 | 0 | 0 | 0 |
| Budget Support (excl. IMF) | | 172 | 165 | 129 | 129 | 88 | 0 | 0 | 0 | 0 |
| Exceptional Financing | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Residual gap | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (Percent of GDP) | | | | | | | | | |
| **Trade balance** | **-1.1** | **0.4** | **0.1** | **-1.3** | **-1.4** | **-1.6** | **-1.4** | **-1.6** | **-1.7** | **-1.8** |
| Oil exports | 4.9 | 7.1 | 7.8 | 5.4 | 5.2 | 4.5 | 4.2 | 3.7 | 3.3 | 2.9 |
| Non-oil exports | 8.3 | 8.9 | 8.0 | 8.0 | 8.2 | 8.0 | 8.1 | 8.2 | 8.3 | 8.5 |
| Imports | 14.4 | 15.7 | 15.6 | 14.7 | 14.8 | 14.1 | 13.8 | 13.5 | 13.2 | 13.2 |
| **Current account balance** | | | | | | | | | | |
| Including grants | -4.0 | -1.6 | -1.8 | -2.8 | -2.9 | -3.0 | -2.7 | -2.9 | -2.9 | -3.0 |
| Excluding grants | -4.2 | -2.2 | -2.2 | -3.2 | -3.3 | -3.1 | -2.9 | -2.9 | -3.0 | -3.0 |
| **Overall balance** | **1.1** | **1.0** | **0.5** | **-0.4** | **0.1** | **-0.2** | **0.4** | **0.5** | **0.3** | **0.5** |
| **Foreign direct investment** | **2.0** | **1.8** | **1.8** | **2.0** | **1.9** | **2.0** | **2.1** | **2.2** | **2.2** | **2.2** |
| | (Percentage change, unless otherwise indicated) | | | | | | | | | |
| Export volume | 14.1 | 4.2 | 7.5 | 6.3 | 6.5 | 4.8 | 5.6 | 6.5 | 7.1 | 8.3 |
| Crude oil | -3.5 | -11.1 | -0.4 | 0.7 | -6.4 | -9.7 | -19.3 | -17.6 | -16.3 | -17.8 |
| Nonoil | 18.6 | 7.4 | 9.2 | 7.3 | 8.9 | 7.2 | 9.0 | 9.0 | 8.9 | 9.8 |
| Import volume | 15.6 | -1.4 | -7.8 | 7.2 | 9.7 | 4.8 | 5.0 | 4.0 | 3.7 | 4.8 |
| Terms of trade | 9.4 | 3.6 | -6.8 | -8.4 | -7.6 | -1.6 | 0.2 | -4.0 | -4.1 | -4.1 |
| Non-oil export price index | 3.3 | 8.0 | -4.2 | -8.6 | 0.7 | -2.2 | -1.0 | -2.1 | -1.4 | -0.7 |
| Export price index | 15.2 | 25.6 | 21.2 | -13.9 | -14.8 | -4.7 | -0.3 | -4.3 | -3.8 | -3.5 |
| Import price index | 5.3 | 21.2 | 29.9 | -5.9 | -7.8 | -3.2 | -0.4 | -0.3 | 0.3 | 0.7 |
| Oil price ($US dollars per barrel) | 69.2 | 96.4 | 96.4 | 81.9 | 75.3 | 69.8 | 67.6 | 66.0 | 64.7 | 63.7 |

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

## Table 4. Cameroon: Monetary Survey, 2021–28
(CFAF billion, unless otherwise indicated)

| | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Est. | 3rd Rev. | Est. | 3rd Rev. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Net foreign assets** | **2,627** | **3,193** | **3,193** | **3,278** | **3,432** | **3,494** | **3,654** | **3,857** | **4,009** | **4,232** |
| Bank of Central African States (BEAC) | 1,351 | 1,854 | 1,854 | 1,864 | 2,018 | 2,049 | 2,180 | 2,353 | 2,475 | 2,667 |
| *Of which* : BEAC foreign assets | 2,522 | 3,191 | 3,191 | 3,268 | 3,457 | 3,481 | 3,531 | 3,570 | 3,533 | 3,578 |
| *Of which:* IMF credit | -672 | -794 | -794 | -861 | -896 | -889 | -809 | -675 | -516 | -368 |
| Commercial banks | 1,277 | 1,339 | 1,339 | 1,414 | 1,414 | 1,444 | 1,474 | 1,504 | 1,534 | 1,564 |
| **Net domestic assets** | **4,697** | **4,964** | **4,964** | **5,537** | **5,461** | **6,109** | **6,641** | **7,158** | **7,782** | **8,386** |
| Domestic credit | 5,648 | 6,126 | 6,126 | 6,849 | 6,954 | 7,509 | 7,888 | 8,047 | 8,527 | 9,068 |
| Net claims on the public sector | 2,310 | 2,328 | 2,328 | 2,721 | 2,766 | 2,942 | 2,979 | 2,798 | 2,916 | 3,068 |
| Net credit to the central government | 2,295 | 2,319 | 2,267 | 2,711 | 2,705 | 2,930 | 2,988 | 3,027 | 3,116 | 3,238 |
| Central Bank | 964 | 978 | 978 | 920 | 914 | 621 | 228 | -198 | -585 | -950 |
| Claims | 1,249 | 1,371 | 1,371 | 1,438 | 1,473 | 1,466 | 1,385 | 1,251 | 1,093 | 945 |
| Credit under statutory ceiling | 577 | 577 | 577 | 577 | 577 | 577 | 577 | 577 | 577 | 577 |
| Counterpart of IMF credit | 672 | 794 | 794 | 861 | 896 | 889 | 809 | 675 | 516 | 368 |
| Deposits | -285 | -393 | -393 | -517 | -559 | -845 | -1,157 | -1,450 | -1,677 | -1,895 |
| Commercial Banks | 1,332 | 1,341 | 1,289 | 1,791 | 1,791 | 2,310 | 2,760 | 3,219 | 3,688 | 4,167 |
| Claims on the Treasury | 1,394 | 1,341 | 1,341 | 1,791 | 1,791 | 2,310 | 2,760 | 3,219 | 3,688 | 4,167 |
| Deposits | -63 | 0 | -52 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deposits of other public entities | -443 | -562 | -510 | -562 | -510 | -560 | -580 | -800 | -800 | -800 |
| Credit to autonomous agencies | 24 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 29 | 30 |
| Credit to the economy 1/ | 3,772 | 4,342 | 4,342 | 4,673 | 4,732 | 5,111 | 5,453 | 5,792 | 6,183 | 6,600 |
| Credit to public enterprises | 434 | 544 | 544 | 544 | 544 | 544 | 544 | 544 | 571 | 600 |
| Credit to financial institutions | 44 | 57 | 57 | 57 | 57 | 57 | 57 | 57 | 57 | 57 |
| Credit to the private sector | 3,294 | 3,742 | 3,742 | 4,072 | 4,131 | 4,510 | 4,852 | 5,192 | 5,555 | 5,944 |
| Other items (net) | -951 | -1,163 | -1,163 | -1,313 | -1,493 | -1,400 | -1,247 | -889 | -745 | -682 |
| **Broad money** | **7,324** | **8,157** | **8,157** | **8,815** | **8,893** | **9,603** | **10,295** | **11,015** | **11,791** | **12,618** |
| Currency outside banks | 1,541 | 1,614 | 1,614 | 1,745 | 1,761 | 1,903 | 2,041 | 2,185 | 2,340 | 2,506 |
| Deposits | 5,784 | 6,544 | 6,544 | 7,070 | 7,132 | 7,700 | 8,254 | 8,830 | 9,451 | 10,112 |
| ***Memorandum items:*** | | | | | | | | | | |
| Net borrowing from the central bank excluding IMF | 292 | 184 | 184 | 60 | 18 | -269 | -580 | -873 | -1,100 | -1,318 |
| Contribution to the growth of broad money (percentage points) | | | | | | | | | | |
| Net foreign assets | 4.3 | 7.7 | 7.7 | 1.0 | 2.9 | 0.7 | 1.7 | 2.0 | 1.4 | 1.9 |
| Net domestic assets | 12.9 | 3.6 | 3.6 | 7.0 | 6.1 | 7.3 | 5.5 | 5.0 | 5.7 | 5.1 |
| *Of which* : net credit to the central government | 6.5 | 0.3 | -0.4 | 4.8 | 5.4 | 2.5 | 0.6 | 0.4 | 0.8 | 1.0 |
| Credit to the economy (annual percentage change) | 10.7 | 15.1 | 15.1 | 7.6 | 9.0 | 8.0 | 6.7 | 6.2 | 6.7 | 6.8 |
| Credit to the private sector | | | | | | | | | | |
| Annual percentage change | 9.7 | 13.6 | 13.6 | 8.8 | 10.4 | 9.2 | 7.6 | 7.0 | 7.0 | 7.0 |
| In percent of GDP | 13.1 | 13.8 | 13.6 | 13.7 | 14.0 | 14.3 | 14.4 | 14.6 | 14.7 | 14.8 |
| Broad money (annual percentage change) | 17.2 | 11.4 | 11.4 | 8.1 | 9.0 | 8.0 | 7.2 | 7.0 | 7.0 | 7.0 |
| Currency outside banks | 15.5 | 4.7 | 4.7 | 8.2 | 9.1 | 8.1 | 7.3 | 7.1 | 7.1 | 7.1 |
| Deposits | 17.6 | 13.1 | 13.1 | 8.0 | 9.0 | 8.0 | 7.2 | 7.0 | 7.0 | 7.0 |
| Velocity (GDP/average M2) | 3.4 | 3.3 | 3.4 | 3.4 | 3.3 | 3.3 | 3.3 | 3.2 | 3.2 | 3.2 |

Sources: BEAC and IMF staff calculations.

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

## Table 5. Cameroon: Capacity to Repay the Fund, 2023–40

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Fund obligations based on existing credit** | | | | | | | | | | | | | | | | | | |
| (SDR millions) | | | | | | | | | | | | | | | | | | |
| Principal | 41.4 | 63.5 | 96.6 | 159.2 | 184.0 | 154.0 | 133.7 | 100.6 | 56.4 | 27.0 | 4.9 | - | - | - | - | - | - | - |
| Charges and interest | 15.2 | 25.0 | 25.0 | 24.6 | 23.4 | 21.8 | 20.1 | 18.4 | 16.7 | 15.4 | 14.9 | 14.8 | 14.8 | 14.8 | 14.8 | 14.8 | 14.8 | 14.8 |
| **Fund obligations based on existing and** | | | | | | | | | | | | | | | | | | |
| **prospective credit** (SDR, millions)[1] | | | | | | | | | | | | | | | | | | |
| Principal | 41.4 | 63.5 | 96.6 | 159.2 | 187.1 | 171.1 | 161.3 | 130.0 | 85.9 | 56.4 | 29.4 | 4.9 | - | - | - | - | - | - |
| Charges and interest | 17.3 | 29.3 | 30.3 | 30.0 | 28.8 | 26.9 | 24.4 | 21.8 | 19.2 | 17.0 | 15.6 | 14.9 | 14.8 | 14.8 | 14.8 | 14.8 | 14.8 | 14.8 |
| **Total obligations based on existing and** | | | | | | | | | | | | | | | | | | |
| **prospective credit** | | | | | | | | | | | | | | | | | | |
| SDR millions | 58.7 | 92.8 | 126.9 | 189.1 | 215.8 | 198.0 | 185.7 | 151.8 | 105.1 | 73.5 | 45.1 | 19.8 | 14.8 | 14.8 | 14.8 | 14.8 | 14.8 | 14.8 |
| CFAF billions | 48.3 | 76.9 | 106.0 | 159.3 | 183.4 | 170.7 | 160.1 | 130.9 | 90.6 | 63.3 | 38.8 | 17.1 | 12.8 | 12.8 | 12.8 | 12.8 | 12.8 | 12.8 |
| Percent of government revenue | 1.0 | 1.6 | 2.1 | 2.9 | 3.2 | 2.8 | 2.4 | 1.8 | 1.2 | 0.8 | 0.4 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Percent of exports of goods and services | 0.9 | 1.4 | 1.8 | 2.6 | 2.9 | 2.6 | 2.3 | 1.7 | 1.1 | 0.7 | 0.4 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Percent of debt service[2] | 5.4 | 9.0 | 12.4 | 19.4 | 21.2 | 21.5 | 18.7 | 12.8 | 8.5 | 5.9 | 4.1 | 1.6 | 1.2 | 1.2 | 1.1 | 1.0 | 1.0 | 0.9 |
| Percent of GDP | 0.2 | 0.2 | 0.3 | 0.4 | 0.5 | 0.4 | 0.4 | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of quota | 21.3 | 33.6 | 46.0 | 68.5 | 78.2 | 71.7 | 67.3 | 55.0 | 38.1 | 26.6 | 16.3 | 7.2 | 5.4 | 5.4 | 5.4 | 5.4 | 5.4 | 5.4 |
| Percent of gross reserves | 1.4 | 2.2 | 3.0 | 4.5 | 5.2 | 4.8 | 4.4 | 3.6 | 2.5 | 1.7 | 0.9 | 0.4 | 0.3 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 |
| **Outstanding IMF credit based on existing** | | | | | | | | | | | | | | | | | | |
| **and prospective drawings** | | | | | | | | | | | | | | | | | | |
| SDR millions | 1,090.2 | 1,081.9 | 985.3 | 826.2 | 639.1 | 468.0 | 306.7 | 176.6 | 90.8 | 34.4 | 4.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CFAF billions | 897.3 | 897.1 | 823.1 | 695.7 | 542.9 | 403.4 | 264.3 | 152.3 | 78.2 | 29.6 | 4.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of government revenue | 19.1 | 18.4 | 15.9 | 12.7 | 9.4 | 6.5 | 4.0 | 2.1 | 1.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of exports of goods and services | 16.8 | 16.4 | 14.2 | 11.6 | 8.6 | 6.1 | 3.7 | 2.0 | 1.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of debt service[2] | 99.9 | 104.8 | 96.2 | 84.8 | 62.9 | 50.8 | 30.8 | 14.9 | 7.3 | 2.8 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of GDP | 3.0 | 2.8 | 2.4 | 2.0 | 1.4 | 1.0 | 0.6 | 0.3 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of quota | 395.0 | 392.0 | 357.0 | 299.3 | 231.6 | 169.6 | 111.1 | 64.0 | 32.9 | 12.4 | 1.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net use of Fund credit** (SDR millions) | 124.2 | -8.3 | -96.6 | -159.2 | -187.1 | -171.1 | -161.3 | -130.0 | -85.9 | -56.4 | -29.4 | -4.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Disbursements | 165.6 | 55.2 | 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 |
| Repayments and repurchases | 41.4 | 63.5 | 96.6 | 159.2 | 187.1 | 171.1 | 161.3 | 130.0 | 85.9 | 56.4 | 29.4 | 4.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Memorandum items:* (CFAF billions) | | | | | | | | | | | | | | | | | | |
| Nominal GDP | 29,457 | 31,521 | 33,691 | 35,661 | 37,760 | 40,066 | 42,751 | 45,683 | 48,768 | 52,082 | 55,629 | 59,425 | 63,488 | 67,849 | 72,520 | 77,525 | 82,889 | 88,639 |
| Exports of goods and services | 5,338 | 5,461 | 5,802 | 6,023 | 6,285 | 6,616 | 7,064 | 7,546 | 8,036 | 8,565 | 9,135 | 9,748 | 10,408 | 11,120 | 11,888 | 12,715 | 13,607 | 14,570 |
| Government revenue | 4,696 | 4,878 | 5,165 | 5,459 | 5,791 | 6,170 | 6,596 | 7,097 | 7,617 | 8,201 | 8,888 | 9,631 | 10,386 | 11,221 | 12,143 | 13,166 | 14,307 | 15,564 |
| Debt service[2] | 898 | 856 | 856 | 820 | 863 | 794 | 858 | 1,021 | 1,066 | 1,074 | 955 | 1,059 | 1,088 | 1,100 | 1,176 | 1,247 | 1,343 | 1,443 |
| CFAF per SDR (period average) | 823.1 | 829.2 | 835.4 | 842.1 | 849.5 | 862.0 | 862.0 | 862.0 | 862.0 | 862.0 | 862.0 | 862.0 | 862.0 | 862.0 | 862.0 | 862.0 | 862.0 | 862.0 |

