INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/51

CAMEROON

February 2024

2023 ARTICLE IV CONSULTATION, FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY ARRANGEMENTS, AND REQUESTS FOR EXTENSION AND AUGMENTATION OF ACCESS, A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AND MODIFICATION OF A PERFORMANCE CRITERION—PRESS RELEASE; STAFF REPORT; STAFF STATEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CAMEROON

In the context of the 2023 Article IV Consultation, Fifth Reviews Under the Extended Credit Facility and the Extended Fund Facility Arrangements, and Requests for Extension and Augmentation of Access, a Waiver of Nonobservance of Performance Criterion, and Modification of a Performance Criterion, 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 December 20, 2023, following discussions that ended on November 16, 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 December 7, 2023.
- An **Informational Annex** prepared by a staff team of the IMF.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Staff Statement**.
- A **Statement by the Executive Director** for Cameroon.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Completes Fifth Reviews under Extended Credit Facility and Extended Fund Facility for Cameroon and Concludes 2023 Article IV Consultation

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed the Fifth Reviews under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) arrangements and approved a 12-month extension and augmentation of access. The completion of the Fifth Reviews allows for an immediate disbursement of about US$ 73.8 million. The IMF Board also concluded the 2023 Article IV consultation.
- Cameroon has remained resilient in the face of successive shocks**.** Real GDP growth reached 3.6 percent in 2022 and is expected to accelerate to around 4 percent in 2023. Inflation is expected to decelerate from 7.3 percent at end-2022 to 6.2 percent by end 2023.
- Cameroon's economic reform program is broadly on track. Sustaining broad-based reform efforts will be key to create additional fiscal space, maintain debt sustainability, foster structural transformation, and boost growth and resilience. Integrating climate agenda in institutional and budget frameworks will be needed to advance adaptation and mitigation efforts.

Washington, DC – December 20, 2023: The Executive Board of the International Monetary Fund (IMF) completed today the 2023 Article IV Consultation and the Fifth Reviews of Cameroon's Fund-supported program. The US$ 689.5 million, 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 21/237). The completion of the reviews allows for the immediate disbursement of SDR 55.2 million (about US$ 73.8 million) bringing total disbursements under the arrangements to SDR 427.8 million (around US$ 571.9 million).

The ECF and EFF arrangements continue to provide a strong anchor for the authorities' economic and fiscal program, and their implementation has been broadly on track. 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. The extension of the ECF and EFF arrangements by another 12 months (from July 28, 2024, to July 28, 2025) will allow for more time to implement the policies and reforms foreseen under the arrangements given the additional external shocks since the start of the program in 2021. The augmentation of access by SDR 110.4 million (about US$ 147.6 million) over the extension will help respond to the additional balance of payments needs created by these external shocks.

Cameroon's economic recovery continued in 2023 despite strong external headwinds. Growth is estimated at 3.6 percent in 2022, on the back of buoyant agroindustry and service sectors and is expected to reach 4 percent in 2023. Inflation is projected to decelerate to around 6.2 percent by end-2023 from 7.3 percent at end-2022. The overall fiscal deficit is expected to improve from 1.1 percent of GDP in 2022 to 0.7 percent in 2023 reflecting efforts in non-oil revenue mobilization and ongoing recovery. The non-oil primary deficit is projected to improve to 2.5 percent of GDP from 3.9 percent of GDP in 2022 owing to both stronger revenues and lower fuel subsidies. The medium-term outlook remains positive, provided reforms progress, and the external environment becomes more supportive.

Article IV discussions focused on policies to enhance growth potential, achieve structural transformation, and export diversification as well as measures to address macro-critical climate challenges. The policy focus will need to be on enhancing efforts to invest in human capital and infrastructure, strengthening institutions, including governance, and enhancing product and labor markets by removing regulations that hinder competition to allow more market flexibility and encourage more formalization of existing firms. Achieving more inclusive growth and resilience will require mainstreaming climate agenda in the national institutional, regulatory, and budget frameworks, and advancing climate change mitigation and adaptation measures in line with Cameroon's commitments under the Paris Agreement.

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

"Cameroon has remained resilient in the face of increasing external and domestic challenges. The ECF-EFF arrangements have supported the authorities' efforts to sustain macroeconomic stability, promote growth, and advance longstanding reforms. While the medium-term outlook remains positive, the 12-month extension of the arrangements will allow more time to implement policies and reforms foreseen under the program, given additional external shocks.

"Cameroon's performance under the program has been mixed, with the QPC on the non-accumulation of external payment arrears being breached due to minor and temporary delays on two debt service payments. The authorities have however made welcome progress in some key areas, including governance, public financial management, and revenue administration. Continued implementation of corrective measures to address missed targets and accelerate reforms will be important.

"The authorities are committed to maintaining a fiscal consolidation path consistent with program objectives. Additional room for productive investment and social spending needs to be created through greater non-oil revenue mobilization, enhanced investment efficiency, improved public financial management, and gradually phasing out fuel subsidies, while mitigating the impact on the vulnerable. Improving cash management and limiting spending through exceptional procedures will also be crucial.

"Fragilities in the banking system have increased with the banks' increased exposure to the Cameroonian government. The authorities are urged to work with COBAC to ensure that banks reduce and account adequately for sovereign risk.

"To unlock Cameroon's abundant growth potential, structural reforms need to be accelerated. Further steps are needed to improve the business climate, including by strengthening financial sector stability and inclusion.

"These efforts should be accompanied by strong actions to strengthen governance, transparency, and the anti-corruption framework, including the AML/CFT framework. The publication of the governance diagnostic report is an important step forward."

Executive Board Assessment[1]

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities for maintaining stability amid strong external headwinds and internal fragilities. Directors noted however that program performance has been mixed, and while welcoming the authorities' commitment to program objectives and the corrective actions taken, they called for strengthened program implementation going forward.

Directors emphasized the importance of maintaining a fiscal consolidation path consistent with program objectives, which will require further deep public financial reforms. In this regard, they stressed the need to continue to gradually phase out fuel subsidies accompanied by mitigation measures for the most vulnerable. Directors urged the authorities to strengthen domestic non-oil revenue mobilization and to enhance public expenditure efficiency and prioritization. They also called for strictly limiting recourse to direct interventions and exceptional spending procedures, improving cash management, strengthening fiscal transparency and budget credibility, and limiting non-concessional borrowing. Noting the high risk of debt distress and continued debt vulnerabilities, Directors reiterated that the delayed restructuring of the public oil refining company (SONARA) should be implemented in a timely manner.

Directors expressed concern that fragilities in the banking system have increased with the banks' increased exposure to the Cameroonian government. They urged the authorities to work with the Banking Commission of Central Africa (COBAC) to ensure that banks reduce and account adequately for sovereign risk.

Directors welcomed the authorities' plans to foster structural transformation and export diversification. They stressed the importance of horizontal policies as a necessary condition to ensure the success of any industrial policy, especially efforts to increase investment in human capital and infrastructure, strengthen institutions, and enhance product and labor markets.

Directors noted Cameroon's increasing vulnerability to climate change impacts and welcomed the authorities' efforts to integrate climate considerations into Cameroon's institutional, regulatory, and budget frameworks, to support progress toward the national adaptation and mitigation objectives.

Directors commended the authorities' efforts to promote good governance and reduce corruption. They welcomed the publication of the governance diagnostic as a critical step forward as well as the authorities' commitment to strengthen the effectiveness of its AML/CFT regime, following the country's addition to the FATF grey list.

Directors noted that Cameroon's program is supported by the implementation of policies and reforms by the CEMAC regional institutions, which are critical to the program's success. Completion of the sixth review will be conditional on the implementation of critical policy assurances at the Union level, as established in the December 2023 Union-wide background paper.

[1] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

It is expected that the next Article IV Consultation with Cameroon will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

Table 1. Cameroon: Selected Economic and` Financial Indicators, 2022-28

(CFAF billion, unless otherwise indicated)

	2022	2023		2024		2025	2026	2027	2028
	Est.	4th Rev.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)								
National account and prices									
GDP at constant prices	3.6	4.0	4.0	4.2	4.3	4.5	4.5	4.5	4.6
Oil GDP at constant prices	2.1	-1.8	0.5	-1.3	2.7	1.3	0.2	0.2	0.2
Non-Oil GDP at constant prices	3.6	4.1	4.1	4.3	4.3	4.5	4.6	4.6	4.7
GDP deflator	6.3	2.7	3.1	2.7	3.5	4.0	3.1	2.6	1.7
Nominal GDP (at market prices, CFAF billions)	27,702	29,457	29,704	31,521	32,063	34,822	37,515	40,216	42,770
Oil	1,155	872	957	797	976	939	900	866	837
Non-Oil	26,548	28,585	28,747	30,724	31,088	33,884	36,615	39,349	41,933
Consumer prices (average)	6.3	6.2	7.2	4.8	5.9	5.5	4.9	3.4	2.5
Consumer prices (eop)	7.3	5.9	6.2	3.7	5.5	5.2	3.6	2.0	2.0
Money and credit									
Broad money (M2)	11.4	9.0	9.0	8.0	8.4	7.6	7.4	7.2	7.1
Net foreign assets 1/	7.7	2.9	1.6	0.7	3.2	2.7	2.2	2.5	3.2
Net domestic assets 1/	3.6	6.1	7.4	7.3	5.3	5.0	5.2	4.7	3.8
Domestic credit to the private sector	13.6	10.4	11.2	9.2	9.5	7.7	7.4	7.2	7.2
	(Percent of GDP, unless otherwise indicated)								
Savings and investments									
Gross national savings	15.3	15.6	15.6	16.1	16.2	17.0	17.3	18.3	19.1
Gross domestic investment	18.7	18.5	18.6	19.2	19.0	19.4	20.1	20.9	21.8
Public investment	4.6	5.0	4.6	5.4	5.3	5.9	6.6	7.2	7.5
Private investment	14.1	13.5	13.9	13.7	13.7	13.6	13.5	13.8	14.4
Central government operations									
Total revenue (including grants)	15.9	15.9	16.0	15.5	15.9	15.5	15.6	15.7	15.8
Oil revenue	3.5	2.9	2.9	2.1	2.5	2.0	1.9	1.8	1.7

Non-oil revenue	12.1	12.7	12.7	13.1	13.1	13.3	13.6	13.8	14.0
Non-oil revenue (percent of non-oil GDP)	12.6	13.1	13.1	13.4	13.5	13.7	13.9	14.1	14.3
Total expenditure	17.1	16.7	16.6	16.1	16.3	15.9	16.4	16.6	16.7
Overall fiscal balance (payment order basis)									
Excluding grants	-1.5	-1.1	-1.0	-1.0	-0.7	-0.6	-0.9	-1.0	-0.9
Including grants	-1.1	-0.8	-0.7	-0.6	-0.4	-0.4	-0.8	-0.9	-0.9
Overall fiscal balance (cash basis)									
Excluding grants	-1.6	-2.4	-2.3	-1.8	-1.4	-1.1	-1.3	-1.0	-0.9
Including grants	-1.2	-2.0	-1.9	-1.5	-1.1	-0.9	-1.2	-0.9	-0.9
Non-oil primary balance (payment order basis)	-3.9	-2.5	-2.5	-1.7	-1.9	-1.3	-1.6	-1.6	-1.6
Non-oil primary balance (payment order basis, percent of non-oil GDP)	-4.0	-2.6	-2.6	-1.7	-2.0	-1.4	-1.7	-1.7	-1.6
External sector									
Trade balance	-0.7	-1.4	-1.7	-1.6	-1.5	-1.3	-1.6	-1.7	-1.7
Oil exports	7.8	5.2	5.5	4.5	5.1	4.9	4.2	3.5	3.0
Non-oil exports	7.8	8.2	8.4	8.0	8.5	8.3	8.2	8.2	8.3
Imports	16.3	14.8	15.6	14.1	15.1	14.6	14.0	13.4	13.0
Current account balance									
Excluding official grants	-3.7	-3.3	-3.3	-3.1	-2.9	-2.7	-2.8	-2.7	-2.8
Including official grants	-3.4	-2.9	-3.0	-3.0	-2.8	-2.5	-2.8	-2.7	-2.7
Terms of trade	-10.6	-7.6	-2.2	-1.6	1.6	0.5	-4.4	-5.5	-4.5
Public debt									
Stock of public debt	45.3	43.2	41.8	41.1	39.0	36.1	34.1	32.6	31.4
Of which: external debt	30.8	30.7	29.2	29.7	28.5	27.0	26.0	25.5	25.4

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

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

INTERNATIONAL MONETARY FUND

CAMEROON

December 7, 2023

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION, FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY ARRANGEMENTS, AND REQUESTS FOR EXTENSION AND AUGMENTATION OF ACCESS, A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AND MODIFICATION OF A PERFORMANCE CRITERION

Context. Cameroon's economic recovery has continued against a backdrop of domestic security pressures, increased regional spillover risks, and continuing global economic uncertainties. Inflation remains high although decelerating, and while Cameroon is the largest CEMAC economy with ample economic potential, it is a fragile and conflict-affected state (FCS). Drivers of fragility include a high debt burden, institutional and governance weaknesses, internal divisions, social exclusion, insurgency, conflicts along borders, and a rising frequency of climate-related natural disasters. Political risks are increasing, with tensions around Presidential succession, and potential spillovers from the region. The IMF staff has prepared a country engagement strategy (CES), in collaboration with stakeholders and international partners, to assess the drivers of fragility and factors of resilience and inform the IMF's ongoing and future engagement with Cameroon.

Program Performance. The program remains broadly on track thanks to corrective actions and progress in reform implementation. Five out of six quantitative performance criteria (QPCs) were met at end-June 2023, and six out of ten indicative targets (ITs) were met at end-September 2023. Of the nine structural benchmarks (SBs) for the fifth review, three were met on schedule, two were implemented with delay, one is expected to be implemented by the Board date (prior action), and three will be rescheduled or reformulated: the plan for clearing public enterprises' debts to the government and to each other (SB2), the publication of the implementing texts of the Mining Code (SB3) and the development of a detailed restructuring plan for SONARA (SB6).

Request for augmentation and extension of ECF/EFF. 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 fifth review will allow a disbursement and purchase of SDR 55.2 million (about US$73.3 million) of which SDR 36.8 million for the

EFF and SDR 18.4 million for the ECF, bringing the total IMF financial support disbursed under the arrangement to SDR 427.8 million (about US$ 566.3 million). The authorities

have requested a 12-month extension of the ECF/EFF arrangements (from July 28, 2024 to July 28, 2025), along with an augmentation of access of 40 percent of quota over the extension, for balance of payments support. This will allow for more time to implement the policies and reforms foreseen under the program, given the additional external shocks faced since approval of the ECF/EFF arrangements. In addition to reducing the space for reforms, recent shocks have created additional balance of payments needs. The tightening of global financial conditions raised borrowing costs and curbed access to financing on international markets, while the war in Ukraine accelerated inflation and weighed down on growth domestically and in partner countries. High oil prices raised the costs of subsidies, while volatility complicated budget management.

Policy Discussions. The 2023 Article IV discussions considered macro-critical policy measures to boost medium-term growth and resilience, including to (i) enhance growth potential through structural transformation; and (ii) address climate change. The fifth ECF/EFF review focused on macro-critical policy measures to manage current shocks and (i) build fiscal space and strengthen medium-term fiscal sustainability, including through revenue mobilization, more efficient spending and stronger public financial management; (ii) improve debt management and sustainability; (iii) strengthen financial sector resilience, including through financial inclusion; (iv) address fragilities; and (v) strengthen governance and transparency.

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

An IMF team comprising Ms. Sancak (Head), Ms. Nkhata, Ms. Isakova, Messrs. Adom and Stadler (all AFR), Messrs. Huang (SPR), Vaccaro-Grange (MCM), Ms. Radhika Goyal (FAD), Mr. Staines (Resident Representative), Messrs. Tchakote and Ambassa (local economists), held discussions with the authorities in person in Douala and Yaoundé and virtually during October 19-November 16, 2023. Mr. Diakite (OEDAF) participated in the meetings. Research assistance was provided by Mr. Cai and administrative assistance by Ms. Biloa (AFR).

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CONTEXT

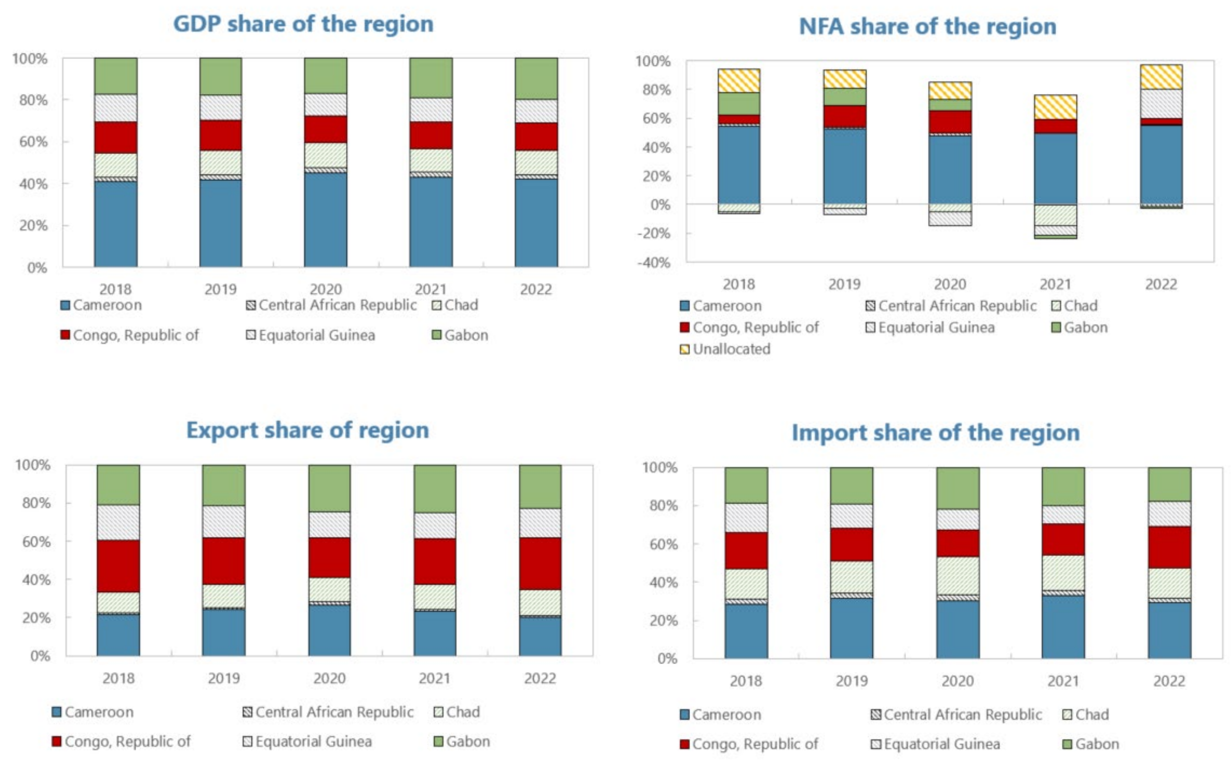
Background

1. **Cameroon has remained resilient in the face of successive shocks.** The post-pandemic recovery, which was also supported by higher oil prices and non-oil production in 2021, continued into 2022, despite an increasingly challenging environment with Russia's war in Ukraine, inflationary pressures, supply chain disruptions, and tight global financial conditions.

2. **As CEMAC's largest economy, Cameroon continues to play a leadership role in the region.** Cameroon accounted for about 60 percent of net foreign assets, 40 percent of the region's GDP, and around 55 percent of the total population in 2022 (Text Figure 1). The country also contributes significantly to the region's rebuilding of fiscal and external buffers.

Text Figure 1. Cameroon: Share of Economic Activity in CEMAC, 2018-22

(Percent)



Sources: Country authorities and IMF staff estimates.

3. **While Cameroon's SDG indicators compare well with the SSA averages, it faces significant fragilities and development challenges.** More than a quarter of the population lives below the national poverty line, and more than 1 million people were displaced within the country with an estimated 6.2 million people in need of humanitarian assistance in 2020 (source: UN). In addition, Cameroon is faced with low human capital development, an unfavorable business environment hampered by unprofitable SOEs, and low levels of financial inclusion. Drivers of fragility

include institutional complexity and governance weaknesses, internal divisions, social exclusion, insurgency, conflicts along borders, and a rising frequency of climate-related natural disasters. Political risks are increasing, with potential regional spillovers.

4. **Far-reaching reforms will be needed to raise growth and create jobs, while protecting vulnerable populations.** Cameroon's National Development Strategy (SND-30) lays out the authorities' policies to address Cameroon's economic challenges during 2020–30. The strategy envisages increasing the annual growth rate to 8.1 percent on average by 2030, which is ambitious without substantial acceleration in structural reforms. It identifies important priorities, broadly consistent with program objectives, but implementation remains a challenge, including how to achieve structural transformation. Staff cautioned that import substitution strategy—a key pillar to SND-30—leads to inefficiencies and limits competition.

5. **Cameroon also faces socio-political tensions in resource-rich regions.** The conflict in the two anglophone regions, sporadic Boko Haram attacks in the far North, and insecurity on the eastern border with the Central African Republic (CAR) continue and could reverse improvements in poverty reduction and development outcomes and jeopardize reform implementation. According to the United Nations High Commissioner for Refugees (UNHCR), Cameroon hosts about two million persons of concern, including one million internally displaced persons (IDP), 460,000 refugees and asylum-seekers, and 466,000 IDP returnees.

RECENT ECONOMIC DEVELOPMENTS, OUTLOOK, RISKS, AND PROGRAM PERFORMANCE

A. Recent Economic Developments

6. **Cameroon's growth recovery continued in 2023, despite strong external headwinds.** Real GDP growth reached 3.6 percent in 2022 on the back of buoyant agroindustry and service sectors and is expected to reach 4 percent in 2023.

7. **Inflation remains high and is projected to reach 7.2 percent on average in 2023 but is decelerating.** Inflation in Cameroon is mostly driven by rising food prices and inflation expectations coupled with positive demand shocks and negative supply shocks (Annex II).

8. **The current account deficit is projected to narrow in 2023 driven by rising gas production and an improved primary income balance.** The current account deficit improved to 3.4 percent in 2022 with strong export growth supported by rising natural gas and oil prices due to Russia's war in Ukraine. Stronger worker remittances have also helped. The current account deficit is projected to narrow to 3.0 percent of GDP in 2023, driven by rising gas production and an improved primary income balance which partly offset the impact of lower oil prices.

9. **Cameroon's external position in 2022 was assessed as modestly weaker than warranted by fundamentals and desirable policies (Annex III).** Cameroon's real effective

exchange rate (REER) depreciated by 3.1 percent following the euro's depreciation against the US dollar, while domestic inflation edged up. The real exchange rate was assessed to be overvalued by 14.5 percent.

10. Cameroon's fiscal outcomes remained broadly in line with program objectives. While higher oil prices and a weaker CFA franc led to more spending on the fuel subsidy, stronger revenue mobilization and the fuel subsidy carry-over to 2023 helped contain the non-oil primary deficit at 3.9 percent of GDP in 2022 and resulted in a stronger overall deficit relative to the revised budget law. Lower oil prices and a pump price adjustment in early 2023, as well as stronger-than-projected non-oil revenue performance, improved the fiscal balance by mid-2023 and should help reduce the non-oil primary deficit to 2.5 percent of GDP in 2023.

11. The development of the financial sector is hindered by fragilities in the banking system. While the capital adequacy ratio is improving and liquidity ratios are stable at 16.3 and 29.8 percent, respectively, in mid-2023, NPL ratios rose to 15.4 percent of total loans by mid-2023, from 13 percent at end-2022. Moreover, banks' exposure to the Cameroonian government increased reaching 35.3 percent of total assets in 2022, up from 23 percent in 2019, while being zero-risk weighted by most banks.[1] This has likely crowded out credit to the private sector and continues to present risks to financial stability.

12. Food insecurity has intensified, with climate-related shocks, security issues, and forced displacements. Over three million people were estimated to be severely food-insecure between January and May 2023, a five percent increase compared to the same period in 2022. The authorities are working with the World Food Program (WFP) and other partners to respond to the immediate food and nutrition needs of crisis-affected populations, mainly in the unsecure regions, including through actions to improve the long-term resilience of communities.

13. The 2022 safeguards assessment found that BEAC maintained strong governance arrangements. Since then, the BEAC senior executive management team, the Government, has gone through significant turnover. A safeguards monitoring mission is planned before end-2023 to evaluate continuity in the governance arrangements at the BEAC. In addition, an external quality assessment of internal audit was finalized, and staff will follow up on the resulting recommendations and implementation of the remaining 2022 safeguards recommendations.

B. Outlook and Risks

14. Medium-term macroeconomic conditions are expected to improve gradually. The medium-term outlook remains positive, provided reforms continue and the external environment becomes more supportive, with real GDP growth expected 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 should partially offset declining oil output. It is also predicated on the successful

[1] COBAC allows for a zero-risk weight on government bonds backed by an escrow account at the BEAC. However, the recent downgrade by a rating agency forces banks following IFRS standards to provision Cameroonian bonds.

contribution of the deep-sea port of Kribi, which began operations in October 2020 and should support trade and natural gas sectors. The Memve'ele hydroelectric plant is also expected to help stabilize provision of power to industries. Inflation is expected to remain above the CEMAC convergence criterion in the near term but return to below 3 percent by end 2027. Assuming the global economy strengthens, and oil prices remain high, Cameroon's non-oil growth rate should exceed 4 percent starting from 2023 and the public debt-to-GDP ratio should remain below 45 percent.

15. The balance of risks is nevertheless tilted to the downside:

- Escalating global geopolitical tensions could have cascading effects on Cameroon. Fluctuations in prices of Cameroon's key exports (i.e., oil and agricultural exports), directly affect the trade balance while domestic prices bear pressures from imported inflation. Increasing oil prices may raise fuel subsidies and undermine fiscal objectives.

- Global growth prospects could deteriorate further and more abruptly. While the US economy is expected to be strong, Europe could experience a more intense and protracted fallout from Russia's war in Ukraine, and China could see a sharper-than-expected slowdown with consequences for Cameroon's trade and investment.

- Social tensions could intensify in the run-up to the 2025 presidential elections. Violence has increased in the extreme-North region. The crisis in the North-West and South-West regions is intensifying with increased outbreaks of violence.

- Further deterioration in regional stability could have spillovers in Cameroon. There are also risks of intra-region cross-country contagion in the banking sector as cross-country holdings of government securities issued by other CEMAC countries are high.

- More frequent climate disasters would have wide ranging impacts on infrastructure, agriculture, and food security. With Cameroon already facing risks of food insecurity, a strong El Niño presents a significant downside risk to food supplies, inflation, displacement of persons, and social stability.

- Risks are mitigated as Cameroon has a strong record of implementing macroeconomic programs, close engagement with donors, and a comprehensive CD program.

Authorities' Views

16. The authorities agreed with the staff's assessment of the outlook and risks. They expect stronger longer-term growth thanks to the acceleration of structural reforms and completion of several large infrastructure projects. They view higher inflation driven by imported prices as a major near-term risk with potential social impact.

C. Program Performance

17. The program remains broadly on track following corrective actions to respect quantitative targets and progress in reform implementation:

- **Quantitative performance by June-2023 was broadly on track (Table 9 and MEFP Table 1).** Five out of six QPCs were met. The continuous QPC on non-accumulation of external arrears was not met following delayed debt service payments to the European Investment Bank (EIB) in August and September 2023 due to technical errors. A waiver of non-observance is requested due to the minor and temporary nature of the non-observance (i.e., one and five-day delays totaling 0.003 percent of GDP). All arrears have been cleared. Three ITs were breached: the ceilings on the net accumulation of domestic payment arrears, spending through exceptional procedures, and direct interventions of the National Hydrocarbons Company (SNH), owing to growing security challenges in the Northwest, Southwest, and Far North regions, increased cash needs for compensation of fuel importers due to higher-than-projected global oil prices, and weaknesses in cash management. The government is committed to improve the monitoring of expenditures related to direct interventions by SNH. To improve cash management and limit accumulation of domestic arrears, an IT on limiting Treasury advances without budget allocation (MEFP, Table 1) and SB9 (MEFP, Table 2) on including the stock of domestic arrears into the next year's budget were introduced in the fourth review. In addition, a new SB to improve management of correspondents' accounts has been introduced to support the authorities' efforts to strengthen cash management (SB15).

- **Preliminary data for end-September 2023 suggest that six out of ten ITs were met (Table 9, and MEFP Table 1).** The four breached ITs are the program ceilings on the net accumulation of domestic arrears, on SNH direct interventions, on Treasury advances without a budget allocation (new IT introduced in the fourth review), and the share of spending through exceptional procedures. A continuous QPC on PV of contracting and guaranteeing of new external borrowing was met.

- **Progress on structural reforms is ongoing (Table 10, and MEFP Table 2).** Of the nine structural benchmarks (SBs) for the fifth review, three were met on schedule, two were implemented with delay, one is expected to be implemented by the Board date (prior action), and three will be rescheduled/reformulated. Three SBs were met on schedule: (i) formulation of an action plan to eliminate CIT holidays and promote healthy competition in the private sector (SB7, October 2023); (ii) introduction of a new PPP framework due end-June 2023; and (iii) increasing the number of VAT taxpayers by end-October 2023. The latter two were met ahead of schedule during the fourth review. Two SBs were implemented with delay, namely SB1 on government payment arrears audits, and SB8 on the modalities for monitoring project management units' performance, Publication of the governance diagnostic report (SB5) is delayed but expected before the Board date (prior action). Three SBs due end-September are delayed and need to be rephased. The authorities have established an inventory of public enterprises' debts to the government and to each other and expect to finalize a plan for clearing them (SB2) by April 2024. Also delayed are the publication of the implementing texts of the

Mining Code (SB3) and the development of a detailed restructuring plan for SONARA (SB6). SB6 has been reformulated to focus on a feasibility study (SB16).

POLICY DISCUSSIONS

18. The mission discussed policies to ensure long-term sustainable growth and address macro-critical climate challenges as part of Article IV policy discussions (Sections A and B) and program implementation (Sections C to G).

A. Ensuring Long-Term Sustainable Growth

Enhancing Growth Potential

19. Cameroon's development strategy (SND-30) envisages a profound structural transformation of the economy and builds around its industrialization strategy. The government intends to achieve structural transformation through import substitution and export promotion supported by the implementation of major investment projects and institutional reforms. Staff cautioned that import substitution is prone to inefficiencies, limiting innovation and competition, leading to lower quality products and higher costs for domestic consumers. The authorities emphasized that a successful strategy would require substantial resources, improving investment efficiency, support for sectors with high potential, and strengthening manufacturing capacities. In promoting exports, the country would exploit its comparative advantages, such as the large agricultural base, natural resources, and human capital.

20. The mission recommended that horizontal policies are the most effective ways to foster structural transformation and export diversification (Selected Issues Papers). These polices are also a necessary condition for the success of any industrial policy. It is advised that the authorities concentrate efforts on those areas in priority because Cameroon's performance in horizontal areas has significant gaps. Key horizontal policies include investments in human capital and infrastructure, strengthening institutions, including governance, and enhancing product and labor markets by removing regulations that hinder competition among firms, allow more market flexibility and encourage more formalization of existing firms. The authorities need to continue strengthening their dialogue with the private sector, a key engine of growth, and civil society.

Authorities' Views

21. The authorities agreed with the staff on the priorities to spur medium and long-run growth but reiterated their views on import substitution. They agreed on the importance of investments in human capital and infrastructure and enhanced governance. However, on the effectiveness of import substitution measures, the authorities are aware of the potential issues in implementation but view that scaling up domestic production by import substitution is a necessary step for enhancing the prospect of exports, supported by improvement in infrastructure.

B. Addressing Macro-Critical Climate Challenges

22. Without strong adaptation measures, climate change is expected to lead to output losses, and exacerbate poverty, inequality, food insecurity and conflicts in Cameroon. Climate-related losses in output will impede export capacity and may increase imports either to cope with food, sanitation, and health needs during crises or to invest in rebuilding after crises. This will increase balance of payments needs and require fiscal space. Social and economic impact would affect human capital accumulation, jeopardize development, and hinder inclusive growth.

23. The mission stressed the need to mainstream climate commitments into the country's legal and regulatory framework and its budget cycle. Cameroon has signed all key international agreements related to climate change and identifies it as a key challenge for economic growth and development in key strategic documents (SND-30 and Vision 35). However, climate considerations are yet to be effectively integrated into the country's legal and regulatory framework, and PFM, including fiscal planning and public investment management. The government also faces capacity constraints, lacks an effective coordination mechanism, and has yet to operationalize its institutional and governance frameworks to respond to climate challenges.

24. Cameroon needs to step up both adaptation and mitigation efforts. Cameroon puts emphasis on enhancing adaptation efforts in agriculture and infrastructure. Priority areas outlined in the Nationally Determined Contributions (NDC) include promoting climate-smart agriculture, building resilient energy and transport infrastructure, diversifying energy supply, reducing disaster risks, and improving population awareness and capacity. Under the NDC, Cameroon committed to reduce greenhouse gas emissions by 35 percent by 2035 relative to 2010, including an unconditional target of 12 percent. Phasing out the fuel subsidy will support the authorities' mitigation efforts.

25. Mobilizing climate finance is an important challenge. In the near term, the main source of climate-related financing will likely remain donor financing. Going forward, Cameroon needs to develop its capital markets to harvest the potential private funding for climate investments and engage the private sector in supporting its climate agenda.

Authorities' Views

26. The authorities recognize the need to strengthen resilience to climate change. They noted that it is already having an impact on the economy and livelihoods and may further exacerbate social and economic challenges and fragility. They noted that Cameroon is a signatory to all key international agreements on climate change, and climate change is recognized as an important development challenge under the SND-30 and other strategic documents. The government aims to strengthen institutional capacity to implement its policies to address climate change and integrate its climate commitments into an appropriate legal and regulatory framework.

C. Building Fiscal Resilience

Fiscal Consolidation

27. Fiscal performance remained strong up to June 2023 and the fiscal outcome for 2023 is expected to be consistent with program objectives. Both oil and non-oil revenue registered a solid growth of about 13 and 20 percent year-on-year during this period, respectively. The strong non-oil revenue was driven by revenue administration efforts and the economic recovery, which supported company profits and capital income tax performance. Capex execution was relatively slow and, together with strong revenue performance, explains overperformance in NOPB relative to the program target by June. The authorities remain committed to achieving the program fiscal objectives by end-2023.

28. The authorities intend to continue their consolidation efforts in line with the program in 2024. The 2024 budget law envisages a further reduction in NOPB from a projected deficit of 2.5 percent in 2023 to 1.9 percent of GDP in 2024, supported by both continued efforts to strengthen non-oil revenue mobilization and spending rationalization through a fuel subsidy reduction. The potential gains from these measures are estimated at around 0.4 p.p. of GDP for each measure.

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

	2022	2023			2024	
	Est.	4th Rev.	June	Proj.	4th Rev.	Proj.
Total revenue and grants	15.9	15.9	8.0	16.0	15.5	15.9
Oil revenue	3.5	2.9	1.5	2.9	2.1	2.5
Non-oil revenue	12.1	12.7	6.4	12.7	13.1	13.1
Grants	0.4	0.3	0.0	0.3	0.3	0.3
Total expenditure	17.1	16.7	7.7	16.6	16.1	16.3
Current expenditure	12.4	11.5	6.1	11.8	10.4	10.9
Transfers and subsidies	4.2	3.5	1.9	3.5	2.4	2.6
Interest payments	0.8	1.1	0.5	1.1	1.1	1.0
Capital expenditure	4.6	5.0	1.6	4.6	5.4	5.3
Overall balance	-1.1	-0.8	0.3	-0.7	-0.6	-0.4
Non-oil primary balance	-3.9	-2.5	-0.7	-2.5	-1.7	-1.9

Source: Country authorities and IMF staff calculations.

Authorities' Views

29. The authorities agree with the need to continue fiscal consolidation to support sustainability of public finances and remain on a stable public debt path. They, however, emphasize the need to promote economic growth and structural transformation, which requires substantial public investment. They agree with the need to strengthen non-oil revenue mobilization, rationalize public spending, and improve public investment efficiency.

Strengthening Non-oil Revenue Mobilization

30. The authorities remain committed to strengthening domestic non-oil revenue mobilization. The 2024 budget envisages tax and customs policy and administration measures to this effect (Text Table 2). These actions include both policy measures and efforts to further improve revenue administration through stronger control and digitalization, including phasing out of tax exemptions for businesses on interest from government securities, full taxation of benefits in kind, reduction of VAT exemptions on carbonated drinks and introduction of electronic invoice tracking. The authorities also plan non-tax revenue measures to contribute to domestic revenue mobilization. Overall, these measures are estimated to bring about CFAF 113 billion in budget revenue (0.4 percent of GDP).

Text Table 2. Cameroon: Non-oil Revenue Measures Planned in 2024
(Billion CFAF)

Tax policy measures	
Measures related to PIT and CIT	11
Rationalization of tax expenditures (VAT and excise taxes)	19
Specific taxes	2
Property taxes and stamp duties	9
Customs duties	11
Tax administration measures	
Electronic invoice tracking	15
Securing customs revenue on imported phones, tablets and digital terminals	15
Other	11
Non-tax revenue	22
TOTAL	**113**
percent of GDP	0.4

Source: Country authorities, staff calculations

31. **Over the medium term, the authorities plan to enhance revenue mobilization by reducing the number of tax exemptions and recovering tax arrears.** The authorities have prepared a plan to gradually eliminate CIT holidays, audit, and revise the 2013 law on investment incentives to rationalize tax exemptions for companies (SB4 and SB7). Work is also ongoing to improve tax arrears recovery of the payment arrears from 2000–19. Their audit (SB1, MEFP ¶31) shows around CFAF 215 billion in tax arrears, that the authorities aim to recover over three to seven years—around CFAF 30.8 billion annually. Moreover, the authorities will continue efforts to reform personal income taxation and to rationalize VAT exemptions, in line with their three-year plan and the 2022 tax policy diagnostic recommendations.

32. **The government plans to improve personal income tax statistics.** To better assess the impact of the revisions to the personal income taxation, the government intends to set up a database of wages and salaries, which comprises the entire public sector and a representative sample of private sector employees **(new SB11, November 2024), MEFP ¶21**.

33. **The government is considering additional measures to collect tax arrears in 2024.** As a first step, the government commits to preparing a detailed action plan, consisting of the first 100 unpaid tax and customs debts, including those of public enterprises, to manage and recover at least 15 percent of the outstanding recoverable tax arrears (outstanding as at end-June 2023) and implement 50 percent of the measures included in the action plan **(new SB12, April 2024, MEFP ¶22).** This measure will improve the collection of tax and customs revenues, the clearance of outstanding statements and strengthen the governance of revenue administrations, while improving the transparency of budget management and public enterprises.

Authorities' Views

34. The authorities recognize the need to revise tax incentives and exemptions. This will help improve non-oil revenue mobilization and better tailor the taxation system to industrial development needs as part of their overall vision.

Advancing Fuel Subsidy Reform

35. The authorities are committed to reduce the fuel subsidy. Total spending on the fuel subsidy in 2022 is estimated at around CFAF 900 billion, or 3.2 percent of GDP, of which CFAF 330 billion (1.1 percent of GDP) was carried over to 2023. While the pump price increase of about 21 percent in February 2023 helped reduce the subsidy, higher than projected global oil prices in 2023 and remaining bills from 2022 explain a carryover of about CFAF 170 billion (0.5 percent of GDP) of the fuel subsidy to the 2024 budget. Increased spending on the fuel subsidy has created liquidity pressures and crowded out other spending. Fuel subsidies continue to have significant fiscal consequences and do not always benefit the most vulnerable.

36. The government increased fuel prices at the pump in February 2023 and remains committed to reducing the fuel subsidy in 2024 and phasing it out by 2025 consistent with the program objectives. Gradual reduction in the fuel subsidy would imply an increase of at least 15 percent in pump prices in early 2024. This increase would reduce the cost of subsidies by about CFAF 140 billion, or 0.4 percent of GDP in 2024, given current assumptions. To achieve the program objectives, the authorities commit to submitting to Parliament the 2024 budget law consistent with the fifth review macroeconomic framework (prior action).

37. Fuel price increases should be accompanied by measures to mitigate the social and economic impact. The authorities plan to maintain the increase in social spending introduced in 2023 and consider additional measures in the amount of around CFAF 68 billion, or 0.2 percent of GDP, including increase in public salaries and territorial transfers. Over the medium term, the authorities plan to gradually increase social spending, to improve social indicators.

Authorities' Views

38. The authorities agreed with the need to reduce the fuel subsidy and to limit the practice of carrying over the subsidies across years. They remain committed to gradually eliminating the subsidy over the medium term and are considering options for an automatic fuel price adjustment mechanism. For mitigation measures, they are working on strengthening social safety nets—with World Bank support—and improving access to basic public services such as education and health.

Improving Public Financial Management (PFM)

39. The authorities are making progress on key PFM reforms:

- **Cash management**. Spending through exceptional procedures, including Treasury advances without a budget allocation and cash management weaknesses, led to accumulation of domestic payment obligations and delays in external payments in 2022-23. The authorities are pursuing reforms aimed at improving the sincerity and execution of the budget. They plan to limit the common budget chapters (*chapitres communs*) to 3-5 percent starting from 2025 (**SB17 and SB18**, **MEFP ¶45)**. They will also further improve management of the correspondents' accounts. To that end, the Minister of Finance will issue an instruction, following an audit, on implementing a strategy to strengthen the management of correspondent accounts, with provisions on the closure of illegal accounts, the clearance of existing arrears, and relevant cash management rules consistent with the requirements of the annual budget law (**SB15, MEFP ¶27**).

