INTERNATIONAL MONETARY FUND

IMF Country Report No. 15/331

CAMEROON

December 2015

2015 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CAMEROON

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2015 Article IV consultation with Cameroon, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its November 18, 2015 consideration of the staff report that concluded the Article IV consultation with Cameroon.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on November 18, 2015 following discussions that ended on September 23, 2015, with the officials of Cameroon on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 2, 2015.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Cameroon.

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

Selected Issues

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November 24, 2015

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IMF Executive Board Concludes Article IV Consultation with Cameroon

On November 18, 2015, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Cameroon[1].

The economy has shown resilience in the face of the twin shocks of the oil price slump and heightened security threats, with the robust growth of 2014 continuing into 2015. Growth is broad-based and projected to reach 5.9 percent in 2015, buoyed by increased oil production and the performance of sectors benefiting from the ongoing public investment boom. Annual inflation is projected at 2.8 percent and has not been significantly affected by the 15 percent increase in administered fuel prices on July 1, 2014. Total revenue is projected to increase in 2015, owing to a strong performance in non-oil revenue. However, the fiscal deficit is expected to widen to 5.4 percent of GDP, as revenue mobilization efforts are hampered by the oil price decrease and capital expenditure increases further. The reliance on foreign financing for investment expenditure, including on non-concessional terms, has resulted in a sharp rise (from a low base) in external public debt, which represented 17.8 percent of GDP at end-2014. The current account deficit, meanwhile, is projected to increase to 5.1 percent of GDP, reflecting lower prices for exports and continued strong imports, driven by the growth in investment. Growth is projected to moderate to 5.2 percent in 2016, as oil production stabilizes. Inflation is projected to remain low, at 2.2 percent, in line with moderate prices trends for key commodity imports and low euro area inflation. The fiscal deficit is projected to rise to 7.2 percent of GDP, reflecting continued strong public investment and increased expenditures to counter security threats. The external current account deficit is projected to rise to 5.3 percent of GDP, as continued strong imports and the terms-of-trade shock of 2015 continue to have an impact. The financial sector remains relatively sound and has excess liquidity, although this has declined since the onset of the oil price shock and the investment boom. At the same time, non-performing loans in the banking sector increased from 10.2 percent in June 2014 to 13.1 percent a year later, with micro-finance institutions showing similar trends. Bank supervision at national

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

and regional levels has improved. The regional supervisor (COBAC) remains vigilant to potential stresses to the financial system arising from protracted low oil prices and possible regional spillovers.

The medium-term outlook has somewhat deteriorated since the last Article IV consultation, reflecting weaker prospects for oil and other exports, in addition to the security threats. Lower oil revenues and the costs of countering the security threats are expected to reduce fiscal space going forward. Against this background, the overall fiscal deficit is projected to remain above 5 percent of GDP until 2018, after which the public investment program returns to more normal levels and the fiscal balance is projected to improve. The external current account deficit is projected to rise to 5.3 percent of GDP, as continued strong imports and the terms-of-trade shock of 2015 continue to have an impact.

Downside risks to the outlook are primarily on the external side, including a deepening of the oil price slump and an extension of security threats. At the same time, domestic risks, such as contingent liabilities from state-owned enterprises, could have an adverse impact on public finances.

Executive Board Assessment[2]

Executive Directors welcomed the notable resilience and continued robust growth of Cameroon's economy so far in the face of sharply falling international oil prices and heightened regional security threats. While acknowledging the need to bridge infrastructure gaps, Directors nevertheless noted that fiscal and external vulnerabilities are rising on the back of the decline in oil revenue and an ambitious public investment program. Directors stressed that sound fiscal and debt management policies and more ambitious structural reforms are critical to preserve macroeconomic stability, boost private sector investment, and promote stronger, sustainable, and inclusive growth.

Directors stressed the importance of improving fiscal discipline. They encouraged the authorities to adopt a prudent budget based on a realistic oil price assumption, and to develop a credible medium-term consolidation strategy going forward. They welcomed recent tax revenue mobilization efforts and recommended stronger efforts to enhance customs revenue collection. Directors underscored the need for similar efforts on the expenditure side by strengthening public financial management. They called for action to eliminate arrears and improve oversight of contingent liabilities from state-owned enterprises.

Directors emphasized the importance of rationalizing the parallel public investment programs and to bring them fully into the budget. They also encouraged the authorities to take advantage

[2] 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.

of the current low oil prices to eliminate fuel subsidies while developing a social safety net to protect the poor. Adopting a medium-term fiscal anchor would help mitigate the impact of oil-price volatility and exert better control over public spending.

Directors emphasized the importance of preserving debt sustainability. They encouraged the authorities to pursue a prudent debt management strategy giving more priority to concessional borrowing and financing through regional markets. They called for a careful assessment and prioritization of investment projects on the basis of their potential impact on growth and poverty reduction and taking into account administrative and implementation capacity.

Directors noted that the financial sector is relatively stable. They encouraged continued close collaboration with the regional oversight body to enhance financial sector surveillance, including of micro-financial institutions and the new bank for small and medium-size enterprises. Directors called for vigilance with regard to rising nonperforming loans.

Directors emphasized that ambitious structural reforms aimed at boosting private sector activity and economic diversification by creating a business-friendly environment, and easier access to credit, are needed to lift growth in a sustainable and inclusive manner. They encouraged the authorities to reinvigorate their efforts to promote regional integration. Directors also called for further progress in improving the quality and timeliness of data and statistics.

Cameroon: Selected Economic and Financial Indicators, 2013–16

	2013 Act.	2014 Est.	2015 Proj.	2016 Proj.
	(Annual percentage change, unless otherwise indicated)			
National income and prices				
GDP at constant prices	5.6	5.9	5.9	5.2
Oil GDP at constant prices	8.5	13.8	23.2	-0.2
Non-oil GDP at constant prices	5.4	5.6	5.2	5.4
GDP deflator	2.5	1.0	1.9	1.9
Consumer prices (average)	2.1	1.9	2.8	2.2
External trade				
Export volume	7.1	17.6	13.0	4.7
Of which: non-oil sector	8.1	20.6	24.8	0.0
Import volume	2.1	15.0	10.3	4.8
Terms of trade ("-" is a deterioration)	-1.4	-7.3	-8.3	-1.3
Money and credit				
Net domestic assets[1]	10.1	7.1	10.4	10.1
Net credit to the public sector[1]	0.9	-0.8	3.7	3.7
Credit to the private sector	14.9	14.4	10.7	10.1
Broad money (M2)	10.8	10.5	9.3	9.1
	(Percent of GDP, unless otherwise indicated)			
Central government operations				
Total revenue (excluding grants)	17.6	18.1	17.4	16.5
Non-oil revenue (percent of non-oil GDP)	13.8	14.7	15.6	14.9
Total expenditure	21.9	23.1	23.0	23.9
Overall fiscal balance (cash basis)				
Excluding grants	-4.4	-5.1	-5.7	-7.4
Including grants	-4.1	-4.8	-5.4	-7.2
Non-oil primary balance (percent of non-oil GDP)	-9.0	-9.2	-7.6	-9.1
External sector				
Current account balance (including grants)	-3.9	-4.4	-5.1	-5.3
Imputed reserves (percent of broad money)	49.6	41.6	40.0	36.0
Public debt				
Total	19.0	26.6	32.6	36.8
External	12.1	17.8	21.7	24.5

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

[1] Percent of broad money at the beginning of the period.

INTERNATIONAL MONETARY FUND

CAMEROON

STAFF REPORT FOR THE 2015 ARTICLE IV CONSULTATION

November 2, 2015

KEY ISSUES

Context. Cameroon's macroeconomic and security environments have deteriorated since the last consultation. In 2014–15, the economy has shown resilience in the face of the twin shocks of the oil price slump and heightened security threats, with still robust growth and low inflation. However, fiscal performance has weakened and the government continued to accumulate domestic arrears, as expenditure pressures have shifted from fuel subsidies to security expenditure. Cameroon's economic outlook has worsened and proximate risks have become more dominant. As a result of projected financing gaps and a surge in public infrastructure investment, public debt is expected to increase rapidly. Growth is projected to stabilize at about 5 percent in the medium-term, a rate lower than what would be needed to achieve emerging market status by 2035.

Focus of the consultation and risks. The overarching policy issue is how to weather the twin shocks and maintain sustainable high growth. The main exogenous risks are a protracted slump in the global economy and the spreading of regional security problems. Endogenous risks stem from an expansionary, debt-fueled public investment program, large contingent liabilities from state-owned enterprises, and increasing non-concessional debt.

Key policy recommendations:

- Rationalize and scale back parallel public investment programs to cut the budget deficit.
- Adopt a path for the non-oil primary deficit to rebuild fiscal space, preserve medium-term fiscal stability, and support external adjustment.
- Eliminate the fuel-subsidy scheme to avoid possible future fuel subsidies.
- Improve expenditure control by strengthening public financial management and the oversight of contingent liabilities from state-owned enterprises.
- Promote higher and inclusive growth through a better business climate and measures to target vulnerable groups.
- Strengthen the supervision of the financial sector, especially that of the rapidly expanding micro-finance sector.

Approved By
Anne-Marie Gulde-Wolf and Bob Traa

Discussions took place in Douala and Yaoundé during September 10–23, 2015. The staff team comprised Mr. de Zamaróczy (head), Messrs. Gijon, Jenkinson, Orav, van Houtte (all AFR), Kalonji (resident representative), and Tchakoté (resident economist). Staffs of the World Bank and the African Development Bank attended policy meetings. The team met with Prime Minister Yang; Secretary General at the Presidency Ngoh Ngoh; Deputy Secretary General at the Presidency Fouda; Finance Minister Mey; Economy and Planning Minister Nganou Djoumessi; BEAC National Director Mani; other cabinet members and senior officials; and representatives of the business community, labor unions, civil society, and development partners. Cameroon accepted the IMF's quota and voice reforms.

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Glossary

BEAC	Regional Central Bank (*Banque des États de l'Afrique Centrale*)
CEMAC	Central African Economic and Monetary Community (*Communauté Économique et Monétaire de l'Afrique Centrale*)
CET	Common External Tariff
CFA	Central African Financial Cooperation (*Coopération Financière en Afrique Centrale*)
CGER	Consultative Group on Exchange Rates
CNDP	National Public Debt Committee (*Comité National de la Dette Publique*)
COBAC	Regional Supervisory Body (*Commission Bancaire de l'Afrique Centrale*)
CPIA	Country Policy and Institutional Assessment
CSPH	Hydrocarbon Price Stabilization Fund (*Caisse de Stabilisation des Prix des Hydrocarbures*)
DSA	Debt Sustainability Analysis
EITI	Extractive Industries Transparency Initiative
EPA	European Partnership Agreement
FSAP	Financial Sector Assessment Program
GFSM 2001	Government Financial Statistics Manual of 2001
HIPC	Heavily Indebted Poor Countries
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MFI	Micro-Finance Institution
NOPD	Non-Oil Primary Deficit
NPL	Nonperforming Loan
PFM	Public Financial Management
REER	Real Effective Exchange Rate
SME	Small and Medium-Size Enterprise
SNH	National Hydrocarbons Company (*Société Nationale des Hydrocarbures*)
SONARA	National Oil Refinery (*Société Nationale de Raffinage*)
SSA	Sub-Saharan Africa(n)
VAT	Value-Added Tax
WEO	World Economic Outlook

WEATHERING SHOCKS IN THE FACE OF UNCERTAINTIES

The international and regional contexts have dramatically changed since the mid-2014 consultation. So far, Cameroon has weathered the twin shocks of the oil price slump and security threats, but pressure is building. Continued robust growth in 2014–15 reflected strong domestic demand driven by accelerated public investment. This, in turn, has increased the fiscal deficits and the debt burden. Social indicators continue to lag the authorities' aim to become an emerging economy in the next 20 years.

1. Cameroon suffered two major shocks in 2014. First the international crude oil price slump has reduced government revenue and exports, although the shock was significantly smaller than for other Economic and Monetary Community of Central Africa (CEMAC) countries. Second, the surge of terrorist attacks in the Lake Chad region has disrupted economic activity in Cameroon's extreme north, which has required large-scale, multinational military operations in response. These operations have succeeded in reducing the number and severity of the attacks in Cameroon.

2. Cameroon extended its record of robust growth in 2014. Growth reached 5.9 percent, buoyed by increased oil production and the performance of sectors benefiting from the public investment boom: building materials, construction, and energy (Text Table 1; Figures 1–2; Tables 1 and 4–5). A major infrastructure project ("*grand projet structurant*"), the Kribi deep-sea port, is nearing completion.[1] Annual inflation remained below 2 percent, despite a 15 percent gasoline retail price increase on July 1, 2014, and was slightly higher than inflation in the euro area.[2] The authorities heeded long-standing staff advice on gasoline price adjustment and on tax administration reform, but other policy and technical assistance recommendations have not been implemented (Annex I).

Text Table 1. Cameroon: Contributions to Real GDP Growth, 2009–14

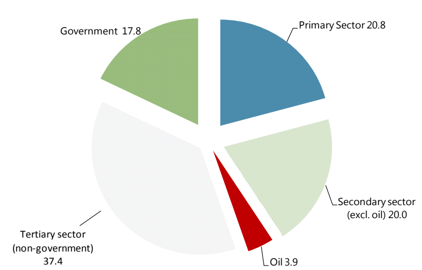
(Percent)

	2009	2010	2011	2012	2013	2014
Primary sector	0.6	1.3	0.7	0.6	0.8	1.0
Secondary sector (excl. oil)	0.1	0.7	0.7	1.0	1.1	1.1
Oil	-0.8	-0.6	-0.3	0.1	0.3	0.5
Tertiary sector	2.0	1.8	3.0	2.9	3.4	3.3
of which: government	0.7	0.4	1.0	0.8	1.1	1.3
Real GDP growth	1.9	3.3	4.1	4.6	5.6	5.9

Sources: Cameroonian Authorities; and IMF staff estimates.

Figure 1. Cameroon: Real GDP by Sector, 2014

(Percent)

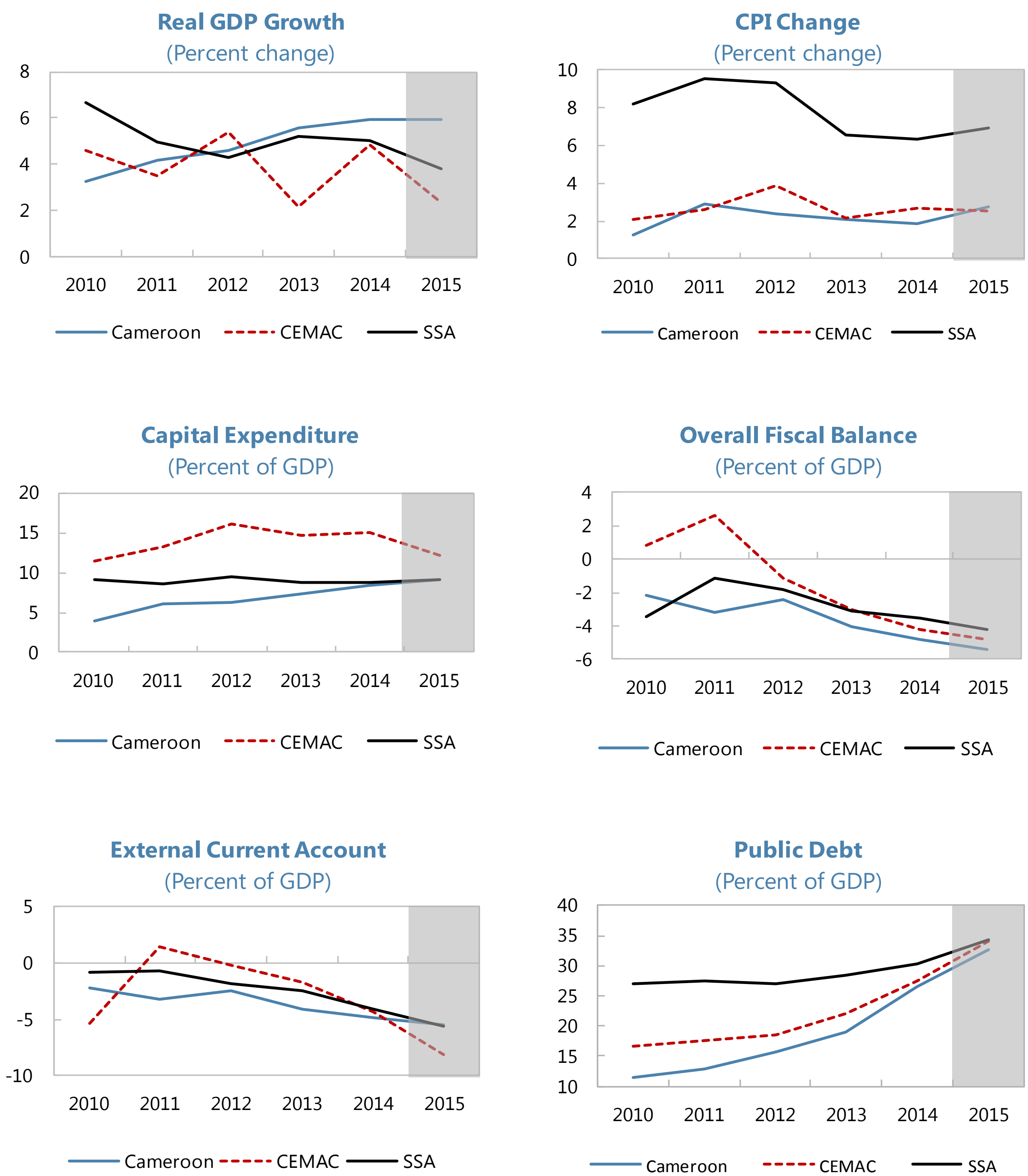


Sources: Cameroonian Authorities; and IMF staff estimates.

[1] The port's construction was completed in mid-2014, but the port is not yet operational because of the lack of appropriate electricity and water provision and other services.

[2] The CFA franc is pegged to the euro.

Figure 2. Cameroon: Selected Economic Indicators, 2010–15

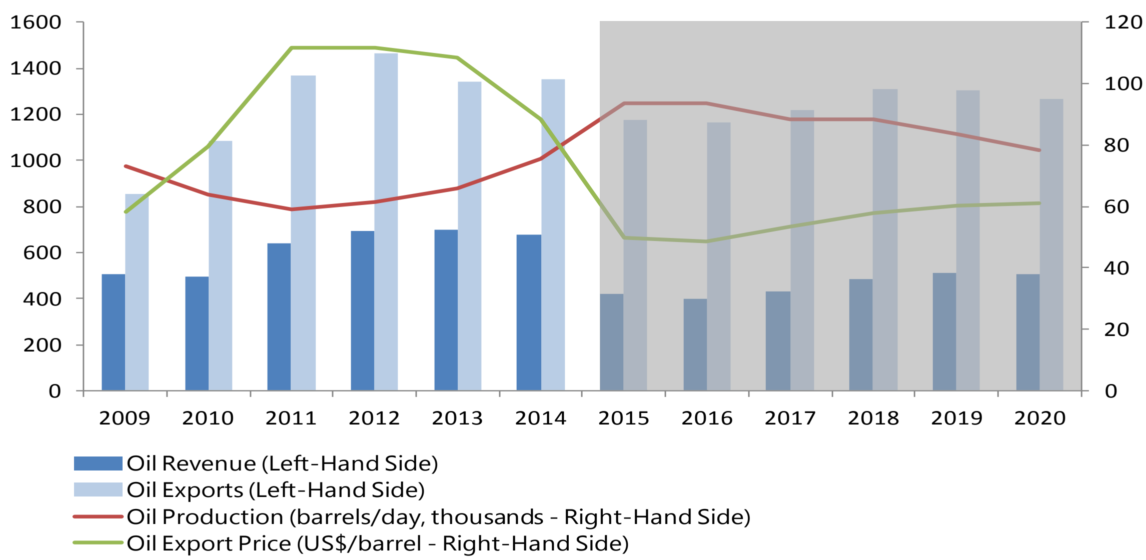


Sources: Cameroonian authorities; and IMF staff estimates and projections.

3. **Growth in 2015 is projected at almost 6 percent, supported by a surge in oil production and a further increase in public investment.** This contrasts with the projected growth rate of about 2 percent for CEMAC. Oil extraction is expected to rise by almost 25 percent, as new wells come on stream (Figure 3). Inflation is projected to increase to almost 3 percent, as second-round effects of the mid-2014 fuel price increase work their way through food and transport prices. Structural competitiveness issues, including an unpropitious business climate and lack of progress in regional integration, will continue to hamper private sector development, leading to a medium-term growth rate of about 5 percent.

Figure 3. Cameroon: Selected Oil Sector Indicators, 2009–20

(CFAF billions, unless otherwise indicated)



Sources: Cameroonian Authorities and IMF staff estimates.

4. **Fiscal performance deteriorated in 2014.** The fiscal deficit, on a cash basis and including grants, widened to 4.8 percent of GDP, as the increase in revenue lagged that in expenditure (Tables 2–3 and 6–9). This outturn would have been worse, were it not for the a 15 percent increase in retail fuel prices in mid-2014, which helped contain subsidies, as oil prices reached more than US$110 per barrel. Efficiency improvements helped non-oil revenue increase by almost one percentage point of GDP from 2013, thanks to strong direct taxes and customs income. Conversely, oil revenue dropped half a percentage point of GDP from 2013, as declining royalties reflected the oil price slump in the second half of the year. Expenditure was driven by public investment (up by 1.1 percentage points of GDP over 2013) and current expenditure, notably fuel subsidies (2.3 percent of GDP on an accrual basis), despite the mid-year price increase. The stock or arrears remained stable at 4.6 percent of GDP at end-2014, reflecting an increase in arrears to fuel distributors, and a decrease in unsettled payment obligations.

5. **The medium-term fiscal outlook is threatened by the deteriorating global and regional environments and expanding public investment.** Lower oil prices are expected to reduce fuel subsidies by 1.2 percentage points of GDP in 2015, but also to cut a comparable amount from oil revenue. Security operations in the extreme north are expected to drive public expenditure up in 2015 and beyond. New infrastructure projects to accelerate development and revitalize the extreme north are projected to push capital spending to 10 percent of GDP in 2016. As a result, the fiscal deficit is projected to peak at over 7 percent of GDP in 2016. The non-oil primary deficit (NOPD) is projected to follow a similar trend as a percentage of non-oil GDP. Reflecting, inter alia, these fiscal developments, the government's net worth is projected to decline in the medium term (Box 1).

6. **Poverty remains high according to the preliminary results of the 2014 household survey.** Although poverty fell by two percentage points between 2007 and 2014 to 37.5 percent of the population, its level is comparable to that of a low-income country (Text Table 2 and Table 14).[3] Its geographical incidence is uneven. Poverty increased in the northern-most regions, where livelihoods are more dependent on agriculture. Moreover, gender-related social indicators deteriorated, such as maternal mortality and female illiteracy. Social expenditure allocations in 2014 remained constrained by high fuel subsidies, in spite of the gasoline price increase. Although the oil price collapse has reduced the level of fuel subsidies in 2015 to a projected 0.2 percent of GDP, security threats in the extreme north have entailed rising expenditure, thus limiting allocations to the social sectors.

Text Table 2. Cameroon: Selected Social Indicators, 2007–14

(Percent, unless otherwise indicated)

	2007	2011	2014
Poverty	39.9	38.7	37.5
Urban poverty	12.2	10.8	8.9
Rural poverty	55	59.2	56.8
Population growth	2.6	2.5	2.5
Life expectancy at birth (years)	52	54	55
Maternal mortality ratio (per 100.000 live births)	720	690	782
Youth literacy rate	83	81	N/A

Sources: World Bank World Development Indicators; Cameroonian authorities; and IMF staff estimates

[3] According to the World Development Indicators, Senegal's latest reported poverty rate was 38.0 percent and Uganda's was 33.2 percent.

Box 1. Cameroon: Government Balance Sheet

Increasing liabilities and stagnating assets are projected to reduce the government's net worth by 31 percent in nominal terms between 2013 and 2020. The Box Table shows that despite the projected steady increase in public capital stock,[1] as a result of sustained public investment, total government assets will stagnate in nominal terms because of a 38 percent decline in the value of oil reserves between 2013 and 2020. This significant fall is due to the depletion of oil reserves (from 230 million barrels in 2015) and low oil price projections. The overall stability of assets is more than offset by a threefold increase in liabilities, reflecting the increase in public debt to finance public investment. The large increase in debt is the result, inter alia, of the higher cost of non-concessional borrowing. It may also be related to low factor productivity (Box 2).