Source: IMF staff calculations.

1/ On, July 14, 2021, the IMF Executive Board approved a modified interest rate setting mechanism which effectively sets interest rates to zero on ECF and SCF through July 2023 and possibly longer, while interest rate on RCF remains at zero percent, in line with the Executive Board's decision in 2015. Based on these decisions, the following interest rates are assumed beyond July 2023: 0/0/0 percent per annum for the ECF, SCF and RCF, respectively. The Executive Board will review the interest rates on concessional lending by end-July 2023 and every two years thereafter.

2/ Total debt service includes IMF repurchases and repayments.

Quota (in SDRs) 276,000,000

## Table 6. Cameroon: Financial Soundness Indicators, 2015–22

(Percent)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 Q2 | 2022 Q4 |
|---|---|---|---|---|---|---|---|---|---|
| **Capital adequacy** | | | | | | | | | |
| Total bank regulatory capital to risk-weighted assets[1] | 10.2 | 9.1 | 9.7 | 10.8 | 10.7 | 13.8 | 14.2 | 16.2 | 15.0 |
| Total capital (net worth) to assets | 5.3 | 4.3 | 4.5 | 5.0 | 5.1 | 6.5 | 6.5 | 7.2 | 6.7 |
| Total assets (growth) | 9.6 | 7.3 | 4.9 | 10.3 | 11.1 | 8.5 | 15.9 | 13.4 | 17.4 |
| **Asset quality** | | | | | | | | | |
| Non-performing loans (gross) to total loans (gross) | 9.3 | 10.7 | 10.8 | 12.4 | 12.8 | 13.4 | 14.1 | 14.2 | 13.0 |
| Non-performing loans less provisions to regulatory capital | 12.8 | 17.7 | 9.1 | 11.8 | 11.1 | 11.7 | 11.6 | 13.6 | 13.8 |
| **Earnings and profitability** | | | | | | | | | |
| Return on equity[2] | 11.8 | 1.3 | 17.0 | 14.2 | 16.0 | 6.4 | 28.8 | 16.7 | |
| Return on assets | 1.7 | 0.8 | 2.0 | 1.8 | 2.1 | 0.9 | 3.9 | 2.3 | |
| Non interest expense to gross income | 91.5 | 92.9 | 89.2 | 87.7 | 96.6 | 89.3 | 84.3 | 65.0 | |
| **Liquidity** | | | | | | | | | |
| Liquid assets to total assets | 23.1 | 23.2 | 24.2 | 26.4 | 25.9 | 30.1 | 30.3 | 29.0 | 31.4 |
| Liquid assets to short-term liabilities | 147.5 | 148.7 | 149.3 | 162.4 | 161.9 | 182.4 | 189.3 | 179.6 | 187.7 |
| **Credit** | | | | | | | | | |
| Gross loan (banks' book) - bn FCFA | 3243 | 3437 | 3513 | 3741 | 3819 | 4119 | 4566 | 4721 | 4961 |
| Gross loan - annualized growth rate | 16.7 | 6.0 | 2.2 | 6.5 | 2.1 | 7.9 | 10.9 | 14.1 | 8.6 |
| **Other** | | | | | | | | | |
| Foreign-currency-denominated loans to total loans | 0.5 | 0.7 | 2.8 | 1.0 | 0.8 | 0.5 | 0.1 | 0.1 | 0.1 |
| Foreign-currency-denominated liabilities to total liabilities | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 2.1 | 2.1 | 5.8 |

Source: Banking Commission of Central Africa (COBAC).
1/ Calculated according to the Basel I guidance.
2/ Return in ROE is calculated based on annualized net profit before tax.

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

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

Source: IMF staff calculations.
1/ Cameroon's current quota is SDR 276.0 million.

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

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|
| **Total Financing Requirements** | **1506** | **1868** | **1695** | **1691** | **1827** | **1874** | **1969** |
| Current Account Deficit | 495 | 863 | 958 | 904 | 1030 | 1098 | 1200 |
| Amortization of PPG Debt | 589 | 738 | 712 | 738 | 757 | 814 | 724 |
| Gross Reserves Accumulation (+ = increase) | 422 | 266 | 25 | 50 | 39 | -37 | 45 |
| **Financing Sources** | **1226** | **1602** | **1561** | **1691** | **1827** | **1874** | **1969** |
| Capital Account | 49 | 35 | 37 | 40 | 43 | 38 | 20 |
| Financial Account | 1177 | 1567 | 1523 | 1651 | 1784 | 1836 | 1949 |
| **Financing Gap** | **280** | **265** | **134** | **0** | **0** | **0** | **0** |
| **Additional/Exceptional Financing Sources** | **280** | **265** | **134** | **0** | **0** | **0** | **0** |
| **IMF Financing** | **115** | **136** | **46** | **0** | **0** | **0** | **0** |
| *ECF* | *38* | *45* | *15* | *0* | *0* | *0* | *0* |
| *EFF* | *77* | *91* | *31* | *0* | *0* | *0* | *0* |
| **Budget Support (excl. IMF)** | **165** | **129** | **88** | **0** | **0** | **0** | **0** |
| *AfDB* | *53* | *41* | *0* | *0* | *0* | *0* | *0* |
| *WB* | *66* | *62* | *62* | *0* | *0* | *0* | *0* |
| *France* | *46* | *27* | *26* | *0* | *0* | *0* | *0* |
| *EU* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| *Other* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| **Exceptional Financing** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Residual gap** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

Source: Country authorities and IMF staff calculations.

# Annex I. Global Risk Assessment Matrix (February 13, 2023)[1]

| Risks | Likelihood | Impact if realized | Recommended Policy Response |
|---|---|---|---|
| **Conjunctural risks** | | | |
| **Intensification of regional conflict(s).** Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, refugee flows, FDI and financial flows, and payment systems. | High | • Higher inflation and increased food insecurity would intensify.<br>• Supply chain disruptions would continue to affect businesses.<br>• Spending pressures (including on fuel subsidies) would increase, with extension of tax exemptions, which jeopardize fiscal strategy. | • Create fiscal space through wage bill control, spending review, and revenue mobilization for new policies to mitigate supply shocks in the economy.<br>• Prioritize and target public spending towards the most vulnerable people.<br>• Review and reprioritize tax exemptions for programs with higher economic and social impact. |
| **Social discontent.** Supply shocks, high inflation, real wage drops, and spillovers from crises in other countries worsen inequality, trigger social unrest, and give rise to financing pressures and damaging populist policies with possible spillovers to other EMDEs. This exacerbates imbalances, slows growth, and triggers market repricing. | High | • Social unrest could delay fiscal adjustment.<br>• Social discontent and spillovers from regional crises (e.g., displacements of populations) could fuel existing internal tensions.<br>• Rising unrest would further disrupt agricultural production and growth.<br>• Delays in investment projects might be exacerbated. | • Review and reprioritize public spending towards programs with higher economic and social impact.<br>• Create fiscal space to tackle financial vulnerabilities<br>• Mobilize additional grants and concessional loans from financial and technical partners to cover prioritized needs. |
| **Abrupt global slowdown or recession.** Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and markets fragmentation.<br>• **U.S.:** Amid tight labor markets, supply disruptions and/or | Medium | • Slower growth due to weaker demand from trade partners, with worsening current account. Weaker demand could cool inflation. | • Adjust fiscal policy to anchor expectations of economic agents.<br>• Prioritize and target public spending towards the most vulnerable people.<br>• Monitor macro-financial risks. |

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. 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. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

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.

| | | | |
|---|---|---|---|
| commodity price shocks, inflation remains elevated, prompting the Fed to keep rates higher for longer and resulting in dollar strengthening, a more abrupt financial and housing market correction, and "hard landing".<br><br>• **Europe:** Intensifying fallout from the war in Ukraine, worsening energy crisis and supply disruptions, and monetary tightening exacerbate economic downturns and housing market corrections.<br><br>• **China:** Greater-than-expected economic disruptions from COVID resurgence, rising geopolitical tensions, and/or a sharper-than-expected slowdown in the property sector disrupt economic activity.<br><br>• **EMDEs:** A new bout of global financial tightening, combined with volatile commodity prices, leads to spiking risk premia, debt distress, widening of external imbalances, fiscal pressures, and sudden stops. | **Medium**<br><br>**High**<br><br>**Medium**<br><br>**Medium** | | |
| **Commodity price volatility.** A succession of supply disruptions (e.g., due to conflicts and export restrictions) and demand fluctuations (e.g., reflecting China reopening) causes recurrent commodity price volatility, external and fiscal pressures, and social and economic instability. | **Medium** | • Worsening terms of trade in case of lower commodity prices, improvement in case of higher prices for Cameroon's main commodity exports (e.g., timber and cocoa)<br><br>• Unstable fiscal position, with delays in fiscal adjustment and reform efforts.<br><br>• Further social unrest. | • Review export promotion incentives to ensure that they encourage higher growth and diversification of the economy.<br><br>• Prioritize and target public spending towards the most vulnerable people. |
| **Monetary policy miscalibration.** Amid high economic uncertainty and volatility, major central banks slow monetary policy tightening or pivot to loosen monetary policy stance prematurely, de-anchoring inflation expectations and triggering a wage-price spiral in tight labor markets. | **Medium** | • Increase in risk premia, heightened financial sector instability risk. | • In the short term, the regional central bank will need to remain vigilant, adjusting the monetary stance as needed. In the medium-term, Cameroon needs to accelerate implementation of reforms to strengthen the resilience of the financial sector. |
| **Systemic financial instability.** Sharp swings in real interest rates, risk premia, and assets repricing | **Medium** | • Limited credit extension would hamper investment and growth. | • Enhance banking supervision and enforce prudential regulations. |

| | | | |
|---|---|---|---|
| amid economic slowdowns and policy shifts trigger insolvencies in countries with weak banks or non-bank financial institutions, causing markets dislocations and adverse cross-border spillovers. | | • Potential contingent liabilities would add to fiscal pressures. | • Improve processes and procedures for collection of debts and collateral.<br>• Create fiscal space to absorb financial shocks. |
| **Structural risks** | | | |
| **Deepening geo-economic fragmentation.** Broader and deeper conflict(s) and weakened international cooperation lead to a more rapid reconfiguration of trade and FDI, supply disruptions, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial systems, and lower potential growth. | **High** | • Risk of reconfiguration of relations with traditional partners.<br>• Further supply disruptions.<br>• High input costs, financial instability<br>• Lower potential growth. | • Accelerate labor and product market reforms to support diversification of exports and extend trade relations. |
| **Cyberthreats.** Cyberattacks on critical domestic and/or international physical or digital infrastructure (including digital currency and crypto ecosystems) trigger financial and economic instability. | **Medium** | • Impact on public services that rely on digital infrastructure. | • Create contingent plans for cyberattacks |
| **Extreme climate events.** Extreme climate events cause more severe than expected damage to infrastructure (especially in smaller vulnerable economies) and loss of human lives and livelihoods, amplifying supply chain disruptions and inflationary pressures, causing water and food shortages, and reducing growth. | **Medium** | • Harm agricultural production, worsening the livelihood of people in rural areas and exacerbating extreme poverty and inequalities.<br>• Higher recovery spending, higher financing costs, and lower revenues.<br>• Supply disruptions and weaker confidence. | • Improve capacity for monitoring and assessing climate policies and strengthening early warning systems.<br>• Address infrastructure gaps and income/developmental disparities among regions, while instituting appropriate social safety nets. |
| **Domestic risks,** including worsening security situation, slow reform progress, fiscal policy slippages, etc. | **Medium** | • Spending pressures jeopardizing fiscal performance<br>• Weak program performance | • Create fiscal space to absorb spending on security purposes<br>• Reflect security spending in the budget<br>• Accelerate priority reforms in the PFM and governance areas |