- **Domestic payment arrears.** The government completed the audit of its payment arrears over 2000–19 and adopted a plan to settle them over three to seven years. Key sources of these arrears were salary payments (CFAF 303 billion), tax arrears (CFAF 216 billion) and commercial debt (CFAF 122 billion CFAF) **(SB1, MEFP ¶31).**

- **Government's cross debt.** The government has established an inventory of cross debts between public enterprises and the state at end-2020 and is finalizing a plan for clearing them. However, the plan will not be finalized until April. Staff proposes rephasing the deadline to end-April 2024. **(SB2, MEFP ¶34)**.

- **Mining code**. The draft decrees for the application of the Code have been completed, but their adoption has been delayed due to the need to integrate the role of the National Mining Corporation (SONAMINES), created in 2020. The authorities plan to submit the draft code to parliament in March 2024, and to publish it by end-June 2024 **(SB3, MEFP ¶35).**

- **National Refining Company (SONARA).** The restructuring has been delayed pending completion of a study on the technical, economic, and financial feasibility of the options for the new refinery **(SB6, reformulated, MEFP ¶33).**

- **Public procurement.** The online procurement system (COLEPS) is operational, but the number of procurement contracts registered remains limited. To strengthen reform efforts in public procurement, this SB is proposed to be revised. Under the new formulation, the authorities have committed to increase to at least 80 percent the number and total value of contracts awarded through COLEPS in certain key ministries (i.e., infrastructure, education, health, posts, and telecommunications) between January and May 2024 (**SB 10, MEFP ¶30**). The authorities are also working on strengthening the quality of procurement plans to ensure consistency between commitment and Treasury plans **(SB14, MEFP ¶30)**.

40. Public investment management. The authorities are committed to strengthen PIM and to fully implement the system of commitment authorization (CA) and payment appropriations (PA) to better manage and monitor multi-year capital projects. To this end, 2025 budget law will include an annex on CAs and PAs in line with the Medium-Term Budgetary Framework (MTBF) and consistent with the timetable for the implementation of investment projects **(SB13, MEFP ¶29)**.

Authorities' Views

41. The authorities expressed their commitment to strengthening PFM process and managing fiscal risks. They highlighted the progress made on SONARA restructuring, emphasizing that their action plan should be sufficient to meet the SB. They agreed on the need to advance PFM reforms to underpin cash management, reduce domestic payment arrears, improve efficiency of public spending, including on public investment, and strengthen management of SOEs.

D. Maintaining Debt Sustainability and Reducing Debt Vulnerabilities

42. Cameroon remains at high risk of debt distress, but its debt is sustainable over the medium term. Public debt stock declined to 45.3 percent of GDP at end-2022, compared to 46.8 percent of GDP at end-2021 (Text Table 3). The external debt stock was estimated at 30.8 percent of GDP and domestic debt at 14.5 percent of GDP in 2022. The risk of external debt distress is high, as two out of four indicators breach the thresholds under the baseline scenario. In addition, the present value (PV) of public debt-to-GDP ratio is above the benchmark, indicating a high risk of overall debt distress. Both external and public debt indicators are most vulnerable to commodity shocks. While the debt stock is expected to decline further in 2023 with continued growth, tight fiscal policy and CFA franc appreciation, contingent liabilities associated with state-owned enterprises and public-private partnerships are expected to increase.

43. The debt carrying capacity continues to be weak as suggested by the latest Composite Index (CI) score, and the bond spread is above the benchmark value. External debt service indicators remain above the threshold but on a downward trend. The debt service-to-revenue ratio is expected to stop breaching the threshold in the medium term. Risks are tilted to the downside, which include geopolitical tensions, a longer-than-expected tight global financial conditions, delays in implementing SONARA's debt restructuring and rehabilitation plan, and a realization of contingent liabilities. The authorities intend to push forward their reform agenda steadily to ensure debt sustainability and reduce associated risks.

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**	**43.0**	**1923**	**2758**	**2297**	**4.3**	**5.6**	**4.3**
External	**13161**	**68.4**	**29.4**	**1195**	**1523**	**1476**	**2.7**	**3.1**	**2.8**
Multilateral creditors	6041	31.4	13.5	132	342	371	0.3	0.7	0.7
IMF	1273	6.6	2.8						
World Bank	2256	11.7	5.0						
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	835	833	1.6	1.7	1.6
Paris Club	1628	8.5	3.6	257	255	261	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	8.3	449	580	572	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	109	105	0.1	0.2	0.2
Commercial lenders	749	3.9	1.7	285	237	166	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**	**1235**	**821**	**1.6**	**2.5**	**1.5**
T-Bills (BTA)	373	1.9	0.8	11	394	0	0.0	0.8	0.0
Bonds	2133	11.1	4.8	348	318	342	0.8	0.6	0.6
Structured debt	1259	6.5	2.8	359	479	435	0.8	1.0	0.8
Non-structured debt	90	0.5	0.2	11	25	25	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	2.4						
Memo items:	0		0.0						
Contingent liabilities	**1035**		**2.3**						
o/w: Public guarantees (external)	21		0.0						
o/w: Other contingent liabilities	1014		2.3						
o/w external	584		1.3						
o/w domestic	430		1.0						
Nominal GDP (CFAF, billions)				27702	29704	32063			
Exchange rate, end of period (CFAF/US$)				619	…	…			
Exchange rate, period average (CFAF/US$)				622	…	…			

Source: Country Authorities & IMF Staff estimates.
1/ Excludes public guarantees and other contingent liabilities, which are noted under memo items.

44. **The authorities are committed to limiting non-concessional borrowing and implementing proactive debt management.** The program ceiling on the PV of newly contracted or guaranteed external public debt and ceiling for disbursement of non-concessional external debt have served as a binding constraint on debt management, helping to slow debt accumulation and improve Cameroon's debt profile. In 2023 and 2024, the overall debt ceiling remained unchanged compared to 2022, with an adjustor to accommodate concessional infrastructure and social projects financed by the World Bank. To improve the liquidity and debt profile, a debt management

operation to borrow longer-term external debt to clear domestic unpaid government obligations is planned before end-2023.[2]

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	**1374**	**746**	**513**
Concessional debt, of which	911	495	281
Multilateral debt	911	495	281
Bilateral debt	0	0	0
Non-concessional debt, of which	462	251	232
Semi-concessional debt	439	239	219
Commercial terms	*23*	13	13
Uses of Debt Financing	**1374**	**746**	**513**
Infrastructure	1197	650	417
Budget financing	177	96	96
Other	0	0	0

Source: Country Authorities & IMF Staff estimates.
1/ Excludes ordinary credit for imports, debt relief obtained in the form of rescheduling or refinancing, and budget support loans from the WB.
2/ Calculated using exchange rate of 543.201 CFAF/USD
3/ The PV is calculated using the terms of individual loans and applying the 5 percent program discount rate. The PV of loans with a negative grant element is assumed to be equal to the nominal value of the loan. 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.

45. **The authorities are reducing contracted but undisbursed loans (SENDs).** The publication of a decree specifying the modalities for monitoring the performance of project management units was implemented with a delay **(SB8, August 2023, MEFP ¶8)**. The debt management agency had a stock-taking assessment of existing loan and grant agreements related to 180 projects, in preparation for consulting with development partners on cancelling non-performing SENDs and negotiating reallocation of unused external credit lines to other projects where applicable. Going forward, timely disbursement according to the schedule is a prerequisite to contain SENDs, amidst the need to sign more new projects to address urgent infrastructure gaps.

Authorities' Views

46. **The authorities agree on the importance of addressing various pockets of debt vulnerabilities.** They noted that the risk of debt distress has heightened amidst unfavorable external developments and slow progress in domestic structural reforms. The authorities remain committed to improving Cameroon's debt risk assessment, which depends on continued active debt

[2] 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. The operation would improve the public debt profile and is aligned with the authorities' 2023-25 debt strategy to further increase average maturity of the public debt. The assumption of financing term has remained unchanged since the 4th review.

management, exports, and budgetary revenue performance, as well as the country's CI score, which reflects the country's debt carrying capacity. The authorities highlighted the need to intensify efforts to address SOE issues and reduce fiscal risks. The authorities remain committed to making progress on SONARA's restructuring plan.

E. Strengthening Financial Sector Resilience and Financial Inclusion

47. Financial sector resilience needs strengthening. The mission emphasized the need for banks to: (i) implement COBAC's recommendations on provisioning and capitalization; (ii) strengthen their credit risk assessment frameworks; (iii) diversify away from the sovereign (both Cameroonian and other CEMAC governments); (iv) follow a strategy to reduce the high share of NPLs (15.4 percent in total gross loans in 2023Q2); and (v) ensure that data are submitted to BEAC. In addition, it is essential that the government completes the Commercial Bank of Cameroon (CBC) privatization in 2024 as planned and finishes the resolution of the distressed banks in a timely manner.

48. Progress is ongoing in restructuring the distressed Cameroonian banks. The asset shortfall of one of the banks has been filled, while another one, in which the government will take a majority stake, still misses a significant amount. The filling of the asset shortfall of the latter bank remains unclear as the authorities have mentioned a loan to be made to the government by the insolvent bank, due to the regulatory forbearance. Staff emphasized that self-funding of the capital of banks is inconsistent with good practices as it is not recognized by international regulatory standards (Basel capital framework). Staff position is that the asset shortfall is filled with funds that meet prudential requirements by the end of the Fund program. Discussions are ongoing with COBAC to ensure that the recapitalization complies with international regulatory standards. While COBAC has approved the recapitalization plans in July 2023, a substantial part of the capital is yet to be transferred by both the government and private shareholders (end-2024).

49. The *Société de Recouvrement des Créances* (SRC), a public credit recovery agency, is facing difficulties. The SRC experienced around CFAF 1 billion in losses in 2022, with a claim portfolio of about CFAF 800 billion. The mission advocated an audit of losses to better understand the reasons for the failure to recover credit. It is also important to strengthen the SRC's operations to ensure a robust governance framework, operational and budgetary independence, and strong transparency and accountability rules, prior to any extension of SRC's activities. The mission reiterated the need for the government to commit to a sunset clause for banking assets recovery activities.

Box 1. Financial Inclusion in Cameroon: A Regional Perspective

Figure 1. Number of Commercial Bank Branches and ATMs
(per 100,000 adults)

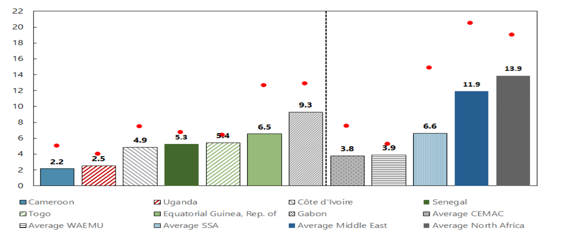


Figure 2. Number of Mobile Money Agents and Debit Cards
(per 100,000 adults)

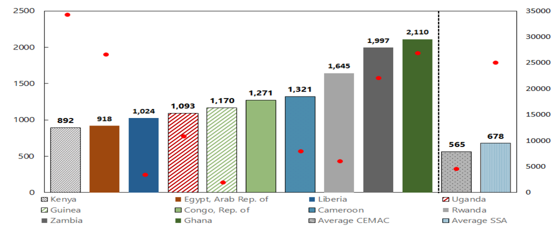


Figure 3. Number of Household Sector Depositors
(per 1,000 adults)

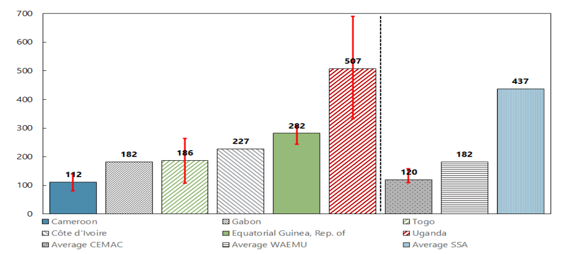
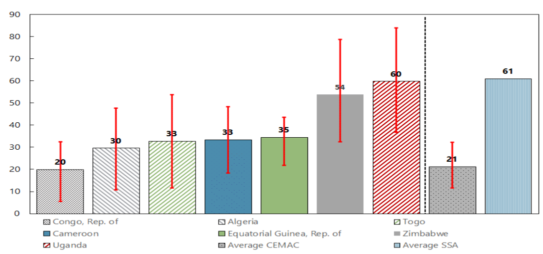


Figure 4. Number of Household Sector Borrowers
(per 1,000 adults)



Financial inclusion can be of different dimensions: *traditional* inclusion with, for instance, the number bank branches or ATMs, and *digital* inclusion with, for example, the number of mobile money agents or debit cards, per a given population. Cameroon scores low in terms of *traditional* financial inclusion, compared to its regional peers (Figure 1). It has an average of 2.2 commercial bank branches and 5 ATMs per 100,000 adults, whereas the CEMAC average is 3.8 bank branches and 7.5 ATMs per 100,000 adults. The average for Sub-Saharan African countries (SSA) is even higher, with an average of 6.6 bank branches and 14.8 ATMs. However, Cameroon appears to score better in terms of *digital* financial inclusion (Figure 2). It has an average of 1,321 mobile money agents per 100,000 adults, which is largely over the CEMAC average of 565. Mobile money agents have a major role in providing access to banking for populations in SSA, usually compensating for the low presence of bank branches outside of major cities.

While financial inclusion can be analyzed through the prism of *access* to financial services, such as the number of bank branches, ATMs, or mobile money agents, it can also be considered though the filter of *usage* of financial services. For instance, the percentage of adults who have a deposit account at a commercial bank or who borrow from a bank reflects this *usage*. Cameroon scores low in terms of household sector depositors with commercial banks compared to its neighbors (Figure 3): only about 112 adults per 1,000 have a deposit account, whereas the corresponding number is 182 in Gabon, 282 in Equatorial Guinea, and 437 in SSA. In addition, the number of adults borrowing from a bank in Cameroon is slightly above the CEMAC average but considerably below the SSA average (Figure 4): 33 per 1,000 in Cameroon, 30 in the Republic of Congo, 35 in Equatorial Guinea and 21 in CEMAC and 61 is SSA.

With 19 different banks present in Cameroon, this limited use of banking services could reflect a low financial literacy among the population, a sparse geographical network of bank branches, or too high banking fees due to limited competition. Furthermore, the large gender gap in access to deposit accounts and loans from commercial banks mirrors the substantial gender inequalities in financial inclusion both in Cameroon and in the rest of SSA. Addressing these inequalities with specific measures targeting financial inclusion for women would not only raise overall financial inclusion in Cameroon, but also unlock growth potential by helping women develop businesses and participate in the formal economy.

50. The operationalization of the Caisse des Dépôts et Consignations (CDEC) continues. Charged with collecting and managing idle bank accounts and judiciary seizures, the state-owned financial institution is still waiting for its regulatory texts to be signed by the government. Meanwhile, discussions with the banking sector led to an agreement to limit the impact of the transfers on banks' liquidity positions. However, the CDEC has difficulties evaluating its claims and getting cooperation from some of the banks. The government therefore needs to commit to ensure that CDEC has the necessary financial and logistical resources to exercise its responsibilities in terms of collection, management, and security of the various resources that will be transferred to it. In addition, the CDEC should be regulated as any financial institution.

51. Supporting SMEs' access to credit is the key to unlocking private sector led growth. SME's access to credit should be supported further. This requires improving the business climate and reducing NPLs to increase banks' lending confidence. To that end, the government should support: (i) operationalization of the credit registries at BEAC and the creation of a scoring system of companies; (ii) digitalization of the land registry and the creation of a real estate collateral registry, (iii) training of judges in corporate law and the creation of commercial courts; (iv) operationalization of the state-backed collateral fund for small companies to facilitate access to credit (*fond de garantie aux PME*); and (v) internalization of the public sector crowding out effect in the government's bonds issuance strategy.

52. Cameroon is lagging in terms of financial inclusion (Box 1), but it has launched a national Strategy for Financial Inclusion over 2023-27. The strategy, prepared with UNDP support, is part of a broader CEMAC effort to promote financial inclusion and is expected to cost CFAF 38 billion. It will focus on traditional and digital financial inclusion as well as reducing the related gender gap.

Authorities' Views

53. The authorities agree with the proposed measures to strengthen the financial sector resilience. The authorities also share the same view on the need to ensure a strong governance of the SRC, provide the necessary resources to the CDEC, promote SMEs' access to credit, and increase financial inclusion.

F. Strengthening Governance, Transparency and Anti-Corruption Efforts

54. The authorities are working to strengthen transparency, governance, and the fight against corruption. A diagnostic of the country's vulnerabilities in governance and corruption was completed in collaboration with IMF staff (SB5, MEFP ¶44) and will be published by the Board date (prior action). Based on the priority recommendations of the report, the government will prepare and publish an action plan to further strengthen economic governance.

55. The government also intends to adopt a timetable for the transformation of common chapters for the benefit of authorizing officers and managers in the relevant ministries, as part of the reform of decentralized authorizations (SB17, MEFP ¶45). The inclusion of appropriations for accidental and unforeseeable expenditures in allocations will be effective in the

2025 budget law, and will not exceed 3-5 percent of the budget, and the budget will also specify the modalities for the management of these allocations (**SB18, MEFP ¶45**).

56. The mission welcomed the progress in the authorities' efforts to facilitate the timely completion and publication of spending audits. 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 (SB met in the fourth review).

Authorities' Views

57. The authorities reiterated their commitment to continuing to work with international bodies responsible for transparency and financial integrity. In particular, they intend to accelerate implementation of actions aimed at strengthening the AML/CFT regime, particularly with an eye towards supporting anti-corruption efforts. They have requested LEG TA to address the main deficiencies in the country's AML/CFT regime, with a view to being removed from the list of jurisdictions under increased monitoring by the Financial Action Task Force ("grey list").

58. The authorities also stressed the need for broader outreach on the issues to maintain the reform momentum. They underscored that this would help maintain an open and constructive dialogue in the country to prepare for successful implementation of recommendations.

G. Addressing Fragility and Regional Spillovers

59. Cameroon has been recently added to the IMF list of fragile and conflict affected states (FCS). Sources of fragility include institutional and governance weaknesses, internal divisions, social exclusion, insurgency and conflicts along borders, and a rising frequency of climate-related natural disasters. Security risks are increasing, with potential regional spillovers from the region. In the region, Cameroon has a high number of internally displaced persons (IDPs), driven mainly by internal conflict and the impact of climate change, and natural disasters such as floods. The country will continue to be affected by simultaneous and complex humanitarian, refugees, and internally displaced people (IDP) crises and situations. These multiple dimensions of fragility present challenges for sustaining inclusive growth and improving social indicators. A country engagement strategy (CES) has been prepared in collaboration with international partners, to assess the drivers of fragility, highlight factors of resilience, and inform the IMF staff's ongoing and future engagement with Cameroon. The authorities agreed with the overall proposal and stressed the need for close coordination with other partners, especially in areas that go beyond the Fund's mandate.

PROGRAM MODALITIES, STATISTICAL ISSUES, AND CAPACITY DEVELOPMENT

A. Program Modalities

60. Prior actions. The review includes two prior actions. The first is a submission to the Parliament of the budget law consistent with the budget framework agreed in the fifth review. The second is the publication of the governance diagnostic. Cameroon's governance indicators highlight the need for urgent action in this area. Governance vulnerabilities and corruption continue to weigh down on Cameroon's development prospects from a variety of perspectives (private sector development, financial sector growth, public finance management, selection of investment projects).

61. Regional assurances. BEAC met its end-June 2023 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 IMF Executive Board in December 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.

62. 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-March 2024 ITs and set new end-June and end-December 2024 QPCs, end-September 2024 ITs reflecting the current macroeconomic framework, budget projections, and program commitments. The missed SBs are proposed to be reset (Table 10) and new SBs are proposed to support revenue mobilization, public financial management and good governance and transparency consistent with program objectives.

63. The authorities request a waiver for nonobservance of a performance criterion. The continuous zero ceiling on the accumulation of new external payments arrears was missed following delayed debt service payments to the EIB in August and September 2023 due to technical errors. A waiver of non-observance is requested due to the minor and temporary nature of the non-observance, and these arrears have been cleared. The authorities emphasized that while there were weaknesses in cash management, all efforts were made to respect external payment deadlines on time. Given the capacity constraints and the minor and temporary technical delays, staff proposes to add a 30-day period after the payment due date before considering the delayed payments as external arrears for program assessment purposes. The authorities are receiving technical assistance to improve debt monitoring capacity.

64. The authorities have requested a 12-month extension of the ECF/EFF arrangements (through July 28, 2025). This would be accompanied by an augmentation of access of 40 percent of quota over the extension, for balance of payments support (SDR 110.4 million). Staff proposes that the increase in access be shared between resources from the General Resources Account (GRA) (26.7 percent of quota; SDR 73.6 million) and the Poverty Reduction and Growth Trust (PRGT) (13.3

percent of quota; SDR 36.8 million). The extension will allow for more time to implement the policies and reforms foreseen under the program, given the additional external shocks faced since approval of the ECF/EFF arrangements. In addition to reducing the space for implementing reforms the shocks have created additional balance of payments needs. The tightening of global financial conditions has raised borrowing costs and access to financing on international markets, the war in Ukraine accelerated inflation and weighed down on growth domestically and in partner countries, and the volatility of oil prices has raised the costs of subsidies and complicated budget management.

65. Cameroon's capacity to repay the IMF is adequate, but subject to significant risks (Figure 3). Under the baseline, total Fund credit outstanding (based on existing and prospective drawings) peaks at over 3 percent of GDP in 2023, while annual obligations to the Fund peak at about 2.8 percent of revenues excluding grants in 2027, well above the reference group top quartile. Risks to the program and the Fund are elevated and capacity to repay the Fund could be further strained by the materialization of potential risks (e.g., global spillover risks, SOEs' contingent liabilities, especially from delays in implementing critical reforms such as SONARA's restructuring, and security risks). Accelerating the pace of reforms and staying on course on program targets will be essential, as will timely budget support. Strong political support for the program's objectives at national and regional level are critical to mitigating these risks.

66. Financing assurances have been obtained. The program remains fully financed, with firm commitments over the next 12 months and good prospects for its financing over the remainder of the arrangement. Discussions with donors confirmed the importance of the Fund's engagement in their decision to contribute to budget support, quasi-budget support and project financing.

67. Risks to the program are manageable. Fuel subsidy reforms could lead to civil unrest if not accompanied by appropriate social mitigation measures. Further delays in implementing supportive infrastructure projects could exacerbate social and/or security tensions. Higher oil revenue could test the authorities' ability to implement reforms ahead of the elections. Higher spillovers from the global environment could threaten external balances, while increased climate related events could heighten food insecurity and social tensions. The authorities' track record and commitment to reforms envisaged under the program suggests that risks can be managed. Risks are also mitigated by program conditionality, close engagement with key donors, and a comprehensive capacity development program, tailored to pressing and longer-term needs.

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

	2023	2024	2025	Total (CFAF, billions)	Total (SDR, millions)	Percent of Gap	Percent of Quota[1]
Financing Gap	**186**	**253**	**104**	**542**	**673**	**100**	**244**
IMF Financing	**136**	**89**	**44**	**269**	**334**	**50**	**121**
ECF	45	30	15	89	111	16	40
EFF	91	59	30	180	223	33	81
Budget Support from other Donors	**50**	**164**	**60**	**273**	**339**	**50**	**123**
AfDB	23	18	0	41	51	8	18
World Bank	0	120	60	180	223	33	81
France	27	26	0	53	65	10	24
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 estimates and projections.
1/ Cameroon's current quota is SDR 276.0 million.

B. Statistical Issues

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

C. Capacity Development

69. The Capacity Development (CD) strategy for Cameroon is well-aligned with the authorities’ economic reform strategy SND-30 objectives (Annex VI). Cameroon has an overall good track record of implementing TA recommendations. A revised CD strategy was discussed with the authorities, taking stock of emerging priorities and Cameroon’s status as an FCS.

STAFF APPRAISAL

70. Cameroon has remained resilient, but uncertainties and risks have increased. Real GDP growth is expected to accelerate to 4.3 percent in 2024, up from 4.0 percent in 2023, while headline average inflation is expected to moderate from 7.2 percent in 2023 to 5.9 percent in 2024. The current account deficit is projected to narrow to 3.0 percent in 2023, driven by rising gas production and an improved primary income balance. However, Cameroon continues to face challenges, including internal conflicts, tight global conditions, and high oil price volatility. Its external position in 2022 was assessed to be modestly weaker than warranted by fundamentals and desirable policies.

71. The program remains broadly on track thanks to corrective actions and progress in reform implementation. Five out of six quantitative performance criteria (QPCs) were met. The continuous QPC on the non-accumulation of external payment arrears was breached due to minor and temporary delays of two debt service payments. Of the nine structural benchmarks (SBs) for the fifth review, three were met on schedule, two were implemented with delay, one expected to be implemented by the Board date (prior action), and three will be rescheduled.

72. Advancing the implementation of horizontal policies is the most effective way to foster structural transformation and export diversification. These polices are also a necessary condition for the success of any industrial policy. Key horizontal policies, where Cameroon has significant gaps, include investments in human capital and infrastructure, strengthening institutions, including governance, and enhancing product and labor markets by removing regulations that hinder competition among firms, allow more market flexibility and encourage more formalization of existing firms. The authorities should also advance efforts to integrate climate considerations in Cameroon's institutional, regulatory, and budget frameworks to support progress toward the national adaptation and mitigation objectives.

73. The authorities are committed to macroeconomic stability and implementing policies consistent with the stability of the CEMAC region's monetary arrangement. This includes rebuilding of BEAC's foreign exchange reserves and supporting the BEAC and the COBAC's efforts to strictly enforce the foreign exchange regulations. In line with program objectives, fiscal policy will be geared towards consolidating and strengthening the public finances. This means reducing the non-oil primary deficit to below 2 percent of GDP in 2024 and reducing the public debt stock to 40 percent of GDP. The authorities recognize that budget execution in 2024 will continue to face large and unsustainable pressures unless steps are taken to moderate the costs of fuel subsidies.

74. Staying the course of fiscal consolidation would require further deep public financial reforms. With continued gradual fiscal consolidation over the medium term, providing space for expanding transfers to vulnerable will require a more concerted effort to mobilize domestic non-oil revenues, including by widening the tax base, reducing the cost of fuel subsidies, and improving the prioritization, and efficiency of public expenditures. It is also critical to strictly limit recourse to direct interventions and exceptional spending procedures, improve cash management, and strengthen fiscal transparency and budget credibility.

75. Strengthening the broader public sector financial management is also essential. In this regard, there is a critical need to strengthen the management of public enterprises, especially those providing essential services and infrastructure for development.

76. Cameroon's public debt is sustainable although the country remains at high risk of debt distress. The authorities have demonstrated a strong commitment to reducing debt vulnerabilities including by restructuring SONARA's debt. Staff welcomes the authorities' commitment to limiting non-concessional borrowing and the continued adherence to the fiscal consolidation and structural reform efforts, a prudential borrowing policy.

77. Fragilities in the banking system have increased. NPL ratios are rising, and banks' exposure to the Cameroonian government has increased to 35.3 percent of total assets in 2022, up from 23 percent in 2019. This is crowding out credit to the private sector and presents risks for financial stability. The increasing sovereign-bank nexus calls for measures to limit a further build-up in concentration risk. The authorities should work with COBAC to ensure that banks reduce and account adequately for sovereign risk.

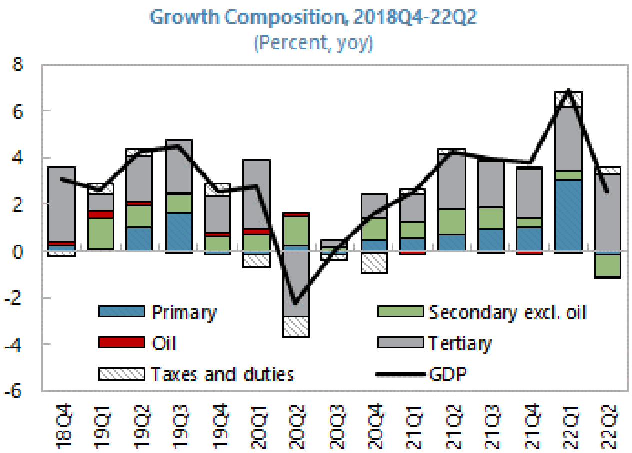
78. The authorities' efforts to promote transparency and good governance and reduce corruption risks are welcome. The publication of the governance diagnostic will be an important step forward **(prior action)**. Staff also underlined the importance of continuing to work with international bodies responsible for transparency and financial integrity and to accelerate implementation of actions aimed at strengthening the AML/CFT regime, particularly with an eye towards supporting anti-corruption efforts.

79. Based on Cameroon's performance under the program, the implementation of the end-June 2023 regional policy assurances and regional policy assurances established in the December 2023 union-wide paper, staff supports the authorities' request for the waiver of nonobservance of the QPC on the non-accumulation of external payment arrears, the program extension, access augmentation, and completion of the fifth review. Staff proposes that the completion of the sixth review under the ECF-EFF arrangements be conditional on the implementation of critical policy assurances on NFAs at the union level established in the December 2023 union-wide background paper.

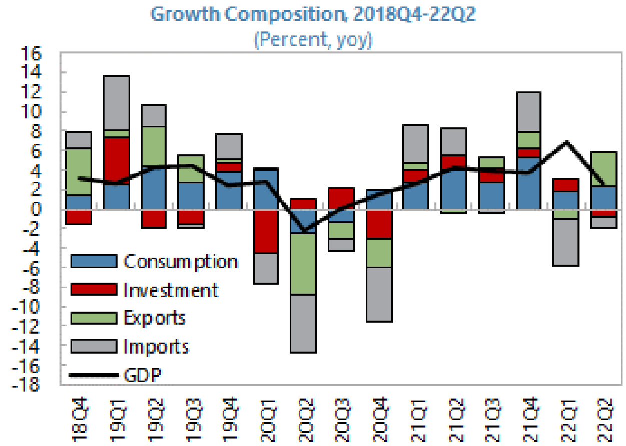
80. The next Article IV Consultation is expected to take place within 24 months in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

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

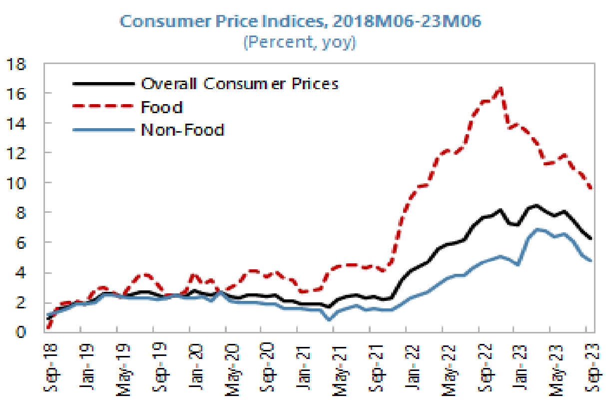
Growth started to recover in the second half of 2021, driven by a strong rebound in the tertiary sector, but slowed during the first half of 2022…



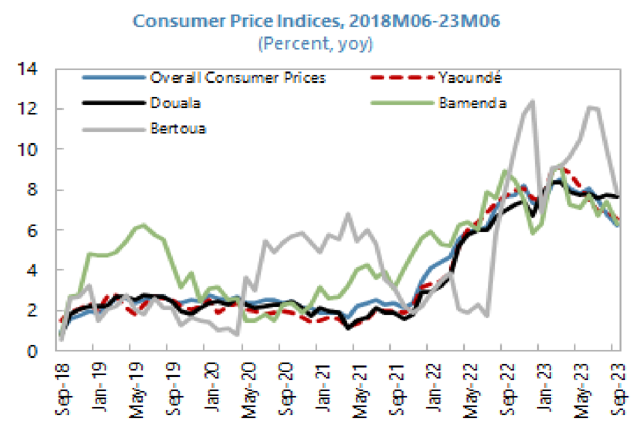
… although exports and consumption continued to recover.



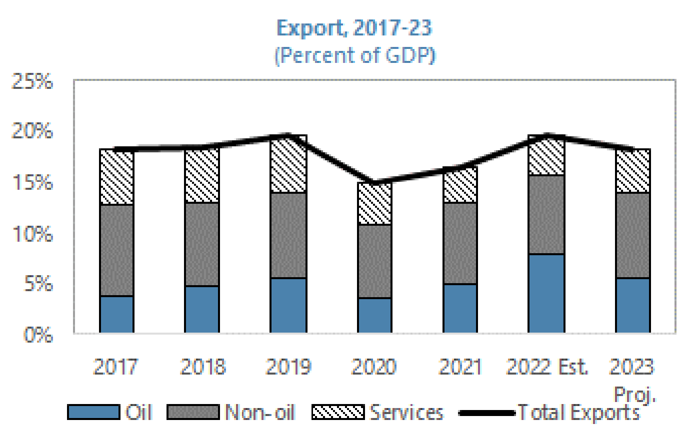
Inflation, driven by food and energy prices, accelerated but is gradually declining…



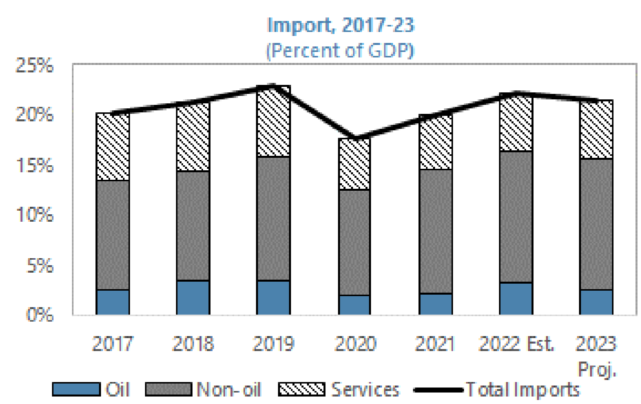
… with some regional variations.



Exports are recovering from pandemic lows…



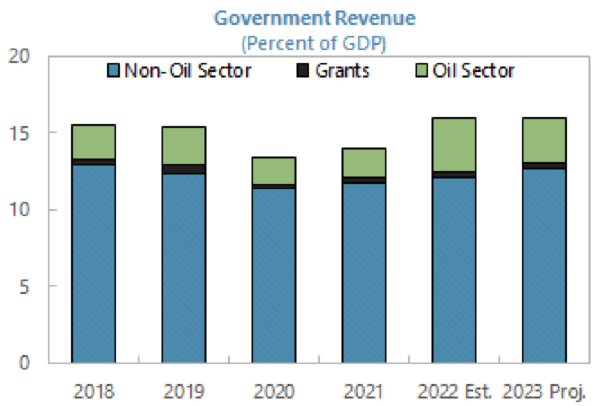
… with imports following a similar pattern.



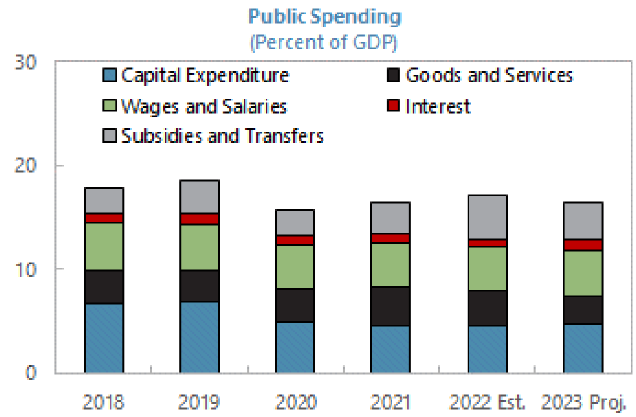
Sources: Country authorities, BEAC and IMF staff calculations.

Figure 2. Cameroon: Fiscal Developments, 2017–23

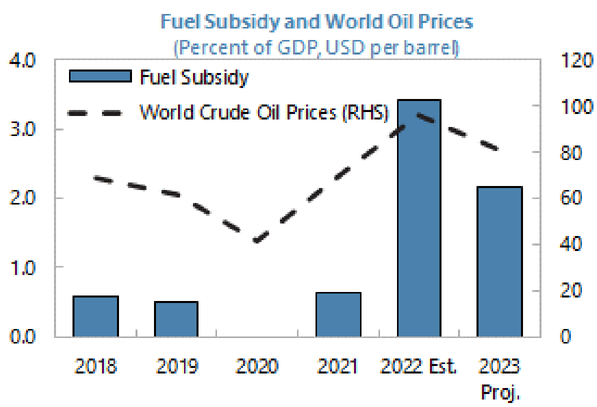
Non-oil revenues have continued to strengthen …



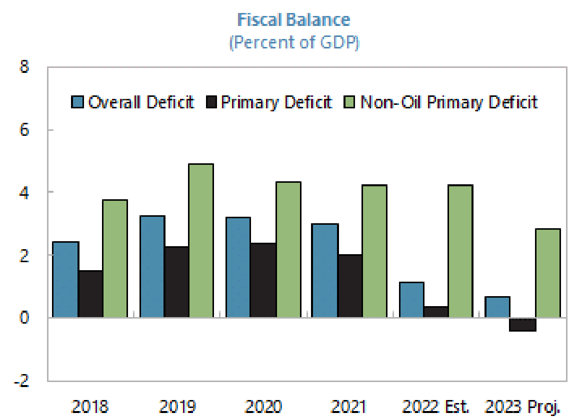
…and current spending has declined…



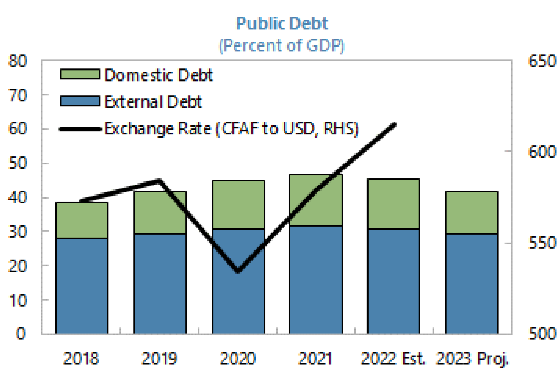
..following the reduction in the fuel subsidy driven by lower oil prices and a domestic fuel price increase in 2023.



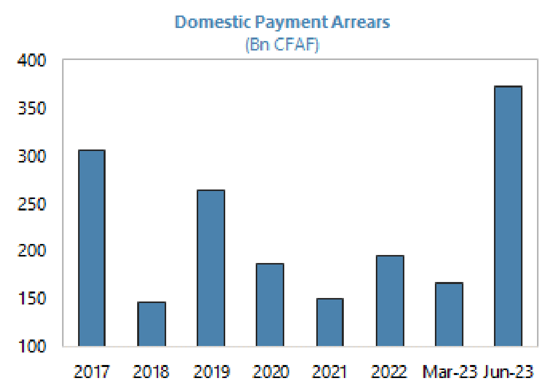
This has led to a projected reduction in both overall and non-oil primary fiscal deficits…



.. and contributed to favorable public debt dynamics…

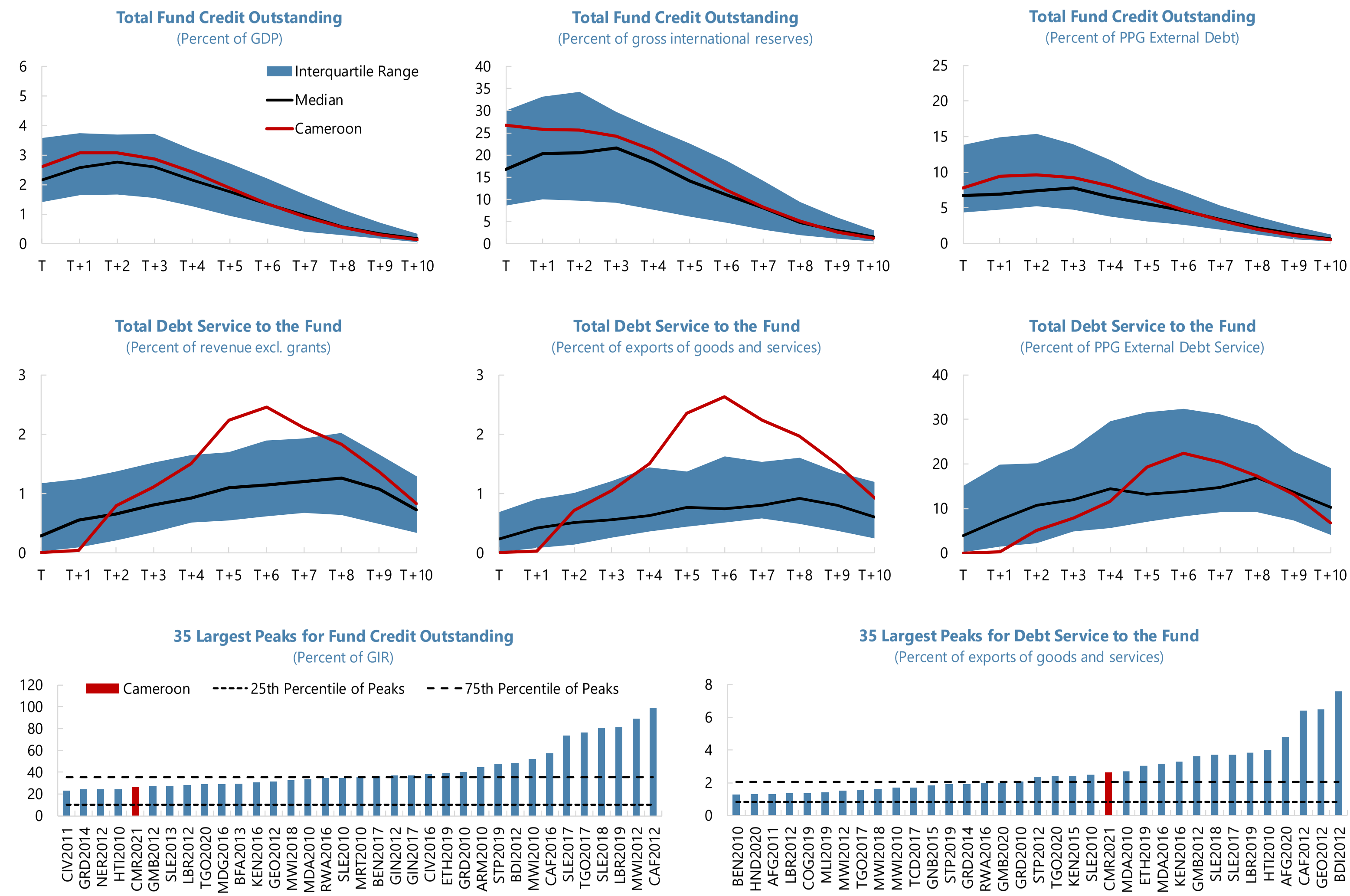


but the stock of domestic payment arrears remains high.