Cameroon: Government Balance Sheet 2013–20

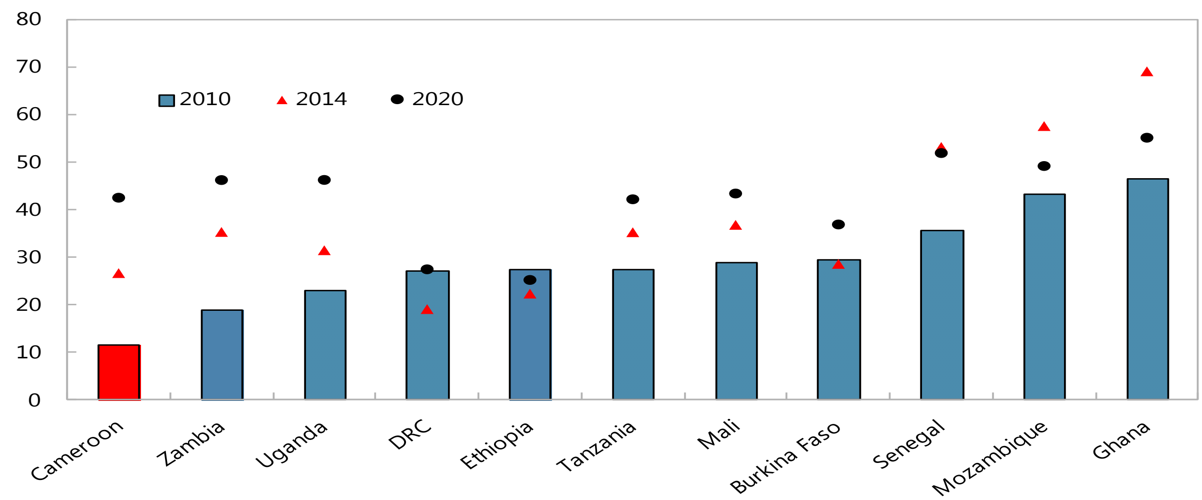
	2013	2014	2015	2016	2017	2018	2019	2020
		Est.	Projections					
	(CFAF billions)							
Assets	27,423	27,153	21,717	23,046	25,764	26,462	27,155	27,084
Domestic deposits	363	290	280	232	184	138	89	59
Foreign deposits	0	0	0	0	0	0	0	0
Oil reserves	13,410	11,870	6,674	6,561	7,642	7,701	8,370	8,282
Public capital stock	13,649	14,993	14,763	16,253	17,937	18,623	18,696	18,743
Liabilities	3,469	4,696	6,022	7,152	8,089	9,014	9,785	10,571
Domestic debt	1,014	1,375	1,842	2,230	2,482	2,762	3,082	3,469
External debt	1,766	2,774	3,660	4,429	5,137	5,806	6,280	6,699
Arrears	689	547	520	494	469	446	423	402
Net worth	23,954	22,456	15,694	15,893	17,675	17,449	17,370	16,514
Net worth excluding oil reserves	10,544	10,587	9,021	9,332	10,033	9,748	8,999	8,232
	(Percent of GDP)							
Assets	187.8	174.0	129.0	127.7	133.2	127.3	121.7	113.1
Liablities	23.8	30.1	35.8	39.6	41.8	43.4	43.9	44.1
Net Worth	164.0	143.9	93.3	88.1	91.4	84.0	77.8	69.0
Net worth excluding oil reserves	72.2	67.8	53.6	51.7	51.9	46.9	40.3	34.4

Sources: Data provided by the Cameroonian authorities; and IMF staff calculations and projections.

[1] Cameroon's public capital stock has been calculated using the permanent inventory method of growth accounting exercises. Based on the literature on public capital stock (e.g., Kamps, 2004; Arestoff and Hurlin, 2006; Alrlanalp, Bohorts and Gupta 2011), Cameroon's estimates appear to be relatively conservative.

7. **With current large borrowing plans and lower oil exports, Cameroon's risk of external debt distress has risen from "low" to "high" in the space of less than three years.** Public debt is projected to reach more than 42 percent of GDP by 2020, more than twice its level at end-2013, while debt service is also expected to double in the medium term. The rapid increase in external debt, the mostly non-concessional terms of new loans, and the fall in the value of Cameroon's main exports are the main factors, which explain the breach of the threshold for the ratio of the present value of external debt to exports in 2021 (Figure 4 and companion debt sustainability analysis). The breach is significant—the ratio nears 130 versus a threshold of 100—and is projected to last over the long term.

Figure 4. Selected Countries: Gross Government Debt, 2010–20
(Percent of GDP)



Source: IMF World Economic Outlook (WEO).

8. Cameroon's nominal and real effective exchange rates (REERs) appreciated between 2012 and 2014. This trend reversed the depreciation experienced in the wake of the global recession of 2008–09, but represents a continuation of the long-term appreciation witnessed since 1994 (Annex II). Nonetheless, model-based assessments find that the REER is not significantly misaligned with current account norms. These findings are consistent with the CEMAC regional consultation of mid-2015, which also concluded that there was no significant misalignment for the regional REER.

9. Medium-term macroeconomic stability is threatened by growing risks (Annex III). Cameroon's outlook is adversely affected by growing external risks: (i) a protracted global commodity price slump; and (ii) terrorist attacks in the extreme north increasing and overflowing into the rest of the country. Domestic risks include: (i) contingent liabilities arising from state-owned enterprises (SOEs; companion selected issues paper—SIP); (ii) a return of fuel subsidies under an unreformed fuel-subsidy scheme, should international oil prices rise (SIP); and (iii) excessive credit exposure of the national refinery (SONARA) jeopardizing the banking system and the real sector. The authorities have been actively seeking international financial and operational support to counter the security threats.

10. Data provision to the IMF is broadly adequate for surveillance, but important gaps remain in fiscal and external sectors information. Government fiscal operations, on a commitment basis, are not available and the timeliness of debt figures should be improved. The quality and timeliness of balance of payments statistics have improved, but further work is needed to move toward the 6th Edition of the Balance of Payments Manual.

POLICY DISCUSSION—SPURRING PRIVATE SECTOR-LED GROWTH

Cameroon's challenge is to adapt its economy and budget to confront its twin shocks, while switching to a growth model less reliant on public investment financed by non-concessional debt. Sustaining inclusive growth also requires a timely implementation of structural reforms to promote private sector activity and stronger policies designed to address inequality.

A. Fostering Private Sector-Led Growth

11. The private sector has the potential to overtake the public sector as the engine of growth. There is strong potential beyond government in key sectors underpinning the economy, such as energy and construction. The capacity of cement production has more than doubled since the last consultation, with the arrival of new foreign investors, which is a testimony to the private sector's readiness to grow.

12. Lack of structural competitiveness continues to be a critical issue. Total factor productivity made a negative contribution to growth in Cameroon (Box 2). The government has taken initiatives to improve the business environment. However, its initiatives have not led to a significant decrease in the number of public interventions and discretion by public officials in the conduct of business. Cameroon's ranking in the World Bank's "Doing Business" indicators have deteriorated: it ranks 158th in 2015, versus 148th in 2014. Cameroon's performance deteriorated in five of ten indicators, stagnated in four, and improved in one. The most ground was lost in dealing with construction permits and starting a business. The 2013 law on investment incentives has generated almost 100 agreements, but mostly with firms already present in Cameroon, rather than with new foreign firms.

13. Regional integration and the promise of a single CEMAC market remain elusive. Given the challenges faced by the CEMAC Commission in resuming work in its headquarters in Bangui, Central African Republic, staff urged the authorities, representing the largest economy in the Community, to lead a reinvigoration of regional integration by:

- Ensuring adequate human and financial resources for the CEMAC Commission.
- Pushing for a common external tariff across all product categories for the CEMAC customs union, mindful of the bilateral Economic Partnership Agreement between the European Union and Cameroon.
- Harmonizing economic and technical standards, such as sanitary standards for perishable products.
- Addressing other non tariff barriers, such as burdensome customs procedures stemming from limited cooperation between national administrations. For example, there is no applicable agreement for Cameroonian customs to collect import tariffs for merchandise transiting through the region's main sea port in Douala and redistribute the proceeds according to the country of final destination.

Authorities' views

14. The authorities expressed confidence in the contribution of large public investment projects to growth and economic diversification. They felt that the large infrastructure projects throughout the country that are nearing completion would lift the rate of economic growth sustainably. Moreover, they were confident that an additional, nation-wide, supplemental investment program would further boost economic growth and return the country to the path towards achieving emerging economy status by 2035.[4] They concurred with staff's recommendation to focus on first-generation projects nearing completion. They recognized the need to enhance the ability of the private sector to contribute more to growth and opined that filling the infrastructure and energy gaps was the best way to achieve this.

15. The authorities agreed with the need to strengthen competitiveness and remove obstacles to trade. They shared staff's views on regional integration, as one of the great opportunities for growth, especially given the less favorable global economic outlook. As the largest and most diversified economy in CEMAC, they recognized that they were expected to show leadership in regional cooperation and integration. However, they noted the generally difficult process of coming to agreement with other CEMAC partners.

B. Rationalizing Public Expenditure to Preserve Fiscal Sustainability

16. The 2015 budget execution has been thrown into disarray by the fall in oil revenue, unexpected security spending, and the supplemental investment program. Revenue performance is expected to deteriorate in terms of GDP compared with 2014. This reflects the steep decline in oil revenue, which has only been partially offset by stronger-than-expected non-oil revenue performance, stemming from tax administration reforms and one-off sales of mobile phone licenses. Total expenditure, in terms of GDP, will remain at the same level as in 2014; however its composition will change significantly, with current expenditure contracting by 0.7 percentage point of GDP, on account of lower subsidies, and capital expenditure increasing by the same amount because of expanding public investment. The overall budget deficit is thus expected to widen to 5.4 percent of GDP. It is expected to be financed by a mix of domestic and external borrowing and deferred payments. High capital expenditure is also expected to increase imports of investment-related goods and push the current account deficit above 5 percent of GDP in the medium term. The authorities are preparing to issue a US$1.5 billion Eurobond to pay arrears to SONARA and finance the supplemental investment program.

[4] The three-year program ("*plan d'urgence*") of infrastructure projects (including hospitals, secondary roads, agricultural projects) is equivalent to some 1.7 percent of GDP annually.

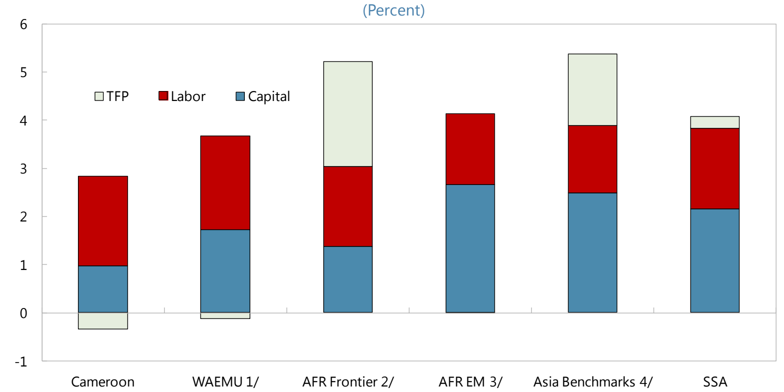
Box 2. Cameroon: Total Factor Productivity and Structural Competitiveness

Total factor productivity (TFP) in Cameroon has been lagging that of peers. A growth accounting exercise for 49 African and Asian countries from 1991 to 2012 analyzed the average contribution of capital, labor, and TFP to growth.[1] It showed that TFP made a negative contribution to growth in Cameroon. Moreover the Box Figure shows that among five groups (WAEMU, African frontier economies, African emerging markets, Asian benchmark peers, and sub-Saharan African countries) only Cameroon and WAEMU had negative TFP contributions to growth. The figure also shows that Cameroon had the lowest contribution of capital to growth (about one percent).

Cameroon's week structural competitiveness could explain the disappointing contribution of TFP to growth. The external sustainability assessment (Annex II) shows that Cameroon has a challenging business environment and governance, which could explain the negative contribution of TFP. In African frontier economies, which had made considerable progress in improving competitiveness, the contribution of TFP to growth was significant, despite similarly low levels of contribution of labor and capital to growth.

Cameroon and Peers: Growth Decomposition 1991–2012

(Percent)



1/ WAEMU: Benin Burkina Faso, Guinea Buissau, Mali, Niger, Senegal and Togo.
2/ AFR Frontier: Ethiopia, Ghana, Kenya, Mauritius, Mozambique, Nigeria, Senegal, Tanzania, Uganda and Zambia.
3/ AFR EM: Botswana, Cape Verde, Namibia, Seychelles and South Africa.
4/ Asian Benchmark: Bangladesh, Cambodia, India, Indonesia, Lao, Nepal and Vietnam.

Source: IMF staff estimates.

[1] See the CEMAC 2015 regional consultation's selected issues paper, entitled "CEMAC: Why Is Economic Growth Lagging and What Can Be Done About It?" (IMF Country Report 15/222).

17. **Rapid growth in non-concessional external debt has become the most important threat to fiscal sustainability.** The sharp and persistent decline in oil revenue and the rapid increase in public debt require equally decisive and firm measures to ensure fiscal sustainability. On the expenditure side, most investment projects in the supplemental program are at an early conceptual stage and far from the financing stage. There are capacity constraints for properly implementing numerous, large, and complex infrastructure projects simultaneously. There are also long delays between the coming on stream of new infrastructure and related government revenue generation. All this calls for a consolidation and rationalization of the authorities' investment plans and their full incorporation into the budget. Rather than surging ahead with additional externally financed projects, at a time of fiscal stress, a commitment to a medium-term fiscal anchor, such as the NOPD, seems warranted, as are measures to exert better control over capital and security expenditures.

18. Staff encouraged the authorities to tighten the fiscal stance in the absence of additional revenue or concessional financing. Given the limited prospects of mobilizing large amounts of additional revenue in the short term, staff made the following recommendations:

- Adopt a NOPD that that does not jeopardize fiscal sustainability, with a downward path to below 4 percent of non-oil GDP in the medium term.
- Expand the tax base further by creating more decentralized tax offices to facilitate tax payments; phase out tax and customs exemptions; eliminate the fuel-subsidy scheme; and restore normal taxation of fuel products. Narrow eligibility under the investment incentives law to new external investments with a clearly demonstrable impact on growth. Finalize single taxpayer identification by interconnecting relevant databases in the tax and customs administrations.
- Restore the budget to its role as an effective expenditure control mechanism by adopting a supplemental budget for 2015[5] and a realistic budget for 2016 to (i) unify, rationalize, and scale down multiple investment programs and bring them into the budget, while focusing on projects with a high impact on growth and poverty; (ii) phase in gradually projects for which debt has been contracted but whose implementation has not yet started; and (iii) bring the full extent of security expenditures onto the budget.
- Focus on projects nearing completion; and allocate appropriate resources for maintenance.
- Call a moratorium on new infrastructure projects, in light of the more than US$4 billion contracted but undisbursed project loans, unless the financing is concessional.
- Improve the implementation of the medium-term debt strategy by vesting sole authority for contracting debt in the Minister of Finance.
- Issue regional bonds in local currency in amounts and at a pace consistent with market absorptive capacity.
- Postpone the issuance of the proposed Eurobond, which is likely to be onerous under current market conditions, because the projects it is intended to finance are insufficiently mature.
- Implement the new information technology system under consideration to reconcile the civil service payroll with the treasury payment system. Elaborate wage bill projections to better inform the schedule for the proposed hiring of new civil servants.
- Strengthen the monitoring of the performance of SOEs, especially SONARA, with particular focus on contingent liabilities. An annual report should be produced on the financial health of all SOEs and state-owned banks, and efforts made to clear SONARA's arrears, including its overdue supplier credits.

[5] This recommendation was made at the time of the consultation in September 2015 when preparations for a supplemental budget were at an advanced stage at the technical level.

Authorities' views

19. The authorities were undecided on the need for a supplemental budget. They noted that they could accommodate deviations from budget allocations without necessarily resorting to a supplemental budget. They also noted that the supplemental investment program had been approved by Parliament earlier in 2015, including its external financing. They also thought that by reallocating unspent money (e.g., fuel subsidies) they could largely meet unforeseen expenditure (e.g., security expenditure). They considered that unforeseen economic and fiscal developments in 2015 can be fully addressed in the 2016 budget.

20. The authorities did not agree that Cameroon had reached a high risk of debt distress. They pointed out that (i) the value of exports could rebound with a possible rise in commodity prices; (ii) SONARA's large external arrears should not be counted toward the total public and publicly guaranteed debt, because they are suppliers' credit pending payment; and (iii) the rating of external debt distress was the result of a breach under only one test among the five standard tests. They nonetheless agreed that Cameroon's fiscal sustainability had deteriorated, and thus recognized the need to improve the cost-effectiveness of public spending. They also committed to improving non-oil revenue mobilization, in line with the recommendations of FAD technical assistance. As in previous years, the authorities saw limited merit in a fiscal rule anchored on the NOPD, if only because oil is expected to fade as a contributor to GDP. They were open to considering the elimination of the fuel-subsidy scheme, but were mindful of the social impact in the event that prices rise too sharply and considered that this reform was not a priority in times of low oil prices.

C. Improving Expenditure Management

21. The strain on public expenditure is exacerbating dysfunctions in public financial management (PFM). The treasury is working in practice through both the state's single treasury account and the national hydrocarbon company's (SNH) "advances" account, contrary to IMF staff advice. Increasing recourse to cash outlays by the treasury, which are not covered by appropriations in the budget, and direct expenditures by SNH make ex post regularization in the budget increasingly difficult, even though SNH's payments on behalf of the government are periodically reconciled with the budget accounts. The prospects for more rational budget execution were also undermined by the extension of the "complementary period" for closing public accounts in 2014 by more than three months, which allowed commitments on the 2014 budget to be made in 2015. The treasury has, however, made notable progress in winding down undisbursed balances in subaccounts used to hold public entities' expended subsidies.

22. The budget has ceased to be an instrument to guide and control the public finances. This hinders progress toward the authorities' efforts to implement program budgeting. The budget also suffers from the continuing practice of registering only the net result of offsetting transactions between the budget and public entities (e.g., subsidies canceled against taxes due). This undermines budget analysis, transparency, and is a potential source of errors. Moreover, parts of the investment budget financed from external sources are recorded in the budget with delays of up to two years.

23. Staff encouraged the authorities to restore fiscal discipline by reinforcing expenditure control through the ex ante verification of budget allocations and the availability of adequate liquidity. Specific recommendations included:

- Accounting for all revenue and expenditure flows on a gross basis.
- Limiting the complementary period to one month, and starting to use "carry forwards" for unspent budget allocations.
- Compiling the backlog of pending payments (including toward SONARA) and proceeding to clear this backlog with cash payments or formal debt obligations.
- Ceasing to use SNH as an off-budget, advance expenditure mechanism.
- Eliminating various tax expenditures, including by winding down the large number of preferential agreements—this could yield annual revenues of more than one percent of GDP.
- Narrowing the scope of the 2013 investment incentives law to a few strategic sectors.

Authorities' views

24. The authorities agreed with the need for better monitoring and more comprehensive accounting and reporting of public spending. They noted that expenditure reallocations were always formally approved by the Prime Minister, with a view to regularizing all spending and communicating a full account of the use of resources to Parliament.

25. They also agreed to consider IMF staff recommendations to improve commitment controls and to reassert control over public expenditure. In particular, they pointed to their implementation of a new information technology architecture that will connect the civil service register to the payroll. However, they did not see a need to reconsider externally financed public investment plans, as these were deemed essential for accelerated growth and were in any case fully financed.

D. Promoting Sound Financial Intermediation

26. Despite the oil price slump and the security crisis, the banking sector appears relatively sound (Table 13). By end-June 2015, total bank assets grew by 6.2 percent year-on-year, while deposits and credits increased by 6.1 percent and 13.0 percent, respectively. This performance reflected strong domestic demand, linked to investment growth. However, banks' non-performing loans (NPLs) increased from 10.2 percent in June 2014 to 13.1 percent a year later, as did those of micro-finance institutions (MFIs). The somewhat improved financial situation of SONARA also lessened the banking system's credit risk. Excess liquidity in the banking system ebbed, but remained significant at almost 5 percent of GDP, although the situation varied across institutions. The issue of three small problem banks remained unresolved and continues to hinder financial intermediation. The new government-sponsored bank for small and medium-size enterprises (SMEs) started operations in July 2015 with two agencies (in Yaoundé and Douala), but has yet to extend significant amounts of credit.

27. After a long period of gestation, mobile transfers almost doubled in 2014. Staff encouraged the authorities to promote financial inclusion through this modern medium. It noted that mobile banking has a strong financial development potential, if adequately regulated. Staff recommended updating the mobile banking legal framework, in coordination with the appropriate regional authorities, to better meet the business needs of the various market stakeholders (mobile operators, financial institutions).

28. Bank supervision at national and regional levels has improved. At the national level, the deployment of the central information database on banks and large MFIs by the national directorate of the central bank (BEAC) should boost financial intermediation. This tool will also allow the eventual creation of a credit bureau and of a repository of the balance sheets of credit institutions and major MFIs. Staff recommended the full implementation of this tool, which could help control financial risks and improve the performance of the most vulnerable institutions. At the community level, the institutional capacity of the regional supervisor (COBAC) has strengthened through the doubling in the number of inspectors and the deployment of a new on-line financial reporting tool. This has improved the quality of bank supervision in Cameroon as well. However, the slow process of adopting new regulation delays the modernization of the prudential framework and prevents progression toward a more efficient supervisory system.

Authorities' views

29. COBAC continued to monitor developments in the financial sector. Its representatives noted that in spite of an increase in NPLs in the banking sector, the situation remained broadly satisfactory, but there were some vulnerabilities in three small troubled banks. The Cameroonian authorities continued to explore options to address the troubled banks, which entailed, inter alia, reaching agreements with shareholders. One key issue was how much the state should contribute to the banks' recapitalization. They noted that banks' NPLs increased because of stricter loan portfolio management in a problem bank and more stringent risk management in another. They also noted that provisions had increased to reflect this. They further noted that the increased level of MFIs' NPLs may reflect better reporting within their new financial reporting system, rather than an actual increase thereof. They were working on integrating the reporting of MFIs' NPLs into the overall financial sector reporting. COBAC is developing regional regulations to consolidate the MFI sector, including higher minimum capital requirements and new corporate governance rules.

30. The authorities expressed concern about possible spillovers from the twin shocks to other CEMAC countries' financial systems. They worried about potential inbound financial spillovers from Equatorial Guinea and the Republic of the Congo, also affected by the oil price shock, through the subsidiaries of Cameroonian banks in those countries, which could experience a rise in NPLs. They considered most financial institutions in Cameroon sound, but admitted that the persistence of low oil prices could put some institutions under stress. They recognized that the fall in oil revenues and the scaling up of public investment had reduced systemic liquidity, but noted that banks still had ample excess deposits at the BEAC. The COBAC regretted the delays in the adoption of community-wide banking regulations, which it thought required better coordination with the BEAC, and a more effective CEMAC Commission to publish all CEMAC-wide regulations on a timely basis.

E. Reform Scenario

31. Staff recommended a reform scenario, which would promote more sustainable growth (Text Table 3, and Tables 10–12). Staff's policy advice has been incorporated into a moderate reform scenario with the following features (i) an acceleration of private sector-led growth through faster improvements in the business environment, the faster completion of new infrastructure, and an expansion of private sector credit brought about by a reduction in bank claims on SONARA; (ii) the acceleration of PFM reforms aiming at more effective commitment control and faster improvements in tax and customs administrations; and (iii) greater fiscal space from a moratorium on the launch of non-priority new investments, better financial stewardship of SOEs, and improved control over mandatory expenditures, such as wages and pensions.

Text Table 3. Cameroon: Selected Macroeconomic Indicators, 2015–20

(Units indicated)

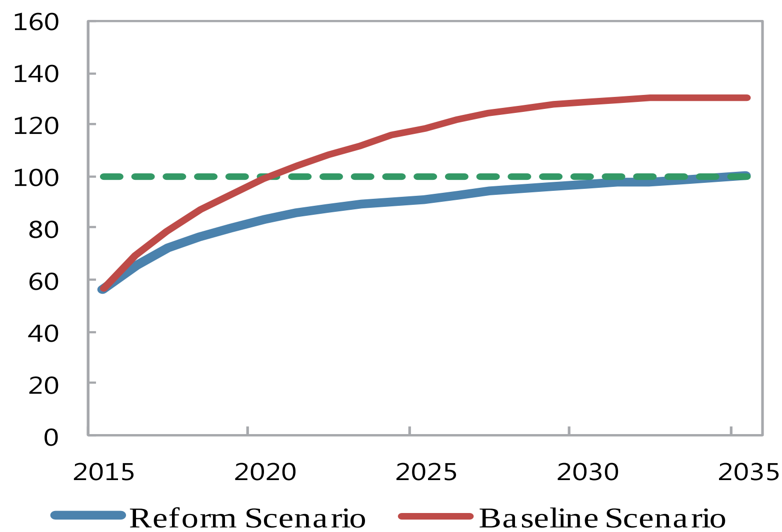
	2015	2016	2018	2020	2016	2018	2020
		Reform Scenario			Baseline Scenario		
Economic growth and prices							
Real GDP [1]	5.9	5.3	5.7	5.7	5.2	5.4	5.2
Non-oil real GDP [1]	5.2	5.5	5.9	6.0	5.4	5.6	5.6
Consumer prices (period average) [1]	2.8	2.2	2.2	2.2	2.2	2.2	2.2
Fiscal aggregates							
Total revenue (incl. grants) [2]	17.8	16.8	17.0	16.9	16.7	16.8	16.8
Of which: Oil [2]	2.5	2.2	2.3	2.1	2.2	2.3	2.1
Non-oil [3]	15.6	15.0	15.1	15.2	14.9	14.9	15.0
Total expenditure, cash basis [2]	23.1	21.7	19.9	18.5	23.9	22.1	20.7
Of which: Non-interest current [2]	13.4	13.3	13.2	13.1	13.3	13.2	13.1
Capital [2]	9.1	7.7	6.1	4.8	10.0	8.2	6.7
Overall budget balance, cash basis (incl. grants) [2]	-5.4	-4.9	-2.9	-1.5	-7.2	-5.3	-3.9
Non-oil primary balance [3]	-7.6	-6.7	-4.8	-3.1	-9.1	-7.2	-5.3
Total public debt [2]	32.6	34.5	34.5	32.0	36.8	41.2	42.5
External sector							
Current account (incl. grants) [2]	-5.1	-5.0	-4.3	-4.0	-5.3	-5.2	-5.2

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

[1] Percentage change.
[2] Percent of GDP.
[3] Percent of non-oil GDP.