# Appendix I. Letter of Intent

Madam Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. USA
June 14, 2023

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

Dear Madam Managing Director,

**1.** The Government of Cameroon is continuing to implement its 2021-24 Economic and Financial Program supported by the International Monetary Fund's Extended Credit Facility (ECF) and Extended Fund Facility (EFF) in a difficult economic and security context, further exacerbated by the Russia-Ukraine conflict. To support the needs of its population, contribute to meeting its balance of payments needs and to rebuilding regional foreign exchange reserves, the government adopted an economic recovery program in line with the regional economic and financial reform program (PREF-CEMAC) and the commitments made at the Extraordinary Summit of CEMAC Heads of State in November 2019 and August 2021 as well as the Ordinary Summit in March 2023.

**2.** Cameroon is facing renewed risks from the external environment, including tight global financial conditions and increased oil price volatility. The outlook remains positive, despite uncertainties about global developments.

**3.** Program performance at end-December is mixed. Regarding the quantitative targets, the outcome under the program is broadly similar to that for the third review of the ECF-EFF arrangement: The continuous performance criterion on the non-accumulation of external debt arrears was missed in early 2023, but all the other quantitative performance criteria (QPCs) were met, while three of the five indicative targets (ITs) were not met. The indicative targets missed at end-December concerned the ceilings for the net accumulation of domestic payment arrears, on direct interventions of the National Hydrocarbons Company (SNH), and on the share of expenditures executed under exceptional procedures. We have proposed corrective measures to address this situation. Four of the nine quantitative targets at end-March 2023 were missed. Two of the four structural benchmarks (SBs) due for the Fourth Review were met. The issuance of the implementing texts for the October 2021 decree governing project management was delayed (SB12, due April 2023, rephased to August 2023). The implementing texts of the mining code have not yet been published (SB4 rephased to September 2023). They were delayed by the need to integrate the role of the National Mining Corporation (SONAMINES) officially created at end-2020. However, the texts are now ready for submission to Parliament. SB2 on Public Private Partnerships (PPPs), due end-June 2023, was met, while SB9 on the restructuring plan of SONARA was rephased from June 2023 to September 2023, taking account of processes needed to complete this plan.

**4.** The government will continue to implement policies consistent with regional external stability, which requires the rebuilding of foreign exchange reserves at the BEAC. In this context, the government supports the efforts of the BEAC and the COBAC to strictly enforce the new foreign exchange regulations. To achieve the foreign exchange reserve targets, the authorities will continue to support the BEAC in implementing reforms and will ensure compliance with the obligations to repatriate export proceeds, particularly oil revenues.

**5.** The government welcomed the SDR allocation made available to Cameroon by the IMF in August 2021. The government used CFAF 50 billion in 2021, CFAF 70 billion in 2022, CFAF 60 billion in January 2023 and expects to use another CFAF 20 billion by the end-2023, totaling around 96 percent of the allocation to attenuate the socio-economic impact of the crisis.

**6.** The attached Memorandum of Economic and Financial Policies (MEFP) supplements those of July 2021, February 2022, July 2022, and March 2023. It describes the economic and financial situation in 2022, outlines the government's economic and financial policies for 2023 and 2024, and defines the quantitative criteria, indicative targets, and structural benchmarks through March 2024.

**7.** The government requests that the IMF Executive Board approve changes to the program targets for end-September and end-December 2023, which have been revised in line with the updated macroeconomic projections and adopted policies. We request a waiver for the non-observance of the continuous performance criteria on the non-accumulation of external payment arrears in 2023 on the grounds that the breach is minor and temporary.

**8.** Considering the achievements under the program and the commitments in the MEFP, the government requests the conclusion of the fourth reviews of ECF-EFF supported arrangements and the disbursement and purchase of SDR 18.4 million and SDR 36.8 million, respectively.

**9.** The government is convinced that the policies and measures presented in the MEFP are adequate to achieve the program targets and is committed to accelerate its implementation of reforms and to take any additional measures required. The government will consult with the IMF on additional measures or before revising measures in the MEFP in accordance with the IMF policy on such consultations. To facilitate program monitoring, the government will report the information required to IMF staff by the prescribed deadlines in accordance with the attached Technical Memorandum of Understanding (TMU).

**10.** Finally, the government agrees to the publication of this letter, the MEFP, the TMU, and the IMF staff report on this program.

Sincerely yours,

/s/
Joseph Dion Ngute
Prime Minister, Head of Government

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

# Attachment I. Supplementary Memorandum of Economic and Financial Policies in 2023, June 2023

## INTRODUCTION

1. **The National Development Strategy (SND-30) for 2020-30 (which is our Poverty Reduction and Growth Strategy) and the post-COVID-19 Economic Support and Recovery Plan together form the framework for our strategic priorities.** The authorities are working to restore strong, sustained, and inclusive economic growth to accelerate Cameroon's progress toward becoming an emerging economy. Achieving this requires consolidating the recovery, strengthening macroeconomic stability, and initiating a deep structural transformation of the economy through substantial investment in the priority sectors identified in the SND-30. This requires a substantial expansion of fiscal space, while preserving the sustainability of public finances, including that for debt.

## RECENT ECONOMIC DEVELOPMENTS

2. **Following an incipient recovery from the COVID-19 shock in 2021, Cameroon is facing renewed risks from the external environment, such as tightening global financial conditions and increased oil price volatility.** Economic recovery continued in 2022 despite external shocks. The adverse effects of the COVID-19 pandemic and the difficult security context were exacerbated by the high inflation and the tightening of global financial conditions. Even so, the outlook for the near term remains positive despite the large uncertainties. After reaching 3.6 percent in 2021, growth according to the latest estimates should reach 3.8 percent in 2022, compared to 4.2 percent originally projected in the 2022 budget law. Despite measures taken by the government, average inflation reached 6.3 percent in December 2022, with much larger increases for some food items.

3. **The fiscal position in 2022 has been shaped by external shocks and the policy response.** Higher oil revenues and solid non-oil revenue performance narrowed the overall deficit to 1.1 percent of GDP in 2022 compared to 3 percent of GDP in 2021. Stronger budget revenues were accompanied by increased current spending, mainly on fuel subsidies, estimated around CFAF 900 billion (3.4 percent of GDP). As a result, the non-oil primary balance should remain around 3.9 percent of GDP in 2022.

4. **Public debt as a share of GDP remained stable in 2022.** Stronger growth and a tighter fiscal stance brought public debt down modestly from 46.8 percent of GDP at end-2021 to 45.5 percent at end-2022. External public debt fell from 31.7 percent to 30.9 percent of GDP over the same period.

5. **The external balance improved in 2022, reflecting higher oil prices and a real effective exchange rate (REER) depreciation.** The current account deficit (including grants) is estimated to have narrowed from 4 percent of GDP in 2021 to 1.8 percent in 2022, reflecting higher global

hydrocarbon prices and REER depreciation, despite rising inflation and import prices. The CEMAC foreign exchange regulations also helped restrain the exit of capital, though at the expense of slower import payment transactions.

## IMPLEMENTATION OF THE ECONOMIC AND FINANCIAL PROGRAM

**6. The difficult economic environment has strained program performance.** The continuous performance criterion on the non-accumulation of external debt arrears was missed in 2022 and early 2023, but all the other performance criteria at end-December 2022 were met (Table 1). The temporary and minor breach of the continuous performance criterion on the non-accumulation of external payment arrears was due to spending through exceptional procedures, including Treasury advances, and cash management issues. The floor on the non-oil primary fiscal balance at end-December 2022 was observed, but a substantial portion of the fuel subsidies (estimated at CFAF 330 billion) for 2022 was only validated in 2023 and integrated into the LFR2023.

**7. Three of the five indicative targets (ITs) at end-December 2022 were not met (Table 1)**. The ceilings on the net accumulation of domestic payment arrears, on direct interventions by SNH and on the share of expenditure executed on exceptional procedures were exceeded. Security concerns led to a greater use of SNH direct interventions and exceptional budget procedures. The authorities have committed to improve the monitoring of expenditures related to the direct interventions by SNH. They also undertake to ensure the full application of the legal provisions relating to the State's public finances that prohibit the use of Treasury advances to reduce expenditures using exceptional procedures to the strict minimum.

**8. Performance on indicative targets at end-March 2023 remained mixed.** Four out of nine quantitative targets were missed. The ceilings on the net accumulation of domestic payment arrears, on direct interventions by SNH, and on the share on the expenditures through exceptional procedures as well as the floor on poverty-reducing social spending were not respected.

**9. Progress on structural benchmarks (SBs) has continued (Table 2)**. Two of the four structural benchmarks due for the Fourth Review were met. (i) The Supreme Court's Audit Bench (Chambre des Comptes) published the audit report on COVID-related expenditures in 2021 **(SB8, March 2023)**. (ii) The authorities published the action plan to strengthen the frameworks for public spending audits **(SB7, April 2023).** The issuance of the implementing texts for the October 2021 decree governing project management units was delayed **(SB12, April 2023, rephased to August 2023)**. The publication of the implementing texts of the mining code was also delayed **(SB4, March 2023, rephased to September 2023).** Furthermore, two SBs due for the Fifth Review were met: (i) SB2 on PPPs, due end-June 2023, was met; and (ii) SB10 on increasing the number of VAT taxpayers from 13,500 at end-December 2022 to 14,850 by end-October 2023 was implemented before the due date.

# ECONOMIC AND FINANCIAL PROGRAM IN THE MEDIUM TERM

## A. Macroeconomic Framework

**10. The economic outlook remains positive, although enveloped by uncertainty.** Real GDP growth is projected at 4.0 percent in 2023 and then averaging 4.4 percent through the medium term, driven by a robust primary sector (agrobusiness, and forestry) and by services. Hydrocarbon output will recover in 2023 and then remain broadly unchanged, as increasing gas production offsets the depletion of oil fields. The projections are that average inflation could exceed 6 percent by end-2023 following a retail fuel price adjustment before stabilizing below 3 percent through the medium term.

**11. Overall economic policy is geared towards implementing the SND-30 while ensuring the sustainability of public finances.** Fiscal policy will remain focused on fiscal consolidation in line with the objectives of the IMF program and the CEMAC convergence criterion, while providing adequate fiscal space to implement priority expenditures for the SND-30. The government aims to bring the overall budget deficit (payment order basis, including grants) and the non-oil primary deficit to a sustainable level in the short and medium term, to keep public debt on a viable trajectory. To achieve this, the emphasis will be placed on mobilizing domestic non-oil revenues through a mix of tax policy and revenue administration measures, to raise these revenues from 12.1 percent in 2022 to around 13.3 percent of GDP in 2025. Particular attention will also be placed on rationalizing expenditures, especially the reduction of fuel subsidies by 2025, to bring total primary spending (excluding interest payments) from 16.4 percent GDP in 2022 to 14.6 percent of GDP in 2025.

**12. The current account deficit should remain around 3 percent of GDP in the medium term.** High hydrocarbon prices temporarily boosted export earnings in 2022. In the medium term, programs to promote non-oil exports, import substitution, and regional integration should contribute to stabilize the current account deficit around 3 percent of GDP. Compliance with the CEMAC foreign exchange regulations should lead to greater repatriation of export proceeds and limit illicit outflows, contributing to raising regional foreign reserves to at least five months of imports in the medium term.

**13. Monetary policy will remain geared towards achieving CEMAC's objectives for inflation and foreign reserves.** The continued economic recovery and subsequent reduction in budget deficits will allow the BEAC to reduce liquidity growth and raise foreign reserve coverage without destabilizing the financial system.