Sources: Country authorities, BEAC and IMF staff calculations.

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



Notes:

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

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

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

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

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

Table 1. Cameroon: Selected Economic and Financial Indicators, 2022-28
(CFAF billion, unless otherwise indicated)

	2022	2023		2024		2025	2026	2027	2028
	Est.	4th Rev.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)								
National account and prices									
GDP at constant prices	3.6	4.0	4.0	4.2	4.3	4.5	4.5	4.5	4.6
Oil GDP at constant prices	2.1	-1.8	0.5	-1.3	2.7	1.3	0.2	0.2	0.2
Non-Oil GDP at constant prices	3.6	4.1	4.1	4.3	4.3	4.5	4.6	4.6	4.7
GDP deflator	6.3	2.7	3.1	2.7	3.5	4.0	3.1	2.6	1.7
Nominal GDP (at market prices, CFAF billions)	27,702	29,457	29,704	31,521	32,063	34,822	37,515	40,216	42,770
Oil	1,155	872	957	797	976	939	900	866	837
Non-Oil	26,548	28,585	28,747	30,724	31,088	33,884	36,615	39,349	41,933
Consumer prices (average)	6.3	6.2	7.2	4.8	5.9	5.5	4.9	3.4	2.5
Consumer prices (eop)	7.3	5.9	6.2	3.7	5.5	5.2	3.6	2.0	2.0
Money and credit									
Broad money (M2)	11.4	9.0	9.0	8.0	8.4	7.6	7.4	7.2	7.1
Net foreign assets 1/	7.7	2.9	1.6	0.7	3.2	2.7	2.2	2.5	3.2
Net domestic assets 1/	3.6	6.1	7.4	7.3	5.3	5.0	5.2	4.7	3.8
Domestic credit to the private sector	13.6	10.4	11.2	9.2	9.5	7.7	7.4	7.2	7.2
	(Percent of GDP, unless otherwise indicated)								
Savings and investments									
Gross national savings	15.3	15.6	15.6	16.1	16.2	17.0	17.3	18.3	19.1
Gross domestic investment	18.7	18.5	18.6	19.2	19.0	19.4	20.1	20.9	21.8
Public investment	4.6	5.0	4.6	5.4	5.3	5.9	6.6	7.2	7.5
Private investment	14.1	13.5	13.9	13.7	13.7	13.6	13.5	13.8	14.4
Central government operations									
Total revenue (including grants)	15.9	15.9	16.0	15.5	15.9	15.5	15.6	15.7	15.8
Oil revenue	3.5	2.9	2.9	2.1	2.5	2.0	1.9	1.8	1.7
Non-oil revenue	12.1	12.7	12.7	13.1	13.1	13.3	13.6	13.8	14.0
Non-oil revenue (percent of non-oil GDP)	12.6	13.1	13.1	13.4	13.5	13.7	13.9	14.1	14.3
Total expenditure	17.1	16.7	16.6	16.1	16.3	15.9	16.4	16.6	16.7
Overall fiscal balance (payment order basis)									
Excluding grants	-1.5	-1.1	-1.0	-1.0	-0.7	-0.6	-0.9	-1.0	-0.9
Including grants	-1.1	-0.8	-0.7	-0.6	-0.4	-0.4	-0.8	-0.9	-0.9
Overall fiscal balance (cash basis)									
Excluding grants	-1.6	-2.4	-2.3	-1.8	-1.4	-1.1	-1.3	-1.0	-0.9
Including grants	-1.2	-2.0	-1.9	-1.5	-1.1	-0.9	-1.2	-0.9	-0.9
Non-oil primary balance (payment order basis)	-3.9	-2.5	-2.5	-1.7	-1.9	-1.3	-1.6	-1.6	-1.6
Non-oil primary balance (payment order basis, percent of non-oil GDP)	-4.0	-2.6	-2.6	-1.7	-2.0	-1.4	-1.7	-1.7	-1.6
External sector									
Trade balance	-0.7	-1.4	-1.7	-1.6	-1.5	-1.3	-1.6	-1.7	-1.7
Oil exports	7.8	5.2	5.5	4.5	5.1	4.9	4.2	3.5	3.0
Non-oil exports	7.8	8.2	8.4	8.0	8.5	8.3	8.2	8.2	8.3
Imports	16.3	14.8	15.6	14.1	15.1	14.6	14.0	13.4	13.0
Current account balance									
Excluding official grants	-3.7	-3.3	-3.3	-3.1	-2.9	-2.7	-2.8	-2.7	-2.8
Including official grants	-3.4	-2.9	-3.0	-3.0	-2.8	-2.5	-2.8	-2.7	-2.7
Terms of trade	-10.6	-7.6	-2.2	-1.6	1.6	0.5	-4.4	-5.5	-4.5
Public debt									
Stock of public debt	45.3	43.2	41.8	41.1	39.0	36.1	34.1	32.6	31.4
Of which: external debt	30.8	30.7	29.2	29.7	28.5	27.0	26.0	25.5	25.4

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, 2022-28

(CFAF billion, unless otherwise indicated)

	2022	2023		2024		2025	2026	2027	2028
	Est.	4th Rev.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**4,417**	**4,696**	**4,743**	**4,878**	**5,106**	**5,409**	**5,843**	**6,315**	**6,741**
Total revenue	4,313	4,595	4,644	4,782	5,009	5,328	5,799	6,275	6,720
Oil sector revenue	973.8	842	870	668	810	691	698	709	724
Non-oil sector revenue	3,339	3,754	3,774	4,114	4,200	4,636	5,100	5,566	5,996
Direct taxes	838	956	964	1,062	1,069	1,208	1,372	1,528	1,676
Special tax on petroleum products	150	170	173	178	181	189	198	207	216
Other taxes on goods and services	1,699	1,905	1,915	2,094	2,125	2,385	2,624	2,882	3,087
Taxes on international trade	420	453	453	487	509	520	547	576	623
Non-tax revenue	232	269	269	294	316	335	360	374	394
Total grants	104	101	99	96	97	81	45	40	21
Projects	49	35	35	37	38	41	45	40	21
Other	55	66	64	59	59	40	0	0	0
Total expenditure	**4,725**	**4,923**	**4,937**	**5,082**	**5,227**	**5,546**	**6,135**	**6,668**	**7,123**
Current expenditure	3,448	3,400	3,506	3,289	3,494	3,428	3,596	3,775	3,930
Wages and salaries	1,193	1,297	1,313	1,381	1,428	1,487	1,557	1,682	1,780
Goods and services	893	754	833	820	927	956	1,030	1,047	1,063
Subsidies and transfers	1,151	1,026	1,037	752	818	627	636	643	654
Interest	211	323	323	335	320	359	372	403	432
External	169	194	194	197	182	209	211	229	248
Domestic	42	129	129	138	138	150	162	173	184
Capital expenditure	1,279	1,470	1,379	1,713	1,690	2,037	2,489	2,893	3,194
Domestically financed investment	581	605	627	806	819	1,012	1,389	1,767	2,085
Foreign-financed investment	688	835	723	876	831	986	1,060	1,086	1,069
Rehabilitation and participation	10	30	29	30	40	40	40	40	40
Net lending	-2	0	0	0	0	0	0	0	0
Local production stimulus fund	0	21	21	50	13	0	0	0	0
Decentralization addendum special account	0	31	31	31	30	0	0	0	0
Overall balance (payment order basis)									
Excluding grants	-412	-327	-294	-301	-218	-218	-336	-393	-404
Including grants	-308	-226	-194	-204	-121	-137	-292	-353	-382
CEMAC reference fiscal balance	**-819**	**-497**	**-489**	**-174**	**-216**	**5**	**-245**	**-378**	**-466**
Adjustment to cash basis	**-25**	**-374**	**-385**	**-255**	**-220**	**-170**	**-170**	**0**	**0**
Unexecuted payment orders (-=reduction)	0	0	0	0	0	0	0	0	0
Floats and arrears (- = reduction)	-25	-374	-385	-255	-220	-170	-170	0	0
o/w Arrears (- = reduction)	-43	-200	-370	-115	-150	-100	-100	0	0
o/w Floats (- = reduction)	18	-159	0	-125	-50	-50	-50	0	0
o/w other arrears 1/	0	-15	-15	-15	-20	-20	-20	0	0
Overall balance (cash basis)									
Excluding grants	-436	-702	-678	-556	-438	-388	-506	-393	-404
Including grants	-332	-601	-579	-459	-341	-307	-462	-353	-382
Financing	**332**	**335**	**393**	**325**	**89**	**203**	**462**	**353**	**382**
External financing, net	310	296	291	184	264	287	398	432	583
Amortization	-589	-704	-704	-660	-643	-657	-623	-654	-572
Drawings	898	1,000	995	843	907	945	1,021	1,086	1,155
Eurobond	0	0	0	0	0	0	0	0	0
Domestic financing, net	22	39	102	142	-176	-84	64	-79	-201
Banking system, net	73	302	302	180	61	71	69	122	148
Central Bank	102	110	110	-81	-64	-129	-149	-112	-99
SDR Allocation	70	80	80	0	0	0	0	0	0
Commercial Banks	-28	192	192	261	125	200	218	235	247
Non-bank financing, net	-51	-262	-200	-38	-236	-156	-5	-201	-349
Financing gap	**0**	**265**	**186**	**134**	**253**	**104**	**0**	**0**	**0**
IMF Financing		**136**	**136**	**46**	**89**	**44**	**0**	**0**	**0**
ECF		45	45	15	30	15	0	0	0
EFF		91	91	31	59	30	0	0	0
Budget Support (excl. IMF)		**129**	**50**	**88**	**164**	**60**	**0**	**0**	**0**
AfDB		41	23	0	18	0	0	0	0
WB		62	0	62	120	60	0	0	0
France		27	27	26	26	0	0	0	0
EU		0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0
Exceptional Financing		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Residual gap		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Memorandum items:									
Primary balance (payment order basis, incl. grants)	-97	97	129	130	199	222	81	50	50
Primary balance (cash basis, incl. grants)	-122	-278	-256	-125	-21	52	-89	50	50
Non-oil primary balance (payment order basis, incl. grants)	-1,071	-745	-741	-537	-611	-470	-617	-659	-674
Non-oil primary balance (cash basis, incl. grants)	-1,095	-1,119	-1,126	-792	-831	-640	-787	-659	-674

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, 2022-2028

(Percent of GDP)

	2022	2023		2024		2025	2026	2027	2028
	Est.	4th Rev.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**15.9**	**15.9**	**16.0**	**15.5**	**15.9**	**15.5**	**15.6**	**15.7**	**15.8**
Total revenue	15.6	15.6	15.6	15.2	15.6	15.3	15.5	15.6	15.7
Oil sector revenue	3.5	2.9	2.9	2.1	2.5	2.0	1.9	1.8	1.7
Non-oil sector revenue	12.1	12.7	12.7	13.1	13.1	13.3	13.6	13.8	14.0
Direct taxes	3.0	3.2	3.2	3.4	3.3	3.5	3.7	3.8	3.9
Special tax on petroleum products	0.5	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Other taxes on goods and services	6.1	6.5	6.4	6.6	6.6	6.8	7.0	7.2	7.2
Taxes on international trade	1.5	1.5	1.5	1.5	1.6	1.5	1.5	1.4	1.5
Non-tax revenue	0.8	0.9	0.9	0.9	1.0	1.0	1.0	0.9	0.9
Total grants	0.4	0.3	0.3	0.3	0.3	0.2	0.1	0.1	0.0
Projects	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Other	0.2	0.2	0.2	0.2	0.2	0.1	0.0	0.0	0.0
Total expenditure	**17.1**	**16.7**	**16.6**	**16.1**	**16.3**	**15.9**	**16.4**	**16.6**	**16.7**
Current expenditure	12.4	11.5	11.8	10.4	10.9	9.8	9.6	9.4	9.2
Wages and salaries	4.3	4.4	4.4	4.4	4.5	4.3	4.2	4.2	4.2
Goods and services	3.2	2.6	2.8	2.6	2.9	2.7	2.7	2.6	2.5
Subsidies and transfers	4.2	3.5	3.5	2.4	2.6	1.8	1.7	1.6	1.5
Interest	0.8	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0
External	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6
Domestic	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Capital expenditure	4.6	5.0	4.6	5.4	5.3	5.9	6.6	7.2	7.5
Domestically financed investment	2.1	2.1	2.1	2.6	2.6	2.9	3.7	4.4	4.9
Foreign-financed investment	2.5	2.8	2.4	2.8	2.6	2.8	2.8	2.7	2.5
Rehabilitation and participation	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local production stimulus fund	0.0	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0
Decentralization addendum special account	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Overall balance (payment order basis)									
Excluding grants	-1.5	-1.1	-1.0	-1.0	-0.7	-0.6	-0.9	-1.0	-0.9
Including grants	-1.1	-0.8	-0.7	-0.6	-0.4	-0.4	-0.8	-0.9	-0.9
CEMAC reference fiscal balance	**-3.0**	**-1.7**	**-1.6**	**-0.6**	**-0.7**	**0.0**	**-0.7**	**-0.9**	**-1.1**
Adjustment to cash basis	**-0.1**	**-1.3**	**-1.3**	**-0.8**	**-0.7**	**-0.5**	**-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
Floats and arrears (- = reduction)	-0.1	-1.3	-1.3	-0.8	-0.7	-0.5	-0.5	0.0	0.0
o/w Arrears (- = reduction)	-0.2	-0.7	-1.2	-0.4	-0.5	-0.3	-0.3	0.0	0.0
o/w Floats (- = reduction)	0.1	-0.5	0.0	-0.4	-0.2	-0.1	-0.1	0.0	0.0
o/w other arrears 1/	0.0	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	0.0	0.0
Overall balance (cash basis)									
Excluding grants	-1.6	-2.4	-2.3	-1.8	-1.4	-1.1	-1.3	-1.0	-0.9
Including grants	-1.2	-2.0	-1.9	-1.5	-1.1	-0.9	-1.2	-0.9	-0.9
Financing	**1.2**	**1.1**	**1.3**	**1.0**	**0.3**	**0.6**	**1.2**	**0.9**	**0.9**
External financing, net	1.1	1.0	1.0	0.6	0.8	0.8	1.1	1.1	1.4
Amortization	-2.1	-2.4	-2.4	-2.1	-2.0	-1.9	-1.7	-1.6	-1.3
Drawings	3.2	3.4	3.4	2.7	2.8	2.7	2.7	2.7	2.7
Eurobond	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing, net	0.1	0.1	0.3	0.4	-0.5	-0.2	0.2	-0.2	-0.5
Banking system, net	0.3	1.0	1.0	0.6	0.2	0.2	0.2	0.3	0.3
Central Bank	0.4	0.4	0.4	-0.3	-0.2	-0.4	-0.4	-0.3	-0.2
SDR Allocation	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Banks	-0.1	0.7	0.6	0.8	0.4	0.6	0.6	0.6	0.6
Non-bank financing, net	-0.2	-0.9	-0.7	-0.1	-0.7	-0.4	0.0	-0.5	-0.8
Financing gap	**0.0**	**0.9**	**0.6**	**0.4**	**0.8**	**0.3**	**0.0**	**0.0**	**0.0**
IMF Financing	**0.0**	**0.5**	**0.5**	**0.1**	**0.3**	**0.1**	**0.0**	**0.0**	**0.0**
Budget Support (excl. IMF)	**0.0**	**0.4**	**0.2**	**0.3**	**0.5**	**0.2**	**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)	-0.3	0.3	0.4	0.4	0.6	0.6	0.2	0.1	0.1
Primary balance (cash basis, incl. grants)	-0.4	-0.9	-0.9	-0.4	-0.1	0.1	-0.2	0.1	0.1
Non-oil primary balance (payment order basis, incl. grants)	-3.9	-2.5	-2.5	-1.7	-1.9	-1.3	-1.6	-1.6	-1.6
Non-oil primary balance (cash basis, incl. grants)	-4.0	-3.8	-3.8	-2.5	-2.6	-1.8	-2.1	-1.6	-1.6

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, 2022-28

(CFAF billion, unless otherwise indicated)

	2022	2023		2024		2025	2026	2027	2028
	Est.	4th Rev.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
				(CFAF billion)					
Current account balance	**-941**	**-863**	**-884**	**-958**	**-896**	**-866**	**-1,036**	**-1,084**	**-1,160**
Trade balance	-197	-424	-513	-491	-484	-470	-607	-666	-720
Exports, goods	4,322	3,944	4,135	3,940	4,371	4,600	4,641	4,709	4,860
Oil and oil products	2,163	1,536	1,645	1,415	1,648	1,702	1,569	1,409	1,289
Non-oil sector	2,159	2,408	2,490	2,525	2,724	2,898	3,072	3,300	3,571
Imports, goods	-4,519	-4,367	-4,648	-4,431	-4,856	-5,070	-5,248	-5,375	-5,580
Services (net)	-508	-391	-437	-381	-426	-425	-419	-406	-433
Exports, services	1,073	1,394	1,287	1,521	1,413	1,556	1,707	1,860	1,990
Imports, services	-1,581	-1,785	-1,724	-1,902	-1,840	-1,981	-2,126	-2,266	-2,423
Income (net)	-689	-439	-411	-425	-414	-459	-482	-518	-553
Of which: interest due on public debt	-169	-194	-194	-197	-182	-209	-211	-229	-248
Transfers (net)	454	390	477	339	429	488	472	507	547
Inflows	727	579	757	540	731	815	824	884	940
Outflows	-273	-189	-280	-201	-302	-327	-352	-377	-393
Capital and financial account balance	**1,421**	**898**	**893**	**901**	**984**	**1,034**	**1,237**	**1,329**	**1,517**
Capital account	135	35	35	37	38	41	45	40	21
Capital transfers	49	35	35	37	38	41	45	40	21
Financial account	1,287	863	857	864	946	993	1,193	1,289	1,496
Official capital	145	296	291	184	264	287	399	434	586
Borrowing	733	1,000	995	843	907	945	1,021	1,086	1,155
Of which: SDR Allocation	0	0	0	0	0	0	0	0	0
Amortization	-589	-704	-704	-660	-643	-657	-623	-654	-572
Non-official capital (net)	755	587	586	655	657	751	839	900	939
of which: Foreign direct investment	560	565	554	631	622	713	799	858	896
Short-term private capital, net	387	-20	-20	25	25	-45	-45	-45	-30
Errors and omissions	**68**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**548**	**35**	**9**	**-57**	**88**	**168**	**202**	**245**	**357**
Financing	**-548**	**-35**	**-9**	**57**	**-88**	**-168**	**-202**	**-245**	**-357**
Bank of Central African States	-669	-266	-161	-25	-289	-195	-73	-96	-219
IMF Repayments	0	-34	-33	-53	-51	-78	-129	-149	-138
SDR Allocation	0	0	0	0	0	0	0	0	0
Financing gap	0	265	186	134	253	104	0	0	0
IMF Financing		136	136	46	89	44	0	0	0
Budget Support (excl. IMF)		129	50	88	164	60	0	0	0
Exceptional Financing		0	0	0	0	0	0	0	0
Residual gap		0	0	0	0	0	0	0	0
				(Percent of GDP)					
Trade balance	**-0.7**	**-1.4**	**-1.7**	**-1.6**	**-1.5**	**-1.3**	**-1.6**	**-1.7**	**-1.7**
Oil exports	7.8	5.2	5.5	4.5	5.1	4.9	4.2	3.5	3.0
Non-oil exports	7.8	8.2	8.4	8.0	8.5	8.3	8.2	8.2	8.3
Imports	16.3	14.8	15.6	14.1	15.1	14.6	14.0	13.4	13.0
Current account balance									
Including grants	-3.4	-2.9	-3.0	-3.0	-2.8	-2.5	-2.8	-2.7	-2.7
Excluding grants	-3.7	-3.3	-3.3	-3.1	-2.9	-2.7	-2.8	-2.7	-2.8
Overall balance	**2.0**	**0.1**	**0.0**	**-0.2**	**0.3**	**0.5**	**0.5**	**0.6**	**0.8**
Foreign direct investment	**2.0**	**1.9**	**1.9**	**2.0**	**1.9**	**2.0**	**2.1**	**2.1**	**2.1**
				(Percentage change, unless otherwise indicated)					
Export volume	7.5	6.5	5.8	4.8	4.6	5.8	6.7	8.3	8.5
Crude oil	-0.4	-6.4	-6.4	-9.7	-9.7	-19.3	-17.6	-16.3	-17.8
Nonoil	9.2	8.9	8.2	7.2	7.0	9.3	9.1	10.2	10.1
Import volume	-8.1	9.7	10.1	4.8	5.0	5.5	4.6	3.3	4.2
Terms of trade	-10.6	-7.6	-2.2	-1.6	1.6	0.5	-4.4	-5.5	-4.5
Non-oil export price index	-2.1	0.7	6.6	-2.2	2.3	-2.6	-2.9	-2.5	-1.7
Export price index	23.4	-14.8	-9.6	-4.7	1.1	-0.5	-5.4	-6.3	-4.9
Import price index	38.0	-7.8	-7.6	-3.2	-0.5	-1.1	-1.1	-0.9	-0.4
Oil price ($US dollars per barrel)	96.4	75.3	80.5	69.8	79.9	76.0	72.7	69.9	67.5

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

Table 4. Cameroon: Monetary Survey, 2022-28
(CFAF billion, unless otherwise indicated)

	2022	2023		2024		2025	2026	2027	2028
	Est.	4th Rev.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	**3,193**	**3,432**	**3,327**	**3,494**	**3,609**	**3,867**	**4,098**	**4,373**	**4,761**
Bank of Central African States (BEAC)	1,854	2,018	1,913	2,049	2,164	2,392	2,594	2,839	3,196
Of which : BEAC foreign assets	3,191	3,457	3,352	3,481	3,641	3,836	3,909	4,005	4,224
Of which: IMF credit	-794	-896	-896	-889	-934	-901	-772	-623	-485
Commercial banks	1,339	1,414	1,414	1,444	1,444	1,474	1,504	1,534	1,564
Net domestic assets	**4,964**	**5,461**	**5,566**	**6,109**	**6,034**	**6,512**	**7,050**	**7,574**	**8,033**
Domestic credit	6,126	6,954	6,983	7,509	7,478	7,925	8,134	8,664	9,249
Net claims on the public sector	2,328	2,766	2,766	2,942	2,865	2,961	2,807	2,958	3,136
Net credit to the central government	2,267	2,705	2,705	2,930	2,854	2,970	3,036	3,158	3,306
Central Bank	978	914	914	621	688	354	-50	-416	-770
Claims	1,371	1,473	1,473	1,466	1,511	1,478	1,349	1,200	1,061
Credit under statutory ceiling	577	577	577	577	577	577	577	577	577
Counterpart of IMF credit	794	896	896	889	934	901	772	623	485
Deposits	-393	-559	-560	-845	-823	-1,124	-1,399	-1,616	-1,832
Commercial Banks	1,289	1,791	1,791	2,310	2,166	2,616	3,084	3,568	4,065
Claims on the Treasury	1,341	1,791	1,791	2,310	2,166	2,616	3,084	3,568	4,065
Deposits	-52	0	0	0	0	0	0	0	0
Deposits of other public entities	-510	-510	-510	-560	-560	-580	-800	-800	-800
Credit to autonomous agencies	27	27	27	27	27	27	27	29	30
Credit to the economy 1/	4,342	4,732	4,762	5,111	5,157	5,508	5,871	6,277	6,713
Credit to public enterprises	544	544	544	544	544	544	544	571	600
Credit to financial institutions	57	57	57	57	57	57	57	57	57
Credit to the private sector	3,742	4,131	4,161	4,510	4,556	4,907	5,270	5,649	6,056
Other items (net)	-1,163	-1,493	-1,417	-1,400	-1,444	-1,412	-1,084	-1,090	-1,216
Broad money	**8,157**	**8,893**	**8,893**	**9,603**	**9,643**	**10,379**	**11,148**	**11,947**	**12,794**
Currency outside banks	1,614	1,761	1,761	1,903	1,911	2,058	2,212	2,372	2,541
Deposits	6,544	7,132	7,132	7,700	7,732	8,321	8,936	9,576	10,253
Memorandum items:									
Net borrowing from the central bank excluding IMF	184	18	17	-269	-246	-547	-822	-1,039	-1,255
Contribution to the growth of broad money (percentage points)									
Net foreign assets	7.7	2.9	1.6	0.7	3.2	2.7	2.2	2.5	3.2
Net domestic assets	3.6	6.1	7.4	7.3	5.3	5.0	5.2	4.7	3.8
Of which : net credit to the central government	-0.4	5.4	5.4	2.5	1.7	1.2	0.6	1.1	1.2
Credit to the economy (annual percentage change)	15.1	9.0	9.7	8.0	8.3	6.8	6.6	6.9	6.9
Credit to the private sector									
Annual percentage change	13.6	10.4	11.2	9.2	9.5	7.7	7.4	7.2	7.2
In percent of GDP	13.5	14.0	14.0	14.3	14.2	14.1	14.0	14.0	14.2
Broad money (annual percentage change)	11.4	9.0	9.0	8.0	8.4	7.6	7.4	7.2	7.1
Currency outside banks	4.7	9.1	9.1	8.1	8.5	7.7	7.5	7.2	7.1
Deposits	13.1	9.0	9.0	8.0	8.4	7.6	7.4	7.2	7.1
Velocity (GDP/average M2)	3.4	3.3	3.3	3.3	3.3	3.4	3.4	3.4	3.3

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, 2022-2044

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Fund obligations based on existing credit (SDR millions)																							
Principal	-	41.4	63.5	96.6	159.2	184.0	160.1	143.5	110.4	66.2	36.8	14.7	-	-	-	-	-	-	-	-	-	-	-
Charges and interest	2.0	15.2	30.1	30.1	29.7	28.4	26.5	24.3	22.2	20.0	18.3	17.4	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3
Fund obligations based on existing and prospective credit (SDR, millions)[1]																							
Principal	-	41.4	63.5	96.6	159.2	184.0	169.3	170.5	147.8	105.5	76.1	54.0	24.5	4.9	-	-	-	-	-	-	-	-	-
Charges and interest	2.6	17.3	32.9	36.5	37.3	36.0	34.0	31.3	28.0	24.6	21.6	19.5	18.1	17.4	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3
Total obligations based on existing and prospective credit																							
SDR millions	2.6	58.7	96.3	133.1	196.4	220.0	203.3	201.8	175.8	130.1	97.7	73.5	42.6	22.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3
CFAF billions	2.1	47.4	77.4	107.2	158.6	178.6	166.3	165.0	143.8	106.4	79.9	60.1	34.9	18.2	14.1	14.1	14.1	14.1	14.1	14.1	14.1	14.1	14.1
Percent of government revenue	0.0	1.0	1.5	2.0	2.7	2.8	2.5	2.3	1.9	1.3	0.9	0.6	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Percent of exports of goods and services	0.0	0.9	1.3	1.7	2.5	2.7	2.4	2.3	1.8	1.3	0.9	0.6	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Percent of debt service[2]	0.3	5.3	9.4	12.4	19.0	20.2	20.3	18.7	13.9	9.6	7.1	5.9	3.0	1.5	1.1	1.1	1.0	0.9	0.9	0.8	0.7	0.7	0.6
Percent of GDP	0.0	0.2	0.2	0.3	0.4	0.4	0.4	0.4	0.3	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of quota	0.9	21.3	34.9	48.2	71.2	79.7	73.7	73.1	63.7	47.1	35.4	26.6	15.4	8.1	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Percent of gross reserves	0.1	1.4	2.1	2.8	4.1	4.5	3.9	3.7	3.0	2.1	1.5	1.0	0.5	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Outstanding IMF credit based on existing and prospective drawings																							
SDR millions	966.0	1,090.2	1,137.1	1,095.7	936.6	752.6	583.3	412.8	265.0	159.5	83.4	29.4	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CFAF billions	804.0	880.2	914.0	882.6	756.2	610.9	477.0	337.6	216.7	130.4	68.2	24.1	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of government revenue	18.2	18.6	17.9	16.3	12.9	9.7	7.1	4.8	2.8	1.6	0.8	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of exports of goods and services	14.9	16.2	15.8	14.3	11.9	9.3	7.0	4.6	2.8	1.6	0.8	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of debt service[2]	106.2	98.0	110.8	101.9	90.7	69.1	58.2	38.2	21.0	11.8	6.0	2.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of GDP	2.9	3.0	2.9	2.5	2.0	1.5	1.1	0.7	0.4	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of quota	350.0	395.0	412.0	397.0	339.3	272.7	211.3	149.6	96.0	57.8	30.2	10.7	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net use of Fund credit (SDR millions)	138.0	124.2	46.9	-41.4	-159.2	-184.0	-169.3	-170.5	-147.8	-105.5	-76.1	-54.0	-24.5	-4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disbursements	138.0	165.6	110.4	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	0.0	0.0	0.0
Repayments and repurchases	0.0	41.4	63.5	96.6	159.2	184.0	169.3	170.5	147.8	105.5	76.1	54.0	24.5	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items: (CFAF billions)																							
Nominal GDP	27,702	29,704	32,063	34,822	37,515	40,216	42,770	45,564	48,701	51,977	55,497	59,262	63,292	67,605	72,223	77,169	82,466	88,129	94,198	100,699	108,054	115,971	124,494
Exports of goods and services	5,395	5,422	5,785	6,156	6,348	6,569	6,850	7,321	7,838	8,331	8,864	9,436	10,051	10,713	11,425	12,191	13,017	13,904	14,861	15,891	17,039	18,282	19,628
Government revenue	4,417	4,743	5,106	5,409	5,843	6,315	6,741	7,077	7,612	8,165	8,783	9,506	10,287	11,081	11,965	12,940	14,017	15,232	16,569	18,069	19,804	21,766	23,987
Debt service[2]	757	898	825	866	834	884	819	883	1,034	1,104	1,131	1,024	1,152	1,208	1,260	1,339	1,419	1,536	1,656	1,788	1,931	2,051	2,189
CFAF per SDR (period average)	832.3	807.4	803.8	805.5	807.4	811.8	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9

Source: IMF staff estimates and projections.

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

2/ Total debt service includes IMF repurchases and repayments.

Quota (in SDRs) 276,000,000

Table 6. Cameroon: Financial Soundness Indicators, 2016-23Q2

(Percent)

	2016	2017	2018	2019	2020	2021	2022	2023	
								Q1	Q2
Capital adequacy									
Total bank regulatory capital to risk-weighted assets[1]	9.1	9.7	10.8	10.7	13.8	14.2	15.0	14.4	16.3
Total capital (net worth) to assets	4.3	4.5	5.0	5.1	6.5	6.5	6.7	6.4	7.0
Total assets (growth)	7.3	4.9	10.3	11.1	8.5	15.9	17.4	20.3	19.3
Asset quality									
Non-performing loans (gross) to total loans (gross)	10.7	10.8	12.4	12.8	13.4	14.1	13.0	13.6	15.4
Non-performing loans less provisions to regulatory capital	17.7	9.1	11.8	11.1	11.7	11.6	13.8	17.7	29.6
Earnings and profitability									
Return on equity[2]	1.3	17.0	14.2	16.0	6.4	28.8			17.8
Return on assets	0.8	2.0	1.8	2.1	0.9	3.9			2.3
Non interest expense to gross income	92.9	89.2	87.7	96.6	89.3	84.3			62.5
Liquidity									
Liquid assets to total assets	23.2	24.2	26.4	25.9	30.1	30.3	31.4	33.2	29.8
Liquid assets to short-term liabilities	148.7	149.3	162.4	161.9	182.4	189.3	187.7	200.2	186.8
Credit									
Gross loan (banks' book) - bn FCFA	3437	3513	3741	3819	4119	4566	4961	5093	5297
Gross loan - annualized growth rate	6.0	2.2	6.5	2.1	7.9	10.9	8.6	12.4	12.2
Other									
Foreign-currency-denominated loans to total loans	0.7	2.8	1.0	0.8	0.5	0.1	0.1	0.1	0.1
Foreign-currency-denominated liabilities to total liabilities	0.2	0.1	0.1	0.1	0.1	2.1	5.8	9.4	7.7

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: Proposed Schedule of Disbursements and Purchases Under ECF and EFF, 2021–25

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
6/15/2024	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
12/15/2024	Observance of the performance criteria for June 30, 2024 and completion of the seventh review under the arrangements[2]	20.0	6.7	13.3	55.2	18.4	36.8
6/3/2025	Observance of the performance criteria for December 31, 2024 and completion of the eighth review under the arrangements[2]	20.0	6.7	13.3	55.2	18.4	36.8
Total		***215.0***	***71.7***	***143.3***	***593.4***	***197.8***	***395.6***

Source: IMF staff calculations.
1/ Cameroon's current quota is SDR 276.0 million.
2/ New proposed disbursements under the ECF-EFF program extension.

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

	2023	2024	2025	2026	2027	2028
Total Financing Requirements	**1782**	**1879**	**1796**	**1861**	**1983**	**2088**
Current Account Deficit	884	896	866	1036	1084	1160
Amortization of PPG Debt	737	694	735	752	803	710
Gross Reserves Accumulation (+ = increase)	161	289	195	73	96	219
Financing Sources	**1597**	**1627**	**1692**	**1861**	**1983**	**2088**
Capital Account	35	38	41	45	40	21
Financial Account	1561	1589	1650	1816	1943	2067
Financing Gap	**186**	**253**	**104**	**0**	**0**	**0**
Additional/Exceptional Financing Sources	**186**	**253**	**104**	**0**	**0**	**0**
IMF Financing	**136**	**89**	**44**	**0**	**0**	**0**
ECF	*45*	*30*	*15*	*0*	*0*	*0*
EFF	*91*	*59*	*30*	*0*	*0*	*0*
Budget Support (excl. IMF)	**50**	**164**	**60**	**0**	**0**	**0**
AfDB	*23*	*18*	*0*	*0*	*0*	*0*
WB	*0*	*120*	*60*	*0*	*0*	*0*
France	*27*	*26*	*0*	*0*	*0*	*0*
EU	*0*	*0*	*0*	*0*	*0*	*0*
Other	*0*	*0*	*0*	*0*	*0*	*0*
Exceptional Financing	**0**	**0**	**0**	**0**	**0**	**0**
Residual gap	**0**	**0**	**0**	**0**	**0**	**0**

Source: Country Authorities and IMF Staff Estimates

Table 9. Cameroon: Quantitative Performance Criteria (QPC) and Indicative Targets (IT) under the ECF and EFF Arrangements

(In billions of CFAF, unless otherwise indicated)

	End June-23			End-Sept 23				End-Dec 23	End-Mar 24		End-Jun 24	End-Sept 24	End-Dec 24
	QPC	Est.	Performance	IT	Adjusted IT	Est.	Performance	QPC	IT (4th rev.)	IT (new)	QPC (new)	IT (new)	QPC (new)
A. Quantitative Performance Criteria 1/													
Floor on the non-oil primary fiscal balance (payment order basis)	-331	-233	Met	-474		-302	Met	-745	65	-30	-508	-480	-611
Ceiling on the net domestic financing of the central government (excluding IMF financing) 2/	132	67	Met	147	192	141	Met	39	-8	12	224	112	-176
Ceiling on net borrowing of the central government from the central bank (excluding IMF financing) 2/	139	-32	Met	127	172	70	Met	111	0	0	0	0	0
Ceiling on the disbursement of non-concessional external debt	346	118	Met	518		139	Met	691	188	185	370	554	739
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	97.7	Met	…		203	Met	512.9	…	…	512.9	…	512.9
C. Indicative Targets													
Floor on non-oil revenue	1,729	1,906	Met	2,591		2,757	Met	3,754	1016	1038	1974	2958	4200
Ceiling on the net accumulation of domestic payment arrears	-81	161	Not met	-228		314	Not met	-374	-64	-55	-110	-165	-220
Floor for poverty-reducing social spending	624	694	Met	993		1,011	Met	1325	355	265	539	959	1368
Ceiling on direct interventions of SNH	80	90	Not Met	110		134	Not met	145	40	40	80	110	145
Share of spending executed through exceptional procedures on authorized (payment order) spending 5/	4	10.9	Not met	4		9	Not met	4	4	4	4	4	4
Ceiling on Treasury advances without a budget allocation 6/				15		42	Not met	15	15	15	15	15	15
Memorandum items 7/:													
1. Cumulative external budget support, excluding IMF (earliest disbursement)	*23*	*23*		*68*		*23*		*129*	*0*	*18*	*78*	*78*	*164*
2. Balance of the special account for the unused statutory advances	*50*	*50*		*50*		*1*		*1*	*1*	*1*	*1*	*1*	*1*

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-June and end-December 2023, end-June and end-December 2024; 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 in 2023 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.

Table 10. Cameroon: Prior Action and Structural Benchmarks

	Prior Action	Completion date[1]	Revised Deadline[1]	Indicator	Status	Comments
	Public finance and debt management					
	Submit to Parliament the 2024 Finance Act in line with the macroeconomic and budgetary framework of the 5th reviews.				Met	This prior action was met on November 30, 2023.
	Publish a diagnostic of governance vulnerabilities, particularly with regard to corruption, including the functions of the State most relevant to economic activity, namely: i) fiscal governance; (ii) supervision of the financial sector; (iii) market regulation; (iv) the rule of law; and (v) anti-money laundering and countering the financing of terrorism (AML/CFT).					
	Structural Benchmark	**Completion date[1]**	**Revised Deadline[1]**	**Indicator**	**Status**	**Comments**
1	Complete the audits of government payment arrears and adopt an arrears settlement plan certified by these audits.	Sept. 23		Submission of the Audit Report and Arrears Clearance Plan to IMF Staff.	Not met, implemented with delay	Audits of the State's arrears have been completed, and a plan has been adopted to settle the arrears over 3-7 years.
2	Establish an inventory of the respective debts between the public enterprises and the Government and between the public enterprises themselves, as at end-2020, and adopt a plan for the clearance of the respective debts between the Government and public enterprises.	Sept. 23	Apr 24	Inventory and clearance plan shared with IMF Staff.	Not met	The inventories have been drawn up, however, a plan for the clearance of the respective debts between the government and public enterprises will not be completed until April 2024.
	Extractive Sector					
3	Finalize and publish all implementation texts of the 2016 Mining Code (law n° 2016/017 of December 14, 2016).	Sept. 23	June 24	Implementing texts published.	Not met	The implementing texts of the mining code have not been finalized. The creation of the national mining company, SONAMINES, tasked with defending the government's interests in the sector, required a review and the formulation of a new code, which will be submitted to Parliament in March 2024. Following its adoption, the government will publish the implementing texts of the new mining code as soon as possible.

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

	Business Climate					
4	Revise Law No. 2013/004 of April 18, 2013, to rationalize incentives and promote healthy competition between economic operators.	Dec. 23	Nov. 24	Revised Act published		The revision of Law No. 2013/004 of April 18, 2013 was delayed to allow an intermediate step (SB7), which has now been met.
	Good Governance and Anti-Corruption					
5	Publish a diagnostic of governance vulnerabilities, particularly with regard to corruption, including the functions of the State most relevant to economic activity, namely: i) fiscal governance; (ii) supervision of the financial sector; (iii) market regulation; (iv) the rule of law; and (v) anti-money laundering and countering the financing of terrorism (AML/CFT).	Sept. 23	Prior Action	Publication of the report	Not met	The government has completed a diagnostic of economic governance in collaboration with the IMF. The government has authorized the publication of the report by the Board date.
6	**SONARA Restructuring Plan:** Elaborate a restructuring plan for SONARA, including industrial and financial options under consideration.	Sept. 23		Elaborate and submit to IMF staff the new restructuring plan for SONARA.	Not met	The development of a restructuring plan for SONARA has been completed and validated by the IMC, but the in-depth technical-economic and financial feasibility study of option 3 for a complex refinery with a hydrocracking unit has not yet been finalized and submitted to IMF staff. Replaced by New SB16.
7	**Business Climate.** 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.	Met	The preparation of an action plan with recommendations to eliminate the corporate tax break, was an intermediate step to the revision of Law No. 2013/004 of 2013 to streamline incentives and promote healthy competition between economic actors (SB4).
	Project and Debt Management					
8	Implementation the decree of October 2021 governing project management units.	Aug. 23		Publication of a decree specifying the procedures for monitoring the performance of project management units	Not met, implemented with delay	This SB was introduced to improve project and debt management. The deadline was revised to August 2023 in the fourth review. It was implemented in November 2023.
	Public finance and debt management					
9	Include in the budget law of year N+1 a budgetary allocation for the clearance of outstanding unpaid obligations (RAPs) of more than 90 days at the end of year N.	Dec. 23		Allocations in the 2024 initial budget law		The purpose of this structural benchmark is to limit outstanding amounts of more than 90 days at the end of the fiscal year.