32. The reform scenario could result in higher growth of about ½ percentage point of GDP per year in the medium term. This would involve the completion and launch of new infrastructure in a more business-friendly environment, with easier access to credit, easier regional commerce, and the reallocation of public expenditure toward more productive uses. Inflation would remain subdued. Fiscal balances would improve: non-oil revenue could be expected to increase by about 1 percentage point per year in the medium term, supported by accelerated administrative reforms to widen the tax base, the paring down of tax and customs exemptions, and a narrower scope of the 2013 investment incentives law. The tighter fiscal path and structural reforms to boost competitiveness would strengthen external and fiscal sustainability sufficiently to contain the risk of external debt distress (Figure 5).

Figure 5. Cameroon: Present Value of External Debt / Exports, 2015–35



Sources: Cameroonian authorities; and IMF staff projections

Authorities' views

33. The authorities concurred with the objective of higher, sustainable growth and opined that the planned surge in infrastructure investment would deliver those results. They expressed confidence that expanded infrastructure would boost economic growth, and yield higher exports and government revenue, thereby making their development model sustainable. In general, they endorsed staff recommendations, but insisted on a pace of implementation more in line with Cameroon's administrative and social realities.

STAFF APPRAISAL

34. Cameroon has shown, so far, resilience in the face of adverse international and security environments. The economy has continued to grow at a brisk space in 2014–15 and inflation has remained low, in spite of a large increase in administered retail gasoline prices in July 2014.

35. The lack of adjustment to the oil-price shock has resulted in raising the risk of external debt distress to "high." The authorities' growth strategy has shifted from progressively addressing the public infrastructure gap to boosting growth by launching an ambitious supplemental investment program. This program consists of additional large infrastructure projects, financed by non-concessional debt. Under this approach, Cameroon's risk of debt distress has been elevated to high. The outlook for debt sustainability would be exacerbated in the event that a first-time Eurobond were to proceed. Staff therefore urged the authorities to focus their efforts on projects nearing completion and to postpone the contemplated Eurobond issue.

36. The role of the private sector will be critical in supporting the transition from public to private sector-led development. Staff recommended improving the business environment by reducing bureaucratic impediments, in particular in the areas of tax payments and intra-CEMAC trading, increasing anti-corruption efforts, and strengthening the implementation of the anti-money laundering framework. A realistic and comprehensive budget is also needed for the government to stay current with its payment obligations to the private sector. Given the difficult circumstances confronting CEMAC, Cameroon may want to seize the opportunity to revive the stalled regional integration process, which would support economic diversification and productivity growth in Cameroon's non-oil sector.

37. Substantial risks to the budget need to be urgently addressed. Lower-than-budgeted oil revenue and unexpected security expenditures are putting stress on fiscal sustainability and are leading to large financing gaps and a further accumulation of domestic arrears. Contingent liabilities, arising from SOEs, pose an additional risk, which requires better transparency of their accounts. The potential for a re-emergence of fuel subsidies, from a possible upturn in oil prices, should be prevented through the elimination of the fuel-subsidy scheme. At the present juncture, this could be done without changing retail gasoline prices, with vulnerable groups protected against possible future price rises through the deployment of a targeted social safety net. A plan to formalize and unwind the web of cross-debts between the state, SONARA, and its commercial partners should be drawn up and implemented. PFM needs strengthening beyond renewed efforts to monitor expenditure and the budget needs to be restored to a rational allocation and an effective control mechanism. Staff welcomed the forthcoming rolling out of a new tool to reconcile the payroll with the civil service registers. Staff recommended abandoning the practice of parallel expenditure channels through the SNH, which undermines fiscal discipline.

38. Increasing fiscal space will require a combination of improved revenue collection, expenditure restraint, and judicious financing choices. Staff commended the improved performance of the tax administration, and emphasized a steadfast continuation of reforms to increase non-oil revenue. Extending this good performance to the realm of customs, in line with IMF technical assistance advice, is another potential source of increased resources. The authorities need to sustain the implementation of program budgeting, which should help identify less productive expenditure items that should be scaled back. Resourcing a consolidated and scaled-down public investment plan should prioritize concessional loans.

39. Improvements to financial intermediation are needed for public and private investment. Although risks to financial sector stability may have abated somewhat, banking sector excess liquidity has declined—but remains ample—and NPLs have increased. Staff therefore encouraged the authorities to collaborate with the regional financial sector regulator to strengthen financial sector supervision, including of the new bank for SMEs. Staff stressed the importance of better supervising MFIs, as some of these have become very large.

40. Data are broadly adequate for surveillance, but there are important shortcomings that need to be addressed. Incomplete and delayed fiscal and balance of payments data can cause the authorities to miss early warning signals.

41. Staff recommends that the next Article IV consultation take place on the 12-month consultation cycle.

Table 1. Cameroon: Selected Economic Indicators, 2013–20

	2013	2014	2015	2016	2017	2018	2019	2020
		Est.	Projections					
			(Annual percentage change, unless otherwise indicated)					
National account and prices								
GDP at constant prices	5.6	5.9	5.9	5.2	5.0	5.4	5.2	5.2
Oil GDP at constant prices	8.5	13.8	23.2	-0.2	-5.3	-0.2	-5.6	-5.9
Non-Oil GDP at constant prices	5.4	5.6	5.2	5.4	5.5	5.6	5.6	5.6
GDP deflator	2.5	1.0	1.9	1.9	2.0	2.0	2.0	2.0
Nominal GDP (at market prices, CFAF billions)	14,603	15,611	16,836	18,053	19,341	20,784	22,315	23,943
Oil	1,049	977	811	786	813	869	847	795
Non-Oil	13,554	14,634	16,025	17,267	18,529	19,915	21,468	23,147
Oil output (thousands of barrels per day)	65.7	75.4	93.4	93.4	88.5	88.3	83.4	78.4
Consumer prices (average)	2.1	1.9	2.8	2.2	2.2	2.2	2.2	2.2
External trade								
Export volume	7.1	17.6	13.0	4.7	3.7	5.0	4.1	4.4
Oil sector	8.1	20.6	24.8	0.0	-5.3	-0.2	-5.6	-5.9
Non-oil sector	6.8	16.9	10.0	6.0	6.1	6.2	6.3	6.4
Import volume	2.1	15.0	10.3	4.8	4.1	4.7	3.9	3.4
Average oil export price[1] (US$ per barrel)	108.5	88.5	49.8	48.5	53.6	58.0	60.4	61.1
Nominal effective exchange rate (depreciation -)	3.7	1.6	...	...	...	...	...	...
Real effective exchange rate (depreciation -)	3.0	1.3	...	...	...	...	...	...
Terms of trade	-1.4	-7.3	-8.3	-1.3	-0.7	-0.8	-2.5	-3.0
Export price index	-4.6	-8.1	-17.2	-2.2	0.8	0.7	-2.5	-4.1
Non-oil export price index	5.4	-2.6	-10.8	-1.4	-1.5	-0.8	-4.0	-3.5
Import price index	-3.2	-0.8	-9.7	-0.9	1.5	1.5	0.0	-1.2
Money and credit								
Broad money (M2)	10.8	10.5	9.3	9.1	8.2	7.7	7.6	7.6
Net foreign assets[2]	0.8	3.4	-1.1	-1.0	-2.2	-3.1	-3.8	-2.3
Net domestic assets[2]	10.1	7.1	10.4	10.1	10.4	10.8	11.4	9.9
Domestic credit to the private sector	14.9	14.4	10.7	10.1	10.6	10.8	11.2	10.6
			(Percent of GDP, unless otherwise indicated)					
Gross national savings	17.7	17.3	16.7	16.6	16.2	15.9	15.4	15.2
Gross domestic investment	21.6	21.7	21.9	21.9	21.4	21.1	20.7	20.4
Public investment	7.3	8.4	9.1	10.0	8.6	8.2	7.0	6.7
Private investment	14.2	13.3	12.8	11.9	12.8	12.9	13.6	13.7
Central government operations								
Total revenue (excluding grants)	17.6	18.1	17.4	16.5	16.5	16.6	16.7	16.6
Oil revenue	4.8	4.3	2.5	2.2	2.2	2.3	2.3	2.1
Non-oil revenue	12.9	13.7	14.9	14.2	14.3	14.3	14.4	14.5
Non-oil revenue (percent of non-oil GDP)	13.8	14.7	15.6	14.9	14.9	14.9	15.0	15.0
Total expenditure	21.9	23.1	23.0	23.9	22.5	22.1	21.0	20.7
Overall fiscal balance (cash basis)								
Excluding grants	-4.4	-5.1	-5.7	-7.4	-6.0	-5.5	-4.3	-4.1
Including grants	-4.1	-4.8	-5.4	-7.2	-5.8	-5.3	-4.1	-3.9
Non-oil primary balance (percent of non-oil GDP)	-9.0	-9.2	-7.6	-9.1	-7.7	-7.2	-5.8	-5.3
External sector								
Current account balance								
Including official grants	-3.9	-4.4	-5.1	-5.3	-5.3	-5.2	-5.2	-5.2
Excluding official grants	-4.3	-4.8	-5.7	-5.8	-5.7	-5.6	-5.6	-5.6
Public debt								
Stock of public debt[3,4]	19.0	26.6	32.6	36.8	39.3	41.2	41.9	42.5
Of which: external debt	12.1	17.8	21.7	24.5	26.6	28.0	28.2	28.1
			(Percent of exports of goods and services, unless otherwise indicated)					
Present value of external debt [3,4]	28.0	33.9	56.4	69.2	79.1	86.8	92.7	99.2
External debt service	1.8	2.5	4.4	4.5	5.5	6.5	7.4	7.9
External debt service (percent of government revenue)	2.8	3.8	6.1	6.3	7.6	8.7	9.4	9.4

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

[1] The export price for oil reflects actual prices for past years; for the current and future years, projections reflect movements in the Average Petroleum Spot Price (APSP) of three types of crude oil (Dated Brent, West Texas Intermediate, and the Dubai Fateh), less a discount of US$1.8 per barrel.

[2] Percent of broad money at the beginning of the period.

[3] Includes the cumulative financing gap.

[4] Projections are taken from the companion 2015 Debt Sustainability Analysis (DSA), which excludes the stock of debt on which France provided debt relief under the "Contrat de désendettement et de développement" (C2D).

Table 2. Cameroon: Central Government Operations, 2013–20

(CFAF billions, unless otherwise indicated)

	2013	2014	2015	2016	2017	2018	2019	2020
		Est.	Projections					
Total revenue and grants	2,623	2,870	2,989	3,022	3,234	3,499	3,761	4,018
Total revenue	2,576	2,825	2,925	2,971	3,187	3,456	3,723	3,981
Oil sector revenue	700	679	423	399	430	484	510	506
Non-oil sector revenue[1]	1,877	2,146	2,502	2,572	2,757	2,972	3,213	3,474
Direct taxes	513	613	680	748	812	883	963	1,050
Special tax on petroleum products	110	119	130	140	150	161	174	187
Other taxes on goods and services	852	938	1,017	1,105	1,176	1,264	1,363	1,469
Taxes on international trade	290	357	388	419	448	480	515	554
Non-tax revenue	112	119	287	159	171	184	198	214
Total grants	46	45	64	51	47	43	38	37
Projects	6	6	25	15	15	15	15	15
Other (debt relief)	40	39	39	36	32	28	23	22
Total expenditure	3,200	3,604	3,876	4,315	4,347	4,598	4,681	4,955
Current expenditure	2,133	2,286	2,342	2,519	2,686	2,898	3,111	3,352
Wages and salaries	790	852	909	966	1,027	1,091	1,160	1,233
Goods and services	677	768	891	960	1,030	1,107	1,194	1,287
Subsidies and transfers	608	597	453	475	508	543	583	627
Fuel subsidies	187	220	40	30	30	30	30	30
Pensions	154	171	187	201	216	232	250	270
Other	267	207	226	244	261	281	303	327
Interest	58	69	89	118	121	156	174	206
External	47	56	66	88	76	101	103	115
Domestic	11	13	23	30	46	55	71	91
Capital expenditure	1,067	1,319	1,535	1,796	1,661	1,700	1,570	1,603
Domestically financed investment	514	615	721	861	726	765	805	838
Foreign-financed investment	493	655	765	885	885	885	715	715
Rehabilitation and participation	60	49	49	50	50	50	50	50
Net lending	0	0	0	0	0	0	0	0
								0
Overall balance (excl. payment of govt. obligations)								
Excluding grants	-623	-780	-951	-1,345	-1,160	-1,142	-959	-974
Including grants	-577	-734	-887	-1,294	-1,113	-1,099	-920	-937
Payment of government obligations	-18	-14	-16	0	0	0	0	0
Overall balance (cash basis)								
Excluding grants	-642	-794	-968	-1,345	-1,160	-1,142	-959	-974
Including grants	-595	-748	-903	-1,294	-1,113	-1,099	-920	-937
Financing	595	748	446	632	473	289	-57	-218
External financing, net	426	579	611	732	707	678	483	476
Amortization	-60	-70	-129	-138	-163	-192	-217	-224
Drawings	487	649	740	870	870	870	700	700
Domestic financing, net	172	137	-165	-99	-234	-389	-540	-695
Banking system	24	-3	70	100	100	100	100	100
Security issue	80	150	0	0	0	0	0	0
Amortization of domestic debt	-86	-83	-533	-199	-334	-489	-640	-795
Securitization of arrears to SONARA	0	0	298	0	0	0	0	0
Other domestic financing	154	73	0	0	0	0	0	0
Errors and omissions	-3	32	0	0	0	0	0	0
Financing gap	0	0	457	661	640	811	977	1,155
Memorandum items:								
Primary balance	-519	-665	-799	-1,176	-991	-943	-746	-731
Non-oil primary balance	-1,219	-1,344	-1,221	-1,574	-1,421	-1,427	-1,255	-1,238

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

[1]Historical and budget figures exclude direct, custom, and VAT taxes due by SONARA which were subject to cross-cancellations against fuel subsidies due to SONARA (i.e., the revenue is presented on a net basis). From 2015 onward, projections for these taxes are made on a gross basis.

Table 3. Cameroon: Central Government Operations, 2013–20

(Percent of GDP, unless otherwise indicated)

	2013	2014	2015	2016	2017	2018	2019	2020
		Est.			Projections			
Total revenue and grants	18.0	18.4	17.8	16.7	16.7	16.8	16.9	16.8
Total revenue	17.6	18.1	17.4	16.5	16.5	16.6	16.7	16.6
Oil sector revenue	4.8	4.3	2.5	2.2	2.2	2.3	2.3	2.1
Non-oil sector revenue[1]	12.9	13.7	14.9	14.2	14.3	14.3	14.4	14.5
Direct taxes	3.5	3.9	4.0	4.1	4.2	4.2	4.3	4.4
Special tax on petroleum products	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other taxes on goods and services	5.8	6.0	6.0	6.1	6.1	6.1	6.1	6.1
Taxes on international trade	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Non-tax revenue	0.8	0.8	1.7	0.9	0.9	0.9	0.9	0.9
Total grants	0.3	0.3	0.4	0.3	0.2	0.2	0.2	0.2
Projects	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Other (debt relief)	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Total expenditure	21.9	23.1	23.0	23.9	22.5	22.1	21.0	20.7
Current expenditure	14.6	14.6	13.9	14.0	13.9	13.9	13.9	14.0
Wages and salaries	5.4	5.5	5.4	5.4	5.3	5.3	5.2	5.1
Goods and services	4.6	4.9	5.3	5.3	5.3	5.3	5.3	5.4
Subsidies and transfers	4.2	3.8	2.7	2.6	2.6	2.6	2.6	2.6
Fuel subsidies	1.3	1.4	0.2	0.2	0.2	0.1	0.1	0.1
Pensions	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Other	1.8	1.3	1.3	1.3	1.4	1.4	1.4	1.4
Interest	0.4	0.4	0.5	0.7	0.6	0.8	0.8	0.9
External	0.3	0.3	0.4	0.5	0.4	0.5	0.5	0.5
Domestic	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.4
Capital expenditure	7.3	8.4	9.1	10.0	8.6	8.2	7.0	6.7
Domestically financed investment	3.5	3.9	4.3	4.8	3.8	3.7	3.6	3.5
Foreign-financed investment	3.4	4.2	4.5	4.9	4.6	4.3	3.2	3.0
Rehabilitation and participation	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Payment of government obligations	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)								
Excluding grants	-4.4	-5.1	-5.7	-7.4	-6.0	-5.5	-4.3	-4.1
Including grants	-4.1	-4.8	-5.4	-7.2	-5.8	-5.3	-4.1	-3.9
Financing	4.1	4.8	2.7	3.5	2.4	1.4	-0.3	-0.9
External financing, net	2.9	3.7	3.6	4.1	3.7	3.3	2.2	2.0
Amortization	-0.4	-0.4	-0.8	-0.8	-0.8	-0.9	-1.0	-0.9
Drawings	3.3	4.2	4.4	4.8	4.5	4.2	3.1	2.9
Domestic financing, net	1.2	0.9	-1.0	-0.6	-1.2	-1.9	-2.4	-2.9
Banking system	0.2	0.0	0.4	0.6	0.5	0.5	0.4	0.4
Security issue	0.5	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization of domestic debt	-0.6	-0.5	-3.2	-1.1	-1.7	-2.4	-2.9	-3.3
Securitization of arrears to SONARA	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0
Other domestic financing	1.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	2.7	3.7	3.3	3.9	4.4	4.8
Memorandum items:			(Percent of non-oil GDP)					
Non-oil revenue	13.8	14.7	15.6	14.9	14.9	14.9	15.0	15.0
Non-oil primary balance	-9.0	-9.2	-7.6	-9.1	-7.7	-7.2	-5.8	-5.3
			(Percent of GDP)					
Primary balance	-3.6	-4.3 #	-4.7	-6.5	-5.1	-4.5	-3.3	-3.1
Stock of total public debt	19.0	26.6	32.6	36.8	39.3	41.2	41.9	42.5
Stock of external public debt	12.1	17.8	21.7	24.5	26.6	28.0	28.2	28.1
Nominal GDP (CFAF billions)	14,603	15,611	16,836	18,053	19,341	20,784	22,315	23,943
Nominal non-oil GDP (CFAF billions)	13,554	14,634	16,025	17,267	18,529	19,915	21,468	23,147

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

[1] Historical and budget figures exclude direct, custom, and VAT taxes due by SONARA which were subject to cross-cancellations against fuel subsidies due to SONARA (i.e., the revenue is presented on a net basis). From 2015 onward, projections for these taxes are made on a gross basis.

Table 4. Cameroon: Balance of Payments, 2013–20

(CFAF billions, unless otherwise indicated)

	2013	2014	2015	2016	2017	2018	2019	2020
		Est.	Projections					
Current account balance	-568	-689	-866	-955	-1,019	-1,081	-1,169	-1,251
Trade balance	-97	-222	-362	-439	-500	-530	-602	-662
Exports, goods	3,004	3,244	3,033	3,104	3,243	3,428	3,481	3,482
Oil and oil products	1,343	1,353	1,176	1,164	1,217	1,307	1,303	1,265
Non-oil sector	1,661	1,891	1,856	1,940	2,027	2,121	2,178	2,217
Imports, goods	-3,101	-3,466	-3,395	-3,543	-3,743	-3,958	-4,083	-4,144
Services (net)	-306	-310	-281	-304	-308	-326	-337	-338
Income (net)	-315	-334	-337	-337	-347	-373	-390	-418
Of which: interest on public debt	-47	-56	-66	-88	-76	-101	-103	-115
Transfers (net)	150	177	115	125	136	148	159	167
Inflows	274	316	350	361	373	385	399	417
Outflows	-123	-139	-235	-236	-237	-237	-240	-249
Capital and financial account balance	597	741	826	915	919	931	969	1,051
Capital account	6	6	25	15	15	15	15	15
Financial account	591	735	801	900	904	916	954	1,036
Official capital	443	577	599	743	719	689	494	488
Long-term borrowing	515	677	768	898	898	898	728	728
Of which: central government	487	649	740	870	870	870	700	700
Amortization	-72	-100	-169	-155	-180	-210	-234	-241
Of which: central government	-60	-70	-129	-138	-163	-192	-217	-224
Non-official capital (net)	148	158	202	157	186	228	460	548
Oil sector	97	156	106	104	100	97	95	89
Non-oil sector	51	2	96	54	86	130	366	460
Errors and omissions	-73	-23	0	0	0	0	0	0
Overall balance	-44	52	-40	-40	-100	-150	-200	-200
Financing								
Change in imputed reserves (BEAC)	44	-52	40	40	100	150	200	200
	(Percent of GDP)							
Trade balance	-0.7	-1.4	-2.2	-2.4	-2.6	-2.6	-2.7	-2.8
Imports	21.2	22.2	20.2	19.6	19.4	19.0	18.3	17.3
Non-oil exports	11.4	12.1	11.0	10.7	10.5	10.2	9.8	9.3
Current account balance								
Excluding grants	-4.3	-4.8	-5.7	-5.8	-5.7	-5.6	-5.6	-5.6
Including grants	-3.9	-4.4	-5.1	-5.3	-5.3	-5.2	-5.2	-5.2
Overall balance	-0.3	0.2	-0.2	-0.2	-0.5	-0.7	-0.9	-0.8
	(Percentage change, unless otherwise indicated)							
Export volume	7.1	17.6	13.0	4.7	3.7	5.0	4.1	4.4
Crude oil	8.1	20.6	24.8	0.0	-5.3	-0.2	-5.6	-5.9
Non-oil sector	6.8	16.9	10.0	6.0	6.1	6.2	6.3	6.4
Import volume	2.1	15.0	10.3	4.8	4.1	4.7	3.9	3.4
Terms of trade	-1.4	-7.3	-8.3	-1.3	-0.7	-0.8	-2.5	-3.0
Non-oil export price index	5.4	-2.6	-10.8	-1.4	-1.5	-0.8	-4.0	-3.5
Export price index (CFAF)	-4.6	-8.1	-17.2	-2.2	0.8	0.7	-2.5	-4.1
Import price index (CFAF)	-3.2	-0.8	-9.7	-0.9	1.5	1.5	0.0	-1.2
Exchange rate (CFAF per US$; period average)	493.9	493.6	…	…	…	…	…	…
Gross official reserves (imputed reserves, US$ billions)	3.4	3.2	2.8	2.8	2.6	2.4	1.9	1.7

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

Table 5. Cameroon: Monetary Survey, 2013–20

(CFAF billions, unless otherwise indicated)

	2013	2014	2015	2016	2017	2018	2019	2020
		Est.	Projections					
Net foreign assets	1,551	1,669	1,629	1,589	1,489	1,339	1,139	939
Bank of Central African States (BEAC)	1,418	1,447	1,407	1,367	1,267	1,117	917	717
Commercial banks	133	221	221	221	221	221	221	221
Net domestic assets	1,856	2,097	2,488	2,902	3,371	3,896	4,493	5,050
Domestic credit	1,931	2,166	2,556	2,970	3,439	3,965	4,562	5,118
Net claims on the public sector	-68	-94	46	200	367	550	753	906
Net credit to the central government	-37	29	99	199	299	399	499	599
Claims	326	319	379	431	484	537	588	658
Deposits	-363	-290	-280	-232	-184	-138	-89	-59
Credit to autonomous agencies	34	25	32	38	46	55	66	73
Credit to public enterprises	145	126	189	236	295	369	462	508
Deposits of other public entities	-210	-274	-274	-274	-274	-274	-274	-274
Credit to financial institutions	55	36	47	59	73	91	114	126
Credit to the private sector	1,944	2,224	2,463	2,712	2,999	3,323	3,694	4,086
Other items (net)	-75	-68	-68	-68	-68	-68	-68	-68
Money and quasi-money	3,407	3,766	4,116	4,491	4,859	5,235	5,632	6,058
Currency outside banks	561	628	698	772	846	921	1,001	1,086
Deposits	2,847	3,138	3,419	3,718	4,013	4,314	4,631	4,972
Memorandum items:								
Contribution to the growth of broad money (percentage points)								
Net foreign assets	0.8	3.4	-1.1	-1.0	-2.2	-3.1	-3.8	-3.6
Net domestic assets	10.1	7.1	10.4	10.1	10.4	10.8	11.4	9.9
Of which: net credit to the central government	1.1	1.9	1.9	2.4	2.2	2.1	1.9	1.8
Private sector credit								
Annual percentage change	14.9	14.4	10.7	10.1	10.6	10.8	11.2	10.6
In percent of GDP	13.3	14.2	14.6	15.0	15.5	16.0	16.6	17.1
Broad money (annual percentage change)	10.8	10.5	9.3	9.1	8.2	7.7	7.6	7.6
Currency	0.9	11.9	11.2	10.7	9.6	8.9	8.6	8.5
Deposits	13.0	10.2	8.9	8.8	7.9	7.5	7.4	7.4
Velocity (GDP/average M2)	4.4	4.1	4.1	4.0	4.0	4.0	4.0	4.0
Government usable deposits[1]	23.4	117.7	…	…	…	…	…	…
In months of total expenditure	0.1	0.5	…	…	…	…	…	…

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

[1] Deposits that are readily available for government operations.