## B. Fiscal Consolidation with Growth: Creating Fiscal Space for Productive Investment and Social Protection

**Continued Fiscal Consolidation**

**14. The authorities raised retail fuel prices in February 2023 while adopting mitigating measures to protect the most vulnerable groups.** Fuel subsidies are estimated to be around CFA 900 billion (about 3.4 percent of GDP) in 2022. To constrain the cost of these subsidies, the government raised retail fuel prices by an average of 21 percent in February 2023 which, under current international oil price projections, would reduce the fuel subsidy cost in 2023 to CFAF 145 billion (0.5 percent of GDP), excluding carry-over from 2022. The authorities also announced a mitigation package costing 0.3 percent of GDP, including an increase of 15.5 percent in the minimum wage (*SMIG*) and of 5.2 percent in civil service salaries. The authorities are also committed to doubling social support through direct social transfers with World Bank support for the targeting to provide additional protection to disadvantaged households (*filets sociaux*).

**15. The supplementary budget for 2023 (LFR23) is in line with the priorities as defined in the LF23 as well as in the program.** The fiscal outlook and projections for 2023 were revised during the third and fourth program reviews to take account of revised macroeconomic projections, and to incorporate the balance of fuel subsidy costs in 2022 (about CFAF 330 billion). The projections also incorporate the impact of the increase in retail fuel prices from February 1, 2023, the accompanying mitigating measures, and tax and spending control measures. Based on revised macroeconomic and fiscal projections, the LFR23 envisages reducing the overall budget deficit (payment order basis, including grants) to 0.8% of GDP in 2023, from 1.1% of GDP in 2022. The non-oil primary deficit will decline to 2.5% of GDP in 2023 from 3.9% of GDP in 2022. The LFR23, with the non-oil primary fiscal balance and other parameters consistent with the macroeconomic framework of the program will be submitted to Parliament (**prior action**).

**16. Fiscal policy in 2024 will remain focused on fiscal consolidation, and its effective implementation will depend on the formulation of a realistic budget.** Budget revenues are expected to decline relative to GDP due to lower oil-related budget revenues, reflecting lower international oil prices, while efforts to mobilize non-oil domestic revenues (0.3 percent of GDP) will help offset this decline. However, lower projected international oil prices will also reduce fuel subsidy expenditures, opening up fiscal space for other expenditures, especially public investment. The overall deficit is expected to decline to around 0.6 percent of GDP while the non-oil primary deficit will fall more substantially to 1.7 percent of GDP in line with the trajectory of fiscal consolidation.

**17. Constraints on borrowing heighten the need to create fiscal space for priority public expenditures, especially investment and social spending.** Creating the space needed will require an emphasis on mobilizing domestic non-oil revenues, the strict respect of spending priorities, and improved efficiency of expenditures.

### Fuel Subsidy Reform

**18. The government recognizes the need to reduce fuel subsidies that are costly and not always targeted to the most vulnerable**. To create space for other priority spending, and to support the objective of sustainable public finances, the government intends to gradually reduce the fuel subsidies to make them sustainable. To achieve this, the authorities will review the existing fuel pricing structure and consider options in the medium-term to allow automatic adjustments of domestic fuel prices to reflect international price movements. This will need to be accompanied by measures to mitigate the social and economic impact, including strengthening the social safety nets, and improving access to basic public services such as education and health.

### Targeting Investment and Other Spending Priorities

**19. Limited fiscal space makes productive investments a priority.** These investments will boost economic activity, budget revenues and export receipts, thereby also easing borrowing constraints. This would in turn widen the fiscal space to finance further priority expenditures. To this end, the government will prioritize the budget's contribution required for jointly financed projects. These resources will be allocated as a priority for the completion of key infrastructure investment projects, especially those related to energy and transport. This funding will provide for ancillary projects needed to harness spillovers to the rest of the economy. The government's priorities will need to reflect a comprehensive assessment of the macroeconomic and social impact of the projects. Such an evaluation will permit the prioritization of projects and increase the impact of capital spending on growth, budget revenues and export receipts, and on fiscal sustainability.

**20. Government subsidies to public enterprises should be better prioritized.** As part of the diagnostic studies of each public enterprise, the authorities will assess the subsidies with the aim of reducing those allocated to the weakest performance. In this context, the authorities have initiated a study to be finalized in November 2023 of all the approved or administered prices of the products of public enterprises with the aim of reviewing, if necessary, their formula for determining prices and/or their possible liberalization.

### Mobilizing Domestic Non-oil Revenues

**21. Creating fiscal space will require a significant mobilization of domestic revenues.** Non-oil tax revenue collection in Cameroon remains below 13 percent of GDP and below its real potential. A significant improvement in the level of tax revenues will require implementing reforms in both tax policy and revenue administration. Broadening the tax base remains a challenge given the considerable weight of tax expenditures, the large informal sector, and the low yield of personal income tax.

**22. The General Directorate of Taxes (DGI) is implementing its three-year plan (2023-25) to modernize and align the tax system with international standards.** DGI is continuing efforts to improve revenue collection, combat tax evasion and fraud, and ensure the integrity of taxpayer records. The authorities plan to gradually reduce exemptions and audit the application of the 2013 law (2013/004) on investment incentives. The authorities are also following up on recommendations from a diagnostic study of tax policy undertaken in 2022 with IMF support. Some of the recommendations are already included in LF2023. Based on these recommendations, the DGI envisages other measures for 2024: (i) a reform of personal income tax; (ii) the transformation of the simplified tax system into a synthetic tax based on business turnover; and (iii) the rationalization of tax exemptions.

**23. The General Directorate of Customs (DGD) is also pursuing a reform program to mobilize revenues.** This reform program aims to optimize revenues through tighter controls supported by the digitization of records. The DGD will also pursue the implementation of the new measures with a high tax impact that are contained in the LF23, as well as the broadening of the tax base and reducing the exploitation of certain tax loopholes. In 2024, the government plans to implement a medium-term customs revenue mobilization strategy centered on four pillars, namely (i) improving spontaneous revenue through, in particular, better control of the tax bases and better accounting and valuation of exports, (ii) the strengthening and digitization of controls; (iii) the consolidation of collection by strengthening the monitoring of the debt of the State, SONARA, marketers and public enterprises; the finalization of the extension of the electronic payment platform to all customs units, and the continuation of the automation of auctions; (iv) improving the administration of customs taxes prioritizing digitization and trade facilitation, as well as centralization of the payment of port taxes and fees in customs declarations.

**24. Strengthening collaboration between DGI and DGD through the FUSION platform remains an important priority and will be implemented as follows:** (i) strengthening the interconnection between CAMCIS and FISCALIS; (ii) the transfer of the collection of certain taxes and levies from the DGI via the DGD CAMCIS information system; (iii) the implementation of a single database for the customs clearance and the ANR of the DGI; (iv) the automation of stamping through the networking between CAMCIS and the Delarue information system (put an end to manual stamping, carry out the preliminary audit of the current stamping device, carry out profiling people who order the stickers); (v) automation of NIU transmission; (vi) the creation of a single window for customs clearance of vehicles to put an end to registration fraud and the interfacing of the information systems of all the government agencies involved in this process (DGD, DGI, MINTRANSPORTS, etc.). Closer coordination will help increase the number of registered taxpayers. Indeed, the number of VAT payers has already increased from 13,500 to 14,850 between end-December 2022 and April 2023 **(SB10, October 2023)**. The authorities plan to increase this number to 16,000 by end- 2023. To improve the monitoring of the performance of the DGI and the DGD, they will provide the IMF with performance indicator tables (in line with the TMU).

**25. The country's extractive and forestry sectors have significant potential to boost economic growth and generate greater government revenues.** The authorities see the mining sector as an important pillar of the economy and as a national priority. The mining code was adopted in 2016, and the legislative framework for the implementation of the law has been finalized. In 2020, a state mining company, SONAMINES, was created to promote mining sector development. To reflect the creation of this company, the 2016 Mining Code needs to be revised which has led to delays in the publication of its implementing texts **(SB4, March 2023, rephased to September 2023).** In addition, the authorities published a decree implementing the Petroleum Code needed to promote oil operations. They undertake to further monitor gold and forestry production to optimize the contribution of these sectors to budgetary and export revenues.

## C. Structural Reform in Public Sector Management

**Public Financial Management**

**26. The government launched the third review of Public Expenditure and Financial Accountability (PEFA) with the support of the European Union.** This follows previous reviews in 2007 and 2017. The PEFA, which provides an in-depth review of public financial management, is expected to be completed in August 2023 and pave the way for a new public finance reform plan for 2024-27.

**27. The government is pursuing reforms aimed at improving the realism of the budget**. It aims to improve the quarterly projections of public expenditure, to limit the practice of Treasury advances, release of funds and advance payments (*régies d'avance*). The government plans to reduce the volume of budgetary appropriations entered in the common budget chapters in line with the reform to reduce the concentration of payment orders. In addition, it intends to subject the Treasury correspondents to an annual disbursement plan consistent with the fiscal policy underlying the budget law. To better manage the unpaid obligations, the government plans to include a budget allocation in the budget law of year N+1 for the clearance of the stock of outstanding balances on unpaid obligations ('Restes à Payer', RAP) of more than 90 days at the end of year N **(new SB13, December 2023)**. These measures will be supported by an integrated information system deployed with the support of technical and financial partners. These reforms require the establishment of a permanent dialogue between the actors of the budgetary chain, as well as the sensitization of all the parties to the stakes of budgetary discipline. In addition, to improve cash management, the authorities will limit Treasury advances without a budget allocation. Such advances are prohibited by the law, and the authorities will only use them in cases of extreme urgency restricting their amount to CFAF 15 billion per quarter (**new IT, Table 1**).

**28. To avoid the accumulation of outstanding unpaid obligations (RAP), the government will ensure the preparation of commitment plans consistent with the monthly Treasury plans**. To achieve this, the Government through the General Directorate of the Budget (DGB) and the General Directorate of the Treasury, Financial and Monetary Cooperation (DGTCFM) must ensure, at all times, perfect coordination between the expenditure commitment plan and the Treasury plan: with an objective to contain the waiting time for suppliers to within 90 days from the date at which the expenditure is liquidated. To do this, adjustments will have to be made in the information system of the Ministry of Finance so that the expenditure commitment and the Treasury plans are implemented.

**29. In addition, a well-planned issuance schedule of government securities will further improve Treasury management and keep RAPs within 90 days**. The DGTCFM will strengthen the planning of issuances and improve their execution, including monthly issuances to take into account financing needs more effectively. Sufficiently robust Treasury forecasts will help underpin a stable schedule of issuances to assist investors in making decisions, and tender notices published on a timely basis will enable them to obtain the necessary clearances to participate in these issuances. In addition, the enabling decree which authorizes the Minister of Finance to issue public securities for financing needs must be available on a timely basis, so as not to constrain the execution of issues over a reduced number of months (usually from March).

**30. The public sector accounts are being inventoried before their transfer to the Treasury Single Account (TSA), which will help improve Treasury management.** Nevertheless, it is important for the authorities to consult with the various banks and institutions concerned to avoid compromising their financial situation. In this perspective, the repatriation of funds amounting to CFAF 165 billion is envisaged with a three-year schedule at the rate of CFAF 50 billion in 2023, CFAF 50 billion in 2024 and CFAF 65 billion in 2025. These gradual transfers will begin once the BEAC IT platform is operational and following a memorandum of understanding signed between the authorities and the BEAC.

**31. The government is also undertaking efforts to better manage current expenditures.** To better manage SNH's direct interventions and ensure transparency, the authorities established a committee (including the SNH and the Ministry of Finance) to reconcile and evaluate the SNH current expenditures and provide IMF staff with reports on the SNH interventions by expenditure type, on a quarterly basis, starting from the first quarter of 2023 (TMU Table 1). Drawing from a recent diagnosis of the civil service pension system, the authorities are committed to conducting an actuarial study of the system's sustainability by end-December 2023, with a view to reducing quasi-fiscal risks. The authorities will draw on its recommendations to strengthen the pension system.

**32. To enhance the efficiency of investment spending, the government will continue reforms in line with the PIMA recommendations on the selection, planning, and execution of investment projects.** In particular, the authorities aim to improve the selection and budgeting of investment projects. In this regard, they are working on a manual identifying project selection criteria to enhance the transparency of their procedures. The authorities will put in place an integrated project management system. To improve transparency, the authorities have also set up a website containing information on the execution of investment projects by sector and region. The issuance of the texts relating to the implementation of the October 2021 decree setting the procedures for monitoring the performance of project management units was delayed **(SB12, April 2023, rephased to August 2023)**. In addition, the government aims to: (i) create a maturation and payment fund for public investment projects to ensure that projects are completed on schedule as planned; (ii) establish a mechanism to evaluate and incorporate recurrent maintenance costs of state assets; (iii) implement the regulations of the public procurement, particularly those relating to the establishment of internal structures for the administrative management of procurement; and (iv) operationalize the COLEPS system (Cameroon Online E-Procurement System) to ensure the monitoring of the process of awarding all public contracts throughout the process **(new SB14, May 2024)**. These structural measures will help improve project and debt management.