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

10	**Public Investment Management (PIM)** Increase to at least 80% the number and total value of contracts awarded through the COLEPS (Cameroon Online E-Procurement System) in some key ministries (infrastructure, education, health, posts and telecommunications) between January and May 2024, in order to monitor the awarding of public contracts at the level of central services.	May 24		Report on the number and value of online procurement contracts from January to May 2024 (as a percentage of total) submitted to IMF staff		COLEPS is currently operational, but only a limited number of procurement projects is registered in the system. To strengthen reforms in this area, a new formulation of this SB is proposed.
	New Structural Benchmarks					
	Revenue mobilization					
11	Create a dataset of wages and salaries that is suitable for simulating IRPP calculations and that comprises both the entire public sector and a representative sample of private sector employees.	Nov. 24		Share the database with IMF staff.		This is a long-standing technical assistance recommendation. This database plays a key role in assessing the impact of possible IRPP reforms on income and equity.
12	Prepare a detailed action plan, including the first 100 outstanding tax and customs debts, including state-owned enterprises, to manage and recover at least 15 percent of the outstanding recoverable tax arrears (outstanding as at end-June 2023) and implement 50 percent of the measures included in the action plan.	April 24		Submit to IMF staff a detailed and sequenced action plan.		Tax arrears are a significant problem in Cameroon as established in the March 2022 IMF technical assistance report. This measure will improve tax revenue collection and strengthen the governance of tax administration by improving the transparency of budget management.
	Public Financial Management					
13	Take into account in the budget the commitment authorizations (CAs) and payment appropriations (PAs) that comply with the MTBF and are consistent with the timetable for the implementation of investment projects.	Nov. 24		Inclusion in the budget of an annex on CAs and PAs that comply with the MTBF and are consistent with the timetable for the implementation of investment projects (from the 2025 budget). Draft budget law to be presented to IMF staff.		There are significant weaknesses in public investment management practices, including the management of multi-year projects. Improving the efficiency of investments, particularly in public infrastructure, will support the private sector and economic growth.
14	Develop comprehensive and realistic public procurement plans, which should allow for the development of commitment plans consistent with monthly cash flow plans.	May 25		Prepare and publish an annual report for 2024, assessing consistency between commitment and cash plans and based on the work of the Treasury Committee (CTRB) and its Secretariat.		This measure aims to strengthen the management of public expenditures, in particular regarding public procurement of investment projects.

Table 10. Cameroon: Prior Action and Structural Benchmarks (concluded)						
15	Minister of Finance to issue an instruction, following an audit, to strengthen the management of correspondent accounts with provisions on the closure of illegal accounts, the clearance of existing arrears, and relevant cash management rules consistent with the requirements of the annual budget law.	Dec. 24		Submit the instruction to IMF staff.		The measure aims to strengthen cash management of correspondent accounts.
16	Implementation of the SONARA Restructuring Plan. Carry out the in-depth technical-economic and financial feasibility study of option no.3 validated by the President of the Republic related to a refinery complex with a hydrocracking unit, accompanied by the plans and design of the new refinery.	June 2024		Conduct and submit the study report to IMF staff.		This new SB replaces SB6, which has not been met. The development of a restructuring plan for SONARA has been completed and validated by the IMC, but the in-depth technical-economic and financial feasibility study of option 3 for a complex refinery with a hydrocracking unit has not yet been finalized and submitted to IMF staff.
	Governance					
17	Adopt a timetable for the transformation of the common chapters for the benefit of the authorizing officers of the ministries and the managers concerned in the context of the reform of the devolution of the authorization.	May 24		Validated timetable for transforming common chapters into allocations is sent to IMF staff.		This SB aims to improve transparency in the use of "common chapters".
18	Include the appropriations for accidental and unforeseeable expenses in endowments in the 2025 draft budget law, which do not exceed 3-5 percent of the budget, and specify the modalities for managing the endowment.	Nov. 24		The 2025 draft budget law, presenting the appropriations for accidental and unforeseeable expenditures in endowments and specifying the modalities for managing the endowment, is transmitted to the IMF staff.		This SB aims to improve transparency in the use of "common chapters".
	1/ Refers to end of the month.					

Annex I. Risk Assessment Matrix

(July 21, 2023)[1]

Risks	Likelihood	Impact if Realized	Recommended Policy Response
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, FDI and financial flows, and payment systems, and lead to refugee flows.	High	• Higher inflation and increased food insecurity would intensify. • Supply chain disruptions would continue to affect businesses. • 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. • Prioritize and target public spending towards the most vulnerable people. • Review and reprioritize tax exemptions for programs with higher economic and social impact.
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts, uncertainty, and export restrictions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, contagion effects, and social and economic instability.	High	• 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) • Unstable fiscal position, with delays in fiscal adjustment and reform efforts. • Further social unrest.	• Review export promotion incentives to ensure that they encourage higher growth and diversification of the economy. • Prioritize and target public spending towards the most vulnerable people.
		• 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. • Prioritize and target public spending towards the most vulnerable people. • Monitor macro-financial risks.
Persistently high inflation. Amid high economic uncertainty and financial sector fragility, major central banks pause monetary policy tightening or pivot to loosen policy stance prematurely, de-anchoring inflation expectations, triggering a wage-price spiral and spillovers to financial markets.	Medium	• Impact on the vulnerable and food insecurity • 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.
			•
Sovereign debt distress. Domino effects of higher global interest rates, a growth slowdown in AEs, and/or disorderly debt events in some EMDEs spillover to other highly indebted countries, resulting in capital outflows, an increase in risk premia, and loss of market access.	Medium	• Capital outflows. • Increase in borrowing costs.	• Enhance banking supervision and enforce prudential regulations. • Create fiscal space to absorb economic, financial, and other shocks. • Advance SOE restructuring and PFM reforms.

[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.

Social discontent. High inflation, real income loss, and spillovers from crises in other countries (including migration) worsen inequality, trigger social unrest, and give rise to financing pressures and detrimental populist policies. This exacerbates imbalances, slows growth, and triggers market repricing.	Medium [to High]	• Social unrest could delay fiscal adjustment. • Social discontent and spillovers from regional crises (e.g., displacements of populations) could fuel existing internal tensions. • Rising unrest would further disrupt agricultural production and growth. • Delays in investment projects might be exacerbated.	• Review and reprioritize public spending towards programs with higher economic and social impact. • Create fiscal space to tackle financial vulnerabilities. • Mobilize additional grants and concessional loans from financial and technical partners to cover prioritized needs.
	Structural Risks		
Deepening geoeconomic fragmentation. Broader and deeper conflict(s) and weakened international cooperation result in a more rapid reconfiguration of trade and FDI, supply disruptions, protectionism, 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. • Further supply disruptions. • High input costs, financial instability. • Lower potential growth.	• Accelerate labor and product market reforms to support diversification of exports and extend trade relations.
	Medium	• Impact on public services that rely on digital infrastructure.	• Create contingent plans for cyberattacks.
More frequent extreme climate events. Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability. More frequent climate disasters would have wide ranging impacts on infrastructure, agriculture, and food security. Over three million people were estimated to be severely food-insecure between January and May 2023, a 5 percent increase compared to the same period in 2022. With Cameroon already facing food insecurity, a strong El Niño presents a significant downside risk to food supplies, inflation, displacement of persons, and social stability.	Medium	• Harm agricultural production, worsening the livelihood of people in rural areas and exacerbating extreme poverty and inequalities. • Higher recovery spending, higher financing costs, and lower revenues. • Supply disruptions and weaker confidence.	• Improve capacity for monitoring and assessing climate policies and strengthening early warning systems. • Address infrastructure gaps and income/developmental disparities among regions, while instituting appropriate social safety nets.
Disorderly energy transition. Disorderly shift to net-zero emissions (e.g., owing to shortages in critical metals) and climate policy uncertainty cause supply disruptions, stranded assets, market volatility, and subdued investment and growth.	Low	• Energy supply disruptions • Stranded assets	• Energy sector reform.
Regional stability. Political crises in the region, including the recent events in Gabon, may lead to, disruption in regional trade integration, further destabilization of cross-border security, cause intra-region contagion in the banking sector.	Medium to High	• Increased sovereign financing costs. • Intraregional banks' exposure. Further deterioration in regional stability could have spillovers in Cameroon. There are also risks of intra-region cross-country contagion in the banking sector as cross-country holdings of government securities issued by other CEMAC countries.	• Address bank vulnerability/advance bank restructuring. • Advance reforms supporting public debt sustainability.

Annex II. Drivers of Inflation in Cameroon

This annex assesses the drivers of inflation in Cameroon and examines the contributions of supply and demand shocks. The increase in inflation in the post-pandemic period is explained by a combination of supply and demand shocks and the importance of food prices and inflation expectations. Supply shocks have been positive since the start of the pandemic. Demand shocks which were negative in the pre-pandemic and pandemic periods turned positive in the post-pandemic period amplifying the impact of supply shocks. Post-pandemic, inflation expectations, food prices, and transport costs were the major drivers of inflation, while the output gap had a negative contribution.

A) What are the drivers of inflation?

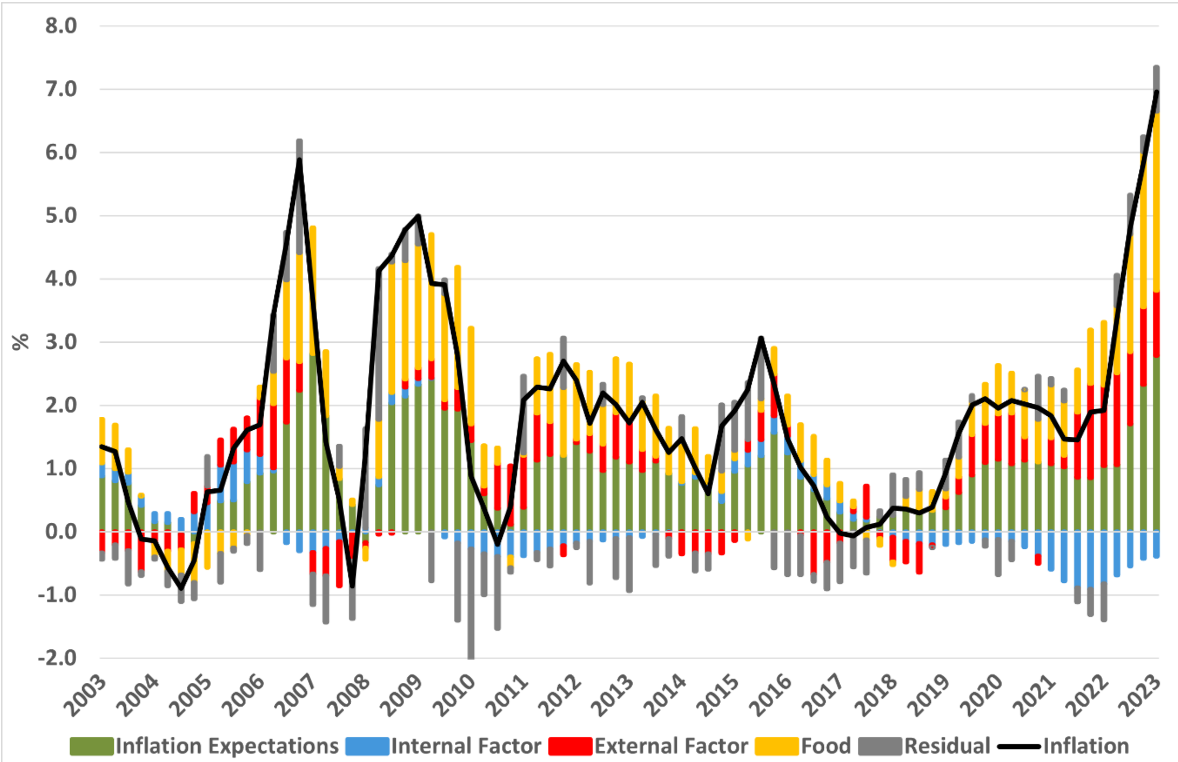
A Modified Phillips Curve Equation:

$$\boldsymbol{\pi_t = \mu + \alpha\pi_t^e + \frac{1}{4}\beta\sum_{i=1}^{4}(y_{t-i} - y_{t-i}^*) + \frac{1}{4}\gamma\sum_{i=1}^{4}\Delta NEER_{t-i} + \frac{1}{4}\delta\sum_{i=1}^{4}\pi_{t-i}^{EA,core} + \frac{1}{4}\vartheta\sum_{i=1}^{4}\pi_{t-i}^{Oil} + \theta\pi_{t-1}^{Food}}$$

Where $\boldsymbol{\pi_t}$ is annualized quarter-over-quarter (QoQ) inflation, $\boldsymbol{\pi_t^e} = \boldsymbol{\pi_{t-1}}$ proxies inflation expectations, $\boldsymbol{y_t}$ is the log of real output, $\boldsymbol{y_t^*}$ is the log of potential output, $\Delta\boldsymbol{NEER_t}$ is the one-period change in the log of the Nominal Effective Exchange Rate, $\boldsymbol{\pi_t^{EA,core}}$ is Euro Area core inflation, $\boldsymbol{\pi_t^{Oil}}$is oil price inflation, and $\boldsymbol{\pi_t^{Food}}$ is food inflation. Potential output is estimated with a function of changes in capital stock, structural employment, and total factor productivity using a Solow decomposition (source: Cameroon 2021 Article IV Staff Report). To ease the interpretation, the contributions of the Nominal Effective Exchange Rate, Euro Area core inflation, and oil price inflation are labelled as external factors. The contribution of the output gap is labelled as internal factors. The regression is estimated via standard OLS on quarterly data. Several robustness checks have been performed—not presented here.

R^2	μ	α	β	γ	δ	ϑ	θ
0.82	0.474^{**}	0.444^{***}	0.781^{***}	-0.424^{***}	0.039^{**}	0.008^{***}	0.228^{***}
-	*(0.204)*	*(0.159)*	*(0.267)*	*(0.102)*	*(0.015)*	*(0.003)*	*(0.079)*

*Where R^2 is the coefficient of determination and standard errors are in parentheses, *** indicates a significance at 1% and ** a significance at 5%*



Source: IMF Staff Calculation.

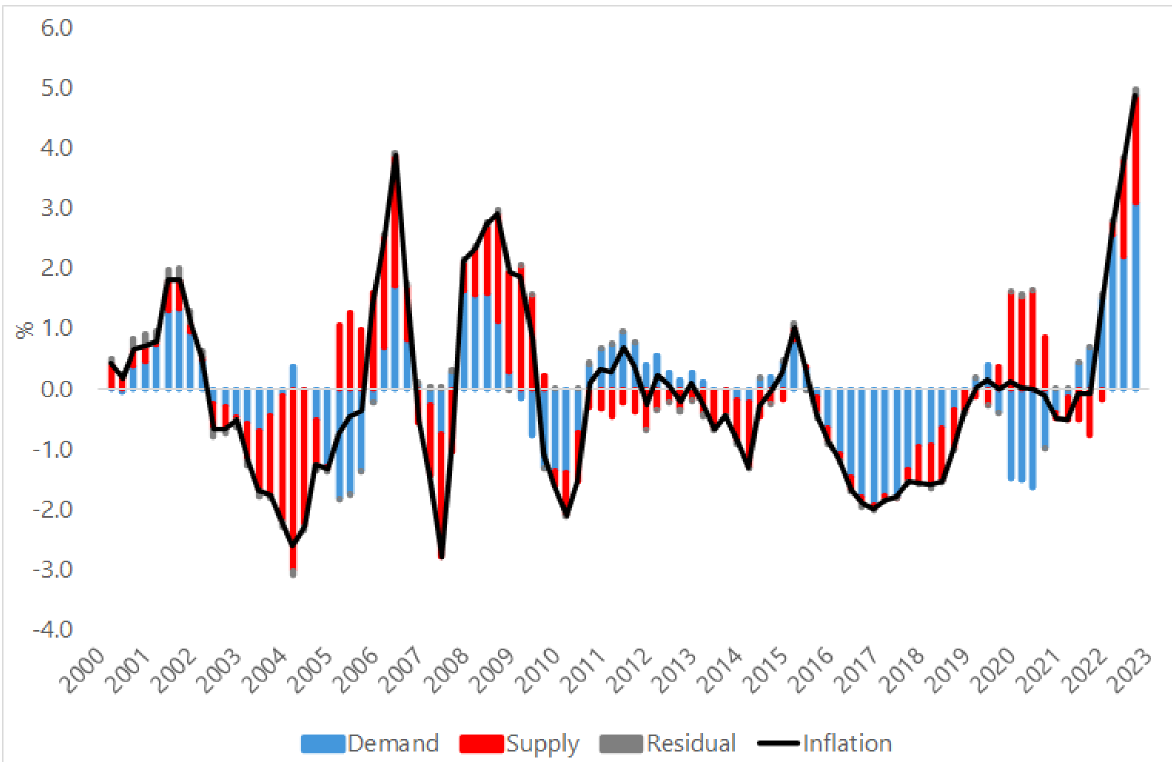
The modified Phillips Curve provides a non-exhaustive though very informative view of the drivers of inflation in Cameroon, as seen by the good fit of the regression (R^2=0.82) and the high statistical significance of all coefficients. The largest two drivers are inflation expectations and food inflation. Assuming expectations are backward looking, an increase of one percent of inflation expectations raises current inflation by 0.44 percent. This large pass-through may reflect de-anchored inflation expectations in Cameroon when inflation was well above the 3 percent BEAC target during the period studied. For instance, post-pandemic inflation expectations explain a large share of inflation, which reached 7.4 percent QoQ in annualized terms in 2022Q4. Food inflation is also a major driver of consumer price growth in Cameroon. A one percent increase in food inflation (whether driven by domestic or imported inflation), raises inflation by 0.23 percent, even more so since the end of the COVID-19 pandemic. External factors (excluding food)—expressed as a sum of the exchange rate effect, Euro Area core inflation, and oil price inflation—had a small contribution on inflation over the period 2002Q4-2019Q4 but have recently grown in importance explaining a significant share of post-pandemic inflation. The role of internal factors (excluding food)—expressed by output gap pressures—is also significant in recent years. While the contribution was subdued pre-pandemic, it was negative and large post-pandemic. The role of other potential omitted variables is thought to be included in the residuals, which appear relatively small in the recent period.

B) Is inflation driven by demand or supply shocks?

A bivariate Structural VAR with real GDP growth and inflation:

$$\boldsymbol{B}\begin{pmatrix} g_t \\ \pi_t \end{pmatrix} = \begin{pmatrix} \mu_g \\ \mu_\pi \end{pmatrix} + \sum_{i=1}^{4} \boldsymbol{A}_i \begin{pmatrix} g_{t-i} \\ \pi_{t-i} \end{pmatrix} + \begin{pmatrix} \varepsilon_t^{Demand} \\ \varepsilon_t^{Supply} \end{pmatrix}$$

Where g_t is annualized QoQ real GDP growth, π_t is annualized QoQ inflation, and ε_t^{Demand} and ε_t^{Supply} are demand and supply shocks identified with sign restrictions. The SVAR is estimated using Bayesian methods.



Source: IMF Staff Calculation. Median historical decomposition from 10,000 draws in deviation from initial conditions.

A positive demand shock is defined as a shock that leads both to an increase in real GDP and inflation. A positive supply shock is a shock that leads to an increase in real GDP coupled with a decrease in inflation. Although the economy is hit by a multitude of different shocks, these shocks can always be interpreted as being demand or supply induced. This parsimonious VAR therefore gives a simple view of the aggregate effect of the shocks driving inflation in Cameroon. The role of demand and supply shocks has overall been relatively equal over the period studied (2000Q1-2022Q4), with demand and supply shocks alternatively hitting inflation positively and negatively. A focus on recent years is however informative. Between 2016 and 2019, inflation was mostly driven down by negative demand shocks. This happened while output growth was decelerating, and output gap turned negative, decreasing from +0.31 percent in 2015Q4 to -0.29 percent in 2017Q4. During the Covid-19 pandemic (2020 to 2022), demand shocks continued to be negative as consumption froze, while supply shocks pushed inflation up because of the supply chain disruptions. As the economy recovered from the pandemic, both demand and supply shocks pushed inflation up with a supply of goods and services lagging the new dynamic demand.

Annex III. External Sector Assessment

Overall Assessment: *The external position of Cameroon is assessed to be modestly weaker than warranted by fundamentals and desirable policies in 2022. The current account balance improved in 2022 on the back of higher oil and natural gas prices. As the country's net liability position has increased, with high risk of external debt distress driven by its debt service burden, fiscal consolidation and structural reform implementation should be continued to move the current account balance to a level warranted by fundamentals and desirable policies.*

Foreign Assets and Liabilities: Position and Trajectory

Background. Cameroon's net international investment position (NIIP) is estimated at -29.8 percent of GDP as of end-2020, deteriorating from -28.2 percent of GDP in 2019.[1] Gross foreign assets stood at 30.1 percent of GDP in 2020, of which nonfinancial private sector assets and reserve assets take the largest shares. Gross foreign liabilities amount to 59.8 percent of GDP, of which public debt and foreign direct investment (FDI) accounted for the largest shares. Between 2015-20, Cameroon's net liability position increased by 10.6 percent of GDP, which can be attributed to both accumulation of financial account flows as well as valuation effects.

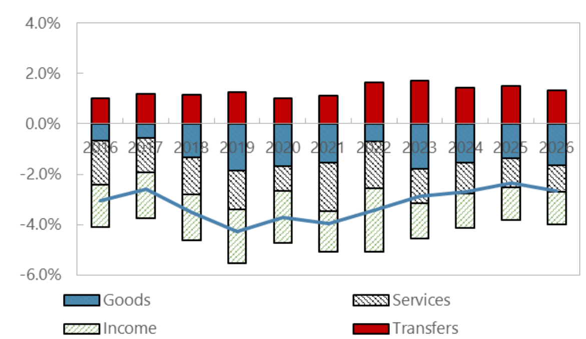
Assessment. Cameroon's net liability position continued to increase, although the pace is expected to slow down with the improved current account balance. Cameroon's NIIP is assessed to be sustainable but large share of debt liabilities raises risks to external sustainability (Cameroon is at high risk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

2020 (% GDP)	NIIP: -29.7	Gross Assets: -30.1	Debt Assets: 20.4	Gross Liab.: 59.8	Debt Liab.: 48.4

Current Account

Background. Cameroon's current account balance improved in 2022 to -3.4 percent of GDP on the back of higher oil and gas exports. Cameroon's current account deficit is projected to further narrow to around 3.0 percent of GDP in 2023. In the medium term, the current account balance is projected to stabilize around -3.0 percent of GDP thanks to the continued tight fiscal balance and broader export base. However, the outlook remains highly uncertain, subject to risks, including more intensification of regional conflicts and commodity price volatility. In the longer term, the strength of Cameroon's external sector is predicated on the success of measures envisaged under SND-30—to enhance domestic production and diversify export products, and the African Continental Free Trade Area (AFCTA).

Figure 1. Cameroon: Current Account Balance



Assessment. Cameroon's 2022 current account was assessed to be modestly weaker than warranted by fundamentals and desirable policies. The EBA-Lite Current Account (CA) model suggests a CA norm of -2.7 percent of GDP against a cyclically adjusted CA of -4.6 percent of GDP (Table 1). This implies a CA gap of -1.9 percent of GDP under current policies. Policy gap is assessed at 4.0 percent of GDP, driven by tighter fiscal policy (+1.9 percent), lower public health spending (+1.8 percent), change in reserves (+0.6 percent), and slower credit growth (+0.3 percent) compared to peers.[2] On the other hand, the EBA-Lite Real Effective Exchange Rate (REER) model indicates a CA gap of 1.1 percent of GDP (corresponding to a REER gap of -8.6 percent). Given Cameroon's persistent CA deficit, staff considers the results from the REER approach less reliable and estimates the CA gap based on the CA model. Accordingly, Cameroon's external position is assessed to be modestly weaker than warranted by fundamentals and desirable policy settings in 2022, given the gap was within a range of -2 to -1 percent as per classification.

Table 1. Cameroon: Model Estimates for 2022 (in percent of GDP)

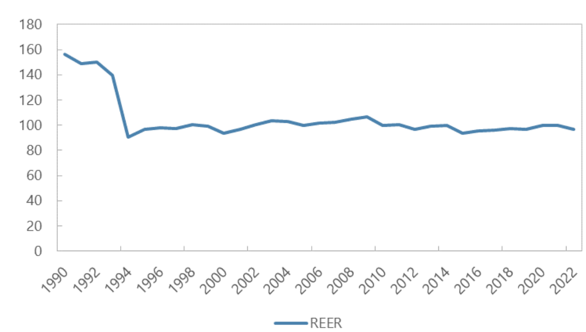
	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**-3.4**	
Cyclical contributions (from model) (-)	0.6	
COVID-19 adjustors (-)	0.0	
Additional temporary/statistical factors (-)	0.0	
Natural disasters and conflicts (-)	0.6	
Adjusted CA	**-4.6**	
CA Norm (from model) 2/	**-2.7**	
Adjustments to the norm (-)	0.0	
Adjusted CA Norm	**-2.7**	
CA Gap	**-1.9**	**1.1**
o/w Relative policy gap	4.0	
Elasticity	-0.1	
REER Gap (in percent)	**14.5**	**-8.6**

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. Cameroon's REER based on the Consumer Price Index appreciated by 0.1 percent in 2021 relative to the previous year, reflecting the mild depreciation of the Euro vis-à-vis the USD but offset by lower inflation domestically. In 2022, the was a 3.1 percent depreciation as Euro depreciation against strong US dollar continued and domestic inflation edged up. Over the longer term, REER has been broadly stable since the 1994 devaluation, with year-to-year fluctuations not exceeding 10 percent (Figure 2). Overall, the price competitiveness gains achieved appear to have been preserved over the last decades.

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



Assessment. The EBA-lite CA model estimates a REER gap of 14.5 percent in 2020, whereas the REER Index model yields a REER gap of -8.6 percent. Consistent with the assessment of the CA gap, staff assesses the REER to be overvalued by 14.5 percent based on the CA model.

Capital and Financial Accounts: Flows and Policy Measures
Background. In 2022, net medium-to-long term capital inflows decreased to 2.7 percent of GDP from 3.7 percent of GDP in the previous year. The stronger capital inflows in 2021 was mainly due to the SDR allocation and a Eurobond. FDI inflows continued to be lower compared with the pre-crisis period, at around 2.0 percent of GDP, compared to 2.6 percent of GDP in 2019. **Assessment.** FDI inflows are projected to recover modestly in the medium term, reaching 2.2 percent of GDP by 2027. However, risks come from various fronts. First, capital inflows could be entrenched at a low level amidst concerns over Cameroon's debt sustainability and fragility of the economic recovery. Second, tight global monetary policy led by advanced economies' central banks could last longer than the current expectation, putting pressure on net portfolio inflows. That said, maintaining fiscal consolidation and pushing forward the steady implementation of long-standing structural reforms to improve business environment will help attract durable foreign capital inflows.
Reserves Level
Cameroon is a member of the Economic Community of Central African States (CEMAC), a regional currency union, for which the foreign reserves reached 4.0 months of prospective imports in 2022, somewhat lower than the five-month benchmark for a resource-rich monetary union.
[1] The authorities are in the process of revising data for 2021 and preparing submission for 2022, which is behind schedule. [2] The model estimates are based on the following desirable policy levels: (i) cyclically adjusted overall fiscal balance at -1.9 percent of GDP; (ii) public health expenditure at 1.7 percent of GDP; (iii) change in reserves at 1.7 percent of GDP, as being consistent with the CEMAC regional assessment; (iv) private credit level at 18.1 percent of GDP; (v) change in private credit at 2.3 percent of GDP; (vi) capital control index at 0.35; (vii) real interest rate at 0.5 percent.

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

This note presents the understanding reached between IMF staff and the Cameroonian authorities on the capacity development strategy, expected objectives, and technical assistance in support of the macroeconomic policy priorities for 2023-25.

Recent Technical Assistances and Perspectives

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

2. **Capacity building will continue to focus on supporting the authorities' economic reform strategy for 2023-25, consolidating past achievements, while making progress in new areas.** The CEMAC Commission has defined a set of reforms which underpin Fund-supported programs with CEMAC members and organized around five pillars to create the basis for a more diversified, inclusive, and private sector-led growth and enhanced governance. Building on past TA provided to Cameroon, the CD strategy supports the overall goal of improving government revenue mobilization, raising the efficiency, effectiveness, and transparency of public expenditure, strengthening debt management capacity and medium-term debt strategy (MTDS), and enhancing statistics compilation and timely dissemination of macroeconomic statistics. In addition, going forward, Cameroon is likely to need increased assistance in enhancing governance and anti-corruption efforts and enhancing its financial inclusion, bolstering more integrated and robust government and securities markets. strategies, as well as building resilience to climate change. On the latter, it should be noted that AFRITAC plans to provide training on on-site banking supervision methodology for assessing climate risk in the first half of 2024. This work on emerging priorities will dovetail with assistance being provided by other institutions and bilateral donors.

Authorities' Views

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

Table 1. Cameroon: Top Technical Assistance Priorities	
Priorities	**Objectives**
Tax policy and revenue administration	**1.** Formulate a developmental Medium-Term Revenue Strategy (MTRS), including tax policy reforms and measures to improve revenue mobilization, modernize tax and customs administrations, and streamline exemptions. **2.** Improve tax compliance by developing a business-friendly tax and customs administration, enhancing tax auditing, continuing to expand electronic processes, and combating fraud and smuggling.
Public Financial Management	**3.** Raise the efficiency, effectiveness, and transparency of public expenditure, and reduce fiscal risks from SOEs.
Financial and Fiscal Law Reform	**4.** Reinforce the good governance, transparency, and anti-corruption frameworks to bring them in line with international good practices, with an emphasis on addressing fraud and corruption.
Debt Management	**5.** Strengthen debt management capacity and improve consistency between borrowing decisions and the Medium-Term Debt Strategy (MTDS).
Government Financial Statistics	**6.** Improve data compilation and reporting
Climate Change	**7.** Implement adaptation and mitigation measures to increase resilience to climate change.

Annex V. Implementation of Past Article IV Fund Advice

The traction of Fund policy advice has continued since the previous Article IV Consultation in 2021, with progress in fiscal consolidation and key structural reforms to boost non-oil revenue, enhance public financial management and improve the business environment. Cameroon's complex socio-political environment has constrained progress in some key areas (e.g. governance, reduction of tax expenditures, expansion of the property tax, elimination of fuel subsidies with more flexible pump prices).

Fund Advice	Status	Comment
Fiscal Policy and Public Financial Management		
Avoid a premature tightening of fiscal stance and continue efforts to mitigate the impact of the pandemic. Gradual fiscal consolidation over the short term should provide space for COVID-related spending and expansion of transfers to vulnerable. Accelerate the fiscal consolidation path once the crisis abates to strengthen debt sustainability and ensure a strong and inclusive recovery in line with Cameroon's medium-term reform agenda.	Ongoing, but adjusted due to additional crises since the pandemic.	The COVID-19 pandemic was followed by a deterioration in the external environment. Nevertheless, he authorities have made good progress in line with program targets in successive reviews. In 2023, the overall deficit is expected to decline to 0.7 percent of GDP down from 1.1 percent in 2022. The non-oil primary deficit is also expected to fall from 3.9 percent to 2.5 percent over the same period.
Expand the tax base by (i) phasing out tax and customs exemptions; (ii) improved recovery (iii) reviewing the investment incentives law.	Ongoing.	The authorities have committed to streamline the least effective tax exemptions and to intensify efforts to recover tax arrears and duties and taxes arising from cross-debt agreements. The authorities have undertaken a diagnostic study to inform the government on short-and-medium term fiscal policy measures, especially revenue mobilization. They have prepared a plan to gradually eliminate CIT holidays, and to audit and revise the 2013 Law on investment incentives.
Strengthen tax collection by creating more decentralized tax offices and completing single taxpayer identification by linking databases in the tax and customs administrations.	Ongoing, with good progress on key actions.	The authorities have continued efforts to strengthen tax collection, fight against fraud and tax evasion, and ensure the integrity of taxpayer files and IT systems. They have improved the exchange of information between the tax and customs administrations and the interface between the active taxpayer database and tax management. However, regional centers remain highly dependent on central fiscal transfers.
Reform fuel subsidy and pricing policies	Ongoing	The authorities increased fuel pump prices in February 2023. They are considering options to all automatic price adjustments to reflect global market price fluctuations.
Complete the Treasury Single Account reform	Ongoing	The authorities have inventoried all the accounts to be transferred to the TSA and intend to gradually transfer the funds to the TSA once the BEAC platform is available—a step that is not in the Cameroonian authorities' control.

Improve cash management and budget execution. Strictly limiting recourse to direct interventions and exceptional spending procedures.		The authorities are taking measures to tackle weaknesses, such as the persistent underestimation of spending needs and commitments, and excessive use of exceptional procedures. To improve cash management, the authorities will prepare credible monthly cash flow plans consistent with both the commitment and public procurement plans. They also envisage measures to improve data processing, using streamlined processes for urgent expenditures, with quarterly regularization of such expenditures. Exceptional procedures need to be limited to a few urgent spending items, defined by law, with clear and transparent procedures for implementation and reporting.
Address financial and fiscal risks associated with SOEs. (i) Strengthen efforts to restructure SONARA without delays based on a thorough cost-benefit analysis of all available options. (ii) Complete diagnostic studies of three large public SOEs (iii) Clear government cross-debts with SOEs and of government arrears (iv) Enhance SOEs' monitoring and oversight, reform policies to level the playing fields across sectors.	Ongoing	In 2021 IMF TA provided an in-depth diagnostic of SOEs focusing on i) the institutional framework for governance and supervision of public enterprises; ii) transparency in the monitoring of their operations; iii) financial relations with the government; and iv) controlling the budgetary risks linked to their activities. The authorities have completed diagnostic studies of three large SOEs—PAD, CAMTEL, and CAMWATER—and intend to implement key recommendations from these studies. The government is also continuing steps to place SONARA on a sound financial footing. In September 2022, the government approved a framework for restructuring SONARA, and the terms of reference (TOR) for technical studies and a business plan.
Debt Sustainability		
Limit non-concessional borrowing	Ongoing	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.
Restructure SONARA's debt	Ongoing	The restructuring of bank debts [has been finalized] and the authorities aim to conclude as soon as possible the negotiations on the restructuring of the debt vis-à-vis traders (suppliers of crude oil and finished oil products) under the same conditions as those concluded with the banks.
Financial Sector Policies		
Strengthen the banking sector: (i) address the three problem banks and rising non-performing loans (NPLs); (ii) enhance cooperation with the regional supervisor COBAC; (iii) revise the business model of the public SME bank.	Ongoing.	Progress is ongoing in restructuring the distressed Cameroonian banks. The asset shortfall of one of the banks has been filled, while another one, in which the government will take a majority stake, still misses a significant amount. While COBAC approved the recapitalization plans in July 2023, a substantial part of the capital is yet to be transferred by both the government and private shareholders (end-2024).
Enhance financial intermediation: (i) update the mobile banking legal framework; (ii) strengthen supervision of the microfinancial institutions (MFIs); and (iii) implement the central information database for banks and large MFIs.	Ongoing	The authorities have expanded the creditor database to MFIs. The national movable security directory (RNSM) is operational. The New National Strategy for Financial Inclusion 2022-2025 has been launched.

Private Sector Development		
Improve the business environment: (i) strengthen dialogue with the private sector and civil society; (ii) reduce bureaucratic impediments particularly in paying tax and intra-CEMAC trading; (iii) protect property and investor rights, (v) enhance financial inclusion.	Ongoing, with good progress in simplification of tax procedures.	The government has intensified its efforts to strengthen the consultation format between the public and the private sectors. Nevertheless, discussions with the private sector suggest the need for more frequent and earlier consultations, especially on the budget.
Good governance and anti-corruption efforts		
Publish COVID-19 related audit and continue implementation of governance-related commitments made under the RCF		Cameroon implemented 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. 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.
Promote transparency and good governance and reduce corruption risks		The authorities have launched, with LEG technical assistance, and will publish a comprehensive diagnostic of the country's vulnerabilities in governance and anti-corruption.

Annex VI. Country Engagement Strategy[1]

Staff prepared this forward-looking engagement strategy for Cameroon in the context of the IMF's Strategy for Fragile and Conflict Affected States. Cameroon has longstanding and stable relations with the Fund. After the 2017 Extended Credit Facility (ECF) arrangement ended in September 2020, amid the COVID pandemic, Cameroon received two disbursements under Rapid Credit Facility (RCF) totaling SDR 276 million, equivalent to about US$382 million or 100 percent of quota. This note aims to guide Fund engagement with Cameroon over the medium term. 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). The authorities have requested a 12-month extension and augmentation of the ECF/EFF arrangements (through July 28, 2025) to allow more time to implement the policies and reforms foreseen under the program, given the additional shocks faced since the approval of the ECF/EFF arrangements.

Background

1. **Cameroon's growth has continued in the face of successive shocks, but risks have increased, highlighting the need to address economic, social and political fragilities.** The authorities' swift response to the COVID-19 pandemic helped minimize the number of cases, allowing for a recovery by mid-2021. The recovery, which was supported by higher oil prices and non-oil production in 2021, continued into 2022, in an increasingly challenging environment with Russia's war in Ukraine, inflationary pressures, supply chain disruptions, and tight global financial conditions. Cameroon has several interrelated sources of fragility. Economic drivers include a high debt-to export ratio, low private investment, inefficient SOEs, slow growth in human development indicators compared to peers, and insufficient public service delivery. Cameroon is also highly vulnerable to food insecurity, and climate change. Political drivers of fragility include institutional and governance vulnerabilities, internal conflicts, social exclusion, instability in neighboring countries, as well as insurgency and conflicts along borders.

2. **Internal conflicts have challenged Cameroon since independence in 1960.** The country is a fusion of territories formerly under French and British rule during the colonial era. French Cameroon became the independent Republic of Cameroon in 1960. In 1961, two of the four Anglophone provinces, the southern portion of British Cameroon, voted in a referendum to join the Republic of Cameroon, while two provinces went to Nigeria. In the decades following decolonization the country struggled to strike a balance between federal control and centralization.

3. **The current institutional system has helped maintain a measure of stability, but tensions are mounting.** The system reflects efforts to preserve the delicate balance of sometimes diverse interests and has managed to maintain peace over most of the territory for decades. However, security risks have risen, with increased fatalities and displacements of people. A World Bank report assessing the economic and social impacts of the conflict in Cameroon's Anglophone

[1] Prepared by the Cameroon team. This confidential document is a draft, please do not quote.

regions as of 2019 demonstrated the immense human, physical, and developmental impact on Cameroonians inside and outside the two regions. Cameroon is also faced with regional spillovers from events in neighboring countries. This underlines the need to enhance the capacities of local and national government systems to support those in immediate need, while working to eliminate poverty, promote development objectives.

4. Cameroon plays a lead role in regional resilience and has strong potential to overcome fragilities, but much of its rich potential remains untapped. Cameroon boasts abundant natural resources, including oil, natural gas, minerals, fertile land, and rich ecological diversity within the Congo Basin. Through its geographic location and seaports, it is a significant gateway bridging West and Central African markets. As the largest economy in the Central African Economic and Monetary Community (CEMAC), it contributes strongly to regional reserves. However, economic growth remains modest, with limited export diversification, and most of the workforce is still employed in low-productivity agriculture. Cameroon's low growth, with rapidly expanding population, has slowed progress in poverty reduction and human capital development.

5. Given the varied dimensions of Cameroon's challenges, the approach to overcoming fragilities will need to be multifaceted. It should encompass measures to address economic fragilities (e.g., resource dependence, capacity to service debt, low growth, including measures to improve the business environment), social fragilities (e.g., inequality, access to basic services, human development indicators, access to justice, forced displacement) and political fragilities (e.g., governance, corruption, rule of law). A priority theme running through these efforts is the need to continue building more inclusive political and economic institutions, which reflect Cameroon's high level of diversity and societal complexity, without compromising effective decision-making. Another high priority is to strengthen transparency and checks and balances in the institutional framework to decrease vulnerabilities to corruption.

6. These efforts will need to be supported by a large and sustained domestic and multilateral effort. Fund engagement should focus on preserving the macroeconomic stability, building on gains achieved under the ECF-EFF, while supporting further implementation of governance and transparency reforms, and remaining mindful of capacity constraints and setbacks risks. In the longer term, engagement must boost donor confidence necessary for implementing policies to address developmental needs. Substantial additional resources and collaborative efforts will be needed to ensure synergies with support delivered by other partners.