Table 6. Cameroon: Obligations to SONARA, 2008–14

(CFAF billions, unless otherwise indicated)

	2008	2009	2010	2011	2012 [1]	2013 [1]	2014 [1]
I. Fuel subsidies (accrual basis)	137	23	145	318	322	297	212
(Percent of GDP)	*1.3*	*0.2*	*1.2*	*2.5*	*2.4*	*2.0*	*1.4*
II. Financing	58	18	107	282	285	300	200
A. Cash transfers	58	18	107	97	55	115	100
B. Securitization	0	0	0	80	85	0	0
C. Cancelation of taxes	0	0	0	105	145	185	100
III. Net accumulation of arrears	79	5	38	36	37	-3	12
IV. Stock of arrears [2]	94	98	136	172	209	206	218
(Percent of GDP)	*0.9*	*0.9*	*1.2*	*1.4*	*1.5*	*1.4*	*1.4*

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

[1] Fuel subsidies in 2012, 2013 and 2014 do not include imports of refined products by private companies.

[2] Stock (n) = Stock (n-1) + Net accumulation of arrears (n).

Table 7. Cameroon: Government Arrears and Other Payment Obligations, 2010–14

(CFAF billions, unless otherwise indicated)

	2010		2011		2012		2013		2014	
	Annual flows	End-year stocks	Annual flows	End-year stocks	Annual flows	End-year stocks	Annual flows	End-year stocks	Annual flows	End-year stocks
A. Audited arrears [1]	-34.7	178.3	-15.2	163.1	-23.7	146.4	-18.3	128.0	-13.9	114.1
(Percent of GDP)		1.5		1.3		1.1		0.9		0.7
B. Unsettled payment orders (UPOs)	10.6	270.6	-141.3	129.3	48.7	178.0	77.1	255.1	-40.0	215.1
(Percent of GDP)		2.3		1.0		1.3		1.7		1.4
C. Arrears to SONARA	37.9	136.2	36.0	172.2	37.2	209.5	-3.5	206.0	12.1	218.0
(Percent of GDP)		1.2		1.4		1.6		1.4		1.4
D. Arrears to oil importers		0.0		0.0	64.4	64.4	35.7	100.0	63.4	163.4
(Percent of GDP)		0.0		0.0		0.5		0.7		1.0
E. Total arrears and other payment obligations (A+B+C+D) [1]	13.7	585.1	-120.5	464.6	126.6	598.2	90.9	689.1	21.5	710.6
(Percent of GDP)		5.0		3.7		4.4		4.7		4.6

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

[1] Partial audits conducted in 2010 and 2012 revealed new stocks of CFAF 18 billion and CFAF 7 billion in new arrears, respectively. These are included in the end-2010 and 2012 stocks of audited arrears, respectively; this may create discrepancies in flow figures in certain years.

Table 8. Cameroon: Central Government Operations, 2013–20 (GFSM 2001 Presentation)

(CFAF billions, unless otherwise indicated)

	2013	2014	2015	2016	2017	2018	2019	2020
		Est.	Projections					
Revenue	2,623	2,870	2,989	3,022	3,235	3,499	3,761	4,018
Taxes	1,935	2,188	2,337	2,531	2,710	2,919	3,142	3,381
Taxes on income, profits, and capital gains	660	735	744	803	870	945	1,017	1,091
Payable by individuals	232	279	301	332	364	393	428	467
Payable by corporations	428	456	443	471	507	552	588	624
Of which: tax on oil corporations	170	162	122	119	123	131	128	120
Taxes on goods and services	962	1,064	1,170	1,271	1,353	1,454	1,567	1,690
General taxes on goods and services (VAT)	653	726	787	856	910	978	1,055	1,137
o/w VAT refund	-64	-61	-66	-71	-76	-82	-88	-95
Excises	220	240	276	300	319	342	369	398
Of which: special tax on petroleum products	110	119	130	140	150	161	174	187
Other taxes on goods and services	89	99	107	115	124	133	143	154
Taxes on international trade	290	357	388	419	448	480	515	554
Other taxes	23	32	35	38	39	41	43	47
Social contributions	37	41	42	43	44	45	46	47
Grants	46	45	64	51	47	43	38	37
Other revenue	605	595	546	396	434	492	534	553
Of which: royalties from crude oil	530	517	301	280	307	353	382	386
Total Expenditure	3,200	3,604	3,876	4,315	4,347	4,598	4,681	4,955
Expenditure	2,193	2,335	2,391	2,569	2,736	2,948	3,161	3,402
Compensation of employees	790	852	909	966	1,027	1,091	1,160	1,233
Use of goods and services	677	768	891	960	1,030	1,107	1,194	1,287
Interest	58	69	89	118	121	156	174	206
External	47	56	66	88	76	101	103	115
Domestic	11	13	23	30	46	55	71	91
Subsidies	454	427	266	274	291	311	333	357
Of which: fuel subsidies	187	220	40	30	30	30	30	30
Social benefits	154	171	187	201	216	232	250	270
Other expenditure[1]	60	49	49	50	50	50	50	50
Net acquisition of nonfinancial assets	1,007	1,270	1,486	1,746	1,611	1,650	1,520	1,553
Domestically financed	514	615	721	861	726	765	805	838
Foreign financed	493	655	765	885	885	885	715	715
Net lending / borrowing (fiscal balance, incl. grants)	-595	-748	-903	-1,294	-1,112	-1,100	-921	-937
Change in net financial worth, transactions	-598	-716	-446	-632	-473	-289	57	218
Net acquisition of financial assets ("+": increase in assets)	-24	3	-70	-100	-100	-100	-100	-100
Net incurrence of liabilities ("+": increase in liabilities)	574	718	376	532	373	189	-157	-318
Domestic	148	139	-235	-199	-334	-489	-640	-795
Securities other than shares	30	100	218	-80	-80	-80	-30	0
Bond	30	100	-80	-80	-80	-80	-30	0
Securitization of SONARA arrears	0	0	298	0	0	0	0	0
Loans	118	39	-453	-119	-254	-409	-610	-795
Foreign loans	426	579	611	732	707	678	483	476
Statistical discrepancy	3	-33	0	0	0	0	0	0
Financing gap	0	0	-457	-661	-639	-811	-978	-1,155

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

[1] Includes rehabilitation and participation-related capital transfers.

Table 9. Cameroon: Central Government Operations, 2013–20 (GFSM 2001 Presentation)

(Percent of GDP, unless otherwise indicated)

	2013	2014	2015	2016	2017	2018	2019	2020
		Est.	Projections					
Revenue	18.0	18.4	17.8	16.7	16.7	16.8	16.9	16.8
Taxes	13.2	14.0	13.9	14.0	14.0	14.0	14.1	14.1
Taxes on income, profits, and capital gains	4.5	4.7	4.4	4.4	4.5	4.5	4.6	4.6
Of which: tax on oil corporations	1.2	1.0	0.7	0.7	0.6	0.6	0.6	0.5
Taxes on goods and services	6.6	6.8	6.9	7.0	7.0	7.0	7.0	7.1
Of which: special tax on petroleum products	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Taxes on international trade	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Other taxes	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Social contributions	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Grants	0.3	0.3	0.4	0.3	0.2	0.2	0.2	0.2
Other revenue	4.1	3.8	3.2	2.2	2.2	2.4	2.4	2.3
Of which: royalties from crude oil	3.6	3.3	1.8	1.6	1.6	1.7	1.7	1.6
Total Expenditure	21.9	23.1	23.0	23.9	22.5	22.1	21.0	20.7
Expenditure	15.0	15.0	14.2	14.2	14.1	14.2	14.2	14.2
Compensation of employees	5.4	5.5	5.4	5.4	5.3	5.3	5.2	5.1
Use of goods and services	4.6	4.9	5.3	5.3	5.3	5.3	5.3	5.4
Interest	0.4	0.4	0.5	0.7	0.6	0.8	0.8	0.9
Subsidies	3.1	2.7	1.6	1.5	1.5	1.5	1.5	1.5
Of which: fuel subsidies	1.3	1.4	0.2	0.2	0.2	0.1	0.1	0.1
Social benefits	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Other expenditure[1]	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Net acquisition of nonfinancial assets	6.9	8.1	8.8	9.7	8.3	7.9	6.8	6.5
Domestically financed	3.5	3.9	4.3	4.8	3.8	3.7	3.6	3.5
Foreign financed	3.4	4.2	4.5	4.9	4.6	4.3	3.2	3.0
Net lending / borrowing (fiscal balance, incl. grants)	-4.1	-4.8	-5.4	-7.2	-5.8	-5.3	-4.1	-3.9
Change in net financial worth, transactions	-4.1	-4.6	-2.7	-3.5	-2.4	-1.4	0.3	0.9
Net acquisition of financial assets ("+": increase in assets)	-0.2	0.0	-0.4	-0.6	-0.5	-0.5	-0.4	-0.4
Net incurrence of liabilities ("+": increase in liabilities)	3.9	4.6	2.2	2.9	1.9	0.9	-0.7	-1.3
Domestic	1.0	0.9	-1.4	-1.1	-1.7	-2.4	-2.9	-3.3
Securities other than shares	0.2	0.6	1.3	-0.4	-0.4	-0.4	-0.1	0.0
Bond	0.2	0.6	-0.5	-0.4	-0.4	-0.4	-0.1	0.0
Securitization of SONARA arrears	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0
Loans	0.8	0.3	-2.7	-0.7	-1.3	-2.0	-2.7	-3.3
Foreign loans	2.9	3.7	3.6	4.1	3.7	3.3	2.2	2.0
Statistical discrepancy	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	-2.7	-3.7	-3.3	-3.9	-4.4	-4.8

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

[1] Includes rehabilitation and participation-related capital transfers.

Table 10. Cameroon: Selected Economic Indicators – Reform Scenario, 2013–20

	2013	2014	2015	2016	2017	2018	2019	2020
		Est.	Projections					
	(Annual percentage change, unless otherwise indicated)							
National account and prices								
GDP at constant prices	5.6	5.9	5.9	5.3	5.2	5.7	5.7	5.7
Oil GDP at constant prices	8.5	13.8	23.2	-0.2	-5.3	-0.2	-5.6	-5.9
Non-Oil GDP at constant prices	5.4	5.6	5.2	5.5	5.7	5.9	6.1	6.0
GDP deflator	2.5	1.0	1.9	2.0	2.1	2.1	2.1	2.0
Nominal GDP (at market prices, CFAF billion)	14,603	15,611	16,836	18,075	19,412	20,932	22,578	24,339
Oil	1,049	977	811	786	813	869	847	795
Non-Oil	13,554	14,634	16,025	17,289	18,600	20,063	21,732	23,544
Oil output (thousands of barrels per day)	65.7	75.4	93.4	93.4	88.5	88.3	83.4	78.4
Consumer prices (average)	2.1	1.9	2.8	2.2	2.2	2.2	2.2	2.2
External trade								
Export volume	7.1	17.6	13.0	4.6	3.5	4.8	3.9	4.2
Oil sector	8.1	20.6	24.8	0.0	-5.3	-0.2	-5.6	-5.9
Non-oil sector	6.8	16.9	10.0	6.0	6.1	6.2	6.3	6.4
Import volume	2.1	15.0	10.3	4.1	3.4	4.1	3.5	3.0
Average oil export price[1] (US$ per barrel)	108.5	88.5	49.8	48.5	53.6	58.0	60.4	61.1
Nominal effective exchange rate (depreciation -)	3.7	1.6	…	…	…	…	…	…
Real effective exchange rate (depreciation -)	3.0	1.3	…	…	…	…	…	…
Terms of trade	-1.4	-7.3	-8.3	-0.8	-0.1	-0.3	-1.9	-2.5
Export price index	-4.6	-8.1	-17.2	-2.1	1.0	0.8	-2.3	-4.0
Non-oil export price index	5.4	-2.6	-10.8	-1.4	-1.5	-0.8	-4.0	-3.5
Import price index	-3.2	-0.8	-9.7	-1.3	1.1	1.1	-0.4	-1.5
Money and credit								
Broad money (M2)	10.8	10.5	9.3	9.2	8.5	8.1	8.1	8.1
Net foreign assets[2]	0.8	3.4	-1.1	-1.0	-2.2	-3.1	-3.8	-2.3
Net domestic assets[2]	10.1	7.1	10.4	10.2	10.7	11.2	11.9	10.4
Domestic credit to the private sector	14.9	14.4	10.7	10.3	11.0	11.4	11.9	11.3
	(Percent of GDP, unless otherwise indicated)							
Gross national savings	17.7	17.3	16.7	16.7	16.4	16.5	16.5	16.6
Gross domestic investment	21.6	21.7	21.9	21.7	21.1	20.8	20.6	20.6
Public investment	7.3	8.4	9.1	7.7	6.5	6.1	5.1	4.8
Private investment	14.2	13.3	12.8	13.9	14.7	14.7	15.6	15.8
Central government operations								
Total revenue (excluding grants)	17.6	18.1	17.4	16.5	16.6	16.8	16.9	16.8
Oil revenue	4.8	4.3	2.5	2.2	2.2	2.2	2.2	2.0
Non-oil revenue	12.9	13.7	14.9	14.4	14.4	14.6	14.7	14.8
Non-oil revenue (percent of non-oil GDP)	13.8	14.7	15.6	15.0	15.1	15.2	15.2	15.3
Total expenditure	21.9	23.1	23.0	21.7	20.3	19.9	18.8	18.5
Overall fiscal balance (cash basis)								
Excluding grants	-4.4	-5.1	-5.7	-5.1	-3.7	-3.0	-1.9	-1.6
Including grants	-4.1	-4.8	-5.4	-4.8	-3.4	-2.8	-1.7	-1.5
Non-oil primary balance (percent of non-oil GDP)	-9.0	-9.2	-7.6	-6.7	-5.3	-4.7	-3.5	-3.0
External sector								
Current account balance								
Including official grants	-3.9	-4.4	-5.1	-5.0	-4.7	-4.3	-4.2	-4.0
Excluding official grants	-4.3	-4.8	-5.7	-5.4	-5.2	-4.7	-4.6	-4.4
Public debt								
Stock of public debt[3]	19.0	26.6	32.6	34.5	34.8	34.5	33.3	32.0
Of which: external debt	12.1	17.8	21.7	23.4	24.4	24.9	24.4	23.7
	(Percent of exports of goods and services, unless otherwise indicated)							
Present value of external debt [4]	28.0	33.9	56.4	65.5	72.1	76.9	80.0	83.7
External debt service	1.8	2.5	4.4	4.4	5.3	6.1	6.8	7.1
External debt service (percent of government revenue)	2.8	3.8	6.1	6.2	7.2	8.1	8.6	8.3

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

[1] The export price for oil reflects actual prices for past years; for the current and future years, projections reflect movements in the price of APSP crude, less a discount of US$ 1.8 per barrel.

[2] Percent of broad money at the beginning of the period.

[3] Includes the cumulative financing gap.

[4] Projections are taken from the companion 2015 Debt Sustainability Analysis (DSA), which excludes the stock of debt on which France provided debt relief under the "Contrat de désendettement et de développement" (C2D).

Table 11. Cameroon: Central Government Operations – Reform Scenario, 2013–20

(CFAF billions, unless otherwise indicated)

	2013	2014	2015	2016	2017	2018	2019	2020
		Est.	Projections					
Total revenue and grants	2,623	2,870	2,989	3,035	3,266	3,564	3,846	4,128
Total revenue	2,576	2,825	2,925	2,984	3,219	3,521	3,808	4,090
Oil sector revenue	700	679	423	399	430	484	510	506
Non-oil sector revenue[1]	1,877	2,146	2,502	2,586	2,789	3,037	3,299	3,584
Direct taxes	513	613	680	749	816	890	975	1,068
Special tax on petroleum products	110	119	130	140	151	163	176	191
Other taxes on goods and services	852	938	1,017	1,117	1,201	1,316	1,425	1,544
Taxes on international trade	290	357	388	420	449	483	522	563
Non-tax revenue	112	119	287	160	172	185	201	218
Total grants	46	45	64	51	47	43	38	37
Projects	6	6	25	15	15	15	15	15
Other (debt relief)	40	39	39	36	32	28	23	22
Total expenditure	3,200	3,604	3,876	3,914	3,944	4,167	4,240	4,500
Current expenditure	2,133	2,286	2,342	2,517	2,690	2,883	3,096	3,329
Wages and salaries	790	852	909	966	1,027	1,091	1,160	1,233
Goods and services	677	768	891	961	1,034	1,116	1,208	1,309
Subsidies and transfers	608	597	453	476	509	547	590	637
Fuel subsidies	187	220	40	30	30	30	30	30
Pensions	154	171	187	202	217	234	253	275
Other	267	207	226	244	262	283	307	332
Interest	58	69	89	114	119	129	137	150
External	47	56	66	84	80	88	90	95
Domestic	11	13	23	30	39	41	47	55
Capital expenditure	1,067	1,319	1,535	1,397	1,254	1,283	1,145	1,171
Domestically financed investment	514	615	721	662	519	548	580	606
Foreign-financed investment	493	655	765	685	685	685	515	515
Rehabilitation and participation	60	49	49	50	50	50	50	50
Payment of government obligations	-18	-14	-16	0	0	0	0	0
Overall balance (cash basis)								
Excluding grants	-642	-794	-968	-930	-725	-646	-432	-410
Including grants	-595	-748	-903	-879	-678	-603	-394	-372
Financing	595	748	446	431	315	190	-77	-135
External financing, net	426	579	611	532	507	480	288	286
Amortization	-60	-70	-129	-138	-163	-190	-212	-214
Drawings	487	649	740	670	670	670	500	500
Domestic financing, net	172	137	-165	-101	-192	-290	-365	-421
Banking system	24	-3	70	100	100	100	100	100
Security issue	80	150	0	0	0	0	0	0
Amortization of domestic debt	-86	-83	-533	-201	-292	-390	-465	-521
Securitization of arrears to SONARA	0	0	298	0	0	0	0	0
Other domestic financing	154	73	0	0	0	0	0	0
Errors and omissions	-3	32	0	0	0	0	0	0
Financing gap	0	0	457	448	363	413	471	508
Memorandum items:								
Primary balance	-519	-665	-799	-765	-558	-474	-257	-223
Non-oil primary balance	-1,219	-1,344	-1,221	-1,164	-988	-958	-766	-729

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

[1] Historical and budget figures exclude direct, custom, and VAT taxes due by SONARA which were subject to cross-cancellations against fuel subsidies due to SONARA (i.e., the revenue is presented on a net basis). From 2015 onward, projections for these taxes are made on a gross basis.

Table 12. Cameroon: Central Government Operations – Reform Scenario, 2013–20

(Percent of GDP, unless otherwise indicated)

	2013	2014	2015	2016	2017	2018	2019	2020
		Est.	Projections					
Total revenue and grants	18.0	18.4	17.8	16.8	16.8	17.0	17.0	17.0
Total revenue	17.6	18.1	17.4	16.5	16.6	16.8	16.9	16.8
Oil sector revenue	4.8	4.3	2.5	2.2	2.2	2.3	2.3	2.1
Non-oil sector revenue [1]	12.9	13.7	14.9	14.3	14.4	14.5	14.6	14.7
Direct taxes	3.5	3.9	4.0	4.1	4.2	4.3	4.3	4.4
Special tax on petroleum products	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other taxes on goods and services	5.8	6.0	6.0	6.2	6.2	6.3	6.3	6.3
Taxes on international trade	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Non-tax revenue	0.8	0.8	1.7	0.9	0.9	0.9	0.9	0.9
Total grants	0.3	0.3	0.4	0.3	0.2	0.2	0.2	0.2
Projects	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Other (debt relief)	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Total expenditure	21.9	23.1	23.0	21.7	20.3	19.9	18.8	18.5
Current expenditure	14.6	14.6	13.9	13.9	13.9	13.8	13.7	13.7
Wages and salaries	5.4	5.5	5.4	5.3	5.3	5.2	5.1	5.1
Goods and services	4.6	4.9	5.3	5.3	5.3	5.3	5.4	5.4
Subsidies and transfers	4.2	3.8	2.7	2.6	2.6	2.6	2.6	2.6
Fuel subsidies	1.3	1.4	0.2	0.2	0.2	0.1	0.1	0.1
Pensions	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Other	1.8	1.3	1.3	1.3	1.4	1.4	1.4	1.4
Interest	0.4	0.4	0.5	0.6	0.6	0.6	0.6	0.6
External	0.3	0.3	0.4	0.5	0.4	0.4	0.4	0.4
Domestic	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Capital expenditure	7.3	8.4	9.1	7.7	6.5	6.1	5.1	4.8
Domestically financed investment	3.5	3.9	4.3	3.7	2.7	2.6	2.6	2.5
Foreign-financed investment	3.4	4.2	4.5	3.8	3.5	3.3	2.3	2.1
Rehabilitation and participation	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Payment of government obligations	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)								
Excluding grants	-4.4	-5.1	-5.7	-5.1	-3.7	-3.1	-1.9	-1.7
Including grants	-4.1	-4.8	-5.4	-4.9	-3.5	-2.9	-1.7	-1.5
Financing	4.1	4.8	2.7	2.4	1.6	0.9	-0.3	-0.6
External financing, net	2.9	3.7	3.6	2.9	2.6	2.3	1.3	1.2
Amortization	-0.4	-0.4	-0.8	-0.8	-0.8	-0.9	-0.9	-0.9
Drawings	3.3	4.2	4.4	3.7	3.5	3.2	2.2	2.1
Domestic financing, net	1.2	0.9	-1.0	-0.6	-1.0	-1.4	-1.6	-1.7
Banking system	0.2	0.0	0.4	0.6	0.5	0.5	0.4	0.4
Security issue	0.5	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization of domestic debt	-0.6	-0.5	-3.2	-1.1	-1.5	-1.9	-2.1	-2.1
Securitization of arrears to SONARA	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0
Other domestic financing	1.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	2.7	2.5	1.9	2.0	2.1	2.1
Memorandum items:		(Percent of non-oil GDP)						
Non-oil revenue	13.8	14.7	15.6	15.0	15.0	15.1	15.2	15.2
Non-oil primary balance	-9.0	-9.2	-7.6	-6.7	-5.3	-4.8	-3.5	-3.1
			(Percent of GDP)					
Primary balance	-3.6	-4.3	-4.7	-4.2	-2.9	-2.3	-1.1	-0.9
Stock of total public debt	19.0	26.6	32.6	34.5	34.8	34.5	33.3	32.0
Stock of external public debt	12.1	17.8	21.7	23.4	24.4	24.9	24.4	23.7
Nominal GDP (CFAF billions)	14,603	15,611	16,836	18,075	19,412	20,932	22,578	24,339
Nominal non-oil GDP (CFAF billions)	13,554	14,634	16,025	17,289	18,600	20,063	21,732	23,544

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

[1] Historical and budget figures exclude direct, custom, and VAT taxes due by SONARA which were subject to cross-cancellations against fuel subsidies due to SONARA (i.e., the revenue is presented on a net basis). From 2015 onward, projections for these taxes are made on a gross basis.

Table 13. Cameroon: Financial Sector Indicators, 2011–14

	2011	2012	2013	2014
Capital adequacy				
Capital/Risk-weighted assets	8.8	6.3	7.9	10.6
Base capital / Risk-weighted assets	8.8	5.7	6.3	9.1
Non-performing loans less provisions/Equity	15.3	5.9	18.6	10.3
Capital/Assets	2.8	2.5	3.6	3.3
Asset quality and profitability				
Non-performing loans / Total loans	10.1	11.6	10.3	9.7
Large exposures / Equity	311.6	506.3	354.3	258.4
Results and profitability				
Return on assets (ROA)	0.5	0.6	1.5	0.8
Return on equity (ROE)	17.6	25.0	42.7	21.8
Liquidity				
Liquid assets / Total assets	11.3	10.2	9.4	9.0
Liquid assets / Short-term liabilities	177.8	161.8	127.6	139.5
Total deposits /Total loans (non interbank)	112.5	118.7	114.6	112.2

Source: COBAC.