**Public Enterprise Management**

**33. The government is committed to strengthening public enterprise management to improve service delivery and limit fiscal risks.** The first step is to assess and improve their financial situation, contain cross-debts, and assess risks. To do this it is necessary to: (i) validate and implement the recommendations from the diagnostic studies of four public enterprises (PAD, CAMTEL, CAMAIR-Co and CAMWATER) and then assess other public enterprises (SEMRY, SIC, CDC, et PAMOL); (ii) assess, and if necessary, revise, administered prices for consumer goods and services supplied by public enterprise by November 2023 at the latest; (iii) require utility companies to issue billing invoices to public administrations on a timely basis; (iv) require public administrations to make quarterly utility service payments, and oblige utility companies to meet their obligations on taxes, customs, and on obligations on loans guaranteed or borrowed on their behalf and on-lent by the State; and (v) regularly update the public enterprise risk dashboard maintained by the CTR to map the risks of the State's portfolio as well as to implement AFRITAC's tool for assessing financial risks.

**34. The authorities are continuing their efforts to strengthen the governance of public enterprises and establishments**. This includes: (i) ensuring that their executive boards include qualified directors; (ii) strengthening internal controls and in the context of the performance contracts noted in ¶35, oblige the publication by September 2023 of audited annual financial statements, and the submission of business plans in accordance with the law n°2017/11 of July 12, 2017 (to date, fifteen (15) public enterprises published their financial statements for 2021 in 2022); (iii) put in place a cross-functional structure responsible for steering governance issues and the State's shareholder policy, following a review of the State's shareholder policy; (iv) revise the criteria for the classification of public enterprises and establishments, that provides the basis for remunerating managers, by the end of the current three-year evaluation cycle. The government also submitted to Parliament the legal and regulatory framework governing PPPs **(SB2, June 2023, met)**.

**35. The government is also implementing measures to improve the performance of public enterprises.** This includes: (i) implementing the requirement, instituted in July 2022, for performance contracts specifying the obligation to meet the public service mission, the evaluation of unit costs (as a basis for paying subsidies), as well as quality indicators, to be published with evaluation reports. In the first phase, contracts will be concluded in November 2023 with four public companies that have already been the subject of diagnostic studies (CAMTEL, CICAM, CAMAIR, and PAD). The second phase will include those whose diagnostic studies are currently in progress or have been initiated, (CAMWATER, SODECOTON, FEICOM, ART, and ALUCAM); (ii) gradually reducing subsidies to under-performing public enterprises; and (iii) listing large industrial public enterprises on the regional stock market (BVMAC), notably PAD, CHC, ADC, SODECOTON.

**36. The authorities will continue steps to ensure SONARA's restructuring/rehabilitation.** In this respect, they undertake to draw up a detailed action plan for these measures (financial, organizational, and technical) to be appended to the restructuring plan validated by the President of the Republic **(SB9, rephased from June 2023 to September 2023)**. In addition, the authorities will: (i) rapidly complete negotiations on restructuring traders' claims on the same terms as with banks; (ii) validate monthly any shortfalls and/or overpayments, and paying the amounts owed by the debtor within 60 days; (iii) require SONARA to make regular payments of taxes and customs duties owed to the Treasury; (iv) ensuring that traders are authorized to import a volume of petroleum products consistent with their financial commitments.

**37. The authorities are committed to ensuring the financial viability of the energy sector**. To this end, they will accelerate projects in process to fully connect the hydroelectrical dams to the existing electrical networks, while reinforcing the transport segment. The authorities will pursue measures to ensure the viability of the pricing formula, including revising tariffs for medium and high voltages, and will ensure that the public sector consumption and tariff shortfalls are paid on a regular basis. They will ensure that private sector participation in the distribution sector is in line with international best practices.

## D. Maintaining Debt Sustainability Under Active Debt Management

**38. The government is determined to improve public debt sustainability and reaffirms the central role of the National Committee on Public Debt (CNDP).** As the risk of debt distress remains high, debt policy focuses on slowing new external borrowing, while favoring concessional loans. Recourse to non-concessional borrowing will be limited to financing priority projects with proven socioeconomic and financial cost-effectiveness and for which no concessional financing is available. To strengthen debt management, the CNDP is required to approve all public debt proposals and requests for guarantees, endorsements and sureties and that annual borrowing plans are consistent with the medium-term debt strategy. Reducing debt vulnerabilities would also require active debt management, and the government aims to carry out a debt management operation of CFAF 200 billion in 2023.

**39. The government will continue to contain the stock of signed but undisbursed loans (SENDs) and limit the accumulation of new SENDs.** To contain the stock of SENDs between January and December 2023, the government, in consultation with its technical and financial partners, will reduce the stock of non-performing SENDs by cancelling projects already closed or by reallocating the financing to new priority investment needs. In addition, the present value ceiling on new external borrowing contracted or guaranteed has been integrated into the authorities' debt strategy. However, to attain the growth objectives of the SND-30, the government will use an adjuster for the 2023 ceiling on concessional debt commitments to accommodate concessional World Bank loans of around CFAF 700 billion that will be absorbed in the medium term. Thus, the government will ensure that these new borrowings do not alter the risk of over-indebtedness, which is already high. The government will also ensure that this funding is absorbed by priority projects adopted in accordance with the decree on project maturation. The financing contracted should be disbursed on schedule, in line with the program budget deficit objectives, to contain the level of SENDs that is already a concern.

**40. The government remains committed to clearing domestic arrears within the public sector.** The government has finalized the audits of government payment arrears due over the period 2000-2019 and will adopt a clearance plan while assuring the viability of the public debt **(SB1, September 2023**). Work is also underway to establish an inventory and clearance plan of debts between public enterprises as of end-2020, with a focus on the 14 largest enterprises given the difficulties collecting data in this sector **(SB3, September 2023)**. The government will take the appropriate measures for the prescription of any new debt instrument that falls during the period covered by the audits.

**41. Management of the deposit and consignment fund (*Caisse des dépôts et consignations,* CDEC) has been appointed.** The authorities are currently drafting the regulatory texts for the CDEC to align it with international best practices and with the principles of good governance and transparency for public banks. To this end, the CDEC will draw on the prudential regulations of the COBAC. In addition, the CDEC is working on identifying the resources that will be allocated to it to prepare the transfer of these funds within three years.

## E. Strengthening Good Governance, Transparency and Anti-Corruption

**42. The government is committed to strengthening governance, transparency, the rule of law and the fight against corruption.** The government has initiated and will publish, in consultation with the IMF (a mission took place in March 2023), a diagnosis of economic governance vulnerabilities and the fight against corruption (**SB6, September 2023**). The diagnosis covers: (i) fiscal governance; (ii) supervision of the financial sector; (iii) regulation of the market for goods and services; (iv) the rule of law; and (v) the fight against money laundering and the financing of terrorism (AML/CFT).

**43. The authorities are supportive of institutional efforts being undertaken to control governance.** (i) With respect to the audit of public expenditures, the Supreme Court's Audit Bench (Chambre des Comptes) published an audit report on 2021 expenditures related to COVID-19 (**SB8, March 2023**). The Supreme Court's Audit Bench intends to review the implementation of its recommendations in early 2024. In consultation with IMF staff, the government prepared and published an action plan to strengthen the frameworks for the preparation, publication, and follow-up of public spending audits, with recommendations for strengthening the relevant institutions, especially the Supreme Court's Audit Bench (**SB7, April 2023**). The government is committed to facilitating the timely completion and publication of future audits. In this regard, the government will continue to support the Supreme Court's Audit Bench and provide it with sufficient financial resources to implement its action plan.

**44. In order to improve the management of public expenditure in emergency situations, the government intends to act on the recommendations of published COVID-19 expenditure audits**, in particular those relating to:

- (i) the introduction of a public register of beneficial owners and the regular implementation of declarations of conflicts of interest;
- (ii) improving the regulation and management of special accounts and the disbursement of emergency funds; and
- (iii) strengthening public procurement regulations on matters of contract compliance, control and monitoring and ledger management.

**45. The authorities also continue to work with international bodies responsible for transparency and financial integrity**. In this regard, the authorities published the 2020 Extractive Industries Transparency Initiative (EITI) report in December 2022 and are working on implementing the 15 corrective measures for the validation session in October 2023. They also plan to publish the 2021 EITI report in August 2023. In addition, they are pursuing the systematic disclosure of beneficial owners and the integration of the EITI into the national reporting systems, which is one of the major projects under the 2019 EITI Standard recommendations. This includes a register for the disclosure of the beneficial owners of the extractive sector for which the LF23 sets the legal framework. Cameroon has also recently undergone a mutual evaluation of the effectiveness of its AML/CFT regime by the Task Force on Money Laundering in Central Africa (GABAC) and is currently in the process of implementing an action plan by the Financial Action Task Force's (FATF's) International Cooperation and Review Group (ICRG). At the end of this process, the FATF will determine whether Cameroon is a jurisdiction with strategic AML/CFT deficiencies.

## F. Unlocking Cameroon's Growth Potential and Strengthening Resilience

### Accelerating Private Sector-Led Growth and Diversification

**46. The government is determined to remove structural impediments to private sector development and economic diversification.** To this end, the regular consultations with the private sector will be strengthened. The government will also initiate an audit of the law on private investment incentives, to encourage a competitive business environment **(SB5, December 2023)**. As an intermediate step, the government will formulate an action plan with recommendations to eliminate corporate tax holidays to promote healthy competition between economic operators, excluding companies operating in the agriculture, livestock, and fishery sectors **(SB11, October 2023)**.

**47. Trade facilitation plays a key role in strengthening competitiveness.** The CEMAC Heads of State Summit in March 2023 held in Yaoundé emphasized the need to complete projects to support regional integration. The authorities will also support initiatives to reduce administrative barriers to trade. The authorities will support the implementation of the National Strategy for the implementation of the African Continental Free Trade Area (AfCFTA) to capitalize on its opportunities.

### Strengthening Financial Stability and Financial Inclusion

**48. The government supports the regional efforts to preserve the stability of the monetary arrangement, which requires rebuilding the BEAC's foreign reserves.** It is committed to enforcing all aspects of the foreign exchange regulations under its jurisdiction. Specifically, the government will require compliance with the regulation by public enterprises, new concession contracts or revenue-sharing agreements with the extractive sector, and with the new Petroleum Code. The Ministry of Finance will establish a data platform for the BEAC, banks, DGTCFM and DGD to facilitate the control and monitoring of the repatriation of export proceeds and financial transactions with the rest of the world.

**49. Current events in international financial markets highlight the need for continued reforms to strengthen the stability of the financial sector.** (i) The authorities will focus on measures to strengthen banking sector resilience, especially the compliance with prudential standards and the implementation of the COBAC's recommendations on provisioning bad debt. Emphasis will also be placed on strengthening the credit risk assessment frameworks for banks; and the systemic submission of data by banks and microfinance institutions to the registry of movable collateral (RNSM), to the BEAC's credit risk database, and to the future registry of credit incidents. (ii) The authorities will continue to train magistrates in the resolution of bank disputes and transform the existing commercial chambers into specialized commercial courts as soon as budget constraints allow. (iii) The government will also strengthen the operation of the Asset Recovery Agency (SRC), while ensuring a robust governance framework, operational and budgetary independence, and strict compliance with transparency and accountability regulations, and with a sunset clause for its bank asset recovery activities. In addition, the SRC will sell seized real estate assets to focus solely on its collection activity. (iv) The authorities will prepare a strategy to promote public securities to encourage the participation of non-bank investors, first in long maturity issues, in line with the medium-term debt strategy and assuring the sustainability of public debt.

**50. Resolution of the distressed banks is continuing**. The government will complete the process with COBAC in July 2023 to implement the restructuring plans for the two banks in difficulty, after the transfer of non-performing loans to the SRC. To this end, the government released the first quarter of the State's share in the capital of these banks in accordance with the regulations in force. These recapitalizations are in line with the approved restructuring plans in which historical shareholders have not been bailed out. However, fulfilling the asset shortfall for one of the banks will come at an additional fiscal cost. Bank managers have been appointed and the two banks will open their capital to the private sector within a maximum of five years, as stipulated in their performance contracts. In parallel, the government will also complete the privatization of the Commercial Bank of Cameroon (CBC) within one year, in accordance with the commitments made by the consulting firms to this effect.

**51. The government has finalized its Strategy for Financial Inclusion over 2023-27.** The strategy, prepared with the UNDP, is part of a broader CEMAC effort to promote financial inclusion and is expected to cost CFAF 38 billion. The strategy has five pillars relating to: (i) improving the quality, availability and accessibility of financial products and services; (ii) facilitating access to finance for value chains and agricultural and agri-food MSMEs; (iii) promoting innovation and digital finance; (iv) promotion and development of Islamic finance; (v) protection of consumers and promoting financial education, especially for women, so as to reduce inequalities in financial inclusion; and (vi) improving the regulatory and fiscal framework.