Sources and Consequences of Fragility

7. A key source of Cameroon's fragility is socio-political tensions in its resource-rich regions, alongside insurgencies, conflict in neighboring countries, and forced displacements. Cameroon is experiencing conflict in the two anglophone regions, attacks in the far North, and insecurity on the eastern border with the Central African Republic (CAR), regions which already suffer from high poverty levels and rapid population growth. The country has a high number of internally displaced persons (IDP), mainly driven by internal conflict and the impact of climate change, and natural disasters, such as floods Cameroon: Humanitarian Dashboard (January to March 2023) - Cameroon | ReliefWeb. According to the UN Refugee Agency (UNHCR), in June 2021, Cameroon was hosting about two million persons of concern to UNHCR, including one million IDPs, 460,000 refugees and asylum-seekers, and 466,000 IDP returnees. Cameroon will continue to be affected by simultaneous and complex humanitarian crises, refugees, and IDPs. As a result, challenges relating to land access and use, and service delivery go beyond the conflict-affected areas. Recent developments in the rest of the CEMAC region could exacerbate the pressure on Cameroon's stability and institutions.

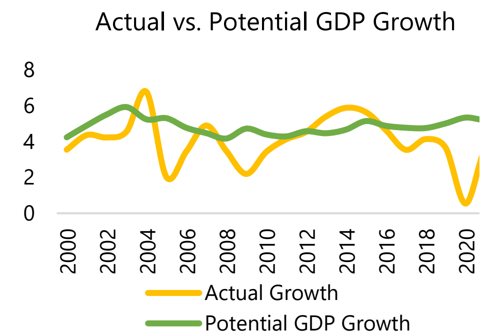
8. Another key source of Cameroon's fragility is the institutional framework, with its highly centralized political and resource allocation system. The framework was built to maintain peace, unity, and stability, in a fragmented sociocultural environment. Cameroon's population is diverse with northerners/southerners, Christians/Muslims, rural/urban populations, and poverty increasing in rural areas and decreasing in urban areas. These differences can prevent coalitions of change from forming and create deeper fractures.

9. Cameroon also faces economic fragilities manifested in below-potential growth and slow progress towards its long-term development goals. Cameron is a lower middle-income country richly endowed in natural resources, including oil and gas, mineral ores, and high value timber species. Cameroon also produces a variety of agricultural goods, including coffee, cocoa, cotton, maize, and cassava. Growth performance was supported by large infrastructure projects, private investment, and rising public spending up to 2019. However, real GDP growth has averaged around 4 percent in recent decades, falling short of the country's economic potential and more than a quarter of Cameroon's population still live below the national poverty line and many lack access to clean water and sanitation, education, and health (Figure 1). Food insecurity is high, especially in the North West and South West regions, estimates indicate that over three million people were severely food-insecure between January and May 2023, a five percent increase compared to the same period in 2022.[2] Poverty reduction is also held back by gender inequalities.

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

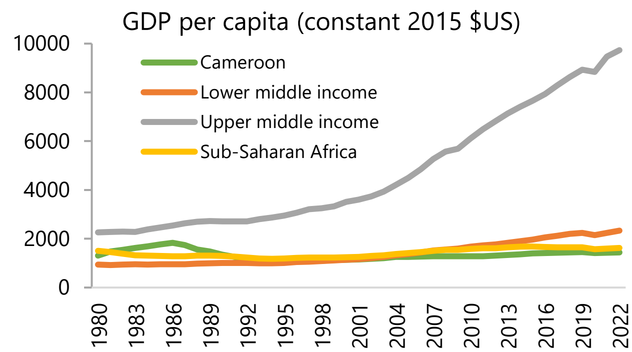
Figure 1. Cameroon: Economic, Social and Political Indicators of Fragility

Actual GDP below potential



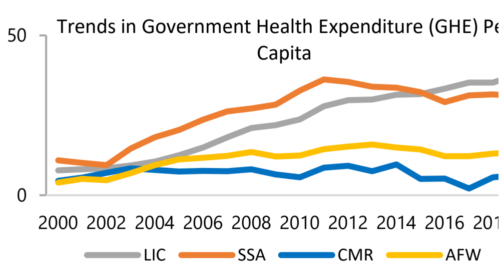
Source: Macro Poverty Outlook
Note: Potential growth estimated as a function of changes in capital stock, structural employment, and TFP using a Solow decomposition.

Real GDP per capita still below its 1986 level

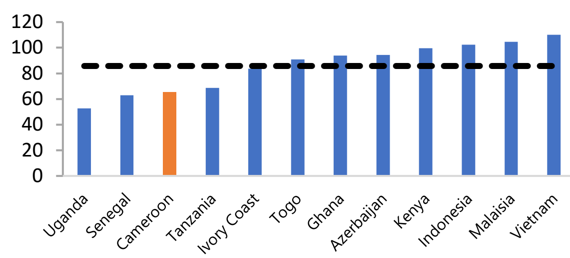


Source: World Bank

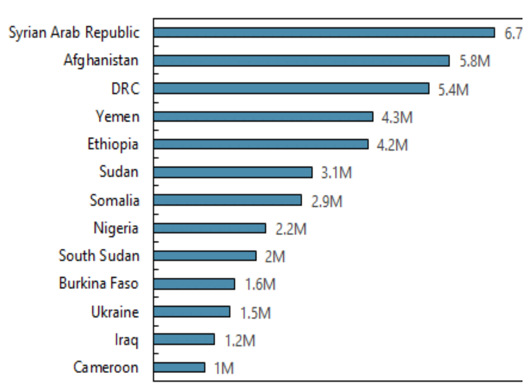
Government health expenditure stagnating



Primary education graduation ratio below peers (2019)

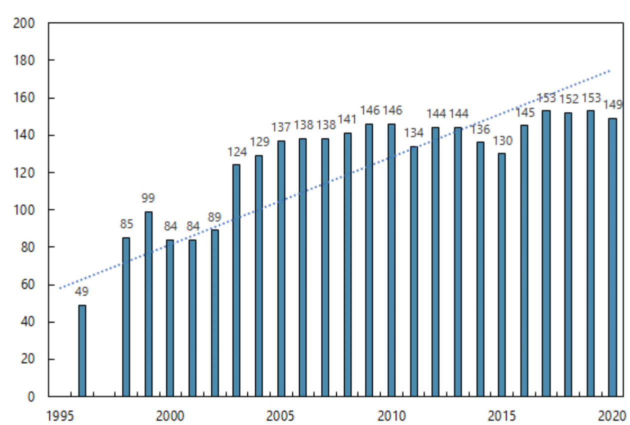


A food crisis country hosting more than a million IDPs in 2021…



Source: World Food Programme.

Ranked among the top 30-40 most corrupt countries.

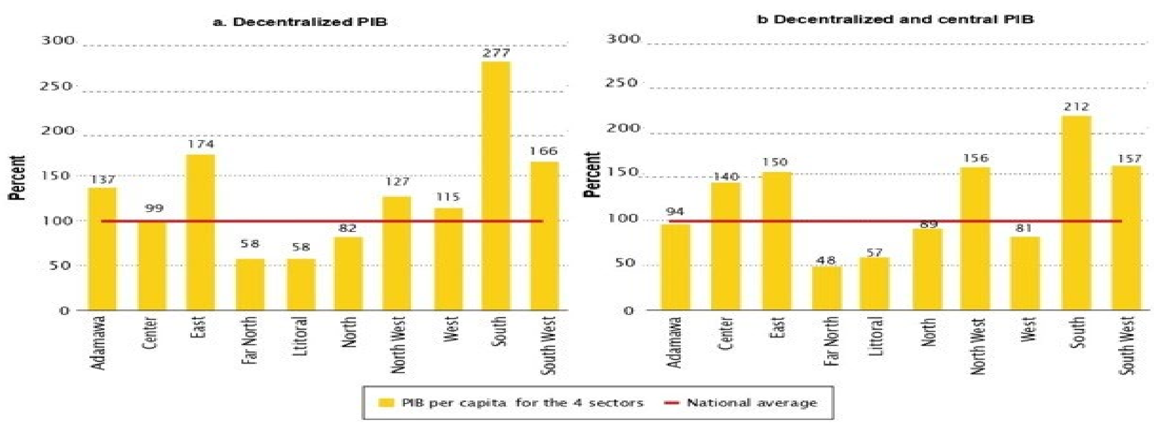


Source: Transparency International.

10. Public spending in Cameroon remains centralized, with high security expenditure and low social and investment spending compared to peers and non-transparent public financial management (PFM) systems. The country faces large infrastructure gaps, and with a high risk of external and overall debt distress, additional external financing is constrained. Limited resources are available for infrastructure investment or goods and services that strengthen human and physical capital and security absorbs a large share of government expenditure. Currently, Cameroon's overall investment rate remains lower than that of regional peers. Investment spending averaged 18.6 percent of GDP in 2010–22, below the Sub-Saharan Africa (SSA) average of 21.6 percent, the CEMAC average of 28.7 percent, and less than half the lower middle-income countries (LMICs) average of 40.2 percent. The distribution of resources to and among regions is higher in wealthier regions and major cities.[3] The more underdeveloped Northern regions, which have the lowest socioeconomic indicators, receives much less per capita funding than the national average (Figure 2).

11. Vulnerabilities have been identified in Cameroon's governance and anti-corruption framework. The CES will leverage the comprehensive discussion of Cameroon's governance weaknesses and corruption vulnerabilities, which is taking place in the context of a governance diagnostic conducted in consultation with IMF staff and pursuant to the Fund's 2018 enhanced governance framework.

Figure 2. Cameroon: Distribution Of Budget Allocations Among Regions



12. The judicial system and the frameworks for conflict resolution and law enforcement need clarification and strengthening. They are constrained by human and budgetary resources and acknowledge both customary and civil law, despite inconsistencies between the two. This leads to conflicts, especially on land tenure. In addition, overlapping legislation on land tenure, mining and forest laws creates additional institutional confusion and a disincentive for private sector investments.

Climate change poses an imminent threat to Cameroon's economy. The country relies on natural resource exports and most of the population is employed in agriculture. Climate change could threaten exacerbate poverty, fragility, conflict, gender disparities, and regional inequalities (CCDR, 2022). In recent years, floods and droughts have damaged infrastructure and harvests, and

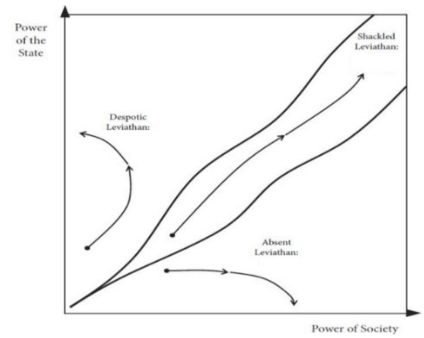
[3] The first regional elections were held in December 2020, starting the decentralization process provided for in the 1996 Constitution.

led to significant population displacements. Climate change is expected to raise sea levels, threatening coastal populations, and lead to even more erratic rainfall patterns. In the absence of adaptation reforms, climate shocks could undermine GDP growth and further reduce fiscal space, in a context of tightening financing conditions.

Box 1. Escaping From Fragility: Analytical Considerations

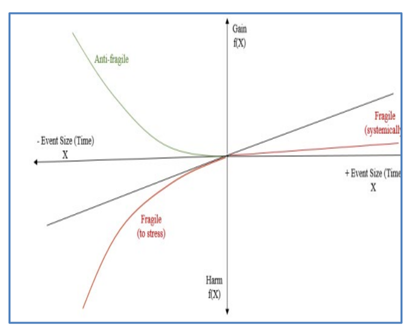
Analyst broadly agree that a "fragile state" is one that is significantly susceptible to crisis in one or more of its sub-systems. It is particularly vulnerable to internal and external shocks and domestic and international conflicts). In a fragile state, institutional arrangements embody and can preserve crisis conditions, and they may embody extreme inequality or lack of access altogether to health or education.

In analyzing fragility, it is useful to consider the range of options of how systems respond to shocks proposed by Nassim Taleb (2013). Based on that, a 'fragile' state is affected negatively by stressors, a 'robust' state resists stressors), a 'resilient' state bounces back from stressors and an 'antifragile' can benefit from stressors. The idea is to shift the country from fragile to at least "robust" or "resilient".



Acemoglu and Robinson (2019) propose a simple framework for the emergence of nonfragile, "strong" states. The creation of an inclusive state is described as the outcome of a power game between state elites and society (Acemoglu and Robinson, 2017). The outcome can be *Despotic Leviathan* where the state ultimately wins or *Absent Leviathan*, where the state is very weak or non-existent.

In the narrow corridor between excessive state power and all society power, there can be a balance of power. In that space, state and society continually compete, both getting stronger in the process. Fragile states are considered as being outside the corridor, so appropriate policies need to be designed to shift the balance into the corridor. The wider the corridor, the easier the task.
Assuming the width of the corridor cannot be changed, what strategies help the country get into it? For situations to the left of the corridor, the state dominates society, so less state dominance is needed. For situations to the right of the corridor, the society dominates state, so a stronger state might be desirable, provided the population cooperates.



Another useful conceptual framework is based on Nassim Taleb's (2012, 2013a, b) concept of fragility, which defines fragility by the response to shocks. In Taleb (2013), systems are fragile if they "break" under large stress, or if they have accelerating sensitivity to harmful stressors or to time (stress fragility). The system's response to negative shocks is represented by the concave red curve in the bottom left quadrant) and can go all the way to an economic collapse in response to shocks (revolutions, military coups or other irregular power transitions). Using this concept of fragility, IMF staff (Mali staff report) have extended the model to positive shocks to capture the view of fragility as the inability of an economy to take off over time or to take advantage of positive shocks (such as terms of trade shocks or growth in the demand of their trade partners). This is shown by the red line in the top right quadrant. This is structural fragility, where a complex network of social, economic, and political interactions with weak nodes, such that it is difficult to identify the weakest nodes.

Strategy to Escape Fragility

13. Long-term sustainable development requires inclusive institutions that provide public services and incentives for private investment. Engagement with Cameroon will therefore need to balance efforts to improve state institutions, accountability and governance and improving private sector incentives.

Reform Priorities and Fund Engagement

14. Political stability and security are essential for Cameroon's economic and social development, and the following key areas need increased focus:

- **Decentralization.** Over the longer-term, implementing a durable decentralized fiscal framework will be critical for Cameroon's political stability, security, and development goals. Progress in accelerating fiscal decentralization could be achieved by enhancing revenue mobilization; introducing a surcharge system for regional assemblies; implementing fiscal equalization to mitigate regional disparities; improving the flow of funds to municipalities and regions; establishing conditional capital and performance-oriented grants; enhancing intergovernmental coordination; and strengthening accountability mechanisms.

- **Security.** Greater security supports growth by boosting business and consumer confidence, facilitating production, and allowing government delivery of public services and infrastructure. Stronger control over the territory also facilitates enforcement of taxation, regulations, and other institutional reform efforts that help set the conditions for inclusive growth.

- **Mobilizing support for reforms.** Building state capacity and setting the conditions for greater resilience and inclusive, job-rich growth will help Cameroon address the sources of fragility. The state gains legitimacy and support from the population when it provides a stable environment for economic activity and job creation, it increases the delivery of services (e.g., security, social services, infrastructure) to reduce poverty and inequality, and is transparent and accountable. In a fragile context it is important to remain nimble to take advantage of any windows of opportunity or reassess the approach if new constraints emerge.

15. Sustainable growth will help progress toward economic and social goals, with a positive feedback loop to address political fragilities. This means:

- **Maintaining macroeconomic stability.** Policy discussions emphasize preserving macroeconomic and financial stability by maintaining a prudent fiscal stance, building fiscal space for social and productive spending, and strengthening medium-term fiscal and debt sustainability.

- **Mobilizing domestic revenue and strengthening PFM.** Key reforms include implementing effective tax policies and containing exemptions, improving spending efficiency, cash management, managing fiscal risks from SOEs, and public debt management.

- **Increasing social spending and infrastructure investment.** Creating space for social and infrastructure spending means mobilizing additional resources, including from development partners. Cameroon also needs to improve spending public investment efficiency, and transparency, with a greater emphasis on human capital development and productive investment spending.

- **Strengthening governance and transparency.** Make progress on implementing the national anti-corruption strategies and strengthening the AML/CFT framework and enforcement capacity.

- **Promoting financial inclusion**, while protecting financial stability.

- **Improving the business environment.** Attract private investment by providing well-designed legal, institutional, and governance frameworks.

Program Engagement

16. Cameroon is currently supported by a three-year arrangement under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF). The current arrangements were approved in July 2021 for SDR 483 million (about US$689.5 million, or 175 percent of quota. They followed the 2017 ECF, which ended in September 2020, and two disbursements under the Rapid Credit Facility (RCF) totaling SDR 276 million, equivalent to about US$382 million or 100 percent of Cameroon's quota. Cameroon's ECF/EFF-supported program has helped maintain macroeconomic stability and support structural reform implementation.

17. The traction of longstanding Fund policy advice has been steady but slow in some key areas. Reforms initiated in the context of the ECF-EFF program have supported improvements, including enhancing revenue mobilization, and rationalizing expenditures, especially the fuel subsidy bill. The authorities have initiated governance reforms including amending the procurement legal framework and improving the framework for spending audits. Areas needing intensified attention include boosting non-oil revenue, enhancing public financial management and improving the business environment.

18. The ongoing engagement highlights the main constraints and provides lessons for future engagement. Constraints include (i) difficulties in implementing change given the complex politico administrative environment (ii) nonprioritized targeting of reforms, which affects ability to maintain the reform momentum (iii) governance gaps and lack of transparency, leading to low mobilization of public support for reforms. The scope of reforms should consider the political absorptive capacity and institutional capacity constraints and incentivize both the government and the private sector. This includes:

- Calibrating the pace of reform based on Cameroon's capacity and available resources.

- Coordination with development partners. The engagement should consider coordinating actions with all relevant development partners, including the UN, AfDB, World Bank, and the main bilateral donors.

- Ensuring closer synergies between program advice and capacity development (CD).
- Greater focus on institution building, governance, and transparency.

Capacity Development

19. The IMF supports Cameroon with CD activities delivered by both Fund headquarters and the Central Africa Regional Technical Assistance Center (AFRITAC Center). In consultation with the CD departments, the CES has considered ongoing efforts and possible new avenues.

- **To date, CD activities in Cameroon have focused on revenue administration, tax policy, debt and expenditure management, governance, and the compilation and dissemination of statistics.** These activities have highly contributed to improving the formulation and implementation of policies and reforms, as reflected notably in the implementation of the current ECF-EFF program. The CEMAC Commission has defined a set of reforms which underpin Fund-supported programs with CEMAC members and organized around five pillars to create the basis for a more diversified, inclusive, and a private sector-led growth and enhanced governance. Building on past TA provided to Cameroon, the CD strategy supports the overall goal of improving government revenue mobilization, raising the efficiency, effectiveness, and transparency of public expenditure, strengthening debt management capacity and medium-term debt strategy (MTDS), and enhancing statistics compilation and timely dissemination of macroeconomic statistics.
- **Going forward, capacity building will continue to support progress in new areas.** Progress is ongoing on emerging priorities (governance and anti-corruption efforts, financial inclusion strategy, building resilience to climate change, reinforcing financial integrity (AML/CFT), and gender budgeting. Further in-depth diagnostics could be needed in some areas. In addition, going forward, Cameroon is likely to need increased assistance in bolstering more integrated and robust government and securities markets. On climate change, it should be noted that AFRITAC plans to provide training in on-site banking supervision methodology for assessing climate risk in 2024. This work on emerging priorities will dovetail with assistance being provided by other institutions and bilateral donors.
- **Greater efforts are needed to expand dialogue with partners and to integrate fragility analysis with policy advice and CD**. This will help identify relevant CD assistance being provided by partners and consider how IMF work might dovetail with such assistance and be tailored to support policy advice.

20. Substantial additional resources and collaborative efforts will be needed to ensure synergies with support delivered by other partners. The engagement should consider coordinated actions with all relevant development partners, including the World Bank, the African Development Bank, EU, UN, Islamic Development Bank, and bilateral donors. This will be especially helpful to ensure appropriate attention to issues that are macro-critical but not within the Fund's mandate. Also critical will be efforts to catalyze financial support from other donors.

21. The country team will leverage strong relationships and communication with development partners across a variety of activities, with the Resident Representative playing a key role. The IMF team maintains close engagement with the World Bank, and African Development Bank (AfDB), which are involved in budget support and a variety of development projects. The IMF team coordinates with these institutions closely on recent economic developments, the macroeconomic outlook, and risks. In addition to collaborating on debt sustainability analysis, Fund staff are in regular contact with World Bank staff to ensure consistency and complementarity in capacity development support (particularly public financial management, SOEs management, and social safety nets) and policy advice (including under financial arrangements provided by both institutions).

22. The team will also continue to regularly discuss financing needs and financing options with these and other partners. Some bilateral partners have been deeply involved in the Anglophone peace process (Switzerland and Canada, UK) and provide broader political perspectives.

23. Private sector and civil society. To better understand Cameroon's business climate, the country team continues to engage the private sector and civil society organizations during missions.

24. There is scope for deepening strategic partnerships with the following to leverage their expertise in identifying appropriate policies and addressing emerging risks:

- **The Global Center on Adaptation (GCA)** in catalyzing private climate finance for both adaptation and mitigation.
- **The European Union (EU) and the Agence France de Développement (AFD)** in the context of the Cameroon Green and Resilient Cameroon (CASEVE) program, which aims to prevent food and climate crises that result from the overexploitation of territories and natural resources.
- **The World Food Programme** on food insecurity. With more frequent climate-related shocks, security issues and forced displacements, the authorities are working with WFP and other partners to respond to the immediate food and nutrition needs of crisis-affected populations, mainly in the unsecure regions, including through actions to improve the long-term resilience of communities.
- **UNHCR, and the IOM,** on economic issues related to migrants and internally displaced persons (IDPs) and refugees and more broadly on the economic impact of humanitarian crises.

25. The Resident Representative office will continue to play a key role in coordination and maintaining the momentum of policies and reforms, The office is currently active in helping the authorities understanding and strengthening ownership of reform, enhancing inter-ministerial coordination and raising awareness and support among the broader public of the program objectives. The office also supports the team in informing stakeholders on Cameroon's progress under the program.

Risks to Closer Fund Engagement

26. Risks to closer engagement with Cameroon include longstanding issues and new developments. Fund engagement will continue to face capacity constraints and complex decision-making processes. Complex institutional framework could delay reform implementation even when reforms are well designed. Significant deficiencies in macroeconomic institutions delay implementation. Added to that are risks related to recent developments, including the prolonged security crisis in Europe, which could further hinder timely donor support and continue to affect food and oil prices. There are also risks of further political instability in the region and heightened spillovers from neighboring countries, and renewed resistance to reform in the runup to the elections.

27. Distributional and social impact is critical for the success of reforms. For instance, subsidy reform without mitigating measure to compensate vulnerable social groups, and those losing from the reforms, especially those with the power to mobilize violence could jeopardize reforms and undermine trust. This underscores the importance of designing an effective communication plan to explain the longer run benefits of reforms (e.g., making space for public investment, health, and education).

28. The risks are mitigated by the authorities' strong ownership and careful tailoring of the reform agenda to the country's fragilities and capacity constraints. Cameroon has built a strong track record of reform implementation. This was achieved by (i) strong ownership of the reform agenda by the authorities, (ii) careful prioritization and sequencing of reforms that consider institutional and capacity constraints, (iii) close integration between program design and CD support, and (iv) close coordination with development partners and other CD providers to ensure complementarities. Going forward, IMF engagement should continue to be guided by these principles.

Appendix I. Letter of Intent

Madam Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. USA
December 6, 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 and geopolitical tensions in the Middle East. To support the needs of its population and 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 maintenance of regional external stability.

2. Cameroon continues to face 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. The performance of the program as at end-June and end-September 2023 is broadly satisfactory. Regarding the quantitative targets, five of the six quantitative performance criteria as at end-June were met. The continuous criterion on the non-accumulation of external arrears was not met. Three of the five indicative targets have not been met, namely: the ceiling on the net accumulation of arrears of domestic payments, direct interventions by the National Hydrocarbons Company, and the share of expenditure executed under exceptional procedures. We have proposed corrective measures to address missed targets. Preliminary data for end-September 2023 suggest that six out of ten ITs were met, and four ITs were breached. The breached ITs are the program ceilings on the net accumulation of domestic arrears, on SNH direct interventions, on Treasury advances without a budget allocation and the share of spending through exceptional procedures. A continuous QPC on PV of contracting and guaranteeing of new external borrowing was met.

4. Progress is being made in implementing structural benchmarks. Three of the nine structural benchmarks due for the fifth review were met by the deadline: (i) the structural benchmark for increasing the number of taxable persons for VAT purposes from 13,500 at end-December 2022 to 14,850 as at end-October 2023 was implemented ahead of schedule; (ii) the structural benchmark on Public-Private Partnerships (PPPs) (end-June 2023); (iii) the structural benchmark on an action plan including recommendations to eliminate the corporate tax break (end-October 2023). Of the remaining six benchmarks, two were completed late, one is expected to be implemented by the IMF

Board date (prior action), and three will be deferred. The structural benchmarks met with a delay are: the publication of the decree specifying the terms and conditions for monitoring the performance of project management units, following the October 2021 decree governing project management units (structural benchmark no. 8, August 2023); Audits of the government's payment arrears and the related clearance plan (structural benchmark no. 1, September 2023).; The report on the diagnosis of governance vulnerabilities will be published with a delay (structural benchmark no. 5, September 2023, prior action) to allow consultations with the relevant agencies. The deferred/reformulated structural benchmarks are: An inventory of the debts owed by public enterprises to the government and to each other at end-2020 has been drawn up, but a debt clearance plan between the government and public enterprises has not yet been adopted (structural benchmark no. 2, September 2023); The action plan for restructuring/rehabilitation of SONARA has been developed but the feasibility study for the operationalization of the chosen option is underway. It covers the technical, economic, and financial aspects. The report of this study will be submitted to IMF staff (reformulated structural benchmark no. 16, June 2024). Similarly, the publication of the implementing texts of the Mining Code (structural benchmark no. 3, September 2023) has been delayed.

5. The government welcomed the SDR allocation made available to Cameroon by the IMF in August 2021. To mitigate the socio-economic effects of the crisis, the government used CFAF 120 billion in 2021-22 and CFAF 80 billion in 2023—96 percent of the allocation.

6. In view of the pressures resulting from the external environment, and to allow sufficient time to achieve the objectives of the program, we request a 12-month extension (until July 28, 2025) of the ECF/EFF arrangements with an increase in access amounting to 40 percent of quota (SDR 110.4 million). We request that the increase in access be shared between resources from the General Resources Account (GRA) (26.7 percent of quota; SDR 73.6 million) and the Poverty Reduction and Growth Trust (PRGT) (13.3 percent of quota; SDR 36.8 million).

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

8. Considering the achievements under the program and the commitments in the MEFP, the government requests the conclusion of the fifth reviews of the ECF-EFF supported arrangements and the disbursement and purchase of SDR 18.4 million and SDR 36.8 million, respectively. The government also requests that the IMF Executive Board approve changes to the program targets for end-March 2024 and new targets for June, September, and December 2024, which have been set in line with the updated macroeconomic projections and adopted policies.

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. It 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.

Very truly 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 2023-24, December 2023

INTRODUCTION

1. **The National Development Strategy for 2020–30 (SND-30) remains the framework for our strategic priorities.** The government is working to restore strong, sustained, and inclusive economic growth, with a view to accelerating Cameroon's march towards economic and social emergence. To achieve this, it is necessary to strengthen macroeconomic stability and engage in a deep structural transformation of the economy through significant investments in the priority sectors of the SND-30, while maintaining the sustainability of public finances and supporting the country's resilience to climate change.

RECENT ECONOMIC DEVELOPMENTS

2. **The economic recovery from the pandemic has continued despite a challenging security situation and strong external pressures, including the tightening global financial conditions and volatile oil prices.** Growth is expected to increase from 3.6 percent in 2022 to 4.0 percent in 2023. However, despite the measures taken by the government, average inflation reached 6.3 percent at end-2022 and is expected to reach 7.2 percent by end-2023, driven mainly by food prices.

3. **The external balance continued to strengthen**. The current account deficit narrowed to 3.4 percent of GDP in 2022, mainly due to higher oil and gas prices. Despite lower oil prices, higher gas production and an improved primary income balance are expected to reduce the current account deficit to 3.0 percent at end-2023.

4. **Budgetary results remained broadly in line with the objectives of the program**. The non-oil primary deficit was contained to 3.9 percent of GDP in 2022 despite higher spending on fuel subsidies, partly because part of the costs of these subsidies, about CFAF 480 billion, were deferred to 2023 and 2024. Higher non-oil revenues and lower spending on fuel subsidies, partly due to the retail price adjustment in February 2023, are expected to help reduce the non-oil primary deficit to 2.5 percent of GDP in 2023.

5. **The public debt ratio as a percentage of GDP continues to fall.** The acceleration of growth and the tightening of fiscal policy, as well as the appreciation of the CFA franc, coupled with the increase in oil prices, have helped to reduce public debt, which is expected to decline from 45.3 percent at end-2022 to a forecast of 41.8 percent of GDP at end-2023. External public debt is expected to fall from 30.8 percent in 2022 to 29.4 percent of GDP in 2023. In contrast, contingent liabilities associated with public enterprises and public-private partnerships are expected to increase from 11.5 percent in 2022 to 14 percent of GDP in 2023.

IMPLEMENTATION OF THE ECONOMIC AND FINANCIAL PROGRAM

6. **Despite the challenging environment, the implementation of the program was in line with our objectives.** Five of the six quantitative performance criteria as at end-June 2023 have been met. In view of its very high volume as at end-2022, the government plans to postpone the payment of the balance of the fuel subsidy until 2024. Three of the five indicative targets were not met. These include ceilings for the net accumulation of arrears of domestic payments, direct interventions by SNH, and the share of expenditure carried out under exceptional procedures. Security concerns led to a greater use of SNH direct interventions. The need to take charge of the fuel subsidy from the 2022 financial year has led to a failure to meet the targets on spending executed through exceptional procedures and on the payment of domestic arrears. The government is committed to improve the monitoring of expenditures related to direct interventions by SNH. We also undertake to ensure the proper application of the provisions of the law on the government's financial regime, which prohibits the use of cash advances, to reduce spending executed through exceptional procedures to the strict minimum. To address this, we proposed corrective measures in July 2023, including the requirement for all expenses to be covered by the budget before they are paid.

7. **Preliminary data for end-September 2023 suggest that six out of ten indicative targets (ITs) were met, and four ITs were breached.** The breached ITs are the program ceilings on the net accumulation of domestic arrears, on SNH direct interventions, on Treasury advances without a budget allocation and the share of spending through exceptional procedures. A continuous QPC on PV of contracting and guaranteeing of new external borrowing was met (Table 1).

8. **Progress is being made in implementing most of the structural benchmarks.** Three of the nine structural benchmarks due for the fifth review were met by the deadline: (i) the structural benchmark for increasing the number of taxable persons for VAT purposes from 13,500 as at end-December 2022 to 14,850 as at end-October 2023 was implemented ahead of schedule; (ii) the structural benchmark on Public-Private Partnerships (PPPs) (end-June 2023); (iii) the structural benchmark on an action plan including recommendations to eliminate the corporate tax break (end-October 2023). Of the remaining six benchmarks, two were completed late, one is expected to be implemented by the IMF Board date (prior action), and three will be deferred/reformulated. The structural benchmarks met with a delay are: the publication of the decree specifying the terms and conditions for monitoring the performance of project management units, following the October 2021 decree governing project management units (structural benchmark no. 8, August 2023); Audits of the government's payment arrears and the related clearance plan (structural benchmark no. 1, September 2023). The report on the diagnosis of governance vulnerabilities will be published with a delay (structural benchmark no. 5, September 2023, prior action) to enable consultations with the relevant agencies. The deferred/reformulated structural benchmarks are: An inventory of the debts owed by public enterprises to the government and to each other at end-2020 has been drawn up, but a debt clearance plan between the government and public enterprises has not yet been adopted (structural benchmark no. 2, September 2023; rephased to April 2024); The action plan for restructuring/rehabilitation of SONARA has been developed but the feasibility study for the operationalization of the chosen option is underway. It covers the technical, economic and financial aspects. The report of this study will be submitted to IMF staff (new Structural Benchmark, no. 16,

June 2024). Similarly, the publication of the implementing texts of the Mining Code (Structural Benchmark No. 3, September 2023; rephased to June 2024) has been delayed.

ECONOMIC AND FINANCIAL PROGRAM IN THE MEDIUM TERM

9. Overall economic policy remains 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 under the IMF supported program and the CEMAC convergence criteria, while providing adequate fiscal space to implement priority expenditures for the SND-30. The policies presented below complement those previously presented in the July 2021, February 2022, July 2022, February 2023, and June 2023 memoranda.

A. Macroeconomic Framework

10. The economic outlook remains positive, although enveloped in uncertainty. Despite the decline in hydrocarbon production, real GDP growth is expected to accelerate from 4.0 percent in 2023 to 4.3 percent in 2024 and over the medium term thanks to the dynamism of the primary (industrial agriculture, fisheries, and forestry) and tertiary sectors. Average inflation is projected to decline from 7.2 percent in 2023 to around 5 percent by end-2025, and below 3% over the medium term.

11. The current account deficit (including grants) is expected to continue to improve. High hydrocarbon prices have temporarily boosted export revenues, reducing the deficit from 3.7 percent of GDP in 2022 to 3.4 percent of GDP in 2023. In the medium term, programs to promote non-oil exports, import substitution, and regional integration should contribute to a gradual reduction of the current account deficit (including grants) and stabilize it below 3 percent of GDP.

12. Regarding medium-term fiscal policy, the government's objective is to reduce the overall fiscal deficit (including grants) and the non-oil primary deficit to a sustainable level in the short and medium term, so as to keep public debt on a sustainable path. To this end, the focus will be on the mobilization of domestic non-oil revenues to increase them to around 13.3 percent of GDP in 2025, compared to 12.1 percent in 2022. Particular attention will also be paid to the rationalization of expenditure and in particular to the reduction of the fuel subsidies by 2025.

B. Long-Term Sustainable Growth

13. The SND-30, which emphasizes industrial policy envisages a profound structural transformation of the economy to support growth. The government intends to achieve this through the promotion of substitution of imports by national products, export promotion, and the implementation of major investment projects. This strategy requires substantial resources, prioritization of the most urgent and important areas, support for sectors with high potential in the short and medium term and strengthening manufacturing capacities. In promoting foreign trade, the country should take advantage of its comparative advantages, such as the large agricultural base, natural resources, and youth, and make use of regional trade agreements.

14. Public investment is key to boosting long-term growth and building resilience to shocks. The government is aware of the need to strengthen the management of public investments. The IMF's 2020 Public Investment Management Assessment (PIMA) highlighted areas for improvement. Although investment needs remain high, public investment as a percentage of GDP has declined over the past decade and remains low. Given the limited fiscal space and debt vulnerabilities, public investment spending will benefit from better prioritization of projects and improved project efficiency.

15. The government recognizes the need to strengthen Cameroon's resilience to climate change. Climate change is already having an impact on the population and the national economy. Cameroon is a signatory to all key international agreements on climate change and includes climate change as an important development challenge under the SND-30 and other strategic documents. Indeed, climate shocks have the potential to further undermine development and to accentuate fragility. The government aims to strengthen institutional capacity to implement its policies to address climate change and integrate its climate commitments into an appropriate legal and regulatory framework. These efforts will help support adaptation and mitigation policies in line with the 2021 Nationally Determined Contributions.

C. Fiscal Resilience

16. The Government aims to ensure that fiscal policy is consistent with the objectives pursued in the implementation of the SND-30. The government will provide the necessary budgetary resources to accelerate the achievement of the objectives of the SND-30 through the operationalization of the Initial Impulse Plan (P2I). The government will ensure a significant increase in local production and the industrial transformation of the economy and the revitalization of the support system for import substitution and export promotion policies.

Fiscal Consolidation

17. Fiscal policy in 2024 remains focused on fiscal consolidation and strengthening the resilience of public finances, in line with the objectives of the program. Fiscal policy needs to create space for priority spending, including productive investment and social protection. To this end, fiscal policy remains geared towards mobilizing domestic non-oil revenues, controlling outstanding debts and reducing fuel subsidies. As in 2023, fiscal policy in 2024 is facing very high spending on fuel subsidies, a significant part of which has been carried over from 2022 to 2023-24. It also emphasizes the clearance of domestic payment arrears and the adequate funding provided for in the 2024 budget law to settle these arrears, including the arrears of payments from fiscal years prior to 2020 that have been audited. This action aims to respect the principles of annuality and budgetary accuracy. The 2024 budget law aims to reduce the non-oil primary deficit from 2.5 percent in 2023 to 1.9 percent of GDP in 2024, while maintaining the overall deficit (on a commitment basis) at 0.4 percent of GDP. We aim to achieve this by mobilizing domestic revenues from 12.7 percent in 2023 to 13.1 percent of GDP in 2024, while reducing the current primary expenditure from around 10.7 percent to 9.9 percent of GDP.

Mobilizing Domestic Non-oil Revenues

18. The General Directorate of Taxes (DGI) and the General Directorate of Customs (DGD) are continuing their efforts to strengthen revenue mobilization. The main objectives are to broaden the tax base and improve the efficiency of revenue collection. The DGI is implementing its three-year plan (2023-25) to modernize and align the tax system with international standards. As part of this plan, and in view of the need to find the additional resources essential to the financing of the SND-30, the DGI forecasts an increase in tax revenues of CFAF 62.5 billion in 2024, through the implementation of tax administration policy measures that will further broaden the tax base and strengthen control and the fight against fraud and tax evasion. The DGD is also implementing a reform program focused on revenue mobilization and provides for an increase in customs revenues of CFAF 30 billion. This objective will be achieved in particular through the effective implementation of the new mechanism for the collection of customs duties and taxes on imported phones, the readjustment of export taxation on certain high-potential products, improving the quality of the handling of goods and exchanging information with the Central Bank, commercial banks, the General Directorate of Taxes and the National Agency for Financial Investigation, with a view to optimizing controls on import and export operations. In this respect, strengthening collaboration between the DGI and the DGD through the FUSION platform remains a priority objective.

19. The government recognizes the need to review tax incentives and exemptions for the private sector. This is important to mobilize non-oil tax revenues and better tailor incentives to the achievement of the country's industrialization goals. This must be done as part of a consultation and a comprehensive review of the industrial strategy. The government has prepared an action plan with recommendations to eliminate the corporate tax break (**structural benchmark no. 7, October 2023**). This plan, which was an intermediate step, provides for the revision of Law No. 2013/004 of 2013 to streamline incentives and promote healthy competition between economic actors in October 2024 (**structural benchmark no. 4, December 2023, deferred to November 2024**).

20. To further strengthen tax revenue mobilization and improve fiscal policy, the government intends to undertake further measures in line with the recommendations of the diagnostic carried out by IMF experts in 2022. Indeed, aware that VAT exemptions lead to tax shortfalls and considering that their reduction could generate additional revenue, the Government plans to gradually start rationalizing VAT exemptions. This measure, which will reinforced by administrative measures (optimization of controls and tax administration), as well as those that will be included in the 2025 budget law, will generate additional revenues of 0.05 percent of GDP. This measure aims to increase non-oil tax revenues and is expected to support the objectives of the program. However, this gradual abolition of tax and customs exemptions will be carried out taking into account the import-substitution policy, to support the country's industrialization efforts and take into account the socio- economic climate.

21. The government plans to improve personal income tax statistics. To better assess the impact of the revisions to the personal income tax system, the government intends to set up a database of wages and salaries that is suitable for simulating IRPP calculations and comprises both the entire public sector and a representative sample of private sector employees (**new structural benchmark no. 11, November 2024**).

22. Regarding the tax and customs administrations, the government is considering measures to collect tax arrears in 2024. As a first step, the government commits to preparing a detailed action plan, consisting of the first 100 unpaid tax and customs debts, including those of public enterprises, to manage and recover at least 15 percent of the outstanding recoverable tax arrears (outstanding as at end-June 2023) and implement 50 percent of the measures included in the action plan (**new structural benchmark no. 12, April 2024**). This measure will improve the collection of tax and customs revenues, the clearance of outstanding statements and strengthen the governance of revenue administrations, while improving the transparency of budget management and public enterprises.

Fuel Subsidies

23. Fuel subsidies continue to have significant fiscal consequences and do not always benefit the most vulnerable. In addition to the increase in fuel prices at the pump in February 2023, the government recognizes the need to gradually eliminate fuel subsidies by 2025 to create space for other priority spending and support the objective of fiscal sustainability. To achieve this, the government has considered options to allow automatic adjustments to fuel prices at the pump to reflect price fluctuations in international markets and plan to implement a new mechanism. In the meantime, the government is committed to reducing subsidies for petroleum products gradually, which would imply an increase of around 15 percent in pump prices in early 2024. This increase would reduce the budgetary cost of subsidies by about CFAF 140 billion, or 0.4 percent of GDP in 2024, given current assumptions. To achieve the program objectives, the authorities commit to submit to Parliament the 2024 budget law consistent with the macroframework of the Fifth Review **(prior action)**.

24. Policies on fuel prices at the pump should be accompanied by measures to mitigate the social and economic impact, including by strengthening social safety nets and improving access to basic public services such as education and health. The government plans to maintain the increase in social spending introduced in 2023. We plan to gradually increase social spending, to improve social indicators.

Public Financial Management

25. The government is continuing its efforts to strengthen public financial management (PFM). The government remain determined to improve the sincerity and execution of the budget, ensure discipline in budget execution, improve the efficiency of expenditure related to investment projects, and reduce domestic payment times in line with regulatory standards of less than 90 days.