Table 14. Cameroon: Millennium Development Goals, 1990–2014

	1990	1995	2000	2005	2010	2011	2012	2013	2014
Goal 1: Eradicate extreme poverty and hunger									
Employment to population ratio, 15+, total (%)	60	61	61	62	67	67	68	67	..
Employment to population ratio, ages 15-24, total (%)	44	44	43	43	44	44	44	44	..
GDP per person employed (constant 1990 PPP $)	3,124	2,407	2,687	2,901	2,772	2,820	2,882	..	..
Income share held by lowest 20%	..	7	7	7	..	..	..	..	..
Malnutrition prevalence, weight for age (% of children under 5)	18	..	18	17	..	15	..	..	..
Poverty gap at $1.25 a day (PPP) (%)	..	6	2	1	..	..	..	..	..
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	..	25	11	10	..	..	..	..	..
Vulnerable employment, total (% of total employment)	..	80	76	..	76	..	..	..	..
Goal 2: Achieve universal primary education									
Literacy rate, youth female (% of females ages 15-24)	..	..	78	77	76	..	..	..	..
Literacy rate, youth male (% of males ages 15-24)	..	..	88	89	85	..	..	..	..
Persistence to last grade of primary, total (% of cohort)	..	..	45	57	57	70	..	..	..
Primary completion rate, total (% of relevant age group)	54	..	51	53	70	69	73	..	72
Total enrollment, primary (% net)	71	..	..	..	..	..	92	..	95
Goal 3: Promote gender equality and empower women									
Proportion of seats held by women in national parliaments (%)	14	12	6	9	14	14	14	31	31
Ratio of female to male primary enrollment (%)	86	90	85	84	86	87	88	..	89
Ratio of female to male secondary enrollment (%)	69	69	81	79	84	85	86	86	..
Ratio of female to male tertiary enrollment (%)	..	..	64	66	81	73	..	..	..
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	..	19.2	22.2	..	26.4	..	..	..	..
Goal 4: Reduce child mortality									
Immunization, measles (% of children ages 12-23 months)	56	46	49	68	79	76	82	83	80
Mortality rate, infant (per 1,000 live births)	85	91	91	88	65	63	61	60	59
Mortality rate, under-5 (per 1,000)	137	147	148	142	103	99	95	94	91
Goal 5: Improve maternal health									
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	143	139	131	122	119	..	111	107
Births attended by skilled health staff (% of total)	58	..	60	63	..	64	..	..	..
Contraceptive prevalence (% of women ages 15-49)	16	..	26	29	..	23	..	..	..
Fertility rate, total (births per woman)	6.0	5.0	5.0	5.0	5.0	4.4	..	4.8	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	680	680	660	640	690	..	..	590	..
Pregnant women receiving prenatal care (%)	79	..	75	82	..	85	..	..	..
Unmet need for contraception (% of married women ages 15-49)	22	..	20	3	..	..	..	..	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases									
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	66	58	..	21	..	..	..
Condom use, population ages 15-24, female (% of females ages 15-24)	..	..	16	24	..	30	..	..	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	..	27	52	..	64	..	..	..
Incidence of tuberculosis (per 100,000 people)	112	206	310	313	274	243	238	235	..
Prevalence of HIV, female (% ages 15-24)	..	..	..	..	..	..	1.8	2.1	2.1
Prevalence of HIV, male (% ages 15-24)	..	..	..	..	..	..	1.0	1.2	1.2
Prevalence of HIV, total (% of population ages 15-49)	0.6	4.2	5.5	5.4	4.7	4.6	4.5	4.9	4.8
Tuberculosis case detection rate (%, all forms)	60	20	20	61	43	48	48	49	..
Goal 7: Ensure environmental sustainability									
CO2 emissions (kg per PPP $ of GDP)	..	..	..	..	..	..	..	..	..
CO2 emissions (metric tons per capita)	..	..	..	..	..	..	..	..	..
Forest area (% of land area)	51.4	..	46.8	44.5	42.1	41.7	..	..	..
Improved sanitation facilities (% of population with access)	47	48	47	47	48	48	..	45	46
Improved water source (% of population with access)	50	57	64	71	74	74	..	75	75
Marine protected areas (% of territorial waters)	0.0	0.0	0.0	0.0	1.3	..	1.3	..	..
Net ODA received per capita (current US$)	36	32	24	24	26	29	..	33	..
Goal 8: Develop a global partnership for development									
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	13	17	12	10	0.9	1.0	..	1.8	..
Internet users (per 100 people)	0.0	0.0	0.3	1.4	4.3	5.0	5.7	6.4	11.0
Mobile cellular subscriptions (per 100 people)	0	0	1	13	44	52	64	70	76
Telephone lines (per 100 people)	0	0	1.0	1.0	2.8	3.3	3.6	3.6	4.6
Other									
GNI per capita, Atlas method (current US$)	910	720	630	930	1,130	1,150	1,170	1,290	1,360
GNI, Atlas method (current US$) (billions)	11.1	10.0	9.8	16.3	23.4	24.2	25.3	28.6	30.9
Gross capital formation (% of GDP)	17.8	13.3	16.7	19.1	16.4	19.1	19.3	19.5	20.3
Life expectancy at birth, total (years)	53	52	50	49	54	54	..	55	..
Literacy rate, adult total (% of people ages 15 and above)	..	..	68	71	71	..	..	..	..
Population, total (millions)	12.1	13.9	15.9	18.1	20.6	21.2	21.7	22.2	22.8
Trade (% of GDP)	37.5	41.4	42.9	41.9	54.3	61.7	61.1	49.6	49.1

Source: World Development Indicators.

Annex I. Cameroon: Response to Past IMF Staff Advice

Box 1. Cameroon: Response to Past IMF Staff Advice

Policy Area	IMF Advice	Response
Fiscal policy and public financial management	Address the risks to the 2014 budget through a reduction in fuel subsidies, and adopt a supplemental budget for expenditure reprioritization.	Retail fuel prices were increased by 15 percent on July 1, 2014. Combined with the oil price slump, this measure has led to a virtual elimination of fuel subsidies in 2015. There was no supplemental budget in 2014.
	Improve non-oil revenue by broadening the tax base, streamlining exemptions, and increasing the efficiency of tax and customs administrations.	Measures to strengthen the tax administration included the creation of tax centers for small and medium-size enterprises, which resulted in a doubling of the number of taxpayers and an increase in the yield of the turnover tax, leading to an increase in tax revenue. Customs exemptions were not reduced.
Financial sector stability	Monitor financial sector (i.e., banks and large micro-finance institutions) soundness, in collaboration with the regional supervisor (COBAC); and press ahead with bank restructuring plans.	The regional supervisor has strengthened its supervisory capacity and has started to field at least one mission a year for the largest banks. The national oil refinery (SONARA) remains the largest obligor of the financial sector and poses a systemic risk, but is has not been accumulating new debt. Restructuring plans for the three distressed banks have not progressed. Progress in the reform of the regional supervisory and regulatory frameworks has been slow.
Private sector-led growth	Improve the business climate by tackling economic governance issues, deepen the dialogue with the private sector, and increase financial intermediation.	A law providing tax incentives for a potentially large array of investments was adopted in 2013, but the benefits have accrued mainly to incumbent domestic investors, while reducing government revenue. Arrears to government suppliers continue to hamper economic activity.

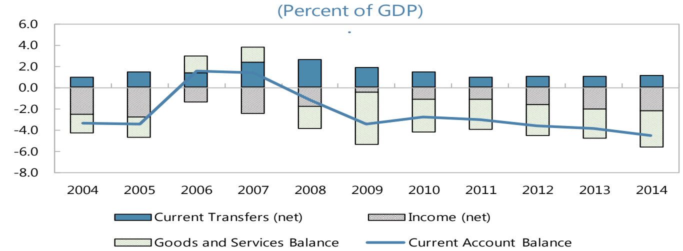
Annex II. Cameroon: External Stability Assessment[1]

Cameroon's real effective exchange rate (REER) appears on average to be broadly aligned with relevant current account norms. The REER is assessed using the three approaches of the Consultative Group on Exchange Rate Issues (CGER), a methodology adapted to oil-exporting countries; and two "EBA-lite" approaches.[2] The findings are broadly consistent with the 2015 Central African Economic and Monetary Community's (CEMAC) external assessment results.[3] The analysis of non-price indicators highlights the continued need for Cameroon to improve its external competitiveness through structural reforms.

A. Balance of Payment and Exchange Rate Developments

1. **Cameroon's external current account has fluctuated over the last decade.** Since 2004, the current account deficit has averaged about 2.4 percent of GDP (Figure 1.). It registered a surplus of 1.6 percent of GDP in 2006, largely because of debt cancellation, deteriorated back to a 3.8 percent deficit in 2013, and widened to a 4.5 percent deficit in 2014. The evolution of the current account was driven by oil exports and imports of investment-related goods. The goods and services balance has deteriorated from a surplus of 1.6 percent of GDP in 2006 to a deficit of 3.4 percent of GDP in 2014. Net current transfers have made consistently positive contribution to the current account, through grants, tax revenue from non-residents, and workers' remittances. Conversely, the net income account has been making a systematically negative contribution to the current account, owing to the weight of debt service.

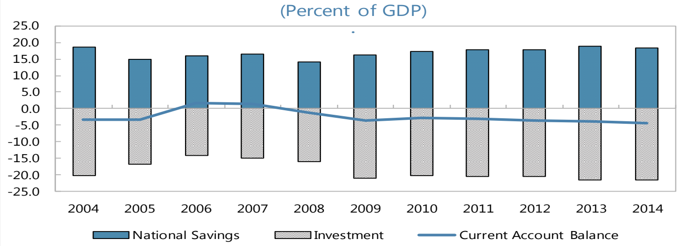
Figure 1. Cameroon: Current Account Balance Components, 2004–14
(Percent of GDP)



Sources: Cameroonian authorities and IMF staff estimates.

2. **Over the last decade, investment averaged about 19 percent of GDP, while national savings remained at about 17 percent of GDP** (Figure 2). At the onset of the global crisis in 2008, the national savings rate was 14.0 percent of GDP. Since then, it has rebounded to 17.7 percent in 2013 and 17.3 percent in 2014. The investment rate has been increasing since 2006. It reached about 22 percent of GDP in 2013 and 2014.

Figure 2. Cameroon: National Accounts Components, 2004-14
(Percent of GDP)



Sources: Cameroonian authorities and IMF staff estimates.

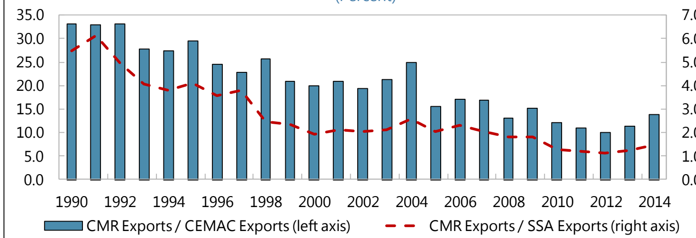
[1]This appendix was prepared by Jose Gijon and Azanaw Mengistu.

[2] Lee Jaewoo, Gian-Maria Milesi-Ferretti, Jonathan D. Ostry, Alessandro Prati, and Luca A. Ricci, 2008, "Exchange Rate Assessments: CGER Methodologies," IMF Working Paper 08/261.

[3] The external stability assessment of CEMAC (IMF Country Report No. 15/222, July 2015) found that CEMAC's REER was overvalued, but was within the margin of error, indicating that the REER was broadly consistent with equilibrium under current policies.

3. Cameroon's exports, as a share of CEMAC exports, declined over the past couple of decades (Figure 3). In the 1990s, Cameroon used to be CEMAC's second largest exporter after Gabon. In 2014, it has moved to the fourth position, despite an increase in the openness of the economy (defined as the sum of exports and imports divided by GDP), behind Equatorial Guinea, Gabon, and the Republic of Congo.

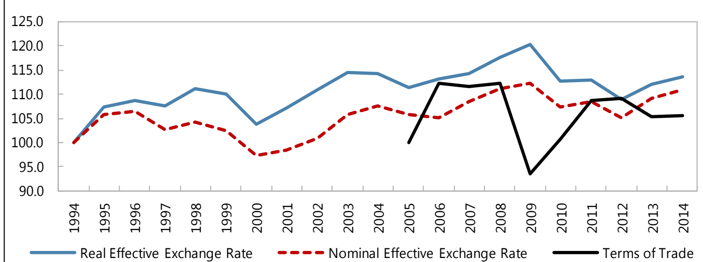
Figure 3. Cameroon: Market Share in CEMAC and SSA, 1990-2014
(Percent)



Note: SSA excludes Botswana, Eritrea, Lesotho, Namibia, South Sudan, and Swaziland as they do not report trade. Data for South Africa only starts in 1998. As a result, Cameroon's share of SSA exports as shown maybe slightly overestimated.
Source: IMF Direction of Trade Statistics (DOTS).

4. Cameroon's real effective exchange rate (REER) depreciated after the global recession of 2009, but reverted to a slight appreciation in 2013 and 2014 (Figure 4). These recent fluctuations have not offset, however, the long period of appreciation, which culminated in 2009, when the REER appreciated by almost 20 percent compared to its 1994 level. Since 2009, the REER has depreciated by 5.5 percent, with the nominal effective exchange rate (NEER) closely following this trend. The trend reflects the depreciation and subsequent rebound of the nominal effective exchange rate of the euro, to which Cameroon's common currency is pegged.

Figure 4. Cameroon: Effective Exchange Rates and Terms of Trade, 1994-2014
(1994=100; TOT 2005=100)



Source: IMF's Information Notice System (INS); World Economic Outlook (WEO); and IMF staff estimates.

5. The current account deficit is expected to widen to 5.2 percent of GDP in 2015–20. The goods and services balance is also expected to deteriorate from a deficit of 3.4 percent of GDP in 2014 to a deficit of 4.1 percent in 2015–20. In 2014, approximately 42 percent of export proceeds came from oil. This share is expected to decline to an average of 37.6 percent of exports in 2015–20. The current account deficit would be primarily financed by external borrowing.

6. As a preliminary assessment, and assuming that the purchasing power parity holds for ten years, Cameroon's current REER appears to be appropriately valued. The first approach for assessing the REER is to assume that the mean of the two years after the CFA franc's devaluation in 1994 is the long-run effective exchange rate (LREER). Another approach is to assume the LREER is the sample mean in 1994–2014. The first approach suggests that the REER was overvalued by 5 percent at the end of 2014, while the second approach indicates that REER has been

Figure 5. Cameroon: Non-Oil Current Account Balance, 2007-14
(Percent of GDP)

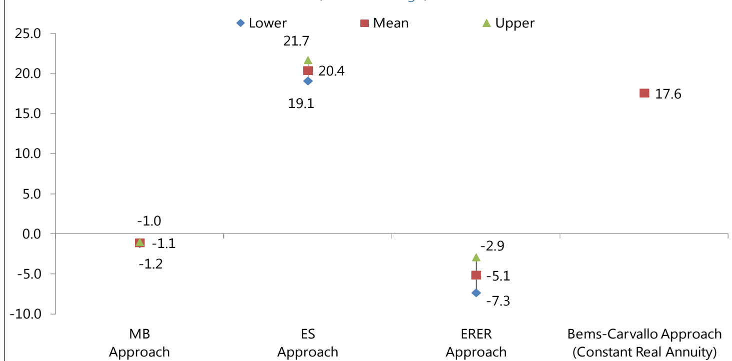
Sources: Cameroonian authorities and IMF staff estimates.

broadly in line with the equilibrium value. One important determinant of Cameroon's LREER is its terms of trade, which has been on a broadly rising trend since 2009. This indicates that the LREER may have shifted. In addition, Cameroon's non-oil current account deficit has been improving recently (Figure 5), suggesting a possible undervaluation of the REER. Because of these diverging results, the utility of these approaches may be limited by the strong assumptions on the LREER made for this preliminary assessment.

B. Model-Based Real Exchange Rate Assessments

7. The REER is assessed using the three CGER approaches, namely, the macroeconomic balance (MB), the equilibrium real exchange rate (ERER), and the external sustainability (ES) approaches (Figure 6). Annual data for 184 countries for 1973–2015 are used, along with projections for Cameroon that reflect the macroeconomic framework. The standard CGER approaches are also complemented by an adjusted ES approach that explicitly considers Cameroon's oil wealth and the projected depletion of its oil resources.

Figure 6. Camerooon: Required Change in the REER to Bring it to Equilibrium Level, 2015
(Percent change)



Source: IMF staff estimates.

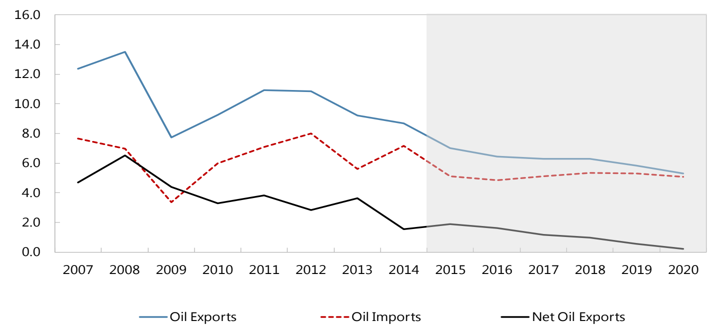
8. Results from the MB approach suggest that the REER is undervalued in 2015. The estimated current account norm points to a deficit of 5.3 percent, while the underlying current account deficit is about 5.1 percent. Accordingly and depending on the current account elasticity used, the MB approach suggests that the real exchange rate is undervalued by between 1.0 percent and 1.2 percent. If a country's current account elasticity with respect to the REER is higher, then the magnitude of the real exchange rate adjustment that is needed to close the current account gap would be smaller.

9. Conversely, the ES approach suggests that the REER is overvalued in 2015. The current account stabilizing net foreign assets represents a deficit of 1.9 percent of GDP, compared to a 5.1 percent underlying current account deficit. The ES approach therefore suggests that the REER is overvalued by between 19.1 percent and 21.7 percent, depending on the current account elasticity to the real exchange rate.

10. The ERER approach suggests the REER is undervalued in 2015. The ERER is estimated to appreciate by 5.9 percent, while the underlying REER appreciated by only 0.8 percent. Therefore, in order to restore real exchange rate equilibrium, the ERER approach suggests that the REER would need to appreciate by 5.1 percent. The 90 percent confidence interval gives an undervaluation of between 2.9 percent and 7.3 percent.

11. To complement the above analysis, the ES approach is tailored to oil-producing countries.[4,5] External sustainability is particularly important for exhaustible natural resource producers like Cameroon. Therefore an additional external assessment was carried out based on Bems and Carvalho (IMF, 2012). In the case of oil producers where oil represents a relatively small share of economic activity, as in Cameroon, it is important to account for oil imports as well as oil exports to evaluate external sustainability. Although oil exports are projected to represent close to 5.3 percent of GDP in 2020, net oil exports are projected to represent only 0.2 percent of GDP by the same year (Figure 7). Cameroon's petroleum reserves are assumed to be completely exhausted in 30 years and the current account norm assumes that a part of oil revenues is saved to produce a constant real annuity over time.

Figure 7. Cameroon: Oil Exports and Imports, 2007-20
(Percent of GDP)



Sources: Cameroonian authorities and IMF staff estimates.

12. This tailored ES approach suggests a current account norm of 0.5 percent of GDP in 2015 under the constant real annuity scenario, corresponding to an overvaluation of Cameroon's REER of about 17.6 percent. This result, however, should be considered in light of the fact that international capital market imperfections and immediate development needs create an argument for countries to invest in domestic infrastructure instead of investing in savings abroad. In other words, when external borrowing is constrained, the optimal response to a natural resource windfall implies a smaller current account surplus than otherwise. However, investment inefficiencies and absorptive capacity constraints also imply that the ability of domestic investment is limited in acting as a domestic savings mechanism, consequently warranting larger current account surpluses. In either case, the transitory nature of oil revenues in Cameroon could suggest investing a larger proportion of these revenues in safe assets with reasonable yields, be it abroad or at home. The tailored ES approach is complemented by two "EBA-lite" approaches (Box 1).

13. Taken together, the assessment of Cameroon's REER does not indicate a significant misalignment with the current account norm. On average, the CGER methodologies and Bems and Carvalho indicate an 8.0 percent overvaluation of the REER in 2015, confirming last year's exchange rate assessment. The EBA-lite methodologies show an average undervaluation of 10.1 percent in 2015. It is important to note, however, that the above results are sensitive not only to the macroeconomic assumptions on which the baseline scenario is predicated, but also to the assumptions each approach uses, such as the level of elasticity of the current account to the real exchange rate.

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[4] Bems Rudolfs, and Irineu de Carvalho Filho, 2009, "Exchange Rate Assessments: Methodologies for Oil-Exporting Countries," IMF Working Paper No. 09/281, Washington, DC.

[5] "Macroeconomic Policy Frameworks for Resource-Rich Developing Countries", IMF Policy Paper, August 24, 2012.

Box 1. Cameroon: EBA-Lite Real Effective Exchange Rate Assessment

The two approaches of the "EBA-lite" model, the EBA-lite current account (CA) and the EBA-lite index REER (IREER) indicate that Cameroon's REER is undervalued in 2015. The EBA-lite is not the most appropriate methodology to assess the exchange rate for oil-exporting countries and it was not used for the real exchange rate assessment of CEMAC. However, since Cameroon is a small net oil exporter, EBA-lite estimates were used to shed more light on the exchange rate assessment. In the CA model, the estimated current account norm points to a deficit of 6.6 percent, compared to the underlying 5.1 percent. Accordingly, with an elasticity of the current account to REER at -0.15, the approach suggests that REER is undervalued by 9.8 percent. The IREER approach indicates that REER is undervalued by 10.3 percent (Table 1).

Table 1: Cameroon: EBA-Lite External Stability Assessment, 2015

	Current Account (CA)		Index Real Effective Exchange Rate (IREER)
Current account norm (percent of GDP)	-6.6	Log REER - norm (percent)	4.6
Underlying current account (percent of GDP)	-5.1	Log REER - actual (percent)	4.7
Current account elasticity	-0.15		
Undervaluation (percent)	-9.8	Undervaluation (percent)	-10.3

Source: IMF staff estimates.

C. Assessment of Structural Competitiveness

14. Cameroon's weak institutional indicators point to significant issues in structural competitiveness. Competitiveness is defined by the World Economic Forum as the set of institutions and factors that determine the level of productivity of a country. As illustrated below, Cameroon's low ranking suggests a weak structural competitiveness and would imply an exchange rate overvaluation. The surveys considered in this section include: the World Economic Forum's Global Competitiveness Index (GCI); the Heritage Foundation indicators of economic freedom; the World Bank's Doing Business indicators; and the World Bank's Country Policy and Institutional Assessment (CPIA).

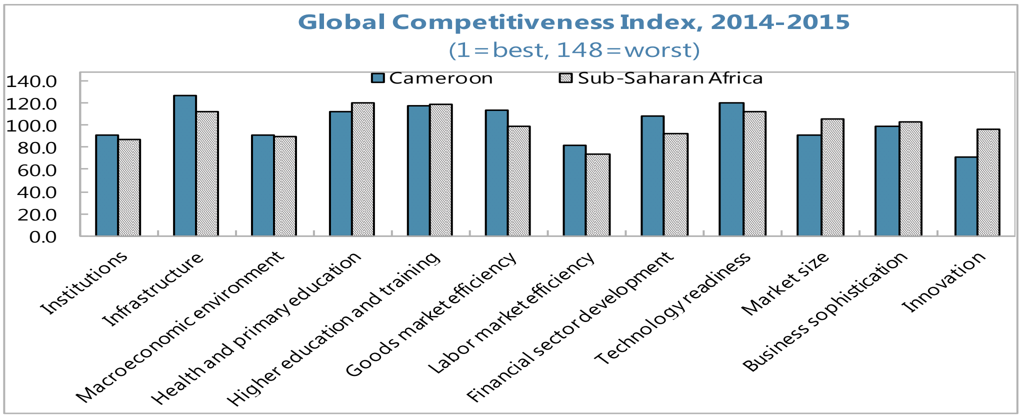
15. According to the 2014-15 GCI report, Cameroon ranks 116th of 148 surveyed countries, losing one place since the 2013–14 report, but maintaining a score of 3.7 of 7 in the competitiveness index. Within sub-Saharan Africa (SSA), Cameroon ranks 15th of 32, above the region's average (Figure 8, Panel 1). The country obtained worse scores than the SSA average in two of the three sub-indices: basic requirements, efficiency enhancers, and factors of innovation and sophistication. In terms of the 12 other indicators, Cameroon fares better than SSA only in two categories: innovation and market size. The two indicators that are ranked the lowest are infrastructure and technology readiness, ranking 126th and 120th, respectively.