**52. The SND-30 aims to mitigate the effects and enhance adaptation to climate change and ensure sustainable management of the environment.** In this context, the National Observatory of Climate Change (ONACC), created in 2009, published the Climate Perspective in 2019, and the Atlas of Deforestation in 2021. The World Bank published its Climate and Development Report in November 2022. The authorities will take climate change into account in the budget, including in the public investment program. The authorities will conduct a Public Investment Management Assessment for Climate Change Risks (C-PIMA) with the assistance of the IMF. This module, which adds a climate dimension to the IMF's PIMA assessment, will make it possible to estimate Cameroon's capacities to manage its infrastructure in relation to climate. It will also help the authorities determine the improvements that should be made to institutions and public investment processes to build low-emission and climate-resilient infrastructure.

## PROGRAM MODALITIES

**53. The authorities will take all necessary measures to meet the targets and criteria presented in Tables 1 and 2 of this memorandum.** The program will be monitored through semiannual reviews and the performance criteria, indicative targets, and structural benchmarks defined in Tables 1 and 2 of this memorandum and in the attached Technical Memorandum of Understanding (which also defines the requirements for data reporting to IMF staff). The fifth review based on end-June 2023 targets is expected to be completed from December 15, 2023; and the sixth review based on end-December 2023 targets is expected to be completed from June 3, 2024.

**54. The government requests that the IMF Executive Board grant a waiver of non-observance for the continuous performance criterion on the non-accumulation of external payment arrears on the grounds that the breach is minor and temporary.** The government is also requesting the approval of modifications to the program targets for end-September and end-December 2023 in line with the updated projections.

## Table 1. Cameroon: Quantitative Performance Criteria (QPC) and Indicative Targets (IT) under the ECF and EFF arrangements

(In billions of CFAF, unless otherwise indicated)

| | End-Dec 22 | | | End-Mar 23 | | | End June-23 | End-Sept 23 | | End-Dec 23 | | End-Mar 24 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | QPC | Actual | Performance | IT | Actual | Performance | QPC | IT (3rd rev.) | IT (new) | QPC (3rd rev.) | QPC (new) | IT (new) 8/ |
| **A. Quantitative Performance Criteria 1/** | | | | | | | | | | | | |
| Floor on the non-oil primary fiscal balance (payment order basis) | -1,083 | -1,071 | Met | 10 | 188 | Met | -331 | -474 | -474 | -727 | -745 | 65 |
| Ceiling on the net domestic financing of the central government (excluding IMF financing) 2/ | 46 | -97 | Met | -18 | -176 | Met | 132 | 147 | 147 | 80 | 39 | -8 |
| Ceiling on net borrowing of the central government from the central bank (excluding IMF financing) 2/ | 170 | -7 | Met | 80 | -88 | Met | 139 | 127 | 127 | 111 | 111 | 0 |
| Ceiling on the disbursement of non-concessional external debt | 647 | 547 | Met | 173 | 66 | Met | 346 | 518 | 518 | 691 | 691 | 188 |
| **B. Continuous Quantitative Performance Criteria** | | | | | | | | | | | | |
| (starting from the program approval) | | | | | | | | | | | | |
| Ceiling on the accumulation of new external payments arrears 3/ | 0 | | Not Met | 0 | | Not Met | 0 | 0 | 0 | 0 | 0 | 0 |
| PV of contracting and guaranteeing of new external borrowing 4/ | 512.9 | 502.4 | Met | … | 29.1 | Met | 512.9 | … | … | 512.9 | 512.9 | … |
| **C. Indicative Targets** | | | | | | | | | | | | |
| Floor on non-oil revenue | 3,275 | 3,339 | Met | 910 | 935 | Met | 1,729 | 2,591 | 2,591 | 3,681 | 3,754 | 1016 |
| Ceiling on the net accumulation of domestic payment arrears | -85 | 47 | Not Met | -41 | -33 | Not Met | -81 | -122 | -228 | -162.5 | -374.2 | -64 |
| Floor for poverty-reducing social spending | 1,062 | 1,576 | Met | 306 | 249 | Not Met | 624 | 993 | 993 | 1325 | 1325 | 355 |
| Ceiling on direct interventions of SNH | 145 | 184 | Not Met | 40 | 42 | Not Met | 80 | 110 | 110 | 145 | 145 | 40 |
| Share of spending executed through exceptional procedures on authorized (payment order) spending 5/ | 4 | 10.5 | Not Met | 4 | 14.2 | Not Met | 4 | 4 | 4 | 4 | 4 | 4 |
| Ceiling on Treasury advances without a budget allocation 6/ | | | | | | | | | 15 | | 15 | 15 |
| ***Memorandum items 7/:*** | | | | | | | | | | | | |
| *1. Cumulative external budget support, excluding IMF (earliest disbursement)* | *149* | *157* | | *23* | *23* | | *23* | *68* | *68* | *129* | *129* | *0* |
| *2. Balance of the special account for the unused statutory advances* | *50* | *50* | | *50* | *50* | | *50* | *50* | *50* | *50* | *50* | *50* |

Sources: Country authorities and IMF staff calculations.

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

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

1/ Program indicators under A are performance criteria at end-December 2022, end-June 2023, and end-December 2023, 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. The ceiling on borrowing from the Central Bank includes the use of 2021 SDR allocation of 80 billion CFAF.

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

4/ Cumulative ceiling calculated from January 1, 2022, and reset annually, and monitored on a continuous basis from completion of the first review under the ECF/EFF arrangement. Excludes ordinary credit for imports, debt relief obtained in the form of rescheduling or refinancing, and budget support loans from the World Bank.

5/ 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.

6/ This indicative target will come into effect from July 1, 2023, and limit Treasury advances without a budget allocation to CFAF 15 billion per quarter.

7/ Updated based on the recent staff estimates.

8/ The final test date of the current ECF and EFF arrangements is December 2023.

## Table 2. Cameroon: Prior Action and Structural Benchmarks

| | Structural Benchmark | Due Date Fourth Review[1] | Rephased Due Date | Indicator | Status | Comments |
|---|---|---|---|---|---|---|
| | **Prior Action** | | | | | |
| | Submit to Parliament revised 2023 budget law consistent with the non-oil primary fiscal balance and key fiscal parameters in the program. | | | | | |
| | **Public Finance and Debt Management** | | | | | |
| **1** | Complete the audits of government payment arrears and adopt an arrears settlement plan of arrears certified by these audits. | Sept-23 | | Communication of the audit report and the clearance plan to IMF staff | | Audits that would provide a basis for clearing the debts are underway and should be communicated to IMF staff shortly. |
| | **Public Investment Management (PIM)** | | | | | |
| **2** | Submit to Parliament a legal and regulatory framework governing Public-Private Partnerships (PPP) so that all Public-Private Partnership projects follow a single framework. | June-23 | | Legal and regulatory framework submitted to Parliament | Met | The authorities have prepared a preliminary draft, which once adopted will be aligned with the future regional framework. |
| **3** | Establish an inventory of the respective debts between the public enterprises and the State and between the public enterprises themselves at the end of 2020 and adopt a plan for the clearance of the respective debts between the State and the public enterprises. | Sept-23 | | Inventory and plan shared with IMF staff | | The inventory and plan to clear debts between SOEs and the government was finalized, but the inventory of debts between SOEs is delayed, due to data constraints on SOE cross debts. |
| | **Extractive Sector** | | | | | |
| **4** | Finalize and publish all the texts of application of the mining code of 2016 (Law n ° 2016/017 of December 14, 2016). | Mar-23 | Sept-23 | Implementation texts published | Not met | The implementation texts of the 2016 Mining Code were finalized but a decision is needed on the next steps, delayed by revision of the Code to reflect the creation of SONAMINES in December 2020. |
| | **Business Climate** | | | | | |
| **5** | Revise Law No. 2013/004 of April 18, 2013, to rationalize incentives and promote healthy competition between economic operators. | Dec-23 | | A revised law is published | | This SB is related to the new SB11, which is an intermediate step towards revision of the law. |

**Table 2. Cameroon: Prior Action and Structural Benchmarks (continued)**

| | | | | | | |
|---|---|---|---|---|---|---|
| | **Good Governance and Anti-Corruption** | | | | | |
| **6** | Publish a diagnostic of vulnerabilities in governance, including in corruption, which would include state functions that are most relevant to economic activity; namely: (i) fiscal governance; (ii) financial sector oversight; (iii) market regulation; (iv) rule of law; and (v) Anti Money Laundering and Combatting the Financing of Terrorism (AML/CFT). | Sept-23 | | Publication of the report | | A LEG mission visited Yaoundé in March 2023 to launch work on the diagnostic. |
| **7** | In consultation with IMF staff, prepare and publish an action plan for strengthening the frameworks for preparation, publication, and follow-up of public spending audits, with recommendations for strengthening the relevant institutions, especially the Supreme Court's Audit Bench. | Apr-23 | | Submission of action plan to the IMF staff | Met | The authorities have made timely progress on the SB and published an initial action plan. A TA mission visited Yaoundé in March 2023. |
| **8** | Prepare and publish an audit prepared by the audit bench of the supreme court (chambre des comptes) of fiscal year 2021 expenses related to COVID-19. | Mar-23 | | Publication of the report | Met | |
| **9** | SONARA Restructuring Plan: Elaborate a restructuring plan for SONARA, including industrial and financial options under consideration. | June-23 | Sept-23 | Elaborate and submit to IMF staff the new restructuring plan for SONARA. | | Restructuring plan being discussed. |
| | **Revenue Administration** | | | | | |
| **10** | Increase the number of VAT taxpayers from 13,500 at the end of end-December 2022 to 14,850 by end-October 2023. | Oct-23 | | List of the new taxpayers by operational department sent to IMF staff. | Met | This SB follows up on one of the recommendations of the recently completed tax diagnostic. |

## Table 2. Cameroon: Prior Action and Structural Benchmarks (concluded)

| | Structural Benchmark | Due Date Fourth Review[1] | Rephased Due Date | Indicator | Status | Comments |
|---|---|---|---|---|---|---|
| | **Business Climate** | | | | | |
| **11** | Formulate an action plan with recommendations to eliminate CIT holidays (including the minimum tax) to promote healthy competition between economic operators, excluding companies operating in the agriculture, livestock, and fishery sectors. | Oct-23 | | Action plan submitted to IMF staff | | This SB is an interim step to SB5. The recently completed IMF tax policy diagnostic suggests adopting a targeted approach focusing on eliminating income tax allowances and replacing them with better focused investment allowances. |
| | **Project and Debt Management** | | | | | |
| **12** | Implement the decree of October 2021 governing project management units | Apr-23 | Aug-2023 | Issuance of order specifying the procedures for monitoring the performance of project management units | Not met | This SB was introduced to improve project and debt management. |
| | **Public Financial and Debt Management** | | | | | |
| **13** | Enter a budget allocation in the Budget Law of year N+1 for the clearance of the stock of outstanding payments (RAPs) of more than 90 days at the end of year N | Dec-23 | | Allocation in LF2024 | | This structural benchmark aims to limit outstanding balances of more than 90 days at the end of the fiscal year |
| | **Public Investment Management** | | | | | |
| **14** | Operationalize the COLEPS system (Cameroon Online E-Procurement System) to monitor the award of all public contracts throughout the process | May-24 | | Operationalization of COLEPS | | This structural benchmark aims to improve the management of public investments |

1/ Refers to the end of the month

# Attachment II. Technical Memorandum of Understanding

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

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

## CONDITIONALITY

2. **The quantitative performance criteria and indicative objectives from end-December 2022 until end-December 2023** are provided in Table 1 of the Memorandum of Economic and Financial Policies (MEFP) attached to the Letter of Intent. The structural benchmarks defined in the program are provided in detail in Table 2 of the MEFP.

## DEFINITIONS

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

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

## REVENUE

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

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

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

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

## EXPENDITURE

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

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

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

## BALANCE AND FINANCING

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

**13. Debt:** The definition of "debt" is set out in paragraph 8 (a) of the Guidelines on Public Debt Limits in Fund-Supported Programs attached to the Executive Board Decision 16919– (20/103) adopted on October 28, 2020, 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 current, i.e., not contingent, liability created under a contractual arrangement through the provision of value, in the form of assets (including currency) or services, at some future point(s) in time. 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 arrears, penalties and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt.

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

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

---

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

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

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

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

- ***Structured bank debt*** is defined as all claims of local banks on government, with the exception of Treasury bills and bonds.

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

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

- Net bank credit net to the government is equal to the change in the balance between the government's commitments and assets with the national banking system. These assets include: (i) the Treasury's cash resources on hand; (ii) Treasury deposits with the Central Bank, not including the Heavily Indebted Poor Counties (HIPC) account and the Debt Reduction and Development Contract (C2D) account; and (iii) the credit balance of the accounts of the *Caisse Autonome d'Amortissement (CAA)* with commercial banks earmarked for reimbursement of the government's debt obligations. The government's commitments include: (i) financing from the Central Bank; net IMF financing (disbursements net of reimbursements), refinancing of guaranteed bonds, and Treasury paper held by the Central Bank; and (ii) financing from commercial banks, specifically loans and direct advances; and Treasury securities, bills, and bonds held by local banks. Net bank credit to the government is calculated based on the data provided by the Bank of Central African States (BEAC). This data should be subject to monthly reconciliation between the Treasury and the BEAC.