26. The government has finalized two public financial management assessments and is preparing a new program of measures in this area. With the support of the European Union, the government has finalized the third review of Public Expenditure and Financial Accountability (PEFA), after those of 2007 and 2017. The government has also finalized a Public Expenditure Review (PER) with the support of the World Bank. Both reviews will be published by end-December 2023. These assessments will serve as a basis for the development of a new program (supported by a detailed action plan) of structural measures to strengthen public financial management, which will be finalized by June 2024 at the latest.

27. The Government is pursuing reforms aimed at improving the sincerity and execution of the budget. The government will subject treasury correspondents to an annual disbursement plan consistent with the budgetary policy underlying the budget law. To improve budget execution, we have improved quarterly projections of public spending to limit the practice of Treasury advances, release of funds and advance payments (*régies d'avance*). In addition, to further improve liquidity management, the government will continue to cap Treasury advances without a budget allocation. These advances are prohibited by law, and the government undertakes to limiting them to CFAF 15 billion per quarter in cases of extreme urgency (**indicative target, Table 1**). In addition, the Minister of Finance will issue an instruction, following an audit, on implementing a strategy to strengthen the management of correspondent accounts, with provisions on the closure of illegal accounts, the clearance of existing arrears, and relevant cash management rules consistent with the requirements of the annual budget law (**new structural benchmark no. 15, December 2024).**

28. The government will continue to implement steps to improve the quality of public spending. To better manage SNH's direct interventions and ensure transparency, the authorities have set up a system for reconciling and evaluating said expenditure. Following the diagnosis of the public service pension scheme, the authorities will carry out an actuarial study of the pension system with a view to reducing quasi-fiscal risks by the end December 2024 and will use the recommendations of this study to ensure the viability of the pension scheme.

29. The Government is implementing a program to enhance the effectiveness of the public investment program, in line with the PIMA recommendations for project selection, planning and execution. This is essential to support the private sector and economic growth. To improve project management, the government has signed the texts governing project management units (**structural benchmark no. 8, August 2023**). In addition, the government aims to improve the selection and budgeting of investment projects. The government will endeavor to control the management of commitment authorizations (CAs) / payment appropriations (PAs) to better manage multi-annual investment projects. To this end, 2025 budget law will include an annex on CAs and PAs in line with the Medium-Term Budgetary Framework (MTBF) and consistent with the timetable for the implementation of investment projects **(new structural benchmark no. 13, November 2024).**

30. Improving public procurement practices will strengthen the efficiency of public investment spending and public financial governance. The government commits to increasing to at least 80 percent the number and total value of contracts awarded through COLEPS (Cameroon Online E-Procurement System) in certain key ministries (infrastructure, education, health, posts, and telecommunications) between January and May 2024, to monitor the awarding of public contracts at the level of central services **(structural benchmark no. 10, May 2024)**. In addition, the government will ensure the operationalization of the public procurement tracking system.

31. The government places a high priority on settling arrears and ensuring domestic payments as soon as possible. The Government has completed the audits of the State's payment arrears and adopted a plan for the clearance of arrears certified by these audits over three to seven years **(structural benchmark no. 1, September 2023)**. LF2024 includes an allocation of CFAF 50 billion to clear part of the arrears of previous years. To better manage outstanding unpaid obligations (RAP), the government has included a budgetary allocation of CFAF 150 billion in the LF2024 for the clearance of the stock of outstanding payments of more than 90 days at end-2023 **(structural benchmark no. 9, December 2023).** To avoid the accumulation of outstanding payments, the government will prepare comprehensive and realistic public procurement plans, which should allow for the development of commitment plans consistent with the monthly cash flow plans **(new structural benchmark no. 14, May 2025)**. The objective is to contain waiting times for suppliers within 90 days of the date of settlement of the expenditure and to limit excessive commitments at the end of the year. In addition, the DGTCFM will prepare and update an issuance schedule to further improve cash management and keep RAPs within 90 days.

32. The authorities are committed to significantly reducing the wage debt and limiting further accumulation of arrears to government employees. An allocation of 193 billion CFAF has been included in the 2024 budget law to deal with the arrears of salary payments due to state employees. The government also undertakes to include a substantial budgetary allocation of at least 144 billion CFAF in the 2025 budget law to clear the arrears of the wage debt. The implementation of SIGIPES 2, the pay and career management software, from January 2024, will make it possible to institute the automatic promotion procedure, which will lead to the non-accumulation of arrears in future years' budgets. In the same vein, the digitalization and acceleration of the onboarding procedure for new agents will substantially reduce the waiting time before their first pay. Finally, to control the wage bill, the government has adopted a prudent recruitment policy based primarily on replacements for retiring employees.

Public Enterprise Management

33. The government will continue to implement measures to ensure the restructuring/rehabilitation of SONARA. In this regard, the government is in the process of carrying out the in-depth technical-economic and financial feasibility study of option no.3 relating to a complex refinery with a hydrocracking unit, accompanied by the plans and design of the new refinery, as validated by the President of the Republic **(structural benchmark no. 6 reformulated, now new structural benchmark no. 16, June 2024).** The implementation of this activity of the restructuring plan has experienced some delays but will be completed by June 2024.

34. Settling cross-debts in the public sector has taken longer than expected (structural benchmark no. 2, September 2023; rephased to April 2024). The government has drawn up an inventory of cross-debts between public enterprises and the government as of end-2020 but a debt clearance plan between the government and public enterprises has not yet been adopted. The inventory of cross-debts of between public enterprises themselves, as at end-2020, is ongoing.

35. The implementing texts of the Mining Code have not been finalized on time (**structural benchmark no. 3, September 2023, deferred to June 2024).** The creation of the national mining company, SONAMINES, tasked with defending the government's interests in the sector, required formulation of a new code. The government has submitted a draft law on the new Mining Code to Parliament in November 2023. Following its adoption, the government will publish the implementing texts of the new mining code as soon as possible.

D. Debt Sustainability and Vulnerabilities

36. 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 improve the liquidity profile of the debt, a management operation is planned before end-2023 to reduce the Government's outstanding domestic obligations. In addition, ensuring debt sustainability requires the authorities to step up their efforts to monitor the risks associated with public enterprises and to make timely progress on restructuring, to reduce contingent liability risks.

37. The government is committed to reducing the stock of undisbursed committed balances (SENDs), in consultation with its creditors. The government plans to reduce the stock from CFAF 3,673 billion as at end-2022 to CFAF 3,548.1 billion as at end-2023 (estimated level at CFAF 3,484.1 billion at end-September 2023, to be added with the loan agreements to be signed by the end of 2023 for an amount of about CFAF 577 billion and the planned disbursements of CFAF 641 billion). The Government has made an inventory of loan and grant agreements for 180 projects. It will consult with development partners to possibly reverse non-performing SENDs and, if necessary, reallocate unused funding to other projects. The government is aware that timely disbursement, in line with each project's schedule, is a prerequisite for containing SENDs and the associated budgetary and economic costs, in a context where the need to conclude new projects to fill the infrastructure gap is becoming an emergency.

E. Financial Sector Resilience and Financial Inclusion

38. The government is committed to complying with regulations to preserve the stability of the monetary union and its banking system. 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. Additionally, the current events in international financial markets highlight the need for continued reforms to strengthen the stability of the financial sector. The government will focus on measures to strengthen the resilience of the banking sector, including compliance with prudential standards and the implementation of COBAC recommendations.

39. Resolution of the distressed banks is continuing. In July 2023, COBAC authorized the government, as well as the historical shareholders who had committed to do so, to take equity positions in the two banks in difficulty, as provided for in the restructuring plans. The government had begun the process of recapitalizing the restructuring banks in advance, in accordance with the commitments made. These recapitalizations are in line with the approved restructuring plans, in which the historical shareholders have not been bailed out. All of them, pending fresh capital, the prudential positions of the two banks remain fragile. In addition, one of the banks still has a significant asset shortfall that the government has committed to filling. Therefore, the government undertakes to provide a schedule for the disbursement of the remaining capital tranches latest end-December 31, 2024, the deadline agreed to by COBAC. In addition, the authorities plan to make up the shortfall in assets by signing a commitment to the bank in question. The mechanism will take the form of compensation by means of non-payment of taxes by the bank over a period of five (5) years. The taxes collected in this way will be deposited in an escrow account opened in the bank's books. In the event that the taxes collected are not sufficient to cover an instalment, the government undertakes to cover the said instalment through the State budget.[1] At the same time, the government will continue the privatization process of the CBC (Commercial Bank of Cameroon) which will be completed in 2024, in accordance with the commitments made by the *Groupement – Conseil de l'Etat* to this effect.

40. The government will continue to support access to credit for SMEs. Access to credit for SMEs, while important for their growth, is too often difficult and needs to be further encouraged. This requires an improvement in the business climate by reducing non-performing loans, to increase the confidence of banking and micro-credit institutions in the SME sector. To this end, it is important to continue promoting : i) the establishment of various credit registers, balance sheet registers, and the creation of a rating system for companies and individuals associated with the BEAC; ii) the digitization of the land registry to enable the creation of a register of real estate securities; iii) the training of judges in commercial affairs and the creation of competent commercial courts; iv) the establishment of a government guarantee fund for SMEs; v) the consideration of the crowding-out effect linked to the issuance of public securities on the market in its issuance strategy.

41. The government will clarify the role of the Debt Collection Corporation (SRC). The government will conduct an audit of the significant losses recorded in 2022 and ensure the strengthening of its governance and the transparency of its operations, prior to any expansion of its activities. The government will also ensure that the institution has adequate resources to carry out its activities.

42. In particular, the government will ensure that the regulatory texts necessary for the effective launch of a state depository corporation (*Caisse des Dépôts et Consignations* or CDEC) are signed as soon as possible. Any delay in this direction is likely to extend the time limits for the transfer of funds to the CDEC. The government will also take all necessary measures to ensure that, on the one hand, the funds vested in the CDEC and held by other actors are effectively transferred to these books during the first half of 2024 and, on the other hand, the deposits and consignments provided for by the law of April 14, 2008, are made directly and exclusively with the

[1] Nevertheless, self-financing of bank capital is not recognized as a practice in line with international standards (Basel Committee Framework) and is incompatible with good practices. As a result, the funding should be covered by the government budget or by issuing a coupon bond on the markets.

CDEC from the first quarter of 2024. Regarding asset management, the state depository corporation (CDEC) will enter into prior discussions with COSUMAF.

43. The government finalized its financial inclusion strategy in February 2023 with an action plan for 2023-2027. The government is now working with development partners to implement the plan and thereby increase the economy's low banking penetration rate while reducing underlying gender inequalities.

F. Governance, Transparency and Anti-Corruption

44. The government continues its efforts to strengthen governance, transparency, and anti-corruption. A diagnosis of economic governance was developed in collaboration with the IMF (missed **structural benchmark no. 5, September 2023, prior action**).

45. The government intends to continue reforms initiated on the breakdown of the common chapters of the State budget, to reduce the weight of accidental and unforeseeable expenditure to between 3 and 5 percent of the State budget by 2025. Consequently, the government will adopt a timetable for the transformation of common chapters for the benefit of authorizing officers and managers in the relevant ministries, as part of the reform of decentralized authorizations **(new structural benchmark no. 17, May 2024)**. The inclusion of appropriations for accidental and unforeseeable expenditure in allocations will be effective in the 2025 budget law, which will not exceed 3-5 percent of the budget and the budget will also specify the modalities for the management of these allocations **(new structural benchmark, no. 18, November 2024).**

46. Cameroon is making progress towards validating compliance under the Extractive Industries Transparency Initiative (EITI). The government published the 2020 EITI Reconciliation Report in December 2022 and the 2021 EITI Reconciliation Report in September 2023. Despite some challenges in implementing the 15 corrective actions prescribed by the EITI International Secretariat Board during the last validation, the validation process under the 2019 EITI Standard was launched in October 2023.

47. The government is committed to putting in place measures to strengthen the fight against money laundering and terrorist financing (AML/CFT). Since the adoption of its Mutual Evaluation Report (MER) in October 2021 (published in March 2022), Cameroon has made progress on some of the recommended actions by increasing the resources of the Financial Intelligence Unit and strengthening the capacities of investigative authorities and judicial bodies to effectively conduct AML/CFT cases. In June 2023, the government committed to work with the Financial Action Task Force (FATF) and the Action Group against Money Laundering in Central Africa (GABAC) to implement an action plan to strengthen the effectiveness of its AML/CFT regime, following the country's addition to the grey list.

PROGRAM MODALITIES

48. **Considering external pressures and to allow sufficient time to achieve program objectives, the government is requesting an extension of the current ECF/EFF arrangements from the current 36 months to 48 months (i.e., until July 28, 2025).** The government is also requesting an increase in access amounting to 40 percent of Cameroon's quota (SDR 110.4 million) and a modification in the program's conditionalities. The government also requests that the increase in access to be split between GRA resources (26.7 percent of quota; SDR 73.6 million) and PRGT resources (13.3 percent of quota; SDR 36.8 million).

49. **The government is requesting a waiver for the breach of the continuous performance criterion on non-accumulation of external arrears.** The government is also requesting the approval of modifications to the program targets for end-March 2024, and setting new end-June and end-December 2024 QPCs, and end-September 2024 ITs reflecting the current macroeconomic framework, budget projections, and program commitments.

50. **The government will take all necessary measures to meet the targets and criteria presented in Tables 1 and 2 of this memorandum.** The program will be monitored at semiannual reviews using 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 sixth review based on end-December 2023 targets, is expected to be completed from June 15, 2024. The seventh review based on end-June 2024 targets is expected to be completed from December 15, 2024. The eighth review based on end-December 2024 targets is expected to be completed from June 3, 2025.

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 June-23			End-Sept 23				End-Dec 23	End-Mar 24		End-Jun 24	End-Sept 24	End-Dec 24
	QPC	Est.	Performance	IT	Adjusted IT	Est.	Performance	QPC	IT (4th rev.)	IT (new)	QPC (new)	IT (new)	QPC (new)
A. Quantitative Performance Criteria 1/													
Floor on the non-oil primary fiscal balance (payment order basis)	-331	-233	Met	-474		-302	Met	-745	65	-30	-508	-480	-611
Ceiling on the net domestic financing of the central government (excluding IMF financing) 2/	132	67	Met	147	192	141	Met	39	-8	12	224	112	-176
Ceiling on net borrowing of the central government from the central bank (excluding IMF financing) 2/	139	-32	Met	127	172	70	Met	111	0	0	0	0	0
Ceiling on the disbursement of non-concessional external debt	346	118	Met	518		139	Met	691	188	185	370	554	739
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	97.7	Met	…		203	Met	512.9	…	…	512.9	…	512.9
C. Indicative Targets													
Floor on non-oil revenue	1,729	1,906	Met	2,591		2,757	Met	3,754	1016	1038	1974	2958	4200
Ceiling on the net accumulation of domestic payment arrears	-81	161	Not met	-228		314	Not met	-374	-64	-55	-110	-165	-220
Floor for poverty-reducing social spending	624	694	Met	993		1,011	Met	1325	355	265	539	959	1368
Ceiling on direct interventions of SNH	80	90	Not Met	110		134	Not met	145	40	40	80	110	145
Share of spending executed through exceptional procedures on authorized (payment order) spending 5/	4	10.9	Not met	4		9	Not met	4	4	4	4	4	4
Ceiling on Treasury advances without a budget allocation 6/				15		42	Not met	15	15	15	15	15	15
Memorandum items 7/:													
1. Cumulative external budget support, excluding IMF (earliest disbursement)	*23*	*23*		*68*		*23*		*129*	*0*	*18*	*78*	*78*	*164*
2. Balance of the special account for the unused statutory advances	*50*	*50*		*50*		*1*		*1*	*1*	*1*	*1*	*1*	*1*

Sources: Country authorities and IMF staff projections.

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

1/ Program indicators under A are performance criteria at end-June and end-December 2023, end-June and end-December 2024; 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 in 2023 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.

Table 2. Cameroon: Prior Action and Structural Benchmarks

	Prior Action	Completion date[1]	Revised Deadline[1]	Indicator	Status	Comments
	Public finance and debt management					
	Submit to Parliament the 2024 Finance Act in line with the macroeconomic and budgetary framework of the 5th reviews.				Met	This prior action was met on November 30, 2023.
	Publish a diagnostic of governance vulnerabilities, particularly with regard to corruption, including the functions of the State most relevant to economic activity, namely: i) fiscal governance; (ii) supervision of the financial sector; (iii) market regulation; (iv) the rule of law; and (v) anti-money laundering and countering the financing of terrorism (AML/CFT).					
	Structural Benchmark	**Completion date[1]**	**Revised Deadline[1]**	**Indicator**	**Status**	**Comments**
1	Complete the audits of government payment arrears and adopt an arrears settlement plan certified by these audits.	Sept. 23		Submission of the Audit Report and Arrears Clearance Plan to IMF Staff.	Not met, implemented with delay	Audits of the State's arrears have been completed, and a plan has been adopted to settle the arrears over 3-7 years.
2	Establish an inventory of the respective debts between the public enterprises and the Government and between the public enterprises themselves, as at end-2020, and adopt a plan for the clearance of the respective debts between the Government and public enterprises.	Sept. 23	Apr 24	Inventory and clearance plan shared with IMF Staff.	Not met	The inventories have been drawn up, however, a plan for the clearance of the respective debts between the government and public enterprises will not be completed until April 2024.
	Extractive Sector					
3	Finalize and publish all implementation texts of the 2016 Mining Code (law n° 2016/017 of December 14, 2016).	Sept. 23	June 24	Implementing texts published.	Not met	The implementing texts of the mining code have not been finalized. The creation of the national mining company, SONAMINES, tasked with defending the government's interests in the sector, required a review and the formulation of a new code, which will be submitted to Parliament in March 2024. Following its adoption, the government will publish the implementing texts of the new mining code as soon as possible.

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

	Business Climate.					
4	Revise Law No. 2013/004 of April 18, 2013, to rationalize incentives and promote healthy competition between economic operators.	Dec. 23	Nov. 24	Revised Act published		The revision of Law No. 2013/004 of April 18, 2013 was delayed to allow an intermediate step (SB7), which has now been met.
	Good Governance and Anti-Corruption					
5	Publish a diagnostic of governance vulnerabilities, particularly with regard to corruption, including the functions of the State most relevant to economic activity, namely: i) fiscal governance; (ii) supervision of the financial sector; (iii) market regulation; (iv) the rule of law; and (v) anti-money laundering and countering the financing of terrorism (AML/CFT).	Sept. 23	Prior Action	Publication of the report	Not met	The government has completed a diagnostic of economic governance in collaboration with the IMF. The government has authorized the publication of the report by the Board date.
6	**SONARA Restructuring Plan:** Elaborate a restructuring plan for SONARA, including industrial and financial options under consideration.	Sept. 23		Elaborate and submit to IMF staff the new restructuring plan for SONARA.	Not met	The development of a restructuring plan for SONARA has been completed and validated by the IMC, but the in-depth technical-economic and financial feasibility study of option 3 for a complex refinery with a hydrocracking unit has not yet been finalized and submitted to IMF staff. Replaced by New SB16.
7	**Business Climate.** 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.	Met	The preparation of an action plan with recommendations to eliminate the corporate tax break, was an intermediate step to the revision of Law No. 2013/004 of 2013 to streamline incentives and promote healthy competition between economic actors (SB4).
	Project and Debt Management					
8	Implementation the decree of October 2021 governing project management units.	Aug. 23		Publication of a decree specifying the procedures for monitoring the performance of project management units	Not met, implemented with delay	This SB was introduced to improve project and debt management. The deadline was revised to August 2023 in the fourth review. It was implemented in November 2023.
	Public finance and debt management					
9	Include in the budget law of year N+1 a budgetary allocation for the clearance of outstanding unpaid obligations (RAPs) of more than 90 days at the end of year N.	Dec. 23		Allocations in the 2024 initial budget law		The purpose of this structural benchmark is to limit outstanding amounts of more than 90 days at the end of the fiscal year.

Table 2. Cameroon: Prior Action and Structural Benchmarks (continued)						
10	**Public Investment Management (PIM)** Increase to at least 80% the number and total value of contracts awarded through the COLEPS (Cameroon Online E-Procurement System) in some key ministries (infrastructure, education, health, posts, and telecommunications) between January and May 2024, in order to monitor the awarding of public contracts at the level of central services.	May 24		Report on the number and value of online procurement contracts from January to May 2024 (as a percentage of total) submitted to IMF staff		COLEPS is currently operational, but only a limited number of procurement projects is registered in the system. To strengthen reforms in this area, a new formulation of this SB is proposed.
	New Structural Benchmarks					
	Revenue mobilization					
11	Create a dataset of wages and salaries that is suitable for simulating IRPP calculations and that comprises both the entire public sector and a representative sample of private sector employees.	Nov. 24		Share the database with IMF staff.		This is a long-standing technical assistance recommendation. This database plays a key role in assessing the impact of possible IRPP reforms on income and equity.
12	Prepare a detailed action plan, including the first 100 outstanding tax and customs debts, including state-owned enterprises, to manage and recover at least 15 percent of the outstanding recoverable tax arrears (outstanding as at end-June 2023) and implement 50 percent of the measures included in the action plan.	April 24		Submit to IMF staff a detailed and sequenced action plan.		Tax arrears are a significant problem in Cameroon as established in the March 2022 IMF technical assistance report. This measure will improve tax revenue collection and strengthen the governance of tax administration by improving the transparency of budget management.
	Public Financial Management					
13	Take into account in the budget the commitment authorizations (CAs) and payment appropriations (PAs) that comply with the MTBF and are consistent with the timetable for the implementation of investment projects.	Nov. 24		Inclusion in the budget of an annex on CAs and PAs that comply with the MTBF and are consistent with the timetable for the implementation of investment projects (from the 2025 budget). Draft budget law to be presented to IMF staff.		There are significant weaknesses in public investment management practices, including the management of multi-year projects. Improving the efficiency of investments, particularly in public infrastructure, will support the private sector and economic growth.
14	Develop comprehensive and realistic public procurement plans, which should allow for the development of commitment plans consistent with monthly cash flow plans.	May 25		Prepare and publish an annual report for 2024, assessing consistency between commitment and cash plans and based on the work of the Treasury Committee (CTRB) and its Secretariat.		This measure aims to strengthen the management of public expenditures, in particular regarding public procurement of investment projects.
15	Minister of Finance to issue an instruction, following an audit, to strengthen the management of correspondent accounts with provisions on the closure of illegal accounts, the clearance of existing arrears, and relevant cash management rules consistent with the requirements of the annual budget law.	Dec. 24		Submit the instruction to IMF staff.		The measure aims to strengthen cash management of correspondent accounts.

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

16	Implementation of the SONARA Restructuring Plan. Carry out the in-depth technical-economic and financial feasibility study of option no.3 validated by the President of the Republic related to a refinery complex with a hydrocracking unit, accompanied by the plans and design of the new refinery.	June 2024		Conduct and submit the study report to IMF staff.		This new SB replaces SB6, which has not been met. The development of a restructuring plan for SONARA has been completed and validated by the IMC, but the in-depth technical-economic and financial feasibility study of option 3 for a complex refinery with a hydrocracking unit has not yet been finalized and submitted to IMF staff.
	Governance					
17	Adopt a timetable for the transformation of the common chapters for the benefit of the authorizing officers of the ministries and the managers concerned in the context of the reform of the devolution of the authorization.	May 24		Validated timetable for transforming common chapters into allocations is sent to IMF staff.		This SB aims to improve transparency in the use of "common chapters".
18	Include the appropriations for accidental and unforeseeable expenses in endowments in the 2025 draft budget law, which do not exceed 3-5 percent of the budget, and specify the modalities for managing the endowment.	Nov. 24		The 2025 draft budget law, presenting the appropriations for accidental and unforeseeable expenditures in endowments and specifying the modalities for managing the endowment, is transmitted to the IMF staff.		This SB aims to improve transparency in the use of "common chapters".
	1/ Refers to end of the month.					

Attachment II. Technical Memorandum of Understanding

Provisions of the Extended Credit Facility and the Extended Fund Facility, 2021–25

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 2021-25. The TMU also establishes the framework and cutoff dates for reporting the data to enable IMF staff to assess program implementation.

CONDITIONALITY

2. The quantitative performance criteria and indicative objectives from end-June 2023 until end-December 2024 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.

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

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

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

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

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

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

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

- Net bank credit net to the government is equal to the change in the balance between the government's commitments and assets with the national banking system. These assets include: (i) the Treasury's cash resources on hand; (ii) Treasury deposits with the Central Bank, not including the Heavily Indebted Poor Counties (HIPC) account and the Debt Reduction and Development Contract (C2D) account; and (iii) the credit balance of the accounts of the *Caisse Autonome d'Amortissement (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 53.3 billion at end-September 2023.

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 in the program are defined as external debt obligations of the government (principal and interest) not paid 30 days after the due date specified in the underlying agreement, taking into account any applicable 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 2023 and 2024. 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 2023 and 2024. 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.

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 prompted by a change in the financing terms (interest, maturity, grace period, payment schedule,

[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).

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	Frequency 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 Finance (MINFI)/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 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 tax payers
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		

INTERNATIONAL MONETARY FUND

CAMEROON

December 7, 2023

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION, FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY ARRANGEMENTS, AND REQUESTS FOR EXTENSION AND AUGMENTATION OF ACCESS, A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AND MODIFICATION OF A PERFORMANCE CRITERION—INFORMATIONAL ANNEX

Prepared By | African Department

CONTENTS

RELATIONS WITH THE FUND

As of July 1, 2023

A. Financial Relations

Membership Status: Joined: July 10, 1963; Article VIII

General Resources Account:	**SDR Million**	**%Quota**
Quota	276.00	100.00
IMF's Holdings of Currency (Holdings Rate)	357.73	129.61
Reserve Tranche Position	1.35	0.49
SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	441.80	100.00
Holdings	218.64	49.49
Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
RCF Loans	276.00	100.00
ECF Arrangements	469.20	170.00
Extended Arrangements	82.80	30.00

Latest Financial Commitments:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
EFF	Jul 29, 2021	Jul 28, 2024	322.00	248.4
ECF	Jul 29, 2021	Jul 28, 2024	161.00	124.2
ECF	Jun 26, 2017	Sep 30, 2020	483.00	427.80

Outright Loans:

Type	Date of Commitment	Date Drawn/Expired 1/	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RCF	Oct 21, 2020	Oct 23, 2020	110.40	110.40
RCF	May 04, 2020	May 06, 2020	165.60	165.60

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

Projected Payments to Fund 1/

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2022	2023	2024	2025	2026
Principal		41.40	63.48	96.60	159.2
Charges/Interest	2.0	15.2	30.1	30.1	29.7
Total	2.04	56.62	93.58	126.67	188.84

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

Implementation of HIPC Initiative:

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

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

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

Implementation of Multilateral Debt Relief Initiative (MDRI):

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

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

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

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

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

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

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

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

Implementation of Post-Catastrophe Debt Relief (PCDR): Not Applicable

Safeguards Assessments:
The Bank of the Central African States (BEAC) is the regional central bank of CEMAC. The 2022 safeguards assessment found that BEAC maintained strong governance arrangements. Since then, the BEAC senior executive management team has gone through significant turnover. A safeguards monitoring mission is planned before end-2023 to evaluate continuity in the governance arrangements at the BEAC. [1] In addition, an external quality assessment of internal audit was finalized, and staff will follow up on the resulting recommendations and implementation of the remaining 2022 safeguards recommendations.

B. Non-Financial Relations

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

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[1] IMF staff report on: "Central African Economic and Monetary Community—Staff Report on the Common Policies of Member Countries, and Common Policies in Support of Member Countries Reform Programs", December 2023.

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

Article IV Consultation:

The last Article IV consultation with Cameroon was concluded by the Executive Board on February 23, 2022.

FSAP Participation and ROSCs:

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

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

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

Technical Assistance
2022

November	AFC Investor base diversification
October	AFC LTX (EM) STX Internal Controls
October	STX mission
September	STX mission
September	AFC - Gender Budgeting tools
September	STX mission
September	Enhancing Government securities issuance coordination in the CEMAC- Follow up
July	GDP - Chain-linked Quarterly National Accounts
July	GDP - Financial accounts
July	AFC LTX (EM) STX improving salary expenditures
June	MCM Finalization of procedures for operations on the primary market
May	FAD HQ TA Mission - Fiscal Decentralization
May	Government Financial Statistics - AFC
May	Budget Execution Control
May	FAD Fiscal Decentralization
April	STA Balance of payments
April	STA Balance of payments

April	AFR Training – Government Financial Statistics and PSDS - AFC
March	Identification of AFC support mission
March	FAD HQ TA Mission
March	STA HQ TA Mission
March	STA HQ TA mission
March	FAD Reorganization of the Directorate of Budget (DGB)
March	FAD RMTF scoping mission
February	FY21-Reclassfication
February	STA mission on the reinforcement of customs valuation
February	Regional AFC Feb 22 ESP Workshop on domestic issuance plan implementation
February	Desk activities -Webinar on Medium Term Revenue Strategy overview
February	STA - GDP – Annual and Quarterly National Accounts

2021

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

2020

November	AFRITAC mission on accounting of public physical assets
November	FAD mission on taxing project aid.
October	AFRITAC mission on the medium debt strategy
July	AFRITAC mission on accounting of public physical assets
June	AFRITAC mission on accounting of public physical assets
June	AFRITAC mission on modernizing tax management in the Covid context and beyond
May	AFRITAC mission on securing customs revenues during Covid.
May	AFRITAC mission on the national accounts
May	STA mission on data dissemination
May	FAD mission on revenue decentralization and reforming local taxation
March	FAD mission on strengthening public capital expenditures

January	AFRITAC mission on the Treasury Single Account
January	AFRITAC mission on internal budget controls: accounting of public physical assets

2019

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

2018

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

2017

November	FAD mission on improving budget execution by streamlining derogatory procedures
November	AFRITAC government finance statistics
September	FAD mission on advancing reforms in tax administration
July	STA mission on balance of payments statistics
May	AFRITAC-PFM

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

Resident Representative:

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

WORK PROGRAM WITH PARTNER INSTITUTIONS

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

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

STATISTICAL ISSUES

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

Monetary and financial statistics: Monetary statistics are reported to the Fund by the *Banque des États de l'Afrique Centrale* (BEAC) on a monthly basis in the standardized report forms (SRFs), with delays of up to two months. A key shortcoming of monetary and financial statistics is the long delay in the publication of data on interest rates offered by financial institutions to non-financial entities on deposits and loans. In addition, the depository corporation survey does not include data from deposit taking microfinance institutions, a fast-growing sector in the country.

Financial sector surveillance: The Banking Commission of Central African States (COBAC) reports all core financial soundness indicators as well as some additional indicators to STA for Cameroon.

Balance of payments: Cameroon participates in the JSA/AFR Project to Improve External Sector Statistics (ESS) in selected francophone African Countries and has received technical assistance in ESS under the project since 2016. The quality of the BoP data has improved significantly with data now reported annually and, since 2017, quarterly. However, there are significant delays largely because of delays in source data, including financial and capital accounts data and external trade data. Annual IIP data were submitted for the first time in 2016 for 2012–15 and has been produced on a yearly basis since then, submitted with delays.

External debt: External debt data is broadly adequate for surveillance purposes. Data, collected by the Caisse Autonome d'Amortissement (CAA), has improved significantly and is now of high quality. The data is fairly comprehensive, with accurate data on stocks and with debt-service projections on a loan-by-loan basis. The CAA publishes monthly reports as well as quarterly and annual summaries. Improved contacts with creditors have helped CAA improve timeliness and accuracy. However, data is comprehensive only for public and explicitly guaranteed debt.

II. Data Standards and Quality

Cameroon has participated in the General Data Dissemination System (GDDS) since 2001. In July 2017, Cameroon began publishing critical macroeconomic data on the website of the National Institute of Statistics—the National Summary Data Page (NSDP), making the implementation of the enhanced General Data Dissemination System (e-GDDS) effective.	No ROSC data are available

III. Reporting to STA

Cameroon reports limited data for publication in the IMF Government Finance Statistics Yearbook under the 2014 format and for 2012-18. Only the limited quarterly data is reproduced in the government finance statistics section of the International Financial Statistics. Cameroon also reports quarterly and yearly data for publication in the Fund's Balance of Payments Statistics.

Cameroon: Table of Common Indicators Required for Surveillance
(As of November, 2022)

	Date of latest observation	Date received	Frequency of data[1]	Frequency of reporting[1]	Frequency of publication[1]
Exchange rates	Nov 2023	Nov 2023	D	D	Daily, on BEAC website
International reserve assets and liabilities[2]	Sep 2023	Nov 2023	M	M	M
Reserve/Base money	Sep 2023	Nov 2023	M	M	M
Broad money	Sep 2023	Nov 2023	M	M	M
Central bank balance sheet	Oct 2023	Nov 2023	M	M	M
Consolidated balance sheet of the banking system	Oct 2023	Nov. 2023	M	M	M
Interest rates[3]	Sep 2021	Oct 2021	M	M	M
Consumer price index (main cities)	Sep 2023	Nov 2023	M	M	M
Consumer price index (national)	Sep 2023	Nov 2023	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[4] – General government[5]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[4] – Central government	August 2023	Oct. 2023	M	M	Partial data published quarterly
Stocks of debt contracted or guaranteed by the central government[6]	Oct. 2023	Nov. 2023	M	M	M
External current account balance	Mar 2023	Aug 2023	Q	Q	Q
Exports and imports of goods and services[7]	Sep 2023	Oct 2023	M	M	M
GDP/GNP	Jun 2023	Oct 2023	Q	Q	Q
Gross external debt	Sep 2021	Nov 2021	Q	Q	Q
International investment position	Dec 2021	Sep 2022	Y	Y	Y

[1] Monthly (M), Quarterly (Q), Annual (A), and Not Available (NA).
[2] Of the monetary authorities. Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[3] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[4] Foreign, domestic bank, and domestic nonbank financing.
[5] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[6] Including currency and maturity composition.
[7] Goods only, data on trade in services are not available.

CAMEROON

December 7, 2023

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION, FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY ARRANGEMENTS, AND REQUESTS FOR EXTENSION AND AUGMENTATION OF ACCESS, A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AND MODIFICATION OF A PERFORMANCE CRITERION—DEBT SUSTAINABILITY ANALYSIS

Approved By
Vitaliy Kramarenko, Bergljot Bjornson Barkbu (IMF) and Manuela Francisco, Abebe Adugna Dadi (IDA)

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

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

Cameroon remains at high risk of debt distress while its overall debt sustainability indicators have been broadly stable compared to the previous DSA report published in February 2023. Larger contingent liabilities and rising interest rates negatively affect the DSA indicators, while higher energy prices, stronger exchange rate, and the extension and augmentation of the current program provide positive effects. The debt carrying capacity continues to be weak as suggested by the latest score of the Composite Index (CI) and the bond spread is above the benchmark value.[1] *On the other hand, while Cameroon's external debt stock indicators continue to lie below the threshold, its external debt service indicators remain above the threshold but have improved supported by the*

[1] The Cameroon Composite Indicator index, calculated based on the October 2023 World Economic Outlook and the 2022 Country Policy and Institutional Assessment, is at 2.61, indicating that Cameroon's debt-carrying capacity remains weak.

authorities' active debt management. Both external debt service indicators are on a downward trend. Taking all these factors into consideration, staff maintains the assessment that Cameroon's debt is sustainable given the authorities' commitment to program objectives, including fiscal consolidation efforts and active debt management.

Key downside risks to this assessment include the continuing war in Ukraine and an escalation of geopolitical tensions which could set back the global recovery and putting pressure on the Cameroonian economy. Prolonged tight global financial conditions could lead to the deterioration of financing environment and higher borrowing costs. The high volatility of global energy prices could lead to uncertainty on both exports and fiscal revenue. On the domestic front, the overall macroeconomic situation could be affected by the rising social tensions amidst both higher inflation and upcoming presidential election, a deterioration in regional stability with spillovers to Cameroon, as well as more frequent climate disasters such as flooding. A realization of contingent liabilities, such as State-Owned Enterprises (SOEs) and Public-Private Partnership (PPP) projects, could weigh further on DSA baseline indicators.

To mitigate the risks, Cameroon should firmly push forward its agenda to ensure its debt sustainability, while aligning macroeconomic policies with social objectives. First, keeping public debt dynamics on a sustainable path requires continued efforts in fiscal consolidation, including a further reduction in fuel subsidies and increased revenue mobilization. Second, the authorities should closely monitor their debt service and strengthen the management of their debt portfolio to minimize interest rate risks. Third, vulnerable export-related debt indicators point to the need for export promotion. Reform momentum to improve the domestic business and investment environment should be further accelerated, boosting exports and inviting more foreign direct investment inflows. Lastly, management of SOEs and PPP projects should be strengthened to reduce risks related to contingent liabilities.

PUBLIC DEBT COVERAGE

1. **Debt coverage has remained unchanged since the previous DSA (Text Table 1).** Public debt coverage, as agreed with the authorities in the Technical Memorandum of Understanding (TMU), includes debt of the central government, expenditure floats and arrears, guarantees, debt of a public oil company SONARA, and external arrears of other state-owned enterprises (SOEs).[2] The DSA does not cover the debt of local governments, which are not allowed to borrow from financial markets, and such debt is mostly owed to domestic suppliers, including SOEs, and is yet to be further verified.[3] Other elements of the general government such as social security funds or extra budgetary funds are not covered.[4] External debt is mainly defined based on currency denomination but is adjusted for residency where data are available.[5]

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

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

2. **Domestic debt of SOEs other than SONARA are not included in the DSA's debt baseline perimeter but treated as contingent liabilities.** Progress has been made in understanding overall SOE debt. In recent years the authorities have been improving the comprehensiveness of debt reporting by expanding the scope of SOE debt data, supported by the World Bank's Sustainable Development Finance Policy (SDFP) Performance and Policy Actions (PPA). As part of structural benchmarks under the IMF program and based on the criteria of relative importance, 14 large SOEs were selected to produce diagnostic studies, and clarify the status of cross-debts among SOEs and the state. As of data available on June-2023 as reported by the debt management agency the Autonomous Sinking Fund of Cameroon (CAA), such SOEs' external and domestic debt (excluding cross-debt to SOEs and the State) totaled CFAF 511.0 billion and CFAF 375.6 billion, compared to CFAF 522.8 billion and CFAF 392.2 billion half year earlier. The National Refining Company (SONARA) accounted for the majority of listed SOEs' debt, representing around 82.1 percent of external debt and 68.6 percent of domestic debt.

[2] Other SOEs' external arrears include a supplier credit to a SOE (Euro 8.9 million) and a compensation claim on a SOE for termination of contract (Euro 6.2 million).

[3] Debt stock of Collectivités Territoriales Décentralisées (CTD), in the form of commercial debt, wage, and other social debts, was CFAF 10 billion at end-2022 from Doula and no settlement plan has been confirmed. The authorities have not verified CTD debt at a broader national scope.

[4] The public pension system in Cameroon operates on a pay-as-you-go basis with defined benefit schemes. The diagnostic study of public pension suggests the imbalance of the system is mainly related to the military sub-scheme.

[5] This is due to limited capacity in tracking debt holdings of non-residents. Debt with available data such as from the Development Bank of the Central African States (CFAF 25.3 billion as of end-2021) is classified as external debt.

3. The parameters related to contingent liability stress test has been updated, which accounts for vulnerabilities associated with uncovered debt including other SOEs' domestic debt and PPPs (Text Table 2). Cameroon's successful completion of the FY22 PPAs and continued implementation of FY23 PPAs will further strengthen debt management. The authorities have made progress in building a legal and regulatory framework governing Public-Private Partnerships (PPP), which has been adopted by the Parliament in June 2023. At the CEMAC regional level, consultations on a harmonized framework have been ongoing since March 2023 but further progress is yet to be made. The scope for reporting on contingent liabilities of PPPs has been expanded further, and the data capital stock of public private partnerships (PPPs) was 4,931 billion or about 16.6 percent of GDP as of June 2023. In the DSA exercise, the aforementioned PPP value corresponding to a contingent liability of 5.8 percent of GDP. Meanwhile, all debt of SONARA and other SOEs' external arrears have already been captured in the baseline, and the shock scenario for the remaining uncovered SOE debt is set at 3 percent of GDP.[6] Contingent liabilities from financial markets are set at the minimum value of 5 percent of GDP, representing the average cost to the government of a financial crisis in a LIC since 1980. Estimates of other elements not covered are currently not available.

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

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

	The country's coverage of public debt	Default		Used for the analysis	Reasons for deviations from the default settings
1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt			
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	3	percent of GDP	3.0	
4	PPP	35	percent of PPP stock	5.8	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			13.8	

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

BACKGROUND

A. Evolution of Debt

4. The overall level of public debt moderated in 2022 and through 2023. According to preliminary staff estimates, the total public and publicly guaranteed (PPG) debt is around CFAF 12,556 billion (45.3 percent of GDP) as of end-2022, compared to 46.8 percent of GDP at end-2021 (Text Table 3). The external debt stock was estimated at CFAF 8,528 billion (30.8 percent of GDP) and domestic debt at CFAF 4,028 billion (14.5 percent of GDP). In the first half of 2023, the public debt trended down in both nominal value and the ratio to GDP.

[6] Taking into account more information of SOEs debt stock, the value has been increased to 3 percent from 2 percent in the previous DSA vintage.