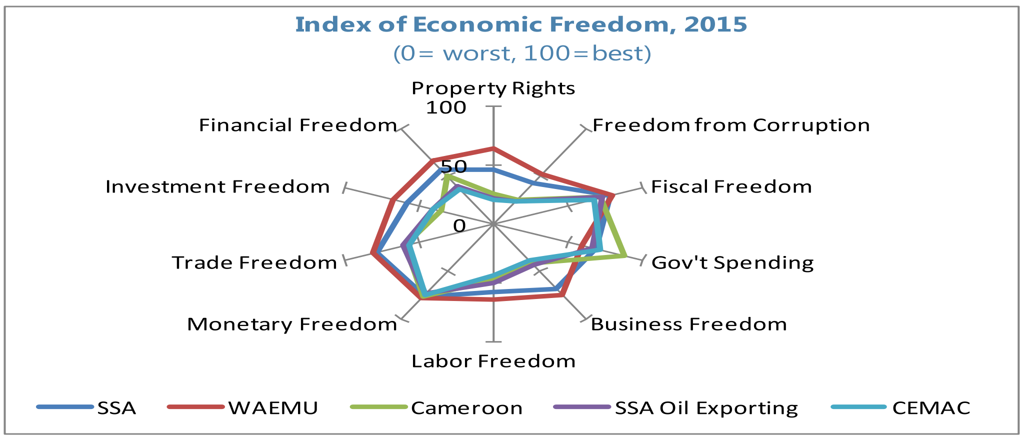
16. According to the Heritage Foundation, Cameroon continued to score below the world average in 2015 with respect to freedom from corruption and the protection of property rights, despite some marginal improvements. Overall, Cameroon slipped in the Foundation's rankings from136th to 146th, losing ten places. At 52.6, Cameroon's index qualifies the economy as 'mostly unfree' and is below the average of SSA's 120th rank and the West African Economic and Monetary Union's (WAEMU) 117th rank, but better than the CEMAC's 154th rank. In eight of the ten Heritage Foundation indicators of economic freedom, Cameroon scores lower than the SSA average (Figure 8, Panel 2). Overall, Cameroon's total score index worsened slightly from 52.6 in 2014 to 51.9 in 2015.

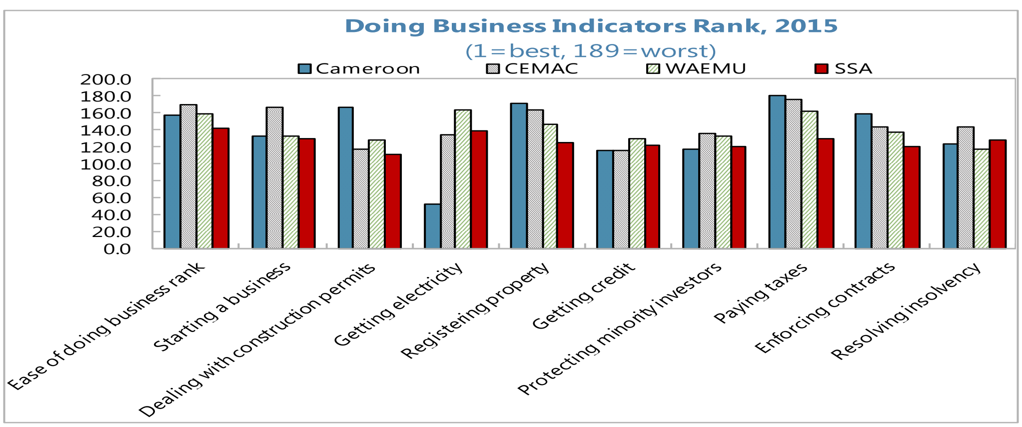
17. Cameroon's business climate, as measured by the 2015 World Bank Doing Business indicators, has deteriorated since last year and the country's rank is lower than the average rank for SSA. The country has lost ten places since 2014, slipping to 158th (out of 189) from 148th last year. Cameroon has made it easier to obtain a building permit by decentralizing the process and by introducing strict time limits, but the notification and inspection requirements has made the process more complex on balance. Cameroon ranks well (52nd) in the time and cost required to obtain a permanent electricity connection for a newly constructed warehouse. However, except for registering property and getting electricity, Cameroon's ranking deteriorated in all other aspects of doing business compared to last year. The country ranks 181st with respect to paying taxes (Figure 8, Panel 3).

18. Cameroon's Country Policy and Institutional Assessment (CPIA) score of 3.2 (out of 6) in 2014 was the same as SSA's average and above the average of the CEMAC (2.9), but slightly below WAEMU's average of 3.3 (Figure 9)**.** Although Cameroon's scores in major areas exceed the scores of CEMAC and are strong in economic management compared with SSA, they lag SSA in social inclusion and public sector management. Areas for improvement are in property rights management, rule-based governance, transparency, accountability and, corruption.

Figure 8. Cameroon: Structural Competitiveness Indicators, 2015







Sources: World Economic Forum, The Global Competitiveness Report, 2015; Doing Business Indicators, World Bank, 2015; The Heritage Foundation, 2015; and IMF staff calculations.

Figure 9. Cameroon: Country and Policy Institutional Assessment, 2014

	Cameroon		CEMAC[1]	WAEMU	SSA
	2012	2014	2014		
Economic Management	**3.8**	**3.7**	**3.3**	**3.6**	**3.3**
Macroeconomic Management	4.0	4.0	3.4	3.9	3.5
Fiscal Policy	3.5	3.0	3.0	3.3	3.2
Debt Policy	4.0	4.0	3.5	3.6	3.3
Structural Policies	**3.2**	**3.2**	**2.8**	**3.4**	**3.2**
Trade	3.5	3.5	3.3	4.1	3.7
Financial Sector	3.0	3.0	2.8	2.9	2.9
Business Regulatory Environment	3.0	3.0	2.5	3.3	3.1
Policies for Social Inclusion and Equity	**3.0**	**3.0**	**2.7**	**3.2**	**3.2**
Gender equality	3.0	3.0	2.8	3.1	3.2
Equity of Public Resource Use	3.0	3.0	2.6	3.3	3.3
Building Human Resources	3.0	3.0	2.9	3.4	3.5
Social Protection and Labor	3.0	3.0	2.5	2.8	2.9
Policies and Institutions for Environment Sustainability	3.0	3.0	2.6	3.4	3.2
Public Sector Management and Institutions	**2.9**	**2.9**	**2.6**	**3.1**	**3.0**
Property Rights and Rule-Based Governance	2.5	2.5	2.3	2.8	2.7
Quality of Budgetary and Financial Management	3.0	3.0	2.8	3.2	3.1
Efficiency of Revenue Mobilization	3.5	3.5	2.9	3.4	3.4
Quality of Public Administration	3.0	3.0	2.5	2.9	2.8
Transparency, Accountability and Corruption in Public Sector	2.5	2.5	2.4	3.0	2.7
Overall CPIA Score	**3.2**	**3.2**	**2.8**	**3.3**	**3.2**

Source: World Bank, Country Policy and Institutional Assessment 2015.

[1] CEMAC excludes Gabon and Equatorial Guinea because of data unavailability.

Annex III. Cameroon: Global Risk Assessment Matrix[1]

Sources of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Protracted period of slower growth in advanced and emerging economies.	**High**	**Medium** A protracted growth slump in the euro area or in China would have an adverse effect on growth through non-oil exports and more expensive external financing.	Diversify export markets, especially toward emerging Asia, CEMAC countries, and Nigeria; improve external competitiveness through structural reforms.
Sustained low level in world oil prices.	**High**	**Medium** A price of oil below US$60 per barrel would cause a higher decline in oil revenues than in spending on fuel subsidies.	Eliminate the oil subsidy scheme; widen the non-oil tax base; increase efficiency of the national oil refinery (SONARA); and spur competition in the oil import sector.
Spillovers of the regional security situation.	**Medium**	**High** A deteriorating security situation would lead to an increase in displaced populations; a costlier security response; and limited investment in affected regions.	Allow a moderate relaxation of the fiscal deficit to meet higher security expenditure; start scaling back unproductive public expenditure and rationalize investment programs; and prepare contingency plans for refugees with the UNHCR.
Protracted national oil refinery (SONARA) payment difficulties.	**Medium**	**High** An exacerbation of SONARA's tight liquidity position would have an adverse effect on the budget, energy supply, and the banking sector.	Make SONARA more efficient; conduct a financial and technical audit of the SONARA; liberalize retail fuel prices; clear stock of arrears; and identify alternative suppliers to ensure energy security.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed 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 of 30 percent of more). 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.

INTERNATIONAL MONETARY FUND

CAMEROON

November 2, 2015

STAFF REPORT FOR THE 2015 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By	African Department

CONTENTS

RELATIONS WITH THE FUND

A. Financial Relations

As of September 30, 2015

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

General Resources Account:	**SDR Million**	**%Quota**
Quota	185.70	100.00
Fund holdings of currency	184.74	99.46
Reserve Tranche Position	1.01	0.54

SDR Department:	**SDR Million**	**% Allocation**
Net cumulative allocation	177.27	100.00
Holdings	14.91	8.41

Outstanding Purchases and Loans:	**SDR Million**	**% Quota**
ESF RAC Loan	74.28	40.00
ECF Arrangements	7.43	4.00

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF [1]	Oct 24, 2005	Jan 31, 2009	18.57	18.57
ECF [1]	Dec 21, 2000	Dec 20, 2004	111.42	79.59
ECF [1]	Aug 20, 1997	Dec 20, 2000	162.12	162.12

[1] Formerly PRGF.

Projected Payments to Fund: [2]

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

	Forthcoming				
	2015	2016	2017	2018	2019
Principal	0.80	21.49	20.69	19.90	18.84
Charges/Interest	0.02	0.08	0.19	0.14	0.17
Total	0.82	21.57	20.88	20.04	18.93

[2] 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	October 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	April 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 can not 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.

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:

Consistent with the safeguards policy requirement for regional central banks, the Banque des États d'Afrique Centrale (BEAC) was subject to a quadrennial assessment in 2013. It occurred against the backdrop of significant change at the BEAC to address governance challenges and control failures that emerged in 2009, and led to close engagement in the period after through close IMF monitoring of safeguards "rolling measures" in the context of new program requests and reviews for the Central African Economic and Monetary Community (CEMAC) countries. The 2013 assessment found that risks remained elevated and that annual IMF staff visits to monitor priority recommendations and progress on the BEAC's reform plan would continue as part of the safeguards "rolling measures" approach.[1] As such, a safeguards staff visit to the BEAC was conducted in April 2015. Staff concluded that while the BEAC had continued the implementation of its reform plan, slippages had occurred and the timeframe of the reform and modernization plan (RMP) had been revised. Progress on implementing the safeguards rolling measures has been mixed, and priority recommendations on amendments to the BEAC charter and adoption of an internationally-recognized financial reporting framework (IFRS) are delayed. Strong actions and close coordination with member states to gain consensus will be needed in the period ahead for the BEAC to conclude its reforms and the outstanding safeguards recommendations. Progress on implementation of the latter will remain subject to monitoring by the IMF, as a condition to continuing new program requests and reviews for CEMAC member countries.

[1] Staff has been conducting annual monitoring of safeguards developments at the BEAC since 2010.

B. Nonfinancial Relations

Exchange Arrangements:

Cameroon participates in a currency union with five other members of the CEMAC and has no separate legal tender. Cameroon's currency, the CFA franc, is pegged to the euro at the fixed rate of CFAF 655.957 per euro. Local currency equivalent: CFAF 749.7=SDR 1, as of December 31, 2014. Effective January 1, 2007, the exchange arrangement of the CEMAC countries was reclassified as a "conventional pegged arrangement" and not anymore as an "exchange arrangement with no separate legal tender." The new classification is based on the behavior of the common currency, whereas the previous classification was based on the lack of a separate legal tender. The new classification thus reflects only a definitional change, and is not based on a judgment that there has been a substantive change in the exchange regime or other policies of the currency union or its members.

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

Article IV Consultation:

The last Article IV consultation with Cameroon was concluded by the Executive Board on July 9, 2014.

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:

2015

May 2015:	FAD Customs Administration follow-up visit
May 2015:	FAD mission on expense targeting
May 2015:	MCM mission on medium-term management strategy follow-up
May 2015:	FAD mission to support reforms to budget preparation
April 2015:	FAD mission on revenue administration
March 2015:	STA mission on production and producer price statistics
March 2015:	FAD mission on budgetary accounting

February 2015:	MCM mission on Medium-term Management Strategy
February 2015:	FAD visit on budget execution and fiscal reporting

2014

December 2014:	STA mission on national accounts statistics
November 2014:	STA mission on monetary statistics
October 2014:	FAD mission on Revenue Administration
August 2014:	MCM mission on to strengthen the CCA
May 2014:	FAD on Customs Administration
April 2014:	FAD Customs Administration follow-up visit
April 2014:	AFRITAC-Central mission for training on financial risk management
April 2014:	AFRITAC-Central mission to strengthen opening balances
March 2014:	FAD mission on strengthening fiscal reporting and budget execution
March 2014:	FAD mission on budget documents
March 2014:	FAD mission on general tax system
February 2014:	AFRITAC-Central seminar on the adjustment of IT systems to PFM reforms
February 2014:	FAD mission on fiscal reporting stocktaking
January 2014:	AFRITAC-Central mission to strengthen public debt management
January 2014:	FAD mission on the public wage bill

2013

December 2013:	AFRITAC-Central mission to strengthen the evaluation of external financing bids
November 2013:	FAD Customs Administration follow-up visit
October 2013:	AFRITAC-Central seminar on national accounts
October 2013:	FAD Customs Administration follow-up visit
July 2013:	AFRITAC-Central mission on improvements to public accounting
May 2013:	FAD mission on public finance management
March 2013	FAD Customs Administration follow-up visit
February 2013:	AFRITAC-Central mission on public debt management
January 2013:	FAD mission on tax and custom administration

2012

October 2012:	MCM-World Bank mission on public debt management
May 2012:	AFRITAC-Central mission on cash-based accounting
February 2012:	FAD mission on Customs, diagnostic and modernization
January 2012:	STA mission on quarterly national accounts

2011

December 2011:	FAD mission on PFM
October 2011:	FAD mission on broadening the tax base
August 2011:	FAD tax mission: on segmentation of taxpayers
August 2011:	STA mission on quarterly national accounts
April 2011:	STA mission on national accounts statistics
March 2011:	FAD mission on tax / customs administration diagnostic
January 2011:	FAD mission on PFM

2010

November 2010:	STA mission on quarterly national accounts
November 2010:	FAD mission on implementation of the new budget law
October 2010:	STA mission on national accounts
October 2010:	AFRITAC-Central mission on PFM (including procurement plan)
September 2010:	FAD mission on tax administration
August 2010:	AFRITAC-Central mission on public financial management (TOFE)
June 2010:	FAD mission on implementation of the new budget law
May 2010:	AFRITAC-Central mission on tax administration
April 2010:	FAD and AFRITAC-Central mission on implementation of the Organic Budget Law
January 2010:	STA mission on national accounts

2009

December 2009:	STA mission on national accounts statistics
September 2009:	FAD mission on strengthening revenue administration
September 2009:	AFRITAC-Central mission on strengthening treasury management
July 2009:	MCM mission on public debt management
March 2009:	STA mission on quarterly national accounts
February 2009:	FAD mission on strengthening revenue administration

Resident Representative:

The post of IMF Resident Representative has been maintained in Yaoundé continuously since 1989. The current Resident Representative, Mr. Kadima Kalonji, has been stationed in the field since September 1, 2015.

JOINT IMF-WORLD BANK WORK PROGRAM, 2015–16

Products	Mission Timing	Expected Delivery
A. Mutual Information on Relevant Work Programs		
IMF Work Program		
Strategy: The Fund's policy advice and technical assistance are essentially unchanged: they will focus on helping Cameroon preserve fiscal and debt sustainability and financial sector stability.		
2015 Article IV consultation	September 2015	Staff report bundle for November 2015 Executive Board consideration.
Authorities' visit to Fund headquarters	August 2015	Framework update and 2016 budget preparation.
2016 Article IV consultation	September 2016	Board discussion in November 2016.
Technical assistance on public finance to be offered by FAD or AFRITAC-Central		
PFM reforms follow-up	FY2016	Aide Mémoire at the end of mission.
Four budget execution management missions	FY2016	Aide Mémoire at the end of mission.
Technical assistance on statistics to be offered by STA or AFRITAC-Central		
Government finance statistics	FY2016	Aide Mémoire at the end of mission.
National accounts	FY2016	Aide Mémoire at the end of mission.
Technical assistance on debt management to be offered by MCM or AFRITAC-Central		
Medium-term debt strategy update	February 2015	Aide Mémoire at the end of mission.
Liability management – 3 missions	June and November 2014, and April 2015	Aide Mémoire at the end of each mission.
Medium-term debt strategy	July 2014	Aide Mémoire at the end of mission.

World Bank Work Program

Strategy: The new Country Engagement Framework calls for a Systematic Country Diagnostic (SCD) to be conducted to identify the main development constraints of the country to inform the Country Partnership Framework (CPF). The CPF will identify the areas in which the Bank will engage Cameroon in 2015–20 in light of its corporate strategy of ending extreme poverty by 2030 and promoting shared prosperity by fostering income growth of the poor. Although these analytical endeavors are ongoing, preliminary results indicate that extreme poverty is endemic in four provinces and growth has not been strong enough to make a dent in poverty reduction. While the CPF is developed, the Bank will help stimulate more inclusive growth by improving competitiveness through (i) increased investment in the energy, transportation, and agriculture sectors; (ii) activities geared toward ensuring the transparent, equitable, and sustainable use of natural resources; and (iii) promotion of high potential value chains and improved business climate. For service delivery, the emphasis is on (i) human development (education, health, and social protection to help develop an effective safety net system based on targeted programs); and (ii) local development, where the focus will be on increasing access to basic services through infrastructure upgrading and capacity building for improved local governance.

Products	Mission Timing	Expected Delivery
Systematic Country Diagnostic	Ongoing	February 2016
Country Partnership Framework	Ongoing	April 2016
Country Economic Memorandum	Four missions, dates to be decided	December 2015
Non-concessional borrowing ceiling monitoring	Two missions a year: to coincide with IMF missions	Back-to-office reports at the end of each mission.

B. Requests for work program inputs

IMF request to World Bank

- Periodic update on the World Bank program in Cameroon.
- Periodic economic updates.

World Bank request to IMF

- Periodic updates on the macroeconomic framework.

C. Agreement on joint products and missions

New DSA	November 2015	Board discussion in November 2015

STATISTICAL ISSUES

A. Assessment of Data Adequacy for Surveillance

General: Data provision has shortcomings, but is broadly adequate for surveillance purposes. There is scope for improvements in quality, coverage, and timeliness in most macroeconomic datasets. In recent years, the authorities have taken initiative to improve the macroeconomic database, particularly the national accounts.

Real sector statistics: The *Institut National de la Statistique du Cameroun* (INS) has released in December 2013 a revised set of national accounts estimates including key features of the System of National Accounts 2008 (2008 SNA). Further improvements could be made in some areas, including the production index, which should be overhauled and integrated with the corresponding components of the annual national accounts; the selection of price indices for deflation of national accounts concepts; and information on employment. The STA missions in 2009, 2010, and 2011 supported the compilation of improved national accounts statistics, including quarterly national accounts statistics starting in 2012. A rebasing to 2005 of national accounts was completed, but has not yet been implemented.

Government finance statistics: The quality of fiscal data is broadly adequate for surveillance, but has some shortcomings in coverage, periodicity, timeliness, and accessibility. Monthly reports on the overall budget execution and the investment budget execution have been produced on a continuous basis. Despite this progress, there is a need for the dissemination of data based on the *Government Finance Statistics Manual 2001* (*GFSM 2001*). Weaknesses in the fiscal data include: (i) incomplete compilation of budget implementation data on a commitment and, to some extent, on a cash basis; (ii) a lack of information on the financial information of local governments; (iii) poor monitoring of cross-liabilities in the public sector and of public enterprise debt; and (iv) lack of comprehensive and timely financial information on public enterprises.

The authorities plan to establish comprehensive fiscal accounts on a commitment basis, a functional classification of the budget and will strive to monitor the float (i.e., the difference between balances on a cash and on a commitment basis). Moreover, the ongoing audit of government domestic debt, which will cover cross-liabilities in the public sector and public enterprise external debt, is expected to strengthen debt data. Efforts to enhance transparency of financial operations in the oil sector should also improve overall fiscal reporting. Efforts are also underway to collect data on the operations of the largest 20 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 lack of data for 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.

Balance of payments: Since the March 2006 STA technical assistance, the authorities have started to produce higher quality data, albeit with significant delays, partly due to delays in reporting financial and capital account data from BEAC. Balance of payments data are reported annually to STA albeit with some lags. The latest reported data refer to 2011.
External debt: External debt data are broadly adequate for surveillance, but are comprehensive only for public and explicitly guaranteed debt. Data are collected by the *Caisse Autonome d'Amortissement* (CAA), which is responsible for servicing the government's external debt obligations. The CAA's database is fairly comprehensive, contains accurate stock data, and produces projected debt-service flows on a loan-by-loan basis. However debt disbursement and position statements are not regularly received from some foreign creditors, which causes significant impairment to real-time and comprehensive debt monitoring.

B. Data Standards and Quality	
Cameroon commenced its participation in the General Data Dissemination System (GDDS) in 2001.	No ROSC data are available.

C. Reporting to STA
Cameroon does not report data for publication in the IMF Government Finance Statistics Yearbook or the government finance statistics section in International Financial Statistics. Data reporting for publication in the Fund's Balance of Payments Statistics publications has encountered delays.

CAMEROON: TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE
(As of September 30, 2015)

	Date of latest observation	Date received	Frequency of data[1]	Frequency of reporting[1]	Frequency of publication[1]
Exchange rates	Sep. 2015	Sep. 2015	M	M	M
International reserve assets and liabilities [2]	Sep. 2015	Sep. 2015	M	M	M
Reserve/Base money	Sep. 2015	Sep. 2015	M	M	M
Broad money	Sep. 2015	Sep. 2015	M	M	M
Central bank balance sheet	Sep. 2015	Sep. 2015	M	M	M
Consolidated balance sheet of the banking system	Sep. 2015	Sep. 2015	M	M	M
Interest rates [3]	Sep. 2015	Sep. 2015	M	M	M
Consumer price index (main cities)	June 2015	Sep. 2015	Q	Q	Q
Consumer price index (national)	June 2015	Sep. 2015	Q	Q	Q
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 [5]	June 2015	Sep. 2015	M	M	Partial data published monthly
Stocks of debt contracted or guaranteed by the central government[6]	December 2014	Sep. 2015	M	M	M
External current account balance	June 2014	Sep. 2015	A	A	NA
Exports and imports of goods and services [7]	June 2014	Sep. 2015	Q	Q	NA
GDP/GNP	June 2014	Sep. 2015	A	A	A
Gross external debt	December 2014	Sep. 2015	Q	Q	Q
International investment position	NA	NA	NA	NA	NA

[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

November 2, 2015

STAFF REPORT FOR THE 2015 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITYANALYSIS

Approved By
Anne-Marie Gulde-Wolf and Bob Traa (IMF); and John Panzer (IDA)

The Debt Sustainability Analysis has been prepared jointly by IMF and World Bank staff, in consultation with the authorities, using the debt sustainability framework for low-income countries approved by the Boards of both institutions.

This Debt Sustainability Analysis finds that Cameroon's risk of external debt distress increased from "moderate" to "high" between the last consultation and end-2014. The recent acceleration in the accumulation of debt, increasingly on non-concessional terms, and the significant deterioration in the outlook for exports are the main causes of the higher risk rating. The policy-dependent threshold for the present value of debt to exports is breached in 2021 under the baseline scenario. In addition, standard stress tests result in the breaches of two policy-dependent thresholds. The risk of total debt distress is also "high." Rising domestic borrowing leads to a breach in the policy-dependent benchmark for the ratio of the present value of total public debt to GDP. The analysis does not reflect the possible issue of a Eurobond. The inclusion of the Eurobond would reinforce the conclusion of a "high" risk of external debt distress. To mitigate risks and underpin debt sustainability in the medium term, significant adjustments in the amounts and terms of both external and domestic borrowing are necessary.

BACKGROUND

1. **This Debt Sustainability Analysis (DSA) of Cameroon's public debt was prepared jointly by the International Monetary Fund (IMF) and the World Bank.** It builds on the 2014 DSA (IMF Country Report No. 14/212)[1] and uses the latest standard dynamic debt template for low-income countries (LIC), based on data from the authorities for end-2014 (Text Table 1), and the macroeconomic framework derived from the 2015 IMF Article IV consultation. The assessment is based on data for external and domestic debt of the central government, as well as implicitly or explicitly guaranteed external debt of public enterprises,[2] which are contingent liabilities of the government, amounting to CFAF 527 billion at end-2014. Debt statistics would benefit from a more comprehensive coverage of the government's contingent liabilities, and the liabilities of public enterprises and municipalities.