- Net non-bank financing to the government includes the following: (i) the change in the outstanding balance of government securities (Treasury bills and bonds) issued in CFA francs on the regional financial market and not held by the local banking system; (ii) the change in the outstanding balance of structured non-bank domestic debt (defined in paragraph 16); (iii) privatization revenue (defined in paragraph 8); (iv) the change in the balance of correspondent bank accounts (including Account 42) and consignment accounts; and (v) the change in the balance of outstanding claims on government abandoned by the private sector. The government's net non-bank financing is calculated by the public treasury.

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

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

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

- **Unstructured debt** is defined as:

*i.* *Unstructured debt of the CAA,* which includes all balances payable, and liabilities of the government transferred to the CAA that have not been subject to a reimbursement or securitization agreement. The stock of unstructured debt is estimated at CFAF 55.6 billion at end-2022.

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

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

**21. Treasury advances** do not follow the normal expenditure chain and are defined as any payments made by the Treasury in the absence of a commitment or payment order issued by the relevant authorizing officer at the General Directorate of Budget (DGB) and regularized retroactively.

## QUANTITATIVE PROGRAM OBJECTIVES

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

### A. Non-Oil Primary Balance

**Performance Criteria**

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

**24. 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**

**25.** The detailed data on government financial operations indicating the primary balance, oil revenue, and the level of miscellaneous expenditure not otherwise classified will be submitted on a monthly basis within six weeks from the end of the month, with the exception of end-December data. Cameroon's Law No 2018/012 on the public finance, provides for a complementary period of 30 days after the end of the calendar year to complete all pending payments from the budget year. Therefore, the end-year data on government financial operations will be submitted by March 15 of the following year.

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

**Performance Criteria**

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

### Adjustment

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

- 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 2022 and 2023. This ceiling may be reviewed depending on the rate of budget aid disbursements during the year.

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

### Cutoff Dates for Reporting Information

**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. The non-concessional external debt ceiling would exempt debt contracted or disbursed under the debt management operation for clearance of the domestic arrears. The debt management operation exemption to the debt ceiling would (i) cover only the amount of new borrowing related to the debt management operation, and (ii) would need to show either an improvement in the key liquidity and/or solvency debt burden indicators without adversely affecting the risk rating.

### 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 to maintain the objectives defined in Table 1 of the MEFP.

**32. The ceiling on net claims of Central Bank on government** includes the agreed use of the 2021 SDR allocation.

**33. 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. 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 2022 and 2023. 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 new external payment arrears** is defined as a continuous quantitative objective in Table 1 of the MEFP. This performance criterion applies to the accumulation of external arrears as defined in paragraph 20 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. PV of External Debt Contracted or Guaranteed by the Government and certain other Public Entities

### Performance Criteria

**37. A performance criterion (ceiling) applies to the PV of new external debt contracted or guaranteed by the government and certain other public entities.[3]** The ceiling applies also to debt contracted or guaranteed for which value has not yet been received, including private debt for which official guarantees have been extended. This performance criterion is applicable to external debt as defined in paragraph 14 of this Memorandum and to debt guaranteed by the government that constitutes a contingent public liability as defined in paragraph 13 of this Memorandum. Moreover, this criterion is applicable to external debt contracted or guaranteed by (i) public enterprises defined in paragraph 4 that receive transfers from the government, (ii) municipalities, and (iii) agencies of general government including professional, scientific, and technical organizations. However, this performance criterion is not applicable to borrowing arranged in CFA francs, Treasury bills and bonds issued in CFA francs on the CEMAC regional market, regular short-term loans from suppliers, regular import credits, loans from the IMF, and budget support loans from the World Bank or debt relief or rescheduling. New debt contracted or disbursed for debt management operations resulting in an improvement in the overall debt profile (as specified in paragraph 29) is exempt from this performance criterion. 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.

**38. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt**.[4] For debts with a grant element equal to or below zero, the PV will be set equal to the nominal value of the debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97). The PV of external debts in currencies other than the U.S. dollar will be calculated in U.S. dollar terms at program exchange rates as specified in TMU Text Table 1. For any debt carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt

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

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

would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD SOFR is 0.04 percent and will remain fixed for the duration of the program. The spread of the six-month Euro EURIBOR over six-month USD SOFR is -56 basis points. The spread of six-month JPY OIS over six-month USD SOFR is -8 basis points. The spread of six-month GBP SONIA over six-month USD SOFR is 1 basis point. For interest rates on currencies other than Euro, JPY, and GBP, the spread over six-month USD SOFR is 15 basis points.[5] Where the variable rate is linked to a benchmark interest rate other than the six-month USD SOFR, a spread reflecting the difference between the benchmark rate and the six-month USD SOFR (rounded to the nearest 50 bps) will be added.

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

| Currency | CFA franc per currency unit | Currency units per US Dollar |
|---|---|---|
| US Dollar | 617.546 | 1.00 |
| Euro | 655.957 | 0.9414 |
| AfDB XUA | 821.855 | 0.7514 |
| STG Pound | 745.254 | 0.8286 |
| Japanese Yen | 4.655 | 132.650 |
| Chinese Yuan | 88.398 | 6.986 |

Source: IMF Representative Exchange Rates, December 23, 2022; African Development Bank January 2023 Exchange Rates; Staff calculation.

## Adjustment

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

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

**41.** An adjustor of up to 5 percent of the external debt ceiling set in PV terms applies to this ceiling, in case deviations from the performance criterion on the PV of new external debt are

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

prompted by a change in the financing terms (interest, maturity, grace period, payment schedule, upfront commissions, management fees) of a debt or debts. The adjustor cannot be applied when deviations are prompted by an increase in the nominal amount of total debt contracted or guaranteed.

**42.** If the PV of the amount of the World Bank loans signed in 2023 is greater than the PV of the World Bank loans signed in 2022 (CFAF 179.4 billion), the ceiling will be adjusted upward pro-tanto, and the amount of upward adjustment to the ceiling will be capped at a maximum of CFAF 182.5 billion (PV) in 2023, according to the identified projects.

**Cutoff Dates for Reporting Information**

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

## OTHER INDICATIVE QUANTITATIVE TARGETS

### G. Non-Oil Revenue

**44. 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

**45.** A ceiling on net accumulations of domestic payment arrears is defined as an indicative objective in Table 1 of the MEFP. Domestic payment arrears covered by the Treasury are defined in paragraph 19 and do not include unstructured floating debt not covered by the Treasury. As an exception, at end-September 2023 and end-December 2023 this ceiling will include **payments in progress** defined as balances payable under 90 days in paragraph 19.

### I. Social Expenditure

**46. 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**

**47.** 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 with the exception of end-December data as indicated in paragraph 25.

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

**48. 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

**49.** 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.

## K. Treasury advances without a budget allocation

**50.** A ceiling on Treasury advances without a budget allocation is defined as an indicative target in Table 1 of the MEFP and will be tested on a quarterly basis. Treasury advances are defined in paragraph 21.

### Cutoff Dates for Reporting of Information

**51.** Monthly accounting statements showing the amount of Treasury advances must be reported to IMF staff within six weeks after the end of each month.

# DATA SUBMISSION REQUIREMENTS

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

| Table 1. Cameroon: Summary of Data Reporting Requirements | | | |
|---|---|---|---|
| **Information** | **Responsible institution** | **Frequen cy of the data** | **Reporting lag** |
| ***Government Finance*** | | | |
| The summary situation of Treasury Operations (La situation résumée des Operations du Trésor (SROT)), including statement of unpaid orders of more than 90 days or less than 90 days, as well as statement of the correspondent accounts. | Ministry of Finance (MINFI)/DGTC | Monthly | 6 weeks |
| The table of government financial operations (TOFE) and customary annex tables; (data on execution of investments financed with external grants and loans must be available in a timely manner so that the quantitative targets of the program can be determined in a timely manner. If information on physical execution of externally financed projects is not available, information on requests to draw funds from the donors will be used). | MINFI/DP | Monthly | 6 weeks, except for end-December for which data will be reported by March 15 of the following year |
| Domestic budget financing (net bank credit to the government, stock of Treasury bills and bonds pending reimbursement, domestic debt reimbursement status, privatization revenue, and abandoned claims). | MINFI/BEAC | Monthly | 6 weeks |
| Implementation status of social expenditure defined in Paragraph 11. | Ministry of Economy and Finance (MINEFIN)/DGB | Monthly | 6 weeks |
| Domestic debt reimbursement status. | MINFI/CAA | Monthly | 6 weeks |

| Table 1. Cameroon: Summary of Data Reporting Requirements (continued) | | | |
|---|---|---|---|
| Statistics on external debt contracted and guaranteed (detailed listing of external debt service matured/paid, list of new loans specifying the financial conditions, loans guaranteed and external arrears, and list of contracts in the process of negotiation). | MINFI/CAA | Monthly | 4 weeks<br>The signing or guaranteeing of external debt, and the occurrence of external payment arrears must be reported immediately to the IMF. |
| Monthly structured bank and non-bank debt service forecast and actual payments | MINFI/CAA | Monthly | 6 weeks |
| Monthly monitoring report on calls for funds and effective disbursements. | CAA/MINEPAT | Monthly | 4 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 | 6 weeks |
| Monthly accounting statements showing the amount of Treasury (cash) advances without a budget allocation | MINFI | Monthly | 6 weeks |
| Publish the oil product price structure. | MINFI/CSPH | Monthly | First week of the current month |
| Prices, consumption, and taxation of oil products, including: (i) the current price structure for the month in question; (ii) the detailed calculation of the price structure based on the free on board price to obtain the retail price; (iii) volumes purchased and distributed for consumption by the oil distributor (SONARA and marketers), with the distinction between retail sales and sales to industries; and (iv) a breakdown of tax revenue on petroleum products—customs duty, excise tax on petroleum products (TSPP), and value-added tax (VAT)—and support for the refinery and the situation of shortfalls and overpayments. | MINFI/CTR/CSPH | Monthly | 6 weeks |

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

| | | | |
|---|---|---|---|
| Provide revenue forecasts for the Directorate General of Taxes; Directorate General of Customs; and Directorate General of Budget by type of tax on an annual basis and on a monthly basis, and outturn as compared with forecasts. | DGI, DGD, DGB | Monthly | 6 weeks |
| VAT refund balance (refund requests, payments made, and VAT refund account status). | MINFI/DGI | Monthly | 6 weeks |
| DGI/DGD joint quarterly collaboration reports indicating, in particular, the results in terms of identification of fraud and collection of additional revenue. | DGI/DGD | Quarterly | 6 weeks |
| The situation of the SNH, including the volumes exported, the prices, the exchange rates, the costs of operations, the direct interventions, the commitments towards the State, the balance transferable to the Treasury. | MINFI | Quarterly | 6 weeks |
| Include the total amount of oil revenue from the national oil company SNH and direct interventions in the monthly table of government financial operations (TOFE) | MINFI | Monthly | 6 weeks |
| Accounting and budgetary extract indicating the status of payment of State invoices to public service companies (ENEO, CAMWATER, CAMTEL, SONARA CAMPOST, SIC) | MINFI | Quarterly | 6 weeks |
| Publish quarterly budget execution report | MINFI | Quarterly | 8 weeks |
| Fiscal Performance Indicators as indicated in Table 2 | MINFI/DGI | Quarterly | 6 weeks |

| Table 1. Cameroon: Summary of Data Reporting Requirements (concluded) | | | |
|---|---|---|---|
| ***Monetary Sector*** | | | |
| Consolidated balance sheets of monetary institutions | BEAC | Monthly | 6 weeks |
| Provisional data on the integrated monetary survey | BEAC | Monthly | 6 weeks |
| Final data on the integrated monetary survey | BEAC | Monthly | 10 weeks |
| Net government position. | BEAC | Monthly | 6 weeks |
| The situation of the balance of the special account of undisbursed statutory advances | BEAC | Monthly | 6 weeks |
| The key rate and the credit and debit interest rates | BEAC | Monthly | 6 weeks |
| ***Balance of Payments*** | | | |
| Preliminary annual balance of payments data. | MINFI | Annual | 9 months |
| Foreign trade statistics. | MINFI/INS | Monthly | 6 weeks |
| Any revision of the balance of payments data (including services, private transfers, official transfers, and capital transactions). | BEAC/MINFI | On revision | 2 weeks |
| ***Real Sector*** | | | |
| Provisional national accounts and any revision of the national accounts. | INS | Annual | 6 months |
| Quarterly National Accounts. | INS | Quarterly | 3 months |
| Disaggregated consumer price indices for the cities of Douala and Yaoundé | INS | Monthly | 4 weeks |
| Consumer price indices disaggregated by city, product and at the national level. | INS | Monthly | 6 weeks |
| ***Structural Reforms and Other Data*** | | | |
| Any official report or study devoted to Cameroon's economy, from its date of publication or finalization. | MINEPAT | | 2 weeks |
| Any decision, decree, law, order, or circular having economic or financial implications, from its publication date or effective date. | MINFI/MINEPAT | | 2 weeks |
| Report on the implementation of expenditure of the special allocations account (CAS) COVID-19 | MINFI/DGB | Bi-annually | 3 months |
| CAS-COVID-19 expenditure audit report | MINFI/DGB | Annually | 6 months |
| Data on SNH interventions | MINFI/DGB | Quarterly | 6 weeks |

| Table 2. Cameroon: Fiscal Performance Indicators | | | |
|---|---|---|---|
| | Tax | Number of active taxpayers | Total number of taxpayers |
| DGE – Directorate for Large Enterprises | VAT | | |
| | CIT | | |
| | Tax on industrial and commercial profits | | |
| | Salary deductions | | |
| CIMES – Center for Taxes on Medium Enterprises | VAT | | |
| | CIT | | |
| | Tax on industrial and commercial profits | | |
| | Salary deductions | | |
| CDI – Divisional Tax Center | CIT | | |
| | Tax on industrial and commercial profits | | |
| | Salary deductions | | |
| | Withholding tax | | |

**Statement by the Staff Representative on Cameroon**
**June 29, 2023**

1. **This statement provides information that has become available since the staff report was finalized.** This information does not alter the thrust of the staff appraisal.