Text Table 3. Cameroon: Evolution of Total PPG Debt

	2020		2021		2022 (Prel.)		June-2023 (Prel.)	
	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/
Total Public Debt (authorities' estimate)	**10,351**	**44.1**	**11,444**	**45.5**	**12,382**	**44.7**	**12,137**	**42.3**
Debt of the central government	9,439	40.2	10,556	42.0	11,455	41.3	11,240	39.2
External debt	6,747	28.7	7,578	30.1	8,153	29.4	7,999	27.9
Domestic debt (excl. arrears)	2,505	10.7	2,815	11.2	3,084	11.1	3,024	10.5
Unpaid government obligations (float and arrears) 2/	187	0.8	163	0.6	217	0.8	217	0.8
Publicly guaranteed debt (external)	29	0.1	21	0.1	13	0.0	10	0.0
Debt of SOEs (unguaranteed) 3/	883	3.8	866	3.4	915	3.3	887	3.1
SONARA 3/	655	2.8	651	2.6	700	2.5	677	2.4
of which: external	359	1.5	366	1.5	434	1.6	419	1.5
of which: domestic	296	1.3	286	1.1	266	1.0	258	0.9
Ex-SONARA 4/	228	1.0	215	0.9	215	0.8	210	0.7
of which: external	94	0.4	93	0.4	88	0.3	92	0.3
of which: domestic	134	0.6	122	0.5	126	0.5	118	0.4
Total External	7,229	30.8	8,058	32.0	8,689	31.4	8,520	29.7
Total Domestic	3,123	13.3	3,386	13.5	3,694	13.3	3,617	12.6
Total Public Debt (staff estimate)	**10,535**	**44.9**	**11,770**	**46.8**	**12,556**	**45.3**	**12,309**	**42.9**
Debt of the central government	9,800	41.7	11,089	44.1	11,915	43.0	11,702	40.8
External debt	6,747	28.7	7,578	30.1	8,153	29.4	7,999	27.9
Domestic debt (excl. arrears)	2,505	10.7	2,815	11.2	3,084	11.1	3,024	10.5
Unpaid government obligations (float and arrears) 2/	547	2.3	695	2.8	677	2.4	679	2.4
Publicly guaranteed debt (external)	29	0.1	21	0.1	13	0.0	10	0.0
Debt of SOEs (unguaranteed)	706	3.0	660	2.6	628	2.3	597	2.1
SONARA 3/	698	3.0	651	2.6	619	2.2	588	2.0
of which: external (incl. arrears)	370	1.6	365	1.5	353	1.3	328	1.1
of which: domestic	328	1.4	286	1.1	266	1.0	260	0.9
Ex-SONARA (external) 4/	8	0.0	9	0.0	9	0.0	9	0.0
Total External	7,155	30.5	7,974	31.7	8,528	30.8	8,346	29.1
Total Domestic	3,380	14.4	3,796	15.1	4,028	14.5	3,963	13.8

Sources: Cameroonian authorities and IMF staff calculations.
1/ Reflects rebasing of the national accounts from 2005 to 2016.
2/ Staff estimate includes arrears, floats, and "floating" domestic debt at the Treasury as defined in the TMU, while authorities' estimate only includes overdue payments of more than three months.
3/ Authorities' estimate of historical SONARA debt varys significantly with previous data. Staff maintains estimates in the previous DSAs. The authorties data include other SOEs' domesit debt.
4/ Difference in estimates is due to the scope of coverage as described in paragraph 2 and related footnotes.

5. **In line with Cameroon's debt strategy to increase average maturity of public debt, the share of multilateral debt in the composition of government external debt continues to rise.** It reached 45.9 percent of the total PPG external debt as of June-2023 (Text Table 4), compared to 34.4 percent as of end-2019. The WB loans accounted for 37.9 percent of multilateral loans or 17.4 of total external debt during the same period. Both bilateral and commercial debts have been declining. In terms of external commitments signed in 2022, the amount reached CFAF 812 billion, including project loans CFAF 553.2 billion, of which two-thirds are concessional. As of end-September 2023, 9 projects totaled CFAF 321.0 billion has been signed in 2023.[7]

[7] An adjustor applies to the debt ceiling in 2023 to accommodate the World Bank projects, including a Cameroon-Chad Transport Corridor, Douala Urban Mobility Project, Local Governance and Resilient Communities Project, and a regional project for the modernization and harmonization of statistics.

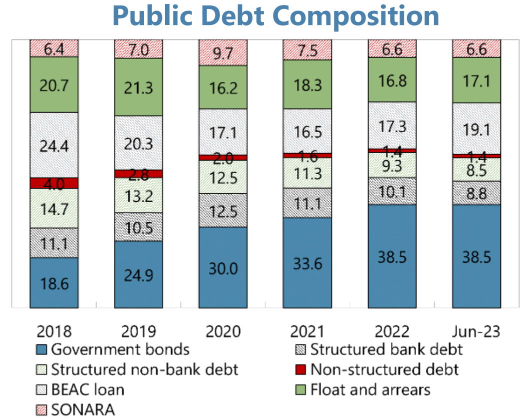
Text Table 4. Cameroon: External Debt Composition

	2020	2021	2022	Jun-23	2020	2021	2022	Jun-23
	(Billions of CFAF)				(Percent, share)			
Total PPG External Debt (staff estimate)	**7155**	**7974**	**8528**	**8347**	**100.0**	**100.0**	**100.0**	**100.0**
Debt of the central government	**6747**	**7578**	**8153**	**8000**	**94.3**	**95.0**	**95.6**	**95.8**
Multilateral	**2764**	**3268**	**3742**	**3830**	**38.6**	**41.0**	**43.9**	**45.9**
IMF	546	671	789	808	7.6	8.4	9.3	9.7
World Bank (IDA, IBRD)	1029	1214	1397	1452	14.4	15.2	16.4	17.4
African Development Bank/Fund	826	906	1006	1021	11.5	11.4	11.8	12.2
Other Multilateral	364	477	550	550	5.1	6.0	6.4	6.6
Bilateral	**3070**	**3298**	**3405**	**3200**	**42.9**	**41.4**	**39.9**	**38.3**
Paris Club	1020	1089	1009	943	14.3	13.7	11.8	11.3
Non-Paris Club	2050	2209	2396	2258	28.6	27.7	28.1	27.0
of which: China	1895	2046	2232	2096	26.5	25.7	26.2	25.1
Commercial	**913**	**1012**	**1006**	**970**	**12.8**	**12.7**	**11.8**	**11.6**
of which: Eurobond	450	542	542	542	6.3	6.8	6.4	6.5
Guaranteed external debt	**29**	**21**	**13**	**10**	**0.4**	**0.3**	**0.2**	**0.1**
Unguaranteed SOE debt (incl. arrears)	**379**	**374**	**362**	**337**	**5.3**	**4.7**	**4.2**	**4.0**
SONARA	370	365	353	328	5.2	4.6	4.1	3.9
Others	8	9	9	9	0.1	0.1	0.1	0.1

Sources: Cameroonian authorities, and IMF staff calculations.

6. **The domestic debt declined amidst slow issuance of government bonds, and a reduction of other debt in the first half of 2023 (Text Figure 1).** Amidst slow pace of new issuance in the first half of 2023, government bond issuance (including Bons du Trésor Assimilables (BTA) and Obligations du Trésor Assimilables (OTA))—reached 38.5 percent of the total domestic public debt at the end of 2022—did not grow further in share in the first half of 2023. Remaining flat in value, the float and arrears increased slightly in share, amidst reduced total debt stock. In July 2023, Cameroon conducted a new round of government issuance (ECMR 2023) in the Central African Securities Exchange (BVMAC). A total of CFAF 176.6 billion including planned CFAF 150 billion and additional oversubscription was raised from the primary market.

Text Figure 1. Cameroon: Domestic Public Debt Composition



7. **Average maturity of public debt and weighted cost was largely unchanged in the past one year.** As of June 2023, the average maturity of public debt reached 8.1 years, where the respective maturities of external debt and domestic debt were 9.3 and 4.8 years. The weighted cost for debt was 2.3 percent in June 2023, compared to 2.4 percent one year ago.

8. While remaining elevated, the stock of contracted-but-undisbursed debt (SENDs) declined modestly in 2022 and the first half of 2023. The stock of SENDs (excluding budget support) signed by the authorities was CFAF 3542.8 billion as of June 2023, compared to CFAF 3673.2 billion at the end-2022 or CFAF 3681.4 billion at the end-2021 (Text Table 5). The structural benchmark of the publication of the decree specifying the modalities for monitoring the performance of the project management units (SB8, August 2023), following the decree of October 2021 governing the project management unit, has been met with a delay. The debt management agency had a stock taking assessment of existing loan and grant agreement related to 180 projects, in preparation of consulting with development partners regarding cancelling non-performing SENDs and negotiating reallocation of unused external credit lines to other projects where applicable. Timely disbursement according to the schedule is a prerequisite to contain SENDs going forward, amidst the need to sign more new projects to address the urgent infrastructure gap. As part of measures to accelerate the disbursement, performance clauses have been established with project management units.

Text Table 5. Cameroon: Stock of SENDs

	2019		2020		2021		2022		Jun-2023	
	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/				
SENDs	**3470**	**14.9**	**3146**	**13.4**	**3681**	**14.6**	**3673**	**13.3**	**3543**	**11.9**
Domestic	65	0.3	0	0.0	0	0.0	0	0.0	0	0.0
External 2/	3405	14.6	3146	13.4	3681	14.6	3673	13.3	3543	11.9
o/w multilateral	1671	7.2	1769	7.5	2223	8.8	2412	8.7	2309	7.8
o/w bilateral	1121	4.8	824	3.5	777	3.1	603	2.2	523	1.8
o/w commercial	613	2.6	554	2.4	681	2.7	658	2.4	711	2.4

1/ Reflects rebasing of the national accounts from 2005 to 2016.

2/ Excludes budget support.

Sources: Cameroonian authorities, and IMF staff calculations.

9. The stock of guaranteed debt and unguaranteed SOE debt has declined in 2022. The outstanding stock of guaranteed debt declined to CFAF 9.9 billion as of June 2023 from CFAF 21.3 billion at end-2021 or 13.1 billion at end-2022.[8] The unguaranteed SOE debt as agreed in the TMU, which constitutes SONARA debt and other SOEs' external debt (including external arrears),[9] also declined somewhat in the first half of 2023.

10. There were temporary breaches of the ceiling on the accumulation of external payment arrears (QPC). This continuous QPC was breached with minor and short delays of debt service to a creditor in 2023. It is critical to improve debt service management mechanism, better coordination among the government agencies, and limiting spending through exceptional procedures. A SB and revised IT have

[8] The guaranteed debt results solely from the old agreements, and additional guaranteed debt has not incurred since 2021.

[9] External arrears of SONARA are estimated by calculating the short-term external debt, including external supplier debt open account and old stock (2013 and 2014). External arrears of SONARA and other SOEs constituting non-payments to oil suppliers are included in DSA. While the DSA takes into account part of SOEs' debt and arrears, the arrears of SOEs do not represent government insolvency and/or illiquidity as these liabilities fall on the indebted SOEs and not the government.

been introduced to address the key factors underlying the breaches including treasury advances and tighter domestic financing conditions. The debt management operation to borrow long-term external debt to pay down domestic arears will also help improve liquidity profile. As of end-August 2023, there were no outstanding external debt payment arrears.

11. Cameroon's capacity to monitor and manage public debt for the purposes of the IMF's debt limits policy is adequate, but further improvements are needed. Cameroon's public debt management has been improving over time. All project financing proposals and projects financed through PPPs are examined by the National Public Debt Committee (CNDP) and signing of a new loan agreement is granted only when there is unconditional approval. Procedures and responsibilities for loan operations and public debt management have been clarified in the manual published in 2019. However, CNDP's engagement is often delayed until late in the debt contracting process, and Cameroon's debt policy is yet to be firmly anchored by its medium-term debt management framework, resulting in significant discrepancies between announced plans and actual financing. On the other hand, CNDP's scope has been extended to all domestic and external borrowing, bond issuances and innovative financing SOEs' loans and PPP contracts, contracted by the State including CTDs, public companies and public establishments. Further efforts are warranted to strengthen active engagement of the CNDP and enhance the effectiveness of the medium-term public debt strategy (MTDS), including through improved estimates of financing needs, development of consistent annual borrowing plans, and an enhanced communication strategy to facilitate creditors' understanding of the authorities' debt management objectives.

12. External private sector debt decreased in 2021. Available data from the World Bank International Debt Statistics (IDS) indicate that non-guaranteed private external debt reached CFAF 620 billion (2.5 percent of GDP) at end-2021, compared to CFAF 921 billion at end-2020.

B. Macroeconomic Forecast

13. Cameroon's economy continues to recover in 2022, supported by stronger fiscal and external positions amidst higher energy prices. Economic recovery continued in 2022 with the real GDP growing at 3.6 percent, stable compared to the previous year. The average inflation increased significantly to 6.3 percent amidst the global inflationary environment, from 2.3 percent one year. The overall fiscal deficit (payment order basis, excluding grants) declined to 1.5 percent in 2022, and the current account deficit narrowed to 3.4 percent of GDP in 2022.

14. Growth is expected to strengthen in 2023 but remain lower than projected in the previous DSA vintage, while end-year inflation is expected to remain elevated. The real GDP growth rate is projected at 4.0 percent in 2023, supported by non-oil GDP growth. Although showing a sign of peaking-out after recording 9.5 percent in November 2022, inflation stayed elevated in the first half of 2023 and is projected to be 7.2 percent on average in 2023, before returning to around 3 percent in the medium term. The fiscal deficit is expected to stay low, contributing to containing the current account deficit. The baseline scenario is subject to possible headwinds from multiple fronts, including a prolonged war in Ukraine, an escalation of geopolitical tensions, elevated import prices, continued supply chain disruptions, the domestic security situation, and slow reforms.

15. Cameroon's prospects remain favorable in the medium term. The country could benefit from ongoing structural reforms to accelerate economic growth, mobilize fiscal revenues, and reduce debt vulnerabilities. Of the nine structural benchmarks (SBs) for the fifth review, three were met on schedule, two were implemented with delay, one is expected to be implemented by the Board date (prior action), and three will be rescheduled or reformulated. Cameroon has a strong record of implementing its macroeconomic programs, maintains close engagement with donors, and its comprehensive capacity development program is well-aligned with the program objectives. The authorities are committed to adopting other contingency measures to achieve program objectives, including a revised budget. Debt sustainability risks could also be further mitigated by strengthened public debt management and reduced reliance on non-concessional borrowing. In the medium term, growth is expected to average at around 4.3 percent, and CPI inflation is projected to stabilize around 3 percent. Macroeconomic assumptions underpinning these projections are laid out in Box 1 (Text Table 6).

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

Medium Term, 2023-2027

- Real GDP growth is projected to average 4.3 percent in the medium term (2023-2027), revised down by 0.1 percentage point from the previous DSA, reflecting the downward revision of projected oil GDP growth but partially offset by a better outlook for the gas sector. Meanwhile, agro-industries, forestry, and services will continue to support growth. In comparison, the average growth was 4.4 percent in the pre-Covid period (2011-2019). The projection also builds on continued implementation—some with delays—of growth-enhancing reforms under the IMF program, including lifting business impediments through a regular consultation with the private sector; revising the law on private investment incentives to promote competition; and revamping customs and port systems to reduce transit time and costs.
- Average annual inflation is projected to stay elevated around 7.2 percent in 2023 and is expected to moderate to 5.9 percent in 2024, with an upward revision in both 2023 and 2024. Inflationary pressures are expected to subside further in the following years. Overall, considering BEAC's efforts to curb inflation, the Cameroonian authorities' fiscal consolidation and the fixed exchange rate with the Euro in the monetary union, inflation is expected to decline gradually, approaching 2.0 percent in the long term, below the CEMAC convergence criterion of 3 percent and compared to the average inflation of 1.8 percent during 2010-2019.
- The fiscal balance is expected to improve in a gradual manner, after the deficit narrowed more than expected in 2022 due to under-spending. In 2023, the revenue gain will continue while there could be more pressure on expenditure partly related to a carryover of fuel-subsidy cost from 2022 and a substantial portion of subsidy is also likely to be carried over from 2023 to 2024. The authorities adopted a three-year plan (2023-25) for modernizing the country's fiscal system and are working on a few tax policy measures based on the tax policy diagnostic by the IMF FAD in 2022.[1] Meanwhile, they are committed to reducing the non-oil primary deficit further in 2024 to below 2 percent of GDP. The fiscal deficit (excluding grants, payment order basis) is expected to average 0.9 percent of GDP (2024-2028).
- The current account balance is expected to improve gradually, around 2.5-3.0 percent of GDP in the medium term—it improved in 2022 as higher oil and non-oil commodity exports outweighed the increase in imports. Net foreign direct investment (FDI) inflows are expected to recover and average 2.3 percent of GDP in the medium term, close to the level observed in 2019. Given a continued fiscal consolidation in the medium term, building a more conducive business environment and enhancing governance is critical to attract more foreign investment. On this front, reforms such as revising law No

Box 1. Cameroon: Medium- and Long-Term Macroeconomic Assumptions (Concluded)

2013/004 of April 18, 2013 (SB5) could help to rationalize incentives and promote healthy competition, contributing to economic diversification.

Long Term, 2028-2042

- Long-term growth is expected to remain stable at 4.8 percent. The projection is predicated on a successful—albeit delayed—implementation of Cameroon's national development strategy, SND-30, that aims to boost growth, including through accelerating structural reforms and strengthening SOE management and oversight, while promoting economic diversification.[2] The strategy also aims to accelerate infrastructure projects in transport and electricity, enabling a more conducive business environment and reduce cost of production and barriers to trade.
- Fiscal revenue is projected to increase. The implementation of the Medium-Term Revenue Strategy (MTRS) is expected to boost revenue mobilization. The baseline projection also assumes that a gradual fiscal consolidation will continue beyond the program horizon.
- Exports of goods and services are projected to decline as a share of GDP in the medium term reflecting falling domestic oil production. The path improved somewhat from last review amidst higher projected global energy prices going forward. The current account is expected to continue to improve in the medium term amidst rising natural gas production and more dynamic non-oil exports. Export diversification for both product lines and destinations, including a more intensive regional trade taking advantage of the African Continental Free Trade Area (AFCTA) will underpin an improvement of export performance over the long run.

[1] In the budget law 2024, revenue-enhancing measures include phasing out of tax exemptions for businesses on interest from government securities, full taxation of benefits in kind, reduction of VAT exemptions on carbonated drinks and introduction of electronic invoice tracking, and others.

[2] Policy reform scenarios show sizeable positive implications on potential growth, including through greater economic diversification, financial deepening, strengthened investment efficiency, and a gradual elimination of subsidies to SOEs and the removal of cross-sectoral distortions.

16. The baseline projection also reflects policy parameters in the context of the IMF-supported program and PPAs under the World Bank SDFP. The IMF-supported program envisages a gradual fiscal consolidation path reflecting revenue measures, including strengthening tax and customs administration, streamlining tax exemptions, and recovering tax arrears. The assumptions on the fuel subsidy include a gradual reduction of the fuel subsidy to zero in 2025 through regular increases in domestic pump prices, after the hike in 2023 and earlier 2024. In addition, the baseline projection assumes that Cameroon will continue to remain on track implementing the PPAs (including those envisaged as PPAs in FY24) on management of fiscal risks and on contracting of non-concessional debt[10], as part of the government's efforts to address key debt vulnerabilities. These measures will create space to support spending with higher economic and social impact and strengthen public investment, which would result in a gradual recovery in the medium term, followed by a more benign growth outlook, higher export bases, and stronger revenue mobilization in the long run.

[10] The share of non-concessional loans accounts for around 20 percent of the stock of SEND.

Text Table 6. Cameroon: Key Macroeconomic Assumptions[1]

	2021	2022	2023	2024	2025	2026	2027	2028	2024-2028	2029-2043
Real GDP growth (percent)										
Current	3.6	3.6	4.0	4.3	4.5	4.5	4.5	4.6	4.5	4.8
ECF-EFF 4th review	3.6	3.8	4.0	4.2	4.4	4.5	4.5	4.6	4.5	4.8
ECF-EFF 3rd review	3.6	3.4	4.3	4.4	4.5	4.6	4.7	4.7	4.6	4.8
ECF-EFF 2nd review	3.6	3.8	4.6	4.7	5.0	4.9	4.9	4.9	4.9	4.9
ECF-EFF 1st review	3.5	4.5	4.8	5.0	5.1	5.1	5.2	5.2	5.1	5.4
ECF-EFF program request	3.6	4.6	4.9	5.3	5.4	5.6	5.6	5.7	5.5	5.8
Inflation (CPI, period average)										
Current	2.3	6.3	7.2	5.9	5.5	4.9	3.4	2.5	4.4	2.0
ECF-EFF 4th review	2.3	6.3	6.2	4.8	3.0	2.3	2.0	2.0	2.8	2.0
ECF-EFF 3rd review	2.3	5.3	5.9	4.7	3.0	2.3	2.0	2.0	2.8	2.0
ECF-EFF 2nd review	2.3	4.6	2.8	2.6	2.1	2.1	2.0	2.0	2.1	2.0
ECF-EFF 1st review	2.3	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
ECF-EFF program request	2.3	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Overall fiscal balance (excl. grants, payment order basis, percent of GDP)										
Current	-3.2	-1.5	-1.0	-0.7	-0.6	-0.9	-1.0	-0.9	-0.8	-1.7
ECF-EFF 4th review	-3.2	-1.5	-1.1	-1.0	-0.6	-0.9	-1.1	-1.0	-0.9	-1.7
ECF-EFF 3rd review	-3.2	-2.4	-1.1	-0.9	-0.5	-0.8	-1.2	-1.1	-0.9	-1.7
ECF-EFF 2nd review	-2.6	-2.5	-0.5	-0.6	-0.6	-1.4	-1.4	-1.2	-1.0	-1.0
ECF-EFF 1st review	-3.4	-2.4	-0.6	-0.8	-0.4	-0.6	-1.0	-1.5	-0.9	-1.7
ECF-EFF program request	-3.3	-3.0	-2.4	-2.2	-1.3	-1.4	-1.8	-1.9	-1.7	-1.6
Total revenue (excl. grants, percent of GDP)										
Current	13.7	15.6	15.6	15.6	15.3	15.5	15.6	15.7	15.5	16.6
ECF-EFF 4th review	13.7	15.6	15.6	15.2	15.1	15.2	15.2	15.3	15.2	16.5
ECF-EFF 3rd review	13.7	15.6	15.1	15.0	15.0	15.1	15.3	15.3	15.1	17.0
ECF-EFF 2nd review	13.9	14.9	15.6	15.4	15.4	15.3	15.3	15.7	15.4	16.5
ECF-EFF 1st review	13.6	14.4	15.6	15.9	16.4	17.0	17.0	16.6	16.6	17.2
ECF-EFF program request	14.3	15.1	15.5	16.0	16.6	17.2	17.4	17.5	16.9	18.0
Total expenditure (percent of GDP)										
Current	16.9	17.1	16.6	16.3	15.9	16.4	16.6	16.6	16.4	18.3
ECF-EFF 4th review	16.9	17.1	16.7	16.1	15.7	16.0	16.3	16.4	16.1	18.3
ECF-EFF 3rd review	16.9	18.0	16.2	16.0	15.5	15.9	16.4	16.4	16.0	18.7
ECF-EFF 2nd review	16.5	17.4	16.1	16.0	15.9	16.7	16.7	16.9	16.5	17.5
ECF-EFF 1st review	17.0	16.7	16.2	16.8	16.8	17.6	18.0	18.2	17.4	18.9
ECF-EFF program request	17.9	18.0	17.7	18.0	17.9	18.6	19.1	19.2	18.6	19.4
Current account balance (incl. grants, percent of GDP)										
Current	-4.0	-3.4	-3.0	-2.8	-2.5	-2.8	-2.7	-2.7	-2.7	-1.9
ECF-EFF 4th review	-4.0	-1.8	-2.9	-3.0	-2.7	-2.9	-2.9	-3.0	-2.9	-2.0
ECF-EFF 3rd review	-4.0	-1.6	-2.8	-3.0	-2.6	-2.5	-2.5	-2.5	-2.6	-2.8
ECF-EFF 2nd review	-4.0	-2.1	-2.6	-3.2	-3.3	-3.2	-2.9	-2.8	-3.1	-2.3
ECF-EFF 1st review	-3.4	-2.0	-3.1	-3.2	-3.1	-3.0	-2.8	-2.8	-3.0	-2.5
ECF-EFF program request	-4.0	-3.6	-3.4	-3.2	-2.8	-2.5	-2.3	-2.0	-2.6	-2.1
Exports of goods and services (percent of GDP)										
Current	16.4	19.5	18.3	18.0	17.7	16.9	16.3	16.0	17.0	15.9
ECF-EFF 4th review	16.4	20.0	18.1	17.3	17.2	16.9	16.6	16.5	16.9	16.4
ECF-EFF 3rd review	16.4	20.2	18.0	17.2	17.0	16.9	16.9	17.0	17.0	16.5
ECF-EFF 2nd review	18.2	22.4	20.1	18.2	17.4	16.8	16.4	16.3	17.0	15.2
ECF-EFF 1st review	17.3	19.0	17.4	16.7	16.4	16.2	15.9	15.7	16.2	14.5
ECF-EFF program request	17.6	18.0	17.5	17.5	17.5	17.5	17.4	17.1	17.4	15.4
Oil price (US dollars per barrel)										
Current	69.2	96.4	80.5	79.9	76.0	72.7	69.9	67.5	73.2	74.4
ECF-EFF 4th review	69.2	96.4	75.3	69.8	67.6	66.0	64.7	63.7	66.3	70.2
ECF-EFF 3rd review	69.2	96.4	81.9	77.1	72.6	69.1	66.4	64.3	69.9	70.9
ECF-EFF 2nd review	69.1	106.8	92.6	84.2	78.5	74.7	72.5	73.6	76.7	81.1
ECF-EFF 1st review	69.8	75.7	70.2	67.3	65.2	63.8	63.1	64.1	64.7	70.7
ECF-EFF program request	58.5	54.8	52.5	51.3	50.7	50.5	50.5	50.5	50.7	50.5

Sources: Cameroonian authorities; IMF staff calculations.

1/ Reflects rebasing of the national accounts from 2005 to 2016.

17. **Financing assumptions have been updated based on the most recent data and information.** Cameroon's public gross financing needs over the 2023-25 period are estimated at around CFAF 4,700 billion (15.8 percent of 2023 GDP), of which around 70 percent is assumed to be financed externally. The DSA reflects IMF financing of CFAF 436 billion and prospective budget support from donors amounting to CFAF 215.3 billion in 2023-2025, program extension and augmentation. External project financing is based

on the budget, and the mix of new disbursements is assumed to follow the composition of SENDs as of end-2022. After 2025, the composition gradually shifts towards commercial borrowing with a decreasing grant element. Financing terms for IDA reflect Cameroon's status as a blend county and were updated to account for the new IDA 20 instruments. In line with the previous DSA, domestic financing assumptions reflect a gradually increasing share of longer maturity bonds following the authorities' MTDS. In 2023, the issued ECMR2023 with four different tranches helped further diversify treasury bonds. Three credit rating agencies has downgraded Cameroon's bond rating in response to delayed payments to a lender in 2023. The political developments in Gabon also had a spillover effect towards Cameroon's bond market with the yield trading higher in September. The underlying financing assumption has been updated, reflecting tighter-than-before financing environment. To reduce the overall pressure in the short- to medium-term public debt service and enhance the capacity to clear domestic arrears in 2023 (SB1), the authorities aim to carry out a debt management operation before the end of 2023 to help pay down unpaid obligations which is assumed in the current projection.

18. The financing assumption regarding SONARA has not been revised from the last DSA vintage, as the details of restructuring plan is yet to be finalized. On debt restructuring, it reached agreement with its main supplier in September 2022 to pay down its debt, one step forward after restructuring debt with domestic banks in October 2021.[11] The three remaining suppliers (the negotiation with two suppliers have been completed and the other one is in the process) are expected to sign by the end of 2023. A restructuring outline for SONARA and an action plan—with the core idea to advance the restructuring plan based on PPP—has been delayed and rephased (SB6, rephased from September 2023 to June 2024). Staff maintains the current assumption that a projected zero net income instead of mild positive income as per SONARA's own projection is assumed, and the cost of potential reconstruction of the refinery operation is not incorporated in the baseline.

19. The realism tool highlights risks to the baseline projections (Figure 3). The projected three-year fiscal adjustment is considered achievable given distribution of LIC fiscal adjustments under the past IMF programs. The growth projection deviates from the paths implied by the projected fiscal consolidation, but they may not fully capture other drivers of growth such as the rebound from opening the economy following the COVID-19 pandemic or stronger net exports driven by higher oil and non-oil commodity products.

20. The forecast realism tool indicates different debt dynamics compared to historical developments, suggesting potential challenges (Figure 4). The real GDP growth is projected to help reduce further the external debt ratio, while the changes of the exchange rate are expected to have a noticeable impact on the external debt dynamics. The projected improvement in the public debt ratio is driven by the declining primary deficit reflecting expected fiscal consolidation and stronger real GDP growth. The unexpected increase in public debt during the past 5 years is higher compared to other LICs.[12]

[11] Upon the agreement, as of September 2023, the state has started to pay to traders four times since December 2020.

[12] The nominal GDP for DSA 2017 has been rebased.

Large unexplained residuals for past debt-creating flows highlight risks but may be explained by broadened debt perimeter including domestic arrears and SONARA's debt.

C. Country Classification and Determination of Scenario Stress Tests

21. Cameroon's debt carrying capacity remains weak. The Composite Indicator (CI) score based on the October 2023 WEO projections and the 2022 World Bank CPIA score is 2.61, signaling a weak debt-carrying capacity.[13] The higher CI score compared to the previous DSA mainly reflects higher reserves, despite lower remittances and world economic growth (Text Table 7).

Text Table 7. Cameroon: Calculation of the CI Index

Country	Cameroon
Country Code	**622**
Debt Carrying Capacity	**Weak**

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Weak	Weak 2.61	Weak 2.57	Weak 2.67

Reference: Thresholds by Classiciation

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

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

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

DEBT SUSTAINABILITY

A. External Debt Sustainability

23. External risk of debt distress is assessed to remain high as two indicators breach the thresholds under the baseline scenario (Figure 1 and Table 3). The external debt service-to-exports ratio and the external debt service-to-revenue ratio breach their respective thresholds for a prolonged period. On the other hand, both ratios show a gradual downward path due to stronger revenue prospects,

[13] The score assesses a country's debt-carrying capacity drawing on a set of country-specific and global factors (including institutional strength measured by the World Bank calculated on the CPIA score).

and the external debt service-to-revenue ratio will decline below the threshold after 2028. The upticks on the longer end reflect a jump of projected debt service related to the maturing Eurobond.

24. Thresholds for all four indicators are breached upon the most extreme stress scenarios. The commodity price shock is the most extreme shock scenario across all external debt indicators.[14] Historical scenario points towards exploding PV of debt-to-exports, which reflects large historical current account deficit. This differs from the projection under the baseline, which assumes the improvement in the current account balance driven by dynamic non-oil exports and moderate imports growth supported by fiscal balance converging to the CEMAC criterion.

B. Public Debt Sustainability

25. Risk associated with public debt distress is also assessed to remain high in face of the breach of the PV of debt-to-GDP ratio under the baseline scenario in 2023. However, the breach is temporal and is projected to fall below the benchmark in 2024 onwards. The PV of debt-to-revenue ratio and the debt service-to-revenue ratio are also projected to decline gradually.[15] The most extreme shock for public debt indicators, including the PV of debt-to-GDP ratio, the PV of debt-to-revenue ratio and debt-service-to-revenue ratio, are the commodity price shock.[16] The historical scenario projects an explosive path for the PV of debt-to-GDP and PV of debt-to-revenue ratios, which is mainly driven by large historical primary deficits compared to projections.

C. Market Module

26. The market financing tool points to risks associated with market financing pressures (Figure 5). Cameroon's maximum three-year gross financing needs are estimated at 6 percent of GDP, which is lower than the suggested benchmark (14 percent). The latest available EMBI spread for Cameroon (1005 bps as of November 22, 2023) is above the benchmark (570 bps).[17] With the EMBI spread breaching its threshold, the module signals continued market financing pressures.

D. Risk Rating and Vulnerabilities

27. While Cameroon continues to be in a high risk of debt distress, its debt remains sustainable. The risk of external debt distress remains high as two out of four indicators temporarily breach the thresholds under the baseline scenario. In addition, the PV of public debt-to-GDP ratio is above the benchmark, indicating a high risk of overall debt distress. On the other hand, Cameroon's external debt

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[14] Extreme shocks in the previous vintages, which include exchange rate, real GDP and inflation, the primary balance and export shocks, continue to be critical to debt sustainability, requiring the authorities' continued effort in fiscal consolidation and increasing non-oil exports through economic diversification.

[15] The debt service of existing debt has been updated by the authorities, including adjusted repayment schedules for some structured debt, exchange rate depreciation and interest rate assumptions.

[16] For the commodity price shock stress test, initial price drop of 51 percent for fuel products and 34 percent for other agricultural commodities is assumed, with a mitigating factor of 14 percent for fuel products. The gap is assumed to close in six years.

[17] The current DSA cites the data from IMF MCM's Sovereign Spread Monitor.

stock indicators continue to lie below the threshold, and its external debt service indicators have improved supported by the authorities' active debt management. Both the debt service-to-exports ratio and the debt service-to-revenue ratio, albeit above the thresholds, will be in a gradual downward trend. Compared to the previous DSA report, the debt indicators have improved somewhat amidst stronger currency and more favorable commodity price outlooks. Taking all these factors into consideration, staff maintains the assessment that Cameroon's debt is sustainable given the authorities' commitment to program objectives, including fiscal consolidation efforts and active debt management. The likelihood that Cameroon will not be able to meet its current and future financial obligations is low.

28. **The risks are tilted to the downside.** On the external front, an escalation of geopolitical tensions could set back the global recovery and prolong supply chain disruptions, putting pressure on the external balance. Longer-than-expected tight global financial conditions could lead to deterioration of financing environment and higher borrowing costs. The high volatility of global energy prices could introduce uncertainty to both exports and fiscal revenue. On the domestic front, high inflation could intensify socio-economic tensions, while continuing fuel subsidy could reduce fiscal space and derail Cameroon's fiscal consolidation efforts. Delayed in implementing SONARA's debt restructuring and rehabilitation plan would jeopardize debt sustainability. Regional security conflicts—if not well contained—could also compound the fiscal challenges. Other risks include realization of contingent liabilities from bank restructuring and from SOEs not included in the DSA baseline, and an acceleration in disbursements due to the large stock of SENDs.

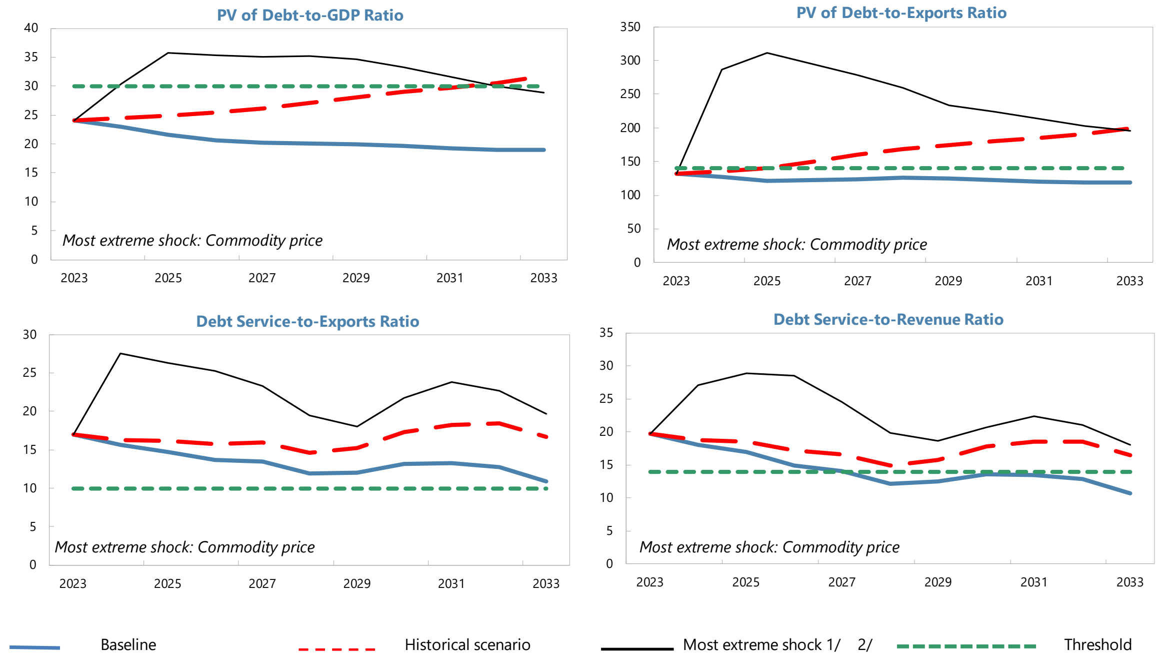
29. **Cameroon should push forward its reform agenda steadily to ensure its debt sustainability and reduce associated risks.** First, keeping public debt dynamics on a sustainable path requires a gradual fiscal consolidation. Containing fiscal deficit in the short term is needed to ensure debt sustainability. This should be coupled with structural fiscal reforms including further reducing the fuel subsidies and enhancing revenue mobilization. A prudent borrowing policy skewed towards concessional loans and limiting reliance on non-concessional borrowing should be pursued, while strengthening the management of the SENDs. On the other hand, redirecting resources with targeted spending should be strengthened, using windfall oil revenue gains for areas such as protecting the most vulnerable and prioritizing growth-enhancing public investment. Second, the authorities should closely monitor their debt servicing costs and actively manage their debt portfolio to minimize interest rate risks. Third, vulnerable export-related debt indicators point to the need for improving competitiveness and achieving economic diversification. Reform momentum to improve the domestic business and investment environment should be accelerated, inviting more FDI and boosting exports. Lastly, the management of SOEs should be strengthened to reduce risks related to contingent liabilities.

Authorities' Views

30. **The authorities agree that it is critical to continue to address various pockets of debt vulnerabilities.** They noted that the risk of debt distress has been heightened amidst an unfavorable external environment and slow progress in domestic structural reforms. The authorities remain committed to an improvement of Cameroon's debt risk assessment, which will depend on continued active debt management, exports, and budgetary revenue performance, as well as the country's CI score, which reflects the country's debt carrying capacity. The authorities highlighted the need to make more efforts to address

SOE issues and reducing fiscal risks. With regard to SONARA's debt restructuring, the authorities remained committed based on the rephased timeline to make progress on restructuring plan.