Text Table 1. Cameroon: Stock of Public Debt, 2007–14

	2007	2008	2009	2010	2011	2012	2013	2014
				(CFAF billions)				
Total public and publicly guaranteed debt	1,171	1,015	1,114	1,349	1,662	2,085	2,780	4,149
External debt	562	578	574	725	927	1,197	1,766	2,774
Multilateral	230	289	377	460	577	632	725	927
Bilateral	289	288	196	222	304	400	751	1,200
Bilateral Paris Club	251	245	63	91	85	75	113	125
Bilateral non-Paris Club	38	43	133	132	219	325	638	1,074
Commercial	43	1	1	43	46	96	125	120
Guaranteed	...	...	...	...	...	70	164	527
Domestic debt	608	437	540	623	734	888	1,014	1,375
				(Percent of total)				
Total public and publicly guaranteed debt	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
External debt	48.0	56.9	51.5	53.8	55.8	57.4	63.5	66.9
Multilateral	19.7	28.5	33.8	34.1	34.8	30.3	26.1	22.3
Bilateral	24.7	28.4	17.6	16.5	18.3	19.2	27.0	28.9
Bilateral Paris Club	21.4	24.2	5.7	6.7	5.1	3.6	4.1	3.0
Bilateral non-Paris Club	3.2	4.3	12.0	9.8	13.2	15.6	23.0	25.9
Commercial	3.7	0.1	0.1	3.2	2.8	4.6	4.5	2.9
Guaranteed	...	...	...	...	...	3.4	5.9	12.7
Domestic debt	52.0	43.1	48.5	46.2	44.2	42.6	36.5	33.1
				(Percent of GDP)				
Total public and publicly guaranteed debt	12.0	9.7	10.1	11.5	13.2	15.4	19.0	26.6
External debt	5.7	5.5	5.2	6.2	7.4	8.9	12.1	17.8
Multilateral	2.4	2.8	3.4	3.9	4.6	4.7	5.0	5.9
Bilateral	2.9	2.8	1.8	1.9	2.4	3.0	5.1	7.7
Bilateral Paris Club	2.6	2.3	0.6	0.8	0.7	0.6	0.8	0.8
Bilateral non-Paris Club	0.4	0.4	1.2	1.1	1.7	2.4	4.4	6.9
Commercial	0.4	0.0	0.0	0.4	0.4	0.7	0.9	0.8
Guaranteed	...	...	...	...	...	0.5	1.1	3.4
Domestic debt	6.2	4.2	4.9	5.3	5.9	6.6	6.9	8.8
Memorandum item:								
Nominal GDP (CFAF billions)	9,792	10,444	11,040	11,700	12,546	13,515	14,603	15,607

Source: Cameroonian authorities; and IMF staff estimates.

[1] The draft DSA was discussed with the Cameroonian authorities in the course of the 2015 Article IV consultation. This DSA follows the IMF and World Bank Staff Guidance Note on the Application of the Joint IMF-World Bank Debt Sustainability Framework for Low-Income Countries, dated November 7, 2013.

[2] External debt is defined as debt owed to non-residents and issued in a foreign currency. In the case of arrears to suppliers, these are defined as overdue payment obligations that have not been fulfilled before the standard 90-day settlement period for such obligations.

2. **Cameroon's total public debt was estimated at 26.6 percent of GDP at end-2014**. This compares to a ratio of below 10 percent of GDP in 2008, following the completion of the enhanced Heavily Indebted Poor Countries and Multilateral Debt Relief Initiatives. Total public and publicly guaranteed debt (PPG) increased sharply in 2014, as the government sought financing to support its expanding public investment program. PPG accounted for the most significant share of total debt, with private, non-guaranteed debt representing only 5 percent thereof. PPG is broadly made up of two thirds external and one third domestic debt.

3. **The accumulation of non-concessional external debt was the main driver of the increase in PPG.** New non-concessional PPG was mainly driven by the strong increase in new bilateral disbursements from non-Paris Club (NPC) members. These accounted for two thirds of all disbursements in 2014. In terms of disbursed and outstanding debt, new NPC loans increased from 4.3 percent of PPG in 2008 to 25.9 percent of PPG in 2014.

4. **Cameroon's debt management capacity has shown some improvement in recent years, but critical shortcomings remain.** IMF technical assistance has focused on rationalizing debt management functions to ensure clearer roles and responsibilities. Since the last DSA, a National Debt Committee, chaired by the Minister of Finance, has started reviewing externally financed project proposals. However, the contracting of external debt is still undertaken by both the Ministry of Finance and the Ministry of Economy, Planning, and Regional Development. At the same time, the timely tracking of loan disbursements is inadequate, often leading to significant belated upward adjustments in external debt figures.

ASSUMPTIONS

5. **Compared to the 2014 DSA, the macroeconomic framework reflects (i) a significant decline in export revenues owing, inter alia, to the slump in world oil prices; and (ii) a strong rise in foreign financing of capital investment.** These developments result in a less favorable outlook for exports, fiscal revenue, and debt accumulation (Text Table 2 and Box 1).

- The lower outlook for exports compared to the 2014 DSA affects both oil and non-oil developments. For oil exports, this reflects the expected decline in oil production, as indicated by the authorities, combined with the much lower oil price in the 2014 DSA.[3] For non-oil exports, volume growth is expected to remain strong, albeit lower than the projections made in the 2014 DSA, reaching 6.5 percent per annum in the medium term. The downward revision in projections for non-oil export growth reflects weaker prospects in some key export markets (e.g., China and Europe).

- The profile of external debt accumulation reflects the authorities' commitment to accelerate their program of externally financed public investments significantly. The increase in debt is expected

[3] The assumptions for the 2015 DSA for the growth of oil export volumes are more favorable than the authorities' own projections, which envisage a sharp decline starting in 2017. The 2015 DSA also incorporates liquefied natural gas (LNG) exports from 2018 onward, with volumes in line with the authorities' forecast, but with lower prices (based on prices on the largest LNG market—New Orleans, USA).

to be mainly sourced from the CFAF 2,800 billion stock of signed but as-yet undisbursed loans, which have mostly been contracted on non-concessional terms.

Against this background, growth in the medium-term is expected to be supported by continued strong investment expenditure; the coming on stream of large infrastructure projects; and strong activity in agriculture, energy generation, and transport.

6. **The main financing assumptions remain broadly unchanged, including the terms of new external borrowing.** The discount rate is 5 percent, as approved by the IMF and World Bank Executive Boards in October 2013. Some contingent liabilities in public enterprises have been left out because their overall amounts remain hard to quantify. Fiscal financing gaps are assumed to be financed by borrowing, which in turn leads to an accumulation of domestic debt. The latter, however, does not come into play when assessing the risk of external debt distress.

Text Table 2. Cameroon: Key Macroeconomic Assumptions, 2014–35

	2014-15[1]	2016-20[2]	2021-35[3]
Real GDP growth (percent)			
DSA 2015	5.9	5.2	4.8
DSA 2014	5.5	5.5	5.5
Total revenue excluding grants (percent of GDP)			
DSA 2015	17.7	16.6	15.6
DSA 2014	18.3	17.7	16.4
Exports of goods and services (percent of GDP)			
DSA 2015	25.6	21.7	15.8
DSA 2014	27.1	25.5	24.2
Oil price (US dollars per barrel)			
DSA 2015	69.2	56.3	61.1
DSA 2014	108.0	93.3	91.7

Sources: Cameroonian authorities; and IMF and World Bank staff estimates.

[1] 2014 DSA referred to periods 2013-14.

[2] 2014 DSA referred to periods 2015-19.

[3] 2014 DSA referred to periods 2020-34.

7. **Some assumptions have been adjusted marginally.** The DSA assigns a larger role to creditors whose loans are non-concessional, especially in 2015–17, given specific information on undisbursed loans. New non-concessional creditors, such as China, the IBRD, and the African Development Bank, are projected to play larger roles than in the past. Non-concessional external borrowing is projected to exceed 80 percent of new external borrowing in 2015 and its share continues to rise throughout the forecast period (Text Table 3). The projected financing gaps are assumed to bear a positive interest rate of 1.5 percent on the resulting domestic debt.

Box 1. Cameroon: Macroeconomic Assumptions for the Baseline Scenario[1]

Medium Term, 2016–20

Real GDP growth is projected to average of 5.2 percent in the medium term, supported by a strong domestic demand and large public investments. Annual inflation is projected to remain low, at around 2 percent, in line with historical trends and below the CEMAC convergence criterion.

The revenue-to-GDP ratio is projected to decline over the medium term, from 17.4 percent of GDP in 2015 to 16.6 percent of GDP in 2020. Oil prices are expected to stabilize at about US$60 per barrel in the medium term. The technology used to increase aging well production is more expensive and will reduce oil revenue in proportion.

The external current account deficit is projected to remain marginally above 5 percent of GDP in 2016–20, as the economy adjusts to the terms-of-trade shock experienced in 2015.[2] This reflects, in volume terms, both falling oil exports and a slowdown in imported equipment goods for infrastructure projects, as the public investment program slows down. Despite strong volume growth, non-oil export proceeds are expected to be held back by low prices for traditional exports. As before, the current account deficit is expected to be financed through external public borrowing and other private capital inflows.

Long Term, 2021–35

Real GDP growth is projected to average 4.8 percent in the long term, as public investment slows down.

The revenue-to-GDP ratio is projected to decrease from 16.9 percent of GDP in 2021 to 14.9 percent of GDP in 2035. This trend assumes a decline in oil revenue with the gradual depletion of oil reserves, while non-oil revenue is sustained by improved revenue collection.

The external current account deficit is projected to average about 4.6 percent of GDP in 2021-35. This reflects slower growth in imports, in line with the lower public investment. Growth in exports of goods is projected to decline, reflecting falling oil production, which is only partially offset by growth in non-oil exports and exports of services.

[1] The baseline scenario uses the latest IMF World Economic Outlook (WEO) assumptions (August 2015).

[2] The outlook for exports is adversely affected by the substantial terms-of-trade shock experienced by Cameroon in 2015. In addition to the decline in the price of oil, prices for most of Cameroon's traditional exports (wood, coffee, etc.) also declined. Thus, despite strong volume growth for both oil and non-oil exports, overall exports of goods are projected to decrease by 6.5 percent in value terms in 2015. These trends are accentuated by exchange rate movements, which further reinforce the decline in exports when calculated in US dollar terms. The projections incorporate further declines in prices in 2016 and beyond for some non-oil exports in line with the WEO.

Text Table 3. Cameroon: New External Commitments by Concessionality Level, 2014–35
(CFAF billions, unless otherwise stated)

	2014	2015	2016	2020	2025	2030	2035	Average 2016-20[1]	Average 2021-35[2]
New borrowing, 2014 DSA[3]	574	591	471	520	728	985		495	852
Concessional	170	171	190	234	321	423		201	370
Percent of total	30	29	40	45	44	43		41	43
Non-concessional	404	420	281	286	407	561		295	482
Percent of total	70	71	60	55	56	57		59	57
New borrowing, 2015 DSA[3]	677	768	898	728	871	1,126	1,505	830	1,053
Concessional	132	141	155	104	113	132	173	129	128
Percent of total	20	18	17	14	13	12	11	16	12
Non-concessional	545	627	743	624	758	994	1,333	701	924
Percent of total	80	82	83	86	87	88	89	84	88

Sources: IMF and World Bank staff estimates and projections.
[1] 2014 DSA referred to 2015-19.
[2] 2014 DSA referred to 2020-34.
[3] Includes external borrowing by public enterprises.

EXTERNAL DEBT SUSTAINABILITY

8. An assessment of public sector performance, based on the World Bank Country Policy and Institutional Assessment (CPIA), puts Cameroon in the category of weak policy and institutional capacity. In line with the standard approach for the LIC DSA, the critical sustainability thresholds depend on the CPIA. Cameroon's rating of 3.21 on a scale of 1 (low) to 6 (high) has remained stable in the past three years. It is better than the Economic and Monetary Community of Central Africa (CEMAC) average (2.9) and in line with the sub-Saharan African (SSA) average. The specific thresholds for this category are a (i) present value (PV) of debt-to-exports ratio of 100 percent; (ii) PV of the debt-to-revenue ratio of 200 percent; (iii) PV of the debt service-to-exports ratio of 30 percent; (iv) debt service-to-exports ratio of 15 percent; and (v) debt service-to-revenue ratio of 18 percent (Text Table 4).

9. The baseline scenario results in the breach of the PV of the debt-to-exports ratio in 2021. This breach occurs relatively early, is sustained over time, and sees the ratio exceeding 130. This reflects the combined effects of a further acceleration in external debt accumulation along with weaker export earnings. The latter is affected by the substantial decline the prices of Cameroon's main exports compared to the 2014 DSA. The increasing recourse to non-concessional external financing also has an adverse impact on the outlook (Table 1, Panel c). A breach of one of the thresholds, as in this case, results in the categorization of debt sustainability as "high."

10. Standard stress tests result in the breach of the policy-dependent threshold for two ratios. Stress tests bring forward the breach of the PV of the-debt-to-exports ratio to 2017 and result in an additional breach for the debt-service-to-exports ratio in 2023. This ratio is projected to exceed the 15 percent threshold in 2023 and remain above this level for the remainder of the forecast period.

Text Table 4. Cameroon: Baseline Debt Ratios, 2015–35
(Percent)

	Threshold	2015	Medium term 2016-20	Long term 2021-35
		Debt Sustainability Analysis, 2015		
External debt				
PV of debt-to-GDP	30	13.5	18.5	19.2
PV of debt-to-exports	100	56.4	85.8	122.6
PV of debt-to-revenue	200	77.8	111.7	123.6
Debt service-to-exports	15	4.4	6.4	11.1
Debt service-to-revenue	18	6.1	8.3	11.1
Public debt				
PV of debt-to-GDP	38	24.4	31.8	45.2
PV of debt-to-revenue		137.6	189.4	290.9
Debt service-to-revenue		17.9	26.7	70.9
	Threshold	2014	Medium term 2015–19	Long term 2020–34
		Debt Sustainability Analysis, 2014		
External debt				
PV of debt-to-GDP	30	10.2	12.9	13.5
PV of debt-to-exports	100	37.7	50.6	55.9
PV of debt-to-revenue	200	56.4	74.1	83.1
Debt service-to-exports	15	2.7	3.7	6.2
Debt service-to-revenue	18	4.0	5.5	9.2
Public debt				
PV of debt-to-GDP	38	19.5	29.0	50.9
PV of debt-to-revenue		105.1	164.3	313.6
Debt service-to-revenue		9.6	14.4	21.3

Sources: IMF and World Bank staff estimates and projections.

11. **The authorities are considering a Eurobond issue, which would further increase Cameroon's risk of external debt distress.** Preparations have been made to issue such a bond for an amount of US$1.5 billion, which corresponds to about 5 percent of GDP.[4] Because it would front-load the accumulation of new disbursed and outstanding debt, the proposed Eurobond would cause an even earlier breach of the policy-dependent threshold for the PV of the debt-to-exports ratio under the baseline scenario. At prevailing bond yield levels, debt sustainability would deteriorate. This assessment is reinforced when costs associated with derivative hedging instruments are factored in.

12. **Downside risks dominate Cameroon's external debt outlook.** Inadequate checks and balances in the contracting of new debt, combined with difficulties in tracking disbursements, have led to consistently higher actual external debt disbursement figures than had been projected initially. Moreover, any refinancing of external debt payments falling due with new external financing would add to the stock of such debt.

[4] According to the authorities, possible terms of the Eurobond issue are a maturity of ten years; a fixed interest rate; and a bullet repayment in year ten.

PUBLIC SECTOR DEBT SUSTAINABILITY

13. In line with previous DSAs, public debt is projected to rise significantly faster than external debt, reflecting continued recourse to domestic financing. Domestic borrowing will also be needed to cover financing gaps, which are projected to persist over the medium and long terms. Against this background, the PV of debt-to-GDP ratio is projected to breach the policy dependent benchmark of 38 percent in 2024, whilst averaging over 45 percent of GDP in 2021–35. The ratio of debt service to revenue and the PV of debt-to-revenue show similar strongly rising trends. This serves to reinforce the conclusions of elevated debt distress from the analysis of external debt developments.

CONCLUSIONS

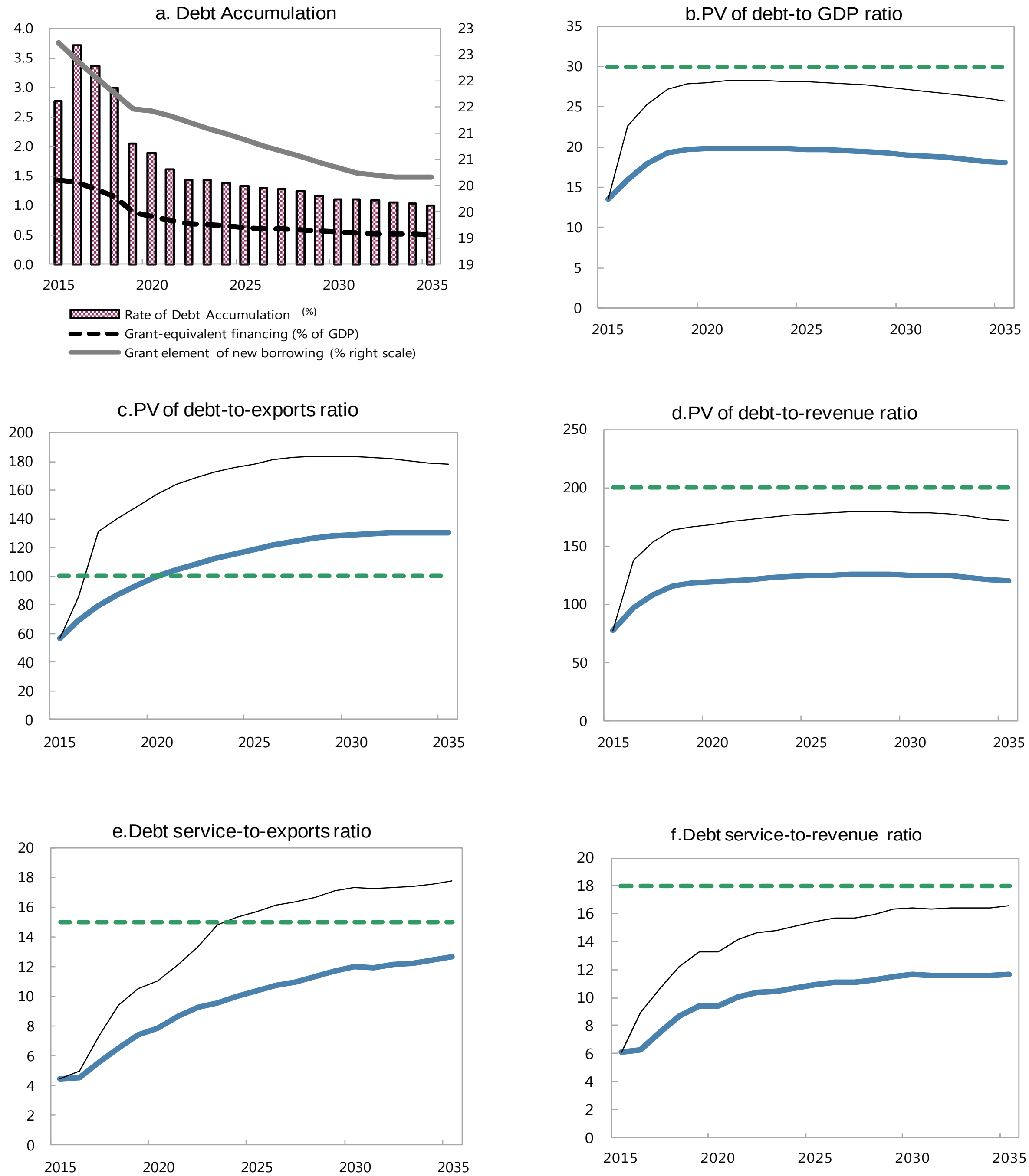
14. The acceleration in debt accumulation and the less favorable external environment give rise to an increase in the risk of external debt distress from "moderate" to "high." This is the result of the breach of the policy-dependent threshold in the case of the PV of debt-to-exports ratio under the baseline scenario. This development highlights the growing risks associated with the rapid accumulation of both external and domestic debt against a background of a structural terms-of-trade shock. Although Cameroon's current public debt ratio of 26.6 percent of GDP remains manageable, it is projected to double by 2030 on current trends. The less favorable outlook for oil prices compared to the previous DSA exacerbates the impact of the rising debt stock on key debt ratios. Moreover, increased reliance on external financing on non-concessional terms also entails higher debt service costs. These risks would manifest themselves yet more strongly in the event that the envisaged Eurobond issue goes ahead. Meanwhile, the projected outlook for domestic borrowing compounds the risk of debt distress, with the policy-dependent threshold for the PV of debt-to-GDP ratio also breached under the baseline scenario.

15. Staffs consider that a reorientation of debt policy is warranted in order to take account of the less favorable external environment and guard against vulnerabilities. Recommendations to improve debt sustainability and to reduce the risk of debt distress include:

- Anchoring fiscal policy to a pace of debt accumulation that does not cause a breach of any policy-dependent threshold under the baseline scenario;
- Making greater use of concessional borrowing;
- Monitoring debt developments more closely, especially for externally financed projects; and
- Implementing policies to improve debt management rigorously.

16. The authorities recognized the risks of debt distress and acknowledged the importance of enhanced debt management and the need to monitor debt developments more closely. At the same time, however, they considered that a more robust growth response than the one projected in the DSA from the public investment program should result in a more benign outlook for debt sustainability. They also undertook to make more progress in implementing technical assistance recommendations for debt management and budget reforms.

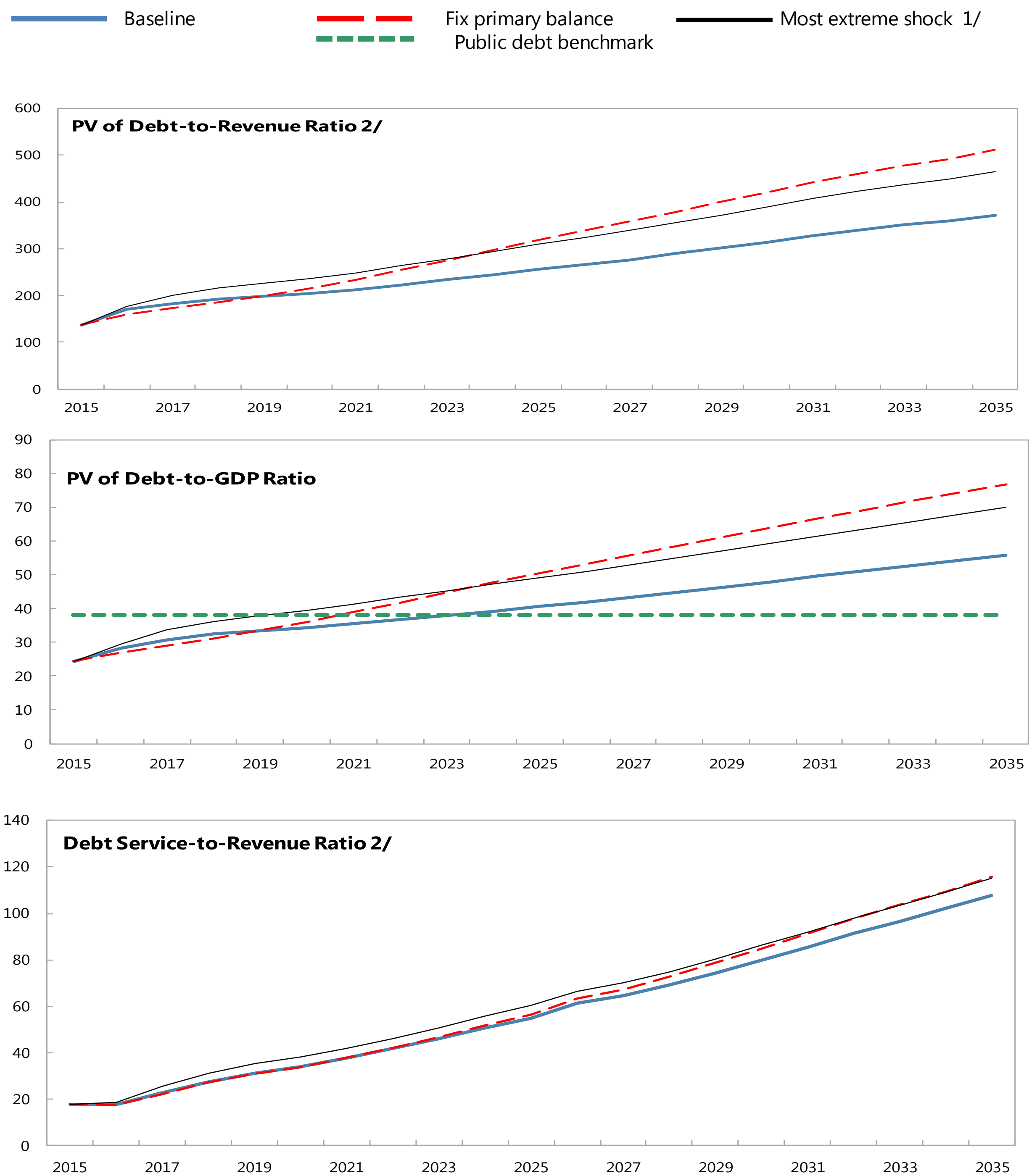
Figure 1. Cameroon: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios. 2015–35 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2025. In figure b. it corresponds to an exports shock; in c. to an exports shock; in d. to a one-time depreciation shock; in e. to an exports shock and in figure f. to a one-time depreciation shock.