2. **The prior action on submitting to Parliament revised 2023 budget law has been met.** The revised budget law was submitted on June 19, 2023 and is consistent with the non-oil primary fiscal balance and key fiscal parameters in the current ECF-EFF program.

3. **As of June 23, 2023, Cameroon has been identified as a jurisdiction with strategic AML/CFT deficiencies by the Financial Action Task Force (FATF), the international standard-setting body for anti-money laundering and combatting the financing of terrorism (AML/CFT).** Cameroon has committed to implementing an action plan to swiftly resolve the deficiencies identified in the recent mutual evaluation report by the Task Force on Money Laundering in Central Africa (GABAC). The main action plan items relate to understanding of money laundering and terrorism financing risks, the application of AML/CFT preventive measures by reporting entities, AML/CFT supervision, and enforcement of the money laundering offense. Staff stands ready to support Cameroon through capacity development.

**Statement by Mr. Sylla, Mr. N'Sonde, and Mr. Diakite on Cameroon**
**June 29, 2023**

## I. Introduction

On behalf of our Cameroonian authorities, we would like to thank the Executive Board, Management, and staff for their continued support to Cameroon's efforts to maintain macroeconomic stability and implement key reforms in the framework of the post-COVID-19 economic recovery plan, and their national development strategy 2020-30 (SDN-30). They appreciated the constructive policy dialogue held with the IMF Deputy Managing Director, K. Okamura in Yaoundé in March 2023, and with staff in the context of the fourth program reviews under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF).

**The Cameroonian economy continues to confront adverse domestic and external circumstances, including a difficult security situation, tightening of global financial conditions, and increased volatility of international oil prices.** These constraints have undermined somewhat program implementation and performance. Nonetheless, all but one quantitative performance criteria (QPCs), two out of five indicative targets (ITs), and two of the four structural benchmarks (SBs) for the period under review were met. The authorities have taken corrective actions to accelerate macroeconomic stabilization and reform implementation. They remain committed to the program's objectives and will continue addressing the needs of the vulnerable population severely affected by the shocks while supporting growth and, at the regional level, contributing to improving the balance of payments and to further reserve accumulation.

## II. Recent Economic Developments and Outlook

**The economic recovery continued in 2022, albeit at a slower pace than anticipated.** Real GDP growth is estimated at 3.8 percent, up from 3.6 percent in 2021, underpinned by dynamic agro-industry and services sectors. Average inflation rose to 6.3 percent in December 2022 with higher food prices.

**External shocks and the authorities' policy reaction impacted significantly public finances while growth and fiscal consolidation efforts have helped improved the fiscal position.** Driven by the increase in oil revenue and the good performance in non-oil revenue, the overall fiscal deficit dropped to 1.1 percent of GDP, from 3 percent in 2021. However, the increase in current expenditures, mainly with respect to fuel subsidies, should keep the non-oil primary deficit in the tune of 3.9 percent of GDP, which is better than initially expected. The public debt-to-GDP ratio dropped from 46.8 percent of GDP at the end of 2021 to 45.5 percent at the end of 2022, owing to accelerating growth and tighter fiscal policy.

**The external position improved in 2022 in a context of favorable terms of trade and depreciation of the real effective exchange rate.** Despite rising inflation and import prices, the current account deficit (including grants) should have narrowed to 1.8 percent of GDP, down from 4 percent of GDP in 2021.

**Cameroon's medium-term economic outlook remains positive despite uncertainties stemming from the external environment**. Real GDP growth is expected to reach 4 percent in 2023 and 4.4 percent on average in the medium term, driven by the dynamism of the primary sector (agrobusiness and forestry), services, and higher hydrocarbon production. Average inflation is projected to decline below the CEMAC convergence threshold of 3 percent in the medium term. The current account deficit is expected to remain around 3 percent of GDP over the medium term, supported notably by the fiscal consolidation trajectory, the effective implementation of programs to promote non-oil exports, import substitution measures, and regional integration. The CEMAC foreign exchange regulations will help increase the repatriation of export proceeds, limit illicit financial outflows, and consolidate regional foreign exchange reserves.

## II. Performance under the ECF/EFF-supported Program

**Program performance was constrained by the challenging domestic and external environments.** All QPCs at end-December 2022 were met except the continuous QPC on the non-accumulation of external payment arrears. The breach of this QPC was trivial and temporary, and explained by the spending through exceptional procedures, notably for security, and by cash management issues which resulted in late debt service payments to some creditors. The authorities have taken corrective measures to address the missed ITs, including to improve the monitoring of expenditures related to the direct interventions of *Société Nationale des Hydrocarbures* (SNH), and reduce to the strict minimum the expenditures subject to exceptional procedures.

**The authorities have continued to make progress in the implementation of structural reforms.** Two of the four SBs for March and April 2023 were met on time, namely the publication of the report on expenditures related to the COVID-19 pandemic in 2021, and the publication of the action plan to strengthen Supreme audit institutions. In addition, the authorities have already met two SBs due for the fifth review, i.e., on increasing VAT taxpayers from 13,500 to 14,850 and publishing legal and regulatory framework for public-private partnerships (PPPs). The authorities will strive to implement the structural measures that have been rephased.

## III. Medium-term Macroeconomic Policies and Structural Reforms

To accelerate Cameroon's economic transformation and progress towards an emerging economy status in the framework of the SND-30, the authorities are committed to maintaining a fiscal consolidation path consistent with their growth objectives. They will endeavor to create the necessary fiscal space for priority productive investments, and social protection. In line with the program's objectives and the CEMAC convergence criteria, their efforts will aim to bring the overall budget deficit (payment order basis, including grants) and the non-oil primary deficit to sustainable levels in the short and medium terms, while keeping public debt on a viable trajectory. The emphasis will remain on mobilizing domestic non-oil revenue, rationalizing public expenditures, and improving the efficiency of public investments.

***Fiscal Policy and Reforms***

**On the revenue side**, the tax administration (*Direction Générale des Impôts,* DGI) will pursue tax policy and administration reforms to broaden the tax base by addressing the challenges posed notably by the importance of tax expenditures, the large informal sector, and the low yield of personal income tax. In this context, DGI will continue to follow up on the recommendations of the diagnostic tax policy study undertaken in 2022 with Fund support. The customs administration (*Direction Générale des Douanes,* DGD) is also pressing ahead with a medium-term program focused on revenue mobilization, including the strengthening and digitization of controls, and the extension of the electronic payment platform to all customs units. Enhancing the collaboration between DGI and DGD to continue increasing the number of registered taxpayers remains a key priority in the revenue mobilization strategy. The authorities will also target the extractive and forestry sectors which have a significant potential to boost economic growth and generate increased fiscal revenue.

**On the expenditure side**, the authorities will continue their efforts to improve the transparency and management of current expenditures, including by conducting an actuarial study to strengthen the pension system and reduce quasi fiscal risks. Regarding fuel subsidies, the authorities continue to consider that they are not a sustainable policy option and that they are not always targeted to the most vulnerable. It is on this basis that fuel prices were increased in February 2023. The authorities intend to gradually reduce fuel subsidies and make them sustainable by reviewing the fuel pricing structure. They are reflecting on medium-term options to allow automatic adjustments of domestic fuel prices to international price movements. This will be accompanied by measures to mitigate the negative impacts of these reforms, including strengthening the social safety nets and improving access to basic public services such as education and health. Other government subsidies, notably to public enterprises, will be better prioritized. As part of the diagnostic studies of each public enterprise, the authorities will assess subsidies with the aim of reducing those allocated to the less efficient enterprises. In this context, all the approved or administered prices will be reviewed in a study to be finalized in November 2023, with the view to liberalize them if necessary.

The authorities will continue on-going public financial management (PFM) reforms in other key areas as well, on the basis notably of the Public Expenditure and Financial Accountability (PEFA) which is expected to be completed in August 2023 and guide a new public finance reform plan for 2024-27. Major PFM reforms aim to improve the projections of public expenditures, bring commitment plans in line with Treasury plans to avoid the accumulation of outstanding unpaid obligations, and transfer public sector accounts to the Treasury Single Account (TSA). Furthermore, the authorities will pursue the reforms aimed at enhancing the efficiency of public investment projects through better selection, planning, and execution, based on the Public Investment Management Assessment (PIMA) recommendations. The improvement in the management and governance of public enterprises remains a key priority to enhance the delivery of public services and limit fiscal risks.

**The authorities remain vigilant about the debt sustainability risks.** In this regard, they are focused on slowing new external borrowing, while favoring concessional loans whenever possible. Non-concessional loans will be limited to financing high-priority and cost-effective projects with proven socioeconomic returns and for which concessional financing is not available. The National Committee on Public Debt (CNDP) will continue to play an active role in debt management by approving all public debt proposals and requests for government guarantees. Furthermore, the clearing of domestic arrears within the public sector remains a concern going forward.

***Structural Reforms, Governance and Climate Change***

**To spur Cameroon's huge growth potential, the authorities will continue the wide-ranging reforms to accelerate private sector-led growth and economic diversification.** In this regard, consultations with the private sector are held regularly to better tackle the impediments to its development and initiate effective business incentives reforms. In this context, the authorities will prepare an action plan with measures to eliminate corporate tax holidays and promote fair competition between economic operators that are outside the agriculture, livestock, and fishery sectors. Furthermore, mindful of Cameroon's leading economic position in the region, the authorities will continue to support regional initiatives to facilitate trade, consistent with the emphasis put on regional integration by the CEMAC Heads of State, and the National Strategy for the implementation of the African Continental Free Trade Area (AfCFTA). Interconnection of customs information systems, and the continued simplification of procedures and administrative formalities for cross-border exchanges are among the main objectives going forward.

**The authorities are determined to address vulnerabilities in their governance and anti-corruption framework**. They continue to respect their governance commitments under the Rapid Credit Facility (RCF), as evidenced by the publication of the report on expenditures related to the Covid-19 in 2021. The government will also implement the action plan aimed at strengthening frameworks for the preparation, publication, and monitoring of public expenditure audits. In this context, they will consider supporting the relevant institutions, notably the Supreme Court Audit Chamber (*Chambre des comptes de la Cour Supreme*). Moreover, on the basis of the governance diagnostic undertaken with Fund's technical assistance, the government intends to address weaknesses in the areas that affect economic activity such as fiscal governance; supervision of the financial sector; regulation of the market for goods and services; the rule of law; and the fight against money laundering and the financing of terrorism (AML/CFT). The authorities will work further with international bodies responsible for transparency and financial integrity standards, notably in the frameworks of the Extractive Industries Transparency Initiative (EITI), Task Force on Money Laundering in Central Africa (GABAC) and Financial Action Task Force (FATF). With respect to the latter, the authorities are committed to accelerate the implementation of the action plan by the FATF International Cooperation and Review Group (ICRG) to remove Cameroon from jurisdictions with strategic AML/CFT deficiencies.

**Achieving strong and inclusive economic growth also hinges on enhancing financial inclusion**. In this regard, as part of the regional initiative, the authorities have finalized their strategy for financial inclusion covering the period 2023-27. The strategy focuses notably on improving the quality, availability and accessibility of financial products and services; facilitating access to finance for value chains and agricultural SMEs; promoting innovation and digital finance; protecting consumers and promoting financial education. Moreover, in collaboration with the regional supervisor COBAC, the authorities continue to address the resolution of the two banks, and should finalize the process to implement the restructuring plans in July 2023. The privatization process of the third bank is also expected to be completed within a year.

**The agenda on climate change remains a priority for Cameroon.** The SND-30 aims to mitigate the impacts of climate change, enhance the country's adaptation and resilience, and ensure the sustainable management of the environment. The authorities plan to integrate the climate change dimension in budget formulation, including in the public investment program. In this context, they will conduct the public investment management assessment for climate change risks (C-PIMA) with Fund's assistance, which will strengthen the country's institutional capacities and processes to build low-emission and climate-resilient infrastructure.

## IV. Conclusion

Our Cameroonian authorities are determined to accelerate the country's economic transformation under the SND-30, while maintaining macroeconomic and CEMAC external stability. In this context, they remain committed to the pursuit of sound macroeconomic policies and structural reforms, including in the key areas of public financial management, debt, governance, and business environment.

Considering the progress made under the program, and the corrective actions to improve its performance, the authorities seek Executive Directors' support for the completion of the fourth reviews under the ECF and EFF arrangements, and for their requests for waiver for nonobservance of performance criterion and modification of performance criteria.