Figure 1. Cameroon: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2023–2033



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price	No	No
Market financing	No	No

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

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	3.1%	3.1%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	21	21
Avg. grace period	5	5

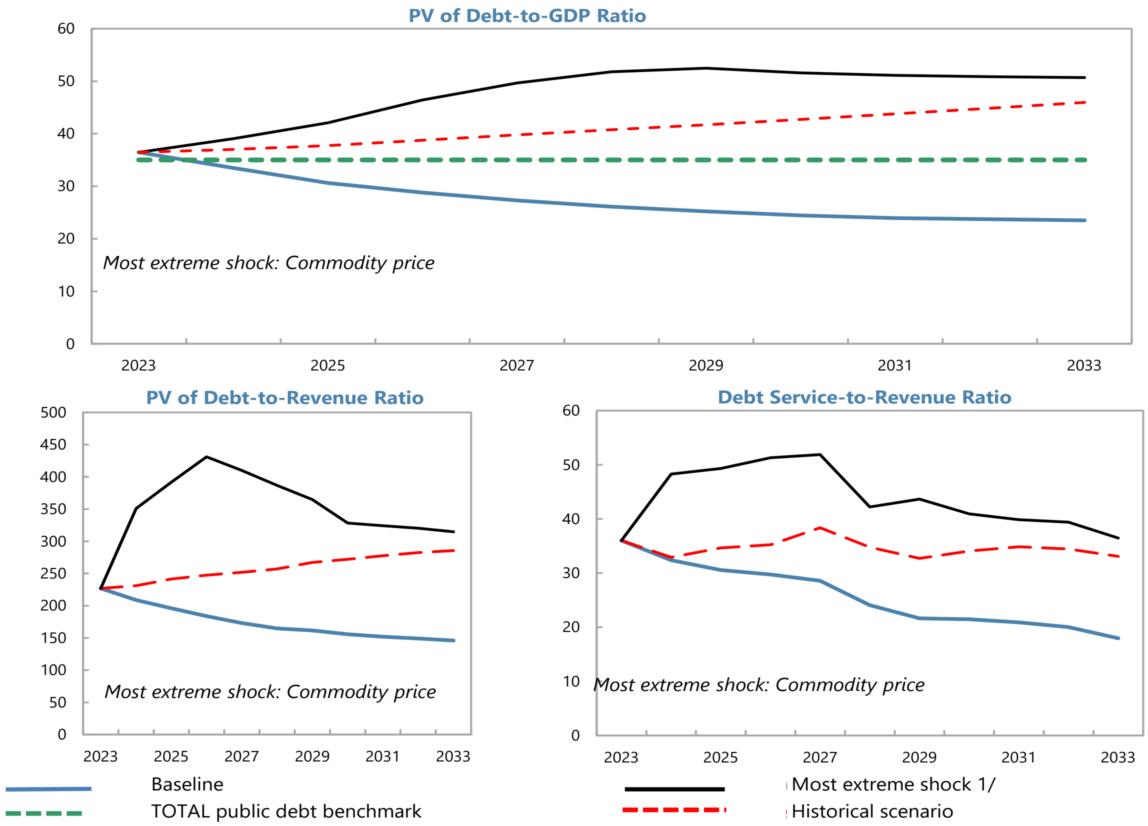
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. Cameroon: Indicators of Public Debt under Alternative Scenarios, 2023–2033



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	70%	70%
Domestic medium and long-term	21%	21%
Domestic short-term	10%	10%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	3.1%	3.1%
Avg. maturity (incl. grace period)	21	21
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	2.8%	2.8%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	0.5%	0.5%

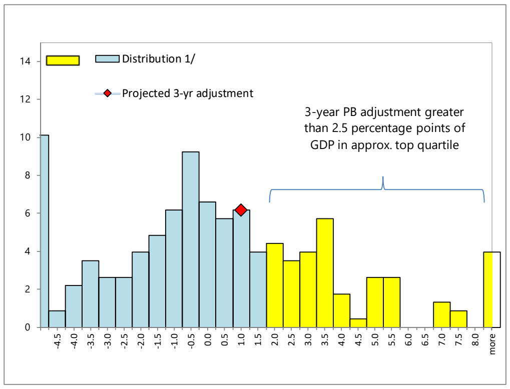
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

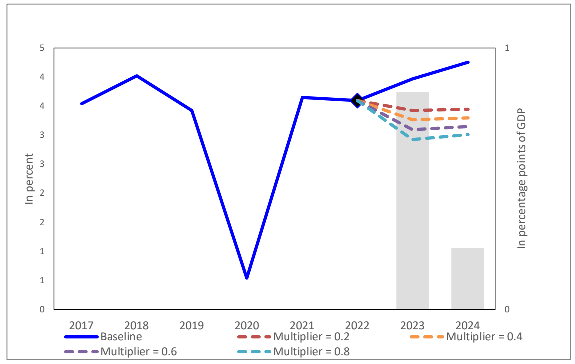
Figure 3. Cameroon: Realism Tools

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



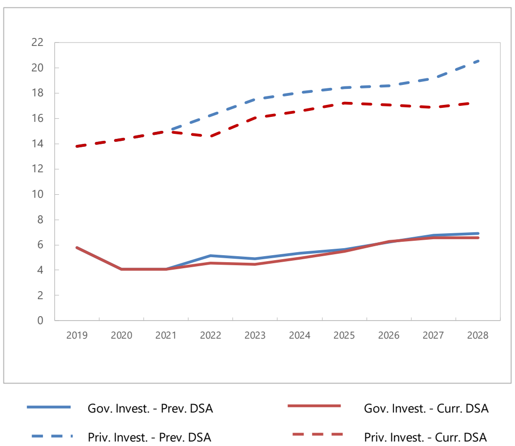
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates
(percent of GDP)



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

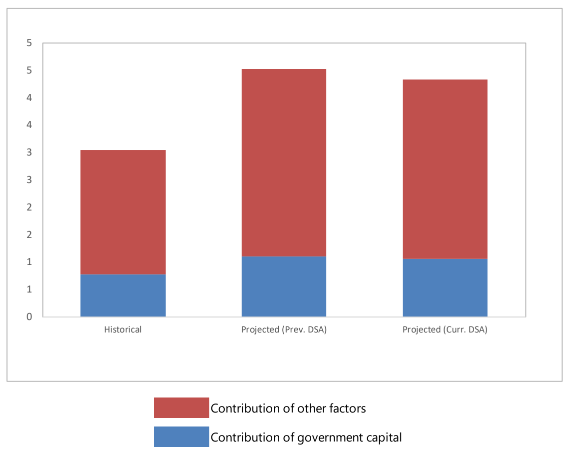
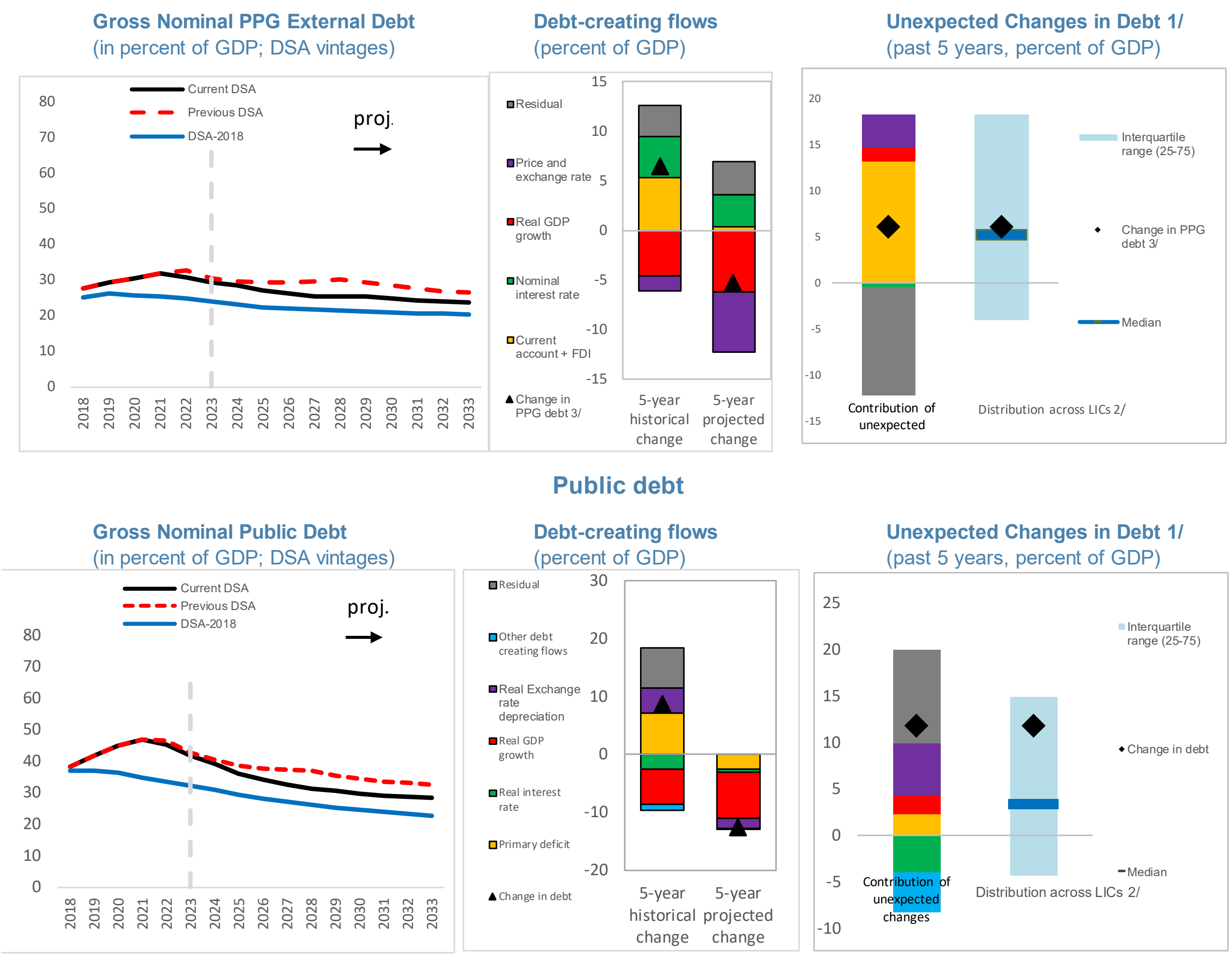


Figure 4. Cameroon: Drivers of Debt Dynamics- Baseline Scenario[3]



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

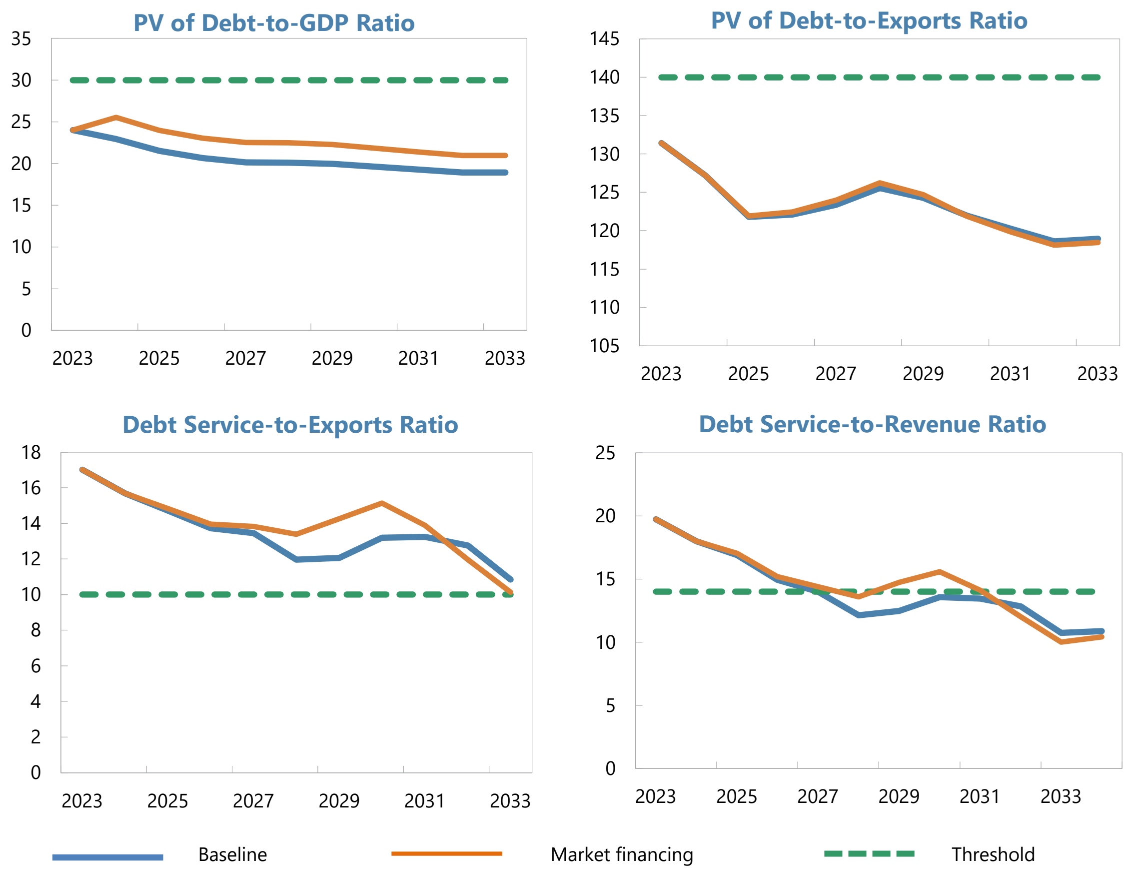
2/ Distribution across LICs for which LIC DSAs were produced.

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

Figure 5. Cameroon: Market- Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	5	1005
Breach of benchmark	No	Yes
Potential heightened liquidity needs	Moderate	

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



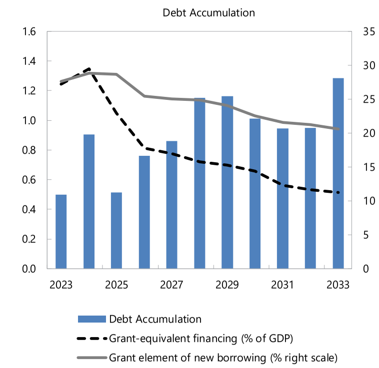
Sources: Country authorities; and staff estimates and projections.

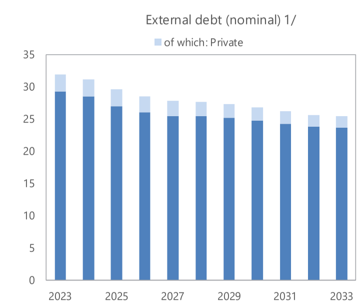
Table 1. Cameroon: External Debt Sustainability Framework, Baseline Scenario, 2020–2043

(In Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
External debt (nominal) 1/	34.6	34.2	33.4	31.9	31.1	29.6	28.5	27.8	27.6	25.4	20.3	26.8	28.0
of which: public and publicly guaranteed (PPG)	30.5	31.7	30.8	29.2	28.5	27.0	26.0	25.5	25.4	23.7	19.3	24.2	25.7
Change in external debt	1.7	-0.4	-0.8	-1.6	-0.8	-1.5	-1.1	-0.7	-0.2	-0.2	-0.7		
Identified net debt-creating flows	1.3	-1.5	2.1	-0.1	-0.4	-0.8	-0.6	-0.6	-0.6	-0.8	-1.3	0.7	-0.6
Non-interest current account deficit	3.1	3.3	2.7	2.4	2.1	1.8	2.1	2.1	2.1	1.6	0.5	2.8	2.0
Deficit in balance of goods and services	2.7	3.5	2.5	3.2	2.8	2.6	2.7	2.7	2.7	2.4	1.4	2.8	2.7
Exports	15.0	16.4	19.5	18.3	18.0	17.7	16.9	16.3	16.0	15.9	15.8		
Imports	17.6	19.9	22.0	21.5	20.9	20.2	19.7	19.0	18.7	18.3	17.2		
Net current transfers (negative = inflow)	-1.0	-1.1	-1.6	-1.6	-1.3	-1.4	-1.3	-1.3	-1.3	-1.4	-1.6	-1.1	-1.4
of which: official	-0.2	-0.2	-0.3	-0.3	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0		
Other current account flows (negative = net inflow)	1.4	0.9	1.8	0.8	0.6	0.6	0.7	0.7	0.7	0.7	0.7	1.2	0.7
Net FDI (negative = inflow)	-1.5	-2.0	-2.0	-1.9	-1.9	-2.0	-2.1	-2.1	-2.1	-1.9	-1.4	-2.0	-2.0
Endogenous debt dynamics 2/	-0.3	-2.8	1.4	-0.6	-0.5	-0.6	-0.6	-0.6	-0.6	-0.5	-0.4		
Contribution from nominal interest rate	0.6	0.7	0.7	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.6		
Contribution from real GDP growth	-0.2	-1.1	-1.3	-1.2	-1.2	-1.3	-1.2	-1.2	-1.2	-1.2	-1.0		
Contribution from price and exchange rate changes	-0.8	-2.3	1.9	...	...	...	...	...	...	...	...		
Residual 3/	0.4	1.1	-2.8	-1.5	-0.4	-0.7	-0.5	-0.1	0.4	0.5	0.6	1.6	-0.1
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	26.1	24.0	22.9	21.5	20.7	20.2	20.1	18.9	16.2		
PV of PPG external debt-to-exports ratio	...	...	133.9	131.4	127.2	121.8	122.1	123.4	125.6	119.0	102.8		
PPG debt service-to-exports ratio	10.2	20.4	14.0	17.0	15.7	14.7	13.7	13.4	12.0	10.9	11.2		
PPG debt service-to-revenue ratio	11.5	23.6	17.5	19.7	18.0	16.9	14.9	14.0	12.1	10.7	9.4		
Gross external financing need (Billion of U.S. dollars)	1.6	2.7	1.9	2.1	1.8	1.6	1.7	1.6	1.5	1.7	1.9		
Key macroeconomic assumptions													
Real GDP growth (in percent)	0.5	3.6	3.6	4.0	4.3	4.5	4.5	4.5	4.6	4.8	5.3	4.0	4.5
GDP deflator in US dollar terms (change in percent)	2.4	7.2	-5.3	6.5	4.1	4.3	3.3	2.2	1.3	1.9	1.9	0.3	2.8
Effective interest rate (percent) 4/	1.9	2.2	1.9	1.9	2.4	2.3	2.3	2.3	2.4	2.7	3.2	3.1	2.4
Growth of exports of G&S (US dollar terms, in percent)	-21.0	22.1	16.2	3.8	7.2	6.8	3.3	3.1	3.9	6.5	7.3	2.6	5.6
Growth of imports of G&S (US dollar terms, in percent)	-20.7	25.5	8.4	7.9	5.6	5.7	4.8	3.2	4.3	5.9	6.8	2.9	5.7
Grant element of new public sector borrowing (in percent)	...	...	...	27.6	28.8	28.7	25.5	25.0	24.9	20.6	15.5	...	24.6
Government revenues (excluding grants, in percent of GDP)	13.3	14.2	15.6	15.7	15.7	15.4	15.5	15.7	15.8	16.1	18.8	14.9	15.7
Aid flows (in Billion of US dollars) 5/	0.1	0.1	0.2	0.2	0.4	0.3	0.2	0.2	0.2	0.2	0.2		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.2	1.3	1.0	0.8	0.8	0.7	0.5	0.3	...	0.8
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	34.3	34.3	34.1	28.6	27.7	26.2	20.6	15.5	...	27.1
Nominal GDP (Billion of US dollars)	41	45	45	49	53	58	63	67	71	99	193		
Nominal dollar GDP growth	3.0	11.1	-1.9	10.7	8.5	9.0	7.9	6.8	5.9	6.8	7.3	4.2	7.5
Memorandum items:													
PV of external debt 7/	...	...	28.7	26.6	25.6	24.2	23.2	22.5	22.4	20.7	17.3		
In percent of exports	...	...	147.5	145.9	141.8	136.7	136.9	137.9	139.6	129.9	109.4		
Total external debt service-to-exports ratio	16.0	28.0	18.5	19.6	17.8	16.4	15.5	15.2	13.7	12.2	12.0		
PV of PPG external debt (in Billion of US dollars)			11.6	11.8	12.3	12.5	13.0	13.5	14.3	18.7	31.3		
(PVt-PVt-1)/GDPt-1 (in percent)				0.5	0.9	0.5	0.8	0.9	1.2	1.3	0.7		
Non-interest current account deficit that stabilizes debt ratio	1.4	3.7	3.5	4.0	2.9	3.3	3.2	2.8	2.3	1.8	1.2		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

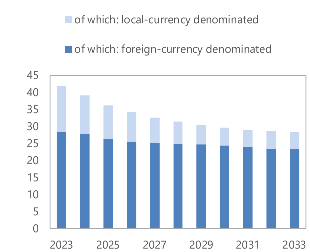
Table 2. Cameroon: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020–2043

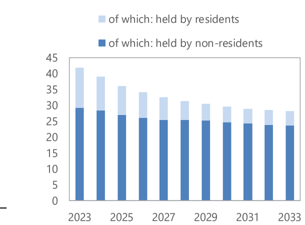
(In Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	44.9	46.8	45.3	41.8	39.0	36.1	34.1	32.6	31.4	28.2	26.0	35.5	32.8
of which: external debt	30.5	31.7	30.8	29.2	28.5	27.0	26.0	25.5	25.4	23.7	19.3	24.2	25.7
Change in public sector debt	3.3	1.9	-1.5	-3.5	-2.8	-2.9	-2.0	-1.6	-1.2	-0.3	-0.2		
Identified debt-creating flows	-0.1	1.7	-1.2	-2.8	-2.4	-2.5	-1.8	-1.6	-1.5	-0.5	-0.3	1.8	-1.5
Primary deficit	2.1	1.5	0.3	-0.5	-0.7	-0.7	-0.3	-0.2	-0.2	0.7	0.7	2.6	0.0
Revenue and grants	13.5	14.4	16.0	16.1	16.0	15.6	15.7	15.8	15.8	16.1	18.8	15.2	15.8
of which: grants	0.1	0.3	0.4	0.3	0.3	0.2	0.1	0.1	0.0	0.0	0.0		
Primary (noninterest) expenditure	15.6	16.0	16.3	15.5	15.3	14.9	15.4	15.6	15.6	16.8	19.5	17.8	15.8
Automatic debt dynamics	-2.2	0.1	-1.5	-2.2	-1.7	-1.7	-1.5	-1.4	-1.3	-1.2	-1.0		
Contribution from interest rate/growth differential	0.1	-2.4	-3.7	-2.2	-1.7	-1.7	-1.5	-1.4	-1.3	-1.2	-1.0		
of which: contribution from average real interest rate	0.3	-0.8	-2.1	-0.5	0.0	-0.1	0.0	0.1	0.1	0.1	0.3		
of which: contribution from real GDP growth	-0.2	-1.6	-1.6	-1.7	-1.7	-1.7	-1.5	-1.5	-1.4	-1.3	-1.3		
Contribution from real exchange rate depreciation	-2.3	2.5	2.2	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	3.4	0.3	-0.3	-0.7	-0.4	-0.5	-0.1	0.1	0.3	0.1	0.1	1.3	-0.1
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	40.5	36.5	33.5	30.6	28.8	27.3	26.1	23.5	22.9		
PV of public debt-to-revenue and grants ratio	...	...	253.0	226.9	209.0	196.1	183.8	173.0	164.8	146.1	121.9		
Debt service-to-revenue and grants ratio 3/	30.1	46.2	28.7	36.0	32.4	30.6	29.7	28.6	24.1	18.0	19.0		
Gross financing need 4/	6.1	8.2	4.9	5.2	4.5	4.0	4.4	4.3	3.6	3.6	4.3		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	0.5	3.6	3.6	4.0	4.3	4.5	4.5	4.5	4.6	4.8	5.3	4.0	4.5
Average nominal interest rate on external debt (in percent)	2.1	2.2	2.0	1.9	2.4	2.4	2.3	2.3	2.4	2.7	3.3	2.7	2.4
Average real interest rate on domestic debt (in percent)	1.0	-1.5	-4.2	0.1	0.0	-0.3	0.6	1.1	1.8	1.7	3.0	-1.5	1.0
Real exchange rate depreciation (in percent, + indicates depreciation)	-8.0	8.9	7.5	...	...	...	...	...	...	...	...	2.9	...
Inflation rate (GDP deflator, in percent)	0.5	3.3	6.3	3.1	3.5	4.0	3.1	2.6	1.7	1.9	1.9	2.0	2.5
Growth of real primary spending (deflated by GDP deflator, in percent)	-10.3	6.2	5.9	-0.9	2.7	1.7	7.7	6.0	5.0	6.2	7.8	3.9	4.9
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-1.2	-0.4	1.8	3.0	2.1	2.2	1.7	1.3	1.0	1.1	0.9	0.1	1.5
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

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

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

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

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

Table 3. Cameroon: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2023–2033 (In Percent)

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of Debt-to-GDP Ratio											
Baseline	24	23	22	21	20	20	20	20	19	19	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	24	24	25	25	26	27	28	29	30	**31**	**32**
B. Bound Tests											
B1. Real GDP growth	24	24	23	22	21	21	21	21	20	20	20
B2. Primary balance	24	26	30	29	29	29	29	28	27	27	27
B3. Exports	24	26	30	29	28	28	27	27	26	25	24
B4. Other flows 3/	24	24	23	22	22	21	21	21	20	20	20
B5. Depreciation	24	29	24	23	23	23	23	22	22	22	22
B6. Combination of B1-B5	24	27	25	24	24	23	23	23	22	22	22
C. Tailored Tests											
C1. Combined contingent liabilities	24	**31**	30	29	29	30	29	29	28	28	28
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	24	**30**	**36**	**35**	**35**	**35**	**35**	**33**	**31**	30	29
C4. Market Financing	24	26	24	23	23	22	22	22	21	21	21
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of Debt-to-Exports Ratio											
Baseline	132	127	122	122	123	126	124	122	120	119	119
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	132	136	**141**	**150**	**160**	**169**	**175**	**180**	**185**	**191**	**199**
B. Bound Tests											
B1. Real GDP growth	132	127	122	122	123	126	124	122	120	119	119
B2. Primary balance	132	**142**	**168**	**170**	**175**	**180**	**178**	**174**	**171**	**168**	**167**
B3. Exports	132	**173**	**241**	**242**	**245**	**249**	**245**	**239**	**232**	**225**	**221**
B4. Other flows 3/	132	131	130	131	132	134	133	130	128	125	125
B5. Depreciation	132	127	109	109	111	113	112	110	109	109	110
B6. Combination of B1-B5	132	**157**	131	**166**	**168**	**171**	**169**	**165**	**162**	**159**	**159**
C. Tailored Tests											
C1. Combined contingent liabilities	132	**171**	**169**	**170**	**180**	**184**	**182**	**180**	**177**	**175**	**174**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	132	**286**	**311**	**295**	**278**	**259**	**234**	**224**	**213**	**202**	**195**
C4. Market Financing	132	127	122	122	124	126	125	122	120	118	119
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt Service-to-Exports Ratio											
Baseline	**17**	**16**	**15**	**14**	**13**	**12**	**12**	**13**	**13**	**13**	**11**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**17**	**16**	**16**	**16**	**16**	**15**	**15**	**17**	**18**	**18**	**17**
B. Bound Tests											
B1. Real GDP growth	**17**	**16**	**15**	**14**	**13**	**12**	**12**	**13**	**13**	**13**	**11**
B2. Primary balance	**17**	**16**	**16**	**16**	**16**	**15**	**15**	**17**	**18**	**17**	**15**
B3. Exports	**17**	**19**	**23**	**22**	**22**	**20**	**20**	**23**	**25**	**24**	**21**
B4. Other flows 3/	**17**	**16**	**15**	**14**	**14**	**12**	**12**	**14**	**14**	**13**	**11**
B5. Depreciation	**17**	**16**	**15**	**13**	**13**	**11**	**12**	**13**	**12**	**12**	10
B6. Combination of B1-B5	**17**	**18**	**19**	**18**	**18**	**16**	**16**	**18**	**18**	**17**	**15**
C. Tailored Tests											
C1. Combined contingent liabilities	**17**	**16**	**16**	**15**	**15**	**14**	**14**	**15**	**15**	**14**	**13**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**17**	**28**	**26**	**25**	**23**	**19**	**18**	**22**	**24**	**23**	**20**
C4. Market Financing	**17**	**16**	**15**	**14**	**14**	**13**	**14**	**15**	**14**	**12**	**10**
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt Service-to-Revenue Ratio											
Baseline	**20**	**18**	**17**	**15**	14	12	12	14	13	13	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**20**	**19**	**19**	**17**	**17**	**15**	**16**	**18**	**18**	**18**	**16**
B. Bound Tests											
B1. Real GDP growth	**20**	**18**	**18**	**16**	**15**	13	13	**14**	**14**	13	11
B2. Primary balance	**20**	**18**	**18**	**18**	**17**	**15**	**15**	**17**	**18**	**17**	**15**
B3. Exports	**20**	**18**	**18**	**17**	**16**	14	**14**	**16**	**18**	**17**	**14**
B4. Other flows 3/	**20**	**18**	**17**	**15**	**14**	12	13	**14**	**14**	13	11
B5. Depreciation	**20**	**23**	**21**	**18**	**17**	**15**	**15**	**17**	**15**	**15**	12
B6. Combination of B1-B5	**20**	**19**	**19**	**17**	**16**	14	**14**	**16**	**16**	**15**	12
C. Tailored Tests											
C1. Combined contingent liabilities	**20**	**18**	**19**	**17**	**16**	**14**	**14**	**16**	**15**	**15**	12
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**20**	**27**	**29**	**28**	**24**	**20**	**18**	**21**	**22**	**21**	**18**
C4. Market Financing	**20**	**18**	**17**	**15**	**14**	14	**15**	**16**	**14**	12	10
Threshold	14	14	14	14	14	14	14	14	14	14	14

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

Table 4. Cameroon: Sensitivity Analysis for Key Indicators of Public Debt, 2023–2033

	Projections 1/										
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
	PV of Debt-to-GDP Ratio										
Baseline	**36**	33	31	29	27	26	25	24	24	24	24
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**36**	**37**	**38**	**39**	**40**	**41**	**42**	**43**	**44**	**45**	**46**
B. Bound Tests											
B1. Real GDP growth	**36**	35	34	32	32	31	31	31	31	31	32
B2. Primary balance	**36**	**38**	**41**	**39**	**37**	**36**	35	34	33	32	32
B3. Exports	**36**	**36**	**38**	**36**	34	33	32	31	30	29	28
B4. Other flows 3/	**36**	34	32	30	29	27	27	26	25	25	25
B5. Depreciation	**36**	**39**	34	31	28	26	24	22	21	19	18
B6. Combination of B1-B5	**36**	**36**	**37**	35	33	31	30	29	28	28	27
C. Tailored Tests											
C1. Combined contingent liabilities	**36**	**46**	**42**	**40**	**38**	**36**	**35**	34	34	33	33
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**36**	**39**	**42**	**46**	**50**	**52**	**52**	**52**	**51**	**51**	**51**
C4. Market Financing	**36**	33	31	29	27	26	25	24	24	24	23
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
	PV of Debt-to-Revenue Ratio										
Baseline	226	209	196	184	173	165	162	156	152	150	146
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	226	231	241	247	252	257	267	272	277	282	285
B. Bound Tests											
B1. Real GDP growth	226	217	215	207	200	196	198	195	196	197	197
B2. Primary balance	226	235	265	250	236	226	222	214	208	203	198
B3. Exports	226	226	242	229	216	207	204	196	189	183	176
B4. Other flows 3/	226	213	205	193	182	173	170	164	159	156	152
B5. Depreciation	226	242	220	199	180	165	154	141	131	122	114
B6. Combination of B1-B5	226	224	237	222	208	197	193	184	178	173	168
C. Tailored Tests											
C1. Combined contingent liabilities	226	284	269	255	240	230	226	218	213	208	203
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	226	351	392	431	409	386	364	328	324	320	314
C4. Market Financing	226	209	196	184	174	165	162	156	152	149	146
	Debt Service-to-Revenue Ratio										
Baseline	36	32	30	30	28	24	22	21	21	20	18
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	36	32	35	35	38	35	33	34	35	34	33
B. Bound Tests											
B1. Real GDP growth	36	33	33	33	32	28	26	26	26	25	23
B2. Primary balance	36	32	35	37	38	34	27	27	28	26	24
B3. Exports	36	32	31	31	30	25	23	24	25	23	21
B4. Other flows 3/	36	32	31	30	29	24	22	22	22	21	19
B5. Depreciation	36	33	35	33	31	26	24	24	23	22	19
B6. Combination of B1-B5	36	31	34	34	34	31	24	23	23	21	19
C. Tailored Tests											
C1. Combined contingent liabilities	36	32	42	34	46	30	25	27	24	23	21
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	36	48	49	51	52	42	43	41	40	39	37
C4. Market Financing	36	32	31	30	29	25	24	23	22	19	17

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.

Statement by the IMF Staff Representative
December 20, 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 publishing the Diagnostic Report on Governance has been met. The prior action is **"**Publish a diagnostic of governance vulnerabilities, particularly with regard to corruption, including the functions of the State most relevant to economic activity, namely: i) fiscal governance; (ii) supervision of the financial sector; (iii) market regulation; (iv) the rule of law; and (v) anti-money laundering and countering the financing of terrorism (AML/CFT)."

3. The report includes recommendations to address weaknesses and vulnerabilities identified by the diagnostic assessment. In line with the IMF's 2018 Framework on Enhanced Fund Engagement on Governance, the diagnostic assessment focused on corruption vulnerabilities and governance weaknesses linked to corruption in macroeconomically critical priority areas of: (i) the anti-corruption, anti-money laundering and combating the financing of terrorism; (ii) fiscal governance (e.g., public financial management, tax policy and revenue administration, state enterprise management, and public procurement); (iii) financial sector oversight; and (iv) enforcement of contract and protection of property rights. The recommendations aim to support the formulation of governance and anticorruption policies, as well as the improvement of legal and institutional frameworks in Cameroon. Staff stands ready to support Cameroon through capacity development.

Statement by Facinet Sylla, Executive Director for Cameroon,
Mbuyamu Matungulu, Alternate Executive Director, and Oumar Diakite,
Senior Advisor to Executive Director
December 20, 2023

On behalf of our Cameroonian authorities, we would like to thank the Executive Board, Management and Staff for the financial and technical assistance provided in support of Cameroon's reform efforts under the National Development Strategy (SND-30). The authorities appreciate the constructive policy dialogue with Staff in the context of the 5th review of the ECF/EFF Arrangements and the 2023 Article IV consultations. They broadly share staff's appraisal and policy recommendations, notably on challenges pertaining to structural transformation, climate change, domestic price formation, and financial inclusion, all of which require determined policy actions under the SND-30.

The authorities continue to implement policies aimed at meeting the population's needs, while strengthening macroeconomic balances. They remain committed to preserving external stability, and contributing to rebuilding foreign exchange reserves, in line with the regional economic and financial reforms program (PREF-CEMAC). While program implementation was challenged by the difficult security and economic environment, including the global tightening of financial conditions, and the volatility of oil prices, it remained in line with the authorities' objectives.

To ensure policy continuity in the face of important external risks and development challenges, the authorities look forward to continued support from the Fund. In this connection, they request an extension of the ECF/EFF Arrangements to July 2025, and augmentation of access of 40 percent of quota. This would provide much needed additional time to achieve the program objectives and address additional BoP pressures from recent external shocks. The authorities also look forward in due course to accessing Fund resources under the Resilience and Sustainability Facility (RSF) to support their climate agenda.

II. Recent Economic Developments and Outlook

The post-pandemic recovery continued in 2023, amid significant headwinds on the security and external fronts. The Cameroonian economy is expected to grow by 4 percent in 2023, up from 3.6 percent in 2022, supported by dynamic agroindustry and services sectors. Inflationary pressures were fueled mainly by rising food prices, with average inflation expected to reach 7.2 percent at end-2023 despite the authorities' measures to contain the impact on the cost of living for the population.

In the fiscal area, performance was broadly in line with program objectives. Despite spending pressures from subsidies, the non-oil primary deficit was contained at 3.9 percent of GDP in 2022, and should narrow further to 2.5 percent of GDP in 2023 carried by stronger non-oil revenues, lower spending on fuel subsidies, and the retail fuel price increase of February 2023. Stronger growth and the appreciation of the CFA franc have, together with higher oil prices and ongoing fiscal consolidation, helped reduce the debt to GDP ratio from 45.3 percent at end-2022 to 41.8 at end-2023.

In the external sector, the current account deficit contracted to 3.4 percent of GDP in 2022 on account notably of higher oil and gas prices. The deficit is expected to decline further to 3 percent at end-2023 reflecting increased gas production and a stronger primary income balance.

The authorities concur that the economic outlook remains positive, although subject to uncertainties. The dynamism, notably of the agro-industrial, forestry, hydrocarbon, and tertiary activities, should accelerate real GDP growth from 3.9 percent in 2023 to 4.3 percent in 2024, and over the medium-term. Average inflation should recede from 7.2 percent in 2023 to 5 percent in 2024 and settle below 3 percent in the medium-term. In the external sector, the current account should continue improving and stabilize below 3 percent over the medium-term.

III. Program Performance

Program implementation has been satisfactory considering the difficult domestic and external environment. Five of the six quantitative performance criteria (QPC), and three of the five indicative targets (ITs) have been met at end-June 2023. The QPC on the accumulation of external arrears was not observed due to a minor and temporary technical delay for which the authorities have requested a waiver of non-observance. The missed indicative targets relate to the ceilings on direct coverage of government security expenditures by the National Hydrocarbons Company (SNH), the share of spending using exceptional procedures, and the accumulation of domestic arrears. The authorities have taken remedial measures, including by improving the monitoring of expenditures related to the direct financial interventions of the SNH, and reducing expenditures subject to exceptional procedures to the strict minimum.

The implementation of most structural benchmarks is progressing broadly well. Three of the nine structural benchmarks under the fifth reviews were timely met, namely the structural benchmark on the increase in the number of VAT taxpayers which was implemented ahead of schedule, the structural benchmark on PPP (Public-Private Partnerships), and the structural benchmark on an action plan including recommendations to eliminate the corporate tax break. The authorities have stepped up efforts to accelerate the implementation of the delayed structural benchmarks, including on the publication of the governance report which is one of the prior actions met for the review. These big steps reflect the authorities' unwavering commitment to their reforms agenda.

IV. Medium-term Macroeconomic Policies and Structural Reforms

Under the ECF/EFF-supported program, the authorities will pursue their ambitious development agenda in line with the SND-30. The authorities will continue efforts to accelerate the industrial transformation of the economy to boost domestic production and promote exports, leveraging Cameroon's comparative advantage in the region.

Strengthening fiscal Resilience and Debt Sustainability

The authorities will sustain reforms to further expand fiscal space for priority spending, while preserving fiscal and debt sustainability. They will aim to bring the overall fiscal deficit and the non-oil primary deficit at sustainable levels to maintain public debt on a viable path. To this end, the focus will remain on enhancing domestic revenue mobilization, and improving the efficiency of public spending, including the gradual reduction of fuel subsidies by 2025.

On the revenue side, the authorities will strive to raise the tax to GDP ratio from 12.7 percent in 2023 to about 13.3 percent of GDP in 2024. To that effect, they will step up reforms aimed at enhancing the mobilization of non-oil revenue, better control outstanding payment obligations, and reducing fuel subsidies. Improving efficiency and modernizing procedures in the tax and customs administration remains a priority in the authorities' reform agenda. In the context of its three-year plan, the tax administration aims to modernize the tax system and bring it up to international standards. It is taking measures to broaden the tax base, strengthen tax compliance, and fight fraud and tax evasion. Furthermore, the authorities see the need to revisit existing tax incentives and exemptions, within the framework of the country's industrialization objectives. Reforms are also on-going at customs administration to increase revenues, notably through increasing import duties on telephones, readjusting the taxation of export products with a high potential, and improving the exchange of information with the Central Bank, commercial banks, and tax administration to enhance the efficiency of fiscal controls on import and export operations.

Regarding public spending, the authorities recognize the need to gradually phase out fuel subsidies which put substantial pressure on the budget, and do not always benefit the most vulnerable populations. In addition to the increase in fuel prices at the pump in February 2023, if no major external shock occurs, they will complete the gradual removal of fuel subsidies by 2025, to create the fiscal space needed for priority spending and preserve fiscal sustainability. In this context, an additional price increase is planned for the beginning of 2024, which will help reduce the fiscal cost of the subsidies to about 0.4 percent of GDP. This measure reflects the authorities' determination at the highest level to rationalize and make subsidies more budget effective. In line with their commitment, the authorities will also implement measures to mitigate the impact of the energy price adjustments on disadvantaged households, notably by strengthening social safety nets, and improving access to basic public health and education services.

The authorities will continue to implement reforms aimed at improving public financial management. In this connection, the focus remains on improving the credibility and transparency of budget execution, enhancing fiscal discipline, reducing domestic payment delays, improving procurement, and the efficiency of public investment projects. Other government priorities include improving the governance and management of SOEs to limit these entities' fiscal risks and improve service delivery. In this context, the restructuring of the SONARA remains a top priority, and the authorities will step up efforts to finalize envisaged reforms by June 2024.

The government is committed to improving debt management and sustainability. Considering the high risk of debt distress, the debt policy will continue to limit new external borrowing, while favoring concessional borrowing. The use of non-concessional debt will be limited to the financing of high priority projects with proven socioeconomic returns, and for which no concessional financing is available.

Strengthening Financial Sector Resilience, Governance and Transparency

The authorities will continue to support regional efforts to preserve financial stability, including the rebuilding of the BEAC's foreign exchange reserves. In this regard, they will enforce compliance with the foreign exchange regulation and petroleum code by public enterprises, and revenue sharing agreements with extractive industries. The authorities will also focus on measures to strengthen the resilience of the banking sector, in particular compliance with prudential standards and the strict observance of the banking commission (COBAC)'s regulations and recommendations. The restructuring process of the banks in difficulty is on-going. In this context, COBAC authorized in July 2023 the Government and historic shareholders who had committed to it, to proceed with the capital infusion of the two banks in difficulty, in accordance with the approved restructuring plans.

The government is also committed to further expand the depth of the country's financial sector**.** In this regard, a financial inclusion strategy was finalized in February 2023 with an action plan for 2023-2027. The government is now working with development partners to implement the plan and thus increase the economy's low banking rate while reducing gender inequalities in financial sector operations.

The government continues its efforts to remove impediments to private sector development, and advance economic diversification. In this regard, the government will continue to improve the business environment, notably by facilitating the access to credit for small and medium enterprises (SMEs). Among the key actions planned are the establishment of credit registers and creation of a rating system for companies and individuals associated with BEAC, the digitalization of land registry to allow the creation of a register of real estate securities, the training of judges in commercial affairs, the creation of competent commercial courts, and the establishment of a guarantee fund.

On governance and transparency, the authorities have completed a diagnostic of economic governance in collaboration with the IMF, which they have published. On the basis of this diagnostic, they will assess additional policy measures, as may be needed, to address macro critical vulnerabilities affecting economic activity. Moreover, Cameroon is progressing towards validating compliance under the Extractive Industries Transparency Initiative (EITI), notably by publishing the EITI Reconciliation reports for 2021 and 2022. The validation process under the 2019 EITI Standard was launched in October 2023 despite difficulties encountered in the implementation of the 15 corrective measures prescribed by the EITI Board of Directors. Also, the authorities remain committed to putting in place measures to strengthen the fight against money laundering and the financing of terrorism (AML/CFT). Cameroon made progress on some of the actions recommended in its Mutual Evaluation Report adopted in October 2021, including by increasing the resources of the financial intelligence unit, and strengthening the capacities of investigative authorities and judicial bodies to effectively deal with AML/CFT cases. The government reiterated its commitment to working with the Financial Action Task Force (FATF) and the Action Group against

Money Laundering in Central Africa (GABAC) to implement an action plan to strengthen the effectiveness of its AML/CFT regime.

V. Conclusion

Under the ECF/EFF- supported program, Cameroon's authorities have implemented significant reforms to preserve macroeconomic stability and consolidate the foundations for strong and inclusive growth. In view of the satisfactory performance under the ECF/EFF Arrangements, our authorities seek Directors' support for the completion of the fifth reviews, the extension of the program by 12 months to July 2025, and an augmentation of access of 40 percent of quota, to support their efforts to address external pressures and achieve the program's objectives. We would appreciate Directors' favorable consideration of the authorities' requests.