Figure 2. Cameroon: Indicators of Public Debt Under Alternative Scenarios, 2015–35 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2025.
2/ Revenues are defined inclusive of grants.

Table 1. Cameroon: Public Debt Sustainability, Baseline Scenario, 2012–35

(Percent of GDP unless otherwise stated)

	Actual					Estimate	Projections								
	2012	2013	2014	Average 5/	Standard Deviation 5/	2015	2016	2017	2018	2019	2020	2015-20 Average	2025	2035	2021-35 Average
Public sector debt 1/	15.4	19.2	26.6			32.6	36.8	39.3	41.2	41.9	42.5	40.3	47.9	62.0	52.2
of which: foreign-currency denominated	8.9	12.2	17.8			21.7	24.5	26.6	28.0	28.2	28.1	27.1	27.1	24.2	26.2
Change in public sector debt	2.2	3.7	7.4			6.0	4.2	2.5	1.9	0.8	0.6		1.1	1.5	
Identified debt-creating flows	1.1	2.8	...			6.6	4.7	3.1	2.4	1.2	0.8		1.2	2.0	
Primary deficit	1.3	3.6	4.4	-3.2	11.0	4.9	6.7	5.1	4.5	3.3	3.0	4.6	2.7	3.2	2.9
Revenue and grants	17.9	18.1	18.4			17.8	16.7	16.7	16.8	16.9	16.8		15.9	15.0	
of which: grants	0.4	0.3	0.3			0.4	0.3	0.2	0.2	0.2	0.2		0.1	0.0	
Primary (noninterest) expenditure	19.2	21.8	22.8			22.6	23.4	21.8	21.4	20.1	19.7		18.6	18.2	
Automatic debt dynamics	-0.6	-1.0	...			1.7	-1.9	-1.9	-2.1	-2.0	-2.2		-1.6	-1.1	
Contribution from interest rate/growth differential	-0.6	-0.6	...			-1.5	-1.8	-1.7	-1.9	-1.8	-1.8		-1.5	-1.1	
of which: contribution from average real interest rate	0.0	0.2	...			-0.1	0.0	0.1	0.1	0.2	0.3		0.7	1.5	
of which: contribution from real GDP growth	-0.6	-0.8	...			-1.5	-1.8	-1.8	-2.0	-2.0	-2.1		-2.2	-2.6	
Contribution from real exchange rate depreciation	-0.1	-0.4	...			3.2	-0.1	-0.3	-0.2	-0.2	-0.4		...	...	
Other identified debt-creating flows	0.4	0.2	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	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 (specify, e.g. bank recapitalization)	0.4	0.2	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	1.1	0.9	...			-0.5	-0.5	-0.6	-0.6	-0.4	-0.2		0.0	-0.6	
Other Sustainability Indicators															
PV of public sector debt	...	...	18.2			24.4	28.3	30.6	32.4	33.4	34.2	31.8	40.6	55.9	45.2
of which: foreign-currency denominated	...	...	9.4			13.5	16.0	17.9	19.2	19.7	19.8		19.7	18.1	
of which: external	...	...	9.4			13.5	16.0	17.9	19.2	19.7	19.8		19.7	18.1	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	2.9	5.1	6.1			8.0	9.6	8.9	9.2	8.5	8.6		11.5	19.4	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	99.3			137.2	168.8	183.1	192.8	198.2	203.9	189.4	255.0	371.9	290.9
PV of public sector debt-to-revenue ratio (in percent)	...	...	100.8			140.2	171.7	185.8	195.1	200.2	205.8	191.7	256.4	372.8	292.1
of which: external 3/	...	...	52.2			77.8	97.2	108.5	115.7	117.9	119.1		124.5	120.4	
Debt service-to-revenue and grants ratio (in percent) 4/	8.9	8.4	9.2			17.9	17.7	22.7	27.7	31.4	33.9	26.7	55.0	107.7	70.9
Debt service-to-revenue ratio (in percent) 4/	9.1	8.5	9.4			18.3	18.0	23.1	28.0	31.7	34.2		55.3	108.0	
Primary deficit that stabilizes the debt-to-GDP ratio	-0.9	-0.1	-3.0			-1.1	2.5	2.5	2.7	2.5	2.4		1.6	1.7	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	4.6	5.5	6.0	3.7	1.3	6.0	5.9	5.0	5.4	5.2	5.2	5.4	4.9	4.6	4.8
Average nominal interest rate on forex debt (in percent)	2.4	3.2	1.6	1.9	0.7	1.5	2.0	2.3	2.5	2.6	2.6	2.3	2.8	3.1	2.9
Average real interest rate on domestic debt (in percent)	-0.5	0.2	-0.2	-1.2	1.2	-0.2	-0.3	0.1	0.2	0.6	1.0	0.2	2.4	3.7	2.8
Real exchange rate depreciation (in percent, + indicates depreciation	-0.7	-4.3	2.9	-1.0	6.9	19.4	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	3.0	1.4	1.9	2.7	1.0	1.8	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.0
Growth of real primary spending (deflated by GDP deflator, in percer	-0.8	19.4	11.0	3.0	6.7	5.0	8.8	-2.2	3.2	-0.9	3.3	2.9	4.0	4.4	4.3
Grant element of new external borrowing (in percent)	...	...	...	...	...	22.7	22.4	22.1	21.8	21.5	21.4	22.0	20.9	20.2	20.6

Sources: Country authorities; and staff estimates and projections.

1/ Public sector debt refers to net debt of the central government, augmented with identified publicly gauranteed debt in public enterprises.

2/ 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.

3/ Revenues excluding grants.

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

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 2. Cameroon: Sensitivity Analysis for Key Indicators of Public Debt, 2015–35

	Projections							
	2015	2016	2017	2018	2019	2020	2025	2035
PV of Debt-to-GDP Ratio								
Baseline	24	28	31	32	33	34	41	56
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	24	21	17	13	9	6	-7	-27
A2. Primary balance is unchanged from 2015	24	27	29	31	34	36	51	77
A3. Permanently lower GDP growth 1/	24	28	31	33	34	35	42	62
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2016-20	24	30	34	36	38	39	49	70
B2. Primary balance is at historical average minus one standard deviations in 2016-201	24	29	34	35	36	37	42	56
B3. Combination of B1-B2 using one half standard deviation shocks	24	25	26	29	31	32	42	63
B4. One-time 30 percent real depreciation in 2016	24	33	35	36	37	37	43	58
B5. 10 percent of GDP increase in other debt-creating flows in 2016	24	36	38	40	40	41	46	59
PV of Debt-to-Revenue Ratio 2/								
Baseline	137	170	183	193	198	204	255	372
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	137	123	100	76	55	36	-43	-179
A2. Primary balance is unchanged from 2015	137	160	174	186	199	214	318	510
A3. Permanently lower GDP growth 1/	137	169	183	193	199	206	265	415
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2016-20	137	177	201	215	225	235	309	465
B2. Primary balance is at historical average minus one standard deviations in 2016-201	137	175	203	211	215	219	265	373
B3. Combination of B1-B2 using one half standard deviation shocks	137	151	155	171	181	191	264	420
B4. One-time 30 percent real depreciation in 2016	137	199	209	215	218	221	268	386
B5. 10 percent of GDP increase in other debt-creating flows in 2016	137	218	230	237	240	243	287	390
Debt Service-to-Revenue Ratio 2/								
Baseline	18	18	23	28	31	34	55	108
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	18	18	22	25	28	30	47	98
A2. Primary balance is unchanged from 2015	18	18	22	27	31	34	57	116
A3. Permanently lower GDP growth 1/	18	18	23	28	31	34	56	113
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2016-20	18	18	24	29	34	36	60	118
B2. Primary balance is at historical average minus one standard deviations in 2016-201	18	18	23	28	32	34	56	108
B3. Combination of B1-B2 using one half standard deviation shocks	18	18	23	27	31	34	56	114
B4. One-time 30 percent real depreciation in 2016	18	19	26	31	35	38	60	115
B5. 10 percent of GDP increase in other debt-creating flows in 2016	18	18	24	30	33	35	58	109

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

Table 3a. Cameroon: External Debt Sustainability Framework, Baseline Scenario, 2015–35

(Percent of GDP unless otherwise indicated)

	Actual			Historical [6/]	Standard [6/]	Projections									
				Average	Deviation							2015-2020			2021-2035
	2012	2013	2014			2015	2016	2017	2018	2019	2020	Average	2025	2035	Average
External debt (nominal) 1/	**8.9**	**12.2**	**17.8**			**21.7**	**24.5**	**26.6**	**28.0**	**28.2**	**28.1**	27.1	**27.1**	**24.2**	26.2
of which: public and publicly guaranteed (PPG)	8.9	12.2	17.8			21.7	24.5	26.6	28.0	28.2	28.1		27.1	24.2	
Change in external debt	1.5	3.3	5.6			4.0	2.8	2.0	1.4	0.2	-0.1		-0.2	-0.3	
Identified net debt-creating flows	1.8	2.5	2.9			2.7	3.3	2.8	2.2	1.0	0.8		0.3	0.2	
Non-interest current account deficit	**3.4**	**3.8**	**4.2**	**1.9**	**1.6**	**4.8**	**4.9**	**4.7**	**4.6**	**4.6**	**4.5**		**4.4**	**3.0**	3.9
Deficit in balance of goods and services	2.9	3.3	3.4			3.8	4.1	4.2	4.1	4.2	4.2		4.0	2.6	
Exports	27.9	27.2	27.2			24.0	23.0	22.5	22.1	21.1	19.8		16.6	13.8	15.8
Imports	30.8	30.4	30.6			27.8	27.1	26.7	26.2	25.3	24.0		20.6	16.4	
Net current transfers (negative = inflow)	-1.0	-1.1	-1.1	-1.5	0.6	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7		-0.6	-0.6	-0.6
of which: official	-0.3	-0.3	-0.3			0.0	0.0	0.0	0.0	0.0	0.0		-0.1	-0.1	
Other current account flows (negative = net inflow)	1.5	1.6	2.0			1.7	1.5	1.3	1.2	1.1	1.1		1.1	1.0	
Net FDI (negative = inflow)	**-1.8**	**-0.7**	**-0.6**	**-3.7**	**7.9**	**-1.3**	**-1.0**	**-1.4**	**-1.7**	**-2.9**	**-3.1**		**-3.5**	**-2.5**	-3.2
Endogenous debt dynamics 2/	**0.2**	**-0.6**	**-0.7**			**-0.9**	**-0.6**	**-0.6**	**-0.7**	**-0.7**	**-0.7**		**-0.5**	**-0.3**	
Contribution from nominal interest rate	0.2	0.3	0.2			0.3	0.4	0.5	0.6	0.7	0.7		0.7	0.7	
Contribution from real GDP growth	-0.3	-0.4	-0.7			-1.2	-1.0	-1.1	-1.3	-1.4	-1.4		-1.3	-1.0	
Contribution from price and exchange rate changes	0.4	-0.4	-0.2			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-0.4**	**0.8**	**2.7**			**1.3**	**-0.5**	**-0.7**	**-0.8**	**-0.8**	**-0.9**		**-0.5**	**-0.5**	
of which: exceptional financing	0.3	-0.3	0.2			-0.2	-0.2	-0.5	-0.7	-0.9	-0.8		-0.4	-0.2	
PV of external debt 4/	...	...	9.4			13.5	16.0	17.9	19.2	19.7	19.8	18.5	19.7	18.1	19.2
In percent of exports	...	...	34.7			56.4	69.5	79.5	87.0	93.3	99.9	85.8	118.6	130.7	122.6
PV of PPG external debt	**...**	**...**	**9.4**			**13.5**	**16.0**	**17.9**	**19.2**	**19.7**	**19.8**		**19.7**	**18.1**	
In percent of exports	**...**	**...**	**34.7**			**56.4**	**69.5**	**79.5**	**87.0**	**93.3**	**99.9**		**118.6**	**130.7**	
In percent of government revenues	**...**	**...**	**52.2**			**77.8**	**97.2**	**108.5**	**115.7**	**117.9**	**119.1**	111.7	**124.5**	**120.4**	123.6
Debt service-to-exports ratio (in percent)	**1.7**	**1.9**	**2.5**			**4.4**	**4.5**	**5.5**	**6.5**	**7.4**	**7.9**		**10.4**	**12.7**	
PPG debt service-to-exports ratio (in percent)	**1.7**	**1.9**	**2.5**			**4.4**	**4.5**	**5.5**	**6.5**	**7.4**	**7.9**	6.4	**10.4**	**12.7**	11.1
PPG debt service-to-revenue ratio (in percent)	**2.6**	**2.8**	**3.8**			**6.1**	**6.3**	**7.6**	**8.7**	**9.4**	**9.4**	8.3	**10.9**	**11.7**	11.1
Total gross financing need (Billions of U.S. dollars)	0.6	1.0	1.4			1.3	1.5	1.5	1.6	1.3	1.3		1.5	2.7	
Non-interest current account deficit that stabilizes debt ratio	2.0	0.5	-1.4			0.9	2.1	2.7	3.2	4.3	4.7		4.6	3.3	
Key macroeconomic assumptions															
Real GDP growth (in percent)	4.6	5.5	6.0	3.7	1.3	5.9	5.2	5.0	5.4	5.2	5.2	5.3	4.9	4.6	4.8
GDP deflator in US dollar terms (change in percent)	-4.8	4.8	1.9	3.5	5.4	-14.7	2.4	3.1	3.0	2.8	3.5	0.0	2.0	2.1	2.0
Effective interest rate (percent) 5/	2.4	3.2	1.6	1.8	0.7	1.5	2.0	2.3	2.5	2.6	2.6	2.3	2.8	3.1	2.9
Growth of exports of G&S (US dollar terms, in percent)	-2.0	7.8	8.1	10.5	17.2	-20.4	3.4	5.9	6.7	3.2	2.5	0.2	3.9	4.9	4.4
Growth of imports of G&S (US dollar terms, in percent)	-0.7	9.2	8.6	10.6	14.6	-18.0	5.2	6.5	6.8	4.3	3.4	1.3	4.2	4.0	4.3
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	22.7	22.4	22.1	21.8	21.5	21.4	22.0	20.9	20.2	20.6
Government revenues (excluding grants, in percent of GDP)	17.5	17.8	18.1			17.4	16.5	16.5	16.6	16.7	16.6		15.8	15.0	15.6
Aid flows (in Billions of US dollars) 7/	0.5	0.4	0.4			0.3	0.4	0.3	0.3	0.3	0.3		0.2	0.4	
of which: Grants	0.1	0.1	0.1			0.1	0.1	0.1	0.1	0.1	0.1		0.0	0.0	
of which: Concessional loans	0.4	0.3	0.3			0.2	0.3	0.3	0.2	0.2	0.2		0.2	0.3	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			1.4	1.4	1.3	1.1	0.9	0.8		0.6	0.5	0.6
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			28.7	26.5	26.0	25.3	25.4	25.2		23.3	21.4	22.8
Memorandum items:															
Nominal GDP (Billions of US dollars)	26.5	29.3	31.6			28.6	30.8	33.3	36.2	39.1	42.6		60.2	116.7	
Nominal dollar GDP growth	-0.5	10.6	8.0			-9.7	7.7	8.3	8.6	8.2	8.9	5.3	7.1	6.7	6.9
PV of PPG external debt (in Billions of US dollars)			3.0			3.9	4.9	6.0	7.0	7.7	8.4		12.0	21.2	
(PVt-PVt-1)/GDPt-1 (in percent)						2.8	3.7	3.4	3.0	2.0	1.9	2.8	1.3	1.0	1.2
Gross workers' remittances (Billions of US dollars)	0.4	0.5	0.5			0.4	0.5	0.5	0.5	0.5	0.6		0.7	1.2	
PV of PPG external debt (in percent of GDP + remittances)	...	...	9.3			13.3	15.8	17.6	19.0	19.4	19.5		19.5	17.9	
PV of PPG external debt (in percent of exports + remittances)	...	...	32.7			52.9	65.2	74.6	81.8	87.6	93.5		110.6	121.7	
Debt service of PPG external debt (in percent of exports + remittance	...	...	2.4			4.2	4.2	5.2	6.1	7.0	7.4		9.7	11.8	

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)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

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

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

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

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

8/ 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).

Table 3b. Cameroon: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2015–35

(Percent)

	Projections							
	2015	2016	2017	2018	2019	2020	**2025**	2035
PV of debt-to-GDP+remittances ratio								
Baseline	13	16	18	19	19	20	**19**	18
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	13	11	9	7	5	3	**-4**	-10
A2. New public sector loans on less favorable terms in 2015-2035 2/	13	17	20	22	23	24	**27**	30
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	13	16	19	20	20	21	**21**	19
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	13	18	23	24	25	25	**23**	19
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	13	16	19	21	21	21	**22**	20
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	13	20	26	27	27	27	**25**	20
B5. Combination of B1-B4 using one-half standard deviation shocks	13	17	22	23	24	24	**23**	20
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	13	22	25	27	27	27	**28**	25
PV of debt-to-exports+remittances ratio								
Baseline	53	65	75	82	88	94	**111**	122
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	53	46	38	29	22	14	**-25**	-68
A2. New public sector loans on less favorable terms in 2015-2035 2/	53	70	85	96	106	116	**153**	202
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	53	65	75	82	88	94	**111**	123
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	53	80	122	130	137	145	**163**	163
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	53	65	75	82	88	94	**111**	123
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	53	80	107	116	122	129	**142**	136
B5. Combination of B1-B4 using one-half standard deviation shocks	53	66	86	97	103	110	**127**	133
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	53	65	75	82	88	94	**111**	123
PV of debt-to-revenue ratio								
Baseline	78	97	109	116	118	119	**125**	120
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	78	68	55	41	29	18	**-28**	-68
A2. New public sector loans on less favorable terms in 2015-2035 2/	78	105	123	136	142	147	**172**	200
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	78	100	114	122	124	126	**132**	128
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	78	109	143	148	149	149	**149**	131
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	78	102	119	127	130	131	**138**	133
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	78	122	159	164	164	164	**160**	135
B5. Combination of B1-B4 using one-half standard deviation shocks	78	106	135	142	144	144	**148**	136
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	78	137	153	164	167	168	**177**	172

Table 3b. Cameroon: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2015–35 (concluded)

(Percent)

Debt service-to-exports ratio								
Baseline	4	5	6	7	7	8	**10**	13
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	4	5	5	5	5	5	**2**	-4
A2. New public sector loans on less favorable terms in 2015-2035 2/	4	5	5	6	7	7	**12**	19
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	4	5	6	7	7	8	**10**	13
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	4	5	7	9	11	11	**16**	18
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	4	5	6	7	7	8	**10**	13
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	4	5	6	8	9	9	**14**	15
B5. Combination of B1-B4 using one-half standard deviation shocks	4	5	6	7	8	9	**12**	14
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	4	5	6	7	7	8	**10**	13
Debt service-to-revenue ratio								
Baseline	6	6	8	9	9	9	**11**	12
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	6	6	7	7	7	6	**2**	-3
A2. New public sector loans on less favorable terms in 2015-2035 2/	6	6	7	8	9	9	**13**	17
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	6	6	8	9	10	10	**12**	12
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	6	6	8	10	11	11	**13**	13
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	6	7	8	10	10	10	**12**	13
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	6	6	8	11	11	11	**14**	14
B5. Combination of B1-B4 using one-half standard deviation shocks	6	7	8	10	11	11	**13**	13
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	6	9	11	12	13	13	**15**	17
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	16	16	16	16	16	16	**16**	16

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Statement by Mr. Yambaye, Executive Director for Cameroon
November 18, 2015

My Cameroonian authorities would like to thank staff for the constructive discussions held in Douala and Yaoundé during the mission, and for the useful analysis and recommendations highlighted in the report. The Cameroonian economy has shown resilience in recent years amid a challenging global environment owing to its relatively diversified base. The declining oil prices and aggravated security situation pose significant risks to the outlook. However, the authorities remain optimistic on their capacity to continue to weather these shocks.

The authorities are mindful that much remains to be done, including maintaining a robust growth rate and improving social indicators necessary to fulfill the ambitious 2035 development agenda. Against this backdrop, the authorities have reservations about the staff's appraisal, especially as regards the public investment program and debt dynamics. In this vein, they would like to reflect further on their decision to consent to the publication of the staff report.

I – Recent Economic Developments

Cameroon's macroeconomic performance has been significantly resilient against severe oil prices drop and security challenges related to the terrorist activities of Boko Haram in the Lake Chad region. Despite this difficult environment, output increased by 5.9 percent in 2014 and is projected to inch higher in 2015, to 6 percent, well above regional and SSA averages; driven mostly by large public investments in the context of the 2035 development agenda, and higher oil production. Inflation remains subdued, below the CEMAC's convergence threshold of 3 percent.

While the fiscal deficit has increased to 4.8 percent of GDP in 2014, owing in large part to reduced revenues from the oil price shock and increase in current expenditures, it remains nevertheless manageable with regards to long-term sustainability.

The authorities concur with staff that developing Cameroon's growth potential requires continuous reforms, including in the fiscal and public finance management areas. Likewise, for the medium term, they will continue to step up their efforts in tackling impediments to growth, notably strengthening the financial sector, improving the business environment and pursuing infrastructure development.

II – Medium Term Policies and Reforms

The authorities are optimistic about the medium-term prospects in view of the efforts to improve macroeconomic indicators and the reform agenda. As regard oil production, the figures for 2015 and forward are set well above the 2014 level and could help offset the effect of the price decline. Regarding the security situation, the authorities will pursue counter-terrorism operations while maintaining fiscal sustainability.

Fiscal policy will be geared toward increasing non-oil revenue and providing more resources to priority spending while strengthening public financial management and preserving debt sustainability. On the spending side, the fiscal program will prioritize projects near completion over new ones, with an emphasis on private sector-enhancing investments, including in sectors of power generation and water supply. The continued low oil prices will help bring down further the petroleum subsidies, thereby reducing current spending.

On the revenue side, non-oil tax and customs revenue are expected to increase considerably on grounds of enhanced tax and customs administrations, as well as increased activity in construction. Fiscal reforms will also focus on strengthening public finance management. In that regards, they agree with staff on the need to improve the monitoring, accounting and reporting of public spending. Likewise, they see merit in staff recommendations to improve expenditure control, which they seek to achieve through the implementation of a new information technology architecture connecting the civil service register to the payroll.

The financial sector remains broadly sound. Banks are highly profitable, liquid and continue to grow robustly both in terms of assets and credit provisions. The authorities are mindful and committed to address the non-performing loans (NPLs) in three small banks and microfinance institutions. They attribute the increase in NPLs to a stricter loan portfolio management in one of the banks and a more stringent risk management in the second one. The authorities intend to work closely with local and regional regulatory institutions, including BEAC, CEMAC, and COBAC to address these vulnerabilities in a holistic manner. In the same vein, they will step up efforts to adopt the necessary legislations to implement country-wide banking regulations recommended by the regional banking supervision body (COBAC).

Enhancing public investment, especially in infrastructure, is a core strategy for the authorities to increase the private sector participation and lay the ground for the country's progress towards emerging economy status by 2035. To this end, the authorities concur with staff that projects near completion should be prioritized. They will also consider other projects previously identified as strategic investments in their development agenda. They are of the view that the return on these public investments will outpace costs going forward. The government's public investment program will go hand in hand with its effort to improve the other aspects of the business climate, improve competitiveness and enhance regional integration. In these efforts, the authorities will continue to monitor and maintain long-term debt sustainability.

The authorities agree with staff on the need for a better monitoring and oversight of state-owned enterprises, including SONARA, with the view to enhance their contribution to output and put them on a stronger financial footing. This will also prevent inflows of SOE's contingent liabilities to the public budget.

III – Debt Sustainability

The Cameroonian authorities remain committed to maintain debt sustainability and will continue their efforts to improve debt management, as they move ahead with their strategy to bolster growth and economic diversification. In that regard, while public debt has increased recently due to the financing of highly needed public investments, it should be noted that external public debt and total public debt remains relatively low at 21.7 percent and 32.6 percent of GDP in 2015 respectively.

Unlike staff, my authorities consider that this level of debt is sustainable and should not be a matter of concern. Furthermore, they believe that given the low indebtedness, there is financing space to pursue a steady implementation of the investment program, and they do not think that the recent issuance of the Eurobond would affect long-term debt sustainability as the debt ratio will remain moderate.

As noted above, my Cameroonian authorities remain committed to prudent debt management in their efforts to achieve sustainable growth. That said, it is worth noting that obtaining financial grants or concessional loans to finance vital investment projects has become increasingly difficult. The authorities will, nevertheless, always endeavor to secure concessional financing as much as possible, and will contract non-concessional loans only in the absence of such concessional resources and for projects that are of critical importance for the country's growth and development objectives. Debt sustainability will also be predicated on a more careful investment-growth nexus analysis to better gauge the potential effects of the undertaken investments on growth over the medium to long term.

Conclusion

Cameroon is at a crossroads of significant challenges. The authorities strongly believe that their development plans are sensible and are based on maintaining strong macroeconomic stability. They are committed to prudent policies aimed at ensuring strong and inclusive growth. Their efforts will also encompass addressing forcefully the security issues. In their endeavors, the authorities appreciate staff advice and useful recommendations.